
The role of small business associations in BDS provision in Ghana

Background paper for BDS conference presentation
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Summary:

Small business associations (SBAs) in Ghana play a crucial role with respect to both strategies of poverty alleviation of microentrepreneurs and to business development strategies of small and micro enterprises. This study indicates that both direct BDS delivery and BDS facilitation have a positive impact on the institutional performance and financial sustainability of small business associations.

BDS *delivery* has a clear positive impact on the professional management and technically adequate structures dedicated to service provision. On the other hand, BDS *facilitation* has a more positive impact on the consolidation of the membership base, rather than resulting in a stronger organizational structure of the association. Nonetheless, BDS facilitation strengthens both the relational capabilities of SBAs in building partnerships with external institutions, and the consensus building capabilities of associations. Members greatly value the ability of SBAs to provide a 'facilitated' access (in terms of better contractual terms and/or long term partnerships) to external BDS providers. The consolidation of the membership base in turn increases the long-term sustainability of the associations.

1. Introduction

Over the past decade, both empirical studies of rapid growth in developing countries and the literature on economic governance in industrialized countries have highlighted the crucial role of business associations in fostering collective action and economic development. In particular, associational contributions to economic performance can be divided into market-supporting and market-complementing activities (Doner and Schneider, 2000).

On the one hand, 'market-supporting' activities are most relevant in periods of creating and consolidating emerging capitalist economies and mainly relate to direct pressure of business associations on underperforming states to provide secure property rights and reduce government predation, increase responsiveness and accountability of public administration, and invest in strategic public infrastructures. On the other hand, 'market-complementing' activities of associations are mainly aimed at overcoming various types of market failures and involve direct coordination among firms to reconcile independent production and investment decisions.

Despite the widespread recognition of the potential developmental role of small producers' associations, clear institutional limitations and both protectionist and rent-seeking tendencies remain strong in a variety of cases. Indeed, developing countries remain full of 'dormant' business associations that consist of little more than a telephone listing, a president, an office, very limited staff, and an annual meeting. These associations are generally of little help in the challenges of development. Moreover, certain business associations may pursue unproductive, market-distortionary, and merely protectionist goals. Competition among rival associations to establish 'privileged' relationships with the state, and consequently gain access to subsidies, tax exemptions, or protectionist interventions, may often become unproductive, absorbing energies in conflicts over narrow, organizationally defined goals that have little relation to effective MSE governance or economic development. As a matter of fact, business associations are not inherently good or bad: the crucial issue then relates to understanding what are the institutional arrangements that enable business associations to move from rent-seeking and protectionist instances to developmental, market-supporting, and market-complementing activities, and achieve sustainability over time.

The study presented in this paper is part of a larger research effort undertaken by IFP/SEED to identify and examine how small business associations activate and expand BDS provision. Countries covered include Ghana, Viet Nam and India. In the following sections initial findings from Ghana are presented¹.

¹ The field research in Ghana was undertaken in June 2003 and analyzed by Alberto Cruscio, consultant to ILO-IFP/SEED.

2. Overview of Small Business Associations and BDS in Ghana

Small business associations in Ghana show a widespread awareness about the relevance of service provision to members as a crucial way to consolidate the membership base and enhance the long-term sustainability of the associations. More in general, changes in the policy environment of the early 2000 have shown that the traditional rent-seeking relationships between the business and political establishments are no longer a viable option for the consolidation and growth of small business associations in Ghana. This widespread change in the attitudes towards the nature of business–civil society relations, and the need to increase the degree of both political and financial independence of small business associations, has shifted the strategic orientation of even the less-proactive and more politically-compromised associations towards service delivery as the only viable response to assure the survival of small business associations out of deep organizational crises.

Of course, the diffused awareness about the importance of BDS delivery for the sustainability of SBAs does not automatically implies the actual involvement of small business associations into the provision of BDS. In fact, it seems possible to individuate different typologies of SBAs that entail various degrees of involvement into BDS delivery:

- I. Export-Oriented Associations. For example, some export-oriented associations are quite active in the direct provision on a commercial basis of business development services to export, such as the association of the Sea-Freight Pineapple Exporters of Ghana (SPEG), the Vegetable Producers and Exporters Association of Ghana (VEPEAG), or the Ghana Employers' Association (GEA), which, as an 'umbrella' association, acts more as an export BDS facilitator.
- II. Network-Governor Associations. Other associations, such as the Ghana Private Road Transport Union (GPRTU) or the Ghana Traditional Caterers Association, have developed a well organized and self-sustainable bureaucratic structure to coordinate, monitor, and policy the activities of several thousands microentrepreneurs in the informal economy. This typology of association plays a crucial role in regulating and governing the daily operations of members, which usually pay for the coordination and standards-enforcement services provided by the association. Rather than from a BDS market development approach, the financial sustainability of this typology of associations derives mainly from the monopolistic control exerted by these SBAs on the business sector they represent, since the BDS delivered by the association are crucial for the function of the whole sector itself.
- III. 'Crisis-Response' Ad-Hoc BDS Provider Associations. A third category of SBAs involved in BDS provision or facilitation relates to those associations that have been constituted in response to a specific

market, technological, or regulation challenge. This typology of association usually focuses its operations on few 'core' activities, often involving also BDS delivery, which enable members to overcome the crisis, and eventually strengthen their market position. Usually, this typology of SBAs has a minimal secretariat and, both direct and indirect, BDS delivery is 'embedded' into member-to-member relationships and/or is considered as part of the total package of benefits relative to the affiliation with the association. In other words, while the BDS delivery component of association such as the Ghana Association of Barbers and Salon Owners (GABSO), the National Association of Sachet Water Producers (NASWAP), or the Ghana Association of Weavers and Leather Workers (GAWAL), is not explicit in direct market transactions between the members and the association, membership fees and contributions constitute a relevant quota of the association revenues and, more importantly, account also for the 'value-added' by the BDS provided by the association.

- IV. Welfare and Mutual Support Associations. Finally, a large number of Ghanaian SBAs follows a more traditional model of mutual delivery of social services among the participants to the group. This typology of association has usually a very limited scale and scope of operation, but it is nonetheless sustainable over long periods of time. Despite the lack of any developmental agenda, members greatly value the social support and services that they can receive from this typology of association. This in turn assures the regular payment of membership fees and the long-term sustainability of the associations, despite the low level of associational activity.

The two case-studies presented in this report represent a mix of these type of associations, but with an emphasis on the first and the third category. They indicate that BDS delivery is viable option to enhance the long-term sustainability of small business associations.

3. Case studies

I - The Sea-Freight Pineapple Exporters of Ghana (SPEG)

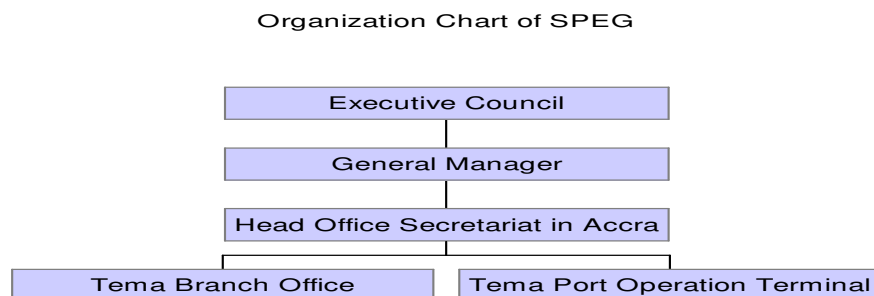
The association of the Sea-Freight Pineapple Exporters of Ghana (SPEG) is the national sector association for small and medium pineapple exporters in Ghana. SPEG was founded in 1995, when five medium exporter companies came together in response to the crisis of the air cargo transport sector. In fact, the expansion of the world demand for air cargo commercial transport had saturated the existing capacity of the sector in 1995, and Ghanaian pineapple exporters risked to lose access to the lucrative European markets as a consequence of the saturation of the shipment capacity in air cargo transport. Accordingly, the core mission of SPEG has been to diversify the export channels

for pineapple exporters, by developing and managing a sea-freight system for medium and small pineapple producers.

This clear, BDS focused, and market- and problem-solving oriented mission of SPEG is at the origins of the impressive performance of the association in terms of BDS delivery and financial sustainability. In fact, SPEG's successful provision of both strategic and, at the same time, operational services derives from the minimalist approach of the association to limit the range of activities of SPEG to few crucial services provided on a commercial basis, and then expand the scope of operation to a more comprehensive set of activities. In this way, the association has been able to create and consolidate over time the internal capabilities necessary for effective advocacy and service delivery, with a considerable positive impact on the economic performance of member firms. A simple indicator of the brilliant performance of SPEG in terms of service delivery and membership upgrading is provided by the export performance of the association, which went from a modest 2,718 tons shipped in 1995 to an export volume of 32,000 tons directly exported through SPEG in 2002.

Organizational Structure, Staff, and Membership (Size, Performance, Export Markets)

Currently, SPEG is professionally managed with a Head Office Secretariat in Accra and a branch office in Tema at the Port Terminal. While the Executive Council (composed by six members) of SPEG deliberates on policy issues and the overall strategic planning of the association, the Secretariat of SPEG handles the daily management of operations. The General Manager of SPEG directs the activities of the Secretariat, which is composed of six full-time professionals (4 in Accra and 2 in Tema). The Secretariat of SPEG works in cooperation with the branch office in Tema for the daily operations of the association's Tema Port Operations Terminal, which is in charge of organizing the shipments of pineapples. Below is the organization chart of SPEG:



The association has a current membership of 20 medium and small enterprises, but it offers its shipment services to other 23 small-scale producers, which account for 15% of the export volumes handled by SPEG. The decision to

provide services also to non-members responds to the strategy of membership building of the association. In fact, non-members are in general small-scale producers that are not yet able to meet the export volumes and process and product standards necessary to join SPEG. The association supports the upgrading of potential members through the provision of BDS, so that also the additional 23 small-scale pineapple exporters can meet the requirements to join SPEG. Currently, the requirements to join the association are the following:

- 1) Productive Capacity: farm of no less that 25 Acres;
- 2) Export Volumes: minimum of 400 tons per year;
- 3) Logistics: good warehouse and loading facilities (to assure good conservation standards of the product).

Membership of SPEG is composed by medium and relatively small enterprises which represent 90% of the members and account for 58% of exports through the association. Interestingly enough, small and micro-exporters in the process of joining the association cover 15% of the export volumes of SPEG.

Membership of SPEG by Size

Size (No. of Employees)	Percentage of Membership
Large Number of Employees: 250 –300	10%
Medium Number of Employees: 150 – 250	40%
Small Number of Employees: 50 – 150	50%

Contribution to SPEG's Exports (%) by Size of Enterprise

Size of Enterprise		Share of Exports (%)
Members	Large Exporters	26%
	Medium Size Exporters	35%
	Small-Scale Exporters	24%
Non-Members	Small and Micro-Exporters	15%
TOTAL		100%

SPEG members mainly export to the European markets with their individual brands, and deal in prevalence with large buyers (wholesalers), which in turn distribute the products to supermarket chains. The major export markets in 2002 for SPEG exporters have been the following:

Export Market	Share of SPEG's Exports
Germany	35%
Belgium	20%
Italy	15%
France	10%
United Kingdom	5%
Others	15%

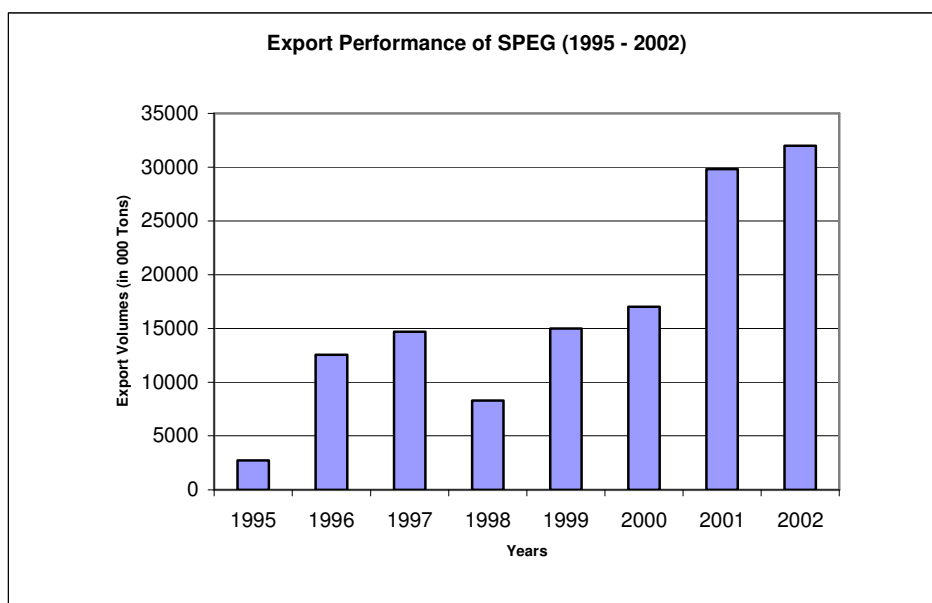
SPEG exporters access the EU markets mainly through two distribution channels:

- 1) Large Wholesalers. Large Buyers acquire 85% of SPEG exports and distribute the products to retailers;
- 2) Supermarket Chains. Some of SPEG exporters have direct contracts with large supermarket chains, and sell 15% of total SPEG exports through this channel;

Presently SPEG members negotiate individually with buyers the terms of the contracts and product standards, this situation poses them in weak bargaining condition vis-à-vis large wholesalers. In this respect, SPEG is in the process of adopting a joint bargaining and marketing strategy to reduce the asymmetries within the global horticultural chains. In particular, the Executive Council has devised a clear upgrading strategy that is expected to lead to Group Marketing within the next three years. According to SPEG's executives, the association will pursue the following steps:

- 1) Enforce the product and transport quality standards among members, to assure high and homogeneous product standards;
- 2) Develop and market a common brand name for SPEG's pineapples, to create and consolidate a customer base in the EU markets;
- 3) Pursue a joint bargaining strategy with large wholesalers to improve contractual conditions and return on sales;
- 4) Diversify markets through a common marketing strategy, so to directly negotiate with medium and small retailers.

SPEG's strategic plan towards Group Marketing is expected to increase the profitability of member firms. However, SPEG's contribution to the economic performance of members has already been remarkable over the last decade, and it can be easily measured by the steady increase of the export volumes by member firms.



The Core Mission of SPEG: Managing Export Logistics, a Strategic and Operational BDS

The brilliant export performance of SPEG and of its members is mainly attributable to the strategy of the association to focus simply on Export Logistics and Transport, and implement few basic but crucial functions as indicated in SPEG's mission statement:

- 1) Arrange sea-freight space on assigned vessels;
- 2) Consolidate pineapple cargo for vessel operators;
- 3) Coordinate shipping arrangements on behalf of its members;
- 4) Oversee loading of cargo at the port and prepare all documents covering exporters' shipments.

The management of export logistics represents an interesting example of 'strategic' and, at the same time, 'operational' BDS delivery. In fact, the provision of export logistics services contributes to the long-term and strategic objective of pineapple producers to access and create a solid market position on new export markets. In other words, the provision of export logistics BDS is 'strategic', since it positively impacts the long term export performance of member firms, substantially increases their potential of revenue generation, and stimulates processes of firm upgrading to meet the standards of the new export markets. At the same time, SPEG export logistics BDS are also 'operational', since the handling of exports is part of the day-to-day operations of the firms and of SPEG. In other words, the provision of export logistics BDS assures the regular flow of operations of member firms and is part of the regular support functions needed to conduct business as usual. In brief, the reasons for SPEG's success in BDS delivery rely on the fact that the provision of export logistics BDS intervenes on a

crucial aspect of the business activities of member firms, and it contributes both to the strategic development and to the basic operative functions of the firms.

The 'strategic' and 'operational' nature of SPEG's export logistics BDS becomes more clear with a more detailed description of the service. In fact, the Secretariat of SPEG is in charge of assuring a constant access to the EU export market by coordinating the information flows between the European buyers, member firms, and sea-freight companies. The Secretariat elaborates three-months forecasts of the shipment schedules, according to the frequency of the orders and delivery specifications of the buyers, the harvesting schedule of the producers, and the forecasted shipment capacity of the sea-freight companies. The association handles all the contractual relationships with the sea-freight companies, and coordinates the joint operations of buyers and producers to assure the smooth flowing of exports between Ghana and Europe. Furthermore, the Secretariat of SPEG makes a weekly assessment of the forecasted shipment needs, so to be able to quickly respond to unexpected peaks of the demand for sea-freight shipments.

In addition to the purely managerial functions of the Secretariat in providing export logistics BDS, SPEG staff at the Tema Port Operations Terminal is also in charge of more 'strategic' functions, such as monitoring and enforcing product quality and packaging standards. In other words, SPEG staff is in charge of monitoring that:

- 1) the pineapples have reached the right stage of maturation, such that they are ready to be sold upon arrival in Europe, and that they meet the external quality standards in terms of coloration;
- 2) and that packaging requirements of EU buyers are respected. Meeting the quality packaging standards required by buyers is crucial to access the EU markets.

SPEG staff at the Tema Port Operations Terminal is entitled to send back the products that do not comply with the EU requirements, and this power assures the effective enforcement of product quality and packaging standards. This activity is 'strategic' and 'operational' at the same time, since the respect of the EU standards is crucial to strengthen the market position of Ghanaian exports in the long run. However, currently the enforcement of the internal quality standards of pineapples is entirely left to the individual firms, and SPEG is in the process of taking over also this activity as part of the more general strategy of developing and marketing a common brand name.

Complementary Activities and BDS of SPEG

Over the past seven years, SPEG has developed a series of complementary activities and BDS, which come along with the core export logistics services. These activities relate to advocacy, training, business upgrading, producers certification and technical research, and improved control over the distribution chain.

- Advocacy. SPEG has played a targeted advocacy role to improve the export regulations in cooperation with FAGE, and remove some of the most serious bureaucratic impediments to pineapple exports. The main achievements of the association relate to:

- Lowering the export taxes charged by the Ghana Port Harbor Authority. Cost competitiveness of Ghana exporters was seriously jeopardized by the high level of these export taxes, and pineapple exporters have benefited from a 25% port tax rebate, after the SPEG-supported change in the regulation in 2001;
- Speeding up the bureaucratic procedures necessary to obtain VAT refunds on imports of components for further exports;

- Technical Training. SPEG organizes technical training programs in cooperation with Donors, such as GTZ or Amex International. Members contribute on average to 25% of the costs of the programs, and Donors finance the rest of the expenses. Training programs also involve on-farm demonstrations about harvesting techniques and the use of pesticides. The training programs usually cover the following areas:

- Post-harvest Handling
- Pesticide Management
- Health and Safety Standards on the Farm
- Best Agricultural Production Practices
- Management and Administration
- Certification of Production

- Business Upgrading and Certification. SPEG supports the business upgrading of member firms by assisting them in the processes of product and process certification. In particular, SPEG is supporting members to meet the food safety and environmental conservation standards required by the EU, by providing technical assistance to member firms during the EUREP-GAP Certification process. The association works in cooperation with GTZ, USAID, the Natural Resources Institute (NRI), and the Plant Protection and Regulatory Services Division of the Ghana's Ministry of Food and Agriculture. Currently, several members of SPEG have already obtained the EUREP-GAP certification, and 70% of the membership is in the process of obtaining it.

- Improved Control over the Distribution Channel. SPEG is currently working with the Tema Port Authority to have a majority control of the Tema Operations Port Terminal by the end of September 2003. The association will upgrade the capacity of the export terminal at the Tema Harbor and directly manage the Fruit Terminal to assure cost-effective handling of operations and ensure the respect of proper product quality, packaging, and storage standards. SPEG will subcontract operations to a shore-handling company, and is expected to cover the full costs of the investment with the service fees.

- SPEG as an Incubator of BDS Providers for Applied Research. SPEG currently faces the direct competition of large multinationals, such as Del Monte and Dole, which are defending their market positions in the EU markets with new varieties of genetically modified pineapples, which do not require the use of pesticides and are more appealing to the tastes of consumers. To counterbalance this trend, SPEG is working in partnership with the Ghana Atomic and Energy Commission (GAEC) to establish a private company for the development of new varieties of pineapples. The biotech company is expected to be operational by the end of 2003, and the public-private joint-venture involves also the initial participation of USAID to buy the research equipment, GAEC will provide the physical infrastructures and the technical expertise, and SPEG will provide both the working capital for the operations of the laboratories and, more importantly will assure the customer base of the biotech company by pressing its members to experiment the new varieties of the pineapples.

Income Generation and Sustainability of SPEG

SPEG is completely self-sustainable and generates 80% of revenues through service provision. In particular, Export Logistics BDS constitute the predominant source of revenue from BDS delivery, with \$ 80,000 of revenues in 2002. The payment mechanism is extremely simple and follows a commission basis approach, since exporter firms (member and non-member) pay a commission of \$2 for each pallet (0.8 tons) of pineapples exported through SPEG. In 2002 the sustainability of SPEG has been assured by the following sources of revenues:

Total Revenues of SPEG in Year 2002

Source of Income	Percentage of Revenues
Export Logistics BDS	80%
Membership Fees	10%
Other BDS	5%
Donors Co-financed Partnerships	5%
Total	100%

SPEG plans to increase the \$2 commission on Export Logistics Services to cross-subsidize the new investments for the SPEG Port Operations Terminal and to finance the joint venture with GEAC for the development of new varieties of pineapples.

II - The Ghana Association of Barbers and Salon Owners (GABSO)

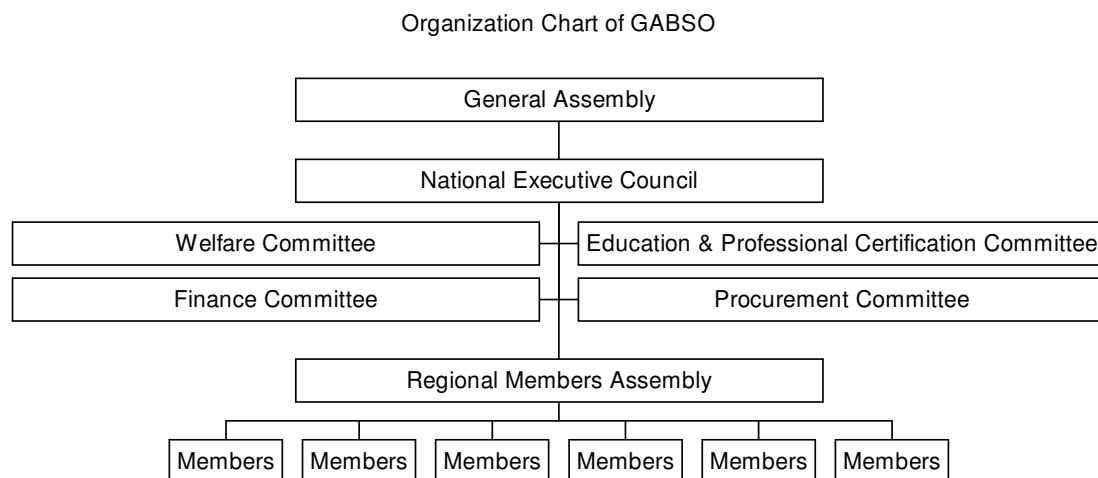
The Ghana Association of Barbers and Salon Owners (GABSO) was established in 1995 by 27 barbers and salon owners and had its origins in Accra. The constitution of GABSO responded to the “crisis-response” strategy adopted by the founders of the association to deal with the external challenges and

pressures that affected the barbering profession in the mid 1990s. In fact, the barbers were under public scrutiny as a professional category, because the usually hazardous hygienic conditions related to the provision of the services facilitated the diffusion of contagious diseases, such as HIV/AIDS, among the clientele. In this respect, the creation of GABSO mainly responded to the need to 1) train and certify professional barbers on sanitation and health-related issues, 2) monitor and enforce professional and hygienic standards among members, and consequently 3) restore the confidence of the general public towards the profession, thus recovering the potential demand for the services of members. The response of GABSO to the standards-compliance and marketing crises of the mid 1990s has been substantially successful in supporting processes of service upgrading among members, and restoring the confidence of customers, with a membership increase of 925% from 1995 to 2002 for the Greater Accra Region alone.

Organizational Structure, Geographical Coverage, and Membership Upgrading

The organizational structure of GABSO is relatively simple and does not entail the existence of a permanent Secretariat with full-time paid staff. In fact, the General Assembly of GABSO elects every four years the National Executive Council, which in turn works in cooperation with the Welfare Committee, the Finance Committee, the Education and Professional Certification Committee, and the Procurement Committee of the association

Each committee is composed by five elected members, which simply receive a periodical allowance for their duties. In this regard, the organization chart of GABSO appears fairly horizontal, with the possibility for members to examine and approve the proposals of the committees at the Regional Members Assembly that hold associational meetings every two weeks. Indeed, it is no accident that the rate of members’ participation to the associational meetings has always been quite satisfying with an average participation of 66%.



The periodical meetings of members at the Regional Members Assemblies constitute an important mechanism of internal governance of the association, since the regions represent the main organizational blocs of GABSO. In fact, the association does not have a complete geographical coverage of Ghana, as members are mainly clustered in the major urban areas and GABSO is officially present in only six regions of the country. Currently, the association has a total membership of 1,300 professional barbers with around 250 members in the Greater Accra Region alone.

The membership of GABSO is composed by micro and small entrepreneurs, and can be classified into three different categories according to the turnover, layout of the shop, and number of employees. The association has been quite successful in promoting the growth and upgrading of members from micro and survivalist activities, to more structured entrepreneurial activities. In fact, over the past seven years there has been a substantial upward mobility among the members of GABSO, with around 40% of the membership moving from the weakest category of business (no equipment, no fixed salon, no employees) up to the median category of business activity (basic equipment, wooden shop structure, 1 – 2 employees). The association-supported processes of upward mobility have reduced the status and income differences among members, and the increased homogeneity of the membership can be easily detected from the distribution of membership by type of business in 2002. The following table shows the present distribution of GABSO membership according to the type of saloon, equipment and furniture, and number of employees:

Membership of GABSO by Typology of Business (Type of Salon, Equipment, and No. of Employees)

Type of Business (Salon, Equipment, and No. of Employees)	Percentage of Membership
Proper Salon Story Building Equipment: 3 – 5 chairs, air conditioning, TV, electric tools Average No. of Employees: 3 – 5	50%
Container / Kiosk Metal or Wood Structure Equipment: 1 – 3 chairs, no air conditioning, few electric tools Average No. of Employees: 1 – 3	45%
Freelance Barbers No Permanent Workshop Equipment: few manual tools Average No. of Employees: none	5%

Core Activities and BDS of GABSO: Direct Provision and/or BDS Facilitation?

The core activities of GABSO relate to the provision of business development services to members, and the association has played different functions according to the delivery mechanisms and the nature of the services. In fact, it is safe to say that while the association has played a BDS facilitator role with respect to the provision of training on technical and professional standards by both public institutions and suppliers, it has directly provided welfare schemes, credit programs, and business advisory services to members. In addition, GABSO has played a 'pro BDS' advocacy and partnership building role with respect to the professional certification of members, and the participation to international trade fairs. In general, the absence of a permanently staffed Secretariat has suggested to enter direct BDS provision in all the cases in which the delivery of the service mainly relies on member-to-member network relationships, such as welfare schemes or rotating credit funds, and to facilitate external BDS provision in all the cases in which the association did not have the minimum scale of operation and the internal technical and professional expertise to directly deliver the services, such as training, participation to international trade fairs, or the improvement of the input distribution system.

- 1) Diffusion of Knowledge: BDS Facilitation of Public-Private and Business-to-Business Training Programs. The association prevalently plays a BDS facilitator role with respect to the diffusion of a) professional expertise, b) health and hygienic standards, c) technical knowledge on the use of new products. In fact, GABSO has developed a series of partnerships with the National Institute for Vocational Training, the Ministry of Health, NBSSI, and the main Input Suppliers, for the organization of training programs for its members:
 - a) Professional Certification: the Partnerships with the National Institute for Vocational Training and NBSSI. In 2002 GABSO has formed a partnership with the National Institute for Vocational Training for the provision of professional training both to members and prospective barbers. As part of the agreement, the association administers the National Examination to become a professional barber and it is entitled to charge an examination fee to the applicants, while the National Institute for Vocational Training is the only recognized institution by GABSO for the provision of training courses to prepare prospective barbers for the National Examination. In this way, the association facilitates the provision of training services to members by an external institution and at the same time it remains the sole gatekeeper to access to the barbering profession. In other words, the function of Professional Certification enables GABSO to enforce homogeneous minimum professional standards among members and, more in general, professional barbers all over the country. In addition, GABSO facilitates the delivery of managerial and technical training programs in partnership with NBSSI. These programs are reserved to the membership of GABSO only, and

follow a cost-sharing principle with the participation fees covering on average 40% of the costs of the programs.

- b) Diffusion of Health and Hygienic Standards: the Partnership with the Ministry of Health. As mentioned before, the diffusion of good health and hygienic standards among barbers is one of the main objectives for the creation of GABSO, and in this regard the association has developed a partnership with the Ministry of Health for the delivery of training programs on sanitation and health-related issues. Training programs are held three times a year, with 45 participants per course, and are funded on a cost-sharing basis, with members paying for the logistics of the courses and the Ministry of Health paying for the training materials and the trainers. To date 800 member of GABSO have followed this kind of training.
 - c) Facilitating Business-to-Business Knowledge Transfers: the 'Embedded' Training Services of Input Suppliers. GABSO has developed a privileged relationship with input suppliers (generally large industrial firms and wholesalers), which promote the diffusion of knowledge from business to business in terms of training services. More specifically the association organizes five annual workshops in collaboration with input suppliers on the use of new salon products, chemicals, or up-to-date treatments. Every year 500 members on average participate to these workshops and learn about the most advanced techniques and products. At the same time, input suppliers are willing to finance these training programs, since the five annual workshops represent for them an effective marketing tool. After all the barbers play a crucial role in 'pushing' the products towards the final consumer market, and the cost of the training programs is eventually 'embedded' in the prices of the inputs as part of the more complex supplier-buyer relationship. In other words, the association plays a crucial facilitating role in transforming the usual supplier-buyer relationships into an effective business-to-business delivery mechanism for the transfer of technical knowledge.
- 2) Promotion of Business Linkages: the 'Special' Partnership with Input Suppliers. As mentioned before, over the years GABSO has developed a special partnership with input suppliers in terms of knowledge transfers (workshops organized by suppliers), better distribution network of inputs in rural areas, and 'implicit' marketing partnership between the association and the suppliers.
- a) Strengthening the Input Distribution Network in Remote Areas. In fact, besides the joint annual training programs on technical matters, GABSO has stipulated an agreement with the major input suppliers to expand their distribution network also to the rural areas of the country, so to reduce the procurement costs of members in

remote areas of Ghana. Thus far the agreement has proven to be particularly effective in three out of the six regions of Ghana in which GABSO is present and where the demand for barbering inputs is significant also in rural areas. Nonetheless, input suppliers are in the process of strengthening their distribution network in the six regions of GABSO, so to achieve the full coverage of the regions by the end of 2004.

- b) The 'Implicit' Marketing Partnership with Input Suppliers. GABSO plays an 'implicit' marketing services facilitating role between members and large input suppliers. In fact, barbers usually constitute one of the major distribution network for barbering products, since final consumers greatly trust the purchasing suggestions and products proposed by barbers. Input suppliers are aware of the 'implicit' marketing potential of barbers and for this reason have a strong interest to consolidate long-term business partnerships with them. Within this context, GABSO has played an 'implicit' marketing BDS facilitating role, by 'pushing' the input products of suppliers among its members. In other words, input suppliers 'donate' large samples (around 10,000 units) of products three or four times per year to the association; GABSO in turn partially distributes the products for free to members and to a greater extent sells them at a discounted price only to members. This 'implicit' marketing intermediation service is crucial for the sustainability of the association, since it accounts for 40% of the annual revenues of GABSO. At the same time, both suppliers and members benefit from this 'implicit' marketing intermediation service in terms of greater marketing impact on final consumers and lower input costs for the members of the association.
- 3) Welfare Services: an 'Operational' BDS. One of the most valued and diffused activities of small business associations in Ghana relates to the provision of mutual support and welfare services to members. In fact, associations traditionally organize members into small groups (20 – 30) for the administration of rotating funds, which are dedicated to the welfare needs of the participants and are constantly refinanced by the mandatory contributions of participants at the regular (weekly, fortnightly, monthly, etc.) meetings. This traditional, 'core', and widely diffused activity of small business associations is what holds the membership together also in the weakest associations, and at the same time it constitutes a stable source of income, since associations usually keep between 20% and 45% of the contributions to finance the organizative structure of the associations. In this respect, also GABSO organizes members into rotating funds and provides welfare services, with more than 200 members that have already benefited from these welfare services; this 'operational' activity accounts for 10% of the revenues of the association.

- 4) Financial Services and GABSO Rotating Loan Funds. Micro- and small businesses usually do not have access to credit both to expand their activities and/or to increase their working capital. In this respect, GABSO provides members facilitated access to equipment and working capital through the GABSO Rotating Loan Fund. In particular, the functioning of the fund is based on four principles/steps:
- a) Members pay an initial contribution of \$ 6 to the rotating fund, and the amount of the initial individual contribution is renegotiated at each round of the fund;
 - b) GABSO utilizes the initial contributions of the Rotating Loan Fund to place large orders of inputs at lower prices and/or negotiate with suppliers better terms of the loans for the purchase of equipment. Joint procurement and good relationships with suppliers usually assure better prices and repayment schedules;
 - c) Members apply to the rotating fund and directly receive from GABSO the inputs or equipment they need. In fact, GABSO does not provides cash to the participants of the fund, but responds in-kind to the needs of members, so to make sure that the rotating fund is exclusively utilized for the specific business purposes it has been created for;
 - d) Finally, members start to repay their debts according to the more advantageous repayment schedule at the regular meetings of the association. According to GABSO executives the repayment rate has been quite satisfying with around 120 members benefiting from this program.
- 5) Business Upgrading Advisory Services. The executives of GABSO provide a business advisory service to members both at the regular meetings and on-call. The service is basically provided free of charge to members, which nonetheless value the upgrading suggestions of the executives and regularly participate to the meetings (with a regular attendance of 66%). In particular, the business upgrading recommendations of GABSO focus on the need to expand the range of services that barbers provide to their clients. In this respect, GABSO advises and supports its members to provide 1) entertainment services (Radio and TV), 2) telephone services, 3) and Internet services to clients during the waiting time at the salon. Finally the association advises members to 4) expand the number of barbering products directly sold to clients. The strong upward internal mobility of GABSO members (around 40% of members have moved from the lowest to the median category of members) proves the effectiveness of the business advisory services of the association.

Income Generation and Sustainability of GABSO

Despite the lack of a permanently staffed Secretariat for the delivery of BDS, the association appears to be financially self-sustainable with 50% of the

revenues coming from the 'implicit' marketing services of GABSO and from the welfare services. In particular, the following table shows the distribution of the main sources of revenues of GABSO in 2002.

Total Revenues of GABSO in Year 2002

Source of Revenue	Percentage of Revenues
'Implicit' Marketing BDS	40%
Welfare Services	10%
Ad-Hoc Levies for BDS	20%
Membership Fees	30%
Total	100%

4. Conclusions

a) Type of services and sustainability

- Sustainable SBAs have usually focused their service delivery activities on few 'core' BDS, which are crucial for the day-to-day operations of members. These few 'core' BDS generate the bulk of the revenues of the association, and provide the financial backing to experiment the delivery of new BDS, according to the evolution of the market demand for BDS.
- Sustainable SBAs often provide services that are at the same time 'operational' and 'strategic' for member clients. The latter usually relate to standards enforcement or export logistics, and their provision enables members to keep their business activity 'in operation' and at the same time gain access to new domestic or international markets, in a 'strategic' long-term prospective.
- SBAs play a crucial role in facilitating business-to-business BDS delivery, both among the members of the association and between members and external BDS providers. In the majority of the cases BDS facilitation is not provided on a commercial basis, but it is either 'implicit' in the members-association relationships, or 'embedded' into the business-to-business relationships between members, input suppliers, buyers, or other external BDS providers.
- There is a positive correlation between BDS delivery and financial sustainability of small business associations.
- There is a positive correlation between direct BDS delivery and good institutional performance of SBAs, both in terms of consolidation of the organizative structure and capacity of revenue generation of the association.

b) BDS and membership

- BDS facilitation has a stronger positive impact on the consolidation of the membership base, rather than on the development of a permanent organizational structure for service delivery.
- BDS delivery increases the degree of political independence of SBAs. The experience of Ghana shows that only those associations active in BDS delivery on a commercial basis have managed to survive the regime change after the elections in 2000, despite their close political ties with the previous ruling party. On the contrary, SBAs that had limited their activities to rent-seeking and lobbying of government institutions have experienced deep crises and eventually dissolved after the change of the political establishment.

c) Donor support to SBAs

- Donor support plays a crucial role during the initial stages of association and capacity building. Especially during the start-up phase of a secretariat structure for BDS delivery, when external support is most needed to acquire the professional and technical competencies required for BDS delivery.
- Prolonged Donor support has a distortionary effect on the ability of SBAs to develop the demand for BDS markets. In other words, the supply of BDS by small business associations tends to become donor-driven, rather than following the market opportunities provided by the demands of client firms. SBAs show strong institutional and professional capabilities for BDS delivery only in those areas where they receive institutional support from donors, thus missing the opportunity to develop new areas of expertise to respond to the potential demand for BDS of client firms.
- Nonetheless, Donor support is crucial in supporting SBAs during the transition from simple mutual welfare support, or rent-seeking activities, to a professional approach to BDS delivery. In general, donor-funded SBAs are better equipped on the supply side for BDS delivery, since they can afford professional staff and reach the minimal efficient scale of operation for service delivery.