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Urbanization without structural transformation in Accra, Ghana

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Abstract: This paper draws on quantitative and qualitative analyses to examine the patterns of structural transformation, the drivers and constraints of structural transformation, and how the configuration of power within the city and its interactions with national and city political settlements affects structural transformation in Accra, Ghana. Using data from the Ghana Integrated Business and Establishment Survey, the findings show that spatial variation in establishments matters in Accra. The share of establishments and employment in manufacturing and tradable services is low while that in the services sector dominates in all municipalities. The labour productivity estimates for Accra show that there is heterogeneity in labour productivity across municipalities, sectors, sizes of enterprises, and formality. Only a few municipalities positively correlate with labour productivity. Municipalities with relatively high politically competitive regimes experience high levels of labour productivity. This is attributed to politicians seeking to maximize votes in politically competitive areas, while ruling governments tend to increase the provision of infrastructure and services in these municipalities at the detriment of other areas that may critically require such infrastructure. The dominance of the service sector in Accra is connected to the city and national political settlements. This is because the activities in wholesale trade and service sectors rather than manufacturing seem to favour the political and business elites because of the quick, lucrative returns and profits. The growth in this sector means the availability of rents to fund and run election campaigns and maintain their ruling coalition.

Key words: urbanization, structural transformation, political settlement, Accra, Ghana

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1   Introduction

The increased rate of urbanization in sub-Saharan Africa has not led to structural transformation; the shares of manufacturing employment and tradable services are still very low compared with other regions (see de Vries et al. 2021; World Bank 2021). Ghana is not an exception. The country has experienced rapid urbanization over the years, with urban population increasing from 3.5 million to 18 million and annual gross domestic product (GDP) growing rapidly, averaging 5.7 per cent over the last four decades (World Bank 2015). Although the share of employment in agriculture has declined over the years, the prospect of a thriving manufacturing sector seems difficult to realize. The contribution of agriculture to GDP has waned over the years, standing at 21.4 per cent and employing 39.7 per cent of the population in 2023. The performance of the industrial sector continues to be sluggish over the years, contributing 32.1 per cent to GDP in 2023; for instance, the sector recorded an average decline of 3.6 per cent and 3.2 per cent in 2020 and 2021, respectively (GSS 2021). The manufacturing subsector has also been growing slowly in recent years, the manufacturing value added was 11.23 per cent in 2023. The manufacturing sector recorded a growth of around 1.4 per cent and 0.7 per cent in 2020 and 2021, respectively. The decline in employment in agriculture has led to an increase in the share of employment in the services sector. The services sector contributed 46.3 per cent to GDP in 2023 and has the largest share of employment of 41.4 per cent. Employment in services is largely in informal and low productivity activities like wholesale and retail trade. In effect, this kind of structural change in Ghana is not in terms of less agriculture and more industry, but in less agriculture and more services (Jedwab and Osei 2012).

Urbanization can be key to structural transformation, but many African cities appear to urbanize without any significant economic transformation (Onjala and K'Akumu 2016). In Accra, the urban population grew by 8.1 per cent on average from 2010 to 2021 (GSS 2021). The city has the largest urban population in Ghana, accounting for over 39 per cent of Ghana's total urban population (Cloete et al. 2020). Migration into the city is one of the factors accounting for the increased city population. The high rates of urbanization have not translated into an increase in manufacturing and tradable services in Accra. More than 70 per cent of economic activities are in the services sector and the rest are in industry; urban agriculture is negligible. The share of manufacturing employment is around 18 per cent. The majority of new establishments in the city is mainly in the services sector (around 80 per cent) while new establishments in manufacturing over the years has not been significant (GSS 2015). Although about 28 per cent of business establishments in the country are found in Accra, the levels of vulnerable employment[1] and unemployment in Accra are about double the national average. The lack of growth in manufacturing and tradable services at the city level has had negative implications for inclusive growth and incomes of urban population.

Cities like Accra are supposed to function as engines of growth, running as hubs for inclusive and resilient growth and economic transformation. The gathering of firms and workers in Accra should create the potential for unlocking the 'miracle of productivity' and, therefore, enhance living standards via economies of scale and specialization (Collier 2016). Therefore, understanding the connections between cities and structural change is essential as we seek to strengthen efforts for a new urban agenda that promotes economic transformation and inclusive growth and prosperity. It is important to understand this connection between cities and the possibility of harnessing the gains produced by urbanization to create productive jobs at the city level. Effective policy-making in this area would require a much better understanding of patterns as well as the drivers of, and

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[1] Vulnerable employment refers to lower tier informal jobs with no social security.

constraints to, structural transformation at the city level and what it might mean for inclusive growth and prosperity. The role of political economy in influencing the dealings of national and city elites and how the dealings shape the economies of cities are key to explaining the lack of structural transformation in cities. However, there is relatively little literature on the scope and patterns of structural transformation and the political economy drivers/inhibitors across African cities.

In this study, we focus on Accra, particularly Accra city region that comprises the Greater Accra Metropolitan Area (GAMA) and contributes to our understanding of positioning cities as centres of economic transformation. The study draws on both quantitative and qualitative analyses to examine the scope and patterns of structural transformation at the city level; the drivers of, and constraints to, productivity at the city level; and the configuration of power within the city and how its interactions with national and city political settlements shape the possibilities of enhancing structural transformation and sustainable development in Accra.

The remainder of the paper proceeds as follows: The next subsection looks at political settlements and the business environment in Accra. The research design and data are discussed in Section 2. The analysis of findings is presented in Section 3 and Section 4 concludes.

1.1   Political settlements and business environment

Ghana is mostly a neo-patrimonial state where clientele politics has continuously shaped economic activities (Booth et al. 2005; Oduro et al. 2014). State officials have been selective in the formulation and implementation of policies—mostly choosing to implement what is attractive enough to guarantee political loyalty of key organized groups (Booth et al. 2005; de-Graft Aikins et. al. 2017). According to Booth et al. (2005: 13), 'patrimonial politics is a marriage of convenience between the state and an "opportunistic business class" in which neither party to the relationship applies rigorous performance standards to the other, except perhaps in a crisis'.

Patrimonial politics has been very visible since the days of Kwame Nkrumah, the first president of Ghana. Having worked tirelessly to use constitutional provisions to proclaim himself the life president of Ghana with his political party, the Convention People's Party, also as the only political party of the state, Nkrumah and his political associates became very powerful and had absolute control over what should be produced where and when (de-Graft Aikins et. al. 2017). The political settlement was highly uncompetive amid a closed deal space, with political connection becoming a very important tool for business growth (Osei et al. 2017).

The prevailing environment was not too conducive for structural transformation. Whatever in the opinion of Nkrumah could define total independence was what had to be implemented. Ghana embarked upon an import-substitution industrialization agenda, but according to Jedwab and Osei (2012: 6–7):

> pursuing this strategy (ISI) was not possible at the time for two reasons . . . First, because land was still relatively abundant, the price of labour was too high. Therefore, Ghana was not in a situation of labour surplus in the agricultural sector . . . Second, there were not enough skilled people in the economy, so developing capital-intensive manufacturing was not a sound economic strategy.

Even though the capital-intensive import-substitution industrialization model adopted by Nkrumah in 1957 was consistent with Lewis's (1954) model of development, it contradicted his advise to the government to first develop the agricultural sector and human capital in order to make induatrialization economically viable in the near future. Confident that industrialization was

the only effective way to development and that the surplus from the agricultural sector could be used to expand the industrial sector, Nkrumah went ahead with his industrilization agenda that unfortunately could not meet expectations before his demise from the political scene (Agyeman-Duah 2008).

Apart from brief (27 months each) democratic interruption by the governments of Kofi Abrefa Busia and Hilla Limann, the years that followed Nkrumah until 1981 witnessed a succession of military coups and fragile political systems (Jedwab and Osei 2012). The country experienced persistent deteriorations largely a result of global hikes in oil prices, drought, corruption, economic mismanagement, and political instability. The 1983 per capita income for Ghanaians was the same as it was in 1939! Jerry John Rawlings came to the political scene first in 1979 and later from 1981 to 2001, with a mission to fight corruption. Unfortunately, some of the actions he took rather affected business growth.

Patrimonial politics became deepened during the era of Rawlings as a military head of state from 1981 to 1993. Political antagonism against perceived enemies of the state led to the collapse of their businesses. In the early days of the revolution, rich businessmen in Ghana were mostly chased and forced to explain the sources of their wealth. The many found to have been corrupt were imprisoned and the state subsequently confisticated their assets. The deal space was closed, with the associates of Rawlings having a field day (de-Graft Aikins et al. 2017). Businesses in GAMA also suffered because of the heated political situation in the country.

Interestingly, while the perceived corrupt business owners were being chased away, a new crop of 'clean' business owners emerged. The private business environment therefore became politicized, which was not helpful for successful development of the state in general and corporate governance in particular (de-Graft Aikins et al. 2017). Around this period, Ghana had subscribed to and implemented the pro-capitalist Bretton Woods economic reforms (consisting of the economic recovery programme and the structural adjustment programme). Among the conditionalities to join the programme was the divestiture of the non-performing state enterprises. This created an opportunity for some of these enterprises to be sold cheaply to the political cronies of the ruling government, who were not able to effectively run these enterprises, leading to their collapse.

Fortunately, Ghana returned to democratic dispensation in January 1993 (with Rawlings still as the head of state in the first 8 years). Since then, the business environment has been more competitive with a much improved macroeconomic environment. However, political patronage and corruption still remain potential hindrances to the productivity of businesses. Firms affiliated to the political powers have performed relatively better. Even though political affiliation has been helpful, it could sometimes be a problem as well. Indeed, certain businesses have suffered because of their perceived affiliation to some political elements. This normally happens if perceived political parties of such businesses lose political power to their opponents. Well aware that the success of opponents' businesses could easily bring them back to power, those in power would do anything possible to frustrate smooth operations of their opponents' businesses.

Even though politicians with power normally run after businesses of their opponents, it becomes almost impossible to disrupt their operations if they have never been involved in shady deals when their parties were in power. The court system is very robust and political power could be rendered useless if exercised arbitrarily. The third group of business owners are those who cleverly play with the two major political parties. In the case of the latter, irrespective of the political party in power, their businesses would receive full support from the government to grow in leaps and bounds.

The prevailing broadly dispersed political settlement in GAMA mirrors that of the national settlement. Patronage politics plays out at the city level same as at the national level. The two main

parties prioritize policies and expenditures aimed at maximizing short-term electoral gains, often along clientelist lines, rather than programmatic policies that may deliver development in the long run. The relationship between Accra and the national settlement is most principally defined by presidential appointment of city majors, which implies large-scale changes in city leadership when the ruling party at the centre changes. The competitive nature of the national political settlement along with the need to mobilize resources for election campaigns implies that state–business relations are not simply about favouring pro-regime businesses but also involves the systematic exclusion of businesses associated with opposition parties (Abdulai 2023; Kelsall 2013. The state–business relations in Accra are highly personalized, where political elites favour certain types of economic actors over others.

Therefore, the deal space is also ordered but somewhat closed. In other words, businesses in the city with political connections easily get to make deals and once that is done, there is a greater certainty that officials will deliver (Pritchett and Werker 2012).[2] In view of this, politicians tend to be the most powerful actors of structural transformation in GAMA. They enact laws and work with city authorities to determine to some extent who could produce what, where, and for whom. Even though the judicial system is robust and therefore politicians of today can neither chase away nor collapse opponents' businesses, political actors of the ruling government remain very powerful in the structural transformation space. The recent policy of the government in locating a factory in each district has improved manufacturing in the GAMA.

2   Research design and data

Due to the lack of annual or panel data on employment, real and nominal value added by 10 or more sectors over a long period in Ghana, this study exploits available cross-sectional datasets on enterprise surveys [Ghana Integrated Business Establishment Survey, IBES II (2014/15); see GSS 2015] to construct relevant indicators to proxy structural transformation at the city level for this exercise. The lack of time series data hinders the analysis of detailed movements year on year over the period, but the approach in this study provides more valuable information on structural transformation in Accra.

We use both quantitative (mixture of descriptive and regression methods) and qualitative methods. The quantitative analysis involved using relevant data from the IBES II (2014/15). To understand the patterns of economic activities and structural change at the city level, we compute and discuss relevant indicators such as location quotients, share of manufacturing employment, and labour productivity at the sub-city level. The location quotients present a quantitative assessment of the degree of specialization and concentration of economic activities within each sector at sub-city. Labour productivity represents the output per worker. It is measured as total sales per full-time worker. The measurement of labour productivity does not capture selection effects, whereby more politically or ethnically connected enterprises may have higher total sales (due to protection of their markets, allowing them to extract rents through higher prices), and therefore productivity may be high but only owing to their relationship with political elites. We also run some regressions to understand the correlates with labour productivity in Accra.

The qualitative methodology focuses on understanding the drivers and constraints of structural transformation at the city level. In all, we collected responses from 25 key informants consisting of individuals and officials of organizations/institutions from the private sector, state agencies and

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[2] For detailed discussions on political settlement and deals in Accra, see Kunal et al. (2024).

local political leaders, as well as civil society organizations working on urban development issues (including slum dwellers associations), journalists, key experts drawn from academia, retired bureaucrats, and other policy actors. The key informants were grouped into three broad clusters: the private sector, state actors, and non-state actors. Interviews were conducted in person and respondents were asked to respond to a wide range of issues (for the interview guide and list of interviewees, see Appendix A).

IBES II (2014/15)was sourced from GSS (2015). The IBES II covers both formal and informal enterprises. Enterprises are formal if registered with the registrar general's department or the Ghana revenue authority. We derived the data on sub-city level government performance in Ghana from Chachu et al. (2023). Data on political competitiveness was computed from the electoral data sourced from the Ghana Electoral Commission.

3 Analysis of findings

3.1 Scope and patterns of structural transformation

Using the IBES dataset, we find that spatial variation in establishments matter, with Accra Metro and Tema Metro having the largest number of establishments and municipalities such as La Nkwantanag Madina and Ashaiman having the least number of establishments (see Figure 1).

Figure 1: Number of establishments
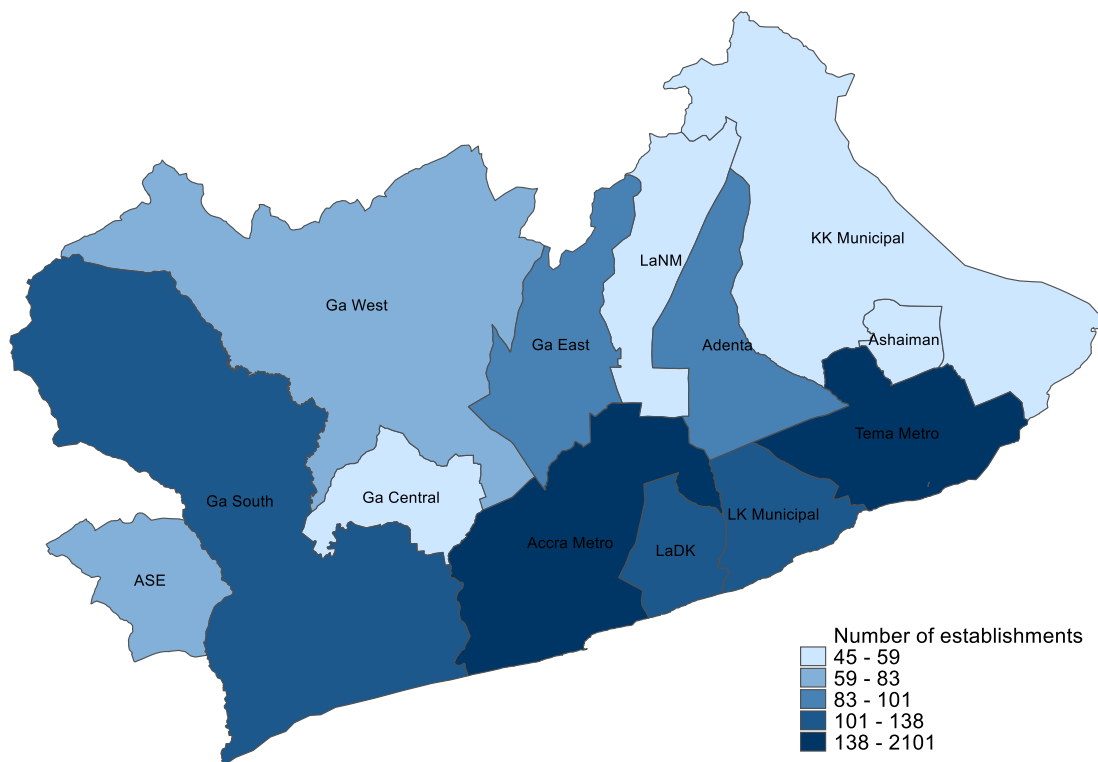
Note: Accra Metro is the central business district; ASE, Awutu Senya East; LK, Ledzokuku/Krowor; LaDK, La Dade Kotopon; LaNM, La Nkwantanang Madina; KK, Kpone Katamanso.

Source: authors' construct based on data from IBES II (2014/15; see GSS 2015).

At the sectoral level, the services sector dominates in all municipalities with higher shares of establishments (see Figure 2) and employment. Further analysis of shares of manufacturing

employment at the sub-city levels and across cohorts of new establishments in the city shows that the share of manufacturing employment across municipalities in Accra is very low (see Figures 2 and 3). In some municipalities such as Ga South, Ga Central, and La Dade Kotopon, the share of manufacturing employment is less than 10 per cent. Only a few districts like Ashaiman and Tema have higher shares, slightly above 30 per cent. Also, the shares of employment in each sector across year of establishment have been higher in services, about 80 per cent on average at the city level and very low in manufacturing employment.

Figure 2: Share of establishments in each sector and share of manufacturing employment across districts in Accra city region
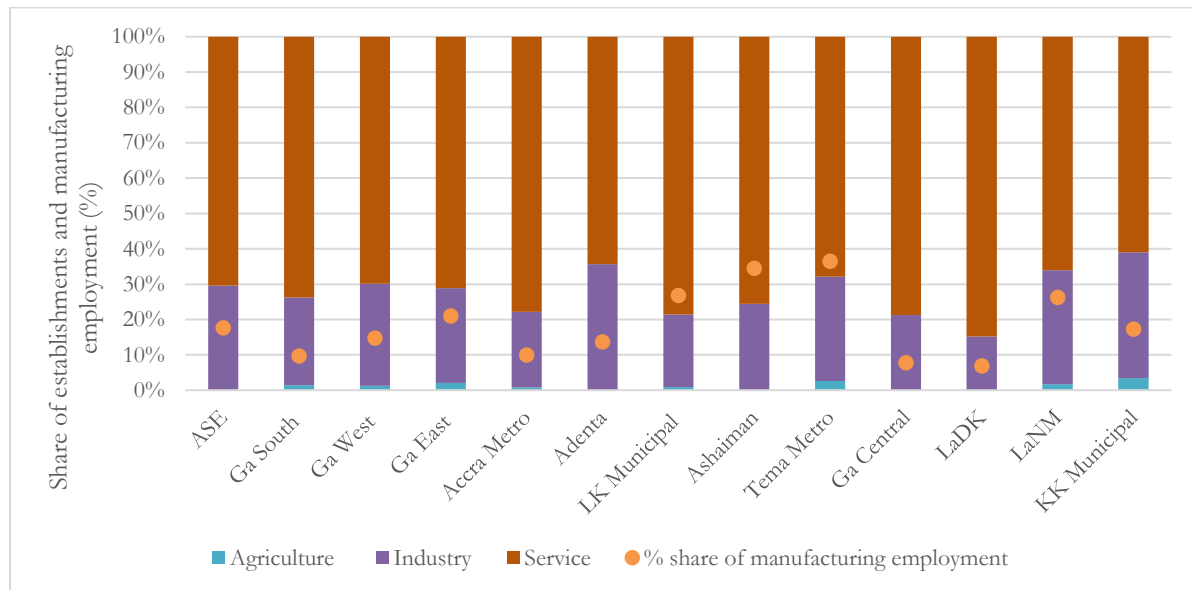

Note: Accra Metro is the central business district; ASE, Awutu Senya East; LK, Ledzokuku/Krowor; LaDK, La Dade Kotopon; LaNM, La Nkwantanang Madina; KK, Kpone Katamanso. The bar graphs show the share of establishments per sector across municipalities. The circle separately displays the share of manufacturing employment across municipalities.

Source: authors' construct based on data from IBES II (2014/15; see GSS 2015). Reproduced from Danquah and Sen (2023: 170, Figure 46), with permission.

The share of employment in each sector across year of establishment has been higher in services, about 80 per cent on average at the city level (Figure 3). However, the share of manufacturing employment for new establishments seems to be increasing but at a very slow rate. For instance, the share of manufacturing employment in enterprises established from 2011 to 2014 is a bit higher (about 30 per cent) than that in enterprises established in previous years. These patterns show that the city has not seen the growth of, and employment in, highly productive sectors such as manufacturing and tradable services compared with Asian cities with similar levels of urbanization and income.

Figure 3: Share of employment in each sector across years of establishment
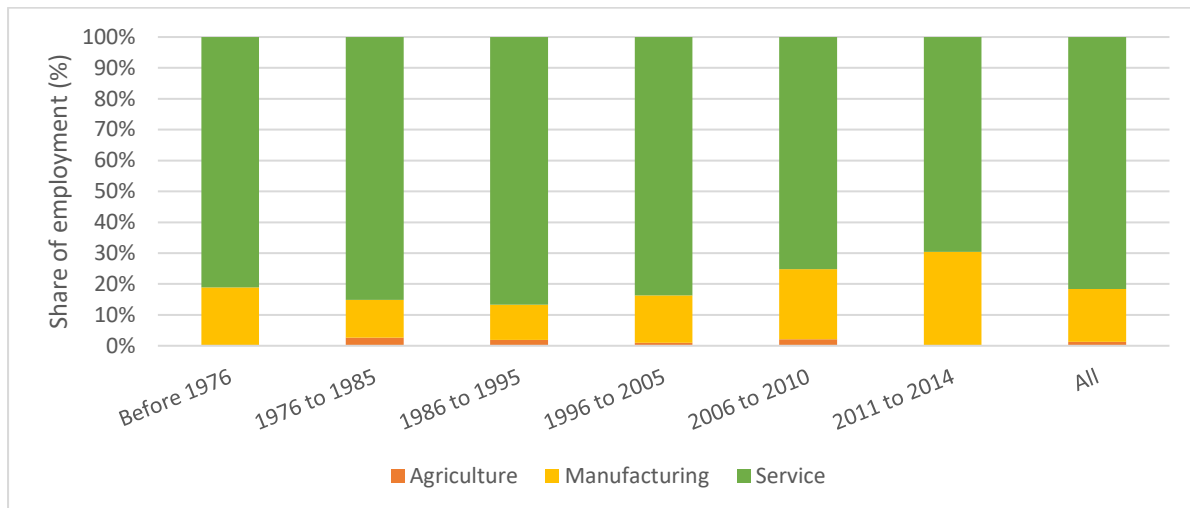
Source: authors' construct based on data from IBES II (2014/15; see GSS 2015). Reproduced from Abdulai (2024), with permission.

The concentration for manufacturing, construction, and services employment also varies across the city (see Figures 4–6). Manufacturing activities are mainly located in Tema Metro and Ashaiman, while construction activities are concentrated in Ga West and Adenta. Service sector activities are spread across municipalities such as La Dade Kotopon, Ga Central, and Accra Metro.

Figure 4: Location quotient for manufacturing employment
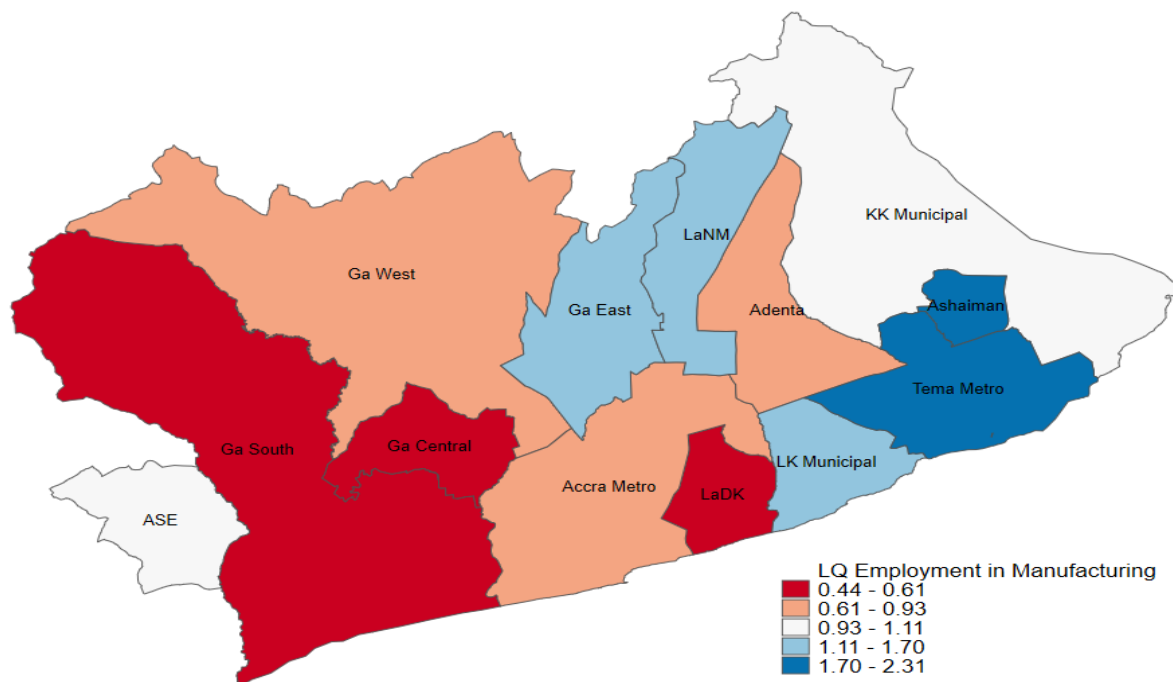
Note: ASE, Awutu Senya East; LK, Ledzokuku/Krowor; LaDK, La Dade Kotopon; LaNM, La Nkwantanang Madina; KK, Kpone Katamanso; LQ, location quotient. Values greater than 1 indicate a higher concentration in the district than in the nation.

Source: authors' construct based on data from IBES II (2014/15; see GSS 2015).

Figure 5: Location quotient for construction employment
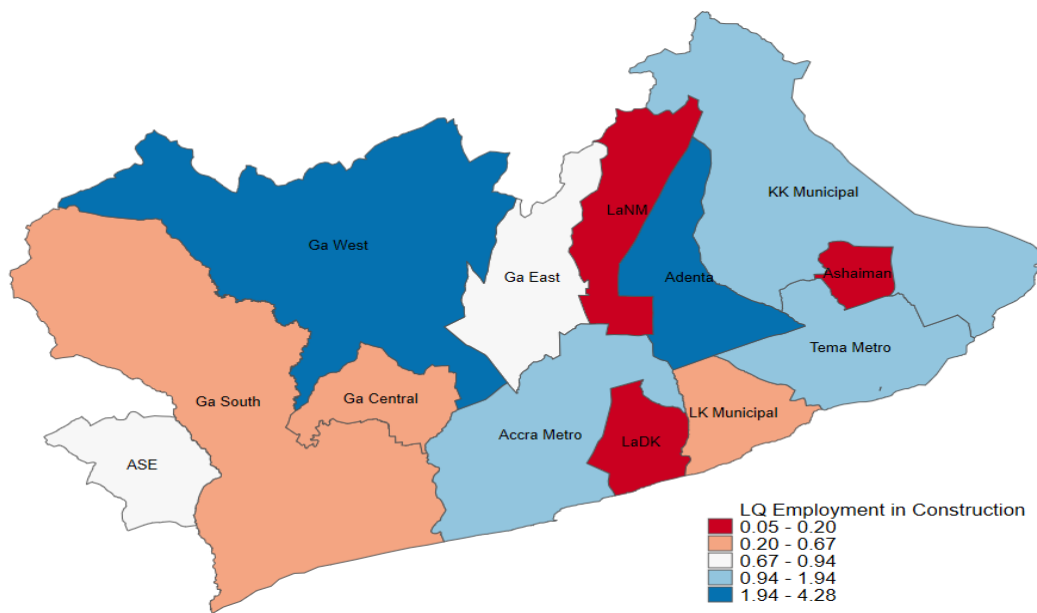
Note: ASE, Awutu Senya East; LK, Ledzokuku/Krowor; LaDK, La Dade Kotopon; LaNM, La Nkwantanang Madina; KK, Kpone Katamanso; LQ, location quotient. Values greater than 1 indicate a higher concentration in the district than in the nation.

Source: authors' construct based on data from IBES II (2014/15; see GSS 2015).

Figure 6: Location quotient for services employment
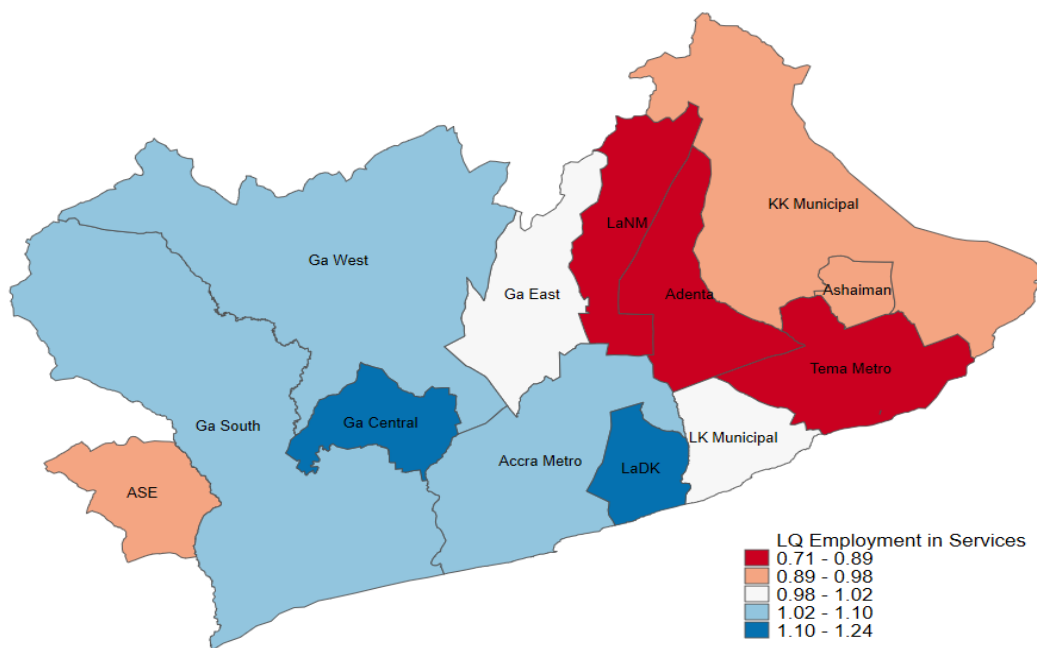
Note: ASE, Awutu Senya East; LK, Ledzokuku/Krowor; LaDK, La Dade Kotopon; LaNM, La Nkwantanang Madina; KK, Kpone Katamanso; LQ, location quotient. Values greater than 1 indicate a higher concentration in the district than in the nation.

Source: authors' construct based on data from IBES II (2014/15; see GSS 2015).

The labour productivity estimates for Accra show that there is heterogeneity in labour productivity at the sub-city level and also across sectors, sizes of enterprises, and formality. The labour productivity of enterprises across municipalities shows that Adenta and La Dade Kotopon host the most productive enterprises, whereas Ga South, Ga West, Ashaiman, and Ga Central host the

least productive enterprises on average (see Figure 7). Across sub-sectors, the finance, insurance, and construction sectors seem to have higher levels of productivity. Large enterprises (with more than ten employees) and formal enterprises also exhibit higher levels of productivity (see Figure 8). In other words, there are more formal firms with higher levels of labour productivity than informal firms, as shown in Figure 8.

Figure 7: Labour productivity of enterprises across municipalities

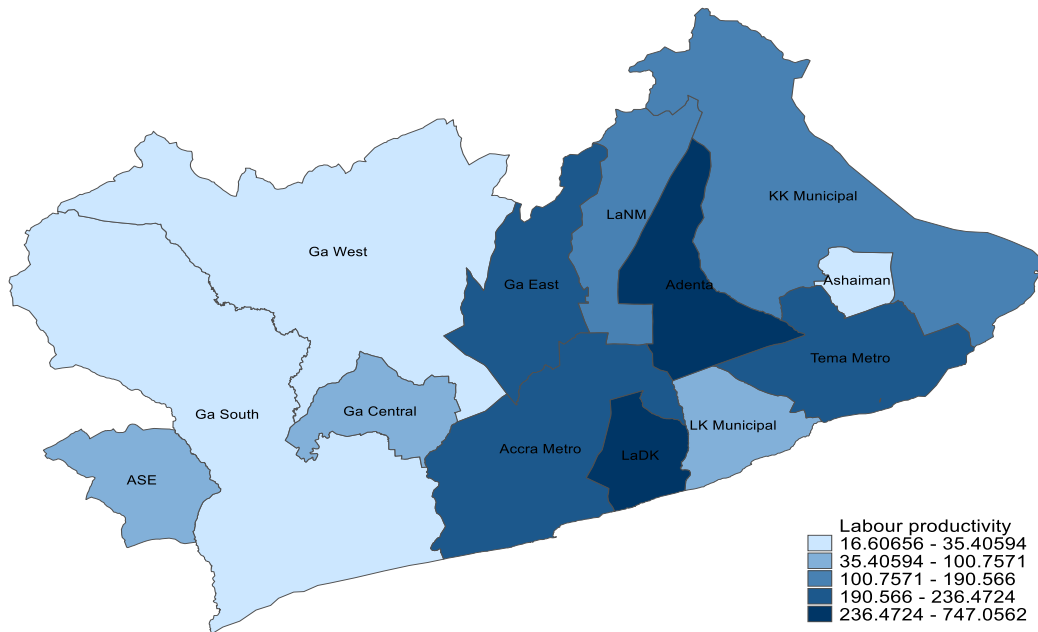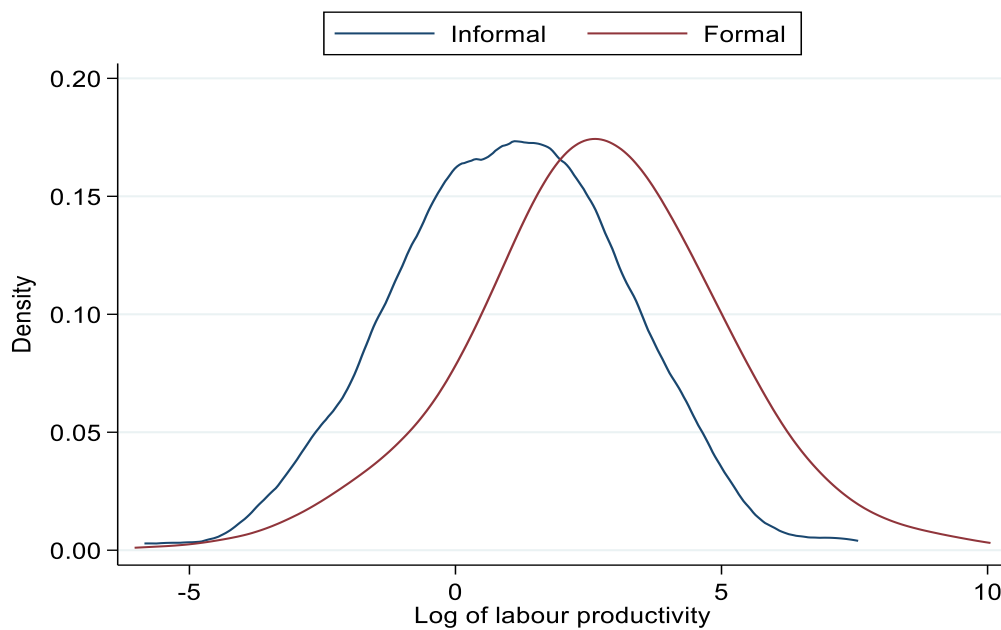
Note: ASE, Awutu Senya East; LK, Ledzokuku/Krowor; LaDK, La Dade Kotopon; LaNM, La Nkwantanang Madina; KK, Kpone Katamanso.

Source: authors' construct based on data from IBES II (2014/15; see GSS 2015).

Figure 8: Labour productivity by formality status

Source: authors' construct based on data from IBES II (2014/15; see GSS 2015).

3.2   Correlates of labour productivity in Accra

The regression analysis using the IBES dataset shows that only a few municipalities such as Accra Metro, Adenta, Tema Metro, Ledzokuku/Krowo, and La Dade Kotopon positively correlate with labour productivity (see regression estimates in Appendix Table B1). This shows that many of the municipalities do not invigorate the city to function as an engine of growth and economic transformation. The significantly positive effects of districts, such as Accra Metro and Tema Metro (which have a relatively high presence of public amenities compared with other districts in GAMA), on labour productivity suggest that inequities in the distribution of public infrastructure is an important challenge to the achievement of broad-based structural transformation in the city; hence, a broader city-level structural transformation can be achieved if such inequal distribution of public resources is addressed.

Also, differences in the performance of district assemblies could also bear significantly on firm productivity. For instance, district assemblies that are more effective in facilitating business start-ups, ensuring a favourable market environment for traders and customers, as well as easing the compliance burdens for businesses will be more productivity-enhancing compared with less efficient district assemblies. The ease of doing business is an important positive influencer of firm productivity. This is the case for the GAMA region, as found via data on institutional performance for districts in Accra from Chachu et al. (2023) (see Appendix Table B2). The results show that institutional performance of districts is positively correlated with labour productivity. This is statistically significant across all models. This implies that improving the performance of districts in GAMA will facilitate the achievement of overall structural transformation in the city.

Further, the type of legal organization of the establishment can also be a key influencer of firm productivity in the city. In this study, we show that the unorganized sole proprietorship type of businesses exhibit lower productivity compared with the more organized private limited liability companies (see Appendix Table B3). For instance, comparing labour productivity for firms operating as sole proprietorship with that of private limited liability companies, we find that the average labour productivity for private limited liability companies is close to four-folds higher than that of sole proprietorship firms in GAMA.[3] In effect, organization type matters for labour productivity in the Accra city region. Sole proprietorship and partnership are both less productive than private limited across all models. So, the dominance of sole proprietorship type of businesses in the city is a challenge to the achievement of structural transformation. This shows the need to support 'unorganized' sole proprietorships to become organized establishments.

Furthermore, more politically competitive districts[4] are likely to be effective in providing business-friendly public services such as roads, electricity, financial institutions, and more recently internet connectivity in the city. The availability of these facilities will undeniably improve the connections between output and input markets, improve access to affordable credit, and reduce the cost of business operations thus enhancing enterprise productivity and growth. We present some quantitative evidence on the role of district political competitiveness on labour productivity in Accra. Our baseline estimate reveals that the level of political competitiveness in a district significantly explains labour productivity (see Appendix Table B4). Specifically, districts with

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[3] The average labour productivity of sole proprietorship firms stands at 93.97 whereas that of private limited liability companies is around 336.22 in GAMA (IBES II, 2014/15; see GSS 2015).

[4] We follow the approach adopted by Gottlieb and Kosec (2018) in computing the political competitiveness index used in this study. For each electoral constituency, the political competitiveness index is calculated as the difference between the total of the opposition party votes and that of the incumbent part votes divided by the total vote cast and expressed as a percentage.

relatively high politically competitive regimes experience high levels of labour productivity.[5] This means that a competitive political regime is associated with increased enterprise productivity, growth or expansion, and transformation. This can be explained by the fact that, in Ghana, politically unsafe seats (i.e. high politically competitive constituencies otherwise known as 'swing' constituencies[6]) are often characterized by the inflow of relatively huge levels of social and infrastructure investments notably by incumbent political parties who use that as a way to retain their grip over such constituencies or change the outcome of the next election in their favour.[7]

3.3   Configuration of power, national political settlement, and structural transformation

In Accra, the qualitative analysis shows that the current political environment renders politicians the most powerful actors for structural transformation in the city. These politicians may include local politicians (e.g., assembly members, municipal chief executives, members of parliament, executives of political parties) and national politicians (e.g., president, government appointees/heads of various state institutions, ministers, national executives of political parties in Accra). These actors control award of government contracts despite a competitive bidding process enshrined in the Public Procurement Act. Closeness to them could easily facilitate a deal for business growth. Businesses with political connections easily get to make deals and once that is done, there is a greater certainty that officials will deliver, making politicians the most powerful actors.

As a result of the relationship between political power and enterprises, many businessmen have either become politicians or have adopted some politicians they sponsor. The interviews we conducted revealed that businesses have been positioning themselves strategically to attract favours from the politicians. This includes award of contracts and creating favourable environments for doing business. In return, the businesses also contribute significantly, both in kind and in cash, to the campaigns of the politicians. The politicians tend to lean on businesses within their jurisdiction for help with mobilization of the funds for campaigns. Through such engagements, some businesses become deeply committed in championing the cause of certain political elements for easy access to government contracts and other benefits if their candidates win. An owner of a construction firm explained:

> Yes, politicians are the most powerful people we deal with in our lines of duty. They award all state contracts and individuals in their good books always have [the] upper hand. The procurement laws are there but my brother, things are always not as they appear. (Key informant interview, East Airport, July 2022.)

Also, a former minister of state shared his experience during an interview:

> Looking at businesses now: the foremost driver is politics as firms with affiliations to the two major political parties in Ghana thrive under specific political regimes. (Key informant interview, West Legon – Accra, July 2022.)

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[5] In Model III where district fixed effects are included, the coefficient of our political competitiveness index is insignificant; this can be explained by the high correlation between the district dummies and the political competitiveness index. Consequently, we place more credence on the estimates in Model II (see Appendix Table B4).

[6] Swing constituencies are often characterized by majority of their voters being indifferent about the candidates.

[7] Such investments (mostly in the form of providing public service jobs and public goods such as roads, electricity and water supply, schools, clinics, etc.) correlate positively with business productivity and growth.

This relationship could also be a problem if a business is perceived to be affiliated to a political party and the party loses political power to their opponents. This could be the end of the enterprise whether or not it is in a productive sector. The political patronage and collusive relationships in Accra tend to benefit nonproductive enterprises. The collusive relationship affects the formulation of policies in the domain. Mostly the largest contributors to maintaining the ruling coalitions are able to lobby for policies favourable to their businesses at the expense of the business in productive sectors. One example we found in the domain is the policy on benchmark values. While the Association of Ghana Industries (an association with some members from productive sectors, manufacturing businesses producing for the local and export markets) has been advocating for increases in the benchmark values to discourage imports, the Ghana Union of Traders Association (largely dealing in procurement and imports) thinks the local capacity to produce to replace the import is currently not available and therefore the government should reduce the benchmark values. Ultimately, the government kowtowed to the demands of the more powerful Ghana Union of Traders Association. The activities of such powerful associations and business elites largely dominate the wholesale and trade sub-sectors that produce many informal buyers and sellers in the commerce space in the city. Therefore, the dominance of the service sector (particularly wholesale and trade, imports and procurement) in the city—as indicated in the quantitative analysis—can be connected to the city and national political settlements. The trade and service sectors seem very favourable to political elites than manufacturing, as these sectors generate quick return opportunities and profits. The thriving of the sector implies the production of the needed rents for election campaigns and effective maintenance of ruling coalitions.

Also, the urgent need to raise tax revenues (through customs duties at the ports), following on from the lack of fiscal space and conditionalities on loans by the International Monetary Fund, hinders the power of business elites in the manufacturing and tradable sectors. To gain more taxes from imports, government has to open up more to all kinds of imports and also set up favourable customs duties for imports. Such action appears not too favourable for local production and investment in productive sectors, which is seen as the main credible means for structural transformation.

The earlier findings from the quantitative section also suggest that the distribution of public infrastructure is connected to the nature of national and city political settlements. That is, more politically competitive districts are likely to be effective in providing business-friendly public services such as roads, electricity, financial institutions, and more recently internet connectivity. This positive relationship between political competitiveness and labour productivity collaborates the distribution of public infrastructure via the prevailing political settlements and its impacts of labour productivity of businesses. The dominant role of city and political elites in the structural transformation space in Accra is connected to the importance of location for business productivity at the sub-city level as shown in the quantitative analysis. To maximize votes in politically competitive areas, the ruling governments tends to increase the provision of infrastructure and services in these areas at the expense of other areas, which may critically require such infrastructure. This skewness and uneven distribution of infrastructure at the sub-city level distracts the growth pathways of productive sectors.

3.4   Other constraints to structural transformation

Non-compliance of regulatory structures and standards

State actors (both public and civil servants) interviewed consider non-compliance of regulatory structures and standards by businesses as their main challenge in the last 10 years. Some Ghanaian business owners do not pay much attention to compliance. Most officers of the enforcing agencies are very quick to settle things at the individual level (through extortions). Aware that the maximum

sanction could be extortion, of which they 'reserve' the right to bargain to the minimum, businesses owners deliberately ignore the compliance orders, which sometimes poses a high risk to consumers and businesses. Compliance is supposed to improve quality and, therefore, non-compliance could be a major reason for low quality of goods produced by Ghanaian firms. Respondents engaged in the key informant interviews indicated low quality as one of the reasons why they prefer imported goods to locally manufactured ones. Eventually, patronage for locally made products declines and that affects the productivity of firms.

- City authorities complained about the citing of businesses at illegal locations. This, according to them, has affected the beauty of the city. Business structures built on water ways has contributed to flooding in the city.
- GRA[8] lamented on the difficulty in getting businesses to pay tax.
- GSA and GFDA reported being unhappy with the production and sales of goods that have not been sanctioned by their outfits.
- ECG revealed problems with illegal connection and non-payment for use of electricity by some of the businesses in the city.

Lack of space/land for business operation

One major issue identified as inhibiting business growth is lack of space/land for business operations. Certain innovations or adoption of new technology/tools require businesses to provide larger spaces than where they are currently located. Respondents complained of the difficulty in getting litigation-free lands/spaces for their business operations. Multiple sales of land and weak enforcement of land regulations have made it nearly impossible to acquire land in GAMA. Businesses that have managed to buy lands/spaces sometimes had to pay more to the police or the courts to eventually secure titles to operate on such lands. An expert in urban development shared his opinion during an interview:

> I think if you take the issue of land security, I will say that about 75 to 80 per cent (of the firms) have problems in one way or the other around land issues, by either having the land and having problems with it or because of the multiple sales of land [to] a firm paying more money than what is necessary. (Key informant interview, University of Ghana, July 2022.)

Employee fidelity

Employee fidelity has been a challenge for most of the firms, especially the bigger ones with large numbers of employees. The businesses complained of theft by their staff. The manufacturing and construction firms are the most affected. Workers steal the finished products after manufacturing and, in the case of construction firms, they sometimes steal the building materials, which invariably affected the quality of work and hence the level of patronage.

Generally, employee fidelity has been a problem especially in the finance departments of businesses. They hardly disclose the true transactions of the day, which eventually tend to have adverse impacts on profitability. As a result of this, some of the businesses interviewed indicated that they have been engaging foreign workers to manage critical departments of their companies. An official of the Association of Ghana Industries shared his experience on worker fidelity issue:

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[8] For confidentiality, interviewees are represented by their initials.

It is not all workers though, but some of them engage in theft and many other unpleasant things. We need to train people to understand that overnight success is questionable and that it pays more to be trustworthy. (Key informant interview, Association of Ghana Industries, August 2022.)

Lack of access to long-term affordable credit

Lack of affordable credit facilities is also a major challenge. The private sector complained of the high cost of technology and innovations. However, interest rates charged by the financial institutions are not attractive enough to get the private sector to innovate and apply new technology. Policy rates increased over 1,000 basis points from 13.5 per cent in September 2021 to 24 per cent in September 2022, thereby pushing lending over the 30 per cent threshold. Such developments adversely affect business growth and innovation.

Even when the policy rate is low, access to long-term credit facility becomes a problem. The Ghanaian credit market does not have long-term financing packages. Unfortunately, short-term credit facilities for firms can hardly be applied to huge investments that require many years to experience cash inflows. As a result, the firms tend to stay away from huge investments and remain in their comfort zones without making meaningful headways. A firm owner shared his experience:

> In Ghana, access to appropriate credit facility to businesses is a major challenge. The clients demand certain products that require huge capital investment but unfortunately, we don't have the financial muscle to meet such demands, and the market is also not ready and prepared to support us. (Key informant interview, East Legon—Accra, August 2022.)

Macroeconomic instability (high rates of inflation and exchange rate volatility)

Increasing levels of inflation has made it very difficult for businesses to break even. Once the input prices are high, the prices of the finished goods should also increase in order to maintain profit. Unfortunately, increases in prices of goods and services have affected patronage. While some consumers understand the current dynamics in the global markets that have contributed to the escalation of prices of goods and services, many more consider increases in prices as a strategy for producers/sellers to cheat. Some consumers who feel cheated either reduce the quantities they used to buy or do not buy at all.

On the other hand, the increases in the prices may put some goods and services beyond the affordable limits of lower income earning groups. Aggregate demand is affected, which ultimately negatively affects volumes of production. Ghana's inflation consistently increased from 7.5 per cent in May 2021 to 37.2 per cent in September 2022. This increased cost of production, with many businesses currently struggling to stay afloat.

Exchange rate volatility in recent months has also adversely affected businesses that import inputs/raw materials from outside Ghana. Most of the manufacturing firms depend on imported inputs; with the local currency (Ghana Cedi) declining in value every day, their capital and volumes of production are also being adversely affected.

The instability in the value of the local currency has also affected the volumes of imported finished products. Members of the Ghana Union of Traders Association recently threatened to close down their stores. According to most of them, decline in the value of the Cedi has affected profitability. This is because before they finished selling imported products at hand, the Cedi would have lost

so much value against the major trading currencies that eventually they would end up importing lesser volumes of goods with the same amount of Cedi.

4   Conclusion

This paper draws on quantitative and qualitative analyses to examine the patterns of structural transformation, the drivers of, and constraints to, productivity, and how the configuration of power within the city and its interactions with national and city political settlements affects structural transformation in Accra, Ghana. Using data from IBES II (2014/15), the findings show that spatial variation in establishments matters in Accra, with the Accra Metro and Tema Metro having the largest number of establishments (see GSS 2015). The shares of establishments and employment in manufacturing and tradable services are low while the shares of these in the services sector dominate in all municipalities. The labour productivity estimates for Accra show heterogeneity in labour productivity across municipalities, sectors, sizes of enterprises and formality.

Further regression analysis using the available dataset shows that only few municipalities like Accra Metro, Adenta, Tema Metro, Ledzokuku/Krowo, and La Dade Kotopon positively correlate with labour productivity. The institutional performance of districts is also significantly and positively associated with labour productivity. The municipalities with relatively high politically competitive regimes experience high levels of labour productivity. This is because, to maximize votes in these politically competitive areas, ruling governments tend to increase the provision of infrastructure and services in these municipalities at the detriment of other areas that may critically require such infrastructure. This uneven distribution of infrastructure across municipalities in GAMA distract the growth pathways of manufacturing and other productive sectors.

The dominance of the service sector (largely wholesale and non-tradable service) in Accra is connected to the city and national political settlements. The activities of powerful political and business elites and associations dominate these sectors. This is because the activities in trade and service sectors, rather than those in manufacturing, seem to favour the political and business elites due to the quick lucrative returns and profits. The growth in the service sector means the availability of rents to fund and run election campaigns and maintain the ruling coalition.

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Appendix A

Table A1: List of interviewees

Sector	Respondents	
Private sector	Workhorses: lower tier informal enterprises, in non-tradable services	1. Collins Aluminium works – Agboba 2. Hairdresser – Adenta 3. N Y Metal Fabrication – Ashalley Botwey 4. Zoway Company
	Magicians: formal and upper tier informal enterprises in manufacturing and tradable services	1. JMK Consult 2. Appiah Boateng & Associates 3. Regimanuel Gray 4. Amos Sackitey/civil engineer
	Powerbrokers: telecom companies, utilities, and other infrastructural companies based in the city	1. GSM Systems
	Rentiers: companies in the natural resource sector with offices in the city	1. Total Ghana
State actors	Bureaucracy	1. Executive Secretary for Lands Commission 2. Municipal Chief Executive [Adentan Municipal Assembly] 3. Municipal Chief Executive [Ashaiman Municipal Assembly]
	Local politician	1. Assembly member for Kumantey Electoral Area, Ashaiman Municipal Assembly 2. Assemblyman for Danfa Electoral Area, La Nkwantanang Madina Municipal Assembly
	Slumlords in informal settlements with political connections or affiliations	
	Brokers: individuals close to the top political leadership who play an important role in canvassing votes in local and national elections	1. Director of Research at the Presidency 2. Former Deputy Minister of Communication
Non-state actors	Civil society	1. Traditional overlord/chief of Otinibi 2. President of the Ghana Union of Traders Association 3. CEO Ghana Association of Industries 4. Country Director for Women in Informal Employment: Globalizing and Organizing (WEIGO)
	Media	1. Alhaji Dr Abubakar Siddick
	Experts	1. Former Minister of State and Businessman 2. Urban Geographer and Dean of the School of Social Science, University of Ghana, Legon 3. Country Economist, International Growth Centre, Accra, Ghana

Source: authors' compilation based on study data.

Table A2: Key informant interview guide for Accra

| Research project title: |
| Name of interviewee: |
| Contact information: |

Source: authors' compilation.

Topic 1: Information on the state of structural transformation in Accra

What are the drivers of city-level structural transformation, and what are the constraints to structural transformation in the city?

Leading questions:

1. Who are the key actors involved in city-level structural transformation (state, non-state, international)? Please include any relevant policy actors, networks and reform initiatives and identify the relative power of the actors identified here.
2. How is structural transformation governed at the city level? Which state and non-state organizations are involved? What are the most influential rules that shape this domain (both formal, such as laws, and informal, such as clientelism)?
3. What are the core city systems involved? What is the state of those systems? What are the problems with system failure, fragmentation, and externalities? What, if any, are major system reforms that have recently taken place or are taking place?
4. What are the key development challenges faced in the structural transformation domain?
5. **For whom** are these challenges a problem (by income group, class, ethnic group, age, etc.); **what** is the significance of the problem (for example, how it affects people's expenditure, likely life expectancy) both for individuals and numbers of people; **who** benefits from the problem; **what is unknown** about the problem?
6. How and why does this matter for urban (and national?) development?

Topic 2: Political and systemic drivers and constraints

How does the configuration of power within the structural transformation domain and its interactions with national/city political settlements, and institutions, shape the possibilities of enhancing structural transformation in cities and the sustainable development of cities?

Probing questions

1. How significant does the structural transformation domain appear to be to city and national political elites? What does it offer to them in terms of rents, legitimacy, and votes?
2. In what ways and to what extent do political factors (including the political settlement at the city and national level) shape the outcomes in the structural transformation domain as identified above? Please draw on a historical analysis relevant to the domain. Please explain the ways in which ideas, interests and potentially territorial control to win elections influences politics within the domain.
3. What are the reasons for any system failures, fragmentations, and externalities identified above? Please refer to individual systems and issues of system integration and coordination as appropriate. Please draw on a historical analysis to explain your system-related findings.
4. Which other factors (if any) shape the main challenges identified here? For example, external shocks, the international context, etc.

Structured enterprise interview guide

1. What is the nature of your business?
2. How is your business registered and regulated? How easy was it to register your business?
3. To what extent do you think firms/companies comply with these regulations?
4. Are there informal protocols/relationships that yours or other businesses use to survive in this sector?
5. What markets does your business trade with? Include local, regional, and international.
6. How has it been over the years in terms of progress (expansion, productivity)
7. What do you think of the business environment in your city? How does that impact the operations and viability of your business?
8. What are the major challenges facing your business? How have you dealt with these challenges? What is the level of contestation in terms of defining and understanding these problems?
9. What business reforms are needed to address the business environmental issues as well as other challenges identified above?
10. Do you think the private sector has a role to play in urban development? What big ideas drive urban development in the city?
11. Who are the main actors in this domain and what are their main roles? This should include political, bureaucratic, professional, and popular actors. Actors may be located at multiple levels (including international) depending on how the domain is configured.
12. How has this configuration of actors changed over the last ten years?
13. What are their main interests or stakes in this domain? How powerful are they and what are the sources of their power?
14. Does the city have any programmes to support enterprise creation and growth?
15. Are there spaces for sustained dialogue between the private sector and city/government?
16. Which institutions within the city or national level are dealing with these challenges? How else do you relate with these institutions?
17. Which are the most important services that the city government provides for your business? How do these services affect your business?
18. Do you have access to financial support from the government, city, bank, or other institution?
19. Has there been any foreign investment into your company?
20. Does your company/organization have any links with a research institution or educational institution? What kind of support do you receive from these partnerships (e.g., in terms of skilled labour, technological innovation)?
21. Are you a member of any business association? If yes, what services do you receive from this association? How effective are these services to your business?
22. What is your comment on the role and impact of public infrastructure like transport and how this supports your business?

Appendix B

Table B1: Effects of districts on labour productivity

Variables	Model I Dependent variable: log (LP)	Model II Dependent variable: log (LP)
Log (firm age)		−0.179**
		(0.082)
Formal (*if reg. with GRA/RDG*)		1.496***
		(0.137)
Firm size (Base: Micro ent.)		
Small		−0.172
		(0.130)
Medium		−0.224
		(0.174)
Large		−0.747*
		(0.387)
District dummies (base: Awutu Senya East)		
Ga South	0.262	0.721**
	(0.307)	(0.314)
Ga West	0.085	0.421
	(0.319)	(0.311)
Ga East	0.360	0.348
	(0.379)	(0.394)
Accra Metropolitan Area	1.148***	1.333***
	(0.253)	(0.264)
Adenta	0.715*	0.597*
	(0.371)	(0.354)
Ledzokuku/Krowor	0.704**	0.936***
	(0.338)	(0.337)
Ashaiman	−0.367	−0.096
	(0.405)	(0.413)
Tema Metropolitan Area	1.436***	1.402***
	(0.269)	(0.280)
Ga Central	−1.269***	−0.993**
	(0.413)	(0.422)
La Dade Kotopon	1.291***	1.572***
	(0.324)	(0.340)
La Nkwantanang	0.656*	0.747**
	(0.374)	(0.373)
Kpone Katamanso	0.241	0.875**
	(0.411)	(0.413)
Sector dummies	No	Yes
Constant	8.447***	8.257***
	(0.247)	(0.513)
Observations	3,420	3,079
Probability > *F*	0.000	0.000
R-squared	0.039	0.106

Note: LP, labour productivity. Models I and II present the effects of district dummies on labour productivity without and with firm characteristics, respectively. Labour productivity is calculated as the ratio of total revenue to total employment by each entity. We employ the logarithm of labour productivity in our estimations. Standard errors clustered at the firm-level are presented in parentheses. ***p<0.01, **p<0.05, *p<0.

Source: authors' compilation.

Table B2: Effect of district institutional performance on labour productivity

Variables	Model I Dependent variable: log (LP)	Model II Dependent variable: log (LP)	Model III Dependent variable: log (LP)
Dist_per_index	0.055***	0.052***	0.176**
	(0.007)	(0.007)	(0.083)
Organization type (base: private limited)			
Sole proprietorship		−0.718***	−0.673***
		(0.092)	(0.093)
Partnership		−0.497***	−0.450***
		(0.156)	(0.157)
Public limited company		0.771*	0.735
		(0.459)	(0.462)
Log (firm age)		−0.184**	−0.203**
		(0.085)	(0.085)
Formal (*if reg. with the GRA/RGD*)		1.512***	1.429***
		(0.151)	(0.153)
Firm size (Base: Micro ent.)			
Small		−0.275*	−0.318**
		(0.143)	(0.144)
Medium		−0.444**	−0.495***
		(0.191)	(0.191)
Large		−1.045**	−1.088***
		(0.411)	(0.410)
Sector dummies	No	Yes	Yes
District dummies	No	No	Yes
Constant	6.308***	6.997***	1.046
	(0.405)	(0.596)	(3.943)
Observations	3,053	2,764	2,764
Probability > *F*	0.000	0.000	0.000
R-squared	0.020	0.116	0.127

Note: LP, labour productivity. Models I, II, and III present the determinants of labour productivity. Model I estimates the effect of district performance index on labour productivity without accounting for other firm characteristics, sector and district dummies; Model II estimates the effect of district performance index, organizational type, and other firm characteristics on labour productivity while accounting for sector dummies but not district fixed effects; and Model III does the same but includes district fixed effects. Labour productivity is calculated as the ratio of total revenue to total employment by each entity. We employ the logarithm of labour productivity in our estimations. Standard errors clustered at the firm-level are presented in parentheses. ***$p<0.01$, **$p<0.05$, *$p<0$.

Source: authors' compilation.

Table B3: Effect of organization type on labour productivity

Variables	Model I	Model II	Model III
	Dependent variable: log (LP)	Dependent variable: log (LP)	Dependent variable: log (LP)
Organization type (Base: private limited)			
Sole proprietorship	−0.918***	−0.711***	−0.632***
	(0.084)	(0.089)	(0.089)
Partnership	−0.594***	−0.498***	−0.403***
	(0.151)	(0.146)	(0.145)
Public limited company	0.963**	0.812**	0.763*
	(0.374)	(0.403)	(0.399)
Log (firm age)		−0.070	−0.214***
		(0.079)	(0.082)
Formal (*if reg. with the GRA/RGD*)		1.505***	1.362***
		(0.136)	(0.139)
Firm size (Base: Micro ent.)			
Small		−0.189	−0.315**
		(0.132)	(0.131)
Medium		−0.305*	−0.467***
		(0.179)	(0.179)
Large		−0.819**	−1.034***
		(0.390)	(0.390)
Sector dummies	No	Yes	Yes
District dummies	No	No	Yes
Constant	9.835***	9.336***	8.967***
	(0.060)	(0.461)	(0.517)
Observations	3,420	3,079	3,079
Probability > *F*	0.000	0.000	0.000
R-squared	0.036	0.095	0.123

Note: LP, labour productivity. Models I, II, and III present the determinants of labour productivity. Model I estimates the effect of organization type on labour productivity without accounting for other firm characteristics, sector and district dummies; Models II estimates the effect of both organizational type and other firm characteristics on labour productivity while accounting for sector dummies but not district fixed effects; and Model III does the same but includes district fixed effects. Labour productivity is calculated as the ratio of total revenue to total employment by each entity. We employ the logarithm of labour productivity in our estimations. Standard errors clustered at the firm-level are presented in parentheses. ***$p<0.01$, **$p<0.05$, *$p<0$.

Source: authors' compilation.

Table B4: Effect of political competitiveness within districts on labour productivity

Variables	Model I	Model II	Model III
	Dependent variable: log (LP)	Dependent variable: log (LP)	Dependent variable: log (LP)
Pol_Comp_index	0.023***	0.020***	0.016
	(0.006)	(0.006)	(0.033)
Organization type (Base: private limited)			
Sole proprietorship		−0.683***	−0.621***
		(0.090)	(0.090)
Partnership		−0.450***	−0.375**
		(0.146)	(0.146)
Public limited company		0.786*	0.761*
		(0.402)	(0.398)
Log (firm age)		−0.082	−0.193**
		(0.080)	(0.082)
Formal (*if reg. with the GRA/RGD*)		1.545***	1.386***
		(0.138)	(0.142)
Firm size (Base: Micro ent.)			
Small		−0.222	−0.291**
		(0.136)	(0.136)
Medium		−0.366**	−0.454**
		(0.182)	(0.182)
Large		−0.883**	−1.018***
		(0.391)	(0.392)
Sector dummies	No	Yes	Yes
District dummies	No	No	Yes
Constant	9.704***	9.609***	9.814***
	(0.073)	(0.471)	(0.667)
Observations	3,350	3,009	3,009
Probability > *F*	0.000	0.000	0.000
R-squared	0.005	0.100	0.120

Note: LP, labour productivity. Models I, II, and III present the determinants of labour productivity. Model I estimates the effect of district political competitiveness index on labour productivity without accounting for other firm characteristics, sector and district dummies; Model II estimates the effect of both district political competitiveness index, organizational type, and other firm characteristics on labour productivity while accounting for sector dummies but not district fixed effects; and Model III does the same but includes district fixed effects. Standard errors clustered at the firm-level are presented in parentheses. ***$p<0.01$, **$p<0.05$, *$p<0$.

Source: authors' compilation.