KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI

COLLEGE OF HUMANITIES AND SOCIAL SCIENCES

DEPARTMENT OF ECONOMICS

ISSUES AND CHALLENGES OF EXPORT DIVERSIFICATION IN GHANA: FIRM LEVEL ANALYSIS

BY

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DECLARATION

I hereby declare that the submission of this compilation is the true findings of my own researched work presented towards an award of a second degree in the Masters of Science in Economics and that, to the best of my knowledge, it contains no material previously published by another person nor submitted to any other University or institution for the award of degree except where due acknowledgement has been made in text .However, references from the work of others have been clearly stated.

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DEDICATION

This final thesis is dedicated to God Almighty for providing me with His mercies of travelling throughout this academic pursuit. It is also dedicated to my lovely wife, Vida Adoma and to all my children, Kwame Adoma- Boateng, Prince Asante-Adoma and Aya Adom-Okyerekua.

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ABSTRACT

The Diversification-Led Growth Hypothesis predicts that countries can make significant gains from international trade if they diversify their economies. In the light of this,

Diversification of Export was one of the explicit aims of the Structural Adjustment Programme launched in 1986 in Ghana. NTEs were to be instrumental in restoring Ghana's BOP by increasing total exports earnings. Available statistics indicate that the performance of the sector against the traditional sector is below expectation. The study therefore examined the issues and challenges of export diversification at the firm level. SWOT analysis and descriptive statistical tools and analysis were used to examine the policy reforms and trends of export diversification respectively. The Herfindhal and Entropy Indexes were also adopted to determine the degree of specialization in the NTE sector. Finally, a survey work was carried out and using the, Best-Minus-Worst Scores, challenges confronting the NTE sector at the firm level were identified. It became evident that, in spite of many policy reforms by successive governments, the sector's contribution to total export and GDP growth has been modest because of low supply capacity and ad hoc implementation of policy reforms. The processed and semi-processed sub-sector holds promise for the country's export diversification drive. The NTE sector is highly specialized with agriculture and handicraft sub-sectors still underdeveloped. The sector is also constraint by access to credit, high tariffs and taxes and meeting stringent international standards. It was recommended that reforms should be multi-sectorial and involve all levels of the Ghanaian society. Also, there should be re-diversification into agriculture and handicraft sub-sectors and further diversification into products with huge prospects to increase export quantities and values such as cashew nut.

Finally, there should be improvement in access to credit, reduction of tariffs and taxes and Ghanaian exporters should familiarize themselves with the standards required by their foreign partners.

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LIST OF ABBREVIATIONS

AGOA	African Growth Opportunity Acts
CEPS	Customs Excise and Preventive Service
CET	Common External Tariff
CSCEEF	Commodity–Specific Cumulative Export Experience Function
DLGH	Diversification-Led Growth Hypothesis
DSD	Degree of Specialization and Diversification
ECOWAS	Economic Community of West African States
EDAIF	Export Development Agriculture and Industrial Fund
EDIF	Export Development and Investment Fund
EI	Entropy Index
ELGH	Export-Led Growth Hypothesis
EPA	Economic Partnership Agreement
EPZs	Export Processing Zones
ERP	Economic Recovery Programme
EU	European Union
FDI	Foreign Direct Investment
GATT	General Agreement on Trade and Tariff
GDFCF	Gross Domestic Fixed Capital Formation
GDP	Gross Domestic Product
GNP	Gross National Product
GEC	Ghana Export Company
GEPA	Ghana Export Promotion Authority
GEPC	Ghana Export Promotion Council
GFZB	Ghana Free Zones Board
GNCCI	Ghana National Chamber of Commerce and Industry
GNP	Gross National Product
GSA	Ghana Standard Authority
GSC	Ghana Shippers Council
GSP	Generalized System of Preference
GTFC	Ghana Trade Fair Company
HECI	Herfindhal Export Concentration Index

HO	Heckscher-Ohlin
HOS	Heckscher-Ohlin Samuelson
ICT	Information Communication Technology
ISSER	Institute of Statistical Social Economic Research
IT	Information Technology
LDCs	Less Developed Countries
MOFA	Ministry of Food and Agriculture
MOTI	Ministry of Trade and Industry
NES	National Export Strategy
NGOs	Non-Governmental Organization
NLC	National Liberation Council
NLCD	National Liberation Council Degree
NTEs	Non-Traditional Exports
OTP	Overseas Trade Promotions
R&D	Research and Development
SAP	Structural Adjustment Programme
TSS	Trade Support Service
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
US	United States
WDI	World Development Indicators
WTO	World Trade Organization

CHAPTER ONE

INTRODUCTION

1.1 Background

The Diversification-Led Growth Hypothesis (DLGH) predicts that, if countries are able to diversify their economies and depend less on primary export commodities, they can make significant gains from international trade. Thus, the call for diversification of export is based on the fact that, it increases the potential for generating spillovers, reduce vulnerability to sharp declines in terms-of-trade and generally stabilizes income volatility for countries (Lederman and Maloney, 2007). Against the backdrop of the DLGH, many developing and emerging market economies such as China, India, East Asian "Tigers", among several other examples, chalked substantial gains in economic growth due to optimum priority to export different goods and services to different markets. This has renewed the call for developing countries to widen their export net and diversify export into new products and new markets. According to (Kamuganga, 2012), countries that are able to introduce new products within existing industries, add value to export commodities and access different market opportunities are likely to experience accelerated economic growth.

The role of export diversification in boosting aggregate real economic activity has attracted attention among international economic researchers such as Gutiérrez-de-Piñeres and Ferrantino, (2000), Feenstra and Kee (2004) and (Sannessee, 2014). In this regard, several empirical studies have been conducted to investigate whether export diversification has significant impact on economic growth. According to Kamuganga (2012), diversification of exports involves a move away from the enclave economies of single commodity exports into a diversified non-traditional basket of new products and new markets. On the other hand, economic growth may be defined to mean overtime percentage change in real GDP

of a country. Dornbusch, et al. (1994) asserts that economic growth occurs when a nation's production possibility frontier shifts outward and this focuses on the expansion of productive capacity over time.

Traditionally, most African countries depended on few export commodities for their foreign exchange. This diminished Africa's importance in world trade and further deepened the poverty situation on the continent (Honeck & Akhtar, 2014). As a result, diversification into non-traditional export crops (NTEs) has often been advocated as a viable strategy for African countries to stabilize their balance of payments and stimulate economic growth. Failure to diversify according to Yeats and Ng (2002) has resulted in continues marginalization, fall in global demand for these exports and diminished growth in industrialization. Ndulu, et al (2007) note that one peculiar characteristic of African growth is its persistent volatility, mainly as a result of lack of structural diversification and dependence on a narrow range of primary commodities implying, during periods of global commodity price shocks, many countries are vulnerable. Hausman, et al (2006), developed an indicator that measures the productivity associated with a country's export basket. Their research concluded that Africa needs to diversify its export base away from less sophisticated primary commodities into high-productivity sectors such as manufacturing in order to enjoy faster growth. Undoubtedly, for LDCs to ensure market penetration and avoid persistent structural imbalance between exports and imports, it makes economic sense to upgrade and diversify their exports through appropriate industrial policies (UNCTAD, 2008; Carletto et al, 2009).

In view of this, export diversification has been pushed as an economic development strategy for Sub-Saharan Africa over the last three decades. As they state,

"diversification" has become a commonplace goal of economic policy in LDCs (Brainard and Cooper, 1968). In particular, Ghana has since the mid-1980s tried diversifying into the so-called non-traditional export commodities such as vegetables, cassava, pineapples, salt, handicrafts, fruit, meat, fish, bee products, herbs, spices, nuts, essential oils etc. The export and import Act 503 has defined non-traditional exports as follows; a) agricultural products, except cocoa beans b) timber products other than logs and lumber and c) unprocessed gold, other minerals and electricity. This definition has been given to rationalize and ensure easy national accounting and to direct and mobilize resources support to the sector (GEPC, 1998).

Dubbed, Structural Adjustment Programme (SAP), the first major policy reform that was implemented in Ghana to promote export diversification included trade liberalization, privatization, and export promotion (Akyeampong, 2009). Export diversification thus, became a major component of the Structural Adjustment Programme in 1986. Apart from this, other initiatives such as the African Growth Opportunity Act (AGOA), Presidential Special Initiatives (PSIs), Economic Partnership Agreement (EPA), ECOWAS Common External Tariffs, Product Development, Overseas Trade Promotions, among others, have been implemented to consolidate trade gains from trade liberalization. Once Ghana is on a developing trajectory, there is the need to continue to improve the performance of NTEs to be able to achieve enhanced economic growth.

1.2 Problem Statement

The Structural Adjustment Programme marked the beginning of trade liberalization and export promotion growth strategy in Ghana. At the prompting of the Bretton Woods institutions (World Bank/IMF) Ghana pursued SAPs with export diversification as one of its explicit aims. As a policy, the NTE sector became a 'priority sector' which served as a

tool for export diversification and foreign exchange earnings in the context of SAPs (Akyeampong, 2009). Thus, export diversification into non-traditional exports was supposed to play a dominant role in ensuring economic growth and development in Ghana. As a result, successive governments have put in place several policies to boost export diversification. The plank of these policies is to make NTEs instrumental in restoring the country's balance of payments by increasing total export earnings and reducing fluctuations in revenues from exports. NTEs became a separate category in the export statistics, to be distinguished from cocoa, gold, timber, that were labelled traditional exports (ISSER, 1996).

Relevant statistics for pre-Economic Recovery Programme (ERP) in 1983 indicate that NTEs contributed 9.28%, 4.99%, 2.79%, 1%, 30.1%, 15.65%, while traditional exports contributed 90.72%, 95.01%, 97.21%, 99.0%, 69.90%, 84.35%, and 67.43% to total exports in 1970, 1975, 1979, 1980, 1981 and 1982 respectively. Again, post-ERP statistics indicate that NTEs contribution to total exports was 2.23% and 6.03% in 1986 and 1990, while traditional exports contributed 97.77% and 93.97% over the same period.

Since the ERP era, NTEs have increased Ghana's export earnings from a modest amount of $2.4m in 1984 to $2.4b in 2014 (GEPA, 2014). However, NTEs have not been able to achieve the policy target of replacing traditional exports. A greater chunk of Ghana's export revenue still comes from cocoa, gold and timber, and earnings from NTEs have fluctuated at least as much as those from traditional sources. Overall, the contribution from oil, gold and cocoa, corresponds to over 80% of Ghana's total exports (Okudzeto et al, 2014).

It is clear that the contribution of these traditional commodities is not sufficient to sustain the level of growth that this economy is looking for. The trade balance in our national

accounts is still deficit and this is believed to be a major cause of increasing fiscal deficit and macroeconomic volatility. The policy direction should be to reduce the magnitude of the trade deficit through alternative source of export earnings. It is reckoned that NTEs should grow exponentially to augment contribution from the traditional sector. However, the statistics indicate that the performance of NTEs against traditional exports is below expectation. It is thus relevant to investigate issues and challenges of export diversification in Ghana that are preventing the success of NTEs in Ghana.

1.3 Objectives

The main objective of the study was to critically investigate the issues and challenges of export diversification to economic growth in Ghana. The study specifically seeks to achieve the following objectives:

i. Examine the Policy Reforms and Institutional Management of Export Diversification in Ghana.
ii. Analyze the Trends of Export Diversification in Ghana.
iii. Investigate the Degree of Specialization and Diversification (DSD) of the Non-Traditional Export Sector in Ghana.
iv. Investigate the Challenges of Export Diversification at the firm level in Ghana.

1.4 Research Questions

This study seeks to address the following research questions:

i. What are the Policy Reforms and Institutional Framework of Export Diversification in Ghana?
ii. What are the Trends of Export Diversification in Ghana?
iii. What is the Degree of Specialization and Diversification of Non-Traditional Export

Sector in Ghana?

iv. What are the Challenges of Export Diversification in Ghana?

1.5 Significance of the Study

The crucial nature of the NTE sector in contributing to reduction in unemployment, stabilizing the adverse effects of export instability on terms of trade as well as stimulating GDP growth, is the reason why economists largely advocate for export diversification. It is therefore imperative to continuously look at the issues and challenges militating against the achievement of the sector's objectives in order to ensure sustainable development.

The findings of the study would be useful for stakeholders of the NTEs sector and other developmental agencies linked to the sector. Governmental institutions such as MOFA, MOTI, GEPA and firms operating within the sector and NGOs can adopt more innovative means of developing the sector. Again, there are few studies that have focused on export diversification in Ghana. The study contributes to the existing literature on export diversification.

1.6 Scope and Delimitation

In view of the significance of export diversification in the development plans of Ghana, the focus of the present study was to investigate the issues and challenges of NTEs sector in Ghana covering a period of 39 years (1986-2014). It is within this period that data are available and during this period many policy reforms associated with export diversification and export developments actually took place.

The survey study covered the challenges of export diversification at the firm level in the economy. As a result, the sample population selected for this part of the study was NTE

companies in the Brong Ahafo and Ashanti regions. Hence, the ability to generalize to the entire country was severely limited. However, the generalizability (External Validity) is catered for because the sample is similar in nature to the NTE companies in the other regions of the country.

1.7 Definition of Terms

Diversification of Export: Prebisch- Singer Hypothesis (1950) has stressed on the need for industrialization which has given priority to diversification from primary commodities because of unfavourable and declining terms of trade. Many countries that are commodity dependent or exhibit a narrow export basket often suffer from export instability arising from inelastic and unstable global demand (Hesse, 2008). Export diversification is seen as one way to alleviate these particular constraints. According to Kamuganga (2012), diversification of exports involves a move away from the enclave economies of single commodity exports into a diversified non-traditional basket of new products and new markets. This can occur through three major channels: new products to old markets; new products to new markets, and old products to new markets. Policies, strategies and institutional capacities are therefore built to support and facilitate the marketing and export of a variety of high–value products by the private sector.

Economic growth: Economic growth is the increase in the national income in real terms, not monetary terms; so that there will be more goods and services available. It is part of economic theory that explains the rate at which a country's economy grows over time. That is, the concept economic growth is usually measured as the annual percentage rate of growth of the country's major national income accounting aggregates, such as the Gross National Product (GNP) or the Gross Domestic Product (GDP) with appropriate statistical adjustment to discount the potentially misleading effects of price inflation. This means,

economic growth occurs when a nation's production possibility frontier shifts outward and this focuses on the expansion of productive capacity over time (Dornbusch, et al.,

1994). The measurement of economic growth as the annual percent change of Gross Domestic Product (GDP) has its advantages and drawbacks. National income or product is commonly expressed in terms of the aggregate value-added output of the domestic economy called gross domestic product. When the GDP of a nation rises, economists refer to it as economic growth.

Exports: An export is the sale of goods and services to a foreign country. Any written, electronic or visual disclosure, shipment, transfer or transmission of commodities, technology, information, technical data, assistance to any person or entity outside Ghana including Ghanaian citizens wherever they are is deemed as export. Export is a function of international trade whereby goods produced in one country are shipped to another country for future sale or trade. The sale of such goods adds to the producing nation's gross output. The ability to export goods helps an economy to grow by selling more overall goods and services. Countries want to be net exporters rather than net importers. Importing is not necessarily a bad thing because it gives citizens access to important resources and products not otherwise available or at a cheaper cost. If a country imports more than it exports, more money is leaving the country than is coming in through export sales. On the other hand, the more a country exports, the more domestic economic activity is occurring. Export promotes economic, business and industrial development to earn foreign exchange and ensures optimum utilization of available resources. More exports means more production, jobs and revenue. If a country is a net exporter, its gross domestic product increases, which is the total value of the finished goods and services it produces in a given period of time. In other words, net exports increase the wealth of a country.

Non-Traditional Exports: The concept of "non-traditional exports" refers to crops which are 'new' or exotic to Ghana (not produced traditionally in Ghana), or crops which have been traditionally produced for local consumption but have been introduced into the export net and now being exported in foreign markets. Ghana Export Promotion Council (GEPC) referring to the export and import Act 503 have defined non-traditional export as all other goods not classified as traditional export goods under this schedule but can be exported is simply classified as Non-traditional export goods (NTE's). Examples of non- traditional export crops are pineapples, handicrafts, salt, aluminium products, vegetables saps and extracts, oil seeds and nuts, meat and meat offal, horticultural products etc.

Traditional Exports: Based on Adam Smith's concept of division of labour and specialization for economic growth and development, and the Heckscher-Ohlin Samuelson (HOS) model of international trade, countries should specialize in producing those goods in which they have a comparative advantage. Ghana's exports were heavily concentrated on three sectors accounting for approximately 80 per cent of total exports (Okuzeto et al, 2014). Ghana Export Promotion Council (GEPC) referring to the export and import Act 503 has defined traditional export goods as those goods that are made up of cocoa beans, lumber and logs, unprocessed gold and other minerals and electricity.

1.8 Organization of the Study

The study was organized into six chapters. Chapter one introduces the work and provides a background of the entire study as follows: background, problem statement, objectives, research questions, significance, scope and delimitations and organization of the study. Chapter two entails a review of relevant literature both theoretical and empirical to establish the relationship between export diversification and economic growth and challenges of export diversification. Both export and macroeconomic models relevant to the current topic

were comprehensively reviewed. Chapter three looks at the methodology employed for the study which discusses the qualitative description and SWOT-Analysis used to examine the reforms, institutional management and trends of export diversification in Ghana. The chapter continues with the measurement of degree of specialization and diversification in the NTE sector using concentration ratios and the design of qualitative survey to identify the challenges of export diversification at the firm level. Chapter four presents the review and SWOT-Analysis of reforms and policy of diversification and the context environment within which these policies are operating over the study period. It presents the descriptive and SWOT-Analysis of elements of export diversification in terms of policy reforms, institutional framework and ongoing initiatives. Chapter five presents trends of export diversification, findings of the Degree of Specialisation and Diversification of NTE sector and the presentation and analysis of survey responses on the challenges of export diversification in Ghana from the firm's level. The chapter ends with discussion of results of the study. The summary of major findings, conclusion and policy recommendations have been presented in chapter six which is the final chapter of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter aims to develop a general framework for analyzing the link between export diversification and economic growth as well as challenges of export diversification. The first section reviews export diversification in the light of existing theories of trade and growth, and conceptualizes export diversification by reviewing the Diversification-Led Growth Hypothesis. The next was a critical review of the challenges of export diversification, taking into consideration recent and past studies on the factors that affect modest gains from export diversification. The last section reviewed empirical evidence

from cross-country and country studies on the contribution of export diversification to economic growth, followed by the chapter conclusion.

2.2 Trade Theories and Hypothesis

Trade theories, both classical and neo-classical are used by both advanced and less developed countries to direct industrial policy and trade (Sen, 2010). This section of the study reviews theories and hypothesis relating to trade and growth and provides explanations for the relationship between export diversification and economic growth.

2.2.1 The Classical (Traditional) Trade Theory

The classical trade theorists have made a powerful case of how exports contribute to accelerating growth of the economy. However, the critical question is how these traditional trade theories explain the nexus between export diversification and economic growth. The initial wave of favorable arguments with respect to trade were advanced by the classical school of economic thought that started with Adam Smith and subsequently enriched by the works of Ricardo, Torrens, John Stuart Mill in the first part of the nineteenth century (UN, 2001). Overall, the classical trade interventionists' theories advocated for the need to expand and promote exports. According to Samen, (2010), concerted effort towards promoting exports will help improve trade surpluses and drive accumulation of wealth and national mercantile power. In the Wealth of Nations, Smith espouses the advantages of international trade and advocates that international trade enables countries to sell the surplus of the goods they produced domestically to the foreign market and this leads to an increased international division of labor (Myint, 1958). The effect of increased division of labour is a rise in the productive efficiency of the factors of production and a corresponding increase in output. This is what Myint (1977), called Smith's "productivity doctrine", with regard to how international trade leads to an improvement in division of labour. In a way,

international trade is beneficial to a nation since it allows its producers to dispose of some of the surplus or unneeded amounts of the products in exchange for goods produced abroad that are demanded domestically (Kurz, 1992; Myint, 1977).

David Ricardo's contribution to the literature was the principle of comparative advantage, a build up to Adam Smith's absolute cost advantage theory. He argues that, exports allow for specialization in a country's comparative advantage and thereby making significant contribution to growth (Ricardo, 1817). Under this model, a country will quickly specialize in sectors in which it has a comparative advantage. It is widely held that each country has a comparative advantage in producing something, in exporting certain products, and that specialization in those export lines will generate "gains from trade". Under the traditional comparative advantage theory, what essentially counts is how good a country is at producing one good compared with another good (Samen, 2010).

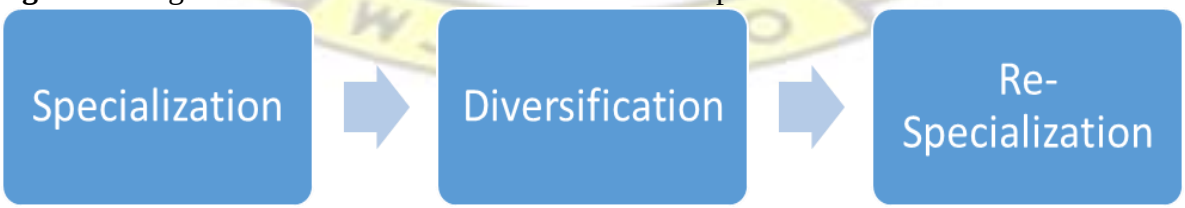
In the modern day trade literature, Heckscher and Ohlin (HO) focused on relative resource or factor abundance to explain trade, exports, and its evolution (Samen, 2010). Heckscher and Ohlin theory over the years has been particularly useful in explaining the trajectory of trade in developing countries. Other trade theories of comparative advantage have also emerged to explain trade based on other considerations such as perfect competition and economies of scale whose patterns of trade vastly differ from those predicted by classical trade theories (Sannassee et al., 2014; Krugman, 1980). All these modern theories advocated the need for international specialization to boost productivity. Particularly, the Heckscher-Ohlin Samuelson (HOS) model of international trade, posit that countries are likely to gain from international trade if they specialize in producing commodities they have comparative advantage.

Nevertheless, the phenomenon of globalization in recent times has seen changes in the patterns of trade from those predicted by the classical economists (Krugman, 1980).

Recent literature (Krugman, 1980; UNCTAD, 1996; Carletto et al, 2009 Samen, 2010; Sannassee et al, 2014; Gouvea and Gautam, 2015;) instead, has found that countries tend to diversify from sectorial concentration as they grow. It is now believed that economic growth and development may be achieved through export diversification (Sannasse et al 2014). In much of the related literature (Honeck & Akhtar, 2014; Brainard and Cooper, 1968; Sawers 2005; Hausman, et al., 2006; Ndulu, et al., 2007), it has been established that export concentration is a major contributor to volatility of terms of trade. Ali and Siegel (1991), have noted that, the process of export diversification seem to contradict the position of the traditional trade models. Much as specialization leads to greater allocative efficiency, a diverse export mix can potentially create stability in the economy. This stability can be achieved at the expense of the benefits to be derived from specialization.

The specialization versus diversification debate has been well explained by the influential work of Imbs and Wacziarg (2003) in identifying the stages of diversification in economic development. According to the authors, the stages of diversification in economic development follow a non-linear inverted U-Shaped, measured by GDP per Capita. In the first stage, less developed countries diversify as their income rise till it reaches a turning point and later become more specialized as their income increases. Thus, the following stages of diversification depend on the extent of economic development.

Figure 1: Stages of Diversification in Economic Development



Source: Imbs and Wacziarg (2000)

At the initial stage where there is high specialization, a country ought to widen its investment portfolios to attain the turning point by highly diversifying. The second stage of re-specialization is associated with advanced countries and some high income developing countries that have successfully diversified. According to Yokoyama and Alemu (2009), the first stage of concentration is associated with export of primary commodities whereas on the second stage of concentration, countries specialize in the production and export of high value added and knowledge intensive products. Given these stages, most African countries are still on the diversification phase because of low income.

The policy implication of the specialization-diversification debate is to replace the old oversimplified "rule" of specialization approach to growth with a new "rule" of diversification approach to growth. For developing countries, it would make sense to focus on diversification rather than the common notion of specializing in what a country produces at the least cost. This requires a mastery over a broader range of activities instead of concentrating on what one does best (Kaulich, 2012).

2.2.2 Portfolio Theory: Export Diversification under Uncertainty

Harry Markowitz with his work on Modern Theory of Portfolio Management has helped the concept of diversification to gain prominence. Export diversification strategies are based on the common adage that "don't put all your eggs in the same basket" but countries should spread risk more evenly across a number of industries (Hossein et al.
2009, Samen, 2010). This helps to reduce a country's dependence on a particular product or a very restricted range of primary products. Johnson et al. (2007) and Rodrik (2007) conclude that one of the key constraints to growth in Africa is the over-dependence on

narrow portfolio of export commodities. Many developing countries would benefit if they diversify their economies by selecting export portfolios that optimize market risks against anticipated returns.

Uncertainty in international trade has been represented in different ways in economic models. For example, basic portfolio choice theories have been employed to explain how risk-averse producers of primary commodities marginally reduce their output. This ensures that resources are released to other sectors that face less uncertain conditions. Love (1979), has used portfolio theory to quantify diversification benefits for a country while Strobl (2002), identified welfare gains derived from a more "optimal" export structure using mean-variance efficient frontier. Subsequent studies using HOS-based models focused on natural phenomena, especially periodic changes in weather conditions and its effects on agricultural production (Batra, 1975; Kemp, 1976). In this regard, growing industries will offer opportunities for employment in growing sectors and will as well compensate for employment losses in declining industries when the economy is diversified. Debreu (1959) and Arrow (1964), approaches to uncertainty in general equilibrium models have been incorporated into neoclassical models of international trade. Although models based on these approaches continue to associate uncertainty principally with unanticipated supply-side developments, these models are more comprehensive in their treatment of the elements of an integrated equilibrium for the world economy.

Throughout the literature, it has been maintained that, the production of primary commodities are exposed to greater risks than manufactured goods. The implications of this result for export diversification in less developed countries is that, profitability of producing primary commodities will continuously decline. As a result of the uncertainty surrounding the production of primary commodities and over-concentration of export, this

will tend to encourage less specialization in such goods as nations seek to expand their export base.

Along this line of thought, the so-called "portfolio effect" is a widely accepted argument in favor of export diversification (Gutiérrez-de-Piñeres and Ferrantino, 2000). The portfolio effect is often cited as a mechanism through which export diversification can lead to higher economic growth, given that a well-diversified export portfolio can reduce the instability of export earnings. This is desirable because, instability in a country's export earnings can have unfavorable effects on domestic variables. Notwithstanding the benefits to be derived from export diversification, Ricardo et al. (2006) have cautioned about the risks associated with the irreversibility of some productive investments, unlike what happens in the financial markets. Thus, it will be misleading to apply the principles of financial diversification to export diversification. In the former case, it is easier for an individual to construct a portfolio with a better expected return performance. However, in the latter case, even though the firm can still have a belief about future international prices, exchange rates and other relevant parameters, the expected rate of returns of such a project depends on both micro and macroeconomic conditions. Again, if low-income countries endowed predominantly with natural resources adopt policies to promote export diversification beyond its efficient bounds, they can experience adverse commodity terms of trade which will in turn affect their economic welfare.

2.2.3 Presbisch-Singer Hypothesis

The debate among Development Economists as to whether developing countries should specialize in the production and export of primary commodities has long persisted. The seminal work of Prebisch (1950) in Latin America in connection with this debate is a major addition to the literature. Contrary to the long held view by the Classical Economists that

terms of trade for primary-product exporting countries is likely to improve if they specialize, Prebisch and Singer (1950), argue that over concentration in primary commodities for export combined with a relatively slow rate of technical progress is the cause of ever-worsening structural imbalances in developing economies. According to Harvey et al. (2008) and Arzeki (2013), the Prebisch-Singer hypothesis is the proposition that the net barter terms of trade between primary commodities and manufactured commodities have been subject to a long-run downward trend.

Prebisch offers a supply side theory (Ghoshray et al, 2011) and argues that the price of primary commodities falls relative to the price of manufactured commodities in the long term, which adversely affects the terms of trade of primary product-exporting countries. What explains this phenomenon is that, manufactured goods have a greater income elasticity of demand than primary products. Therefore, an increase in income has a positive relationship with the demand for manufactured goods but inverse relationship with the demand for primary products. In addition, primary commodities tend to be price inelastic, so a decline in their prices causes reduction in export revenue rather than increase it. This hypothesis therefore suggests an unfair global market that perpetuates inequality in the world system with developing countries at the receiving end. This is important because many developing countries depend on a narrow portfolio of primary commodities to generate the majority of their export earnings and since prices do not keep pace with productivity, the supply side solution is for developing countries to industrialize and take advantage of technological progressiveness (Prebisch, 1950). Prebisch later argued that, developing countries can get out of this conundrum if they strive to develop their industrial sector, diversify their economies and depend less on primary commodities for exports.

Singer on the other hand concentrated on the demand side of the economy by looking at price and income elasticities (Singer, 1950). He argues that the influence of the manufacturing sector because of its monopoly status prevents prices of manufactured goods from declining. However, the low income elasticity of demand for primary commodities explains why prices of such products fall relative to manufacturing goods. Finally, technical progress in the manufacturing sector will ensure savings in rawmaterials and this will result in the decline in demand for primary products relative to manufacturing products (Cuddington, 2002). The major concern of Prebisch and Singer was the marked disparity of income between industrialized and developing countries in relation to international trade.

Cuddington (2002), presents Prebisch and Singer's ideas on three core issues: first, developing countries were indeed highly concentrated on production and export of primary commodities; second, that technological progress was mainly in industry; and finally, prices of primary commodities have declined relative to manufactured goods since the late 19th century. These issues indicate that developing countries have not benefited from international specialization along the lines of "static" comparative advantage and the needed technological breakthrough for their industrial development. Given the strong evidence of a long-run downward trend in the prices of their relevant export commodities, developing countries might explore diversification of its export portfolio to include manufacturing (Harvey et al, 2008). Fostering industrialization will help developing countries resolve such a dilemma (Cuddington, 2002). Although critics such as Jacob Viner (1953), G. M. Meier (1958), R. E. Lipsey (1963), Paul Bairoch (1975), and many others have statistically questioned the validity and relevance of the hypothesis, authors such as (Sapsford, 1985; Sarkar and Singer, 1991; Grilli, and Yang, 1988) have come up with strong statistical support for the hypothesis re-echoing its relevance especially on less developed countries.

In summary, the Prebisch–Singer Hypothesis presents a worrying phenomenon for developing countries that depend on a narrow range of primary commodities for their exports. If the hypothesis is taken as a fact, then its outcome is not good for the future of less developed countries. In most developing countries outside Africa, the export of manufactured commodities has taken over the export of primary commodities. This should have serious policy implications for some Sub-Sahara African countries that still overwhelmingly depend on few primary commodities for their export.

2.2.4 Export- Led Growth Hypothesis

The Export-Led Growth Hypothesis (ELGH) has singled out export growth as a key determinant of sustainable growth. It posits that the growth rate of an economy does not depend on only increasing quantity of labour and capital within the economy, but also on export-led strategy that ensures economic growth (UN, 2001). There are many determinants of economic growth and export is considered as one of the very important determining factors (Allaro, 2012). Hence, it is universally accepted as a key for countries who seek accelerated economic growth. Advocates of the ELGH present series of arguments that buttress export-oriented development strategies. The nexus between trade expansion and economic growth has therefore received considerable attention from development economists in recent times.

Export is an aggregate demand component and has positive effect on economic growth of each country. It can serve as "engine of growth" and therefore an expanded international trade has a huge influence on economic growth. International trade expansion creates other economic-benefits such as technological spillovers, increasing output, employment and other externalities. Economic growth is an extremely complex process and depends on many variables such as capital accumulation, trade, and political factors among others for

its measurements. The relationship between exports and growth is often attributed to the possible positive externalities that each creates on the domestic economy arising from participation in international trade. These positive externalities arise out of the reallocation of existing resources, economies of scale and various labour training effects.

According to (UN, 2001), substantial amount of studies concerning the ELGH in developing countries have been carried out during the past 30 years. Nevertheless, propositions from these studies have at best been mixed and often conflicting. Several authors that examined the ELGH could not theorize a unique relationship between export expansion and growth. Some perspectives on ELGH suggest export as an "engine of growth" while others opine that the ELGH is probably beneficial only for a limited number of developing countries, and only to a certain extent.

2.2.5 The Diversification-Led Growth Hypothesis

The concept of export diversification has attracted diverse opinions. For example, Cadot et al. (2007), Brenton and Newfarmer (2007) and, Besedes and Prusa (2008) have defined the concept as the export of new product varieties to existing or new destination markets or the export of existing product varieties to new markets. In effect, there is a "geographic and product level aspect of diversification" (Hossain and Chowdhury, 2014) and also involve the spread of production over many sectors (Berthelemy and Chauvin, 2000). Ali et al. (1991) explain export diversification to imply the change in the composition of a country's existing export product mix or export destination. A formal definition of export diversification should include both the broadening of economic export activities and the degree to which each sector contributes to the overall country's exports (Arawomo et al., 2014).

The question of how export diversification helps stimulate growth of developing countries has been at the center of the diversification-led growth debate (Sannassee, 2014). Many developing countries have adopted diversification as an export-led growth strategy and is seen as moving away from the enclave of traditional to non-traditional exports (Samen, 2010). It is often argued that higher diversification has a positive effect on economic growth but most advanced countries are more diversified in their production structures. Kamuganga (2012) advices that for successful economic transformation that guarantees wage employment, African economies should move away from narrow portfolio of single commodity exports and diversify their exports into new products and new markets. Africa can benefit from international trade, if its export portfolio, product quality and range of export markets are upgraded.

There is also the question as to why export diversification should be a policy concern. There is an emerging consensus in literature on why countries should diversify (Martincus and Gomez, 2009; Kamuganga, 2012; Samen, 2010; and Sannassee, 2014). Lederman and Maloney (2003), Herzer and Nowak-Lehnmann (2006) are of the view that sectorial concentration of exports have negative effects on economic growth. High sectorial concentration implies the economy becomes sensitive to sector-specific shocks and unsustained export revenues and growth rates (Dawe, 1996; Bleaney and Greenaway, 2001). As a result, countries that exhibit lower export diversification and volatile business cycles have lower exports and long term growth rates (Funke and Ruhwedel, 2001; Fatás, 2002). Again, over concentration on few commodities for exports hampers productivity growth (Feenstra and Kee, 2004). More specifically, high dependence on few exports as a source of revenue impact negatively on economic growth (Sachs and Warner, 1999; Lederman and Maloney, 2003) and that continuous dependent on few commodities for exports is not enough to guarantee sustained long-term growth (Songwe and Winkler,

2012). It has also been argued in the literature that, specializing in primary products in which natural resources account for a larger share of exports does not favor convergence (Prebisch, 1950; and Singer, 1950) and such countries are likely to experience the "Dutch disease" (Corden, 1980).

According to Lederman and Maloney (2007), diversification increases the potential for generating spillovers, whereas reliance on only a few exports generally has greater negative consequences for growth. Diversity in exports can reduce income volatility for countries with large populations living in poverty and reduce vulnerability to sharp declines in the terms-of-trade (Gylfason, 2001). Hesse (2009) asserts that export concentration is detrimental to per capita GDP growth in developing countries. This is because instability in a country's export earnings can have unfavorable effects on domestic variables such as government revenues, investment, import capacity, and producers' income. Love (1986) proposes that countries should avoid having heavy concentration of its exports on few commodities as this potentially reduces a nation's ability of partially offsetting fluctuations in some export sectors with counter fluctuations in other sectors. He concludes that export concentration is likely to have a positive and significant influence on instability of export earnings. Jansen (2004), demonstrates that to a large degree, income volatility in small economies is explained by high level of economic openness and by the lack of export diversification. Such countries would benefit if they further diversified their exports.

The theoretical literature suggests many benefits that diversification bring to the economy. It reduces terms of trade volatility, provides a broader base of exports, expands export revenues and enhances growth through many channels. Some of the channels include technological progress as well as learning by doing (emphasis is mine). In addition, export diversification facilitates forward and backward linkages and creates employment

insurance, with more diversified economies experiencing lower rate of unemployment in times of economic recession.

Even though what and why diversification occurs has been well debated in the literature, there exists no common agreement in theory and macroeconomic framework about how export diversification should happen (Bebczuk and Berrettoni, 2006). They argue that the decision to diversify should be spearheaded by firms in the private sector provided government influence is minimal on export markets. This will encourage diversification into sectors that are more intensive in technology thereby, leading to spillover effects. Undoubtedly, this will ensure efficiency in management, marketing and production practices. Hausman et al. (2006) have shifted the debate from export-based growth to the quality of exports and its impact on growth. To them "what a country exports matters" and that is what will guarantee sustained long-term growth. Africa needs to diversify into high-productivity sectors such as manufacturing in order to enjoy the full benefits of international trade. However, the challenge is the form of diversification beyond the natural resource sector that will bring the needed benefits. Apart from acquiring new markets for commodities, countries also need to expand and diversify exports to highvalue markets such as the US and EU.

According to Sannessee et al. (2014), export diversification can take place in two ways: exporting new products and exporting to new markets. The first involves increasing the number of commodities in the export basket exported to international markets. This effort requires discovering new products and moving up the value chain to produce products of higher value and sophistication. A second component of diversification relates to breaking into new geographical markets, i.e., expanding market reach for products that have already proven competitive. This involves providing solution to the main challenges that limit

export diversification in LDCs. Honeck and Akhtar (2014) have outlined the strategies of diversification as: Product diversification, Geographical diversification, Quality diversification, Goods-to-services diversification, Intermediate Goods Diversification and the implementation of trade policies that will enhance export. In much of the related literature, strategies of export diversification occur through three major channels: new products to old markets; new products to new markets, and old products to new markets. According to UNCTAD (2013), export diversification by LDCs into nontraditional sectors calls for vigorous investments to improve the quantity and the quality of their factor endowments.

Significantly, Sannassee, et al. (2014) have identified trade openness, human capital and Foreign Direct Investment (FDI) as the short run determinants of export diversification. Diversification is observed to work indirectly through openness, FDI and Gross Domestic Fixed Capital Formation (GDFCF) in influencing economic performance. The debate however, has most of the time lacked a better understanding about what the main drivers of export diversification are? Mudenda (2012) commenting on diversification supports the view that trade openness can affect export diversification positively because, the more a country increases its trade with other countries the greater its ability to export diversified products. According to Munemo (2007), the level of development, infrastructure, transactions costs and natural resources significantly influence export diversification. Kamuganga (2012), identifies intra-Africa regional trade co-operation as a determinant of export diversification in Africa. Trade co-operation ensures that countries exploit market outlet that will help them export across new-product and new-market margins. African countries can encourage export diversification by trading within their regional blocs and markets before exploring major distant markets. Export diversification could also be enhanced when cumbersome bureaucratic processes that serve as barriers to trade are resolved as well as strengthening

export supporting institutions. Similarly, macroeconomic developments particularly exchange rate volatility, financial underdevelopments and inappropriate foreign direct investments could be tackled to enhance export diversification.

Samen (2010) asserts that there are no hard and fast rules to the challenging question of how countries should diversify and, calls for a multi-faceted approach as an essential element of diversification strategy. Consequently, different context variables should be taken into consideration since what is good and possible for one exporting country may be less attractive when applied by other countries. Strategies such as resource based manufacturing and commodity processing should be vigorously explored. Enhancing export diversification requires building capacity of the private sector particularly firms in agriculture and natural resource sectors. Specifically, there should be technological progress in activities such as packaging, transportation, production of new products and trade in services. Essentially, Research and Development (R&D), Information Technology (IT), health services, inter alia, should be important components of nontraditional exports. Institutional arrangement, infrastructure and ancillary services (insurance, water, electricity, management, retail and wholesale trade) are all determining factors of export diversification.

In examining the measurement of export diversification, the available literature makes a distinction between vertical and horizontal export diversification. Export diversification takes different forms, different dimensions, and can be analyzed at different levels (Munemo, 2007; Samen, 2010; Arip et al. 2010).

Vertical diversification occurs when there are significant changes in the shares of each export sector and transforming primary products into manufactured products for exports (Taylor, 2007). Munemo (2007) defines vertical diversification as moving up the value chain to produce manufactured products. This implies adding value to primary

commodities and shifting away from primary to the secondary or tertiary sectors. This can be facilitated by increasing activities such as processing, branding, packaging, marketing and other services (Samen, 2010). On the other hand, horizontal diversification takes place within the same sector (primary, secondary or tertiary), and entails adding new products on existing export baskets within the same sector (Samen, 2010). It normally happens when there is an increase in the diversity of products exported and into completely new export sectors (Herzer and Nowak-Lehnmann 2006; Taylor, 2007;
Matthee and Naudé, 2007).

From the context of Ghana's export diversification reforms, this study defines export diversification as the change in the structure or composition of a country's exports through value addition and increase in the number of export sectors and number of commodities in the export basket. Though the definition focuses on both vertical and horizontal dimensions of export diversification, the study concentrates on horizontal export diversification. It focuses on products that are 'new' or exotic to Ghana and not produced traditionally in Ghana or produced traditionally for local consumption but now added to the export net and generating foreign exchange for the country. Hence, commodities such as pineapple, ginger, cashew nut etc. are termed as non-traditional exports which is seen as a 'priority sector' for Ghana's export diversification model.

The degree or extent of export diversification is invariably measured using concentration ratios (Meilak, 2008; Samen, 2010; Hossain and Chowdhury, 2014). Based on the literature reviewed, export concentration is expressed as a contrasting measure to the vertical and horizontal measures of export diversification. The choice of different measures for the computation of export diversification depends on the definitions, dimensions, forms, and

levels of diversification (Samen, 2010). The most commonly used concentration ratios as measures of the Degree of Specialization and Diversification

(DSD) of export, proposed in the literature are Hirschman Index, Entropy Index, Herfindahl Index and Ogive Index and the Commodity Specific Traditionality Index. Other proposed approaches or methods used to measure export diversification are the Variance of the Absolute Deviation of the Country Commodity Share, and Commodity-Specific Cumulative Export Experience Function (CSCEEF), etc.

2.3 A Review of Challenges of Export Diversification

There have been proposals in the literature and in policy debate that export diversification serves as a key development strategy for developing countries. However, export diversification drive has been weak in many developing countries (Bonaglia and Fukasaku, 2003). After so many years of policy reforms and structural adjustments, export diversification remains a challenge in many LDCs. These challenges may be context specific but some general reasons can be cited. Thus, irrespective of trade liberalization reforms in the area of exchange rate, elimination of protectionist devices and dismantling of marketing boards, there are so many challenges that undermine good reforms on paper.

In most African countries, opportunities and constraints exist side by side. Traditionally, the opportunity to process most of the commodities into finished goods before they are exported has been apparent. However, there are both internal and external challenges that prevent these countries from fully exploiting these opportunities. According to Sannessee et al. (2014), some of the factors that constraint growth of export diversification include; weak infrastructural base, bureaucracy, barriers to market entry and inelastic supply of exports. In addition, lack of skilled manpower and weak public institutions that results in corruption can hamper private sector activities and undermines diversification reforms. In

effect, poor infrastructural base can prevent local farmers from expanding production of raw materials for an export processing activity. Again, reforms may not achieve its intended objective because there is no conducive environment for trade and investment promotion for the private sector. Also, structural reforms are likely to be undermined by lack of incentive schemes and finance for export processing activity.

According to Bonaglia and Fukasaku (2003) and UNCTAD (2008), there is the external challenge of escalating taxes and tariffs, mandatory sanitary and phytosanitary standards prevents countries from exporting because export of goods and services have to meet these stringent standards. These technical challenges to trade may have to be satisfied before a producer can enter and sell export commodities in another market. The implication is that, it is difficult to break into the foreign market because of strict standards that have to be satisfied in meeting consumer's preferences. They suggest that countries should adopt selective interventions such as direct credit allocation, subsidies and other incentives and local content requirements to help firms improve their export competitiveness. These policies can solve co-ordination failures and provide facilities and services which have the nature of public goods.

Domestic constraints on the other hand relate to weaknesses of private firms' capacity to upgrade the quality and value of existing products. That is, moving up the value chain so that the products can meet the consumers' preferences (Intensive margin). Getting a foot hold on the international market also requires investment in supply chain management, marketing and branding and quality control. Again, it has been mentioned in the literature that inadequacy of government policies, which reinforce external ones pose internal challenge to developing export capacity.

According to Wilson (1984, p.86) (in Berhanu, 2003), the overall performance for countries that have adopted export diversification is unsatisfactory and only a few developing countries have actually managed to achieve it to any substantial degree. The structuralists attribute this reason to supply-side bottlenecks in developing countries but others still blame it on the difficulty of accessing the market of industrialized countries resulting in the slow pace of diversification. Thus, structural constraints such as high transport costs, excessive documentation and procedures, time required to import-export, transparency of border administration/Custom's regulations, risk and cost associated with corruption are severally mentioned in the literature as challenges of export diversification reforms. Bonaglia and Fukasaku (2003), note that limited trading knowledge in the form of lack of information on foreign market structure, contact making and marketing, pose great challenge to export diversification drive in low income countries. In this respect, Trade Support Services (TSS) can help facilitate international business development by reducing transaction costs and building trade capacity of private firms.

Several challenges continue to hinder efforts by African countries to diversify their economies and attain these economic benefits, especially in resource rich countries (Gelb, 2010). These factors relate to institutions and policies, technology, research and development, human capital, infrastructure, competition in international markets and resource abundance which limits the urge to diversify and industrialize and instead encourages resource capture. Industrial policies are thus essential if African countries are to address these challenges and capitalize on opportunities for increased export diversification, sustainable growth and economic transformation (Elhiraika et al., 2013).

In summary, a coherent export diversification strategy requires getting the fundamentals right. Hence, there is the need to develop adequate infrastructure, institutions, and create an

enabling environment that will ensure successful trade reforms towards export diversification. Apart from selective interventions such as fiscal and direct credit incentives, local content requirements are now recognized as essential elements for successful export diversification. To ensure export competitiveness, cost of transactions should be reduced for firms to take advantage of emerging opportunities whiles countries negotiate international trade at the bilateral, regional, and multilateral levels to offer market opportunities to tap into regional and global production and distribution chains. On the whole, increasing exports, to take advantage of increased regional and global market, demands increased production of goods and services in various sectors of the economy and the ability to deliver products in time and in quality.

2.4 Export Diversification Challenges: Review of Past Studies

Dinh et al. (2010), used data from World Bank Enterprise Surveys in 2006–10 to identify the most binding constraints on firms' operations in developing countries. While each country faces a different set of constraints, the results suggest that financing constraints play a significant part in explaining the failure of small firms in developing countries to grow into medium-size or large firms. Across all countries, access to finance was among the most binding constraints. These constraints also vary by firm characteristics, especially firm size.

Kamuganga (2010), empirically sought answers to the question, what drives export diversification in Africa? Using a highly disaggregated bilateral trade flows at HS 6 digit level for African countries for a period 1995-2009 and a conditional logit technique, the study finds that infrastructure related trade frictions such as export costs, time to export and weak export supporting institutions have negative effects on African export diversification. In addition, macroeconomic developments particularly exchange rate volatility, financial underdevelopments and inappropriate foreign direct investments hurt

African nations' chances to diversify its exports.

Elhiraika and Mbate (2014), empirically assessed the determinants of export diversification in Africa, with policy and institutional factors as their main focus. The methodology relied on cross country panel regressions which were estimated using system generalized methods of moments (S-GMM) technique. The findings of the paper suggest that export diversification and Africa's structural transformation hinge on several key factors such as income, improved domestic policies and institutional capacity. Other factors are increased investment in infrastructure and human capital development. In addition to long term industrial and trade policies, countries in Africa will also benefit from efforts to speed up regional integration and foster intra-Africa trade.

Pant and Panta (2009), studied about the export diversification and competitiveness in Napal and concluded that there are certain inherent constraints that have inhibited the country from promoting export diversification and boosting competitiveness. Even though there is cheap labour in Napal, productivity seemed to be very low. Inadequate Infrastructure in the form of transport, utilities and telecommunication are major constraints to investment, production and the distribution of goods and services. In addition, administrative bottlenecks and excessive documentations are complex and cumbersome leading to corruption (informal payments) which eventually discourages investment. Transfer of technology, inadequate development finance, insufficient managerial skills all pose serious challenges to export diversification. These have resulted in poor capacity of export in Napal.

Elhiraika and Mbate (2014), empirically explored the long-run determinants of export diversification by estimating a cross country regression model using a panel of 53 African countries for 1995-2011. It was found that, the importance of per capita income,

infrastructure, public investment, human capital and institutional framework are significant drivers of export diversification. This calls on African countries to design and implement long-term development strategies and institutional reforms to foster export diversification and economic transformation.

Jebuni et al. (1992) studied about the supply response of non-traditional exports to Ghana's Economic Recovery Programme. Finance was the most common challenge perceived by firms as a constraint to exporting on the basis of a field survey. He finds that export finance and capital, technology and competitiveness of domestic products, infrastructural inadequacies, absence of cold storage facilities at the airports, warehousing facilities at the ports, substandard packaging, difficulty in accessing foreign markets, lack of agents abroad, high operational costs in foreign market and ignorance about conditions in external markets are reasons why firms solely produce for the domestic market instead of exporting.

In summary, past studies of the challenges of export diversification reveal a variety of constraining factors that affect export diversification. These challenges should be addressed by developing countries to ensure the success of trade and structural reforms.

2.5 Empirical Studies on Export Diversification-Growth Nexus

Findings of the empirical and theoretical literature on cross-country and country studies revealed inconclusive results on the nexus between export diversification and economic growth. The empirical literature in the main answers the question as to whether there is a significant relationship between export diversification and economic growth.

Some empirical studies find positive correlation between export diversification and economic growth for specific regions. Feenstra and Kee (2003) studied the measurement of product variety in trade, using a broad cross-section of advanced and developing

countries and disaggregating across sectors. After calculating the export variety of countries in their sales to the United States, and related the export variety indexes to country productivities, it was revealed that countries with more diversified export products have higher productivity. In another study, Al-Marhubi (2000) came out with a hypothesis that instability in export earnings is a major source of economic uncertainty in many commodity exporting countries. It sought to establish whether any instability in domestic market investment could impact negatively on economic growth. Using a cross country sample of 91 countries for the period of 1961-88, the study finds a significant positive relationship between export diversification and economic growth.

Hesse (2008) presents an extensive review of export diversification and economic growth. Using the simple augmented Solow growth model the author estimated the relationship between export diversification and income per capita growth. His findings present strong evidence that export concentration, measured by a Herfindahl index, is detrimental to GDP per capita growth in developing countries.

In their research, Naude and Rossouw (2011) investigated the relationship between export diversification and growth for four of the emerging national economies; Brazil, India, China, and South Africa, the so called BRICS except Russia and identified a U-shaped relationship. It was concluded that the effect of export diversification on economic growth depends on a country's level of development. This indicates that, as countries begin to develop, there will be more diversity in their export portfolio. However, after achieving a certain level of development they become less diversified and more concentrated. This implies, developing countries stand to grow their economies from diversification at lower levels of income but after sometime their economies will be more concentrated. This evidence supports the work of Hodey (2013), who used a humpshaped to investigate the

relationship between export diversification and economic growth using panel data of forty–two (42) Sub–Saharan African countries for the period 1995–2010. The study used the GMM estimation approach and revealed a monotonic relationship and positive effect of export diversification on economic growth. The evidence from the regressions does not support a hump–shaped relationship between export diversification and economic growth in Sub-Saharan Africa.

Songwe and Winkler (2012), studied the effects of exports and export diversification on growth and the policy implications for post-crisis export strategies. Using a panel of 30 selected sub-Saharan African countries over the period 1995-2008, they estimated the impact of exports and export diversification on value added, labor productivity, and conditional and unconditional labor demand. First, there was strong evidence that exports have positive impact on value added, labor productivity and labor demand. Secondly, export diversification of products and markets were found to positively impact on value added and labor productivity, but not labor demand. It also confirmed that export to different market destinations matters for growth and employment and that, Sub-Saharan African countries especially the resource–based economies need to move up the value chain in those commodities that they have comparative advantage.

Empirical literature on country studies answers the question whether it is possible for a country to improve its economic performance by exporting different types of commodities? Several studies have attempted to answer this question by testing the hypothesis that the exports of different products have different effects on a nation's economic growth. An exercise conducted by (Sannessee, 2014) in Mauritius covered the period 1980 to 2010 to establish both the short and long-run relationship between diversification and growth. Findings of an econometric exercise reveal a positive relationship between export

diversification and economic growth in Mauritius both in the short and long run. The results also show a bi-directional causality between export diversification and economic growth. That is, export diversification and economic growth in Mauritius complement each other. Nevertheless, the coefficients of the short run estimates were smaller than the long run ones, implying that, it takes time for the absolute effect of export diversification to be experienced.

Herzer and Nowak-Lehnman (2006) studied the Chilean experience and tested the hypothesis that export diversification has an impact on economic growth via externalities of learning-by-doing and learning-by-exporting. Using time series methodologies their results show both horizontal and vertical export diversification have positive influence on economic growth.

Ferreira (2009), carried out two studies to examine the impact that the expansion and diversification of Costa Rican export supply had on economic growth. The first study provides a historical analysis of the export diversification experience in Costa Rica from the 1965 to 2009. For that, a chronological assessment of the main policies and events leading to the transformation of Costa Rican export supply was presented. The paper concludes that Costa Rica was able to move its economy away from commodity dependence because of important amounts of foreign direct investment over the last two decades. The second study presented an application of the model proposed by Herzer and Nowak-Lehnmann to test the hypothesis that export diversification has contributed to economic growth in Costa Rica via externalities of learning-by-exporting and learningby-doing. The period of analysis was from 1965 to 2006. Two types of statistical methodologies were used: the bounds test for cointegration within a distributed lag (ARDL)

framework and a dynamic OLS (DOLS) model. The study concluded that export diversification had no long-run effect on economic growth during the study period.

Arip et al. (2010) examined the relationship between export diversification and economic growth in Malaysia. The study used annual data from 1980-2007 and time-series techniques of co-integration and Granger causality tests to examine the long-run relationship and dynamic interactions among the variables. The results show the presence of a unique co-integrating vector among the four variables. Consistent with previous studies, it was found that export diversification plays significant role to economic growth in Malaysia. This finding suggests that, in order to sustain future economic growth under the static effect of multilateral and regional trade liberalization, Malaysia should diversify its export commodities and develop greater socio-economic co-operation with the rest of the world.

Mudenda (2012) examined the role of export diversification on economic growth in South Africa. The study relied on annual time series data for the period covering 1980 to 2010 and employed a Vector Error Correction Model to determine the effects of export diversification and possible factors that affect it on economic growth. Possible factors that affect export diversification considered as independent variables were gross capital formation, human capital, real effective exchange rate and trade openness. Results of the study suggest export diversification and trade openness are positively related to economic growth while real effective exchange rate, capital formation and human capital have negative long run relationships with economic growth.

At the regional level, Matthee and Naudé, (2007), provided empirical evidence on the relationship between exports, and in particular export diversity, and spatial inequality in a developing country context. Using export data from19 sectors within 354 sub-national (magisterial) districts of South Africa, the study constructed various measures of

subnational export diversity. It came out that regions with less specialization and more diversified exports generally experienced higher economic growth rates and contributed more to the overall exports from South Africa. The study also reveals that, distance (domestic transport costs) from a port is inversely related to the degree of export diversity.

In summary, a plethora of empirical literature supports the view that countries should diversify in order to grow their economies. However, it is very difficult for export diversification and structural reforms to achieve the set objectives because of many challenges. At best empirical literature has provided mixed evidence about the challenges of export diversification. For some time now, most research works on export diversification-led growth focused on macro issues and neglected the firm level. This study contributes to the literature by specifically identifying challenges of export diversification at the firm level (micro) which also include macro issues, a complete departure from existing literature particularly in Ghana.

CHAPTER THREE METHODOLOGY

3.1 Introduction

This chapter describes the types and sources of data, methods adopted for the review of reforms and institutional framework of export diversification and trend analysis of export diversification in Ghana, concentration ratios estimation methods and survey design employed.

3.2 Data Type and Sources

The study employed a mixed methodology approach, which is a combination of both qualitative and quantitative methods of research. It also combined both primary and

secondary data for the analysis. The secondary data comprised of annual time series data on export values of NTEs for the period 1986-2014. Data on NTEs were sourced from Ghana Export Promotion Authority (GEPA), while total merchandize export and GDP data were obtained from World Development Indicators (WDI). Also, primary data were gathered through in-depth survey using questionnaires and semi-structured interviews.

3.3 SWOT-Analysis of Policy Reforms and Institutional Framework of Export Diversification Management in Ghana

The analysis was done with respect to the various reforms that have been carried out before and after the Structural Adjustment Programme in 1986. The institutional framework for managing export diversification in Ghana and the ongoing initiatives were first examined to ascertain how they contribute to the sector's performance. A SWOTAnalysis was finally employed as a method of evaluation to point out the implications of the policy reforms. From the SWOT analysis strengths and weakness of the policy reforms have been matched with opportunities and threats. Existing skills, comparative advantage, resources, ideas (strength and opportunities) that are critical success factors have been identified whiles gaps and obstacles (weaknesses and threats) which are hindering the success of the policy reforms have been identified which later helped with the final recommendations of the study.

3.4 Trend Analysis of Export Diversification

Descriptive statistical analysis was used to give tabular and graphical presentation of the contribution of NTEs to total exports and GDP in Ghana. The objective of establishing trends was to describe the data and not to develop any elaborate forecasting model. The evaluation also comprised of analysis of sub-sector performances and leading products in the sub-sectors. Finally, market trends in terms of market destinations (Directions) and

percentage Share of NTE earnings by destination category were presented to ascertain the overall ten leading markets in the world and within the ECOWAS Sub-region.

3.5 Measurement of Degree of Specialization and Diversification of the NTE Sector

The most commonly used measure of Degree of Specialization and Diversification (DSD) are the Concentration Ratios with emphasis on product or geographic concentration (Samen, 2010). The following two (2) concentration ratios were used in the study particularly on the product aspect of diversification in contrast to geographic diversification, i.e. the number of export destinations.

Herfindhal Export Concentration Index (HECI): It is commonly used for measuring industrial concentration and summarizes the degree to which an industry is oligopolistic and the concentration of market control held by the largest firm in the industry. The formula used is as follows:

$$HECI = \sum_{i=1}^{N}(S_i^2) \quad \text{..... (1)}$$

Where Si is the market share of the i^{th} firm. The HECI index ranges from zero (0) to one (1). A value close to one (1) means the economy/industry is less diversified, whiles a value close to zero indicates a higher degree of export diversification.

Entropy Index (EI): The Entropy Index traditionally is used to represent the diversity or spread of a distribution and indicates extreme specialization or concentration in one commodity. It is generally proposed to measure diversity and degree of specialization or concentration. The index is computed as:

$$ENT = \sum_{i=1}^{N} \left(P_i \log_2 \left(\frac{1}{P_i} \right) \right) \quad \text{..... (2)}$$

Its values range from zero (0) to one (1) and a smaller value indicates a higher degree of concentration and a higher value means a greater degree of diversification. Following Meilak, (2008), export shares are weighed by the logarithms of the export share of each category.

The study employed the above two (2) concentration indices that are derived from the value of merchandise export categories (Non-Traditional Exports). The value of export earnings is, by definition, the multiplicative relationship between the volume and unit values of commodities exported (Ali and Siegel, 1991). Indexes proposed under different economic theories exhibit the general form:

$$CI = \sum S_i W_i \qquad where\ i = 1, 2, \ldots, n \quad \text{..... (3)}$$

Where:

W_i = the weight attached to the export share of a particular export category

S_i = the share of export category *i* n = the number of export categories.

According to Meilak, (2008) there are two major types of weights:

1. The first type of weight is the Products' export shares which is used as their own weights ($W_i = S_i$). These indices take account of all export categories. Merchandise export of Non-Traditional Exports (Agriculture, Processed/Semi-Processed and Handicraft) is used in this study. This is done to be able to view the diversification experience of Ghana based on the three sub-sectors.

2. Each export share is weighted by the negative of its logarithm ($wi = - \log S_i$), such that a smaller absolute weight is attached to larger export shares. The Entropy Index uses this scheme.

Table 3.1 summarizes the salient characteristics of the concentration ratios and indexes calculated in this study.

Table 3. 1: Summary Characteristics of Concentration Indices

Index Range	Number of Categories	Relationship Between Index & Concentration
HECI 0,…...1	Agriculture, Processed/Semi Processed and Handicraft	+
EI 0,..logn	Agriculture, Processed/Semi Processed and Handicraft	-

Source: Author's Own Construction

3.6 Challenges of Export Diversification in Ghana

Following Takane (2004) and Onny (2012), this part of the study discusses the survey design carried out to investigate the challenges of export diversification at the firm level in Ghana. It specifically looks at the population, sampling and sampling technique, instrumentation, data collection procedures and method of data analysis used to establish and validate the findings of the challenges of export diversification at the firm level. The procedures for participant selection, measurement of variables and feedbacks, validity and reliability are discussed further in the following sections.

3.6.1 Population, Sample Size and Sampling Technique

The population of this study was exporters of NTE products and Top Level Management of Ghana Export Promotion Authority (GEPA). This comprises of exporters of the three

broad categories of exports within the NTEs sector (Agriculture, Processed/SemiProcessed and Handicrafts).

A database including all the profiles of NTEs companies were obtained formally from GEPA. These data included the names and addresses of the exporters, types of commodities they export and their location. For efficient administration of export promotion and building of export capacity, GEPA has divided the country into five administrative zones in addition to the National Headquarters in Accra. The Authority maintains five zonal offices in Kumasi (Ashanti and Brong Ahafo regions), Takoradi
(Western and Central regions), Ho (Volta region), Tamale (Northern region) and Bolgatanga (Upper regions).

The Second stage was to select within the Ashanti Zone 82 of the total number of exporters that had registered and renewed their registration with GEPA. This was further divided into the clusters of sub-sectors of Agriculture, Processed/Semi Processed and Handicrafts. Thus, with 82 exporting companies, the sample representation was 86.59 percent. Once the representative population was identified, a convenient sample of 71 companies were selected. This non-probability method involves the selection of companies which were easiest to reach and willing to answer the questionnaires. In other words, the researcher selected respondents who were mostly accessible and agreeable and also took into consideration the need to have a representative sample from the two regions

(Ashanti and Brong Ahafo).

3.6.2 Research Instruments

Challenges of export diversification had to be understood in context. Hence, data was gathered through the use of a cross-sectional survey questionnaire and semi-structured

interviews. To ensure corroboration and accuracy of facts, all the instruments used in this study measured and elicited the same responses from various respondents.

3.6.2.1 Questionnaires

The Best-Worst Scaling (BWS) method was used in this respect. Challenges were grouped into items and paired under broad categories of domestic and external challenges. Domestic challenges were further divided into challenges due to firm's productive capacity and challenges due to policies and institutional arrangements. In all, there were 17 choice scenarios (profiles) with three options. Respondents were given the easy task of indicating the most challenging and the least challenging items (see Appendix A).

To cater for social desirability because of the friendly nature of Ghanaians in general, questionnaires were given to firms at their own convenient to be completed so that there would be little need for interaction with the researcher. A covering letter (Appendix A) explaining the nature of the research, the intent of the survey, the importance of each respondent's response, promising confidentiality was given to each participant.

3.6.2.1.1 Method of Distribution and Collection of Questionnaire

Relying on convenient sampling, firms were selected based on convenient. In other words the researcher selected respondents who were most accessible and agreeable. The researcher informed the GEPA and personally went to their locations. Perhaps, what facilitated the distribution of the questionnaire was the proximity of these firms to each other especially in the Ashanti region. Most of them had their offices at Adum, the Central Business District in Kumasi, the Ashanti Regional Capital. Few days after the initial distribution, the completed questionnaires were collected. The names of firms were written down in order to identify those firms who had their questionnaires missing. Questionnaires

were given to 30 agriculture firms, 48 processed and Semi-Processed firms and 4 Handicraft firms. The return rate was 84.52% with 71 answers returned. In order to take care of those instances where the exporters selected did not understand the survey as a result of linguistic barrier, time was taken to explain the questionnaires to them. Table 3.2 gives summary of the responses for various sub-sector and total response rate.

Table 3. 2: Summary Response Rate of Questionnaires.

Questionnaires to Sub-Sectors	Questionnaires Distributed	Questionnaires Returned	Response Rate
Agriculture	30	24	80.00%
Processed/ Semi- Processed	48	44	88.00%
Handicraft	4	3	75.00%
Total	***82***	***71***	***84.52%***

Source: Author's Own Construction

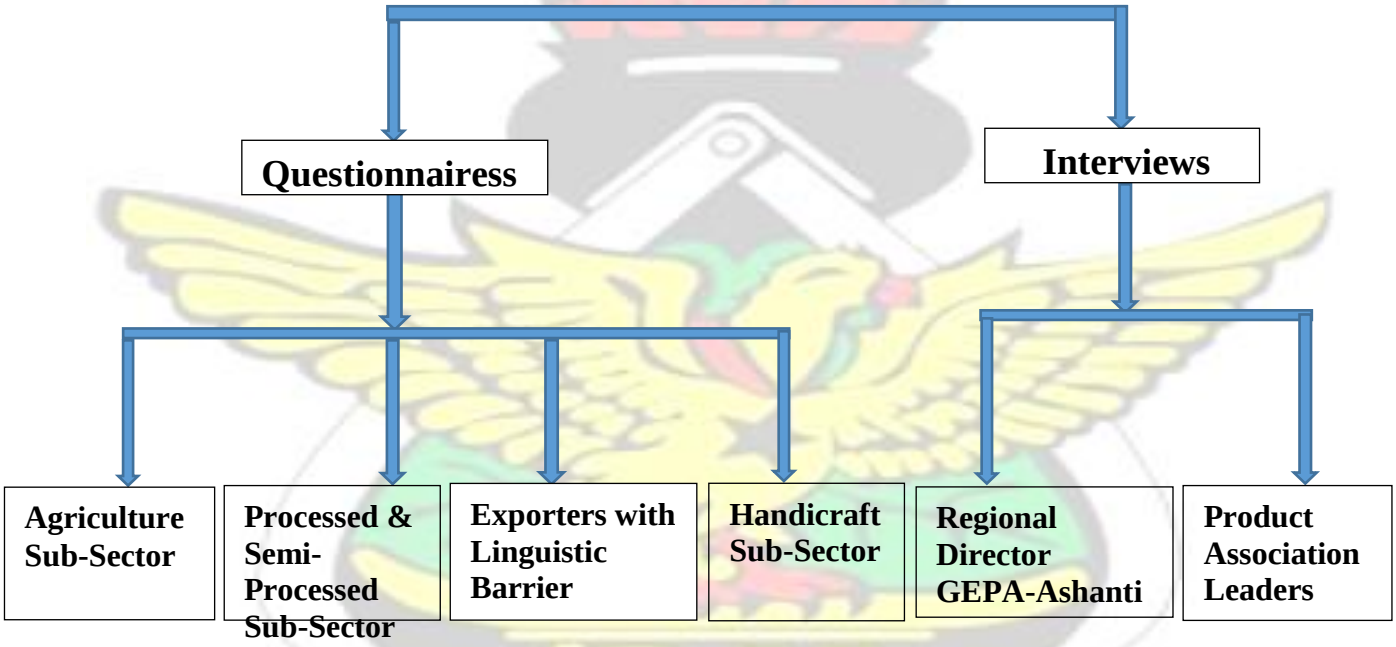
The positive response rate is an indication of the interest and importance that exporting firms have in relation to challenges that confront them in the NTE sector.

3.6.2.2 Interviews

The purpose of each of the interviews was to get the understanding of the specific information about the challenges confronting the NTEs sector bearing in mind the need to ensure consistency between interview items, the research questions and objectives. Two types of interviews were conducted. First, an interview was held with the Ashanti Regional Director of GEPA to elicit the views of the Authority in relation to challenges of government policies and institutional arrangements. An interview guide was designed that investigated a range of areas and variables that the interviewee had to address (Appendix C).

The second type of interviews was held with leaders of the various product associations. The interview was flexible enough to range over issues that the respondents brought up with each interview lasting between thirty and forty five minutes. Computer-aids were used to assist the management and analysis of the interview transcripts. The first job was to extract the information from a recorder and material quotes corresponding to all the issues the researcher had raised, and look for new ideas and issues arising directly from the respondents' perspectives.

3.6.3 Structure of Survey Method and Respondents



3.6.4 Validity and Reliability of Instruments

To ensure that there was no misinformation about the issues raised in the interview questions, the interview guide was written down and adopted a vocabulary of the export sector which made it easier for respondents to follow the interview effectively.

To ensure validity, a pilot survey was first conducted to pre-test the data collection instrument (questionnaire) in order to make the necessary corrections. This was also meant

to clarify ambiguities that might exist in the instruments, and to ensure that, the targeted respondents clearly understood the information required of them. The pilot survey also provided information on time required to complete a set of questionnaire items. In pursuant of these objectives, pilot analysis was done to exclude problematic questions (i.e. those yielding low responses, socially desirable answers or lack of variability). Ten respondents who were in the same M.Phil. Programme were used for this exercise within a day, and the questionnaires were finally adopted for the survey. All these were meant to ensure content and criterion validity. For construct validity, i.e. conformity of questionnaire to existing ideas or hypothesis concerning the concept, questions used were adapted from other empirical studies that were presumably tested and approved and related to this study.

3.6.5 Operational Definition of Challenges of Export Diversification

This section gives brief explanations of the challenges of export diversification identified from literature and operationalized in the survey work.

Table 3. 3: Operational Definition of Challenges of Export Diversification

Challenges of Export Diversification	**Definition**
A. Challenges Due to Domestic Factors	
1. Productive Capacity of Firms	
Training and Quality of Labour Force	The level of education attained by workers and the support, \seminars, workshops, in-service training and orientation programmes for workers to upgrade their knowledge and enhance their skills).
Infrastructure and other Logistics	Provision of support services in the form of quality warehousing facilities, telecommunication services, constant electricity supply, transportation and other logistics.
Access to and Cost of Finance	Access to credit to finance short term production activities (short term liquidity issues) as well as long term financing to undertake investment in fixed assets and cost of borrowing.
Product Quality/ Intensive Margin	Upgrading the quality and value of existing products i.e. moving up the value chain so that the products can fulfill the customer's needs or expectation.
Technology Acquisition and Adoption	Research and Development, availability and use of ICTs and innovation in terms of product development.
Marketing	Awareness of new market opportunities, development of products in line with market trends, good marketing plans to sell in different markets and being forward –looking
Costs of Production	The cost of acquiring basic inputs of production such as raw material, labour, electricity etc.
Challenges of Export Diversification	**Definition**
2. **Governance (Policies) and Institutional Arrangements**	
Tariffs/ Fiscal Policy	Taxes and Fees that creates anti- export bias incentive structure for export.
Real Exchange Rate / Monetary Policy	The rate at which the local currency (Cedi) is exchanged for other major international currencies like the Dollar, Pound, Euro etc.

Access to and Cost of Finance	Access to credit to finance short term production activities (short term liquidity issues) as well as long term financing to undertake investment in fixed assets.

Legal Enforcement of Laws	Proper enforcement of business laws.
Public – Private Partnership (Co-ordination)	Promotion of Associations with renowned Trading Associations linking with Policy Institutions and Transnational Corporations; Public-Private coordination of actions and investments.
Lack of Appropriate Business Environment	An appropriate business environment and investment climate that permits the smooth doing of business, procedures and documentation, creation of new firms or companies be it small, medium or large.
Transparency of Border Administration	Efficiency of Customs' Administration and regulation in facilitating the export of goods and services.
B. Challenges Due to External Factors	
Meeting International Standards	Export of goods and services that meet the test of international markets/mandatory standards. Government-mandated rules and procedures that must be met in order to sell a particular market e.g. sanitary, phytosanitory and other standards.
Entry Barriers to International Market	The ease of entering and selling export commodities in another market (i.e. the ease of selling on the international market).
Access to Information on External Market	Availability of data and information on external market trends and opportunities that meet the informational needs of exporters.
Cost of Operating in Foreign Markets	External Tariffs in the form of customs duties, import quotas, preferences or other non-tariff barriers to trade apply to all goods entering the international market.

3.6.6 Reporting of Feedback

This study was inspired by the enormous potential that NTEs has in stabilizing the balance of payment, increasing the export revenue as well as creating employment for Ghana. It is intended that, the results and recommendations within this study would be thoroughly discussed with the various stakeholders in the sector through seminars to ensure sustainable development of the sector. The sector constitutes a vital component in terms of the socioeconomic development of the country. Hence, the final research report would be presented to all stakeholders involved in this research. Since the implementation of the proposals that have been made depends greatly on managers of the sector and with the support of all, prompt feedback to the institutions would be very imperative.

3.6.7 Data Collection Technique and Method of Analysis

On the method of data collection, the Best-Worst Scaling Method (BWS) was used. As an elicitation technique, challenges of export diversification were categorized into profile based which involved less cognitive burden for respondents. Respondents were asked to choose the best and worst domains of internal and external challenges confronting exporters of NTE commodities.

Responses were entered into a computer-based template using R Software package because of its ability to analyze quantitative and qualitative data. Upon receiving the completed surveys, data were analyzed to determine the domestic and external challenges according to the variables operationalized for data collection. Thus after the data were collected, they were edited, coded, and put in the R Software to enhance the analysis. Data was analyzed with Best-Minus-Worst Scores using 17 choice scenarios with 3 options in each and the analytical approach employed was dependent on Case 1. From the analyzed data statistical tables and charts were obtained. Descriptive analysis was also employed where appropriate.

Following (Flynn, 2010; Adamson et al. 2013), the standard practice of calculating BestMinus-Worst (B-W) scores for each profile was applied. Positive values of B-W indicate that a given profile was chosen more frequently as best than worst and negative values revealed that the profile was chosen more frequently as worst. The average B-W scores were calculated by dividing the B-W score by the number of respondents and the frequency that each profile appears in the design of the choice set. Another way to compare the profile importance was to derive ratio scores, by taking the square root after dividing the total B scores by the total W scores. The resulting coefficient measures the choice probability compared to the most important item. The square roots of (B/W) for all profiles were scaled by a factor, such that the most important profile with the highest square root (B/W) becomes Index 100. This allows for easy interpretation and comparison across profiles.

This information was also presented graphically. The bars represent the average B-W scores, and the error bars show the standard deviation around the mean respectively. Hence the error bars span over two standard deviations. The first seven (7) profiles were presented in numeric order to represent challenges due to firms' capacity under domestic challenges, i.e. starting from Profile 1 and ending with Profile 7. The next presents seven (7) profiles representing challenges related to policies and institutional arrangements. The last three (3) profiles presents challenges related to external factors. If a profile was chosen more often as best than worst, it will have a positive score, hence be above zero ($\Sigma(B-W)>0$) on the vertical axis, and similarly if chosen more often as worst it will be below zero ($\Sigma(B-W)<0$) on the same vertical axis (Adamson et al. 2013).

CHAPTER FOUR

POLICY REFORMS AND INSTITUTIONAL FRAMEWORK FOR EXPORT DIVERSIFICATION MANAGEMENT IN GHANA

4.1 Introduction

The aim of this chapter is to shed light on the policy reforms, institutional framework and ongoing initiatives of export diversification in Ghana and to evaluate the implications of these reforms with a SWOT Analysis. It first relied on descriptive analysis to provide a historical overview of the export diversification experience in Ghana taken into consideration the Pre and post-SAP export diversification reforms, institutional framework that manages export diversification and on-going initiatives meant to promote the NTE sector. The chapter ends with a SWOT-Analysis of these policy reforms that are critical to the success of the sector.

4.2 Export Diversification Reforms in Ghana

4.2.1 Pre-SAP Reforms

According to Jabuni et al. (1992), the need to diversify and expand the base of the Ghanaian economy dates back to the colonial times. The focus at that time was diversification of the agriculture sector. The immediate challenge that confronted the Ghanaian economy after independence in 1957 was how to accelerate economic growth in order to solve some of the socio-economic problems at the time such as poverty, poor health care delivery, illiteracy etc. and become an investment destination of choice for global capital (Havi et al., 2013). Diversification was therefore essential not only in the agriculture sector, but industry as well. The true meaning of diversification was given in the Seven Year Development Plan (1963/4-1969/70) for the country to establish industries that will add value to exportable commodities.

What marked a watershed in the history of NTEs was the specific policy on Export Diversification in the Two Year Plan in (1968/69-1969/70) to diversify the commodity structure of exports and expand the production base of the country. The policy initiative encompassed a budget allocation that introduced an incentive structure to boost the poor performance of the NTE sector. As a Trade Support Service (TSS) the incentive structure was

divided into four parts namely, income tax rebate of up to 50% for manufacturing firms based on the quantity of output exported; 10% export bonus for increase in export equivalent to increase in export earnings compared with the previous year; automatic renewal of import license for some raw materials of manufacturing companies and tax subsidy for export commodities. This incentive structure was meant to facilitate international business development, build trade capacity of private firms and project Ghana as a significant trade and investment partner in the world.

The reform package also established the Ghana Export Promotion Council in 1969 by the National Liberation Council (NLC) Decree 396, with the mandate to "promote, assist, and develop exports in any manner which the Council considers necessary or desirable." Among others, its main areas of responsibility were to promote and market NTEs, serve as an advisor to government and exporters, develop new products, provide finance especially on insurance and provision of market information. Adjunct to this was the establishment of Ghana Export Company (GEC) charged with the responsibility to identify, purchase and export agriculture commodities such as pineapples, ginger, avocado, fresh yams etc. for export.

Attempts were also made to change the export structure of the country from a narrow portfolio of cocoa gold and timber by the National Redemption Council (NRC) in 1974/75. A number of incentive schemes similar to the ones in the Two Year Plan (1968/69-1969/70) were introduced in order to reduce the cost of exports. For instance, to reduce the cumbersome bureaucratic procedures in the export of non-traditional export products, the
Bank of Ghana in 1975, introduced a scheme that made provision for import license for certain raw materials to companies that had received strong assurances of export orders. Another initiative at the period that ensured the promotion of NTEs was the increase in export bonus from 20 to 30 percent in 1978 on NTE products. There was also the reduction of impact on

import control system on export of NTEs in 1981/1982 with the introduction of foreign exchange retention scheme.

In spite of all these policy initiatives and incentive schemes, available statistics indicate that the supply response was very low for NTE products. As noted, pre-ERP NTEs contributed 9.28%, 4.99%, 2.79%, 1%, 30.1%, 15.65%, and 32.57%, in 1970, 1975, 1979, 1980, 1981, 1982, and 1983 respectively. Ghana's economy continued to depend on cocoa, gold and timber for export revenue. Some of the trade policies at the time such as protectionist devices in the form of increasing tariffs, non-tariff barriers and exchange rate controls adversely affected the growth performance of exporting firms and the economy in general. Again, not much was done to incorporate all the components necessary to generate the needed supply response. Overall, these reforms did not achieve the significant results expected. It is not surprising that between 1978 and 1983 the economy registered an annual growth rate of -1.34 percent (World Bank, 1994). Ghana's economy was in serious crisis by the end of 1982 and required an equally serious policy turn-around that could salvage it from its 'doldrums'.

4.2.2 Post-SAP Reforms

Considering the developments at the time, Ghana adopted Economic Recovery Programme in 1983 and subsequently, the Structural Adjustment Programme in 1986 with Export Diversification as one of its core components. The objective of the policy was to diversify exports from a narrow portfolio of traditional exports of cocoa, gold and timber in order to bring more commodities into the export basket. Thus, the country veered towards a model of development based on export diversification. This essential element was particularly in response to the poor performance of the external trade sector. That is, the implementation of the export diversification policy was in response to the vulnerability of the commodity-export model to external shocks. In a way, the export diversification policy was seen as a panacea that

will alleviate the external sector of the persistent deficits so that it could play its role in enhancing GDP growth effectively. The new development strategy was expected to lead the country through an economic transition and it held great potential to increase Ghana's resilience to achieving sustainable long term economic growth and development.

The first major reform initiative was the adoption of Trade Liberalization Policy under the Structural Adjustment Programme of the Bretton Woods institutions in 1986. A typical feature of this initiative was the removal of all forms of exchange controls which was a major feature under the pre-SAP reforms. This ensured that non-traditional exporters no longer had to surrender their foreign-exchange receipts to the Bank of Ghana (Jebuni, et al., 1994). A multiple exchange rate was first introduced in 1983, followed by a dual system in 1986 under a liberalized regime which allowed the market forces of demand and supply to fix the rate. 1n 1987, the dual system was abolished with a unified rate determined for financial transactions. Finally, the Forex Bureaux System was instituted which officially deregulated the foreign exchange market. Apart from the restrictive exchange control and export bonus schemes that were abolished under the pre-SAP reforms, most of the incentives schemes were maintained with new ones introduced. For instance, the percentage of foreign exchange retention increased from 20 to 30, and the corporate rebate scheme that was enjoyed by only manufacturing firms was now applicable to producers in the agriculture sector depending on the quantity of output exported. A new scheme that was introduced was the exemption of duties on packaging materials for firms that had registered with GEPC.

Another policy initiative that marked a turning point in the reform process of NTEs in Ghana was the Vision 2020 Programme. It was launched in the early 1990s as a long term plan with the aim of Ghana becoming an upper middle income country by the year 2020 (Vision 2020 Report, 1995). To be able to achieve this long term objective, gross domestic product was

expected to grow between 7.1 and 8.3 percent over the years. According to World Bank (2001), development of non-traditional exports was a central component of Ghana's strategy to become a middle-income country by the year 2020. In order to promote and develop the NTE sector to help achieve this long term objective, the private sector would be the engine of growth, with government providing a trade enabling environment to actively stimulate private sector initiatives. This was to be achieved through the full spectrum of trade policy instruments across the following objectives: Creating a fair and transparent import-export regime; facilitating trade; enhancing production capacity for domestic and export markets; domestic trade and distribution; consumer protection and fair trade; protection of intellectual property rights and multilateral trade.

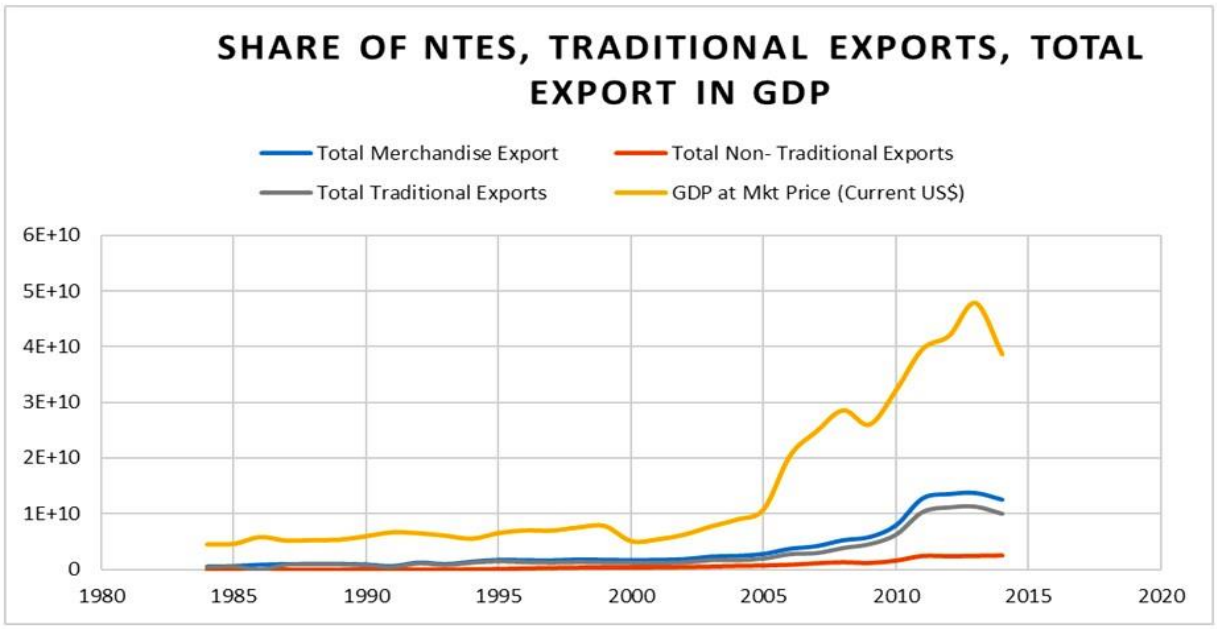
In addition, the reforms sought to achieve a broad-based economy, active in a wide range of sectors which would firmly integrate growth generated from various regions into the general national economy. The Export diversification model would also identify and exploit new areas of competitive advantage, form strategic partnerships to take full advantage of preferential access to foreign markets. It was also meant to create a synergy that will promote new areas of competitive advantage so that firms engaged in processing of agricultural products for export could be supported. For instance, it would encourage the processing of cocoa beans before export with similar support granted to new promising areas such as the production of cashew, starch, salt, pineapple and shea-butter production for export. While traditional exports, such as cocoa and gold, may remain an important source of growth and foreign exchange in the future, export diversification will be necessary to accelerate economic growth and poverty reduction and to decrease Ghana's vulnerability to external price shocks.

Launched in 2006, the Presidential Special Initiatives (PSIs) in starch, salt, palm oil and textiles and garments for export were comprehensive packages meant to promote sectorspecific

policies dedicated to the promotion of NTEs. The policy was seen as an export policy stand that was neutral toward an export mix that will provide catalytic support for these four products. The rationale behind PSIs was to target specific commodities so that public resources will not be spread thinly across so many sectors. The policy initiative had the intention of providing adequate support for these targeted sectors as they contribute to the growth rate of the economy. Private companies were given support in terms of identifying buyers, funding and facilitation of marketing. Much as targeting provided resource support for these sectors earmarked for economic growth, it ignored other sectors that have the potential to generate income for the country. Another issue had to do with the quantum of growth expected to be generated by these four sectors that would put Ghana on the trajectory of growth. In a nutshell, a lot needs to be explored as to whether the four PSIs were efficient choices for export diversification in Ghana.

All the reforms and policies initiatives delineated were direct deviation from the pre-SAP reforms which mostly restricted trade. The fundamental difference between the two reforms was the enabling macroeconomic environment the post-SAP reforms were perceived to have created. Yet, there were formidable structures that created anti-export trade regime for NTEs. For instance, more attention was given to cocoa production than NTEs. Apart from this, most of the reform packages failed to explicitly create the needed impact and supply response that could bring the expected growth in the NTE sector. Available statistics after the reforms indicate that, the sector's contribution to GDP and Total Export earnings is positive but below expectation with modest gains. More so, ad hoc implementation without an export diversification blueprint strategy over the years for successive governments accounts for these modest gains. Relatively, the gains under the post-SAP are quite encouraging than the pre-SAP period. Figure 4.1 shows the share of NTEs, traditional exports and total merchandize exports in GDP.

Figure 4. 1: Share of NTEs, Traditional Exports, Total Exports in GDP



Source: GEPA/WDI

The share of NTEs increased modestly averaging 5.8% between 1986 and 1995. Meanwhile, real GDP growth from 1986 up to the latter part of the 1990s averaged 4.5% per annum. Again, the volume of merchandise exports increased from U$1671.0, U$2802.2 and U$7960.0 in 2000, 2005 and 2010 respectively. Apparently, the implementation of export diversification under the reform programme was a laudable decision but the dominant economic issue however is, how the post-SAP can achieve the significant results expected in order to enhance the drive to rapid economic growth in Ghana.

4.3 Institutional Framework for Export Diversification Management in Ghana

There are a number of institutions and agents entrusted with the responsibility to manage Ghana's export diversification derive. According to Osei-Asibey (2015), government has introduced a wide–reaching set of enabling policy initiatives and implementing institutions to help develop the NTE sector. The institution with direct responsibility of managing NTEs in Ghana is GEPA. Others with peripheral functions are MOTI, Ghana Free Zones Board

(GFZB), Ghana Trade Fair Company (GTFC), Ghana Standard Authority (GSA) and Export Development Agricultural and Industrial Fund (EDAIF).

4.3.1 Ministry of Trade and Industry (MOTI)

The Ministry of Trade and Industry (MOTI) is responsible for the formulation of the country's internal and external trade policy. The MOTI exercises oversight responsibilities for trade regulations and controls under the Import and Export Law (Act 503 Section 13) of 1995 as amended in 2000. The Ministry advocates for private sector development within government and takes responsibility for diversification of markets and commodity export base by promoting the development of non-traditional exports sector with the view to developing an export-led economy.

In pursuance of these objectives and its core mandate, the Ministry operates through its three administrative divisions. These are the Foreign Trade Division, Tourism Division and Export Trade Division which perform various administrative and specialized functions to promote NTEs and trade in general. The MOTI also assist exporters of NTEs through its ten regional offices, each of which is staffed with a Regional Representative who is responsible for implementing trade policy and serving as a liaison between the region's exporters and the GEPA. The Ministry also transmits information on market conditions and requirements for various products to NTE firms, provide information on the sale of Ghanaian products in foreign markets, prepare and submit status reports on those exporters wishing to do business outside the country.

In spite of these administrative divisions, the mandate of the Ministry in providing strategic direction to reinforce the export diversification policy has been mostly centralized. There is no active involvement of all districts in the drive to diversify the base of the economy. For

instance, a decentred-model could be a good strategy that will attain an equitable distribution of the export efforts of all individuals and districts. The Ministry is yet to craft a governance structure that will ensure that each District and Municipality produces a flagship product which would be developed as District or Municipal export product. Again, there are no clear cut regulatory and legal environment that guide the production and marketing of most NTE products. A case in point was the recent confusion between the MOTI and cashew farmers regarding a directive from the Ministry to ban the export of cashew nuts from Ghana till 31st May, 2016. Finally, the NTE sector is yet to receive the kind of attention that is given the traditional sector. At the moment, there are no producer prices, buyers' margin, measures to absorb part of the warehousing and internal marketing cost, provision of subsidies as well as fees for disinfestation for most if not all NTE products. All these factors work against the achievement of the sector's objectives.

4.3.2 Ghana Export Promotion Authority (GEPA)

The agency charged with primary responsibility for the facilitation, development and promotion of NTEs continues to be GEPA. The Authority serves as the National Export Trade Support Institution of the MOTI. It was established in 1969 by the National Liberation Council (NLC) Decree 396, with the mandate to "promote, assist, and develop exports in any manner which the Council considers necessary or desirable." The Authorities focus has primarily been to diversify Ghana's export base from the so called traditional commodities of gold and other unprocessed minerals, cocoa beans, timber logs and lumber. There are over 383 different Non-Traditional Export products categorized as Agricultural, Processed/Semi Processed and Handicrafts in the export basket. Export Trade in Services is a new area that has been added to the NTE portfolio in attempt to diversify into services. Currently, there are over 3000 registered private sector exporting companies

organized into 17 Export Product Associations and the Authority deal with these exporters individually or through their associations.

Originally, the intention was to make the Authority an autonomous organization but was made an agency under the Ministry of Trade and Industry. Its Authority Status was acquired in September 2011 from the then Ghana Export Promotion Council (GEPC). The change to Authority is in accordance with the Revised Laws of Ghana Act 1998, (Act 562) (1) of the Ghana Export Authority Act, 1969 (NLCD 396). This new designation helps to more clearly define the core functions of GEPA in terms of the marketing and promotion of NTE products. Its funds are appropriated through the Ministry's budget and incorporated into the national budget.

The Authority operates through five main divisions, namely: Product Development, Trade Information, Public Relations and export services, Market Development, Planning Research and Development, Finance and Administration. Under these five divisions are various departments that deal with specific issues and mandates. As its name indicates, the Trade Information, Public Relations and Export Services Division is comprised of three departments. It is this last division that is the most significant from the perspective of export promotion and hence most critical to the promotion of NTEs.

As spelt out in Decree 396, the main areas of GEPC responsibility are as follows: First, to obtain information on all products with export potential and determine the extent and location of any market for those products outside Ghana. Secondly, to call the attention of potential customers to the availability of goods of Ghanaian origin. Thirdly, to organize trade fairs in Ghana and overseas, and arrange for attendance at foreign trade fair where Ghanaian products can be promoted. In addition, it brings Ghanaian sellers in touch with foreign customers and encourage exploratory discussions between them. Again, the Authority is supposed to create

interest in, and goodwill for, Ghanaian products by promotional activities such as advertising, exhibition and provision of information about such products. Finally, it provides expert advice and assistance to Ghanaian businessmen concerning export procedures, credit and collection arrangements, shipping documentation, marine insurance and similar matters.

On the foreign front, a number of functions are also performed to assist foreign visitors in examining business opportunities involving “Made in Ghana" goods. It is the duty of the Authority to find out and recommend to Government, trade agreements and pacts that will have the effect of promoting the sale of Ghanaian goods in overseas markets. The Authority also recommend to Government the level of assistance that should be given to Ghanaian exporters to enable them compete effectively in overseas markets. It also applies for and receive in Ghana or elsewhere any trademark licenses, protections or concessions and discharges any other function which may be prescribed by regulation for the development of exports.

There is no doubt about the significant role played by the Authority in promoting and developing NTEs in Ghana. As a facilitating institution, it now has an Utra-Modern ICT Center, Ghana Export Trade Information Centre where the export community can access trade information on market trends, prices and referral services. Once again, as a coordinating institution its activities have failed to involve the citizens at the grassroots level. Most of its activities are concentrated in Accra, the national capital. Again, much as it now enjoys Authority status to promote and develop NTEs, it has no authority over budgetary allocation and disbursement of funds to critical areas in the economy that need improvement. Finally, it is good that the Authority has created the five administrative divisions, but these offices are under resourced and find it very difficult to co-ordinate and provide trade support to exporters and prospective exporters.

4.4 On-going Initiatives that Promote NTEs

There have been numerous government regulations and initiatives over the years that support ongoing operations and investment in the NTE sector. These policies and initiatives have been designed to make domestic firms more competitive in the international market. These initiatives and agreements according to Osei-Asibey (2015) are meant to offset externalities affecting production decisions of firms. Some of the noteworthy developments over the years are the formulation of the National Export Strategy (NES), the accession to the African Growth Opportunity Act (AGOA), Economic Partnership Agreement (EPA) and ECOWAS Common External Tariffs (CET). By these initiatives and agreements Ghanaians firms are offered market opportunities for exports. An overview of those initiatives, activities and bodies is given below.

4.4.1 The African Growth and Opportunity Act (AGOA)

The African Growth and Opportunity Act (AGOA) is a component of the Trade and Development Act, 2000 which was passed by the US Congress to enhance trade between the USA and 39 Sub-Saharan African countries (Osei-Asibey, 2015). The Act seeks to improve the USA trade terms under the General System of Preferences (GSP) operated under the General Agreement on Trade and Tariffs (GATT), now the World Trade Organization (WTO). Over 7,000 products are available under AGOA and a Generalized System of Preferences (GSP) list to enter the United States duty-free. The programme has spurred the export of processed agricultural products, manufactured goods, apparel and footwear from qualifying nations.

Under the GSP the USA granted Least Developed Countries preferential tariff concessions for approximately 4,500 trade items. This facility was renewable every two years by the US Trade Department, based on the LDC's fulfillment of such conditions as free trade facilitation and

adherence to the rule of law. The AGOA Act, 2000 improved the GSP terms, extending coverage to eight years, and an additional list of 1,500 commodities. Under AGOA, commodities are classified as "textile" or "non-textile". Textile goods are processed and classified for export by the application of the Visa Stamp on the original commercial invoice of the exporter by the Customs Excise and Preventive Service (CEPS). For non-textile goods the old system under the GSP will prevail and be handled by the Ghana National Chamber of Commerce and Industry (GNCCI). AGOA eligible products, in effect are a sum total of GSP goods plus textile goods.

AGOA presents a significant opportunity for Ghana to increase its manufacturing capacity and diversify its exports. However, after 15 years, it has become apparent that despite early success, Ghana has not been able to exploit the trading opportunities afforded by AGOA.

Ghana's exports to the U.S. increased from $116 million in 2002 to $222 million by 2008. Majority of the country's exports to the U.S. are raw materials, with cocoa, wood and ores being among the top export products. Ghana, according to trade figures from the Ministry of Trade, has not made the most of this AGOA opportunity. In 2012, the country exported US$245 million under AGOA to the US, which was only one-quarter of Côte d'Ivoire's exports of US$995 million. Kenya, an economy that is about the same size as Ghana's, exported US$355 million at the same period.

The removal of import tariffs and quotas on a large variety of local products presented a great opportunity for Ghana to expand its NTEs to the United States. AGOA had the positive effect of encouraging the different sectors of the Ghanaian economy to collaborate. To date, however, these expectations have not been met upon the enactment of AGOA.

The inability of Ghana to benefit significantly from AGOA can be largely explained by the lack of a national strategy on AGOA. The country has lacked a clear-cut AGOA implementation strategy to maximize the act's benefits for NTE products. Implementation has been carried out in an ad hoc manner, with no reference to national development targets.

The transient government arrangement that has characterized the institutionalization of AGOA has been due to the lack of a national strategic plan. The National Development Planning Commission, which is responsible for setting national goals, objectives and targets, has not been up to the task of incorporating the AGOA program into the national development framework. As the initiative is about to end and a new scheme is being considered for review, the critical question is how can the country maximize the benefits that a new AGOA will present to increase its exports to the vast US market?

4.4.2 Export Development, Agriculture and Investment Fund (EDAIF)

The Export Development and Investment Fund (EDIF) was established by Act 582 on 4th October 2000 to provide financial resources for the development and promotion of the export trade of Ghana. It is an agency of MOTI. As part of EDIF's mission, it is supposed to provide funds to the NTE sector on concessionary terms for the development and promotion of the sector. Operation of the fund started in July 2001 with the establishment of a Secretariat to manage the fund. Act 582 was later amended in 2011 to include the provision of financial resources for the development and promotion of agriculture relating to the agro-processing industry, and hence the change of name to include "Agriculture". The need for the establishment of the fund arose with direct financial support for exports left in the hands of Banks.

Although EDAIF was established by the government to provide funds for NTEs and export investment in general, its effectiveness has been limited. EDIF was widely advertised as part

of the national AGOA sensitization process, and would be exporters were educated about EDIF and encouraged to access either its grant or credit components. Even though the funds credit component had the lowest interest rate among commercial banks rates in Ghana, access of the fund has been very low. In recent times, exporters of agricultural products in Ghana have expressed concern about high interest rate charged by banks managing funds released by the EDAIF. According to the farmers, the EDAIF facility is given to farmers at 2.5% interest rate but when it gets to the banks for disbursements, farmers are charged 12.5%, a situation they described as unacceptable. Even though the fund is aimed at encouraging exporters to invest more especially in the agricultural industry, the current interest rate and other charges by the banks deter farmers and investors from accessing the facility. Farmers in particular are unable to pay back loans received from the fund because of high interest rate charged by the banks.

4.4.3 The National Export Strategy (NES)

Another major development to boost the export of NTEs has been the design of the National Export Strategy, which was launched in August, 2013 together with the National Export Development Programme. The NES is situated within the context of the Medium-Term Development Policy Framework: Ghana Shared Growth and Development Agenda, 20102013. Among other things, it identified the private sector as the main agent of change and key actor in developing the non-traditional export sector. The purpose of formulating the NES is to provide the strategic direction and thrust for mobilizing financial and material resources and the energies of the private sector to promote NTEs (MOTI, 2012). Spanning a five-year period, the principal objective of the NES is to develop the potential of the non-traditional export sector to enable it make maximum contribution to GDP growth and national development. This will consolidate and enhance Ghana's middle-income status, create employment and ensure high standards of living for the people.

The MOTI has set a target to increase the country's non-traditional export to $5.0 billion dollars by the 5th year within the Medium Term Strategy for the sector. To achieve this target, a working group comprising officials from MOTI, MOFA, GEPA, ADAIF, and Private Associations under the National Export Development Programme has been formed to identify and implement the development of priority products to increase exports. A priority setting methodology developed for this purpose have identified products which are likely to make a significant contribution to achieving the strategic growth targeted revenue of US$5.0 billion. The criteria for the selection process were based on gestation period of the products and the ability to generate the expected rate of revenue growth for the country. The priority products list comprises of cocoa products, wood products, fresh/chilled and processed fish, articles of plastics, vegetable oil seeds and products, natural rubber and rubber products, aluminium products, high value horticultural products and cashew nuts and processed cashew. However, it remains to be seen how the Medium Term Strategy of achieving US$5.00 billion can be achieved.

4.4.4 Economic Partnership Agreement (EPA)

Within the context of trade liberalization and globalization, Ghana needs to integrate itself in the global market to remain competitive. In this regard, the EU-ECOWAS Economic Partnership Agreement (EPA) presents potential for Ghana's burgeoning NTEs. The EPA is in accordance with the provisions of the Cotonou Agreement, in which ECOWAS agreed with the EU to negotiate an Economic Partnership Agreement, designed as a tool for development and regional integration. The ECOWAS Commission has ratified the full EPA in 2014, awaiting the ratification of member countries. That is, from 1st October 2014, Ghana would continue to benefit from this market access to the EU only on the basis of the ratification of the interim EPA or the entry into force of the regional EPA.

Encapsulated in the EPA is duty-free and quota-free access to the EU market for an unlimited period for all imports originating in Ghana. In return, Ghana will gradually liberalize 75% of its imports from the EU over 20 years. Already, 35% of EU exports in Ghana are liberalized or nearly liberalized and this will leave a de facto additional 40% of imports to be liberalized. This gradual opening of the Ghanaian market according to the agreement will be done flexibly to protect sensitive sectors in the economy taken cognizance of the different levels of development between Ghana and the EU. Another essential element of the liberalization agreement is duty free imports from the EU that are notably inputs used by local industries, such as agricultural inputs, equipment and machinery. This is meant to reduce the production costs of local companies which will as well benefit the Ghanaian consumer. Lastly, agricultural and non-agricultural products such as poultry, tomatoes, sugar, cereals and flour, frozen fish, beer and industrial plastics, would be excluded from the liberalization. It is believed that, the liberalization process would be done gradually over several years to keep the initial revenue loss small and spread the impact over many years. All these developmentcooperation dimensions should be able to improve the business environment, accelerating regional integration, and more importantly, enhance the export diversification drive of the country.

Much as the EPA presents an opportunity for Ghana to increase its market outlets and other advantages that could be derived for NTEs. The concern of many individuals and in particular, civil society organizations is the potential and gradual dismantling of tariffs on goods originating from the EU. This can also adversely affect government revenue and the manufacturing sector. However, just like other trade agreements, the challenge is how Ghana can resolve its supply-side bottlenecks and ensure proper implementation of the agreements in other to remain competitive.

4.4.5 ECOWAS Common External Tariffs

Ghana has begun the full implementation of the Economic Community of West African States (ECOWAS) Common External Tariff (CET) on July 1, 2015. The initial deadline of January 2015 for implementing CET adopted by member states of the Economic Community of West African States (ECOWAS) was missed because of government's inability to seek parliamentary approval for the new customs regime. The fiscal harmonization regime is composed of four tariff rates of custom duty, namely 0% for Essential Social Goods, 5% for Goods of Primary Necessity, Raw Materials and Specific Inputs, 10% for Intermediate Goods and 20% for Final Consumption Goods. The law came into effect following the passage of the Customs (Amendment) Act, 2015 (Act 905), by the Ghana Revenue Authority.

The CET regime will ensure that the same tariffs would be imposed on an eligible item imported into the ECOWAS region, irrespective of the ECOWAS-member country it first lands in. This fiscal harmonization is seen as vehicle to create a customs union as a complementary condition for the creation of a common market for West Africa. Ghana had initially supported the adoption of an ECOWAS Common External Tariff (CET) in 2004 as a starting point for the establishment of a Customs Union and a major move towards economic integration agenda in the sub-region. All the Member States agreed to adopt and apply the ECOWAS CET rate, which was expected to be effective from January 1, 2015. Under the CET the flow of goods to any of the ECOWAS countries will be paid in the country of first entry and the importer would no longer be required to pay in the country of final destination.

Concerns have been raised about the practical implementations of the CET. Similar policies of the ECOWAS Trade Liberalization Scheme (ETLS), which is essentially a Free Trade Area (FTA), have so far been implemented haphazardly with still many formidable trade barriers along the roads due to lack of commitment from some member states. The issue is how

ECOWAS ensure commitment and effective monitoring of the CET application for compliance. Again, importers in Ghana are uncertain whether the new law would lead to an increase or decrease in cost of importation. It is also expected that tariff rates of other ECOWAS countries will generally fall. Such a leveling of rates is necessary to achieve harmonization which facilitates trade among ECOWAS countries.

4.5 SWOT-Analysis of Policy Reforms and Institutional Management of Export Diversification in Ghana

Having reviewed the reforms and institutional management of export diversification experience in Ghana, this part of the study adopts a SWOT-Analysis (Strength-WeaknessOpportunities-Threats) framework which is a common tool for the evaluation of economic and policy processes (Mili, 2006). The SWOT profile is presented as a strategy for the NTE sector to take advantage of its strength and opportunities and minimize the impacts of its weaknesses and threats. The strength and weaknesses relate to the current situation and internal environment for export reforms and institutional management of export diversification in Ghana whiles threats and opportunities relate to the future and the external environment.

4.5.1 Strengths

The following strengths of the reforms are those resources, structures and capabilities that are being utilized as basis for developing the competitive advantage of the sector for a successful export diversification strategy.

Liberalized System: For the past three decades, attempts have been made to liberalize Ghana's economy with the adoption of Market–Based system in the allocation of factors of production. As a result, the private sector is seen as an engine of growth with government providing a trade

enabling environment to actively stimulate private sector initiatives. Implementation of structural adjustment reforms have somewhat, enhanced healthy competition, promoted large export market, ensured efficiency in production, fair trade and the protection of intellectual property rights and multilateral trade. These trade liberalization policies have resulted in significant improvement in resource allocation and growth in export.

Incentive Schemes: Successive governments have introduced a number of incentive schemes in order to reduce the cost of exports. For instance, the zero tax rate (duty exemptions) paid by non-traditional product exporters is one of the many incentives introduced by government to reduce the cost of export. Again, increase in export bonus on NTE products and introduction of foreign exchange retention scheme over the years are initiatives aimed at ensuring the promotion of NTEs in the country. In addition, efforts made to reduce the difficulties that exporters go through in the export of NTE products are all meant to incentivize and build the trade capacity of local firms for international business development.

Endowment of Natural Resources (Comparative Advantage): Ghana has the resources and competitive advantage in the production of wide range of commodities which will integrate growth from different sectors into the general national economy. The Export diversification drive will therefore serve as an impetus that will identify and exploit new areas of competitive advantage for the growth and development of the country. It will further reveal

Ghana's export potential in different commodities and sectors and allow resources to be channeled into productive sectors with economic efficiency as the avowed objective of national policy. Ghana's export diversification drive will be enhanced by the abundance of land and other natural resources.

Commitment for Trade Promotion: There have been attempts by successive governments to commit resources and efforts to diversify the export structure of Ghana. Even though much

needs to be done to achieve the expected impacts, this is an encouraging sign. For instance, there have been several attempts to build and strengthen the capacity of policy institutions, Trade Associations, entrepreneurs etc.

4.5.2 Weaknesses

Weaknesses are the constraints and challenges to a successful export diversification drive in Ghana. The following are weaknesses identified which may hinder the successful implementation of export diversification policies in Ghana and may need improvement.

Technological Capabilities: The paucity of technological capabilities is perhaps the greatest hurdle to the policy of diversification. Thus, the greatest challenge of the policy of diversification in Ghana is the facilitation of a comprehensive package of sector specific policies dedicated to fostering the technological capabilities of non-traditional exports.

Institutional and capacity Constraints*:* There is too much public control of export diversification policies and reforms. This has resulted in lack of harmonization of Ministries and Agencies with the private sector. Besides, it is also difficult to clearly identify a blueprint for export diversification strategy of the country. One of the constraints of export diversification reforms in Ghana is the lack of coherent national strategy to maximize the benefits of the reforms. At best, implementation has been ad hoc and poor with no reference to any national development targets.

Over-Concentration on Traditional Exports: Ghana was one of the earliest countries in SubSaharan Africa to implement Structural Adjustment Reforms and enjoy a stable political and macroeconomic environment (Chandra and Rodarte, 2007). Yet, there was no significant change in the export structure of the economy (Aryeete et al., 2001). The economy still depends on the traditional crops as a sole channel for export revenue. Not much resource has been

allocated to the NTE sector to reinforce comparative advantage in that sector. Ghana still over-depends on few commodities for exports with lack of attention for NTEs.

Skill Gap: Vertical diversification is skill intensive and Ghana does not have comparative advantage in this area. That is, the strategy to change the structure of a countries export through value addition requires a high level of skilled manpower. Ghana is skill-constraint and this may lead to low level of export diversification. Ghana's weak skill mix is a serious challenge to export diversification strategy. There is the challenge of building expertise in the sector.

Lack of Supportive Macroeconomic Environment: A weak macroeconomic environment will not help Ghana do diversify away from cocoa, gold and timber. For example, a high rate of inflation and interest rate, weak exchange rate management and high taxes will not help accelerate export growth. These are general export promotions measures that Ghana need to strengthen so that export diversification can inure to the benefit of the country. Even though there have been successful attempts of complementary reforms such as deregulation and trade liberalization, the high cost of electricity and raw materials will reduce the competitiveness of exporting firms. An existing environment of high interest rate, inflation and persistent depreciation of the local currency does not augur well for export diversification.

Funding: The current funding model for NTEs does not adequately support export diversification. The lack of capital and adequate funding for firms has created a negative impact on effort to diversify the Ghanaian economy. Exporting firms can compete favourably if they operating in an environment where firms are supported with adequate funding. That is, budgetary constraints have set financial limits to reforms in the NTE sector. Trade and facilitating institutions have no authority over budgetary allocation except to depend on the central government.

Lack of Infrastructure: Lack of infrastructure is also a binding constraint to export diversification in Ghana. Infrastructure development is a key ingredient for export development

strategy. Weak infrastructural base has hampered private sector activities and undermined diversification reforms. Lack of infrastructure can prevent local firms from expanding production and compete in the global market place.

4.5.3 Opportunities

These are useful opportunities that Ghana can uncover to create a successful competitive position for export diversification. The following are essential factors that can be exploited to Ghana's advantage in its export diversification reforms.

Re-diversification (New Product/Services): The success of diversification policy greatly depends on which new products replace the traditional products. In this regard, the National Export Strategy has earmarked so many products that hold promise and have the potential to increase Ghana's export earnings. Ghana can diversify its export into so many incomeenhancing products. Thus, there are other efficient sectors where Ghana has the highest probability to diversify. There is a huge prospect for the country to widen the scope of export diversification.

Natural Resource Capacity: Ghana is endowed with a lot of untapped natural resources. These unprocessed natural resources could be distinct set of products that have the potential to raise export growth in the longer term. There could be value addition which will be instrumental in guiding an income-enhancing export diversification in Ghana. With an enormously rich and diverse selection of natural resources the country can increase its export portfolio.

Market Outlet (Growth): Market trends of NTEs in the West African sub-region presents a prospect for growth in the NTE sector. Good market possibilities among neighbouring countries in the ECOWAS sub-region and other African countries could be an avenue to increase the market share of NTEs. Market outlets in Asia, Latin America, North America and other African countries offer remarkable opportunities for local firms to export NTE products.

Regional integration and development cooperation dimensions could open market avenues for NTE products.

Increase in manufacturing capabilities: Increased demand for manufacturing products on the global market will increase Ghana's manufacturing capabilities and operational performance. Through learning-by-doing firms will be able to add value to export products to meet foreign demand. It is expected that through practice and minor innovations domestic firms will be able to acquire the requisite knowledge and produce quality products for the global market.

4.5.4 Threats

These are external characteristics that could produce threats to a diversification-led growth strategy. Elements in the export environment that could create serious problems for export diversification in Ghana are as follows:

Volatility of export prices: Many of the NTE products are unprocessed commodities and do not command higher prices. They are therefore vulnerable to price volatility and terms of trade shocks. These have the capacity to constrain growth in the NTE export sector.

New Market Entrants (Increased Competition from other Countries): Countries which export commodities similar to what Ghana exports such as Ivory Coast, Kenya etc. are making tremendous strides in the global market. These countries have been able to adopt their skills and diversifying into relatively sophisticated markets and sectors. These countries therefore pose great threats to Ghana in the midst of global competitive pressures unleashed on them by trade liberalization.

Technological threats: A recurring feature in the export business is rapid technological change. Technological changes in many of the industries that operate in the NTE sector may change the market beyond the ability for these local firms to adapt. The ability for NTE firms to adapt to modern trends of doing business will be very essential.

Meeting International Standards: In the medium and long term, perhaps, what will be a serious challenge to Ghana's export diversification drive will be the inability of Ghanaian firms in certain natural resource-based sectors to meet stringent international standards required by their foreign consumers. Firms in the near future will find it difficult to enter and sell on the international market because of government-mandated rules and procedures that must be met.

The table below presents the overview of SWOT Analysis of reforms and institutional management of export diversification in Ghana.

Table 4. 1: SWOT Analysis Matrix

Strengths	**Weaknesses**
- Liberalized System	- Technological Capabilities
- Incentive Schemes	- Institutional and Capacity Constraints
- Endowment of Natural Resources	- Over-Concentration on Traditional Exports
- Strong Commitment for Trade promotion	- Skill Gap
	- Lack of Supportive Macroeconomic Environment
	- Lack of Infrastructure
Opportunities	**Threats**
- Re-diversification (New Products and Services	- Health and Safety Standards
- Natural Resource Capacity	- Volatility of Export Prices
- Market Outlets (Growth)	- Increased Competition from other Countries
- Increase in manufacturing capacity	- Technological Threats

Source: Author's own Construction

Based on the above analysis, it is concluded that, there are so many challenges and threats that Ghana should manage and eliminate in order to make the export diversification reforms a good one. In general, supply response of the NTE sector has been low because of haphazard implementation of reforms and over-concentration on traditional export products for export revenue. Yet, there are so many strengths and opportunities that Ghana is well placed to exploit to remain competitive in the export of NTE products. For instance, abundance of untapped natural resources, re-diversification, regional integration and development cooperation dimensions present huge opportunities for export diversification. All these indicators have effects on the implementation of export diversification strategy in Ghana.

CHAPTER FIVE
PRESENTATION OF DATA, ANALYSIS AND DISCUSION OF RESULTS

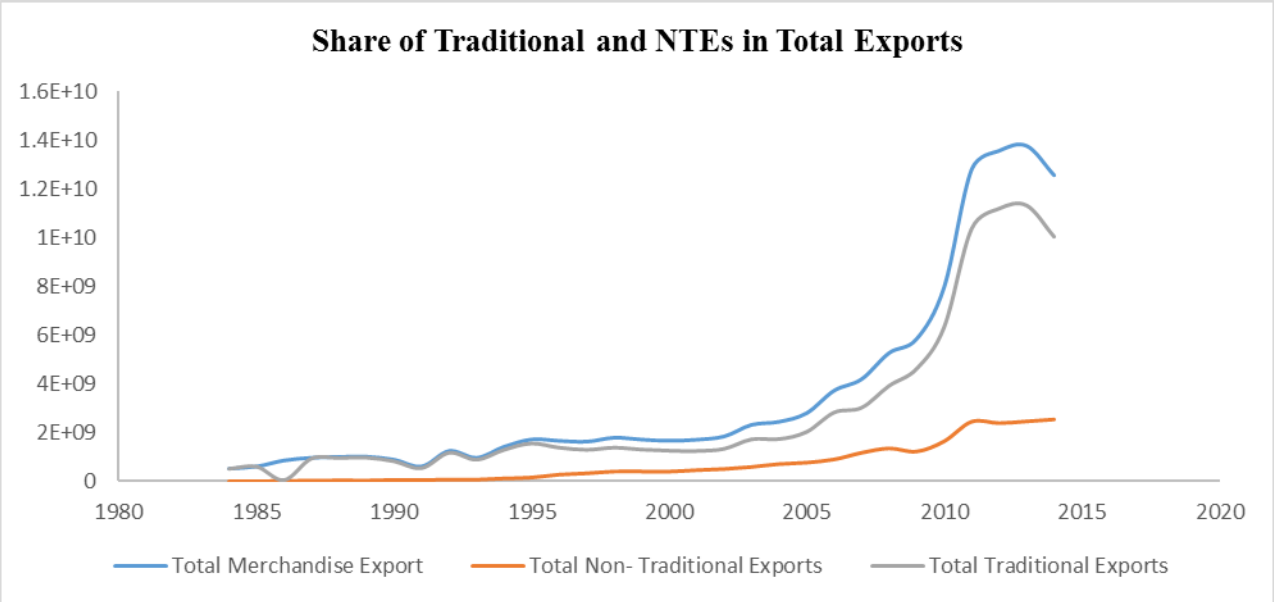
5.1 Introduction

This chapter presents the data analysis and results of export diversification trends, concentration ratios and the qualitative survey of challenges of export diversification. It relies on descriptive analysis, tables and charts to provide the analysis of the contribution of NTEs to total exports and economic growth. It also analyses sub-sector performances, leading products in the sector and the three sub-sectors and market destinations of NTEs. The chapter also presents concentration ratios used to investigate the Degree of Specialization and Diversification (DSD) of the NTE sector and findings of the qualitative survey carried out to identify challenges of export diversification in Ghana at the firm level. The chapter ends with discussions of results of the study.

5.2 Export Diversification Trends in Ghana

The share of traditional and non-traditional items in total exports indicates that traditional export products still dominate Ghana's exports. The share of NTEs have increased modestly and represent a growing share of the total exports, rising from 3.2%, 7%, 20.3% and 20.3 in 1986, 1990, 2010 and 2014 respectively. A very high proportion of this overall NTE revenue is generated from export of manufactured products. The sector's contribution represents less than 10 percent of GDP. The potential for future growth in NTEs however, is very high as Ghana seeks to add more value particularly to its agricultural produce.

Figure 5.1: The Share of Total Traditional and Non-Traditional Items in Total Exports



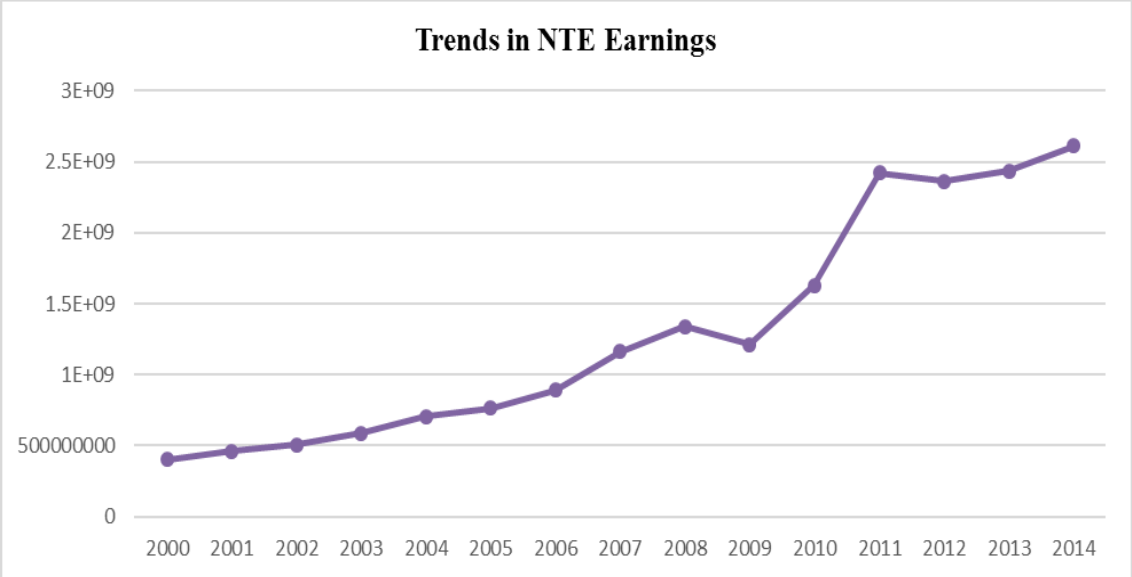
Source: GEPA/ WDI

5.2.1 General Trend in Non-Traditional Export Earnings

Analysis of the record of non-traditional exports after the external shocks in 1999 reveal that the sector's contribution was slow in picking up. The value of non-traditional exports in 2000, the first year after the external shocks was US $400.659 million. This figure rose to US $459.603 million in 2001 signifying 14.71% increase in export value. There was however a lower 9.71% increase in 2002 with a total export value of US $504.252 million. In 2003, the

sector's contribution grew by 16.78% to register a total export value of US $588.882 million. A total volume of US $705.428 million was realized in 2004 compared to the same period's figure of US $588.882 million in 2003. This means a significant change in value of 19.79% in the two periods was realized.

Figure 5. 2: Trends in Non-Traditional Earnings



Source: GEPA

In 2005, 2006 and 2007, the sector increased 8.3% and 16.87% and staggering 30.42% with export values of US $763.988, US $892.878 million, and US $1,164.512 million respectively. However, the growth rate decreased to 15.15 percent with an export value of US $1,340.945 million in 2008. From 2001 to 2008 the sector grew steadily at an annual rate of about 16.4% with the highest rate of about 30.42% occurring in 2007. The year 2009 witnessed a different course in the history of non-traditional exports. The Global Financial Meltdown affected the sector's contribution with 9.39% decrease in growth rate with a total export value of US $1,215.041 million. The two years after the Global Financial Meltdown saw a phenomenal 34.09 and 48.74 percent increase with a total value of US$1,629.198 million and US $2,423.340 million in 2010 and 2011 respectively. Again, the sector achieved a declined in

growth rate of 2.43% in 2012 with and export value of US $2,364.390 million before registering a marginal increase of 3.04% and 3.19% in 2013 and 2014 respectively.

Table 5. 1 : Growth in Non Traditional Export Earnings

Year	NTE Value in Billion US$	Rate of Change
2000	400,659,679	-
2001	459,603,423	14.71
2002	504,251,753	9.71
2003	588,882,315	16.78
2004	705,428,838	19.79
2005	763,987,947	8.30
2006	892,877,717	16.87
2007	1,164,512,129	16.87
2008	1,340,945,295	15.15
2009	1,215,040,897	- 9.39
2010	1,629,198,480	34.09
2011	2,423,340,667	48.74
2012	2,364,390,499	- 2.43
2013	2,436,202,313	3.04
2014	2,513,819,423	3.19

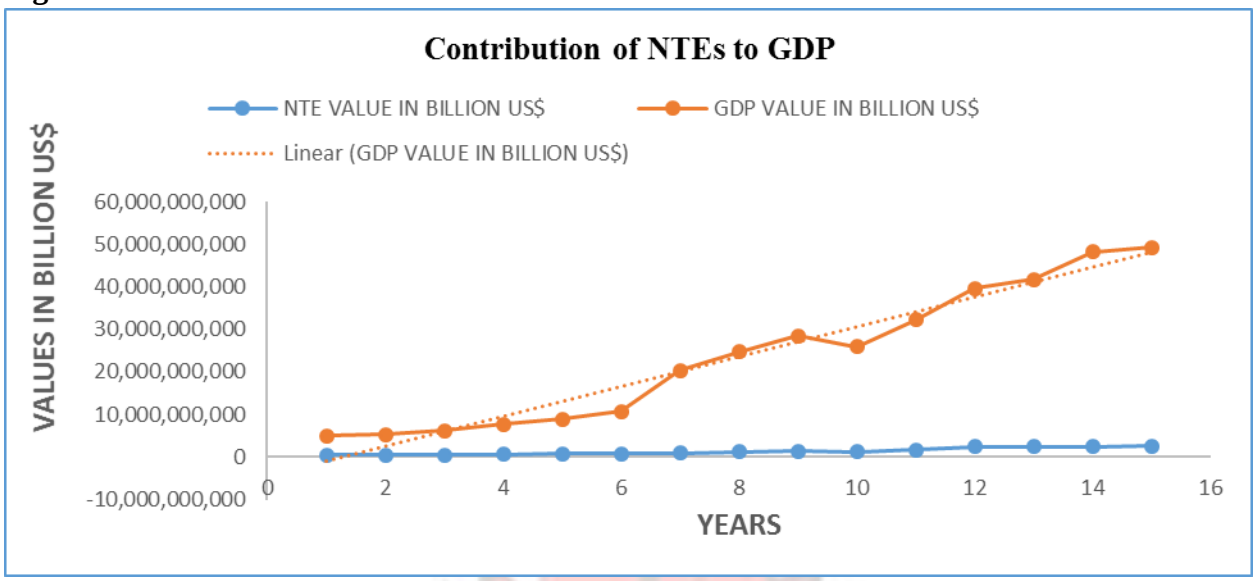
Source: GEPA

5.2.2 Contribution of NTEs to GDP

In general, the contribution of non-traditional exports to the growth of GDP in Ghana has been modest showing a positive trend of growth. On the average the NTE sector contributes about 6 percent per annum to GDP since year 2000. The share of the sector in 2000 to the growth of GDP was 8.05%. Though at a declining rate, the sector contributed positively to GDP till it stagnated at 4.7% in 2007. This marked the period before the Global Financial

Crisis where the sector's contribution declined by 9.39 percent but still contributed 4.68 to GDP growth. Ghana's GDP also plummeted from US$28,530.000 million to US$25,980.000 million at the same period.

Figure 5. 3: Contribution of NTEs to GDP Growth



Source: GEPA/ WDI

Table 5. 2: Contribution of NTE to GDP

Year	NTEs Value in Billion US$	GDP Value In Billion US$	NTEs Proportion to GDP (%)
2000	400,659,679	4,980,000,000	8.05
2001	459,603,423	5,310,000,000	8.66
2002	504,251,753	6,170,000,000	8.17
2003	588,882,315	7,630,000,000	7.72
2004	705,428,838	8,880,000,000	7.94
2005	763,987,947	10,730,000,000	7.12
2006	892,877,717	32,410,000,000	4.37
2007	1,164,512,129	24,760,000,000	4.70
2008	1,340,945,295	28,530,000,000	4.70
2009	1,215,040,897	25,980,000,000	4.68
2010	1,629,198,480	32,170,000,000	5.06
2011	2,423,340,667	39,560,000,000	6.13
2012	2,364,390,499	41,740,000,000	5.66
2013	2,436,202,313	48,140,000,000	5.06
2014	2,513,819,423	49,200,000,000	5.11

Source: GEPA/World Bank

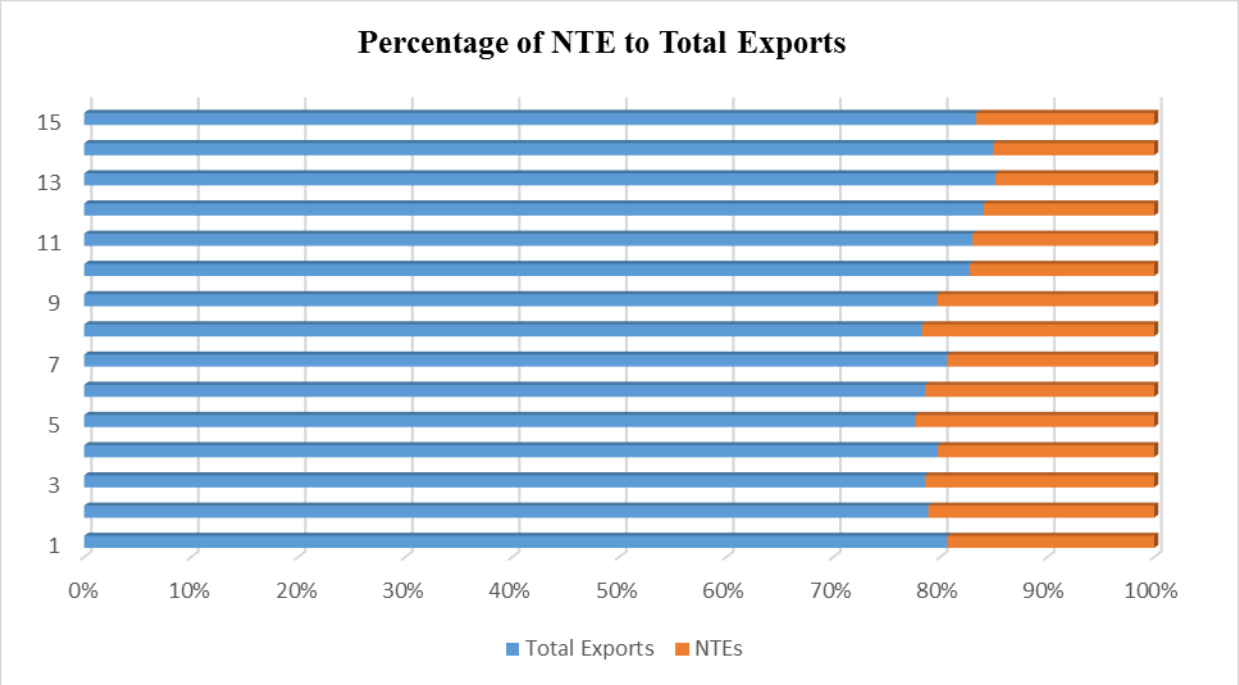
The percentage contribution of NTEs to total growth rate of GDP in the last five years after the Global Financial Crisis has been inconsistent. The percentage contributions in, 2010, 2011,

2012, 2013 and 2014 were 5.06, 6.13, 5.66, 5.06 and 5.11 respectively. The drop in contribution of NTEs to total GPD in 2011, 2012 and 2013 were due primarily to the following factors: Substantial increases in gold, cocoa beans and oil exports and a drop in cocoa paste, canned tuna and cashew nut exports.

5.2.3 Percentage of NTEs to Total Exports

Overall, the share of NTEs to total exports from 2003- 2014 has been modest. The greatest contribution of the sector to total export within the period was 28.79% in 2004 with an export value US$705,428,838.

Figure 5. 4: Percentage of NTEs to Total Exports



Source: GEPA/WDI

Table 5. 3: Percentage of NTEs to Total Exports

Year	NTEs Value in Billion US$	Total Export Values in Billion US$	% of NTEs to Total Exports
2000	400,659,679	1,671,000,000	23.97
2001	459,603,423	1,716,000,000	26.78
2002	504,251,753	1,850,000,000	27.26

2003	588,882,315	2,324,296,000	25.34
2004	705,428,838	2,450,000,000	28.79
2005	763,987,947	2,802,207,028	27.26
2006	892,877,717	3,726,680,000	23.96
2007	1,164,512,129	4,194,720,000	27.76
2008	1,340,945,295	5,269,726,000	25.45
2009	1,215,040,897	5,839,710,000	20.81
2010	1,629,198,480	7,960,090,000	20.47
2011	2,423,340,667	12,785,420,000	18.95
2012	2,364,390,499	13,552,350,000	17.45
2013	2,436,202,313	13,751,920,000	17.98
2014	2,513,819,423	12,548,000,000	20.03

Source: GEPA/WDI

However, NTEs contribution could not be sustained as its total share to total exports declined to 17.20 in 2013. This was partly attributable to the revenue from crude oil after Ghana started exploiting oil in commercial quantities in 2011.

5.2.4 NTEs Performance by Sub-Sector

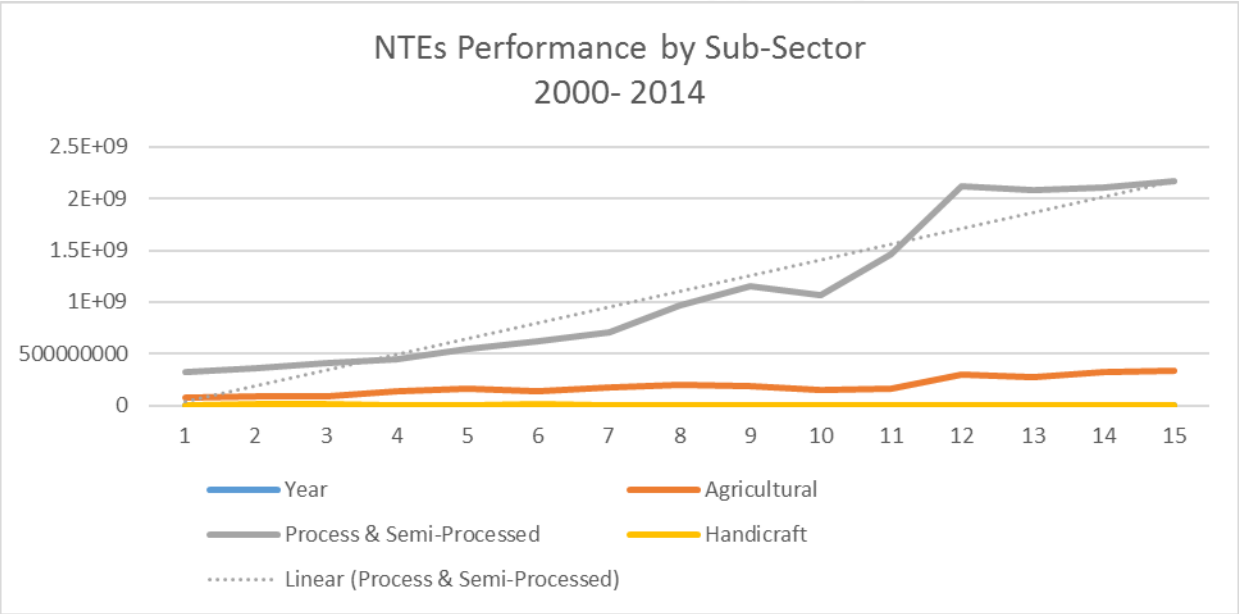
This part of the study looks at the analysis of the performances of the three sub-sectors under the NTE sector over the period, 2000-2014. These sectors are the agriculture sub-sector, processed and semi-processed sub-sector and the handicraft sub-sector. This will help identify sub-sectors and products that have prospects to generate more income for the country.

The total volume of agricultural exports amounted to US $74.539 million in 2000 and increased to US $340.687 million of overall earnings of non-traditional exports in 2014. The sub-sector therefore registered a positive growth of 357.1% from 2000 to 2014 and made a contribution of 18.6% and 13.6% of the overall export performance of non-traditional export sector in 2000 and 2014 respectively.

The handicraft sub-sector contributed US $4.977 million to the overall non-traditional export earnings in 2000 but decreased to US $3.475 million in 2014. The sub-sector registered a

negative growth of 30.20% from 2000 to 2014 and made an insignificant contribution of 1.24% and 0.14% of the overall export performance of non-traditional export sector in 2000 and 2014 respectively. This is an indication that, the sub-sector continues to be the least developed among the three sub-sectors.

Figure 5. 5: NTEs Performance by Sub-Sector



Source: GEPA

Table 5. 4: NTEs Performance by Sub-Sector

177,499,537		710,887,791	4,490,389	892,877,717
197,237,890		963,477,776	3,796,463	1,164,512,129
Year	**Agricultural**	**Process & Semi-Processed**	**Handicraft**	**Total (NTEs)**
2000	74,539,389	321,142,636	4,977,655	400,659,679
2001	81,983,710	362,727,128	14,892,584	459,603,423
2002	85,730,637	407,210,266	11,310,850	504,251,753
2003	138,137,263	446,577,083	4,167,969	588,882,315
2004	159,850,767	540,375,136	5,202,935	705,428,838

2005	138,447,729	617,942,453	7,597,765	763,987,947
2008	187,621,229	1,149,999,125	3,324,941	1,340,945,295
2009	150,859,274	1,061,907,600	2,274,023	1,215,040,897
2010	164,934,111	1,461,483,989	2,780,380	1,629,198,480
2011	296,975,451	2,122,789,963	3,575,253	2,423,340,667
2012	276,386,041	2,083,905,792	4,098,666	2,364,390,499
2013	323,709,596	2,110,030,455	2,462,262	2,436,202,313
2014	340,687,719	2,169,656,190	3,475,514	2,513,819,423

Source: GEPA

The processed and semi-processed sub-sector contributed an overwhelming 80.15 percent to the total volume of non-traditional exports in 2000 and rose further to 86.31 percent in 2014. This depicts the emphasis that is being placed on greater value addition to our export products through processing. The sector's contribution in 2000 as compared to 2014 registered an astronomical increase of 575.61 percent from US $321.142 million to US $2,169.656 million.

5.2.5 Performance of Ten Leading NTE Products

This section looks at the top ten products that have contributed immensely in the upsurge of the NTE sector from 2012 to 2013. Cocoa paste continues to be the leading product in the NTE sector. Even though its market value decreased from US $533.359 to US $528.805 over the period it made a total contribution 22.56 and 21.71% in 2012 and 2013 respectively.

Cashew nut, articles of plastics and veener products all made impressive gains to contribute to the overall performance of the sector.

Table 5. 5: Performance of Ten Leading NTE Products (2012 - 2013)

Product	2013	2012	% Change
Cocoa Paste	528,805,526	533,359,158	-0.85
Cashew Nut	163,095,966	91,289,689	78.66
Articles of Plastics	147,299,235	133,137,899	10.64
Canned Tuna	144,068,530	146,887,689	-1.92
Veneer	90,424,937	66,055,287	36.89

Natural Rubber Sheets	64,178,781	68,255,696	-5.97
Aluminum Plates, sheets and Coils	61,748,519	48,878,155	26.33
Medicinal Plants and Parts	43,116,561	14,198,430	203.67
Animal Feeds	42,786,027	14,460,523	195.88
Iron /Steel products	34,565,822	33,228,060	4.03
Total	***1,312,622,404***	***1,149,750,586***	***14.17***

Source: GEPA

Even though canned tuna and natural rubber sheets had negative rate of change in values over the period, they each contributed a modest 5.90 and 2.63% to the overall NTE sector performance in 2013 respectively. Aluminum plates, sheet and coils and steel products made positive contribution over the period. Medicinal plants and parts export value increased from US $14.198 million to US $42.786 million to register an astronomical 203.67% from 2012 to 2013. Animal feeds also registered a growth rate of 195.88 percent over the period.

5.2.6 Ten Leading Processed/Semi-Processed Products

Among the processed and semi-processed products, cocoa paste stood as the highest contributor with 25.06% to the sub-sector's performance in 2013 and 21.70% of the overall performance of NTEs in that same period. The product fetched US $533.359 million of the total export volume for NTEs in 2012. This figure however, decreased by 0.85% to US $528.805 million in 2013. Another group of products that contributed modestly were articles of plastics. Their export values rose from US $133.137 million to US $147.299 million in 2012 and 2013 respectively.

Table 5. 6: Ten Leading Processed/Semi-Processed Products

Product	**2013**	**2012**	**% Change**
Cocoa Paste	528,805,526	533,359,158	-0.85
Articles of Plastics	147,299,235	133,137,899	10.64

Canned Tuna	144,068,530	146,887,689	-1.92
Veneers	90,424,937	66,055,287	36.89
Natural Rubber Sheets	64,178,781	68,255,696	-5.97
Aluminum Plates, sheets and Coils	61,748,519	48,878,155	26.33
Animal Feeds	42,786,027	14,460,523	195.88
Iron /Steel products	34,565,822	33,228,060	4.03
Cut Fruits	34,416,150	32,292,924	6.57
Fertilizers	33,388,799	35,576,969	-6.15
Total	***1,181,682,326***	***1,112,132,360***	***6.25***

Source: GEPA

The export volume for canned tuna in the period decreased from US $146.887 million in 2012 to US $144.068 in 2013. This depicts a decrease of 1.95% in the same period. The product made a contribution of 7.05 and 5.4% to the overall sub-sector's performance in 2012 and 2013 respectively. Veneer product was the fourth highest contributor in terms of export value and had a positive change of 36.89% in the group in the period.

Aluminum plates, sheets and coils and cut fruits registered positive growth over the period**.** In value terms, aluminum plates, sheets and coils contribution increased from US $48.878 million in 2012 to US $61.748 million in 2013 to register a percentage growth of 26.33. Cut fruits modestly increased by 6.5% to register US $32.292 and US $34.416 million in 2012 and 2013 respectively. Animal feeds product was the highest contributor in the sub-sector in terms of growth with 195.88%. Its export value increased from US $14.460 in 2012 to US $42.786 in 2013. Natural rubber sheets and fertilizers, the last group of products in the ten leading products of processed and semi-processed sub-sector all registered negative growth rate over the period.

5.2.7 Ten Leading Agricultural Products

Cashew nuts continue to be the highest contributor in the agricultural sub-sector with an export value of US $91.289 million and US $163.095 in 2012 and 2013. This represents an overwhelming 78.66% change in the period. In terms of change in value at the period however, medicinal plants and parts registered the greatest with 206.67% of growth rate. Among the horticultural products, pineapple stands as a single product with the highest contribution. It contributed US $16.815 million in 2012 and increased to US $19.208 to maintain its position as a leading horticultural product in in the period. Another horticultural product that contributed modestly with a positive growth was mangoes.

Table 5. 7: Ten Leading Agricultural Products

Product	**2013**	**2012**	**Percentage (%)**
Cashew nuts	163,095,966	91,289,689	78.66
Medicinal plants & parts	43,116,561	14,198,430	203.67
Fresh or chilled tunas	24,390,031	44,998,718	-45.80
Yams	20,857,985	12,251,121	70.25
Pineapples	19,208,877	16,815,539	14.23
Shea nuts (karite nuts)	8,062,696	26,337,963	-69.39
Fresh or chilled fish, nes	7,695,808	13,940,061	-44.79
Groundnut	6,339,606	6,008,791	5.51
Mangoes	5,110,721	2,688,654	90.08
Palm nuts and kernels	4,380,688	261,965	1572.24
Total	***302,258,939***	***228,670,464***	***32.18***

Source: GEPA

Another group of products that also contribute modestly in the agricultural sub-sector is palm nuts and kernel. Overall, palm nuts and kernel contributed US $0.261 million and US $4.380 in 2012 and 2013 respectively in the agricultural sub-sector to record an overwhelming 1572.24 percent change in growth. Yams and groundnut registered 70.25 and 5.51 percent change in

value whereas fresh or chilled tuna, shea nuts and fresh or chilled fish recorded negative change over the period.

5.2.8 Ten Leading Handicrafts Products

The major export products within the sub-sector were assorted hides and skins, ceramic products and traditional musical instruments. Except traditional musical instruments that recorded a negative growth of 25.99, hides and skins and ceramic products registered positive growth rate over the period. For instance the single contribution of hides and skins to the subsector performance increased from US $0.387 million to US $0.543 million, indicating 9.45 and 22.05 in the overall sub-sector's performance for 2012 and 2013 respectively. This indicates that its value more than doubled by 141.42%. Woodcarving, earthenware bowls, kente products and traditional musical instruments also contributed modestly.

Table 5. 8: Ten Leading Handicrafts Products

Product	2013	2012	Percentage (%) Change
Hides and Skins	543,049	387,165	40.26
Ceramic Products	530,272	514,402	3.09
Traditional Musical Instruments	336,578	454,795	-25.99
Kente Products	226,076	191,859	17.83
Beads	183,763	85,789	114.20
Statuettes	171,158	535,814	-68.06
Mats	130,788	626	20792.65
Handicraft items	111,261	1,225,544	-90.92
Basket Ware	90,600	613,776	-85.24
Batik/Tye and Dye	64,450	36,181	78.13
TOTAL	***2,387,995***	***4,045,951***	***-40.98***

Source: GEPA

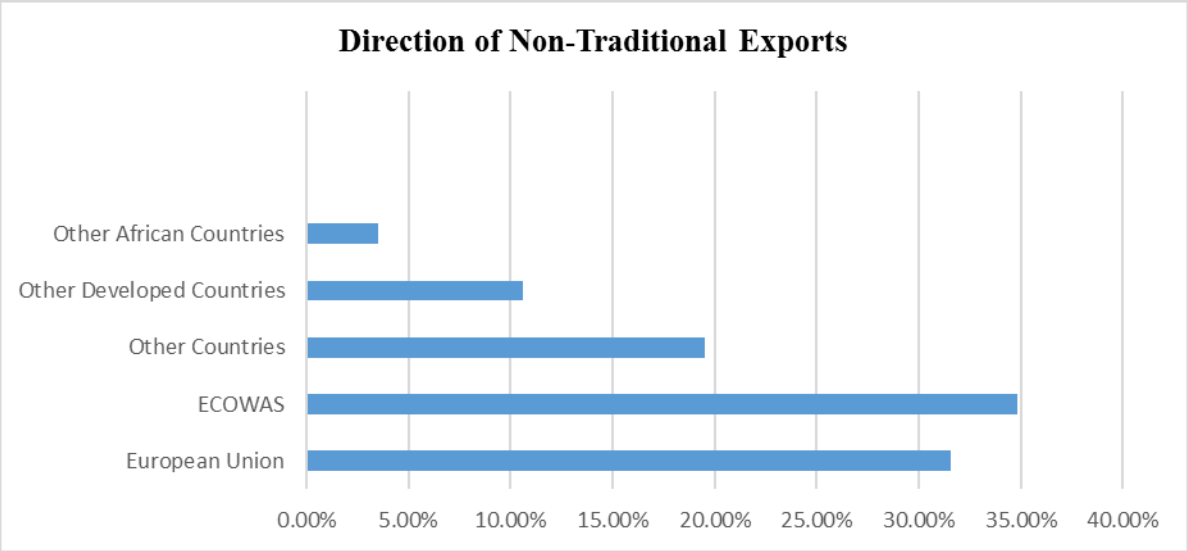
During the period also, mats stood as the highest contributor in terms of growth for the subsector. It registered 20792.65% growth with increase in export value of US $625 to US $0.130 million over the period. Kente, beads and batik products all recorded strong growth

over the period. However, statuettes, basketware and handicrafts all saw a decline in their contribution to the sub-sector performance. Overall, these ten top handicraft products had a negative growth rate of 40.98 percent. This is an indication that, the subsector's performance saw a drastic decline over the period.

5.2.9 Directions (Destinations) of NTEs

Ghana's non-traditional products were exported to 140 countries in 2013 divided into five (5) groups as follows: About 35% of the country's NTEs end up in the Economic Community of West African States (ECOWAS) market, 32% in the EU market, 11 % in other developed countries, 19 percent in other countries and 3 percent in other African countries.

Figure 5. 6: Direction of NTEs



Source: GEPC

Table 5.

9: Trends in Percentage Share of NTE Earnings by Destination Category

Destination Category	2007	2008	2009	2010	2011	2012	2013
European Union (EU)	46.55	40.83	46.39	50.18	45.72	34.07	31.55
ECOWAS	31.36	32.45	32.72	26.42	27.04	31.68	34.83
Other African Countries	2.36	2.54	2.4	2.59	3.52	3.93	3.46
Other Developing Countries	9.25	9.5	7.14	9.26	7.05	10.48	10.62
Other Countries	10.48	14.68	11.35	11.55	16.67	19.84	19.54

Source: GEPA

The percentage share of NTEs earnings in the ECOWAS region has been rising steadily over the years. The market share of the EU region though significant, has been showing a downward trend. Inter-regional trade within the ECOWAS region has taken a larger share of NTEs. However, the share of the market from other African countries has been less than 4%. The share of other countries such as Japan, Canada etc. and other developing countries outside African have been expanding and posing strong market shares.

5.2.10 Ten Leading NTEs Markets (Destinations)

The Netherlands was the largest importer of Ghana's NTEs with an export value of US $243.278 million constitution approximately 10 percent of total market share in 2013. Burkina Faso was the largest destination for the ECOWAS Sub-region in 2013 taken a modest share of 8.08 percent with a market value of US $197.09 million.

10: **Ten Leading NTEs Markets (Destinations)**

Country	2013	Percentage Share of Market
Netherlands	243,277,938	9.98
Burkina Faso	197,091,133	8.08

Table 5.

Togo	161,681,536	6.60
United Kingdom	163,553,474	6.70
Nigeria	149,861,751	6.10
Switzerland	121,792,136	4.98
France	108,787,844	4.70
Cote D'ivoire	100,965,157	4.14
Benin	98,355,378	4.00
United States	93,887,652	3.80
Others	996948314	40.92
Total	***2436202313***	***100.00***

Source: GEPA

Togo, United Kingdom and Nigeria had almost equal share with more than 6 percent of the percentage share of the market. Switzerland, France, Cote D'ivoire and Benin all imported more than 4% of Ghana's NTEs with United States recording 3.8% and a market value of US $0.93.89 million of export value. Other destinations registered a significant contribution of 40% of the market share.

5.2.11 Ten Leading NTE Markets (Destinations) in the ECOWAS Sub-Region

In the ECOWAS Sub region, Burkina Faso overtook Togo as the leading market for Ghana's non-traditional products to the West African sub-region in 2013. Export of Ghanaian products into the Burkina Faso market increased by 19.28% and amounted to US $197.091 million compared to US$ 165.235 million in 2012. Togo's share of imports of Ghanaian products, however, decreased by 20.18% from US$ 202.545 million in 2012 to US$ 161.681 million.

11: Ten Leading NTE Markets (Destinations) in the ECOWAS Sub-Region

Country	**2013**	**2012 (US$)**	**(%) Growth**
Burkina Faso	197,091,133	165,235,676	19.28

Table 5.

Togo	161,681,536	202,545,330	-20.18
Nigeria	149,861,751	144,845,265	3.46
Cote D'ivoire	100,965,157	98,344,624	2.66
Benin	98,355,378	38,670,929	154.34
Mali	42,489,189	32,760,021	29.70
Niger	37,175,367	22,806,351	63.00
Liberia	14,948,678	8,585,293	74.12
Sierra Leone	13,735,806	6,645,213	106.70
Senegal	12,857,277	11,800,396	8.96

Source: GEPA

Senegal occupies the tenth position with an amount of US $12.857 million compared to US $11.800 million in 2012, an increase of 8.96%. There was an astronomical percentage growth of 154.43 and 106.7 for both Benin and Sierra Leone respectively. Liberia, Niger and Mali also registered significant growth rate of the market share in the ECOWAS Sub-region. Even though Nigeria registered a marginal increase of 2.66 percent over the period its market value of US $144.845 million is encouraging. Overall, growth rate in the ECOWAS Sub-region was a modest 8.96 percent.

5.2.12 Ten Leading NTE Markets (Destinations) in the EU

In 2013, non-traditional products were exported to 140 countries. The Netherlands continue to dominate the European Union for Ghana's non-traditional export products, importing US $243.277 million worth of products as compared to US$ 288.601 million in 2012, a decrease of 15.73%. The United Kingdom ranks second with an increase of 12.84 per cent from US $144.941 million in 2012 to US$ 163.553 million. These trends were largely influenced by the volume of imports of cocoa products and canned tuna by the two countries.

Table 5.

12: Ten Leading NTE Markets (Destinations) in the EU

Country	2013	2012 (US$)	(%) Growth
Netherlands	243,277,938	288,691,009	-15.73
United Kingdom	163,553,474	144,941,518	12.84
France	108,787,844	109,627,430	-0.77
Spain	89,319,094	60,797,275	46.91
Belgium	54,423,298	60,640,292	-10.25
Italy	48,488,098	48,488,098	70.89
Germany	41,256,871	79,874,850	-48.35
Denmark	11,568,054	23,461,323	-50.69
Portugal	4,285,283	5,999,948	-28.58
Ireland	2,369,273	94,690	2402.14

Source: GEPA

Over the period, Spain and Italy posted strong percentage growth of 46.91 and 70.89 in 2013 respectively. However, countries such as Belgium, Germany, Denmark and Portugal all recorded negative growth rate. On the other hand, Ireland's market share grew by 2402.14 percent with its market value increasing from US $0.947 to US $2.369 million from 2012 to 2013.

5.3 Results of Concentration Ratios in the NTE Sector

This part of the study presents the results of the concentration ratios calculated to determine the extent and degree of diversification in the NTE sector. To achieve this study objective, the three sub-sectors- agriculture, processed and semi-processed were used as export categories according to GEPC classification of NTEs. First, export shares of these sub-sectors were determined before summing up to derive each type of concentration ratio. The indices for the two concentration ratios are 0.72 and -0.2247 for Herfindhal Export Concentration Index (HECI) and Entropy Index (EI) respectively.

Table 5.

13: Results of Concentration Ratios in the NTE Sector

Category	INDICES	
	HECI	**EI**
Processed and Semi Processed	0.1567224	-0.0842
Handicraft	0.5400943	- 0.0175
Agricultural	0.0267	-0.123
Total Indices	***0.7235167***	***-0.2247***

Source: GEPA/WDI

Following Bengtsson (2006), because the HCEI is close to 1, it can be interpreted as high level of export specialization in the NTE sector. In this calculation each sub-sector has its Herfindahl Index. As indicated, to calculate the Herfindahl Index of the NTE sector, the researcher added all those sub-sectors together to receive the result of 0.7235167. By implication, there is a high level of concentration of market control held by the largest subsector in the sector.

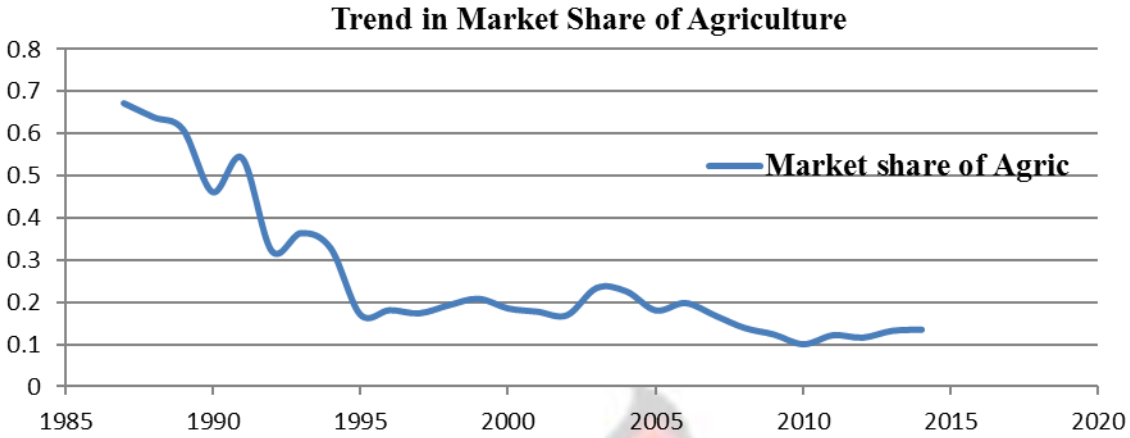
Following Meilak, (2008), the results of the Entropy Index -0.2247 indicates a high degree of concentration and specialization in the NTE sector. Each export share of the sub-sectors were weighed by the logarithms of the export share of each category which gave negative ratios of its logarithm ($-\log S_i$). The final ratio of -0.2247 suggest the NTE sector is fairly specialized because a smaller absolute weight is attached to larger export shares. In other words, the subsector share of the NTE sector is fairly concentrated or specialized.

Table 5.

5.3.1 Trend in Market Share of Sub-Sectors

The following market shares for the various sub-sectors were derived from the concentration ratios which corroborate the results of the concentration ratios. These establish the market share of each sub-sector from 1984-2014.

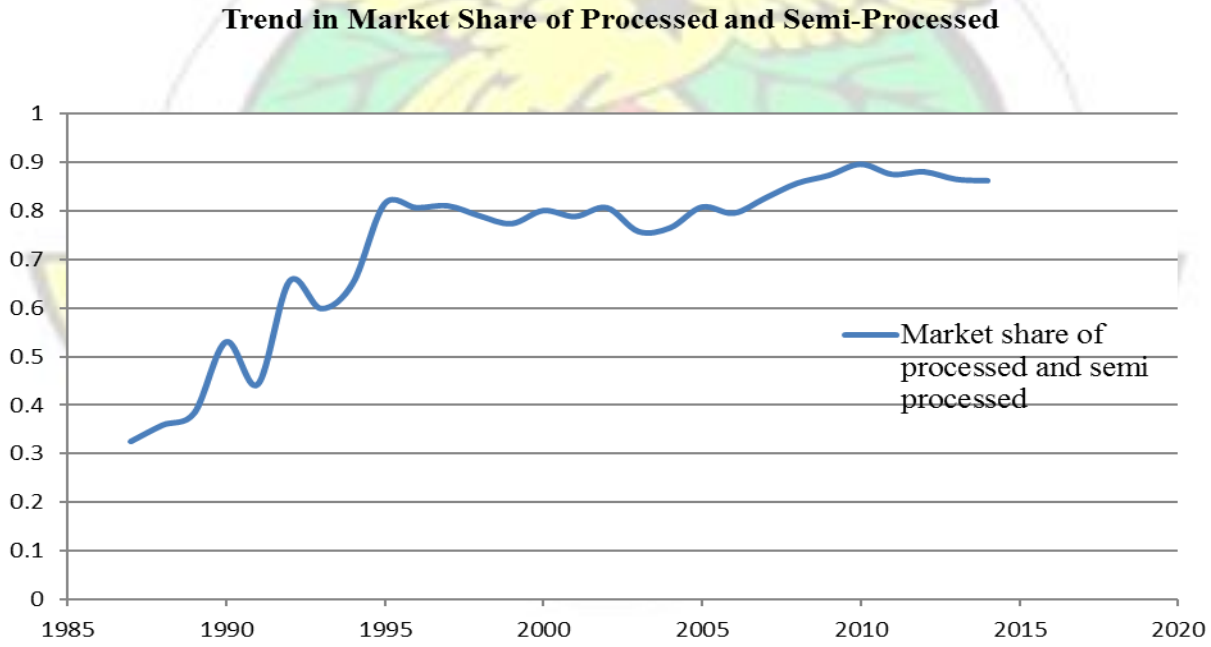
Figure 5. 7: Market Share of Agriculture Sub-Sector



Source: GEPA

The share of the agriculture sub-sector shows a negative trend. From fig 5.7, the market share of agriculture in the year 1987 was about 0.65. However, this decreased sharply over the subsequent years (i.e. from 1988 to 2014) reaching its lowest value in the year 2010 with a market share of about 0.1. This could be attributed to the export of agricultural products in their raw state. This calls for the need to add value to these products before they are exported.

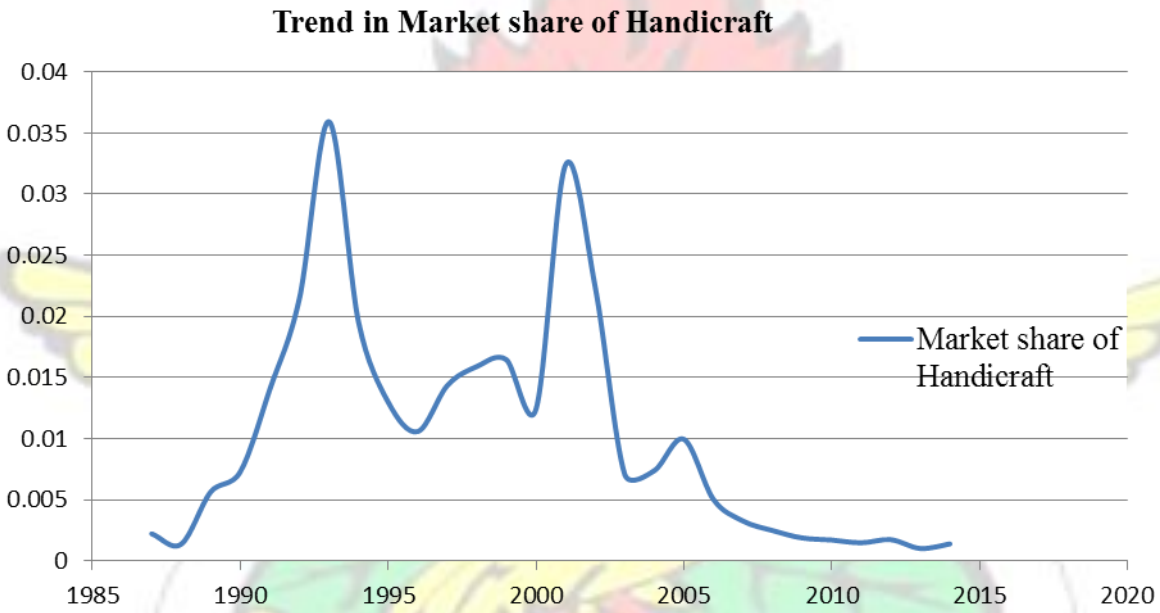
Figure 5. 8: Market Share of Processed and Semi-Processed



Source: GEPA/WDI

Fig 5.7 shows an increasing trend in the market share of processed and semi-processed subsector. It picked up at the initial stage of the reforms and has contributed significantly to the growth of the non-traditional export sector. From a low market share a little over 0.3, it hits it peak in 2010 with a market value of 0.9. It still contributes about 0.85 of market share in 2014. This corroborates with the results of the concentration ratios that the NTE sector is fairly specialized.

Figure 5. 9: Market Share of Handicraft



Source: GEPA/WDI

The market share of handicraft sub-sector shows an oscillation trend. It showed an upward trend at the initial stage of the reforms reaching its peak in 1993. However, the share of the sub-sector has been declining over the year's reaching its lowest share in 2013. This indicates that the sub-sector is the least developed in the under the NTE sector.

5.4 Challenges of Export Diversification in Ghana

This part of the study presents the findings of the qualitative survey carried out to identify the challenges of export diversification in Ghana at the firm level. It presents the results obtained from the field work generated from questionnaires to exporters of NTEs. These results are presented in tabular and chart (bar chart) forms. Each table and chart is followed by an interpretation of the results from the responses. The first part looks at the background characteristics of the exporting firms followed by challenges faced by exporting firms.

5.4.1 Firm Characteristics

To achieve the study objectives, the study obtained relevant data from seventy one exporting firms within the Ashanti Zone comprising of exporters of NTE products in the Brong Ahafo and Ashanti regions. Table 5.14 presents the frequency summary of these variables/ characteristics.

Table 5. 14: Characteristics of Firms

Product	**Frequency**	**Percent (%)**
Agriculture	24	33.8
Processed/ Semi- Processed	44	62.0
Handicraft	3	4.2
Total	***71***	***100.0***
Existence		
2-5	6	8.5
6-10	29	40.8
11-20	27	38.0
20+	9	12.7
Total	*71*	*100.0*
Ownership Structure		
Privately Held, Listed Company	5	7.0
Privately Held, Non-Listed Company	64	90.1
Subsidiary/ Division of a Multinational Firm	1	1.4
Co-operative/ Collective	1	1.4

Total	***71***	***100.0***

Source: Author's Own Construction

The results indicate that, out of the 71 firms, 44 representing 62% were into processed/semiprocessed exportation, 24 representing about 33.8 were into agriculture related exports and the remaining 4.2% were into handicraft exportation.

The second characteristic is the number of years that firms have spent in the export business. Out of the 71 firms, 29 representing 40.8% have been in the export business for 6 to 10 years, 27 representing 38% have been in the sector from 11 to 20 years, 12.7% have been in the export business for over 20 years and only 8.5% were in the business for less than 5 years.

Lastly, Table 5.14 presents the ownership structure of these responding firms. The results showed that majority representing 90.1% were privately owned and non-listed companies. About 7 percent were also privately owned but were listed companies. The remaining 3 percent were either subsidiaries of multinational companies or co-operatively owned.

5.4.2 Challenges Faced by Firms in the NTE Sector

Part of the study objectives was to identify the main challenges to export diversification at the firm level. To achieve this objective, the study identified a number of challenges which were classified into three groups of productive capacity challenges, government policies and institutional arrangement influences and external challenges. There were seven identified productive capacity challenges, seven government policy and institutional arrangement challenges and four external challenges. As part of the design of questionnaire in Best-Worst Scaling method, a number of different subsets of the items were constructed from the list according to the design of the experiment. Each of the subsets is presented as a choice set to the respondents, who are asked to select the best (or least challenging) item and the worst (most

challenging) item in the choice set. This question is repeated until all the subsets have been evaluated.

Table 5.15 presents the aggregated scores for the productive capacity challenges. In the table, the column named B indicates the number of times all 71 respondents have cited the respective challenge as the least challenge, W stands for the number of times all 71 respondents have cited the respective challenges as being the most challenging. The fourth column named B-W is the aggregated BW score which is computed by subtracting W from B. It gives the number of times all respondents cited a particular item as most challenged than least challenging.

Column 4 (stdBW) is the aggregated standardized Best-Worst Score and its value varies from -1 to 1 where -1 indicates that the corresponding challenge (item) has been cited by all respondents as the least challenging, 0 indicates that all respondents neither considered the challenge most or least challenging and 1 indicates that the corresponding item has been cited by all respondents as the most challenging.

The 5th column indicates the square root of the ratio of B and W while column 6 indicates the standardized sqrtBW and its helps us to understand the relative importance between items (challenges).

Table 5. 15: Aggregated Best–Worst Scores for Productive Capacity Challenges

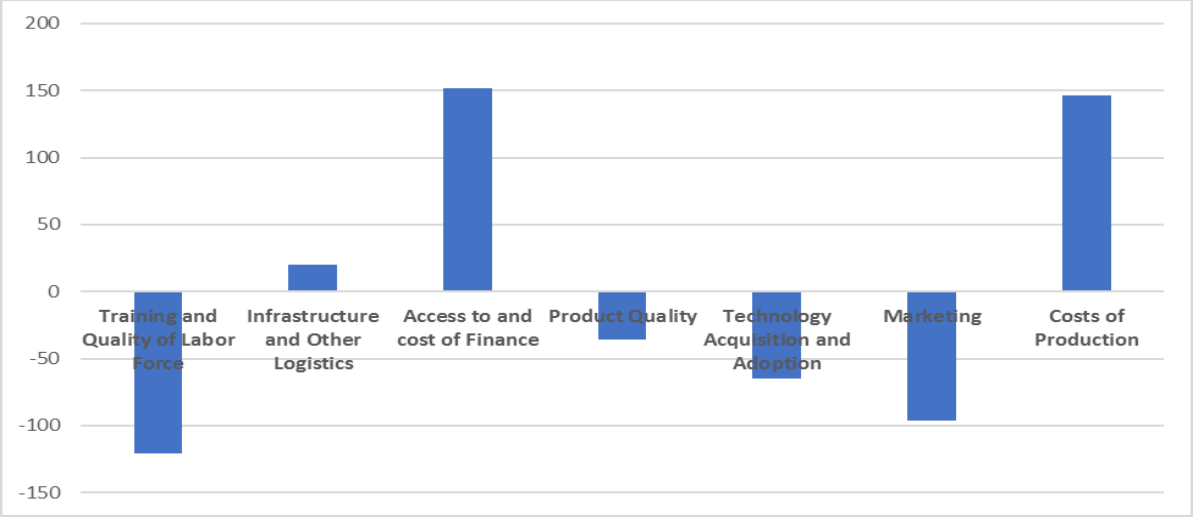
Productive Capacity Challenges	B	W	B-W	stdBW	sqrtBW	std.sqrtBW
Training and Quality of Labor Force	8	129	-121	-0.5681	0.2490	0.0453
Infrastructure and Other Logistics	99	79	20	0.0939	1.1194	0.2037
Access to and cost of Finance	158	6	152	0.7136	5.1316	0.9338
Product Quality	38	74	-36	-0.1690	0.7166	0.1304
Technology Acquisition and Adoption	13	78	-65	-0.3052	0.4082	0.0743
Marketing -96 0.0865 Costs of Production 148 0.6852 45.4955 1.0000 0.4752	68	52	16	0.0507		
	151	5				

Source: Author's Own Construction

Back to the results in Table 5.15, the standardized Best-Worst scores is negative for–training and quality of labour force, product quality, technology acquisition and adoption, and marketing. It shows that they have been cited more times for being least challenging than cited as most challenging. The most challenging factors are access to and cost of finance (0.7136), cost of production (0.6854) and infrastructure and other logistics (0.0939). The results in column seven (std.sqrtBW), gives the relative importance index of the challenges. By taking the ratio of the (std.sqrtBW) scores one can indicate how much of a challenge a factor is relative to another. The results indicate that the most challenging factor–access to and cost of finance is (0.9338/0.2037=4.58) about 4.6 times a challenge as the third challenging factor–infrastructure and other logistics. Access to and cost of finance and it is about (0.9338/0.0453 = 20.61) 20.6 times as important as the least challenging factor–training and quality of labor force.

As a visual aid, Figure 5.10 presents the Best-Worst scores for all seven productive capacity challenges and the results shows access to and cost of finance, cost of production and infrastructure and other logistics to be the most challenging factors–determined by the height of the bars. The least challenging factors are training and quality of labor force, marketing, technology acquisition and adoption and product quality in that order.

Figure 5. 10: Bar graph of Best-Worst Score: Productive Capacity Challenges



Source: Author's Own Construction

The second group of challenges is the government policy and institutional arrangement challenges. They consist of tariffs and taxes, real exchange rate and inflation, public-private partnership, lack of appropriate business environment, legal enforcement of laws, transparency of border administration and excessive documentation and procedures.

Table 5.16 presents the Best-Worst Scores for the government policy challenges. The BestWorst scores (BW) and the standardized best-worst scores (stdBW) show that the most challenging factors were tariffs and taxes (102), followed by lack of appropriate business environment (61), and followed by real exchange rate and inflation (26) and transparency of border administration (19) respectively. The least challenge factors using the standardized best worst scores were legal enforcement of laws (-0.507), followed by public-private partnership (-0.272) and excessive documentation and procedure (-0.197) in that order.

Table 5. 16: Aggregated Best –Worst Scores for Government Policies and Institutional Arrangement Challenges

Government Policy Challenges	B	W	BW	stdBW	sqrtBW	std.sqrtBW
Tariffs and Taxes	131	29	102	0.479	2.125	1.000
Real Exchange Rate and Inflation	99	73	26	0.122	1.165	0.548

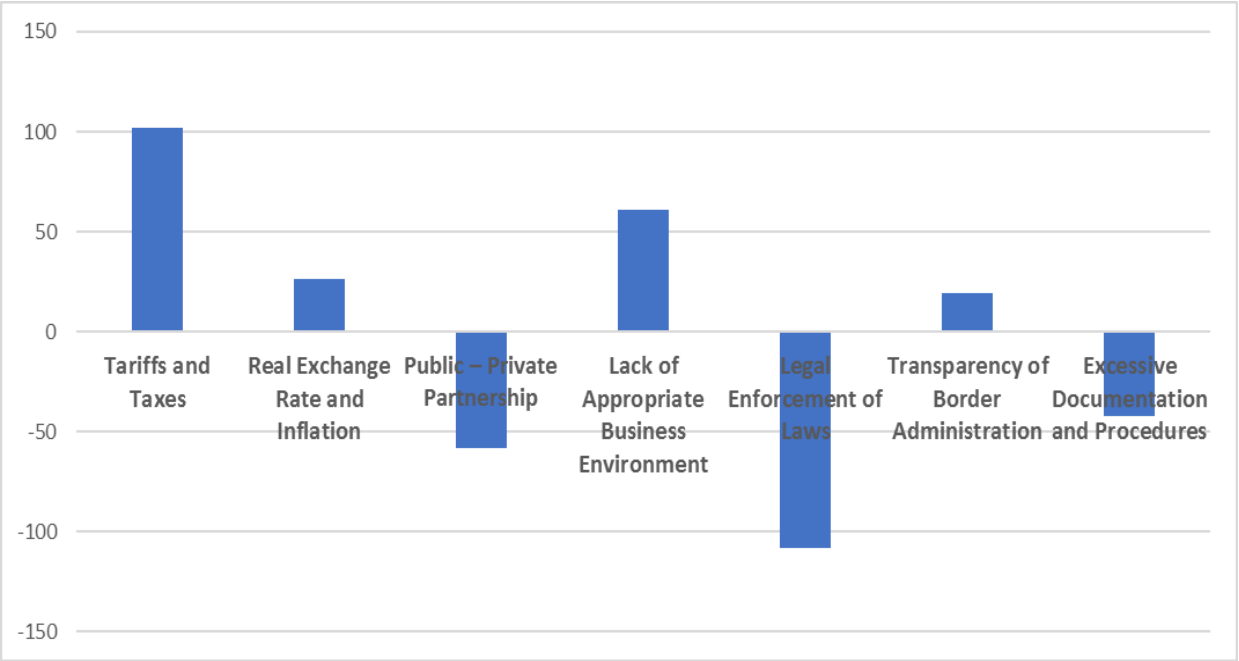
Public – Private Partnership	47	105	-58	-0.272	0.669	0.315
Lack of Appropriate Business Environment	86	25	61	0.286	1.855	0.873
Legal Enforcement of Laws	25	133	-108	-0.507	0.434	0.204
Transparency of Border Administration	75	56	19	0.089	1.157	0.545
Excessive Documentation and Procedures	31	73	-42	-0.197	0.652	0.307

Source: Author's Own Construction

Using the standardized square root of best worst ratios, which provides the relative importance index of all challenges, the results indicate that the most challenging factor – tariffs and taxes is (1/0.204 = 4.90) about 4.9 times a challenge than the least challenging factor – legal enforcement of laws. The most challenging factor – tariffs and taxes is (1/0.315 = 3.17) about 3.17 times a challenge than public-private partnership was.

The second most challenging factor-lack of appropriate business environment is (0.873/0.204 = 4.28) about 4.28 times a challenge than the least challenging factor – legal enforcement of laws. Overall, the most challenging government policy related factors were tariffs and taxes, lack of appropriate business environment real exchange rate and inflation and transparency of border administration in that order. The least challenging factors as indicated by Table 5.16 and Figure 5.11 are legal enforcement of laws, public-private partnership and excessive documentation and procedures in that order.

Figure 5. 11: Bar Graph of Best-Worst Score: Government Policies and Institutional Challenges



Source: Author's Own Construction

The third and final group of challenges is the external factors. These are factors outside the control of the exporting firm and the exporting government. Four factors were used in this study, they were, international standards, inability to enter and sell on the international market, access to information on external markets and cost of operating in foreign markets. The values of the BW scores, the standardized BW scores and the standardized square root of Best – Worst ratio indicate that the most challenging factors are meeting international standards and entering and selling on the international market, while the least challenging factors were access to information on external market and cost of operating in foreign markets in that order.

Table 5. 17: Aggregated Best–Worst Scores: External Challenges

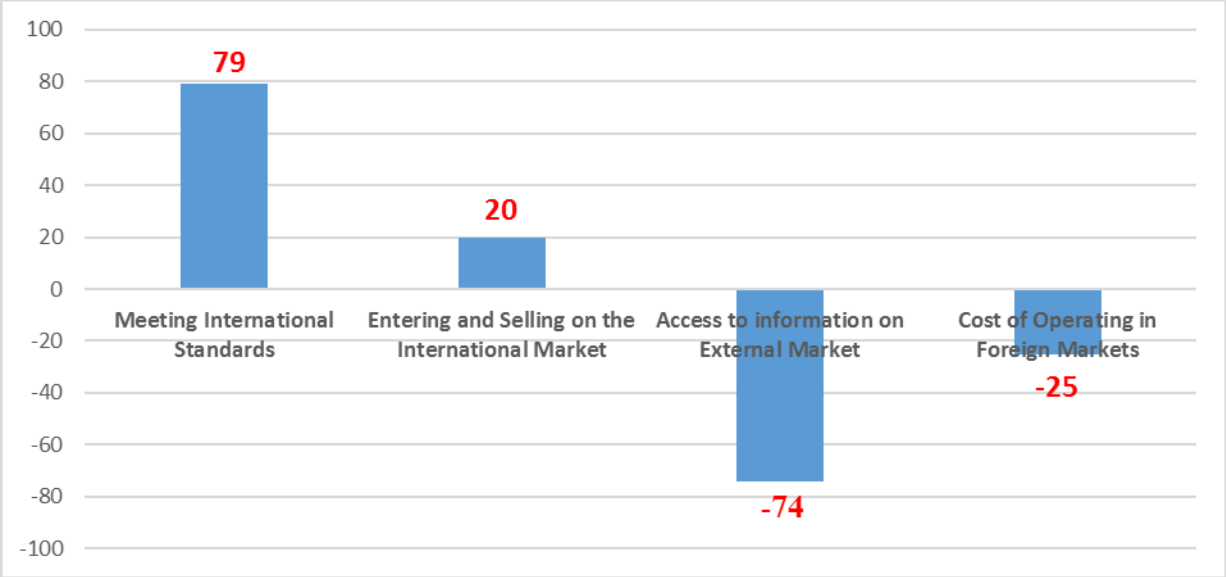
External Challenges	B	W	BW	stdBW	sqrtBW	std.sqrtBW
Meeting International Standards	128	49	79	0.3709	1.6162	1.0000
Entering and Selling on the Int. Market	56	36	20	0.1408	1.2472	0.7717
Access to information on External Market	7	81	-74	-0.52	0.2940	0.1819

Cost of Operating in Foreign Markets	20	45	-25	-0.176	0.6667	0.4125

Source: Author's Own Construction

Using the relative importance index, meeting international standards is about (1/0.1819 = 5.5) 5.5 times a challenge than the least challenging external factor – access to information on external markets. It is about (1/0.4125 = 2.42) 2.4 times a challenge than the second least challenging factor – cost of operating in foreign markets. The most challenging external factor – meeting international standards is (1/0.7717 = 1.29) about 1.3 times a challenge as the second most challenging factor – entering and selling on the international market.

Figure 5. 12: Bar Graph of Best-Worst Score (External Challenges)



Source: Author's Own Construction

Figure 5.12 plots the Best–Worst scores for the four external challenges and the results showed that, meeting international standards and entering and selling on international market as the most challenging factors in that order and access to information on external markets and cost of operating in foreign markets the least challenging factors in that order.

5.5 Discussion of Major Findings

An attempt to revitalize and rehabilitate the Ghanaian economy with emphasis on export as the engine of growth to be spearheaded by non-traditional exports has received favourable response from the private sector. As a result, there have been systematic strategies, reforms, and initiatives by successive governments to promote performances in the NTE sector. Thus, government has introduced a wide-reaching set of enabling policy initiatives and implementing institutions. For instance, efforts have been made by the government to introduce incentive schemes, overseas trade promotion, duty exemptions etc. to promote NTE business. These initiatives and agreements offer tremendous market opportunities for exports of NTEs. The initiatives and agreements present significant opportunity for local firms to increase their manufacturing capacity to deepen the diversification process. However, the ability to exploit such opportunities has been constrained by low capacity of local firms and ad hoc implementation of trade policies. As a result, these initiatives have not achieved the desired results in terms of growth of foreign exchange. Nonetheless, the post-ERP reforms compared with the pre-ERP have brought some positive developments.

It was expected that local firms and entrepreneurs will capitalize on these offered opportunities to forge strategic partnership with foreign firms to increase the production and exports of non-traditional products to meet the demand requirements under these agreements. However, lack of supply capacity and hoc implementation of trade agreements have constraint local firms from taken advantage of these agreements. The ability for local firms to adjust by upgrading equipment, expand and retool the production process has been lacking.

Many firms lack the machinery to add value or bring output up to acceptable standards for exporting. Thus, in spite of the fact that the ERP, AGOA, EPA and other trade initiatives made the promotion and production of NTEs a major priority and offered numerous opportunities, the sector has not

achieved the desired results in terms of growth of foreign exchange earnings due to many challenges which need further attention by the government.

As indicated, NTEs is now complementing cocoa, gold and timber as major export earner and announcing the arrival of Ghana at the market of the "Global Village" thereby, reinforcing the policy of diversification in Ghana in an export-led growth strategy. Increases in export values and the number of exporters in terms of the sector's contribution to total export and GDP growth has been modest but steady though. NTEs have still not replaced traditional exports-cocoa, gold and timber. Overall, the sectors contribution to GDP growth has not been significant as expected. The sectors growth rate and export earnings plummeted after admirable gains in 2004 and since the decline, Ghana has not been able to significantly increase her export volumes. The percentage contribution of NTEs to total export revenue in the last six years has been inconsistent. The percentage contributions to total exports in 2009, 2010, 2011, 2012, 2013 and 2014 were 20.81, 20.47, 18.95, 17.45, 17.20, 17.98 and 20.03% respectively. The decline in the sector's performance in 2011, 2012 and 2013 was due to the drop in cocoa paste, canned tuna and cashew nut exports and increase in export revenue of cocoa and oil. If the trend is anything to go by, then it will be very difficult to achieve the Medium Term target of US $5 billion target in 2019 as stipulated in the National Export
Strategy. The take-off period for the strategy would be 2015 and at the end of the first year (2015), the sector is expected to yield US$2.6 billion, about 3.4% above the earnings of 2014 which stood at 2.514 billion dollars.

The astronomical figures registered by the processed and semi-processed sub-sector tell how favourable the sector is competing at the international market. The process and semiprocessed sub-sector is the best organized of the three sub-sectors. It is also important to note that while export earnings from the processed and semi-processed sub-sector are increasing at a positive rate, not

much can be said about the agricultural and handicrafts sub-sectors. This calls for the need to add value to our export products. Mostly, agricultural products constitute raw materials for processing industries which tend to have volatile prices. The need to strengthen the productive capacity of our export products through the enhancement of our technological know-how in order to realize the full potential of the two sub-sectors is very apparent.

The leading products in the sector in terms of foreign exchange earnings are cocoa paste, cashew nuts, articles of plastics, canned tuna and veneer. The significant contribution and overwhelming percentage increase in export value of cashew nut from the agriculture subsector for example, is an indication of the prospect it holds for the sector. The rate of growth for pineapple which was the highest export earner in the agricultural sub-sector has declined. Ghana's leading horticultural product, fresh-cut pineapple, suffered a steep decline in export and income over the past half-decade

In terms of market outlet for NTE products, the share of the ECOWAS Sub-region has been increasing significantly whiles that of the EU and USA have been declining. However, not much can be said about other African countries, Asia, other advanced countries such as Canada, the Nordic Countries and Latin America. Within the ECOWAS Sub-region, Ghana's northern and eastern neighbors Burkina Faso and Togo contributed the greatest share of imports of Ghana's NTE products. The Netherlands and United Kingdom were the leading market destinations in the European Union whiles America took an insignificant 3.8% of market share in 2013.

The concentration ratios computed, indicate that the NTE sector is highly specialized. This is corroborated by the market share of the various sub-sectors over the years. The processed and semi-processed sub-sector has responded well to reforms and many initiatives of the sector. On

the average the sub-sector has 85% of the total market share of the sector. The agriculture and handicraft sub-sectors have seen their market shares decline tremendously over the years. The handicraft sub-sector in particular is the least developed among the three sub-sectors.

From discussions with organizations responsible for export promotion of non-traditional exports and exporters, the productive capacity of non-traditional export sector is limited by access to credit and high cost of finance. According to the Director of GEPA in the Ashanti Region, "the main challenge that confronts NTE exporters is access to finance, which is common to all productive firms in Ghana". This he believes has culminated in weak supply base of the sector. Thus, lack of credit has limited the scope of non-traditional export development. In other words the development of the base of the sector is low. Survey responses also indicate that the volume and value of a number of products have declined because of inadequate infrastructural facilities such as transportation, warehousing and telecommunication and high tariff barriers. For instance, statistical figures revealed a decline in value and quantity for products that are perishable. This can be partly attributed to poor storage and transportation systems which account for poor quality of items before shipment. It also came out that, apart from the weak base and lack of infrastructural facilities for nontraditional exports, most producers and exporters lack the prerequisite skills and managerial abilities that will ensure efficient marketing, the production of quality products and make proper planning to face practical difficulties and full rigors of competition domestically and internationally.

The study also found that cost of production in terms of acquisition of raw materials and high cost of production, for example, rising utility cost especially electricity pose a great challenge to NTEs. The Chief Executive Officer of Bebeto Industries Limited, Exporters of Alcoholic Beverages, intimated that, the company uses eighteen (18) different kinds of raw materials, so the moment prices increase, it affects every raw material used in production. The implication

is that local cost of doing business is very high. Some of these problems were also identified as product and sub-sector specific. For instance, there is lack of raw materials (unavailability of logs) for wood processors and charcoal exporters because deforestation. This has affected their operations leading to the collapse of the timber industry which used to be a major contributor of foreign exchange especially from the export of veneer.

In terms of government policies and institutional arrangement related challenges, tariffs and taxes were the main challenges. However, according GEPA officials all NTE products are zero-rated i.e. tax free and should provide bigger incentive for firms to export more. Again, Agro Processing Firms are not supposed to pay Corporate Tax (Tax Holiday) for the first five (5) years in operation. Nonetheless, other taxes on business operations such as Local Council Taxes, cost of documentation and other administrative cost with trade institutions might have accounted for this challenge. Lack of appropriate business environment and monetary policies (Inflation and exchange rate) were also mentioned as challenges that affect the NTE sector. Most exporters lamented about the unfriendly nature of the general business environment (climate) which they think does not support smooth business activities. In theory, a weak local currency is assumed to benefit exporters. However, it came out that, firms that import raw materials are affected by a fall in the value of the local currency. Thus, whiles the cost of operation might increase domestically, because of inflation and the fall in exchange rate, firms cannot charge high prices on the international market as well as change contract cost.

External factors that pose great challenge to NTE sector are producing to meet mandatory and stringent standards and the ease of entering and selling on the international market. Government-mandated rules and procedures that must be met in order to sell a particular market e.g. sanitary, phytosanitory and other standards are very strict. Firms need Organic Certificates to qualify them to export organic products. From exporters, “meeting these standards is strict, expensive and time consuming”. These standards often apply to vegetables, horticultural

products and basic consumables. Quantity and price are negotiable, but quality and standards are non-negotiable. Satisfying developed country health and safety norms has become a major challenge for NTE development in Ghana.

CHAPTER SIX
SUMMARY, CONCLUSIONS AND POLICY RECOMMENDATIONS

6.1 Introduction

This chapter presents the summary, conclusions and policy recommendations of the study. It further provides limitation of the study and direction for future research.

6.2 Summary of Major Findings

After adopting a mixed methodology approach to investigate the issues and challenges of export diversification in Ghana at the firm level, the following summarized and interesting findings emerged from the study.

There have been various policy initiatives and establishment of implementing institutions to promote and develop the NTE sector as a tool of Ghana's Export Diversification drive before and after the Structural Adjustment Programme. These reforms and policy initiatives have yielded positive supply response but ad hoc implementation and weak capacity of local firms have not helped to achieve the desired impact in terms of growth of foreign exchange. The post-SAP reforms have yielded significant impact than the pre-SAP reforms.

The contribution of NTEs to GDP and Total Export has not been significant as expected and averages 10% and 20% contribution to GDP and Total Export Revenue respectively. The processed and semi-processed sub-sector is the most developed and best organised among the three sub-sectors and contributes more in terms of foreign exchange. The leading products in terms of market values in the NTE sector are cocoa paste, cashew nuts, articles of plastics, canned tuna and veneer with cashew having enormous potential to contribute more to export earnings. Trade within the ECOWAS sub-region provides the largest market outlet for NTE

products followed by the EU with little coming from other African countries and other advance counties like Canada and Japan.

The NTE sector is fairly diversified with the most developed sub-sector, the Processed/semi processed contributing over 85% of market share, whiles the market shares of the agriculture and handicraft sub-sectors see continues decline in market share.

The most challenging factors that constraint the NTE sector are access to and high cost of finance, high cost of doing business locally, high tariffs and taxes and meeting stringent international standards. Specifically, access to and high cost of finance is the most challenging in terms of productive capacity of firms, whiles high tariffs and taxes remains the serious policy related challenge. Externally, meeting stringent international standards is the most challenging factor confronting exporters of NTE products.

6.3 Study Conclusions

The present study was carried out as an evaluation study aimed at investigating the issues and challenges of export diversification intervention in Ghana at the micro and meso levels. It specifically investigated the policy reforms and institutional management of export diversification, analysis of trends of NTE values, investigate the degree of specialization and diversification in the NTE sector and carry out survey work to identify challenges of the sector. From the key findings, the following conclusions were drawn.

First, there have been various policy initiatives and agreements to promote and develop NTEs by successive government for the period before and after the SAPs in 1986. Though the supply response has been positive, lack of supply capacity, inadequate financial resources, ad hoc implementation of trade agreements and the result of low industrialization has not helped to achieve the desired results in terms of growth of foreign exchange. Post-SAPs implementation of Export Diversification Policies has yielded positive results than pre-SAP reforms.

The contribution of NTEs to GDP growth and total export has not been significant as expected. The percentage contribution of NTEs to total export revenue has been inconsistent. The processed and semi-processed sub-sector holds promise as the best organized sub-sector among the three sub-sectors. Also, cashew nut holds great prospects for the sector with astronomical growth rate in export values. In terms of market outlet, intra- ECOWAS trade provides a larger market for NTEs products followed by the EU with a small market share coming from Asia and Latin America.

The NTE sector is fairly diversified with processed and semi- processed sub-sector as the dominant and well developed sector sub-sector. This is supported by the overwhelming percent of market share posed by the sub-sector since the inception of the policy reforms in 1983.

Finally, the development and promotion of NTEs is bedeviled with many challenges. The most challenging factors that constraint the productive capacity of exporting firms are access to and high cost of finance, high cost of production, lack of infrastructure and other logistics. Government policies and institutional arrangements that stifle firms' ability to increase exports are tariffs and taxes, inappropriate business environment, real exchange rate and inflation and transparency of border administration. On the foreign front, the most challenging factors in the NTE sector are meeting stringent international standards and ease of entering and selling on the international market.

6.4 Policy Recommendations

The following recommendations flow directly from the study and justify the policy intervention of export diversification and continues development of the sector as an exportled strategy for Ghana.

The positive contribution NTEs over the past thirty years suggest that NTEs will continue to have a strong role to play in the ongoing economic development of the country. As a result, the promotion of NTE sector should not be left solely on the MOTI and GEPA, since any genuine effort to promote the sector should be multi-sectoral and all encompassing. All sectors-agricultural sector aspect of it, tourism and foreign affairs, private sector and other relevant sectors must be roped into national strategies and initiatives to give us the desired impact. For instance, NTEs business at the individual, village, and district/municipal, regional and national levels should be encouraged to bring all hands on deck to promote the sector. Diversifying the economy at these levels for instance, will give a national appeal to policy reforms initiated by policy institutions. The present positive performance of the NTE sector can only be sustained through sound policies, legislative and institutional framework.

Attempt should be made to enhance the industrial and technological base of the country in order to increase supply response to policy reforms in the sector. The private sector has a crucial role to play by giving a helping hand to the government in this regard. Improvement in technology and industrialization demands concerted efforts from all stakeholders to tackle these challenges that impede growth in the export sector so that firms can take advantage of the emerging opportunities resulting from trade agreements and world trade.

The appropriate mix of public sector and private sector determination of economic decisions at various stages in the growth process can accelerate the pace of economic development. In this wise, it is encouraging on the part of the private sector in responding to government's policy of diversification. Therefore, there should be a defined role for the government and the private sector so as to avoid a collision course between the two sectors and to avoid unnecessary competition. The need to complement each other's efforts to achieve the necessary synergies that will move the sector forward is important in the growth process of the sector. The major

appeal is a closer collaboration between the two sectors so as to avoid any persistent opposition between the two and enhance the levels of growth recorded so far.

Critical to the success of the diversification policy is the widening and creation of a sustainable supply base of non-traditional export products. There is still more room to speed up the rehabilitation of the export sector and double the rate of capacity utilization of most non-traditional export products. Thus, a lot of resources are still begging for tapping and need to be exploited as such. There are enough potential and promising products out there that call for further diversification (re-diversification) of the NTE sector. For instance, a number of agriculture crops such as cashew, voaganga Africana, cassava and ginger and other assortments of fruits and vegetables, have huge prospects and potential to greatly expand their current contribution to export earnings for commodities. Apart from the fact that farmers are used to the cultivation technique of these products, commodity like cashew, for instance, provides soil cover and can withstand any harsh climatic condition at this time of the global warming. In line with this, the GEPA should coalesce and tap the immense potential of low base developed products to ensure the benefits of the principle of comparative advantage.

In addition to improving the low base of non-traditional exports, in order for the firm to produce fine performance for the sector there should be improved access to credit for nontraditional product exporters and producers. While the government is seriously finding new ways of solving this problem, exporters and the business community who are organized in associations could be of good help in solving this problem. Financial institutions also have a crucial role to play by improving access to credit to the export community. Export Trade, Agricultural and Industrial Fund (EDAIF) must intensify its expansion of credit facilities to exporters and export facilitating institutions to help them carry out their activities in helping to boost the earnings of the sector.

In order to ensure the success of the non-traditional export sector, something critical to this success is the necessity to develop the basic structures of facilities which assist directly or indirectly the development of the sector. Infrastructural support services such as telecommunication, warehousing facilities, electricity and transportation at the national level should be developed to create an enabling environment for the development of the sector. These are very essential to economic development. The absence, whatever, the reason of a dependable infrastructure is disastrous and imposes serious barriers to the sector's development.

A well-developed export community motivated and trained to organize resources efficiently is vital. Its absence can be a barrier to development. Lack of quality or quantity of education or training that is required can result in allocation inefficiency. Exporters, producers and all those involved in assisting the promotion and development of non-traditional export should be trained to acquire adequate knowledge about trade information facilities to enable exporters achieve high level of performance. Among other things, these programmes should cover training programmes such as packing, marketing, processing, procedures and documentation and all other aspects of the export trade in the form of seminars and workshops. Exporters should be taken through export marketing fundamentals, commercial representation abroad, market research and analysis among others. Something very critical is the acquisition of ICT knowledge to help boost the export business. Similar programmes should be organized for the staffs and management of the Authority.

Again, there is the need for Ghanaian exporters and prospective ones to familiarize themselves with trends in the international export market so as to meet standards required by their foreign partners.

Finally, it should be emphasized that if practical problems such as technological knowledge, industrialization, finance, infrastructure and logistics, appropriate business environment and required standards are resolved coupled with the importance of an appropriate policy framework for export, exporters themselves give the impression that the sky is the limit.

6.5 Limitation of the Study and Direction for Further Research

This research was limited by the number of exporting firms that were used for the survey work. Time and logistics did not permit the expansion of the study to all the five (5) administrative zones of GEPA to increase the generalizability (external validity) of the findings. Thus, if the sample size and population are large enough, it will be possible for the results to be applied to all firms in the various regions with similar characteristics in terms of size, facilities, and socio-economic environment. However, potential sources of external validity in this study were dealt with because the nature of exporting firms in Ghana have homogenous characteristics and have similar definition in terms of their structure.

There are several directions of future research into the policy of export diversification in Ghana. It may be important to further expand the scope of the study nationwide to incorporate the other five (Zones) to examine the supply response of NTEs to the policy changes introduced since 1986 to ensure more external validity (generalizability). Again, this study could be improved by looking at sub-sector specific constraints that will also help identify commodities that have prospects for future export in order to deepen the diversification process. Finally, a study on the determinants of export diversification, export competitiveness of NTEs and financing of NTEs will help build and foster efficient trade policy process for export diversification in Ghana.

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APPENDICES

APPENDIX A

Questionnaire to exporters of Non-Traditional Products

I am a graduate student at the Department of Economics, Faculty of Art and Social Sciences of Kwame Nkrumah University of Science and Technology, Kumasi. In partial fulfilment of the Programme, MPhil Economics, I am undertaking a research on the topic **"Issues and Challenges of Export Diversification: Firm Level Analysis".**

This study is generally purposed to investigate the policy of diversification by critically examining the achievements and challenges of non-traditional exports in Ghana. It is not intended in any way to invade the privacy of firms in order to assess them. I therefore crave your indulgence to provide the following information to help me carry out this research work. Your responses to all items will be treated very confidentially.

I would very much appreciate it if you could respond to the following questionnaire as frankly as possible.

Thank you for your help. Kwaku Adoma.

Instruction(s)

Please tick (√) or mark (X) for the most challenging or least challenging items of the following seventeen (17) tables after reading through. Note that there will be one (1) tick for **most challenging** item and one tick for **least challenging** item under each table.

Section 1: Background Characteristics

1. Which Product(s) do

you Export?……

2. Length of years in operation 0- 1[ ] 2- 5 [ ] 6-10 [ ] 11- 20 [ ] 20 + [ ]

3. Please indicate the ownership structure that best describes your business

a. Privately Held, Listed Company [ ]
b. Privately Held, Non-Listed Company [ ]
c. Subsidiary/Division of a Domestic Enterprise [ ]
d. Subsidiary/Division of a Multinational firm [ ]
e. Joint Venture of a Domestic Enterprise [ ]
f. Joint Venture of a Multinational Firm [ ]
g. Completely or Partially State Owned Company [ ]
h. Sole-Proprietorship Venture [ ]
i. Cooperative/Collective [ ]
j. Others [ ]

A. CHALLENGES OF EXPORT DIVERSIFICATION DUE TO DOMESTIC FACTORS

1. Productive Capacity of Firms

Profile 1

Most Challenging	Items	Least Challenging
[ ]	Infrastructure and other Logistics	[ ]
[ ]	Technology Acquisition and Adoption	[ ]
[ ]	Marketing	[ ]

Profile 2

Most Challenging	Items	Least Challenging
[ ]	Product Quality	[ ]
[ ]	Technology Acquisition and Adoption	[ ]
[ ]	Cost of Production	[ ]

Profile 3

Most Challenging	Items	Least Challenging
[ ]	Training and Quality of Labour Force	[ ]
[ ]	Access to and Cost of finance	[ ]

[ ]	Technology Acquisition and Adoption	[ ]

Profile 4

Most Challenging	Items	Least Challenging
[ ]	Infrastructure and other Logistics	[ ]
[ ]	Access to and Cost of Finance	[ ]
[ ]	Cost of production	[ ]

Profile 5

Most Challenging	Items	Least Challenging
[ ]	Training and Quality of Labour	[ ]
[ ]	Infrastructure and other Logistics	[ ]
[ ]	Product Quality	[ ]

Profile 6

Most Challenging	Items	Least Challenging
[ ]	Training and Quality of Labour Force	[ ]
[ ]	Marketing	[ ]
[ ]	Cost of Production	[ ]

Profile 7

Most Challenging		Least Challenging
Items		
[ ]	Access to and cost of finance	[ ]
[ ]	Product Quality	[ ]
[ ]	Marketing	[ ]

Profile 8

Most Challenging	Items	Least Challenging
[ ]	Lack of Appropriate Business Environment	[ ]
[ ]	Legal Enforcement of Laws	[ ]
[ ]	Transparency of Border Administration	[ ]

2. Governance (Policies) and Institutional Arrangements

Profile 9

Most Challenging	Items	Least Challenging

[ ]	Tariffs and Taxes	[ ]
[ ]	Public- Private Partnership	[ ]
[ ]	Lack of Appropriate Business Environment	[ ]

Profile 10

Most Challenging	Items	Least Challenging
[ ]	Real Exchange Rate and Inflation	[ ]
[ ]	Lack of Appropriate Business Environment	[ ]
[ ]	Excessive Documentation and Procedures	[ ]

Profile 11

Most Challenging	Items	Least Challenging
[ ]	Tariffs and Taxes	[ ]

Profile 12

Most Challenging	Items	Least Challenging
[ ]	Tariffs and Taxes	[ ]
[ ]	Legal Enforcement of Laws	[ ]
[ ]	Excessive Documentation and Procedures	[ ]
[ ]	Real Exchange Rate and Inflation	[ ]
[ ]	Transparency of Border Administration	[ ]

Profile 13

Most Challenging	Items	Least Challenging
[ ]	Real Exchange Rate and Inflation	[ ]
[ ]	Public – Private Partnership	[ ]
[ ]	Legal Enforcement of Laws	[ ]

Profile 14

Most Challenging	Items	Least Challenging
[ ]	Public – Private Partnership	[ ]
[ ]	Transparency of Border Administration	[ ]
[ ]	Excessive Documentation and Procedures	[ ]

B. CHALLENGES OF EXPORT DIVERSIFICATION DUE TO External FACTORS

Profile 15

Most Challenging	Items	Least Challenging
[ ]	Meeting International Standards	[ ]
[ ]	Entry Barriers to International Market	[ ]
[ ]	Cost of Operating in International Market	[ ]

Profile 16

Most Challenging	Items	Least Challenging
[ ]	Meeting International Standards	[ ]
[ ]	Entry Barriers to International Market	[ ]
[ ]	Access to Information on International Market	[ ]

Profile 17

Most Challenging	Items	Least Challenging
[ ]	Meeting International Standards	[ ]
[ ]	Access to Information on International Market	[ ]
[ ]	Cost of Operating in Foreign Markets	[ ]

END OF QUESTIONNAIRES ***THANK YOU!!!***

APPENDIX B

Interview Guide for the Exporters with Linguistic Barriers

Department of Economics

Faculty of Art and Social Sciences

Kwame Nkrumah University of Science and Technology

11th February, 2016

Dear Sir,

REQUEST TO CONDUCT AN INTERVIEW

I would be very grateful if you could grant me an interview on 17th February, 2016.

I am a graduate student at the Department of Economics, Faculty of Art and Social Sciences of Kwame Nkrumah University of Science and Technology, Kumasi. In partial fulfilment of the Programme, MPhil Economics, I am undertaking a research on the topic **"Issues and Challenges of Export Diversification: Firm Level Analysis".**

This study is generally purposed to investigate the policy of diversification by critically examining the achievements and challenges of Non-Traditional Exports in Ghana. It is not intended in any way to invade your individual privacy and the privacy of Ghana Export Promotion Authority (GEPA). I therefore crave your indulgence to provide the following information to help me carry out this research work. Your responses to all items would be treated very confidentially.

Thank you.

……
……

Dr. A. K. Osei- Fosu — **(Supervisor)**

Kwaku Adoma — **(Student)**

INTERVIEW GUIDE

The following items will help you to prepare before the actual interview.

A. CHALLENGES DUE TO DOMESTIC FACTORS

Productive Capacity of Firms/ Policies and Institutional Arrangements

TRAINING AND QUALITY OF LABOUR FORCE *(The support, seminars, workshops, inservice training and orientation programmes for firms to upgrade their knowledge and enhance their skills of their workers)*

1. Does your company organise workshops, seminars and in-service training to upgrade the skills of firms
2. If yes, what was the training about?

3. How often are these programmes organised?
4. What was the period of the training?
5. Do you think firms have the needed skills that help them in their production activities?
6. What should be done about training programmes in your company?

INFRASTRUCTURE *(Provision of support services in the form of quality warehousing facilities, telecommunication services, constant electricity supply, transportation and other logistics).*

1. Does your firm have facilities such as warehousing, electricity, telecommunication services and transportation?
2. If yes, are the facilities adequate to ensure efficient production throughout the year?
3. If no, what is the negative impact of these facilities on the operations of the companies?
4. What do you recommend should be done to improve the facilities in the operations of Companies?

ACCESS TO AND COST OF FINANCE *(Access to credit to finance short term production activities; short term liquidity issue, as well as long term financing to undertake investment in fixed assets)*

1. What are the main sources of finance for your company?
2. Is it difficult to access credit in order to finance business activities?
3. If yes, how has it affected the operations of your company?
4. How long does it take for a loan to be granted?
5. How do you describe interest charged on loans
6. What do you suggest businesses obtains credit to finance business operations?

PRODUCT QUALITY/INTENSIVE MARGIN *(Upgrading the quality and value of existing products, i.e. moving up the value chain so that the products can fulfil the customer's needs or expectation)*

1. Does your company undertake distributional activities such as wrapping, packaging, labelling, rebranding to enhance the quality of the commodity that they export?
2. How do you assess the importance of product quality in the export market?
3. Has there been any policy meant to help firms upgrade the commodity that they export?
4. If yes, did it help to improve on the quality of their products?
5. If no, what do you expect to be done in order to improve the quality of the product they export?

TARIFFS/ FISCAL POLICY (*Taxes and Fees that creates anti- export bias incentive structure for export)*

1. What kinds of taxes are levied on your firm's operations/activities?
2. How do you rate the amount of taxes charged on business operations of firms?
3. Does the amount of taxes charged have much influence on business activities of your firm?
4. What tax measures do you suggest should be implemented to help boost the export of your product?

REAL EXCHANGE RATE/ MONETARY POLICY (*The rate at which the local currency (Cedi) is exchanged for other major international currencies like the Dollar, Pound, Euro and the rate at which prices of goods and services are increasing etc.)*

1. How does a weak Cedi affect your business as an exporter?
2. Has the depreciation of the Cedi caused more of your product to be demanded?
3. How does a weak (fall in the value of) domestic currency affect your business?

TECHNOLOGY ACQUISITION AND ADOPTION *(R&D, availability and use of ICTs, Innovation in terms of product development)*

1. Has the company come out with new ideas (innovation) that can improve on the way the companies do their things?
2. Does your company have research departments or teams that research to bring out new ideas?
3. What do you suggest should be done to come out with new ideas and develop new products for exports in in these companies?

MARKETING *(Awareness of new market opportunities, development of products in line with market trends, good marketing plans to sell in different markets and being forward –looking and price elasticity of demand)*

1. Is your company able to sell its product(s) in many markets (countries)?
2. Does your firm find it easy getting access to new markets?
3. How do you rate the demand for your firm's product?
4. Does your firm find it easy responding to demand conditions when there is increase in price on the world market?
5. What do you suggest should be done to create wider market for your companies?

CO-ORDINATION BETWEEN TRADE INSTITUTIONS AND PRODUCT ASSOCIATIONS (*Promotion of Associations with renowned Trading Associations linking with Policy Institutions and Transnational Corporations; public-private coordination of actions and investments)*

1. Is there proper co-ordination between Product Associations and Government Institutions such as MOTI, GEPA and Free Zones Board (FZB)?
2. What specifically is done to ensure coordination between Government institutions and the activities of product Associations?

A GOOD INVESTMENT CLIMATE (*An appropriate business environment that permits the smooth doing of business, procedures and documentation, creation of new firms or companies be it small, medium or large, efficiency of Customs' Administration)*

1. How do you describe the general business environment? For example, legal enforcement of laws, corruption, documentation and procedures, Time Required to Import – Export etc.
2. Please, how do you describe transparency of Border Adm. / Custom's Regulations?
3. Are raw materials and labour available for firms to produce?
4. What about the cost of acquiring labour and raw materials?

B. **CHALLENGES DUE TO EXTERNAL FACTORS**

SANITARY, PHYTOSANITORY AND OTHER STANDARDS (*Export of goods and services that meet the test of international markets/mandatory standards. These are government-mandated rules and procedures that must be met in order to sell a product on a particular market)*

1. Is your company aware of international standards for the export of your products?
2. If yes, is the company able to meet these technical regulations / product standards?
3. Is your company denied access to opportunities because they were unable to efficiently manufacture and export the items covered under these standards or Agreements?
4. What are the effects of these standards on the export activities of your firm?

ACCESS TO MARKET *(The ease of entering and selling export commodities in another market)*

1. Are there new demand trends evolving on the world market?
2. If yes, does your company have the capacity to meet these challenges?
3. Does the firm know the entry conditions of these products?
4. Are there high tariff and non-tariff barriers?
5. Are these tariffs denying your company market access opportunities?
6. Is there a mechanism that can easily enable the company get entrance to the markets; taking into account trade is done in a world full of barriers of different types?

Closing Remarks

Finally, of all these constraints, which of them do you think is the most challenging in the export of Non-Traditional Exports in Ghana?

Please, your general comments about the export of Non-Traditional Exports in Ghana?

THANK YOU VERY MUCH FOR YOUR TIME AND ATTENTION

APPENDIX C

Interview Guide for the Regional Director of Ghana Export Promotion Council,

Ashanti Region

Department of Economics
Faculty of Art and Social Sciences
Kwame Nkrumah University of Science and Technology

11th February, 2016

The Regional Director

Ghana Export Promotion Authority
Kumasi
Ashanti Region

Dear Sir,

REQUEST TO CONDUCT AN INTERVIEW

I would be very grateful if you could grant me an interview on 17th February, 2016.

I am a graduate student at the Department of Economics, Faculty of Art and Social Sciences of Kwame Nkrumah University of Science and Technology, Kumasi. In partial fulfilment of the Programme, MPhil Economics, I am undertaking a research on the topic **"Issues and Challenges of Export Diversification: Firm Level Analysis".**

This study is generally purposed to investigate the policy of diversification by critically examining the achievements and challenges of Non-Traditional Exports in Ghana. It is not intended in any way to invade your individual privacy and the privacy of Ghana Export Promotion Authority (GEPA). I therefore crave your indulgence to provide the following information to help me carry out this research work. Your responses to all items would be treated very confidentially.

Thank you.

…… ……
Dr. K. A. Osei- Fosu Kwaku Adoma
(**SUPERVISOR**) (**STUDENT)**

INTERVIEW GUIDE

The following items will help you to prepare before the actual interview.

C. CHALLENGES DUE TO DOMESTIC FACTORS

Productive Capacity of Firms/ Policies and Institutional Arrangements

TRAINING AND QUALITY OF LABOUR FORCE *(The support, seminars, workshops, inservice training and orientation programmes for firms to upgrade their knowledge and enhance their skills of their workers)*

7. Does GEPA organise workshops, seminars and in-service training to upgrade the skills of firms
8. If yes, what was the training about?
9. How often are these programmes organised?
10. What was the period of the training?
11. Do you think firms have the needed skills that help them in their production activities?
12. What should be done about training programmes in your?

INFRASTRUCTURE *(Provision of support services in the form of quality warehousing facilities, telecommunication services, constant electricity supply, transportation and other logistics).*

5. Do firms have facilities such as warehousing, electricity, telecommunication services, transportation?
6. If yes, are the facilities adequate to ensure efficient production throughout the year?
7. If no, what is the negative impact of these facilities on the operations of the companies?
8. What do you recommend should be done to improve the facilities in the operations of Companies?

ACCESS TO AND COST OF FINANCE *(Access to credit to finance short term production activities; short term liquidity issue, as well as long term financing to undertake investment in fixed assets)*

7. What are the main sources of finance for exporting companies?
8. Is it difficult to access credit in order to finance business activities?
9. If yes, how has it affected the operations of companies?
10. How long does it take for a loan to be granted?
11. How do you describe interest charged on loans
12. What do you suggest businesses obtains credit to finance business operations?

PRODUCT QUALITY/INTENSIVE MARGIN *(Upgrading the quality and value of existing products, i.e. moving up the value chain so that the products can fulfil the customer's needs or expectation)*

6. Do companies undertake distributional activities such as wrapping, packaging, labelling, rebranding to enhance the quality of the commodity that they export?
7. How do you assess the importance of product quality in the export market?
8. Has there been any policy meant to help firms upgrade the commodity that they export?
9. If yes, did it help to improve on the quality of their products?
10. If no, what do you expect to be done in order to improve the quality of the product they export?

TARIFFS/ FISCAL POLICY (*Taxes and Fees that creates anti- export bias incentive structure for export)*

5. What kinds of taxes are levied on firms' operations/activities?
6. How do you rate the amount of taxes charged on business operations of firms?

7. Does the amount of taxes charged have much influence on business activities of firms?
8. What tax measures do you suggest should be implemented to help boost the export of your product

REAL EXCHANGE RATE/ MONETARY POLICY (*The rate at which the local currency (Cedi) is exchanged for other major international currencies like the Dollar, Pound, Euro and the rate at which prices of goods and services are increasing etc.)*

4. How does a weak Cedi affect your business as an exporter?
5. Has the depreciation of the Cedi caused more of firms' products to be demanded?
6. How does a weak (fall in the value of) domestic currency affect business of firms?

TECHNOLOGY ACQUISITION AND ADOPTION *(R&D, availability and use of ICTs, Innovation in terms of product development)*

4. Has the Authority come out with new ideas (innovation) that can improve on the way the companies do their things?
5. Do companies have research departments or teams that research to bring out new ideas?
6. What do you suggest should be done to come out with new ideas and develop new products for exports in in these companies?

MARKETING *(Awareness of new market opportunities, development of products in line with market trends, good marketing plans to sell in different markets and being forward –looking and price elasticity of demand)*

6. Are firms able to sell their products in many markets (countries)?
7. Do firms find it easy getting access to new markets?
8. How do you rate the demand for firms' products?
9. Do firms find it easy responding to demand conditions when there is increase in price on the world market?
10. What do you suggest should be done to create wider market for your companies?

CO-ORDINATION BETWEEN TRADE INSTITUTIONS AND PRODUCT ASSOCIATIONS (*Promotion of Associations with renowned Trading Associations linking with Policy Institutions and Transnational Corporations; public-private coordination of actions and investments)*

3. Is there proper co-ordination between Product Associations and Government Institutions such as MOTI, GEPA and Free Zones Board (FZB)?
4. What specifically do you do to coordinate the activities of product Associations?

A GOOD INVESTMENT CLIMATE (*An appropriate business environment that permits the smooth doing of business, procedures and documentation, creation of new firms or companies be it small, medium or large, efficiency of Customs' Administration)*

5. How do you describe the general business environment? For example, legal enforcement of laws, corruption, documentation and procedures, Time Required to Import – Export etc.
6. Please, how do you describe transparency of Border Adm. / Custom's Regulations?
7. Are raw materials and labour available for firms to produce?

8. What about the cost of acquiring labour and raw materials?

D. CHALLENGES DUE TO EXTERNAL FACTORS

SANITARY, PHYTOSANITORY AND OTHER STANDARDS (*Export of goods and services that meet the test of international markets/mandatory standards. These are government-mandated rules and procedures that must be met in order to sell a product on a particular market)*

5. Are exporting companies aware of international standards for the export of their products?
6. If yes, are companies able to meet these technical regulations / product standards?
7. Are companies denied access to opportunities because they were unable to efficiently manufacture and export the items covered under these standards or Agreements?
8. What are the effects of these standards on the export activities of firms?

ACCESS TO MARKET *(The ease of entering and selling export commodities in another market)*

7. Are there new demand trends evolving on the world market?
8. If yes, do firms have the capacity to meet these challenges?
9. Do firms know the entry conditions of these products?
10. Are there high tariff and non-tariff barriers?
11. Are these tariffs denying companies market access opportunities?
12. Is there a mechanism that can easily enable companies get entrance to the markets; taking into account trade is done in a world full of barriers of different types?

Closing Remarks

Finally, of all these constraints, which of them do you think is the most challenging in the export of Non-Traditional Exports in Ghana?

Please, your general comments about the export of Non-Traditional Exports in Ghana?

THANK YOU VERY MUCH FOR YOUR TIME AND ATTENTION!!!!!!!