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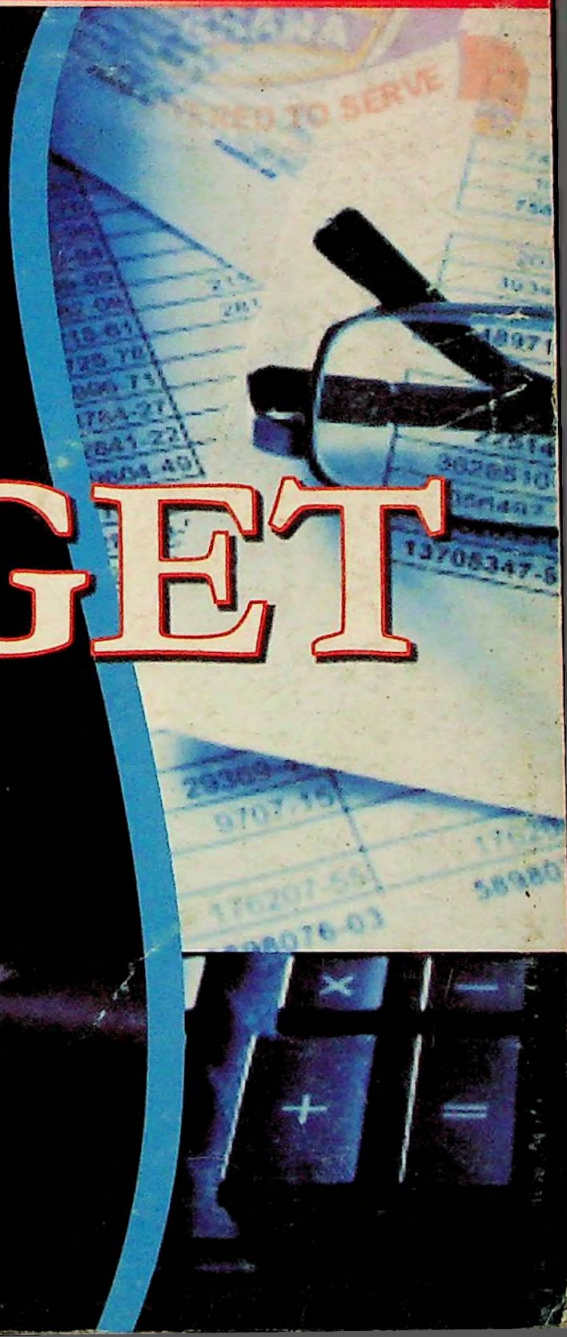
Business Journal

Vol. 6, Apr-June 2009 ISSN 0855-9163 GH¢4.50 \$15.00

2009

NATIONAL

BUDGET



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EDITORIAL

Investing In a Better Ghana:

Does the 2009 Budget Address the Current Global Economic Crisis?

Understandably, there has been a lot of interest in the 2009 budget of the government of Ghana. This can be attributed to two complementary factors. First, there has been a change in government and many people have been eager to see the extent to which promises made on the electioneering campaigns have been translated into actual plans of the new government. The second reason has to do with the current world financial crisis. Many governments in both the developed and developing countries have taken significant policy measures to try to mitigate the effects of the crisis on their economies by stimulating demand. The question that one needs to ask is whether Ghana's 2009 budget adequately responds to the financial crisis. Even though both these factors seem to be interesting in their own right, the second has received much more attention by economists and business associations that have discussed the budget.

There are four main concerns relating to how the financial crisis is likely to impact the Ghanaian economy. First, it is expected that private investments will decline as investors' confidence waver in the light of the crisis. Already, there are signs that the Ghanaian stock market is not performing as well as it has in the past, particularly looking at quarterly data over the two years. Second, financial intermediaries are likely to cut down on their lending as their aversion to risk increases. In the

context of their Ghanaian economy, Small and Medium Enterprises, who are the most important source of employment, will be most affected with this increased aversion to risks by banks. A third concern has to do with the expected decline in export earnings and remittances as a result of the crisis. This is expected to put pressure on the Ghanaian currency to depreciate and consequently impact adversely on inflation and interest rates. Fourth, the financial crisis is expected to adversely affect the government's revenue. This is expected to be felt through the reduction in export revenue (particularly from the cocoa sector) and also from a reduction in foreign aid which constitutes a significant part of revenues to Ghana – in 2008 total loans and grants was about 16% of total government expenditures. The question therefore is how the 2009 budget tries to rectify or mitigate some of these effects on the Ghanaian economy in 2009 and beyond.

We discuss here three broad sets of policy measures in the 2009 budget and ask whether these adequately address the concerns discussed above. First, there are a number of social policy measures in this budget, some of which are the following: *the abolition of all extra fees and provision of free school uniforms and textbooks for pupils from deprived communities; an increase in the capitation grant from GHC3 to GHC4.50 per pupil; a reduction in petroleum taxes to ease the burden on households.* In view of the financial crisis and the fact that one

A major direct line of impact on households (and poverty), is through remittances and the reduction of exports, social policies are usually desirable. However, it is questionable, given the choices that we have as a nation plus the constraints imposed by our limited resources, whether some of these policies constitute the best choices. One example is the policy of the free school uniforms. Of the critical factors needed to improve both the quality and quantity of education, it is difficult to see school uniforms among the top of the priority list. A second example is the reduction in petroleum taxes. Again the reason given in the budget is that it is to help alleviate the hardships faced by people in the country. Research done with respect to the incidence of petroleum taxes suggests that petroleum taxes are generally progressive. A reduction in petroleum taxes is therefore more beneficial to non-poor households in Ghana. Maintaining the petroleum taxes and using the resources to finance either social programmes or investment projects that increase productivity of the poor would have been a good alternative policy.

A second set of policies in the budget seeks to increase production incentives and consequently productivity in the economy. Some of these policies include the following: *Government to support the setting up of an integrated sugar manufacturing firm to produce sugar and ethanol in the Savelugu-Nanton District of the Northern Region; the government to help reactivate the Aveyime rice project; the restoration of duties on imports of rice, wheat, and cooking oil which were removed last year as a result of the food crisis; the imposition of a minimum threshold of 30 percent local content in construction contracts.* These policies are among other things, aimed at increasing domestic production. They may have good intentions as they tilt the incentive structure in favour of domestic producers. However it is important that these policies do not discourage trade and foreign investments. For instance tying foreign construction firms to local ones can increase the overall cost of production as in some cases the local firms may have less expertise and therefore higher cost of operations. This can have the effect of discouraging some foreign investors.

A last set of policies in the budget relates to improving the management of government's fiscal plans. Increasingly, government budget balance targets have not been met and have worsened over the last 3 years. This has had adverse effects on the macroeconomic stability. Some of the policies aimed at arresting this situation include the following: *airport tax has been increased from US\$50 to US\$75; Government intends to merge the three revenue agencies under an Office of Commissioner-General of Revenues to improve the efficiency and effectiveness of taxation; Review of the management of statutory funds such as the DACF, GETFund, Road fund, NHIF and the communications service tax to make them more flexible and improve fiscal management; Government to institute a rewards and sanctions regime so that MDAs are either rewarded for good performance or punished for bad performance.*

Generally one can say that the policies which aim at improving the fiscal discipline and outcomes are in the right direction. There remains some discomfort as to whether a policy such as that, which increases the airport tax, is consistent with some of the other development objectives of the country. Take for instances the policy of improving tourism and making Ghana the hub of West Africa. Other lingering issues with respect to the fiscal policies in the 2009 budget relates to the fiscal deficit target. Whilst some believe it is too high, others are of the opinion that in the presence of the current financial crisis, we cannot afford to be too conservative with fiscal policy, at least for 2009. The jury is still out on this.

The 2009 budget is a reasonably good response to the current global financial crisis. However its ability to more adequately respond to the crisis is compromised by the two other objectives that the budget had. These were the need to restore fiscal discipline as a result of the very large overruns in 2008 and also to fulfil political promises. On the whole, government's ability to maintain fiscal discipline will be one of the surest ways of minimising the long term impact of the financial crisis. To this end, the 2009 budget seem to have the right vibes. However, it needs to overcome the political economic pressures.



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ENLIGHTENED ENQUIRY

Surviving The Recession –

The Ultimate Guide For Cash Flow Management (Cash-Generating Model)

INTRODUCTION

Cash flow management has always been important, but it has never been as important as it is now. Sources of business finance are disappearing before our eyes (along with some of the biggest names in business), lending criteria remain stringent (despite government initiatives and bank promise), contracts are being scaled down and cancelled, and customers are taking longer to pay, or not paying at all. Truly, many businesses operating in this credit crunch era will need to focus more on liquidity than profit, for the foreseeable future.

You have to go back to the 1930s to find out economic conditions which were as bad as those of today. Many businesses would not have seen anything like what is happening in the world today before, and those that want to survive will have to hold on to their cash using any means they can. As the downturn becomes a full-blown recession, cash flow management and efficient credit control procedures – or the lack of them – will make or break many companies.

MINIMISE THE RISK

During the economic boom of the decade, many organizations became lax about their credit control procedures, with some granting credit terms to new and existing customers without even carrying out proper credit referencing checks. This will need to change, if businesses want to minimize the risk of

non-payment. With credit reports now costing as little as a few dollars over the internet, it will pay to check even the smallest of enterprises on your sales ledger.

Businesses will need the support of specialist software and systems, skilled staff, and may need to make use of the types of services they have eschewed in the past, while those without in-house credit management expertise will face some start choices: train somebody, recruit a specialist, or outsource the process to an expert and quickly. If you have no credit management ability in house, you will need to look outside.

This is going to mean spending money, at a time when you have lots of reasons to do the opposite. Not doing this would be a false economy, no matter what size your business is or how well you (think you) know your customers. Credit is tight and with the tally of failing businesses rising by the day, even the most well run enterprises are vulnerable to losing control of the cash coming in and out of their companies.

With banks withdrawing established lines of funding and applying much tighter criteria to potential new lenders, businesses need to pay much more attention than previously to cash flow planning. It is worth returning to basic business principles. Businesses need to review their forecasts regularly. You need to understand where your cash spikes are going to come and plan accordingly.

FINANCIAL FORECASTING

A lot of organizations that have previously done their cash flow planning and financial forecasting on a quarterly or yearly basis will need to do so more frequently, and monthly, weekly, or even daily forecasts may become necessary. Forecasting is more important than ever. Forecast against scenarios that would have been inconceivable six months ago.

Run extra forecasts against worst case scenarios and see if you can survive them and pay particular attention to sales pipeline estimates and comparative industry data. Today, there is a strong need for a change of perspective when it comes to preparing management accounts. The first page of the management accounts package needs to change from profit and loss (income statement) to a cash flow report. Key performance indicators need revising, to reflect the rising importance of the bank balance against the falling significance of margins.

Cash really is king. Make business decisions on a day-to-day basis that help maximize your working capital position and avoid unnecessary capital expenditure. Rent equipment rather than buy it, and if you do need to borrow money from the bank, take a much more proactive approach to the process. Arrive with a plan. Have your budgets sorted and invest in the accountancy software or specific financial advice that demonstrates you are a savvy and secure business to work with.

In some scenarios, it may pay to have written backup from your external accountant (auditor) because the banks have never been more risk averse or less enthusiastic about parting with their cash. The banks balance sheets are shot to pieces so they are being much more selective about who they lend money to, which is bad news for those with liquidity problems. Over the next few months some businesses may not have enough money to pay wages, let alone customers!

Unfortunately, the symptoms described above are a precursor to a potential epidemic of insolvencies in 2009 around the globe.

BE PROACTIVE

So, it is vital that accountants in practice and industry act proactively to help businesses plan and manage their finances as effectively as possible. The key for SMEs to weather the current finances storm is keep a very close eye on their business and maintain strong financial control of their assets and face up to the reality of the situation, however grim it may seem.

IMPROVE CASH FLOW MANAGEMENT

- **Prepare a cash flow forecast**

Split the forecast into three sections: receipts, payments and balances. Receipts should include all money coming into the business, such as sales and royalties. Payments should encompass all money going out, such as expenses and loan repayments. Balances should show a monthly and a cumulative balance, and these should be equivalent to what is in your bank account.

- **Keep on top of it**

Once you have taken the time and energy to prepare a cash flow forecast do not just put it in a drawer and forget about it. The earlier you identify a potential problem the more time you will have to solve it. You can also use a cash flow forecast to improve the accuracy of your budgeting, and help to ensure that you have enough money to cover payments as and when they fall due.

- **Get the timing right**

Cash flow is easier to manage for businesses that pay their creditors at the optimum time. Some creditors will offer a discount for early settlement of their bill, but in some scenarios it is better to keep the money in the bank and pay a bill as late as you can, or make a partial payment 'by mistake', which causes confusion and can buy time.

- **Strengthen relationship with banks**

In a recession, banks are less available to provide funds, especially to new customers. As a consequence, banks prefer to strengthen existing ties, leveraging all confidential information they collect as a basis for making decisions. Banks are increasingly monitoring

activity and asking for supplementary information to gain insight into the operational value of a business.

- **Improve reporting**

Boost your relations with a bank by responding to request. The most effective way to do this is to sharpen your reporting procedures so that information can be collected quickly and efficiently.

Anticipating what information the bank will request beforehand will allow you to act swiftly to capitalize on any opportunities. Provide the bank with financial statements as well as other documents, including financial forecasts and business plans, as soon as you have them.

- **Expanding your own Knowledge**

Banks employ different lending technologies so make sure you have the data to exploit all possible avenues. They are:

- i) Financial Statement lending based on evaluating statements.
- ii) Asset-based lending, which focuses on the provision of collateral and its quality (widely used by banks in Ghana).
- iii) Credit scoring lending, based on statistical techniques; and finally.
- iv) Relationship lending, which looks at recurrent need such as lines of credit and overdrafts.

- **Plan effectively**

Support your request with strong documentation, including a detailed business plan. This will highlight robust areas of your company that could be bolstered in order to safeguard funding.

- **Be transparent**

Try to be crystal clear when explaining your business, including the evolution of the relationship with your customers and suppliers; the market evolution, the strategy to address recession, and the behavior of competitors. Do not hide bad elements, but on the other hand, do not overinflate good areas.

Conclusion

Understand the signs that you are getting into financial difficulty early on. This will give you a head start in dealing with the situation constructively. Acting early could mean you avoid liquidity problems and turn your business around.

The downturn is not discriminating against industry sectors, making it difficult to identify areas of strength. It looks like the global economic meltdown could create a long, painful quasi depression, a period of mass unemployment, a calamitous drop in confidence and a continued credit-squeeze.

Despite the gloomy picture the writer (Managing Partner of B. Omane-Antwi Consult, Chartered Accountants) believes that businesses can insulate themselves and minimize the effects of recession. Financial Management is the key to survival. The writer is conducting a study to build up a Cash Generating Model as a guide for SMEs to survive the recession.

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Performance Appraisals – An Effective HR System

Performance appraisal has been one area in Human Resource (HR) that has played and continues to exhibit a very crucial role in HR department. According to Jones and George (2006), Performance Appraisal is an evaluation of employees' job values, needs and contributions to their organisation. It gives managers the important information on which human resource decisions are based. Decisions about pay raises, bonuses, promotions, and job moves all hinge on the accurate appraisal of performance.

Appraisal is also defined as a judgement of the value, performance and nature of somebody or something and further depicts performance appraisal as a discussion with staff of their strengths and weaknesses on a job.

As noted by Jones and George (2006) performance appraisal is portrayed as something that focuses on the evaluation of traits, behaviours and result. It also helps managers to determine which workers are candidates for training and development and in what areas. Here, it serves as a feedback that complements recruitment, selection, training and development components of a Human Resource Management System and ensures that employees have the knowledge and skills needed to be effective now and in the future. Performance feedback is the process through which managers share performance appraisal information with their subordinates, give subordinates an opportunity to reflect their own performance and develop with subordinates plans for the future.

Though, certain organisations have survived through the achievements of objective appraisal with increases in performance and productivity, appraisals rarely, often, seem to achieve the

improvements that it is supposed to. This has been a problem for HR because traditional solutions do not always seem to work. The setback is that, most appraisals have been subjective which have regularly been based on managers' perceptions making appraisals inaccurate and unquantifiable. No one has a complete answer.

The following are five (5) of possible solutions to consider:

(1) Set standards, not the process

When line managers do not do things properly, HR's response has often been to provide more structure, more processes and more paperwork. It is meant to be helpful, but often appraisals that ask about competencies, evidence, objectives and so on actually baffle and alienate managers and employees.

It might be better to establish and agree what appraisals should achieve, and empower managers to deliver those standards which ever they wish. Standards with clear objectives offer changes that strengthen performance, and deliver appraisees who feel they have the ear of the superior. The absence of a process outlined by HR puts the responsibility on managers to deliver the desired results.

(2) Tell Appraisers how well they are doing

Appraisers rarely get feedback on the appraisal they conduct. That is why bad appraisers believe they are effective, and why they continue to be ineffective. It is not easy for most appraisers to give honest feedback, but it can be made easier.

According to a study by Peter Goodge and Jane Coomber, at Skandia, appraisees completed online questionnaires describing their recent appraisals. A summary of their views was subsequently fed back to their appraising managers. The process made it

easier for appraisees to be more honest. In addition every manager in this pilot study learnt significant things about their own system of appraisals. Importantly, every manager also decided on simple, practical improvements that they could make.

(3) Provides tools and resources

Where people have a flexible work schedule i.e. moving between projects, appraisals do not seem so easy. That can also be true where people work independently, rarely supervised by their managers. As a result, multi-source assessments can be one way of addressing the problem of ineffective performance appraisal.

Peter Goodge and Jane Coomber of Wyeth Consumer Healthcare found out that when feedback reports were shared and discussed in appraisals throughout the organisation, it enhanced their annual appraisal system.

(4) Work out what works for you

Genuinely tailoring things to the organisation's objectives, people and resources always works well. But isolated, stand-alone projects will always tend to fail, no matter how big or expensive they are. The only thing that will really make an impact is a bundle of mutually supportive projects and processes. Therefore, to improve our appraisal processes,

managers need to get actively involved by starting small, and enlist their help to improve things. They must and make the most of supporting HR processes before trying bigger, riskier things.

(5) Show some leadership

If HR professionals seem focused and motivated as a result of their own appraisals that can be very convincing. However, if skill and performance issues persist within HR, that may wreck the credibility of appraisals. We have seen attitudes transformed by a managing director who each day asked one randomly selected person how their appraisal went and what it produced. That really kept appraisers throughout the business on their toes.

In summary, organisations must provide clear, helpful feedback to appraisers against standards they have agreed on. They must also offer simple tools and resources that make appraisals easier for everyone. Organisations must work with managers to discover what works well for their organisations and show that appraisals are really making a difference in HR.

DORIS ARYEE

Administrative Assistant &
PBJ Production Coordinator
Pentecost University College

Why Delegation Fails?

Effective delegation is an important human resource development tool that some managers hesitate to use. This may result from inexperience with delegation; particularly for novice managers. Reluctance to delegate work that a manager personally enjoys doing reveals an adherence to the old adage, "If you want something done right, do it yourself."

How does a manager find the time to develop his/her people? Delegation both frees up your time and can develop your people. It also increases productivity, morale and commitment. As the economy becomes more dependent on knowledge, managers need to delegate to be effective leaders. The number one reason for management failure is an inability to delegate.

So, why do managers not delegate? They think that it is easier and more efficient to do it on their own and they think that they can do it better than their employees. These assumptions are incorrect. Other managers simply are not sure how to do it correctly. Delegation is both an art and a science. There are some basics to doing it right: find the right person, set clear expectations, and settle on a regular check-in time. There is also the art of knowing people well enough to know how much they can handle; to stretch them without breaking them.

One of the simplest ways to start delegating is to ask; do not tell. When an employee comes to you with an issue, remember to ask them open-ended questions as opposed to quickly providing them with an answer. The following Chinese saying is very appropriate to delegation: "Give a person a fish and they will eat for a day; teach them to fish and they will eat for a lifetime." Let that quote remind you always of the lasting benefits of effective delegation.

The University of Michigan did a study that found that 70% of managers' work could be effectively delegated. To delegate more of your tasks, do the following exercise. In a two week period, list all of the tasks that you perform. At the end of that time period, decide which ones you could have delegated to someone else. Decide who would be the best person to delegate to, keeping in mind each person's strengths, needs for improvements, and workload. Finally, put in place a structure to delegate, including clear expectations and check-in points.

Delegation is a practice that can be developed over time, learned by observing great managers do it, and honed through coaching.

It may seem peculiar to be talking about delegation of responsibilities in a high-tech world where the old catch phrases such as "self-starter," "self-motivated," and "must be capable of working under loose supervision" often appear in the help wanted ads. But, it is because of this umbrella of "letting people run with the ball" that knowing how and what to delegate is so important.

Too often, managers delegate the "wrong" activities and to the "wrong" people. Too often also managers have no interest in what they delegate, and thereby lose control over the process or function that they are accountable for. If the manager is truly accountable for the outcome of the activities of others, then due care must be taken regarding what, and why activities, projects, processes, or functions are assigned.

The following are items that could be delegated to subordinates to make life easier for the manager:

- Matters that keep repeating themselves.
- Minor decisions most frequently made.
- Details that take the biggest chunks of time.
- Parts of the job the supervisor is least qualified to handle.
- Job details that the superior most dislikes.
- Parts of the job that make the superior overspecialized.
- Parts of the job that make the superior under specialized.

At the same time, the reader is admonished to "make sure that the subordinate is given meaningful, challenging assignments and does not end up as a dumping ground for unwanted or distasteful tasks of the superior."

To effectively delegate, the manager must always delegate the tasks that he or she understands best and also likes. If you assign tasks you do not like, then you would have lost control. What we like least, we pay the least attention to. Subordinate may very well take some initiatives and make decisions which are not only contrary to our own best interests, but contrary to the best interests of the company and its clients or customers.

If you delegate things that you understand least, you will also lose control. How can a manager supervise functions (which are, after all, made up of these tasks and responsibilities) about which he or she has the least comprehension? A manager or supervisor does not have to understand WordPerfect if that manager has a staff who works with it all the time. That is not a primary responsibility of the manager. On the other hand, if the manager happens to be the

supervisor for a clerical pool, then he or she had better have a sound understanding of the software that runs the department.

For instance, any person working in an accounting or other department cannot perform without a sound knowledge of some spreadsheet software. Like it or not, the manager must be conversant with spreadsheets and cannot delegate the total responsibility to others. Subordinates can "do the run," but the manager had best understand how it works.

It is implied in the above that, if the manager is "under-specialized" or least qualified to handle parts of the job, then those "items" should be delegated. Managers and supervisors owe it to themselves, to their subordinates, and to their departments and companies to learn. While managers can not know everything, they must at least have sufficient knowledge of tasks, responsibilities, or jobs in general and within their scope of authority to make informed decisions when problems arise. It may be okay to say, "I do not know," but if it is said often enough, the manager may well find him or herself seen as contributing less to the company than the subordinates. The old US Marine Corps addendum to "I don't know but I will find out" should be emphasized.

While managers may learn from subordinates, they still have a responsibility to train subordinates. A manager cannot train someone in the "part of the job that (he or she) is least qualified to handle."

However, there is indeed a resistance to and perhaps a fear of change among many older managers. The Internet is no longer the next step. It is the step we have already taken, yet there are many who, rather than learn about this phenomenon, have assigned others to the task of researching the Web, sending and retrieving intranet e-mail, or in many companies even setting up what may well become a vital corporate Web page.

Managers are accountable for what goes on (or does not go on) in their departments. If subordinates

make mistakes because they have not been taught, the manager is accountable. If subordinates make mistakes because of an overload of "meaningful" responsibilities delegated to them, they are not to blame.

Additionally, education is a full-time job and a lifelong process. Keeping abreast of a specialty is difficult. Remaining a generalist is almost impossible. But that is what the corporate world calls for. Delegation is also called for because of the onslaught of new knowledge, systems, processes, technology, laws, etc. Mastery of a specific area is possible, but managers can not be true specialists if for no other reason than that by definition, managers oversee functions and/or people. You can not oversee without continuous upgrading of knowledge and techniques. If you are going to oversee something, you had better not overlook anything.

Here are eight basic guidelines to help you delegate more effectively:

1. **Determine what you will delegate:** You decide which task(s) you want to delegate. Keep in mind that delegating is different from simply assigning someone a task that is already a part of his normal job requirements. When you delegate, you give someone else one of your job tasks; but you maintain control and responsibility.
2. **Clarify the results you want:** Determine the results you consider necessary for successful completion of the task. In general, the employee to whom you delegate uses his or her own methods to accomplish the task. If you expect use of a specific method to accomplish results, relate that to the employee at the beginning.
3. **Clearly define the employee's responsibility:** You, not the employee, determine the level of responsibility assumed. Be sure that the employee understands that level. After you have given the employee the information about the delegated task, ask him /her to tell you his/her understanding of both the task and

goals. If the employee's answers do not match your expectations, review the matter in detail again.

4. **Communicate the employee's authority over the delegated task:** Define the scope and degree of authority given to the employee for the delegated task. Explain which decisions he or she may make independently and which require your approval. Be specific. If you tell the employee, "Do whatever it takes," you may end up with an unpleasant surprise if the employee violates company standards. However, a too-limited authority may prevent the employee from accomplishing the task. Give the employee the authority necessary to accomplish the task but not so much authority that he or she can create a major disaster before anyone discovers the problem. Also, make clear the budget available and budgetary limitations.
5. **Be sure that the employee thoroughly understands his or her authority:** Have the employee repeat his or her understanding of authority regarding the task. Resolve any misunderstandings at the beginning.
6. **Establish a time limit:** Time means different thing to different people. If you want the delegated work completed within a certain time period, make that clear to the employee. (If you say, "When you get time, work on this," the project may remain untouched for weeks.) Also, if you want portions of the work completed by certain dates, make that clear.
7. **Establish a follow-up schedule:** Use a series of follow-up meetings to;
 - i) monitor progress and
 - ii) determine the need for assistance.Monitoring the progress prevents discovering too late before the due date that the task is not on schedule. It can also serve as an indication of whether the employee needs assistance. Some employees hesitate to ask questions or seek help. They fear that the manager will interpret

this as a sign of weakness or inadequacy for the job. Follow-up meetings give them the opportunity to ask questions within the context of a meeting designed for that purpose. The frequency of follow-up meetings will vary from project to project and employee to employee. You may schedule more frequent meetings when delegating to a new employee than when delegating to an experienced, competent, and proven employee.

8. **Stick to the delegation program; avoid "reverse" delegation:** An employee may try to "dump" the delegated task back on the manager. A manager may feel tempted to "take it back" if the employee seems to be struggling with the task. In extreme circumstances, a manager may have no alternative other than to take the task back in order to avoid permanent damage to his or her own performance record. However, this should be done only in extreme cases. When you take back a delegated task, the employee loses the opportunity to learn and develop. This can also discourage the employee who desired to do well, but needed more assistance at that point in time. Occasionally, an employee may decide to perform poorly in order to avoid additional work; do not encourage this attitude. Stick to your decision and work with the employee to see the task to completion.

In summary, managers delegate work not to just reduce their workload, but to allow the employees they supervise to develop professionally. Effective delegation is a two-way discussion and understanding. Be clear about the delegated task, give employee(s) an opportunity to ask questions, monitor progress, and offer assistance as needed. Use effective delegation to benefit both yourself and the person to whom you delegate.

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MAIN ARTICLES

Professional Accountant The Challenges Of The Next Decade (Agenda 2015 Plus) Part II

Prof. Kwame Boasiako Omane-Antwi

ABSTRACT; *In the next 10 years, professional accountants will need to modify the way they perceive and carry out their mission. They will have to join the ranks of decision makers while keeping their roles of support and constructive critic to managers. They will need to extend their information management skills to the handling of non financial data to support a new definition of performance that is reflected in the Total Quality Management and value chain cultures.*

The mission will change because the context or management has changed, e.g., flat organizations, fuzzy organizational boundaries reflecting partnerships with customers and suppliers, globalization, and a new emphasis on service activities.

The time horizons the professional accountant is used to will no longer be applicable. Such changes as target cost management, life-cycle thinking, and anticipatory crisis management are some of the reasons that will require professional accountants to become proactively involved in "managing for the future."

Based on a greater attention to the understanding and analysis of the causes of resource consumption, the professional accountant will become more interventionist and will be involved in both organizational engineering and becoming a change agent in the whole product cycle, from strategic intent identification to strategic performance

analysis, through change management and communication.

The picture depicted of the professional accountant of the year 2015 plus is radically different from what is seen today, Training for these professionals will need to encompass this new mission in its new context. Managers also will have to embrace and value the rich potential that resides in their close cooperation with this "new" professional accountant.

Key words: *Professional accountant, decision accountant, interventionist accountant, cost accounting, managerial accounting, flat organizations, fuzzy organizational boundaries, contingency theory, agency theory, human information processing, total quality management, performance measurement, team-based organization, hierarchical model, matrix organization, networking organization, globalization, target cost management, responsibility accounting, zero-based budgeting (ZBB), life-cycle thinking, co-responsibility, information highways, tableau de bord, information economics.*

Discontinuity of time

Many professional accountants seem to behave as if time were continuous and all annual or monthly time slices were equivalent. However, customer contracts happen at random. New techniques and new processes are introduced at various times, essentially when they

become available or when the organization feels it has mastered them. All the events in the life of a firm do not happen conveniently on January 1st or on June 30th. In addition, events in the life of a firm have consequences well beyond the fiscal year time horizon. It would be absurd for professional accountants to remain focused, as they have been for so many years, on a "magical" twelve (12) month cycle, or even on a one month or one-week periodicity.

It is the cycle time of product and technological innovation that defines the time horizon and time should be sliced according to the phases of the life cycle of the "projects" that compose the firm. Since each project has its own time horizon and cycle time, professional accountants must be able to handle multiple time horizons simultaneously. They must invent information systems that allow for such flexibility while continuing to provide the annual legal aggregation of "results."

5. A NEW ORIENTATION, A NEW FOCUS FOR THE MISSION

Given the vast changes in the context and newly developing needs of businesses, it seems clear that time has come for professional accountants to reinvent their mission. Two major aspects are; first, the development of a new information system based on the knowledge of causal relationships, and, second, the need to become interventionist in managerial decisions.

A new information system based on causal analyses

A major new building block in redefining the mission of professional accountants involves helping managers understand the causal relationships that create the "bottom line." These relationships are not necessarily all financially based. The non-financial data precede the financial ones. Non-financial information is available earlier, and therefore, supports decision-making better because it can be used sooner.

Rather than developing non-financial score-cards, which are, by essence, ex post facto the professional accountant must develop a system of "*tableaux de bord*"; which, like the instrument panel in a car, helps

the manager (driver) anticipate what needs to be done to keep the business (the car) in harmony with the prevailing conditions while achieving the strategic intent. The French *tableau de bord* is an example of a system of formalization of the key relationships that determine the outcome of a business. Each manager has his or her tableau and uses it to self-evaluate the potential of the resources and processes over which he or she has responsibility, and to communicate and coordinate with peers, subordinates and superiors. Given the need for reactivity, each tableau will contain information pertaining only to those key relationships that are relevant at that moment in time and within that time horizon. A manager may require up to two or three "*tableaux de bord*" in order to fulfill his or her mission, but each one will be so focused that there will be no risk of information overload.

Responsibility accounting is important, but no clear and precise result-based responsibility can be assigned to individuals in a world of co-responsibility and of continuous reactivity. Therefore, spending large quantities of resources to compare "actual" with "intended" is wasteful. Continuous progress requires that trends be measured, not just whether some arbitrary standard has been met. Since the real responsibility is to the customer, the new information system, centred on the "*tableaux de bord*" or on any other approach, must support the managers in meeting that responsibility (while, of course, satisfying the expectations of the stockholders).

Understanding the links between non-financial information and financial information and incorporating them in the information system (the art of quantifying qualitative information in decision-making using modified Delphi model, my Ph.D research thesis) are some of the most important challenges facing professional accountants in the coming decade.

The interventionist accountant

Perhaps the most radical idea in establishing a new orientation for professional accountants is the notion that they do not only cross organizational boundaries, but also actively participate, along with

managers, in decision-making and strategy implementation. Here the issue is having professional accountants dare to raise questions and even challenge managers' decisions. Professional accountants have to be ready and willing to ask the managers: "Is this activity, or this function, adding value to the customer? Is this or that one well managed?" Professional accountants have at the same time to become the supporters of managers and the "challengers" of implementation.

Similarly, professional accountants will need to participate in coaching and channeling energies. The mobilization and focusing of energies of the members of the teams that constitute the organization are what creates performance. The information and measurement system operated by the professional accountant carries and reinforces meaning and values. The professional accountant must therefore, become an active participant in the process of goal congruence creation, and must support continuous improvement in the organization.

6. A SCHEMATIC VIEW OF THE TASKS AND ROLES OF THE PROFESSIONAL ACCOUNTANT

I have outlined the changes in the environment and in the mission of the professional accountant of the future. This section will synthesize the new roles of the professional accountant who will evolve in the coming decade and show what his or her job might look like.

Contributing to the design of a performing organization

The long-term role of the professional accountant is to help management design a performing organization by helping it choose which activities to develop, by guiding reengineering, and by choosing the performance measures that will inform management of what is going right and what is not. The diagram shown as Figure 5 gives an outline of the reasoning process that must be carried out and on an ongoing basis by the professional accountant in order to meet the challenges described above.

As can be seen in Figure 5, the traditional role of

object costing is reduced to secondary status in the mission of the professional accountant. It may even be said to be anecdotal. The most important part of the role resides in the process of organizational engineering. The professional accountant is both a "challenger" of the current state of things, and a source of suggestions as to what needs to be done. Once a representation of the firm has been described as a network of activities or processes, the evaluation can begin.

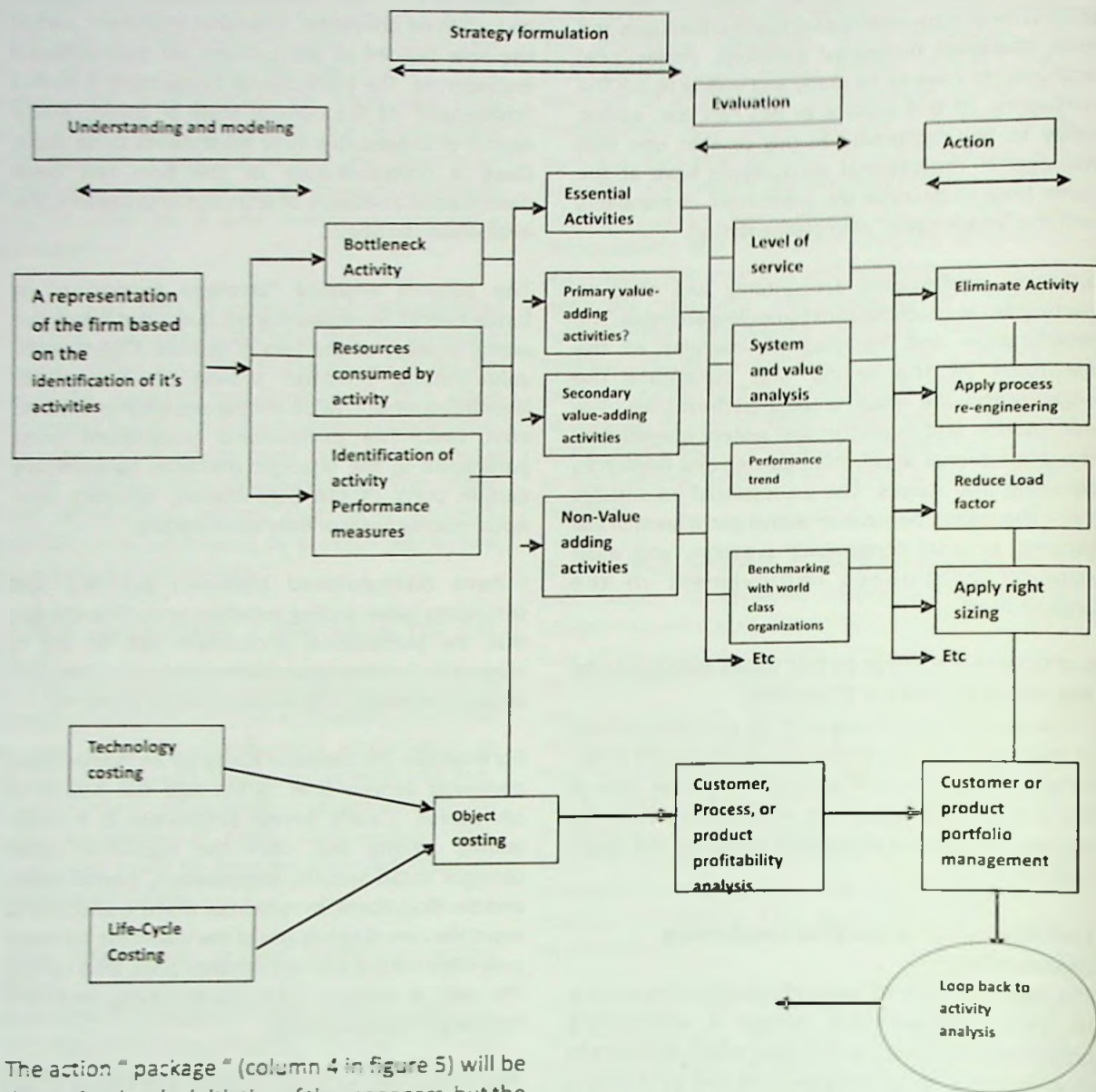
The column entitled "strategy formation" is fundamental. By answering the questions listed, the actual strategy of the firm is defined. Clearly, non-value-adding activities should be eliminated. Identifying what is value adding and what is not is no easy task. The professional accountant must participate in the strategic decisions to eliminate certain parts of the organization, whether non-value-adding or secondary value adding.

I have distinguished between primary and secondary value-adding activities to outline the fact that the professional accountant can be led to suggest that some value-adding activities might best be performed by a subcontractor or by a partner.

For example, it is common today for an independent computer service firm to manage the payroll of companies. Clearly paying employees is a value-adding activity, but since the legislation often changes social security contribution, payroll taxes, and the like), these firms believe that it is effective to input the new dispositions of the law in the software only once for the whole customer pool, thus cutting the cost to everyone, instead of having each firm handling it independently.

The evaluation package (column 3 in Figure 5) will lead to defining the level of service (after all, the philosophy of ZBB is not dead), evaluating the operation of the process, and developing performance trend analysis, in the spirit of continuous improvement, and implementing world-class (or internal) benchmarking in order to come up with innovative solution to obtain the most with the least amount of resources.

Figure 5: The schematic view of the organizational engineering role of the professional accountant



The action " package " (column 4 in figure 5) will be determined at the initiative of the managers, but the professional accountant will need to be involved in order to design the appropriate information system for the monitoring of the implementation of these decisions.

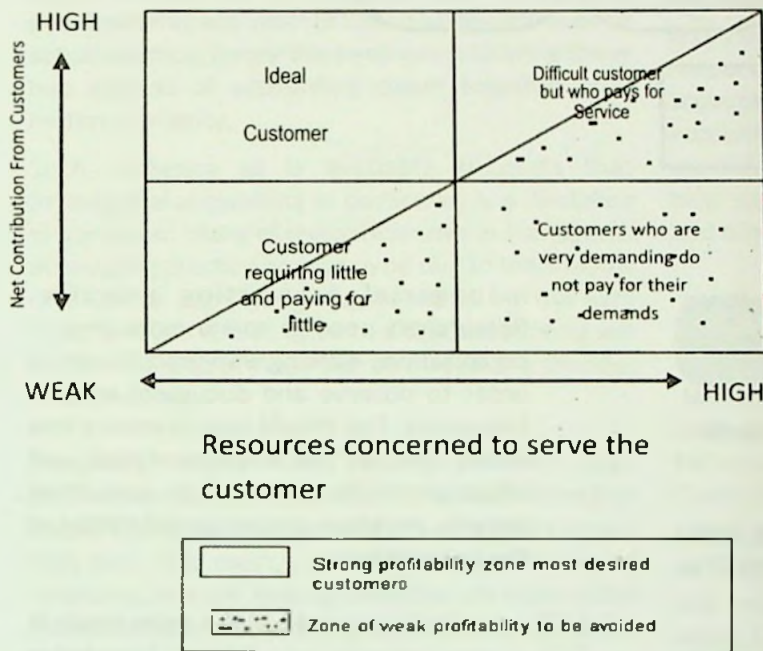
The representation of the firm as a network of processes, or of activities allows for such analyses as customer profitability that could not be performed before. Positioning customers on a diagram like the

one shown in Figure 6 would have been an impossible task without an activity approach (causality approach would also be an appropriate term here). The awareness of the fact that activities and processes cause cost, allows management to avoid the jerky reaction that would consist in trying to eliminate those customers that appear in the lower right-hand corner. Instead, the manager, at

the prompting of the professional accountant, will ask the question, "How can we change our processes so that these customers do not cause such high cost?"

A diagram such as the one shown in Figure 6 can also serve as an element of the "tableau de bord" by showing the evolution of the portfolio of customers over time, or as a result of some action intended to improve the situation, i.e., moving the centre of gravity of the portfolio of customers toward the upper-left corner of the diagram.

Figure 6: The analysis of customer profitability
Profitability measure by types of Clientele (or Product, or Market)



The long-term involvement of the professional accountant lies in his or her participation in the design of a performing organization. But there is also a shorter-term role that can be defined as the role of the professional accountant in the managerial and operational cycle of the firm as described below.

Roles in helping operate a performing organization

Figure 7 outlines, in a diagrammatic way, the many-

faceted tasks of the professional accountant in his or her interaction with management in operating the firm through the performance cycle. The diagram shows both the tasks of management and those of the professional accountant. It is important to notice that central to the whole process is the task of communication. The professional accountant, in the next decade, will no more be an isolated or back-room analyst; he or she will be the pivot of the communication system in the organization, thus supporting and facilitating both goal congruence and continuous improvement.

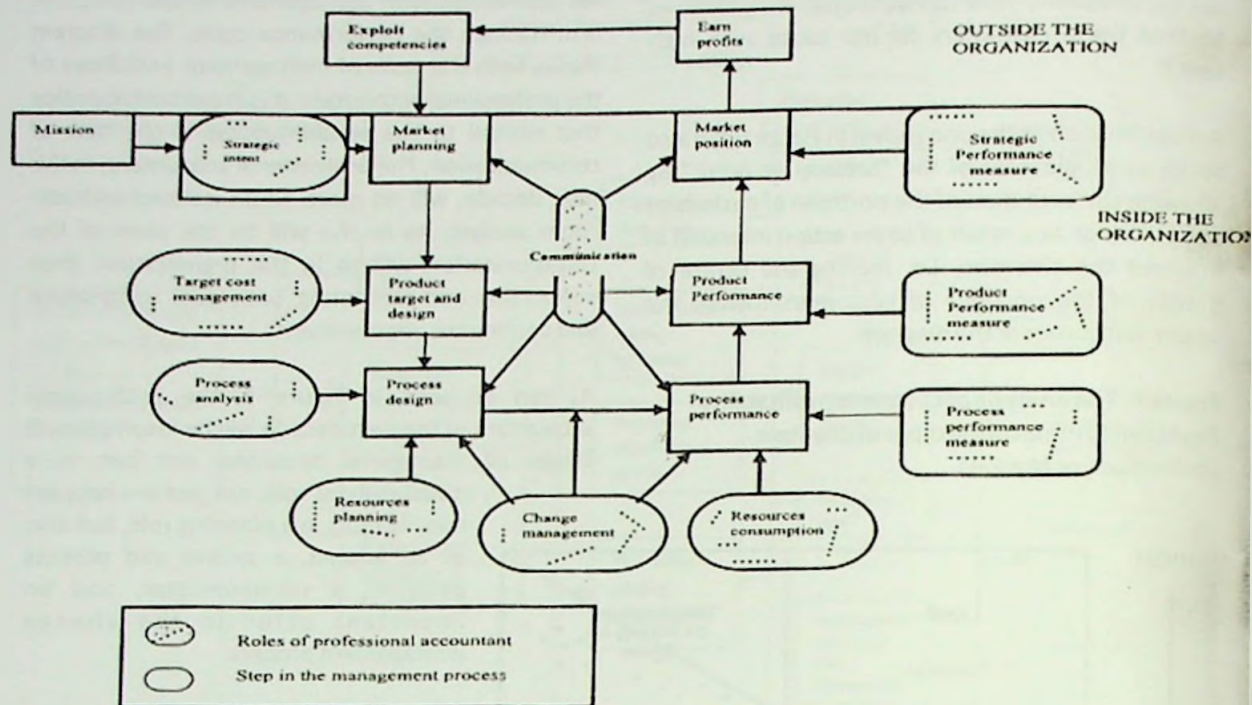
As can be seen in Figure 7, the professional accountant of the next decade will be involved in all stages of managerial decisions; not just in a measurement role, not just in a support role, not just in a planning role, but also as an analyst, a system and process designer, a communicator, and an important actor in the change management process.

Prospects for the Future

Since qualifying as a chartered accountant in 1979, I have raised the following basic questions that will need to be answered and researched by the year 2015:

- (1) the problems of implementing the quantitative techniques that are being developed. In particular, more attention needs to be given to;
 - estimation of the necessary information in a world characterized by uncertainty,
 - the costs of data collection and analysis,
- (ii) the organizational context of accounting, for example, the clarification of the purposes that managerial accounting might serve, and the characteristics of the techniques that are likely to be adopted in practice;
- (iii) individual decision-making and information processing, with a view to

Figure 7: Roles of the professional accountant in operating the firm



Adapted from CAM-1 Europe, 1993.

producing less nawe models than those derived from neo-classical economics;

- (iv) the greater concentration on external linkages (e.g., dealing with environmental issues, competitive position, etc.);
- (v) the wider use of corporate modeling (and, in particular, greater use of scenario writing in the planning field);
- (vi) an increasing recognition that accounting is but one part of organizational life, which has reciprocal interdependencies with other parts. Thus, accounting controls are merely a subset of an organization's range of controls and should be studied in context;
- (vii) a closer link between practitioners and researchers, given the widespread lack of awareness that exists regarding the state of

managerial accounting practice. Researchers need to spend more time in organizations working with practitioners in order to observe and document what is happening. This should help to ensure that issues such as the implementation and effectiveness in operation of accounting systems are given proper consideration at the design stages;

- (viii) a particular example of the point made in (vii) above concerns our limited knowledge regarding the process of change in accounting at the level of the individual enterprise. It would be helpful to know more about the mechanics and the consequence of change in the design of how and why change comes about at particular times within particular organizations.

The above are just a few of the thoughts and dreams that I have which I believe should help to position our enviable

accountancy profession. You may feed on these fertile areas for your private research/Ph.D thesis.

Conclusion

Perhaps we should reflect on the principal criterion against which any developments in professional accounting might be gauged; since the object of improving accounting systems is to enhance the effectiveness of organizations employing such systems, the test of any "improvement" should lie in the additional help given to managers in using those systems to improve their performance. In order to properly underpin the redesign of accounting systems it will be necessary for much more descriptive work to be undertaken, since there is very little empirical awareness of the actual design and operation of accounting systems within organizations. As a consequence, theoretical developments are often (if not usually) unrelated to actual practice, hence the need exists to bring these two aspects of accounting closer together as a matter of priority.

Such evidence as is available suggests that (managerial accounting in particular) is a discipline in transition. Many of the deficiencies in managerial accounting practice appear to be due to the shadow of financial accounting requirements. At the very least, by 2015 it is to be hoped that accounting will have developed in a way that throws off the shackles of this heritage.

Secondly, many firms today already have professional accountants that fill the roles described above and respond constructively to the challenges they face. But most, even in the most developed countries, are still holding onto the old view of the professional accountant as a neutral measurer and a benign member of the managerial team.

Academics, consultants, professionals and practicing managers must change their view of the professional accountant to allow a "new breed" of accountants to evolve. Given the diversity of their responsibility, their retaining the term "accounting" in their descriptor might prove to be a liability. Most of the new mission we have described is closer to that of an "information manager" than to that of a traditional accountant.

Whatever the name used to describe their function, information managers should, however, hold on to one of the most important assets of the professional accountant; the accounting quality of information. Even though non-financial information will clearly dominate the field, reproducibility, shared common definitions, and contextualization will be qualities of data that the professional accountant or information manager will continue to require.

In addition, professional training programs and qualifying exams will need to be adapted and managers should be helped to see what powerful potential the "new" professional accountant could represent for their managerial team.

If we allow the profession to evolve in some of the directions that were outlined here, the job of the professional accountant will remain as fascinating for the next 10 years as it was in the early '60s, when the first textbooks promoted the concepts of decision support, a revolution at the time, away from a cost accounting focus on the past. The professional accountant of the future is firstly a manager, and secondly a user of accounting skills and qualities to help support other managers who bring other skills and talents to the team.

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Towards A Growing Ghanaian Church

Very Rev. Dr. Richard Foli

Abstract

Church growth is normally defined in purely numerically terms without taking into account other measurements of growth. This clearly does not present the full picture. This article therefore deals with general Church Growth Principles with a view to facilitating the total growth of the Ghanaian Church. It looks at a) The Church Growth Movement, b) The Meaning of "Growth", c) A Biblical Illustration of Growth, d) The Marks of Growth, and e) Examples of growing churches in Ghana.

Introduction

Even though many people may be familiar with the term "Church Growth", a clear and full understanding of all the implications of the term seems to be lacking. The following illustrates this lack of a full understanding of "Church Growth". In my research for this work, a number of people I talked to about the subject intimated that they too were deeply concerned about the issue of "Church Growth". But what a majority of them meant, from all indications, was that they worked hard and prayed that the membership of churches would increase. Many Christians, perhaps, share this sentiment and are committed to "growth" one way or the other. However, as Donald McGavran rightly asserts:

The goal of church growth studies is not merely correct facts as to the quantity of growth. It is not sufficient to see the structure clearly – though that must be done. The goal is through evaluation of the facts to understand the dynamics of church growth

Thus, any conception of church growth, which is

limited to increase in church membership or what McGavran calls the "quantity of growth", is not adequate. It will be helpful, therefore, to look at the sort of understanding that may be derived from the Church Growth Movement on the issue.

(a) THE CHURCH GROWTH MOVEMENT

The Church Growth Movement does not simply consist of those who hope that downward numerical trends of total church membership might be reversed, even though this is something all involved in it wish to see. The Movement consists also of those who are prepared to use the methods and insights of the social and behavioral sciences, as well as those of theology, to make witness and mission more effective.

If there is one person to whom the Church Growth Movement is most indebted for both its origin and methodology, that person is Donald McGavran who spent much of his life in India. He is regarded by many as the twentieth century's premier missiologist. Peter Wagner, another prominent missiologist, thinks that when, one or two generations from now, historians of religion look back to the twentieth century, McGavran will most likely be remembered chiefly as the father of the Church Growth Movement. Seed thoughts for the Movement began to germinate in the 1930s when he was an executive secretary for the United Christian Missionary Society in India. It was in 1933 that McGavran recognized that no one really knew why some churches in India were growing whilst others in similar situations were not. They were either static or declining. He asked a number of Ministers to account for what was happening in their particular church, but found that none could do so adequately. They had ideas, of course, and they had rationalizations, but not satisfactory reasons. One said his church was growing because he preached "the pure word of God". Another

said his church was declining for exactly the same reason. In neither case did the Minister know the reasons for what was happening in the church. McGavran decided it was important to find out and thus began the search leading to the founding of the Church Growth Movement.

Having laid the conceptual groundwork for the Church Growth Movement in the 1950s, McGavran's crowning achievement was the establishment of the institution, which was to become his base of operation. In 1961 he started the Institute of Church Growth at Northwest Christian College in Eugene, Oregon. In 1965 he moved the Institute to Fuller Seminary and became the founding dean of the Fuller School of World Mission and Institute of Church Growth.

It is true to say, nonetheless, that the term "Church Growth" suggests an overriding concern with numerical increase of church membership. The term itself leaves so much unsaid which need to be said. One, therefore, cannot help but agree with Jeffery Harris that:

The improvement of the quality of membership is as basic to it as is numerical growth. So also is a membership which is active and responsible in today's world.

Looking at the British situation Harris alleges that some Christians do not want to have anything to do with Church Growth because they have read a particular book or books about it and in fact confirms:

There are, quite frankly, some bad books which put me off also. The writers have simply used church growth terminology as a set of pegs on to which they have preconceived theological ideas. If they are bad theological ideas, the use of Church Growth terms does not improve the theology.

If Christians in Ghana are to have genuine concern for Church Growth, it is essential from the outset to indicate that church growth thinking involves beginning with a number of growing churches, and

then with patient enquiry into the complex factors involved in their growth, trying to discover valid reasons which can be tested in other churches. If they are valid, they can be used positively by similar churches.

Growth experts and missiologists agree that: *Church Growth is not a package deal. It begins with each local situation, with its ministers, members, programmes and buildings.*

It may be concluded, therefore, that the Church Growth Movement seeks to make available to churches and their leadership, the tested experience of churches, which in similar situations are growing, and the reasons for their growth, so far as these are known. It provides clues so that a local church can see its way ahead more clearly. In this way it helps local churches to be more effective. The greater proportion of Church Growth theory can, in fact, be used by churches of every denomination and by Christians of different theological persuasions. It can always open new doors in the exercise of ministry.

The Theology of the Movement

The theological consideration upon which the movement is based may be summarized as follows:

- a) **God's Initiative:** This is a basic theological principle of the movement. The point stressed here is that no church can grow with integrity by simply following a predetermined course of action. If there is genuine growth, then it is because God's Spirit is at work. It is a work of grace. It is not the result of human planning. There is, nevertheless, a proper part for people to play in making growth possible.
- b) **The Biblical Sense of Time:** This idea which is very important to the Church Growth Movement is expressed in wonderful poetry in the Book of Ecclesiastes, chapter 3: "For everything there is a season, and a time for every matter under heaven..." Thus, time presents us with the opportunity. When opportunity is wedded to response, there is a time of harvest and fulfillment. Church Growth, therefore, uses this Biblical sense of time in its

teaching about "Receptivity".

c) **The Aim of Evangelism:** Most Church Growth writers use the particular vocabulary of the movement in their books and articles rather than traditional theological terms. They say the aim of evangelism is to persuade people –

1. to become followers of Jesus
2. to seek to do God's will in their daily lives
3. to become responsible members of Christ's church

They also believe that there is no necessary sequence in which these three elements occur, but that evangelism is not complete until all three take place. An important criticism, which they level against some of those leading Revival or Evangelistic campaigns, is that they do not see responsible church membership as one essential aim of evangelism.

d) **The Mission of the Church:** The Movement indicates that evangelism and mission are not interchangeable words. The essential meaning of mission, according to the Movement, is that Christians are sent by God to do those things that Jesus expressed in His own ministry. For example, Jesus preached the Good News; healed the sick; taught His followers; chose and sent disciples; expressed compassion and forgiveness in practical terms; wept over the city; was a friend to tax gatherers and sinners; washed His disciples' feet, etc. The Movement accepts that one major strand in the mission of the Church is evangelism, making known the good news of what God had done and persuading people to believe it in faith; but then a genuine response to the Gospel includes commitment to serve God and mankind in daily life (i.e. in the Church and in the world).

(b) THE MEANING OF "GROWTH"

The word "growth" has more than one meaning, both in relation to plants and people, and also to the growth of churches. When, therefore, we speak of Church Growth, we are not talking only of the numerical increase of church membership. It will help to clarify our understanding of what is involved in Church Growth if the various meanings of the

word "growth" are set down.

McGavran, for example, distinguishes three kinds of Church Growth. These are biological, transfer and conversion growth.

Biological Growth derives from those born into Christian families. Biological growth is good growth, looking at it in the light of God's command, "be fruitful, and multiply, and replenish the earth" (Genesis 35:11). Indeed Christians are admonished to bring up their children in the fear and admonition of the Lord (Proverbs 22:6). Yet this type of growth will never "bring the nations to faith and obedience", since the non-Christian part of the world's population is growing faster than the Christian and seems destined to continue to do so. In other words, biological growth is exceedingly slow and often does not equal the normal population increase for the nation, for while some children born in Christian homes become ardent Christians, some are lost to the world, or through marriage are sucked back into other faiths.

By **Transfer Growth** is meant the increase in certain congregations at the expense of others i.e. Christians transferring from one community into another and joining a church in the new community bring about this type of growth. Transfer growth is important. Every church should follow up its members and conserve as many of them as possible. But it is obvious that transfer growth will never extend the church, for unavoidably many are lost along the way.

The third kind is **Conversion Growth**, in which those outside the church come to rest their faith intelligently on Jesus Christ and are baptized and "added to the Lord" in His Church. This is the only kind of growth by which the Good News of salvation can spread to all the segments of our society and to earth's remotest bounds. The importance of this kind of growth is underscored by McGavran as he writes:

The goal of mission is to have a truly indigenous congregation in every community of every culture. When that occurs, and only when that occurs, we may be sure that the Gospel has been preached to every creature. Patently, this goal requires enormous conversion growth.

It has already been pointed out that it is inadequate to think of church growth in terms of adding to the membership of the church. Yet it would appear, from the above discussion on the three kinds of church growth (biological, transfer and conversion) that the preoccupation is membership increase. It is probably this limitation which has led to other concepts of church growth. One concept, helpful in understanding church growth, sees it occurring in four (4) ways, namely, Internal Growth, Expansion Growth, Extension Growth and Bridging Growth. Ralph Winter and Peter Wagner share the credit for discovering and popularizing this creative classification.

Internal Growth occurs within the fellowship and membership of a church. It means a church is growing in quality because a considerable proportion of the membership is conscious of a deepening of religious experience. When there is internal growth, there is an unmistakable vitality about the church. In such a church, Harris observes,

Worship is an act of joyous celebration; members know they are truly loved and accepted by the rest of the fellowship; there is love for others which leads members to serve their neighbours.

John Wesley once defined Methodism as "none other than the love of God and of all mankind". When the members of a church know that their love for God is becoming greater, and consequently the love for all mankind is also increasing, that church has true internal growth.

Church Growth believes that internal growth is the essential quality that a church must have if it is to grow in any other way. Where a church is growing internally, the presence of God's Spirit is evident to those who are not members. There is a quality to its life that George Hunter calls "contagious".

Expansion Growth also known as **Numerical Growth** occurs obviously when a church is growing numerically since it is receiving new members into its fellowship. The church expands as it converts non-Christians and takes more of them into itself. Church

Growth, however, makes a distinction within the category of new members between those who have grown up in the church and decide as part of a natural process to become members, and those who are converted and, as totally new Christians, wish to join the church.

Extension Growth occurs when congregations plant daughter churches among their own kinds of people in the neighbourhood, district or region. i.e. when a local church or circuit decides, as a matter of policy, to extend the scope of its work to reach such people who are not in touch with any church. **Bridging Growth**, on the other hand, occurs when a church or circuit sets out deliberately to cross a linguistic or strong social, ethnic or racial barrier, and, in effect, plants a church in a new culture.

To emphasize this classification, Ralph Winter in a paper written in 1974 for the "Lausanne Consultation on World Evangelization" distinguishes four (4) categories of evangelism that will result in the four ways of growth described above. He makes use of a sequence of numbers 0, 1, 2 and 3, each used with the letter "E" for evangelism. First, he talks of E-0 evangelism, which seeks to win nominal Christians to personal faith and commitment. It does not involve cultural distance. It refers to the definition of evangelism that involves both personal commitment and membership of the church. These are people who are within the church but do not have a personal salvation experience. John Wesley, before his Aldersgate Street experience, perhaps illustrates those who would be the object of E-0 evangelism. This category of evangelism is also related to internal growth, discussed earlier.

Second, Winter talks about E-1 evangelism. A church undertakes E-1 evangelism when it goes beyond the "stained-glass barrier" into the area around the church. It is evangelism amongst people who speak the same language, and are of similar socio-economic classes; amongst people who share the same social heritage. Anyone from this group would quickly feel at home in the church, and find its pattern of worship quite congenial.

The third category which Winter calls E-2 evangelism, is undertaken amongst people of similar culture which is nevertheless sufficiently different to make the founding of separate congregations desirable to act as a base for effective outreach to others of the same culture. The fourth category, E-3 evangelism, is applied to evangelism undertaken in a totally strange culture. This is cross-cultural evangelism in which a deliberate effort is made to cross barriers of language etc. and plant a church in a new culture.

Other missiologists have also categorized church growth as **Spiritual Growth**, **Numerical Growth** and **Functional Growth**. In many respects spiritual growth may be likened to internal growth already discussed. Numerical growth, similarly, has the same implications as Expansion growth while Functional growth, in a sense, may represent both Extension and Bridging growth discussed above.

(c) A BIBLICAL ILLUSTRATION OF GROWTH

Church Growth, as we have observed, must be total. Total in the sense that it must involve the various aspects of growth discussed above. Church Growth must be both qualitative and quantitative in order to be total. Fortunately, this kind of total growth is clearly illustrated by scripture. As we scan the Book of Acts, we see exemplified, the various kinds of Growth – **Internal** (qualitative) Growth, **Expansion** (quantitative) Growth, and **Extension/Bridging** (quantitative) Growth. In other words the New Testament Church is observed to have grown both qualitatively and quantitatively as we find in the following passages from **Acts**:-

1:15 – The church had a very humble beginning. It started with about a hundred and twenty (120) persons. As it turned out to be it had the potential for phenomenal growth.

2:41 – After Peter's pentecostal sermon three thousand (3000) souls received his word, were baptized and were added to the church. Thus there was **expansion growth** within a short period of time.

2:42 – These new believers "devoted themselves to the apostles' teaching and fellowship; to the

breaking of bread and prayers". Such activities undertaken in earnest could ensure **internal growth**. **2:47** – The church had favour with all the people; "and the Lord added to their number day by day those who were being saved". The result of the equipping of the believers (vv.42-46) was daily addition of converts reported in this verse which again is an example of **expansion growth**.

4:4 – This is another example of **expansion growth**. The number of men alone had come to five thousand (5000). Membership of the church at this time could be said to be in the neighbourhood of fifteen thousand (15000), taking into account women and children whom this verse is silent about.

5:14 – The writer now speaks of multitudes of converts joining the church – another example of **expansion growth**. He writes, "more than ever believers were **added** to the Lord, multitudes both of men and women".

6:7 – The verse could be a reference to **internal growth**. As "the word of God increased" and commitment deepened, "the number of **disciples multiplied** greatly in Jerusalem". The writer now speaks of multiplication rather than addition of believers. We may also note the fact that it is the disciples (the committed believers) who are reported to have multiplied.

9:31 – This verse may refer to both **internal** and **extension growth**. "The church throughout all Judea and Galilee and Samaria had peace and was **built up; and walking in the fear of the Lord (internal)** and in the comfort of the Holy Spirit **it was multiplied (extension)**". Note that the church had now extended from Jerusalem to Judea, Galilee, Samaria and beyond.

13:47-49 – Out of the conviction that the Lord had commanded them, "saying, I have set you to be a light for the Gentiles, that you may bring salvation to the uttermost parts of the earth", Paul and Barnabas ventured out into the Gentile world – crossing various barriers. Vs.49 says "the word of the Lord spread throughout the entire region". This is an example of **bridging growth**.

17:6 – The resultant impact of the Church on the different peoples was irresistible. Members of the church “turned the world upside down”. This exemplifies *extension/bridging growth*.

19:10 – *Extension/bridging growth* is again illustrated by this verse. “All the residents of Asia heard the word of the Lord, both Jews and Greeks”.

21:20 – Having returned to Jerusalem after his ministry among the Gentiles, Paul told James and all the elders about what God had done among the Gentiles through his ministry. The reaction to this report was, “you see, brother, how many thousands there were among the Jews of those who believed”; This is also an example of *extension growth*.

The above already shows that the New Testament Church was not preoccupied with numerical increase. Instead the Church utilized all resources available to ensure total growth – growth in quality and in quantity. This was possible because the Church

appeared to have followed a particular cycle of growth revealed in **Acts 2:41-47**. As regards each of the members of the Church the following happened:

2:41 – The Word was received by those who heard the preaching.

2:41 – These believers were baptized and added to the Church.

2:42 – They received teaching.

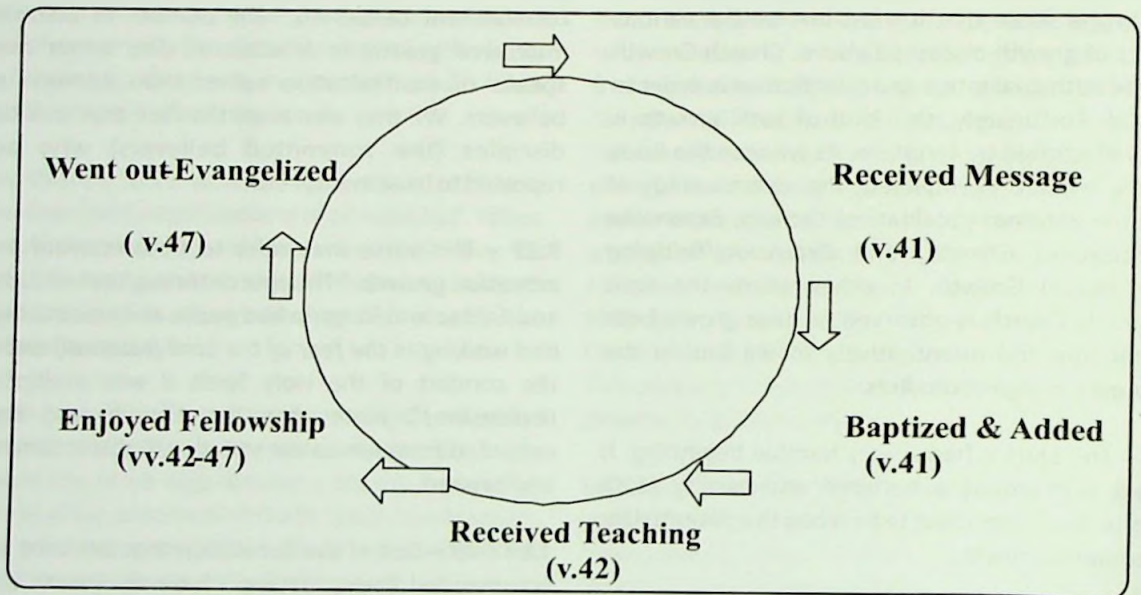
2:42 – They shared fellowship – breaking bread together and praying together.

2:44 – They showed concern for one another (had all things in common).

2:47 – They went out to evangelize (they had favour with all people).

2:47 – The Lord added to their number daily those saved.

The following (*figure E*) illustrates this cycle:



Members of any Church that may contribute to both qualitative and quantitative growth have to be involved in each stage of this cycle. They must first of all receive the message of salvation. They must then be baptized and enrolled as members of the Church. Having come into the Church, they must be taught the word of God. (Matt.28:19-20). They must be committed and active members of the Church who enjoy fellowship with one another and through that be equipped for the work of ministry (Ephesians 4:11-12). Members so equipped will reach out to the community to evangelize and thereby repeat the cycle.

What has been attempted in this section is pointing out of what is involved in Church Growth from the point of view of what happened in the Early Church with regard to membership trends. Indeed, the New Testament Church, from the above discussion, demonstrated all the three kinds of growth (internal, expansion, extension/bridging). The Ghanaian Church needs to know whether or not it is growing in these various ways. The next section on "Marks of Growth" will facilitate this.

(d) MARKS OF GROWTH

Roy Pointer has said that "Signs of Growth" are the evidence of spiritual vitality and life under the rule of God. They are discernible within the churches of the New Testament when these first "communities of the king" were formed, and have reappeared throughout history whenever the church has been renewed by the Spirit and Word of God. They cannot be manufactured or copied in isolation, for they are the product of prior submission to the Lordship of Jesus Christ. He is the head of the body and all genuine expressions of spiritual life within the church are from his Spirit (1 Cor. 12:12-27); Eph.2:21-22).

"Marks of Growth" or "Signs of Growth" are therefore, similar to the "fruit and gifts of the Spirit". The former are the outward and recognizable manifestations of the presence and activity of the Holy Spirit within a community. The latter are manifestations within an individual (1 Cor. 12:11; Gal.5:22,23). Since the church on earth has never been perfect, "marks of growth" indicate health

rather than perfection. The Church, like the Kingdom, awaits the end of history and the complete fulfillment of its destiny as the Bride of Christ (Eph.5:27). It will not be "without spot or wrinkle" until Christ returns and the Kingdom is consummated. The Church is complete and perfect before God in Christ (Col.2:10) but in its present form on earth it strives for perfection under the ministry of the Holy Spirit (2 Cor.13:11; 1 Thess.5:23-28; Jude 24-25).

A way of examining the health of the church is using certain "marks of growth" for comparison and evaluation. What this implies is the preparedness of leaders and members of the church to undertake a "diagnosis" of the church using "marks of growth" that may be identified as the basis and guide. What then are these "marks" or "signs"?

Various church growth experts and church leaders have attempted to discuss these "marks of growth". The views of some of these men of God on the issue will engage our attention briefly. Rev. W.K. Kumuyi, Founder and General Overseer of the Deeper Life Bible Church (believed to be the fastest growing church in Africa today) who is the Africa Co-ordinator of the AD2000 Movement identifies the following twelve (12) marks:

1. Emphasis on salvation experience
2. Commitment to scripture as the only absolute, final authority in all matters on doctrine and life.
3. Regular systematic study of God's Word.
4. Effective leadership with spiritual qualifications.
5. Practical holiness and consistent Christian living.
6. Mobilized membership for evangelism.
7. Fellowship, love and unity, sharing among members.
8. Prayer and supplication with implicit faith in God.
9. Infilling with the Holy Spirit with the accompanying power for service.
10. Endurance and steadfastness in persecution.
11. Lively hope for Christ's Second Coming.
12. Prompt response in solving identified problems.

Charles Chaney and Ron Lewis also list the following seven (7) signs:

1. Growing churches know where they are going.
2. Growing churches focus on homogeneous units.
3. Growing churches mobilize and train the laity.
4. Growing churches have diversified ministries.
5. Growing churches utilize small group dynamics.
6. Growing churches major on direct evangelism.
7. Growing churches go forward in faith.

Floyd Bartel, another key person of the Church Growth Movement, says:

1. A growing congregation has a deliberate commitment to people beyond itself.
2. A growing congregation knows clearly why it exists.
3. A growing congregation has a climate within that accepts and affirms new persons.
4. A growing church multiplies the number of meaningful groups in the congregation.
5. A growing congregation has accepted evangelism as a basic responsibility of the local church.
6. A growing church has a leadership which enables and encourages growth.
7. A growing church faces and deals with obstacles to growth.
8. A growing congregation intentionally plants new churches.
9. A growing congregation seeks to understand itself and analyses the situation into which God has placed it.
10. A growing congregation plans expectantly.
11. A growing church uses the many gifts of the Spirit for worship, fellowship, and outreach.
12. A growing church trains its members for the tasks to which they are called.

Donald McGavran and Winfield Arn also identify the following:

1. Churches grow as they discover church growth principles.
2. Churches grow as they respect biblical principles.
3. Churches grow as they yield themselves to God's unswerving purpose.
4. Churches grow as priorities are given to

effective evangelism.

5. Churches grow as they rightly discern the body.
6. Churches grow as they rightly discern the community.
7. Churches grow as they find new groups and ways to disciple.
8. Churches grow as they structure for growth.
9. Churches grow as they risk for growth.

One finds from the above lists that the various people are virtually saying the same thing. A discussion of these various "marks of growth" is appropriate, yet to do this, one needs a typology of a sort – a categorization that will provide a synthesis of the views expressed by these opinion leaders.

Running through the four lists are references to:

- 1) Prayer
- 2) The Bible,
- 3) Leadership,
- 4) Membership,
- 5) Worship,
- 6) Evangelism,
- 7) Service,
- 8) Community Life,
- 9) Change
- 10) Resources.

In other words, we conclude from the lists that churches grow when they pray constantly; respect the authority of the Bible; appoint effective leaders; mobilize their membership; worship God in eventful services; engage in continuous evangelism and compassionate service; develop genuine community life; are open to spirit-directed change and release the resources of the church for the mission of God. Roy Pointer, in his discussion of the "signs of growth", takes cognizance of the above and, therefore, writes:

The following list of ten "signs of growth" is not exhaustive but I believe these are observable phenomena that accompany genuine church growth. I am not suggesting that growing churches have all of them but they generally have several, depending on their churchmanship and structure.

It must be pointed out, nonetheless, that each of these signs is not just a good thing that all congregations of the Church in Ghana must be encouraged to do. What is important to note is that these signs will normally lead to the growth of the church. Scripture endorses the fact that the proper outworking of these signs leads to growth. Some instances from the Bible will be cited in the course of the discussion.

One finds, therefore, that Roy Pointer's typology of this subject is apt. The following is a synopsis and an adaptation of Roy Pointer's discussion of signs of growth under these ten headings.

1. **Constant prayer** (both corporate and personal) is essential. The church that does not give prayer its proper place does not grow. Jesus demonstrated the necessity of prayer in His own ministry. He prayed constantly throughout His life on earth – in public and alone (Mark 1:35; John 6:11; 11:41,42; 17:1-26). His life of prayer was an inspiration and example to His disciples (Luke 11:1; Mark 9:28,29). They never forgot that they could and should pray constantly, earnestly and with great faith. These disciples saw extraordinary answers to their prayers, particularly when they prayed in agreement and gathered together (Acts 2:1ff; 5:12ff). They knew that their prayers could be hindered by unconfessed sin because they learnt that prayer based upon a right relationship with God has great power (Acts 5:1-12).

Prayer is essential to the life and growth of the Church because it affects every dimension of growth. When the church was first founded at Pentecost with the addition of three thousand converts, the practice of prayer was one of the basic elements of their instruction. Constant prayer was a hallmark of the Early Church and should still be a hallmark of any church that desires growth (Acts 2:43ff; 4:23ff; 6:1-7).

2. **Respect for Biblical Authority:** "The Bible", said Emil Bruner, "is the soil from which all

Christian faith grows". It is the source of Christian doctrine and the manual of church practice. Throughout two thousand years of church history the Bible has constantly reminded the church of her distinctive message and mission. When the Bible is allowed to speak to the church she is renewed and reformed. When the Bible addresses the world mankind is called by God to faith and obedience. Where peoples respond, churches are planted. The Bible, which is the Word of God, is therefore an instrument of the Holy Spirit for the growth of the Church and Kingdom. Recognition of the power and authority of the Bible within the church is therefore a "mark of growth". As biblical truths are taught and obeyed in the church, the Bible stamps its authority and authenticates its nature within the church and the word. The scriptures are dynamic and effective to fulfil the purpose of God (Josh. 1:7-9; 2 Tim. 3:16; Heb. 12:24; 19:20).

3. **Effective Leadership:** Growing churches always have effective leadership. They have leaders (i.e. ministers and all other leaders) who get the job done. In his analysis of growing churches, Peter Wagner identified the role of the minister as "the primary catalytic factor for growth". Where the minister has a vision for growth and a concern to reach the lost he becomes the key for growth. When, on the other hand, the minister has no vision for growth and little or no concern for evangelism he is an obstacle to growth. He is the proverbial cork in the bottle preventing the free flow of water. To Wagner, the role of the minister is so important that he places this at the top of his list of "Seven Vital Signs" of growth. He writes:

Vital Sign Number One of a healthy growing church is a pastor who is a possibility thinker and whose dynamic leadership has been used to catalyze the entire church into action for growth

4. **Mobilized Membership:** Church Growth

studies from every continent and from a great variety of cultures have confirmed a basic New Testament principle – the churches grow when they mobilize their total membership in the service of Christ. The example of South Korea readily comes to mind. It is a well known fact that churches of most denominations in that country experience rapid growth (numerical, spiritual and functional). This rapid growth, resulting in members attending church in shift, has been attributed to mobilized membership.

There is the traditional distinction between the clergy and laity within the Church. Yet the New Testament consistently states that every Christian belongs to the people of God and is called and equipped for active service within the body of Christ. Each member has a particular function to fulfil and a special contribution to make. This is expressed in many different ways within a local church or related itinerant ministries. Ministers must recognize the true nature of the church and their role within it. They have the task of equipping their congregations to minister and therefore, of helping each member discover, develop and use their gifts (Eph.4:11-16)

5. **Eventful Worship:** Writing about Pentecostal denominations especially in Latin America which he claims “are probably the fastest growing section of the World Church today”, Peter Wagner identifies their worship as a key factor for their rapid growth. He writes:

One of the first things you notice when you go into a worship service in a Latin American Pentecostal Church is how much the people seem to enjoy themselves. The hardest thing to find in one of the Pentecostal services is wide yawn. Unfortunately yawns are all too common in many other churches ... But since

Pentecostals have fun going to church, they do not hesitate to bring others along...

This description of worship service in Pentecostal Churches is not peculiar to Latin America. The same thing can, in fact, be said of Pentecostals in Ghana and, indeed, elsewhere in Africa. There are valid insights and many important lessons to learn about eventful worship from this Pentecostal experience throughout the world. Certain principles are discernible from a number of the characteristics of Pentecostal worship identified by Wagner. The gist of these are:-

- a) **The Bigness** - The Pentecostals love worship in large numbers. They enjoy “celebrations”. These large gatherings help to make the worship memorable and eventful. Worship in these churches is always an unforgettable experience.
- b) **The Social Opportunity** – Going to church becomes an occasion to renew friendships and share experiences. People arrive early and stay late because they like being together. It is certainly more like the New Testament pattern than some churches where greetings are never exchanged and where it is possible to attend church for years with only a “Goodbye” at the door to the minister.
- c) **The noise level, participation and motion**- These three characteristics collectively demonstrate a fundamental principle of New Testament worship – participation (1 Cor. 14:6). People are free to participate. When it is time to pray, they all pray. Their natural and spontaneous prayers encourage even the timid to pray. When it is time for personal testimonies, there is no shortage of volunteers. They feel free to contribute with exclamations of praise etc. as the service progresses. These, it is believed, ensure that members become

totally involved with body, mind and spirit as they worship God. It must be noted, however, that spontaneity and freedom may degenerate into disorder or license. Paul's caution to the Corinthians (1 Cor. 14) about excesses in worship is, therefore appropriate in discussing the issue of congregational participation during worship.

- d) **Spiritual Gifts** –Despite the seeming overemphasis, in Pentecostal /Charismatic churches, on the gift of tongues and other manifestations of the Spirit (1 Cor. 12: 7-11), they (the gifts) reveal openness to the intervention of the Spirit during worship services. There is the belief that the Lord will signify his presence by signs of His power. There is a sense of expectancy and faith – an anticipation that God will speak and act. They expect the sick to be healed, unbelievers to be converted, and the troubled to be comforted. It is not being suggested that “sign gifts” are essential to worship or for growth. In fact there are Pentecostal churches that are not growing in the real sense of the word, whilst on the other hand; there are many non-Pentecostal churches that are growing. The important lesson to be learnt from Pentecostal worship, however, is that every worship service should be an adventure with Christ. Every worshipper should be filled with a sense of expectancy and faith that Christ will make His presence known. Eventful worship takes place when He does.
- e) **The music and the preaching** – Contemporary and popular music makes worship more lively. Drums and instruments like the guitar, the organ and accordion are played to the accompaniment of clapping and percussion instruments during worship. Preaching is also directed to the heart rather than the head. Such preaching, though not without doctrinal content, is more emotional than

intellectual. It relates to the life situation of the ordinary church member. Particular effort is made at a simple yet effective presentation of the Word. Note must be taken, nonetheless, of the need for a proper balance between emotional and intellectual preaching. Both are essential.

6. **Continuous Evangelism:** Continuous evangelism should take place at two complementary levels. Spontaneous evangelism that involves every Christian in their daily affairs and systematic evangelism by individuals or groups who make new contacts and break fresh ground. Spontaneous evangelism takes place through the 'networks' or relationships of believers (John 1:40-45; Acts 8:1,4). Systematic evangelism uses planned mission, events, services, camps, etc. to discover new and responsive people (Luke 9:1-6; 10:1-20; Acts 8:5-8, 10:1-48).
7. **Community Life:** Fellowship is one of the hallmarks of a church and characterizes every true church. The new commandment that Jesus gave His disciples in the Upper Room on the night of His betrayal pointed to love and fellowship as the distinctive mark of Christian discipleship (John 13:35). Christians are related eternally to each other because of their common relationship to the Father, through the Son and by the Holy Spirit. The local church must, therefore, be a visible expression on earth of that divine community. Those who are not “God's people” should be aware of a distinct group who are. They should recognize God's family and want to join it. That Christianity is meant to be lived in the context of loving and caring relationships, was seen at the birth of the church at Pentecost. Christians had a “religious communism of love” (Acts 2:24; 4:32-37) and shared whatever they possessed with each other, so that no one lacked or had need.

8. **Compassionate Service:** The pattern for Christian mission has been laid down in the ministry of Jesus. "As the Father sent me, so I send you", Jesus said to His disciples (John 20:21). The service of Jesus was motivated by love for all men. It was often manifested in surges of strong compassion (Matt.9:36; 14:14; 15:32; 20:24) and always found expression in deeds of love and mercy. He gave sight to the blind; comfort to the bereaved; hearing to the deaf; food to the hungry; healing to the crippled; and deliverance to the demonized. He touched the leper and raised the dead. He had the reputation of "doing good" (Acts 10:38).

Likewise, a local church must be motivated by love to reach out and serve its neighbourhood. The love within the community of believers should spill over to embrace all men (Gal. 6:10). Good works are meant to characterize the life of all Christians (Eph. 2:8-10) and are the fruit of the faith they profess (James 2:14-18). These good deeds are also an essential foundation for the Good News (Matt. 5:16). Personal and corporate acts of love and compassion are legion in stories of church growth.

9. **Openness to Change:** The vast majority of Christians want their churches to grow, yet unfortunately many are unwilling to pay the price for growth, especially the price of constant openness to the changes required by growth in all dimensions. Growing churches are not only open to change but have successfully managed all the changes that they believed the Holy Spirit required. This is not change for change's sake, but for Christ's sake – changes in individual lives, in the church and in the world. Christians become new creatures, the church does not stick to traditions that do not promote growth and society is challenged to conform to the righteousness, justice and peace of the Kingdom of God.

10. **Released Resources:** McGavran has shown that growing churches release the resources of leadership and ministry of a large proportion of their membership, for service not only in the church but in the world. Leaders and members of a growing church love to give of their money, time, talents and gifts for the benefit of the church and the community.

(e) **EXAMPLES OF GROWING CHURCHES**

It has been mentioned that for a church to experience total growth, it must be seen to be growing numerically, spiritually and functionally. In other words the church must be experiencing internal, expansion and extension/bridging growth. There is evidence to show that some churches in Ghana are growing as far as the various dimensions of growth are concerned. Two of these churches have been picked for the purposes of emphasis. These are the **Church of Pentecost** and the **Deeper Life Bible Church**. These churches stand out in my analysis as Ghanaian churches that are growing rapidly. (Refer Chapter 6 of my book, *Christianity in Ghana: A Comparative Church Growth Study* for details).

CHURCH OF PENTECOST

Leonard Christine, who has studied the Church of Pentecost closely, makes the following noteworthy observation:

The Church of Pentecost grows with the speed and vigour of a tropical forest, covering length, depth, breadth and height. Branches and roots shoot off in all direction.

One thing that is striking about this Church is the fact that it is structured for growth. For instance, the prime focus of the three main groups in the Church is evangelism and church growth. These are the Witness Movement, the Women's Movement and the Children's Movement. The **Witness Movement**, which began as the Young People's Movement in the early 1940s for members of the Church within the

age group of 16-25, "became the vanguard of evangelism...". The stated aims of the Movement (even when it was a youth group) were:

1. To get the youth together to be trained to witness and preach in the open air.
2. To keep the youth busy to keep them from temptation and bad friends.
3. To prepare them for the ministry as Elders, Deacons, Deaconesses and Overseers.
4. To bring to the limelight the gifts of leadership in them.

By 1950 interest in the young people's movement had so grown that membership could no longer be limited to the 16-25 years age group. The movement, whose slogan was changed to "Sons of God! March forward!", has continued to make great impact in "the winning of souls to be added to the church daily" (Acts 2:47). As soon as a new local assembly is opened, a branch of the Witness Movement is started and charged with the responsibility of winning souls for Christ and the church. Indeed, "the Witness Movement may be described as the Church's main membership supply system".

The **Women's Movement**, as the name suggests, is the wing of the church responsible for the all-round development and needs of the sisterhood. This movement, apart from organizing the women in prayer and Bible teaching sessions, "is a dynamic evangelistic force in the church". The movement, therefore, organizes rallies, campaigns and conventions at all levels.

The **Children's Movement** has, as its main aim, the drawing of children to Christ while they are still of tender age. Through this movement, the church has been able to sustain the interest of children of church members and has helped keep them in the church.

These children, below the age of sixteen, also conduct open air meetings and conventions to win souls for Christ. The Church of Pentecost History Committee has the following to say about this movement: "We believe that the children's movement has affected in no small manner the numerical growth of the church...".

Official church records show that as at 31st December, 1985, the Church of Pentecost had 2,809 congregations with 241,675 members. By 1990 the church had grown to 3,683 congregations with 323,415 members. Five years later, i.e. in 1995 there were 5,253 congregations with 585,096 members. The figures for 1998 were 6,497 congregations and 779,199 members. These figures indicate a decadal growth rate of 118% for number of congregations and 141% for membership. Today (i.e. in 2007) the Church has **9,706** congregations with a total membership of **1,468,726**.

It is worth noting that the Church of Pentecost, entering the Ghanaian church scene (as a denomination) as late as 1953, had the greatest number of churches by 1998 and it still does. The closest denomination in 1998 was Roman Catholic with 3,748 congregations (i.e. just about half the number of Pentecost congregations). This is very significant considering the fact that the Roman Catholic Church which entered the country about 73 years earlier is also known to derive some level of foreign support for its work in Ghana. With local resources, the Church of Pentecost is also involved in missionary work outside Ghana. Records from the Headquarters of the Church of Pentecost indicate that currently, the Church is ministering to 226,686 members (including 163,967 adults) in 2,784 congregations in 69 countries. The following table gives statistics of membership in the various countries:

**THE CHURCH OF PENTECOST – INTERNATIONAL MISSIONS
DISTRIBUTION OF church STATISTICS BY NATIONS FOR 2007**

S/No	NATION	OVERALL CHURCH MEMBERS)	ADULT MEMBER. (13yrs & Above	CHILDN. MEMB. (below 13yrs)
1	ANGOLA	708	278	430
2	AUSTRALIA	560	424	136
3	AUSTRIA	443	290	153
4	BELGIUM	1,175	900	275
5	BELIZE	60	45	15
6	BENIN	47,862	32,850	15,012
7	BOTSWANA	307	264	43
8	BRAZIL	235	162	73
9	BURKINA FASO	5,513	3,796	1,717
10	BURUNDI	458	302	156
11	CAMERROUN	769	574	195
12	CANADA	4142	3,129	1,013
13	CAPE VERDE	546	506	40
14	CENTRAL AFRICAN REP.***	174	137	37
15	CHAD	133	87	46
16	CONGO (BRAZ)	805	550	255
17	CONGO (D.R)	2046	1,485	561
18	COTE D'IVOIRE	53970	39,743	14,227
19	DENMARK***	62	50	12
20	DOMINICAN REP.	652	442	210
21	EL SALVADOR	207	161	46
22	ETHIOPIA	113	88	25
23	FINLAND	95	70	25
24	FRANCE	1,885	1,406	479
25	GABON	942	718	224
26	GERMANY	4,781	3,259	1,522
27	GREECE	171	138	33
28	GUINEA	1,387	958	429
29	GUINEA BISSAU	2,534	2,000	534
30	GUYANA	533	283	250
31	HOLLAND	2,087	1,613	474
32	INDIA	4,335	3,606	729
33	ISRAEL**	188	135	53
34	ITALY	6,309	4,915	1,394
35	JAPAN	113	92	21
36	KENYA	2,239	1,467	772

37	LEBANON	182	170	12
38	LESOTHO	229	159	70
39	LIBERIA	7,383	5,513	1,870
40	LIBYA	80	79	1
41	LUXEMBURG	26	17	9
42	MADAGASCAR***	301	218	83
43	MALAWI	3,833	2,840	993
44	MALI	462	379	83
45	MOZAMBIQUE	2,501	1,745	756
46	NAMIBIA	316	135	181
47	NEPAL	253	180	73
48	NIGER	697	559	138
49	NIGERIA	6,641	4,911	1730
50	NORWAY	207	146	61
51	PORTUGAL	42	33	9
52	REP. OF IRELAND	467	234	233
53	ROMANIA	46	46	-
54	RWANDA	733	596	137
55	SENEGAL	1,313	1,002	311
56	SIERRA LEONE	3,916	2,814	1,102
57	SOUTH AFRICA	2,066	1,635	431
58	SOUTH KOREA	43	43	-
59	SPAIN	1,541	1,326	215
60	SWITZERLAND	296	220	79
61	TANZANIA	3,926	2,870	1,056
62	THE GAMBIA	872	650	222
63	TOGO	1,3592	8,774	4,818
64	TRINIDAD***	58	40	18
65	UKRAINE	112	108	4
66	UNITED KINGDOM	8,383	6,574	1,809
67	UNITED STATES	14,165	10,715	3,450
68	ZAMBIA	2,050	1,303	748
69	ZIMBABWE	1,415	1,011	404
TOTAL		226,686	163,967	62,719

Reasons that have been given for the growth of the Church of Pentecost should help other churches find some solutions to hindrances to their growth. For this purpose we must again make reference to Leonard Christine. He identifies the commitment and vitality in this church as a key reason for its rapid growth. He writes:

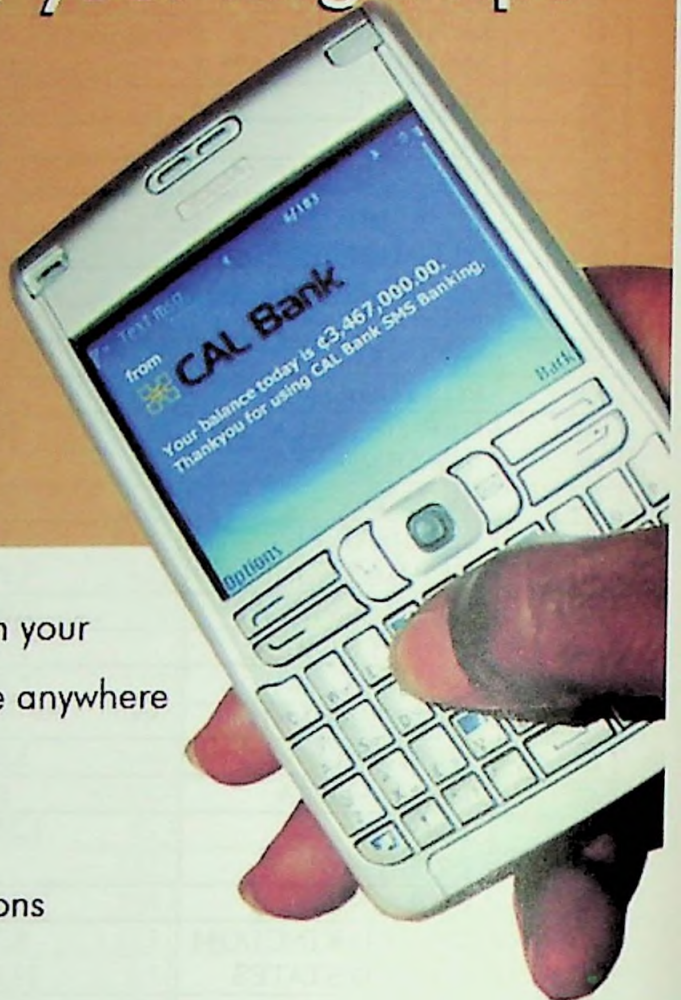
praying Church. One Wednesday morning, when I was in Ghana, I happened to be next-door to a building where hundreds of women gather. I heard them pray for over four hours without stopping. At about half past four on most mornings, we would hear members singing on their way to their local assembly's early prayer meeting.

Another reason for growth is prayer – they are a

It is clearly a committed and disciplined people who

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will attach this level of seriousness to the activities of the church, including early Morning Prayer meetings and evening worship services. Go past any Church of Pentecost worship place in both urban and rural areas during these service periods and you cannot help but admire the level of commitment of members. Christine observes, "Power, faith and expectancy are in their prayer. These people have learnt what it is to gain victory in spiritual warfare". If the atmosphere created in a church is that which emanates from genuine love for Jesus then we can be sure that patronage of various church activities will be very encouraging. People will not want to be absent from these activities since they know there is a lot to be gained. This point is underscored by Christine as, again about the Church of Pentecost, he writes:

The main reason the church has grown is that its people love Jesus they have been set on fire for Him. It shows in their worship and in their lives. The church has never allowed compromise – they treat sin and reversion to cultic religious practices as seriously as each one takes his responsibility to Jesus Christ and the Church

This kind of meaningful religiosity issuing from genuine commitment to Jesus Christ, thus from a vital transforming relationship with Him, is nurtured not only in an atmosphere of serious prayer but also by the quality of biblical teaching given. These serious prayer and biblical teaching are not only indicative of internal growth but they are also signs of other dimensions of growth.

DEEPER LIFE BIBLE CHURCH

Also known as the **Deeper Christian Life Ministry**, this church commenced work in Ghana in 1973. During the 1988 Ghana Evangelism Committee survey, it came to light that this church had established 72 congregations. At that time total attendance was just about 5,704. The 1993 survey indicated that the church had recorded a phenomenal growth within the five-year period. The number of congregations had increased by 280% to 274 (i.e. over 200 more churches had been planted within five years). Regular church attendance also

shot up by 26% to 20,832. Given their church attendance rate of around 90% total membership in 1993 was in the neighbourhood of 23,146. Currently the Deeper Life Bible Church gives its total number of congregations as 1,005 with around 55,000 members. This means that the current growth rate of the Church, on the basis of the number of congregations, is 267%. Its growth rate is 138% on the basis of membership. The church has maintained a consistent growth rate of about 270% (i.e. 280% for 1993 and 267% for 1998).

To the question, "Does the church have an outreach programme?", the leadership of the Deeper Life Bible Church in Ghana says, "Every programme of the Ministry is outreach oriented". In answer to a related question, it was indicated that more than 70% of the Church's total income is used for evangelism and church planting. If the trend continues the stated objective of the Deeper Life Bible Church "to have a holy and powerful church in every village in the country" could be realized one day if Jesus does not return soon.

The fact that the Deeper Life Bible Church is also growing internally is brought to the fore by the indication that 95% of members attend church regularly. It is reported that more than 60% of members patronize prayer sessions whilst about 80% participate regularly in Bible studies. Obviously there must be something about this Church that sustains the interest of members in these all important activities of the church.

The rapid growth of this Church is attributed to four areas of church life: serious prayer, consistent Bible studies, commitment to outreach and well-organized House fellowships. In fact Sunday worship services and other mid-week programmes keep these in focus. The House Fellowships are meant to ensure that every member is committed to the vision of the Church. One striking result of the emphasis on commitment to Bible study is the attraction of more male members. The current ratio of male to female membership is 5:3. The Deeper Life Bible Church is the only denomination in Ghana that exhibits this trend of more male membership

and over 90% church attendance. The main reason assigned for the high male ratio is the emphasis on Bible teaching. It is believed that men have a greater desire to search for the truth, and this is provided by the Bible studies, which form an integral part of church services including the Sunday morning worship service.

The very high level of church attendance is attributed to the serious Bible teaching and prayer that feature very prominently in all church meetings. Another reason is that the House Fellowships, which are a must for all members, give enough motivation to members to make them want to patronize all main services.

One is inclined to believe that these two churches, the Church of Pentecost and the Deeper Life Bible Church provide models for any church in Ghana that wants to grow. They both exhibit all the aspects of growth discussed in this work clearly because they are seriously engaged in activities that are bound to bring about internal, expansion, and extension/bridging growth. They are both structured for growth as one can find from the various groups in these churches and their activities. In the words of the leadership of the Deeper Life Bible Church, "every programme of the group is outreach oriented".

In this article, we have looked at general Church Growth principles that may facilitate the growth of the Church in Ghana. The Church of Pentecost and the Deeper Life Bible Church have been cited as examples of growing churches in Ghana because they tend to exhibit internal, expansion, and extension/bridging growth. They are, quite clearly, churches that have given some attention to the general Church Growth principles discussed.

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ABOUT THE AUTHOR

Very Rev. Dr. Richard Foli, a minister of the Methodist Church, holds B.A. (Hons), M.Phil. and Ph.D degrees from the University of Ghana. He has participated in a number of international conferences and seminars on evangelism and mission. These include Billy Graham's Amsterdam

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From 1999 to 2006 he was the General Director, Board of Education and Youth (BEY) of the Methodist Church and the General Manager of Methodist Schools in Ghana. From 1st October 2006 he joined the staff of the Methodist University College where he is currently the Head of the Religious Studies and Ethics Department. Dr. Foli is also an adjunct faculty member of Trinity Theological Seminary where he has been teaching courses in Evangelism and Church Growth since 1995. He has some 36 books including 20 on Evangelism, Church Growth, Religious Studies and Moral Education to his credit.

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Corporate Governance and Strategic Management

Edward Marfo-Yiadom

Abstract

The strategic role of board of directors in ensuring organizational success cannot be gainsaid. This paper examines the concept of corporate governance and how it affects strategic management. For the eleven public companies surveyed, the evidence indicates that, they have good corporate governance practices. In terms of membership, outside directors were more than inside directors. The companies also had important sub-committees of the boards to deal with matters in detail before they pre-presented to the Boards. There is seemingly low female representation on the boards of public companies. Overall, the public companies adhere to good corporate governance.

Introduction

Corporate governance and strategic management are two areas of management that have gained popularity in business circles in recent times. Good corporate governance is a *sine qua non* for the success of both public and private companies.

A company is a well established institution that allows different parties to contribute capital, expertise, and labour for their mutual benefit. The shareholders who are the principals anticipate profits. Management as agents, take charge of the day to day running of the company but are accountable to a board of directors who represent the interest of shareholders. The board of directors is also accountable to the shareholders at least on an annual basis during the annual general meetings. Good corporate governance ensures that, there is proper representation of interested parties on boards of directors to provide the necessary leadership. In terms of strategic management

decisions, the extent of a board's involvement is in a continuum; from low (passive) to high (active).

This paper examines the meaning of corporate governance, board membership, criteria for the selection of board members and the role of the board of directors in strategic management.

Meaning of Corporate Governance

Like many concepts, corporate governance lacks a single definition. Some of the popular definitions are as follows:

Wheelen and Hunger (2008) define corporate governance as the relationship among shareholders, board of directors and management in determining the direction and performance of the company.

Wood (1994) noted that corporate governance has to do with how a company is structured, what policies and objectives it seeks to fulfill, how it is managed, and which stakeholder interests it serves.

In the *Manual on Corporate Governance in Ghana*, the concept refers to the manner in which the power of a corporation is exercised in the stewardship of a corporation's total portfolio of assets and resources with the objective of maintaining and increasing shareholder value and respect of the legal rights of all stakeholders in the context of its corporate mission.

Cochran and Wartick (1984) share the views of the above definitions and submit that corporate governance is an umbrella term that includes specific issues arising from interactions among senior management, shareholders, boards of directors, and other corporate stakeholders. The

two questions that form the core of corporate governance issues are: (a) who benefits from corporate decisions/senior management actions, and (b) who should benefit from corporate decisions/senior management actions?

The Securities and Exchange Commission of Ghana, explains corporate governance to encompass:

- The management of the relationships between a corporate body's management, its board, its shareholders and other stakeholders.
- The provision of the structure through which the objectives of the company are identified and the monitoring of the means used to attain these objectives, including the monitoring of performance in this regard.
- Bringing more transparency to bear on the decision-making processes of the company.
- The provision of proper incentives for the board and management to pursue objectives that are in the interests of the corporate body and shareholders.
- Encouraging the use of resources in a more efficient manner.
- The management of risk and the minimization of the effects of commercial misadventure.

Given the importance of corporate governance, public companies in Ghana are required to include a report on corporate governance in their Annual Reports to shareholders. The Corporate governance report provides information about key activities of the company and the various committees under the board of directors as well as standards of business conduct. This corporate governance report is one way through which management is able to demonstrate transparency and accountability in the affairs of a company.

Boards of Directors and Corporate Governance

In the traditional model of corporate governance, the board of directors has a fiduciary responsibility

to act in the interests of shareholders. Their duties are: To establish policy, oversee corporate performance, and hold senior executives, especially the Chief Executive Officer (CEO), accountable. In other, more inclusive models of corporate governance, the roles and responsibilities of the board are much the same, except that the board is charged with acting in the interests of larger and more diverse sets of stakeholders.

Koontz (1967) in his classic work on *The Board of Directors and Effective Management* identified the following as the basic responsibilities of Boards:

- Trusteeship – safeguarding and husbanding of the company's assets in the long-term interests of the shareholders
- Determination of enterprise objectives
- Selection of Executives.
- Securing Long-range Business Stability and Growth
- Assuring that Major Plans Are Designed to Meet Objectives
- Approval of Major Company Decisions
- Checking on Results-ascertaining that events are conforming to plans.
- Disposition of Company Profits and Assets
- Approval of Mergers and Acquisitions

Demb and Neubauer (1992) and Heller (1972) list the following seven board responsibilities in order of importance:

- Setting corporate strategy, overall direction, mission, or vision
- Hiring and firing the CEO and top Management
- Controlling, monitoring, or supervising top management
- Reviewing and approving the use of resources
- Caring for shareholder interests.
- Mediate top management disputes and disagreements.
- Approve important financial decisions and report these to shareholders.

Cadbury (2002) summarizes the main functions of the board as follows:

- To define the company's purpose
- To agree strategies and plans for achieving that purpose

- To establish the company's policies
- To appoint the chief executive
- To monitor and assess the performance of the executive team
- To assess their own performance

Epstein and Roy (2006) state that high-performance boards must achieve three core objectives:

- Provide superior strategic guidance to ensure the company's growth and prosperity;
- Ensure accountability of the company to its stakeholders, including shareholders, employees, customers, suppliers, regulators and the community
- Ensure that a highly qualified executive team is managing the company.

Based on the above, one can identify the setting of corporate strategy, purpose and policies and evaluation of organizational performance as some of the critical areas that good corporate governance should cover. Steiner and Steiner (2000) expresses the link between corporate governance and strategic management when they noted that corporate governance is concerned with the formation of long-term objectives and plans and the proper management structure (Organizations, systems, and people) to achieve them.

Board Membership

Generally, the smaller the company is, the less active is its board of directors. The board tends to be dominated by directors who are also owner-managers of the company. Other directors are usually friends or family members. As the company grows and goes public, however, the board becomes more active in terms of roles and responsibilities.

Unitary board of directors is the form of board structure in Ghana which is also used in the UK and the USA. It is characterized by one single board comprising both executive and non-executive directors. Executive directors (sometimes called management / inside directors) are officers or managers employed by the company. Non-executive or outside directors may be executives of other firms but are not employees of the board's company.

Section 180 of Ghana's Companies Code 1963 (Act 179) stipulates that every company shall have not less than two directors.

Although there is no clear evidence that a high proportion of outsiders on a board results in improved corporate performance, there is a global trend to increase the number of outsiders on boards.

Table 1 depicts the membership of eleven public companies in Ghana. It can be observed that the number of non-executives (outside directors) is more than insiders (executive directors) based on the 2007 Annual reports, albeit the board size does not change frequently. Insiders are active top-level managers in the company who are elected to the board because they are a source of information about the firm's day-to-day operations (Baysinder and Hoskisson, 1990). Outsiders are individuals elected to the board to provide independent counsel to the firm and may hold top-level managerial positions in another company or have been elected to the board prior to the beginning of the current CEO's tenure (Zajac and Westphal, 1996).

Bealy and Zajac (1994) submit that, in general, those critical of boards as a governance device believe that inside managers dominate boards and exploit their personal ties with them. A widely accepted view is that a board with a significant percentage of its membership from the firm's top executives tends to provide relatively weak monitoring and control of managerial decisions. Critics advocate reforms to ensure that independent outside directors represent a significant majority of the total membership of a board.

Another significant point from Table 1 is the low number of female representation on the Boards. In some cases, there is no female on the board. However, in the case of the position of secretary to the board, there were more females (6) compared to males (4). One of the companies used a corporate

Table 1 Composition of Board of Directors of Selected Public Companies in Ghana

Company	Total	Outside	Inside	Male	Female
Ecobank Ghana Ltd	8	6	2	6	2
Mechanical Lloyd Co. Ltd	7	4	3	7	-
Cal Bank Ltd.	8	7	1	7	1
Aluworks Ltd	9	8	1	9	-
SG-SSB Ltd	11	8	3	10	1
Ghana Commercial Bank Ltd.	9	7	2	8	1
Total Petroleum Gh. Ltd	11	10	1	11	-
Unilever Ghana Ltd.	10	5	5	9	1
Fan Milk Ltd	7	6	1	6	1
Enterprise Insurance Co. Ltd	7	6	1	6	1
HFC Bank	10	7	3	9	1

Source: Compiled from the 2007 Annual Reports of the Companies

body for its secretaryship function. All the boards were chaired by outside executives.

Committees of Boards

Most boards have set up committees to carry out certain specific functions. According to Charkham (2005), committees of the board are used for various purposes, the main one being to assist the dispatch of business by considering in more detail that would be convenient for the whole board. The second purpose is to increase objectivity either because of inherent conflicts of interest such as executive remuneration.

The most common committees include: Audit, Nomination, Finance and Remuneration.

The *Audit Committee's* terms of reference according to Dume (1991) are:

- Review the financial statement before publication;
- Consult with external and internal auditors (if there are any) regarding any matters arising in the course of the audit which should be brought to the board's attention;
- Report to the board on the adequacy of internal systems and financial controls;
- Report to the board on the scope of the external audit;

- Recommend to the board the appointment and remuneration of the external auditors.

The *Nomination Committee* recommends the reappointment of existing Directors and selects and proposes the appointment of new Directors to the Board. It is instructive to note that the shareholders elect the directors to the board at the company's annual general meeting. The use of nomination committee is one possible way to make the board appointment process more transparent.

The *Finance Committee* considers financing and treasury decisions concerning the company, including the giving of guarantees and indemnities.

The *Remuneration Committee* has responsibility for determining policy on executive remuneration and the remuneration of Executive Directors and monitors the remuneration of other senior employees. Usually, no Director is involved in deciding his or her own remuneration. The Committee consults with the Chief Executive Officer, where appropriate, with regard to the remuneration of other Executive Directors and has access to professional advice both inside and outside the company. The Chief Executive officer keeps the committee informed on matters relating to the

terms and conditions of senior executives in the company below board level.

Apart from the above committees, *the Manual on Corporate Governance in Ghana* indicates that Companies listed on the Ghana Stock Exchange and others, non-listed, large corporations should also have a governance committee to ensure that the company complies with all relevant laws, regulations and codes of best practices. This committee may be represented by both executive and non-executive directors but should be chaired by a non-executive director.

A review of the 2007 Annual Report of the eleven companies and summarized in Table 2 reveals that all of them had an Audit Committee with membership ranging between three and six.

Table 2 Board Sub-Committees

Company	Audit Committee	Remuneration Committee
Eco bank Ghana Ltd.	4	-
Mechanical Lloyd Co. Ltd.	4	-
Cal Bank Ltd	3	3
Aluworks Ltd.	4	5
SG SSB Ltd	6	-
Ghana Commerical Bank Ltd.	5	5
Total Petroleum Ghana Ltd.	5	-
Unilever Ghana Ltd.	4	-
FanMilk Ltd.	4	-
Enterprise Insurance Co. Ltd.	4	-
HFC Bank	3	5

Only six of the companies had Remuneration Committee. Three of the companies had one executive board member as part of the Audit Committee. In all the cases, Remuneration Committee consisted of only non-executive directors. Only four of the companies reported on who chaired the Audit Committee. Of this, two of the Committees were chaired by the Board Chairman and the other two by the non-executive members.

Only three of the companies disclosed the chair of the Remuneration Committee and all were chaired

by the Board Chairmen. Other Committees used by some of the companies include nomination, investment and strategy, finance and credit, legal and public relations, and Governance and Strategy Committee.

The activities, meetings and major decisions of the various committees of the boards are reported under the corporate governance activities in the Annual reports of companies. This corporate governance report is thus one way through which management is able to demonstrate transparency and accountability in the affairs of a company.

Criteria for Selecting Board Members

Cadbury (2002:59) noted that the traditional way of listing active directors was by word of mouth. *Chairman would ask for suitable names from their board colleagues and possibly from their professional advisers. They would then put their preferred candidates to their boards, who would be more or less bound to accept them. The selection process would start with names, not with the task. They noted that Politicians have been the worst offenders in this regard, too often taking the view that the precise requirements of the post they were trying to fill were almost irrelevant.*

The Commonwealth Association for Corporate Governance (CACG) principle 2 on board appointments states inter alia: *The board should ensure that through a managed and effective process board appointments are made that provide a mix of proficient directors, each of whom is able to add value and to bring independent judgement to bear on the decision-making process. The board should be composed of people of integrity who can bring a blend of knowledge, skills, objectivity, experience and commitment to the board which should be led by a capable Chairman who brings out the best in each director. Crucial to this, is having a proper director selection process to avoid the propensity for "cronyism" and "tokenism".*

Consequently, the composition of the board should be planned with strategic considerations and objectives of the company in mind".

There are a number of criteria commonly used to select members to a board of directors. Koontz (1968) identified the following as the qualification of board members. Most of which are still relevant in the selection of strategic leaders.

- Business Experience, knowledge and capability
- Ability to contribute to Board balance
- Success in Principal field of Endeavour
- Stature in the Community
- Maturity
- Interest in the Company
- Willingness to Spend Time

Muellar (1978) noted that it is hard to specify the level of board quality that meets the needs of a company. Each firm needs a quality board that suits its situation as directed by its stage of growth, size, technology, the Chief Executive Officer's management style, calibre of top management, key issues facing the enterprise, among others.

Table 3 Criteria for Selecting Board Members

Demographic	Committee Skills
<ol style="list-style-type: none"> 1. Experience and expertise, especially in the same industry, in strategic decisions, or in a key functional area. 2. Availability Especially important in getting representation from women or minority groups. 3. Visibility. 4. Heterogeneity Important in adding a new dimension to the board and helping avoid groupthink. 5. Representation of key constituents, for example, unions and customers. 	<ol style="list-style-type: none"> 1. Objectivity with willingness to criticize. 2. Organisational skills applied to achieving the board's tasks.

Source: Paine, F.T. and Anderson, C.R. (1983) *Strategic Management*. New York: The Dryden Press p.369

Paine and Anderson (1983), divided the criteria for selecting board members into two categories: demographic (related to unique characteristics of background) and committee skills (something which may aid the board to function in a better way). Table 3 lists these criteria. Since there is no way to specify which ones are more important for a particular board, all should probably be considered when evaluating a particular candidate. The key point is to broaden the range of skills and perspectives available to the Board and its Committees.

The Institute of Directors (UK) has developed the following list as action for deciding board composition:

- Consider the ratio and number of executive and non-executive directors.
- Consider the energy, experience, knowledge, skill and personal attributes of current and prospective directors in relation to the future needs of the board as a whole, and develop specifications and processes for new appointments, as necessary.
- Consider the cohesion, dynamic tension and diversity of the board and its leadership by the chairman.

- Make and review succession plans for directors and the company secretary.
- Where necessary, remove incompetent or unsuitable directors or the company secretary, taking relevant legal, contractual, ethical and commercial matters into account.
- Agree proper procedures for electing a chairman and appointing the managing director and other directors.
- Identify potential

Candidates for the board, make selection and agree terms of appointment and remuneration. New appointments should be agreed by every board member.

- Provide new board members with a comprehensive induction to board processes and policies, inclusion to the company and their new role.
- Monitor and appraise each individual's performance, behaviour, knowledge, effectiveness and values rigorously and regularly.
- Identify development needs and training opportunities for existing and potential directors and the company secretary.

What is the Role of the Board in Strategic Management?

Strategy formulation is the responsibility of top management. The board of directors is responsible for setting the strategic direction for leading and controlling activities of the executive directors and other senior management. As Hitt, Ireland and Hoskisson (2001) noted, Corporate governance represents the relationship among stakeholders that is used to determine and control the strategic direction and performance of organizations. In practice, however, the extent of the board's involvement vary from company to company. In general, the board's role is to examine the process by which strategy is determined and to recommend improvements to those processes so that improved strategies can be developed.

Table 4 Degree of Involvement in Strategic Decisions by the Board of Directors

Low	The board approves strategies formulated by management and monitors subsequent performance. It is difficult to determine whether management or environmental forces are causing performance changes
Moderate	The board determines corporate goals and objectives. Since the board has some involvement, they are better able to evaluate management performance in the light of environmental changes
High	The board closely examines strategic plans and approves them after careful analysis. Performance is judged to be due to the strategy formulation process rather than to external forces.

Source: Paine, F.T. and Anderson, C.R. (1983). *Strategic Management*. New York: The Dryden Press p.370.

The significance of the role of board of directors in corporate governance and strategic management has been lucidly explained by Principle 3 of the guidelines developed by the Commonwealth Association for Corporate Governance (CACG) as it defined the purpose of the corporation (that is its strategic intent and objectives as a business enterprise) and its values (that is, its organizational behaviour and norms to achieve its purpose).

The board should guide and set the pace for the corporation's current operations and future developments. The board should regularly review and evaluate the present and future strengths, weaknesses, opportunities and threat to the company.

The range of a board's involvement in strategic decisions has been described by Paine and Anderson (1983) in Table 4. At low-involvement levels, the board is only concerned with monitoring management performance on strategies that management formulates.

At lower levels, it is difficult to evaluate whether high or low performance is caused by management or by market forces, since the board has neither the information nor the means (the specific plans and how they were generated) to undertake this evaluation. At moderate levels of involvement, the board sets goals and objectives and improves its evaluation process. At high levels of involvement, strategic plans are approved after careful analysis. Good or poor performance can now be tied to the strategic plan or market forces which have been evaluated as part of the plan.

To ensure that board members participate actively in the strategic management process, they should be well informed about their role and about the company's business. This briefing should normally take place as soon as

they are appointed. The CACG principle 2 captures this succinctly as *New directors should be familiarized with the company's operations, senior management and its business environment and be inducted in terms of their fiduciary duties and responsibilities as well as in respect of the board's expectations. If new directors have no board experience, they should receive training in their unaccustomed responsibility which carries with it significant personal liabilities.* The briefing can be done by the Chief Executive Officer, Company Secretary and other members of the senior management team.

Wheelen and Hunger (2008) were right when they noted that the role of the board in strategic management is to carry out three basic tasks:

- **Monitor.** By acting through its committees, a board can keep abreast of developments both inside and outside the company. It can thus bring to management's attention, developments it might have overlooked. At a minimum, a board should carry out this task.
- **Evaluate and influence.** A board can examine management's proposals, decisions, and actions; agree or disagree with them, give advice and offer suggestions, and outline

alternatives. More active boards do this in addition to monitoring management's activities.

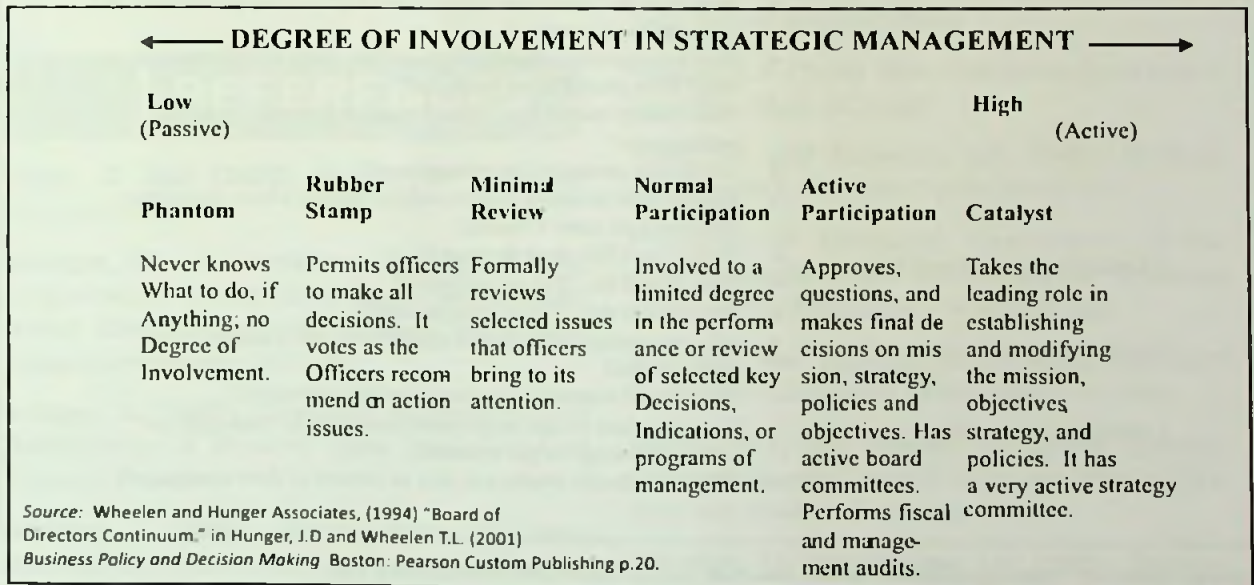
- **Initiate and determine.** A board can delineate a company's mission and specify strategic options to its management. Only the most active boards take on this task in addition to the previous two.

It is important to note that specific top management tasks vary from firm to firm and are developed from an analysis of the mission, objectives, strategies, and key activities of the company. The chief executive officer, in particular, must successfully handle two responsibilities crucial to the effective strategic management of the company: (1) provide visionary leadership and a strategic vision, and (2) manage the strategic planning process.

A board of directors is involved in strategic management to the extent that it carries out the three tasks of monitoring, evaluating and influencing, and initiating and determining.

The board of directors continuum shown in Figure 1 depicts the possible degree of involvement (from low to high) in the strategic management process. Boards can range from phantom boards with no real

Figure 1 Board of Directors Continuum



involvement to catalyst boards with a very high degree of involvement. As noted by Wheelen and Hunger (2008), research suggests that active board involvement in strategic management is positively related to corporate financial performance.

Highly involved boards tend to be very active. They take their tasks of monitoring, evaluating and influencing, and determining very seriously; they advise when necessary and keep management alert. As depicted in Figure 1, their heavy involvement in the strategic management process places them in the active participation or even catalyst position.

As a board becomes less involved in the affairs of the company, it moves further to the left on the continuum. On the far left are passive phantom or rubber stamp boards that typically never initiate or determine strategy unless a crisis occurs.

Current Issues in Corporate Governance

Based on best practices on corporate governance, questions are raised at every organizational level. Table 5 presents some of the corporate governance questions raised at various points in the corporate structure.

Other concerns that have been raised include:

- How many years a director should serve before retiring or how many times a director can be re-elected/re-appointed.
- How to balance gender representation.
- What disclosure should be made about compensation for board members.
- How institutional investors should be represented on boards.
- Should board members own shares in the company to show their interest in the company and its affairs.
- Should a retiring Chief Executive Officer (CEO) continue to serve on the board.

Table 5 Current Questions in Corporate Governance

Organizational Level	Governance Questions
External environment	<ul style="list-style-type: none"> • To what extent should stakeholder interests be represented in corporate plans and actions? • What role should be played by external auditors in assessing corporate performance on behalf of owners and other stakeholders?
Board of directors	<ul style="list-style-type: none"> • How will various interests be represented in board actions and decisions? • How does the board view the relationship between governance and corporate performance? • How representative should the board be, given its stakeholders map? Who should be on the board? • How closely should the board monitor company and CEO performance? • Are boards controlled by management? • Should there be limits on interlocking boards, where executives serve on each other's boards?
Chief Executive Officer (CEO)	<ul style="list-style-type: none"> • Should the CEO chair the board? • How should the CEO be evaluated? • How should the CEO be compensated?
Senior management	<ul style="list-style-type: none"> • What proportion of the board should be insiders -senior Management? • How should executive compensation be determined?
Lower-level employees	<ul style="list-style-type: none"> • To what extent should employees participate in "management" decision making? In governance? • What role should employees play as owners of their companies?

Source: Wood, J.D. (1994) *Business and Society*, New York: Harper Collins College Publishers p.561

- What limit should be set for the number of other board seats each director may hold.

Conclusion

The paper has highlighted the crucial role board of directors play in corporate governance especially in providing strategic direction and ensuring transparency and accountability in company operations. For the eleven companies surveyed, the number of inside directors are fewer than the outside directors which is seen as healthy in terms of monitoring and control of managerial decisions. Also all the boards of the companies were chaired by outside executives.

In general, there is low female representation on the boards of public companies in Ghana, although there are relatively more females who serve as secretaries to corporate boards.

Because of their strategic role, the selection of board members should be carefully done to ensure that people with the requisite skills and expertise are appointed to serve on the board. Conscious effort should be made by firms to increase female representation on boards.

There is also extensive use of relevant sub-committees of the Boards in indication of best practices.

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The Concept of 'Informal Economy' Revisited: A Review of Related Literature

Mavis Serwah Benneh Mensah
& Edward Marfo-Yiadom

Abstract

The informal economy occupies a centre stage in today's development agenda. It is an avenue for people to put their entrepreneurial ingenuity into fruition – majority surviving through evasion of tax and other forms of enterprise regulation. However, there is no consensus on exactly what the informal economy stands for and what it constitutes. The paper substantiates this argument with literature. Illustrations of the problem are provided with empirical data on 85 Ghanaian manufacturing micro and small enterprises. Evidently, the place of unregistered businesses that pay 'taxes' and the self-employed that offer employment to other people in the formal-informal economy cannot easily be determined. It is concluded that until the present cloud of confusion surrounding the concept is well addressed, the informal economy is less likely to properly function as an ideal pro-poor growth platform for development and poverty alleviation.

Introduction

The informal economy is unquestionably important to development. It is viewed with both positive and negative lenses. For instance, developing countries and their development partners have been striving to transform the informal sector into an engine for pro-poor growth whereby the sector serves as a direct point of action for private sector development and poverty alleviation. In other instances, the sector poses serious economic and social threats through tax evasion, non-compliance with work place safety and labour laws, and activities such as street hawking, just to mention a few. Notwithstanding the importance of the informal economy to

development, it has not received consensus in meaning and composition. That is, it means different things to different users.

Over the years, failure to fill the identified gap has seen the concept of informal economy being manipulated to suite the interest of the user. For example, Nustad (2004: 58) claims that 'informality is in the eye of the beholder'. But should it really be the case? The seemingly growing imprecision of what the informal economy is, has also come to the attention of the one who coined it - Keith Hart. According to Hart (as cited in Hansen and Vaa, 2004: 19) the concept is being put to uses it was not meant for – 'by stressing what it was not (not "good form", not amenable to the dominant form of rationality, beyond "management"), the concept appealed to the sensibilities of an intellectual class who could not grasp what the economic activities in question positively represented'.

What then is the informal economy? Hart (as cited in Hansen and Vaa, 2004: 19) after more than 25 years of coining this concept, added his voice to clarify the meaning of 'informal economy' and points out that the informal economy is 'nothing less than the self-organised energies of people, biding their time to escape from the structures of state rule'. Jenkins (2004) admits that formal-informal concept 'has been very useful shorthand' which is generally used to a greater or lesser extent – however finding alternative analytical concepts that are broad enough to cross disciplines and sectors, while being adaptable to complex, real and perceived situations, is a major challenge.

In spite of the challenges involved, it is believed that a move away from constantly modifying the

meaning to clearly defining what the informal economy is as well as developing concepts for the different associated economic compositions will go a long way in guiding economists and policy makers to do a better job of national accounting, policy formulation and implementation.

Origin and Meaning of the Term 'Informal Economy'

The term 'informal economy' is a development concept that originated in anthropology and was taken up by economists. It was first coined by the British anthropologist Keith Hart in 1973 in a study he conducted in Ghana. This study took place precisely in Nima¹, a suburb of Accra, the capital of Ghana. Over the years, Nima has sprawled so fast that it presently finds itself not so far from the city centre. Although some economic improvements may have taken place in Nima today, it is still one of the poorest suburbs of Accra as was also the case when Hart conducted his study in 1973. At the time of the study, almost a quarter of the population was under the 'not economically active' group while over half of the population was self-employed, non-wage earning, and unemployed (Hart, 1973). It was evident at the time that many economic activities were taking place but a substantial part of these activities happened outside the structures of the state, went 'unnoticed', and escaped analytical categories of economic models. It was these activities that Hart labelled the 'informal economy' (Hansen and Vaa, 2004).

Hart (1973) describes the informal sector to comprise informal income opportunities that basically escaped state enumeration. He classifies the informal income opportunities into two – legitimate and illegitimate. The distinguishing factor between legitimate and illegitimate informal income opportunities is legality of the economic activity in question. Examples of legitimate informal income opportunities are farming, manufacture of beers and spirits, transport services, petty trading, street hawking, barbering, borrowing, begging, etc. Activities such as hustling, 'pawnbroking' (illegal

interest rates), drug-pushing, smuggling, gambling, theft, and so on, are examples of illegitimate informal income opportunities.

In brief, the term 'informal sector', as noted by Nustad (2004), was 'originally meant to draw attention to the limitations of a certain approach to understanding economic activities: the application of economic models that rested on an understanding of economic activities as rationalised and thereby open to enumeration' (Nustad, 2004). Nustad (2004) explains further that 'informality' is not in itself a characteristic of an activity but only signifies that it has been left out by a definition that is 'formal'. Hence, what is perceived as 'formal' determines the reference to informality (Nustad, 2004). The informal economy therefore embraces a myriad of activities, some of which are legal and others illegal or criminal, which 'escape from the structures of state rule' - tax offices, business registration offices, and labour offices, just to mention a few.

Problem Statement

The concept 'informal economy' has been actively used in discussions and academic writings especially those concerning development issues. Individuals, governments and organisations realised the usefulness of this concept and have since its inception, been using it. The International Labour Organisation (ILO) soon after the development of the terminology, adopted it in championing its course of decent employment for all; and it is still used by the organisation today. The usefulness of this concept cannot be underrated. Nonetheless, a state of confusion is gradually emerging from the use of the concept basically because it has been redefined over and over again to suit particular instances without ever reaching a consensus on what it actually labels in general.

Reimer (2006), for example, asserts that rather than represent the distinction between formal and informal economy as an uncontested description, it is more useful to recognise that the meaning of the informal economy is largely based on the objectives and interests of the person arguing the case, as well as the context in which the activity occurs. Hart (as cited in Hansen and Vaa, 2004) also suggests that

¹Nima is one of the slums that developed as part of the capital city.

when so much of the economy is 'informal' as he would describe the economy of the Democratic Republic of Congo and Jamaica, we are entitled to ask whether the term has outgrown its usefulness. It is the stand of this paper that the term has not outlived its meaning or usefulness. The underlying problem lies in failure to agree, over the years, on what the informal economy actually is, and thereby fulfil the inevitable need for developing further concepts that adequately describe the various distinct economic phenomena – legitimate, illegitimate, partially fulfilling state obligations or not, and so on – that fall under the general concept 'informal economy'.

Several attempts have been made at filling this gap with terms such as restricted legality, restricted illegality,² and use of the term 'semi-informal' as identified in works such as that of Wilson (2003). However, these have not had a good headway and the term 'informal economy' is still, and highly used with various meanings – sometimes as Hart gave it, at other times to refer to just a part of it. One underlying reason may be that attempts at developing these concepts were made in passing; differently put, in a hurry to complete a different agenda – for instance, that of writing an article whose objective was not to necessarily fill the identified gap. Moreover, Cross (1998) explicitly admits that the literature on the informal economy remains 'fuzzy' in terms of the practical and theoretical significance of informality.

It is the argument of this paper that, the present cloud of confusion surrounding the informal economy will be dealt with when all the informed discussions on the concept generated over the years

are put together to make up-to-date, unified decision on what it is, while further concepts are developed to adequately describe the distinct economic activities that make up the concept. The remaining sub-sections provide further insight into the informal economy, and the ambiguity surrounding the use of the term.

Factors that Engender the Informal Economy

Economic factors such as economic downturns and poor distribution of wealth are among the most commonly cited reasons for the growth and survival of the informal economy. In most instances, economic crisis and consequent unemployment (Hart, 1973; Yükseser, 2003) force people to look for ways of survival. In Ghana, for example, economic crisis in the late 1970s to early 1980s with consequent 'harsh' economic policies led to the expansion of the informal sector (Arthur, 2003). The informal economy therefore becomes a haven where people put their entrepreneurial ingenuity into practice to make a living – majority surviving through evasion of tax and other forms of enterprise regulation.

In other instances, job loss, low wages, health problems or discrimination may make the informal economy an appealing or necessary alternative for survival and the relatively high level of such crises in the primary sector is likely to increase the extent to which rural people make use of the informal economy (Reimer, 2006).

Likewise, when access to development is denied to many – usually because it is very costly to exploit opportunities, gain official recognition and capitalise on a business idea, foreign or domestic elites can accumulate wealth and invest in impressive buildings, businesses and lifestyles, whereas poorer people with little property and less protection in law can rely only on their own underdeveloped ingenuity and very limited capital to construct their futures (Clever, 2002: 29).

Moreover, state failure and unfavourable state practices such as absence of needed legislation, lax enforcement of regulations, insecure property

²A study of micro enterprises in Mexico City showed that there was continuum of adaptations to formal regulations ranging from "generalised illegality" to "generalised legality". Falling along the continuum was "restricted illegality", in which the enterprise might be formally registered but met no fiscal obligations and evaded labour laws, and "restricted legality", in which most legal, fiscal obligations and evaded labour laws were complied with on paper but not observed in practice (Elizono, as cited in Wilson, 2003). In her study entitled 'Is Semi-Formalised Self-Employment Counterhegemonic?' Wilson (2003) describes Irish jarveys as an example of having "restricted legality" while brickmakers fall into the "restricted illegality classification.

rights, just to mention a few, are known to be some of the causes of the growth of the informal economy. The case of Ghana is a good example of the state promoting informality through lenient enforcement of regulations. Although business registration is a legal requirement, it is not strictly enforced. As a result, many people begin to operate businesses, be it a shop or factory or petty trading, without having any concrete document to show for the official authority to commence business. Thus, 'rigid regulations in the formal sector, in conjunction with lax supervision and implementation, allow the economy to be characterised by small-scale production based on labour-intensive practices and provide an opportunity for the thriving of the informal economy' (Labrianidis, Lyberaki, Tinios and Hatziprokopiou 2004:1183). De Soto (as cited in Cross, 1998) recognises that by defining the legal basis of 'formality' the state de facto defined what activities would be 'informal' and he argues further that the state actually promoted informality by establishing 'semiformal' administrative rules for many informal actors, such as the informal transport, commercial, and 'real estate' sectors- informal taxis, street vendors, land-invaders.

Other authors extended the argument that economic informality was created in complex relationships among government regulation, semi-regulation, and political power of economic actors. For example, Cross (1998) concludes in his study of informal politics of street vendors in Mexico City that, changes in policy at the state level and changes in the level and form of organisation of vendors contributed to street vending in Mexico. An insecure property right is also one of the identified causes of the informal economy. Heitger (2004) clarifies that if insecure property rights mean there is little access to formal business- as is the case in many developing countries- a large part of business activities can only be done informally.

In a nutshell, the informal economy in many developing countries is mostly caused by underperformance of the economy so that people, who cannot be absorbed into the formal economy due to lack of employment opportunities and

particularly due to their inability to exploit economic opportunities in the most profitable way by being part of the formal economy, decide to exercise their entrepreneurial ingenuity in the most profitable way available- evading tax and other forms of enterprise regulation. The state being aware of the basis of survival - non-payment of tax, non-compliance with labour laws, just to mention a few - of most of the economic actors in the informal economy as well as the importance of the informal economy to human survival, creates room for the operation of legitimate informal income activities for example, through lax enforcement of registration requirement.

Importance of the Informal Economy

There is much consensus in many writings about the importance of the informal economy than with its definition - i.e. what the informal sector actually is. The informal economy is known to be a national and international phenomenon existing in both developed and developing countries (Yükseker, 2003; Cleaver, 2002). It is also the domain of both the poor and the rich.

In addition, the informal economy and the formal economy meet at a series of interfaces which ought to be considered in policy formulation and implementation geared at finding solutions to economic challenges arising from the sector (Reimer, 2006; Mollona, 2005; Lourenço-Lindell, 2004; Hansen and Vaa, 2004; Nustad, 2004; Cleaver 2002; Cross, 1998). Examples of such interfaces are that labour from the formal economy may also be engaged in the informal economy to supplement income from the former; most of the skills learned in the informal economy are transferable to the formal sector; goods and services are supplied by the informal economy to the formal economy and vice versa; and during economic downturn, the informal economy takes up retrenched labour from the formal economy. Furthermore, by taking up unabsorbed labour from the formal economy, the informal economy maintains social cohesion by providing people with means of livelihood and thereby preventing social misdeeds and associated social costs.

Evidently, when the informal economy is viewed with a positive eye, it offers a lot of benefits to individuals, and society as a whole. However, terms such as 'grey', 'shadow', or 'black' economy, exchanges 'under the table', or 'corruption' highlight the negative evaluation of informal economic activities, most often because they involve some form of tax or regulation evasion. This concern creates considerable pressure to view the informal economy as hazardous to the economy in general, if not to the social order (Reimer, 2006). Nonetheless, neo-Marxists present a genuine argument on shortcomings of the informal economy by explaining that some form of labour exploitation takes place in the informal economy. That is, entrepreneurs in the informal sector are exploited by formal businesses. Likewise, the exploitation could take the form of labour in the informal sector being exploited by entrepreneurs through underpayment of labour, ignoring employee health and safety at work, and non payment of social security, just to mention a few. Although labour may not be protected and may earn less wages as compared with those in the formal economy, the informal economy does provide them with some form of livelihood which otherwise would not be possible.

A second limitation of the informal economy is that, it has been found in some instances to be incapable of providing improved economic empowerment to its actors (Lourenço-Lindell 2004). Further, investments such as heavy machinery and equipment needed for production could be hindered through active informal activity as a result of insecure property rights. Subsequently, investment will take other forms, such as light and flexible machinery and equipment that can easily be removed and hidden from authorities (Heitger, 2004) thereby limiting business expansion needed for economic growth and development.

Moreover, informality undermines the formal economy through impropriety. For example, the growth of street vending has created problems with transportation, tax evasion, potential health threats and other perils (Cross, 1998) as is also the case in Ghana. Cross (1998: 4) provides a vivid picture of the impropriety as follows:

If land can be invaded and defended, the right to property is threatened. If streets can be invaded by street vendors, the ability to control traffic flow, regulate commercial zoning, and administer urban services such as fire protection is compromised. Regulating incidental consequences of informal real estate, commerce and industry, such as urban planning (keeping parks and reserve areas available), public health inspections, and environmental contamination is almost impossible. Thus informality involves a shifting of costs between economic actors or from themselves to society as a whole in ways that either infringe upon or skirt the law because it is relatively more difficult for regulatory agencies to force them to pay their full costs (Cross, 1998: 4).

In spite of the various limitations of the informal economy, it is known to provide several benefits to individuals and society as a whole. The informal economy provides employment and income to people who otherwise would have been a social burden through unemployment in the formal economy. It serves as economic safety net by maintaining labour during economic downturns (Bhatt and Tang 2001). Similarly, Mollona (2005) brings an interesting aspect of the functions of the informal economy – the informal economy can be an economic policy tool used by the state to control economic downturns and upturns.

By drawing boundaries between the formal and the informal economy, the state controls the flow of subcontracted labour between local subcontractors and the steel corporations. In terms of economic expansion hegemonic states interrupt this flow by increasing social and welfare provisions of the wage-workers and their nuclear families and by ossifying the boundaries between wage-work and informal labour and between work and home. In times of economic stagnation so-called 'neo-liberal' states increase this flow by cutting welfare and social provisions, legalising the use of casual labour, medicalising industrial unemployment, and blurring the boundaries between family and work (Mollona, 2005: 527.).



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Furthermore, the informal economy has the potential for growth. Nasser, Preez, and Herrmann (2003) throw light on this function of the informal economy in South Africa. In their view, the fact that South Africans have succeeded in a 'globalised' world is evident not only by the expansion of its corporate sector into global markets, but also by the quantum leaps in growth of the informal sector. Moreover, the informal economy is well suited to the establishment of trust and information transfer that is essential for the formal economy (Reimer, 2006; Bhatt and Tang, 2002).

In spite of these important functions, the informal economy is bedevilled with limitations as already pointed out. Kamete (2004) rightly draws attention to the fact that the informal economy requires special set of decisions on incentives, rules, regulations, policies and laws and failure to recognise this can be said to be the root of all the problems facing the sector in general and home industries in particular. Nevertheless, it is the stand of this paper that failure to reach a consensus on what the informal economy actually is, and to properly define the distinct economic phenomena that make up the informal economy is the root of policy shortcomings in addressing this particular sector. This is because until policy makers know exactly what they are dealing with, i.e. the informal economy and its compositions as well as the associated problems, they are unlikely to prescribe the right solutions.

Illustration of the nature of an Informal Economy

With its original definition in many instances ignored, the informal economy has been defined in limited ways which raise pertinent questions for policy formulation and implementation. For instance, confusion arises in terms of defining the informal economy with synonyms. One such controversy can be drawn from Wilson's (2003) and the ILO's definitions. Hart (1973), the ILO as well as other writers such as Cleaver (2002) refer to the informal economy as the informal sector – as synonyms. However, Wilson's (2003) explanation of the informal economy shows that the informal sector is not a synonym but a part of the informal economy. Wilson (2003) defines the informal

economy to comprise informalisation and the informal sector; and asserts that informalisation literature is concerned primarily with labour relations while the informal sector literature is concerned primarily with micro enterprise characteristics and the self-employed.

Furthermore, characteristics of the 'informal sector' developed in early publications of the ILO concerning micro enterprises and still endorsed by the ILO include ease of entry, reliance on indigenous resources, family ownership of enterprises, small scale of operations, labour-intensive and adapted technology, skills acquired outside the formal school system and dependence on unregulated and competitive markets (Hansen and Vaa, 2004; Wilson, 2003). However, writers such as Hansen and Vaa (2004) and Cross (1998) are of the opinion that the distinguishing characteristic of the informal sector is not just one of size or capital intensity but one of structural interest (Cross, 1998) or the associated extra-legality (Hansen and Vaa, 2004).

As much as these arguments hold in some instances, they are not the most relevant issues needed to rescue the informal economy from its deteriorating conditions as can be found in most developing countries. What matters is a consensus on what the informal economy is, clear distinction of the various economic phenomena making up the informal economy and to target each with appropriate policies. For instance, there is the need to distinguish between 'criminal'¹ activities such as drug trafficking, human trafficking, and many others, on one hand and 'non-criminal' activities such as production of textiles on the other hand; further distinction among 'non-criminal' activities on the basis of whether they do not fulfil any of the state regulatory demands or they fulfil just a part, is also necessary in defining concepts that could be well worked with in finding solutions to the challenges facing economic actors under each sub-concept.

Empirical data, used for illustrations, was obtained from a survey on the local Business Climate and

¹ 'Criminal' here implies the activity is not allowed to take place in the eyes of the law.

Access to Market of manufacturing Micro and Small Enterprises (MSEs) conducted in October and November 2006 in two districts (Sunyani Municipality and Berekum District) of the Brong Ahafo Region in Ghana. The study sample comprises 85 MSEs which were sampled out of a population of 227 by following a multi-stage sampling technique (see Benneh, 2007).

Tables for illustrations show summaries of sample characteristics and other data pertinent to discussion on the informal economy. Descriptive statistics were obtained using SPSS version 13. The aim was to present a general picture of the identified 'problem' by describing the Ghanaian situation that substantiates the arguments put up in this paper. Two illustrations are provided in the next two subsections to highlight the diverging angles into which the informal economy has been drawn.

Where Do Unregistered Businesses That Pay Taxes Fit?

The definition or meaning of the informal economy has been a major point of divergence for several discussions and academic writings thereby throwing the concept into disarray particularly in terms of what the concept actually is, how it is accounted for in national economic data and more importantly ability of policy to make meaningful impact in promoting the informal economy as a potential for growth and decent employment while reducing its rate of growth and size through graduation of more economic activities into the formal economy.

Nustad (2004) explains that 'informality' is not in itself a characteristic of an activity but only signifies that it has been left out by a definition that is 'formal'. Hence, what is perceived as 'formal' determines the reference to informality. This explanation of the informal economy lacks much specificity. In more concrete terms, the informal economy is generally understood to consist of economic activities that evade one or several aspects of existing legislation pertaining to those activities - but not necessarily unregulated or independent from the state (Lourenço-Lindell, 2004). Likewise, Yüksek (2003) agrees that the defining characteristic of the informal economy has always been considered to be the lack

of legal regulation. However, he defines the informal economy in his study as all illicit economic activities that are not regulated by the state and that are taken for economic gain, either in money or in kind; in this way, activities such as drug-trafficking and money laundering are excluded from the informal economy; these illicit activities are, however, part of the informal economy as Keith Hart (1973) originally described it.

From another perspective, the ILO uses the term informal sector to consist of unenumerated self-employed, mainly providing a livelihood for new entrants into the cities (Hansen and Vaa, 2004). Cleaver (2002) defines the informal economy as those economic activities that are neither recognised nor regulated by the state. Reimer (2006) simply puts it as that part of the economy that is unmeasured and unprotected by government and legal agencies.

The two perspectives identified above generate some form of controversy – do enterprises that are unregistered but pay taxes, as depicted in Table 1 below, belong to the informal economy or not? In Table 1, 85 percent of unregistered businesses make official payments to government revenue collection institutions. More so, not all registered businesses make such payments – these represent 4 percent of registered enterprises. This implies these two different sets of enterprises are either regulated in some form or are counted. For definitions like that of Lourenço-Lindell (2004) and Hart (1973), unregistered businesses that are paying taxes are part of the informal sector (because they have evaded business registration) while by definitions such as that of the ILO, they belong to the formal sector because they are enumerated in one way or the other.

A danger lies with the latter stand. Unregistered businesses that are paying some form of tax (and most probably not complying with labour regulations) miss out on a lot of economic incentives by considering them as part of the formal economy.

Thus, when they are considered part of the formal economy, not much attention may be accorded them in terms of fulfilling other regulatory demands such

Table 1: Categorisation of sample by business registration, legal status and tax payment

Item	n=85	Percent (%) of n
Formal Business Registration		
Registered businesses (Reg. bus.)	26	31
Unregistered businesses (Unreg. bus.)	59	69
Legal Status		
Sole Proprietorship	66	78
Private Limited Company	7	8
Guarantee Company	1	1
Partnership	9	11
Cooperative	2	2
Formal Payment Taxation		
Income Tax	6	7
Artisan Fee	2	2
Council Levy	10	12
Tax & Artisan Fee	8	9
Tax & Council Levy	10	12
Artisan Fee & Council Levy	2	2
Tax, Artisan Fee & Council Levy	37	44
No payment	10	12
Formal Payment by Registration Status		
Registered Businesses	25	29 (% of reg. bus. = 96%)
Unregistered Businesses	50	59 (% of unreg. Bus. = 85%)

Source: Benneh (2007)

as labour rights and work place safety. This is so because of the lax attitude that may arise on the part of government if its sole interest was to get businesses, whether registered or not, to pay taxes – what most governments especially in developing countries presently care for is revenue increment. After all, such businesses are most likely to be the major losers since lack of proof of formal registration implies difficulty in having access to several benefits such as access to formal sources of finance – as is currently being experienced in Ghana. Similarly, labour and consumers of these enterprises will continue to be negatively impacted because when these enterprises are in a good stand to comply with relevant regulations, they may fail to do so since 'no eye' is kept on them. By properly drawing the lines between formal and informal economy, and fixing such problematic phenomena as unregistered tax paying enterprises under the right category, will he way will be paved for learning more about these problematic phenomena for better policy action.

In spite of the controversy surrounding the place – formal or informal – of businesses such as those unregistered but paying taxes, there is a positive aspect of the strategy of getting unregistered businesses to fulfil all or part of their tax obligations. As is the case of Ghana, tax collectors are assigned to zones in each city or town to collect taxes from enterprises. Tax payment is evidenced by a valid tax stamp or receipt. Probably, once these businesses realise they are losing doubly by paying taxes, yet having difficulty in accessing certain pertinent benefits such as formal source of finance, then they will be motivated to register their activities; but will further regulation to enforce labour rights such as payment of social security not deter them from registering? Nevertheless, these businesses will have better chances of growth and contribute to development, for example, through employment offer and meeting full tax obligations, if they are identified as a distinct economic group that needs distinct policy for coaching towards integration into

the formal economy.

Is Self-Employment or Criminality Adequate Defining Characteristic of the Informal Economy?

Defining the informal economy as comprising the self-employed has already received some fair criticism. Palmer (2005: 261ff.) draws attention to the fact that 'informal self-employment misses out the issue of those who straddle both formal and informal employment or those in the formal sector who are self-employed, and those working for a wage in the informal economy'. Mollona (2005) also argues in the same direction by commenting that although 'means of livelihood' scholars rightly focus on the way in which people actively combine formal employment in the factory and informal work (as a wish and not as a result of poverty) in the household and the community, in so doing they 'problematise' the very distinction between formal and informal economy.

Likewise, a good number of unregistered enterprises (98 percent)⁴, which under normal circumstance will be classified as part of the informal economy, have

⁴ In instances where casual and part-time workers were employed, employments totalling 12 months were taken to be one full time employment.

full-time employees who receive wages and salaries (see Table 2 below). Defining the informal economy on the basis of self-employment does not help in this case. Keeping to Hart's (1973) original definition saves a great deal of controversy. Otherwise is there another way out? One way out is to argue that the counting of economic activities is the essence and not the people involved. But can such an easy way out be justified looking at the complexities involved in the various interfaces between the formal and the informal sector?

Moreover, the informal economy is defined to comprise both legitimate and criminal activities (Hansen and Vaa, 2004; Wilson, 2003; and Cleaver, 2002) while in other instances it is either defined solely as comprising illegitimate activities as pointed out by Labrianidis, Lyberaki, Tinios and Hatziprokiopiu (2004), or legitimate activities alone (Yükseker, 2003). Besides, terms such as the 'underground', 'invisible', 'secondary', 'irregular', or even 'criminal' economies are frequently found in popular discussions to describe the informal economy while distinctions between 'market' and 'non-market', 'paid' and 'unpaid' or 'legal' and 'illegal' are an integral part of the more academic discourse on the informal economy (Reimer, 2006).

Table 2: Classification of sample by employment status

Item	n=85	Percent (%) of n
Employment		
Part-time	1	1
Full-time	83	98
Seasonal	11	13
Employment by Business Registration		
<i>Registered Businesses:</i>		
Part-time	1	1
Full-time	25	29 (% of reg. bus. = 96%)
Seasonal	4	5
<i>Unregistered Businesses:</i>		
Part-time	0	0
Full-time	58	68 (% of unreg. bus. = 98%)
Seasonal	7	8

Source: Benneh (2007)

Reimer (2006) explains that using terms such as the 'grey', 'shadow', or 'black' economy, exchanges 'under the table', or 'corruption' to refer to the informal economy underlines the negative evaluation of informal economic activities most often because they involve some form of tax regulation evasion. However, these terms are usually used by those on the other side of the legal-illegal divide to also refer alone to non-criminal economic activities that are not regulated by the state (Yükseker, 2003). This further blurs the meaning of the informal economy.

Furthermore, two major diverging stands on the informal economy have evolved with time. On the one hand the informal economy is regarded with a positive eye whereby good can be made out of it for the purpose of development. The ILO is one such organisation that champions this course with programmes aimed at enabling countries to create appropriate policy and institutional environment to favour growth of output and employment in the informal sector (Hansen and Vaa, 2004). On the other hand, neo-Marxist literature rejoined with the same criticism it had levelled at marginality theory, arguing that the 'entrepreneurs' in the informal sector were really 'disguised workers' who were being exploited in a variety of ways by formal businesses and ultimately international capital. In general, their argument was that conditions in this sector could not improve since it was locked into an exploitative relation with the 'formal sector' (Cross, 1998).

There are elements of truth in each of these stands depending on the angle from which the argument arises particularly in terms of what the informal economy is in the 'eye of the beholder'. These stands would not have sharply arisen had it not been the modifications of the original meaning of the informal economy, failure to agree over time on what the informal economy actually labels and more especially failure to recognise it as a general concept and as such address the need for developing appropriate concepts for the distinct economic phenomena that make up the informal economy which necessitate separate definitions for clearer analysis and policy direction.

Conclusion and Implications

The foregoing discussion draws attention to the absence of a unified meaning for the informal economy. Some writers (for instance Nustad, 2004) believe that the concept of informal economy should be used to refer to what is not 'formal' while avoiding a rigid definition of the 'informal' as a sector separate from the formal, and instead examine those social processes that are external to formal analyses. There is no doubt that retaining the dichotomy at a neutral level is useful, but is it not time to put generated discussions into perspective and come to a consensus on what the informal economy is, and what it entails?

This paper argues that the term 'informal economy' has not outgrown its usefulness. It has rather been manipulated for too long into meanings that Hart (1973) did not give it at the time of developing it. A good number of development writers in anthropology and economics sought a quick way of expressing their ideas and in so doing, caused this harm to the term 'informal economy' by tuning it to their own tones. The various definitions presented under preceding sub-sections serve as evidence.

Exact definition of terms is critical to development issues especially when it bothers on finding economic solutions to deteriorating economic situations. Interested researchers are called upon to give utmost attention to developing a unified meaning of the informal economy for effective and efficient national accounting, policy formulation, implementation and control that will spur growth and development for poverty alleviation. Otherwise, policy will continue to be put in a state of confusion with a cloud of uncertainty on what the actual problem is, eluding the development and implementation of appropriate solutions, while national economic data could be under-stated or over-stated according to the whims and caprices of politicians. Moreover, failure to address the issue at stake implies lack of common basis of accounting for the sector; difficulty in cross-country comparisons; and possibility of exclusion of pertinent activities from development programmes, just to mention a

few.

Limitations and Future Research

Empirical data used for illustrations exclude information on large enterprises as well as other pertinent and interesting dimensions such as compliance/non-compliance with labour laws, and workplace safety. Moreover, the data was collected for another study which required the setting of strict parameters for the definition of the study population. As a result, a large number of enterprises especially micro and small enterprises were not captured in the study. These limitations are indirect sources of further research.

Furthermore, a challenge is put up through this paper that, more research and discussion be generated to find a unified meaning (not necessarily one definition) of the informal economy. More so, adopting and developing concepts that adequately define the distinct economic phenomena that make up the informal economy is inevitable. The basis for developing these new sub-concepts of the informal economy could be the focus of further research and discussions.

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Sexual Harassment In The Work Place: A Literature Review

Rebecca Dei

ABSTRACT

Sexual Harassment (SH) is one of the challenging human resource management problems in the work environment. It usually has a great impact on individuals and affects the image and profitability of the organisations. It can be classified into two; the quid pro quo and hostile environment sexual harassment. Apart from its effect on the victim's psychological, economic, and physical stability which influences their ability to work effectively, it also causes incalculable harm to their families.

Although the majority of sexual harassment complaints come from women, the number of complaints filed by men is swiftly increasing. In order to mitigate SH in the Ghanaian work environment, clearer policies and laws should be formulated and enacted so that perpetrators and victims alike will know what constitutes SH, and the corresponding punishments. Both employer and employees have a role to play to curb its effect; while the onus lies on employers to draw SH policies, employees must acquaint themselves with it, and discourage the act immediately it starts.

This paper discusses sexual harassment in the work environment from the literature review perspective and provides an in depth review of the issue from different countries and institutions. It also examines some trends in the issue, and explores some causes of SH in Ghana. In addition, the paper provides precautionary measures that can be adopted by both victims and organisations to curb the menace and enhance stability and growth in organisations.

BACKGROUND

Sexual Harassment (SH) is one of the most pressing problems in the work environment. It usually has a great impact on individuals and affects the image

and profitability of organisations. Also, it can occur in different situations and can take many forms. Although SH is an age-old dilemma, it is an emerging issue in Human Resource Management (HRM) that presents a great challenge to a reasonable number of organisations the world over. For the purposes of this paper, the work environment is defined as: "Anywhere one is legally or officially working to earn a living" or "anywhere one is practicing his or her profession."

Apart from its devastating effect on the victims' emotional stability, SH also impacts greatly on their ability to work effectively. It exacerbates the economic conditions of victims and damages their ability to achieve equality with their fellow employees (Minnesota Advocates for Human Rights, 2003). The British Psychological Society (2008), Salisbury et al., 1986; Bartell and Robin, 1990, identified a variety of devastating effects of SH including emotional, psychological, occupational and physical which affect a large number of employees in workplaces around the world.

The numerous consequences emphasize why sexual harassment is not only a serious problem but a legal issue and a serious offence in almost every country. It is illegal; a violation of human rights and a prohibited form of violence against the dignity of humankind. In fact, SH in the workplace is a punishable offence under Title VII of the US Civil Rights Act of 1964 (Englander, 1992). In Ghana, the behaviour is equally unacceptable and is punishable by law.

Faley et al. (1999), in commenting on the effects of SH explained that, it costs organisations hundreds of millions of dollars per year in lost productivity and decreased efficiency. The British Psychological Society also explains that, a United States survey

research has bolstered the view that harassment is a serious problem in the work environment and that it represents cost to businesses.

Whilst historically SH begun in 1964 when the US Congress attached seriousness to the issue; passed Title VII of the Civil Rights Act, and also created the Equal Employment Opportunity Commission (EEOC), Constance Jones, in her book *Sexual Harassment*, traces incidents of SH back to the 1830s when increased numbers of women began working in the textile mills in New England. She noted that printers in Boston conducted a campaign of intimidation to force women out of their jobs in that industry in 1835. Back then, there was no term to describe this course of action; the term "sexual harassment" was however coined by feminists in the 1960s.

It is interesting to note however that, today, SH is not about women alone because men are also sexually harassed at the workplace. Accordingly, the EEOC Fiscal Year Report (2007) indicates that, the number of complaints filed by men is rapidly increasing. According to Wamahiu and Chege, cited in Britwum and Anokye (2006), even though, SH is not limited to a particular sex, women tend to suffer from it more than men.

Although most people may not be aware of it, SH is extremely prevalent in the work environment, and it is among the most offensive and demeaning experiences an employee can undergo. It is regrettable to note that, in spite of its negative effects on the victims, their families as well as their organisations, most people do not fully understand the problem, its causes and consequences, as well as how it can be dealt with.

The problem of SH tends to be even more complex when past experiences discourage victims from reporting issues of harassment either because they are aware that no proper investigation would be conducted or that their confidentiality would not be guaranteed. The fact that perpetrators normally have so much power in the workplace makes it difficult for any action to be taken against them. This creates a great challenge for all involved.

According to the American Federation of Government Employees (AFGE), some simple behaviours like the abuse of familiarity such as the use of the words "honey", "baby", "sweetie", "darling" or "dear" in the work environment constitute SH. Regrettably, most employees are unaware of this and the few who know just ignore the consequences of their actions on victims. This suggests that the need for continuous education and awareness creation on SH is imperative. Combating SH is crucial and the legislature, employers, and employees must endeavour to discourage this undesirable behaviour.

The paper explores how various institutions define SH, identifies the types that exist, discusses various forms of SH at the work environment, some major causes and some trends in the issue through an extensive literature review. It also examines the legal and policy issues of SH and how technology is promoting SH in Ghana and abroad. The paper concludes with measures that can be adopted by both victims and organisations to address the problem.

SEXUAL HARASSMENT DEFINED

The definition of SH differs from country to country and from one institution to another and the seriousness attached to the offence determines the way it is defined. Many jurisdictions outside the United States have adopted their own definitions intended to cover essentially the same forms of undesirable conduct.

The EEOC, from whom most institutions and legislature draw their definitions, defines SH as: "Unwelcome sexual advances, requests for sexual favours, and other verbal or physical conduct of a sexual nature when:

- i. submission to such conduct was made either explicitly or implicitly a term or condition of an individual's employment,
- ii. submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual's employment, or
- lii. such conduct has the purpose or effect of unreasonably interfering with an individual's

work performance or creating an intimidating, hostile, or offensive working environment.”

In the United Kingdom, the Discrimination Act of 1975 was modified in 1986 to establish SH as a form of discrimination. It states that:

“Harassment occurs where there is unwanted conduct on the ground of a person's sex or unwanted conduct of a sexual nature and that conduct has the purpose or effect of violating a person's dignity, or of creating an intimidating, hostile, degrading, humiliating or offensive environment for them. If an employer treats someone less favourably because they have rejected, or submitted to, either form of harassment described above, this is also harassment.”

Sexual harassment in India and Pakistan is termed "Eve Teasing" and is described as:

“Unwelcome sexual gesture or behaviour whether directly or indirectly such as sexually coloured remarks; physical contact and advances; showing pornography; a demand or request for sexual favours; any other unwelcome physical, verbal/non-verbal conduct being sexual in nature. The critical factor is the unwelcomeness of the behaviour, thereby making the impact of such actions on the recipient more relevant rather than intent of the perpetrator.”

In the Czech Republic, SH is explained as:

“An undesirable behaviour of a sexual nature at the workplace if such conduct is unwelcome, unsuitable or insulting, or if it can be justifiably perceived by the party concerned as a condition for decisions affecting the exercise of rights and obligations ensuring from labour relations.”

According to the Chartered Institute of Personnel and Development (CIPD) UK, SH is:

“Any unwanted behaviour that violates dignity or creates an intimidating, humiliating or offensive environment.”

Section 175 of the Ghana Labour Act, 2003 (Act 651) defines SH as:

“Any unwelcome, offensive or importunate (persistent) sexual advances or request made by an employer or superior officer or a co-worker to a worker, whether the worker is a man or woman.”

The above definitions of the EEOC, the United Kingdom, India, Pakistan, the Czech Republic and Ghana, are clear and detailed. They plainly state what kind of behaviour denotes SH, its effect on the victim as well as their work. This makes it easy for all concerned to understand the meaning of the term, and to easily identify perpetrators. This may probably mean that those who drafted those definitions attach much value to the issue.

The CIPD's definition on the other hand, does not appear to be a solid definition of SH. When compared to the EEOC's definition for instance, it lacks some significant emphasis. In fact, it does not mention anything “sexual”; instead “dignity” is mentioned but that does not necessarily mean sexuality. This thus creates some confusion when people need to be charged with the offence under the law.

Similarly, the definition in Section 175 of the Ghana Labour Act, 2003 (Act 651) also raises some questions. Unlike the EEOC's, it does not mention the fact that SH can affect the employee's condition of employment, work performance, and can create a hostile or offensive work environment. The Act is also silent on punishment for the offence. These are important indicators and one would have thought it should be present in the definition because most organisations will formulate their harassment policies based on this provision since it is the Act that governs employer-employee relationships in Ghana.

In this same light, the Executive Director of the Justice and Human Rights Institute, Prof. Ken A. Attafua, at a day's training workshop organised in Accra by Commission on Human Rights and Administrative Justice (CHRAJ), on the topic “Prevention and Responding to Sexual Harassment in Ghana”, has called for the amendment of the law establishing the Commission on Human Rights and Administrative Justice (CHRAJ), Act 456, to explain

clearly what sexual harassment stands for. According to him, "there is no judicial definition of sexual harassment in the Ghanaian Constitution up to date, except for references to definitions in the United States Constitution and the Supreme Court of British Columbia. Hence, it would be helpful that any future amendment includes sexual harassment in order to erase any possible doubt about its illegality" (Daily Graphic, February 9, 2008).

In "Workplace Sexual Harassment in Singapore: The Legal Challenge", Lee (1999) quotes the definition of Fitzgerald and Alayne which states that:

"Sexual harassment involves the sexualization of a professional relationship; which frequently occurs in the context of an organisational power differential (e.g. supervisor-employee), although it can occur in the absence of one (e.g. hostile work environment). This consists of unwanted and unwelcome behaviour, both verbal and non-verbal in nature; and can be viewed along a continuum, from sexist remarks to non-verbal seductive gestures to sexual assault."

This explanation attempts to erase any ambiguity so that employees and management alike become conscious of their behaviour in the work environment.

This paper defines sexual harassment to include:

"Any form of unwanted advances or behaviour that is sexual in nature or requests for sexual favours from either male or female superiors, subordinates or colleagues. This could take place either on a one-time basis or several times and can be physical, pictorial, or verbal, which any reasonable human being will find offensive, unpleasant, intimidating, stressful, uncomfortable or embarrassing and which interferes with or has the ability to affect an individual's job performance in the work environment."

TYPES OF SEXUAL HARASSMENT

There are two legally recognised types of SH as identified by the EEOC and they are *Quid Pro Quo* and *Hostile Environment*.

1. Quid Pro Quo sexual harassment (Latin word

meaning "this for that" or "something for something") is where an individual's submission to or rejection of sexual advances or conduct is used as a basis for employment decisions like, recommendations, promotion and other types of employment opportunities.

It can be described a "sexual bribery". An example is the exchanging of sexual favours for job benefits or the promise of salary increment after yielding to the sexual advances of the Managing Director. Thus, *quid pro quo* harassment can take the form of a threat example, "have sex with me or I won't give you your promotion," or offers for example, "if you have sex with me I can help you advance in your career or cancel your transfer". Normally this is a bargain in a tactful and crafty manner.

2. Hostile Environment sexual harassment occurs when an unwelcome sexual conduct has the effect of unreasonably interfering with job performance or creating an intimidating, hostile, or offensive working environment. To be precise, it involves creating an environment which makes the life of an employee uncomfortable, offensive, and unpleasant. This kind of harassment has the tendency of unduly interfering with an employee's work. It usually involves a pattern of repeated and unwelcome behaviours which is sexual in nature, such as constant requests for a date; and a shoulder or back rubs as well as actions that create a hostile or intimidating environment such as comments about a person's appearance or display of sexually explicit materials in and around a person's work environment.

It is very important to note that, the essential characteristic of SH is that; it is a behaviour that is unwanted by the recipient. As explained by The British Psychological Society, it is a problem which may be identified solely on the basis of the recipient's view and this renders it difficult to measure or prove. For instance, jokes which were not meant to give offence, or the habitual (perhaps unconscious) use of terms of endearment, constitute harassment only if the recipient finds them offensive and has said so.

As in the 1993 case of *Harris vs. Forklift Systems, Inc.* the Court stated that the plaintiff was not required to prove psychological trauma in order to have a valid claim of harassment. The two standards the court used to determine SH in this case was the "reasonable person" standard and the victim's feeling that he or she was abused.

In the "reasonable person" standard, if a reasonable person would find the conduct severe or pervasive enough to create a hostile or abusive environment, then SH has taken place. The second standard to be met was that the victim felt that the environment was abusive. The onus, therefore, lies on individuals to determine what behaviour is acceptable to them and what they regard as offensive. This presupposes that, people should respect others when they object to certain behaviours or jokes they find offensive.

It is important to emphasise that, SH laws and policies adopted at the international, national, and organisational levels are not meant to inhibit normal socialization at work or relationships based on mutual consent. Rather, these laws are aimed at distasteful conducts which serve as obstacles to the freedom and equal progression of employees in the work environment.

SOME TRENDS IN SEXUAL HARASSMENT

Although some literature on SH can be found in Africa, including Nigeria, South Africa, and Ghana, most research on SH in the work environment is concentrated in advanced countries. Below are some trends which have developed from countries and institutions that report extensively on the issue.

The European Women's Lobby reports that, between 40 and 50 percent of female employees have experienced some form of sexual harassment or unwanted sexual behaviour in the workplace. Another survey showed that 56.7% of women have been sexually harassed by their superiors, while 39.1% had been harassed by colleagues (Lee, 1999). The Equal Employment Opportunity Commission (EEOC) filings find that, in the USA, SH cases have more than doubled, from 6,127 in 1991 to 15,342 in 1996. In 1998, it moved up to 17,176 (Bohlander et al, 2001).

According to the Centre for Social Policy Studies (2001), although Ghanaian women generally are the frequent victims, single or unmarried women and men are very vulnerable to SH in the work environment. Most employees experience SH for the first time between ages 21 to 25 years. It also asserts that two-thirds of the perpetrators of SH in the workplace are males and about 68% of the male perpetrators are men who are married and are in influential positions within organisations. The second frequent male perpetrators happen to be married male peers or colleagues.

In Canada, a 1983 survey by the Canadian Human Rights Commission of 2,004 men and women found that 45% of women and 33% of men had experienced unwanted sexual attention. A recent Canadian poll found out that, 4 out of 10 women had encountered some form of SH at work, and 5 of 10 men admitted that they had said or done something that could be construed as sexual harassment (Busby, 2006). These buttress the surge in male sexual harassment.

In academia, victims of SH in most cases have been women; though to a lesser extent, men have also been the targets of harassment (Ladebo, 2003). It is speculated that, in academia, male lecturers tend to suffer SH more than female lecturers since most female students may want to receive favours from male lecturers.

A telephone poll conducted by Louis Harris and Associates on 782 United States workers and released in March 1994 revealed that, 31% of the female workers and 7% of the male workers reported that they had been harassed at work and 62% of the victims took no action. With regard to the harasser, 100% of women reported that the harasser was a man; 59% of men reported the harasser was a woman and 41% of the men reported that the harasser was another man. Of the women who had been harassed, 43% were harassed by a supervisor, 27% were harassed by employees senior to them, 19% were harassed by a co-worker at their level and 8% were harassed by junior employees.

While the majority of SH complaints come from

women, the number of men filing SH complaints is swiftly increasing. In 2004, over 15% of EEOC complaints were filed by men with 11% of claims involving men filing against female supervisors. A 2006 government study in the UK revealed that two out of five SH victims are males, with 8% percent of all SH complaints made to the Equal Opportunities Commission of Britain coming from men. In fact, cases filed by men made up 15.4% of the 12,025 SH charges in the year 2006, compared to 14.3% in 2005 and 11.6 percent a decade ago.

Fisher, as cited by Stanko and Schneider (1999), indicates that 90 percent of Fortune 500 companies have dealt with sexual harassment complaints. More than a third have been sued at least once, and about a quarter have been sued multiple times. About 90 percent of complaints about SH are filed by women against men. The remaining complaints are filed by men against women or are same-sex complaints.

In the year 2007, EEOC received 12,510 charges of SH. About 16 percent of those charges were filed by males. EEOC resolved 11,592 SH charges in that same year and recovered \$49.9 million in monetary benefits for charging parties and other aggrieved individuals (not including monetary benefits obtained through litigation).

Sexual Harassment Support 2008 reports that, in reality, SH affects 40 to 60 percent of working women, with similar statistics for female students in colleges and universities. About 10 to 20 percent of men have experienced sexual harassment in the workplace and approximately 15,000 sexual harassment cases are brought to the Equal Employment Opportunity Commission (EEOC) each year. According to them, while women continue to be the majority of sexual harassment recipients, men do get harassed--by other men and by women. Currently, approximately 11% of EEOC claims involve men filing grievances against female supervisors. Also, increasing numbers of women are being sexually harassed by other women.

SH also takes place in high places. In 1994, the issue of sexual harassment became front-page news when

a federal lawsuit was filed against President Clinton claiming that he sexually harassed a woman in 1991 when he was a Governor and she was an employee of the State of Arkansas. The allegation was that the then Governor Clinton misused his authority in an effort to obtain sexual favours from a state employee. In the case of *Jones v. Clinton* 1997, the US Supreme Court decided that a civil law suit alleging sexual harassment could go forward during the presidency of the President of the United States and should not be delayed until his term in office ended.

The issue of SH has not received much attention in developing countries as compared to the developed world. Ladebo (2003) asserts that although the subject of sexual harassment evokes spontaneous reactions from people whenever and wherever it is mentioned, there is no legislation in Nigeria that explicitly penalises sexual harassment at work, including academic environments. According to him, SH is yet to be officially recognised as the violation of the rights of an individual in the workplace. Organisations and members view it as an employer-employee personal problem, which should be resolved between the parties concerned and not a single case of sexual harassment has been known to come before the Nigerian courts.

In Ghana, research findings indicate that about 74% of female employees and 42% of male employees experience SH within the work environment. Although SH is very prevalent in Ghana, a great majority of the victims do not formally report their experiences and about 95% of the cases go unreported (Andoh, 2001). It is, however, important to acknowledge that statistics do not give a complete picture of the pervasiveness of the problem as most SH situations go unreported (Dzeich and Weiner 1990, Boland 2002). In order to mitigate SH in Ghana bold policy and legal initiatives should be developed.

EXAMPLES OF SEXUAL HARASSMENT

Behaviours that constitute SH are varied and can be verbal, physical, or visual. **A Guide for members and representatives of the American Federation of Government Employees (AFGE)**, a labour

organisation which represents approximately 600,000 employees of the United States federal government and the government of the District of Columbia, gives useful examples of what might constitute SH.

Verbal Conduct that might constitute SH includes but is not limited to:

- Direct demand for sexual favours, or asking personal questions about one's sexual life
- Making kissing sounds, whistling, smacking, or other noises suggesting sex or cat calling
- Use of demeaning names such as "cutie", "Sugar", "Sweetie", "Honey", "Darling", "Hey baby", "Doll", "Babe", "Hunk", "Girl," or "Boy" (when referring to an adult), "Dear," "Pussycat," or "Broad," etc.
- Referring to men or women by their private body parts
- Telling sexually explicit jokes or stories, telling sexist jokes or stories, turning work discussions to sexual topics, or using sexual innuendoes during work discussions
- Telling lies or spreading rumours about a person's sex life, discussing sexual activities or sexual teasing
- Making lewd or suggestive comments regarding an employee's appearance (body, clothing, anatomy, or looks) or personal life
- Making sexual advances or repeated requests for dates even after recipient indicates that they are unwelcome, etc.

Physical Conduct that might constitute SH includes but is not limited to:

- Actual or attempted rape or sexual assault
- Touching or rubbing oneself sexually in front of another person
- Stalking or hanging around a person without legitimate reason
- Blocking, leaning over, intentionally brushing up against, or cornering a person
- Invading someone's personal space in a way that indicates a desire for sexual activity
- Giving personal gifts that are unsolicited
- Assault in retaliation of person refusing sexual advance
- Touching that is sexual in nature, such as

massaging, touching a person's clothing, hair or body, hugging, kissing, patting, stroking, grabbing, and pinching.

Visual Conduct that might constitute SH includes but is not limited to:

- Public displays of pornography
- Sexually suggestive graffiti or exploitive posters, pin-ups, calendars, cartoons, or magazine clippings
- Sending sexually explicit e-mail messages
- Viewing pornography via Internet in the work environment
- Leering, eyeballing, looking someone up and down, and staring at an individual or an individual's private body parts

SEXUAL HARASSMENT AND TECHNOLOGY

Today, an increasing number of employees are taking advantage of technology to assist them with their harassment. The most common abuse of current technology is sending sexually harassing messages or images through e-mail or a mobile phone. Occasionally, they forward sexually laden sites to fellow employees under a camouflaged name or heading which looks seemingly decent and working hours are sometimes used for this undesirable act.

Viewing pornographic sites which are visible and/or audible to other co-workers; who find it uncomfortable especially in an open-plan office situation is SH and abuse of technology. According to the AFGE, there are many creative abuses where for example, employees make photo-montage of their co-worker in the nude by downloading a nude photograph of a model off the internet and superimposing a photograph of the colleague's face in the place of the model's face. This represents a serious case of sexual harassment.

SOME CAUSES OF SEXUAL HARASSMENT

The causes of sexual harassment vary from person to person, situation to situation, and institution to institution. They include, but are not limited to the following:

- Ignorance and lack of knowledge on some

specific on-the-job behaviours that constitute sexual harassment under the law

- Lack of organisational policy on sexual harassment
- Sometimes, teamwork transcending professionalism
- Sheer lustfulness and "macho" beliefs like "real men pinch bottoms" and pester women
- Some women also believe their highest calling is to be popular with men or that "real women look sexy" so they turn to dress anyhow forgetting they may be perceived and treated "anyhow"
- Some women see sexuality as their only power base so they play along
- Power game - some men feel threatened by the career advancement of women and, therefore, decide to harass them
- Some people use sexual harassment attempts as humour or enjoy demeaning other people
- Other factors include poor moral values, marital problems, divorce, etc.

SOME CAUSES OF SEXUAL HARASSMENT IN THE GHANAIAN WORK PLACE

Ghana, as a developing country, faces serious unemployment problems. There are so many tertiary institutions that have produced a lot of graduates, who have to compete for the few vacancies in both the public and private sectors. This situation contributes to SH in the work environment because, unfortunately, some managers or employers have decided to make sex a condition for employment for qualified but desperate female employees. They sometimes will not employ women who refuse to succumb to their sexual advances. It is, therefore, not surprising that 68% of the perpetrators are in influential positions within organisations (Andoh, 2001).

Also, some of the women who manage to get the jobs without the initial sexual harassment are later pressurized to give in or quit their jobs. So the female employee has to contend with whether to stay on the job and put up with the intolerable sexual behaviours of her superior or to indeed quit the job a decision which is really stressful. Some employees have to contend with unfavourable performance

appraisal reports, unwarranted transfers, and sometimes unfair dismissals due to refusal to give in to the sexual demands of their superiors. Some men are also reported to go through this stressful situation.

Sometimes, married employees are pushed to accept sex-related conditions for employment. Meanwhile, giving in to these unwanted contacts and favours might lead to serious problems, including sex-related diseases and other complications. These sometimes make it difficult for the employees to maintain personal relationships outside the workplace

The Centre for Social Policy Studies (2001), asserts that, seeking for favours from especially members of the opposite sex also contributes to SH in the Ghanaian work environment. By looking for favours from others, one is placed at a somewhat subordinate level. Since power often plays an important role in the occurrence of SH, looking for favours creates opportunities for the individual giving the favour to come up with sex-related conditions that must be met on or before the needed assistance is granted. In other scenarios, female employees sometimes sexually harass or force themselves sexually on their male superiors as a means of gaining access to certain favours like promotion, salary increments, and other economic or social benefits.

The way some ladies dress to the workplace also "encourages" harassment. The irony is that when someone shows a picture of an improperly dressed person to another and it offends them it can be termed SH. It presupposes that, when someone also dresses and shows too much cleavage or beads and another person finds it offensive, it is tantamount to harassment. It is alleged in some circles that, female subordinates who sexually harass the male superiors are normally dutiful, but loosely dressed. Improper dressing to the workplace can to some extent promote SH and to discourage it, employers can prescribe proper dress codes for their employees.

PERPETRATORS OF SEXUAL HARASSMENT

Sexual harassment used to be perpetuated against

women. Today, the issue has taken a different turn and men also suffer from it. These men must, therefore, have the same rights as women to the protection of their dignity. The parties to the SH include:

- The harasser may either be a man or woman; thus both men and women sexually harass each other
- It is usually between a superior or supervisor and a subordinate
- A subordinate can equally harass a superior
- Colleagues also harass each other
- Customers/clients, visitors, contractors on site and other non-employees can also perpetrate SH

SOME CONSEQUENCE OF SEXUAL HARASSMENT

Sexual harassment is a serious problem, not only in the workplace but it also affects the employee even beyond the work environment. "It affects both women and men, causing stress, health problems and financial penalties when they leave their jobs to avoid it" says Jenny Watson, Chair of the Equal Opportunity Commission. Its effects encompass the employee or victim, the harasser, and the organisation.

The Victim or Employee

With respect to the individual employee or victim, the emotional consequences are several. Some face low self esteem, panic, headache, stress, anxiety, humiliation, frustration, and high blood pressure, among other things. Depending on the extent of the harassment, that is, if assault or rape ensues, the HIV virus could be contracted leading to AIDS and consequently death of the victim. This suggests that sexual harassment cannot be regarded as something trivial.

The Harasser

The harasser, when found out, loses self-respect, integrity, and any influence he or she may hold within the work environment. Depending on the magnitude of the offense, their appointment may be terminated; their career jeopardised. He can even be sued and jailed for the wrong doing.

The Organisation or Employer

To the organisation, the impacts of SH in the work environment are quite expensive. The positive image of the organisation can be tarnished when embarrassing headlines and lawsuits from victims are made public. No one will want to work in a sexually harassing environment, hence it will certainly be difficult to attract potential applicants. It can even lead to loss of key and competent employees and the organisation's customer base can also be affected.

SH can destroy positive working relationships between employees, lead to absenteeism due to sickness, and increase employee turnover since most people will not be coerced to work in a climate where integrity and decorum are not upheld. Once performance is lowered, there is likelihood of decrease in productivity and, eventually, profitability will suffer. Ultimately, SH can increase the financial burden of the organisation with respect to recruitment, compensation for victims, and adoption of measures to regain lost image.

SOME PRECAUTIONARY MEASURES AND ROLES OF EMPLOYERS/VICTIMS

The Role of the Organisation or Employer

If sexual harassment has such far reaching repercussions on both the employer and the employee, then organisations must play their roles effectively. Employers must ensure that sexual harassment does not occur in the work environment and, where it does occur, they must ensure that adequate procedures are readily available to deal with the problem and prevent its recurrence.

As a matter of fact, the legal duties of an employer are not only to ensure that their staff are not subjected to unwanted conduct by other employees, but also in relation to all the individuals they have dealings with while carrying out their duties including agents, clients and suppliers. Employers must not tolerate actions that run counter to their employment policies or the law.

An employer has the obligation to take action when aware that sexual harassment is occurring or has

occurred. New rulings of the U.S. Supreme Court make it possible for employers to be liable for up to \$50,000 in sexual harassment damages even if they are totally unaware of the behaviour. In this vein, a 1999 survey by the Society for Human Resource Management reports that 62 percent of companies offer sexual harassment prevention training programs, and 97 percent have a written sexual harassment policy.

Employers have a big role to play to curb sexual harassment in the work environment. Indeed, the EEOC requires all organisations with more than 15 employees to have policies and procedures to deal with sexual harassment.

Firstly, organisations and employers for that matter must be encouraged to develop a policy against SH. This policy should be made available to every staff whether junior or senior. This could be done by sharing an information booklet to every employee, holding a company-wide training session, and possibly incorporating sexual harassment in induction or orientation of new staff. It is very important that the policy includes statement encouraging people to come forward with complaints of sexual harassment.

Where possible, employers should incorporate SH issues in employee appraisals, which is the regular performance review sessions, to determine how an employee is performing on his or her job. It should also provide an opportunity to identify the employee's attitude, feelings, and problems more thoroughly. This will create an opportunity for those who are facing any SH problems to be able to speak about them and get redress.

The third thing employers have to do is to ensure that they investigate complaints and allegations of sexual harassment promptly and thoroughly. This will mean promising employees of prompt and careful investigation and actually following through with such promises. It also necessitates assuring the complainants or victims of absolute confidentiality and protection against retribution.

Employers must also endeavour to properly discipline offenders so as to deter others from

following the same pattern of behaviour. Once the policy is in place, people cannot flout it and go unpunished. Depending on the magnitude of the offence, **sanctions** can range from public apology, relocation of harasser to a different department, giving a query or warning letter, termination of appointment, or referral to the appropriate law enforcement agencies.

The Role of Victims or Employees

The person being harassed also has a part to play in reducing the incidence of SH.

To begin with, employees must acquaint themselves with organisational policies and read in advance any existing employment policies and provisions in their establishment. This will ensure that they do not go contrary to those policies or fall victim due to ignorance.

The second thing is that, employees must understand their rights. All employees have the right to a work environment free from intimidation, hostility, harassment, and any other forms of hindrances to the effective execution of their duties. Violation of this right is an offence and its corrective measure can be pursued and obtained.

An employee being harassed must object to the harassment at the time it is taking place. He or she must forthrightly tell the harasser that the behaviour is unwelcome. He or she must be sure to say "**NO**" clearly, firmly and without smiling and must mean NO. The victim's response could prevent future harassment from the same person, especially if the harasser did not realise the behaviour was offensive. The next step is to tell someone about the harassment. He or she must talk to a trusted friend, colleague or counsellor who will be willing to help. The victim must ask for advice and support to stop the harassment.

The victims themselves should keep a record of what happened or is happening. They should make note of dates, places, times, witnesses, and the nature of the harassment. This is important because such information may be necessary if the harasser is adamant and the victim decides to press charges in future.

The victim should write a letter or send an email to the harasser. Sometimes an email or letter to the harasser can be an effective way to communicate objections to certain behaviours. It should state: (a) the facts of the situation, (b) the effects the behaviour has had on the victim, and (c) the fact that the victim wants the behaviour to STOP.

If the harassment continues, the victim must report the problem to the appropriate personnel or authorities responsible for handling such situations in the organisation, for example, the Human Resource Manager. Depending on the magnitude of the problem, they will in turn hold a hearing or report the matter to the law enforcement agencies.

CONCLUSION

SH is real and a menace in the work environment. It is an "old problem" that may not be totally eradicated, but can be curbed. Combating harassment is vital to ensure the dignity of women and men at work. Studies show that SH is still endemic, often concealed but present in almost all kinds of organisations. Yet, it is still not always viewed by some as a problem which has to be systematically tackled. Unfortunately, some perpetrators are not even aware of the consequences of their actions on other people. Employees often suffer the adverse consequences, including short and long-term damage to their employment prospects if they are forced to change jobs. SH may also have a damaging impact on those employees who are witnesses to or who are aware of the behaviour.

SH in the workplace is a violation of human rights and a prohibited form of violence against humanity. It causes incalculable economic, psychological, and physical harm to its victims. It serves to increase the already existing pressure on individual employees in the work environment. Prevention is the best tool to eliminate SH in the work environment. Employers should clearly communicate to employees that sexual harassment in any form will not be tolerated.

Definite and explicit national policy on SH in the Ghanaian work environment should be drawn. SH should be clearly seen as a criminal offence and this

will serve as a deterrent to harassers. Both employers and employees also have roles to play. They must, therefore, do all in their power to discourage this intolerable behaviour in the work environment. I believe that, if both parties follow through with their respective responsibilities as discussed, the work environment will be a more pleasurable place to be. The career goals of employees will be met and the objectives of employers in this competitive world would equally be attained. This can enhance the growth of the entire economy.

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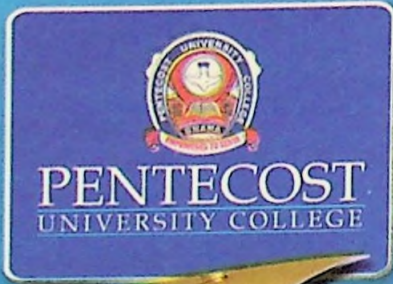
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1st CONGREGATION

■ SATURDAY 15TH AUGUST 2009 ■ JAMES MCKEOWN AUDITORIUM ■ 9:00A.M

ECONOMIC AND FINANCIAL REPORT



Databank

Leadership

Africa Quarterly Report

Overview and Outlook Macro Commentary

African countries remain exposed to the deepening global recession through the commodities market. Q109 was characterized by exchange rate shocks and moderately stable prices in most countries. Average headline inflation declined from 14.7% in December, 2009 to 14.6% in February, 2009. This was mainly facilitated by lower crude oil prices and relatively stable food prices. Inflation, however, remains relatively high due to currency depreciation and its effect on the prices of imported goods.

The impact of the recent G20 summit in London is not likely to directly affect African countries in 2009. We expect the \$1.1tn stimulus commitment by the G20 to stabilize the international commodities market and curb job losses in advanced economies. This could improve remittance inflows and lessen macroeconomic risk across the continent. The increase in the Emergency Resource Accounts of the IIMF to US\$750 billion can help improve the funds ability to support African countries in financial distress, but will remain inadequate in meeting

short-term budgetary pressures that are critical to sustaining growth.

High public debt and fiscal deficit, as well as, widening current accounts deficits led to lower sovereign ratings for key African countries in Q1. Ghana and Nigeria for instance, were downgraded to B⁺ with negative outlooks by Fitch during the period. Nigeria's economy came under stress when crude oil prices retreated from a peak of US\$146 per barrel in July, 2008; while excessive fiscal expansion in 2008 for Ghana pushed fiscal deficit to GDP up to 14.9% compared to 8.1% in 2007. African countries are being hit by the downturn in commodity prices in line with the global recession. While Mauritius announced a stimulus package of US\$330 million in March to sustain employment, Botswana announced the closure of both its Damtshaa and Orapa diamond mines during the period. We expect GDP growth for Africa to contract to below 3.3% in 2009.

We anticipate that the second quarter of the year will result in further widening of the external deficit of most African countries. This will cause further currency depreciation, while inflation will remain at its present levels. Firmer consumer demand and a relatively sound banking sector are likely to sustain growth, albeit a marginal decline during the second quarter. South Africa and Nigeria are likely to suffer the worst downturn in their output levels in 2009. Output growth for these countries will contract to the extent that the global economy remains fragile and crude oil prices remain below US\$55 per barrel.

Databank's Macro Summary on Select African Economies

Country	GDP		Inflation		Exchange Rate		Fitch	Sovereign Ratings			Databank View
	2008	2009F	2008	2009	2008	2009*		S&P	Moody's		
Botswana	5.3	4.6	12.6	11.9	6.83	8.68	NA	A/Negative/A-1	Aa3	Neutral	
Cote d'Ivoire	2.9	4.7	5.6	5.7	447.80	491.40	NA	NA	NA	Positive	
Ghana	6.2	5.9	16.8	13.3	1.09	1.42	B+	B+/Negative/B	NA	Neutral	
Kenya	3.3	6.4	25.6	16.5	69.18	80.77	B+	B/Positive/B	NA	Negative	
Malawi	7.1	7.8	8.2	7.9	138.12	137.93	B-	NA	NA	Neutral	
Mauritius	6.6	6.2	8.8	8.6	28.45	34.00	NA	NA	Baa1	Neutral	
Morocco	6.5	5.5	3.8	2.1	7.73	8.61	BBB-	BBT/Stable/B	Baa2	Positive	
Namibia	3.9	4.2	8.7	8.1	8.00	9.70	BBB-	NA	NA	Neutral	
Nigeria	6.2	8.7	11.5	11.0	119.30	151.90	BB-	BB-/Negative/B	NA	Negative	
Tunisia	5.5	5.0	5.1	4.5	1.23	1.44	BBB-	BBB/Stable/A3	A3	Positive	
Uganda	9.8	8.1	7.3	7.8	1,694.92	2,000.00	B	B+/Stable/B	NA	Negative	
Zambia	5.8	6.4	11.8	8.6	3,571.43	5,263.16	NA	NA	NA	Neutral	

NA: Not Available

Sources: IMF, Qonda.com, National Statistical Services, Fitch Ratings, Standard and Poor's, Moody's, Databank Research

Investment Strategy

The start of Q209 coincided with most global markets exhibiting the fabled dead-cat bounce, following the G20 meeting and also with some companies announcing earnings that were generally better than expected. In Africa, countries like Nigeria experienced a brief reprieve, after falling 37% in Q109. Sound fundamentals are given the utmost prominence in our investment strategy for Q209; investors are advised to take positions in sectors that exhibit this feature, and that also possess good prospects for growth in the medium to long term. Notwithstanding this, investors looking for bargains must be wary of currency risk and market-specific risk.

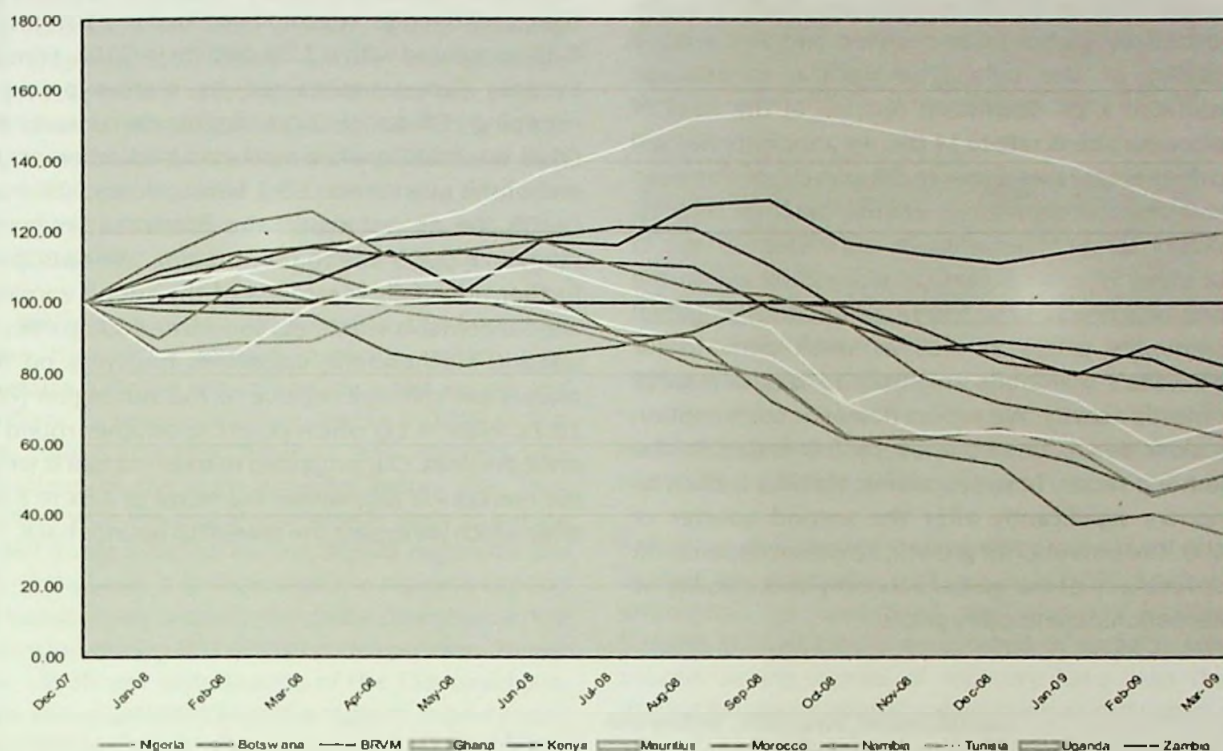
We expect a lacklustre performance from the markets in Botswana, Zambia, Nigeria, Malawi and Uganda. Botswana and Nigeria recently had the outlook of their economies downgraded by Fitch Ratings on account of deteriorating macroeconomic conditions. Uganda, in spite of its oil discovery is expected to experience short-term volatility which would not drive economic growth beyond the forecasted 6.5%. Plummeting demand for diamond will significantly slow down growth in Botswana. In view of the global financial crisis, ready access to forex in some African economies such as Botswana and Nigeria has been problematic; in Nigeria's case, it impeded the exit of foreign investors from the stock market. This caused the value of the local currencies of these countries to depreciate heavily. Cote

d'Ivoire, Mauritius, Morocco and Tunisia are expected to preserve foreign investor value in returns made in local currency terms due to the relative strength of their local currencies. Inability to access forex supply makes it difficult for profit takers to repatriate their gains in these markets.

Given the current macroeconomic climate, we believe that investors should focus on nonfinancial sectors such as telecommunications (with companies such as Maroc Telecom, Celtel Zambia, Safaricom and Sonatel); Brewery and Bottling (with companies such as Namibia Breweries, Nigerian Breweries, Guinness Nigeria and East African Breweries) and fast moving consumer goods (such as Unilever (Ghana and Nigeria), Nestle Nigeria, GlaxoSmithKline and UAC of Nigeria). African telecom firms have high cash generating power and very low credit risk (mainly because more than 95% of their client base is on a pre-paid plan) while brewery and consumer products possess immense brand appeal in an era of rising affluence of the region's growing middle class. Although we acknowledge that bargains exist in some financial stocks across the continent (such as Nigeria, Ghana and Mauritius) investor confidence in the sector is shaky following the global crisis and rumours surrounding the exposure to margin-lending of some Nigerian banks. Fears of a possible second (and perhaps a third) round effect of the financial crisis due to weak bank asset structure has deterred many investors from patronizing financial stocks.

Performance of African Financial Markets

(Rebased. Base Date: 31st December 2007)



Botswana

Economic and Political Overview and Outlook

President Ian Khama has won many pundits with his brand of conservative, society based leadership. Among the very early achievements of his presidency has been a shakeup of the public service and the media; promoting crop production through having tractors plough for citizens at the expense of the state and setting up a robust security and intelligence network. We believe that the ruling party will be re-elected into power general elections are to take place in October despite some high ranking party members' displeasure at the incumbent's broad sweeping policies and also because they still view him as an outsider brought in by former President Festus Mogae. Botswana will remain a hallmark of political and economic stability on the African continent.

GDP would contract by an average of 1.4% in 2009

Key Macro Indicators: Botswana

Indicators	2007	2008	2009F
Real GDP Growth	5.7	5.3	4.6
CPI (avg, %)	7.1	12.6	11.9
Current A/C Bal. (%)	15.9	9.3	7.6

Key Macro Indicators: Africa

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

Current A/C Bal. is as a % of GDP)

Source: IMF's WEO, Oct 2008

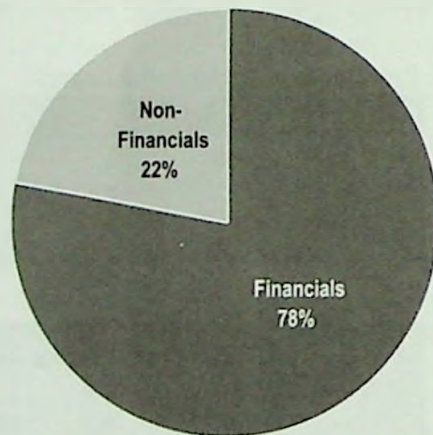
on diamond price declines and weak export demand. Diamond revenue constitutes two-third of the countries revenue, and a significant downturn could worsen both fiscal and current account deficits. S&P downgraded the country's outlook to negative on

concerns of an expected 15% decline in diamond prices in 2009 and a 35% dip in its production. Average consumer prices fell from a peak of 15.1% in August 2008 to 11.7% in February 2009; this was induced by global price declines and the relative stability of the pula. The decline in inflation facilitated a 1% downward revision of the Bank of Botswana's bank rate to 14.0%; we anticipate this will push interest rates down in Q2 and Q3 of this year. However, we expect the central bank to miss its inflation target of between 3% and 6% for the year. In our view, inflation is likely to close 2009 within the band of 8% and 12%. Increased volatility in global commodity prices as well as weak demand for Botswana's diamonds are likely to facilitate weak domestic activity. We expect domestic consumption to slow down, underpinned by job losses in the diamond sector. Macroeconomic stability is likely to improve significantly after the second quarter of 2009. The potential for growth, however, depends on the recovery of the global economy and stability of international commodity prices.

Stock Market Overview and Outlook

Botswana's Domestic Composite Index (DCI) mirrored the performance of the economy following the global financial crisis and declined in Q109, losing 8.3% compared with a 3.5% decline in Q108. Funeral Services Group maintained its market prowess, returning ~9% to investors. Aggregate turnover for Q109 was ~\$41m while market capitalization at the end of the quarter was \$3.1 billion, down 10% from Dec08. We do not expect the Botswana bourse to recover in Q209 due to profit-taking. We anticipate further price falls regardless of the sound earnings announcements we expect some listed companies to release. Furthermore, valuations multiples on the market are still high relative to the sub region [P/E: 10.7x, P/BV: 4.1x] which points to another round of price declines. Our projected market bottom is when the market P/E falls within the range of 7.5x to 8.5x, after which we expect the market to bounce back.

Capitalisation Structure: Botswana



Key Market Statistics: Botswana

Indicator	
Capitalisation (\$, bn)	3.1
P/E (x)	10.7
Year-to-Date (\$, %)	-10.4

Source: African Stock Markets, Databank Databases

Côte d'Ivoire

Economic and Political Overview and Outlook

The UN has been pushing a 5-stage election timetable for Cote d'Ivoire, which if swiftly implemented, could ensure the country's return to political stability. More than 4m people have already been identified as eligible voters by the country's Electoral Commission. It is important that the electoral process gets underway; further setbacks will jeopardize the peace process and erase the little gains made on the country's political front so far.

The BRVM economies are linked to the European Union through a unified currency regime that maintains a strong link to the euro. We expect the CFA franc to remain relatively stable in 2009 in line with stable domestic inflation and interest rate reductions in the euro zone to below 2%. This, together with the global recession is likely to induce further lower inflation for the BCEAO region for the rest of the year. It is likely that the region's exports will be especially prone to the global downturn as the currencies of non-BCEAO countries weaken. In our view, significant appreciation of the CFA could preempt a devaluation to keep the region's export sector competitive. But the benefits of sustained macroeconomic stability could push stock market return above the performance of other stock exchanges; especially, those within the West African region.

The region has benefited from sustained macroeconomic stability but with lower growth. With the recovery of the Ivorian economy from the political crisis, we expect average growth to improve significantly over the medium term. The Ivorian economy will benefit from a \$3bn external debt relief under the enhanced HIPC Initiative in 2009 and we expect this to increase social spending and propel growth.

Stock Market Overview and Outlook

The regional bourse witnessed continued market correction, with the benchmark composite index declining by 15% over Q109. A widely negative market breadth was recorded for the period. The distribution industry was the most resilient posting an average decline of 4% while the agricultural industry registered the worst performance averaging a decline of 31%. Market capitalization closed at \$5.6 billion, down 18% for the quarter. Improved liquidity

Key Macro Indicators: Cote d'Ivoire

Indicators	2007	2008	2009F
Real GDP Growth	1.6	2.9	4.7
CPI (avg, %)	1.9	5.6	5.7
Current A/C Bal. (%)	-0.7	3.8	-0.6

Key Macro Indicators: Africa

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

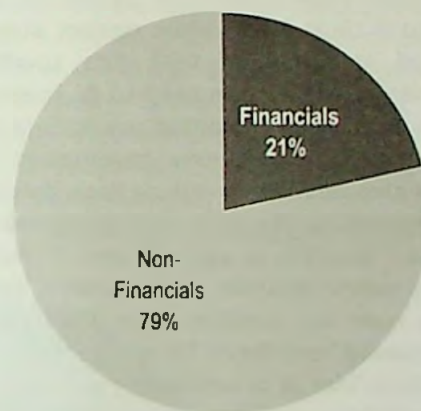
Current A/C Bal. is as a % of GDP)

Source: IMF's WEO, Oct 2008

was evident over the period with market turnover improving by 24% to \$37m.

Following the market's correction, we expect the market to gradually pick up in Q209. Equities anticipated to spearhead the recovery include Sonatel SA. Liquidity is anticipated to surge as late movers seeing signals of recovery jump into the market to take positions in attractively priced stocks.

Capitalisation Structure: BRVM



Key Market Statistics: Cote d'Ivoire

Indicator	
Capitalisation (\$, bn)	5.6
P/E (x)	12.0
Year-to-Date (\$, %)	-22.1

Source: African Stock Markets, Databank Databases

Ghana

Economic and Political Overview and Outlook

In his first 100 days in office, President John Evans Atta Mills reiterated the need for economic stability as well as an adherence to human rights and good governance. The priority areas remain a reduction in the budget deficit, exchange rate stability and inflation in the single digits. The transition from the erstwhile NPP government to the ruling NDC, though plagued with allegations has been smooth and provides useful lessons for subsequent transitions. The threat of an upheaval in the conflict situation in the North of the country still remains and a further worsening in the economic situation could see an upsurge in strikes, protests and dissents. We maintain a stable outlook on Ghana's political front for the next quarter.

Weak export earnings, high inflation and a decline in service sector growth pushed Ghana's GDP growth below the 7% target set by government to 6.2% in 2008. We expect output growth to further contract to 5.9% in 2009 on account of weaker exports and foreign direct investment. Elections in December, 2008 combined with the global food and energy price hikes led to a severe fiscal slippage in 2008. Fiscal deficit to GDP closed 2008 at 14.9% of GDP compared to 8.1% in 2007, while current account deficit stood at 18.0% of GDP. The country's sovereign rating was downgraded to B' (negative outlook) on account of mounting public debt and external vulnerability. The new government has indicated its preparedness to reduce fiscal deficit to 9.4% and improve on domestic food production to curtail import growth. In our opinion, if this is achieved, it would improve the country's rating significantly over the medium term. Consumer inflation increased from the 18.1% in December, 2008 to 20.5% in Mar09, driven mainly by the depreciation of the cedi and strong domestic consumer demand. Interest rates edged up during the quarter and were consistent with excessive government borrowing. This induced an increase in the Bank of Ghana's prime rate to 18.5% in Feb09. The cedi lost ground against all its three major trading partners during the first quarter of 2009. We expect the depreciation of the cedi to remain severe during the second quarter. This would be

Key Macro Indicators: Ghana

Indicators	2007	2008	2009F
Real GDP Growth	6.3	6.5	5.8
CPI (avg, %)	10.7	16.8	13.3
Current A/C Bal. (%)	-10.9	-13.1	-13.2

Key Macro Indicators: Africa

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

Current A/C Bal. is as a % of GDP)

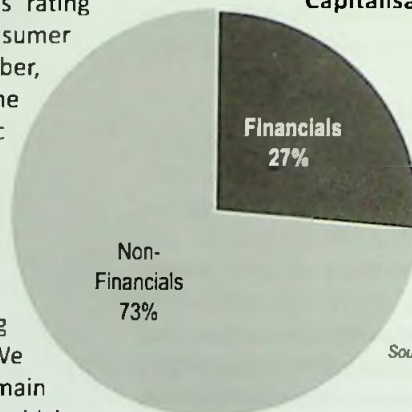
Source: IMF's WEO, Oct 2008

mainly facilitated by further deterioration in the country's external accounts and high import demand.

Stock Market Overview and Outlook

The Ghanaian market experienced intensifying correction in Q1, which along with the sharp decline of the cedi/USD yielded a 24% fall in the market index for the period. Market capitalization edged downwards by 14% to US\$12.6 million. Liquidity on the bourse improved in light of the profit taking by investors. Turnover for the market during Q1 2009 (\$4.44m) was exchanged in Q1 2009. Following the full automation of trading on the GSE, we anticipate teething problems which may initially slow down activity on the bourse. This is likely to stall price movements and market volume recorded. Earnings numbers posted by listed companies also indicate significant growth for most companies especially the banks and distribution companies. These strong fundamentals are likely to slow down the rate of profit taking.

Capitalisation Structure: Ghana



Key Market Statistics: Ghana

Indicator	
Capitalisation (\$, bn)	12.6
P/E (x)	26.0
Year-to-Date (\$, %)	-23.7

Source: African Stock Markets, Databank Databases

Kenya

Economic and Political Overview and Outlook

Corruption is rife in the public sector as the embattled unity government of President Mwai Kibaki and Prime Minister Raila Odinga still spar on who holds the most power. Cabinet Ministers on the side of Mr. Kibaki have criticized PM Odinga's outburst that he and his party are being excluded from some important decisions of the government. This comes after Mr. Odinga complained of his conditions of service and has resulted in some members of his cabinet tendering their resignations. If these indications are anything to go by then we should expect more in-fighting which could slow the progress of government's programme of business reforms and infrastructure development and also the completion of the draft on Kenya's new constitution.

The recovery of the Kenyan economy from the post election crisis has been snailpaced at best, due to poor political reforms and structural rigidities. In our view, the recovery will continue to delay due to internal conflicts within the unity government. In the wake of significant cuts expected in export revenue and foreign direct investment the country seeks to access a US\$100 million loan from the IMF to reduce pressures on its currency and reserves. This one-off approach, however, is not likely to sustain the external stability over the medium; and vulnerabilities could still persist. Average consumer inflation for Kenya increased to 25.1% in Feb09, cutting short the decline which hitherto had commenced in Nov08.

The continuing drought and food shortages, as well as, depreciation of the local currency against the dollar and the sterling are likely to push short-term inflation further upwards in the second quarter. The domestic currency shed 1% between Jan09 - Feb09 to Ks79.5. Short-term treasury yields moved south despite the hike in inflation during the quarter. The average yield on the 91-day and 182-day bills declined from 8.5% and 8.9% to 7.6% and 7.9% respectively. The decline in short-term yields is line with improvements in

Key Macro Indicators: Kenya

Indicators	2007	2008	2009F
Real GDP (%)	7.0	3.3	6.4
CPI (avg, %)	9.8	25.0	6.5
Current A/C Bal. (%)	-3.1	-6.1	-4.5

Key Macro Indicators: Africa

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

Current A/C Bal. is as a % of GDP)

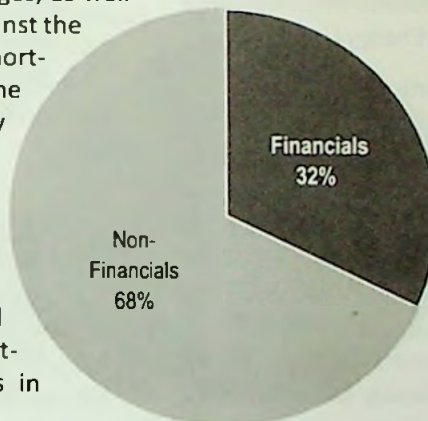
Source: IMF's WEO, Oct 2008

fiscal space. We anticipate the economy will remain fragile in 2009 as the global recession lingers on. We expect the economy to grow by 3.5% in 2009.

Stock Market Overview and Outlook

The NSE 20 closed the quarter down 20% to 2,805.03 points; market capitalization declined from \$10.17 billion to \$8.16 billion. The momentum of market activity as measured by liquidity variables on the Nairobi bourse declined sharply, with market turnover for Q109 (\$77.7m) comparing unfavourably to that of Q108 (\$260m). The low turnover could be explained by the lower market prices due to the earlier correction. Speculation continues to drive activity on the Kenyan bourse. While we anticipate a slow recovery driven by the organic growth in company fundamentals, the relative strength of the local currency should translate into higher returns for non-resident investors.

Capitalisation Structure: Kenya



Key Market Statistics: Kenya

Indicator	
Capitalisation (\$, bn)	6.3
P/E (x)	10.4
Year-to-Date (\$, %)	-19.9

Source: African Stock Markets, Databank Databases

Malawi

Economic and Political Overview and Outlook

This year's elections will be a keenly contested one between the three major political parties; the ruling DPP, MCP and the Alliance for Democracy. None of the parties is expected to obtain an outright majority paving the way for alliances. The elections (which are scheduled to take place on 19th May) are expected to provide a chance for a fresh page in Malawi's political and economic front as President wa Mutharika's troubled term in office draws to a close. The drawback, of course, is that the same alliances that resulted in a political stalemate in Parliament could repeat themselves after next two months elections.

Prices remained stable despite persistent volatility in the global commodity and financial markets. Inflation increased from 9.9% (Dec08) to 10.1% in Jan09, but decelerated to 9.7% a month later. We expect the disinflation process to continue in Q209, when the domestic harvest season typically commences. Interest rates are likely to remain stable in Q209 in line with the apex bank's decision to leave its policy rate unchanged at 15%. The kwacha also is likely to remain stable over the Q2 on account of a lower (crude oil) import bill. Malawi received a boost in Nov08 when it received US\$77.1 under the IMF's exogenous shock facility. This facility has aided in improving the country's reserve position.

The economy posted a robust growth of 9.7% in 2008 on the back of improved tobacco production, growth in the telecommunication sub-sector, as well as, domestic food production. We expect GDP growth to remain strong in 2009 on the back of an anticipated uranium production by Paladin Energy Limited.

Stock Market Overview and Outlook

The benchmark index lost ~18% in Q109 compared to an increase of ~4% in Q108. Although the market witnessed an increased number of transactions, liquidity as measured by the turnover velocity ratio declined by ~1%. Aggregate capitalization declined by 44% compared to its level in Q1 '08, with no advancers during the period under review. Press Corporation Ltd emerged the worst laggard during the period down by 41.46%. Newly listed Telekom

Key Macro Indicators: Malawi

Indicators	2007	2008	2009F
Real GDP Growth	7.9	7.1	7.8
CPI (avg, %)	7.9	8.2	7.9
Current A/C Bal. (%)	-2.1	-8.2	-5.4

Key Macro Indicators: Africa

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

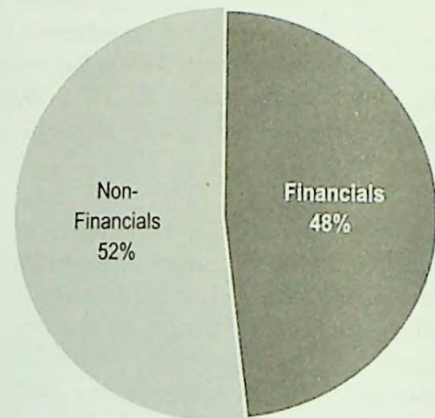
Current A/C Bal. is as a % of GDP)

Source: IMF's WEO, Oct 2008

Network Malawi was actively traded during Q1 accounting for ~90% of executed trades. This could be attributed to profit taking following a successful IPO in 2008 and a 65% price gain by Dec08.

We expect the declining trend to continue beyond Q209 given that the market is still relatively expensive. In sharp contrast, government treasury securities have charted a declining trend since Dec08. In spite of the declining yields on the money market, we expect to see a flight-to-safety as investors intensify profit-taking.

Capitalisation Structure: Malawi



Key Market Statistics: Malawi

Indicator	
Capitalisation (\$, bn)	1.4
P/E (x)	10.0
Year-to-Date (\$, %)	-16.8

Source: African Stock Markets, Databank Databases

Mauritius

Economic and Political Overview and Outlook

lections did not take place last year as Prime Minister Navin Ramgoolam managed to keep his coalition partners and opposition parties at bay. More expansionary and populist policies are expected this year from the government in preparation for the island-nation's general election, scheduled to take place in mid-2010. Opposition parties remain confident of toppling Ramgoolam's government as internal differences emerge in the ruling Alliance Sociale (AS) coalition.

The global financial crisis, which has induced recessionary concerns in a number of advanced countries, has impeded the growth of Mauritius' tourism and textile sector. A \$330m stimulus package announced in Dec08 help saved jobs as export demand and tourist arrivals weakened considerably. We expect GDP to contract to below 4.5% in 2009 from 5.1% in 2008. Average consumer prices dipped from 9.7% (Dec08) to 8.8% in Feb09. Inflation for Mauritius has been declining since Sept08 in line with declines in global commodity prices. We expect inflation to further decline to below 5% by the end of the second quarter unless crude oil prices increases above \$55pb. The economy grew by an estimated 5.3% in 2008 on account of weak export demand, low tourism receipts, and lower commodity prices. The continuing contraction of the global economy is likely to further stress the country's textile and tourism sectors which are vital in sustaining current growth levels. We expect the recent monetary easing by the central bank of Mauritius to help improve domestic consumption and facilitate domestic investment which is necessary to support economic growth in 2009. Nevertheless, GDP growth for 2009 will decline to below 4.5% if the global recession lingers on throughout the year.

Stock Market Overview and Outlook

With the exception of Automatic Systems which held the Leisure and Hotels sub-sector above the red, the remaining sectors represented on the Mauritian bourse recorded negative average returns. The transportation sector, represented by Air

Key Macro Indicators: Mauritius

Indicators	2007	2008	2009F
Real GDP Growth	4.2	6.6	6.2
CPI (avg, %)	9.1	8.8	8.6
Current A/C Bal. (%)	-8.0	-4.7	-6.6

Key Macro Indicators: Africa

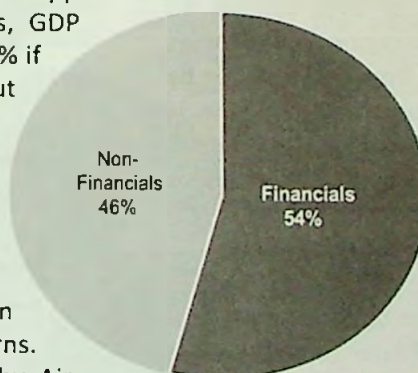
Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

Current A/C Bal. is as a % of GDP)

Source: IMF's WEO, Oct 2008

Mauritius, was the worst performing sector, down 18%. The SEMDEX declined by 9% in Q109 following declines in the prices of 28 listed equities on the official market. Market turnover for the period amounted to US\$34m; Mauritius Commercial Bank accounted for ~50% of aggregate value. The country has been particularly hit by the global economic crisis primarily because of its heavy dependence on tourism and textiles for revenue and employment. The weakened demand and deteriorating outlook for both industries following the global recession threatens to stall the growth of the Mauritian economy. We therefore expect to see below average financial performance of listed stocks especially in the hotel sector. This fact notwithstanding, strong fundamentals of some listed companies and increased demand for listed equities (following reductions in the repo rate), make blue chip stocks in the tourism and financial sectors more attractive. Investors are advised to position themselves in such stocks and wait for the market rally when the crisis blows over.

Capitalisation Structure: Mauritius



Key Market Statistics: Mauritius

Indicator	Value
Capitalisation (\$, bn)	2.9
P/E (x)	5.5
Year-to-Date (\$, %)	-11.1

Source: African Stock Markets, Databank Databases

Morocco

Economic and Political Overview and Outlook

King Mohammed VI is expected to stay in firm control of the country despite the threat of social upheavals and Islamic militancy. Criticism of the monarchy is still frowned on and most Moroccans do not care much about what the monarchy does. We expect a stable political environment in the second quarter.

The Moroccan economy is relatively stable, and we expect ongoing financial market reforms to help stimulate growth in the medium term, which will result in an average growth of 6.0% over the medium-term. Average consumer prices remain within the single digit range throughout 2008 and the first two months of 2009. Consumer inflation eased from 4.2% in Dec08 to 4.0% in Jan09 on account of food price declines, and further to 3.8% in Feb09.

We expect inflation to fall to below 3.0% by the end of the year in line with historical trends as global food prices further decline. The interest rate hikes during the second half of the year caused consumer demand to wane slightly, and we believe that anticipated interest rate declines will revert. We expect significant improvement in domestic investment in the second half of the year.

Stock Market Overview and Outlook

The bears continued to reign on the bourse during Q109, evidenced by the wide ratio of laggards to advancers. 20 advancers were recorded with the top five averaging capital gains of 27% against 54 laggards with the worst five averaging capital losses of 40%. The declines resulted from profit taking by investors following the bull run which ended in H 108. The MASI declined by 2% to 10,402.09 points, reflecting a year-to-date return of -5% in dollar terms. Liquidity for the quarter was US\$320m, while market capitalization ended the period at \$42bn.

We anticipate market correction to be achieved at a gradual pace in Q209. Beyond June 2009 however,

Key Macro Indicators: Morocco

Indicators	2007	2008	2009F
Real GDP Growth	2.7	6.5	5.5
CPI (avg, %)	2.0	3.9	3.5
Current A/C Bal. (%)	-0.1	0.4	-0.3

Key Macro Indicators: Africa

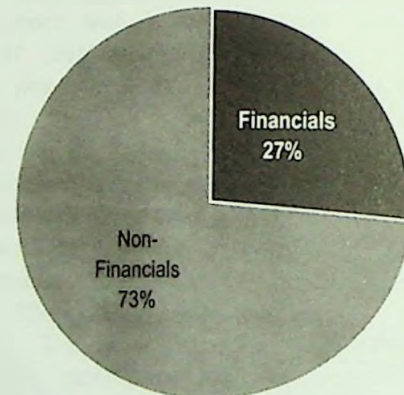
Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

Current A/C Bal. is as a % of GDP)

Source: IMF's WEO, Oct 2008

we expect to see the Casablanca bourse recover on the back of strong company fundamentals. Corporate results released for 2008 indicated significant growth and has implied an even more optimistic corporate outlook for 2009. We do not rule out the possibility of primary market activity within the quarter as the government is expected to divest part of its interest in the State Telecom Company. The telecom, mining and energy and fast moving consumer goods sectors are expected to spearhead the market recovery.

Capitalisation Structure: Morocco



Key Market Statistics: Morocco

Indicator	Value
Capitalisation (\$, bn)	40.9
P/E (x)	17.3
Year-to-Date (\$, %)	-10.5

Source: African Stock Markets, Databank Databases

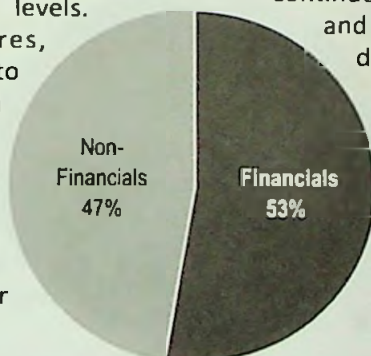
Namibia

Economic and Political Overview and Outlook

The South West Africa People's Organisation (SWAPO) is set to win this year's election, giving the party another term in office after 18 years in power (since the country's independence). President Pohamba may stand for re-election as SWAPO's candidate despite rumours to the contrary and in such an instance will retain power without much of a challenge from the opposition. Fears of politically motivated violence remain as members of SWAPO declare some territories no-go areas for the opposition. Generally, elections are however expected to be free and fair and devoid of widespread violence.

Gross domestic output growth is likely to decline to 1.1% in 2009 due to reduced mining activity resulting from weak global demand and floods that disrupted domestic crop production during Q1 of the year. GDP growth in 2008 is estimated at 2.4%. Namibia's major exports which include diamonds and copper have seen significant price declines since the global recession intensified in the H208. Inflation remained stable at an average rate of 12.0% during the first two months of 2009 in line with moderating domestic demand. This outturn indicated a marginal increase over the outturn of 11.5% for the last quarter of 2008. Despite this inflationary dynamic the central bank reduced its benchmark rate by 100 bps to 9.0% in Feb09 due to concerns over real sector contraction. The agricultural sector, including mineral exports remains weak in the wake of the global financial crisis. In our view, it is unlikely that the moderate growth in gold and uranium exports will offsets significant downturn in diamond, copper, horticulture, and cattle production. The reduction in the central bank's policy rate could improve domestic consumption and credit flows, which could help sustain current growth levels.

Rising inflationary pressures, however, could pose a threat to any potential reduction in banking sector transaction rates if the financial sector participants are overly cautious about their exposure to short-term inflation risk. In our view, this could render



Key Macro Indicators: Namibia

Indicators	2007	2008	2009F
Real GDP Growth	3.6	3.9	4.2
CPI (avg, %)	6.7	8.7	8.1
Current A/C Bal. (%)	18.2	14.0	12.4

Key Macro Indicators: Africa

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

Current A/C Bal. is as a % of GDP)

Source: IMF's WEO, Oct 2008

further adjustments in interest rates ineffective.

Stock Market Overview and Outlook

The Overall Index continued to decline in Q1 09, on account of the dismal performance of the JSE cross-listed stocks on the market. At the close of Q109, the index was down 14% compared to +1% in Q108. Consumer Good firm Oceana Group, was the lead advancer (24%), while the Trusco Group shed 80% of its stock value. Market capitalization at the end of the period was 52% lower from its Q108 level. The basic materials sub-sector sustained the worst performance, declining by 21% over the relevant period. Trades executed on the Namibian bourse generated \$230m in sales. Listed equities are expected to benefit from the stimulus package included in the country's 2009/10 Budget. With the government poised to increase consumption, and of interest, employee consumption and purchases of goods and services, plus a cut in personal income tax rate, the consumer goods sector will particularly benefit in this regard. The corporate tax rate is set to drop to 34%, which is a tax cut of 1%. This is likely to have a positive impact, especially, on domestic firms. Firms within the basic materials sub sector will continue to be challenged as demand for base metals and other commodities such as platinum and diamond remain weak.

Capitalisation Structure: Namibia

Key Market Statistics: Namibia

Indicator	
Capitalisation (\$, bn)	75.6
P/E (x)	6.2
Year-to-Date (\$, %)	-15.0

Source: African Stock Markets, Databank Databases

Nigeria

Economic and Political Overview and Outlook

President Yar'Adua's health remains a divisive issue with critics contending that he is not fit to govern. This is on a backdrop of a severe global economic downturn and a lack of significant activity by government to deal with increasing lawlessness in the oil-rich Niger Delta. A coalition of 20 opposition parties have been formed, determined to wrest political power from Yar'Adua's Government in the 2011 elections. The fortunes of this new party, we believe, rest on President Yar'Adua's ability to fulfil his promised reforms and also guide the country through the on-going global recession. Nigeria remains a stable country and we expect this to continue into the next quarter.

Average consumer prices remain high for Nigeria on the back of a perceived fragile financial sector along with a sharp depreciation of the naira against major world trading currencies. Inflation closed Feb09 at 14.6% from 14.0% (Jan09) and is likely to further increase in subsequent quarters. We peg average inflation for Q209 within the range of 15.0% and 18.0%. Margin lending to stock market investors, as well as, significant direct exposure of the banking sector to the Nigeria equity market has necessitated a balance sheet write-down for most Nigerian banks. Though the central bank indicated that it will not allow any commercial bank to fail, we think the stress on public finance will not encourage any direct equity placement by the central bank. In our view, further losses in the Nigerian stock market beyond the second quarter could induce further consolidation of Nigerian banks. The naira depreciated heavily against major world currencies thereby impeding the exodus of foreign investors. Crude oil prices averaged under US\$50 pb over the period. The Nigerian economy will remain fragile in 2009 as the global recession continues and crude oil prices remain below the budgetary target of US\$45 per barrel. Critical to sustaining growth above the 6.5% threshold is for public spending to lean towards growth-oriented spending in the non-oil sector. The government outlined an expenditure of NGN 2.87 trillion which is marginally above the 2008 outlay in the wake of crude oil price decline. In our view, this would significantly worsen fiscal deficit

Key Macro Indicators: Nigeria

Indicators	2007	2008	2009F
Real GDP Growth	5.9	6.2	8.1
CPI (avg, %)	5.5	11.0	11.1
Current A/C Bal. (%)	2.1	6.2	0.6

Key Macro Indicators: Africa

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

Current A/C Bal. is as a % of GDP)

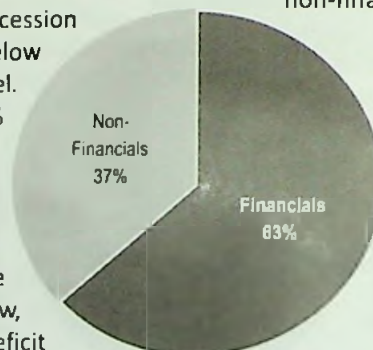
Source: IMF's WEO, Oct 2008

above the 3% stipulated in the fiscal responsibility law.

Stock Market Overview and Outlook

The benchmark All-Share Index closed Q109 just under the 20,000-point threshold, representing a decline of 37%; capitalisation for the entire market was down 18% for the quarter to \$5.6bn. Market liquidity recorded for the period improved from \$714m to US\$7bn, as foreign investors pulled out following the global financial crisis. Activity in the banking sector (which was the most active sector) was driven by the bargain valuations of some of its stocks (First Bank, Zenith, Diamond, UBA and GTBank), evidenced by the single digit earnings multiples. The insurance sector (mainly AIICO and Intercontinental WAPIC) also sustained significant investor interest, accounting for 10% of market turnover. For Q209, we expect liquidity to be driven by local demand; foreign investor participation is likely to wane on account of the global financial crisis. Federal intervention on the FX market aside, we believe that there are a lot of bargains in the Nigerian non-financial sectors.

Capitalisation Structure: Nigeria



Key Market Statistics: Nigeria

Indicator	Value
Capitalisation (\$, bn)	26.9
P/E (x)	-
Year-to-Date (\$, %)	-40.3

Source: African Stock Markets, Dalabank Databases

Tunisia

Economic and Political Overview and Outlook

President Zine el Abidine Ben Ali is expected to retain power in the general elections, which is to be held later this year; his government has been in power since 1987, and there are no credible clear-cut alternatives. Economic challenges are expected to continue to cause some social unrest though the government is expected to maintain stability.

The external sector receipts for the first two months of 2009 remain weak on the back of low commodity prices and a fall in tourist arrivals. The country also registered mild declines on its imports relative to exports which cushioned it against external developments over the period. We expect this to ease the expected pressure on the balance of payments position of the country.

Inflation fell during the first two months of the year to 3.5% in Jan09 and 3.1% a month later. We expect the declining price trend to persist in Q209. Interest rates in Q1 fell in line with inflation rate declines during the period. As the central bank marked down its policy rate in response to lower inflationary pressures, yields on money market instruments dipped to an average level of 4.5%; we expect this trend to persist in Q209.

Balance of payments pressures resulted in the local currency shedding some 9% of its value to the dollar over the period. We expect this to continue in Q209, but at a much slower rate. In our view, the year-to-date depreciation of the local currency against the US dollar could marginally exceed 15.0% by the end of Q2'09.

Stock Market Overview and Outlook

Tunisia was one of the star performers in our universe of markets covered. In line with our expectations, after undergoing full correction in 2008, the market initiated recovery with a widely positive market breadth. Investors returned to bid prices up in an effort to acquire stakes in relatively low priced and well performing stocks. Palm Beach Hotels (a Hotel and Leisure outfit) remained stable in price during the period.

Key Macro Indicators: Tunisia

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.5	5.0
CPI (avg, %)	3.1	5.1	4.5
Current A/C Bal. (%)	-2.6	-3.4	-3.5

Key Macro Indicators: Africa

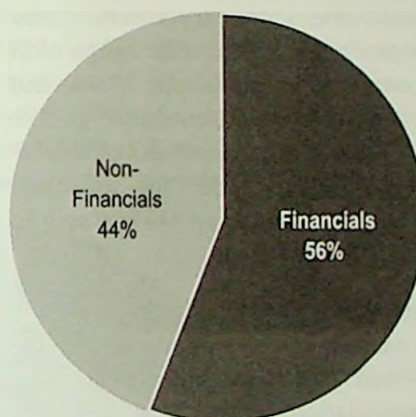
Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

Current A/C Bal. is as a % of GDP

Source: IMF's WEO, Oct 2008

The net effect of the price movements on the TUNN INDEX was a 7% rise from the year open level to ~3,093 points. YTD change in dollar terms was 7% owing to the stability of the local currency. Market capitalization closed Q109 at approximately \$5 billion. An aggregate turnover of US\$170 million was recorded for Q109. For Q209, we expect Tunisia's recovery to intensify. This will be underscored by strong corporate fundamentals of listed companies as well as anticipated economic growth driven by defensive sectors such as utilities and energy.

Capitalisation Structure: Tunisia



Key Market Statistics: Tunisia

Indicator	Value
Capitalisation (\$, bn)	4.8
P/E (x)	19.4
Year-to-Date (\$, %)	0.8

Source: African Stock Markets, Databank Databases

Uganda

Economic and Political Overview and Outlook

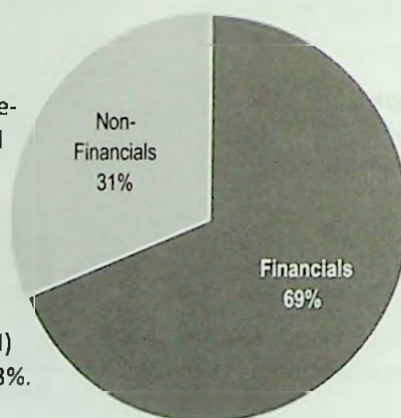
President Yoweri Museveni continues to hold off some party members who were determined to replace him in the upcoming elections. He is currently serving a 5-year term. The country is facing a number of challenges as it suffers from a drop in remittances which is a major catalyst for its economy. The Lord Resistance Army [LRA] also continues to play a role in the political situation of Uganda and has so far resisted attempts to complete a peace deal. We expect President Museveni to act to nullify the threat of the LRA while addressing domestic concerns and an increase in unemployment.

Average inflation for Q109 dipped marginally to 14.4% (Q408: 14.5%); the higher inflation levels were on the back of domestic food price hikes and exchange rate depreciation. The Bank of Uganda remained active in the forex market during the period, which raised concern over the possible overvaluation of the local currency. In our view, continuing intervention cannot be sustained over an 18-month period taking into account the severity of the global financial crisis and the extent of exposure of the Ugandan economy.

Interest rate on the secondary treasury markets declined marginally to the bid offer range of 16.4% and 15.2% compared to 16.5% and 15.2%. But the primary market was characterized by high interest rates bids that led to the unsuccessful offer of a new 2-year bond. We expect both the inflation and interest rate outlook to remain fairly stable in the second quarter.

Stock Market Overview and Outlook

The Uganda market witnessed a free-fall in all listed stocks with local currency depreciation aggravating the year-to-date change in dollar terms. The market declines were largely due to profit taking and to reduced investor confidence in the economy. The benchmark index (ALSI) closed Q109 at ~652 points, down 16.3%.



Key Macro Indicators: Uganda

Indicators	2007	2008	2009F
Real GDP Growth	7.9	9.8	8.1
CPI (avg, %)	6.8	7.3	7.8
Current A/C Bal. (%)	-2.8	-3.4	-5.8

Key Macro Indicators: Africa

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

Current A/C Bal. is as a % of GDP)

Source: IMF's WEO, Oct 2008

Capitalization for the entire market closed the period at \$2.4bn; Aggregate turnover was US\$1.6 million.

We expect the bears to prevail in Uganda. This will be especially true considering the anticipated slowdown in GOP growth (2009E is 6.3% compared with the average rates of ~9%). The economic pressure Uganda is experiencing is highlighted by reduced demand for their exports and the sharp depreciation of its local currency relative to the dollar. As Africa's major coffee producer, commodity price shocks resulting from the collapse of crude oil prices on the global markets has negative ramifications for the Ugandan economy. This is because commodity hedging arising from volatile and escalating crude oil price has been curtailed. Coupled with frequent political skirmishes in the economy, we do not anticipate recovery on the USE during Q209.

Capitalisation Structure: Uganda .

Key Market Statistics: Uganda

Indicator	
Capitalisation (\$, bn)	1.8
P/E (x)	10.6
Year-to-Date (\$, %)	-21.1

Source: African Stock Markets, Databank Databases

Zambia

Economic and Political Overview and Outlook

President Rupiah Banda will be dealing with unity issues in his own party as opposition parties continue to dispute his victory in last year's Presidential elections. President Banda is coming after the late President Mwanawasa who introduced a number of reforms in the private sector and despite his nickname as 'The Cabbage', practiced good governance. He showed a commitment to the betterment of the living standards of ordinary Zambians. Mr. Banda therefore has the tall order of surpassing the achievements of Mr. Mwanawasa especially if he will like to put to rest the questions of a disputed election.

Q109 inflation fell from 16.0% in Jan09 to 14.0% Feb09, and ended the period at 13.1%; this was attributed mainly to reductions in the prices of food products. We expect this dynamics to continue in Q209. We expect inflation to bottom-out at an average of 12.0% in 2009, on the back of a relatively weak domestic currency, anticipated domestic grain shortages, as well as, interruptions in domestic power supply which will necessitate more expensive alternatives sources of power. The closure of mines could free some power for domestic use, but the government indicated their intention of exporting more electricity. This would help in generating external revenue, but it could hurt domestic production as well. Monetary policy remains focused on price level stability with a short-term target of 10%. In our view, concerns over output growth could stress monetary policy throughout the year. The Zambian economy grew by 5.8% in 2008, but we expect it to grow much lower in 2009. The economy heavily depends on copper exports, and as copper prices have collapsed in lieu of the global recession, we will expect growth to fall to below 3.5% in 2009. The government intends increasing its stake in foreign-owned mining firms to 35% to avoid their closure, but this is not likely to be effective in the wake of weak global demand.

Stock Market Overview and Outlook

Q109 closed with returns of all sub sectors

Key Macro Indicators: Zambia

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.8	6.4
CPI (avg, %)	10.7	11.8	8.6
Current A/C Bal. (%)	-7.5	-9.5	-6.6

Key Macro Indicators: Africa

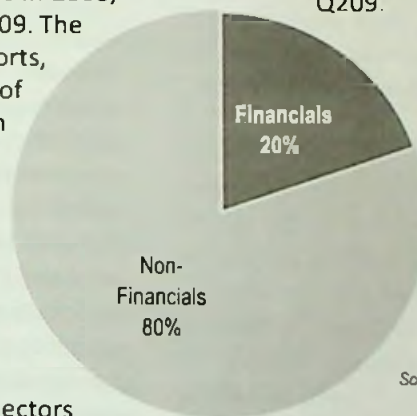
Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

Current A/C Bal. is as a % of GDP)

Source: IMF's WEO, Oct 2008

represented on the Lusaka Stock Exchange, except Telecoms, in the red; the worst performing being Oil Marketing. In line with our expectations, the LuSE All Share Index continued to decline, losing ~14% which compares unfavourably to the ~26% rise (Q108). Year-to-date, market capitalization has dropped by 11% to \$1.37bn. Celtel Zambia, advanced by 8% while Lafarge Cement declined by 26%. Owing to the fact that demand for base metals are expected to remain weak, copper prices will remain relatively flat which will translate to further weakness of the kwacha which depreciated by 11% in Q1 09. Thus, the dollar performance of the index in Q209 will be dismal. Although the market index has fallen considerably since year open, the market valuation multiples remain expensive, consequently, we believe there is room for further correction. We therefore do not expect a reversal of the current downward trend in Q209. Celtel Zambia, the most capitalized stock and the dominant telecom firm in the country is expected to remain within investors' sight of good value stocks in Q209.

Capitalisation Structure: Zambia.



Key Market Statistics: Zambia

Indicator	
Capitalisation (\$, bn)	1.4
P/E (x)	12.1
Year-to-Date (\$, %)	-23.6

Source: African Stock Markets, Databank Databases

Databank's Equity Picks

About this Section

This section aims to provide commentaries on what we believe are the key companies/industries to keep an eye on in sub-Saharan Africa. They are not substitutes for commentary or forecasts that explicitly iterate stock recommendation. Instead, it should serve as a guide to investors looking to gain some exposure to the frontier markets across the continent. We believe the companies are well managed, have sound fundamentals, and possess good prospects for strong growth in the short to medium term. Given the current global macro backdrop, these stocks have sold off heavily (bottom-ing out), and are currently trading at very attractive multiples. Therefore investors that take positions in such companies stand to realise significant gains when the global economic and financial crisis subsides.

Summary

Our equity picks for this quarterly report centres primarily on telecom and brewery companies in the region.

Sub-Saharan Africa is arguably the last frontier for global telecom firms that seek exposure to emerging markets to introduce their services and grow their revenues substantially. Low cost handsets, lower top-up denominations, low mobile penetration rates along with declining average revenues per user (ARPU) trends point to the increasing use of cellular technology by the rural masses. The advent internet and money transfer applications is certain to boost data revenues significantly, as large proportions of African countries remain unbanked. Our telecom picks include **Safaricom**, **Celtel Zambia** and **Sonatel**.

Individuals naturally gravitate towards branded goods with improved standards of living (evidenced by the increasing disposable income of the middle class). Products of brewery and bottling companies in SSA, (which are usually owned and managed by globally recognized firms such as Diageo, SABMiller, Heineken, fall within this category. Patrons of brewery brands are fiercely loyal, thereby sustaining

demand for the company's products. Relative to the market, brewery stocks are defensive and fairly liquid. Our brewery picks include **East African Breweries**, **Nigerian Breweries** and **Namibia Breweries**.

Safaricom Limited

Sector Classification: Media and

Telecommunications Location :

Nairobi, Kenya Bloomberg/Reuters Tickers:

SAFCOM KN/SCOM1.NR Exchange Traded:

Nairobi Stock

Exchange

Safaricom was created in 2000 as a parastatal joint venture between Vodafone (which retains a 40% equity stake) and the Government of Kenya (whose stake reduced to 35% when the company went public in June 2008). It is currently Kenya's leading mobile operator with the broadest network coverage. The company faces competition from three operators in Kenya: Celtel Kenya, Telecom Kenya and Econet Wireless. Celtel Kenya has the second largest subscriber base in the country (2.5 million users), followed by France Telecom-managed Telecom Kenya, whose mobile phone service operates under the Orange brand name. A 49% stake in Econet was recently acquired by the Indian operator Essar Communications for \$350 million; it rolled out its service in November 2008. Safaricom has over 1400 base stations covering 23% of the land area and 78% of the population. The company has a distribution network of 100,000 outlets where top-up cards can be bought; 99% of its revenues come from pre-paying customers. To attract low income rural customers, Safaricom introduced a new low

Price (as at 31st March 2009)
Ks3.0

Price Range (52 Weeks)
K 3.0 - 8.0

Shares Outstanding
40bn

Capitalisation (LC)
Ks120bn

Capitalisation (US\$)
US\$1.5bn

Freefloat
25%

Daily Turnover
-US\$160,000

Exchange Rate (Effective)
Ks/US\$: 80.27

denomination card of KSh 20 (\$0.30). The company has a long term supply contract with the Chinese producer ZTE for units which retail at \$20. Also worth noting is the company's money transfer service - MPESA - which facilitates the transfer of money and payment of utilities and appeals to the unbanked population. As at September 30, 2008, the company's market share stood at 81% (12 million subscribers).

Celtel Zambia Plc

Sector Classification: Media and Telecommunications Location: Lusaka, Zambia Bloomberg/Reuters Tickers: CELTEL ZL/CELZ.LZ Exchange Traded: Lusaka Stock Exchange

Celtel Zambia was incorporated in April 1997 as ZAMSI Limited; it is a subsidiary of Celtel International BV (which was subsequently acquired by Kuwaiti-listed Zain). The company's core business centres on the provision of cellular radio telecommunications in Zambia. It is the dominant telecommunications outfit in the country with a subscriber base of 2.7 million people, which translates to a 73% share of the market (as at December 2008). There are three other competitors: MTN Zambia (formerly Telecel Zambia) which is owned by the South African telecom giant (MTN) and the state-owned firm - Cell Z. The third operator is yet to commence operations. MTN Zambia is Celtel's fiercest rival and has been gaining ground recently through aggressive pricing and by introducing cheap, dual chip handsets; Cell Z service targets the low-end, price sensitive segment of the market. Mobile telephony in the country is extremely cash generative, owing mainly to the fact that 99.5% of

Price (as at 31st March 2009)	K320
Price Range (52 Weeks)	K 270 - 850
Shares Outstanding	5.2bn
Capitalisation (LC)	K1.66tn
Capitalisation (US\$)	US\$297.7m
Freefloat	20%
Daily Turnover	-US\$390,000
Exchange Rate (Effective)	K/US\$: 5,589.05

the customers are on pre-paid plans, so the exposure of the industry to credit risk is negligible. Celtel Zambia conducts its business transactions with distributors and dealers on a cash basis. The company has over 10,000 retailers and dealers (across the country's nine (9) provinces) distributing its products (SIM cards and airtime recharge cards, etc.) and services (voice telephony, SMS, MMS, GPRS/EDGE, Blackberry, etc). It has also introduced e-vouchers, and direct top ups to cater for lower denomination top-ups; customers can purchase air-time for as little as \$0.26 (K 1,000).

Sonatel SA

Sector Classification: Media and Telecommunications Location: Dakar, Senegal Bloomberg/Reuters Tickers: SNTS BC/SNTS. CI Exchange Traded: Botswana Stock Exchange

Sonatel was created in 1985 through the merger of the Senegalese's Post & Telecommunications Office and TéléSénégal. The company was privatised in 1997, paving way for France Telecom to acquire a 42.33% equity stake; the Senegalese government retains 28% and employees own a further 10%, leaving a free float of some 20%. It provides fixed-line and GSM-based mobile telephony (re-branded Orange in November 2006), internet services, television and corporate communications in Senegal. Sonatel is also the largest mobile phone service provider in Mali and in 2007 acquired licenses to operate in Guinea and Guinea-Bissau. Following the liberalisation of the Senegalese telecom market in 2004, the company faced competition in the mobile telephony segment - Millicom - which operates under

Price (as at 31st March 2009)	CFA119,200
Price Range (52 Weeks)	CFA 99,500 - 190,000
Shares Outstanding	10m
Capitalisation (LC)	CFA1.19tn
Capitalisation (US\$)	US\$2.3bn
Freefloat	20%
Daily Turnover	-US\$800,000
Exchange Rate (Effective)	CFA/US\$: 507.570

the TiGo brand name which has since chalked 25% share of the market. In 2008, the Senegalese government awarded another license to Sudatel. Sonatel is the only fixed line provider in Senegal. Mali's market was opened to competition in 2003; Sonatel's subsidiary in Mali - Ikatel Mali - is the dominant player, with a subscriber base of 1.6 million, which translates to a market share of 84%. The company's sole competitor in Mali - Malitel - is a subsidiary of SOTELMA, is the former state-owned firm, now controlled by Maroc Telecom. Mobile telephony contributes 60% to the company's revenues; also worth mentioning is the fact that 70% of the company's revenues are generated in Senegal. Almost all mobile subscribers (98.6%) are prepaid subscribers. The company is also active in the Mauritanian and Sudanese markets.

Namibia Breweries Limited

Sector Classification: Breweries and Bottlers

Location: Windhoek, Namibia

Bloomberg/Reuters Tickers: NBS NW/NBS.NM

Exchange Traded: Namibian Stock Exchange

Namibia Breweries manufactures and distributes beer (brewed according to the German purity law (Reinheitsgebot) of 1516 such as Windhoek Lager), carbonated soft drinks (CSDs) (Pepsi Cola products) and Stortebeker Schnapps. Since it commenced operations in 1920, it has been the dominant brewery in Namibia with a production capacity of about 2 million hectolitres and an estimated market share of 75%. The company derives about 60% of its revenues from exports to over 20 countries including South Africa, its key export market. NBL Investment Holdings (NBLIH) has a 50.1% stake in Namibia Breweries, of which the

Price (as at 31st March 2009)
N\$5.90

Price Range (52 Weeks)
N\$ 5.02 - 5.90

Shares Outstanding
-206.53m

Capitalisation (LC)
N\$1.22bn

Capitalisation (US\$)
US\$123.68m

Freefloat
48%

Daily Turnover
-US\$13,000

Exchange Rate (Effective)
N\$/US\$: 9.8524

Ohlthaver & List (O&L) Group (a Namibian mini-conglomerate) hold a 56% shareholding. The remaining 44% in NBLIH is held by Heineken and Diageo, which entitles the duo to a 28.9% equity stake in the company. In 2004, the three companies formed a JV company in South Africa - *brandhouse* - which markets, sells and distributes their products; each company owns 33% of the venture. SABMiller is the company's main competitor within Namibia. At the company's inception, it had four breweries: the Klein and Felsenkeller breweries in Windhoek, a brewery in Omaruru and the Hansa brewery in Swakopmund; since September 2005 the company has closed the latter, as part of a cost reduction programme.

East African Breweries Limited

Sector Classification: Breweries and Bottlers Location: Nairobi, Kenya Bloomberg/Reuters Tickers: KNBL KN/EABL.NR Exchange Traded: Nairobi Stock Exchange

East African Breweries has been in existence since 1922; it is owned and controlled by the Diageo Plc (~50%) and is East Africa's leading brewery business. The company manufactures and distributes a portfolio of regional and global brands in Kenya (its largest market, which has 16 key distributors), Uganda and Tanzania (through an associate investment). The company's ordinary shares trade on the bourses in those three East African countries. The company's subsidiaries include:

Kenya Breweries (80%), Uganda Breweries Ltd (98%), Tanzania's Breweries (20%), International Distillers

Price (as at 31st March 2009)
Ks115

Price Range (52 Weeks)
Ks 93.50 - 220

Shares Outstanding
-790.77m

Capitalisation (LC)
Ks90.94bn

Capitalisation (US\$)
US\$1.13bn

Freefloat
35%

Daily Turnover (3 Month)
-US\$300,000

Exchange Rate (Effective)
Ks/US\$: 80.27

Uganda, Central Glass Industries (100%), East Africa Malting (100%) and United Distillers & Vintners Kenya (100%). The company's portfolio of brands consists of a large variety of beers and stouts (e.g. Tusker, Guinness FES) and spirits (such as Johnny Walker and Smirnoff). Malta Guinness and Alvaro are the firm's leading non-alcoholic beverages. Kenya still represents the bulk of the business, accounting for almost 75% of net sales and 80% of pre-tax profit; the implementation of tax increases on barley beers and an increase in the excise tax levied on spirits has adversely affected the growth prospects of its Kenyan operations. Key to reducing the dependence on the Kenyan market lies in increasing its export revenues; the Tanzanian market has shown some promise in that respect over the last three years.

Nigerian Breweries Plc

Sector Classification:

Breweries and Bottlers Location :

Lagos, Nigeria Bloomberg/Reuters Tickers:

NBNL/NIBR.LG Exchange Traded:

Nigerian Stock Exchange

Nigerian Breweries Plc was incorporated in 1946 as a joint venture with Unilever to produce and market lagers, stouts and non-alcoholic beverages in Nigeria. Heineken BV acquired Unilever's 54% stake nine years ago, and holds a number of management positions including CEO and Finance Director. It currently has the leading market share in the lager and malt segments, offering products such as Gulder (dark beer), Star (lager), Legend (stout), and Maltina. Over the last three years, the company has directed its efforts towards product innovation with help from its parent company first by commencing production of Heineken in Nigeria, and subsequently by launching Fayrouz (a malt-based fruit drink), and Gulder Max (a variant of the existing

beer). The company has five breweries around the country; the largest of these was completed in 2007 at a cost of \$250m. Later that year, the company also commissioned a canning line at its Lagos brewery, and launched Heineken, Star and Amstel Malta in can packages, which retail at a 30%-40% premium to its bottled counterparts. Nigerian Breweries plans to establish a new bottling line at its Aba brewery, as well as structural extensions of its Lagos and Kaduna plants. Sales volumes have since gone up by ~25% (y/y) and the company is currently investing massively in operations expansion, especially in terms of capacity and backward integration.

Price (as at 31st March 2009)
N35.75

Price Range (52 Weeks)
N 27.25 - 54.50

Shares Outstanding
-7,562.56m

Capitalisation (LC)
N270.36bn

Capitalisation (US\$)
US\$1.86bn

Freefloat
54%

Daily Turnover (3 Month Avg.)
-US\$525,000

Exchange Rate (Effective)
N/US\$: 145.70

Performance of African Stock Markets in Q109

COUNTRY	Stock Market		Change (%)		P/E (x)	Market Capitalization (US\$'bn)	Latest Inflation (%)
	Index Name	Index Level	Year-to-Q1'09 (LC)	Year-to-Q1'09 (USD)			
Tunisia	TUNINDEX	3,113.0	7.63%	0.79%	19.36	4.79	3.1
Tanzania	DSEI	1,231.0	-0.72%	-2.98%	na	3.69	13.3
South Africa	JSE All Share	20,363.9	-5.32%	-7.81%	na	na	8.6
Egypt	EGX 30	4,193.9	-8.76%	-9.86%	5.22	43.74	13.5
Botswana	DCI	6,451.3	-8.30%	-10.43%	10.68	3.13	11.7
Morocco	MASI	10,402.1	-5.30%	-10.46%	17.27	40.85	3.8
Mauritius	SEMDEX	1,072.0	-9.36%	-11.08%	5.49	2.86	7.0
Namibia	Overall	478.8	-13.92%	-15.04%	6.18	75.56	11.6
Malawi	Domestic	3,954.0	-17.88%	-16.78%	10.03	1.43	9.7
Kenya	NSE 20	2,805.0	-20.34%	-19.93%	10.44	6.25	25.1
Uganda	ALSI	652.3	-16.30%	-21.13%	10.63	1.79	14.1
Cote d'Ivoire	BRVM Comp	149.1	-16.33%	-22.05%	11.99	5.55	na
Zambia	All Share	2,182.5	-14.04%	-23.57%	12.09	1.37	13.1
Ghana	DSI	10,252.2	-13.89%	-23.73%	26.03	12.59	20.3
Nigeria	All Share	19,825.1	-36.96%	-40.33%	na	26.86	14.6

NB: Namibia's market capitalization includes JSE cross listed stocks

Source: Websites of African Stock Markets, Oanda.com, National Statistical Websites and Databank Databases

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