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The Ghana Small Business Development Project

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The Honors Program at the University of North Florida has established a bi-annual study abroad trip to Ghana, West Africa. The trip offers students the opportunity to gain an integrated perspective of the world outside the United States and other Western cultures. As a part of the May 2003 trip, several development projects were undertaken in cities throughout Ghana. The aim of the projects was both to contribute to the participating communities and to offer UNF students an opportunity in which they could apply the knowledge and skills learned in the classroom to real life experiences. In addition to community health and civil society projects, one student created and implemented the Ghana Small Business Development Project, a one-day workshop which focused on empowering two groups of women to become entrepreneurs.

This paper is a brief review of the project's specifications, after a discussion of the changing nature of development policy and practice over the last half of the twentieth century. The Ghana Small Business Development Project was designed to utilize a new perspective of development, often called bottom-up or participatory development, which has emerged in the aftermath of the failure of many development projects implemented during the in the second half of the twentieth century. The business development project aimed at using modern development theories to surmount past developmental shortcomings, thereby generating a means of income, creating employment, and raising the overall standard of living for a group of Ghanaian women.

What is Development?

Development is a field extending in many directions, yet its aim is to eradicate a single humanitarian dilemma: absolute poverty. In defining development as a united cause to resolve a global socio-economic problem, the reasoning behind the failure of many previous efforts to solve such a complex situation surfaces, along with new alternative resolutions.

The vicious cycle of poverty is a synthesis of the cause-and-effect relationship. Its existence cannot be traced to one single source, but rather to a myriad of economic, social, and political barriers that are either the cause or the consequence of the poverty that the poor endure with little hope of escape. It is not a linear ladder to be climbed but an ever-repeating cyclical process of discouragement and hopelessness. This reality results in the downward spiral of social, economic, and political institutions, and in this way perpetuates poverty.

Absolute poverty is commonly defined by the multilateral institutions like the World Bank and United Nations Development Program (UNDP) as having an income of less than $1 per day. Currently, more than 1.2 billion people, or 20 percent of the world's population, live in absolute poverty. It is at this point that the vicious cycle of poverty is hardest to break. This is the reason why many individuals and organizations around the globe are fighting a constant battle against time: the longer development takes, the longer destitution, disease, and death have to claim their victims.

The idea of development began in 1947 with the Marshall Plan in post World War II Europe (Buckley, 2002). The reconstruction of the devastated, war torn continent is considered the first real development project to have formally, officially, and successfully been executed. Today, Western Europe is grouped with the United States, Canada, Japan, Australia, and New Zealand as the industrialized countries of the world. Over the course of the Marshall Plan, the United States supplied $11 trillion dollars in aid to sixteen European countries over a period of four years. An additional $1.5 trillion dollars was made to the war torn countries in loans. The Marshall Plan was aimed at (1) increasing production (2) expending European foreign trade (3) facilitating European economic cooperation and integration and (4) controlling inflation ("The Marshall Plan"). Although successful in physically and economically reconstructing post-war Europe, the success of the Marshall Plan marked the beginning of an era in which 'top-down' development was practiced blindly and without regard to the amount of money being spent or how that money was going to be spent. As the United States Agency for International Aid (USAID) highlights, "The goals and philosophy of Secretary of State George C. Marshall as stated in 1947 continue to guide America's foreign aid program". Jill Buckley from USAID states that the Marshall Plan "set a precedent for helping countries combat poverty, disease and malnutrition."

The Creation of the 'Third World'

Poverty has never been a unique problem to any given geographic area. It exists at some level in every corner of the world, because every society no matter how developed contains social marginalization and poverty. However, there are certain areas of the world where the problem of poverty is embedded both socially and economically. The many countries in Latin American, Africa, Asia, Eastern Europe, and the Middle East which contain high rates of social and economic poverty are referred to today as the developing world. Even though traditionally these countries have been labeled as the 'Third World', the contemporary connotation of the term Third World to the average American is not what it once meant. Its original meaning stems back to the end of World War II, the end of European colonization, and the beginning of the Cold War era.

The 'Third World' is where the highest levels of absolute poverty are found, but just where is the Third World? The term 'Third World' originates back to the Cold War era of the early 1960s. After World War II, the European colonial powers were economically and politically exhausted. By the end of the implementation of the Marshall Plan in the early 1950s, many of the colonies of Southeast Asia and Africa began their struggle for independence from the colonial powers. By the mid 1960s, there was such a large number of former colonies that had gained their independence that they were given a category all their own: the newly independent countries (NICs). These newly independent countries were creating new systems of governance, and creating the political and physical infrastructures necessary to manage their fragile economies. It was at this time that the term 'Third World' emerged. The 'Third World' encompassed all of the countries that chose not to align themselves with either the United States and its allies, or the so-called 'First World' capitalist countries, or with the USSR and its allies, or the 'Second World' communist countries.

Top-Down Development

The essence of development policies and programs that were designed and implemented throughout the Cold War focused on government ownership and control of the development process. Wealthy governments donated and loaned poor governments money to build the infrastructure that would, in theory, create jobs and spur economic growth, thereby decreasing unemployment and solving the problem of poverty in developing countries. Unfortunately, neither donor governments nor the multilateral institutions were concerned with the transparency and accountability of the states that were receiving the money. Since the beginning of international aid programs in the 1950s, the developing world has received billions of dollars of aid with most of that aid never reaching its intended destination (Deen, 2003).

USAID has stated that it relied and still relies on the Marshall Plan as its foreign aid template. Why is this wrong? Why did top-down development work in post World War II Europe, but practically nowhere else since? It is mainly because the institutions that accounted for cash flows within Europe existed before the war. European governments already had a sense of financial transparency and accountability. Europe had a past, a present, and a future. In comparison, the newly industrialized countries lacked a non-colonial past to reflect on. They lacked the national experience necessary to responsibly allocate current cash flows in order to create long-term gains. Post-World War II Europe was in need of an economic aid package to provide the money to fund the investment capital necessary to create the monetary capital needed to the purchase goods and services to invest in more capital, etc. The economic aid delivered during the Marshall Plan had a positive impact on Europe's gross domestic product and therefore spurred the economy into growth. In short, Europe knew what needed to get done. However, during the Cold War the new leadership of the newly independent countries were given their economic aid packages without regard to transparency or accountably.

From the end of World War II to the fall of the Berlin Wall, the First and Second Worlds fought for the political loyalty of the Third World countries through international aid stipends. Both the United States and the USSR wanted the countries of the Third World to give their political loyalties to the capitalist or communist sides. Yet, it is for this very reason that top-down development's trickle down theory has failed. So much international aid was given without and concern of where it was going. The money did not trickle down from Third World governments to the poor; instead the very large majority of it was stolen by corrupt government leaders. One of the most infamous cases is that of Zaire and Mobutu Sese Seko, who through his 31 year dictatorship (1965 – 1996) sank the Zairian governments into a massive amount of debt. While the country of Zaire itself received over $20 billion dollars in aid and loans, Mobutu's personal wealth upon his death was estimated at over $13 billion dollars ("Mobutu dies"). At the same time, Zaire per capita income was lower in 1996 than it was on the eve of independence in 1960.

The 'failure of development' is a term that is often attached to the failure of development initiatives of the Cold War era to reduce absolute poverty in countries like Zaire. Although the 1950s and 1960s saw nearly worldwide growth in gross domestic products (GDPs), by the 1970s development had begun to stall, and then to regress. Nearly the entire developing world lost economic ground during the 1980s. Although some developing countries were able to economically recover during the 1990s, many continue to fall behind, with plummeting social and economic indicators.

Between the United States, Soviet Union, the International Monetary Fund, and the World Bank, $1 trillion dollars has been spent on Third World development since the 1960's (Easterly, 2001). Yet for all of the aid given over the past fifty years, many developing countries today continue to fall behind. Why is this happening? Why are many developing countries worse off today than before the beginning of aid? Aid has failed because development has failed; development has failed because of the lack of transparency and accountability in developing countries. The leaders of the Third World have often been corrupt dictators who ruled their country using their power over the economy. It was the government's responsibility to allocate the funds to appropriate development categories: healthcare, education, sanitation, etc. Therefore, much of the blame for development's failure resides in developing countries' unaccountable and corrupt governments, not with the donor countries and multilateral institutions. However, both donor governments and international financial institutions can be blamed for attempting to cookie-cutter Marshall Plan type aid onto countries that lacked any accountability, or many times even the governing institutions necessary to ensure that the money was allocated accountably and transparently.

Bottom-Up Development

The problems that developing countries face today are not easily assuaged: natural resources that are either not valuable or that are controlled by multinational corporations, overpopulation, illiteracy, unemployment and underemployment, low productivity, poor healthcare, capital degeneration and capital flight, limited technology, political corruption, social and ethnic barriers, and the lack of the will to develop. All of these problems must be addressed in order for developing countries to begin to surmount the problems of poverty (McConnell and Brue, 2002). In response to the failure of development, an alternative methodology has surfaced called bottom-up development. It is seen as a possible solution to obviate the inefficiencies of top-down development.

The development methodology of bottom-up development, also known as participatory development, is development policy that directly engages the poor in the creation of the means necessary to pull themselves up and out of poverty. The goals of bottom-up development are threefold: (1) income generation, (2) employment creation, and (3) poverty reduction. By creating income, employment is created, and in creating employment, income in increased and poverty reduced. Therefore, the problem bottom-up development specialists face is that of income generation. How is a means of income created for someone who is a marginalized individual and therefore has a limited supply of economic opportunities available to them?

One method often utilized when designing development policy, as a bottom up approach is the use of microfinance and small business development services. A micro finance institution (MFI) is a special type of bank that typically lends small amounts of money to groups of people in developing countries, mostly women, who wish to start or expand a business. By supporting the creation or expansion of microenterprise or small business, employment is created and income generated. The idea of microcredit is credited to Dr. Muhammad Yunus of the University of Chittagong in Bangladesh. Dr. Yunus established world's first successful microfinance institution, the Grameen Bank, in Bangladesh in the 1970's. Although the bank's loans are small, often under $100 dollars, and are given only to the poorest of the poor, as of December 2002 the Grameen Bank's loan recovery rate was 98.7 percent ("Grameen Bank Monthly Update"). The Grameen Bank's success sparked what would snowball to become the current international movement toward bottom-up development and away from top-down development.

Bottom-up development now includes thousand of development polices and programs designed to target and help the poorest of the poor, and to reduce absolute poverty. Bottom-up development's success can be ascribed to its reliance on individual motivation and responsibility. Conversely, top-down development relies on often unaccountable and opaque governments to utilize funds to create employment. Nearly sixty years of development policy has proved that top-down methodology is simply not practical in the majority of developing countries.

Sustainability

In addition to the bottom-up focus, a term being used more and more often in conjunction with the design of development policy is sustainability. Alain Thierstein and Manfred Walser of the Institute for Public Services and Tourism at the University of St. Gallen use the "Flower of Sustainability" model as a tool to assist in explaining how sustainability in development is achieved (see figure #1). An analysis of the "Flower of Sustainability" begins with sustainability's roots in the culture (ethical framework) of any given society. The government institutions (policy and politics) set a base for growth and create stability in society by maintaining order by legislating and enforcing laws that have been adapted to fit the culture of the given society. From this foundation, ecological, sociological, and economic factors must combine and form an equilibrium for development to be sustainable. This description seems to fit the bottom-up development approach because it suggests sustainability is centered on social,

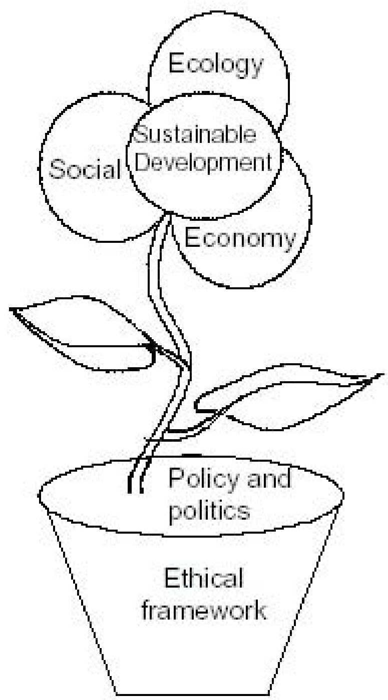

Figure #1

economic, and ecological factors rather than on government ownership of the development process. This perspective is not a bottom-up development perspective, nor is it top-down development perspective. Rather, it is a union of the two methods. Even though sustainability is centered on bottom-up development indicators, the foundation of sustainability is dependent on a sound government system. Therefore, sustainability is achieved only by the union of bottom-up development with top-down development.

The Ghanaian Small Business Development Project

The Ghana Small Business Development Project focused on designing a project using the theories of bottom-up development to generate a means of income, create employment, and raise the overall standard of living for a group of Ghanaian women. The project aimed to teach a group of Ghanaian women the business skills they needed to expand their already existing small businesses into medium size businesses. What was decided was to create a one day workshop to be held in Northern Ghana during the UNF Honors Program's May 2003 trip to Ghana. The workshop would be designed to address the issues which were constraining the business women from either creating new businesses, or expanding existing businesses.

Attempting to construct a development project for the first time is a daunting task. Since the project was going to be carried out over a one day workshop time had to be planned wisely. In addition, the project design had to consider unexpected setbacks before, during, and after the workshop. Many questions arose in the planning phase of the project: where was the workshop going to be held, how many women were going to attend, do the women speak English, what business skills do they already know, what specific business skills can the project teach them that would benefit them the most, what is the financial status of each business? Questions also arouse concerning what the participants hoped to gain from their experience.

Before traveling to Ghana, the student designing the project was able to receive valuable information from the targeted women participants regarding the business skills the women desired to learn; they included learning how to construct a business plan and learning how to maintain accurate and accountable book-keeping. Considering the short time window available for implementing the project workshop, the student decided to focus the workshop on constructing a business plan that was judged to be of higher importance between the two options.

A workshop workbook was constructed using a template belonging to the UNF Small Business Development Center and with the advice of Fred Pragasam, a professor in the UNF Coggin College of Business Administration. Pragasam has worked extensively in entrepreneurship and in developing countries, and contributed a significant amount of sample business plans and helped to adjust the workshop workbook for the needs of the women in Ghana. Parts of the business plan that either did not apply to the Ghanaian women's situation or that were beyond their production capabilities were edited out. Other more applicable sections were added into the workbook, including a skit designed to help the businesswomen understand the importance of accurate bookkeeping. Also added was a list of lending agencies and non-governmental organizations (NGOs) that would give credit or grants to developing small businesses in Ghana. A time specifically for questions and answers was allocated for the end of the workshop day. The student director felt that this was particularly important as he wanted to make sure that the women understood everything that had been presented over the day's workshop.

The workshop took place on May 10, 2003 in the city of Tamale in Northern Ghana, and was hosted by the Institute for Local Development Studies. There were morning and afternoon sessions, with the entire workshop lasting about eight hours, not counting a two hour lunch. The participants in the workshop included twenty Ghanaian women from two women's organization: the Christian Mother's Association and the Muslim Women's Organization. Participants from UNF included Marcia Ladendorff from the Honors Program, Dr. Henry Thomas, Chair of the Political Science Department, and eleven UNF students from the Honors Program. In addition, four employees of the Institute of Local Development Studies joined the women and the UNF participants. The interests of the women included expanding a Batik textile operation, capitalizing on a skill of making a specific type of butter used in cooking oils and cosmetics, and also increasing the size of a maternity home.

The workshop began in the morning working with the workbook session entitled 'Developing a Business Plan'. The group discussed topics such as a creating a company name, company management, a business history, analyzing current business conditions, and creating a mission statement. The workshop then touched on 'Market Analysis' by explaining and analyzing what the women's target market and competitive edge would be. The next session, 'Marketing Strategy' included a discussion of pricing and promotional strategies used in business marketing. 'Operations and Management' discussed who would be running the business and the need for employees. The accounting skit had been planned at this point, but unfortunately was not enacted due to time constraints. Nevertheless, reading the skit proved beneficial and was made available to the women as a part of the workshop workbook. The student director then explained the financial section of the business plan and the participants discussed what the start-up costs of their business would be. The group looked at controlling the costs of business and where their break-even point would be. The 'Executive Summary' was left as the last task to accomplish. Attached to the end of the workbook were the names of grant and loan institutions.

Recommendations

To improve this project, more than one day is needed in order to cover the missed material. In addition, more aid agencies need to become involved with the workshop process, and in aiding the participants in the application process in order to increase their chances of establishing a business plan which could be used in applying for credit or grants. Another method of determining results is also needed. The end result of the workshop could be measured by the receipt of a completed business plan. A longer term method of measuring success would be actually having the women receive a loan or grant, not just apply for one with a completed business plan. Lastly, when communicating over long distances, it is important to have direct contact with your participant(s) through e-mail or telephone. Sending messages and questions through a middleman seemed to cause some confusion on both sides.

Results

The project was an opportunity to experience why understanding development from multiple viewpoints is so important. The project could not just 'cookie-cutter' an American style business plan into the Ghanaian world, it had to be adapted. However, adapting the business plan to a culture never experienced was a challenge. Additionally, the project was a practice merger between the top-down and bottom-up theories of development. The project's aim was to teach the women how get what they needed to succeed from the bottom-up through utilizing top-down development institutions such as banks and NGOs.

The original success/failure test for the project had been whether a finished business plan would be created by any of the women who attended the workshop. Almost a year after the workshop, no business plan has yet to be received by the UNF student project director. However, this does not dictate the project to be labeled a failure. Although no additional employment or income seems to have been generated by the people who participated in the project, it seems as though the impact of the project on the community has been social, rather than economic. The Ghanaian Small Business Development Project created the first opportunity for the Christian Mother's Association and Muslim Women's Organization to socially interact. It's been reported that since the workshop, several of the Muslim women have visited the homes of members of the Christian women's group, and that the women of the Christian Mother's Association were planning on attending the wedding celebrations of one of the Muslim women's daughters. Although the project has not had any discernable economic impact, it seems as if it has promoted closer social ties with the community of Tamale.

Development is difficult process. The world's governments have tried for nearly sixty years to eradicate absolute poverty and to increase the standard of living for people worldwide. Although there have been many failures, the fact that people are aware of the disparities that exist, and are willing to try to change them is cause for hope. Even if the Ghana Small Business Development Project doesn't generate any additional means of income, create any additional employment, or raise the overall standard of living for the Ghanaian women involved, it did create an opportunity for both the students and the women themselves to take a part in the development process. Although the project was small, it could become a catalyst for all of the participants, from both Ghana and the United States, to one day take further ownership of the bottom-up development process.

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