THE ROLE OF THE GHANA INVESTMENT PROMOTION CENTRE IN ATTRACTING FOREIGN DIRECT INVESTMENT INTO GHANA

BY
SAMUEL AMPONSAH
(ID: 10443926)

THIS DISSERTATION IS SUBMITTED TO THE UNIVERSITY OF GHANA, LEGON IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF MASTER OF ARTS DEGREE IN INTERNATIONAL AFFAIRS.

LEGON
OCTOBER 2014
DECLARATION

I hereby declare that this dissertation, of which no part has been submitted anywhere else for any other purpose, is the result of an original research conducted by me under the supervision of Dr. Vladimir Antwi-Danso. All sources of information and views from other people used in the writing of this work have been duly acknowledged.

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SAMUEL AMPONSAH
STUDENT

DR. VLADIMIR ANTWI-DANSO
SUPERVISOR

DATED........................................

DATED........................................
DEDICATION

I dedicate this work to God Almighty. I say thank you Father for your love and protection. And to my lovely wife, Mrs. Christine Asare Amponsah, I say thank you for your prayers and support. May God richly bless you.
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<td>CIS</td>
<td>Commonwealth of Independent States</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GIPC</td>
<td>Ghana Investment Promotion Centre</td>
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<td>GPRS</td>
<td>Ghana Poverty Reduction Strategy</td>
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<td>I.E.</td>
<td>That Is</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>IPA</td>
<td>Investment Promotion Agency</td>
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<td>IPI</td>
<td>Investment Promotion Intermediary</td>
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<td>M &amp; A</td>
<td>Mergers and Acquisitions</td>
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<td>MCI</td>
<td>Millennium Cities Initiative</td>
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<td>MIGA</td>
<td>Multilateral Investment Guarantee Agency</td>
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<td>OECD</td>
<td>Organization of Economic Cooperation and Development</td>
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<td>SME</td>
<td>Small and Medium Scale Enterprise</td>
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<td>THE CENTRE</td>
<td>Ghana Investment Promotion Centre</td>
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<td>TNC</td>
<td>Trans National Corporations</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>MNC</td>
<td>Multinational Corporation</td>
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ABSTRACT

Governments in the bid to develop their economies adopt various policies, activities and initiatives. One policy that features widely are the attraction of Foreign Direct Investment (FDI) because of the benefits it offers the local economy. Most countries have set up institutions whose primary purpose is to attract FDI. The Ghana Investment Promotion Centre is one such institution, with a mandate to promote and facilitate investments in key sectors of the Ghanaian economy. The objective of this study is to identify the promotional activities of GIPC aimed at attracting FDI, analyze the effect of these promotional activities and discuss the contribution of FDI to the achievement of developmental goals of Ghana. Answers are found based on analysis of data gathered from primary and secondary sources. The study concludes that the investment promotion activities of GIPC have resulted in FDI inflows. It also concludes that FDI contributes directly and indirectly to the achievement of Ghana’s development goals.
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CHAPTER ONE
RESEARCH DESIGN

1.0 BACKGROUND TO THE STUDY

Economic growth in Sub-Saharan Africa between the years 2000 to 2013 has been steady. According to the World Bank\(^1\), Gross Domestic Product (GDP) in the region was estimated to have expanded by 4.7 percent in 2010, up from 1.7 percent in 2009. Excluding South Africa, which was thought to be the region’s largest economy, growth in the region was estimated at 5.8 percent in 2010, up from 3.8 percent in 2009. “While a resilient demand environment supported the growth during 2009, the recovery in 2010 was bolstered by the external sector, through stronger export volumes, rising commodity prices, higher Foreign Direct Investment (FDI) and a recovery in tourism”. For a region that is characterized by political and economic turmoil, such growth could be described as impressive.

With the commercial production of oil underway in Ghana’s Jubilee oil fields, off the coast of Cape Three Points, Ghana was projected to be the fastest growing economy in Sub-Saharan Africa, with a growth rate of 13.4 percent in 2011 and 10 percent in 2012. A recent revision of Ghana’s gross domestic data by the Ghana Statistical Service has raised estimates of its income by 60 % to over US$44 billion, suggesting that Ghana is now a lower-middle-income country. Outside the oil sector, Ghana's economy registered strong growth, particularly in construction services as large infrastructure projects were carried out according to the World Bank.

There is much emphasizes that such economic development creates a new environment for FDI. The role of FDI in economic growth and development is now widely acknowledged through the creation of jobs, transfer of skills and technology and increased revenue by the recipient
according to Sauvant². Countries worldwide and African countries especially are actively seeking to attract and retain it. Foreign Direct Investment is the most significant source of private capital flows to Sub-Saharan Africa contributing about a fifth of Gross National Formation³. A substantial portion of the FDI (over 40%) was received by the three largest economies: South Africa, Angola and Nigeria. However over 50% went to the smaller countries in the region. Middle income countries (Congo, Ghana), low income (Mozambique, Zambia, and Niger) and post civil war countries (Liberia and Sierra Leone) are examples of some lead beneficiaries of FDI flows to the region (World Bank, 2010). In spite of the economic growth in the region, FDI inflows into Africa as a whole decreased significantly from US$72billion in 2008 to US$52billion in 2009, mainly caused by the contraction of the global demand and the fall in commodity prices⁴.

Policy makers believe that FDI can contribute to faster economic growth by bringing additional capital, creation of jobs and the transfer of technology and knowhow across international borders. Because of these benefits, countries in recent times have set up institutions whose sole purpose is to undertake activities that are geared towards the attraction of FDI according to Hardin and Javorcik⁵. The Multi-lateral Investment Guarantee Agency (MIGA), in a study in 2009, identified 213 Investment Promotion Intermediaries (IPIs) in 181 countries. This confirms the assertion that countries now attach importance to investment promotion activities. This also means that, there is keen competition between countries to attract FDI.

The Ghana Investment Promotion Centre (GIPC) which is the lead agency for the Government of Ghana with a mandate (GIPC Act 478), to promote and facilitate investment in all sectors of the economy with the exception of core mining and petroleum, free-zones activities, portfolio investments and the divestiture of State owned enterprises, is faced with stiff competition from other attractive Investment Promotion Agencies (IPA) in their quest to attract more FDI.
1.1 STATEMENT OF PROBLEM

The Ghana Investment Promotion Centre (GIPC), which is the lead agency of the Government of Ghana with the responsibility to promote and facilitate investment in all sectors of the economy, was first established in the early 1960’s and has since undergone several transformations. These changes resulted in the change of its role which used to focus on investment screening, to its present role of promotion and facilitation. Many empirical studies have examined the relationship between FDI and economic growth in developing countries. It is relevant to note that there has been no systematic research into how FDIs are attracted into Ghana, how its flows can be sustained and the effects it would have on the economy. Ghana has a low FDI level as compared to other lower-middle income countries, according to other IPAs, despite the fact that the country is stable, moderate in bureaucracy and has created the enabling environment. Inspite of the fact that a special agency (the GIPC) has been incepted to ensure sustained FDI flows, there is still a dearth of material on FDI and Ghana. This situation necessitates my research into how information and data on FDIs can be obtained and packaged for IPAs to take steps to attract FDI flows into areas that are lacking investments.

1.2 RESEARCH OBJECTIVES

The objective of the study was two-fold. First, to identify and discuss the promotional activities of the Centre aimed at attracting FDI. The second was to analyze the effects of the Centre’s promotional activities on the Ghanaian economy. This was measured by capital that has been brought in, the sectors and regions in Ghana that have benefited from FDI and the amount of employment created or that is expected to be created from the FDI.
1.3 RESEARCH QUESTIONS

The research sought to find answers to the following key questions:

1. What promotional activities has the GIPC undertaken to attract FDI inflows to Ghana from 2006-2010?

2. What effects have these promotional activities had on investment attraction?

3. What effect has FDI attraction had on the country’s development goal?

1.4 RATIONALE FOR THE STUDY

This study was significant because as a whole it would contribute to the body of knowledge in this area of study. The study would also serve as a guide for policy makers to assess the performance of institutions and programmes which have been set up to attract FDI. It was also expected that this study would help IPAs understand the investment climate.

1.5 SCOPE OF THE RESEARCH

Considering the numerous advantages that FDI presents to an economy, the study discusses the flow of FDI into Ghana for the period 2006 to 2010 and how this has affected the economy for the period under review. It will also look at various sectors of the economy that have received significant amounts of FDI.

1.6 HYPOTHESIS

The activities of the Ghana Investment Promotion Centre attracts FDI into Ghana.
1.7 THEORETICAL FRAMEWORK

International investment theory was selected as the theoretical framework of the study. International investment theory explains the flow of investment capital into and out of a country by investors who want to maximize the return on their investment. The main factor that influences international investment is the potential return on alternative investments in the home country or other foreign markets. This theory is largely determined by the opportunity cost of investment. This is to say that international investors compare various investment alternatives and select the opportunity that is likely to maximize returns.

International investment theory is defined by two general types of foreign investment: foreign portfolio investment and foreign direct investment. These two investment types have specific implications on how a firm decides to invest in a foreign market in the first place. However, the focus here is on foreign direct investment. With the opportunity cost of investment by investors in mind, the GIPC wore these investors through their promotion activities by highlighting a stable and conducive environment for investment, stable currency, good returns on investment, access to the regional markets and liberal tax system in the country. These was done through the distributing of the Centre’s printed promotional materials, presentations at fora and seminars, an interactive website, providing investors with incentives and investment promotion missions. FDI is in fact an important vehicle for the transfer of technology, contributing to growth in larger measure than domestic investment taking into account the threshold of human capital. There is also a strong complementary effect between FDI and human capital, that is, the contribution of FDI to economic growth is enhanced by its interaction with the level of human capital in the host country. FDI may support the expansion of domestic firms by complementarities in production or by increasing productivity through
the spillover of advanced technology.

It has also been recognized that the maximizing benefits of FDI for the host country can be significant, including technology spillovers, human capital formation support, enhancement of competitive business environment, contribution to international trade integration and improvement of enterprise development. Moreover, further than economic benefits, FDI can help the improvement of environment and social condition in the host country by relocating ‘cleaner’ technology and guiding to more socially responsible corporate policies. All of these benefits contribute to higher economic growth, which is the main instrument for alleviating poverty in countries according to Kurtishi-Kastrati. Let’s look at some of the benefits of FDI in some detail:

Hill advanced that Foreign direct investment can make a positive contribution to a host economy by supplying capital, technology and management resources that would otherwise not be available. Such resource transfer can stimulate the economic growth of the host economy.

Also the effects on employment associated with FDI are both direct and indirect. In countries where capital is relatively scarce but labour is abundant, the creation of employment opportunities – either directly or indirectly – has been one of the most prominent impacts of FDI. The direct effect arises when a foreign MNC employs a number of host country citizens. Whereas, the indirect effect arises when jobs are created in local suppliers as a result of the investment and when jobs are created because of increased local spending by employees of the MNC.

FDI’s effect on a country’s balance of payment accounts is also an important policy issue for most host governments. There are three potential balance of payments consequences of FDI. First, when an MNC establishes a foreign subsidiary, the capital account of the host country
benefits from the initial capital inflow. However, this is a one-time only effect. Second, if the FDI is a substitute for imports of goods or services, it can improve the current account of the host country’s balance of payment. A third potential benefit to the host country’s balance of payment arises when the MNC uses a foreign subsidiary to export goods and services to other countries.

The impact of FDI on host country international trade will differ, depending on its motive – whether it is efficiency-seeking, market-seeking, resource-seeking or strategic asset-seeking. FDI can have a great contribution to economic growth in developing countries by supporting export growth of the countries.

According to an OECD report, the presence of foreign enterprises may greatly assist economic development by spurring domestic competition and thereby leading eventually to higher productivity, lower prices and more efficient resource allocation. Increased competition tends to stimulate capital investments by firms in plant, equipment and R&D as they struggle to gain an edge over their rivals. FDI’s impact on competition in domestic markets may be particularly important in the case of services, such as telecommunications, retailing and many financial services, where exporting is often not an option because the service has to be produced where it is delivered.

In addition, this theory is relevant to the study because it brings to the fore the various types and amount of FDI brought into Ghana by GIPC for the period under review.

1.8 LITERATURE REVIEW

During the last two decades, Sub-Saharan African Countries (SSACs) that have been active reformers of their economies and have established themselves as front-runners in implementing the Structural Adjustment Programme (SAP) are Botswana, Equatorial Guinea, Ghana, Mozambique, Namibia, Tunisia, and Uganda. These countries have fully implemented World
Bank and IMF-assisted SAPs, in a desperate effort to reverse several years of socio-economic decline and promote growth through economic liberalization. This has involved a shift from controlled economic policy regimes to market-oriented and private sector-led economies. Among the steps required by the IMF and IBRD to improve the health of the economy and foreign direct investment (FDI) climate are an improved trade environment, economic reforms, private-sector encouragement, and a better regulatory framework. The full implementation of these policies initially proved costly for some African countries and hence, resulted in either partial implementation or total abandonment of the reform program. Nigeria, for example, abandoned the program in 1993 due to mounting political pressures and over-extended bureaucracy.

The various Ghanaian governments have made attempts to take advantage of the rapid growth in FDI flows to developing economies because of increased globalization. FDI gained is the share of domestic investment and GDP growth in many countries, including Ghana. However, while some countries attracted large FDI flows, others were less successful, even though they have liberalized FDI regimes. Whereas for some countries there is a concern about the quantity of flows, there is a shift in other countries toward the quality of FDI. The term quality usually refers to high value-added FDI and or FDI with positive linkages and spillover effects for the domestic economy.

According to Mmieh and Owusu-Frimpong, Ghana has positioned itself to attract high value-added FDI. In this respect, it has made considerable strides in opening its economy to world trade by eliminating exchange controls and non-tariff barriers. Debrah observes that the Ghanaian economy is becoming competitive, and there is enormous room to attract FDI. To facilitate an enabling FDI environment, the Ghana Investment Promotion Centre (GIPC), a government agency re-established under the Ghana Investment Promotion Centre Act 2013 (Act 865)—was set up to promote, encourage, and coordinate investment and business partnerships in
Ghana (except those that fall under mining and petroleum sectors). The GIPC assists all enterprises in their dealings with public agencies responsible for various investment issues in the country.

To explain the existence of FDI, Aliber\textsuperscript{13} posited two distinct hypotheses. The first hypothesis states that the imposition of import levies such as tariffs or quotas will lead to an incremental change in FDI inward flow. The rationale behind this hypothesis is that if foreign firms engage in the production of goods and services in the countries concerned, FDI can serve as an important tool to overcome the complexities of trade restrictions and penetrate otherwise barred markets. The second hypothesis is based on the idea that economies that have weak currencies will attract significant FDI due to the high purchasing power of foreign investors operating from strong currency economies. Ghana, like most SSACs, has a weak currency due to persistent devaluation of the local currency in the 1990s.

Aliber\textsuperscript{14} asserts that a sound macroeconomic policy is a key indicator likely to affect FDI location decisions. He places special emphasis on the positive relationship between the rate of growth of the host country and the inward flow of FDI, a relationship widely supported by the literature. In fact, with the exception of research findings reported by Scaperlanda and Mauer, all the empirical studies to date have invariably confirmed the statistical significance of the economic growth variable as a major determinant of inward FDI. Mmiez and Frimpong argues that while there is not yet concrete proof that a relationship between FDI and growth exists, there is a growing view in recent years that FDI is positively correlated with growth. According to them, recent developments in growth theory strongly support this view. They argue further that FDI’s major contribution to growth comes through “its role as a conduit for transferring advanced technology” from industrialized countries to the developing countries.
According to John H. Dunning\textsuperscript{15}, the potential contribution of inbound FDI to vectors of upgrading competitiveness is self-evident. It may provide resources or capabilities otherwise unattainable, or only attainable at a higher cost. It may steer economic activity towards the production of goods and services deemed most appropriate by domestic and international markets. It may boost research and development and introduce new organizational techniques. It may accelerate the learning process of indigenous firms. It may stimulate the efficiency of suppliers and competitors, raise quality standards, introduce new working practices and open up new and cheaper sources of procurement. It may provide additional markets. It may better enable a host country to tap into or monitor the competitive advantage of other nations. It may inject new management talent and entrepreneurial initiatives and work cultures. It may encourage the formation of cross-border cooperative alliances, technological systems and inter-firm networking. It may foster the geographical clustering of related activities that generate their own agglomerative economies. In short, it may interact with the existing competitive advantages of host nations and affect their future competitive advantages in a variety of ways.

Asafu-Adjaye\textsuperscript{16} noted in a study conducted that the relationship between FDI and economic growth (which was proxied by real gross domestic product (GDP) growth), indicated a statistically significant positive correlation between the two variables over the period 1973 to 2003 in Ghana. That is, real GDP increases with an increase in inward FDI. A more in-depth analysis was carried out by estimating an econometric model involving the variables; economic growth, FDI, and financial development for the period 1970 to 2003. Financial development, proxied by the ratio of narrow money (M2) to GDP, was included in the model because it is perceived to be one of the channels through which FDI affects economic growth. In the short-run, he found no evidence of a statistically significant effect of FDI on economic growth. However, in the long-run, both FDI and financial development exert a significant positive
influence on economic growth. For example, a 1% increase in FDI increases economic growth by about 0.4%, while a 1% increase in financial development results in 0.95% increase in economic growth. The interaction of FDI and financial development also has a positive impact on growth, leading to the conclusion that the two variables are complementary. The Granger-causality tests established that there is a bilateral or feedback effect between FDI and economic growth. That is, economic growth initially increases the flow of FDI, which then leads to more rapid economic growth as a result of the increased level of aggregate demand.

The study found that financial development, in combination with FDI, positively affects economic growth. However, the financial sector remains underdeveloped. Ghana's economy is mainly cash-based which creates inefficiencies in business transactions. The cash-based economy also renders the transmission mechanism of monetary policy ineffective and generally makes it difficult for the central bank to control money supply. Three main issues need to be addressed to move from the current system to an electronic transactions system. These are development of ICT systems, public education, and measures to deal with electronic fraud.

Within the last few years, the processes of globalization, coupled with advances in technology, have been transforming FDI activity worldwide. In general, there has been a decline in traditional 'greenfield' FDI where new production capacity is created. Firms are seeking to consolidate their global activities through mergers and acquisitions, with the aim of acquiring both assets and market share. The market for FDI has therefore become more competitive.

UNCTAD observed as far back as 1998 that "liberal FDI policy is increasingly losing its effectiveness as a locational determinant of FDI", as "adequate core FDI policies are now simply taken for granted".
1.9 SOURCES OF DATA

The study makes use of primary and secondary sources of data. Interviews were conducted as well as review of various books, journals and articles.

1.10 RESEARCH METHODOLOGY

Research information is the first step in the researcher’s methodology. It involves identifying the kind of data that will be relevant to address the research objectives. To effectively deal with the objectives and address the research questions, the following were identified as the information required:

- Information on the promotional activities of GIPC from 2006 to 2010
- The legislative instrument that guides the activities and operations of GIPC
- Information on the registered investments with GIPC from 2006 to 2010

As indicated earlier, the study relied on primary and secondary sources of data. The following describes the sources of data for the information requirement stated above:

1.10.1 OBTAINING AND ANALYZING DATA

*Information on the promotional activities of GIPC from 2006 to 2010*

Primary data was utilized. It involved interviews with two senior and four junior officials of the Centre. These senior officials form part of the management team of the GIPC and are involved in formulation and implementation of investment promotion programmes of GIPC. The two officials had between them twenty-two (22) years and three (3) years working experience with
the Centre. This varying work experience was to ensure that there was a good mix of responses. The four junior officials interviewed were selected each from the four core divisions of the Centre i.e. Marketing and Public Relations, Investment Development and Research, Investor Services, and Monitoring and Tracking. These officers had four (4) years working experience each.

*The legislative instrument that guides the activities and operations of GIPC*

Secondary data was employed. Information was gathered and analyzed from the GIPC Act 1994 (478) and The Companies Code, 1963 (Act 179).

*Information on the registered investments with GIPC from 2006 to 2010*

Secondary data was also employed. Data was gathered from GIPC’s Quarterly and Annual Operational Reports. The Research Department of GIPC also provided some data. The data that was gathered covers the period 2006 to 2010.

Both qualitative and quantitative methods were used to analyze the data collected. Distribution tables, percentages and charts were used to analyze the data. The tables gave the summary of the data for easy understanding and comparison. The percentages showed relationship between variables in the data and the charts presented diagrammatic representation of the data.

### 1.10.2 LIMITATIONS OF METHODOLOGY

The research was limited by time constraints. Thus, there was heavy reliance on secondary data, making limitations arising from such sources unavoidable. The researcher could not also pre-test the interview questions.
1.11 ARRANGEMENT OF CHAPTERS

The study is divided into four chapters. Chapter one serves as the research design, chapter two is divided into two parts. The first provides an overview of FDI, some key elements in FDI and an analysis of the trend of FDI to the African region from 2006 to 2010. The second part looks at the GIPC. It discusses its history, functions and analyses its mandate. Chapter three (3) deals with the analysis and discussion of the information and data gathered whilst chapter four (4) concludes the research. It summarizes the findings of the study and draws conclusion. The chapter also provides concrete recommendations for policy makers and investment promotion practitioners.
**Endnotes**

2. Karl P. Sauvant “FDI the opportunities are local”, (August 2007)
4. Ibid
CHAPTER TWO

OVERVIEW OF FDI AND GIPC

2.0 INTRODUCTION
This chapter is divided into two parts. The first provides an overview of FDI, some key elements in FDI and a look at the trend of FDI to the African region from 2006 to 2010. The second part looks at the GIPC. It discusses its history, functions and analyses its mandate.

2.1 FDI DEFINED
According to the Balance of Payment Manual by the International Monetary Fund (IMF)\(^1\) (1993), “FDI refers to an investment made to acquire lasting interest in enterprises operating outside of the economy of the investor”.

The United Nations Conference on Trade and Development (UNCTAD) World Investment Report\(^2\), defines FDI as “an investment involving a long term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or foreign affiliate)”.

The International Monetary Fund (IMF) tries to put some quantitative elements to the definition of foreign investment as “direct” when an investor holds 10% or more on the equity of an enterprise abroad – usually enough to give the investor some power in the management of the entity.

In another definition, Morrison\(^3\) defines FDI as an “investment by an organization in a business in another country, with the view to establishing production in the host country.”
In my own view, foreign direct investment is an investment made by an investor in another country with the intention of making returns and creating employment in the process.

2.2  INDICATORS OF FDI

The United Nations identifies the constituents of FDI as inflows and outflows.

FDI Inflows: This refers to the value of inward direct investment made by non-resident investors in the reporting economy including reinvested earnings.

FDI Outflows: This is the value of outward direct investment made by the resident of the reporting economy to external economies, including reinvested earnings and company loans net receipt from the repatriation of capital and repayment loans.

From the definitions it can be said that FDI involves an enterprise or individual doing business or holding some level of ownership in an enterprise in a different geographical location other than that of his host country.

2.3  HISTORY OF FDI

Hymer\textsuperscript{4} identifies the comparatively novel trend of firms setting up production facilities abroad and wondered why they would undertake such a relatively risky strategy. Hymer thought this new phenomenon was particularly risky because the foreign company sought to face stiff competition from local firms. While portfolio academics had focused on the monetary capital that foreign investors put in, Hymer found that FDI involved bringing in a range of the other resources, including technology, managerial skills and marketing skills.

The Organization of Economic Cooperation and Development (OECD)\textsuperscript{5} identifies the history of FDI as relatively short for the formerly- planned economies which opened up for capital inflows
at the end of the eighteenth and the beginning of the nineteenth century. The report continues to mention that FDI inflows have been growing during this last decade.

The history of FDI has been traced to about 2500 B.C. when Sumerian merchants in trade stationed men abroad to receive, store and sell their goods. The East India Company, chartered in London in 1600, establishing branches overseas, also in the mid-seventeen century, and the English, French and Dutch mercantile families sent relatives to America and the West Indies to represent their firms according to Wilkins.⁶

Wilkins identifies Virginia Company, chartered by King James I in 1606 to establishing the first permanent English settlement at Jamestown as “the first foreign direct investment in America” and goes further to describe 1875 – 1914 as the period of large – scale foreign investments in the private sector.

2.4  DRIVERS OF FDI
Morrison (2010) identifies the following as being the major motives of FDI.

Market – related motives: This refers to proximity to markets, actual and potential as being a powerful „pull” factor for multinational enterprises. She goes further to cite the motor vehicles industry, where manufacturing involves large heavy products and transports costs and delivery times are important considerations.

Production-related motives: This involves shifting production to locations where economies of scale are attainable and enhances efficiency. Morrison states that “A country may have comparative advantage in low-cost labour, which brings economies of scale in manufacturing of products for mass markets”. This seeks to suggest that the major motive for FDI in this area is to produce in a location where the cost of production is relatively lower.
Resource-related motives: This involves moving a production facility to locations where the kind/type of resource(s) is widely available, thus, cutting costs associated with the transportation of the particular resource. Another major reason for this kind of shift may be due to the legal system managing the acquisition of the particular resource. An organization may decide to locate a facility in China because the minimum wage may be cheaper relative to say South Africa.

There are five major reasons for the transfer of capital or the acquisition of a lasting interest in an enterprise outside its home country as identified by Chryssochoidis, Millar and Clegg.10

The first reason involves the need for an entity to gain access to specific factors of production, for example resources, technical knowledge, material know-how, patent or brand names, owned by a company in the host country.

The second reason is based on the theory of Raymond Vernon’s product cycle hypothesis. According to this model the company shall invest in order to gain access to cheaper factors of production, e.g. low-cost labour.11 “The government of the host country may encourage this type of FDI if it is pursuing an export-oriented development strategy, since it may provide some form of investment incentive to the foreign company, in the form of subsidies, grants and tax concessions” according to Chryssochoidis, Millar & Clegg. The authors go further to explain that if the government is using an import-substitution policy instead, foreign companies may only be allowed to participate in the host economy if they possess technical or managerial know-how that is not available to domestic industry. This know-how may be transferred through licensing. It can also result in a joint venture with a local partner, they conclude.

The third motive involves international competitors buying stakes in each other. This kind of FDI comes about through competition where both entities find it difficult to compete with the
other in their respective home countries. They therefore take stakes in each other as a means of getting some form of representation in the respective host countries.

Chryssochoidis, Millar and Clegg explain the motives for the fourth and fifth types of FDI as follows;

The fourth type of FDI concerns the access to customers in the host country market. In this type of FDI there are not observed any underlying shifts in comparative advantage either to or from the host country. Export from the companies' home base may be impossible, e.g. certain services, or the capability to request immediate design modifications. The limited tradability of many services has been an important factor explaining the growth of FDI in these sectors.

The fifth type of FDI relates to the trade diversionary aspect of regional integration. This type occurs when there are location advantages for foreign companies in their home country but the existence of tariffs or other barriers of trade prevent the companies from exporting to the host country. The foreign companies therefore jump the barriers by establishing a local presence within the host economy in order to gain access to the local market. The local manufacturing presence need only be sufficient to circumvent the trade barriers, since the foreign company wants to maintain as much of the value-added in its home economy.

2.5 IMPORTANCE OF FDI

The Handbook on Promoting Foreign Direct Investment in Medium Sized, Low Budget Emerging Markets identifies core reasons why FDI should be encouraged and prompted in a host country. They are outlined as follows;
**Job Creation:** FDI does not only create jobs for the foreign affiliates but also creates jobs for suppliers and other stakeholders. The FDI Market database estimates the jobs created through FDI was well over 4 million through Green field and expansions in 2008.

**Export Market Access:** FDI that are usually motivated by market and production are more often export oriented. This export orientation leads to an opening or a further opening of the host country to international trade.

**Increased Domestic Investment:** Through local linkages, FDI can have a significant impact on increasing investment in domestic companies. Ghana for instance is discussing the likelihood of putting together legislation to encourage foreign organizations to source about 40% of their supplies locally. This aids in the integration of the foreign company in the local community thereby discouraging the foreign firm from relocating.

**Access to technology:** Transfer of capital into an economy comes with the transfer the corresponding technology. FDI therefore opens the host country to technology that otherwise will not have been available in the country. For example in the case of telecommunication in Ghana, fibre optics was virtually unknown until 2009 when telecom companies like Globacom and MainOne commenced projects aimed at introducing fibre optics in telecommunication industry.

**Innovation:** “FDI can be a key source of foreign exchange in countries with low savings or access to capital” according to Abosi.\(^1^3\) He also identifies the benefits of FDI to a host country as being;

- The transfer of capital
- Advanced technology and organizational forms
- Human capital formation
The creation of a more competitive business environment

2.6 INVESTMENT PROMOTION DEFINED
The UNCTAD Series on International Investment Policies for Development Report defines investment promotion in terms of international investment agreements organizations as directly aimed at encouraging inward or outward foreign investment through particular measures of the contracting parties.

Investment promotion Agencies are thus involved in activities directed at encouraging the flow of capital across geographical borders. In the bid to promote and attract investment, many countries have set up agencies to facilitate this process and these agencies are referred to as Investment Promotion Agencies (IPAs).

2.6.1 Functions of Investment Promotion Agencies
The Foreign Investment Advisory Services wing of the World Bank “Effectiveness of Foreign Direct Investment Report” identifies the functions of an IPA as follows;

**Image Building**: This involves activities aimed at creating a perception of the country as an attractive location to invest in. Activities commonly associated with the image building include advertising and public relations activities.

**Investor facilitation and Investor Services**: This refers to the range of services provided by the host country that can assist an investor in analyzing investment decisions, establishing a business, and maintaining it in good standing.

**Investment Generation**: This entails targeting specific sectors and companies with the view to creating investment leads. Activities undertaken in this function include identification of
potential sectors and investors, direct mailing, telephone campaigns, investor forums and seminars and individual presentations to targeted investors, both locally and overseas.

**Policy Advocacy:** This consists of activities through which an agency supports initiatives to improve the quality of the investment climate and identifies the views of the private sector on that matter. Activities include surveys of the private sector, participation in task forces, policy and legal proposals and lobbying.

UNCTAD in performing one of its roles, which includes promoting opportunities for FDI in host countries by facilitating the exchange of experiences in investment promotion and the benefits from FDI, undertook a global survey (1997) to identify best practices in investment promotion. In this regard, a survey of 81 IPAs was undertaken. From the survey three main components were identified, as the building blocks of best practices in investment promotion. They include:

- Improving a country’s image within the global investment climate as a suitable place to invest.
- Generating investment in line with a country’s development goal in a cost effective manner.
- Providing essential services that do not only attract investment but also ensure that attracted investments are retained.

### 2.7 INVESTMENT PROMOTION VERSUS FDI INFLOW

Wells and Wint in 1990 undertook a research in this area and later updated in 2000. Their research sought to establish that investment promotion activities have a significant influence on inflows of FDI. Their research used two approaches, that is, statistical and field based research.
Their research involved structured interviews with individuals who were directly or indirectly involved in promoting FDI, and was conducted in three phases. The first phase involved interviews with investment promotion officials from twenty selected countries that had some form of representation in the United States. Underlining reasons for this was countries that were seriously seeking to attract investment during this period, would be represented in some form in the USA and other financial capitals of the world at the time. Twenty countries were selected from thirty-five countries listed by the Business Facilities magazine, as actively seeking FDI. Representatives were then requested to indicate countries they thought were actively undertaking investment promotion activities. Their interview focused on:

- The country’s involvement in investment promotion
- Their promotional techniques and structures
- The success achieved and success in measuring the effectiveness of various promotional techniques

Results achieved from the first interview formed the basis for the second phase of the survey. This next phase involved on site visits and interviews of nine countries and one territory. They were Jamaica, Indonesia, Costa Rica, Malaysia, Ireland, Thailand, Scotland, Singapore, Canada and Britain. Promotional efforts of these selected countries were examined over a period for a better understanding of the impact of their promotional efforts.

- The travel budget of the researchers
- Their ability to access promotion agencies
- Countries with the reputation for undertaking effective promotion
- Countries that had changed their promotional approaches over a period of time
The research also included interviews with U.S. government agencies, representatives of Embassies, foreign aid agencies, consultants and Chamber of Commerce in the U.S. and the other selected countries. In all, over 100 interviews were conducted with the aim of probing further into techniques and structures identified during interviews conducted in the first phase.

The third phase of their research involved interviews with thirty managers involved in investment decisions, from twenty companies who had invested in one or more of the locations interviewed in the second phase of the research. The goal of this interview was to ascertain the effectiveness of the promotional efforts for the countries they had invested in. After analyzing the data gathered from the research, Wells and Wint concluded that;

- Different combinations of promotional techniques are useful at different phases of an investment promotion programme.
- The type of organization responsible for promotion makes a difference in the effectiveness of the promotion programme.
- There are various ways of evaluating the effectiveness of investment promotion programmes.
- Investment Promotion appears to have a significant influence on FDI flows.
- Investment promotion programmes have proved effective in attracting only certain kinds of investors.

Charlton and Davis\textsuperscript{16} in their quest to find an answer to the question “does investment promotion work” conclude in their study in the affirmative that investment promotion activities results in an increase in FDI inflows.
2.8 RECENT TRENDS IN FDI INFLOWS AND OUTFLOWS

2.8.1 GLOBAL TRENDS

Following what seemed to be a swift recovery from the global financial crisis in 2010-2011, global foreign direct investment (FDI) inflows have again taken a downward turn. As the world economic recovery continues to be uncertain and fragile, global FDI inflows declined by 18%, from $1.65 trillion in 2011 to $1.35 trillion in 2012.\textsuperscript{17}

Inflows decreased both in developed and developing economies. However, while the majority of developed countries experienced a significant reduction in their FDI inflows, by 32% on average, those to developing economies remained relatively resilient, declining by only 4% on average. More importantly, for the first time developing economies alone absorbed more FDI than developed countries, accounting for 52% of global FDI inflows (figure 2.1)

**FIGURE 2.1**

![FDI inflows to developed and developing economies 2006 - 2012](image)

Source: Author’s own construct from Unctad and Asia-Pacific Trade and Investment Report 2013.
Looking at global FDI inflows, global outflows declined by 17% in 2012. The continued economic uncertainty, especially in developed countries, has led companies from these locations to scale back their operations. As a result, most of the global decline can be attributed to developed economies, which saw a 23% decline in FDI outflows. Since peaking in 2007 at $2.3 trillion, global FDI outflows have decreased by almost 40%, while outflows from developed economies in 2012 amounted to less than half of what they were in 2007. In contrast, apart from a small dip in 2009, developing economies have been slowly but steadily increasing their outward investments since 2007. Developing countries have made advances in catching up with the developed countries as a source of FDI. In 2012, developing countries provided 31% of global FDI outflows, whereas developed countries supplied 65% of global outflows and transition countries accounted for the remaining 4%. Compared to 2007 the difference is striking.
In 2007, only 15% of outflows originated in developing countries compared to 83% in developed countries (figure 2.2).

In 2012, for the first time, developing economies absorbed more foreign direct investment than developed countries.

2.8.2 REGIONAL TRENDS

As discussed early on, much of the relative success of developing countries can be attributed to the Asia-Pacific region which had shown much notable resilience in the face of the challenging economic climate. Asia-Pacific countries attracted $510 billion of FDI inflows in 2012. Although FDI volumes received in 2012 fell short of the record set in 2011 ($550 billion), they exceeded the annual average for the decade. Concerning FDI inflows, the developing Asia-Pacific region has significantly done better than other developing regions in the world. This shows the solid position of Asia and the Pacific as a leading investment destination for transnational companies looking for investment opportunities. The developing countries in the Asia-Pacific region account for 33% of global inflows compared to the 18% share of countries in Latin America and the Caribbean, and the 4% share of countries in Africa (figure 2.3).
2.9 FDI TRENDS IN AFRICA

FDI flows in Africa from 2006 to 2010 have cumulatively witnessed an increase in investment inflows. The years 2005, 2006, 2007, and 2008 witnessed inflows estimated at $36 billion, $50 billion, $62 billion and $72 billion respectively. 2008 recorded the highest flow of FDI to the continent. Inflows to Africa which peaked in 2008 according to UCTAD were due to a resource boom in the region. In 2009 however, the continent experienced a drop in FDI flows by over 19% percent to $59 billion. This decrease in foreign investment is particularly serious for the region, because FDI accounts for about a fifth of gross fixed capital formation. This makes FDI
an important source of technology transfer, jobs creation, revenue and an overall improvement in the living standards of people in the region. Angola, Egypt, Nigeria, South Africa were the largest recipients of FDI inflow on the continent receiving over $3.0 billion worth of inflows in 2009.\textsuperscript{21} Inflows to Nigeria, Egypt and Angola were mainly targeted to the extractive industry particularly the petroleum and mining sectors.

The second tier countries to benefit from the inflow of FDI include Algeria, Libya and Congo. These countries received between $2.0 to $2.9 billion worth of inflows. Ghana falls in the third tier, receiving between $1.0 and $1.9 billion worth of inflows along with Tunisia, Equatorial Guinea and Morocco. South Africa, Libya and Egypt are the largest sources of FDI outflows investing between $500 million and $1.9 billion in other countries.\textsuperscript{22}

2010 witnessed a further decline in the inflows to the continent at an estimated $50 billion. Cross border M&A, mainly in the extractive industries, registered an increase of 49%, while the number and the value of Greenfield projects which is usually the main mode of FDI in Africa suffered a decline of about 10% in 2010.\textsuperscript{23}
2.10 FOREIGN DIRECT INVESTMENT IN GHANA

In his study on the determinants of Foreign Direct Investment in Ghana which was aimed at examining the main factors that drive foreigners decision to undertake direct investment in Ghana, Abosi makes the following analysis;

From the time of Ghana’s independence in 1957, successive governments be they civil or military, have adopted and implemented various measures aimed at creating an enabling environment for local and foreign investors. The research attributes the flow of FDI into the
mining and services sectors in the 1980s and 1990s to the mining law and the privatization programme that took place during that era. This favourable flow of FDI continued well into the 2000s but Ghana still lagged behind countries such as Nigeria despite its immense potential. The research employed data from 1975 to 2005 for which FDI was regressed on GDP per capita, economic openness, debt, consumer price index, exchange rate and political rights. The research concluded that GDP per capita and openness of the economy had a significantly positive effect on FDI from 1975 to 2005.

In his paper on “The Role of Foreign Direct Investment (FDI) in the Mining Sector of Ghana” delivered at the OECD conference on Foreign Direct Investment and the Environment, Awudi also confirms that attractive mining policies contributed to the attraction of over $2 billion dollars between 1991 and 2001. This led the sector to be the leading foreign exchange earner for Ghana contributing about 41% of total foreign exchange earnings for the country. He however argues that there is the need to bridge the linkage gap between the mining sector and other sectors of the economy of Ghana through a conscious effort of promoting mineral processing through granting incentives to the secondary processing sector of the minerals sector. The value for Foreign direct investment, net (BoP, current US$) in Ghana was ($3,196,890,000.00) as of 2011. Over the past 6 years, the value for this indicator has fluctuated between ($144,970,000.00) in 2005 and ($3,196,890,000.00) in 2011.

Foreign direct investment (FDI) in developing economies has grown rapidly following financial and political transformation. To increase their share of FDI inflows, most countries have eased restrictions on foreign direct investment, strengthened macro stability, privatized state-owned enterprises, instituted domestic financial reforms, capital account liberalization and granted tax incentives and subsidies. Ghana for instance through the Free Zones Act, 1995 and the Ghana Investment Promotion Act 2013 have granted certain tax incentives and investor protection
policies to attract foreign investors and also make the environment conducive for their operations. This initiative and policy taken in Ghana have increased the number of foreign direct investment and helped in economic growth.

Attracting FDI is a preoccupation of Ghana’s opening up policies and economic reforms. Various Governments in Ghana have developed various new legislations to improve investment conditions and the business environment in order to attract FDI, putting Ghana in the top ten reformers globally for the second year in a row, according to the World Bank's Doing Business team. Ghana’s shares of FDI quadrupled from 2005 to $636M in 2006 and represent 19.4% of gross fixed capital formation according to World Investment Report (WIR). Still in 2008, Ghana experienced increased global attention as a result of hosting the 2008’s African Cup, the UNCTAD XII (United Nations Conference on Trade and Development) and WAIPA (World Association of Investments promotion Agencies) meetings. This attention comes at a time when the country has had strong GDP growth and significant increases in FDI inflows.

In addition, stock markets have been established to intermediate funds towards investment projects. The Ghana Stock Exchange is not an exception to the inflow of direct foreign investment. Ghana had experienced increased global attention as a result of hosting the 2008’s Africa Cup, the UNCTAD XII (United Nations Conference on Trade and Development) and WAIPA (World Association of Investments promotion Agencies) meetings. This attention comes at a time when the country has had strong GDP growth and significant increases in FDI inflows. In fact, UNCTAD reports that FDI flows into Ghana have tripled from 2005 to US$435 million in 2006. In addition, the government has been active in improving the country's business environment and has been a top ten reformers globally for the second year in a row, according to the World Bank's Doing Business report. Ghana, a naturally resource rich country, is home to a variety of sectors including agribusiness, tourism, manufacturing, infrastructure, and services.
among others. FDI’s in general are contributing immensely to the development and growth of Ghana’s economy.28

According to the Business Monitor International, real GDP growth was to peak at 6.7% in 2008 due to strong private consumption and burgeoning foreign and local private investment. However, macroeconomic risk rose due to the unexpected increase of oil prices. Ghana in the year 2008 was to enjoy a peak year of economic expansion due to a coincidence of growth-enhancing factors. A real GDP growth of 6.7% in 2008, followed by moderation to 6.0% by 2010 and 5.4% by 2012 was anticipated by the Business Monitor International (BMI). Private consumption is expected to remain on an upward trajectory, having received a boost from the Africa Cup of Nations football tournament. Foreign Direct investment, too, is looking strong with the emerging oil industry likely to attract increasing amounts of finance.

2.11 GHANA INVESTMENT PROMOTION CENTRE
The Ghana Investment Promotion Centre (GIPC) is a government agency re-established in 1994 under the GIPC Act 478. This act of parliament mandates the GIPC to promote and facilitate investment in all sectors of the economy, with the exception of core mining and petroleum activities, free zones activities, divestiture of state owned enterprises and portfolio investments. The GIPC is relatively autonomous because it does not operate under any sector ministry and therefore reports directly to the President of the Republic of Ghana.

2.11.1 History of the GIPC
The Ghana Investment Promotion Centre (GIPC) is an agency of the government of Ghana charged with the responsibility of promoting and facilitating investment in the Ghanaian economy. The activity is done by providing support services to both existing and prospective investors.
The Centre was first established in the early 1960’s and has since undergone several changes, the first of which was the Capital Investment Board established by the Capital Investment Act, 1963 (Act 172) with the mandate to promote the investment of foreign capital. This was then followed by the Ghana Investment Centre established by the Investment Code, 1981, (Act, 437) which had a mandate to promote and regulate investments in all sectors of the Ghanaian economy. It was this act that introduced exclusive areas of investment for Ghanaians. The Ghana Investment Centre was re-established by The Investment Code, 1985 (PNDC LAW 116) which introduced the minimum foreign equity capital requirement, and also cut off the petroleum and mining sectors from the investment code. The current Act, Act 478 established the Ghana Investment Promotion Centre in 1994.

2.11.2 Functions of the GIPC
The GIPC in performing its role under GIPC Act 478 has the following broad functions;

- To initiate and support measures that will enhance the investment climate in the country for local and foreign investors.
- To promote Ghana as a preferred location for investment.
- To collect, collate, analyze and disseminate information about investment opportunities and advise potential investors on the availability, choice or suitability of partners in joint-venture projects.
- To register and keep records of all enterprises to which the GIPC Act is applicable.
- To identifying specific projects and invite interested investors to participate in those projects.
- To initiate, organize and participate in promotional activities such as exhibitions, conferences and seminars for the stimulation of investments.
• To maintain a liaison between investors and ministries, government departments and agencies, institutional lenders and other authorities concerned with investments.
• To provide and disseminate up-to-date information on incentives available to investors.
• To assist investors by providing support services including assistance with permits required for the establishment and operation of enterprises.
• To evaluate the impact of the Centre on investments in the country and recommend appropriate changes where necessary.
• To register and keep records of all technology-transfer agreements relating to investments under Act 865.
• To focus on established investors in the country through continued communication to help existing businesses to expand.
• To promote forward and backward linkage between foreign affiliates and local Small and Medium Scale enterprises (SMEs).

2.11.3 Highlights of the GIPC Act 478
The Centre operates under an Act that was promulgated in September 1994. The following gives an analysis of key aspects of the law.

Section 18 (Activities Reserved Wholly For Ghanaians)
This section spells out activities that are wholly reserved for Ghanaians. Foreign investors are therefore not allowed to invest in these sectors except where such activity is specifically exempted, and so stated in the Act. They include;
• The sale of anything whatsoever in a market, petty trading, hawking or selling from a kiosk at any place.
• Operation of taxi service and car hire service. (A non-Ghanaian may undertake this service provided the person has a minimum fleet of ten new vehicles).
• All aspects of pool betting business and lotteries, except football pools.
• Operation of beauty salons and barbering shops.

Section 19 (Minimum Capital Requirement)
This section spells out the capital threshold of foreign entities seeking to invest in Ghana. Local investors are exempted from these requirements.

• In the case of a joint venture with a Ghanaian partner, the minimum foreign capital should not be less than US$10,000.00 or its equivalent worth in goods.

• For an enterprise to be wholly owned by a non-Ghanaian, the minimum capital should not be less than US$50,000.00 or its equivalent in goods.

• In the case of a trading enterprise (purchasing and selling of goods) either wholly foreign owned or a joint venture with a Ghanaian, the minimum capital requirement should not be less than US$300,000.00

Section 20 (Export enterprises exempted)
This section identifies portfolio investments and enterprises set up wholly for the exports of goods or produce from Ghana as being exempt from the minimum capital requirement.

Section 21 and 22 (Registration of enterprises)
This section identifies the major steps to undertake when registering an investment in Ghana. This involves;

• Registration with the Registrar General department where a certificate of incorporation, certificate of commencement of business and the company’s regulation should be issued within five working days.

• Enterprises with foreign participation are required to register with the GIPC. The enterprise is required to provide an evidence of the foreign capital. For cash capital the Central Bank is required to provide confirmation of the remittance of the capital. For
equity in the form of goods, the enterprise is required to provide the original Customs entries indicating the value of the goods.

Section 23, 24 and 25 (Investment incentives)
This section discusses the incentives that an enterprise can enjoy from Customs Harmonized Code and other relating legislative instruments. But in the situation where an enterprise’s plant, machinery, equipment or thereof are not listed in the harmonized code or not zero rated, the enterprise can apply to the GIPC for waiver of import duties, sales tax or excise duty.

For the purpose of promoting identified strategic or major investments, the GIPC in consultation with the appropriate state agencies and with the approval of the President, negotiate with investor, specific incentive packages in addition to the general incentives.

Section 27 and 28 (Investment guarantees)
This section outlines the following guarantees for investing under Act 478;

- Full repatriation of dividends or net profits attributed to the investment, payment of foreign loans where applicable, fees and charges in respect of technology transfer agreement and remittances of proceeds in the event of liquidation or sale of the enterprise.
- Section 27 guarantees enterprises against expropriation and nationalization.

Section 30 (Immigration quota)
For an enterprise registered with the GIPC and which require foreigners to participate in the day to day running of the enterprise, or to manage the interest of foreign parties, the enterprise can apply to the Centre for an immigrant quota (work and residence permit). The request will be considered by the Centre based on the entity’s paid-up capital. The schedule is summarized below.
Table 2.1: Paid Up Capital and Immigrant Quota

<table>
<thead>
<tr>
<th>Paid Up Capital (US$)</th>
<th>Immigrant Quota Entitlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,000.00 but less than 100,000.00</td>
<td>1</td>
</tr>
<tr>
<td>100,000.00 but less than 500,000.00</td>
<td>2</td>
</tr>
<tr>
<td>500,000.00 and more</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: GIPC Act 865

However, if an enterprise should exhaust its automatic quotas but still requires a foreigner to perform a critical role, the enterprise can apply to the Centre. Approval is subject to the discretion of the Centre.

Section 33 (Technology transfer agreement)

An enterprise is required to register a technology transfer agreement with the Centre.

Registration and other Incentives

Some activities in this area are clearly stated in the GIPC Act, while others have also been adopted to make the Centre more investor friendly. Some aspects of it are as follows:

- The Centre by law is required to make the registration certificate of an investor ready within five (5) working days of the submission of the necessary document.
- The Centre also provides support for the issuance of immigrant quotas (work and resident permits) for expatriate workers depending on the level of investment. If all the automatic quotas have been utilized the Centre is in the position to provide additional permits depending on the activity to be undertaken.
- The Centre can provide support for the waiver of import duty and sales tax on certain core machinery that the investor will use but might not be zero-rated.
- In the case of certain activities that are considered strategic, the investor has the avenue to negotiate with the Centre special incentives outside what is readily available.
Endnotes
4 Hymer, Stephen (1975), the multinational corporation and the law of uneven development” Penguin.
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13 Abosi, Evans N. (2008), Article on “The determinants of foreign direct investment in Ghana”.
17 Asia-Pacific Trade and Investment Report 2013 (pp.27).
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http://www.oecd.org/dataoecd/44/12/1819492.pdf
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CHAPTER THREE
DATA ANALYSIS AND DISCUSSIONS

3.0 INTRODUCTION
This section focuses on the findings of promotional activities of GIPC and analysis of the data gathered for the study. The purpose of this analysis and discussions is an attempt to make some meaning out of the data gathered.

3.1 FINDINGS ON THE PROMOTIONAL ACTIVITIES OF GIPC
The analysis of the findings on the promotional activities of GIPC are done in the light of the objectives of the study. The promotional activities of an IPA were identified as image building, investment generation and facilitation and policy advocacy. The information provided is based on the data collected.

3.1.1 Image Building

Participation in General Investment Forums and Exhibitions: During these events GIPC made general presentations. Information stands were mounted at these events to respond to enquiries from potential investors.

Public Relations Activities: The Centre utilized various channels to promote investments. The Centre adopted Business Journals, local news houses, local and foreign television networks, the internet and its brochures and publications. The July, 2010 ‘Fortune 500’ magazine, for example carried a two page article, aimed at encouraging potential investors to explore investment opportunities in Ghana.
3.1.2 Investment Generation and Facilitation

*Participation in Industry and Sector Specific Investment Forums and Exhibitions:* During such events GIPC made sector specific presentations. Information stands were mounted to respond to enquiries from potential investors. Leads generated from these events were collected for follow-up by schedule officers. To ensure the effectiveness of its strategy, the GIPC focused its activities on certain specific sectors which are strategic and play a vital role in the overall development agenda of the government. The key sectors include Agriculture and Agro Processing, Infrastructure, Information and Communication Technology, Tourism, Financial Services, Manufacturing/Industry, Petroleum and Gas Services.

*Development of Promotional Materials:* The Centre developed various promotional materials that provide information to potential and existing investors. These profiles are sector/industry specific and provide an overall brief of the sector, investment opportunities, incentives and guarantees in the specific sector.

*Investor Facilitation and Services:* These were activities specifically targeted at providing some preferential treatment to potential and existing investors as a means of encouraging the former to invest and the latter to reinvest. For example helping them access land.

*Relationship Management Approach:* The Centre in 2007 recruited 34 officers with educational background and experience in key fields in line with the Centre’s priority sectors of investment. The rationale behind the recruitment was to match potential investors with these officers who understood the “language” of the sector. This made the facilitation process easy for both parties. These officers are responsible for responding to specific enquires and linking the investor with
the appropriate agencies and entities. The officer assigned to a specific investor is also required to facilitate stakeholder meetings and undertake site visits with the investor.

**Registration and other Incentives:**

There are a number of incentives designed to encourage registration of investors.

- The Centre by law is required to make the registration certificate of an investor ready within five (5) working days of the submission of the necessary document.
- The Centre also provides support for the issuance of immigrant quotas (work and resident permits) for expatriate workers depending on the level of investment. If all the automatic quotas were utilized the Centre was in the position to provide additional permits depending on the peculiar activity to be undertaken.
- The Centre provided support for the waiver of import duty and sales tax on certain core machinery that were not to be zero-rated.
- In the case of certain activities that are considered strategic the investor could negotiate with the Centre for special incentives outside what was available.

**Targeted Investment Missions:** The Centre bi-annually led a delegation of public and private sector players to embark on investment promotion missions to targeted countries, to meet specific potential investors. The rationale behind these joint missions was to promote specific investment opportunities and brief potential investors about Ghanaian investment and business climate. The involvement of the private sector was to encourage partnerships with the potential foreign investors.

**Project Profile Catalogue:** The Centre, with the assistance of the Swiss Agency for Trade and Investment launched a manual of potential investment projects, in 2009 that require
partnerships. These manuals were circulated worldwide to potential investors through the Ghana missions abroad and on various other forums.

**Website:** The Centre improved its website which received about 1500 hits (GIPC 2011) per quarter. Enquires received are forwarded to sector officers who also follow up on these leads.

**Invest in Ghana Seminar:** This is an annual event by the Centre with the objective of bringing together top Government Officials, key regulators, international and domestic corporate leaders, potential investors and other stakeholders to discuss opportunities for investment in the country. The event entails dialogue sessions on investment opportunities and policies in key sectors of the economy. The event also includes one-on-one business meeting sessions between potential investors.

### 3.1.3 Policy Advocacy

**Revision of GIPC Act 478:** The Centre has revised the GIPC Act 478, which was promulgated in 1994, to make it more attractive to investors. Some areas of the new Act, Act 865 that have received revision include the minimum equity requirements and the incentive regime.

**Bilateral Investment Treaties:** In the bid to promote and protect investment, the Government of Ghana, through the GIPC has signed and ratified a number of investment treaties with some countries. The signed and ratified agreements with specific countries are identified below;

- The United Kingdom
- The Kingdom of Denmark
- The Federal Republic of Germany
- The Peoples Republic of China
- The Swiss Confederation
- The Republic of Malaysia
- The OPEC Fund
- The Kingdom of the Netherlands
Those signed but awaiting ratification are;

- The Republic of Romania
- The Republic of La Cote d' Ivoire
- The Republic of Yugoslavia
- The Republic of South Africa
- The Republic of Mauritius
- The Republic of Zambia
- The United States of America (OPIC)
- The Republic of Egypt
- The Republic of Bulgaria
- The Republic of Cuba
- The Republic of France
- The Republic of Guinea
- The Republic of Mauritania
- The Republic of Burkina Faso

3.2 ANALYSIS OF DATA ON FDI PROJECTS REGISTERED

This section examines the trend of GIPC’s registered projects from 2006 to 2010. It looks specifically at the number of projects geographical and sector distribution; estimated cost of the projects, and employment expected to be created as a result of these investments.

3.2.1 Registered Investment Projects

In the five years under review, the Centre has registered 1,505 projects. The corresponding numbers of projects registered year by year for the period under review were 256, 307, 296, 260 and 386 respectively. The annual average number of projects registered for the five-year period is 301.
Table 3.1: Projects registered from 2006 to 2010

<table>
<thead>
<tr>
<th>Years</th>
<th>Number of projects registered per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>256</td>
</tr>
<tr>
<td>2007</td>
<td>307</td>
</tr>
<tr>
<td>2008</td>
<td>296</td>
</tr>
<tr>
<td>2009</td>
<td>260</td>
</tr>
<tr>
<td>2010</td>
<td>386</td>
</tr>
</tbody>
</table>

Source: Compiled from GIPC Working Documents (2013)

Figure 3.1 Projects registered from 2006 to 2010

Source: GIPC Working Documents (2013)

Table 3.2: Total number of project registered per quarter, 2006 - 2010

<table>
<thead>
<tr>
<th>Years</th>
<th>Registered Projects Per Quarter from 2006 - 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
</tr>
<tr>
<td>2006</td>
<td>53</td>
</tr>
<tr>
<td>2007</td>
<td>57</td>
</tr>
<tr>
<td>2008</td>
<td>93</td>
</tr>
<tr>
<td>2009</td>
<td>35</td>
</tr>
<tr>
<td>2010</td>
<td>109</td>
</tr>
</tbody>
</table>

Source: Compiled from GIPC Working Documents (2013)
In Table 3.2 and Figure 3.2, the first quarter of 2010 recorded the largest number of projects, that is, 109 with the first quarter of 2009 recording the lowest of 35 registered projects. The number of projects registered decreased averagely by 21.48% in the fourth quarter of 2008, 2009, and 2010.

The trend in Table 3.2 shows that the number of projects for 2006 and 2007 increased from the first to the second quarter, decreased in the third quarter and increased in the fourth quarter of those years. The same trend is observed for 2009 with the exception of the fourth quarter where the number decreased to 61. The first quarter of 2010 witnessed the highest number recorded during the period under review; however, the year on the whole saw a decline in the number from 105, 97 and 75 for the second, third and fourth quarter respectively.
The first quarter of 2009 recorded the lowest number of projects for the five year period with 35 projects. The second quarter however registered some recovery with an increase of 42.1% to 83 projects. The third and fourth quarters recorded a decline of 81 and 61 respectively. It is however important to note that the rise in the number of projects recorded in 2010 were primarily due to the recovery by most countries or nations from the effects of the global financial meltdown experienced in 2008. Investors were now getting their confidence back and believing in the potentials other economies had to offer hence the number of projects recorded in that particular year.

3.2.2 Regional Distribution of Projects

Ghana is divided primarily into ten regions. Table 3.1 shows the regional distribution of projects registered with GIPC. An estimated 85% of the projects registered were located in the Greater Accra Region which hosts the capital city, with no project recorded in the Upper West Region for the period under review. This can be attributed to the fact that the Greater Accra region hosts Kotoka International Airport (Ghana’s main airport), a harbour and it is the most populous according to the 2010 census by the Ghana Statistical Service.

The total number of projects in the three (3) Northern regions was 15 representing 0.99% of total projects registered over the last five years. The Upper East Region in 2008 and 2009 recorded one project each year with no company locating in the region in 2006, 2007 and 2010.

The Ashanti and the Western Regions came second and third respectively with 62 and 46 projects. This confirms the widely held view that they are the two most preferred investment destination regions after Greater Accra. The Eastern Region places fourth with 1.99% of the total number of projects. This result can be attributed to the region’s proximity to Greater Accra. The Volta and Central Regions follow with a total of 26 and 17 projects respectively. Both regions attract projects relating to tourism.
Table 3.3: Regional Distribution of Registered Projects

<table>
<thead>
<tr>
<th>Region</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Total</th>
<th>percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AR</td>
<td>15</td>
<td>14</td>
<td>11</td>
<td>10</td>
<td>12</td>
<td>62</td>
<td>4.12</td>
</tr>
<tr>
<td>BAR</td>
<td>0</td>
<td>2</td>
<td>6</td>
<td>6</td>
<td>3</td>
<td>17</td>
<td>1.13</td>
</tr>
<tr>
<td>CR</td>
<td>3</td>
<td>13</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td>26</td>
<td>1.73</td>
</tr>
<tr>
<td>ER</td>
<td>4</td>
<td>7</td>
<td>6</td>
<td>6</td>
<td>7</td>
<td>30</td>
<td>1.99</td>
</tr>
<tr>
<td>GAR</td>
<td>221</td>
<td>257</td>
<td>251</td>
<td>222</td>
<td>341</td>
<td>1292</td>
<td>85.85</td>
</tr>
<tr>
<td>NR</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>3</td>
<td>13</td>
<td>0.86</td>
</tr>
<tr>
<td>VR</td>
<td>2</td>
<td>6</td>
<td>6</td>
<td>1</td>
<td>2</td>
<td>17</td>
<td>1.13</td>
</tr>
<tr>
<td>WR</td>
<td>8</td>
<td>6</td>
<td>7</td>
<td>12</td>
<td>13</td>
<td>46</td>
<td>3.06</td>
</tr>
<tr>
<td>UE</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>0.13</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1505</td>
<td>100</td>
</tr>
</tbody>
</table>

AR – Ashanti Region, BAR – BrongAhafo Region, CR – Central Region, ER – Eastern Region, GAR – Greater Accra Region, NR – Northern Region, VR – Volta Region, WR – Western Region, UE – Upper East Region

Source: Compiled from GIPC Working Documents (2013)

3.2.3 Sectoral Distribution of Projects Registered in the Regions

Table 3.4 details the spread of projects in the various sectors in the ten regions.
Table 3.4: Sectoral Distribution of projects within the regions

<table>
<thead>
<tr>
<th>REGION</th>
<th>SECTORIAL DISTRIBUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AGRIC</td>
</tr>
<tr>
<td>AR</td>
<td>5</td>
</tr>
<tr>
<td>BAR</td>
<td>4</td>
</tr>
<tr>
<td>CR</td>
<td>4</td>
</tr>
<tr>
<td>ER</td>
<td>12</td>
</tr>
<tr>
<td>GAR</td>
<td>27</td>
</tr>
<tr>
<td>NR</td>
<td>3</td>
</tr>
<tr>
<td>VR</td>
<td>8</td>
</tr>
<tr>
<td>WR</td>
<td>2</td>
</tr>
<tr>
<td>UE</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>65</td>
</tr>
</tbody>
</table>

Source: Compiled from GIPC Working Documents (2013)

The Ashanti Region recorded 67 projects; 27% of the total projects are in the manufacturing, 18% in General trading and 15% in Export Trading. Agricultural projects in the region accounted for 8%. The BrongAhafo Region had 17 projects; 35% of the projects were in Export Trading, and Manufacturing and Agriculture accounting for 24% and 23% respectively.

In the Greater Accra Region, the Services and General trading recorded 30% and 24% respectively of the number of projects sited there, with only 2% in the Agricultural Sector. The Northern Region received only 13 projects, 31% of the projects were in the Manufacturing sector followed by the Agricultural sector with 23%.
Details of project distribution within the Ashanti and Greater Accra Regions are presented in figure 3.3, while figure 3.4 shows the distribution for Western and Eastern Regions.

**Figure 3.3 Projects by Sectors in Ashanti and Greater Accra Regions**

![Pie charts showing project distribution by sector in Ashanti and Greater Accra Regions.](image)

**Source: GIPC Working Documents (2013)**

The Western Region attracted 46 projects with 48% in the Services sector followed by the Tourism sector (20%). The services projects registered in the Western Region from 2009 to 2010 summed up to 15 out of the total 22 projects in the sector. This goes to reinforce the increase of activities observed in the region over the last two years especially in the service sector. Out of the 30 registered projects in the Eastern Region, the Agricultural sector recorded 40% of the projects. These are shown in figure 3.5
The Central Region recorded 26 projects, 35% of which were in the tourism sector. For the period under review, the Volta Region attracted projects in Agriculture (47%), manufacturing (29%), Export trading and services (12% each).

### 3.2.4 Sector Analysis by Number of Projects Registered

The service sector recorded the largest number of projects, 434, representing 28.84% of the total number of registered projects from 2006 to 2010. This was followed by General Trading – 326 (21.66%), Manufacturing – 318 (21.11%), Building and Construction – 125 (7.84%), Tourism – 118 (7.84%), Agriculture – 65 (4.32%), Export trade – 65 (4.32%) and Liaison – 54 (3.59%).

With the exception of 2007 when the Manufacturing sector recorded 87 projects, the Service sector, each year received the most projects. In 2010, 143 projects were registered in the service sector.
sector compared to 6 projects in the agricultural sector in 2006, the two figures representing the largest and smallest figures recorded respectively in the 20 quarters. The service sector in the last three years leads in the contribution to Ghana’s GDP and this reinforces this scenario. Table 3.5 presents details of projects registered in the sectors.

**Table 3.5: Projects per sectors: - 2006 – 2010**

<table>
<thead>
<tr>
<th>sector</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Total</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>6</td>
<td>15</td>
<td>16</td>
<td>13</td>
<td>15</td>
<td>65</td>
<td>13</td>
</tr>
<tr>
<td>Building/Construction</td>
<td>20</td>
<td>32</td>
<td>24</td>
<td>19</td>
<td>30</td>
<td>125</td>
<td>25</td>
</tr>
<tr>
<td>Export Trade</td>
<td>13</td>
<td>12</td>
<td>18</td>
<td>4</td>
<td>18</td>
<td>65</td>
<td>13</td>
</tr>
<tr>
<td>General Trading</td>
<td>49</td>
<td>67</td>
<td>73</td>
<td>52</td>
<td>85</td>
<td>326</td>
<td>65.2</td>
</tr>
<tr>
<td>Liaison</td>
<td>18</td>
<td>10</td>
<td>10</td>
<td>5</td>
<td>11</td>
<td>54</td>
<td>10.8</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>63</td>
<td>87</td>
<td>49</td>
<td>59</td>
<td>60</td>
<td>318</td>
<td>63.6</td>
</tr>
<tr>
<td>Service</td>
<td>68</td>
<td>52</td>
<td>84</td>
<td>87</td>
<td>143</td>
<td>434</td>
<td>86.8</td>
</tr>
<tr>
<td>Tourism</td>
<td>19</td>
<td>32</td>
<td>22</td>
<td>21</td>
<td>24</td>
<td>118</td>
<td>23.6</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1505</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Compiled from GIPC Working Documents (2013)*

**3.2.5 Estimated Total Projects Cost**

Figure 3.5 presents the estimated cost of projects covering three years projection starting from the year of registration. The estimate covers items such as land acquisition and development; building and structures development; purchases of machinery and equipments, motor vehicles, furniture and office equipment; working capital among others.

The total estimated cost of the 1505 projects registered from 2006 to 2010 was US$2,367.68 million, US$5,029.01 million, US$3,504.13 million, US$627.72 million and US$1,281.59 million.
million respectively. The Total estimated projects cost for all the years is US$12.85 billion. This figure excludes the estimated cost of Vodafone International Holding BV in 2008.

**Figure 3.5 Estimated Total Project Cost in US$ Million, 2006 - 2010**

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>2,159.21</td>
<td>58.89</td>
<td>92.77</td>
<td>56.99</td>
</tr>
<tr>
<td>2007</td>
<td>36.02</td>
<td>77.63</td>
<td>188.48</td>
<td>4,726.34</td>
</tr>
<tr>
<td>2008</td>
<td>2,972.17</td>
<td>57.04</td>
<td>295.30</td>
<td>215.62</td>
</tr>
<tr>
<td>2009</td>
<td>18.05</td>
<td>111.67</td>
<td>267.25</td>
<td>230.75</td>
</tr>
<tr>
<td>2010</td>
<td>187.85</td>
<td>662.68</td>
<td>286.18</td>
<td>144.88</td>
</tr>
</tbody>
</table>

**Source: Compiled from GIPC Working Documents (2013)**

The estimated total projects for each of the quarters was less than US$700 million except the first quarter in 2006 and 2008, and the fourth quarter in 2007. The first quarter of 2009 recorded the
lowest of estimated cost of projects registered probably as a result of the small number of projects registered.

### 3.2.6 Initial Capital Transfers

The value of initial capital transfer registered in terms of cash and goods for the period amounted to US$376.93 million.

In 2006, a total of US$53.77 million was recorded, an amount which decreased by 20.67% in 2007. The largest value of US$112.87 million was recorded in 2008 and this decreased by 3.23% and 4.61% in 2009 and 2010 respectively. The percentage increase in initial transfer from 2007 to 2008 was 167.97%. Figure 3.6 shows the details.

**Figure 3.6: Total initial capital transfer in US$ Million: 2006 – 2010**

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>13.93</td>
<td>6.73</td>
<td>17.76</td>
<td>8.94</td>
<td>14.94</td>
</tr>
<tr>
<td>Q2</td>
<td>11.85</td>
<td>12.41</td>
<td>7.89</td>
<td>66.18</td>
<td>16.01</td>
</tr>
<tr>
<td>Q3</td>
<td>16.08</td>
<td>12.33</td>
<td>69.07</td>
<td>18.81</td>
<td>16.13</td>
</tr>
<tr>
<td>Q4</td>
<td>11.91</td>
<td>10.65</td>
<td>18.15</td>
<td>15.30</td>
<td>11.84</td>
</tr>
</tbody>
</table>

*Source: Compiled from GIPC Working Documents (2013)*
Although 386 projects (US$58.92 million) were registered in 2010 and 307 projects (US$42.12 million) in 2007, the initial transfer received was relatively small compared to 260 projects (US$109.23 million) in 2009 and 296 projects (US$112.87 million) in 2008.

### 3.2.7 Shareholding Structure

As per the GIPC Act 865, two ownership structures are recognized by the Centre. They include a Joint Venture with a Ghanaian (JV) and Wholly Foreign Owned (WF). The ownership of the projects is considered JV only when there is/are a Ghanaian partner(s) and no specific percentage is mandated to be held by the Ghanaian for this categorization. Wholly foreign owned companies consist of investor(s) from other nation(s) other than Ghana.

Table 3.6 shows details of ownership structure of registered projects. Total JVs and WFs companies were 547 and 958 respectively. The number of JVs decreased by 19.51% in 2008 and 9.09% in 2009, after increasing in 2007 by 24.24% from 99 JV companies registered in 2006. Wholly Foreign owned companies in 2009 declined by 13.71% from 197 in 2008 and rose by 47.06% in 2010.

**Table 3.6: Ownership Structure of registered projects: 2006 – 2010**

<table>
<thead>
<tr>
<th>Years</th>
<th>Joint Venture</th>
<th>Change (%)</th>
<th>Wholly Foreign Owned</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>99</td>
<td>-</td>
<td>157</td>
<td>-</td>
</tr>
<tr>
<td>2007</td>
<td>123</td>
<td>24.24</td>
<td>184</td>
<td>17.20</td>
</tr>
<tr>
<td>2008</td>
<td>99</td>
<td>(19.51)</td>
<td>197</td>
<td>7.07</td>
</tr>
<tr>
<td>2009</td>
<td>90</td>
<td>(9.09)</td>
<td>170</td>
<td>(13.71)</td>
</tr>
<tr>
<td>2010</td>
<td>136</td>
<td>51.11</td>
<td>250</td>
<td>47.06</td>
</tr>
</tbody>
</table>

Total 547 | 958

Figures in parentheses ( ) are decreases in percentages

**Source:** Compiled from GIPC Working Documents (2013)
3.2.8 Employment

The expected employment at full capacity implementation of the 1505 projects from 2006 to 2010 is 370,575, with 97% to be offered to Ghanaians. Increase in expected employment for Ghanaians was 43% and 1,128% for 2007 and 2008 respectively. However there was a declined in 2009 by 90% but rose by 80% in 2010. These are clearly shown in table 3.7

Table 3.7: Total Expected Employment within the sectors: 2006 – 2010

<table>
<thead>
<tr>
<th>Sector</th>
<th>Ghanaians</th>
<th>Non - Ghanaians</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>194,667</td>
<td>373</td>
</tr>
<tr>
<td>Building &amp; Construction</td>
<td>56,707</td>
<td>14,380</td>
</tr>
<tr>
<td>Export Trade</td>
<td>1,587</td>
<td>380</td>
</tr>
<tr>
<td>General Trading</td>
<td>9,042</td>
<td>1,262</td>
</tr>
<tr>
<td>Liaison</td>
<td>637</td>
<td>139</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>23,633</td>
<td>1,912</td>
</tr>
<tr>
<td>Service</td>
<td>58,271</td>
<td>3,669</td>
</tr>
<tr>
<td>Tourism</td>
<td>3,135</td>
<td>749</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>347,679</strong></td>
<td><strong>22,864</strong></td>
</tr>
</tbody>
</table>

Source: Compiled from GIPC Working Documents (2013)

Much of the employment that is expected to be generated for the period under review falls within the Agriculture sector totaling 194,667 for Ghanaians representing 56% of the total expected employment for all Ghanaians. This is good for the Ghanaian economy since the Agriculture sector of Ghana is the sector that drives the country and generates a lot of foreign exchange for the economy. Three hundred and seventy three (373) representing 1.6% were employment
expected to be generated for Non-Ghanaians also in the Agriculture sector under the same period from 2006 to 2010.

The next sector with the highest number of expected employment to be generated for the period under review was the Service sector with 58, 271 jobs representing 17% of the total number of total employment expected. The same period recorded 3,669 expected employments for Non-Ghanaians in the Service sector representing 16% of the total expected employment for Non-Ghanaians.

The Building and Construction sector followed with 56,707 jobs expected to be generated under the same period representing 16% of the total employment expected. The sector recorded the highest number of employment for Non-Ghanaians with 14,380 jobs expected to be generated representing approximately 63% of the total for all sectors.

The Manufacturing sector with 23,633 jobs, General Trading sector with 9,042 jobs, Tourism sector with 3,135 jobs, Export Trade sector with 1,587 jobs and Liaison sector with 637 jobs followed in that order.
CHAPTER FOUR
DISCUSSION OF FINDINGS, CONCLUSIONS AND
RECOMMENDATIONS

4.0 INTRODUCTION
This chapter is devoted to summarizing and discussing the research results and drawing
conclusions based on the objectives of the study and the research questions posed in chapter one.
The chapter concludes with recommendations based on the research findings to policy makers
and investment promotion practitioners.

4.1 SUMMARY OF FINDINGS
The Ghana Investment Promotion Centre (GIPC) is an agency of the government of Ghana
charged with the responsibility of promoting and facilitating investment in the Ghanaian
economy. With this in mind and it being the focus of the study, the study revealed that it is the
prerogative of governments of every country to attract investment (FDI) into their economies.

The study further showed that there is a positive correlation between FDI attraction and growth
of the economy of every country.

This study also showed that FDI inflows bring about employment generation in an economy.
This can be seen very clearly from the data presented on employment generated in the Ghanaian
economy from 2006 to 2010.

The study also identified the primary activities of investment promotion agencies as image
building, investment generation and facilitation, and policy advocacy.
The centre undertook targeted investment missions to attract industry specific investments.

### 4.2 CONCLUSIONS

The research was able to draw on the conclusion that the GIPC organized and participated in targeted and sector specific investment forums and exhibitions. It also advertised in business journals and newspapers about investment opportunities in Ghana. The centre again developed promotional materials aimed at providing relevant information for investment decisions and further built an interactive website. The Centre advocated for policies that will make Ghana more investor friendly through the revision of the GIPC Act 478 to the present Act 865 and negotiated bi-lateral investment treaties with a number of countries. Thousand five hundred and five (1,505) projects with an estimated total cost of US$12.85 billion were attracted between 2006 and 2010. The total initial capital transfer for the period was US$376.93 million and that the FDI attracted into the Ghanaian economy fall within Agric and Agro processing, Building and Construction, Manufacturing, Services, General Trading and Tourism sectors. Other sectors include Liaison and Export Trade activities. The Greater Accra region accounted for over 85% of the total projects registered. Although a general decline in the number of projects was observed in all the regions from 2008 to 2009, the Western region stood out with an increase of 71.43%. Most of the increases were recorded in the Services sector. The three Northern Regions however accounted for only 1% of the total FDI recorded within the review period. FDI contributed to the attainment of the Ghana Poverty Reduction Strategy II and the Ghana Shared Growth Development Agenda by means of the capital that was brought into the country. Capital in cash and goods / machinery. FDI brought about macroeconomic stability in the country in that the cash that was invested into the country contributed to a good fiscal regime for the economy. Ghana benefited in the form of
transfer of technology and technical knowhow mainly due to the equipments and machinery that were brought into the country. Finally, FDI brought about the creation of 358,900 jobs or employment in Ghana for the period under review.

4.3 RECOMMENDATIONS

4.3.1 Policy Makers

- For policy makers, it should be noted that the establishment of an investment promotion agency and undertaking investment promotion activities are not the only factors that go into attracting FDI. Factors such as after-market size and growth, political instability also influences investment flow. These factors should be managed properly to ensure the effective attraction of FDI.
- The Ghanaian government can therefore make use the market size and the politically stable economy to convince investors to invest in the country.
- Policy makers can also review policies and laws governing investment attraction periodically to suit the needs of the ever-changing landscape of the world and the way of doing business.

4.3.2 Investment Promotion Practitioners

- Considering the very competitive and dynamic nature of investment attraction, IPAs should intensify their promotional efforts and develop effective ways of evaluating their performance.
- Practitioners should also understand that their target groups are from the private sectors who expect more from a government agency. The practitioners should therefore aim at cutting the red tapes for investors wishing to set up.
Practitioners should also realize that attracting FDI is only the first step. There should be continuous policy advocacy aimed at retaining investors and stimulating reinvestments.
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