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INDUSTRIAL ECONOMICS II (RESEARCH PAPER)

TOPIC:

INDUSTRIAL POLICY OF GHANA AND FIRM GROWTH

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Abbreviations

AD	Asian Driver
BAF	Business Assistance Fund
CPP	Convention People’s Party
EPZ	Export Processing Zone
ERP	Economic Recovery Programme
FDI	Foreign Direct Investment
FUSMED	Fund for Small and Medium Enterprises Development
GDP	Gross Domestic Product
GHATIG	Ghana Trade and Investment Gateway Project
GHGs	Green House Gases
GIC	Ghana Investment Centre
GIPC	Ghana Investment Promotion Centre
GoG	Government of Ghana
GPRS	Growth and Poverty Reduction Strategies
GTP	Ghana Trade Policy
IFI	International Financial Institutions
IPCC	Intergovernmental Panel on Climate Change
IMF	International Monetary Fund
ISI	Import Substitution Industrialization
MITI	Ministry of International Trade and Industry
MTDF	Medium-Term Development Framework
OECD	Organization for Economic Co-operation and Development
PEED	Private Enterprise and Export Development Fund
PNDC	Provisional National Defense Council
PRSP	Poverty Reduction Strategy Programme
PSDS	Private Sector Development Strategy
SAP	Structural Adjustment Programme
SOEs	State Owned Enterprises
SSA	Sub-Saharan Africa
TIP	Trade and Investment Programme
VALCO	Volta Aluminium Company
WTO	World Trade Organization

Overview

Industry in Ghana represents around 25.3% of aggregate GDP. However, Ghana's modern population is increasing at a 7.8% rate, giving it the 38th quickest developing industrial production in the world. And this is because of government industrialization policies over the years.

Ghana's industrial sector incorporates light manufacturing, aluminum refining, basic metal industries, industry for food and beverages, textiles industry, chemical and pharmaceutical industry, and the processing of metals and wood product. A moderately little glass-production industry has also been created because of the great sand accessible from the Tarkwa mining territory. Most industrial products are for local utilization and exportation which has increased foreign capital in recent years.

This paper concentrates on the concept(s) of industrial policy, the forms and motives behind enforcing the implementation of industrial policies across the globe, and with its significant effect on firm growth. Moreover, our major concern will dwell on our country, Ghana, with regards to the extent to which the level of industrialization, globally, has influenced our economy in general. To make this paper worthwhile, specific issues following the history of Ghana as far as industrial policy is concerned, will center on the industrial policy process and its output, the historical reviews of industrial policy in some selected countries, out of which we will be well informed.

1.0 INTRODUCTION

1.1 INDUSTRIAL POLICY DEFINED

The **industrial policy** of a country is its formal strategic effort geared towards encouraging the development and growth of part or all of the manufacturing sector as well as other sectors of the economy. The government takes measures "aimed at improving the competitiveness and capabilities of domestic firms and promoting structural transformation." A country's infrastructure (transportation, telecommunications and energy industry) forms an integral part of the manufacturing sector that plays a key role in industrial policy.

It can be seen from the above definition that industry policy is about government intervention in markets. Because markets fail in terms of an efficient adaptation to changes of comparative advantages, government can stimulate firms to undertake investment decisions in another direction, do more of the same, or to implement plans at a higher speed. Government can replace, guide or facilitate firms' decision-making. In market economies firms are the actors primarily responsible for making the right investment or disinvestment decisions, but there can be situations in which firms are not able or willing to take decisions that are considered efficient from a social point of view. When, for instance, the comparative advantage of an industry is due to relatively low labour costs and because of an increase in wages and taxes this advantage disappears, firms have to disinvest in labour intensive activities and move into other areas with more capital or knowledge intensive products and services. If firms are reluctant, or incapable in taking adequate action, government through industrial policies can stimulate firms to move into a publicly more preferred direction.

On the other hand, Firm growth is the capacity to expand yearly income by more than the business normal over a sustained period. Likewise, firm growth can be characterized as an expansion in the key performance indicators of a firm, for example, sales, market share and profit level. Firm growth is engendered through industrial policies as these policies are adapted towards a more extensive modernization process where social change and economic development are key.

1.2 FORMS OF INDUSTRIAL POLICY

Unlike macroeconomic policies, industrial policies are sector specific. Examples of macroeconomic policies which are horizontal, economy-wide policies, are fixing credit and taxing capital gains. Conventional cases of industrial policies that include vertical, sector-specific policies, incorporate protecting textiles from imports and financing export industries. More contemporary industrial policies incorporate measures, for example, support for linkages amongst firms and support for upstream technology. Interventionist measures typical of mixed economy countries are industrial policies.

Many sorts of industrial policies contain normal components with different sorts of interventionist practices, for example, trade policy and fiscal policy. A case of a typical industrial policy is import-substitution-industrialization (ISI), where trade barriers are incidentally forced on some key sectors, for example, the manufacturing sector. By specifically protecting certain industries, these industries are offered time to learn (learning by doing) and redesign. Once sufficiently competitive, these restrictions are lifted to introduce the chosen industries to the international market.

1.3 NEED, OBJECTIVES AND IMPORTANCE OF INDUSTRIAL POLICY

The need, objectives and importance of an industrial policy can be explained through the following points:

Deployment of Natural Resources -The industrial policy assists in full deployment of natural resources of the nation. It helps in identifying, collecting and utilizing resources properly. It helps bring about an increase in national income of the nation.

To Augment Industrial Production - The fundamental objective of the industrial policy is to increase industrial production of the nation. It gives an impetus to quick improvement of development of industries and industrial growth.

Modernisation - The mechanical approach fosters modernisation for expanding industrial output and efficiency. It envisages the utilization of modern and most recent production techniques in the industrial sector which brings about maximum output at least cost of production.

Balanced Industrial Development - The industrial policy envisages adjusted industrial development of the nation. It likewise brings about balanced development of different sectors of the economy.

Balanced Regional Development - The industrial policy assist in balanced regional development of the nation. The industrial policy may contain arrangements in regards to providing facilities or concessions to fast advancement of industrially backward areas/regions of the nation.

Coordination amongst Basic and Consumer Industries - The balanced improvement of fundamental and consumer industries is basic for economic growth. The industrial policy energizes advancement of essential and key industries from one perspective, while consideration is paid to the improvement of consumer industries, likewise on the other. Consequently, by balanced and coordinated development of both type of industries, it gives pace in economic growth.

Coordination between Small Scale and Large Scale Industries - The industrial policy assumes an indispensable role in coordinated development of small scale or cottage industries and large scale industries. These industries can be supportive of each other through the provisions of industrial policy.

Area Determination - The industrial policy decides the region of operation under public and private sector. Proper direction can be shown to private sector through the nation's industrial policy.

Cordial Industrial Relations - An extensive industrial policy is expected to set up cordial relations amongst workers and management. Cordial industrial relations are fundamental for fast and sustainable industrialization.

Proper Utilization of Foreign Assistance/investment - A proper industrial policy envisages to attract foreign capital and entrepreneurs. It helps quicken industrial development of the nation; a well-considered industrial policy checks the bad marks of "foreign assistance". The foreign aid can be utilized in the national interest if a suitable one is pursued by the nation.

2.0 THE CASE IN GHANA

2.1 HISTORICAL REVIEW OF VARIOUS KINDS OF GHANA'S INDUSTRIAL POLICY

Ghana has experienced three principal phases. Between 1960 and 1986, a state-driven import-substitution industrialization (ISI) strategy underlined public investment and shielding of newly established industries. The second stage, under the structural adjustment programmes of the international financial institutions (IFIs) from 1984 to 2000, was portrayed in terms of trade and market liberalization efforts intended to turn around the main industrialization procedure of 1960 to 1989. Since 2000 the Ghana government has concentrated on the private sector improvement, change of the investment climate and adjusting to a rising natural resource boom.

Import-substitution and state led industrialization

At the time of Ghana's freedom from colonial rule, the industrial sector was modest and principally made out of little indigenous firms. Government started to effectively advance industrial development following statehood in light of the fact that the independence movement trusted that industrialization has been kept down by the colonial emphasis on extractive exercises. Thus leaving industrialization to the foreign investors, however was viewed as propagating colonial dependence. In this manner, the Ghanaian state turned into the central actor in the industrialization story for both pragmatic and ideological reasons.

Planning was agreed a key part in the administration of the economy. The government built up enterprises, including the Volta Aluminum Company (VALCO), saw mills and timber processing, cocoa processing, textile and garment manufacturing, breweries, pulp and paper, and cement. The creation of producers' products was viewed as basic to the long term success of the industrialization program (Killick, 1978), and improvement of the electrical gadgets and hardware ventures was agreed a high need (Steel, 1972). Local industries were vigorously protected, and by the late 1960s there was a strong move from bringing in foreign consumer goods to producing domestic substitutes utilizing imported inputs. In spite of the plan of the import substitution strategy, reliance on imports really expanded (Steel and Evans, 1989). The early ISI strategy contributed essentially to industrial advancement.

In the 1970s, be that as it may, the industrialization drive started to lose force. Public investment had started to surpass the fiscal capacity of the state and the state's capacity to deal with its undertakings. The Progress Party government, which governed in late 1969, started a set of changes proposed to decrease the state's role in industry. Various import controls were expelled, and interest rates were changed. Public expenditure increased quickly, what is more, an import boom brought about depreciation of the cedi by 90 per cent in late 1971.

The following monetary turmoil incited a change of government in 1972. The new military government reestablished the strategies of the ISI period. The cedi was revalued, imposing state-owned enterprises were restored, and exhaustive price and imports controls were re-presented. The import controls added to large amounts of wastefulness. Consumer goods production had low returns when measured at international prices and in a few cases negative value added (Steel, 1972). Capacity usage in manufacturing tumbled from 43—52 per cent in 1970—1977, to around 25 per cent by 1980, and 21 percent in 1982 (Ackah, Adjasi, and Turkson, 2014). Extensive fiscal deficits financed through internal sources added to inflationary pressures so before the end of the 1970s Ghana had entered a macroeconomic crisis.

Structural Adjustment and Market Reforms

The extreme downturn in economic growth made the then government to look for a number Of Structural Adjustment loans from the International Monetary Fund (IMF) and World Bank. The Economic Recovery Package, embraced in 1983, abolished the import licensing regime, removed price controls, liberalized interest rate and introduced market exchange rate. With an end goal to building efficiency and decrease anti-export bias, quantitative import controls were wiped out and duties were rationalized and reduced. State- owned enterprises were focused on privatization, and the Ghana Investment Center was built up (Nyanteng, 1993). The new way to deal with industrialization centered more, noteworthy consideration, on small-scale manufacturing, the utilization of domestic inputs and value addition to essential items. Stabilization helped to re-establish macroeconomic balance.

The Structural Adjustment program delivered some early positive results for industry. Access to imported intermediate inputs permitted producing firms to extend capacity usage. The recovery was short-lived, however. Import competition and changes in the financial sector consolidated to put weight on costs and output.

A 1994 government survey of the Economic Recovery Program (ERP) reasoned that, while market liberalization may have been required, its implementation had been excessively fast, and local firms were not sufficiently given time to conform. Despite the fact that the government endeavored to relieve the effect on local industries by setting up business assistance reserves, structural constraints (unreliable water and power supply, land tenure issues, and wastefulness in the ports) restricted the reaction of the manufacturing sector. The textile and clothing sector area was especially hard hit.

In the mid-1970s, there were around 16 large and medium sized textile enterprises in Ghana, notwithstanding 138 medium and large-scale garment manufacturing organizations. By 2000 just four significant organizations had survived (Ackah, Adjasi, and Turkson, 2014).

Industrial Policy since the Turn of the Century

In the mid-2000s, Ghana's industrialization strategy moved for a third time. Poverty Reduction Strategies supported by the IMF and the World Bank, such as the PRSP (2000-2), GPRS 1 (2003-5) and GPRS 11 (2006-9), enunciated the long term objective of poverty lessening through private sector led development. Conversely to prior industrialization strategies, these approach reports focused on the creation of rural enterprise, micro scale, small, and medium enterprise development and linkages amongst agribusiness and industry. Large scale, formal manufacturing got little approach consideration. Rather, the government, incited by the World Bank and bilateral donors, concentrated on private sector improvement and changes to the 'investment atmosphere'.

As characterized by the designer of the term, Nicholas Stern, the investment climate should have included: (i) macroeconomic stability and openness; (ii) great governance and solid institutions and (iii) the quality of the labor force infrastructure (Stern, 2001). Practically speaking, investment climate change program has for the most part focused on changes of trade policy and regulations, drawn from the World Bank Doing Business reviews. Except for the Export Processing Zones (EPZs) that have been created at Tema and Sekondi, interests in infrastructure and abilities to bolster industrial development have been to a great extent dismissed, and institutional changes have principally centered on those organizations pertinent to Doing Business. The development of worldwide value chains has obscured the limits between manufacturing, agro- industry, and tradable services. But dependence on Doing Business has additionally been counterproductive. It has moved attention far from other basic components of the investment climate and from the far more troublesome task of working with the private sector to distinguish the official requirements to higher firm-level efficiency.

2.2 INDUSTRIAL SECTOR OF GHANA

Industries generally provide particular kinds of goods and services to satisfy the needs of people and organizations. They are named after the kind of services they render to the country. Example, the Textile Industry, the Automobile industry etc. The products from the industries can be classified as consumer goods or producer goods. Consumer goods are used by final consumers whereas producer goods are used by manufacturers for producing other goods. Examples of the latter are machinery and tools. Expansion of trade and commerce depends on industrial growth. It represents the supply side of the market.

However, industries are as well classified on the basis of their contribution to production. The main types of industries are as follows:

1) Primary Industry- This is concerned with the production of goods with the help of natural forces. It is a nature-oriented industry which requires very little human effort. An example is Agriculture.
2) Genetic Industry- Genetic Industries are engaged in reproduction and multiplication of certain species of plants and animals with the sole aim of selling and making profit. Some examples are Plant nurseries and Cattle rearing.
3) Extractive Industry- This is concerned with drawing out goods from their natural habitat. These goods generally come in raw forms and they are used by manufacturing industries to produce finished products. Example, Rubber from forest.
4) Manufacturing Industry- Some examples are Textiles and Chemicals.
5) Constructive Industry- This is very different from all the other industries because the industry focuses on providing infrastructural facilities for production. Examples are constructing buildings, roads, bridges etc.
6) Service Industry- In modern times, the service sector plays an important role in the development of the nation. The main industries which fall under this category include hotel industry, tourism industry, entertainment industry and others.

According to Abubakari Zakari and Amadou Boly in their work “The Industrial Policy Process in Ghana”, the industrial sector of Ghana principally has the manufacturing sector as a distinguishing feature, which includes aluminium smelting and food processing, electricity and water, mining and quarrying and construction sub-sectors.

2.3 INDUSTRIAL POLICY IN GHANA

As described earlier, Ghana has experienced different phases of development and advancement particularly in the industrial sector. Except that here, the different governments as well, both past and incumbent, that enacted the varied industrial policies in Ghana, will be more clearly noticed. Preceding Ghana's freedom in 1957, the industrial sector had been relatively small, with the domestic manufacturing sector which is mainly agro-based, contributing very little to economic growth. The acquired industrial sector from the colonial masters was underdeveloped for the most part in light of the fact that the colonial masters had concentrated on the extraction of raw materials from the Gold Coast (Ghana) while in the meantime shaping an economic system vigorously reliant on fabricated items from Britain.

The industrial policy of Ghana can be classified under three periods with their respective main features as far as development strategies by the industrial sector are concerned. These classifications are:

- Pre-economic recovery period,
- Economic recovery period and
- Post economic recovery period

Pre-Economic Recovery Period and its strategic effects on firm growth

Pre-economic recovery period alludes to the time after independence, when Osagyefo Dr. Kwame Nkrumah was the president of Ghana then, from late 1960s and early parts of 1980s. These were the times before the inception of the Economic Recovery Programme (ERP) and the Structural Adjustment Programme (SAP). During this era, the Nkrumah-led Convention People's Party (CPP) government viewed industrialization as a key figure of modernization, development, improvement and growth of the nation. Hence he drove the economy through the socialist economy where the government was the most important driver of the economy which led to import substitution industrialization (ISI) strategy. Accordingly he set out on the formation of the import substitution industries with the primary motive of using Ghana's plentiful natural resources, in their capacity to fulfill the essential needs of the population, to create jobs, and to assimilate and promote technological progress for the progress of the nation at large. Again, Ackah et al. (2014) quoting Baah-Nuakoh (1997) indicated that, “This strategy was to promote extensive industrialization with a particular accentuation on manufacturing for development”. This was to enhance the predominantly agrarian economy of the nation, create business for the fast developing population, raise per capita earnings, solve balance of payment problems and put the economy on the way of supported and quick economic development.

The period from the mid-1960s really observed a massive contribution of the state in the industrial sector. At the focal point of the ISI strategy was the advancement of large scale, capital-intensive manufacturing industries possessed and managed by the state and this period was characterized by an emphasis on import substitution supported by high levels of effective protection. The purpose was to prompt an expansion in per capita GDP and level of employment. This expanded manufacturing sector’s share of GDP from 10 percent in 1960 to 14 percent in 1970. The government additionally embarked on the formation of state owned enterprises because of the way the private sector as at then were not very much resourced to set out on private sector industrialization. Infrastructure development was not forgotten in the development plan so the government built up the Tema and

Takoradi harbours, the Akosombo Hydro Electric power station, the Accra Tema motor way and the Volta Aluminum Company (VALCO) in Tema. The free trade territory at Tema, some railways and the Tema Oil Refinery were established too. The accentuation on import substitution was followed with an assured state of protectionism. Again strict authoritative measures, for example, import taxes and licensing were put in place to ensure the decline in the flow of imported items that the nation could be capable of manufacturing. The ISI strategy, albeit strange, brought about the fast development of the manufacturing sector from a 2 percent share of real GDP in 1957 to 9 percent in 1969. Amid the 1960s, manufacturing sector yield developed at a rate of 13 per cent per annum, while its total share in industrial output expanded from 10 percent in 1960 to 14 percent in 1970, prompting to a proportional 8 per cent growth rate per annum in industrial sector employment. Employment in the manufacturing sector alone expanded by about 90 per cent in the period of 1962 and 1970. Many of these industries, in any case, survived just through security. The overvalued cedi, deficiencies of hard-currency for raw materials and spare parts, and poor administration in the state sector led to stagnation in the economy from 1970 to 1977 and after that to a decrease from 1977 to 1982.

In a nutshell, during the pre-economic recovery period, government utilized strict controls instead of market systems to decide on the allocation of resources by using methodologies like;

(i) Quantitative import restrictions (i.e., foreign exchange rationing; import licensing)
(ii) Heavy levies on imported consumer products
(iii) Domestic price controls as government setting of minimum wages, interest rates and rents.

In spite of the fact that this industrial policy achieved development in the industrial sector, it couldn't be a supported development due to:

- Insufficient foreign exchange to import contributions for ISI enterprises.
- Over-valued exchange rate and policy inclinations towards agricultural production prompting to price increments in local raw materials.
- Price controls disintegrated the potential advantages anticipated from the import restrictions.
- Import licensing added to wasteful aspects in manufacturing sub sector subsequently, the increment in production costs.
- Import licensing additionally urged investors to embrace capital intensive production techniques on account of the support delighted in by expansive capital investment in the portion of import licenses.

Economic Recovery Programme Period and its strategic effects on firm growth

This period began in 1983 and ended in 1992. The Economic Recovery Programme (ERP) was introduced as part of the Structural Adjustment Programme (SAP). Because of external shocks and improper domestic policies amid the mid-1970s to 1983, the industrial sector and the economy in general endured a decrease in economic and financial performance. Before this period the economy was described by a decrease in export earnings, noteworthy fall in capital flows and official aid and the loss of creditworthiness (World Bank 1985b). Additionally, there were unlikely macroeconomic policies that were sought after which negatively affected the industrial sector and the economy in general. Specifically, the outcome was that, the contribution of the agriculture and services sector to real GDP expanded from 47.7 percent and 31 percent in 1975 to 55.6 percent and 35.8 percent in 1984, respectively, yet the contribution of the industrial sector over a similar period, declined significantly. The industrial sector yearly growth rate of 1.8 percent over the period, was due to the decrease in manufacturing sub-sector commitment to GDP. Therefore the ERP was announced in April 1983 as a feature of the SAP to help adjust the imbalances. Various economic policy changes were started under SAP to remedy the basic macroeconomic imbalances then, yet these had some effects on the structure and improvement of the industrial sector. A portion of the strategies taken amid the ERP was the formal announcement of a market- determined exchange rate with negligible intervention, expulsion of price and distribution controls, progression of the financial sector and interest rates, removal of the import licensing system, legitimization of import duties and the tax collection framework, proclamation of the new investment code (PNDC Law 116), formation of the Ghana Investment Center (GIC) and privatization of state-owned establishments (Nyanteng 1993). The administration, thus, tried to build the effectiveness and efficiency of competition in the economy and this brought about the privatization in the 1990s.

Summary of strategies the government used amid the ERP period to accomplish its goal included the following;

- Introduction of a market-determined exchange rate with insignificant intervention.
- Removal of distribution and price controls.
- Liberalization of interest rate and the financial sector.
- Dismantling the import licensing framework
- Rationalization of import duties.
- Privatization of the state-owned establishment under the Divestiture Implementation Program.

In this regard, Baah-Nuakoh (2003) outlines the objectives of Ghana’s industrial policy under the ERP as articulated in the January 1992 Industrial Policy Statement (pages 4 and 5):

In the long term… to create a balanced industrial structure. In the medium term… to create a solid base for increasing the production of manufactured goods with increased local content for national consumption and for export by increasing the exploitation and in-situ processing of the nation's raw material… In the short term… to improve general industrial performance and overcome the problems associated with heavy dependence on imported goods and underutilization of production capacity.

Moreover, these policies were embraced to help support firms that perceived a low chance of their survival. These arrangements included the dispatch of the Trade and Investment Program (TIP), tariff policy changes, the formation of the Business Assistance Fund (BAF), the Export Processing Zone (EPZ), the Ghana Trade and Investment Gateway project (GHATIG), Private enterprises and Export Development (PEED) policy and the Investment Policy Fund for Small and Medium Scale Enterprises Development (FUSMED) to give the required funds to support industrial production, the declaration of another investment code (GIPC Act of 1994 to PNDC Law 116) and the formulation of the Ghana Investment Center, institutional changes, and regulatory changes.

Post Economic Recovery Period and its strategic effects on firm growth

The principal policy activities under the ERP for the industrial sector consisted rebuilding of the industrial and allied sectors, tending to the limitations confronted under the ISI technique, expanding production of locally manufactured goods through more prominent utilization of existing capacity, expelling the generation of bottlenecks in the more proficient enterprises through specific restoration and reinforcing the current enterprises that gave help to the industrial sector. The strategies helped the new industrialization strategy that now concentrates on the improvement of a globally aggressive industrial sector in view of higher productivity. Furthermore, the new industrialization strategy was relied upon to dispatch policies to bolster the advancement of suitable technologies in the insufficiently developed manufacturing sector and to set up economically feasible linkages among domestic industries and vital sectors of the economy. This was to guarantee that local resources were delivered adequately to supply its industries and advance the improvement of agro-based and resource based enterprises. An illustration in the mid-1970s is when the agricultural sector output had declined excessively because of lower producer prices and the significant yields to exchanging and pirating. This brought about the decrease in the supply of raw materials expected to bolster Ghana's resource based ISI strategy. Quickly after the introduction of the ERP, the industrial sector, particularly the manufacturing subsector, demonstrated a solid and positive reaction to the changes. After numerous times of decline, the platform for Ghana's industrial recuperation was laid. Inside the first five years after the ERP launch, industrial sector developed at a yearly normal of 11.2 percent, as against the -12.49 percent growth rate per annum before the inception of the ERP in 1984. The accomplishments of the ERP are incorporated in the recuperation of the manufacturing sub sector, which recorded a change in growth (12.7 percent by and large over the period 1984-88), the trade policy changes, the provision of financial and specialized help with the recovery, modernization and extension of possibly gainful and effective enterprises, enhanced use of installed capacity and rectification of the price distortions that were a hindrance to production, and the start of changes in related sectors.

Table: Period-average growth rate (%) for the industrial sector and its subsectors, 1981–2000; Period-Industry sector, Manufacturing, Mining and quarrying, Electricity and water, Construction.

Period	Industry sector	manufacturing	Mining & quarrying	Electricity & water	construction
1981-83	-12.49	-8.11	-10.26	-10.36	10.11
1984-88	11.18	12..66	8.54	22.64	3.34
1989-94	4.10	2.33	7.94	9.07	6.52
1995-2000	4.30	4.12	4.32	3.27	5.22

Source: Compiled by authors based on data from GSS (National Accounts) and ISSER.

2.4 AT THE TURN OF THE CENTURY

Now Ghana's new industrialization strategy intends in making an industrial design in the light of value-added processing of the nation's natural resource endowments through a private sector led accelerated industrial development method (GoG 2011). In the 2000s, government vision was to accomplish a middle income status by 2020 through the transformation into an industry-driven economy equipped for delivering better than average employments across board with evenhanded and sustainable growth and improvement. Government wants to give an empowering situation to the private sector to help in the growth of the industrial sector. With a specific end goal to wind up distinctly aggressive competition in the worldwide and local market, Ghanaian manufacturers must have the capacity to offer top notch items, procedures and benefits, and be enabled to viably take part in competitive trade and exploit chances to extend and hold a piece of the overall industry.

The key improvement targets of the Industrial Policy are:

1. To grow productive employment in the manufacturing sector
2. To grow technological capacity in the manufacturing sector
3. To advance agro-based industrial development

4. To advance spatial distribution of industries with a specific end goal to accomplish a decrease in poverty and income inequalities.
5. To make fairly priced, better quality products and services accessible to consumers
6. To make firms inside the industrial sector, particularly in manufacturing subsector, competitive on both local and worldwide markets (GoG 2011b)

Description of the policy making process in Ghana

In view of Ghana's relatively small market, together with the challenges faced by the manufacturing sector, to stimulate the competitiveness of local production, increased trade between and among nations must allow for economic growth, which primarily relies on value addition to the resources of the nation. It is worth nothing that industrialization can assist in attaining the above motive. The Ministry of Trade and Industry in Ghana developed two analogous strategies necessary for the realization of the government's development objectives. An export-led industrialization strategy and that of a domestic market, based on import competition, are the strategies so concerned. These strategies are described fully in the GTP. The development of an industrial policy was proposed to complement the GTP as part of the implementation of the medium-term Private Sector Development Strategy in 2005. Eventually, the industrial policy process was initiated by been incorporated into the production capacity component under the TSSP in February 2005. With the spirits of hardworking and commitment, through all the roles played by Cabinet, the Ministry of Trade and Industry concluded a comprehensive and inclusive series of processes with different phases; identification of key thematic areas, review of documentation on industrial development and competitiveness in Ghana etc. to elaborate an industrial policy. Some key stakeholders in this process include Ministry of Trade and Industry, Ministry of Energy, National Board for Small Scale Industries, Association of Ghana Industries and others.

Output of the Industrial Policy Process in Ghana

1. **The Ghana Industrial Policy document: -** The Ministry of Trade and Industry formulated this document approved by Cabinet, describing the programmes and projects to be implemented in its quest to providing new and clear guidelines to meet the set agenda by government as far as industrial development is concerned. Growth, diversification and competiveness of Ghana's manufacturing sector are particularly focused in this document. Some of the frameworks adopted by the government for the development of the industrial sector includes;
    - Growth and Poverty Reduction Strategy (GPRS II) – 2006-2009

- National Trade Policy
- National Medium-term Development Framework (MTDF) – 2010-2013
- Private Sector Development Strategy (PSDS) – Phase I (2005-2009) and Phase II (2010-2015)
- Growth and Poverty Reduction Strategy (GPRS I).

2. **The Industrial Sector Support Programme document: -** The Industrial Sector Support Programme (ISSP) is the final output containing a detailed implementation plan for the industrial policy, budget and framework for monitoring and evaluation. For this plan to be accomplished, the full range of industrial policy instruments across over 21 Policy Thematic Areas to be implemented are categorized into 4 fundamental Components, to be specific: Production and Distribution, Technology and Innovation, Incentives and Regulatory Regime and Cross-cutting Issues. Some of the projects under these components are listed as follows:

   Component One: Production and Distribution- *Project 1: Raw Materials and Inputs Supply *Project 2: Manpower Development and Training for Industrial development *Project 3: Financing for industrial development *Project 4: Land and Infrastructure for Industrial Development *Project 5: Standards for Industrial Development *Project 6: Industrial Subcontracting *Project 7: Marketing and Distribution of Industrial Products.

   Component Two: Technology and Innovation- *Project 8: Technology, Innovation, Research and Development for Industry *Project 9: ICT for Industrial Development *Project 10: Intellectual Property Rights for Industrial Development.

   Component Three: Incentives and Regulations- *Project 11: Labour and Industrial Relations *Project 12: Spatial Distribution of Industrial Development *Project 13: Strategic Interventions in Industrial Development *Project 14: Business Registration and Licensing.

   Component Four: Crosscutting Issues- *Project 15: Occupational Health and Safety *Project 16: Environmental Sustainability *Project 17: Gender in Industry *Project 18: Industrial Data and Information.

2.5 KEY INDUSTRIALIZATION EPISODES AND TURNING POINTS

Since attaining independence, Ghana has experienced three noteworthy industrialization episodes, in particular the inward over-protected ISI strategy of 1960-83; the outward liberalized strategy amid 1984-2000 and since 2001, the private sector-led accelerated industrial development strategy.

1. ***Inward over-protected ISI strategy (1960-83)*:** Import substitution industrialization through increasing levels of successful protection with: Reliance on large scale public sector as the main edge of industrial growth. Use of quantitative import limitations and import duties to secure and bolster the ISI technique amid the 1960s-mid 1970s; Extensive utilization of administrative controls to decide motivating forces and dispense resource for industrialization (presented in 1962, yet broad use from the earliest starting point of the 1970s to 1983)
2. ***Outward liberalized industrialization strategy (1984-2000):*** Industrial rebuilding under the SAP/ERP was to create a universally focused industrial sector in view of an exceedingly effective import substitution and expanded export approach bolstered by: Removal of price and distribution controls, canceling of import licensing and turning to showcase market-determined prices as a major aspect of ERP from late 1984; Privatization of the SOEs, propelled in 1988; Industrial policies to help bothered however possibly suitable SOEs in the mid-1990s.
3. ***Private sector-led accelerated industrial development strategy (since 2001):*** Industrial engineering in view of value added processing of Ghana's natural resource endowments through the private sector-led accelerated industrial advancement procedure.

3.0 HISTORICAL EXPERIENCES OF OTHER COUNTRIES

History Review of Industrial Policy in Italy

The Italian industrial policy is more extensive than those of many West European countries. Italy has a centralized system of governance and it reflects in their industrial policy. Generally, two features could be identified about the industrial policy of Italy.

One of feature is that, some of them were regional policy. In the 70s there was high inequalities between the North and South of Italy. The government invested much fund into the Cassa pe il mezzogiorno accompanied with other fiscal inducement and decisions to invest about 40 percent of state enterprise proceeds in the south which made a great impact in the region. We can compare this to a similar incident in Britain. In Britain, a lot of resources were deployed from rich to poor regions and other policy innovation such as restrictive licensing of new industrial development in rich regions and enforcement of labour-intensive manufacture in regions with high unemployment were ensured to bring industrialization to poor regions.

The other feature was the extent of state involvement in the economy. Government in Italy became vibrant when in the 1920s a lot of banks were collapsing and government had to take over which brought ownership of state business in their industrial sector to light. In the years of greatest expansion in Italy (1950s and 1960s), one dominating public policy was to allow state enterprises to operate like private enterprises. The public sectors served as the objects of passive and defensive industrial policy, for example, increasing the level of employment in loss-making firms by injecting huge sums of public money into them. During that period, a law was implemented to encourage diversification and to support firms with financial difficulties and fiscal rebasing. This policy targeted mostly the small and medium sized firms in the industry.

History Review of Industrial Policy in Japan

Between the years 1955 and 1970, the Japanese economy gained a lot of attention, interest and suspicions mainly because she was recording on average a GDP of 10 percent and the way they conducted their industrial policies. Some developing countries, especially the south Asian countries learnt from the Japanese experience. Other countries criticized their subsidized strategy because that strengthened a lot of Japan indigenous firms to have competitive advantages. The Japanese approach to industrial policy were focused on strengthening competitiveness of large private enterprises in specified sectors. Therefore their policies were more of private participation through government sponsored incentive programs and avoidance of unnecessary direct intervention in the market. The core characteristics of the Japanese industrial policy were encouragement of market competition and firm autonomy which distinguished their economy from the socialist industrial administration.

In the high growth periods, Japan had a long term vision to catch up with the industrialized countries; they had a clear national goal supported by government effort to supplement businesses to achieve the aim of industrialization.

The industrial policy of Japan can be traced into her post war days. Their industries policies could be grouped into two; the first one started from 1945 to 1952. During this period, policies concentrated on recovery from the war destruction and building basic industries like the electricity and coal to help in rebuilding the country. Other policies focused on providing room for private enterprise development.

The second period ranged from the end of the Korean War to 1960. Within this period, there was a five-year development plan which focused on development of basically the textile, steel, petrol chemical and the machinery industries which served as the first step to catch up with developed countries. One of the factors that contributed to the success of this period's policies was the abundance of loans from financial institutions. That is, without a substantial financial aid it could have been very difficult for the dreams of the policy to have been realized.

The third phase covered from the period of 1960 to the oil crisis period. Policies formulated during this period where to ensure world liberalization and internationalization of the Japanese economy. The country's policies became more liberalized after joining the OECD in 1964 though some of her exchange controls still remained until the late 1970s. The economy of Japan was then opened to foreign companies to market their products and they also got the opportunity to increase their export margin ratio. During the oil crisis period, Japan had almost been able to achieve their dreams of catching up with some of the developed countries across the globe. But after the hit of the oil crisis, other problems arose. Most industries started facing recession and the need arose to restructure the depressed industries. Based on this, temporary law for the stabilization of certain industries such as the textile, aluminum and ship building industries was put in place to put them on their feet again. There were other problems such as the issue of social cost, international coordination and partnership between the government and private enterprises. Some policies were to be put in place to minimize social cost exact on people by the firms, ensure an increase in market share of the country and lastly ensure good partnership between Japan and other countries (eg Import fair sponsored by MITI).

4.0 CHALLENGES OF INDUSTRIAL POLICIES

Recently, there has been the need to look at industrial policies very carefully considering the recent trend and developments in the global economy. It has therefore made it necessary to look into some of these challenges posed on industrial policies in developing countries especially Ghana. These challenges include (i) the increasing globalization of the world economy, most pertinently the rise of global production sharing, (ii) the recent crises in food, fuel and financial markets, (iii) climate change, (iv) the rise of China and India, and (v) the rise of the 'entrepreneurial' economy.

Globalization and global production sharing: According to (Craft, 2014), globalization refers to the greater integration of world markets as a result of both technological progress and policies. Dollar and Kray (2004) also observed that globalizing countries have tended to outperform non-globalizers in terms of economic growth since the 1980s. This globalization has led to global production sharing and it has made some regions benefit more than others (Mayer, 2004; Ultveit-Moe, 2008). Poorest countries highly depend on common trade, therefore reconsideration of trade policies would be an excellent move. Hence, it is importance to consider how two aspects of industrialization impact on a country's potential direction in trade policies: (i) new governing mechanism for international trade and investment and (ii) the rise of global value chains network (Ul-Haque, 2007). Trade remains a significant medium for ILCs to harness the benefits from globalization and to drive domestic structure change. Most ILCs are dependent on primary commodity exports and mostly small volume of exports. We will therefore need export diversity and the need to tap the full benefits from globalization. Through globalization, ILCs are able to enjoy goods they are incapable of producing with such capital goods in the case of SSA. It provides a very wide market for African countries to export most of their goods outside of their domestic market to generate a lot of foreign exchange to support the annual budget.

Despite the advantages enjoyed from globalization, ILCs countries face a lot threat from the developed and highly industrialized countries. In the first place, there is policy space restriction on developing countries. Rodrik (2004) summarizes the restrictions on developing country policy space imposed by the WTO, international financial codes and standards, regional trade agreements, and the IMF. For instance, the WTO prohibits adopting export subsidies or linking incentives to export performance, using local-content-rules in government procurement or FDI, for utilizing quantitative restrictions or measures that discriminate against investors by origin. The organization also promotes the reduction and harmonization of tariffs (Altenburg 2009; Ul-Haque 2007). But many of these measures were actively applied by the present day industrialized countries during their own industrialization processes, causing Chang (2002; 2003) to accuse them of 'kicking away the ladder' for industrial upgrading in ILCs. Moreover, to be able to export to some of these developed countries, the manufactured products must necessary meet a certain requirement or quality which most developed counties are unable to meet. Lastly, the industrial sectors of developing countries face the challenge of serious and unfair competition as a result of excessive import from these developed countries. Mostly developing country firms face a higher cost of production and it affects the pricing of their products. Therefore, their products are not able to compete with goods from advanced countries. They cannot compete within the local markets either. Here we expect developing countries to ensure export promotion and import protection. They should practice what is called 'learning-by-doing' like what China practiced. This has worked for them anyway. There is also the need for government to intervene to stimulate export beyond mere liberalization. Lastly, Imbs and Wacziarg (2003) point out that export diversification will benefit from a growing domestic demand. But once this has been achieved, and the country's export basket and production structure starts to diversify, diversification itself has positive spillover effects that benefit the country's financial development which may promote greater specialization of exports, because then the developed financial markets could have provided insurance against risk.

The issue of climate change: This has become one of the defining difficulties of the early twenty first century and probably the most important challenge facing industrial policy (Altenburg, 2009). The UN's Climate Panel's fourth report (IPCC), according to (Dervic, 2008), postulated that the world's climate is heating up, with possible catastrophic consequences, particularly and disproportionately for the world's developing countries. It is reported that about 50 billion tons of greenhouse gases (GHG) are emitted yearly and it has been recommended that the level of GHGs should be reduced to limit the level of global warming to at least 2°C. In achieving this, it will require a lot of resources and income and according to (Webster, 2009), it will require about 2 to 5 per of the world's GDP to achieve that minimum global warming. The implications are that (i) industrialization and industrial catch up by ILCs will be confronted increasingly by resource constraint and climate change impacts; it will become difficult to globally agree on the reduction of GHGs if a viable pathway for low-carbon industrialization is not created (not to think of creativity level either).

The implications of climate change on developing countries are that, firstly, it affects industrial development in developing countries, negatively and positively. It should make people draw the relationship between development and environmental impact. The advantage is that high tax in the industrialized countries may force some industrial firms like Steel, Paper, and others that omit a lot of GHG to relocate to countries like the SSA countries that are with lower carbon taxes and less restrictions. But the developing countries face the challenge of industrialized countries with high carbon taxes imposing high tariffs on the countries with low carbon tariffs.

The rise of the 'Asian driver' economies: Kaplinsky and Morris (2008) described China and India as the Asian drivers (AD). China is expected to overtake the USA as the world's foremost economy by 2041 and India is also expected to move to 3rd place by 2050 (Wilson and Purushotothaman, 2003). The Chinese economy has overtaken USA in the area of GDP (purchasing power parity) and it is expected that China will steadily overtake USA in some few years to come. The manufacturing sector together with the service sector contributed 45% each to China's GDP with a 10% contribution from agriculture. The development of manufacturing has created market for exports from the ILCs. Africa exports to China and India accelerated in the year 1999 and 2004 by 48% and 14% respectively which was about twice of the continent's exports to the rest of the world. Also as China and India advance and their wage levels start to rise, it may encourage low-cost labour-intensive manufacturing to shift to ILCs as expressed by the fly geese paradigm to the current ILCs (Akamatsu, 1962).

Despite the above advantages enjoyed in these economies, there are many challenges we need to overcome. The AD economies, especially China, are dominating the global market for low and medium labour cost manufacture goods. China poses a great threat to ILCs local markets as well as the foreign market. Carmody (2009:1198) likened the ADs and SSA relationship to that of the colonial era with SSA exporting a lot of primary goods to China and India while importing manufactured goods. This makes it very difficult for the ILCs to compute with these AD economies. They stand to the pressure of internally losing market local demand and foreign export to these AD economies.

To withstand the AD, there would be the need for the implementation of internal policies as well as international support, such as grating trade preference to African manufacturers. For example, the Multifibre Agreement (MFA) supported Mauritius industrialization and USA's African Growth and Opportunity Act (AGOA) to help the clothing, textile manufacture in Lesotho, Swaziland and Kenya (Collier and Venables 2007).

The role of entrepreneurs: Entrepreneurs play an important part in economic growth and development. There is substantial agreement that recovery after the triple crises and the challenge of climate will require entrepreneur innovation. Entrepreneurs have an essential role in development and growth of firms. The first is the introduction of new firm outside the household, which offer new products. The second is the expansion of firms by making use of scale economies. Lastly, entrepreneurs raise the returns to human capital and physical capital, thus providing incentive for further investment and education. But the entrepreneur might not provide these function automatically, because they might be constrained by market failure such as market failure in the financial, labour, product and knowledge market (Rodrick, 2007;7) and may make it difficult for them to diversify into non-traditional areas. The failure of industrialization in Sub-Saharan African (SSA) is a failure of the small firms to grow. It is therefore the responsibility of the country's policy makers to invest a lot in human capital formation since industrialization catching requires a high level of skilled labour; entrepreneurs create an increased demand for educated labour. This in the long run help improve the human capital of the country and then leads to imitation and adoption of foreign technology. An example is where a lot of efforts was put into human capital development (entrepreneurial skill) internationally.

But specifically to Ghana, some of the reasons why industrial policies has not made great impact on the industrial sector are as follows;

- Political instability: Ghana is known to have experienced numerous changes in government. What's more, every administration tries to actualize arrangements to suit its governance of the country. For example, the ousting of Kwame Nkrumah saw the finish of Import Substitution Industrialization (ISI) with the presentation of a market based economy under the Busia government in 1969. Busia's government had an industrial policy which was not that related to Nkrumah's; Ackah citing Killick (2010) states that Busia's government was by and large aligned to private enterprises rather than State Owned Enterprises.
- Governments do not have the required data, capacities and motivations to effectively figure out if the advantages of advancing certain sectors above others surpasses the cost and thus able to execute industrial policies.

5.0 CONCLUSION AND RECOMMENDATIONS

The industrial sector provides sustained growth for every economy, Ghana being not an exception. In other words, economies develop with an efficient and vibrant industrial sector. For that matter, the space within which the industry grows is a deciding characteristic in contributing to the industrial sector's share of GDP; the resilience of its environs is a major influence to government policies which in Ghana consists mainly of the Inward over-protected ISI strategy (1960-83) and Outward liberalized industrialization strategy (1984-2000) of the past and currently the Private sector-led accelerated industrial development strategy (since 2001).

From what has happened in Ghana so far, we can say that Ghana cannot achieve sustained growth without any strategic laid out policies to drive the industrial sector, since the industrial sector has experienced growth from the various industrial policies undertaken by the various government through the various stages. However, it has been faced with so many setbacks as a result of some of these policies. Government should therefore take effective measures prior to the implementation of any industrial policy since inefficient ones can be detrimental to the economy. The government of Ghana must endeavour in adhering to those measures given in the 2017 financial year budget as they are very crucial in the growth of firms and industry at large. Some of these measures stipulated in the recent budget of Ghana include meeting the targets of the Ghana Shared Growth and Development Agenda (GSGDA II) since it is the final year for its implementation. The government also plans on implementing policies to restore and sustain macroeconomic stability, to shift the focus of economic management from taxation to production, to manage the economy competently and make the machinery of government work to deliver the benefits of progress for all Ghanaians with which the industrial sector has to grow with to achieve the aims of these policies.

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