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Introducing the ....

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ENLIGHTENED INQUIRY:

New Thinking, Trends, Ideas, And Practices
In Management And Leadership

MAIN ARTICLES

ECONOMIC AND FINANCIAL RESEARCH REPORTS

EDITORIAL

The challenges facing today's leaders and managers have never been greater. Modern day organisations are undergoing a period of unprecedented transformations in response to rapid changes in the competitive global environments in which they operate. The harsh nature of global competition has made it clear that organisational survival depends on the entity's ability to combine its systems, strategy, structure, and efficient business operations to provide value to customers.

To ensure corporate survival and growth, a number of crucial issues must be addressed. The central issue however is the nature of the operating systems, strategies, structures, controls, and other measures that are most appropriate to lead these orgainsations in the twenty-first century. The PentVars Business Journal exists to provide practical answers or solutions to the said issues. This edition of the Journal has a collection of articles from authors with a considerable number of years of experience in business and academia. They have provided their perspectives on how organisations should prepare themselves to compete effectively in this millenium to meet the new and often frightening future of the world of business.

Thus the purpose of this second issue is to provide the readers and business leaders with a blend of insight into relevant issues resulting from the experience of companies, practitioners, consultants, and academics. As expected, the following core areas in leadership and management have been discussed in the collection of articles in this edition: integrated marketing communications, intellectual property rights and private foreign direct investments, the common currency for the ECOWAS, maintaining corporate governance standards in Ghana, personal leadership and organisational longevity, statutory audits and fraud, international negotiations, entrepreneurship challenges in Africa, Christian perspective on managerial leadership, and leadership in educational institutions.

Leadership and governance will continue to remain vexing issues in Ghana for a long time to come. There is a need to develop and maintain relevant and appropriate governance standards in Ghana. Effective organisational leadership requires personal leadership as a necessary prerequisite. For sound foreign direct investment in Ghana, the nation must ensure legal protection of intellectual property rights. The economic development of West Africa would be greatly enhanced by the introduction of harmonized economic, financial, and currency policies. These must be supplemented by harmonized property rights and legal systems. A sound foundation for economic development of Ghana and the West African sub-region requires sound financial management with the requisite accountability, full disclosure, and auditing controls. In the end, our economic development would depend to a large extent on our support for entrepreneurs and SMEs in the nation.

Once again, the collection of articles in this edition reflects a representative spectrum of ideas and approaches that will be of value to those charged with preparing their organisations to manage the challenges of the millenium. As usual, some articles are provocative, some are descriptive, and the others are prescriptive. We hope that you, the reader, find an article of practical interest to you.

BUSINESS ETHICS: A CHRISTIAN PERSPECTIVE

A basic commitment for the Christian business person is the lifelong development of his own character. If we share Jesus' perspective that we are the salt and light of the world, then it behooves on us to do a self assessment of our spiritual maturity as Christians while we do business.

It was the emphasis on character development that drew my attention to Stephen Covey's "The Seven Habits of Highly Effective People." Covey's thesis is that we need to focus more on the inside-out approach to life, becoming increasingly principle-centered and character-based. We reflect on his seven principles and add our own headings and suggest some scripture passages that focus on the character-ethic theme.

1. **Be Proactive**

Covey's first principle deals with developing the habit of pro-activity. According to Covey, studies have shown that as human beings, we have the ability to take charge, plan ahead, and focus our energies on things we can control instead of reacting to eliminate things over which we have no control. We are not simply products of ingrained stimulus-response reflexes as animals. For example, if your business partner is a big problem, since you have no control over him and so cannot change him, you have the ability to change your attitude towards what he does, because you have control over your own attitude. It means that we, by and large, are responsible for our own lives and the choices that we make. This suggests that we stop blaming temperament, circumstances, and conditions. Rather, we must begin to see our behavior as a function of our decisions, not our conditions. Consider the proactive teaching of Jesus in the Upper Room (John 13-17) and Paul's advice to Christians in Romans 12: 1-2 and 2 Timothy 2: 1-7.

2. **Begin With The End In Mind**

The second principle is based on the precept that all things are created twice. First in the mind, then in action. Begin with the end in mind means to start with a clear understanding of your destination. It means to know where you are going or headed so that you have a better understanding of where you are now. This will ensure that the steps you take are always in the right direction. The writer to the Hebrews knew the importance of beginning with the end in mind, that is why he said to those who wanted to run with a view to finishing the course, "Fix your eyes on Jesus... so that you will not grow weary and lose heart." This is the great sustaining principle in the Christian life - keeping the end in view.

It is very easy to get caught up in an activity trap, in the "busy-ness" of life. We work harder and harder at climbing the ladder of success at the expense of our spiritual life and compromising our Christian values. In the end, we discover that the ladder is leaning against the wrong wall. Seeking first the Kingdom of Heaven is always the way to maintain faithfulness in business dealings and relationships.

3. **First Things First**

The third habit has to do with time management, or most appropriately, the management of self. Covey asks the question: "What one thing could you do (that you are not doing now) that, if you did on a regular basis, would make a positive difference in your life?".

Many of the leadership tasks in our businesses, homes, and churches which fail to get done are because we have not been "discipled" or disciplined. Covey quotes E. M. Gray:

"The successful person has the habit of doing the things failures don't like to do. They don't like doing them either, but their disliking is subordinated to the strength of their purpose. We need the burning "yes" inside that makes it possible to say "no" to other things."

What New Testament vividly describes is "hardening the body with blows and bringing it under complete control" and "taking every thought captive and making it obey Christ." So that after preaching to others we will not be disqualified from the prize. (I Cor.9: 27 and 2 Cor. 10: 5).

4. **Think Win-Win**

We may have grown up thinking "win" means to "beat or cheat the other" ... that someone has to lose. Win/Win is based on the "abundance mentality" as opposed to the "scarcity mentality". The scarcity mentality sees life "as having only one piece of bread out there. If someone were to get a big piece of the bread, it would mean less for everybody else". Those with the scarcity mentality have a tough time sharing recognition, power, and credit with others. The abundance mentality says that there is plenty out there for everybody. It results in sharing of prestige, power, recognition and decision-making. It avoids unnecessary conflicts.

A Christian business person should develop the frame of mind that constantly seeks mutual benefit in all human relations. The Christian business man or woman should aim for agreements which are mutually beneficial and satisfying. He or she should work so that all parties feel good about a decision and feel committed to the action plan, and make sure that one person's success is not achieved at the expense or exclusion of others. They should see their business as cooperative exercise; not a competitive arena. It may seem to be stating the obvious for the Christian business person, but check that Philippians 2: 4-5 is lived out as well as read out.

5. **Seek First To Understand And Then To Be Understood**

The single most important principle in personal relations is, "seek first to understand then to be understood". It holds the key to effective interpersonal communication and relations. We typically seek first or only to be understood. Most of us, most of the time, do not listen with the intent to understand, we listen with the intent to reply. We are either speaking or preparing to speak or rebut.

Covey notes that there are five levels of listening: ignoring the other person; pretending to be listening, selective listening; attentive listening; and empathic listening. The essence of empathy is not that you agree with someone; it's that you fully understand that person, emotionally as well as intellectually. Job's three friends set out to sympathize and comfort when empathy was really required for true understanding. (Job 2:11-13).

6. **Synergism.**

Synergy means that the whole is greater than the sum of the parts. That is another way of saying that we can accomplish much more working together as an effective work team than we could work individually. Biblically, we think of the "body" concept. Synergy is more concerned with what is right and best than who is right and best. The solutions are not found in your way or my way but for the third and higher alternative...the "Win/Win" solution. In order to have a synergy, we need to learn to value the unique differences that each person brings to the team. Effective leaders and business people have the humility to recognize their own limitations. Because they value others, they want to understand the differences in individual perceptions.

7. **Renewal in Four Areas.**

It is never a waste of time for a farmer to sharpen his cutlass. The cutlass is the tool of his trade. A sharp cutlass makes the work easier and more efficient. A dull cutlass only makes the farmer tired. There are four dimensions of our lives that we need to renew on regular basis. We need to sharpen- physical, spiritual, mental, social, emotional, and vocational dimensions of life in order to perform effectively in business.

Other Dimensions of Business Operations

The physical dimension involves caring for our physical body-what we eat, rest and relaxation, and exercise on a regular basis. Evangelist David Brainard, who died at 27, said of his failing health, "God gave me a message and a horse to deliver it on and I've gone and killed the horse."

The spiritual dimension involves developing and renewing your relationship with God. It involves the time we spend in God's word and prayer the spiritual disciplines. The spiritual dimension also involves a commitment to walk in the Spirit and being honest with God.

The mental dimension has got to do with developing our intellect. Once we stop learning, we stop growing. Once we stop growing, we are disqualified from leading. We are greatly influenced by the people we know and the books we read.

CAREER DEVELOPMENT IN THE FIELD OF FINANCE IN THE 21^{ST} CENTURY

"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness......" Charles Dickens

Setting the scene for his novel 'A Tale of Two Cities', Dickens depicts an era fraught with contradictions. Like the narrator in the opening passage, the finance professional (FP) of the 21^{st} Century must operate in an environment characterized by inconsistency. He is asked to utilize skills that could be viewed as conflicting.

The FP of the 21^{st} Century will be a generalist while providing specialist insights. He or she will be a team player while providing strong leadership; will have to be sensitive to financial issues while respecting the needs of the environment; and will use cutting edge technologies to predict change and increase performance as well as utilize traditional methods of reporting historical financial information as essential inputs into decisions about the future.

Much of the change in the position of the FP in the 21^{st} Century will be driven by the continued move towards privatization and deregulation, a greater emphasis on the needs of the environment; and a need to promote stronger ethical behaviour. The 21^{st} Century will also see a greater emphasis on creating flexible corporate hierarchies that can adapt quickly to change within the organisation. Perhaps, one of the most important issues facing the FP of the 21^{st} Century will be continued trends towards global free trade and the internationalization of money markets.


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Privatization and the Global Economy

Competition resulting from trends such as privatization and reduction of the regulatory burden is a major trend that will continue deep into the 21st Century. Once the preserve of governments with a conservative policy, deregulation has become de rigueur with governments of all philosophies. Even leaders like the former South African President, Nelson Mandela, who had long espoused nationalization now promote privatizing state-run corporations in order to liberalize their economies.

The trend established in the 20th century toward free trade will continue unabated into the 21st Century. The World Trade Organisation (WTO) and North American Free Trade Agreements (NAFTA), and the European Union will spur on additional economic growth, creating tremendous opportunities for direct investment and international trade. While sovereignty and economic nationalism will continue to be forces to be reckoned with, there will be no turning back from international trade.

For the FP, this removes any impediments to the truly global corporation and creates incredible production advantages. The FP of the 21st Century will rely even more on the international lending institutions and need to fully appreciate foreign exchange issues. Consequently, the FP of the 21st Century must be at ease with international protocols and understand local and regional cultural values. More than ever the FP will need the skills and capabilities to operate in two, possibly three or more languages and cultures.

Environmentalism

For many years, corporations, governments, and many FPs embraced environmentalism more as a public relations strategy rather than a specific corporate goal. Decision making does not only involve maximizing cash flows; it also involves "doing the right thing".

In the future, the FP will also have to be able to anticipate the environmental costs of decommissioning a certain type of manufacturing facility or of discontinuing a particular kind of enterprise. The true art and skill of this type of futurism will be in anticipating laws that may not at that time be formulated. Clearly, the FP will have to identify non-financial factors that will have impacts on decision making in the 21st Century.

Ethics

At the close of the 20th century, the mandate of business schools had been to teach students to maximize cash flows. In order to maximize cash flows in the 21 Century, the FP will have to advance strategies that do more than just obtain the maximum market share at the lowest cost. The FP will have to be a citizen of the community, the nation, and ultimately, the world. He must exhibit the highest standards of ethical and moral behaviour.

A critical part of the FP's future development will be to act as a model of ethical behaviour and lead through example. Corporations will continue to find that market share is founded very clearly on service and customer loyalty. As such, it is incumbent on them to demonstrate ethical behaviour that is beyond reproach.

During the 20th century, the accounting profession, especially auditors were particularly vulnerable to negligence lawsuits. Various reports, notably the Cadbury Report in the United Kingdom, have identified a number of shortcomings in the profession that have aggravated this problem.

Companies that do not fall foul of good corporate behaviour find that they can be the target of consumer and investor boycotts. If they are found to be unethical, the erosion of trust and confidence results in a variety of backlashes. On the other side of the coin, companies that promote high ethical standards and moral conduct can gain the public's confidence and more profits.

Technology

Technology will, in many respects, have the greatest impact on the role of the FP in the 21st Century. We are already witnessing the dramatic developments and potential in this area including the availability of tax regulations on CD-ROM, databases available via modem, and access to other financial information via the Internet. This is likely the most contentious area to predict since the rule of technology over the past three decades has been its very unpredictability.

The computer, as one example, has given financial managers incredible access to financial information and has expanded the collection and collation of detailed information. However, there are concerns that accountants and finance professionals are often preoccupied with historical financial performance. The challenge for the 21st Century will be to make information up-to-date and to use it in a way to provide better financial reporting.

Other developments in multimedia technology, telecommunications, and new software and hardware, will provide Fp's and their work teams access to up-to-date educational materials that will again increase their working efficiencies. Ultimately, the FP will have a vision to understand technology and have an ability to make corporations more productive.

What Type of Person will the FP Be?

Dealing with the future of the FP in the 21st Century, begs the question of what type of person the FP should be and how he or she should be trained. It is clear that the FP in the 21 Century will have to fully grasp the accounting and finance body of knowledge. But beyond their accounting and finance knowledge, what other skills should they have? A good question to ask is what employers seek of their FPs. A study of entry-level accountants and financial professionals in the United Sates showed that they are dominated by graduates in public accounting to the neglect of skills in managerial accounting and financial mathematics.

That same survey showed that entry level accountants and finance professionals had a lack of practical experience, little understanding of the big picture, poor communication, and insufficient preparation in manufacturing accounting, international finance, and marketing.

Clearly, as corporations flatten their management structures, the FP will have to have a strong sense of vision and ability to choose the right people to deliver the best results. They will have a global view of events while providing an ability to operate and act in a local environment. They will have to be effective team players. They need to know when to act and do so decisively. Ultimately, they need to have a much wider view of events in a very general environment, but at the appropriate time bring a great deal of specialist information to bear.

Conclusion

Still, the final paradox for the FP of the 21 Century is that many of these skills cannot be taught through conventional study or special courses. The core body of knowledge of accounting and finance can be learned, but many of the skills that will drive the successful FP are beyond the realm of a text book or a workshop. Learning and teaching those skills will be the ultimate challenge.

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CONSULTANCY SERVICES: TEN WAYS TO INCREASE YOUR FIRM'S VALUE

When you first got into consultancy services, your primary goal was probably just to stay in the business. As your business matured, your goals changed. You realized that you could actually make this business work for you. Once your income was greater than your current needs, you probably focused on increasing your net worth.

As you mature in your career, your business takes on different roles in your life. Initially, your business purpose is to support you and your family. Next, it provides meaning, purpose, and joy in your life. Ultimately, it should provide financial independence and total freedom so you can do what you want, when you want, with whomever you want. Total freedom comes after you have sold your business for a small fortune. Selling out for a huge profit is the ultimate goal of almost every business owner. Even if your business is not currently for sale, it always has a value – to you and to the marketplace.

1. Serve Niche Markets

Remember back in the '60s, people would ask you "What's your sign?' This millennium, the question is "What's your niche?' Serving niche markets increases your firm's value in five key ways.

First, it targets your marketing resources so you can generate more qualified new clients with substantially less effort. It allows you to penetrate lucrative communities of people with common associations, newsletters, magazines, meetings, and clubs. You are able to streamline your business operations by serving people with common concerns, problems, opportunities, and personality styles.

Targeting niches enables you to become an expert on the problems, opportunities and solutions of the people in your niches. When you are a known expert, people will contact you.

2. Develop Specialized Products and Services

By trying to be all things to all people, you diminish your effectiveness. Each niche market has special wants, needs and unique situations. Specializing in specific niches, developing targeted products and services that closely match the wants and needs of people in your niches adds tremendous value. The investment business is rapidly becoming a commodity business. To compete in this marketplace, you must offer value beyond the core products.

Understand what your ideal clients truly value. Give them exactly what they want. When clients get exactly what they want, they are willing to pay more. You will maintain high margins in a commoditized industry by specializing financial products and services. Higher margins dramatically increase the value of your business.

3. Generate Recurring Revenue

Transaction-based income has little or no value unless it is recurring. In selling mutual funds, annuities and insurance for commissions you have a transaction-based business with little opportunity for recurring revenue. By converting your existing clients to fee-based money management you can convert liabilities into assets.

4. Build an Organization

A business that depends solely on one or two people is much riskier than one that has depth of management. Most financial planning organizations resemble a job much more than a business. This means that the more successful you become, the harder you work. However, by creating a solid business organization, the more successful you become, and the higher your quality of life, income and net worth.

By documenting systems and procedures and hiring competent managers, your business will practically run itself. This is a very attractive business from a buyer's point of view.

5. **Optimize Your Size Structure**

In business, size does matter. There is typically a premium for larger companies. Smaller companies have fewer employees, smaller client base, shallower management depth, and less competence diversification. Many buyers set minimum criteria for companies they will purchase. But being too large can also be a problem. If your only goal is size or dollars under management, profits are often sacrificed. Profits are, after all, what buyers buy. Research has proved that highly efficient asset management businesses can generate over $200,000 per year per employee. Inefficient businesses often generate less than $100,000 per year per employee. If you have target niche markets and streamline your operations, you can create a tremendous amount of value with few employees.

6. **Develop Effective Information Systems**

Financial statements provide a record of the results of your company's operations and a statement of assets and liabilities. Buyers are turned off by foggy or incomplete financial records. A potential buyer will lose confidence in your company's credibility if he can not understand your financial reports.

To increase the value of your business, work with a Chartered Accountant to develop accurate and effective financial statements. Then work with consultants to develop effective business information systems. If you empower your buyers with credible information systems, they will pay more for your business.

7. **Serve a Broad Client Base**

Degree of risk is a major factor in your buyers purchase price. A business with three or four large accounts totaling $100 million is not as valuable as business with several dozen accounts totaling $100 million. A business with a broad multitude of independent clients is more predictable and lower risk than a business with a small handful of major clients.

If your client base is too broad and diffused, it will lower the value of your business. Ideally, your average account will be about $500,000. You'll have enough clients for stability and diversification, but not so many clients that you need additional people to service them.

8. **Steadily Improve Your Business**

If you are not growing you are declining. In the current marketplace, there is no such thing as business stability. Buyers look for a documented stream of revenue over a period of time. It gives them confidence that they will experience the same growth in the future. If your business is growing extremely quickly, you may be able to ask a premium for your firm.

9. **Have a Specific Type of Buyer in Mind**

Different buyers value different things.
Different buyers value different things. To maximize the value of your business, know whom you want to sell it to. Then you can build your business to have most value for your ideal buyer. If you plan to sell your business to an institutional buyer, don't attract retirees to work with your firm. Customizing your business structure and client base to perfectly fit the needs of your ideal buyer will make their decisions simple and maximize your payoffs.

Your investment management clients and potential buyers value different things. By knowing what your ideal buyer values most you can charge a premium for your company.

10. **Hire a Professional to Advise You**

Most people only sell a business once. But many buyers buy businesses all the time. When an amateur is pitted against a professional it's easy to predict who will negotiate the best deal. But by hiring a professional investment banker or consultant to advise you, you can level the playing field. Hire a competent attorney and accountant to help you.

When you find the ideal buyer, they can help with the due diligence process and take care of the important details of closing the sale. Typically, they will charge you between three and 10 percent of the value of your business for finding a buyer and helping you negotiate the sale. If you've never sold a business before, selling it on your own may be the most expensive mistake you make in your career. A competent investment banker will more than pay his or her own fee by getting you a higher sales price.

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FAIR TRADE

Introduction

Of late, international news is replete with reports about anti-globalisation demonstrations on the streets near the meeting places of international organizations on trade liberalization. These demonstrations target meetings of such organisations as the G8, IMF, World Bank, World Trade Organization, United Nations, European Union, etc. Groups also attempted to prevent the meetings of the World Economic Forum in Melbourne, Australia. A careful analysis of the above indicates a serious cause for concern. There are bound to be more such demonstrations against globalisation and trade-liberalisation.

The concerns and complaints of the demonstrators deal with the unfair actions and outcomes that are being purportedly promoted by international organizations, multinational corpora-tions, and powerful, individual govern-ments. In addition, their concerns deal with the dangers of free trade and globalization, the exploitation of workers and raw material producers, the degradation of the environment, global warming, and the growing inequality of incomes around the world. There are increasingly vocal calls or demands for "fair trade". The most common complaint about globalization and international trade seems to be that they are "unfair". Increasingly, large segments of global society regard the following as unfair: free trade, globalisation, low wages and poor working conditions of foreign workers, lenient environmental standards in less developed countries, high profits of multinational corporations, and virtually all of the actions taken by the G8, World Bank, WTO, and the International Monetary Fund.

On the other hand, the arguments by the leaders of the international institutions, the multinational corporations, major nations, and others who generally favour globalization and free trade, regard all their activities as fair. Multinational corporations, who pay workers low wages in less developed countries, claim that their wages are fairly set because they are "above the legal minimum wage standards" of the host nations. Others argue that the alternative opportunities for these workers are much worse than the low-paying jobs themselves, which provide a chance for the improvement of their lives than would otherwise be possible. Supporters of the WTO often point out that the WTO agreements allow countries to maintain policies, such as anti-dumping and countervailing duties laws, that are designed to protect against unfair trade. International organizations argue that freer trade will promote global economic growth. They assert that this in turn will raise living standards throughout the world and subsequently reduce income inequality. It has also been shown argued that the economically prosperous nations tend to have cleaner environments.

Consequently, it is claimed that if international trade promotes economic growth, it may also contribute to a cleaner global environment. These arguments suggest that globalization and free trade can promote better outcomes for many people and, in that respect, the actions may be conceived of as equally fair.

Since the arguments against and in support of globalization both incorporate the idea of fairness, it is a valid and important question to ask: **"Just what does fairness really mean?"**. The concept has left many scratching their heads. Nonetheless, the idea of fairness is universally an attractive concept. Many individuals and organizations have boldly declared that they are in favour of fair trade; but then, who can be against it? How could anyone come out and proclaim the opposite? Everyone has to be in favour of fairness. However, how can supporters of diametrically opposed policies and practices both be in favour of fairness? The reason is that there are several different conceptions of fairness that are commonly used and applied to these kinds of situations. It is intriguing to note that the different conceptions of fairness are frequently at odds with one another.

In all, there are seven different ways in which "fairness" is used and applied in international trade settings and more generally in policy debates and social situations. The purpose is to provide a straightforward guide or robust dialogue to understanding fairness.

Fairness Defined

Fairness is a normative principle used to indicate outcomes or actions that ought to, or should, occur. To be fair is good and right; to be unfair is bad and wrong. To be fair is just; to be unfair is unjust. To be fair is ethical; to be unfair is unethical. Actions and outcomes ought to be universally fair, just, and ethical. Unfair actions and outcomes should be opposed by all; they should be avoided, and they should be reversed or eliminated.

As a normative principle, fairness clearly overlaps with other commonly used normative terms such as justice, ethical, equity, equality, and morality. Perhaps, it is possible to define boundaries around these terms. Perhaps, one could argue that some action is related to fairness but unrelated to justice, or is moral but does not have anything to do with fairness. Such an exercise might even yield some useful insights about the differences between these terms. However, in a simpler sense, when someone argues that something is unfair, he may merely be expressing a normative sentiment that may relate to any one of these commonly used terms. Rather than attempting to distinguish these normative terms from each other, it is better to present a comprehensive list of related commonly applied normative principles. Each principle will represent a unique reason why certain actions or outcomes ought to arise. In each case, fairness is sometimes invoked in applying that principle, even though in some cases the normative principle may seem to relate more to some other norm, such as morality, rather than to fairness. Nevertheless, we shall refer to the following principles as "fairness principles," despite the fact that they clearly have a broader applicability and usage.

The Seven Fairness Principles

Normative or fairness principles are multi-faceted. There is no one definition. If there were just one norm, it would be much easier to distinguish right from wrong, good from bad, and what should be from what should not be. However, instead, there are several definitions that can be applied in different situations. This is one of the reasons why fairness can be very confusing and ambiguous to many. It also explains why fairness may seem to mean different things to different people and why well-intentioned people may come to opposite conclusions concerning fairness of public policy initiatives.

In the ensuing discussions, we describe seven distinct fairness principles. Within these seven principles there are three fundamental elements that seem to motivate them: **equality, reciprocity and optimization.** The different possible ways of combining these elements helps to account for the multiplicity of fairness principles.

1. Distributional Fairness

There is a widespread belief that people, regardless of background, are inherently equal. However, the economic and social circumstances or situations of these people are clearly not equal. In a world of equals, people do not enjoy equal incomes, wealth or well-being. A few people are wealthy; many are not. Some are able to afford very expensive items while a lot more others find it difficult to afford enough food to feed their families. To many people, the unequal distribution of income, wealth and economic well-being in the world is totally unfair. Many consider it inequitable that some countries enjoy an average standard of living that is many times greater than that in other countries. What is even more distressing for some is that the disparities in income and wealth seem to be growing even exponentially. The world's rich are becoming richer and the poor are becoming, at least, relatively poorer.

Concerns about how wealth or income is distributed within a country or around the world is often referred to as **distributional fairness**. In its extreme form, distributional fairness implies egalitarianism; a complete equalization of income and wealth among peoples in the world. Today, after failed attempts to impose more egalitarian socialist and communist regimes, most people are reluctant to advocate complete equality. However, there remains a strong sentiment that incomes and wealth should be more equally, rather than less equally, distributed in society. Consequently, policies seen as increasing the disparities in income and wealth between peoples or countries are often judged to be unfair policies, while policies that reduce these inequalities are seen as fair or fairer.

In the debate over globalization, there is widespread concern that freer trade and the expansion of multinational firms throughout the world is making the rich richer and the poor poorer. Globalization opponents often contrast the abysmally low wages of workers in less developed countries, and abject poverty, especially in Africa, with the high levels of compensation paid to CEOs and to sports stars for their endorsements. They note that income inequality is widening throughout the world, even in the economically advanced G* nations. They worry that the world is becoming increasingly divided between the “haves” and the “have nots” with surely dangerous implications for the future. With respect to this concern, fairness in trade, or fair globalization would correspond to a narrowing of the income gaps between countries and between peoples. Perhaps the rich would need to redistribute some of their wealth and income to the poor, or perhaps the poor would simply need to enjoy a greater percentage of the income gains that nations and organisations produce as their economies grow and expand. In either case, fairness means more equality in incomes, wealth, and standards of living.

2. Non-Discrimination Fairness

A belief in the equality of people motivates not only the sentiment for equality of outcomes, such as income and wealth, it also motivates a belief in the equality of actions. The idea that people or businesses or governments should be non-discriminatory means that their actions should treat people as if they were equals. To be fair, equals should be treated equally. To be fair, the actions of businesses or the policies of governments should be non-discriminatory among equals.

Thus, businesses should not refuse to serve customers because of their race, gender, or religion. Nor, should they refuse to hire employees for these same reasons. To do so would be discriminatory, unfair and, in most countries, illegal. Similarly, women, the disabled, minorities, or non-landowners should not be prevented from fairly enjoying the rewards of national efforts. The changes in government laws and policies that protect the rights of all disadvantaged groups take cognisance of the fact that these groups should not be discriminated against.

In an international trade setting, non-discrimination is a key feature in the guiding principles of the World Trade Organization. Countries that are members of the WTO agree to maintain most-favoured nation policies towards one another. This means that the most favourable trade policy offered by a country must be offered to all other countries that are members of the WTO. Similarly, WTO member countries agree that their domestic policies will satisfy the "national treatment" principle. This means that countries agree to treat foreign businesses operating in their countries in the same way as domestic businesses are treated. Taxes and regulations cannot discriminate against foreign firms.

Opponents of globalization who are concerned about labour standards in less developed countries have argued that workers should be treated equally across countries. This may mean that health and safety standards, minimum wage rates, and even actual wage rates themselves should be equal across countries so as not to discriminate among workers. In each of these cases, fairness means non-discriminatory policies or actions with respect to different groups of individuals who are judged to be equals.

3. Golden-Rule Fairness

The Golden-Rule is a behavioural rule-of-thumb that has guided moral behaviour for several moulinet. Simply stated it says: "Do unto others as you would have them do unto you." Actions that violate the golden-rule are typically viewed as being unjust, immoral, or even sinful. In essence, the rule suggests that if you would prefer that others not do things that harm or hurt you, then you should not take similar actions that will harm others. The golden-rule implies a "do no harm" moral imperative. For example, murder is an action that clearly violates the golden-rule and is also unanimously accepted as an immoral act. The golden-rule also suggests that if you would prefer that others act in a way that is kind and helpful to you, then you should take similar actions to be kind and helpful to others. In this case, the golden-rule implies a "do good" imperative. Thus, actions such as giving to the poor are generally viewed as moral and righteous acts.

Applications of the golden-rule seem to have more to do with morals than with the concept of fairness. For example, murder is not an action that one would typically describe as being "unfair." In a sense, the seriousness of murder makes it much more egregious than anything one would use fairness to describe. Nevertheless, for many less egregious, in violations of the golden-rule, fairness is sometimes applied.

For example, it is very common to describe cheating in a game as unfair behaviour. Cheating means that that person violated the accepted "rules" of the game. Cheating is an attempt to take advantage of the other people playing the game by raising the chances that the cheater will win while consequently lowering the chances of winning for all the others. In other words, cheating implies that harm, or potential harm, is caused to others. In that sense, it is a "mildly" egregious action that is often described as unfair.

In an international trade context golden-rule unfairness arises in several situations. First of all, many different countries commit themselves to various types of behaviours or actions when they sign treaties, conventions, or international agreements. One can view a country's participation in these as accepting the "rules" of a game. When a country violates these agreements, as will sometimes happen, it is common for other countries that are or potentially may be negatively affected to charge the former with unfair behaviour since it is cheating on its agreement. In the WTO, countries that bring a case before the Dispute Settlement Board (DSB) argue that another country is violating the promises or commitments made in the Uruguay Round of Trade Talks. In other words, a country is charged with violating the "rules" - something generally considered unfair. In general, charges of unfair behaviour as a result of rule of law violations, is a very common application of the golden-rule fairness principle.

A second example of golden-rule unfairness arises when businesses engage in predatory dumping. Predatory dumping occurs when a business sells its product at a price that is less than its cost of producing it and undercuts its competitors for a sufficient length of time to force them out of business. After that occurs, the company can raise its prices to monopoly levels and recoup its previous losses. The unfairness of predatory dumping occurs because the business is causing harm to its competitors in order to secure a greater advantage for itself. This clearly violates the 'do no harm" directive.

Although the golden-rule unfairness can arise when actions cause harm to others, it can also arise when individuals or countries simply fail to do good. An example is the low regard in which the US is sometimes held when it is noted how little, comparative to its massive wealth and other nations, the US donates to poor countries in the form of foreign aid. Many have suggested that it is unfair that the US gives such a small percentage of its national income to assist poorer countries which support its products.

In general, the golden-rule unfairness arises when actions are seen as causing harm to others, when actions are inadequately helpful to others, or most commonly when countries or businesses are charged with violating some agreed or implicit set of rules.

4. Positive Reciprocity

Reciprocity fairness comes in two versions: positive reciprocity and negative reciprocity fairness. Positive reciprocity occurs when an action that has a positive effect upon someone else is reciprocated with an action that has approximately equal positive effect upon another. If the reaction is not approximately equal in positive value, or if even worse, the reaction has a negative effect upon the first person, then the reaction will likely be judged unfair. Positive reciprocity fairness requires that positive actions be reciprocated in kind; a "quid pro quo" type of response.

A simple example of positive reciprocity is the return of a small favour. If a person does something for another, keeps an eye on their house for a weekend as an example, it is only reasonable and is socially acceptable for the second person to return the favour, perhaps by returning with a small gift. The reciprocal gift would seem inappropriate, however, if it were very expensive. People expect small favours to be reciprocated, if at all, by actions that are approximately equal in value.

This same type of reciprocation is active in the labour market in the setting of wages and compensation for workers. Positive reciprocity fairness implies that workers be compensated with wages that are approximately equal in value to the effort they put forth. Although it is difficult to compare the value of a worker's effort with the value of his or her wage, people nevertheless expect that these two will be vaguely comparable. When they are not, charges of unfairness often arise.

As an example, consider many people's impression about the wages paid to factory workers in comparison with the wages paid to the CEO and other executives. In some large companies, the CEO may receive compensation ad other benefits in the millions of dollars, sometimes even when the company is losing money and laying-off workers. Many consider this unjust or unfair. One possible reason, besides a concern about income distribution, is the impression that the CEO is receiving compensation in excess of what he or she is worth. If the CEO makes more than he is worth, it may follow that other employees, namely the factory workers, are making far less than they are worth. In other words, fair reciprocal benefits are not being returned to the employees.

A similar concern may be apparent when people make international wage comparisons. Many multinational companies receive lots of bad press because their workers in production plants in typically earn low wages while endorsement contracts to super stars are valued in the millions of dollars. Although economists can offer arguments to explain that such differences are valid, most observers of this situation are quick to conclude that the companies are unfair. Again, one reason may be a sense that the principle of positive reciprocity is being violated

Positive reciprocity also arises as a principle of negotiation when countries negotiate free trade areas or when countries negotiate within WTO rounds. In both cases, negotiators offer concessions in the form of tariff reductions, or changes in domestic policies that will confer benefits upon the other country. However, each concession is made only if the other country(ies) reciprocates with trade liberalization measures of their own that will return the benefit. One of the major stumbling blocks in trade liberalization negotiations involves a perception that one country is conceding more than the others are returning. Negotiations can falter if the perceived equality of the "quid pro quo" is not maintained.

5. Negative Reciprocity

The second type of reciprocity fairness is negative reciprocity fairness. This occurs when an action that has a negative effect upon someone else is reciprocated with an action that has approximately equal negative effect upon another. If the reaction is not approximately equal in negative value, or worse, the reaction has a much greater negative effect upon the first person, then the reaction will likely be judged unfair. Negative reciprocity fairness requires that negative actions be reciprocated in kind; a negative "quid pro quo" type of response. A simple example of negative reciprocity in action is punishment under the law. A nation's laws typically do more than simply proscribe what is allowable and what not. In addition, the laws state what kinds of recourse may be taken by the state when an individual is found to have violated the law. Typically, the punishments are proportional in size to the seriousness of the crime. Thus, the punishment for violating a parking regulation may consist of a small fine, whereas the punishment for rape or murder will involve many years in prison. The reciprocal actions in these cases, is designed to be approximately equal to the harm caused by violating the law.In an international trade context, trade retaliations are generally designed to be fair according to the principle of negative reciprocity fairness. For example, in the US countervailing duty code - a law that allows the US to raise its trade barriers in response to a foreign government subsidy on an exported product - the retaliatory tariff must be set equal in value to the value of the foreign export subsidy. In this way the harm that is caused by the initial subsidy is reciprocated equally with the retaliatory tariff. Similarly, when the WTO Dispute Settlement Board allows a country that has won a judgment to remove some of its previously granted trade concessions, those concessions taken back must affect trade flows by approximately the same degree as the original illegal action. In both cases, fair responses involve retaliations that are equal in size to the original offence and thus represent cases in which negative reciprocity fairness is at work.

6. Privacy Fairness

Privacy fairness is, in a sense, a neutral application of the golden-rule. Imagine the golden-rule in the case in which others have not done anything to affect you. The "do unto others" rule would require that you do not do anything to affect them either. In other words, leave them alone. Alternatively, imagine whether you would like it if others took actions to restrict your freedom and privacy. If you would prefer them not to do so, then you should take no action to restrict the freedom and privacy of others. Privacy fairness requires that actions taken by an individual, that solely or primarily affects oneself, should not be prevented. Government actions that restrict one's individual privacy then are considered unfair. An example of privacy unfairness involves the age-old and mostly dismantled laws in the US concerning marriage and sex. It was common at one time for states to prohibit marriages between whites and blacks, and to prohibit homosexual relations. Most people today consider such laws unjust and unfair because they violate a presumed right to privacy. Since these actions should not have any major impact upon the lives of others, individuals need not be protected from themselves. Similar logic has been used to support abortion laws and drug legalization.

In an international trade context, privacy fairness arises primarily as a concern about national sovereignty. Sovereignty means the "right" of a nation to determine its own laws and policies, especially those that primarily affect its own domestic residents. Thus, countries generally believe that each independent nation should choose its own tax rates, its own regulations, and its own domestic economic affairs. Sovereignty is abridged when another country uses its influence to force changes in another country's laws and policies.

Critics of globalization have sometimes argued that the WTO acts in a way that reduces the sovereignty of individual nations. Thus, when the US lost a dispute at the WTO in the mid 1990s concerning gasoline imports from Venezuela, the US responded by changing it's Clean Air Act in a way that made it consistent with the WTO agreement. For environmentalists in the US, this seemed a clear case of foreign entities (i.e. the WTO) having an influence over US law, which thereby implies a restriction of US sovereignty.

Similarly, concerns about a loss of sovereignty have been raised by the less-developed-countries (LDCs) with regard to labour and environmental standards. In the US and Europe, many groups are pressuring poor countries to raise their labour and environmental standards to be more in line with the standards in developed countries. The governments in the poor countries, however, tend to feel that undue pressure to influence their own domestic affairs is being brought to bear by the developed countries. In the same way, they feel that their sovereignty will potentially be abridged.

7. Maximum Benefit Fairness

The final type of fairness is the one that, arguably, does not really belong as a fairness category. Indeed, in economics, there are considerable discussions about the trade-off between equity (i.e., equality or fairness) and efficiency (i.e., maximum productiveness). Nevertheless, a desire to maximize profits or benefits or well-being is certainly applied as a normative principle. Economists, and many others, often suggest that actions and policies be chosen so as to maximize the net benefits that will accrue to people. Thus, it makes sense to include this principle as one other typically used in evaluating policy decisions and other actions. In addition, there is at least one instance where a concern about maximum benefits is associated with the concept of fairness.

This application occurs in situations where one is forced to discriminate among individuals. A typical case is a company's decision to hire an employee to fill a vacancy. Suppose that there is just one job available but that many individuals apply for the job. Clearly, in making the decision to hire, the firm must discriminate among the applicants. It cannot hire everyone. We might ask "what is the 'fair' way to do so". Before answering this question, let us first consider the unfair ways. It is generally accepted as unfair for the firm to discriminate on the basis of gender, race, or religion. The reason is that these qualities in a person should have little to no bearing upon his or her ability to do the job. In other words, these characteristics are judged to be immaterial to the person's ability to perform the job, thus, choosing, or excluding on this basis would be unfair. What would be fair is to choose the employee based entirely on the person's ability to perform the job. If the most talented, most proficient, most educated, or most able person gets the job, most would accept that decision as a fair outcome in this circumstance. The implication is that the "fair" choice is the one that would serve the best interest of the business or which will maximize its productiveness or the benefits that will accrue to it. It is in this sense that maximizing benefits is sometimes associated with the concept of fairness.

In the debate over globalization, maximum benefit fairness tends to be applied more frequently by economists and others who generally support movements towards freer trade and more open global markets. The focus of most welfare analysis in economics is to identify policies that will maximize economic efficiency. In essence, this means maximizing the net benefits that will accrue to a nation. Most economic models suggest that free trade provides the best chance to raise productiveness of the world economy and to raise the standard of living of the world's peoples. In a world in which millions of people cannot provide even their most basic needs, configuring the economic system in a way to produce as much as possible seems, to globalization supporters, to be a reasonable, perhaps even "fair" course to take.

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PRESIDENTIAL LEADERSHIP

A nation's president is clearly the Chief of the nation. Executive government officials look to the Office of the Presidency for direction, coordination, and general guidance in the formulation and implementation of national policies. Members of parliament look to it for establishing executive national priorities, exerting influence, and providing essential public services. The heads of foreign governments look to it for articulating national positions, conducting diplomacy, and flexing muscles. The general public looks to it for enhancing security; solving vexing national problems, and exercising symbolic and moral leadership – a big and tall order to be sure.

Unfortunately, for most national presidents, these expectations often exceed their abilities and capabilities to meet them. It is not simply a question of skill or personality, although both contribute to the capacity of presidents to do the job and to do it well. The problem is the system - particularly its constitutional, institutional, social, and political structures. A nation's constitution divides authority; institutions, share power; and parties lack cohesion and often a sustained ideological thrust. To some extent, this has always been the case. However, in recent times, the global gap between expectations and performance of presidential leadership seems to have widened. Disenchantment has increased; confidence has declined; the popularity of many presidents worldwide has plummeted during the course of their administrations. Effective presidential leadership has thus become more difficult but no less vital if the world-system is to work.

National leadership is about national problems and the ability of the leaders to surmount them. First and foremost, this is about presidential leadership, about the capacity of the chief executives to fulfil their tasks, to exercise their powers, and to effectively utilize their organizational structures. It is about political leadership, about public opinion, group pressures, media coverage, and presidential salesmanship before, during, and after elections. It is also a about policy leadership, institutions, processes, priority setting, coalition building, and governmental policy implementation. It is also about national needs and the incumbents in office - their goals, and the formal and informal ways of accomplishing their objectives.

In order to understand the problems of contemporary presidential leadership, it is necessary to gain perspective on the institution of the presidency and its development. In this, we must appreciate an overview of the creation of the office and its evolution. There is particular emphasis on the growth of its policy-making roles, its advisory and administrative structures, and its political and public dimensions.

Public Expectations of the President

Before and when new presidents assume the responsibilities of their offices, they enter into a set of relationships the contours of which are largely beyond their subsequent control. The nations with which they will negotiate, the parliaments they must persuade, and the bureaucracy they are to manage, for example, have well-established routines and boundaries within which they function. These set the context of the president's relationships with them.

Public evaluations of the president also occur within an established environment and entrenched public expectations. The public has very demanding expectations of what the presidents should be, how they should act, what they must deliver, and what their policies should accomplish. It is therefore incumbent on the chief executive to live up to these expectations. Although some presidents may succeed over time in educating the public to alter their expectations, the public's views change slowly. Usually, the changes that take place only create additional burdens and expectations for the presidents. In addition, the static or dynamic nature of the presidents' personal characteristics and leadership styles and the political systems' inherent constraints on executive policies limit their ability to meet the publics' expectations. Frustrations on the part of both the presidents and the publics are inevitable in such situations.

The publics' expectations of their presidents in the area of policy are substantial and include ensuring peace, prosperity, and security. The table below indicates the results of polls taken of university undergraduate students in 1997 and 2001 following the elections of presidents J. J. Rawlings and J.A. Kufuor. Performance expectations of each president are quite high and cover a broad range of policy areas. All citizens want the good life, and they look to the presidents to provide it.

There is a substantial gap between the expectations the public has of what presidents accomplished (and for which it will hold them accountable) and the degree of success the public expects presidents to have in meeting its expectations. For example, at the time of President Kufuor's election, most people expected him to be an "outstanding" or "above average" president based on his campaign promises and the reasons for a change of government. The people were very optimistic about the next four years with him in the Castle. At the same time, over 70 percent of the people did not expect him to keep his campaign promises i.e. not to deliver the "good life", reduce taxes, reduce budget deficits, control government spending, increase government efficiency, or reduce corruption.. The fact that the juxtaposition of these views might be unfair to the presidents does not seem to disturb many of his constituents.

In addition to expecting successful policy formulation and implementation from their presidents, most citizens expect their presidents to be extraordinary individuals. The public desires a president to be honest, intelligent, ethical, unbiased, fair, cool in a crisis, caring, competent, possess a sense of humour, etc. Substantial percentages also expect their nation's leader to have uncommon stamina, imagination, and charisma. Obviously, it is not easy to meet these expectations. Presidents are carefully scrutinised and watched very carefully to determine whether or not they do deliver. The citizens also have high expectations about their presidents' official performances. They also have lofty expectations about their private personal lives and behaviours. Substantial percentages of the population strongly object if their presidents engage in private or official behaviours that are very common or even normal or accepted in the society.

The tenacity with which politically mature nations like America, India, Britain, Germany, France, Israel, etc. maintain high expectations of their presidents may be due in large part to the encouragement and enticements they receive from presidential candidates to do so. During political electioneering campaigns, the public is enticed to expect more from the prospective president than it is currently receiving. The politicians accordingly promise more than they can realistically deliver. Evidently, the public takes the political rhetoric to heart and holds presidents to ever-higher standards and expectations independent of the reasonableness of the expectations.

Higher expectations of presidents are also supported by political socialization. School children are often taught national history organized by presidential eras. Implicit in much of this teaching is the view that great presidents were largely responsible for the freedom, development, economic growth, and the economic prosperity that the citizens enjoy. From such lessons, it is only reasonable to presume that contemporary presidents can be wise and effective leaders and, therefore, that the public should expect them to be

Early Expectations of Presidents Rawlings and Kufuor

Policy	Percent Who Feel They Can Expect	
	Rawlings	Kufuor
Reduced unemployment	72	69
Reduced inflation	67	76
Peace and stability	63	87
Increased economic growth	70	79
Reduced Interest rates	60	75
Reduced cost of government	59	70
Strengthened value of the cedi	65	78
Effective macro-economic policies	81	89
Increased government efficiency	79	87
Strengthened national defence	87	76

so. Furthermore, commentators may compare contemporary presidents to an ideal president, compared to the strongest attributes of their predecessors.

Another factor encouraging the rather unrealistically high citizens' expectations of their presidents is the prominence given by all societies to the office of the presidency. As the spokesperson and the personification of the nation, the chief executive is the closest thing a nation has to a royal sovereign or monarch. On election, presidents and their families, even their pets, cooks, maids, and security, dominate the news. Their great visibility naturally induces people to focus attention, and thus put high demands and expectations, upon them.

Related to a president's prominence is the tendency to personalize issues and accomplishments. Issues of public policy are often extremely complex. To simplify them, the public tends to think of such issues simplistically in terms of personalities, especially the president's. It is easier to blame a specific person (the president) for societal problems and personal failures than it is to critically analyse and comprehend the complicated mix of factors that really cause the problems. Similarly, it is easier to project frustrations onto a single individual (the president) than it is to deal with the contradictions and selfishness in the citizens' own policy demands.

Part of the explanation for the publics' high expectations of their presidents probably lies in their lack of sound understanding of the context and complexities of the environments in which the presidents function. A president's basic power base or situation in a nation's constitutional system is one of weakness rather that strength. Yet, this is widely misperceived by the publics. Most people do not feel that a president has too little power; they rather perceive him as the most powerful of the land! A president of the USA is often referred to as "the most powerful person on earth".

Contradictory Expectations

Expectations of a president's leadership style are also crucial in the public's evaluation of the president. People want a president who embodies a variety of traits, some of which are clearly contradictory. Some statements in this regard follow:

1. We expect the president to be a leader, an independent figure who speaks out and takes stands on the issues even if the views expressed are unpopular. We also expect the president to pre-empt problems by anticipating them before they arise. Similarly,

we count on the president to provide novel solutions to the country's problems. To meet these expectations, the president must be ahead of public opinion; acting on problems that may be obscure from those currently in vogue in discussions of public policy.

In sharp contrast, our real expectations for presidential leadership are that chief executives must be responsive to public opinion and that they must be constrained by majority rule as represented in parliament. The pubic overwhelming desires parliament to have final authority in policy disagreements with the president. The public does not want the president to be able to act against majority opinion of parliament.

The contradictory expectations of presidential leadership versus responsiveness place presidents in a no-win situation. If they attempt to lead, they may be criticized for losing contact with other constituents and being unrepresentative. Conversely, if they try to reflect the views of the populace, they may be reproached for failing to lead and for not solving the country's problems.

2. We expect our presidents to be open-minded politicians and thus exhibit flexibility and willingness to compromise on policy differences. At the same time we also expect the presidents to be decisive and to take firm and consistent stands on the issues. These expectations are also incompatible. Presidents can expect to be criticised for being rigid and inflexible when they are standing firm on the issue. At the same time, presidents are also disparaged for being weak and indecisive when they do compromise.

3. A large majority of the public wants presidents to be statesmen; to place the nation's interests ahead of party politics. Yet a majority of the same public also desires the president to be a skilled politician. A substantial percentage of citizens, especially party members, favour the presidents exercising loyalty to their political parties. A president who acts in a statesman-like manner may be criticized for being too far above the political fray, for being an ineffective idealist, and insufficiently solicitous of party supporters.

4. We like the presidents to run open administrations. We desire a free flow of ideas within the governing circles, and we want the workings of government to be visible to us and not sheltered behind closed doors. At the same time, we want to feel that the presidents are in control of things and that the government is not sailing rudderless. If presidents allow internal dissent in decision-making and do not try to hide or succeed in hiding the dissents from the public, they will inevitably be reproached for not being in control of their own aides. However, if they should attempt either to stifle dissent or to conceal it form the public, they will be accused of being isolated, undemocratic to accept criticism, and of attempting to muzzle opposition.

5. We want our presidents to be able to relate to the average person in order to inspire confidence in the presidency and to have compassion and concern for the typical citizen. The public also expects a president to possess characteristics far different from his own and to act in ways that are beyond the capabilities of most people. To confuse the matter further, the public also expects the president to act with a special dignity befitting the leader of his country and the world and to live and entertain in splendour. In other words, presidents are not supposed to resemble the common man at all. If presidents seem too common, they may be disparaged for being just that – "too common". On the other hand, if presidents seem to be different, appear too cerebral, or engage in too much pomp and

pageantry, they will most likely be denounced as snobbish and isolated from the people and as being too regal for the nation's tastes.

6. Finally, we expect the president to provide all the needed public goods, but we are not ready to pay the needed taxes or allow the president (nation) to borrow to finance the "good life".

Unlike corporate or organisational leadership, whose effects are hidden form the public or those who do not have the "right to know", the effects or effectiveness of presidential leadership is subject to daily scrutiny from people with different axes to grind – fairly or unfairly. In essence, evaluation of presidential leadership is often biased, one way or the other by people who have selfish motives. We need a more realistic means of evaluating our expectations of presidents and of objectively evaluating their performances. Presidential leadership must be evaluated on a holistic and total effects manner. Narrowly defined and selective after-the-fact criteria are not unacceptable. Electioneering campaign promises and manifestoes must serve as the only appropriate basis for evaluating presidents. They must deliver what they promise. This would ensure that presidential candidates do not take the citizens for granted and do not forget their promises to the people.

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NETWORK MANGEMENT: HOW LANs AND WANs DIFFER

The comparatively recent introduction of Local Area Networks (LANs) has posed a new set of problems in network management. The key differences or changes lie in the areas of architectural support, traffic structure, independent management, and equipment availability. Hybrid networks may well pose a new set of problems in the future of telecommunications.

Traditional network management techniques have been concerned with the flexible control of Wide Area Communications (WANs). The development of sophisticated Local Area Networks is a comparatively recent phenomenon. Modern telecommunication systems will be built around both types of networks. All electronic information originates on some kind of local network. Only a proportion of this traffic moves outside of the site on to a wide area link. Thus, it is important to control the total traffic flow, and to appreciate the extra problems generated by introducing LANs into the equation.

Differences in Controlling Local Area Networks
Even though LANs are a recent development, they offer high speed local connectivity with distributed control. This distributed control causes problems in four main areas: architectural support; traffic structure; independent management; available equipment.

1. Architectural Support

Wide Area Networks (WANs) are well established, and have formed the backbone of most organizations data communications systems for many years. As such, they are well supported within the manufacturer's architectures. Computer suppliers have simplified their network support by building systems to a common architectural plan.

Within ICL's Information Processing Architecture (IPA) or IBM's Systems Network Architecture (SNA), there is an implied assumption that wide area network protocols are being used. Support for LAN systems is poor, and often extends to considering the LAN as a single network node.

Again, network management software products are widely available within the architecture. For example, in SNA, we have 'Netview', which provides the user with a wide range of management programmes designed to control wide area networks. To the manufactures, they offer revenue as program products and the opportunity to sell more memory and processing power to support them. Unfortunately the LAN interfaces are poorly developed. The LAN user will get little help from network management products which integrate with the suppliers' main network architecture.
The arrival of OSI (Open Systems Interconnection) does not offer immediate benefits in network control. Network management requirements of open networks are still too ill- defined, and we cannot expect standards to evolve before the start of the next decade. Program products, particularly for LANs, will be slow to follow.

2. Traffic Structure

Long distance networks are normally operated using connection-oriented protocols. Before any data is transferred, the parties concerned exchange control parameters, and the characteristics of the information flow are established. Once connection has been made, the traffic flows are well defined, and the transfer of information is well ordered.

Local Area Networks (LANs) operate using connectionless transfer. As such, messages are sent without prior negotiation, and the network is then required to recover from any problems which then occur. Traffic is unpredictable and poorly structured. Thus it is much more difficult to impose active network management.

3. Independent Management

Wide Area Networks are usually rented, not purchased. The common carrier who provides the service also controls its quality. A circuit provided by the telecom authority can easily be changed, and offers published criteria for quality and service. More modern services, such as digital leased lines and packet switch services are also continuously monitored by the suppliers. There is one authority to contract when a problem occurs, and established circuit qualities to refer to.

Local Area Networks (LANs) are normally purchased, and their installation and maintenance is the users' responsibility. No independent monitoring is provided automatically and faults may be difficult to identify. The organization using the LANs must provide adequate network monitoring for its own services.

4. Available Equipment

Wide Area Networks (WANs) have a long history and have range of equipment is available from independent suppliers to provide monitoring and fault finding. The potential user is spoilt for choice. The low installed base of LANs, their recent history and lack of standards have all discouraged vendors from producing similar test for local network analysis. Nor is there much available from the LANs suppliers themselves. Network management features are not seen as major selling points, and users still consider that in the restricted geographic environment of LANs little management is needed.

Hybrid Networks: A Control Problem for the Future?

If the preceding paint a bleak picture, then consideration of future development compounds this. LANs and WANs operate in fundamentally different ways, and this will make management of mixed networks a particularly thorny problem. On Local Area Networks (LANs) a transmission is normally sent unsolicited. This connectionless message transfer can be contrasted with the behaviour on Wide Area Networks (WANs), where protocols usually establish a session connection with the destination, exchange communications characteristics, and only then start to exchange information.

A hybrid LANs + WANs network is therefore mixing the 'send and pray' protocols used on Local Area Networks (LANs) with the 'get it arranged first' protocols tradition on Wide Area Networks (WANs). Inevitably, wide area monitoring and fault finding tends to stop at the LANs interface, while what few LANs tools there are do not consider the wide area network at all.

End-to-end management is only possible by ignoring the WANs component.

A scenario for the data network of the future might be:

- An integrated network of wide and local area networks, offering a wide range of services.
- Some requirement of support text, image, and perhaps voice traffic on the same carrier.
- A facility within network control to support management decision marking on network structure, with computer assistance on the complex calculations required.

The key is standardization of networks and integration of management functions into network architectures.

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NATIONAL TRADE PROMOTION ORGANISATIONS

Introduction

Many producers and potential exporters in many developing countries have limited resources and scanty knowledge of potential foreign markets for their products. Access to new foreign markets is increasingly becoming difficult by the day for most producers from developing nations. This is fundamentally a huge challenge to potential exporters from these nations. They often need support and guidance as they take their first step into the arena of world or foreign trade. The news that pineapple farmers have lost about $11 million worth of investment due to lack of market for the smooth cayenne as reported by the Daily Graphic of 4th July 2006 should be a source of grave concern and worry to policy makers and the industry. Indeed, there are huge loses that farmers of other agricultural products are faced with. This is just one of the many problems faced by potential and current Ghanaian exporters.

The huge economic growth of the West, the Asian Tigers, and Europe largely depended on their export performance. This has been possible because of their effective and efficient foreign trade promotion and economic intelligence activities through their trade promotion systems and organisations. Sustained poverty reduction and economic growth in Africa can only be achieved if the institutions that manage its exports trade are significantly enhanced. This factor essentially explains why Trade Promotion Organizations in developing countries need to be properly enhanced and equipped to drive the export promotion efforts, as well as champion and address the concerns of the local exporters.

Trade Promotion Organisations

Trade Promotion Organizations (TPOs) are excellent tools for developing international trade and helping producers and exporters to effectively access new foreign markets. These roles are very relevant in a developing country like ours. There are many types of export promotion activities. Some of these involve more direct involvement and even partnership with individual exporting enterprises. The TPOs referred to in this paper are facilitative agencies such as the Ghana Export Promotion Council, Ghana Investment Promotion Centre, Ghana Trade Fair Co. Ltd, etc. In Ghana, the Ghana Export Promotion Council is mandated to promote and develop non-traditional export. The council has the objectives of promoting and stimulating trade primarily by providing information, linkages, technical advice, marketing, and policy advocacy.

Exporters can benefit from market access, trade fairs and exhibitions, trade contacts, and buyer-seller meetings through the promotional efforts of professional TPOs. However, a 1992 World Bank study showed that many of the TPOs in developing countries failed to meet their objectives. The obvious reasons are lack of funds, systems, and essential resources. When professionally designed and managed, they can stimulate trade and also prevent disastrous losses resulting from miscalculations and strategic errors on the part of producers and exporters.

How are TPOs Set Up

TPOs require certain essential factors for effective operations. These include:

1. **Market-driven**

A TPO, which is often a public sector entity, must first and foremost be market-driven. Its mandates and focus must clearly reflect the requirements of private enterprises. It must be structured and staffed so as to be flexible enough to adjust to changing demands and situations of the world market. In effect, it must mirror the operational style of a successful private enterprise. The formation of a TPO should result from public-private consultations that cover all relevant stakeholders, including leaders in the business community, successful exporters, marketing professionals, and high-level government representatives.

2. **Institutional Setting**

TPOs are more market-oriented and more effective when they are developed as a result of a broad consensus between the public sector and private sector trade associations, producers, and exporters. The most successful TPOs are independent of direct government influence. Their institutional settings should reflect this value. They need not be wholly independent. They can be under the umbrella of the government to facilitate both its oversight, supervision, and frequent governmental interactions. A 1990 World Bank study of 23 lending operations that involve TPOs suggests that changes in political administration and significant leadership turnover are significant factors in diminishing their effectiveness. A semi-autonomous government agency managed by a predominantly private sector board can be a good choice. Care should be taken to ensure that it is openly positioned to avoid corruption and undue political influence.

3. **Staffing**

A TPO must, without exception, be staffed and managed by entrepreneurial and market-oriented individuals; not government bureaucrats. In this field, where experience is a critical factor, it would be advantageous to invest in remunerative and incentive systems that promote staff productivity. The staff should be experienced in such areas as marketing, international trade, communications, the use of statistical and analytical tools, forecasting methods, public relations, the languages of their target markets, the sectors which they are promoting, and the countries they are targeting or representing.

4. **Funding**

TPOs are good candidates to be self-funding or self-financing, at least to some extent. Typically, funding comes from direct payment for services rendered. Funding can also be drawn from the sectors which benefit directly from the increased trade through check-off programs or product-specific taxes. Beyond its general mandate to facilitate and improve trade, the TPO is often in the best position to also provide specific and high-value services to its clients. These can include market studies, exploratory foreign study trips, customized trade and investment-related studies, access to telecommunication services - such as internet, web sites, e-mail, and video, teleconferencing, - representations abroad, and participation in trade shows and exhibitions.

The TPO ought to regard its function more as that of a facilitator and catalyst than that of a doer. Its service focus ought to be on expanding access and linkages to commercial service suppliers domestically and overseas rather than attempting to provide such services itself. Determining a particular sectorial focus, at least in the beginning, will facilitate and help define its scope of work. The needs of heavy industrial manufacturing companies would be quite different from those of fresh produce exporters or those of technical services providers.

The primary allegiance of a TPO should be to the country as a whole. By promoting individual exporters and export sectors it can contribute to the country's reputation and standing in export markets, but it can also damage that reputation. Selecting which sectors and which exporters to promote must be done with caution to ensure that these are indeed capable of assessing their production capability, quality control, management skills, etc. and succeeding in the international marketplace. Even one or two non-performing or disreputable exporters can quickly begin to damage the TPO's and even a country's reputation.

The Essential Roles of TPOs

TPOs have a number of core activities that they can be mandated to undertake. These most important of these is advocacy. Since a TPO's core role is to act as a liaison between the business and import/export communities and other countries, it is ideally placed to advise on and promote necessary trade reform. One key example is the Export Diversification Programme, which was undertaken under the Economic Recovery Programme in the early 1980s. Ghana's export base was diversified in both quantity and quality to cushion the economy against the price instability of Ghana's traditional products on the world market.

Competent and experienced TPOs have been known to advocate:

- the elimination or reduction of restrictions on exports such as quotas, tariffs, and licensing;
- improved access of exporters to imports i.e. duty-free schemes;
- the reduction or more transparent application of export taxes and subsidies;
- improved access to export credit i.e. pre-shipment and post-shipment financing and insurance cover;
- balanced or more favourable exchange rate policies;
- improved policy, regulatory, and legal environment for both trade transactions and investment, i.e. domestic or foreign direct investment (FDI);
- more efficient infrastructure that provides the logistical capacity and agility necessary to be competitive.

While advocacy should be part of its primary role, it should not dilute that role by participating in, other than in an advisory capacity, the development or administration of trade and export-related schemes.

Roadmap

TPOs ought to be proactive and help to identify both current and future products and services with potentials in international markets. Specialists should visit producers, distributors, and current or potential exporters to evaluate products or services that could most benefit from trade promotions. In the same manner, it is critical to fully assess the nature of the supply chain and its bottlenecks or constraints. Such assessments may require the commissioning of trade. Sometimes, significant trade can be opened up by establishing contacts and trade channels within a country's own borders. Assessments of products and exporters will necessarily involve individual interviews. The information gathered at this stage can be in the form of a survey or questionnaire and will be useful later for developing profiles on enterprises, products, and services.

Market Profiles

After identifying the target markets that demonstrate the most potential, general set of profiles ought to be developed. These could help to stimulate ideas and possibilities among producers and potential exporters. They can also serve to educate and inform them about the characteristics and conditions of those target markets that have the highest potential for their export products. These profiles can inform and influence a TPO's foreign promotional efforts and should, like all trade information, be updated periodically.

Market profiles typically include the general background of the target market (culture, outlook, income levels, marketing conditions , etc.), the types of imports favoured, importing patterns, taking into account main trading partners, ten-year trends, and annual seasonality, available distribution channels, historical price data, customs requirements and other import regulations, import tariffs, relevant trade agreements, and other useful contacts (diplomatic missions, trade bodies, chambers of commerce, etc.)
Since many novice exporters are not qualified or experienced to interpret and make use of this information, a TPO can provide a useful service by offering relevant analysis in the form of pointing out specific opportunities and identifying potential liaisons. Support and information for this can come from published market data, private trade and market studies, other trade promotion organizations, trade associations, chambers of commerce, diplomatic trade missions, foreign governments, and development and aid organizations.

Market Studies

TPOs can conduct market studies that are considerably more detailed than market profiles. These provide in-depth information about a particular sector or subsector and its characteristics. While such studies cover the macro information available in market profiles, their focus tends to be on identifying and defining the characteristics of a select market channel. This includes such issues as:

- identifying market participants;
- determining constraints or barriers to foreign market entry such as import and legal requirements in the European and U.S markets;
- providing specific tariff schedules;
- determining the distribution system to be used;
- offering details of typical shipping and payment methods;
- detailing costs and options for shipping;
- identifying the characteristics of the products and their packaging;
- discovering current import statistics for a product including countries of origin, pricing, and trends;
- determining potential market volumes and predicted saturation points;
- providing a sales forecast;
- suggesting pricing strategies;
- suggesting the kind of promotion to be done;
- explaining cultural or seasonal factors;
- providing catalogues and copies of advertisements from competing or related

producers, wholesalers, distributors, and retailers;

- listing specific contact information for potential trade partners (importers, distributors, wholesalers, etc.);
- identifying trade newsletters and journals;
- providing a compilation of similar or related market studies;
- obtaining product and packaging samples; etc.

Given the costs involved, market studies ought to be conducted in response to specific export opportunities and ideally supported by (financially or in terms of study assistance) interested exporters or trade associations. Such studies, especially for less open countries, can be coordinated with diplomatic trade missions. However, they ought to be conducted by experienced, market-oriented professionals who are very familiar with the target markets. In pursuance of this goal, the Ghana Export Promotion Council recently organised a five day workshop for officers of the Ministry of Foreign Affairs who were about to be posted to our diplomatic missions abroad. The purpose of the workshop was to equip these officers with the basic knowledge in export to enable them to handle enquiries regarding the export of Ghanaian products.

Specific Product or Service Assessments

Product or services assessments can help to concentrate promotional efforts on a particular product or service when driven by clear market opportunities or the request of an exporter. The specificity of such studies requires that they be designed in close cooperation with the exporter or trade association. Such assessments use market studies as a point of departure. They tend to be more specifically focused. They also tend to develop interactions with specific market actors. From such interactions, importers and exporters can take over from the TPO to develop their own relationships or partnerships.

Through the above working links, exporters can then continue to develop appropriate products or services designed to fit market needs. This can include sourcing of other or different raw materials, developing new packaging sizes and designs, and improving or altering product characteristics. The nature of market studies and assessments, i.e. techniques and in-depth on-site research, usually means that they are best conducted by professional marketing firms: This is because many TPO lack the depth of staff and specific country or sector experience of a dedicated market researcher or analyst.

Both market studies and specific product assessments should include a follow-up or evaluation component to determine their effectiveness. Such evaluations should, at a minimum include interviews with relevant exporters to determine what impact such studies or assessments have had on their plans for export or export quantities.

Marketing Plans

Given their marketing focus, TPOs can be particularly well-suited to assist individual enterprises in designing, developing, and implementing their international marketing plans. For many TPOs, this service can be linked to the more general publicity and promotion that they develop and conduct for a country or sector as a whole. Indeed, sometimes enterprise participation can help to defray the TPO's marketing expenses or enable marketing efforts to have a broader scope and reach. For example, Argentina's Export Promotion Council joined with its Meat Trade Association to leverage the notable reputation of Argentinean beef as a springboard to its other international export promotion. This helped to reduce expenses and increase the exposure and credibility of both partners. Caution should be exercised when selecting marketing or promotional partners to ensure that the TPO's reputation is not compromised and that the opportunity is also transparently available to other qualified enterprises.

Trade Information

Today, trade information is more widely available than ever before to the average business users. Sources include the internet, chambers of commerce, trade associations, and specialized international organizations, such as the ITC, ECLAC, COLEACP and UNCTAD. While access to information has greatly improved in the last decade, it is still difficult to retrieve information in a useful format and to interpret it accurately. As a consequence, exporters cannot significantly benefit from the information. This is particularly true in developing countries where even the raw data may be difficult to access. TPOs can help to provide a one-stop shop for trade information and can serve the valuable function of helping associations or exporters to interpret the vast amounts of data available.

The Ghana Export Trade Information Centre of the Ghana Export Promotion Council typifies the above role. Its technological tools such as Trade Map, Product Map, and Market Access help to determine the volume and competitive status of commodities at different levels. It allows the users to obtain information in a pre-specified format and also performs specific data analyses. It can, for example, analyze the market structure and dynamism of a particular product's exports into a variety of countries and the increasing or declining market shares of those individual countries.

The key guideline for such services is that they be market-driven and regularly evaluated for their effectiveness in accessing useful and timely information as well as interpreting and disseminating it efficiently. Several organizations have developed formats and procedures for creating and managing trade information services. Their web sites, publications, and advisory services should be part of the initial planning process for any TPO.

A TPO, in the course of its work, will quickly discover that in order to best help its clients to increase trade and access foreign markets, it will also need to help them to develop the necessary skills to take full advantage of the new and more complex opportunities that such markets, present. Such skills can include:

- knowledge about trade payment methods;
- access to financing and foreign direct investment;
- export procedures;
- commercial terms and terms of international trade;
- transportation logistics and procedures;
- quality control methods;
- export packaging;
- pricing strategy;
- handling business expansion requirements, i.e. infrastructure, management, bookkeeping, etc.; and
- contract negotiations.

The above skills among its clients are inextricably linked to a TPO's ultimate success. It may therefore seem natural for a TPO to help provide such skills. A World Bank survey in 18 countries suggests that caution should be exercised when contemplating the provision of such skills. Doing so may risk diluting the TPO's primary function. It can even slow down the development of such services in the private sector. A TPO can be most effective by working closely with other organizations such as business development centers, trade associations, export councils, and business schools to deliver these services. When they are not available or adequate, a TPO can then provide workshops, lectures, mentoring, and literature as a stopgap measure and help support and develop the provision of such services through a specialized organization or institution, preferably in the private sector.

There are some services that may be more difficult to access individually by an exporter. These ought to be available through a TPO. They include:

- procedural guidelines and manuals on the regulations and procedures for specific foreign markets;

- contact information for customs offices, sanitary and phytosanitary control departments, permit officers, etc.;
- at least one staffer that is thoroughly familiar with export procedures and one that is knowledgeable about export financing and methods of payment who can handle questions and requests from exporters;

Export Promotion Funds

A number of organizations utilize funds to stimulate and support exporters to enter foreign markets. In Ghana, the Export Development Investment Fund. (EDIF), the Exim Guarantee Bank, and the banking institutions (such as Prudential Bank and Ecobank) have champion this role effectively. These grants are targeted to groups and associations who want to develop new markets or promote non-traditional exports. The evaluation criteria for such funds are similar to the criteria used to select potential exporters and promotional partners. However, it requires a somewhat more thorough and rigorous evaluation. Managing such a fund naturally adds to the responsibilities of a TPO and should therefore be well considered if its own resources and staffing are very limited. One option is to work closely or partner with other organizations or institutions that already provide such funds i.e. agribusiness development centers and matching grant schemes.

Ultimately, the success of a TPO is measured by the success of its 'clients'. Consistent quality management is essential for an exporter to be successful. Ideally, at least one TPO staffer should be trained in quality management objectives and methodologies such as HACCP (Hazardous Analysis Critical Control Point) and must be familiar with the guidelines and requirements of international standards organizations such as ISO, Codex Alimentarius, and the WTO.

The TPO should have available current reference materials on product quality and be able to offer guidance on resources (written, electronic, and human) for quality management procedures. It should have a sound relationship with the national standards bodies and relevant quality control agencies such as the Ghana Standard Board and the Food and Drugs Board. A TPO must help to facilitate an exporter's role among the export community. It should also be able to address, at least in general terms, the specific quality requirements in target markets, particularly those that involve inspection or certification procedures.

A TPO can also serve a valuable role by systematically monitoring, through its communications network and through a formal complaint system, any claims concerning export quality. In this manner, it can help to target specific areas in which training or assistance should be focused and to timely identify repeat offenders. Foreign trade promotion linkages and activities are critical to the TPO's success. Such activities can be costly and time-consuming and should therefore be embarked upon selectively. Wherever possible, the TPO should establish close ties with the relevant diplomatic missions or commercial services that may exist.

Where there is no trade mission, attempts should be made to foster at least one or two individuals in the target country or actually within the foreign diplomatic mission. This offer must have a commercial background or interest to help identify opportunities, nurture potential contacts, and facilitate commercial interactions with the home country.

Several factors will determine the nature and extent of the activities overseas. The factors include budgetary and staff resources; the range of products and services available for export; and the specific export development targets that mandate the TPO's range of operations. In most cases, at least two types of activities are commonly undertaken i.e. participation in trade shows or exhibitions and organization of exploratory visits.

HR

Trade Shows and Exhibitions

Based on a study of potential markets and the relevance of particular trade shows, a TPO ought to establish a regular and systematic attendance at key shows. Although some TPOs have their own booths or stands at certain strategic trade shows or exhibitions in addition to those of its cadre of exporters, exhibitions by the TPO staff are rarely as effective as the live presence of the exporters themselves. In view of the time-consuming logistical arrangements of participation in such shows, it is preferable to assign a staffer specifically to coordinate:

- rental of space
- booth construction
- rental of fixtures
- hotel and travel arrangements
- transportation of materials and samples

The strategic and promotional components of participation may often require a person with different skills to:

- Select the fair;
- Select and coordinate the exhibiting exporters;
- Design booth presentations and promotional materials;
- Develop and disseminate publicity to potential clients.

It is critical for future success to evaluate the benefits of such shows for every exporter individually. The TPO should monitor the extent to which exporters follow-up on leads generated at the shows and also track simple indicators such as new clients, number of orders received, and quantities sold. This will help to determine the usefulness of the fair and also whether poorly performing exporters ought to be included in the future.

Exploratory Visits

Exploratory visits are essential and provide first hand contacts like trade shows but they do so in a less artificial setting. They can involve either exporters visiting potential buyers and markets or having potential buyers visit the producers or exporters. When well-managed, both offer distinct informational, educational, and commercial opportunities. These trips, especially when exporters visit new countries, often tend to have a holiday component. To prevent this from becoming the primary rationale for the trip, it is always worthwhile to have the participants pay for most, if not all, of their expenses. Expenses can also be minimized by combining such trips with trade shows.

The likelihood of success is significantly improved when such missions are scrupulously planned well in advance and with the participation of all the stakeholders. In some cases, where participants wish to acquire know-how or new technology, longer-term study visits should be arranged. A number of countries offer assistance to arrange such visits with their universities, trade associations, farmers, input suppliers, and equipment manufacturers.

Both mission leaders and participants ought to prepare initial reports immediately at the end of each such trip and a follow-up report some time after returning. If partial expenses are covered by the TPO, these can be withheld pending receipt of such reports. This helps to ensure that such missions are effective and the necessary follow-ups are conducted.

Best TPO Practices and Examples from Selected Countries.

Certain nations have developed excellent TPO practices that can serve as world-wide bench marks for the rest. These include the following:

1. Argentina

Argentina's National Non-traditional Export Promotion Organization (PROMEX) was focused on helping small businesses to participate in export trade and to diversify the variety of the nation's non-traditional exports. In 1989, it conducted 10 trade missions and was involved in 15 export markets. As its abilities developed, its mandate expanded to include all food products and its capacities now include expanded technical and research services. By 1998 it was conducting 20 trade missions, participating in over 50 trade fairs, and operating in 24 markets. Although initially designed to work with individual SMEs, the organization has shifted to include associations and producer groups. It is encouraging small producers to first participate in domestic trade fairs as a way of building capacity.

Unfortunately, at PROMEX, cost recovery has been more symbolic than meaningful - at approximately three percent of total operating costs - and it continues to be dependent on external funding although it is seeking to expand its funding through a government tax on exports. Nevertheless, it has leveraged benefits through participation in some creative promotions.

2. **Cote D'Ivoire**

Cote d'voire has trade offices in countries where their products are exported. All payments for imported products from Cote d'voire are made through the trade offices in the destination countries. Indeed, this reduces the risk and clears any doubts between the importers and the exporters.

3. **India**

The India Trade Promotion Council has played a proactive role in catalysing trade, investment, and technology transfer processes. Its promotional tools include organizing of fairs and exhibitions in India and abroad, buyer-seller meets, contacts promotion programmes, product promotions, market surveys, and information dissemination.

4. **Japan**

Japan has five Trade Houses that handle her trade all over the world. These Houses transact Japan's external trade.

For a TPO to be relevant and vibrant, it needs to constantly transform, change, and reinvigorate itself. Before any innovations, it is necessary to survey the existing structures as each TPO is the creation of unique circumstances particular to a particular country.

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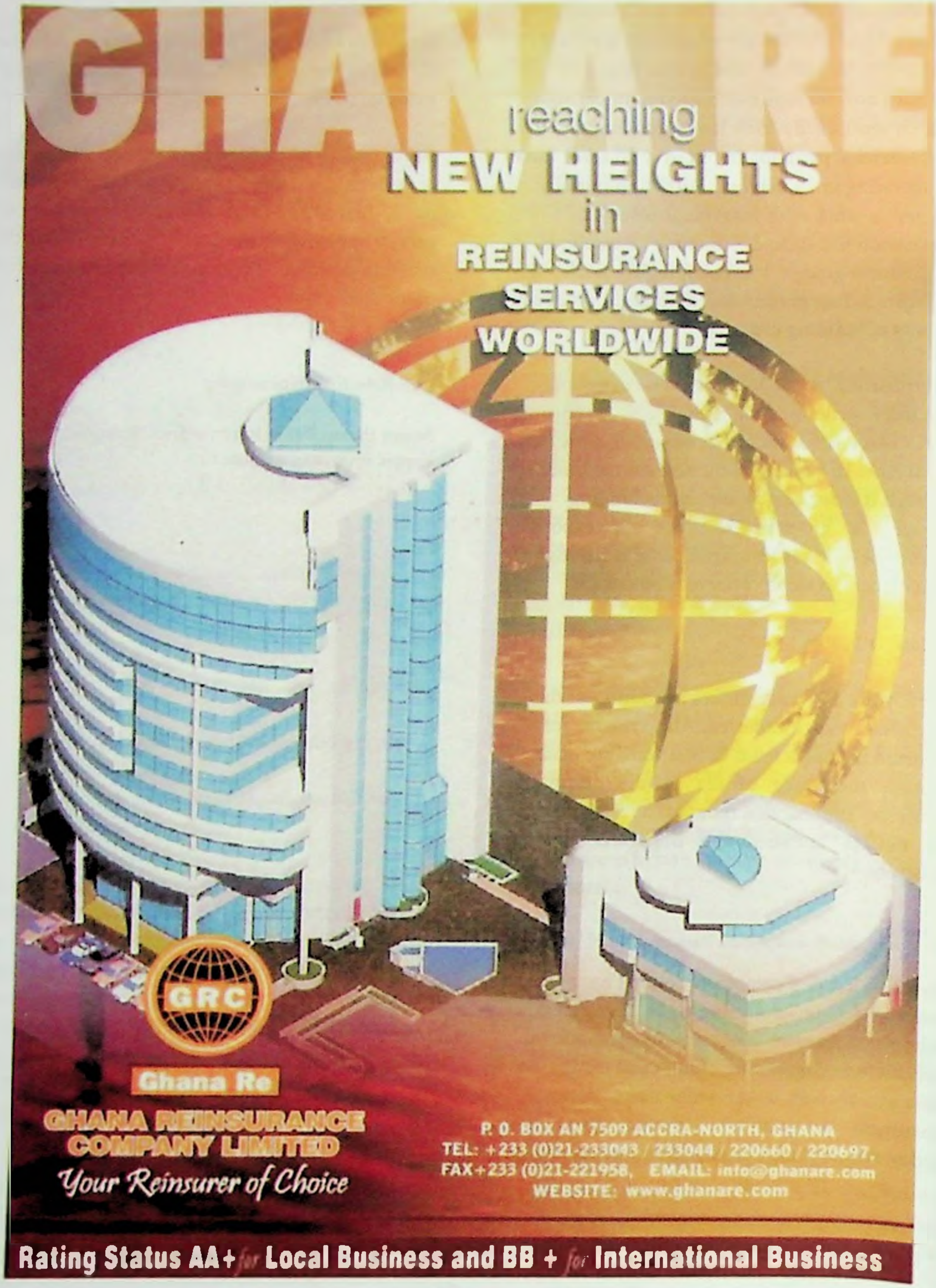
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MAIN ARTICLES

AN OVERVIEW OF PRODUCTIVITY MANAGEMENT IN GHANA

Theophilus Adomako and Wisdom. A. Gagakuma

Abstract

Improving productivity at the individual, enterprise, and national levels is the surest and quickest way to create wealth and enhance the competitiveness and agility of indigenous enterprises. This paper evaluates the extent to which productivity management has made positive impacts on the growth of economies and poverty alleviation. It also identifies stakeholders' roles and strategies in productivity movements in Asia, Europe, Botswana, and Ghana. Results of the study show that Ghana has relatively lower productivity indices than Asian countries. This accounts for one of the factors responsible for the slow growth rate of the Ghanaian economy and the uncompetitive nature of its indigenous enterprises. Recommendations are made to improve productivity levels in Ghana to catalyze the country's efforts towards the attainment of middle-income economy by 2015.

Key Words Used: Productivity Management, Attitude, Economic Growth, Competitiveness, Employment Opportunities, Wealth Creation, Productivity Movements.

Introduction

The importance of productivity management to the growth of an economy and wealth creation has received much support and recognition worldwide (Dordunoo et al.; 1995). Studies revealed that nations that attach less importance to crippling debt burden, high unemployment, poverty, and high business death rates (Agoro, 1987; Ndu, 1987). Productivity management therefore, offers opportunity for countries to improve their citizens' standard of living (Asian Productivity Organization, 2001). In spite of its important role in improving and sustaining economic growth and wealth creation coupled with benefits associated with productivity management, researchers, practitioners and policy makers have paid less attention to it in Ghana.

Objectives Of The Study

This paper discusses productivity management, and productivity indices in Ghana relative to Asian countries. It also deals with the importance of and benefits derived from increased productivity, constraining factors to increased productivity management, and lessons that can be learnt to improve Ghana's productivity indices.

Methodology

This study is an empirical qualitative one and is based purely on secondary data sources. The researchers assessed secondary data from the following sources: published articles, journals, proceedings on productivity improvement workshops, and books on productivity management issues across the globe. The data were analyzed using descriptive statistics which focused on percentage scores and ratios.

Literature On Productivity Improvement Activities In Ghana

Research work on productivity measurement in Ghana dates as far back as April 1973 by the Management Development and Productivity

Institute (MDPI) as contained in the 1967-69 Industrial Statistical Report of the Ghana Statistical Service (MDPI, 1974). The finding shows that labour productivity growth rates were 3.8% and 0.4% for 1967/68 and 1968/69 respectively. In 1990, another study was carried out under the joint sponsorship of United Nations Development Programme (UNDP) and the Government of Ghana. It identified low productivity indices in Ghana. The study urged the Govern-ment to strength the institutional capacity of the MDPI and resource it to carry out its functions in the areas of management development and productivity training, consultancy and research to enable stakeholders to devise strategies to improve productivity.

In 1993, Heldane-Luttererodt undertook another study and also recommended the need for a coordinated effort to improve productivity in Ghana (T.K.A. Bibilazu, Personnel Communication). Thereafter, there have been several studies on productivity management in Ghana and all their findings stress the need to identify economic sectors of high growth potential to improve upon their productivity levels to form a basis and guideline for the government to formulate national employment and wealth creation policies (Ankoma, 1994).

One significant productivity measurement study by Dordunoo et al.; (1995) under the sponsorship of the UNDP/ILO on sustained employment generation sampled a total of 23 industries covering 12 sub-sectors located in Accra-Tema metropolitan area. Finding of the study in respect of total productivity, value added, wage, and profit rates revealed the following:

- Overall average productivity level was 1.70 times for the sample. This figure was far lower than the level of productivity of industries in some Asian countries, which average about 4 to 5 times per annum;
- Labour productivity index was negative 0.18 (-0.18) per annum in Ghana compared to recorded index of over 1.5 per annum in some Asian countries;
- Highest productive enterprises in the sample were the foreign/multinational companies, followed by national private firms, then the public and indigenous enterprises;
- The private sector is relatively more productive than the public sector; and
- Value added and profit margins were negative depicting very low levels of productivity of all factors of production.

The study identified challenges constraining productivity management as: inaccessibility and high cost of credit, lack of long-term credit facility, irregular supply of and high cost of raw materials and spare parts, obsolete technology and machinery, overstaffing in some enterprises, as well as excessive dumping and inflow of imported goods due to over liberalization of the Ghanaian economy. The study recommended the following strategies to address the challenges:privatize the affected relatively low productive enterprises;

- banks offer long term credit facility and business advisory assistance to productive enterprises;
- retrench labour in over staffed enterprises;
- human resource development programmes; and
- local enterprises to undertake market research to have access to information that can facilitate provision of quality service to their valued customers.

Finally, the government was encouraged to adopt prudent fiscal policy to achieve macro-economic stability to spur the growth of the private sector, identified as an engine of growth.

After a decade of the productivity measurement study and subsequent publication of the recommendations to policy makers and practitioners, productivity indices reflected in the rate of growth of the economy has been disappointing (The State Of The Ghanaian Economy Report, 2002). The report attributed the slow rate per income growth rate of the Ghanaian economy to low total factor productivity rather than unavailability of production inputs for the past decade. It urged policy makers and productivity management stakeholders to identify innovative strategies to improve Ghana's total factor productivity if it intends to enhance its competitiveness and the agility of its local industries in the global market.

Definitions, Perceptions, And The Concept Of Productivity

"Productivity" is probably one of the most overworked words in our vocabulary. Hardly a day passes without a policy maker, public servant or parties to salary negotiation process emphasize the need to improve productivity at the workplace. Productivity is a tangible matter that is measured in concrete terms in a farm, or at the office of a bureaucrat, a politician or the worker in the public or private sector. Productivity seems to connote different definitions, meanings, and expressions to different people and in different countries embarking on productivity improvement programmes. For instance, the European Productivity Agency, established in 1959 defines productivity as " A state of the mind... an attitude that seeks the continuous improvement of what exists; is a conviction that one can do better today than yesterday and that tomorrow will be better than today".

The Singapore National Productivity Board defines productivity as: "An attitude of the mind that strives for and achieves the habit for improvement, and development of system and set of practices that translate that attitude into action characterized by constantly upgrading the citizens' competencies, promoting teamwork, and continuously learning to enhance competitiveness of their enterprises through cost reduction, waste elimination, high-quality product and services, a bigger market share and a higher standard of living. Japan Productivity Centre also defines productivity as: "A mental attitude that leads to practical action, resulting in real improvement for everyone".

Technically, productivity is defined as: "The relationship between outputs of goods or services generated by an enterprise using inputs (both human and material) utilized to create this output." Thus, basic productivity concept always shows the relationship between output and input used to produce that output. However, in layman's language, productivity is about working smarter to produce high quality goods and/or services at relatively lower cost for higher customer value. Higher productivity means output increasing faster than input; input decreasing more than output; producing the same output with fewer inputs; or getting more output from the same inputs (Personal Communication, A.W.C.K. Caiquo, 2005)

Productivity management is primarily concerned with improving operations, processes, and procedures as well as monitoring performance to enhance the competitiveness and agility of an individual, enterprise, or a nation (Asian Productivity Organization, 2001). To achieve productivity management goals, one needs to measure how much output is obtained for every unit of input pumped in. Consequently, productivity measurement helps every nation, enterprise or individual to know where they stand at present. As a decision making tool, it is used extensively to analyze effectiveness, efficiency and trend of performance over a defined period as well as in comparison with competitors locally or abroad.

Productivity measurement involves dividing output by input to arrive at a ratio, indicator or value, examples include value-added per employee

employee or profit per employee. At the company and national levels, Value-Added and Gross Domestic Product (GDP) are used to measure productivity levels respectively. There are various ways of measuring productivity and can cover only one input – land, labour, raw materials, energy, machinery, etc and in this case, it is known as partial productivity. On the other hand, Total Factor Productivity (TFP) captures all the factors of production and covers output generated per unit of all inputs or resources used to generate that output. TFP is more reliable and covers complete measurement of productivity.

Importance Of Increased Productivity In Wealth Creation In Ghana.

The level of productivity has remained persistently low and probably accounts for one of the causes of Ghana's "vicious cycle" of underdevelopment, high incidence of poverty and uncompetitive nature of indigenous enterprises in the global market. Symptoms of the low productivity in Ghana include:

- Poor quality of output (goods and services) which invariably compel consumers preference for imported products over locally produced items;
- Prevalence of high prices of outputs in our local market which are relatively more expensive than their imported counterparts from Asia, Europe or South Africa. Typical examples are poultry and meat products, rice, textiles and garments, hotels, road construction, etc;
- Lack of competitiveness of indigenous Ghanaian products in international markets resulting in persistent and growing trend of balance of trade deficits. In this context, Ghana has trade deficit with almost all her trading partners in America, Europe and Asia;
- Wholesale marketing of imported products, manifested in shops (petty trading, hawking, streetism,) spread out in all corners of the country; and
- Poor competency in managerial and supervisory practices in state-owned and indigenous enterprises.

These observations were echoed by the Ministry of Water Resources, Works and Housing, Hon. Hackman Owusu-Agyemang when he signed management contracts with two institutions – Vitens International of the Netherlands and the Rands Water Services Pty of South Africa to productively manage Ghana Water Company Limited (GWCL) under a five year management contract (Daily Graphic, Wednesday, November 16, 2005).

In their contribution towards increasing productivity in Nigeria (Agoro, 1987; Ndu, 1987; Bolaji, 1987) mentioned that there is hardly any developing country that does not exhibit the above-mentioned socio-economic characteristics. Nevertheless, these challenges are generally absent or less pronounced in advanced economies where productivity management is part of their political, economic, socio-cultural, and organizational culture. The removal of these unproductive attitudes in the Ghanaian business environment through increased total factor productivity will go a long a way to create wealth, sustain economic growth, and enhance the competitiveness of Ghanaian local small and medium-scale enterprises.

Benefits Derived From Improved Productivity Programmes And Movements.

The main goal of productivity management is to raise the standard of living of the employee, the customer, the employer, and the nation in general (Adekoya, 1987; Ucher, 1987). Productive nations, companies, and individuals are more profitable, produce competitive and quality products and services, and win customer loyalty. These increase their market shares in both local and international markets. Workers in such productive enterprises take home relatively more pay and pension scheme;

enjoy better job security and training; and career development opportunities. The cost of savings made is passed on to their customers through consumption of better quality products and services for the same or at even relatively lower prices (higher purchasing power and customer value). In economies where productivity is low, indigenous enterprises are uncompetitive as reflected in higher prices of goods and services charged relative to imported items of the same brand. This is demonstrated by customers lodging bitter complaints bitterly about persistent and rising cost of living. In Accra, just imagine the frustration one goes through in long queues at banks, post offices, lorry stations, traffic jams, paying utility bills, or the nightmare of buying products that always break down just a few days after usage in the midst of absence of product systems. These are symptoms of low productivity in developing countries (Urestsone, 1987). The Asian tigers have moved away from these symptoms of low productivity with sound policy framework, programmes and strategies they adopted to enhance their economic development.

Asian Countries Productivity Managemen tGains: Lessons Learnt

In recent times, Asian countries have achieved significant progress in their economic development due to efficient and effective utilization of their economic resources to create wealth through productivity movements. The countries institutionalized productivity movements that catalyzed them to move away from low value-added peasant agriculture to high value high-tech manufacturing and agro-based processing industries (Asian Productivity Organization, 2001). These were possible primarily because the governments' policies and regulations created the enabling environments that did not interfere with market structures, promoted productivity movements at the work places, supported and resourced their respective productivity management organizations, and fostered healthy relationships among employers, entrepreneurs, management, and labour.

These initiatives led to the establishment of the Asian Productivity Organization (APO) in 1961 with 8 founding members – Japan, South Korea, Taiwan, the Philippines, Thailand, India, Pakistan, and Nepal. By 2001, membership in the APO's had increased to 18 (Asian Productivity Organization, 2001). Japan initially provided the financial means to develop and implement productivity programmes in Asia after establishing the Japan Productivity Centre in 1955. Japan used the quality circle concept to eliminate waste, reduce cost, and improve efficiency and effectiveness. It also initiated new work technologies that created opportunities for employee creativity, teamwork, motivation, and positive attitudes.

The establishment of the Asian Productivity Organization has contributed significantly to the socio-economic development of the member states. When APO was established in 1961, the GDP per capita of the eight economies ranged from US$ 70 to US$ 500. By 2001, the GDP per capita ranges between US$1,200 and US$24,000. Asia's economic growth in the past four decades is attributed to a combination of economic, social, and political factors. On the economic front, 3 key factors have been critical: abundance of hard-working human resources, availability of capital (both domestic savings and foreign investments), and a strong focus on productivity improvement techniques. The, fastest growing economies in Asia are those that have invested adequately in productivity management and are reaping desired pay-offs. Two typical member states with recognizable achievements in productivity growth and competitiveness are China and Singapore.

China's post-1978 growth was propelled by productivity increase of 9.6% per year during 1979-94, compared to 1% before 1978. This resulted in faster economic growth, of which more than 50% was accounted for by productivity improvement creating vast difference to the Chinese society in the area of poverty reduction. According to the World Bank, China was among the world's poorest countries in 1978, with 80% of her population had income less than US$ 1 a day and only a third of the adults were literates. Ten years later, only 12% of the Chinese lived with incomes of less than US$ 1 a day and illiteracy rate was down to 7% (Asian Productivity Organization, 2001).

In September 1981, Singapore took a giant step to raise the standard of living of its people through the formation of productivity movements. The movement took the form of national campaign that encouraged an active and widespread commitment of all Singaporeans to productivity management. The results were phenomenal and fantastic between 1981 and 2001. They were characterized as:

- In 1990, 90% of workers were able to relate productivity indices correctly compared to 40% in 1986;
- In 1990, 90% of workers took action to improve productivity compared to 54% in 1986;
- Number of disputes referred to the Industrial Arbitration Court fell from 122 in 1980 to less than 20 in 1993;
- Number of training places supported by the Skills Development Fund increased from 36,000 in 1981 to 630,282 in 2000;
- Average annual GDP growth rate and average annual productivity growth rate were 7.20% and 3.8% respectively;
- Per capita income grew from US$ 11,067 in 1981 to US$ 37,433 in 2001;
- Average monthly earnings increased from US$ 736 in 1981 to US$ 2,819 in 2001;
- Number of labour force increased from 1.15 million in 1981 to 2.12 million by 2001; and
- Home ownership moved from 63% of the working population in 1981 to 92% of the population in 2001.

Productivity movements have not only been used to improve productivity in Asia but in America and Europe. The European countries started productivity centres using the Marshall Aid. These centres initiated productivity drive in Europe by organizing study missions to study productivity principles and techniques in the United States of America. The European countries, together established the European Productivity Agency in 1953 to share their technical know-how and best practices in productivity management. The European Productivity Agency, now called the European Association of National Productivity Centres (EANPC), located in Brussels, is committed to seeking cooperation among all countries aimed at improving productivity and competitiveness in European Union.

Africa has not been left out in productivity movements (Productivity and Quality Forum, 2005). The success story of Botswana National Productivity Centre (BNPC) in spearheading productivity movement in Botswana is instructive and inspiring. In 1996, under the assistanceship and guidance of Singapore, Botswana launched its national productivity movement based on the concept derived from Singapore. A three-year Singapore/Botswana bilateral agreement on technical cooperation was signed to build capacity and capability of the Botswana National Productivity Centre (BNPC), established by the Act of Parliament. The initial induction and training of BNPC staff was done in Singapore. Thereafter, the BNPC and productivity movement were officially launched by the President of the Republic of Botswana in August 1995. Following the official launch of the movement, Botswana has enjoyed tremendous pay-off manifested in these observations:

- Productivity awareness had risen from 7.7% in 1996 to 51% by end of 2001;
- Has the fastest growth in per capita income in the world with per capita nominal GDP in 2003/4 estimated at US$ 4,736;

- Economic growth averaged over 9% from 1966 to 1999 with nominal GDP in 2003/4 estimated at US$ 8.33 billion;
- Earned the highest sovereign credit rating in Africa and has stock piled foreign exchange reserves over US$ 5.3 billion in 2003-2004 amounting to almost two years of current imports;
- World Economic Forum rates Botswana as one of the two most economically competitive nations in Africa; and
- In 2004, it was once again assigned "A" grade credit ratings by Moodys Investors Service and Poor's ranking Botswana as by far the best credit risk in Africa and on par or above many countries in central Europe, East Asia and Latin America;
- Transformed its economy from "Least Developed Countries" status at the time of independence (United Nations rating) to a "middle income" category.

Factors That Inhibit Productivity Improvement Efforts In Ghana

While productivity is receiving increased attention and recognition in advanced countries, the underling problem of improving it is still meeting mixed reactions in developing economies, including Ghana (T.K. A. Bibilazu; Bagu, 1987; Ndu, 1987). In these conditions pleas for productivity management and improvement programmes are met with excuses or reactions such as crippling national debt, lack of resources including time, confusion as to where and how to start, apathy and indifference. Nevertheless, amidst these varying attitudes and reactions, the nation, companies or individuals stand to benefit significantly if productivity management practices are improved.

Various studies have revealed some constraining factors to increased productivity programmes in developing countries (Agoro, 1987; Bolaji, 1987; Dordunoo, et al.; 1995). These include:

- Inadequate human resource competency and capacity building in respect of technical, professional and managerial best productivity management practices;
- Lack of government policy direction, resources and legislation on human resources development programmes, with emphasis on productivity management and improvement practices;
- Stakeholders' limited knowledge about the benefits, roles and importance of productivity management in enhancing the competitiveness of local Ghanaian businesses;
- Bankrupt management practices and supervisory skills of entrepreneurs and managers in organizations characterized by inefficient use of technology and obsolete machinery coupled with low utilization capacity, poorly trained and unskilled labour force.
- Unproductive and negative attitude of workforce manifested in the form of indiscipline, insobriety, mental laziness, apathy, irresponsibility, lateness, corruption, absenteeism, pretend sickness, pilfering, industrial dispute and work stoppage.

Productivity Management: Stakeholders' Roles And Strategies:

In general, productivity management aims to enhance the capacities and capabilities of employees, enterprises, and nations in general to promote their competitiveness and agility. Two basic conditions must be satisfied to achieve key goals of productivity management. First, stakeholders must play their respective roles; and secondly, productivity management factors must be available in the right quantity, quality, and timely. It must be utilized judiciously and intelligently.

Stakeholders of productivity management identified are governments and their agencies, employers, entrepreneurs, managers, employees, political parties, consumers, religious groups, NGOs, professional bodies, the media, civil society and social development parties (A.W.C.K. Caiquo). After studying productivity in Nigeria, Adekoya, (1987) and Bolaji, (1987) cited the role of government as creating conducive environment towards productive growth; providing infrastructure, knowledge, laws, policies, and ensuring incentives to enable each stakeholder to play its role effectively and efficiently.

Employers must be interested in productivity improvement programmes, and allocate resources and motivate employees to implement them successfully. Political parties should first and foremost incorporate productivity improvement programmes in their manifestos to guide them to design strategies to alleviate poverty and create wealth among the citizens. All professional bodies must be interested in productivity management through research and development initiatives, workshops, and human resource development programmes.

Productivity management factors identified are capital investment, management, human resources, organizational culture - system and policies, work methods and technology, materials, energy, land, time, etc. The role management plays in productivity management is described as a pivotal point around which other factors are evolved (Lawler, 1985). Managers create enabling organizational culture and effectively allocate resources for successful productivity management. Besides, management initiates productivity management programmes; introduces better work technology and methods; trains and retrains; rewards and manages employees' performance; and above all, measures productivity indices to make effective decisions to guide the growth and competitiveness.

Managers of enterprises have a responsibility to build a healthy organizational culture and workable system that assist employees to realize their potential and utilize their capabilities to build their self-esteem through the provision of quality customer service. The role of trade unions and employees in productivity management has been adequately and extensively researched (Bagu, 1987). Employees must be willing to improve performance, have positive attitudes towards the work, and recognize management's role in productivity enhancement efforts. They must be prepared to work in quality circles and willfully contribute their competencies towards productivity improvement programmes. Besides, they must be willing to undergo training and development programmes initiated by management. Furthermore, workers must make significant contributions to higher productivity by abstaining from absenteeism, alcoholism, mental lateness, idleness, running personal business from work or moonlighting, etc (Lawler, 1985).

Steps Taken By Some Countries To Increase Their Productivity Levels

Countries that have benefited immensely from productivity management programmes utilized the following strategies to achieve their results (Asian Productivity Organization, 2001; Productivity and Quality Forum, 2005):

- Inculcation of positive work-related and competitive attitudes and discipline among all stakeholders who are able to identify business opportunities and exploit them to create wealth;
- Disposition of entrepreneurs and companies towards competing on the international market resulting in enhancing competitive edge of local enterprises;
- Review of bureaucratic policies and procedures as well as provision of incentives that promote businesses to access resources for growth;

- Development of the human capital through training, retraining, and skills upgrading in management development and productivity programmes;
- Institution of compensation systems that focus substantially on employee performance, motivation, and innovation, as well as problem solving competencies rather than on employees' number of years of active service;
- Development and implementation of productivity management with technical support, assistance and training programmes from countries with superior track records;
- Usage of quality circles and productivity movements at the enterprise level where all stakeholders are actively involved in building of work-related positive attitudes, waste elimination, cost reduction, efficiency improvement, initiation of new work methods, value engineering, value analysis, etc;

Recommendations

From the foregoing discussion, it is inferred that Ghana's productivity level is relatively lower than her Asian counterparts. This probably accounts for the numerous challenges confronting the economy in respect of poor competitiveness of local enterprises, limited employment opportunities, relatively low salary levels, and high incidence of poverty. Thus, it is time all Ghanaians pay attention and devote adequate resources towards productivity management and improvement programmes. Subsequently, the following recommendations are made:

- Institutional strengthening and capacity building of the Management Development and Productivity Institute (MDPI) to carry out management development and productivity improvement programmes and activities;
- The government should come out with comprehensive policy direction and legislation on human resources development programmes, with emphasis on productivity management and skills training;
- The government should develop and integrate productivity movements (a national campaign) into the country's educational and training institutions with support from the GETFund;
- The government should, as matter of urgency, institute Skills Development Fund Act where private and public enterprises contribute funds to train and retrain workers in Ghana in best management and productivity improvement practices;
- National workshops on productivity management should be organized involving all stakeholders to champion a new course to improve productivity levels in Ghana. The workshop should identify resources, assistance, support, roles, responsibilities, challenges and strategies to boost productivity. Identifiable stakeholders expected in participate are goverment and its agencies, entrepreneurs, employers, management, workers, academicians, civil society, political parties, religious bodies, private sector, professional bodies, students, farmers, the media, etc;
- Implementation of productivity management programmes with technical support, assistance, and training programmes from countries with superior track records such as United States of America, Europe, Japan, Singapore, India, Malaysia, etc;
- Restructure the Ministry of Manpower Development, Youth, and Employment to devise effective institutional and policy framework as well as programmes in human resource management services for

both private and public sector organizations including the youth aimed at enhancing their productivity, competitiveness and agility. The ministry should be adequately resourced with effective capacity building programmes effected to play its new challenging roles in global employment environment. Currently, majority of the departments and institutions under the ministry – MDPI, Labour Department, Factories Inspectorate, Social Welfare, Community Development, etc are inadequately resourced with inadequate budge-tary allocations. Currently, the Manage-ment Development and Productivity Institute (MDPI) is housed in wooden structures and poorly resourced to effectively champion any meaningful productivity improvement programmes aimed at positively influencing the average Ghanaian to be productive and competitive in the global market.

Conclusion

It is established that countries that invest adequately in productivity management reap benefits derived from wealth creation and enhanced competitiveness. The Asian countries' economic performances are classical examples and lessons to be learnt. The study has revealed that our local enterprises and the public sector are unproductive compared with our European and Asian counterparts. The study has noted a strong linkage between Ghana's low productivity on one hand and its slow economic growth rate, high incidence of poverty, and limited employment opportunities for the young polytechnic and university graduates.

If Ghana truly intends to raise its per capita income to US $ 1,000 (middle-income economy) by 2015, enhance the competitiveness of its local businesses, create more jobs for the graduates, and improve upon her citizens' standard of living, then it is time all Ghanaians allocate substantial resources to create awareness about benefits to be derived from increased productivity and encourage all stake-holders to play their respective roles in improving productivity. Through this, Ghanaians may become productivity conscious in their business dealings to positively change their work attitudes and create organizational culture to enhance employee, enterprise, or national productivity. Finally, the report is intended to raise productivity and quality awareness in all sectors of the Ghanaian economy, facilitate an opportunity for organizations and individuals to reflect on their performance, and identify new areas for improvement and economic and business growth.

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A CHRISTIAN PERSPECTIVE ON MANAGERIAL LEADERSHIP

Captain Sam Addaih (Rtd.)

Abstract

Increasingly, Christians are discovering that the secular philosophy of management and leadership frequently conflicts with their Christian values. Many Christian leaders (both in Christian organizations and secular ones) are looking for another perceptive on management. This paper is an attempt to provide this perceptive. It argues that even though traditional management viewpoints cannot entirely be faulted, they seem to deviate significantly in their dealing with people from God's original purpose of creating man in His own image.

Introduction

The concept of leadership and management can be traced to the beginning of creation, when Adam and his partner, Eve, were commissioned to manage the Garden of Eden (Gen 1:28). Later there is the account of Noah's building project where he set out to build a structure of a size, shape, or function never before imagined. The city where Lot and his family lived had to be managed (Gen 19). Furthermore, surviving monuments like the Egyptian pyramids clearly indicate the results of the practice of managing resources. According to Griffin (1999), Socrates discussed management practices and concepts in 400 BC; Plato described work specialization in 350 BC; and Alfarabi listed several leadership traits in AD 900. In spite of this history, however, management by itself was not given serious attention for several centuries.

Management is applied to every facet of human life. People manage their lives, families, and finances. Management is practiced in the church and in government. Nevertheless, management is frequently perceived in the context of the business organization, which is a fairly new phenomenon. Indeed the study of management did not begin until the 19^{th} century, an obvious outgrowth of the industrial revolution.

Contemporary management is a well-developed discipline with various techniques and mechanisms to achieve its purposes. The manager is exposed to myriad of approaches, and often seems lost in the labyrinth as to which course to pursue in a particular situation. For the Christian manager, Steven Covey would argue, the techniques are not as critical as the framework in which management is practiced as a discipline. The challenge, as we see it, is to reflect the Christian faith in the management of people and available resources.

This paper attempts to explore the underlying tenets in many managerial perspectives showing their anti-Christian bias (albeit innocuous); and then endeavor to suggest some directions for the Christian manager.

What is Management?

It is often difficult to say precisely what is meant by the term "management." Is it a set of tools or techniques? Is it a way of getting things done with people and through other people? Is management a matter of problem solving and decision-making?

This paper argues that management could be all of these, and indeed more. When participants in many of my management development seminars and workshops are asked to define the term, most of them typically respond by stating in textbook fashion, that management "is the process of achieving organizational goals by engaging in the four major functions of planning, organizing, leading, and controlling of organizational resources." (Bartol and Martin, 1998:5). The essential components in the definition are (a) the functions, (b) goals, (c) the resources, and (d) the processes. Obviously, this is a good broad definition, but surely it is not the only one.

In seeking an answer to the apparently simple question of what is management, a variety of views can be discovered which have been expressed over the past seven decades or so during which management, as a field of study, has sought to map out a turf for itself. Koontz (1980) in the "Management Theory Jungle" identifies eleven approaches to the question, indicating the spectrum of responses:

- The empirical approach states that we can understand what management is by determining what contributes to success or failure in specific cases.

- The interpersonal behavior approach is based on getting things done through people and, therefore, management is centered in understanding relationships (psychology).

- The group behavior approach emphasizes the behavior of people within groups and thus tends to rely on sociology, anthropology, and social psychology. Often this interest in group behavior is named "organizational behavior."

- The cooperative social system approach (organizational theory) combines elements of interpersonal and group behavior approaches into a system called the organization where the primary purpose is cooperation.

- The socio-technical systems approach adds to the previous approach the dimension of technical systems. It is believed that the machines and methods have a strong influence on the social systems and that the task of the manger is to ensure harmony between the social and technical systems.

- The decision theory approach believes that management is characterized by decision-making and therefore a systematic approach in decision-making essentially outlines management.

- The systems approach to management, like biological systems, views management's role within an assemblage of subsystems, inputs, and processes within an environment, all of which are interconnected and/or interdependent. This may not be a different approach but is a holistic view of management providing place for elements of the other approaches to be incorporated.

- The management science approach believes that problems can be described within a mathematical model – basic relationships – in such a way that the goal may be optimized.

- The situational approach states that management action depends on the situation, taking into account the influence of given actions on the behavior patterns of individuals and the organization. This is a practical approach, which hints at the art of management.

- The managerial roles approach is based on research by Prof Henry Mintzberg as to the roles managers fill.

- The operational approach is an attempt to combine elements of all of the above-mentioned approaches, taking what is applicable, discarding that which is not, and developing an approach to management that indicates the complexities and varied nature of what is expected of the manager.

Many therefore discourage the use of any single approach. Too great an emphasis placed on a single element will invariably create an imbalance. Christians can learn from each of these views and can implement those aspects that contribute positively. According to Rush (1983) this is not sufficient to distinguish a Christian's perspective on management. What, then, will distinguish Christian management? Before attempting to address this question, a view of management from a biblical perspective will be prudent.

Biblical Philosophy of Management

The notion of management, as introduced in the Bible, according to theologians, centers on the concept of stewardship. Central is the steward, the manager, of the household, the one entrusted to administer the master's property effectively (Walsh and Middleton, 1984). In Gen 1:26 (NKJV) God indicates "Let us make man in Our image, according to Our likeness; let them have dominion over the fish of the sea, over the birds of the air, and over the cattle, over all the earth and over every creeping thing that creeps on earth." He assigns man the work... "then the Lord God took the man and put him in the garden of Eden to tend and keep it." Thus, although we have the function of authority (right to decide) over resources like the earth and the things of the earth, we also have the responsibility of attaining a goal, which is to develop, improve, and cultivate it in harmony with all that is on the earth, guarding it against decay and deterioration. White (cited in Oberholster) describes a steward as follows:

"A steward identifies himself with his master. His master's interests become his. He has accepted the responsibilities of a steward and he must act in the master's place doing as the master would do if he were presiding over his own goods. The position is one of dignity in that his master trusts him." (Oberhoslter 1993:5-6)

From the "Parable of the Talents", about the servants who were entrusted with talents (Matt 25:14-30), Oberholster discerns the following thoughts on stewardship:

- God expects a return on the capital with growth (investment).
- Each steward has his own work.
- The capital (talent, gift, responsibility) is loaned to the steward for investment – it is not his property.
- The steward is accountable – he has to give an account.
- After giving an account, the steward is rewarded or punished.
- The reward or punishment is based on his attitude and creativity.
- The steward must maintain a balanced view of all factors.

By being appointed by God, the Christian steward has received a tremendous honour. Nonetheless, this authority must be carried and displayed with a measure of humility, as the steward is but a servant. Stewardship balances authority with servanthood what Greenleaf calls servant-leadership (Spears, 2004). It is quintessential to note that the attitude of Christian servanthood displayed in the Christian manager necessarily distinguishes him from the non-Christian manger.

All humans, both as individuals and communally, are commissioned with the task of management – the duty of stewardship. A few have also been given the additional responsibility of serving others through leadership in selected areas. Contemporary management scholars tend to make differences between 'management' and 'leadership' in an attempt to stress that management is 'taking care of' and leadership is 'the giving direction to; leaders 'doing the right things' and managers 'doing things right.' The impression is often given that management tends to perceive its actions as short term (dull, routine, laborious) whereas leadership tends to view its direction giving actions as long term (charismatic, creative, innovative) and that both – managerial ability and leadership – are seldom found in one person (Oberholster, 1993).

Articles in management journals such as Harvard Business Review further support the distinction being made. For example John Kotler (1990; 1999) distinguishes between leadership and management opining that leadership focuses more on the creation of the right attitudes while management is concerned more with making sure the right occurs. Others even quote Psalm 119:105 "Your word is a lamp to my feet and light to my path," as indicating the concept of management and leadership. Managers being the lamp at the feet; leaders being the light at the path.

This distinction is made despite the generally accepted "definition" of management, which states that leadership is, but one of the functions of management ((Bartol and Martin, 1998:5). A case can be made that excessive emphasis placed on differentiating between management and leadership is counterproductive as it encourages the subtle erosion of the servanthood ingredient of Christian stewardship and creates an aura around the leader at the expense of the management elements. Koontz (1980) ostensibly believes that the study of leadership should not be separated from the study of management because, for management to be truly effective, managers must be effective leaders. Closely bound to the larger meaning of stewardship is the concept of leadership. The concept of stewardship is synonymous with the role of management. It incorporates long term visioning as well as short-term operational activities.

Understanding the Individual – A Christian Scrutiny

Although it is possible, and often happens in practice, that managers manage resources without having to manage human resources, it is normally considered that management includes the management of people. As the biblical view of the person clashes with that of contemporary management thought, we need to understand what the Bible has to say about man, as created by God, in order to grasp the concepts related to Christian management thought.

Contemporary management thought often refers to people as 'human resources'. This implies, at best, that humans are ranked equally with other resources such as finance, land, material, and machinery. Even the human resources school of thought, which is prepared to consider more than physical and social needs of the worker, continues to give opportunities for intellectually challenging tasks only in the interests of gain for the organization (what's in it for me), virtually extracting their pound of flesh. The pervasive consideration is to keep workers satisfied, happy, and challenged so that they can contribute in a greater degree towards the achievement of organizational goals. At worse, the implication of viewing people as human resources is that people are manipulated and exploited as other resources by business and industry in pursuit of bottom-line materialistic gain.

Oberholster opines that a biblical view of man is a fourfold view. Man is (a) created by God to be "Godlike" with both individuality and communality. However, man (b) chooses to sin, to separate himself from God, and now has a fallen nature. But God provides (c) a way through Jesus to restore man to that which he was originally. This restoration process (d) is God's cause in the world and He invites man to participate.

Man is a created being – created in the image of God as espoused in Gen 1:26-27. As such, he has value. That we are created in the image of God ostensibly means that we are significantly different than the rest of creation. From this notion derives our human dignity (Sire, 1990). David in Psalm 8 aptly supports this with the statement in versus 5 and 6:

"You have made him a little lower than the angels, and You have crowned him with glory and honor.
You have made him to have dominion over the works of Your hands; You have put all things under his feet."

God created us as individuals and as communal people. "The world view avoids the fatal traps of both individualism (western) and collectivism (eastern). It declares from the outset that each of us is unique and created in the image of God, but that the God in whose image we are made is communal.

That is, at our core, we are social beings. We are made for God; we are made for each other" (Sire, 1990:64). Many narratives in the Bible refer to individuals: Abraham, David, Jesus, and Paul. We also find several references in the Bible to support the communal aspect: "I will walk among you and be your God, and you will be my people" (Lev 26:12), and "You are a chosen people, a royal priesthood, a holy nation, a people belonging to God, that you may declare the praises of him who called you out of darkness into wonderful light" (1 Peter 2:9).

The second aspect of the fourfold view of man is that man, using the power of choice given to him by God, chose to disobey his Creator (Gen 3) and thereby make himself subject to sin. Man chose to break some of the principles, which governed his appointment as steward. Instead of obeying the master's directives, he chose to serve self: "...you will be like God, knowing good and evil" (Gen 3:5). "Selfishness is the essence of depravity, and because human beings have yielded to its power, the opposite of allegiance to God is seen in the world today. Nations, families, and individuals are filled with a desire to make self a center. Man longs to over his fellow men. Separating himself with his egotism from God and his fellow beings, he follows his unrestrained inclinations. He acts as if the good of others depended on their subjection to this supremacy" (White, 1940:24). "If people are 'looking for number one' and 'what is in it for me', they will have no sense of stewardship – no sense of being an agent for worthy principles, purposes, and causes. They become a law unto themselves, a principal" (Covey, 1991:53).

Third, man's value in the sight of God is increased to a large extent by the sacrifice of the life of Jesus in order to free man from sin. Humanity is now doubly precious – not only created, but also bought back. Now that there is a way (Jesus said "I am the way") for humanity to be freed from sin and its effects, there is a choice given to every individual to accept or reject the offer. Upon acceptance of the gift, redemption takes place (Oberholster. 1993).

Lastly, the plan of redemption provides for restoring the damage done by sin to the person created in the image of God. Although the task will not be completed in the world, we as stewards have an important part in it. Our part is not only in the context of ourselves (individually), but also or fellow man (communally) – family members, colleagues at work, fellow church members, society at large. We are to be participants in God's cause in the restoration of God's image in man physically, mentally, spiritually, relationally, and socially. Ultimately, until people have the spirit of service, they might say they love a companion, company, or cause, but they often despise the demands these make on their lives (Covey, 1993; Oberholster, 1993).

"Therefore, the whole scheme of human life can be summed up in four terms: creation, fall, redemption, and glorification. We are created good; we fell from our close relation with God; we have been redeemed by Christ; we are being glorified by the Holy Spirit" (Sire, 1990: 71). Christian managers, as stewards, have the challenging task of participating in God's cause in this world, in being coworkers with God in this process with regard to their associates (so called subordinates).

Perspectives on Management

Serious modern study of management originated during the early 1800s with the recognition of the importance of organizing factory workers to improve their efficiency. Conditions in factories were gloomy. Work was organized in such a way that it was dehumanizing. There was little room for choice, tasks were routine and monotonous, and little socialization took place. Remuneration was based on the concept of the "least the market would bear." In some cases, conditions deteriorated further as managers pursued goals at the expense of the worker by the introduction of child labor, unhealthy work environments, and the exploitation of the environment and other resources.

The Classical Viewpoint – This perspective on management emerged during the 19 th and early 20th centuries. The factory system that began to appear in the 1880s posed management challenges that earlier organizations had not encountered. Problems arose in organizing managerial structures, training employees, scheduling manufacturing, and dealing with increased labour dissatisfaction.

Consequently, management pioneers like Frederick Taylor attempted to improve the lot of the worker through introducing methods that took their economic needs into consideration. Techniques and methods were developed that allowed the worker to become more productive (efficient), and at the same time increased his economic reward for his cooperation. In this approach, the worker is assumed to be a cog in the machine, and his behavior is as predictable as any machine's function based on its design. Motivation was based on the philosophy that the worker is energized by economic security. The manager is firmly in control of the people. He knows what is best always, and therefore he is the one to make all the decisions – authoritarian management style. The emphasis on finding and using the most efficient method – whether it was in organizing a factory, in selecting workers, or in doing a task – earned this management perspective the title of scientific management. Management tools often used in conjunction with this approach include mathematical models, decision models, time and motion studies, piecework pay incentives, etc. it should be reiterated that the use of these tools are not inherently wrong, but the purpose for their use needs questioning.

The Human Relations Viewpoint – The human relations school of thought considers that truly effective control comes from within the individual worker rather than from strict, authoritarian control. This school of thought recognized and directly responded to social pressures for the enlightened treatment of employees. The early work on industrial psychology and personnel selection received little attention because of the prominence of scientific management. Then, a series of studies at a Chicago electric company, which came to be known as the Hawthorne studies, changed all that.

The Hawthorne studies (1927-1932) pushed management into realizing that 'man does not live on bread alone', but also had a social dimension – the need to be liked and respected, the need to belong. It was found that workers responded to the social context of the workplace. Attempts were made to discover the make-up of people based on the assumption that worker happiness leads to improved performance. Management's dealings with workers were adjusted accordingly – kindness, courtesy, civility, and decency became the order of the day. Still, the manger is the one who knows best, and therefore makes decisions – he is now just a benevolent dictator. Attempts are made to develop team spirit. Although complexity of human is recognized to some degree, it is grounded in a secular setting with no provision make for God's viewpoint on human potential. There are also practical problems as leaders managing on these assumptions may become directionless as their decisions are based on their intense desire to belong. An obvious dichotomy arises – the 'soft' manager who must make 'tough' decisions (Oberholster, 1993).

To resolve this dilemma, many managers have become kind, paternalistic managers – the kind father who knows what is best for his children. Management terms with this approach include human relations movement and organizational behaviour, but the perspective is usually called behavioural management. Again many of the techniques (treating people with kindness, building team spirit) of behavioural management cannot be faulted, but questions can be raised as to the motive for management's apparent kindness toward workers. The attitude of management, frequently displayed when the manager finds that worker behaviour or performance is not as expected, is: "Look what I get after all that I have done for them."

The Human Resource Viewpoint – The human relations movement initially espoused what Daft (1997) calls a 'dairy farm' view of management – contented cows give more milk; so satisfied workers will give more work. Gradually, views with deeper content began to emerge. Contemporary management attempted to put together what was learnt from both scientific management and behavioural management, and realized that placing too much emphasis on one perspective or approach does not optimize results. Several attempts have consequently been made to provide a comprehensive model – contingency approach, systems approach, and situational leadership. These attempts have endeavored to provide the manager with a framework in which the worker is seen as a valuable resource, which must be considered on an equal basis as other resources. As a resource, a new dimension of the worker was being considered. He is no longer a being with just physical, economic, and social needs, but he also has psychological and intellectual needs. He has talent, resourcefulness, inge-nuity, imagination, and is able and eager to use these innovatively and to be recognized for using them.

Management then attempts to tap this vitality and use it in furthering management's agenda because it has realized that people will do what is necessary if they are committed to a goal. Management delegates and explores ways to create an optimal environment; a culture that taps their talents and releases their creative energy. A strongly humanistic philosophy is present as management sees people as bundles of latent talent and capacity. Their goal would be to identify and develop this capacity to accomplish the vision of the organization (Covey, 1992; Oberholster, 1993; Daft, 1997). This enlarged perspective of humans is referred to as human resource management. As before, we find a broadened view of people involvement in an organization of which some of the ideas can be incorporated within a Christian perspective. However what must be questioned is the worldview within which these techniques and management tools are used.

It is evident from the above discussion that there have been two different types of emphasis in management thought. First, there are those that see management as consisting primarily of managing things, or resources, where mechanistic techniques and methods are the primary tools used toward efficiency. Even the way decisions are made is structured according to scientific (rational) method with recognized steps. No mention is made of or consideration given to the possibility of divine intervention or consultation with God. As a result, "the ubiquitous use of technique to solve all problems has taken from us our heart and soul: (Sire, 1990:126).

Second, there are those that have emphasized the human element and who have shifted their perspective of management to reflect the changes in beliefs managers have held regarding the worker as a person. They have shifted from seeing the person in a physical context to seeing him in a social context, and finally to seeing him in an intellectual context. Management thought is striving to 'use the human resource effectively and efficiently toward goal attainment.' It is the managing of people that management has been doing awkwardly. Arguably, the techniques, the quantitative tools, and the computer models that are applied to the resources (with the obvious exemption of human resources) can facilitate efficiency drive toward achievement of objectives. However, management techniques which attempt to make efficient use of 'human resource' is likely to fail. As Covey cogently puts it "you simply cannot think efficiency with people. You think effectiveness with people and efficiency with things" (Covey, 1989:169-170).

Toward A Christian Perspective

So far, in unfolding a Christian management perspective, we have outlined the flaws of historical and current management thought. We have explored the meaning of stewardship, and we have investigated the significance of what man is. What then should be a Christian's approach to stewardship with or of other people? What is Christian Management?

Oberholster proposes that a Christian approach to management should understand the role of management as that of steward (servant leader in a special sense) who, together with other God created people (fellow stewards created in God's image), take care of resources (also God-created and owned, and over which God has given man authority) that have been entrusted to them for development toward God directed purposes and to the glory of God. In this definition, one can discern (a) the function, (b) the collaborators, (c) the resources, (d) the purpose, and (e) the method.

This definition, in essence, establishes that just as every individual and family is placed on this earth to play a role in the plan of salvation, so every organization - whether business, manufacturing, agriculture, or nonprofit - has a similar role to fulfill. This provides the Christian business executive with a higher purpose than profit maximization. He, as a steward, has an integral part to play in God's scheme in this world. It provides such an executive a much higher meaning in life than material gain.

The manager, as steward in the role of servant leader, can now provide spiritual dimension in the workplace. Workers are not seen merely as physical beings with social and psychological needs, but as fellow stewards (not to be bossed over) who have the same purpose in life – playing a role in the plan of salvation. This provides the worker, in turn, with real meaning in life. This Christian manager has become a co-worker with God. At the same time, his attitude toward his workers has changed as they are partners and fellow workers with God. The resultant 'managerial' style may not be different from the participative managerial styles currently promoted by management theorists and consultants, but the crucial difference will be the motive behind the approach and the attitude prevalent in the organization.

The following diagram (adapted from Stephen Covey's Principle-Centered Leadership) attempts to summarize the prevalent philosophies of management as evidenced over the past century (scientific, behavioral, and human resource) together with a suggested Christian perspective (spiritual) as underscored below.

Needs	Metaphor	Management Viewpoint	Focus
Physical/Economic	Stomach	Classical	Power & Control
Social/Emotional	Heart	Human Relations	Teamwork
Psychological	Mind	Hu man Resource	Talent Development
Spiritual	Soul	Christian	Stewardship Mission Directed

Adapted from Stephen Covey's Principle-Centered Leadership discussion of four management paradigms, p. 176

Conclusion

Christian management is working for people within a system, which meets their psychological, social, intellectual, aesthetic, and spiritual needs while addressing economic, technological, societal, and environmental concerns in harmonious response that benefits all and brings glory to God.

Frequently, we limit the measurement of results to quantitative success measures (be it financial, market share, baptisms, student passes etc.) to determine success, but we need to understand that the true measurement of success for the biblical steward is his attitude – a more exacting criterion:

"The reward is given to the steward entrusted with the talents, not because he has done so great a work, but because of his fidelity over a few things. God measures not according to results, but according to the motives. If the steward is faithful he is successful, and is sure of the final reward, however small may have been his mission." (Kress Collection: Cited in Oberholster (1992:17)

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All Bible quotations from New King James Version
"We are obligated to God in every possible way. Were it not for his decision to make us, we would not be. Everything we are is His." (Sire 1990:54)

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THE IMPACT OF GOOD NATIONAL GOVERNANCE ON ECONOMIC DEVELOPMENT

Kofi B. Kukubor

Abstract

This article is on good national governance. The twenty-first century has opened a new chapter in the administration of many countries, especially African countries. Democracy and good national governance have become the panacea or sure remedies that the western donors have prescribed to the ailing continent of Africa. It is generally believed that, good national governance coupled with donor aid or assistance would lead to economic growth of Africa. Consequently, most African governments are trying to major in the art of good (national) governance so as to benefit from conditions of the western economic and financial mandarins in an attempt to please them. However, good governance continues to elude a larger number of ordinary Africans.

Politically, good national governance has been a subject of controversy for some time now. The question as to who, or which institutions or nation sets the parameters within which to measure good governance has been problematic. This is due to the fact that the meaning of good governance has been very subjective, and also influenced by the problems and goals of each country. It is therefore abundantly clear that good national governance has not been fully understood by the various governments and the governed. This is inhibiting the inherent potentials of the countries and citizenry. The effects of bad governance either by governments or corporate institutions can be devastating on a country's economy and development.

The article reviews the fundamental tenets of good governance. This is done by critically reviewing the different understandings or meanings of good governance. In addition, weaknesses inherent in some of the definitions are examined. Critical pillars of good national governance are discussed vis-à-vis national economic development and growth. In effect, the article analyses good national governance from its essential pillars of corruption; information disclosure; development and individual rights; participation; the judiciary and legislative systems; corporate accountability; and global balance.

Introduction

Development practitioners have always found it difficult to define good national governance. Interpretation of good governance has been influenced by the unique positions of people and the dominant needs that confront a country. However, it has been argued that, humans are rational and capable of comprehending wider common good. Locke (1690) therefore argued that, if people are rational, then the only way to justify imposing government over people is through their consent. Governance, according to Locke is therefore a limited social contract through which people agree to cede some of their powers to government but retain basic rights that the government cannot invade.

Daniel Kaufmann (2002), defined (national) governance as, "the process and institutions by which authority in a country is exercised." By implication, it is the process by which governments are selected, held accountable, monitored, and changed. It deals with the capacity of governments to manage resources efficiently; to formulate, implement, and enforce sound policies and regulations; and consider the respect for the institutions that govern economic and social interactions between government and citizens.

The Development Report states that governance is:

"the exercise of power or authority -- political, economic, administrative or otherwise -- to manage a country's resources and affairs. It comprises the mechanisms, processes and institutions, through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their difference."

Furthermore, Aristotle in his simplified system classified good governments as "... those that best serve the general welfare; and, bad governments are those that subordinate the general good to the good of the individuals in power." In this sense, national governance is more than the operations of Government. It is concerned with the functions and operations of civil society, government, the private sector and all other institutions. The issues of good governance require the involvement of a large number of people, institutions, and civil society organisations in decision making, in creating options, and in implementing country's projects and programmes. Political will and commitment play very fundamental roles in implementing good national governance at all stages. It is therefore imperative for good national governance to have the capacity of measurement, analysis, and review by the public.

Features of Good National Governance

Good national governance is supported by a wide range of pillars. In order to form a good opinion on good governance, it is necessary to have a quick scan of some views from other countries. A Commonwealth Secretariat CIRDAP Workshop (2004), deliberated on various issues of good national governance. The main objective of the workshop was to encourage participating countries to adopt good policies, develop good institutions and good management which will result in equity, efficiency, and empowerment with governance based on values, trust, and transparency. It also emphasised good national governance as a precondition for delivery of services and funds. It stressed the relationship between government and non-governmental organisations (NGOs), civil society organizations and private organisations which are central in tackling issues of poverty and participation.

The experts who delivered papers at the workshops explained good national governance from different perspectives. In the country papers on Bangladesh, the analysts attempted to demonstrate the relationship between governance and development. They identified problems of public sector management and the role of NGOs in fighting poverty. Experts from India defined good governance in rural development, from rural local government perspective and in decentralised democratic structures. They also discussed quality of governance in reducing poverty and the role of Information Communications Technology (ICT) in ensuring good governance. The authors from Malaysia presented experiences in institutional reforms for improving social service delivery. Peoples Republic of Lao highlighted decentralisation, local administration and people's participation. Governance for rural development was explained in Myanmar report. Pakistan's paper explained good national governance in terms of how to promote private initiatives for governmental Organisations and to how utilise natural resources to benefit the poor. The experts from Filipino in their paper analysed gender mainstreaming towards gender-responsive national governance.

It is clear from the above positions that, good national governance is defined according to the needs and wants of a country and what they perceive as common good for the community. However, characteristics such as rule of law, decentralised decision making, pro-poor economic governance, sound public expenditure management, accountability, transparency, civil liberty, and information disclosure have been identified to be cardinal to good governance. Furthermore, it is agreed that good national governance should be participatory, consensus oriented, responsive, effective and efficient, equitable and inclusive, pursue the rule of law and respect separation of powers. It must be emphasised that the rules of good governance are not limited to the public sector but also to civil society organisations, private sector, and all others involved in community and national development and protection.

Good governance, therefore, must lead to the empowerment of people in order to enable them to construct genuine freedom and genuine development for themselves and their countries.

Good Governance from Western Donors' Perspective

The supra-national organisations and the western donors, such as the World Bank, International Monetary Fund (IMF), World Trade Organisation (WTO) and the G-8, most often equate good national governance with effective management of economic resources.

The dominant discourse of good governance which is promoted by the World Bank, IMF and other advocates of neo-liberal economic globalisation, focuses primarily on the effective management of economic resources. According to John Samuel (2002), this techno-managerial concept of good governance focuses on 'decentralisation, transparency and report cards as ways to ensure macro-economic management as proposed by the Bretton Woods mandarins. This is largely apolitical in nature. The neo-liberal economic globalisation theorists often seek to restructure governance systems, processes, and practices in such a way that policies and political processes especially in poor countries have the capacity of being controlled by the dominant powers.

The former Tanzanian President, Julius Nyerere, (1998) stated that, to western donors, good governance is a phrase which meant and means "...those countries having multi-party systems of democracy, economies based on the principle of private ownership and of international free trade and a good record of human rights: again as defined by the industrialised market economy countries of the North." Good governance therefore has been reduced to a simple matter between aid givers and aid seekers.

The above paradigm fails to address the unequal and unjust macroeconomic framework that serves the interests of rich countries (western countries) and the dominant factions within a country. This model inherently perpetuates inequality and poverty. The neo-liberal economic globalisation proponents do not emphasise the notion of freedom and rights. It fails to ensure accountability and transparency of governments to their people but rather to global institutions like the World Bank, IMF, and G-8. By virtue of this concept, some unscrupulous governments are therefore wrongly perceived to have good national governance according to the parameters of the Bretton Woods institutions, though its citizens were and are denied freedom, accountability, transparency and participation. The Bretton Woods institutions either ignore or fail to recognise that in practice, national governance is a position of unequal and often unjust power relations, where power is reinforced through different shapes of marginalisation and oppression.

Rights-Based Approach to Good National Governance

The rights-based approach to good national governance is concerned with power-relationships within and outside institutions and is founded on the notion of accountability, responsibility, and transparency (answerability). For any nation or society that is determined to fight poverty and injustice, the realisation of rights and justice through accountable governance is a prerequisite. Accountable governance is habituated on the premise of people who are empowered to ask questions (information disclosure), seek justice and claim participation.

Consequently, accountable national governance and empowered people especially, the marginalized, are integral to claiming rights and fighting poverty and injustice.

It is imperative that national governance is of critical interest to citizens, because it is the auditorium in which public policies are formulated, legitimised and executed. Furthermore, it presents the institutional platform to claim rights and seek justice through justice delivery systems. It is the podium through which citizens arbitrate and relate with the State and seek accountability. National governance therefore embodies the totality of power relationships within the social, political, economic and administrative arena of a country. The assertion of rights by people, demands a transformation of power relations of governance. A theory and practice of good governance would have to be constructed on the pillars of distributive justice, human rights, public accountability, transparency, peoples' participation, and citizens' legitimacy.

The article will analyse the following pillars of good national governance: Corruption; Information Disclosure; Development and Individual Rights; Participation; the Judiciary and Legislative system; Corporate Accountability; Global Governance

Corruption

According to the former Tanzanian President, Julius Nyerere, "...without good governance, we cannot eradicate poverty; for no corrupt government is interested in the eradication of poverty; on the contrary, and as we have seen in many parts of Africa and elsewhere, widespread corruption in high places breed poverty." President of the World Bank, Paul Wolfowitz affirmed this statement by stating that "...there are more than one billion people worldwide surviving on $1 a day and corruption threatens their hopes for a better quality of life and a more promising future." It is an axiom that poverty is an enemy of good national governance, and a persistent poverty is a destabiliser. When poverty is shared in a grossly asymmetrical manner, or is widely seen as being unfairly distributed as the few who are in leadership positions indulge in conspicuous consumption, it makes claptrap of any semblance of good governance. Real or suspected corruption among political leaders often discredits the canon of good national governance. It is even worse when corruption is widely spread in society.

Indeed, corruption and poverty are bedfellows. Development analysts argue that where corruption is so pervasive and insidious in leadership and government institutions, poverty, crime, poor sanitation and diseases are dominant. It can therefore be inferred that crimes, such as frequent spate of armed robbery, drug trafficking, and the presence of preventable diseases such as guinea worm infections among others, may be attributable to the state of corruption and poverty in a country. Corruption is devastating to the growth of nations and prohibits the realisation of the hopes and aspirations of people. It quells their quality of life. It further adds to the cost of transaction of businesses and renders a country unattractive for investment. It is therefore impossible for any government that champions the tenets of good governance to be seen as impotent in tackling corruption, especially when it concerns public office holders.

The public and civil society orgarnisations (CSO) also play very crucial roles in fighting corruption. However, for corruption that bothers on conflicts of interest and abuse of public trust by state officials, the only diagnostic tool of the public is observational facts and allegations. It is a fundamental responsibility of a government which has the investigative tools and legally constituted institutions to call for information disclosure to arrive at the truth. In fact, matters of conflict of interest and abuse of public trust in Ghana require the invocation of articles 278, 284, and 286 of the Constitution by the President.

Information Disclosure

Information disclosure is an act of revealing information that is secret or would normally be confidential. A government which genuinely practices good national governance will appreciate the fact that, to safeguard against conflicts of interest and abuse of public trust by state officials, it is ethical for governments to disclose necessary information to the people who own the sovereignty of the State. Article 1 of the Ghanaian Constitution clearly states that, 'the Sovereignty of Ghana resides in the people of Ghana in whose name and for whose welfare the powers of government are to be exercised in the manner and within the limits laid down by the Constitution.' Article 35 Clause 1 further states that, '...sovereignty resides in the people of Ghana from whom government derives all its powers and authority through this Constitution.'

The foundation of information disclosure in governance is the belief that the government is accountable for its actions and that the public possesses a right to obtain information about those actions. In the United States for example, the Freedom of Information Act (FOIA) 1967, was amended to add strength to the statute in the wake of the Watergate scandal in 1974. The right to information is a fundamental human right which is guaranteed by Article 21 (1) (f) of the Constitution of Ghana. It underpins all other human rights and is essential for good governance, democracy and development. According to the African Regional Coordinator of the Commonwealth Human Rights Initiative (CHRI), Nana Oye Lithur, information disclosure has proven to be an anti-corruptive tool. It is in this light that the promulgation of the right to information bill in Ghana would strengthen democracy, enhance participatory development, and reduce conflict of interests by public officials.

A situation where a government has a persistent attitude of non-answerability and unaccountability to the citizenry creates the avenue for corruption and threatens the health and quality of a nation's democracy. The attitude of unaccountability and non-answerability is very prejudicial to the national interest. It is the fundamental right of shareholders of corporate Ghana to demand full disclosure of all the necessary information which has the potential to significantly alter the course of their lives and the nation.

Development

It is the responsibility of governments to ensure that their people realise all of their psyco-socio-economic potentials in a country. Creating an environment for people to enjoy freedom from fear and want, and lead a life of dignity is critical to good governance. Knowledge, based on accurate information is crucial to development. Where information from the government is perceived to be saddled with lies by the public, sound decisions and judgments by the public and the business community is compromised. Honesty and truth are fundamental elements of good governance.

Good governance works towards citizens claiming socio-economic rights. Development is not confined to only statistical figures intended to satisfy donors but should reflect in every facet of national life. Genuine development is demonstrated in citizens' welfare and socio-economic expansion and sustainability. Achieving this goal require greater attention to the plight of the citizens (rural farmers, the marginalised and the poor), whose subsistence is directly linked to the natural resources around them. It is therefore necessary to ensure and support local production and expansion. It is in this regard that the Millennium Declaration and Millennium Development Goals (MDGs) become important policy pledges that assist citizens to seek accountability from power holders in governance. However, the situation where governments commit nations to bilateral and multi-lateral agreements that seek to destroy critical areas of their countries' production and economy must be carefully examined. The Millennium Challenge Account (MCA), which the government of Ghana has agreed to, and the controversial European Union –ACP agreement being proposed on the corridors of ECOWAS must be subject to public debate and scrutiny as they have the potential of debilitating the whole or large sections of the African economy.

Furthermore, the allocation or distribution of national budgets should have the capacity of being measured in regional and district terms. Budget tracking is important to discover the regions and districts that have been deprived of equitable budget distribution resources. Good national governance is undermined where it is generally perceived that national programmes and development projects are allocated on the basis of political party loyalty and support to the neglect of national interest and relevance.

Individual Rights

The situation where citizens' rights are abused violently or through the manipulation of the legal structures and systems such as the judiciary, and persistent demonstration of deception under guise of politics and state security inhibit informed choices and decisions by public. These undermine individual rights and national development. A judiciary that is seen to be firm and fair is critical to good national governance. The judiciary should be seen to be above politics and must be dedicated to safeguarding the rights of all individuals irrespective of the person's political colouring, ethnic and social class.

The rights-based approach to national governance requires the monitoring of the judicial delivery system and the executive. Monitoring institutions of national governance such as the legislature, executive, judiciary and the media are crucial in asserting and advancing rights by reinforcing accountability. The legal system should not be used as a tool to persecute political opponents and to deprive citizens of their political, social, and economic rights. The property or economic rights of citizens must be protected at all costs under good national governance.

Participation

The monitoring of national governance is dependent on citizens' active participation in governance, policymaking, and influencing socio-political and economic processes. Primarily, participation must result in power sharing and the ability to influence the process and outcome of national decision-making. For political participation to be effective, it requires socio-political mobilisation, knowledge, and capacity to monitor governance. It must be rooted in knowledge-based activism and grassroots mobilisation.

For the governance structures to be effective, they must subsist on a politically conscious, active, organized, and alert civil society. It is necessary for civil society to possess a good understanding of the existence and functions of the different political institutions, their powers, and the constitutional limits to their powers. Most African leaders, both dictators and democratic governments, generally prefer an uninformed and passive citizen, as they are easily prone to manipulation. The political manipulated results of the activities and decisions of such ignorant citizens are then displayed as peoples participation to win the approval of the donor community.

The objectivity of the media is paramount. Unfortunately, the present media landscape in Ghana and in most African countries cannot be said to be commendable. In Ghana for example, the media fought and continue to fight each other as a section is seen to be compromised by the government. The section of media that is perceived to be critical of government or opposed to some government decisions is tagged as antigovernment and opposition paper. Furthermore, critical national discussions on some electronic media have been and continue to be lopsided. These developments have significant negative impact on the political landscape of the country. A Vibrant and unbiased media is crucial to participation in governance and knowledge capacity building of the citizenry. Good national governance is defeated when the public has the least suspicion of government monetarily influencing some sections of the media to peddle lies and also as a propaganda machine to attain parochial political interests. The media, which is the fourth estate of the realm, must be allowed to operate in an environment devoid of intimidation. Government has the responsibility to protect and promote free speech and free expression of opinions

The opposition political parties have also been inept in educating the populace on pertinent socio-political and economic issues. However, they have resorted to petty partisan politics and defensive press conferences which have not helped the citizenry in making rational political choices and decisions. There has not been sustained education of the public on socio-political and economic issues that affect the country at all levels from the opposition parties.

Democracy is much more than casting votes after every year. Indeed, balloting is only a canticle in the orchestra of democratic governance. Unfortunately, this seems to be the trump card for Western donors. The tenets of democracy entail attitude of tolerance, and willingness to consider the views of others and to cooperate with others on terms of equality. An Essential ingredient in the bowl of democracy is the equality of all people and applying all the laws of the land to all without exception. The constitution which provides methods by which people can without recourse to violence control the government must be respected. Amendments of a country's constitution and laws should go through thorough consultation, deliberation, and consensus so as to engender national cohesion and growth.

Corporate Accountability

Multi-National Corporations (MNCs) increasingly influence economic governance. In an effort to attract Foreign Direct Investments (FDI) into developing economies, economic governance is gradually assuming primacy over socio-political governance. The foremost movers and designers of economic governance are however the unaccountable and non-transparent multinational corporations. MNCs control or greatly influence the market and the media. Most flourish on unaccountable and unjust governance systems. Unjust governance systems result in stakeholders (shareholders, consumers, communities and employees) of these MNCs getting marginalised and are unable to seek accountability from such Corporations. Unjust national governance therefore condones bad corporate governance. A system that seeks accountability, monitoring, and governance of the big corporations will challenge their influence on institutions of governance within the State and also force accountability within the market. These MNCs thrive on malleable trade unions and therefore influence governments or government officials to weaken the power of trade unions.

The recent allegation that some oil companies paid huge sums of money to the government of Nigeria to suppress people of the Delta region who are fighting for their socio-political and economic rights undermines good governance in Africa. In Ghana for instance, a number of abuses by the mining sector of employees, communities, water bodies (environment) etc. are hurriedly suppressed by the government or the media.

Global Governance

The emergence of international institutions that wield more power than governments in the developing world since 1980s require critical examination. Institutions such as the IMF, World

Bank, World Trade Organisation (WTO) and various regional banks and institutions such as the African Development Bank tend to seek accountability from national governments for the economic and particular political conditions they imposed on them. Conditions imposed on national governments by these 'supranational governments' directly alter the course of nations and directly impact on the lives of citizens. Nevertheless, these supranational institutions are inherently unaccountable and undemocratic in character and therefore are unanswerable to the citizens of the host countries.

The conundrum is that, when undemocratic and unaccountable institutions, like the World Bank, IMF etc., seek accountability and good governance from national governments, they advance unequal and unjust power relations which are patriarchal. Any unequal and unjust relations undermine good governance and perpetuate poverty. Between 2005 and 2006, the World Bank investigated 400 fraud and corruption cases involving bank financed projects. The bank sanctioned over 100 entities for engaging in wrong doing. However, since 1999, the World Bank is reported to have sanctioned 338 firms and individuals. Where the fraud and corruption is as a result of staff misconduct, the Bank's Sanctions Board and the Human Resource Services take appropriate actions. However, government officials involved in the fraud and corruption are referred to "authorities of relevant member countries."

The fact however remains that, in most cases, governments of member countries have never taken any legal actions against government officials. Such corrupt officials remain at post to perpetuate their crime. The debt which as a result of corruption was not used for the project intended to alleviate poverty of the marginalised, continue to be serviced by the taxes of the poor thereby perpetuating poverty and bad governance. Democratisation and accountability of supranational institutions should be a precondition for fighting unjust governance and poverty.

Conclusions

A strong state is attainable through the full consent of at least the majority of its people. That full consent, whichever form it takes, is a true democracy. Every true democracy is subject to the constitution which is the supreme law of the land. In that case, all heads of state swear to honour and protect the constitution. A conscientious reverence for the constitution is the basis of the principle of the rule of law. Unfortunately, presidents and members of governments, as soon as they are sworn into office seek to amend or interpret the constitution in their own favour, despite the fact that they have sworn to honour the provisions of the constitution.

At present, Africa is littered with many presidents who have lengthened the number of their terms after being democratically elected, despite the limit laid down in the constitution which they swore to uphold. It undermines the very essence of the constitution and cheapens the constitution as the supreme law of the land. It is impossible and impracticable to claim to have reverence for the ordinary laws of the country when the constitution under which those laws are promulgated is undermined. No Respect for the Constitution leads to No Basis for the Rule of Law.

The situation where external institutions which do not have the mandate of the people, and ruling executive governments set the rules and monopolise the parameters of measurement, undermine the very tenets of good governance. It is necessary for people to examine and measure the activities of their governments in areas such as accountability; political stability; absence of intimidation and violence; quality regulatory framework; effective and efficient government; control of corruption; and, rule of law, separation of powers, etc.

Governments all over the world do not freely render good governance until it is demanded by their citizens. It is therefore imperative for citizens to demand good governance from those they have elected into government to administer the affairs of the country on their behalf. Indeed it is an obligation for governments to offer good governance. It is therefore out of place for any ruling administration or government to exclusively set the parameters within which to measure good governance. It is the people who must measure the performance of their governments and to determine whether an executive government is rendering good governance.

Unfortunately, in Africa for example, it is difficult for some sections of the community to demand good governance. The culture of most African countries does not create room to openly criticise and demand accountability from leaders. The deification and the notion of the infallibility of the 'King' are so ingrained in the minds of the African that, anyone who stands up to an autocratic and bad leader rather becomes the culprit who must be incarcerated. This has led to even "democratically" elected governments running the affairs of Africa as chieftaincies. This endemic mind-set has, over the years, produced very wicked, selfish, and incompetent governments and thereby diminished the socio-political and economic growth of Ghana and Africa as a whole.

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INTEGRATED MARKETING COMMUNICATIONS IN THE HOTEL INDUSTRY: ENHANCING TOURISM AND NATIONAL ECONOMIC DEVELOPMENT

Daniel Duku Danquah

Abstract

In recent years, integrated marketing communications (IMC) has gained popularity among academics and marketing practitioners. However, the term is not yet well known in the hotel industry in Ghana. This paper seeks to explain the importance of IMC strategy in the hotel industry as well as discuss the practical issues involved with the implementation of IMC strategy. From a broader perspective, IMC considers not only the promotional tools (advertising, sales promotion, personal selling, direct marketing and public relations), but also every contact with the company, the product, or the brand. IMC strategy should work for all customer-focused organisations, but the strategy is more beneficial for service providers, such as the hotel sector. Services are intangible, hence, the task of communicating or promoting service quality to customers is very challenging indeed. This explains the need for IMC strategy, because IMC seeks to promote the company and its services through other activities. These activities were not considered to be part of marketing communications in the past, but with the introduction of IMC, it has become abundantly clear to marketers that a lot of activities that businesses take for granted actually communicate powerful messages to a company's audience. Hotel industry constitutes a major component of the tourism sector and tourism plays a vital role in the nation's economic development agenda. For this reason, the adoption of IMC concept by the hotel industry will benefit the individual companies in the industry and the nation as a whole.

Introduction

In 2002, tourism was the third largest foreign exchange earner for the country, after gold, and remittances from Ghanaians living abroad, (Ghana Tourist Board, 2003). This position has virtually remained unchanged since then. The sector has also contributed immensely towards the nation's economic development in terms of tax revenue and employment. Ghana is a relatively peaceful country in Africa, and the nation can take advantage of this opportunity, so that, the tourism sector plays a vital role in the nation's effort to achieve middle income status. The hotel industry constitutes a major and critical component of the tourism sector, and the hotels must be managed in a way that communicates positively with the tourists who come to Ghana. Any hotel operator who wants to benefit from positive, consistent, and clear image must consider adopting integrated marketing communications strategy. It has been observed that most hotel operators use only advertising in their promotional campaign, even if the problem requires public relations. Secondly, the term integrated marketing communications has not been understood fully by most in the industry.

The Concept of Integrated Marketing Communications (IMC)

Today's highly competitive markets put a lot of pressure on businesses to come out with a stronger marketing communications strategy that will effectively reach consumers, and spur busy, value-conscious consumers to buy, (Bearden, W., Ingram, T. and LaForge, R. 2001). The need to find the right way to send the right message to the right person at the right time compelled marketers to look beyond advertising and the traditional mass media-focused approach to marketing communication to what we now call integrated marketing communication (IMC).

Integrated marketing communications (IMC), involves coordinating the various promotional elements such as advertising, personal selling, sales promotion, public relations, and direct marketing along with other marketing activities that communicate with a firm's customers. It requires firms to develop a total marketing communications strategy that recognizes how all of a firm's marketing activities, not just promotion, communicate with its customers. For example, a high price may symbolize quality to customers as may the shape or design of a product, its packaging, brand name, or the image of the stores in which it is sold, (Belch, M. and Belch, G. 2004). In the past, communication tools were specialized into functionally separated systems and into rigid classifications of media into 'above-the-line' and 'below-the-line' (Schultz, D. and Kitchen, P. 1997). IMC takes a holistic approach (integrative thinking) to planning and developing marketing communications strategy and this calls for the blending of various communication disciplines to create added effects or synergy. It seeks to have a company's entire marketing and promotional activities project consistent and unified image to the market place.

As Gronstedt, A. (1996) puts it, "Integrating the work of everyone in the company, not only of communication professionals, is necessary because companies communicate with everything they do. The performance of the products and services, accuracy of the billing, and even the treatment of employees - all communicate powerful messages to the stakeholders" (Gronstedt, A.1996: 39). From an academic perspective, it has been argued that IMC is the foundation of new customer-focused marketing efforts for acquiring, retaining, and growing relationships with customers and other stakeholders, (Duncan, T. and Moriarty, S. 1998).

In one sense, IMC states that companies must combine the various promotional elements such as advertising, sales promotion, direct marketing, public relations, and personal selling, rather than just using one tool when developing a communication campaign. The concept recognises that each promotional tool has unique characteristics and costs, and marketers must understand these characteristics in selecting their tools. For instance, advertising appeals to large and dispersed audiences. It can be used to build long-term image for a product and many people believe that purchasing an advertised product would be easily or readily understood and accepted by the public. However, advertising is impersonal and cannot be as persuasive as a company's sales person.

Personal selling is the most effective tool at certain stages of the buying process, particularly in building up buyers' preferences and convictions. The use of personal selling can also lead to all kinds of relationships, from selling relationship to personal friendship. However, personal selling is usually a company's most expensive promotion tool, and sales people may send conflicting messages to target audience due to the difficulty associated with its supervision. Sales promotion attracts consumer's attention and offers strong incentives to purchase by providing inducements. Limitations are that its effect are short-termed and not effective in building long-term brand preferences.

Public relations can also reach many prospects. It is more believable to readers and listeners than advertising, because Public Relations appears in the form of news report. It is the most effective tool for image building, although its content and timing cannot be controlled by the firm. Direct marketing is used to obtain direct responses from targeted consumers. It is convenient for consumers to buy through direct mail or telephone and it is a very flexible tool for reaching specific consumer groups. However, some argue that direct marketing activities irritate consumers and many consumers still do not like the idea of buying without visiting the shop and physically analysing the products.

The characteristics of the promotional tools explained above clearly demonstrate that each promotional tool is very different from the others, and each has a unique role to play in the overall marketing communication efforts. To get the best of every tool, there is the need to use more than one tool when developing communication or promotion strategy. This is the advantage of the IMC concept. For example, instead of using only advertising to create awareness for a new product or service, companies can use advertising, public relations, and sales promotion to create the awareness.

Another aspect of IMC, according the experts is that it considers any contact with the company, product, or the brand to be part of marketing communication. This means that the price of a product or service is part of marketing communication, because higher price may indicate quality. The design of a product communicates, the place where the goods or services are sold communicates, the chairs, tables, company letterheads, the building, and even the music all communicate something to the consumers, and hence it is part of marketing communication.

In other words, any marketing activity that can influence customers' purchasing decisions positively or negatively is considered to be part of marketing communication. The logic is that, consumers use all these to assess the quality of a product or service especially if they lack product knowledge. This means that the word "communication" as used here does not necessary mean that the customer is being told to buy a product through advertising message or by sales person; anything associated with the company and its brand could be part of the communication so far it can influence the consumers' perceptions, attitudes, or behaviours. All these marketing activities communicate and must be managed, so that the messages that get to consumers will be consistent. According to Bearden et al (2001), this type of communication that takes place through other marketing activities is called stealth marketing because its intent is not as blatant. All these activities are components of IMC.

Tourism and Ghana's Economic Development

In an attempt to attain middle income status, Ghana has realised that tourism must play a key role in its economic development agenda. The nation has huge tourism potential and the growth of tourism over the last decade is a confirmation of this potential.

Table 1. Ghana: International Tourist Arrivals and Receipts

Year	No. of Visitors (Thousands)	Receipts (US $'Millions)
1997	325,438	265.59
1998	347,952	283.96
1999	372,653	304.12
2000	399,000	386.00
2001	438,833	447.83
2002	482,643	519.57
2003	530.827	602.80
2004	583,821	649.37
2005	428,533	836.09
2006	497,129	986.80
2007**	1,062,000	1,562.00

*Provisional Estimates

**Projections

Source: Ghana Tourist Board, 2006

Table 1 shows the number of tourists visiting Ghana from 1997 to 2007 as well as the money they spend during their stay in the country. It shows that Ghana is expected to receive well over 1.5 billion US dollars from the tourism sector during 2007.

Table 2. Ghana's Foreign Exchange Earnings by Sector (US $million)

SECTOR	1993	2002
Cocoa	290.5	392.25
Gold	451.83	658.14
Diamond	17.84	21.66
Manganese	13.75	25.25
Bauxite	8.6	13.99
Timber	153.54	177.88
Non-Traditional Exports	71.7	504.25
Inward Remittances	261.2	1,373.9
Tourism	205.62	519.57

Source: Ghana Tourist Board, 2003

In 2002, tourism was the third largest foreign exchange earner for the country after remittances from Ghanaians living abroad and gold exports – see Table 2. Apart from the fact that tourism is about the third largest foreign exchange earner for the country, it also generates huge employment, both direct and indirect, for the labour force of the country. According to the Ghana Tourist Board Fact Sheet (2005), the country generated 46,502 in direct employment and 115,015 in indirect employment for the nation in 2004 - see Table 3. The sector also provides a lot of tax revenue for the government mainly from the hotel industry, restaurant segment, and recreation segments

Table 3. The Impact of Tourism on the National Economy

Contribution to Gross Domestic Product	4.9% in 2004
Gross foreign exchange earnings	US $ 603 million in 2003
Net foreign exchange earnings	US $ 483 million in 2003
Multiplier effect on employment	3.5
Multiplier effect on in c m e	3.4
Direct employm e n t	46,502 in 2004
Indirect and induced employment	115,015 in 2004

Source: Ghana Tourist Board Statistical Fact Sheet (2005)

The Role of the Hotel Industry in the Tourism Sector

Among the sectors that fall under tourism industry in Ghana, the hotel sector generates most income. When the visitors come, they stay and spend their days and weeks in the hotels. They spend most of their money in the hotels. According to the statistical Hand Book on Tourism (2003), expenditure by visitors showed that visitors spend more than 30% of their funds on accommodation alone (hotels) and 15% on food (a percentage of this is spent in the hotels). It is fair therefore to say that, tourists spend between 40% and 45 % of their money in the hotels. Hotel is the place where they have the first real encounter with the Ghanaian hospitality. They eat, drink, sleep, shower, listen to music, watch television, and interact with staff and other guest in the hotel. This indicates that their experience in the hotels plays a major role in determining their overall satisfaction in the country. Whether visitors come to the country for conference, business, or holidays, they normally stay in a hotel. If the country is to increase revenue from tourism, create more employment from this sector, and attain the anticipated middle income status, then the hotel industry must play the leading role. As the number of tourists or visitors increases, government revenue from this sector will also increase. Since Ghana is relatively a peaceful nation, we must exploit this opportunity fully by providing the right environment for tourists.

IMC and the Hotel Business

Currently, the biggest portion of the industry's promotion expenditure goes to advertising. This practice is contrary to the tenets of IMC. Also it must be noted that from a broader perspective, IMC considers any contact with the product, the brand, or the company to be part of marketing communication. The implication for the hotel business is that, apart from the traditional promotional tools (advertising, sales promotion, public relations, direct marketing, and personal selling), which they must blend or integrate in order to have maximum communication impact on their target audience, they must also consider other activities that communicate, and this is where the problem actually is. These other activities have been ignored for so long and it is about time the industry became fully aware about the merits of IMC strategy.

The location of the hotel is part of marketing communication, because if it is located in an unattractive area with bad roads, it sends a negative signal and that is communication. The flowers and green grass on the compound can also shape perception. The availability and layout of parking lot can also influence guests; hence it is part of IMC. The architecture, the painting, the tables, chairs and even the type of plates and glasses used in the hotel communicate positively or negatively to the guests, and this could have an impact on their satisfaction. The price charged for staying and eating in the hotel is part of marketing communication, because price may indicate quality and lower price may be perceived by guests as poor services. The uniform of staff and their attitudes can also affect the image of the hotel.

All these activities are components of IMC and can affect customers' attitudes, purchasing decisions, as well as their overall satisfaction. Management of hotels must therefore manage all these cues in a way that it will communicate positively to guests, and avoid sending conflicting messages to target audience. For example, if a particular unit wants to project excellent service image to its audience with effective advertising campaign, good customer service, but with poor meals, unattractive location, the image will be inconsistent. IMC states that all these communicate, hence there is the need to identify and manage them so that they will all speak with 'one voice' (consistency).

Although the concept of IMC is important for every company, it is critical for the survival and prosperity of service providers, such as the hotel business. The obvious basic difference between goods and services is intangibility. Many problems encountered in the marketing of services such as hotel business are due to the intangibility nature of services. For example, hotels that promise a good night sleep to their customers cannot actually show this service in a tangible way. In an advertising or personal selling effort, the hotels must somehow describe to the consumer how a stay at the hotel will leave the customer feeling well rested and ready to begin a new day, (Donnelly, J. & Peter, P. 1995). Intangibility means that, buyers cannot make judgments based on sensory evaluation (taste, touch, smell, and hearing).

Potential customers or guests of hotel services are not able to check out these services using their senses of taste, smell, touch, sight or hearing before they buy them. This makes it more difficult for customers to choose which hotel to use. A customer may not know how satisfied he will be until a purchase is made and the service is performed. The actual services cannot be displayed in a business firm or demonstrated entirely. Marketers of services have a particular challenge to help the customer visualize the potential benefits of the services, (Lynch, Ross & Wray 1992). Buyers rely instead on whatever physical clues they can find to assess quality, including the appearance of the service provider, and the physical environment in the service firm, (Courtland, L. & Thill, J. 1992). This problem explains the need for IMC strategy. As customers look for signals, they will be analysing the components of IMC and if these clues or signals have been managed well to send a positive communication to potential guests then the company will be in a very good position indeed.

Primarily, because services are intangible rather than tangible, they may be produced and marketed or consumed simultaneously. In other words services are inseparable. Services cannot be separated from their providers whether they are people or machines. If a service employee provides the service, then the employee is a part of the service. Because the customer is also present as the time when service is produced, both the provider and the customer affect the service outcome. From the standpoint of quality, buyers of a service are not only evaluating what was produced, but what and how it was produced. Thus, the quality of a hotel visit depends not only on whether the meal was good and the room quiet, but also on how polite and helpful employees were towards the guests. Inseparability may mean that customers not only want a particular type of service but that they want it to be provided by a particular entity or a group of persons. The risk of having the service equated with its provider is that, if the customer is disappointed with the service, he is likely to have a poor opinion of the provider and will avoid seeking out any more services from that organization. On the positive side, the service provider who makes a customer happy will generate a loyal clientele (Churchill, G. 1995). This means all the clues that come out of the service provider during the encounter with guests must be carefully managed so that positive communication will occur. The appearance of the service employee, the uniform, their attitudes, the speed at which they provide services are all components of IMC that affect customers perception of service quality.

In view of the fact that services are produced and consumed at the same time, the quality can vary(inconsistencies) more than is likely with goods. The characteristics of quality drive home the importance of ensuring that, the people who deliver the services at the hotels are well qualified and highly motivated to satisfy their customers. Consistency and quality need close attention with all products, but they are of particular concern with service. The inconsistencies in the hotel business could harm the company's image and this goes contrary to the tenets of IMC, which state clearly that there should be consistency with all messages that come out of the company. Guests may perceive the company as being unfair because they treat customers differently. This perception of unfairness is quite serious.

Employee morale and company work-load could be contributing factors to variability. An excellent meal in a hotel will not be as special, if you have to tangle with a waiter who is in a bad mood. Service firms can take several steps to help manage service variability. They can select and carefully train their personnel to understand the communications that take place during their interactions with guests and how to handle themselves. Above all, they must be highly motivated. However, it must be noted that it is almost impossible to provide quality services all the time; errors will occur from time to time and that is the main reason why IMC strategy is always beneficial. If there is a problem with a service provider during an interaction, other aspects of the business will still be sending positive communications, so the negative impact of poor service on consumers will be lessened. There is also the need for strong service recovery strategies to manage dissatisfied customers if problems occur.

Benefits of Implementing IMC Strategy

An effective implementation of IMC strategy will benefit individual firms operating in the industry in terms of high patronage from both domestic and foreign tourists. It will also provide more revenue for the government as well as high employment and more foreign exchange earnings, since the number of tourists will increase greatly. Specifically, organizations that adopt IMC strategy are likely to benefits from the following:

Synergistic Advantages: Marketers recognize the value of strategically integrating the various communication functions rather than having them operate independently or autonomously. By coordinating their marketing communications efforts, companies can avoid duplication, take advantage of synergy among various communication tools, and develop more efficient and effective marketing communication programme, (Belch & Belch, 1995).

Increased Credibility and Customer Loyalty: IMC strategy can be a powerful tool in enhancing the image of the organisation, because the messages that come out are consistent and this leads to an increased credibility. This helps to build relationship with customers which cement a bond of loyalty with customers that can protect them competitive tactics. The ability to have high customer retention and loyalty is a powerful competitive advantage.

Consistency and Stronger Communications Impact: Schultz et al, (1993) and Smith (1996), argued that 'disintegrated' communications, send disjointed messages that weaken communication impact and confuse, frustrate, or irritate internal and external audiences. In a world that accentuates consistency, the blending of marketing messages, to speak with 'one voice' will be critical to an organisation's survival and prosperity. Integrated communications present a reassuring sense of order. Integrated marketing communications seeks to have a company's entire marketing promotional activities project a consistent and unified image.

Increased Awareness, Sales and Profits: IMC also increases profits through increased operational effectiveness. At its most basic level, a unified message has more impact than a disjointed myriad of messages. In a busy world, a consistent, consolidated and crystal-clear message has a better chance of cutting through the 'noise' of over many commercial messages that bombard customers each and every day, (Belch, G. and Belch, M. 2004). As IMC uses many communication tools, it can help boost sales by stretching messages across several communication tools to create more avenues for customers to become aware, and ultimately make a purchase.

Risk Reduction: Consistency and high credibility associated with IMC strategy help to reduce the perceived risks associated with the purchase of services.

Conclusion

Given the importance of IMC for the hotel industry, the tourism sector, the government and for the nation as a whole, the Ministry of Tourism can develop policies that can make it easier for the Tourist Board to provide training programmes for the proper management of hotels in Ghana. Training programmes that aim at educating the hotel industry about the importance of IMC for their business as well as the issues involved with the implementation of integrated marketing communications strategy are essential for the development and realization of the full potentials of the sector.

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INTELLECTUAL PROPERTY RIGHTS AND PRIVATE FOREIGN DIRECT INVESTMENT IN SUB-SAHARAN AFRICA

Samuel Adam & John R. Lombard

Abstract

This article examines the impact of Intellectual Property Rights (IPRs) on private foreign direct investments (PFDI) for a cross-section of Sub-Saharan African (SSA) countries. The results of the study indicate that: (1) strengthening IPRs has a significant positive effect on PFDI, however, beyond a certain optimal level, the effect becomes negative; (2) the trade related agreement on intellectual property has had positive but insignificant effect on PFDI; (3) investors are sensitive to the investment climate of the countries in which they invest; and (4) inflation rate is negatively correlated with PFDI inflows.

Introduction

During the past two decades, academicians and policymakers in all regions of the world have directed attention to the benefits of intellectual property rights (IPRs). Globalization of trade and ideas and the resulting increase in international transactions in knowledge intensive products have generated intense interest as well as disagreements about this topic. The intensity of interests increased especially after the agreement on the Trade Related Aspects of Intellectual Property Rights (TRIPS) by the World Trade organization (WTO) in 1994. Under the terms of TRIPS, current and future members WTO must adopt and enforce strong non-discriminatory minimum standards of IPRs protection in each of the areas commonly associated with IPRs, including patents, copyrights, trademarks, and trade secrets (Commission on Intellectual Property Rights [CIPR], 2002).

IPRs have therefore become part of the infrastructure supporting investments in research and development that is important for innovation and new business development. By granting temporary exclusive rights on inventions, IPRs allow the right holders to price their products above marginal cost, and hence recoup their initial research investment costs (Leger, 2006). Accordingly, the creation of an effective IPRs regime has an effect not only on the incentive for new knowledge creation and its dissemination, but even more important the business location decision of firms, prices, and the market structure.

A review of the literature shows that the importance of IPRs is generally associated with its double function of promoting PFDI and innovation, which are important determinants of economic growth. This paper contributes to a better understanding of the former - how IPRs affect PFDI inflows in developing countries, especially in Sub-Saharan Africa (SSA). Obviously, the impact of IPRs on PFDI is important for many developing countries where PFDI inflows have not reached the expected levels needed for their development. Even more important is the fact that PFDI has become one of the stable sources of development finance in developing countries. For example, by the end of 2004, the total foreign aid (grants) and net official flows (aid and debt) to developing countries were $47.4 billion and $22.6 billion respectively, while net PFDI flows were $165 billion dollars (Global Development Finance [GDF], 2005).

Nevertheless, PFDI inflows have tended to concentrate in a few countries. Of the $648 billion of global PFDI inflows in 2004, SSA accounted for only $12 billion or 2% and increased slightly to 3% in 2005 (United Nations Conference on Trade and Development [UNCTAD], 2006). Although, most SSA countries offered favorable incentives to investors, they failed to attract the desired investments or did not make it to the short list of the PFDI decision of foreign investors. Africa's situation presents a paradox. Most studies report that the return on investment is greater in Africa than in any other region of the world yet the region accounts for the least amount of PFDI inflows (UNCTAD, 1999). Africa's low share in global PFDI over the past two decades reflects its slow progress in increasing production capacity and diversification, and an inability to create a large regional market. Consequently, Africa's per capita PFDI inflows was only $34 in 2005 compared with $64 for developing economies as a whole (UNCTAD, 2006).

Accordingly, it is important that the effect of IPRs on PFDI inflows in the SSA context is examined to guide policymakers in the development of programs that are important in promoting the continent as an important PFDI destination. The focus on SSA is important for many reasons. First, many of the studies on IPR and PFDI link suggest that regional and cross - country differences influence the effect of IPRs on PFDI in particular and the economy in general (Falvey et al., 2006; Park and Lippoldt, 2003). Falvey et al. (2006) demonstrated that strengthening IPRs has differential effects in low, middle, and high-income countries. Similarly, Park and Lippoldt (2003) reported that IPRs' effect on PFDI is different for least developing countries and the rest of the developing countries.

The findings of the above two studies are important considering the fact that out of the 54 countries classified by the World Bank (2007) as low-income, 35 are SSA countries and 35 of the 50 least developed countries are in SSA (UNCTAD, 2005). The findings of the two studies provide support for Kobrin's (2005) claim that a broad consensus on determinants of PFDI has been elusive because most studies have analyzed determinants of PFDI by pooling together structurally diverse countries in their regression analysis. Further, Sethi et al. (2003) argued that multinational enterprises usually evaluate prospective PFDI destinations on a regional basis.

Asiedu (2002), for instance, has also shown that there are some differences in the factors that drive PFDI in SSA and other developing countries.

Finally, while PFDI has become an important alternative source of development in almost all regions of the world, aid flows still represent the largest source of foreign finance in Africa (Ismail, 2007). Hence, understanding how strengthening IPRs affect PFDI inflows to the region might help policymakers in the design and implementation of the necessary programs and polices that will allow the countries in the region to become competitive in attracting PFDI.

Consequently, the objective of this paper is to examine the effect of IPRs on PFDI in SSA with similar social, economic, and institutional characteristics to help to reduce bias due to sample selection. The rest of the paper is organized as follows: Section 2 reviews the literature on the IPRs – PFDI relation and Section 3 describes the data and methodology for the analysis. This is followed by the discussion of the results in Section 4 and the implications, directions for future research and concluding remarks are given in Section 5.

Literature Review

There are many models that have been used to explain why firms will like to invest abroad, however, the OLI (Ownership - locational - internalization) framework by Dunning (1993) is by far the most comprehensive and accepted. Therefore, we explain how the protection of IPRs affects PFDI from this perspective. The ownership advantages are generally intangible assets in the form of superior technology, organizational skills, trademarks, trade secrets, patents, reputation, and innovative capacity, which other firms do not have. From this viewpoint, firms that wish to invest abroad must have ownership advantages to make it compete effectively with indigenous firms in the host country.

The two other factors (locational and internalization) help to explain why the multi-national enterprise (MNE) should invest abroad. First, the locational characteristics of the country must make it profitable for firms wishing to invest. These locational advantages include low transportation costs, market size, favorable local government regulatory environment, skilled labor, low input prices and adequate roads and communications infrastructure. Second, it must be more profitable for the firm to internalize production rather than license or export goods on the open market. As a result, internalisation explains why a foreign firm prefers to retain full control over the production process or try to acquire a subsidiary rather than license its intangible assets to local firms or an independent foreign firm. By helping firms to overcome the high transaction costs associated with regulating and enforcing contracts and protecting quality, internalization helps firms to gain from exploiting their knowledge-based assets (KBA) within the confines of their international operations (Braga and Fink, 1998; Maskus, 1998; Smarzynska, 2004).

The discussion above shows that firms that create intellectual property are likely to engage in foreign production in countries with strong IPRs. This is because weak IPR protection increases the probability of imitation, which erodes a firm's ownership advantages and decreases vocational advantages of the host country. Further, the level of protection in the national IPRs system may influence a firm's decision to internalize or externalize its knowledge-based assets. A weak IPRs system, for example, increases the benefits of internalization since it is associated with a greater risk of the licensee's breeching of the contract and acting in direct competition with the seller. The implication is that firms are more likely to invest in countries with strong protection, since the smaller risk of imitation leads to a relatively larger net demand for protected products.

Nonetheless, because almost all the countries in SSA are buyers rather than producers of key products and technologies, the benefits of enhanced IPRs regime is doubtful (Lesser, 2002). This is because the strengthened IPRs system could lead to higher level of imports and prices and hence a loss in consumer welfare. Further, a strong IPRs system could provide knowledge-based firms with market power and might actually cause firms to divest and reduce their service to foreign countries (Braga and Fink, 1998). Additionally, a strong IPRs system may have a negative effect on PFDI, as this will encourage MNEs to shift from local production to licensing. The effects of higher levels of IPRs protection on PFDI in low innovation countries are thus theoretically ambiguous. This has led to many studies being conducted to validate the relationship between IPRs and PFDI inflows. In the discussions that follow we examine a few of these studies.

The empirical studies that have examined the impact of IPRs on PFDI have been inconclusive. For example, Seyoum (2006), Lesser (2002), and Smarzynksa (2004) found a positive relationship between IPRs on PFDI, while Kondo (1995) and Seyoum (1996) make claims to the contrary. Seyoum (2006) examined the effect of IPRs on PFDI in 63 developed and developing countries over two time periods (1990 and 1995). Using ordinary least squares (OLS) estimation technique, Seyoum (2006) found that the level of patent protection, which was measured by the Ginarte-Park index was positive and significantly correlated with PFDI. Likewise, Lesser (2002) examined the relationship between IPRs and PFDI for a sample of 44 developing countries based on a survey of patent attorneys and licensing executives. He found that strong IPRs were positively associated with PFDI inflows. It is important to note that all these studies employed a cross - sectional design and therefore the results could suffer from omitted variable bias, as they could not control for country specific effects.
Seyoum (1996), for instance, employed pooled time series estimation technique to examine the

impact of patent protection on PFDI in 27 developed, newly industrialized, and less developed countries from 1975 to 1990. He demonstrated that patent protection was not significantly correlated with PFDI for the total sample. However, the regression results showed a significant relationship between IPRs and PFDI for developed countries and an insignificant relationship for the less developed countries. In contrast to the studies mentioned above, Kondo (1995) used cross-sectional and time series designs to analyze the impact of IPRs on the flow of US PFDI to 33 countries from Europe, Asia and Latin America between 1976 and 1990. The results of both methodological designs suggest that patent protection was not significantly correlated with PFDI inflows. Accordingly, Kondo (1995) concluded that there was no evidence that patent protection facilitated PFDI.

In response to the findings of Kondo (1995) and Seyoum (1996), Park and Lippoldt (2003) argued that the earlier studies do not capture the benefits of the TRIPS agreement which came into effect in 1995. They therefore used data (between 1990 and 2000) that captures the post TRIPS agreement. They indicated that strengthening IPRs had a positive effect on PFDI inflows. However, they also noted that IPRs' effect is dependent on the level of development and other relevant unobserved country-specific characteristics (e.g., culture and quality of institutions). Further, Park and Lippoldt (2003) showed that IPRs' effect was largest in the least developed countries and second largest in developing nations (where IPRs regimes are next weakest). This suggests the possibility of diminishing returns of patent protection on PFDI

The review of the empirical literature indicate that not much has been done in the context of SSA, and thus, most of the studies used to support a positive effect of IPRs on PFDI have been that which relates to developing countries as a whole. However, because the genenralizability of most of the studies is limited as discussed earlier, we contribute to the literature by examining the effect of IPRs on PFDI in the context of SSA. Further, we contribute to the IPRs-PFDI literature by analyzing whether there is a differential effect of IPRs on PFDI between the pre and post-TRIPS era for SSA countries.

Data and Methodology

The empirical analysis is based on a panel data set consisting of four separate 5–year periods (the last period is 4 years), 1985-1989, 1990-1994, 1995-1999, and 2000-2003.

All variables represent the average over the sub-periods, except the IPRs variable, for which we use the initial values of the sub-periods because it is assumed that it takes time for the IPRs reform to have an effect on PFDI. The equation we estimated is specified as follows:

$$PFDI_{it} = \beta_0 + \beta_1 ARG_{it} + \beta_2 LGCAP_{it} + \beta_3 OPEN_{it} + \beta_4 INF_{it} + \beta_5 POP_{it} + \beta_6 SEC_{it} + \beta_7 RISK_{it} + \beta_8 IPR_{it} + \beta_9 IPRSQ_{it} + \beta_{10} IPR{*}TRIPS_{it} + \mu_i + \varepsilon_{it}$$

where:

1. PFDI is the PFDI share in GDP for country i in year t;
2. β_0 is the constant term;
3. βs are the coefficients of the variables to be estimated;
4. ARG is Real GDP per capita growth rate used in this study to control for business cycles in the economy;
5. LGCAP represents the level of development, which is measured by the Real GDP per capita;
6. OPEN is the degree of openness of the economy which is measured as a percentage of trade (imports plus exporters) share in GDP;
7. INF is the inflation rate, which is included to capture the consistency of monetary

and fiscal policies as high inflation rates may deter foreign investors;

8. SEC is secondary school enrollment, which is a measure of the human capital or absorptive capacity of the population;
9. RISK is a composite risk measure of the political, financial and economic risk of the PFDI;
10. IPR is the intellectual property rights protection variable;
11. IPRSQ is the square of IPR, which is included to capture any nonlinear relationships between IPR and PFDI
12. TRIDS represent the trade-related aspects of intellectual property rights;
13. μ_i represents the country-specific effect which is assumed to be time invariant, and
14. ε_{it} is the classical disturbance error component.

The fixed effects specification allows us to control for unobserved country heterogeneity and the associated omitted variable bias, which seriously afflicts cross-country regressions. The other variables are added to the index of the strength of patent rights in the regression to explain the variance in PFDI inflows act as control variables, without which the index of patent rights might pick up the effects of other policies or economic events on PFDI.

The data on PFDI inflows comes from the World Development Indicators (2006), and is measured as the net PFDI inflows. The net PFDI are the net inflows of investment to acquire a lasting management interest (10% or more of voting stock) in an enterprise other than that of the investor. This is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments.

Data on Real GDP per capita growth rate and real GDP per capita were obtained from World Economic Outlook (2000) and Global Development Network Growth Database. Data on inflation, openness, population, and secondary school enrollment were obtained from the Global Development Network Growth Database. The risk variable is the composite risk measure from the International Country Risk Guide (ICRG) of the Political Risk Services Group that is made up of three measures: political, financial, and economic risk. It is rated on a scale of zero to 100, with zero meaning high risk and 100 referring to the lowest risk. The log transformation of INF, SEC, and RISK variables were used to reduce heteroscedasticity problems.

The strength of intellectual property rights protection (IPR) is measured by the Ginarte-Park index of patent rights, which is based on five categories of patent laws: (1) extent of coverage, (2) membership in international patent agreements, (3) provisions for loss of protection, (4) enforcement mechanism, and (5) duration of protection. Each of these categories (per country, per time period) is scored on a value ranging from 0 to 1, and the unweighted sum of these five values constitutes the overall value of the patent rights index. The index therefore ranges from 0 to 5, with higher numbers indicating stronger protection. The average PFDI and IPRs for the countries in the study sample over the period 1985 -2003 are listed in Table 1

Table 1: **Average PFDI and Patent Protection Index, 1985-2003**

COUNTRIES	PFDI	GINARTE-PARK INDEX OF PATENT RIGHTS
Angola	5.02	0.86
Benin	1.64	2.86
Botswana	2.47	1.99
Burkina Faso	0.30	2.40
Burundi	0.52	2.94
Cameroon	0.83	2.65
Central African Republic	0.26	2.65
Chad	4.09	2.80

COUNTRIES	PFDI	GINARTE-PARK INDEX OF PATENT RIGHTS
Congo. DR	0.41	2.86
Congo Rep.	3.11	2.69
Cote d'Ivoire	1.25	2.69
Ethiopia	0.61	0.25
Gabon	-1.38	2.80
Ghana	1.34	3.02
Kenya	0.68	2.64
Madagascar	0.79	2.06
Malawi	0.36	3.32
Mali	2.09	2.74
Mauritania	1.65	2.74
Mauritius	2.25	3.01
Mozambique	1.52	0.00
Niger	0.51	2.57
Nigeria	2.46	3.13
Rwanda	0.44	2.89
Senegal	0.68	2.74
Sierra Leone	2.07	2.64
South Africa	0.18	3.69
Sudan	0.80	3.52
Swaziland	4.24	2.52
Tanzania	2.38	2.90
Togo	1.54	2.57
Uganda	2.46	2.74
Zambia	3.75	3.52
Zimbabwe	0.47	2.99

The TRIPS agreement which sets minimum standards for IPRs protection was concluded in April 1994 and entered into force on January 1, 1995. Consequently, we divided the time period of our study (1985 – 2003) into two; before 1995 and after 1995. Thus, we dummied the post TRIPS era as 1, and zero for the pre-TRIPS era. To examine the effect of IPRs in the post-TRIPS era, we use the interaction or cross product of the IPRs and TRIPS dummy (IPR*TRIPS) as one of our regressors. The coefficient on this variable shows the effect of IPRs in the post-TRIPS era compared to the pre-TRIPS era. A positive significant coefficient of the IPR*TRIPS variable indicates that IPRs contributed to higher PFDI inflows than in the pre-TRIPS era and a negative significant coefficient explains otherwise.

Results

Table 2 presents the results of IPR-PFDI regressions. The results show that openness, population, risk or institutional infrastructure, and IPRs have significant effects on PFDI in various model specifications. The most robust finding of the study is the significant effects of IPRs as seen in almost all the model specifications (Columns 2, 3, and 4). Overall, the model explains about 40% – 64% of the variation in the data. The study's findings therefore support the assertion that strengthening IPRs is an effective policy tool for countries seeking to attract PFDI into their economies. This finding is particularly important in the post-TRIPS era when national governments in small countries do have fewer policy options. However, strengthening the IPRs system could play a signaling role to investors that the host country is not only interested in attracting PFDI but also offer strong protection to their investments.

In Columns 3 and 4, we tested for the possibility of diminishing returns of strengthening IPRs or a nonlinear relationship between IPRs and PFDI by including the power term or the square of the IPR variable. The results show that there is indeed diminishing return of IPRs protection as indicated by the significant coefficients of IPR and IPRSQ (positive and negative respectively). This shows that strengthening IPRs system is associated with an initial increased flow of PFDI, however, after a certain optimal level, further increases in patent protection offered to patent owners leads to a negative effect on PFDI inflows. Thus, there is an inverted U-shaped relationship between IPR and PFDI. This might be explained by the fact that after a certain level of patent protection is reached, firms become confident that their KBA can be safely

Table 2: IPR -PFDI Regressions

	1	2	3	4
ARG	-0.005 (0.069)	0.078 (0.124)	0.049 (0.103)	0.048 (0.105)
GCAP	-5.469 (6.147.)	-9.244 (10.248.)	-5.994 (8.542.)	-5.880 (8.680.)
OPEN	0.048* (0.025)	-0.018 (0.041)	-0.001 (0.034)	-0.000 (0.035)
INFLA	0.458 (0.580)	-0.323 (0.721)	-1.825*** (0.678)	-1.845** (0.678)
POP	0.000** (0.000)	0.000** (0.000)	0.000 (0.000)	0.000 (0.000)
SEC		-0.003 (0.080)	0.007 (0.067)	0.006 (0.068)
RISK	17.932*	 (10.335)	9.054 (8.788)	9.234 (8.994)
IPR		10.526*** (2.738)	23.322*** (3.527)	25.523*** (3.901)
IPRSQ			-3.510*** (0.739)	-3.563*** (0.858)
IPR*TRIPS				0.116 (0.919)
Constant	12.987 (19.377)	-27.797 (29.884)	-25.906 (24.833)	-26.758 (25.978)
N	125	83	83	83
R^2-adjusted	0.16	0.23	0.47	0.45

*Significant at the 10% level. **Significant at the 5% level.
***Significant at the 1% level.

protected from imitation, and therefore may shift to licensing of delivery of their goods and services rather than direct local production. Another possibility for the diminishing returns of IPR is that, beyond a certain level, firms seek to use their market power to exploit or dominate their markets (e.g., produce little and sell at higher price to maximize their profits) rather than expand the size of their market to achieve both economies of scale and scope.

We also examined whether the TRIPS agreement has contributed to PFDI inflows far and beyond that of the pre-TRIPs era and the result is reported in Column 4. The IPR*TRIPS variable is positive but not significantly correlated with PFDI. This suggests that IPRs contribution to PFDI inflows after 1995 is not significantly different from the pre - TRIPs era (before 1995). This finding supports the argument that strengthening IPRs alone is not sufficient in and by itself to facilitate PFDI inflows.

The positive significant effect of the population variable (Columns 1 and 2) also shows that market size is an important element in the MNEs investment decisions. The finding on population supports Seyoum's (1996) results that population is an important determinant of PFDI inflows. This finding might also mean that MNEs are more interested in market expansion rather than dominating their markets or exploiting their markets through their market power as advocated by the anti-WTO agents. The investment climate variable (RISK) is positive and significant (Column 2) indicating that the overall investment climate or institutional environment of the host country matters in the decision making process of MNEs.

Inflation is not significantly related to PFDI in Columns 1 and 2. However, when we control for nonlinearities between IPRs and PFDI, the results show that inflation is negative and significantly correlated with PFDI. This is not surprising because foreign investors view high inflationary levels as an indication of macroeconomic instability and may be reluctant to invest in those situations. The policy implications of our study are discussed next.

Policy Implications and Concluding Remarks

The findings of the study indicate that over the past two decades, IPRs, market size and business climate have been key determinants of PFDI in SSA. These results have important implications for firms seeking to invest in the region and policymakers in SSA.

First, although strong patent protection is an important variable for PFDI decisions, it needs to be complemented by other considerations, including increased market access, growth rate of the economy, and the overall investment climate. Thus, from a policymaking perspective, IPRs must be seen as an important component of the general country conditions, including macroeconomic stability, production incentives, investment regulations, and above all an effective infrastructure for enforcing the new intellectual property laws.

Second, strengthening IPRs benefits not only the patent owners, who are mostly foreigners, but also the host county in terms of PFDI. Obviously, the bigger challenge is not in just attracting PFDI, but more importantly, how to utilize it in generating the growth that is needed in the region to help reduce poverty and income disparities. It must be noted that PFDI's growth enhancing effect is possible only when it stimulates domestic capacity of the host country. Consequently, policymakers seeking to strengthen their IPRs system must also emphasize PFDI that generates externalities to the local economy. As noted by Agosin and Mayer (2000), PFDI has been more productive in Asia than in other regions of the developing world because Asian governments actively implemented policies that discriminated in favor of foreign investment that have positive effects on domestic investment. The implication is that PFDI may be more useful when the host country is able to control, regulate, and direct PFDI into sectors that generate externalities to the overall economy (Rhagavan, 2000).

Third, the diminishing returns property of strengthening of IPRs on PFDI suggests that policymakers must recognize the benefits and costs associated with IPRs and seek to balance the interests of patent owners and users of intellectual property. The challenge therefore is how to design and implement the optimal IPRs strategy that will promote the market expansion (serving more markets) of MNEs rather than making the IPRs too strong such that it grants producers excessive market power to exploit their markets. As discussed earlier, excessive patent protection and the excessive monopoly power will result in loss of consumer welfare, because producers will be more interested in maximizing their profits through under-production and selling at a higher price.

Fourth, an important component of any program to attract high-quality PFDI and promote technology transfer is the development of a competent indigenous technological capacity. The ability to absorb new technologies can also influence the flow of PFDI into a country. This means that countries, in the region must invest in education and training, which will help to enhance the absorptive capacity of domestic firms to improve their productivity and the effectiveness of the IPRs system. Additionally, the effectiveness of the IPRs system is dependent on not only how it impacts the market structure but also innovation and technology transfer. Accordingly, a practical guide for SSA countries is the promotion and development of local and national innovation systems by supporting R& D, removing disincentives for applied R & D and its commercialization, and taking greater advantage of access to technical information that exists within the global information infrastructure (Maskus, 1998).

The literature we reviewed and our findings from this study provide some important directions for future research. First, future research should seek to identify the optimal level of IPRs for SSA countries to guide policymakers as to how they can derive the maximum benefits from strengthening their IPRs system. Second, strengthening IPRs promote PFDI inflows and innovation, which are necessary ingredients for growth, and therefore more research needs to be done to asses the welfare effects of PFDI.

In concluding, we argue that although there appears to be strong reasons why least developed countries, like those in SSA, should not strengthen their IPRs (e.g., low level of R & D), the evidence of this study indicates that SSA countries benefit from strengthening their IPRs system through increased inflow of PFDI. As a result, while it is true that lower IPRs in the context of developing countries facilitate imitation of foreign technologies, developing countries can also strengthen their IPRs in order to increase PFDI and innovation by domestic firms. Finally, strengthening the IPRs system must form part of a coherent strategy and broad set of policies that maximize the potential for PFDI inflows, promote innovation, and overall economic growth in SSA.

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INTRODUCTION OF COMMON CURRENCY "ECO" IN WEST AFRICAN STATES: PROBLEMS, CHALLENGES, AND IMPACTS ON THE NATIONAL ECONOMIES OF MEMBER STATES

P. K. Asante

Abstract

This paper seeks to identify the problems, challenges, and the implications of introducing a common currency 'ECO' in West Africa on the economies within the sub region. Specifically, the study focuses on the mandates of trade, the Customs, Immigration and Monetary and Payment Commission under the institution of the economic order of West Africa States. The augmented gravity model of Rose (1999), Alesina (2000), and Barro and Tenreyro (2002) was used to estimate the effects of monetary union on trade. The result shows that the performance so far of member countries as at the end of 2002 in meeting the convergence criteria revealed that it was inadequate to support the launching of the monetary union in 2004. The study concludes that though the introduction of a single currency will foster trade within the West-African sub-region, most countries have difficulty meeting the convergence criteria that will foster smooth take off of the project. It therefore recommends that the implementation of the single currency and common monetary policy in West Africa should be a gradual process as most countries within the sub-region are not politically mature, let alone to meet the convergence criteria.

Introduction

The aim of the ECOWAS is to promote accelerated and sustained economic activities, leading to the economic unity of West African sub region; the elimination of all customs and duties on trade among member states; the establishment of a common commercial policy towards Third World countries. In short, in accordance with the ECOWAS Treaty- Article 2, ECOWAS aims, to promote economic development, regional integration, and trade in the member states.

In pursuit of these objectives, the Authority of Heads of States and Governments realized the problem posed by the multiplicity of inconvertible currencies to inter-regional transaction. Accordingly, the Authority through the recommendations of the Governors of the Central Banks adopted the ECOWAS Monetary Zone in the year 2000. A transitional period, 1990-2000 was set to achieve this objective. Within the transitional period, the Authority approved the following measures to be implemented:

Short Term Measures

- Liquidation of arrears in West African Clearing House (WACH)
- Introduction of new payment systems
- Introduction of a credit and guarantee fund in WACH
- Transformation of WACH into specialized agency on ECOWAS

Medium Term Objectives

- Adjustment of exchange rates to be equilibrium levels
- Adoption of ECOWAS Exchange Rate System
- Liberation of current and capital transactions within the community
- Adoption of a market-oriented approach in the use of monetary policy tools

Goal of the West African Monetary Zone (WAMZ)

The goal of the monetary union in ECOWAS has long been an objective of the organization, going to its formation in 1975. It is intended to accompany a broader integration process that would include enhanced regional trade and common institutions. In the colonial period, currency boards linked sets of countries in the region. On independence, however, this currency boards were dissolved with the exception of the CFA Franc zone, which included the Francophone countries of the region.

The Benefits of Economic Integration

The benefits of international trade are numerous. It has been shown conclusively that more trade is better than limited trade, while some trade is better than no trade. To facilitate trade, there is the need for a means of payments. In this direction, it is necessary to have in place some form of monetary arrangements. Such arrangements are usually predicated on established patterns of trade. Trading arrangements or blocs precede monetary cooperation. To sustain and improve on trade within geographical or economic blocs, customs procedures could be streamlined through the adoption of common rules and the institution of a common external tariff. Thus, trade within the zone adopting the common policies would become relatively easier, less costly and generate increased economies of scale over time. This explains the reasons for the proliferation of economic or regional blocs all over the world at the same time that multilateral trading arrangement is being canvassed as the answer to global prosperity.

The benefits of monetary and financial integration are no more in dispute as they are widely accepted. Agu (1992) identified these to include among others, expanded aggregate investment; improved resource allocation; increased domestic savings; enhanced financial intermediation; and greater international trade. Financial integration also serves as a stabilizer for common currency. It saves international reserves by providing alternative choices between foreign and domestic goods, services, and assets. This is not to suggest that there would be no cost to the participating countries. However, the question is whether countries with highly protected economies will find the costs of monetary and financial integration acceptable.

These integration costs would basically from the constraints such integration impose on the pursuit of member's own national financial, monetary, and exchange rate policies. While the potential benefits from such integration generally take considerable time to be realized, the costs are immediate. Similarly, in the short-term, these benefits will not accrue to all participants in equal measure within the same time frame. However, in the long the benefits will be spread more evenly. These in part explain why members of various trade groupings in the developing countries and, indeed, in the industrialized world have been unwilling to move towards monetary and financial integration e.g. Britain.

Historical Background to Single Currency in West Africa

From the historical point of view, several attempts had been made to establish economic integration in West Africa. This is evidenced particularly with the Francophone countries which had established strong economic and cultural ties with their French colonial masters whereby many aspects of the previous systems have been maintained. At independence in 1959, the countries comprising what had been the French West Africa Federation, that is all former French colonies in West Africa with the exception of Guinea, were still anxious to cooperate. This led to an agreement to form immediately, the West African Customs Union (UDAO), consisting of Dahomey, (now Benin), Togo, Ivory Coast, Mauritania, Niger, Senegal, Sudan (now Mali) and Upper Volta. Their achievements were minimal, however. As a result of the difficulties experienced in operating it, the Union was modified in 1966 to be less ambitious.

The name was also slightly modified to the Customs Union of West African States (UDEA0). After the collapse of UDEAO, the group was reshaped in 1970 to embrace twelve Francophone and Anglophone countries as the Economic Community of West Africa (CEAO). However, the formal Treaty was delayed and did not come into effect until January 1974. The major achievement of this community has been in the monetary area, a common currency (CFA Franc) being accepted for use all the community member states except Mali. There has been no example of significant cooperation in industrial or other spheres of activity, nor any significant increase in trade among the constituent countries.

A number of efforts aimed at linking smaller groups of states within the region have been made since the late 1950's. Ghana and Guinea formed a customs union in 1958, which was joined by Mali in 1964. The union survived with minimal achievement until 1963. Ghana also linked up with Upper Volta in 1960. Another attempt also includes Gambia and Senegal for the Gambia and Senegalese Economic Integration and a West Africa Free Trade Area comprising Ivory Coast, Guinea, Liberia and Sierra Leone. One of the more significant developments has been the council of Understanding (Conseil de L'entente) formed in 1959 between the Ivory Coast, Upper Volta, Niger and the Republic of Benin. It was joined in 1966 by Togo. This Council was mainly political but economic aims were included. There is a customs union and provision for some pooling of funds with elements of redistribution towards its poorer members. Achievements, unfortunately, have been minimal.

More limited attempts at cooperation have been between Sierra Leone and Liberia and between Senegal and The Gambia. In 1973, Sierra Leone and Liberia came together to form a common market, the Mano River Union. This was expanded substantially in 1980 by the addition of Guinea.

The possibility of an Association between Senegal and The Gambia has been discussed for many years. The reason must seem obvious from the map. The two people of these countries are not ethnically distinctive, and the frontiers of The Gambia are quite arbitrary in relation to natural and economic features. However, in December 1981, the Sene-Gambia Confederation Agreement was signed. The Agreement, which did not detract from the separate existence of the two countries, was almost entirely concerned with formalities. The only reference to economics was the statement that the Confederation shall be based on development of an economic and monetary union. The content of that decision remains to be negotiated.

Major difficulties in the way of an economic union of these two countries were the different price and wage level of customs tariff. An attempt at harmonization would be likely to have a radical effect in raising prices in the Gambia. In particular, the different tariff levels create difficulties. The Gambia had low import duties, so that any move to raise them towards the level of Senegal's external duties would increase cost in prices to the Gambia. These are enough reasons (with separate and additional problems) for expecting the development of an economic and monetary union to be a slow process and to require a good deal in the way of compensatory arrangements if the Gambia was not to suffer heavy losses. However, the formation in 1975 of the Economic Community of West African States (ECOWAS), embracing all the 16 states in West African region, was the climax of these series of earlier effort to bring about closer economic cooperation among West African States.

United Nations Contribution

By the mid 1960s, the United Nations, through UNCTAD and the Economic Commission for

Africa began to throw its weight behind major regional integration efforts. Plans were evolved for four major Regional Economic Communities in Africa. These included the Eastern African Community, the Central African Community, and the Northern African Community. The forth was to encompass the states of West Africa that now form the ECOWAS.

The initial step towards the formation of ECOWAS was taken at a conference on Industrial Coordination in West Africa held in Bamako, Mali in 1964. This was consolidated with a further conference on the same theme held in Niamey, Niger in 1966. At this conference, Articles of Association for the proposed community were drawn up. Although the relevant governments did not immediately sign these articles, an Interim Council of Ministers was set up. Nevertheless, further meetings in Darker and Monrovia did not advance progress significantly towards the launching of the community, and it required further initiatives in the early 1970s by Nigeria and Togo, with the support of ECA to produce new momentum, culminating in the signing of ECOWAS Treaty in May 1975 in Lagos, Nigeria. In furtherance of the aim of the United Nations proposal for economic integration in West Africa, another meeting was convened in 1978 through UNCTAD on Economic Cooperation among developing countries on the theme: Trade Expansion and Regional Economic Integration among Developing Countries. This was held at Palaise de Nations, Geneva from 10th to 18th April. Primarily the meeting was to assess progress made by the regional groupings thereby to fulfill the objective of the new international economic order. Wide ranging discussions were held and several activities were outlined and covered. Among these were preferential trade; state trading operations, monetary and financial cooperation; development of infrastructure, transport, and communication; restructuring and programming of industries, fiscal and balance of payment matters; training and educational facilities; establishment of joint industrial enterprises; expansion of cultural contacts; treatment of foreign investment; transfer of technology, and preferential measures in favour of least developed countries.

Institution of the Economic Order of West African States

After the 1978 conference, member states of ECOWAS threw more weight on their efforts to catch up with the new international economic order. Nine major institutions were set up and these include:

- The Authority of Heads of States and Nations.
- The Council of Ministers.
- The Secretariat of the Community.
- The Industry, Agriculture, and Natural Resource Commission.
- The Transport, Telecommunications, and Energy Commission.
- The Trade, Customs, Immigration, and Monetary and Payment Commission.
- The Social and Cultural Affairs Commission.
- The Fund for Cooperation, Compensation, and Development (commonly called the ECOWAS Fund).
- The Tribunal of the Community.

These nine institutions had their broad and specified mandates. For the purpose of this study, I shall limit my examination of these mandates to the trade, Customs Immigration, Monetary, and Payment Commission.

The Mandate of the Trade, Customs, Immigration, and Monetary and Payment Commission

This Commission was mandated to initiate proposals for trade liberalization; mobility of factors of production; and facilitate monetary and trade payment within the region. When it went into operations, the West African Clearing House was set up with the following objectives:

- To promote the use of the currencies of countries of member central banks for sub.
- regional trade and other transactions.
- To bring about savings in the use of the foreign reserves of the members.
- To encourage members of the Clearing House to liberalize trade among themselves.
- To promote monetary cooperation and consultations in the region.

Its main operation is to encourage member states to use their national currencies in payment for goods and services among member states through their central banks without the need for conversion into foreign currencies. An economic operator (individual or institution) wishing to settle transaction through the WACH mechanism, will contact his commercial bank and gives the necessary transfer instructions. The commercial banks having ensured that the particular transaction is eligible for treatment through WACH, pass the payment order to their central banks. The central banks then would advise the central bank of the country of the beneficiary who will then effect settlement in local currency on behalf of the exporter through his commercial bank.

This mechanism will spare the importer the problem of obtaining foreign currencies to finance its imports while the counterpart exporter would receive payment for his export in his local currency. However, the smooth operation of his mechanism requires an agreed means of exchange arrangements.

The Introduction of West African Unit of Account (WAUA)

In order to simplify the exchange arrangement, involving the existence of multiple currencies in the sub region and to ensure an efficient clearing mechanism, West African Units of Account (WAUA) was introduced and linked to the SDR of the IMF. The WAUA would serve as the numeric for determining the relative strength of the currencies in the sub region.

It operations were however faced with series problems. At its inception, the record level of US$ 291.2 million in volume of transaction consistently declined to US$6.8 million by the end of 2002. This particular decline was due to the low level of intra-ECOWAS trade, owing to the slow pace of industrialization, lack of complimentarily in production; lack of trade information; the existence of trade barriers; and instability in the exchange rate of national currencies.

West African Monetary Agency (WAMA)

In spite of the setbacks outlined above another milestone was taken in 1993. On May 28, 1993, a draft protocol relating to WAMA was adopted in Cotonou by governors of central banks of member states. This abolished the WACH (West African Clearing House) and brought into existence WAMA. Broader objectives were however mandated to this agency including those of WACH which were:

1. To facilitate the harmonization and coordination of monetary and fiscal policies and structural adjustment programmes of the member states.
2. To ensure the coordination and implementation of the ECOWAS Monetary Cooperation Programme.
3. To encourage the pursuit by member states of appropriate macro-economic policies conducive to market determined exchange and interest rates for intra-regional trade.
4. To initiate and promote policies and programmes on monetary integration within the region.

5. To ensure the establishment of a single monetary zone.

In continuation of WACH programmes with the West African Clearing mechanism, this agency was able; in 1998, to launch the ECOWAS Travelers Cheques Scheme. The ECOWAS travelers cheque was also denominated in the West African Unit of Accounts. The main objective was facilitating intra-ECOWAS travel (tourism) and commercial transaction and eliminating the use of foreign currencies for these types of transactions.

It was expected that this instrument would assist member countries to conserve scarce foreign exchange and limit the carriage and use of physical domestic currency notes across boarders with all the accompanying risks.

However, statistics on the operations of the system indicated a less than satisfactory performance. Whereas it had been envisaged upon introduction that about US$448.5 million worth of cheques would be utilized within the first years of its operation, the actual total value of cheques encashed by the central banks throughout the sub region since the inception of the concept up to the end of March 2003 was only US$40.3 million. A research study commissioned by WAMA revealed that the cheque operation was beset by a number of problems among which were:

1. Low levels of acceptability by the general public and business concerns due to inadequate sensitization in the member countries.

2. Reluctance of some banking institutions to encash the instruments.

3. Refusals of some financial institutions to quote exchange rates in relation to the WAUA.

4. Delays in the processing of documents for final settlements of balances.

5. Speculative dealings in the instruments in certain countries.

Nonetheless, WAMA could not relent in its strive to pursue the objective of reaching a single currency in the sub region. Mechanisms were put in place and the ECOWAS Monetary Cooperation Programme (EMCP) was launched whose objective was the establishment of a single monetary zone and a common currency for the ECOWAS territory through the adoption by member countries of policy measures with a view to harmonizing those monetary policies and ensuring convergence of the various national economies.

Measures for the Smooth Operation of EMCP

A number of measures were recommended in order to guarantee the smooth implementation of the EMCP, particularly in the areas of exchange rate, fiscal and monetary policy. Among the measures are:

1. Harmonize exchange rate regulations legislations and banking surveillance and adoption of market-determined exchange rate regime and an ECOWAS exchange rate mechanism.

2. Harmonize economic and financial statistics design and implement adjustment programmes to ensure compatibility with the sub-regional objectives.

3. Harmonize fiscal, monetary, and financial policies (especially capital and credits as well as domestic taxation systems) and liberalize the money, capital and labour.

markets

4. Establish an effective community market through trade liberalization, remove tariff and non-tariff barriers and integrate the capital markets through the establishment of regional stock exchanges.

5. Popularize the use of West African Units of Accounts (WAUA) and revitalize the sub regional clearing operations.

6. Comply with prescribed macro-economic convergence criteria.

The ECOWAS Monetary Cooperation Programme is classified into three main aspects:

- The macroeconomic convergence requirement
- The ECOWAS Multilateral surveillance mechanism
- The ECOWAS exchange rate mechanism.

These three aspects of the EMCP were seen as bold or giant strides taken to ensure compliance through member states in order to reach the objective of single monetary zone.

Macroeconomic Convergence

This is a core issue under the ECOWAS Monetary Integration Programme. Without convergence, policy coordination would be extremely difficult. This would certainly threaten the macro economic stability of the union and undermine the purchasing power of the common currency being envisaged. In pursuance of this convergence, certain indicators known as convergence criteria were adopted to evaluate economic performance of member countries.

The convergence criteria focus on price stability, prudent fiscal policies, restrictive budget deficit financing, and maintenance of adequate gross foreign reserves. These include:

1. Budget Deficit/GDP ratio (excluding grants) should be less than or equal to 4%.

2. Inflation rate should be less than or equal to 5%.

3. Central Bank financing of budget deficit should be less than or equal to 10% of previous year's tax revenue.

4. Gross external reserves should be greater than or equal to six months of import cover.

Explanatory Notes on the Convergence Criteria

The above convergence criteria are very important because only member states that have met them would be able to join the zone. The introduction of the single currency in West Africa is intended to foster economic development and growth. The fundamental requirement is for member countries to achieve some degree of convergence in macroeconomic policies. The level of convergence required to be attained can be measure by the following criteria:

- **Price Stability:** Every country should make an effort to maintain stable prices by reducing its level of inflation to below 10% by the end of 2000 and 5% or below by 2002.

- **Budgetary Discipline:** All the countries are required to maintain budgetary discipline by reducing the budget deficit. The level of budgetary discipline is measured on the basis of maintaining the annual budgetary deficit at or below a ratio of 5% of the GDP by 2000 and by 4% by 2002.

Reduced Inflationary Financing: In order to ensure stability in prices and the exchange rate, all the countries are expected to reduce their dependency on credit from their central banks to a sustainable non-inflationary level. Hence,

- central bank credit to the government to finance its budget deficit has been minimized to a ceiling of 10% of the previous year's fiscal receipts.

- Health Reserve Position: To ensure the maintenance of a minimum foreign exchange reserves position that will support average level of imports, every country is required to maintain a ratio of reserves to import cover the three months by the end of 2000 and six months by 2003.

Policy Instruments for the Convergence Criteria
In order to reinforce the above convergence criteria, certain policy instruments were put in place to ensure strict compliance by member states. These policy instruments were regarded as secondary criteria and they include:

- No accumulation of domestic arrears and liquidation of all outstanding debts.

- Tax receipt/GDP ratio should be greater than or equal to 20% (at least 20%).

- Salary mass/total tax receipt ratio should be less than or equal to 35% (at most %).

- Public investment finance from internal resource/tax receipt ratio should be greater than or equal to 20% (at least 20%).

- Positive real interest rate.

Assessment of the performance of the member countries as at the end of 2002 in meeting the above criteria revealed that it was inadequate to support the launching of monetary union by 2004. No single country had been able to achieve the entire set of targets, or even had been able to sustain those achieved in previous years. In fact, the overall performance in 2002 deteriorated in comparison with the achievement in previous years.

Advantages of a Single Currency Unification

The regional economies of countries in the zone as well as its citizen will benefit in the following ways from the introduction of the single currency:

- Regional Economy: It will promote zonal market for trade and investments and thereby enhance regional economic integration for sustainable growth and development.

- Covenant: Government of member countries to maintain price stability and reduce inflationary trend and good foreign exchange reserve positions.

- Workers: The purchasing power of workers' wages will improve with a strong and stable currency that is convertible and acceptable throughout West Africa. Easy accessibility and provision of goods and services to other countries.

- Business: Prices to be quoted will be in known currency with no exchange admission or fees. The acquisition of foreign exchange will not be needed in the sub region. It will also encourage trade liberalization and confidence building among the economies of member states. Traveler's acquisition of foreign exchange for intra regional travels will not be required. Commission or exchange fees will also not be paid. There will also be no need for the application of basic travelling allowance for trips within the sub-region.

Disadvantages of Joining a Single Currency

The major disadvantage of joining a single monetary zone is the ceding of sovereignty over monetary policy to a super-national monetary authority or a common central bank. By so doing, national economies will lose the discretion and independence in the application of monetary policy for domestic economic management.

The consensus process by which member states agree on the monetary decisions could be another problem if it not structured properly because there will always be the tendency for the bigger economies like Nigeria, Ghana to influence decision that may not be in the best interest of other member states.

How Does The Introduction Of Single Currency Benefit Trade In The Region?

Paul Mason and Catherine Pattillo agree that the benefit of a monetary union tend to be greater if the countries concerned already have a substantial amount of trade among themselves. Since transaction cost and bilateral exchange rate transactions related to that trade will be reduced. The more asymmetric and large the policy facing the countries, the greater is the cost of a fixed rate. This increases the attraction of retaining an independent monetary and exchange rate policy. Countries are less likely to face large asymmetric terms of trade policy if they have diversified economies with similar strategies. For instance, a country that exports oil and imports mainly manufactured goods is likely to experience different movements in its term of trade than a country exporting cocoa and importing oil.

These policies will be less of a problem if there is substantial labour mobility or there exist a system of fiscal transfer across the region. The source of shocks especially for countries whose exports are primary commodities is the term of trade. First there are very large movements of the terms of trade for several of the countries. The amplitude of the swings is especially large for Nigeria because of changes in the world price of oil, Nigeria's major export.

Secondly, these shocks to the terms of trade are typically not well correlative in large parts to the different commodities that are exported and the fact that the world prices of the different commodities are common to a number of countries in the region like cocoa, etc. Others are found only in one or two countries such as bauxite in Guinea and phosphate in Senegal and Togo. Countries like Nigeria, Guinea, Niger and Guinea-Bissau are each dependent on a single commodity for 50 percent or more of their net export earnings. The different primary commodities exported by the ECOWAS countries do no lead to a correlation in their terms of trade because while one country will be enjoying a favourable swing on the world market leading to unfavourable terms of trade the other would experience exactly the opposite effects.

Thirdly, the correlation tend to be higher for the WAEMU countries among themselves than either the correlation of WAEMU with non-WAEMU countries or the correlation among non-WAEMU countries. Hard data on labour mobility it high between some countries of the region because of traditional migration and trading patterns that cut across national boundaries. In this light, the Ivory Coast has the largest proportion of resident foreigners, which stand at 16 percent followed by the Gambia (14%) and Guinea (8%). ECOWAS has tried in this light by eliminating visa requirements in order to have free mobility of labour, but some citizens facing residency in another country still face difficulties.

Fiscal Transfer

Normally, federal or voluntary states that constitute monetary union have a mechanism that helps to absorb the various shocks hitting the different regions. In Europe, the absence of such a mechanism was viewed as a considerable drawback and a "Cohesion Fund" was quickly set up that was designed to subsidize poorer regions. The six non-WAEMU countries have also announced their intention to set up a Standardization and Corporation Fund to make temporary transfers among the converging economies of the monetary union. It has however not been set up yet but it will have an initial amount of $100m. It will become operative once 75% of the fund has been raised. The success of such a fund however will depend on countries paying their dues and the commitment of each member country to help its neighbours during time of adverse terms of trade.

Currency Unification and Trade

The effect of a common currency on trade is an important issue. The increase in trade stemming from a common currency is one of the few undisputed gains from the European Monetary Union (EMU). Even European Monetary Union skeptics, such as Feldstein (1997), agree that substituting a single currency for several national currencies reduces the transactions cost of trade within that group of countries. Indeed, this was one of the official motivations behind the EMU project (European Commission, 1990). Clearly, it is cheaper to trade between two countries that use the same currency than between countries with their own monies. The question may be asked: Does Monetary Union affect trade and output? A leading professor in this field, John C. Anyaneuce, using the work by Andrew K. Rose "Estimating the effect of Common Currencies on Trade" and backed by notable scholar like Hall and Jones provided theoretical and empirical support to answer this question.

There are two optical currency area properties that are in assessing the net benefit from currency unions: their degree of openness, the extent of reciprocal trade among group of partner countries), and their correlation of incomes (capturing over time diverse other properties) Frankel, 1999). The postulation is that countries sharing a high level of either openness or income correlation, but preferably both properties, will find it beneficial to share a single currency It is generally agreed that reciprocal trade and openness increase among countries sharing a single currency and a common monetary policy in response to a decline in transportation costs and a more stable exchange rate regime. However, there is lack of consensus regarding the extent by which income correlation rises or falls following monetary integration and the effective increase in reciprocal trade. What have emerged are two opposite paradigms: the "Krugman specialization hypothesis", and the "Endogeneity of OCA hypothesis".

The Model and Data

This section links together bodies of research that had been published recently. The first is the effect of monetary union on trade in which we show that members of a monetary union systematically engage in more international trade. We use the augmented "gravity" model as our framework. In particular, we ask whether bilateral trade between West African countries is higher if both use the same currency, holding constant a variety of other determinants of international trade. The second relevant area concerns the subject of monetary union and growth, relying on the augmented endogenous growth framework. The underlying convergence hypothesis in the growth literature dictates that income at the end of a period depends on income at the beginning of the period, with a tendency to regress gradually towards some long-run steady state. Convergence is conditional if it is only present after conditioning on variables such as factor accumulation. The Research Division of the West African Development Bank supplied the data set used to implement the estimations.

The Trade Equation

We use the "augmented gravity model" of Rose (1999): see also Frankel and Rose, 2000; Alesina, Barro, and Tenreyro, 2002) to estimate the effects of monetary union on trade. The model is "augmented" in that the "standard gravity model" only includes income and distance variables. According to this model, export from one country to another country are explained by their economic sizes (GDP) or GNP, population, or per capita income), direct geographical distances and a set of dummies incorporating some kind of institutional characteristics common to specific flows. A high level of income in the exporting country indicates a high level of production, which increases the availability of goods for exports. A high level of income in the importing country suggests higher imports. Thus, using GDP as one of the determinants to the potential foreign trade is straightforward. All things being equal, a larger GDP in one country must create a larger demand for imports and a larger GDP in countries that creates a larger supply for exports to total production.

With regard to population size, several studies show that it proxies that physical size of the economy and the population has a negative effect on the openness ratio. This is justified by the fact that a larger country enjoys greater self-sufficiency under the assumption of economies of scale and larger natural resources endowments. However, the coefficient estimates for population of the exporter/importer may be positive or negative, depending on whether the country exports/imports less when it is big (absorption effect) or whether a big country exports/imports more than a small country (economies of scale).

Tastes for imported goods (presumed to be luxuries) rise with per capita incomes, hence an unexpected positive effect of per capita incomes in the importing country. A positive finding for exporter per capital incomes, assumes that per capita income is a proxy for capital intensity, with a positive coefficient suggesting that the class of goods exported was relatively capital intensive. It. is common to expand the basic gravity model by adding other variables. For instance, variables are added to control for common language, common border, common colonial history, common currency, land lockedness and insularity. Usually, these variables are introduced as dummies in the gravity equation (International Trade Centre, UNCTAD/WTO (2003).

Multilateral Surveillance Mechanism

This aspect of ECOWAS Monetary Cooperation Programme (EMCP) involves continuous monitoring of the economic and financial policies of member states to ensure the achievement of the closest coordination and convergence of the national economies.

The West Africa Monetary Agency (WAMA), an autonomous body of ECOWAS has the overall responsibility for the multilateral surveillance. It is charged with coordinating the activities of the sub region with the objective of creating the synergy and cooperation required to move the process of integration forward.

WAMA undertakes this responsibility by disseminating half-yearly questionnaires on member central banks that serves as the main source of its data and information requirements. It also undertakes periodic missions to member countries where pertinent issues relating to macro-economic policy and compliance with the convergence criteria are discussed with central bank officials and governmental agencies responsible for monetary integration in the various countries.

The ECOWAS Exchange Rate Mechanism (EERM)

This is an operation framework that has been designed to help monitor and manage the developments in exchange rates of the various national currencies. The relevant technical documents have been finalized but are yet to be implemented due to the absence of certain prerequisite such as:

- Adopting a convertibility agreement of national currencies of ECOWAS member countries.

- Lifting all forms of restrictions on current and capital transaction between member states.

- Abolishing restrictions on the use of material currencies in intra regional trade.

Notwithstanding the various economic obstacles so far encountered, the implement (WAMA) still saw the need for the introduction of a single currency and common monetary policy in West Africa, as the prospects are very bright. In the first place, the existence of the CFA Franc monetary zone serves as a model for the second monetary zone for the other countries in the sub region. The fast track approach has also given a big push to the integration process, and more than ever before, ECOWAS member countries had become increasingly aware of the need and benefits of monetary and economic integration. In effect, all ECOWAS countries are forging ahead in adjusting their economies to meet the stringent economic convergence criteria, despite the numerous setbacks. We hope that the aim and objectives envisaged by the Heads of States and Nations of the region will be achieved in due course.

Conclusion

It is indeed necessary for a single currency and common monetary policy zone in West Africa as an aid to prosperity and economic growth in the sub-region. But one should stop short and think of the road to its implementation.

Like the European Union which today have set up a single currency called euro; so many rivers were crossed and a lot of sacrifice and effort were ushered to achieve the common monetary zone in Europe. Some of these efforts were not evidence in West Africa. For instance must intra-regional trade is not in existence in the region. The question of abolishing trade barriers that are diversified would cause some member states to suffer because mush of their source of revenue comes from these areas when little or no intra-regional trade exists. Considering also the lack of political will which is lacking in the region, creates a serious bottleneck in the road to the achievement of such a noble venture. Above all, the implementation of the programme is faced with a heavy competition by the IMF and World Bank whose support is found to be contrary with the implementation policies of the intended regional integration. These policies always supersede the regional policies; as a result, targets set by regional groupings are always at variance with actual result obtained at end periods.

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MAINTAINING CORPORATE GOVERNANCE STANDARDS IN GHANA; THE ROLE OF BOARD OF DIRECTORS

Daniel Haizel

Abstract

The effects of the collapse of a company, whether private or state-owned can be very traumatic for the employees and others in the society. It can also have repercussions for the nation's economy. Experiences suggest that the risk of such a collapse is heightened where poor corporate governance practices prevail. This article reviews the OECD principles on good corporate governance and the corporate governance frame work in Ghana. The writer discusses the critical role of the board of directors in ensuring the maintenance of good corporate governance. He concludes by offering some suggestions that will help boards to efficiently discharge their responsibilities.

Introduction

The corporate scandals that rocked the private sector in the USA from 2001 (Enron, WorldCom, Tyco etc.) have given rise to concern on several fronts. First, as the Enron case illustrates, questions have risen with respect to accounting practices. Were appropriate practices and standards being followed? Was there adequate transparency in financial reporting? Were executive compensations justified?

The developing countries have not also been spared the spate of corporate scandals that has rocked the developed countries. In recent years, a growing string of business scandals has occupied the front pages of newspapers in many developing countries. In Ghana for instance, the bank of Ghana in 2001 had to close down two banks, Corporative Bank of Ghana and the Bank for

Housing and Construction, because they became insolvent. Initial investigations revealed that inappropriate corporate governance practices were being practiced by these institutions. These ranged from inadequate transparency in financial reporting, to executives receiving huge loans with questionable repayment terms.

Another case is that of the Ghana National Petroleum Corporation (GNPC) which, despite clear statutory language limiting it to petroleum, veered into investment holdings in areas far removed from its core business as well making 'wild forays' into the world of high finance, placing hedge bets on oil it had not produced. Massive GNPC borrowing from the central bank in 1994, possibly to cover recurring operating losses and contracted liabilities, contributed to a 46% rise in the money supply and higher inflation. During this period, GNPC is not known to have published a single audited financial statement. Investigations indicated lack of control by the board on the company's operations.

The growing interest in good corporate governance practices stems from two reason. First, good governance practices are seen as a way to prevent abuse and keep corporations on tract. Second, evidence indicates that sound governance practices are an important determinant of societal well-being and economic growth. Indeed, as the influence of corporate sector becomes more pervasive and so the process of globalisation continues, large corporations are playing a dominant role in many local economies. As s result, good governance practices in the private sector may affect the lives of local citizens in very direct and positive ways. In the view of the former president of the World Bank, in future, the "proper governance of companies will become as crucial to the world economy as the proper governing of countries."

What is Corporate Governance?

The Commonwealth Association of Corporate Governance and the King Report 1991 define corporate governance as: "The system by which corporations are directed and controlled." The Manual On Corporate Governance in Ghana states that the board is "to ensure the company's prosperity by collectively directing the company's affairs, whilst meeting the appropriate interests of its relevant stakeholders." According to Salmin Corporate governance has to do with." The oversight of corporate strategy as well as the selection, evaluation and compensation of top management." Corporate Governance, in its most simplified iteration, refers to the manner in which corporate bodies are managed and operated.

What is Corporate Governance Standards?

It is a set of corporate governance guidelines or principles set out by the (OECD) Organization for Economic Cooperation and Development. These guidelines or principles are not intended to substitute government or private sector initiatives to identify more detailed corporate governance practices to suit individual circumstances. They are however intended to provide guidance and assistance to governments, regulators, stock exchanges, investors, and corporations in evaluating and developing the regulatory framework and supporting corporate governance systems.

The principles focus on publicly traded companies. However, to the extent they are deemed applicable, they might also be useful tool to improve corporate governance in non-traded companies, for example, privately held and state-owned enterprises. They are intended to be concise, understandable, and accessible to the international community. The principles cover five areas, namely:

- The rights of shareholders
- The equitable treatment of shareholders
- The role of stakeholders
- Disclosure and transparency
- The responsibility of the board

Brief Overview of the Principles of Corporate Governance Standards

The corporate governance framework should protect shareholders' rights which include the right to:

- secure methods of ownership registration;
- convey or transfer shares;
- obtain relevant information on the corporation on a timely and regular basis;
- participate and vote in general shareholder meetings;
- elect members of the board; and
- share in the profits of the corporation.

Shareholders have the right to participate in, and to be sufficiently informed on decisions concerning fundamental corporate changes such as:

- amendments to the statutes or articles of incorporation or similar governing documents of the company;
- the authorization of additional shares; and
- extraordinary transactions that, in effect, result in the sale of the company.

Shareholders should have the opportunity to participate effectively and vote in general shareholder meetings and should be informed of the rules, including voting procedures that govern general shareholder meetings:

- Shareholders should be furnished with sufficient and timely information concerning the date, location, and agenda of general meetings, as well as full and timely information regarding the issues to be decided at the meeting.

- Opportunity should be provided for shareholders to ask questions of the board and to place items on the agenda at general meetings, subject to reasonable limitations.
- Shareholders should be able to vote in person or in absentia, and equal effect should be given to votes whether cast in person or in absentia.

- Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership should be disclosed.

- Markets for corporate control should be allowed to function in an efficient and transparent manner.

- The rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets, should be clearly articulated and disclosed so that investors understand their rights and recourse. Transactions should occur at transparent prices and under fair conditions that protect the rights of all shareholders according to their class.

- Anti-take-over devices should not be used to shield management from accountability.

- Shareholders, including institutional investors, should consider the costs and benefits of exercising their voting rights.

The Equitable Treatment of Shareholders

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights. All shareholders of the same class should be treated equally as spelt out below:

- Within any class, all shareholders should have the same voting rights. All investors should be able to obtain information about the voting rights attached to all classes of shares before they purchase. Any changes in

voting rights
should be subject to shareholder vote.

- Votes should be cast by custodians or nominees in a manner agreed upon with the beneficial owner of the shares.

- Processes and procedures for general shareholder meetings should allow for equitable treatment of all shareholders. Company procedures should not make it unduly difficult or expensive to cast votes.

- Insider trading and abusive self-dealing should be prohibited.

- Members of the board and managers should be required to disclose any material interests in transactions or matters affecting the corporation.

The Role of Stakeholders in Corporate Governance

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.

- The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.

- Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights.

- The corporate governance framework should permit performance-enhancing mechanisms for stakeholder participation.

- Where stakeholders participate in the corporate governance process, they should have access to relevant information.

Disclosure and Transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company. Disclosure should include, but not be limited to, material information on:

- The financial and operating results of the company.
- Company objectives.
- Major share ownership and voting rights.
- Members of the board and key executives, and their remuneration.
- Material foreseeable risk factors.
- Material issues regarding employees and other stakeholders.
- Governance structures and policies.

Good governance requires that all relevant information should be prepared, audited, and disclosed in accordance with high quality standards of accounting, financial and non-financial disclosure, and audit. In addition, an annual audit should be conducted by an independent auditor in order to provide an external and objective assurance on the way in which financial statements have been prepared and presented.

Overview of Corporate Governance Framework in Ghana

A number of laws provide for governance structures for companies in Ghana. These include the Companies Code 1963 (Act 179), which provides for governance of all companies incorporated in Ghana; The Securities Industry Law, 1993 (PNDCL 333) as amended by the Securities Industry (Amendment) Act 2000, (Act 590), which provides for, among other things, governance of all stock exchanges, investment advisors, securities dealers, and collective investment schemes licensed under the Securities & Exchange Commission (SEC);the Ghana Stock Exchange's Listing Regulations, 1990 (L.I. 1509); and Rules on Take-Overs and Mergers that regulate governance of listed companies. Under the above legal framework for corporate governance, certain provisions ensure tight internal controls in the hope that it will be kept to a minimum. These include: role of board of directors, payments, and financial accounting.

Role of Board of Directors

Responsibility for good corporate governance at the level of the firm is imposed on the Board of Directors. Under the Companies Code 1963, (Act 179), the business of a company is managed by the board of directors, except as otherwise provided in the company's regulations. No doubt, the effectiveness with which the Board plays its oversight role depends to a large extent on its membership, its independence, and its expertise.

Under the Companies Code, the appointment and replacement of directors of companies is regulated by the company's regulations and is the preserve of shareholders. Corporate bodies, adjudicated and un-discharged bankrupts, and persons convicted on indictment in Ghana or elsewhere of any offence involving fraud, dishonesty, or any offence in connection with the promotion, formation or management of a corporate body, are not competent to act as directors of companies in Ghana. Companies seeking a listing on the Ghana Stock Exchange (GSE) must show "continuity of company management with a requisite level of competence and integrity." The Companies Code prescribes a minimum of two directors for each company and allows companies to fix the maximum number of directors in their Regulations.

The GSE Listing Regulations are silent on the size of boards. There is no requirement under the Companies Code for the appointment of independent directors, as best practice requires. The Companies Code makes provision for the appointment of executive directors by allowing directors to hold concurrently with the office of director any other office or place of profit in the company except the office of auditor.

The Companies Code does not provide for the balance of executive and non-executive directors. It however makes it possible for different stakeholder interests to be represented on a board by providing that "the Regulations of a company may provide for the appointment of a director or directors by any class of shareholders, debenture holders, creditors, employees, or any other person".

As best practice requires, there ought to be separation between the roles of CEO and Board Chairman. The Companies Code, however, does not preclude the appointment of the same person to the two offices. In the exercise of their duties to the company, directors stand in a fiduciary relationship with the company and are required to observe the utmost good faith towards the company in any transaction with it or on its behalf. They are required to "act at all times in what they believe to be the best interests of the company as a whole so as to preserve its assets, further its business, promote the purposes for which it was formed, and in such manner as a faithful, diligent, careful, and ordinarily skilled director would act in the circumstances."

Payments

The board is required, under the Companies Code, to obtain shareholders' approval prior to making voluntary contributions in any financial year to any charitable or other funds (other than a pension fund for employees of the company or an associated company), exceeding two percent of the income surplus of the company at the end of the immediately preceding financial year. No other explicit provisions exist in the Companies Code prescribing which payments a company can make and how such payments ought to be made. However, because payment of bribes to a public official is unlawful under the Criminal Code, directors could be restrained by shareholders pursuant to a court order from allowing such payments to be made, or could be made to refund such payments to the company after they have been made.

Increasingly, the role of the board in financial controls is seen as ineffective without an audit committee of the board. The Companies Code has no requirement for the establishment of such a committee. The Ghana Stock Exchange Listing Regulations recognize the need for such a committee. A company seeking listing on the Ghana Stock Exchange must attach to its application written evidence regarding the operation and effectiveness of an audit sub-committee of that company's board of directors covering a period prior to the application, as the GSE may prescribe. The Listing Regulations provide that the audit sub-committee shall as far as possible be composed of the company's non-executive directors.

The GSE Listing Regulations prescribe the following terms of reference for audit committees:

- To make recommendations to the board concerning the appointment and remuneration of external auditors;
- To review the auditors' evaluation of the system of internal control and accounting;
- To review and discuss the audited accounts with the auditors and call for further information from the auditors or management;
- To review the scope and effectiveness of the internal audit procedures in consultation with the chief internal auditor, director of finance or controller or their equivalents, however designated in the particular company and the external auditors; and
- To consider and make recommendations on the conduct of any aspect of the business of the company that the GSE believes should be brought to the attention of the board.

Financial Accounting

The Companies Code enjoins directors to, at least once annually(at intervals of not more than 15 months), have prepared and send to each member and debenture holder of the company a profit and loss account and balance sheet and directors' and auditors' reports. These documents are to be presented to shareholders at the Annual General Meeting.

The Ghana Stock Exchange Listing Regulations require more frequent disclosure from listed companies. Listed companies must provide the Ghana Stock Exchange a half-yearly report as soon as figures are available (no later than three months after the end of the first half-yearly period in the financial year and a preliminary financial statement as soon as figures are available (no later than three months after year-end).

No explicit liability for the accuracy of financial statements is imposed on the board by the Companies Code.

Under the Companies Code, the auditors of a company stand in a fiduciary relationship to the members of the company as a whole and should act the way "faithful, diligent, careful, and ordinarily skilful auditors would act in the circumstances." Auditors are required, among other things, to report to shareholders their opinion as to the adequacy of information obtained on the company and whether the company's accounting books have been kept properly. Under the Code, auditors must be licensed and practicing chartered accountants, and must not be infants; persons found by competent courts of law to be of unsound mind; un-discharged bankrupts; or persons convicted of offences involving fraud, dishonesty, or any offence in connection with the promotion, formation or management of a body corporate, or of any fraud or breach of duty in relation to a body corporate.

Auditors are appointed by an ordinary resolution of shareholders, except that directors may fill any casual vacancy in the office of an auditor. To promote auditor independence, the Companies Code disqualifies persons who are officers of the company or associated companies, partners of, or employees of an officer of the company or of an associated company, from holding office as auditors. However, the Code permits auditors, in addition to their statutory duties to shareholders as auditors, to provide other services to the company such as "advising on accounting, costing, taxation, raising of finances and other matters."
This provides fertile ground for conflict of interest situations, which will compromise their role as independent statutory auditors. Under the Companies Code auditors, once appointed, are to continue in office until they cease to be qualified for appointment as auditors. At this point, they must resign their office by presenting a notice in writing to the company, or they can be removed by an ordinary resolution of shareholders at an annual general meeting after three- to five-days' notice to the auditor. The auditor is required to respond to the intention to remove him and must
be allowed to speak to this at the annual general meeting. No provisions exist under the Companies Code limiting the term of office of auditors.

The Importance of the Practice of Corporate Governance Standards on an Organization

Empirical Evidence suggests that excellent corporate governance practices enhance the individual company's performance as well as improve its ability to access capital. This is generally because the framework established focuses the board and management on the company's objectives and keeps them accountable for their actions.

For governments and regulators, ensuring that individual companies and their management are adopting excellent corporate governance practice has a number of attractions. It is increasingly seen as a mechanism which supports both the objectives of regulators responsible for protecting the confidence in the financial systems and markets, as well as encouraging international investment flows and enhancing overall economic performance. To remain competitive in a changing world, corporations must innovate and adopt their corporate governance practice so that they can meet new demands and grasp new opportunities. Similarly, governments have an important responsibility for shaping an effective regulatory framework that shareholders board of directors' staff clients CEO provides for sufficient flexibility to allow markets to function effectively and respond to expectations of shareholders and other stakeholders.

The Role of the Board in the Maintenance of Corporate Governance Standards

The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

Board structures and procedures vary both within and among nations. Some countries have two-tier boards that separate the supervisory function and the management functions into different bodies. Such systems typically have a "supervisory board" composed of non-executive board members and a "management board" composed entirely of executives. Other countries have "unitary" boards, which bring together executive and non-executive board members. Together with guiding corporate strategy, the board is chiefly responsible for monitoring managerial performance and achieving an adequate return for shareholders, while preventing conflicts of interest and balancing competing demands on the corporation.

In order for boards to effectively fulfill their responsibilities, they must have some degree of independence from management. Another important board responsibility is to implement systems designed to ensure that the corporation obeys applicable laws, including tax, competition, labour, environmental, equal opportunity, health and safety laws. In addition, boards are expected to take due regard of, and deal fairly with, other stakeholder interests including those of employees, creditors, customers, suppliers and local communities. Observance of environmental and social standards is relevant in this context.

(1) Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders. In some countries, the board is legally required to act in the interest of the company, taking into account the interests of shareholders, employees, and the public good. Acting in the best interest of the company should not permit management to become entrenched.

(2) Where board decisions may affect different shareholder groups differently, the board should treat all shareholders fairly and equitably.

(3) The board should ensure compliance with applicable law and take into account the interests of stakeholders.

(4) The board should fulfill certain key functions, including:

a. Reviewing and guiding corporate strategy, major plans of action, risk, policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures.

b. Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning.

c. Reviewing key executive and board remuneration, and ensuring a formal and transparent board nomination process.

d. Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.

e. Ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for monitoring risk, financial control, and compliance with the law.

f. Monitoring the effectiveness of the governance practices under which it operates and making changes as needed.

g. Overseeing the process of disclosure and communications. The specific functions of board members may differ according to the articles of company law in each jurisdiction and according to the regulations or articles of incorporation of each company. The above-noted elements are, however, considered essential for purposes of corporate governance.

(5) The board should be able to exercise objective judgment on corporate affairs - independent, in particular, from management.

The variety of board structures and practices in different countries will require different approaches to the issue of independent board members. Board independence usually requires that a sufficient number of board members not be employed by the company and not be closely related to the company or its management through significant economic, family, or other ties. This does not prevent shareholders from being board members.

Independent board members can contribute significantly to the decision-making of the board. They can bring an objective view to the evaluation of the performance of the board and management. In addition, they can play important roles in areas where the interests of management, the company, and shareholders may diverge such as executive remuneration, succession planning, changes of corporate control, take-over defenses, large acquisitions, and the audit function.

The Chairman, as the head of the board, can play a central role in ensuring the effective governance of the enterprise and is responsible for the board's effective function. The Chairman may, in some countries, be supported by the company secretary. In unitary board systems, the separation of the roles of the Chief Executive and Chairman is often proposed as a method of ensuring an appropriate balance of power, increasing accountability, and increasing the capacity of the board for independent decision making.

The following concepts are essential for good corporate governance:

(1) Boards should consider assigning a sufficient number of non-executive board members capable of exercising independent judgment to tasks where there is a potential for conflict of interest. Examples of such key responsibilities are financial reporting, nomination, and executive and board remuneration.

While the responsibility for financial reporting, remuneration, and nomination are those of the board as a whole, independent non-executive board members can provide additional assurance to market participants that their interests are defended. Boards may also consider establishing specific committees to consider questions where there is a potential for conflict of interest. These committees may require a minimum number of or be composed entirely of non-executive members.

(1) Board members should devote sufficient time to their responsibilities.
It is widely held that service on too many boards can interfere with the performance of board members. Companies may wish to consider whether excessive board service interferes with board performance. Some countries have limited the number of board positions that can be held. Specific limitations may be less important than ensuring that members of the board enjoy legitimacy and confidence in the eyes of shareholders.

In order to improve board practices and the performance of its members, some companies have found it useful to engage in training and voluntary self-evaluation that meets the needs of the individual company. This might include that board members acquire appropriate skills upon a ppintment, and thereafter remain abreast of relevant new laws, regulations, and changing commercial risks. In order to fulfill their responsibilities, board members should have access to accurate, relevant and timely information.

Board members require relevant information on a timely basis in order to support their decision-making. Non-executive board members do not typically have the same access to information as key managers within the company. The contributions of non-executive board members to the company can be enhanced by providing access to certain key managers within the company such as, for example, the company secretary and the internal auditor, and recourse to independent external advice at the expense of the company. In order to fulfill their responsibilities, board members should ensure that they obtain accurate, relevant and timely information.

Concluding Remarks

Getting the right board in place and making sure it works effectively are fundamental to good governance. Since the role of the board is to lead and control the company, it should have clearly defined set of responsibilities. It is important that no single individual has unfettered power and there should be a cadre of independent outside directors in unitary board structures.

Having the right answers to the following questions is crucial to ensuring the effectiveness of any board:

- Does the board have the right blend of skills and experience to take the company forward?
- Do board members have sufficient time to discharge their responsibilities conscientiously?
- Is the board's committee structure appropriate?
- Are there clear objectives, viable strategies to achieve them, and a sound approach to risk management that reflects those objectives?
- Does the board receive and discuss financial and other key performance measures on a timely basis?
- Does the board provide a challenging yet supportive environment for the executive team, with full discussion of major issues before decisions are taken?
- Does the board assess its own performance on a regular basis?
- Is sufficient emphasis given to providing relevant training for board members?

Finally, leading-edge human resource practices must be as evident in the boardroom as they are elsewhere in the organisation. This means focusing on selecting the right board, checking that it works well as an effective team, developing appropriate remuneration strategies, getting training and developing right and reviewing past decisions. Board agenda must focus on right issues, with long-term strategic and shorter-term performance issues properly balanced. Agenda topics must be concise and informative and must be distributed to members well in advance before meetings are held. The board must ensure regular meetings to fully discuss company business. Productive board member performance of meeting must be expected and achieved with directors coming to meetings well prepared. The size of boards facilitates effective decision-making. Boards must ensure full discussion at board meetings before major decisions are taken. All board members must feel able to and must contribute at meetings.

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PERSONAL LEADERSHIP: A MAJOR FACTOR IN ORGANISATIONAL LONGEVITY IN GHANA

Akua Frimpong

Abstract

Many Ghanaian organisations, public or private, do not last long in the system due to ineffective leadership or management. Lack of personal leadership in the lives of leaders or managers in Ghana has been identified as a major cause of the short "life span" of organisations in Ghana and Africa. Leaders and managers in Ghana lack personal leadership because of flaws in the leadership foundation in Ghana. Flaws in the leadership foundation are traced to the misunderstanding of what leadership or management position is all about. This may be a legacy Ghanaians inherited from the colonial masters, as well as their own cultural orientation. The exercise of self-discipline by current and aspiring leaders and managers is the only way to correct these flaws and get leaders to lead and managers to manage effectively for organisational survival in Ghana.

Introduction

State owned enterprises in Ghana date back to the colonial period and especially to the post –World War II. For example, the British organized a number of public utilities, such as water, electricity, postal and telegraph services, rail and road network, and bus services. To foster exports, Agricultural Produce Marketing Board was founded in 1949. In addition, the colonial government established the industrial Development Corporation and the Agricultural Development Corporation to promote industries and agriculture. In the mid 70s, the National Redemption Council under I. K. Acheampong also emphasized state enterprises. The Acheampong government established a number of new enterprises and partly or wholly nationalized a number of foreign-owned companies.

In 1984 there were as many as two hundred and thirty five (235) state enterprises in Ghana, but in 2007, one can count the number of state enterprises in the country on one's fingers. We can think of a few survivors like the State Insurance Corporation, the State Enterprises Commission, State Transport Company Ltd. etc. The fate of the state enterprises in Ghana since the colonial period is not different from private enterprises started by Ghanaian business people.

There seems to be a high "mortality rate" of most commercial enterprises in Ghana and, by extension, Africa. The problem is we have never approached the subtler tasks of building organisations, of enhancing their capabilities for innovation and creativity or crafting strategies and designing policy and structure through assimilating new disciplines. Perhaps, this is why, all too often, great organisations in Ghana pass quietly to the ranks of mediocrity. In fact, the average life span of many corporations in Ghana (both private or public) is less than a quarter of a century, yet there are corporations around the world that have been in business for over 200, 500, even 700 years. Organisations led by expatriates do seem to survive in Ghana while those established by Ghanaians and under Ghanaian leadership do not. If organisations under the leadership/management of Ghanaians show signs of liquidation and are divested or taken over by expatriates, the organisations survive and do well.

We have all watched in astonishment as one good Ghanaian-managed company, with all the potentials, after another collapse. This results in loss of billions of cedis to the government, individual investors, as well as loss of jobs for hundreds of people. Examples of such companies are the Ghana Food Distribution Corporation, Ghana National Trading Company, Ghana Shoe Factory Corporation, Ghana Jute Factory, Black Star Line, Ghana Airways, and many more. After much inquiry and investigation into the causes of these collapses, it has been discovered that one of the primary causes in virtually every case has been flaws in the leaders and managers leadership foundation. Though the leaders of these companies may have been gifted, intelligent, and apparently extremely effective, there were fissures in their leadership foundation that had been purposely ignored.

This article argues that the key to institutional success and longevity, is for leaders, aspiring leaders, and/or individuals to overcome flaws in our leadership foundation by exercising personal leadership in their own lives. In an attempt to make a clear argument, some basic flaws in the Ghanaian leadership foundation will be discussed. The article will also examine the nature and implications of personal leadership concept for leaders or managers in Ghanaian organisations.

Flaws in Our Leadership Foundation

Leadership has been defined and discussed in many different ways. According to Clinton (1988), the former U.S. President, leadership can be defined as "... a dynamic process in which a person with certain capacities influences a specific group of people toward certain purposes for the group." Tannenbaum, Weschler, and Massaric (1961), "Leadership is interpersonal influence, exercised in a situation, and directed, through the communication process, toward the attainment of a specific goal or goals. ...Leadership is the influential increment over and above mechanical compliance with the routine directives of organisation"

Leadership can therefore be broadly defined as: "Influence processes affecting the interpretation of events for followers, the choice of objectives for the group or the organisation, the organisation of work activities to accomplish objectives, the motivation of followers to achieve objectives, the maintenance of cooperative relationships and team work, and the enlistment of support and cooperation from people outside the group or organisation." (Pierce and Newstrom, 2000).

Leadership is portrayed in the above definitions as an interpersonal process that involves the exercise of influence the ability to bring about change (i.e. "change in behavior, opinions, attitudes, goals, needs, values, and all aspects of the person's psychological field", French and Raven 1959). These definitions of leadership are by implication contrary to traditional authoritarian, hierarchical leadership styles where people are virtually forced to worship their leaders or managers. In this article, we focus on positive influence that will make an organisation effective as well as live long.

We agree with Bennis that: "Leadership is the key determinant for success or failure of an institution and that the five characteristics that are required of a leader are technical competence, people skills, conceptual skills, sound judgment, and character." The last characteristic, according to Bennis, is the element that will make or break a leader. Bennis stipulates that leadership can be said to be a combination of competence and character. If you look at failed leaders, it is a failure of character not competence. He maintains that leadership is about influence through character. Character is integrity and integrity is morality which has got to do with "walking one's talk." Integrity is also knowing right from wrong and doing right. Integrity can be defined as the value you place on yourself as a person. Integrity or character therefore becomes an extremely important component of leadership.

Companies that will survive the future are those that have or developed leaders of integrity, leaders who are not corrupt, leaders who see and know what effective leadership is all about, leaders of character. The late U.S. President Dwight D. Eisenhower stated that "The supreme quality of leadership is integrity. Without it no real success is possible, if it is on a section gang, or a football field, in an army or in an office". Covey states that "...90% of all leadership failures are character failures". We believe that we can all think of some recent examples without looking too hard. It cannot be emphasized enough in today's world and more especially Ghana, that integrity, is the most integral quality of leadership, personally and in organisations.

Ghanaian Mindset about Leadership

One factor that this writer believes influences the behavior of Ghanaian Leadership is the perception of what the Akan calls "Oburoni Dibere" (literally meaning "white person's position"). With Ghana's political independence, Ghanaians assumed responsible positions in the political, economical, religious and other spheres. Today, our worldview of leadership is greatly affected by the legacy. When the Ghanaian is appointed or elected to a leadership position, she/he has "di bere", literally an "eating time", or "dib ea" an eating place. To the Dagomba, she/he has "grabbed." The expression of leadership position of the Baganda's of Uganda translates that the leader "has fallen into things". Thus, we see in the whole of Africa a trend where followers, relatives, and friends flock to door steps to enjoy with us what we have to "eat" or "grabbed" or the good things we have "fallen into." (William Addai, 2002).

Leadership positions are seen in Ghana as opportunities to acquire wealth, to rule over people, and to be worshiped as a king. As a result of this deep seated understanding of leadership position which may have something to do with our cultural value orientation, mindset, or legacy from the colonial masters, leaders see amassing wealth at the expense of the organisations they lead or manage as one of their major functions and not as a corrupt practice. Relatives, townsmen and women, and close friends also expect leaders/managers to extend their riches to them. Thus, this deep-seated idea about leadership and pressure from close relatives and friends "force" leaders not to handle resources properly. They do not see themselves as accountable to the organisation or to anyone.

The ways we define, allocate, and control social power do affect organisation. Our society has a hierarchy orientation and value "social stratification" in which power and authority are centralized. Organisational structure is tightly controlled and managers behave in ways that reinforce their standing. People show deference to those in authority so they do not verbalize criticism or feedback even when asked to do so. Planning is often autocratic and paternalistic. Top Managers make decisions without consulting people at lower levels. In turn, lower level employees expect managers to take initiative to care for and protect them.

Leaders know their place and act accordingly. They do not mix socially with those under their leadership. They do not cultivate "sharing" or openness between themselves and those under their leadership. People expect them to lead autocratically and they do so. As a result, some of the things that we expect from our leaders as a people can be destructive.

If leaders could be responsible for and accountable to their organisations, if leaders could be able to develop future leaders for their organisations, if they could see the need for shared leadership and do away with autocratic leadership, then this article advocates for renewal of their worldview. Both leaders and followers must reform their thinking on leadership and "followership". The only way out is for them to have knowledge about and to practice personal leadership.

Personal Leadership

Personal leadership is our ability to successfully lead our own life that provides the firm foundation from which we can lead others. This implies that one cannot lead/manage others until one can lead/manage one's self. It is the desire of an individual to take charge of his/her own life.

Personal leaders realize that leadership is not a position or title, but an outlook on life and their role in the world.

All effective enduring leadership must be built on the foundation of effective personal or self-leadership. We saw from the above that leadership is about influencing people by the use of personal character which is mainly about integrity. This means that for one to be able to influence others positively, one should have developed one's own character through self discipline. This is what we call personal leadership which is a continuous journey. If leaders try to use manipulative strategies and tactics to get other people to do what they want while their characters are flawed, then they and their organisations cannot be successful over time.

If there is little or no trust, there is no foundation for permanent success. If leaders learn to lead themselves, they will have what it takes to lead things and people. By so doing they can beat the bottom line because they will unleash the energy and talents of others. They will also become role models and mentors and so influence aspiring leaders to do the right things. These will go a long way to establish lasting organisations in our society.

In effect, leaders are expected to consistently exercise influence over their own lives. They must influence themselves to make the changes necessary to become more productive and effective human beings and leaders. They must have the ability to influence themselves to change the destructive habits and practices (manipulating people and misusing resources in organisations to enrich themselves) that may be keeping them from realizing their potential. They must be effective in mobilising the various resources in their own lives - physical, intellectual, spiritual, emotional, and financial - to achieve the beneficial goals they have determined will move them in the direction of their life mission and the mission and vision of their organisations/companies. It is only after they have been able to lead themselves that they can transform existing paradigms and practices through their use of influence and the mobilisation of necessary resources to realise something more beneficial and more effective at achieving their organisation's stated mission. Leaders must be vigilant to do the same thing in leading of their own lives if they are to build organisations that last. We believe that leadership is a dynamic process and that in every human transaction, someone is leading and someone is following.

Empowerment of the individuals is a top priority for many organisations that have realized that a command and control leadership style is not the way to get the most out of their people. We suggest that effectively leading self is a prerequisite to truly leading others.

Personal leadership is therefore about disciplining one's self to develop the essential traits needed to do the right thing and preserve success. Personal Leadership is consciously designing our personal lives by centering our lives on correct principles or laws of the universe that pertain to human relationships and human organisations (Covey, 1991). It is not about allowing other people, default cultural values and beliefs, and circumstances to shape our lives by default. Personal Leadership is our self-confident ability to crystallise our thinking so that we are able to establish an exact direction for our own life, to commit yourself to moving in that direction and then to take determined action to acquire, accomplish, or become whatever that goal demands.

Leading self is not a lower order than leading others or leading organisations. Leading self is the ultimate prize of life. It is not only central to organisational success; it is central to positive and joyous survival and success in life and the lives of organisations. In today's business environment, there are countless opportunities for everyone to truly make a difference in their organisation.

Leading self means making contributions that count; with a colleague, with a customer, in product development, and so on. When all leaders and followers make these contributions in their organisations, organisations are bound to survive all odds and live longer.

By promoting the concept of self-leadership, leaders must be vigilant. They must be constantly asking whether the existing paradigms in their lives must be transformed. Can they influence themselves to make the changes necessary to become more effective and productive human beings and leaders? Do they have the ability to influence themselves to change the destructive habits and practices that may be keeping them from realising their full potential? How effective are they at mobilizing the various resources in their own lives - physical, intellectual, spiritual, emotional, and financial - to achieve the beneficial goals they have determined will move them in the direction of their personal mission? These are some of the critical issues that must be addressed if leaders are to master the art of personal leadership.

Practice and Personal Leadership Development

Personal leadership development begins with one's personal reality. One should have a clear understanding of one's destination. Individuals require the opportunity to begin the journey of self-awareness about who they are and how they see and feel about their contributions to their environments. Self-awareness is the ability to choose your response in a given situation by subordinating feelings to values. Developing self-awareness is to learn to lead from your strengths, to become more aware of your weaknesses and develop strategies so that weaknesses do not become limitations. This helps people to develop a much deeper level of understanding of the assumptions they make about how they influence, lead, and interact with others. In the end, everything comes down to individual leadership. This means we have to know who we are as individuals and how we want to be. Until this becomes clear, and it may take a long time, an individual's potential contribution stays, at best, a far goal.

Personal leadership has to do with personal or self discipline in which character is developed. It has to do with how to break with old paradigms or character. Personal leadership emphasises character development which makes one become a highly effective leader. It is about centering your life and your leadership of organisations and people on true principles. Your effectiveness is predicated upon certain inviolate principles - natural laws in the human dimension - that are just as real and unchanging, as such laws as gravity in the physical dimensions-. Examples of these basic principles are fairness, equity, justice, integrity, honesty and trust. These principles are woven into the fabric of every civilised society and constitute the roots of every family and institution that has endured and prospered. People who recognise and practice these principles move toward survival and stability while those who do not practice them move to disintegration and destruction.

These principles help us to change habits, develop virtues, learn basic disciplines, keep promises, be faithful to vows, exercise courage, or be genuinely considerate of the feelings and convictions of others. As we clearly identify our values and proactively organise and execute around our priorities on a daily basis, we develop self-awareness and self-value by making and keeping meaningful promises and commitments. These practices will definitely go a long way to make our organisation live longer and to serve better. Significant breakthroughs often represent internal breaks with traditional ways of thinking. Stephen Covey refers to these as paradigm shifts. The way to begin developing a sense of Personal leadership is to approach it as a discipline, as a series of practices and principles that must be applied to be useful. It is about controlling ourselves and giving our lives to higher principles, causes, and purposes rather than focus on power, wealth, fame, position, dominion and possessions. We control ourselves to be ethical - to get rid of deeply embedded habits and beliefs that destroy our character and organisations. We discipline ourselves to become people of integrity.

When people align their personal values with correct principles, they are liberated from old perceptions and paradigms. Centering life on correct principles is the key to developing rich internal power in our lives. With this power, we can realize many of our dreams and those of our organisations. When we observe real character development, we gain the strength to break with the past, to overcome old habits, to change our paradigms. Effective organisational leaders are able to transform existing paradigms and practices through their use of influence and the mobilisation of the necessary resources to realize something more beneficial and more effective at achieving our group's or organisation's mission.

Like most things worth having, personal leadership does not come easily to a person. On the other hand, living a philosophy of personal leadership does not require a magical formula. Nor is it available to only a few. It is actually available to most but what it requires is a commitment to balance a sense of purpose and values. If personal leadership had a motto, it would be this: "Before I seek to change or motivate others, I must first learn to change and motivate myself. I must first become the change I wish to see in others."

Steps to Develop Personal Leadership

The following proven, simple but sometimes difficult to follow steps will help us to develop more success though personal leadership. We must develop the conviction and courage needed to accomplish change. You can make personal changes even though these changes will take time and effort. The essential steps are:

- Write your goals down. Know yourself and your present condition so you can be realistic.

- Where are you going. Writing your goals crystallizes your thoughts and forces you to be realistic and logical. You are able to build a solid foundation.

- Develop an action plan. A large dream can be overwhelming so break your goals down into manageable pieces.

- Define the steps necessary to accomplish them. Then put the steps into a logical sequence.

- Do the most important step of all: schedule your action steps. Make appointments with yourself to accomplish your action steps so that your busy life and the many competing demands on your time do not derail you. When you plan, you will take the steps necessary to create future success.

- Track and measure results so you know where you are. Items you track and measure get accomplished. When you make steady progress, you are much less likely to experience personal doubts. As you track your success you can enjoy your accomplishments.

Characteristics of Personal Leadership

The best way one can describe personal leadership is to discuss some of its desired traits. Most leaders who exercise personal leadership realize and accept the fact that there is a spiritual element to life. They may not totally understand it or always sense it, but they know it is there. In this paper, we define spirituality as "the process of living out a set of deeply held personal values, of honoring forces or a presence greater than ourselves." It expresses our desire to find meaning in, and to treat as an offering what we do. This spiritual element provides a number of specific characteristics that cannot be found or nurtured anywhere. Practitioners of personal leadership know the purpose of their existence must go far beyond the pursuit of the "whoever dies with the most toys wins" philosophy of our modern society. They know that every day of life is a precious gift and an endowment to become something even better.

Personal leaders have a plan for their lives. They have personal mission statements, life strategic plans, setting of goals or a personal punch list. It is all about giving our lives direction or establishing a clear path for our lives. The mission statement is based on correct principles that help us develop character that produce a moral and ethical work force; that provides excellent service to the organisation's (or the individual's) customers; and assume corporate social responsibility involvement within its community and environment. It requires improving business and social conditions that leave the place better off than we found it. Unfortunately most leaders live their lives without a plan. They bob up and down, left and right, over and under, depending on the tempest of the sea. They become victims of circumstances and allow time to improve decisions they are unwilling to make for themselves.

A mental break-through comes when we take the vague ideas and goals rolling around in our heads and put them on paper as a personal mission statement. When done correctly and reviewed often, it has the potential to magnify our focus and increase our desire for achievement at a higher level. Personal leadership is about living out a set of deeply held personal values which are based on principles. Such that we can be seen as principle-centered leaders. By consciously choosing and directing the course of our lives, we can create successful and harmonious outcomes for ourselves, and be positive influences outwardly for those we lead. We must develop characters that produce moral and ethical work force that provides excellent service to the organisation's (or the individual's) customers and assume corporate social responsibility involvement within its community and environment, through improving business and social conditions (following grandma's edict "leave the place better off than you found it");

Leaders who practice personal leadership accept risks and responsibility. Personal leadership is not about comfort zones or the status quo; it is about the passion for continual personal growth and improvement. Every positive and healthy change that has ever occurred in human civilisation has only come about by great struggle and by rejecting the way things are as "good enough". Personal leaders accept the challenge to make things better...to inspire others to become better...to win! In contrast, our mentality about leading makes us accept only a very limited degree of risk and accountability. Therefore we do not seek to become winners; we just try not to lose! Such an attitude "kills" organisations.

Personal leadership is about being accountable for attitudes and actions, thus there is the need to do a regular self-analysis. Personal leadership is also concerned with the knowledge and acknowledgement of our strengths and weaknesses. It is about working hard to build on these strengths and using them to propel life in a positive direction. It is about working to correct or at least modify our weaknesses. This means that it is indeed important to analyse our faults and acknowledge them. It is productive to accept responsibility for them and becomes determined to change.

Personal leadership is about having and living by principles which become moral and ethical guides as we lead. Principles like integrity, honesty, kindness, open-communication, and treating others with dignity are the hallmarks of effective leaders who that lead those long lasting companies. Personal leadership is about self competition. The real question is not "did I win," but "how did I do today". It does not make sense to compare ourselves to others because we can only control our own performance. Self-competition means we try to do better today than we did yesterday because we constantly try to perform at a personal best... Thus, for personal leaders "winning or losing against others becomes a secondary consideration and even irrelevant.

It takes personal leadership to be truly genuine and authentic. Genuineness and authenticity are vital in a leader if his or her organisation is to survive for long. People come to believe in leaders and see them as worthy of trust when they realise that these leaders have followers' best interest at heart. Leaders interested only and wellbeing, agendas, and advancement, will not be willingly followed. A genuine and authentic leader is truly compassionate. He understands the suffering of his workers and is ready to suffer along with them. Their courage will inspire others to make needed sacrifices. Such a leader sees himself as a steward and so is accountable and responsibly handles resources entrusted in his care.

Personal leaders display expertise in leadership skills and confidence in their abilities. Such leaders do not see leadership as a position to amass wealth or manipulate people; but as a reciprocal relationship between them and the workers who choose to work in their organisations. They are creative and as a result move their businesses from "pause" or "collapse" mode to "fast forward" by becoming creative. Leaders need to see business organisations through different perspectives.

Leaders who lead themselves are proactive and so believe that "all things are possible". Leaders who exercise personal leadership lose the ambition to build monuments to themselves and establish large companies that bear their names to prove their success in life. Instead, they become interested in leaving a positive legacy. They eventually come to the conclusion that a lasting legacy with real value is in people. As a result, they seek to inspire and motivate others to reach their own potentials and fulfill their own dreams.

In addition, these kinds of leaders want to deeply give something back to the world. They want to impart what they have learnt to others to help make their lives more productive and fulfilling. This may be in mentoring others or serving the community. Such leaders, will do their best to treat their workers with respect, help them to become better persons and so create a healthy organisational climate that will make the organisations live much longer. These traits are the ideal we should all strive for. Leaders with such qualities are very difficult to come by in Ghana. As a result, most Ghanaian organisations "die" prematurely. It is extremely important that, as a nation, if we want to have a better life and organisations that will serve us better, we learn to exercise personal leadership at all levels in our lives.

Conclusion

It will suffice to conclude this paper by saying that the most important trait in organisational leadership is personal leadership. Personal leadership is about seeking continuous improvement and correcting our own personal flaws. No one can give what he does not have. Therefore, it is only when leaders have been able to control their own lives by becoming principle-centered that they can lead effectively. It is proposed that one of the main causes of the liquidation of Ghanaian organisations is the lack of personal leadership on the part of the leaders of these organisations. Self-discipline by leaders will go a long way to check corruption, manipulations of followers, and other bad leadership/managerial practices in organisations. Personal leadership, whether at the CEO level or at the supervisory level, will bring great personal rewards to a person. The person as an effective personal leader, will develop a strong success attitude that gives him freedom to choose his own path to success.

Personal leadership is a discipline that can be learnt and a must for all leaders as well as those aspiring to lead. A leader is responsible for developing latent and potential talents. Effective leaders are those who have developed themselves to be men and women of integrity. If leaders do what they say, if agreements are followed through, and promises are kept, these serve as indicators that the leader is a person of integrity and is, therefore, trustworthy. However, deceptions, cover-ups, and false promises indicate dishonesty and lack of integrity. Integrity is not a virtue we are born with. Integrity is a decision and a choice we make over and over. The leader must allow integrity into every part of her life. This means that leaders in businesses and companies should have some basic principles and should be willing to stand by them. Lack of personal leadership brings an inevitable decline and fall of the leader and his organisation.

Before we can exercise effective leadership that will withstand the hostile element of our culture and society, serious preparatory work must be done on those areas of our lives that will provide a firm foundation on which an effective leadership career can be built. We believe that all effective and enduring leadership must be built on the firm foundation of personal-leadership. It is the ability to successfully lead our own lives that provides the firm foundation from which we can lead others as well as ensure organisational longevity.
Personal leadership helps leaders center their lives and their leadership of organisations and people on certain true principles which will help them overcome the pull of default cultural beliefs, indiscipline, corruption, etc.

The key to dealing with the leadership challenges that face us today is the recognition of a principle-centered core within both ourselves and our organisations. Personal leadership says leading is not just to a new understanding of how to increase quality and productivity, but also to a new appreciation of the importance of building personal and professional relationships in order to enjoy a more balanced, rewarding and effective life in long-lasting organisations.

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THE "ABC" OF INTERCULTURAL NEGOTIATIONS

Dr. Berhanu Mengistu & Dr. Samuel Adams

Abstract

Globalization of the world economy has resulted in an increased interdependence between nations around the world. Cross cultural skills have therefore become increasingly important as more and more people from different countries study, work, and live together. The paper examined two main aspects of culture; first, as a dynamic concept, and second, as both a barrier and a bridge in cross-cultural negotiations. The discussion leads us to conclude that what is different is not necessarily inferior and what is familiar is not always the best. We argue that while the development of inter-cultural competence may be difficult to learn and apply, when we accept the boundedness of our rationality and awareness, we will be more willing to open ourselves to self discovery to minimize intercultural differences in negotiations.

Introduction

Globalization of the world economy has resulted in an increased interdependence between nations around the world. More and more companies not only do business abroad but they also have subsidiaries as well as joint ventures or strategic alliance partners in other countries. Cross cultural skills have become increasingly important as more and more people from different countries study, work, and live together (Matejovsky, 2005). This increasing interdependence of people has made negotiations very important in domestic, national, and international discussions. It is therefore not surprising that negotiation has become one of the most popular business school courses beyond the core requirements (Thompson and Leonardelli, 2004).

In recent times, many studies have been done to examine the impact of cultural differences on negotiation outcomes (Faure and Sjostedt, 1993; Gannon, 2004; Gelfand and Cai, 2004; Kumar, 2004; Vachon and Lituchy, 2006). The analytical issue then is not whether culture is at play, but rather the degree to which culture affects the negotiation process. This paper seeks to achieve two main objectives. First, the study is motivated by the fact that most analyses on culture have discussed the cultural construct in static terms, where it is treated as a unitary phenomenon whose influence on its members is deterministic (Berthion Antal and Friedman, 2003). However, in the dynamic ABC model proposed in this study, we show that culture cannot be compared to computer software that functions predictably the same way each time it is used in particular situations (Faure and Sjostedt, 1993). Rather, in each particular situation, culture helps the individual to give meaning to reality when confronted with it. Thus, culture has an affect on and is in turn also affected by the negotiation process.

The second objective is related to the idea that cultural differences can serve as a bridge or a barrier to the negotiating process depending on the cultural competencies of the negotiation parties (Schein, 1985). As a result, we argue that looking at only the negative effects of culture on negotiation does not tell the whole story. Indeed, while cultures differ in needing to make some kind of response, they share the same fate in having to face up to the different challenges of existence (Trompenaars, 1996). Consequently, the social context of the negotiation process and the skill of negotiators are key determinants of negotiation success. In the rest of the paper, we discuss briefly the concepts of culture and negotiation, after which we examine how culture can affect the negotiation process. Finally, we offer some implications, recommendations for future research, and concluding remarks.

Negotiation

The hundreds of studies on negotiation encompass a broad range of definitions. Faure and Sjostedt (1993, p. 7) define negotiation simply as a method of conflict settlement. The purpose of which is to find a formula for the distribution of a contested value or set of values between the negotiating parties. Thomas and Inkson (2004, p. 117) define negotiation as a special communication situation, one that is of particular importance in cross cultural business settings, in which the objective is often for people to overcome conflicting interests and to reach an agreement that is advantageous to both parties. The definitions above signify the presence of a relationship between two parties seeking to resolve a conflict. The negotiation process includes not only the one-on-one business meeting, but also involve multiparty, multicompany, and multinational. Thus, the negotiation situation is characterized by two or more interdependent parties who have a conflict of interest, and who choose to address the conflict by striving to reach an agreement through a process of mutual adjustment of each party's demands.

There are many models that have been put forward to explain negotiation behavior (Brett, 2001; Faure and Sjostedt, 1993; Hefferman, 2004; Sawyer and Guetzkow, 1965); however, one that is of interest to this study is that of Sawyer and Guetzkow (1965). Sawyer and Guetzkow (1965, p. 467) argue from a social-psychological perspective that indicates that a negotiation may be considered as being composed of five aspects i.e.:

- Goals motivating the parties to enter and sustain,
- The process of negotiation itself, which involves communications and actions leading to,
- Certain outcomes that are influenced by,

- Preexisting background factors of cultural traditions and relations between and within parties, and

- Specific situational conditions under which negotiation is conducted.

This classification gives attention not only to the problems of negotiation, but also to such processes as establishing the domain of initial concern and searching for new alternatives or arranging for the execution of negotiated agreements. Sawyer and Guetzkow's (1965) framework emphasises that the study of negotiation involves not only the process within the negotiating chamber but also what occurs around it, before it, and after.

Culture

Culture is a complex concept, and no single definition has been acknowledged. Although debate over the definition of culture has raged for several years, there is only now a somewhat a consensus about its meaning especially in the international business and management literature (Friedman and Antal, 2005). Brett (2001) defines culture simply as "the unique character of a social group."

Gannon (2004) offers a more activist definition, which shows culture not only as a set of shared and enduring meanings, values, and beliefs that characterize national, ethnic, or other groups but also orient their behavior. Similarly, Schein (1985) argues that culture can be seen as a pattern of basic assumptions - invented, discovered, or developed by a given group as it learns to cope with problems of external adaptation and internal integration. Further, Faure and Sjostedt (1993) assert that in the short-term culture should perhaps be seen as a kind of structure conditioning human behavior. In the long-term perspective, it is a dynamic social phenomenon. Recognizing the dynamic nature of culture prevents people from framing the cultural concept as being deterministic - particular differences leading to particular outcomes. Schein (1985), for example, argues that overt behavior is always determined by both the cultural predisposition (the assumptions, perceptions, positions thoughts, and feelings that are patterned) and by the situational contingencies that arise from the external environment.

The limitation of the above definitions is that culture is identified basically as a psychological construct. From a comprehensive perspective, Lytle, Brett, Barsness, Trisley and Janssens (1995) define culture as both psychological (subjective culture), including a society's unique profile with respect to values, beliefs, and norms; and institutional (objective culture) including a society's characteristics, laws, and social structures such as schools and government agencies that monitor and sanction behavior. Bennett (1998, p. 7) refers to the objective as the upper-case culture and the subjective aspects as the lower-case culture. Finally, Kluckhohn and Strodtbeck (1961, p. 11) claim that every culture seeks to make sense of the world by answering five main questions:

(a) What is the character of innate human nature? human nature orientation)

(b) What is the relation of man to nature (and supernature)? (man-nature orientation)

(c) What is the temporal focus of human life? (time orientation)

(d) What is the modality of human activity? (activity orientation)

(e) What is the modality of humans to other humans? (relational orientation)

Kluckhohn and Strodtbeck's (1961) dimensions is one of the most used systematization of the cultural concept used by Hofstede (1984), Hall (1976), Schein (1985), and Trompenaars (1996).

The various conceptualizations of culture shows how it contributes to individual and group identity in giving people a sense of who they are, of belonging, of how they should behave and of what they should not be doing (Harris and Moran, 1991). What is also clear from the definitions above is that culture has both invisible and visible components; what Kimmel (1994) describes as the externalized and internalized cultures. The externalized culture refers to the mutually shared perceptions of a peoples' symbolic environment (both social and physical) and internalized culture refers to the subjective, cognitive, perceptual and communication habits unique to the individual. Schein (1985) explains the external and internal nature of culture succinctly with his model of three levels of culture and their interactions. Level 1 describes the basic assumptions or essence - it is at this level that people search for meaning of behavior (Schneider and Barsoux, 1997). Level 2 or values reflects what ought to be (good or bad) for a particular group of people. Level 3 is the most visible part of culture and is related to the constructed physical and social environment. At this level, one can look at physical space, the technological output of the group, its written and spoken language and the overt behavior of its members. The webs of meaning created by a group of people therefore are intricately woven between the various elements and layers, which help to provide consistency and durability (Schneider and Barsoux, 1997).

Culture and Negotiation

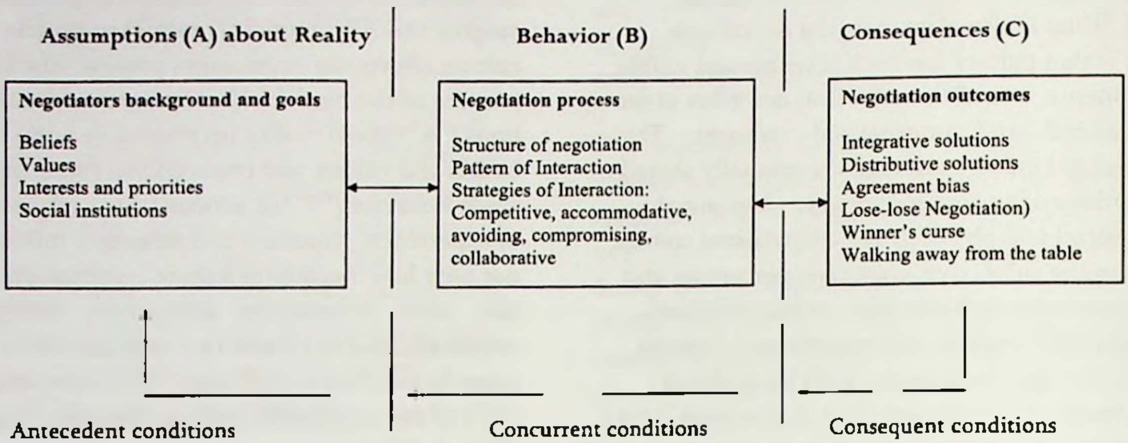
Culture may have a main effect on choice mediated by cultural values, beliefs, norms institutions, or it may interact with situational features. Where culture's effect is direct or the result of an interaction, unpacking the effects of cultural values, beliefs, norms, and social institutions relevant to choice in social dilemmas hold the most promise for effective management of global social dilemma (Brett and Kopelman, 2004).

Starting from the point that negotiation is a continuous process with antecedent, concurrent, and consequent phases (Graham et al., 1994; Sawyer and Guetzkow, 1965) and Faure and Sjostedt's (1993) the five phases of negotiation, we propose the ABC model (Figure 1) to explain how culture affects the negotiation process. The basic premise of the model is that a negotiator's assumptions ("A") about reality (expressed in terms of beliefs and values, and motivations) frame and guide behavior ("B") or actions (the interpretation of experience, structure, and strategy), influencing not only how negotiator's share information, but also what information negotiators believe is important, and so choose to communicate to the other in an effort to influence the consequences ("C") of the negotiation process (Barsness and Bhappu, 2004).

The emphasis of the study is not whether or not culture affects the negotiation outcomes, but more important how this happens. Accordingly, we build on the concept of cultural knowledge and when and how it is activated to explain culture's effect on the negotiation outcomes (Hannerz, 1969; Hong et al. 2000; Swidler, 1986; Morris and Gelfand, 2004; Gelfand and Brett, 2004). The negotiation process depends on communication between the parties involved; and the communication style invariably is culturally based. The cultural orientation will therefore influence the pattern of interaction. For example, in some cultures, being polite is more important than giving the right information.

Faure and Sjostedt's (1993), Brett (2001) asserts that cultural values direct attention to what issues and norms are more or less important in a negotiation process. Brett (2001) claims that the values influence negotiators' interests and priorities, while the norms define what behaviors are appropriate and therefore influence negotiators' strategies. Accordingly, culture's effect on the negotiation process is dependent on the strategies adopted and the priorities and interests of the

Figure 1. The ABC Model of Intercultural Negotiation



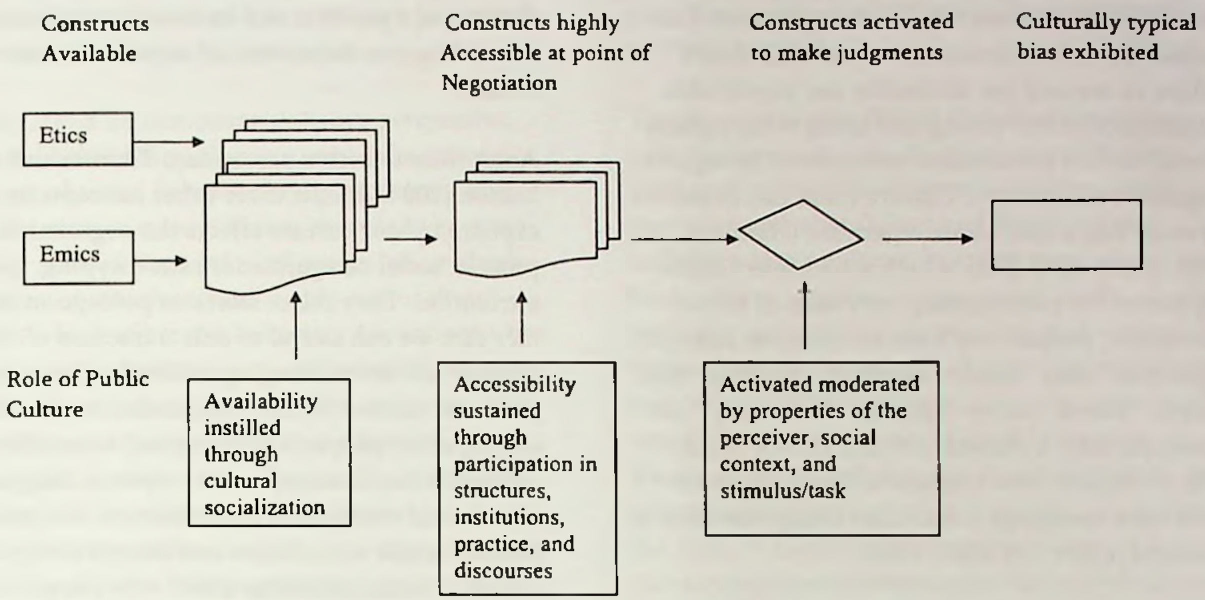
negotiators. The fit between negotiators' priorities and interests may generate integrative or distributive agreement. That is, the strategies adopted, which is seen in the pattern of interaction may be functional and facilitate integrative agreements, or they may be dysfunctional and lead to suboptimal agreements.

Though Faure and Sjostedt's (1993) and Brett's (2001) explanations provide a good discussion of the effects of culture on negotiation, they are incomplete as the models do not address the issue of the dynamic nature of culture. From a dynamic constructivist approach Hong et al. (2000) describe internalized culture as a loose network of domain specific knowledge structures, such as implicit theories and categories rather than as an integrated and highly generalized structure. The authors indicate that the fact that individuals possess a particular construct does not necessarily mean that it is always at work. In practice, only a small portion of an individual's knowledge comes to the fore and guides interpretation.

Similarly, Morris and Gelfand (2004) propose a dynamic constructivist model, which emphasizes the dynamics of cultural knowledge (p.47). The authors claim that the basic constructivist approaches that have been used in intercultural conflicts and cross-cultural negotiations only show that knowledge structures that exist in one culture may not exist in other cultures. Though useful, Morris and Gelfand (2004) argue that the models do not fully explain the extent to which culture really affects the negation process. In their augmented dynamic constructivist model (Figure 2), they show that the fact that knowledge exists in one's memory does not mean that the knowledge will be used in making judgments: it has to be activated to be useful. The figure shows three points at which culture has an influence, and thus points at which cultural differences may arise:

- Which knowledge constructs negotiators have internalized from their cultural socialization (both etic and emic factors and public institutions), or, in other words, which, knowledge structures have become available in a particular culture?
- Which knowledge structures have high accessibility as a result of frequent use, which

Figure 2. Culture and Cognition in Negotiation



Source: Morris and Gelfand (2004, p.54).

as discussed below, is a direct reflection of their predominance in cultural institutions, public discourse, and social structures?

- Which knowledge structures are actually triggered or activated, at the negotiation table to make judgments, which is a function of the properties of the negotiator, the conflict itself, and features of the social context?

However, the Morris and Gelfand's (2004) model has some limitations, including the fact that most of the empirical support comes from post hoc reinterpretations of findings rather than from apriori tests. Furthermore, individuals can exert a certain degree of control over the tasks they take on, the contexts they enter, and the state of mind they bring to the negotiation table. That is, cultural differences do not require that a knowledge structure used in one's culture is completely unavailable in another culture; differences can also result from differences in accessibility and activation.

On the other hand, Higgins (1996) claims that though the knowledge availability, accessibility, and activation model reflects accurately the general empirical relation between the accessibility of knowledge and the likelihood that the knowledge will be used in some way, the model fails to distinguish between the activation and use of that knowledge. Higgins (1996) argues that there are variables that influence knowledge use beyond those involved in knowledge activation. Hence, Higgins (1996) asserts that it is better to define accessibility in terms of potential for knowledge activation rather than potential for knowledge use. Hong et al. (2000) alluded to Higgins' (1996) argument in their assertion that whether a construct comes to mind depends on the extent to which the construct is highly accessible (because of recent exposures). Additionally, Hong et al. (2000) did indicate that individuals can acquire more than one cultural meaning (even if these systems contain conflicting theories) but cannot simultaneously guide action.

From a behavioral decision making perspective, Bazerman and Chugh (2006, p. 7) proposed the idea of "bounded awareness" of negotiators. They define "bounded awareness" as an individual's failure to see and use accessible and perceivable information while seeing and using other equally accessible and perceivable information to explain negotiation outcomes. Culture then, can be said to be more like a tool kit or repertoire (Hannerz, 1969, p.186-188) from which actors select differing pieces for constructing their lines of action. Obviously, people may have in readiness cultural capacities they rarely employ, implying that people know more culture than they use. Consequently, a realistic cultural theory should help to explain how humans actively construct their own meanings rather than being described as 'cultural dopes' (Swidler, 1986).

The revised imagery of culture as a toolkit for constructing strategies of action, rather than as a watchman directing an engine propelled by interests should direct our attention toward different causal issues other than the traditional perspectives (Swidler, 1986, p. 277). In a later study, Swidler (2001) asserts that cultures inculcate diverse skills and capacities, shaping people as social actors by providing constructive lines of action, not by modifying them into a uniform cultural type. Similarly, Freidman and Berthion Antal (2005) claim that culture should be seen as offering a repertoire of capacities from which varying strategies of action may be constructed. However, each culture provides a limited set of resources which people may use in varying configurations to solve different problems, rather than imposing a monolithic set of norms for thinking and acting. Rao and Giorgi (2006) also use the concept of cultural logic or semiotic codes, which are collectively known systems that regulate social action. However, Swidler (2001) observe that one is not constrained by internal motives, but by the knowledge of how one's action may be interpreted by others. As Rao and Giorgi (2006) have noted, it is not the inability to imagine an alternative that constrains institutional change, but rather the latitude to get away with the framing of a problem and its attendant solution that influences the success of negotiation outcomes.

Apart from selective perception, Thomas and Inkson (2004) discuss three other concepts in explaining how culture affects the negotiation process: social categorization; stereotyping; and attribution. They relate selective perception to the idea that we can attend to only a fraction of the myriad of ever-changing stimuli the world presents to us. Social categorization involves sorting other people (and ourselves) into different categories based on appearance, speech, language, accent, and vocabulary. In attribution, we move beyond simple observation and interpretation of others to make inferences about why people might behave as they do.

The discussion above suggests that anytime we have an intercultural negotiation or conflict, two negotiations may be at play: the original conflict over resources and the meta - level negotiation over the meanings and that should define the event. The principle of bounded awareness, or culture as a repertoire of skills and the idea of selective perception in using cultural meanings can help us to understand why in some situations cultural symbols lose their force while in others they remain vibrant; or why people sometimes invest beliefs and symbols with ever increasing meaning while at other times they live with great gaps between culture and experience (Swidler, 2001, p. 22).

The examination of how and when culture is adopted or abandoned are crucial to effective analysis of cultures' effect on social action and especially in intercultural negotiations. Apparently, if people in some sense choose among diverse cultural resources and put them to use in different ways, then culture's effects may be mediated by such variability (Swidler, 2001). In the contemporary sense then, culture can drive social change, but not in the way conventional sociological models suggest. For example, rather than pursuing enduring traditional values, many contemporary third world nations have generated powerful transformative ideologies.

Finally, from an institutional theory perspective, Garson (2006) claims that not only does culture influence human behavior in organizations, but also the reverse is true. This is because behavior is deeply rooted in and reflective of multiple contexts, of which culture is only one of those factors which affect the behavior. Accordingly, the behavior of individuals cannot be simplified into a small set of motivations. This suggests that behavior must be explained on a situational basis. In certain cases the desire for resource sustainability or the negotiation issue at hand may be more determinative in getting to outcomes than the cultural bias of the negotiation parties per se. Consequently, in spite of the cultural persistence, organizations may be willing to implement a policy in different ways depending on the context in which the organization is embedded.

Implications and Recommendations for Future Research

The first and most important point to be identified in the discussion on intercultural negotiation is the need for negotiators to be cognizant of the existence of differences in their assumptions of reality. In other words, there exist differences in value orientation which might suggest divergence of interest and priorities (individualist versus collectivist; low context versus high context; egalitarian versus hierarchical etc.). From this perspective, Cohen (1993) argues for a Model C (culturally sensitive) approach to describe culturally sensitive actors whether they be mediators or negotiators. Cohen (1993) claims that culturally sensitive actors have three main characteristics. First, these individuals are aware of the gamut of cultural differences and do not naively assume that underneath and in reality we are all pretty much the same. Second, they perceive the potency of religious and other cultural resonances. Third, they do not take for grant that what works in one culture necessarily works in another.

Thomas and Inkson (2004) also developed the cultural sensitivity idea further into what they refer to as cultural intelligence. Cultural intelligence means being skilled and flexible about understanding a culture, learning more about it from one's ongoing interactions with it and gradually reshaping one's thinking to be more sympathetic to the culture of other people. Thomas and Inkson (2004) argue that the negotiator in the era of globalization must be flexible enough to adapt to new knowledge and sensitive to each new cultural situation that he or she faces. Accordingly, the authors claim that cultural intelligence has three interrelated components: the knowledge to understand cross-cultural phenomenon; the mindfulness to observe and interpret particular situations; the skill to adapting behavior to act appropriately and successfully in a range of situations. . This suggests that what happens at the antecedent phase (obtaining cultural knowledge to anticipate differences) and concurrent stage (practicing mindfulness and adaptive behavioral skills during the negotiation process) may have both indirect and direct effects on negotiation outcomes.

Friedman and Berthion Antal (2005), however, argue that the focus on mindfulness and adaptive skills result in only mediocre outcomes in intercultural negotiations. Friedman and Berthion Antal (2005) stressed that the adaptive strategy treats national culture as an overarching unitary phenomenon whose influence on its members is quite deterministic. In respect of the limitations of the adaptation strategy, Friedman and Berthion Antal (2005) suggest that what is needed is "intercultural competence" or 'negotiation reality' to maximize the success of intercultural negotiation outcomes. They define "intercultural competence" as the ability to explore one's repertoire and actively construct an appropriate strategy. Intercultural competence therefore involves overcoming the constraints embedded in an individual's culturally shaped repertoire, creating new responses, and thereby expanding the repertoire of potential interpretations and behaviors available in future intercultural interactions. What Friedman and Berthion Antal (2005) are proposing is an active role of the negotiator; making his cultural orientation an asset to work for him rather than being a captive of his culture (McSweeney, 2002). Further, negotiation reality provides an approach for dealing effectively with the uniqueness, uncertainty, and instability inherent in intercultural interactions among culturally complex beings and in ever changing contexts. Negotiation reality therefore avoids the ethnocentrisms and paralysis inherent in simply accepting cultural differences.

Indeed, the negotiation reality idea suggested by Friedman and Berthion Antal (2005) is similar to Matejovsky's (2005) concept of self-discovery, which indicates that one must have a conscious understanding and insight into his own culture. This self-discovery process consists primarily of identifying the shared assumptions, patterns of behavioral norms, and communication preferences within one's culture. It is only after this discovery that one can fully appreciate the convergence and divergence that occurs when different cultures meet. As noted by Bennett, (1998) '...it is only when we accept the differences that we can go further to understand, appreciate, and respect it.'

Like Friedman and Berthion Antal (2005), Bennett (1998) asserts that negotiators need to go beyond "adaptation" to what he described as "integration", where people are inclined to interpret and evaluate behavior from a variety of cultural frames of reference, so that there is never a single right or wrong answer. Unlike the resulting paralysis that may occur with adaptation, people that get to the integration stage are capable of engaging in contextual evaluation. Similar to the integration idea, Rao and Giorgi (2006) argue for 'efficient negotiators' who they described as institutional entrepreneurs. These institutional entrepreneurs exploit the pre-existing logic within the social system or import a logic from a different domain. From the concept of institutional entrepreneur, we use the concept of cultural entrepreneur to capture negotiators' sensitivity to the environment in which they find themselves and the desire to always look for opportunities to expand their cultural repertoire so as to create meaning and value for both parties. The success of the cultural entrepreneur will therefore be dependent on his ability to "frame" the negotiation issue or challenge in such a way that the negotiator's interests, values, beliefs, and activities are congruent and complementary (Snow et al., 1986).

In framing the negotiation issue, however, other variables, including economic, political, and social conditions must be conducive to the frame that is developed. Framing strategy therefore recognizes that the benefits from interdependent relationships are greater when conflict is managed constructively (Deutsch, 1973). Factors that can influence the framing strategy or reduce the influence of culture include the social class of the negotiators, the nature of the problem, and the presence of trust (Gannon, 2004). Obviously, the similarities in social class or occupational similarity may diminish the influence of culture. Likewise, the nature of the negotiation problem may minimize the importance of cultural differences. Other studies also suggest that the faster trust can be established between the negotiation parties, the lower the effect of culture on the negotiation process (Hefferman, 2004; Jarvenpaa, Knoll, and Leidner, 1998).

Kimmel (1994) asserts that trust and good faith will only develop when negotiators treat each other as equals. The recognition and respect that emerge when negotiators genuinely feel they are equals provide a foundation upon which they can begin to debate and collaborate regardless of major differences in their subjective and common cultures. Writing on the importance of trust in cross-cultural relationships, Johnson and Cullen (2002, p. 335) state that '...without trust, the incentive for exchange would be absent." In short, the cultural entrepreneur is able to create value by being able to unbundle issues to find trade-offs when necessary, to bridge issues by reframing them to allow agreement, and to generate contracts (Thompson, 2006). What emerges from the preceding discussion is that there are multiple cultural spheres of influence which interact in ways that can provide competitive advantages or disadvantages. Thus, any cross–cultural negotiation has potential for cultural threats and opportunities.

Building on the constructivist, social movement theory, and institutional theories, the paper has proposed a general model of how culture might affect the negotiation process. However, what the paper has offered is only a general framework. The study therefore has many implications for future research. First, as indicated in the ABC model, culture is either an independent variable that produces a number of effects on a negotiation or a dependent variable mainly produced during the interaction or negotiation process. More theoretical insights and empirical studies are therefore needed to explain when and how culture affects the negotiation process.

Second, the literature has focused on the problems associated with intercultural negotiations and very little on the benefits that the differences can bring to the negotiation table. Consequently, more research needs to be done to show how cultural differences can help improve negotiation outcomes. Future research should be directed at developing both dynamic and multi-level models of culture (individual, interpersonal, within the social contexts, institutional, national, and international levels) to examine their differential impacts, if any, on the negotiation process

Conclusion

The paper examined two main aspects of culture; first, as a dynamic concept, and second, as both a barrier and a bridge in cross-cultural negotiations. The discussion leads us to conclude that what is different is not necessarily inferior and what is familiar is not always the best. We argue that while the development of intercultural competence may be difficult to learn and apply, when we accept the boundedness of our rationality and awareness, we will be more willing to open ourselves to self discovery to minimize intercultural differences in negotiations.

The basic argument of this paper is that anytime we have an intercultural negotiation, inherently, we have two negotiations: the original conflict over resources and the meta-level negotiation over the meanings that should define the event. In this paper, we propose a dynamic model of culture from which we developed the concept of cultural entrepreneurship to explain how success in cross-cultural negotiations can be enhanced. There are three main assumptions underlying the above mentioned concepts. First, individuals are active but not passive participants in creating and managing culture. Second, it is only when we look beyond our own borders to other cultures where different beliefs and practices have long cultural traditions, that we will be better able to understand our own culture. Finally, the meaning of negotiation cannot be fully understood unless it is interpreted in the cultural context in which it occurs (Faure and Sjostedt, 1993).

Evidently, there is no simple answer to the question of the factors that affect negotiation outcomes. However, we have argued in this paper that culture has a distinct influence on the negotiation process and outcome. More important, we have argued that focusing on cultural differences as conflicts during the negotiation process robs us of the opportunity to benefit from cultural diversity, especially in an environment where negotiators are willing to cooperate to compete during the negotiation process. Diversity of ideas as related to cultural differences can lead to innovation and hence the opportunity for creating and claiming value for both parties and subsequently the possibility for integrative solutions in cross cultural negotiations.

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THE STATUTORY AUDIT – UNDERSTANDING THE LEGAL DUTIES AND RESPONSIBILITIES OF THE AUDITOR PART II

B. Omane-Antwi

Abstract

Fundamental to the auditor's consideration of risk, is the fact that the auditor can be sued by the client under contract law (professional negligence, failure to spot a material fraud etc.) or by a third party in a tort. The auditor's liability springs from the general principle of law that where a person is under a legal duty to take such care, whether imposed by specific contract or otherwise, the failure to exercise reasonable standard of care will make that person responsible for any resultant damage or loss to those to whom the duty is owed.

What conduct satisfies the standard of care required will, in any particular case, depend entirely upon the circumstances. The general degree of skill and diligence demanded of, and attained by auditors today is unprecedented. The question as to whether an auditor is or not guilty of negligence in any particular case, is largely determined by reference to the standard to which contemporary members of the profession conform.

This part (Part 2) of this article makes compelling arguments for the need to understand auditor's legal duties and responsibilities as regards fraud. It provides concluding thoughts on the subject matter. We advance various arguments and proposals for enhancing the image of the statutory auditor.

The Auditors' Responsibility for Detection of Fraud

The Ghana National Auditing Standards (GNAS) defines fraud as the "intentional misrepresentation (of financial information by one or more individuals among management, employees or third parties". The GNAS outlines fraudulent practices as involving:

a) Manipulation, falsification, or alteration of records or documents;

b) Misappropriation of assets;

© Suppression of omission of the effects of transactions from the records or documents;

(d) Recording of transactions without substance; or

(e) Misapplication of accounting principles.

In the Australian case of Frankston and Hastings Corporation v. Cohen (1960) the detection of fraud was described as one of the main objects of an audit and of primary importance. In that case, the court gave approval to the view of Irish R.A. who stated that, "An audit may be said to be a skilled examination of such books, accounts, and vouchers as will enable an auditor to verify the balance sheet. The main objects of any audit are:

(a) To certify to the correctness of the financial position as shown in the balance sheet, and the accompanying revenue statements.

(b) The detection of errors.

© The detection of fraud. The detection of fraud is generally regarded as being of primary importance."

The above definition of an audit was also recited in Pacific Acceptance Corporation Ltd v. Forsyth (1970). Whatever its ranking, relative to other objects of an audit, it is apparent from cases, both in Commonwealth nations and the United Kingdom, that the courts regard the detection of fraud as an important purpose of an audit. In the Australian case of Pacific Acceptance Corporation Ltd v. Forsyt, Moffit J. in a detailed judgement analysed the functions and duties of an auditor having regard to modern audit practices and procedures, particularly auditors' increasing reliance upon a company's internal system of accounting controls.

The plaintiff, a finance company (Pacific), had a head office in Sydney and a branch office in Melbourne. The defendants were the plaintiff's auditors (the Pacific auditors). The professional negligence claim brought in contract against the Pacific auditors related to four audit years ending on June 30, 1958, 1959, 1960, and 1961 respectively. The plaintiff complained of failure to discover and to warn of fraudulent and irregular features in loans made by the Melbourne branch office between about 1957 and 1961 to the defendant and his group of companies and also to certain fictitious companies, and in some loans made through the defendant as an estate agent. These loans were supposedly secured by registered first mortgages. Being unaware of these irregularities, Pacific in 1959 entered into a joint venture with a company controlled by the defendant. The venture was operated through a jointly owned subsidiary company (Pavic). Pavic engaged in house development and sales through a group of subsidiary companies. The defendant was a director of Pavic and its subsidiaries. Pacific advanced to the joint venture large sums of money which were eventually lost.

In the middle of 1960, Pacific entered into a takeover agreement with the defendant whereby Pacific acquired various interests of the defendant became a wholly owned subsidiary of Pacific prior to the 1960 balance date and the defendant became a principal shareholder and director of Pacific. Within the framework of the joint venture and takeover, the defendant committed further frauds and misappropriations.

In September 1960, before completion of the 1960 audit, and to the knowledge of the Pacific auditors, there was a second takeover whereby Pacific acquired virtually all of the defendant's assets. At this time, the defendant and his companies were in grave financial difficulties. Shortly before reporting an unqualified opinion upon a Pacific's consolidated accounts for 1960, the Pacific's auditors received from the auditors of Pavic (the Pavic auditors) their report upon Pavic's consolidated accounts but took no action upon it.

Moffit J. held his report to have been qualified, contrary to the contention by the Pacific auditors that it was unqualified. The Pacific auditors were held negligent in the following respects:

a) In failing to ascertain by proper means whether intended mortgages had been given and registered;

b) Insofar as solicitors engaged to attend to the execution and registration of mortgages were seen as part of Pacific's system of internal control, in relying on that system without proper inquiry, appraisal or test sampling of that system's efficacy;

c) In failing to take sufficient account of various irregularities including endorsements indicating payment to the defendant's private account of many of Pacific's crossed order cheques payable to the defendant's companies and also including various dishonoured cheques drawn by the defendant's group in favour of Pacific;

d) In employing inexperienced staff without adequately supervising them and checking their work;

e) In failing properly to amend the Melbourne audit programme to include procedures to check freehold mortgage loans;

a) In relying on the two takeover agreements providing evidence of value of assets purportedly comprising security for loans;

b) In making no inquiries of Pavic's auditors and no independent checks concerning the Pavic group accounts before relying on them in giving an unqualified opinion on Pacific's consolidated accounts;

c) In giving an unqualified opinion on Pacific's consolidated accounts for 1960, which made no provision for bad and doubtful debts in Pavic group accounts;

d) In failing to discover that a so-called service fee treated as income of Pavic in Pavic's 1960 accounts was not in fact income of Pavic and in giving their unqualified opinion to Pacific's consolidated accounts which accepted the service fee as income.

These defaults constituted breaches by the Pacific auditors of their duty to audit exercising reasonable care and skill and of their duty to report exercising reasonable care and skill. The Pacific auditors were not entitled to be relieved from liability under the Australian equivalent of the English Companies Act 1985, s.727.

In the course of his judgement, Motiff J. dealt with a number of general points relating to the conclusion, terms, and scope of the contract pursuant to which the auditors were engaged to do a statutory audit. For each of the four years in question, the Pacific auditors had been elected as the company's auditors by the shareholders at the company's annual general meeting. Each appointment was an open one in the sense that no special terms were attached. Pacific's claim was pleaded and auditors were engaged in respect of the relevant year's audit. He concluded that the contract in each case arose either from the acceptance of the auditor's offer by the shareholders appointing them or by the acceptance of the appointment by the auditors by virtue of their acceptance of the office, embarking on the work and accepting their remuneration, but nothing turned on which alternative was the more correct. On the issue of terms of engagement, Motiff J. concluded that the contracts being open had imported into them promises to perform the duties prescribed by the relevant UK Companies Act and also the articles of association of the company. The relevant statute, however, merely required the auditors to report to the shareholders and to give their opinion on certain matters. It did not state what the auditors had to do in order to form their opinions. It was contended for the Pacific auditors that they were required to do more than report to the shareholders using due care and skill. This contention was rejected in the following words: "In the absence of express terms, the scope of the audit will depend on what is directly or indirectly required or indicated by the particular provisions of the Companies Act and of the articles and any relevant surrounding circumstances. However, whatever the precise content of his audit, the auditor promises, first, to conduct an audit of some description and, second, to provide a report of his opinion based on his audit work, which report has to comply with the Companies Act and the articles, and also impliedly agrees to exercise reasonable skill and care in the conduct of the audit and in the making of the report."

The duty to audit carried with it an incidental duty to warn the appropriate level of management or the directors, during the course of the audit, of fraud or suspicion of fraud uncovered. Thus, if in the course of vouching work, the Pacific auditors had uncovered matters which reasonably required them to the uncovering of the defendant's fraudulent and irregular dealings, a breach would have occurred at that time. As for the scope of statutory audit, Motiff J. took the view that in planning and carrying out his work an auditor must pay due regard to the possibility of error and fraud.

The Ghana National Accounting Standards issued in 2001 has acknowledged the role of the audit profession in the detection of fraud as follows, "the admitted role of the audit profession in relation to fraud detection is to plan, perform and evaluate the audit work so as to have a reasonable expectation of detecting material misstatements in the financial information resulting from fraud or error". Planning the audit with a reasonable expectation of detecting fraud is explained as adopting an "attitude of professional scepticism."
The courts have affirmed the above mentioned role of the auditor in relation to fraud in Fomento (Sterling Area) Ltd v Selstdon Fountain Pen Co Ltd (1958), where Lord Denning expressed the opinion that: "An auditor is not to be confined to the mechanics of checking vouchers and making arithmetical computations. He is not to be written off as a professional "adder-upper and subtractor." His vital task is to take care to see that errors are not made, be they errors of computation or omissions or downright untruths. To perform this task properly, he must come to it with an inquiring mind - not suspicious of dishonesty, I agree - but suspecting that someone may have made a mistake somewhere and that a check must be made to ensure that there has been none."

The issue in this case was whether auditors engaged by patent licensors to ascertain the amount of royalties due from licensees were entitled to require production by the licensees of specimens or specifications of particular products in order to establish whether they were patented articles or not. The licensees contented that it was outside an auditor's function to determine whether or not an article was protected by patent. The House of Lords by a majority rejected his contention.

Earlier cases such as Leeds Estate, Building and Investment Co. v. Shepherd (1887) and Re London and General Bank (No. 2 (1895) have established the mental attitude with which an auditor must approach his assignments in order to succeed in detecting fraud. In the former case, Sterling J. stated that it was the "... the duty of the auditor not to confine himself merely to the task of verifying the arithmetical accuracy of the balance-sheet, but to inquire into its substantial accuracy, and to ascertain that it contained the particulars specified in the articles of association (and consequently a proper income and expenditure account), and was properly drawn up, so as to contain a true and correct representation of the state of the company's affairs." In Re London and General Bank (No. 2), Lindley L.J. said this about the auditor's fraud detecting role, "... his business is to ascertain and state the true financial position of the company at the time of the audit, and his duty is confined to that. But then comes the question: "How is he to ascertain that position?". The answer is, by examining the books of the company. However, he does not discharge his duty by merely doing this without inquiry and without taking any trouble to see that the books themselves show the company's true position. He must take reasonable care to ascertain that they do so. Unless he does this, his audit would be worse than an idle farce. Assuming the books to be so kept as to show the true position of the company, the auditor has to frame a balance sheet showing that position according to the books and to certify that the balance sheet presented is correct in that sense. But his first duty is to examine the books, not merely for the purpose of ascertaining what they do show, but also for the purpose of satisfying himself that they show the true financial position of the company."

The facts of the case were that an auditor presented a confidential report to directors pointing out the insufficiency and difficulty of realisation of securities on which loans by the company were advanced. But, in his repot to the shareholders, he merely made the vacuous comment that the value of the assets was dependent on realisation. He was held liable upon a misfeasance summons by the liquidator of the company. He had not reported the true financial position of the company and the shareholders had consequently been deceived into voting for a dividend which in the event was proved to have been paid from capital and not from income. This dividend the auditor was required to make good to the liquidator.

There has been increasing pressure on the audit profession to show more commitment in the fight against corporate fraud. The British Corporate and Consumer Affairs Minister, Michael Howard in 1984 expressed the view that the accounting profession was in the "front-line of the public's defences against fraud, and that the profession should adopt tough new standards on fraud."

In response to this pressure, the UK Audit Practices Committee issued a Practice Guideline in 1990 stating that it may sometimes be necessary for auditors to make a report of fraud discovered in their audit work to shareholders or regulators. According to this Guideline, the following factors should be taken into account in deciding whether or not a report should be made:

(a) "The extent to which the fraud or other irregularity is likely to result in a material gain or loss for any person or is likely to affect a large number of people;

(b) The extent to which the non-disclosure of fraud or other irregularity is likely to enable it to be repeated with impunity;

© The gravity to the matter;

(d) Whether there is a general management ethos within the entity of flouting the law and regulations;

(e) The weight of evidence and the auditor's assessment of the likelihood that a fraud or other irregularity has been committed."

This reporting responsibility, which is recognised by the GNAS, is particularly effective in combating senior management fraud. The efficacy of this procedure is recognised in the UK Financial Services Act 1986, the Building Societies Act 1986, and the Banking Act, 1987, all of which require the auditor, where he considers it expedient, to report suspected fraud to the relevant regulator.

This new audit responsibility was given judicial recognition in the case of Seasea Finance Ltd v KPMG (2000), where the plaintiff company, a member of a group of companies, brought action against its auditors for negligence, for failing to report fraudulent activities carried out by a dominant executive in the group that led to the plaintiff company incurring heavy losses. The English Court of Appeal held that, where a company's auditors discovered that a senior employee had been defrauding the company on a massive scale and that the employee was in a position to continue doing so, the auditors would normally have a duty to report the discovery to management immediately, not merely when rendering their report. Moreover, if the auditors suspected that the management might be involved in, or was condoning fraud or other irregularities, then the duty to report overrode the duty of confidentiality, and the auditors would have to report to a third party without the management's knowledge or consent.

Causing Financial Loss to the State

The audit function plays an important role in ensuring that the state is not made to suffer financial loss through the actions or omissions of officers in the civil and public services. The charge of causing Financial Loss to the state is founded on section 179(A) (3) (a) of The Criminal Code (Ghana) Act 29, 1960. The section provides that any person through whose willful, malicious, or fraudulent action or omission the state incurs a financial loss commits an offence.

Justice Baddoo, J.A. (as he then was), in the case of The Republic vrs. Victor Selormey, High Court, Unreported, 10th December 2001 explain the meaning of the offence as follows:

"In plain ordinary language, it means any deliberate act or omission of any person which results in a financial loss to the State constitutes on offence. Therefore, for the prosecution to succeed in providing this charge against the accused person, they must show that: -

(a) The accused person took certain actions.

(b) Those actions resulted in a financial loss to the state.

Justice Afreh, in the case of The Republic Vrs. Ibrahim Adam, Samuel Dappah, Kwame Peprah, George Sipa-Yankey and Nana Ato Dadzie, High Court, Unreported, 10th December 2001 said that:

"To sum up, the essential elements of causing financial loss under S179A (3) (a) are:

(i) A financial loss;
(ii) To the state;
(iii) Caused through the action or omission of the accused; and
(iv) That the accused:

a. Intended or desired to cause the loss; or
b. Foresaw the loss as virtually certain and took an unjustifiable risk of it; or
c. Foresaw the loss as the probable consequence of his act and took an unreasonable risk of it; or
d. If he had used reasonable caution and observation, it would have appeared to him that his act would probably cause or contribute to cause the loss.

Among the charges against the accused person in the former case were two counts of conspiracy to cause financial loss to the state and two counts of causing financial loss to the state founded on S. 179 (A) (3) (a) of Act 29, 1960.

The fact of the case was that the accused person was formerly the Deputy Minister of Finance. He had a friend by name Dr. Fredrick Owusu Boadu, a Ghanaian resident in Texas, U.S.A. In December1998, the accused authorised Ecobank to pay an amount of $432,500 to Dr. Fredrick Owusu

Boadu in Texas, by falsely representing to the Bank that Dr. Boadu had performed consultancy services, under the court computerisation project which representation, he knew to be false.

Again in February 1999, the accused authorised the Ecobank to pay to the said Dr. Boadu an amount of $865,000 by falsely representing to the Bank that this was the second payment to Dr. Boadu for the consultancy services he had rendered, under the court computerisation project which representation he knew to be false.

It was the case for prosecution that no consultancy services had been rendered by Dr. Boadu in respect of the court computerisation project to warrant the payment of the total sum of $1,297,500 to him and, by this act, the Republic had incurred a financial loss of $1,297,500.

Among the witnesses who testified for the prosecution was PW9 Nana Baah Opoku Agyeman, an Assistant Director of Audit with the Audit Departments who was helping the Auditor General form an opinion about the operations of the Ministry of Finance. He stated in his testimony that under the Financial Regulations, all warrants issued for the payments of money should be copied to the Auditor General. To make sure that warrants and releases were genuine, the Ministry of Finance had introduced a procedure that insisted that all releases from the Ministry of Finance bore a sticker called hologram. By the mere presence of the hologram, which was strictly controlled by the Ministry under lock and key, the genuineness of the release could be verified.
The witness testified that Exhibit A and C, the letters written to Econbank for the release of the total sum of $1,297,500 to LEEBDA, attention Dr. Boadu, did not bear this hologram.

In cross-examination, the witness admitted that he would not know whether the releases from the TIP accounts bore this hologram. However he maintained that Financial Regulations mandated that any account generated should be given to the Auditor General.

The Liability of the Auditor With Respect to Fraud under the Theft Act of the UK of 1968

Section 17 of the Act is of relevance to the liability of the auditor in the detection of fraud. The section provides as follows:

"17. (1) Where a person dishonestly, with a view to gain for himself or another or with intent to cause loss to another, -

(a) Destroys, defaces, conceals, or falsifies any account or any record or document made or required for any accounting purpose; or

(b) Furnishing information for any purpose produces or makes use of any account, or any such record or document as forsaid, which to his knowledge is or may be misleading, false or deceptive in a material particular;

He shall, on conviction on indictment, be liable to imprisonment for a term not exceeding seven years.

(2) For purposes of this section, a person who makes or concurs in making in an account or other document an entry which is or may be misleading, false, or deceptive in material particular or who omits or concurs in omitting a material particular from an

an account or other document, is to be treated as falsifying the account or document."

The above means than an auditor, while conducting an audit, is under a duty to carry out a thorough investigation consisting of inspection of material documents in order to avoid situation where he will be found to have made use of accounting records or documents which may be misleading, false, or deceptive in the preparation of the audited financial statements of the company.

Where the audited financial statements reflect errors and it is established that the auditor had knowledge of those errors, he will be criminally liable under section 17 of the Theft Act of 1968.

Conclusion

Auditors' responsibilities have become the subject of interest to the investment community in the light of the spate of corporate collapses and fraud in recent years. Auditors need to tighten up their procedures and consider the possibility of fraud more actively, so that the likelihood of detecting material misstatements is improved.

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The paper has undergone the kind review of Mr. Philip D. Dosoo; LLB, LLM of Trustee Services Limited. However, I accept the responsibility for every word – right or wrong.

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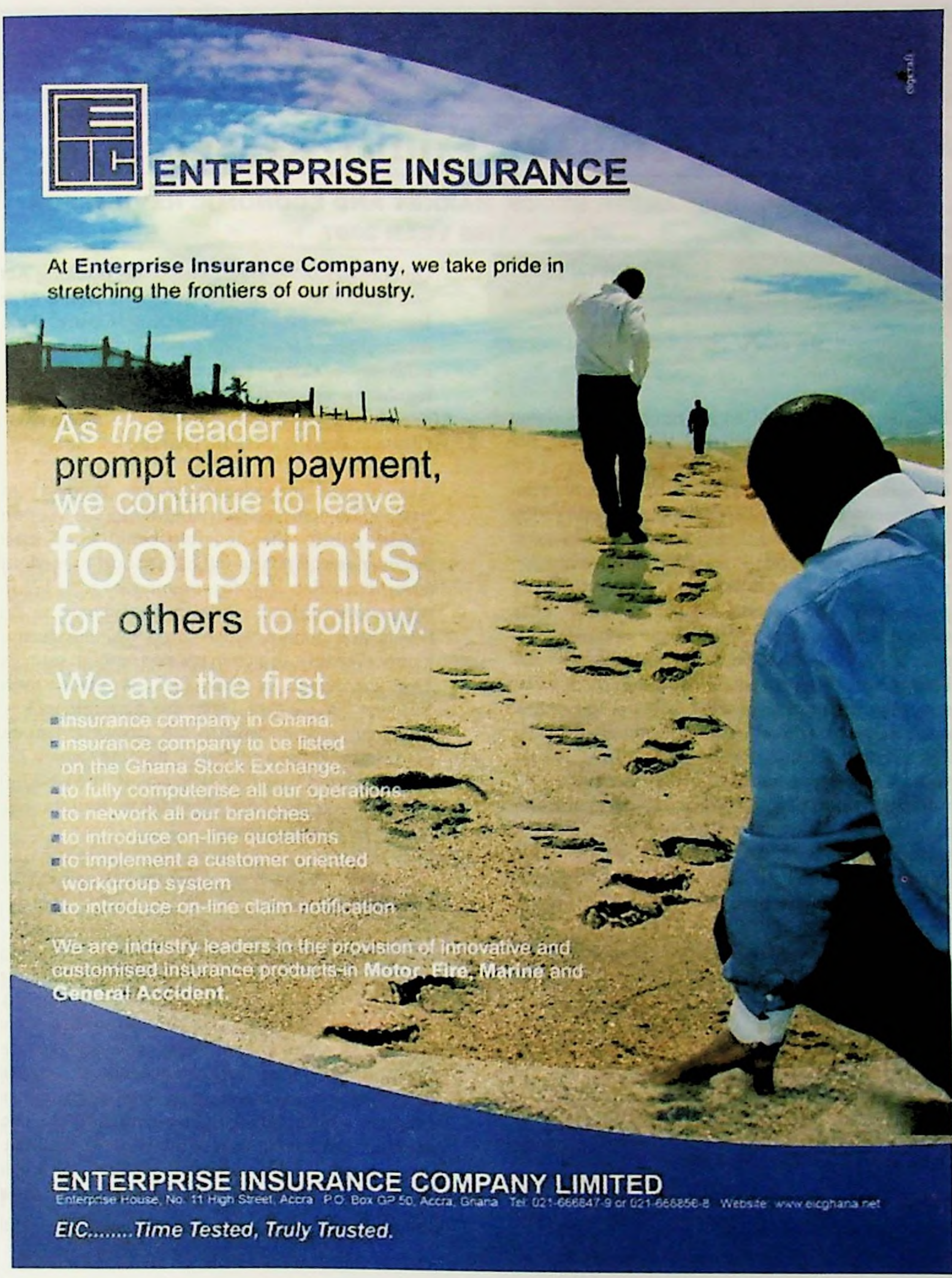
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THIRD QUARTER STOCK MARKET AND ECONOMIC REVIEW FOR THE YEAR 2007

ECONOMIC REVIEW

Alieu B. Senghore

Overview

Despite a host of challenges, ranging from rising crude oil prices, floods in the North of the country, to a prolonged energy shortage, the Ghanaian economy proved to be resilient, with macroeconomic stability becoming increasingly entrenched over the first nine months of the year. This can be traced in the trend of key macroeconomic variables, i.e. stable consumer prices and a stable exchange rate. The country even managed to notch up some achievements over the course of the year, the most notable ones being, the improvement in the country's sovereign ratings [from a B+ rating with a stable outlook, to a B+ rating with a positive outlook by Fitch Ratings], a successful US$750 million 10 year sovereign bond issue and the successful implementation of the currency re-denomination exercise. Ghana was also adjudged, the third best reformer in 2006/2007 with regard to the ease of doing business by the World Bank in its annual Doing Business Report [World Bank " Doing Business Report" 2008].

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On the legislative front, the 2004 Banking Act was amended to facilitate the establishment of an International Financial Services Centre. This means that banks in Ghana are now able to offer offshore banking services, albeit subject to regulatory approval. Barclays Bank Ghana has already received a license from the Bank of Ghana to provide offshore banking services.

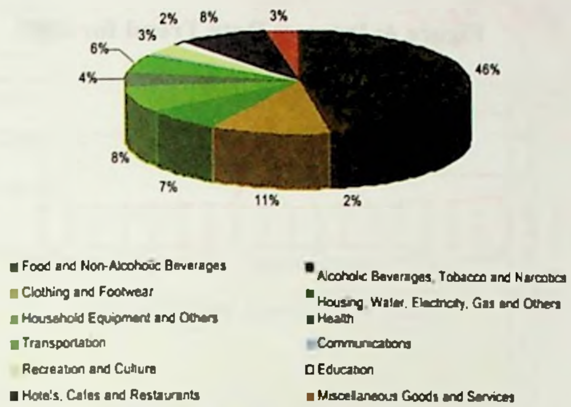
Also of great importance was the discovery of crude oil in commercial quantities in the Western region. Albeit the tangible benefits of these discoveries will not be felt in the short to medium term [extraction due to commence in 2012], it will help to enhance investor confidence in the Ghanaian economy, which could lead to a further improvement in the country's sovereign ratings. The importance of this fact is made more pertinent by the fact that the government has expressed a firm desire to tap the international capital markets as a source of funding [which has already started with the issuance of the US$750 million sovereign bond] in order to limit its dependence on donor partners

Consumer Prices Well Anchored Despite Challenges

Inflationary pressures have remained relatively subdued since the beginning of the year, despite the numerous challenges that the economy has faced over the course of the year. The most notable of these challenges was the severe electricity shortage that commenced in August 2006. The crisis necessitated a load management program, which ended in September 2007. The situation was further exacerbated by the fact that crude oil prices have oscillated between the levels of US$70 to US$80 per barrel range for the most part of the year.

Despite maintaining a choppy trend since the beginning of the year, headline inflation over the course of the year has he ld steady within the band of 10 per cent to 11 per cent.

Figure 1: National CPI Component Breakdown



Headline inflation for the month of July was placed at 10.1 per cent, the lowest level that was recorded over the first ei ght months of the year. That marked the second consecutive month of declining consumer prices, as June inflation had declined to 10.7 per cent from the 11 per cent that was recorded in May. The non-food component of the Consumer Price Index (CPI) exerted downward pressure on the CPI in July, falling from 11.3 per cent (y/y) in June to 10.1 per cent (y/y) in July. Food inflation on the other hand, increased from 9.9 per cent (y/y) to 10.2 per cent (y/y) over the same period.

The food & non-alcoholic component of the CPI has been the key driver of inflation over the course of the year. In August however, it took back stage, as the non-food basket of the consumer goods basket, exerted upward pressure on the CPI resulting in a slight up-tick in the headline inflation rate to 10.4 per cent. Non-food inflation grew from 10.1 per cent (y/y) in July to 10.3 per cent (y/y) in August, while food inflation receded from 10.2 per cent (y/y) to 10 per cent (y/y) over the same period.

The inflationary outlook for the rest of the year is less upbeat despite the end of the load management program. Consequently, we do not expect headline inflation to end the year in single digit range as per the government's target. Recent floods in the north of the country which destroyed up to 70 per cent of the arable land in these areas, have served to reinforce this point.

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The outlook for food supply over the rest of the year is less bullish, as the affected regions produce a significant portion of the nation's supply of tubers, groundnuts and tomatoes. This development, taken against the backdrop of uncertain crude oil prices on the world market, the upward revision in utility tariffs by 35 per cent and the expansionary fiscal policy that has characterized government spending over the course of the year, will contrive to keep headline inflation above single digit range come the end of the year [Databank Research forecast of year end inflation is 10.1 per cent]. Despite these developments, underlying inflationary pressures in the economy are well anchored in single digit range as evidenced by the Bank of Ghana's core measure of inflation, which decreased to 8.1 per cent (y/y) in July, from June's level of 8.6 per cent (y/y).

Figure 3: Inflationary Trends (2005 – 2007)

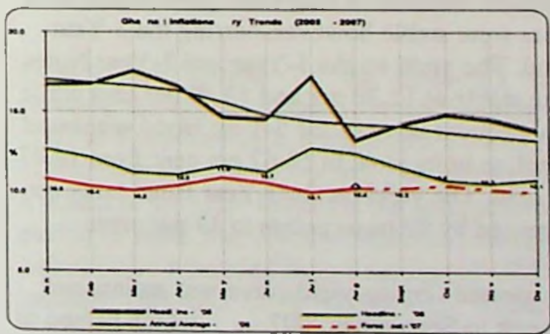
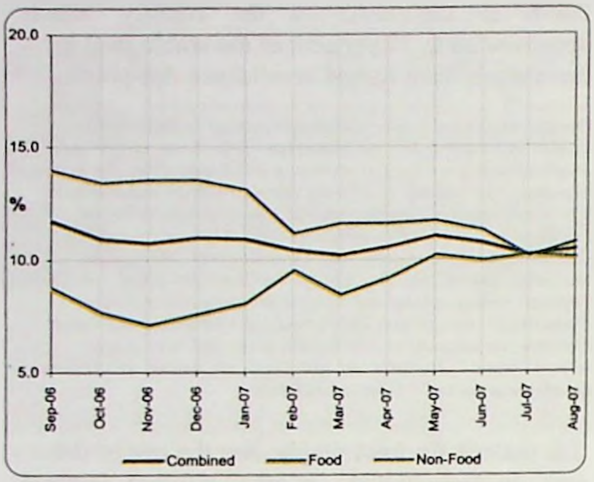


Figure 2: Monthly CPI Trend (Sep-06 – Aug-07)



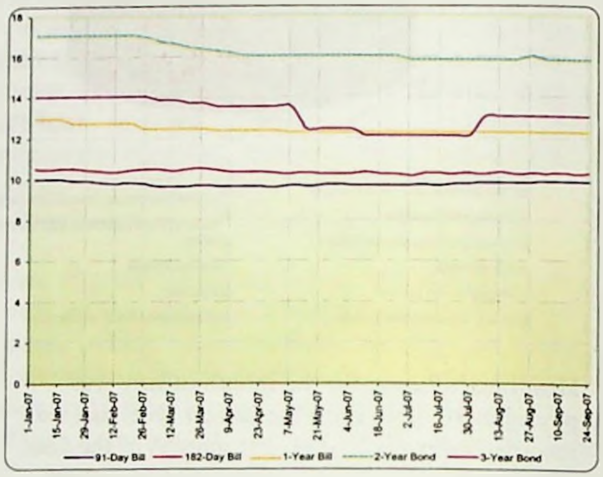
Source: Ghana Statistical Services, Databank Research Databases

Short-term Interest Rates Inch Up…In line with Increased Short-term Government Borrowing

Barring the slight up-tick in the yields on shorter-dated government debt paper, interest rates were generally stable across the full spectrum of the yield curve over the third quarter. The yield on the benchmark 91-Day Treasury bill increased by 19 basis points from Q2-2007's closing level of 9.64 per cent to 9.83 per cent at the end of the third quarter. The yield quoted on the 182-Day bill followed a similar trend to that of the 91-Day over the quarter and closed Q3-07 at a level of 10.24 per cent, three basis points higher than Q2-07's closing level of 10.21 per cent. The increased yield on shorter-dated government debt paper was in line the increasing level of short-term government borrowing over the period. The yields on medium to long-term government debt paper were stable however, barring the 3-Year Bond. The yield on the 1-Year and 2-Year Notes were stable at 12.30 per and 12.80 per cent while a subsequent issue of the 5-Year Bond witnessed a decline in its yield to 13.67 per cent from 14.47 per cent. The yield on the 3-Year Bond however, increased by 92 basis points to 13 per cent.

An upward sloping yield curve was maintained through to September 2007, which helped to sustain the shift in portfolio preferences on the money-market from the shorter end of the market to the longer end. The sh are of the 2-Year and 3-Year fixed rate Notes and the 5-Year Bond out of the total value of outstanding government debt increased from 42 per cent in March 2007 to 55 per cent in June 2007 [latest available data].

Figure 4: Interest Rate Trend for 2007

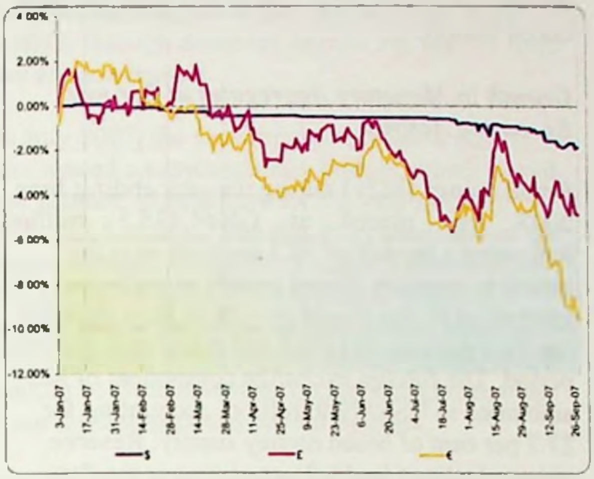


Source: Bank of Ghana

Cedi's Strength Against Major Trading Currencies Wanes

The local currency, albeit relatively stable against all the three major trading currencies [i.e. dollar, pound and euro] on the interbank market in Q3-2007, marked a worsened performance against the dollar and the euro as compared to the comparative period in Q3-2006. The cedi depreciated by 1.29 per cent against the dollar over Q3-2007 [compares unfavourably to Q2-2007's depreciation level of 0.44 per cent] as compared to a depreciati on level of 0.13 per cent in the comparative period in 2006. Against the euro, the cedi depreciated by 6.64 per cent over the third quarter alone [compares unfavourably with Q2-07's level of -1.51 per cent], as compared to a depreciation of 0.20 per cent in the comparative period in 2006. The ced i posted a milder performance against the pound as it depreciated by 2.37 per cent in Q3-2007, as compared to a depreciation of 2.50 per cent in Q3-2006.

Figure 5: Interbank Exch ange Rate Trend for 2007



Source: Ghana Association of Bankers

With the exception of the pound, the cedi turned in a worsened performance against its major trading counterparts in Q3-2007 as compared to Q3-2006 on the forex market. The cedi depreciated by 1.2 per cent, 2.7 per cent and 6.7 per cent against the dollar, the pound and the euro respectively over the third quarter of 2007, as compared to 0.4 per cent, 4.6 per cent and 1.3 per cent respectively in the corresponding period in 2006.

The performance of the ced i in the third quarter also pales when compared to the outturn of the second quarter of the year, when the cedi depreciated by 1.4 per cent and 0.8 per cent against the pound and the euro respectively, while appreciating by 0.3 per cent against the dollar.

Table 1: Forex Market Currency Performance (Cedi vs. Dollar, Pound and Euro)

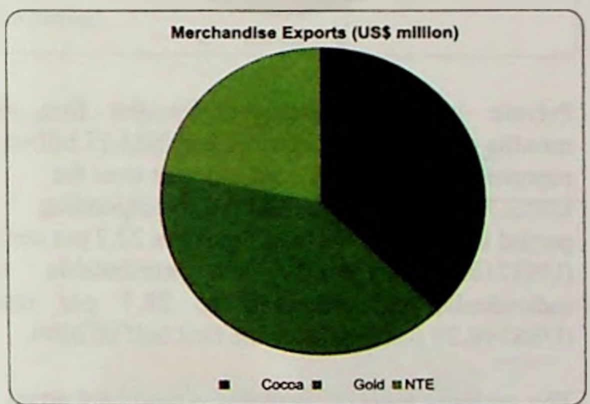
	¢/$ (%)	¢/£ (%)	¢/€ (%)
Q1-07	-1.05	-1.89	-2.79
Q2-07	0.26	-1.35	-0.80
Q3-07	-1.21	-2.66	-6.72

Source: Anarfi Forex Bureau, Databank Research Databases

Terms of Trade Worsen; Energy Crisis Defining Factor

The country's terms of tr ade worsened over the period under review, a trend that can to a large part, be attributed to the energy crisis that the country experienced from August 2006 to September 2007. Revenue inflows from Ghana's main exports over the first half of the year – Cocoa and Gold- grew by 17.4 per cent and 29.8 per cent as compared to the comparative period in 2006 to US$739.06 million and US$797.51 million respectively. Non Traditional Exports (NTEs) on the other hand, declined by 17.9 per cent over the same period to US$432.41 million from US$526.48 million. The decline in NTEs was on account of the cessation of Valco's operations, an occurrence necessitated by the energy crisis. Notwithstanding the decline in NTEs, revenue from Ghana's exports through to June 2007 grew by 10.6 per cent over the level recorded in the corresponding period in 2006 to US$2,070.80 million.

Figure 6: Breakdown of Merchandise Exports HY-2007



Despite the growth in the country's export revenue, the country's terms of trade worsened in 2007 as evidenced by a trade deficit of US$1.67 billion over the first half of 2007 as compared to a deficit of US$1.29 billion in the comparative period in 2006. The country's current account balance also worsened from a surplus of US$73.7 million (HY-06) to a deficit of US$832.36 million (HY-07). The country's worsening terms

5

of trade was largely brought about by the increase in the volume of imports, particularly crude oil. Total merchandise imports over the first half of the year was placed at US $3,738.7 million, 18.1 per cent higher than that which was recorded in the same period of 2006. Oil imports amounted to US$915.07 million over the first half of the year, representing a 10.5 per cent increase over the US$827.97 million recorded in the same period in 2006. Despite the growing level of oil imports, intermediate goods accounted for 76.1 per cent of total imports (76.2 per in HY-06), attesting to strong value creation in the economy.

Figure 7: Breakdown of Merchandise Imports HY-2007

Private inward remittances for the first six months of the year amounted to US$3.17 billion, representing a 15.7 per cent increase over the US$2.74 billion recorded in the corresponding period in 2006. Of the total transfers 22.7 per cent (US$718.10 million) was attributable to individuals, as compared to 28.7 per cent (US$786.20 million) over the first half of 2006.

The growing level of remittances could not arrest the worsening position of the country's balance of payments, which stood at a deficit of US$124.31 million as at June 2007, as compared to a surplus of US$272.21 million in corresponding period in 2006. The country's worsening balance of payments position was duly reflected in its Gross International Reserves position, which stood at US$1.94 billion as at July 2007. This translates to 2.3 months of import cover, well below the government's year end target of 3 months of import cover. However, the country's reserve position tends to pick up over the last quarter of the year in line with the peak cocoa season.

Growth in Monetary Aggregates at Par with Economic Activity

Broad money (M2+) during the year ending June 2007 was placed at GH¢4,435.3 million, indicating a growth of 30.1 per cent over the period in question. Broad money growth was spurred on by the strong growth in bank deposits (up 34.9 per cent to GH¢3,568.6 million) over the period. The foreign exchange component of M2+ amounted to US$979.9 million, accounting for 27.7 per cent of broad money supply. Reserve money declined by 11.9 per cent over the first quarter, following the seasonal surge in the last quarter of 2006. Over the second quarter of the year, Reserve money grew by 4.1 per cent to GH¢1,232.7 million as at June 2007. In July however, reserve money increased to GH¢1,312.4 million, impacted by the advances that the Bank of Ghana gave to banks in preparation of the re-denomination exercise. This notwithstanding, as at July 3 some 59.9 per cent of the old currency in circulation was withdrawn and replaced with the new Ghana cedi notes and coins with the coming on stream of the re-denomination exercise.

Domestic Financing Plugs Growing Fiscal Deficit

Provisional data on the implementation of the 2007 budget through to June 2007, indicated that total government expenditure over the period amounted to GH¢2,330.2 million, 46.5 per cent of the programmed expenditure for the year. Total receipts amounted to GH¢2,024.6 million [including grants and non-tax revenue], 34.2 per cent above that which was mobilized in the corresponding period in 2006. Domestic revenue mobilization was robust, recording a growth of 36.4 per cent to GH¢1,593.4 million (42.4 per cent of annual target), attesting to the improving efficiency of the tax administration system. The improving level of domestic revenue mobilization however, failed to keep pace with the level of government spending resulting in a fiscal deficit of GH¢344.8 million as at June 2007, comparing unfavorably with the GH¢71.1 million deficit recorded over the same period in 2006. The deficit was financed to the tune of GHc378.20 million through domestic borrowing, mainly from the auction market.

In July 2007, the Government of Ghana (G0G), announced a supplementary budget, which would see planned expenditure for the year swell by GH¢827.4 million. The stat ed primary aim of the supplementary budget is to commit resources to the implementation of a medium to long term energy policy and other infrastructural projects. The financing of the supplementary budget would mainly be from divesture receipts and borrowing from the international capital markets.

Economic Activity Tapers Slightly

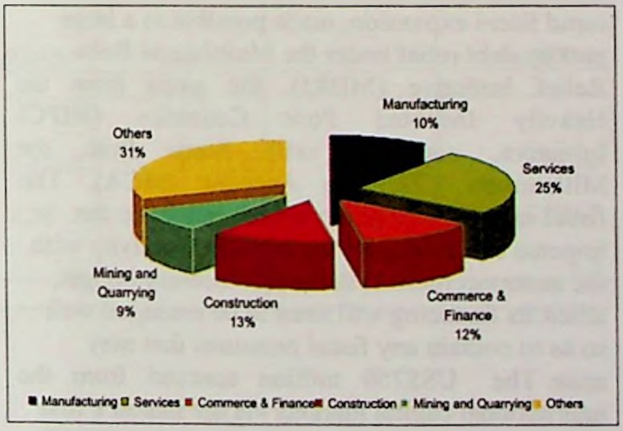
The Bank of Ghana's (BOG) Composite Index of Economic Activity (CIEA) increased by 17.1 per cent (y/y) through to June 2007. This is lower than the trend growth rate of 21.1 per cent.

The relative slowdown in economic activity can be largely attributed to the energy crisis that hit the country from August 2006 to September 2007, which adversely affected the energy sensitive sectors of the economy, particularly the manufacturing and mining sub-sectors.

This notwithstanding, economic activity was relatively robust, with cement sales, domestic VAT collections, employment and commercial bank credit being the components of the CIEA that registered strong growth over the first half of the year. There was a slowdown in port activities, exports and imports, as well as electricity consumption over the period. The continued robustness of real sector activity is further evidenced by the fact that 76.1 per cent of imports recorded over the period were made up of capital and intermediate goods, which implies an increased level of value addition in the economy. The BoG's surv eys of business and consumer confidence, showed general confidence in macroeconomic conditions and prospects, albeit the energy crisis slightly weighed down business confidence over the first half of the year. This situation has now being remedied however, with the coming to an end of the load management program at the end of September 2007.

The improving business environment in the country was also reflected in the amount of credit extended to both public and private sector institutions by Deposit Money Banks (DMBs). Credit extended to private and public institutions by DMBs over the 12 month period to June 2007, increased by 51.3 per cent (GH¢1,016.9 million), comparing favourably to the 33.4 per cent growth (GH¢496.3 million) recorded over the same period in 2006. The private sector accounted for 78 per cent of total credit disbursements over the period (GH¢792.9 million). Total private sector credit outstanding as at June 2007 was estimated at GH¢2,458.6 million. Th is amount represents 17.9 per cent of GDP, comparing favourably to the 14.5 per cent and 12.5 per cent recorded over the same periods in 2006 and 2005 respectively, confirming the growing level of financial deepening within the eco nomy. The services (25 per cent), construction (13 per cent), commerce & finance (12.3 per cent), manufacturing (10.3 per cent) and mining & quarrying (8.7 per cent) sub-sectors were the main bene ficiaries of the credit extended by Deposit Money Banks (DMBs) over the period.

Figure 8: Sectoral Distribution of Outstanding Credit by DMBs



MPC Maintains Prime Rate at 12.5 Per cent in Q3-2007

After holding its third meeting of the year on August 27, 2007, the Monetary Policy Committee (MPC) of the Bank of Ghana (BoG) decided to maintain the prime rate at the year opening level of 12.5 per cent. The MPC's assessment of the economy continues to be bullish, as the Committee expects economic activity to continue to be vibrant, spurred on by an expansionary fiscal policy, with inflation anchored towards single digit levels. This notwithstanding, uncertainty about the future direction of crude oil prices, the widening fiscal balance and cost and output pressures (particularly in the energy sensitive sectors) resulting from the energy crisis are risks to the outlook of the economy, particularly with regard to exchange rate stability and inflation. The end of the load management program in September 2007, will help curtail inflationary expectations , albeit the recent floods in the North of the country, and the increasing liquidity in the system brought about by the political campaigning season may affect the outlook over the short-term. Hence we expect the BoG to continue to adopt a very vigilant monetary policy framework to ensure that inflation is kept in check so as to guarantee the continued deepening of macroeconomic stability.

Macroeconomic Outlook

Economic fundamentals over the first nine months of the year continue to be strong. Increasing economic activity was underpinned by rapid fiscal expansion, made possible to a large part by debt relief under the Multilateral Debt Relief Initiative (MDRI), the gains from the Heavily Indebted Poor Countries (HIPC) Initiative, combined with funds from the Millennium Challenge Account (MCA). The fiscal expansion is going to continue to be the impetus behind improving economic activity with the announcement of the supplementary budget, albeit its financing will need to be managed well so as to contain any fiscal pressures that may arise. The US$750 million sourced from the international capital markets via the nation's first Eurobond issue and dive stiture receipts (GOIL has already conducted its IPO with SIC expected to follow soon) will provide the funding for the supplementary budget.

The growing level of financial deepening in the economy will also continue to be a growth stimulant, with the private sector being the main beneficiary of increased credit flows. The recent amendment of the Banking Act, 2004 to facilitate the establishment of a an International Financial Services Centre also holds the promise of engendering more economic activity going forward, as the level of financial intermediation in the economy improves.

The load management program, which ran from August 2006 to September 2007 exerted significant cost and output pressures on the economy, especially the energy sensitive manufacturing and mining & quarrying sub-sectors. Hence the end of the crisis provides significant relief to the economy. However, the recent floods in the Nort h of the country [which have negatively impacted upon the outlook for food supply over the rest of the year] and the pending upward revision in utility tariffs, will hold some negative implications for consumer prices over the rest of the year. This notwithstanding, monetary policy is expected to remain focused primarily on keeping inflationary pressures at bay, albeit making concerted efforts to promote increased economic activity. The successful re-denomination of the local currency in July 2007 is expected to make transactions more efficient. Its impl ementation has thus far been smooth, which has helped to curtail any inflationary expectations that could have arisen out of the exercise. Hence with core inflation well anchored in single digit range, we expect the prime rate to end the year at its year opening level of 12.5 per cent.

Developments on the external front will be a key determinant to the continued macroeconomic stability of the country, especially with regard to price stability. The country's main exports (cocoa and gold) continue to be strong on the world market, with flows from remittances going from strength to strength, while patronage of longer dated government debt paper by Non-Resident Foreigners (NRFs) (in line with new Foreign Exchange Act) has also helped to increase foreign exchange inflows into the country. Crude oil price volatility has increased of late however, making for an uncertain price outlook, while payments for crude oil imports are now done on a monthly basis with foreign exchange sourced from the market. These developments should culminate in a more pronounced depreciation of the cedi against its major trading currencies over the last quarter of the year.

Despite the challenges that the economy has been facing, it has proven to be quite robust as evidenced by the core macroeconomic variables. We still expect economic activity to be strong, underpinned by greater fiscal expansion, more financial deepening and increased efficiency gains by private companies. Although core inflationary pressures will be well anchored towards single digit range, we expect headline inflation to the end the year at 10.1 per cent, implying that the government's target of attaining single-digit inflation by the end of the year will not be met.

Table 2: Five Year Summary of Selected Economic Indicators

		2003	2004	2005	2006	2007
Interbank Exchange Rates*						
	GHC/USD	8,805.50	9,029.73	9,088.18	9,210.23	9,383.87
	GHC/BPS	15,681.29	17,397.59	15,691.21	18,100.41	18,988.27
	GHC/EURO	11,104.92	12,315.80	10,781.73	12,136.10	13,293.37
Inflation Rates [End Period] (%)**						
	Headline Inflation	23.6	11.8	14.8	10.5	10.4
	Average Movement	26.7	12.6	15.1	10.9	10.7
Selected Fiscal Data***						
	Real GDP Growth Rate (%)	5.2	5.8	5.9	6.2	6.5
	Nominal GDP (GHC 'bn)	65,262	79,804	97,018	114,903	137,603
	Nominal GDP (USD 'bn)	7.41	8.84	10.68	12.48	14.86
	Government Revenue (GHC 'bn)	13,742.8	18,998.8	24,116.2	25,421.50	54,315.90
	Government Expenditure (GHC 'bn)	21,998.0	29,345.1	35,672.5	41,357.20	54,315.90
Selected Balance of Payments Items***						
	Total Exports (USD 'm)	2,297.1	2,739.2	2,721.2	3,857.7	2,070.8
	Total Imports (USD 'm)	2,969.3	4,297.3	4,758.1	6,786.5	3,738.7
	Reserves (months of import cover)	3.9	3.8	3.0	3.5	2.3

**Ghana Association of Bankers*

***Ghana Statistical Service*

****National Budget Statements, Republic of Ghana*

NB: Unless otherwise stated, data used in compiling sections of the Economic Review were sourced from National Budget Statements, Reports from the Bank of Ghana, and the Ghana Statistical Services.

**2007 Data (Available as at issue time)*

- *Interbank Rates (Midrates, as at September 28, 2007)*
- *Inflation Rates as at (August, 2007)*
- *Selected Fiscal Data Projections from 2007 Budget Statement*
- *Selected Balance of Payments Projections from 2007 Budget Statement*

STOCK MARKET REVIEW

(Doris Yaa Ahiati)

Overview

The third quarter of 2007 witnessed a surge in trading activity on the Ghana Stock Exchange (GSE). This was inspired by positive earnings results reported for the half year ended June 30, 2007 which deepened re covery in the market, declining interest rates on treasury instruments and GCB's rights issue.

Active trading on the Ghanaian bourse converged in a significant growth in aggregate market volume and turnover during the period under review when compared with same period 2006.

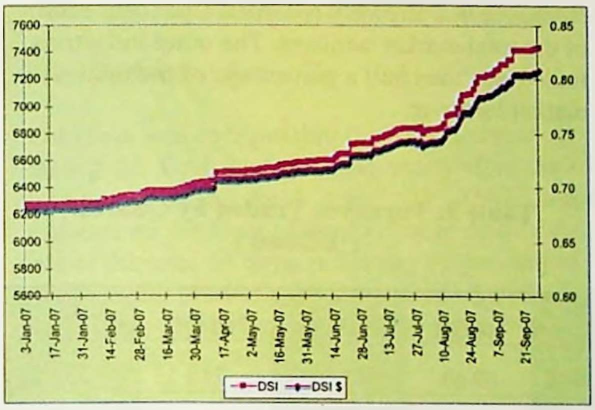
A lull in market activity was experienced on the Ghana Stock Exchange during the month of September. This could be attributed to the de-listing of British American Tobacco from the Exchange and the commencement of the GOIL IPO in early September. The launch of GOIL's IPO slowed down market activity as investor interest shifted from the secondary market to the primary market. On the whole however, trading on the bourse during the third quarter was eventful.

Q3 Market Return Beats Earlier Quarters

Market return increased steadily throughout the third quarter comparing favorably with earlier quarters. Average daily gains in the index for the third quarter was 11.23 points compared to 3.75 points for the half year. The Databank Stock Index (DSI) closed the third quarter at a level of 7,432.77 points, reflecting a year-to-date return of 18.80 per cent. The DSI thus advanced by 718.87 points (10.71 per cent) during the third quarter compared to 299.18 points (4.66 per cent) over the second quarter and 158.23 points (2.53 per cent) during the first quarter.

The forward march of the index during Q3 was on account of upward re-rating of the shares prices of good performing stocks spearheaded by the rally in financial stocks. Notable among these return drivers were Gh ana Commercial Bank (up 39.57 per cent) SG-SSB Bank (up 38.82 per cent), CAL Bank (up 25.92 per cent) Enterprise Insurance (up 22.05 per cent) and Standard Chartered Bank (up 16.27 per cent). The period's net decliners (which were strongly overshadowed by the advancers) were primarily from the agricultural sector. They were: Produce Buying Company (down 7.69 per cent), Benso Oil Palm Plantation (down 8.26 per cent) and Cocoa Processing Company (down 1.49 per cent).

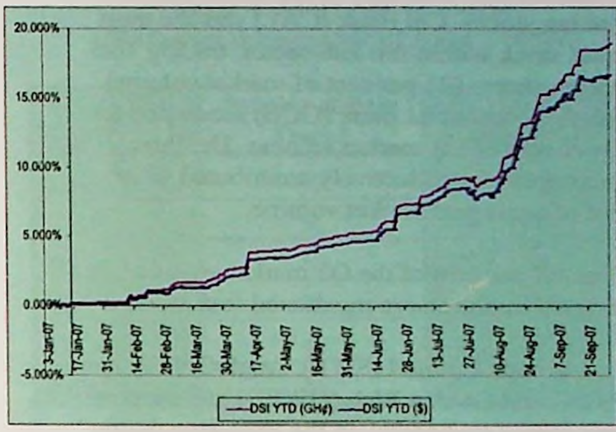
Fig. 9 ***Steady Upward DSI Trend Year-to-Date***



Gap between Cedi & Dollar DSI Widens

The return on the dollar denominated Databank Stock Index lagged behind the cedi index during the third quarter as could be observed from the graphs. This was the result of a sharper decline in the cedi's value vis-à-vis the dollar during the quarter. The depreciation of the local currency against the cedi worsened from 0.59 per cent at the opening of the third quarter to 1.85 per cent at the end of the period, implying a 1.26 per cent decline in the third quarter. The dollar DSI nonetheless experienced its swiftest growth so far this year during the quarter. The dollar DSI increased from 0.72 points at the end of June to 0.79 points at the end of September. Year-to-date return on the dollar DSI therefore increased from 6.68 per cent to 16.60 per cent.

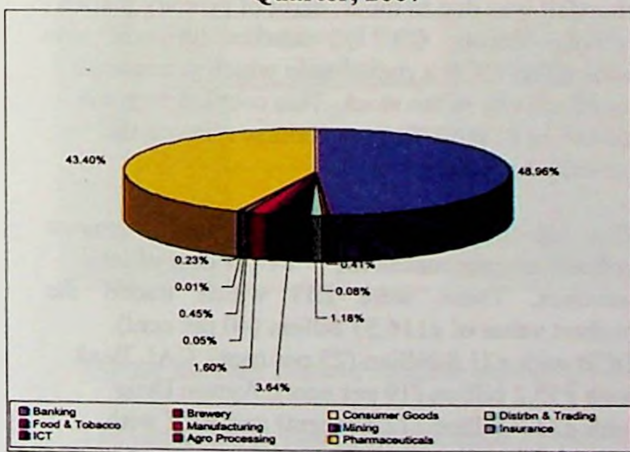
Fig. 10: DSI YTD Performance [GHC/USD]



Interest In Ayrton Stimulates Market Activity

The total volume of shares exchanged on the Ghana Stock Exchange (GSE) over the third quarter of 2007 was 79.5 million shares as compared to 16.14 millio n shares recorded in comparative period in 2006. Q3 volume was, however, short of the 80.38 million shares exchanged during HY 2007. Ayrton Drug was the most traded equity during the third quarter. A total of 34.5 million Ayrton shares representing 43 per cent of aggregate market volume exchanged hands during the quarter.

Fig. 11: Market Volume Traded – Third Quarter, 2007



Besides Ayrton Drug which belongs to the pharmaceutical industry, all the other major contributors to liquidity on the stock market were banking stocks. Cal Bank (CAL) was the most liquid stock within this sub-sector, trading 16.5 million shares (21 per cent of market volume). Ghana Commercial Bank (GCB) accounted for 10 per cent of Q3 market volume. The three banking stocks collectively contributed 43 per cent of aggregate market volume.

Thus, 87 per cent of the Q3 market volume centered on the above mentioned four stocks.

Sam-Woode Limited (SWL), AngloGold Ashanti (AGA) and Golden Web (GWEB) had none of their shares exchanged on the Exchange during the period.

Investor patronage of stocks from the other industries ranged between 4% for Food and Tobacco and less than 1 per cent for six industries. The manufacturing sub-sector enjoyed 2 per cent patronage

Q3'07 Turnover 34% Short of Q2 Level

The aggregate turnover for the GSE during the third quarter marked a vast improvement over what was recorded for Q3 2006, though it fell short of the Q2 2007 level. Q3 market turnover was ¢343.2 billion compared to ¢132.8 billion in Q3 2006 and ¢521.21 billion in HY 2007. The shortfall was due to the dearth of primary market activity during Q3. Q2 market turnover was boosted by GCB's rights issue which generated a lot of activity in the stock. This coupled with the de-listing of BAT from the bourse reduced the period's turnover.

The top five contributors to market turnover collectively accounted for 84 per cent of total turnover. These were ETI which traded the highest value of ¢116.53 billion (40 per cent), GCB with ¢71.8 billion (25 per cent), CAL Bank with ¢55.2 billion (19 per cent), Ayrton Drug with ¢33.7 billion (12 per cent) and BAT with ¢12.0 billion (4 per cent).

The banking industry sustained the highest patronage during the period. Trades executed in banking stocks accounted for 81 per cent of market turnover, out of which three banks (ETI, GCB and CAL) accounted for 71 per cent.

The keen interest in banking stocks was due to relatively exciting operational performance as well as share price performance on the bourse.

Prospects in Ayrton Drug also bolstered the pharmaceutical industry's turnover. The pharmaceutical industry had to its credit 10 per cent of total market turnover. Food and Tobacco and Manufacturing had 4 per cent and 2 per cent respectively of the total market turnover while Insurance and Brewery recorded 1 per cent each of the total market turnover. The other industries traded less than half a percentage of the total market turnover.

Table 3: Turnover Traded by Quarter ('Billions)

	1st Qtr	2nd Qtr	3rd Qtr	TOTAL
2005	69.63	48.53	213.13	331.29
2006	76.81	51.24	132.79	260.84
2007	191.52	521.21	343.20	1,055.93

Fig. 12: Market Turnover in ¢'Bn (By Quarter)

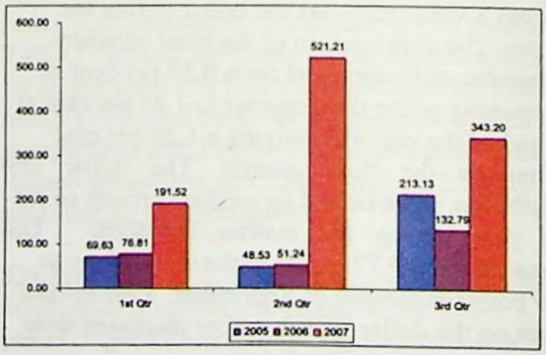
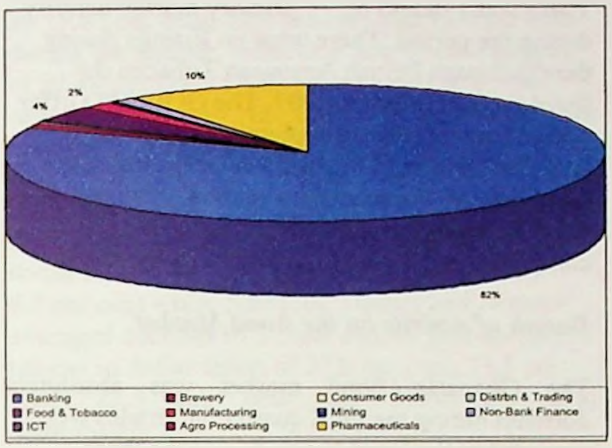


Fig. 13: Market Turnov er by Industry – Third Quarter, 2007



Most Active Stocks

Cal Bank was indisputably the most active stock during Q3. CAL traded during nearly all of the 63 trading sessions held over Q3. CAL shares featured on the floor of the Exchange on 60 days out of the total 63 days, reflecting 95 per cent of total trading sessions. On these days when CAL traded, significant volumes and turnover were recorded for the stock.

Average daily volume of 275,215 shares of CAL was exchanged during the 60 trading sessions when it featured. CAL Bank was thus the most liquid stock for the quarter as well as recording the third highest turnover for the period.

Investor interest in CAL is attributable to the attractive pricing of the stock coupled with bright prospects of the bank. This has earned the equity a Databank Research recommendation of STRONG BUY.

Other active stocks for the period include GCB (89 per cent of trading sessions), SG-SSB (81 per cent of trading sessions), EBG (67 per cent of trading sessions), EIC (63 per cent of trading sessions) and GGBL (63 per cent of trading sessions)

It is evident that the financial stocks which posted impressive performance in spite of the energy crisis were the most patronized stocks and therefore the most actively traded during the period.

Table 4: Most Active Stocks (Based on the number of Days Traded)

Equity	Number of Days Traded	% of Trading Days in Q3
CAL	60	95
GCB	56	89
SG-SSB	51	81
EBG	42	67
EIC	40	63
GGBL	40	63

Least Active Stocks

On the flipside three equities recorded no trades in their shares during th e Q3. These were Golden Web, AngloGold Ashanti and Sam-Woode Limited. The dearth of activity in these stocks could be ascribed to their dismal operational performance as well as their performance on the bourse. Trust Bank (the Gambia) Limited and Pioneer Kitchenware traded once during the period. The likes of Super Paper, Camelot, Produce Buying, Clydestone and Starwin traded between two and five days.

Table 5: Least Active Stocks (Based on the Number of Days Traded)

Equity	Number of Days Traded	% of Trading Days in Q3
GWEB	0	0
AGA	0	0
SWL	0	0
TBL	1	2
PKL	1	2

Market Records Positive Breadth during Q3-07

The Ghana Stock Exchange sustained a positive market breadth during Q3. The number of advancers outpaced the decliners by a large margin. Thirteen advancers were recorded against three laggards while sixteen equities recorded no net changes in their share prices. Though the market breadth was positive, the level of stability in the pricing of some stocks cannot be overlooked. These non-moving stocks are stocks that are either fairly va lued or are deficient in investor interest.

The top five advancers for Q3 were Ghana Commercial Bank (39.6 per cent), SG-SSB Bank (38.8 per cent), CAL Bank (25.9 per cent), Enterprise Insurance (22 per cent) and Standard Chartered Bank (16.3 per cent). It comes as no surprise that they are all financial stocks because they have been the driving force behind trading activity on the Ghanaian bourse this year.

Table 6: GSE Top 5 Gainers Qtr-3 2007

Equity	Price GH¢	3rd Qtr Chg. (%)	Year to Date (%)
GCB	0.9502	39.57	54.50
SG-SSB	1.0503	38.82	75.05
CAL	0.3425	25.92	55.33
EIC	1.2002	22.05	36.11
SCB	21.0000	16.27	32.91

Only 3 Net Decliners Recorded during Q3-07

Benso Oil Palm and Produce Buying shaved 8.3 per cent and 7.7 per cent respectively off their share prices in spite of si gnals of recovery posted during their half year and quarter three respectively. Cocoa Pro cessing Company slipped by 1.5 per cent during the period.

Table 7: GSE Price Decliners Qtr-3 2007

Equity		3rd Qtr Chg. (%)	Year to Date (%)
BOPP	5,000	-8.26	-9.09
PBC	2,400	-7.69	-7.69
CPC	530	-1.49	-1.49

Primary Market Activity

There was a dearth of primary market activity during the period. There were no listings during the Q3 though British American Tobacco de-listed on September 3, 2007. The GOIL IPO offer period commenced on September 4, 2007 and ended in October. This had a decelerating effect on trading on the secondary market, culminating in lower market volume and turnover for Q3 compared to HY when GCB rights were listed.

Dearth of Activity on the Bond Market

The Ghanaian bond market was absolutely dormant during the third quarter. No trades were executed in the listed bonds during the three month period ending September 30, 2007. This reflects the dismal interest investors have in government's listed bonds as well as the corporate bonds. It may also be attributed to the newness of bond trading in Ghana.

The Databank Bond Index (DBI) which tracks the returns on the bond market inched up from the quarter opening level of 103.39 points to 103.96 points, reflecting a year-to-date return of 1.78 per cent.

Following the successful issue of Ghana's first sovereign bond which was oversubscribed three times over, it is anticipated that investor confidence in other bond s issued locally will increase and translate into some activity on the Ghanaian bond market.

African Stock Markets

The African stocks market performed dismally in Q3 compared to earlier quarters. This reflected in lower returns posted on most Stock Exchanges across the continent. An average increase of 9.07 per cent was recorded for the continent in stock market returns. This co mpares unfavorably with the continent's year-to-date gain of 483.73 per cent in returns.

The star performing Exchanges include Malawi with 47.83 per cent gain over Q3 and a year-to-date return in dollar terms of 101.25 per cent. Ivory Coast and Zambia advanced by 37.53 per cent and 20.74 per cent in local currency during the quarter to year-to-date levels of 101.14 per cent and 106.48 per cent respectively in dollar terms. Uganda, Ghana and Swaziland moved up by 15.07 per cent, 12.0 per cent and 11.6 per cent during the quarter, reflecting year-to-date returns of 22.44 per cent, 18.80 per cent and 16.85 per cent respectively in dollar terms since the opening of the year.

Zimbabwe was the most bearish recording a decline of 19.3 per cent to a year-to-date return in dollar terms of -38.7 per cent. Mauritius lost 4.4 per cent while Namibia, Tunisia and Nigeria averaged declines of 2.5 per cent to year-to-date returns in dollar terms of 27.9 per cent, 23.3 per cent, 12.3 per cent and 55.86 per cent respectively.

The slow down in activity and market returns growth is on account of market correction necessitated by the bullish run in the first half of the year. Stock valuations on a number of markets across the contin ent indicate that share prices have peaked.

Consequently, we expect a further slow down in activity towards the end of the year due to the prevailing market correction.

Outlook

We expect an up-tick in trading on the Ghana Stock Exchange in the final quarter of 2007 following the release of Q3 financial results and the listing of GOIL shares. We expect the market breadth to continue to be firmly positive as activity deepens towards the end of the year. Consequently, we anticipate a surge in both market volume and turnover.

We expect GOIL's shares to be listed on the Exchange in the course of Q4, augmenting the total market capitalization and increasing the number of listed OMCs to two. We also expect State Insurance Company (SIC) to raise funds through the capital market before the end of the year through an IPO. This will further ginger up activity on the Ghanaian bourse. Interest rate and inflation outlook as well as exchange rate trends suggest a robust quarter four. The reprieve from the energy crisis following the installation of emergency GenSets to improve and secure electricity supply in the country will also contribute towards increased activity on the stock market. Investors whose confidence in energy sensitive stocks (such as manufacturing industry stocks and consumer goods) was shaken may now consider these stocks. Listed companies are therefore strategically positioned to experience significant growth in both the size of their operations and profitability. This will inspire further investor interest in stock market investment and positively impact activity on the Ghanaian bourse during the final quarter and beyond.

Table 8: Share Price/Performance Summary (Third Quarter, Ended Sep. 29, 2007)

quity	Year Open (¢)	3rd Qtr Open (¢)	3rd Qtr Close (¢)	3rd Qtr Chg. (%)	Year to Date (%)
GCB	6,150	6,808	9,502	*39.57*	54.50
SG-SSB	6,000	7,566	10,503	*38.82*	75.05
CAL	2,205	2,720	3,425	*25.92*	55.33
EIC	8,818	9,834	12,002	*22.05*	36.11
SCB	158,000	180,616	210,000	*16.27*	32.91
PZ	6,660	7,201	8,150	*13.18*	22.37
GGBL	9,248	9,551	10,700	*12.03*	15.70
EBG	13,519	14,415	16,100	*11.69*	19.09
UNIL	15,000	19,010	20,500	*7.84*	36.67
FML	18,002	19,601	21,106	*7.68*	17.24
SPPC	225	203	205	*0.99*	-8.89
AADs	3,101	3,420	3,450	*0.88*	11.25
TOTAL	54,030	54,450	54,853	*0.74*	1.52
ETI	11,350	11,600	11,650	*0.43*	2.64
TBL	13,250	13,250	13,250	*0.00*	0.00
HFC	5,400	5,400	5,400	*0.00*	0.00
CFAO	399	350	350	*0.00*	-12.28
MLC	2,100	2,100	2,100	*0.00*	0.00
ALW	7,251	7,400	7,400	*0.00*	2.05
ABL	1,150	1,150	1,150	*0.00*	0.00
BAT	3,300	4,266	4,266	*0.00*	29.27
TRANSOL	1,000	1,200	1,200	*0.00*	20.00
CMLT	1,700	1,700	1,700	*0.00*	0.00
PKL	800	800	800	*0.00*	0.00
SWL	265	265	265	*0.00*	0.00
AGA	300,000	300,000	300,000	*0.00*	0.00
CLYD	800	800	800	*0.00*	0.00
GWEB	550	550	550	*0.00*	0.00
AYRTN	976	976	976	*0.00*	0.00
SPL	550	550	550	*0.00*	0.00
CPC	538	538	530	*-1.49*	-1.49
PBC	2,600	2,600	2,400	*-7.69*	-7.69
BOPP	5,500	5,450	5,000	*-8.26*	-9.09

Table 9: Ghana Stock Market Statistics

EQUITIES (By Industry)	Equity Prices (¢)					Weight on GSE			
	Year Open	HY-06 Close	Q3-07 Close	-to-Q3 Close	Market Capitalization (¢m)	(%)	P/E(x)	EPS (¢)	P/Bk
Banking									
CAL	2,309	2,730	3,421	55.31	559,909.58	0.5	10.03	144	2.02
EBG	13,519	14,413	16,100	19.09	2,396,206.18	2.2	14.42	1,101	5.09
ETI	11,350	11,600	11,650	2.64	14,216.38 2.67	12.1	14.61	797	2.88
GCB	6,150	6,600	9,902	54.5	2,315,000.00	3	8.09	1113	1.6
HFC	1,600	1,400	1,400	0	548,964.00	0.5	24.81	217	4.36
SCB	198,000	180,616	210,000	32.91	3,950,108.45	3.4	14.35	15675	6.31
SG-SSB	6,000	7,566	10,903	75.01	1,499,242.58	1.3	13.67	770	2.61
TBL	13,250	13,250	13,250	0	795.00 0.00	0.7	21.03	630	8.16
Brewery									
ABL	1,150	1,150	1,150	0	286,867.50	0.3	78.25	15	2.72
GGBL	9,248	9,551	10,700	15.7	1,762,143.41	1.3	12.57	851	3.15
Consumer Goods									
PZ	6,660	[illegible]	8,150	22.17	238,300.00	0.2	6.6	1235	1.25
SPPC	229	201	201	-8.88	1,985.20	0.001	-2.24	-91	0.33
UNIL	15,000	19,010	20,500	36.67	1,281,312.50	1.1	11.45	1791	2.77
Distribution and Trading									
CFAO	[illegible]	350	350	-12.28	78,400.00	0.1	9.94	35	3.15
MLC	2,100	2,100	2,100	0	105,201.44	0.1	8.43	223	1.14
TOTAL	54,010	54,490	54,833	1.52	767,078.56	0.7	11.14	4923	1.29
PBC	2,600	2,400	2,400	-7.69	1,152,000.00	1	-78.59	-31	30.02
Food and Tobacco									
BAT	3,300	4,266	[illegible]	29.27	delisted	na			na
FML	18,002	19,601	21,100	17.24	417,84 9.65	0.4	9.87	[illegible]	3.11
Manufacturing									
ALW	7,251	7,400	7,400	2.05	308,416.54	0.1	32.25	[illegible]	2.84
CMLT	1,700	1,700	1,700	0	11,121.74	0.01	21.64	79	4.71
CPC	518	518	510	-1.49	513,431.91	0.5	70.73	7	1
PBL	800	800	800	0	13,191.76	0.01	-5.65	-142	1.29
SWL	265	261	261	0	5,784.45	0.005	7.71	34	1.91
Mining									
AGA	300,000	300,000	300,000	0	83,052.96 3.10	78.1	-95.19	-3055	2.76
AADs	3,101	3,420	3,450	11.25	337,709.55	0.3	na	31	na
Insurance									
EIC	8,818	9,834	12,002	36.11	306.88 0.16	0.3	18.17	661	1.6
ICT									
CLYD	800	800	800	0.00%	37,200.00	0.03	25.12	32	2.69
TRANSOL	1,000	1,200	1,200	20.00%	96,000.00	0.08	14.01	86	2.7
Agro-Processing									
BOPP	[illegible]	5,450	5,000	-9.09%	174.00 0.00	0.15	17	377	1.39
GWEB	550	550	550	0.00%	16,481.47	0.01	45.17	-12	1.45
Pharmaceutical									
AYRTN	976	976	976	0.00%	209.84 0.00	0.2	74.61	57	1.01
SPL	550	550	550	0.00%	40,742.57	0.03	14.34	12	1.91

Table 10: Africa Stock Markets Performance

Country	Index	June '07	September '07	Q3 Change %	Year-to-Q3 Change % (Local)	Year-to-Q3 Change % (USD)	Exchange Rate to USD	Latest Inflation (%)
Zimbabwe	Industrial	48,943,452.58	39,517,912.39	-19.26	7173.93	-38.71	29292.3	6592.8
Zambia	LUSE	2,659.49	3,211.00	20.74	72.33	106.48	3778.2	11.2
Malawi	Domestic	2,930.46	4,332.21	47.83	141.57	155.25	138.1	7.4
Nigeria	All Share	51,330.46	50,229.01	-2.15	51.46	55.86	123.4	4.8
Botswana	Domestic	9,098.18	9,764.56	7.21	57.45	64.95	5.96	7.5
Ivory Coast	BRVM	153.09	210.55	37.53	88.88	101.14	463.7	na
Morocco	MASI	11,526.78	12,768.75	10.77	35.32	50.42	7.0	na
Mauritius	SEMDEX	1,413.94	1,352.00	-4.38	12.51	27.88	30.3	8.2
Egypt	CASE 30	7,913.94	8,529.93	7.78	25.99	36.67	5.5	8
Namibia	Overall	979.00	952.60	-2.70	16.45	23.34	6.8	7.2
South Africa	All Share	29,510.35	31,013.60	5.09	24.12	26.66	6.91	7
Uganda	All Share	830.81	955.98	15.07	12.5	22.44	1710	2.7
Tunisia	TUNINDEX	2,528.85	2,463.50	-2.58	5.89	12.3	1.24	na
Ghana	GSI	6,636.22	7,432.77	12.00	18.8	16.85	9383	10.2
Kenya	NSE 20	5,144.93	5,176.90	0.62	-6.9	1.47	66.75	12.4
Swaziland	All Share	175.21	195.53	11.60	11.6	12.57	6.95	8.3

COMPANY NEWS

(Roselyn Adwoa Dennis)

Overview

The Corporate landscape received a boost with the release of financial results by all the listed companies during the third quarter of the year. Majority of these publicly declared results were half-year financial results, with a few first quarter, third quarter and full year results also filtering in during the period under review.

Although most of the companies registered improved financial performances, six listed companies posted declines in turnover. The decliners were Trust Bank Limited (The Gambia) [-2.6%], Produce Buying Company, [-20%], British American Tobacco [-3.4%], Sam Woode Limited [-95%], Clydestone [-8.4%], Golden Web Limited [-24.8%].

Ten companies registered declines in their bottomline. These include d Standard Chartered Bank [-0.7%], Trust Bank Limited [12.4%], Accra Breweries Limited [-8.7%] and Guinness Ghana Breweries Limited [-6.6%], Produce Buying Company [2.7%], Aluworks [-113%], Pioneer Kitchenware [-23%] and Sam Woode Limited [-235%]

The primary market was also active with Ghana Oil Company Limited (GOIL) – an exclusively government owned company going public. The company offered 43% of its shares during its initial public offer, which lasted from September 4 – October 5, 2007.

Banking

The banking stocks made a positive showing on the corporate landscape during the third quarter of the year. The high level of competition has catapulted the financial performance of the banking sector this year. The topline performance of the banking stocks averaged 32.6%, with most of the banks, [with the exception of Trust Bank Ltd] registering gains in both net revenue and after-tax earnings. The Banks which posted the most impressive turnover and profit after-tax performance were HFC Bank [94.8%, 129%] followed by Ecobank Transnational [70%, 61%].

The opening of new branches by commercial banks is anticipated to inject more steam into the banking sector. This is expected to translate into the release of impressive results by banks who are able to maintain [through innovations, good customer service] their already existing clients and attract the non-banking public.

Food and Tobacco

The Food and Tobacco Industry [British American Tobacco checked out at the close of August, 2007] posted marginal growth increases. Fan Milk's results [turnover up 30%, net earnings up 10%] gives indication that the company is keeping the energy crisis in check. British American Tobacco, one of the pioneer stocks to be listed on the Ghanaian bourse, made public their last pre-exit financial results. The company has posted a string of abysmal results over the past two years, stemming from a general local decline in demand for tobacco and smuggling of other brands into the country.

Breweries

The positive synergies Guinness Ghana Breweries Ltd enjoyed from the merger [between GGL and GBL] are tapering off, with the company currently struggling to maintain a profitable stance. Albeit GGBL's full year results showed a 16.9% growth in topline, the brewery giant's turnover declined by 6.6%. The decline can be assigned to increased costs [an increase of over 50% in the world price for malted barley, sharp rises in utility costs and costs associated with purchase of bottles] . Accra Brewery Limited which, has still not broken off its loss syndrome, registered a marginal 3. 1% increase in topline, while its bottomline posted a lower loss of -¢544million

Consumer Goods

Generally, the consumer goods companies put up a good performance during the period under review. All the companies [including SPPC which has had a history of posting losses] made positive inroads. SPPC's turnover improved by 16.5% to ¢15.5 billion, while the company's after-tax profit recovered from a loss to an after-tax profit of ¢598 million. Unilever improved its turnover level by 21.3%, while its net earnings increased by 55.2% to ¢65.7 billion. PZ Cussons, which released first quarter results saw a 32% growth in topline to ¢79.8 billion and an earnings growth of 23% to ¢5.5 billion.

Information & Communications Technology

Inspite of exciting developments in Information Communication Technology (ICT) especially within the communications industry, the ICT companies represented on the bourse have not translated their ICT advancements into significant profits. Clydestone's turnover declined by -8.35%, while its bottomlin e increased by 24.5%, while Transactions Solution's turnover improved by 39.6%, while profit after tax declined by 18%.

Agro-Processing

Thanks to global hikes in world palm oil prices, Benso Oil Palm Plantation released spectacular results. The company increased its turnover by 38%, while profit after tax posted an impressive 124% growth to ¢13.95 billion.

Golden Web, a net buyer of palm oil, however saw its costs escalating with the palm oil price hikes. Both topline and bottomline nose-dived during the period under review.

Distribution and Trading

Despite lingering effects of the impact of the energy crisis, the distribu tion and trading sector is managing the impact of the energy crisis. With the exception of Produ ce Buying Company, all the companies within this sector increased their turnover levels. The net earnings of CFAO and PBC also declined during the period under review. TOTAL posted the highest turnover and profit after tax performance within the sector – showing the positive synergies it is enjoying from its merger with Mobil. Mechanical Lloyd's turnover, [cashing in on sales during the Ghana@50 celebrations], recorded a 110% growth in turnover.

Insurance

The Insurance Industry, which usually churns out robust financial results, did not maintain that trend [in terms of earnings growth] during the first half of the year. Enterprise Insurance, on the back of increased premiums grew its topline by 40% to ¢91 billion, but their profit after tax declined by -12.5% to ¢9.18 billion.

Manufacturing

The manufacturing sector the hardest hit by the energy crisis, managed to make major recoveries during the third quarter. Although most companies made efforts to increase their turnover, other companies [Aluworks and Sam Woode] Limited are still reeling under the effects of the energy crisis. Sam Woode recorded the highest overall bottomline decline of -233%

Pharmaceuticals

The two listed pharmaceutical companies: Ayrton and Starwin, had their financial performance moving in divergent directions. While Ayrton Drug continues to delight the public with impressive results, Starwin's tardy bottomline performance remains a worrying phenomenon [bottomline down -68%].

Outlook

Though most of the listed companies were affected in one way or the other by the13-month energy crisis, the critical situation to some extent sharpened the efficiency levels of the companies. We anticipate that the end of this energy crisis will reduce costs for high energy-consuming companies [including Aluworks which announced tepid half-year results], culminating in recoveries during the four th quarter of the year. Companies, with enhanced efficiencies are anticipated to scale their profitability levels further upwards.

The value of the major inte rnational currencies is anticipated to step up its rate of ascendancy during the fourth quarter of the year [emanating from increased demand for importation]. We therefore anticipate companies [including Fan Milk Limited and Mechan ical Lloyd who rely heavily on forex [for impor tation costs] to see an increase in their foreign exchange expenses, translating into increased cost levels.

Although palm oil prices have declined from their record levels, the prices are expected to rebound soon and even hit new highs by the end of the year [propelled by global appetite for biodiesel. This will help BOPP consolidate their one-year profitability record. Golden Web, a net buyer of palm oil could turn in a worse performance if the oil palm prices hit higher levels.

The crusade for 'Insurance for all' seems to have increased with the Minister of Finance joining in the call for Ghanaians to patronize insurance products. In order to benefit from the publicity drive, insurance companie s should be poised to churn out innovative products that will suit specific client profiles.

Generally, the fourth quarter of the year is more rewarding for listed companies as compared to the other quarters. This is usually assigned to increased demand for products due to a series of festive activities [Festivals, Islamic Celebrations, and Christmas]. With this bout of activities, companies are expected to churn out impressive results during the last lap of the year.

Corporate Actions

- ETI acquired a 90% controlling stake in the third largest bank in Rwanda, Banque de Commerce de Development et D' Industrie (BCDI) effective July 1, 2007 – ***July, 2007***

- The listing Committee of the Ghana Stock Exchange approved the voluntary de-listing of British American Tobacco Ltd (BAT). The last trading date in BAT shares was August 31, 2007 and was taken off the GSE Official List on Sept 1, 2007 - ***July, 2007***.

- The Social Security and National Insurance Trust [SSNIT] acquired an additional 34,400,000 shares (16% of the company's shares) in Ayrton Drug Manufacturing Limited. This brings the total shareholding of

- SSNIT in Ayrton to 55,900,000 ordinary shares (26%). SSNIT acquired its additional shares by purchasing from numerous individual shareholders through the floor of the Ghana Stock Exchange. – ***September, 2007***

- The Trust Bank Limited [Gambia] has acquired a 20 per cent equity stake in the International Bank of Liberia. IB is the oldest chartered bank in Liberia and is currently the principal representative of Moneygram in Liberia.- ***September, 2007***

SG-SSB shows Positive Results

Company: SG-SSB Bank (SG-SSB)
Sector: Banking
Earnings Update: Unaudited HY, Ended June 2007
Net Revenue: Up 18 per cent to ¢168 billion
Pre-tax Profit: Up 12 per cent to ¢20.8 billion
Net Earnings: Up 20 per cent to ¢62.4 billion
Trailing 12 mth P/E: Current (13x) (2006: 11.1)

LAST RECOMMENDATION [AUGUST'07]: HOLD
Analyst: Nnwaa Kwakye

SG-SSB Bank (SG-SSB) *Results for Half Year Ended June 30, 2007*			
¢'million	Jun-07	Jun-06	Chg.
Net Interest Income	167,665	151,063	11%
Non-Funded Income	103,651	79,753	30%
Net Revenue	271,316	230,816	18%
PBT	83,231	74,568	12%
Tax	20,808	22,370	-7%
PAT	62,423	52,198	20%
EPS (¢)	438	366	20%
PBT Margin (%)	31	32	
PAT Margin (%)	23	23	

SG-SSB Bank (SG-SSB) *Trailing 12 Months*			
¢'million	Jun-07	Jun-06	Chg.
Net Interest Income	332,547	291,339	14%
Non-Funded Income	211,214	153,685	37%
Net Revenue	543,761	445,024	22%
PBT	152,303	130,783	16%
Tax	42,638	44,356	-4%
PAT	109,665	86,427	27%
EPS (¢)	770	607	27%
PBT Margin (%)	28	29	
PAT Margin (%)	20	19	
P/E (x)	11.7	11.1	

TBL posts Unimpressive HY Results

Company: Trust Bank Limited (Gambia) (TBL)
Sector: Banking
Earnings Update: Unaudited HY, Ended June 2007
Net Revenue: Up 17per cent to ¢79.2 billion
Pre-tax Profit: Down 12 per cent to ¢80.6 billion
Net Earnings: Down 12 per cent to ¢52.4 billion
Trailing 12 mth P/E: Current (21x) (2006: 28.7x)

LAST RECOMMENDATION [JULY '07]: SELL
Analyst: Alieu B. Senghore

Trust Bank (The Gambia) TBL *Results for the Half Year Ended June 30, 2007*			
D'000	Jun-07	Jun-06	Chg.
Net Interest Income	79,154	67,535	17%
Non-Funded Income	81,464	97,307	-16%
Net Revenue	160,618	164,842	-3%
PBT	80,583	92,079	-12%
Tax	28,203	32,309	-13%
PAT	52,380	59,770	-12%
EPS (D)	1.75	1.99	-12%
PBT Margin (%)	50	56	
PAT Margin (%)	33	36	

Trust Bank (The Gambia) TBL *Trailing 12 Months*			
D'000	Jun-07	Jun-06	Chg.
Net Interest Income	164,054	119,241	38%
Non-Funded Income	182,335	201,714	-10%
Net Revenue	346,389	320,955	8%
PBT	180,359	140,007	29%
Tax	63,591	49,015	30%
PAT	116,768	90,992	28%
EPS (D)	1.9	3.0	-36%
PBT Margin (%)	52	44	
PAT Margin (%)	34	28	
P/E (x)	21.0	28.7	

CAL continues to Delight

Company: CAL Bank (CAL)
Sector: Banking
Earnings Update: Unaudited HY, Ended June 2007
Net Revenue: Up 27 per cent to ¢106.4 billion
Pre-tax Profit: Up 34 per cent to ¢41.6 billion
Net Earnings: Up 39 per cent to ¢31.4 billion
Trailing 12 mth P/E: Current (10x) (2006: 8.9x)

LAST RECOMMENDATION [AUG '07]: STRONG BUY

Analyst: Alieu Senghore

CAL Bank (CAL) *Results for Half Year Ended June 30, 2007*			
¢'million	Jun-07	Jun-06	Chg.
Net Interest Income	54,423	45,330	20%
Non-Funded Income	51,945	38,630	34%
Net Revenue	106,368	83,960	27%
PBT	41,630	30,978	34%
Tax	10,251	8,429	22%
PAT	31,379	22,549	39%
EPS (¢)	193	139	39%
PBT Margin (%)	39	37	
PAT Margin (%)	30	27	

CAL Bank (CAL) *Trailing 12 Months*			
¢'million	Jun-07	Jun-06	Chg.
Net Interest Income	103,540	91,055	14%
Non Funded Income	100,954	70,170	44%
Net Revenue	204,494	161,225	27%
PBT	78,675	55,479	42%
Tax	22,832	20,359	12%
PAT	55,843	35,120	59%
EPS (¢)	344	219	57%
PBT Margin (%)	38	34	
PAT Margin (%)	27	22	
P/E (x)	9.3	8.9	

ETI Posts Sterling Results

Company: Ecobank Transnational Incorporated (ETI)
Sector: Banking
Earnings Update: Unaudited HY, Ended June 2007
Net Revenue: Up 68 per cent to $211 billion
Pre-tax Profit: Up 49 per cent to $81 billion
Net Earnings: Up 59 per cent to $51.3 billion
Trailing 12 mth P/E: Current (14.6x) (2006: 17.4x)

LAST RECOMMENDATION [SEPT '06]: SPECULATIVE BUY

Analyst: Nnwaa Kwakye

Ecobank Transnational Incorporated (ETI) *Results for Half Year Ended June 30, 2007*			
$'000	Jun-07	Jun-06	Chg.
Net Interest Income	125,324	75,680	66%
Non-Funded Income	85,178	49,979	70%
Net Revenue	210,502	125,659	68%
PBT	80,726	54,287	49%
Tax	29,396	21,946	34%
PAT	51,330	32,341	59%
EPS ($)	0.04	0.03	59%
PBT Margin (%)	38	43	
PAT Margin (%)	24	26	

Ecobank Transnational Incorporated (ETI) *Trailing 12 Months*		
¢'000	Jun-07	Dec-06
Net Interest Income	231,047	181,403
Non-Funded Income	143,120	107,921
Net Revenue	374,167	289,324
PBT	155,738	129,299
Tax	50,384	42,934
PAT	105,354	86,365
EPS ($)	0.09	0.07
PBT Margin (%)	42	45
PAT Margin (%)	28	30
P/E (x)	14.6	17.4

EBG Posts Good Results

Company: Ecobank Ghana Limited (EBG)
Sector: Banking
Earnings Update: Unaudited HY, Ended June 2007
Net Revenue: Up 37 per cent to ¢304 billion
Pre-tax Profit: Up 14 per cent to ¢117.7 billion
Net Earnings: Up 16 per cent to ¢90 billion
Trailing 12 Mth P/E: Current (14.6x) (2006: 13x)

LAST RECOMMENDATION [AUGUST '07]: BUY
Analyst: Ntiwaa Kwakye

Ecobank Ghana (EBG) *Results for Half Year Ended June 30, 2007*			
¢'million	**Jun-07**	**Jun-06**	**Chg.**
Net Interest Income	183,255	142,645	28%
Non-Funded Income	120,577	78,355	54%
Net Revenue	303,832	221,000	37%
PBT	117,668	103,661	14%
Tax & Levy	27,642	25,916	7%
PAT	90,026	77,745	16%
EPS (¢)	558	482	16%
PBT Margin (%)	39	47	
PAT Margin (%)	30	35	

Ecobank Ghana (EBG) *Trailing 12 Months*			
¢'million	**Jun-07**	**Jun-06**	**Chg.**
Net Interest Income	357,856	283,024	26%
Non-Funded Income	217,184	153,471	42%
Net Revenue	575,040	436,495	32%
PBT	253,996	201,672	26%
Tax & Levy	76,413	64,023	19%
PAT	177,583	137,649	29%
EPS (¢)	1,101	854	29%
PBT Margin (%)	44	46	
PAT Margin (%)	31	32	
P/E (x)	13	13	

SCB – A Drop In Bottomline

Company: Standard Chartered Bank (SCB)
Sector: Banking
Earnings Update: Unaudited HY, Ended June 2007
Net Revenue: Up 9 per cent to ¢444 billion
Pre-tax Profit: Down 8 per cent to ¢200 billion
Net Earnings: Down 1 per cent to ¢150 billion
Trailing 12 mth P/E: Current (14x) (2006: 8.4x)

LAST RECOMMENDATION [AUGUST '07]: HOLD
Analyst: Ntiwaa Kwakye

Standard Chartered Bank (SCB) *Results for the Half Year Ended June 30, 2007*			
¢'million	**Jun-07**	**Jun-06**	**Chg.**
Net Interest Income	299,250	264,223	13%
Non-Funded Income	144,795	144,075	0%
Net Revenue	444,045	408,298	9%
PBT	200,067	217,351	-8%
Tax	50,017	66,292	-25%
PAT	150,050	151,059	-1%
EPS (¢)	8,527	8,585	-1%
PBT Margin (%)	45	53	
PAT Margin (%)	34	37	

Standard Chartered Bank (SCB) *Trailing 12 Months*			
¢'million	**Jun-07**	**Jun-06**	**Chg.**
Net Interest Income	578,107	487,482	19%
Non-Funded Income	303,219	282,304	7%
Net Revenue	881,326	769,786	14%
PBT	418,034	421,101	-1%
Tax	142,222	135,028	5%
PAT	275,812	286,073	-4%
EPS (¢)	15,675	16,258	-4%
PBT Margin (%)	47	55	
PAT Margin (%)	31	37	
P/E (x)	12	8	

HFC Records strong Half Year Performance

Company: HFC Bank (HFC)
Sector: Banking
Earnings Update: Unaudited HY, Ended June 2007
Net Revenue: Up 95 per cent to ¢52.1 billion
Pre-tax Profit: Up 154 per cent to ¢21.3 billion
Net Earnings: Up 129 per cent to ¢16.5 billion
Trailing 12 mth P/E: Current (24.3x) (2006: 46.3x)

LAST RECOMMENDATION [AUGUST '07]: HOLD
Analyst: Alieu B. Senghore

HFC Bank Ghana (HFC) *Results for the Half Year Ended June 30, 2007*			
¢'million	**Jun-07**	**Jun-06**	**Chg.**
Net Interest Income	52,109	26,700	95%
Non-Funded Income	16,625	8,577	94%
Net Revenue	68,734	35,277	95%
PBT	21,256	8,370	154%
Tax	4,755	1,163	309%
PAT	16,501	7,207	129%
EPS (¢)	163	71	129%
PBT Margin (%)	31	24	
PAT Margin (%)	24	20	

HFC Bank Ghana (HFC) *Trailing 12 Months*			
¢'million	**Jun-07**	**Jun-06**	**Chg.**
Net Interest Income	90,993	53,972	69%
Non-Funded Income	29,428	16,842	75%
Net Revenue	120,422	70,814	70%
PBT	31,304	13,381	134%
Tax	9,199	1,586	480%
PAT	22,106	11,795	87%
EPS (¢)	219	117	87%
PBT Margin (%)	26	19	
PAT Margin (%)	18	17	
P/E (x)	24.7	46.3	

GCB Posts Sterling HY 2007 Results

Company: Ghana Commercial Bank (GCB)
Sector: Banking
Earnings Update: Unaudited HY, Ended June 2007
Net Revenue: Up 4 per cent to ¢406 billion
Pre-tax Profit: Up 20 per cent to ¢139 billion
Net Earnings: Up 62 per cent to ¢91 billion
Trailing 12 Mth P/E: Current (8.1x) (2006: 8.7x)

LAST RECOMMENDATION [AUGUST'07]: BUY

Analyst: Ntiwaa Kwakye

Ghana Commercial Bank (GCB) *Results for Half Year Ended June 30, 2007*			
¢'million	**Jun-07**	**Jun-06**	**Chg.**
Net Interest Income	405,502	389,268	4%
Non-Funded Income	191,796	163,517	17%
Net Revenue	597,298	552,785	8%
PBT	139,417	116,079	20%
Tax & Levy	48,386	59,881	-19%
PAT	91,031	56,198	62%
EPS (¢)	552	341	62%
PBT Margin (%)	23	21	
PAT Margin (%)	15	10	

Ghana Commercial Bank (GCB) *Trailing 12 Months*			
¢'million	**Jun-07**	**Jun-06**	**Chg.**
Net Interest Income	890,425	791,369	13%
Non-Funded Income	368,556	315,770	17%
Net Revenue	1,258,981	1,107,139	14%
PBT	415,485	249,554	66%
Tax & Levy	120,505	129,576	-7%
PAT	294,980	119,978	146%
EPS (¢)	1,788	727	146%
PBT Margin (%)	33	23	
PAT Margin (%)	23	11	
P/E (x)	3.8	8.7	

SPPC Emerges from Financial Quagmire

Company: Super Paper Products Limited (SPPC)
Sector: Consumer Goods
Earnings Update: Unaudited HY, Ended June 2007
Turnover: Up 16 per cent to ¢15.5 billion
Pre-tax Profit: Up 116 per cent to ¢598 million
Net Earnings: Up 116 per cent to ¢598 million
Trailing 12 Mth P/E: Current (nm) (2006: nm)

LAST RECOMMENDATION [SEPTEMBER'07]: SELL
Analyst: Roselyn A. Dennis

Super Paper Products (SPPC)
Results for the Half Year Ended June 30, 2007

¢'million	Jun-07	Jun-06	Chg.
Turnover	15,503	13,313	16%
PBITD	1,533	(2,904)	153%
Depreciation	534	566	-6%
PBIT	999	(3,470)	129%
Interest	401	392	2%
Other Income	0 007	197	-100%
PBT	598	(3665)	116%
Tax	0	0	na
PAT	598	(3665)	116%
EPS (¢)	31	(189)	116%
PBIT Margin (%)	6	(26)	
PAT Margin (%)	4	(28)	

Super Paper Products (SPPC)
Trailing 12 Months

¢'million	Jun-07	Jun-06	Chg.
Turnover	29,638	9,304	219%
PBITD	-329	-3,582	91%
Depreciation	1,027	978	5%
PBIT	-1,357	-4,560	70%
Interest	224	-154	245%
Other Income	-197	400	-149%
PBT	-1,777	-4,006	56%
Tax	0	-13	-100%
PAT	-1,777	-3,993	55%
EPS (¢)	-91	-205	55%
PBIT Margin (%)	-5	-49	
PAT Margin (%)	-6	-43	
P/E (x)	-2 2	-1 9	

Unilever Registers Upbeat Results

Company: Unilever Ghana Limited (UNIL)
Sector: Consumer Goods
Earnings Update: Unaudited HY, Ended June 2007
Turnover: Up 21 per cent to ¢676 billion
Pre-tax Profit: Up 37 per cent to ¢100.5 billion
Net Earnings: Up 55 per cent to ¢42.4 billion
Trailing 12 Mth P/E: Current (11.5x) (2006: 8.9x)

LAST RECOMMENDATION [AUGUST'07]: HOLD

Analyst: Roselyn A. Dennis

Unilever Ghana (UNIL)
Results for Half Year Ended June 30, 2007

¢'million	Jun-07	Jun-06	Chg.
Turnover	676,270	557,331	21%
PBITD	110,518	82,403	34%
Depreciation	11090	9533	16%
PBIT	99,428	72,870	36%
Net Financial Charges	(69)	(1,272)	-95%
Other Income	1,149	1,837	-37%
PBT	100,508	73,435	37%
Tax	14,003	19,871	-30%
PATBMI	86,505	53,564	61%
Minority Interest	20,763	11,209	85%
PAT	65,742	42,355	55%
EPS (¢)	1,052	678	55%
PBIT Margin (%)	15	13	
PAT Margin(%)	10	8	

Unilever Ghana (UNIL)
Trailings 12 Months

¢'million	Jun-07	Jun-06	Chg.
Turnover	1,306,063	1,070,250	22%
PBITD	160,353	112,935	42%
Depreciation	20,733	19,117	8%
PBIT	139,620	93,818	49%
Net Financial Charges	(527)	(2,819)	81%
Other Income	17,339	34,668	-50%
PBT	156,432	125,667	24%
Tax	25,620	10,109	153%
PATBMI	130,812	115,558	13%
Minority Interest	18,865	10,448	81%
PAT	111,947	105,110	7%
EPS (¢)	1,791	1,682	7%
PBIT Margin (%)	11	9	
PAT Margin(%)	9	10	
P/E (x)	10 6	8 9	

Good Year for PZ Cussons

Company: PZ Cussons (PZ)
Sector: Consumer Goods
Earnings Update: Unaudited Q1, Ended August,2007
Turnover: Up 32 per cent to ¢79.8 billion
Pre-tax Profit: Up 25 per cent to ¢7.5 billion
Net Earnings: Up 23 per cent to ¢5.5 billion
Trailing 12 Mth P/E:Current (6.6x) (2006: 11.7x)

LAST RECOMMENDATION [SEPTEMBER'07]: BUY

Analyst: Roselyn A. Dennis

PZ Cussons Ghana Ltd (PZ)
Results for the First Quarter Ended August 31,2007

¢'million	Aug-07	Aug-06	Chg.
Turnover	79,760	60,337	32%
PBITD	9,891	7,605	30%
Depreciation	2,816	1,934	46%
PBIT	7,074	5,671	25%
Interest Income	61	270	-77%
Other Income	371	47	695%
PBT	7,506	5,988	25%
Income Tax	1,973	1,497	32%
PAT	5,533	4,491	23%
EPS (¢)	198	160	23%
PBIT Margin (%)	9	9	
PAT Margin (%)	7	7	

PZ Cussons Ghana Ltd (PZ)
12 Months Trailing

¢'million	Aug-07	Aug-06	Chg.
Turnover	310,720	82,818	275%
PBITD	44,086	15,477	185%
Depreciation	10,093	2,606	287%
PBIT	33,993	12,872	164%
Interest Income	690	813	-15%
Other Income	9,473	9,401	1%
PBT	44,156	23,086	91%
Income Tax	9,567	7,507	27%
PAT	34,589	15,579	122%
EPS (¢)	1235	556	122%
PBIT Margin (%)	11	16	
PAT Margin (%)	11	19	
P/E (x)	6.6	11.7	

ABL's Records Marginal Increase

Company: Accra Brewery Limited (ABL)
Sector: Breweries
Earnings Update: Unaudited Q1, Ended June 2007
Turnover: Up 3 per cent to ¢56.5 billion
Pre-tax Profit: Up 88 per cent to -¢666 million
Net Earnings: Down 87 per cent to -¢544 million
Trailing 12 Mth P/E: Current (30x) (2006:19x)

Analyst: Nii Ampa Sowa

Accra Brewery (ABL)
Results for the First Quarter Ended June 30, 2007

¢'million	Jun-07	Jun-06	Chg.
Turnover	56,553	54,863	3%
PBITD	861	(1,043)	183%
Depreciation	1,148	3,122	-63%
PBIT	(287)	(4,165)	93%
Other Income	(89)	7	-1374%
Interest	289	1,478	-80%
PBT	(666)	(5,636)	88%
Taxes	122	1,409	-91%
PAT	(544)	(4,227)	87%
EPS (¢)	(2)	(17)	87%
PBIT Margin (%)	(0.5)	(7.6)	
PAT Margin (%)	(1.0)	(7.7)	

Accra Brewery (ABL)
Trailing 12 Months

¢'million	Jun-07	Jun-06	Chg.
Turnover	246,724	206,758	19%
PBITD	25,791	9,800	-163%
Depreciation	14,810	15,420	-4%
PBIT	10,981	-5,620	295%
Other Income	233	2,110	-89%
Interest	2,690	6,932	-61%
PBT	8,524	-10,443	182%
Taxes	-1,175	4,375	-127%
PAT	9,699	-14,818	165%
EPS (¢)	39	-59	165%
PBIT Margin (%)	4	-3	
PAT Margin (%)	4	-7	
P/E (x)	29.6	(19.4)	

GG BL FY -2007 Earnings Drops by 7%

Company: Guinness Ghana Breweries Limited (GGBL)
Sector: Breweries
Earnings Update. Audited FY. Ended June 2007
Turnover: Up 17 per cent to ¢1.22 trillion
Pre-tax Profit: Down 21 per cent to ¢151 billion
Net Earnings Down 7 per cent to ¢140 billion
Trailing 12 Mth P/E Current (12.6x) (2006 10.2)

LAST RECOMMENDATION [AUGUST'07]: BUY

Analyst: Nii Ampa-Sowa

[illegible]

Fan Milk's Bottomline Improves

Fan Milk Limited (FML)
Sector: Food and Tobacco
Earnings Update: Audited HY, Ended June 2007
Turnover: Up 30 per cent to ¢207 billion
Pre-tax Profit: Up 51 per cent to ¢32.4 billion
Net Earnings: Up 49 per cent to ¢24.3 billion
Trailing 12 Mth P/E: Current (9.9x) (2006: 8.1x)

LAST RECOMMENDATION [FEB'07]: HOLD

Analyst: Alieu B. Senghore

Fan Milk Limited (FML)
Results for Half Year Ended June 30, 2007

¢'million	Jun-07	Jun-06	Chg.
Turnover	207,080	159,450	30%
PBIT	32,460	21,770	49%
Interest	1,250	1,480	-16%
Other Income	1,210	1,200	1%
PBT	32,420	21,490	51%
Tax	8,160	5,260	55%
PAT	24,260	16,230	49%
EPS (¢)	1,226	820	49%
PBIT Margin (%)	16	14	
PAT Margin (%)	12	10	

Fan Milk Limited (FML)
Trailing 12 Months

¢'million	Jun-07	Jun-06	Chg.
Turnover	371,377	326,623	14%
PBIT	57,869	53,097	9%
Interest	2,817	2,734	3%
Other Income	2,479	1,998	24%
PBT	57,531	52,361	10%
Tax	15,211	13,223	15%
PAT	42,320	39,138	8%
EPS (¢)	2,139	1,978	8%
PBIT Margin (%)	16	16	
PAT Margin (%)	11	12	
P/E (x)	9.2	8.1	

BAT Releases Exit HY Results

Sector: British American Tobacco (BAT)
Sector: Food and Tobacco
Earnings Update: Audited HY, Ended June 2007
Turnover: Down 3 per cent to ¢102 billion
Pre-tax Profit Up 55 per cent to ¢31.5 billion
Net Earnings: Up 67 per cent to ¢27.5 billion
Trailing 12 Mth P/E: Current (nm) (2006: 8.7x)

LAST RECOMMENDATION [APRIL'06]: SELL

Analyst Alieu B. Senghore

British American Tobacco (BAT)
Results for Half Year Ended June 30, 2007

¢'million	Jun-07	Jun-06	Chg.
Turnover	101,782	105,344	-3%
PBITD	32,708	25,873	26%
Depreciation	1,921	3,779	-49%
PBIT	30,787	22,094	39%
Interest	2,615	1,064	146%
Other Income	3,332	(678)	591%
PBT	31,504	20,352	55%
Exceptional Item	-	-	na
Tax	3,991	3,920	2%
PAT	27,513	16,432	67%
EPS (¢)	398	238	67%
PBIT Margin (%)	30	21	
PAT Margin (%)	27	16	

British American Tobacco (BAT)
Trailing 12 Months

¢'million	Jun-07	Jun-06	Chg.
Turnover	257,003	241,119	7%
PBITD	83,273	51,781	61%
Depreciation	7,164	8,739	-18%
PBIT	76,109	43,042	77%
Interest	4,721	3,008	57%
Other Income	12,469	(529)	2457%
PBT	83,857	39,505	112%
Exceptional Expense	92,008	-	na
Tax	8,062	7,857	3%
PAT	(16,213)	31,648	-151%
EPS (¢)	(235)	458	-151%
PBIT Margin (%)	30	18	
PAT Margin (%)	(6)	13	
P/E	(18.2)	8.7	

ALW Sinks Deeper into the Red

Aluworks Ghana Limited (ALW)
Sector: Manufacturing
Earnings Update: Audited HY, Ended June 2007
Turnover: Up 25 per cent to ¢287 billion
Pre-tax Profit: Down 111 per cent to ¢1.3 billion
Net Earnings: Down 113 per cent to ¢1.3 billion
Trailing 12 Mth P/E: Current (32x) (2006: 11x)

LAST RECOMMENDATION [AUGUST'07]: SELL

Analyst: Doris Yaa Ahiati

AluworksGhana Limited (ALW)
Results for the Half Year Ended June 30, 2007

¢'million	Jun-07	Jun-06	Chg.
Turnover	286,996	228,729	25%
PBITD	1,078	16,491	-93%
Depreciation	2,658	2,976	-11%
PBIT	(1,580)	13,515	-112%
Interest	2,242	2,936	-24%
Other Income	2,525	1,271	99%
PBT	(1,297)	11,850	-111%
Tax	-	2,034	na
PAT	(1,297)	9,816	-113%
EPS (¢)	-31	236	-113%
PBIT Margin (%)	(1)	6	
PAT Margin (%)	(0)	4	

Aluworks Ghana Limited (ALW)
Trailing 12 months

¢'million	Jun-07	Jun-06	Chg.
Turnover	550,730	487,800	13%
PBITD	17,636	41,842	-58%
Depreciation	5,749	6,417	-10%
PBIT	11,887	35,425	-66%
Interest	4,070	6,577	-38%
Other Income	4,157	2,914	43%
PBT	11,974	31,762	-62%
Tax	2,410	5,702	-58%
PAT	9,564	26,060	-63%
EPS (¢)	229	625	-63%
PBIT Margin (%)	2	7	
PAT Margin (%)	2	5	
P/E (x)	32.2	10.8	

CMLT Posts Strong Results

Company: Camelot Ghana Limited (CMLT)
Sector: Manufacturing
Earnings Update: Unaudited HY, Ended June 2007
Turnover: Up 81 per cent to ¢9.7 billion
Pre-tax Profit: Up 583 per cent to ¢273 million
Net Earnings: Up 583 per cent to ¢273 million
Trailing 12 Mth P/E: Current (22x) (2006: 74x)

LAST RECOMMENDATION [AUGUST'07]: HOLD
Analyst: Doris Yaa Ahiati

Camelot Ghana Limited (CMLT)
Results for Half Year Ended June 30, 2007

¢'million	Jun-07	Jun-06	Chg.
Turnover	9,674	5,353	81%
PBITD	1,291	970	33%
Depreciation	368	364	1%
PBIT	923	606	52%
Interest	650	566	15%
Other Income	-	-	na
PBT	273	40	583%
Tax	-	-	na
PAT	273	40	583%
EPS (¢)	42	6	583%
PBIT Margin (%)	10	11	
PAT Margin (%)	3	1	

Camelot Ghana Limited (CMLT)
Trailing 12 Months

¢'million	Jun-07	Jun-06	Chg
Turnover	19,511	10,174	92%
PBITD	3,446	1,620	113%
Depreciation	1,183	705	68%
PBIT	2,263	915	147%
Interest	1,528	1,115	37%
Other Income	-	56	-100%
PBT	735	(144)	-610%
Tax	221	7	3150%
PAT	514	(151)	-441%
EPS (¢)	79	(23)	-441%
PBIT Margin (%)	12	9	
PAT Margin (%)	3	(1)	
P/E (x)	21.6	(73 8)	

PKL Cuts Losses In HY 2007

Company: Pioneer Kitchenware Limited (PKL)
Sector: Manufacturing
Earnings Update: Unaudited HY, Ended June 2007
Turnover: Up 63 per cent to ¢14.8 billion
Pre-tax Profit: Up 23 per cent to ¢1.87 billion
Net Earnings: Up 23 per cent to ¢1.87 billion.
Trailing 12 Mth P/E: Current (nm) (2006: nm)

LAST RECOMMENDATION [AUGUST'07]: STRONG SELL
Analyst: Doris Yaa Ahiati

Pioneer Kitchenware (PKL)
Results for the Half Year Ended June 30, 2007

¢'million	Jun-07	Jun-06	Chg.
Turnover	14,839	9,117	63%
PBITD	(938)	(1,558)	-40%
Depreciation	107	108	-1%
PBIT	(1,044)	(1,665)	37%
Interest	828	891	-7%
Other Income	5	122	-96%
PBT	(1,867)	(2,434)	23%
Tax	-	-	na
PAT	(1,867)	(2,434)	23%
EPS (¢)	-113	-148	23%
PBIT Margin (%)	-7	-18	
PAT Margin (%)	(13)	(27)	

Pioneer Kitchenware (PKL)
Trailing 12 Months

¢'million	Jun-07	Jun-06	Chg.
Turnover	28,959	20,866	39%
PBITD	(610)	(4,769)	87%
Depreciation	202	(329)	161%
PBIT	(812)	(4,439)	82%
Interest	2,014	1,723	17%
Other Income	517	251	106%
PBT	(2,309)	(5,912)	61%
Tax	25	5	396%
PAT	(2,334)	(5,917)	61%
EPS (¢)	(141 5)	(358.8)	61%
PBIT Margin (%)	(3)	(21)	
PAT Margin (%)	(8)	(28)	
P/E (x)	nm	nm	

Sam Woode Posts Disappointing HY Results

Company: Sam Woode Limited (SWL)
Sector: Manufacturing
Earnings Update: Unaudited HY, Ended June 2007
Turnover: Down 95 per cent to ¢657 million
Pre-tax Profit: Down 234 per cent to ¢620 million
Net Earnings: Down 234 per cent to ¢620 million.
Trailing 12 Mth P/E: Current (7.7x) (2006: 2.2x)

LAST RECOMMENDATION [AUGUST'07]: STRONG SELL
Analyst: Doris Yaa Ahiati

Sam-Woode (SWL)
Results for Half Year Ended June 30, 2007

¢'million	Jun-07	Jun-06	Chg.
Turnover	657	14,343	-95%
PBIT	(597)	641	-193%
Interest Charges	104	200	-48%
Other Income	82	23	260%
PBT	(620)	464	-234%
Income Tax	-	-	nm
PAT	(620)	464	-234%
EPS (¢)	(28)	21	-234%
PBIT Margin (%)	(91)	4	
PAT Margin (%)	(94)	3	

Sam-Woode (SWL)
Trailing 12 Months

¢'million	Jun-07	Jun-06	Chg.
Turnover	3,611	32,345	-89%
PBIT	1,524	3,056	-50%
Interest Charges	379	292	30%
Other Income	265	511	-48%
PBT	1,410	3,274	-57%
Income Tax	661	596	11%
PAT	750	2,677	72%
EPS (¢)	34	123	72%
PBIT Margin (%)	42	9	
PAT Margin (%)	21	8	
P/E (x)	7.7	2.2	

CPC Improves Financial Performance

Company: Cocoa Processing Company (CPC)
Sector: Manufacturing
Earnings Update: Unaudited Q3, Ended June 2007
Turnover: Up 61 per cent to ¢340 million
Pre-tax Profit: Up 19 per cent to ¢5.3 billion
Net Earnings: Up 19 per cent to ¢5.3 billion
Trailing 12 Mth P/E: Current (71x) (2006: 106x)

LAST RECOMMENDATION [AUGUST'07]: STRONG SELL
Analyst: Doris Yaa Ahiati

Cocoa Processing Company (CPC)
Results for the Nine Months Ended June 30, 2007

¢'million	Jun-07	Jun-06	Chg.
Turnover	339,850	211,553	61%
PBITD	10,095	8,864	14%
Depreciation	7,614	6,913	10%
PBIT	2,481	1,971	26%
Finance Costs	1,051	230	357%
Other Income	3,876	2,733	42%
PBT	5,306	4,474	19%
Income Tax	-	-	na
PAT	5,306	4,474	19%
EPS (¢)	5	4	19%
PBIT Margin (%)	1	1	
PAT Margin (%)	2	2	

Cocoa Processing Company (CPC)
Trailing 12 months

¢'million	Jun-07	Jun-06	Chg.
Turnover	418,733	284,643	47%
PBITD	15,696	10,378	51%
Depreciation	8,109	5,368	51%
PBIT	7,587	5,010	51%
Net Interest Income	1087	1,383	-21%
Other Income	1953	2,782	-30%
PBT	8,453	6,409	32%
Income Tax	204	190	7%
PAT	8,249	6,219	33%
EPS (¢)	7	6	33%
PBIT Margin (%)	2	2	
PAT Margin (%)	2	2	
P/E (x)	70 7	106.2	

CFAO's Net Earnings Dip

Company: CFAO Ghana Limited (CFAO)
Sector: Distribution and Trading
Earnings Update: Unaudited HY, Ended June 2007
Turnover: Up 18 per cent to ¢143million
Pre-tax Profit: Down 21 per cent to ¢176 billion
Net Earnings: Down 7 per cent to ¢140 billion
Trailing 12 Mth P/E: Current (11.4x) (2006: 59.3x)

LAST RECOMMENDATION [AUGUST'07]: BUY
Analyst: Nii Ampa-Sowa

CFAO Ghana Limited (CFAO)
Results for the Half Year Ended June 30, 2007

¢'million	Jun-07	Jun-06	Chg.
Turnover	143,361	121,608	18%
PBIT	5,385	4,958	9%
Interest Charges	-	-	
Other Income	-	-	
PBT	5,385	4,958	9%
Income Tax	2,117	1,388	53%
PAT	3,268	3,570	-8%
EPS (¢)	15	16	-8%
PBIT Margin (%)	4	4	
PAT Margin (%)	2	3	

CFAO Ghana Limited (CFAO)
Trailing 12 Months

¢'million	Jun-07	Jun-06	Chg.
Turnover	275,198	212,015	30%
PBIT	15,932	7,642	108%
Interest Charges	4,000	3,910	2%
Other Income	-	3,806	
PBT	11,932	7,538	58%
Income Tax	4,078	6,175	-34%
PAT	7,854	1,364	476%
EPS (¢)	35	6	476%
PBIT Margin (%)	6	4	
PAT Margin (%)	3	1	
P/E (x)	11.4	59.3	

Mechanical Lloyd Releases Healthy Results

Company: Mechanical Lloyd (MLC)
Sector: Distribution & Trading
Earnings Update: Unaudited HY, Ended June 2007
Turnover: Up 110 per cent to ¢115.8 billion
Pre-tax Profit: Up 117 per cent to ¢9.5 billion
Net Earnings: Up 101 per cent to ¢7.3 billion
Trailing 12 Mth P/E: Current (9.4x) (2006: 14x)

LAST RECOMMENDATION [APRIL'07]: SELL
Analyst: Nii Ampa Sowa

Mechanical Lloyd Company Ltd (MLC)
Results for Half Year Ended June 30, 2007

¢'million	Jun-07	Jun-06	Chg.
Turnover	115,820	55,045	110%
PBITD	10,755	3,116	245%
Depreciation	1,392	1,341	4%
PBIT	9,363	1,775	428%
Interest	504	1,146	-56%
Other Income	683	3,774	-82%
PBT	9,542	4,402	117%
Tax	2,279	789	189%
PAT	7,263	3,613	101%
EPS (¢)	145	72	101%
PBIT Margin (%)	8	3	
PAT Margin (%)	6	7	

Mechanical Lloyd Company Ltd (MLC)
Trailing 12 Months

¢'million	Jun-07	Jun-06	Chg.
Turnover	186,047	113,907	63%
PBITD	15,284	4,288	256%
Depreciation	3,082	2,628	17%
PBIT	12,202	1,660	635%
Interest	1,733	1,612	7%
Other Income	3,484	8,584	-59%
PBT	13,953	8,631	62%
Tax	2,793	1,132	147%
PAT	11,160	7,498	49%
EPS (¢)	223	150	49%
PBIT Margin (%)	7	1	
PAT Margin (%)	6	7	
P/E (x)	9.4	14.0	

TOTAL Posts Growth In HY 2007
Company: Total Petroleum Ghana Limited (TOTAL)
Sector: Distribution and Trading
Earnings Update: Audited HY, Ended June 2007
Turnover: Up 204 per cent to ¢1.9 trillion
Pre-tax Profit: Up 175 per cent to ¢58.1 billion
Net Earnings: Up 164 per cent to ¢43.6 billion
Trailing 12 Mth P/E: Current (11.1x) (2006: 37x)

LAST RECOMMENDATION [2006]: SELL
Analyst: Nii Ampa Sowa

Total Petroleum Ghana (TOTAL)
Results for the Half Year Ended June 30, 2007

¢'million	Jun-07	Jun-06	Chg.
Turnover	1,871,238	614,770	204%
PBITD	69,801	16,300	328%
Depreciation	19,023	4,448	328%
PBIT	50,778	11,852	328%
Interest	9,870	2,573	284%
Other Income	17,192	11,821	45%
PBT	58,100	21,100	175%
Tax	14,475	4,547	218%
PAT	43,625	16,553	164%
EPS (¢)	3,120	1,184	164%
PBIT Margin (%)	3	2	
PAT Margin (%)	2	3	

Total Petroleum Ghana (TOTAL)
Trailing 12 Months

¢'million	Jun-07	Jun-06	Chg.
Turnover	3,034,795	1,228,294	147%
PBITD	107,973	14,777	631%
Depreciation	26,085	9,139	185%
PBIT	81,888	5,638	1352%
Interest	17,348	6,865	153%
Other Income	27,103	22,867	19%
PBT	91,643	21,640	323%
Tax	22,809	1,049	2074%
PAT	68,834	20,591	234%
EPS (¢)	4,922	1,472	234%
PBIT Margin (%)	3	0	
PAT Margin (%)	2	2	
P/E (x)	11.1	36.7	

PBC Posts Declines In Q3 2007
Company: Produce Buying Company (PBC)
Sector: Distribution and Trading
Earnings Update: Unaudited Q3, Ended June, 2007
Turnover: Down 20 per cent to ¢1.8 trillion
Pre-tax Profit: Down 3 per cent to ¢19.7 billion
Net Earnings: Down 3 per cent to ¢14.8 billion
P/E: Current (nm) (2006: nm)

LAST RECOMMENDATION [April 2007]: STRONG SELL
Analyst: Nii Ampa Sowa

Produce Buying Company (PBC)
Results for the Nine Months Ended June 30, 2007

¢'million	Jun-07	Jun-06	Chg.
Turnover	1,786,640	2,224,322	-20%
PBIT	9,722	10,596	-8%
Interest	0	0	nm
Other Income	10,003	9,684	3%
PBT	19,725	20,280	-3%
Tax	4,931	5,070	-3%
PAT	14,794	15,210	-3%
EPS (¢)	31	32	-3%
PBIT Margin (%)	1	0	
PAT Margin (%)	1	1	

Produce Buying Company (PBC)
Trailing 12 Months

¢'million	Jun-07	Jun-06	Chg.
Turnover	2,048,940	2,568,575	20%
PBIT	(29,861)	(57,563)	48%
Interest	0	0	nm
Other Income	16,692	24,220	-31%
PBT	(13,169)	(33,343)	61%
Tax	1,490	(1,199)	-224%
PAT	(14,659)	(32,144)	54%
EPS (¢)	(31)	(67)	54%
PBIT Margin (%)	(1)	(2)	
PAT Margin (%)	(1)	(1)	
P/E (x)	nm	nm	

Other Income Increases Clydestone's Earnings

Company: Clydestone Ghana Limited (CLYD)
Sector: ICT
Earnings Update: Unaudited HY, Ended June 2007
Turnover: Down 8 per cent to ¢9.2 billion
Pre-tax Profit: Up 31 per cent to ¢1.1 billion
Net Earnings: Up 25 per cent to ¢809 million
Trailing 12 Mth P/E: Current (25.1x) (2006: 18.1x)

LAST RECOMMENDATION [MARCH '07]: SELL
Analyst: Edem K. Dewotor

[illegible]			
Results for the Half Year Ended June 30, 2007			
[illegible]	[illegible]	[illegible]	[illegible]
Turnover	9,203	10,042	[illegible]
PBITD	758	1,342	-44%
Depreciation	228	559	-59%
PBIT	530	783	-32%
Interest	-	-	
Other Income	572	59	866%
PBT	1,102	842	31%
Tax	206	285	-28%
PATMI	896	558	61%
Minority Interest	(87)	91	-195%
PAT	809	649	25%
EPS (¢)	24	19	25%
PBIT Margin (%)	6	8	
PAT Margin (%)	9	6	

Clydestone Ghana Limited (Clydestone)			
Trailing 12 Months			
[illegible]	Jun-07	[illegible]	Chg
Turnover	20,207	20,891	[illegible]
PBITD	853	3,449	-75%
Depreciation	-203	909	-122%
PBIT	1,056	2,541	-58%
Interest	0	0	
Other Income	739	190	289%
PBT	1,794	2,731	-34%
Tax	696	925	-25%
PATMI	1,098	1,806	-39%
Minority Interest	(15)	75	-120%
PAT	1,083	1,881	-42%
EPS (¢)	32	55	-42%
PBIT Margin (%)	5	12	
PAT Margin (%)	5	9	
P/E (x)	25.1	18.1	

TRANSOL Posts Unexciting Results

Company: Transaction Solutions Limited (TRANSOL)
Sector: ICT
Earnings Update: Audited HY, Ended June 2007
Turnover: Up 40 per cent to ¢197 billion
Pre-tax Profit: Down 23 per cent to ¢3 billion
Net Earnings: Down 18 per cent to ¢2.6 billion
Trailing 12 Mth P/E: Current (14x) (2006: 11x)

LAST RECOMMENDATION [APRIL'07]: STRONG SELL
Analyst: Edem K. Dewotor

Transactions Solutions Limited (TRANSOL)			
Results for the Half Year Ended June 30, 2007			
¢'million	Jun-07	Jun-06	Chg
Turnover	197,395	141,407	40%
PBITD	4,644	6,629	-30%
Depreciation	1,121	1,093	3%
PBIT	3,523	5,536	-36%
Interest	383	1,346	-72%
Other Income	77	6	1262%
PBT	3217	4195	-23%
Tax	643	1047	-39%
PAT	2573	3148	-18%
EPS (¢)	32	39	-18%
PBIT Margin (%)	2	4	
PAT Margin (%)	1	2	

Transactions Solutions Limited (TRANSOL)		
Trailing 12 Months		
¢'million	Jun-07	Dec-06
Turnover	386,245	330,257
PBITD	8,430	10,415
Depreciation	1,114	1,086
PBIT	7,317	9,329
Interest	-963	0
Other Income	191	120
PBT	8,470	9,449
Tax	1,619	2,023
PAT	6,852	7,426
EPS (¢)	86	93
PBIT Margin (%)	2	3
PAT Margin (%)	2	2
P/E (x)	14.01	11

Starwin Posts Abysmal Results

Company: Starwin Products Limited (SPL)
Sector: Pharmaceuticals
Earnings Update: Unaudited HY, Ended June 2007
Turnover: Up 25 per cent to ¢9.4 billion
Pre-tax Profit: Up 68 per cent to ¢316 million
Net Earnings: Down 68 per cent to ¢237 million
Trailing 12 Mth P/E: Current (45.2x) (2006: 25x)

LAST RECOMMENDATION [2006]: HOLD
Analyst: Dorothy L. Ametefe

Starwin Products (SPL)			
Results for Half Year Ended June 30, 2007			
¢'million	Jun-07	Jun-06	Chg
Turnover	9,354	7,484	25%
PBITD	1,286	1,426	-10%
Depreciation	474	568	-17%
PBIT	812	858	-5%
Interest Income (Expen	(496)	106	-570%
Other Income	-	25	-100%
PBT	316	989	-68%
Tax	79	247	-68%
PAT	237	742	-68%
EPS (¢)	3	10	-68%
PBIT Margin (%)	9	11	
PAT Margin (%)	3	10	

Starwin Products (SPL)			
Trailing 12 Months			
¢'million	Jun-07	Jun-06	Chg
Turnover	20,833	16,580	26%
PBITD	2,846	2,364	20%
Depreciation	1,159	907	25%
PBIT	1,687	1,457	16%
Interest Income (Expens	(657)	706	-193%
Other Income	172	30	482%
PBT	1,203	2,193	-45%
Tax	301	548	-45%
PAT	902	1,645	-45%
EPS (¢)	12	22	-45%
PBIT Margin (%)	8	9	
PAT Margin (%)	4	10	
P/E (x)	45.2	24.8	

Ayrton Registers Bottomline Growth

Company: Ayrton Drug Manufacturing Limited (AYRTN)
Sector: Pharmaceuticals
Earnings Update: Unaudited HY, Ended June, 2007
Turnover: Up 5 per cent to ¢40 billion
Pre-tax Profit: Up 40 per cent to ¢8.4 billion
Net Earnings: Up 39 per cent to ¢6.6 billion
P/E: Current (17x) (2006: 21.8x)

LAST RECOMMENDATION [JULY'07]: HOLD
Analyst: Dorothy L. Ametefe

Ayrton Drug Manufacturing (AYRTN)			
Results for the Half Year Ended June 30, 2007			
¢'million	Jun-07	Jun-06	Chg
Turnover	39,979	37,999	5%
PBITD	10,354	8,768	18%
Depreciation	1,832	1,329	38%
PBIT	8,522	7,440	15%
Interest	-79	1,512	-105%
Other Income	6	113	-95%
PBT	8,449	6,040	40%
Tax	1,811	1,254	44%
PAT	6,638	4,786	39%
EPS (¢)	31	22	39%
PBIT Margin (%)	21	20	
PAT Margin (%)	17	13	

Ayrton Drug Manufacturing (AYRTN)			
Trailing 12 Months			
¢'million	Jun-07	Jun-06	Chg
Turnover	81,523	77,307	5%
PBITD	18,823	16,531	14%
Depreciation	3,611	2,773	30%
PBIT	15,212	13,758	11%
Interest	-4	2,838	-100%
Other Income	765	227	237%
PBT	15,982	11,148	43%
Tax	3,634	2,762	32%
PAT	12,347	8,386	47%
EPS (¢)	57	39	47%
PBIT Margin (%)	19	18	
PAT Margin (%)	15	11	
P/E (x)	17.0	21.8	

GWEB Moves Into the Red
Company: Golden Web Limited (GWEB)
Sector: Agro-processing
Earnings Update: Unaudited HY, Ended June, 2007
Turnover: Down 25 per cent to ¢3 billion
Pre-tax Profit: Down 427 per cent to -¢525 million
Net Earnings: Down 427 per cent to -¢525 million
P/E: Current (nm) (2006: nm)

LAST RECOMMENDATION [2006]: SELL
Analyst: Roselyn A. Dennis

Golden Web Company Ltd (GWEB)
Results for Half Year Ended June 30, 2007

¢'million	Jun-07	Jun-06	Chg.
Turnover	3,015	4,010	-25%
PBITD	180	833	78%
Depreciation	39	229	-83%
PBIT	142	605	77%
Interest	667	444	50%
PBT	-525	160	-427%
Tax	0	0	na
PAT	-525	160	-427%
EPS	-18	5	-427%
PBIT Margin (%)	5	15	
PAT Margin (%)	-17	4	

Golden Web Company Ltd (GWEB)
Trailing 12 Months

¢'million	Jun-07	Jun-06	Chg.
Turnover	5,772	5,537	4%
PBITD	986	(1,411)	-170%
Depreciation	167	296	-44%
PBIT	820	(1,707)	-148%
Interest	1,172	1,009	16%
PBT	(352)	(2,716)	-87%
Tax	-	(46)	-100%
PAT	(352)	(2,670)	87%
EPS (¢)	(12)	(89)	87%
PBIT Margin (%)	14	(31)	146%
PAT Margin (%)	(6)	(48)	87%
P/E (x)	(47)	(6)	-658%

BOPP Recovers Further
Company: Benso Oil Palm Plantation
Sector: Agro-processing
Earnings Update: Unaudited HY, Ended June, 2007
Turnover: Up 38 per cent to ¢79 billion
Pre-tax Profit: Up 124 per cent to¢14 billion
Net Earnings: Up 124 per cent to ¢14 billion
P/E: Current (14x) (2006: 54x)

LAST RECOMMENDATION [AUGUST'07]: HOLD
Analyst: Roselyn A. Dennis

Benso Oil Palm Plantation (BOPP)
Results for the Half Year Ended June 30, 2007

¢'million	Jun-07	Jun-06	Chg.
Turnover	78,689	57,013	38%
PBIT	14,079	5,943	137%
Financial charges/gains	149	64	133%
Other Income	(277)	230	-220%
PBT	13,951	6,237	124%
Tax	-	-	na
PAT	13,951	6,237	124%
EPS (¢)	401	179	124%
PBIT Margin	18	10	
PAT Margin (%)	18	11	

Benso Oil Palm Plantation (BOPP)
Trailing 12 Months

¢'million	Jun-07	Jun-06	Chg.
Turnover	112,468	85,655	31%
PBIT	11,804	919	1185%
Financial charges/gains	190	197	3%
Other Income	2,399	2,365	1%
PBT	14,393	3,480	314%
Tax	1,533	(47)	3361%
PAT	12,860	3,527	265%
EPS (¢)	370	101	265%
PBIT Margin	10	1	
PAT Margin (%)	11	4	
P/E (x)	13.5	54.3	

EIC Posts Topline Growth

Company: Enterprise Insurance Company
Sector: Insurance
Earnings Update: Unaudited HY, Ended June, 2007
Net Premium: Up 40 per cent to ¢91 billion
Pre-tax Profit: Down 17 per cent to¢12.3 billion
Net Earnings: Down 13 per cent to ¢359 million
P/E: Current (18.2x) (2006: 9.2x)

LAST RECOMMENDATION [APRIL'07]: HOLD
Analyst: Ntiwaa Kwakye

Enterprise Insurance Company (EIC)
Results for the Half Year Ended June 30, 2007

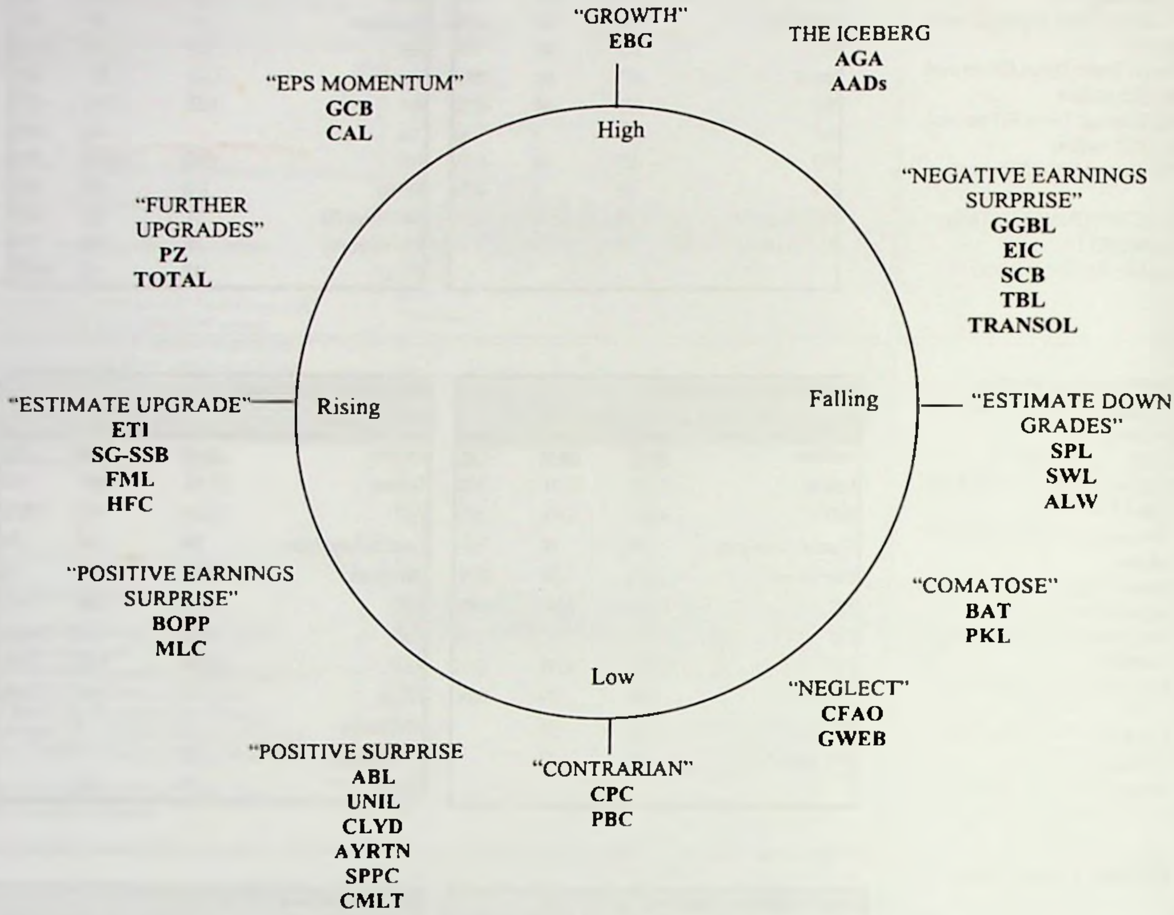
¢'million	Jun-07	Jun-06	Chg.
Net Premium	90,965	65,126	40%
Underwriting Profit	23,241	15,688	48%
Investment Income	6,901	6,491	6%
Operating Profit	11,426	14,154	-19%
Other Income	907	636	43%
PBT	12,333	14,790	-17%
Tax	2,451	1,992	23%
PATBMI	9,882	12,798	-23%
Minority Interest	(703)	(2,307)	70%
PAT	9,179	10,491	-13%
EPS (¢)	359	410	-13%
PBIT Margin (%)	13	22	
PAT Margin (%)	10	16	

Enterprise Insurance Company (EIC)
Trailing 12 Months

¢'million	Jun-07	Jun-06	Chg.
Net Premium	150,305	110,944	35%
Underwriting Profit	35,455	27,813	27%
Investment Income	14,884	15,735	-5%
Operating Profit	22,251	29,688	-25%
Other Income	4,009	1,631	146%
PBT	26,260	31,318	-16%
Tax	4,396	4,647	-5%
PATBMI	21,864	26,671	-18%
Minority Interest	(4,970)	(4,203)	18%
PAT	16,894	22,468	-25%
EPS (¢)	661	879	-25%
PBIT Margin (%)	15	27	
PAT Margin (%)	11	20	
P/E (x)	16.3	9.2	

DATABANK'S EXPECTATIONS *CLOCK*

Ntiwaa Kwakye



UNDERSTANDING THE EXPECTATIONS' CLOCK

1 o'clock – The Iceberg. Some unforeseen event disrupts the rosy growth outlook, such as an announcement by management that the company will not achieve its projected earnings target. Expectations and the share price start to decline.

2 o'clock – Negative Earnings Surprise . The variation between the consensus estimate and reported earnings is highlighted at announcement date. Traditional earnings surprise models wait for actual earnings to be re ported, so they stay at 2 o'clock even though the event itself may have occurred at 1 o'clock.

3 o'clock – Estimate Downgrades . Consensus estimates start dropping in response to the disappointing earnings announcement. Some analysts lag the consensus and do not yet downgrade their estimates.

4 o'clock – Comatose . The stock continues to disappoint and expectations continue to fall. The laggard analysts downgrade. The stock is regarded as a dog and speculation on take-over and restructuring circulates.

5 o'clock – Neglect. The stock has disappointed for so long that investors shun it.

6 o'clock – Contrarian . There is so little interest in the stock that sell-side research coverage is no longer profitable and starts dissipating. Expectations for future growth are at their lowest, as reflected in the very depressed valuation multiples. Contrarians are the only buyers.

7 o'clock – Positive Surprise . More optimistic news starts to circulate and research on the stock starts to increase.

8 o'clock – Positive Earnings Surprise. Earnings surprise models identify the stock as a potential buy candidate.

9 o'clock – Estimate Upgrades . Consensus estimates start rising in response to the encouraging earnings announcement. Some analysts lag the consensus and do not yet upgrade their estimates.

10 o'clock – Further Upgrades. Further information of the up trend in earnings growth is provided. The laggard analysts fall into line and upgrade their estimates.

11 o'clock – EPS Momentum . Investors who follow earnings momentum themes start buying the stock as reported earnings and estimates continue to rise.

12 o'clock – Growth . Very high expectations for future growth are em bodied in the current share price. Stocks at 12 o'clock have an excellent profit growth record, are almost unanimously regarded as "good companies and good investments" and trade on high valuation multiples. The risk of disappointment is at its highest and contrarian selling would occur at this point.

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