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Contribution of Stand-Alone Enterprises in Ghana Free Zones in Attracting Foreign Direct Investment

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ABSTRACT: The purpose of this paper is to examine the extent to which the free zone enclaves have succeeded in raking in foreign direct investments for Ghana. It further reviews the performance of companies operating in these free zones and the challenges militating against their optimal performance. The researchers used a combination of descriptive and data mining research methodology. Data was gleaned from published report from the Ghana free zones Authority, the Ghana Investments Promotions Council, the Bank of Ghana, United Nations Conference on Trade and Development and the World Bank. It emerged that, there is considerable difficulty in land acquisition because of Ghana's land tenure system. Nonetheless, there has been progress in the drive to attract FDI through free zone enclaves. However, there are some companies in the free zone enclave that are dormant. It also emerged that, the percentage of Free Zone Enterprises contribution to total Foreign Direct Investment inflows in Ghana has been trending negatively recently. It is therefore recommended that, Ghana Free Zones Board simplifies the legal framework in which free zone companies operate such as easing land acquisition procedures, providing flexible tax payment structure and giving exemptions for certain strict labor laws. It is also suggested that the Ghana Free Zones Board considers creating zones with sectoral specialization rather than the current multi-activity-oriented nature of the free zones governed by a highly opportunistic «take all» approach, typical of developing economies.

KEYWORDS: Ghana Free Zones, Stand-Alone Enterprises, Specialisation, Economies, Foreign Direct Investment, Ghana.

1 INTRODUCTION

Many Economies in West African currently are experiencing with the notion of economic free zones in the form of tax incentives and customs incentives. In the case of Ghana, the focus was on supporting export manufacturing firms with special incentives to facilitate the development of exports. Ref [11] defined a free zone as a "perimeter of varying sizes within which approved undertakings are exempted, in particular with regard to customs and taxation, from the usual laws and regulations applicable in the host country". "The lure of foreign exchanges from exports has remained an appealing avenue for Ghanaian policymakers; this stems from the awareness that the country's low economic growth is partly due to the strong tendency to consume imported goods rather than produce for exports"; These sentiments were echoed earlier by [40]. Free zone enclaves were seriously considered after the failed attempts by the Economic Stimulus Program in 1983 to turn around the fortunes of the economy. The United Nations Conference on Trade and Development (UNCTAD) defines a free zone as an industrial estate in the form of an enclave within a country and is typically situated near an international maritime port and/or airport. Both or a greater proportion of the goods and services supplied by the free zone companies are exported. "Imports of raw materials, intermediate goods, equipment and machinery required for export production are exempted from customs duty" [43].

The Free Zones Act, 1995 (Act 504) provides for the legal system setting up and regulating the operations of companies registered with the Free Zones Board in Ghana: Storage, packaging, assembly, disassembly, bottling, re-bottling, sampling, display, rating, examination, identification, marking, label, relabel, finishing, treatment, mixing, combining, washing, handling, modification, turning, transit, transit, etc. In terms of facilities, the company may make and sell any kind of information processing, computer-aided design, computer-aided printing and publishing, software creation, telemarketing and any other similar and related facilities; the company may also make and sell accounting, banking, insurance, industrial, consultancy, repair and maintenance services; and any other services may also be rendered and sold by the company.

In addition, the law provides for the establishment of free zone enclaves by statutory declarations; the establishment of free zones in accordance with regulatory requirements by private developers; and the development of 'stand-alone' free zone enterprises and single factory zones [23]. The Ghana Free Zones Board permits the placement of free zone companies in virtually every part of the country. A Free Zone business may be located either in any of the Export Processing Zones (EPZ), the Free Trade Zones (FTZ), or anywhere in Ghana upon approval by the Ghana Free Zones Board (GFZB). The export processing zones are equipped with infrastructure facilities which reduce operating costs for companies within them. A default EPZ will have:

- A dedicated electricity grid
- Wide reservoir of water constructed to enable continual supply of water
- Centralized System of Sewerage
- Telecommunication facilities
- Enclosures securitized

Facilities in export processing zones often have access to major ports and a road network in order to facilitate the transport of goods. The operation of free zone enclaves in the nation in general has registered a marginal amount of development. There is, however, a significant lack of analysis and understanding of how individual free zone companies relate to foreign direct investment and foreign exchange earnings, or what we might call stand-alone firms. In his work on export processing zones, [26] noted that Sub Saharan African (SSA) countries have had very little success in developing and maintaining export processing zones. The lack of a broader policy framework for the promotion and promotion of an enterprising private sector, which leads to what it calls "enclave promotion and not a growth asset, " is partly due to the limited amount of progress.

There is a strong competition especially among developing countries to attract FDI. The reason is that, there is robust empirical evidence that “FDI flows are less volatile than other capital flows” according to the IMF, World Economic Outlook in 2007, and a well-known impression that “FDI is somehow better for spearheading the growth and development agenda of most developing economies than other capital flows” [10]. Also, the positive spillover effects of “FDI have been one of the reasons why countries, especially developing countries, strive to attract high inflows of FDI”. Bank of Ghana in 2010 agreed with that assertion when they stated that “Foreign Direct Investment (FDI) constitutes a major source of financing and provides the much needed capital to expand economic opportunities in many developing countries”. “Currently in Ghana, available data shows the inclination of FDI inflows fluctuating abruptly over time with a fall in FDI inflows from 21.56% between 2010 and 2011 to 2.16% in 2012. The country witnessed yet another fall in the subsequent year (2013) from the previous rate of 2.16% to -2.07% [44] but rose to 8.50% in 2015. As at 2017, the FDI inflow as a percentage of GDP stands at 34%. Also, UNCTAD also released some figure in its report in 2019 and from this report, FDI inflow decreased from 3,357 million USD in 2014 to 3,192 million USD in 2015 but increased to 3,485 million USD in 2016. After 2016, FDI inflows decreased consistently between 2017 and 2018 from 3,255 million USD to 2,989 million USD as shown in the table below”.

Table 1. FDI inflows into Ghana between 2014 and 2018

Foreign Direct Investment	2014	2015	2016	2017	2018
FDI Inward Flow *(million USD)*	3,357	3,192	3,485	3,255	2,989
FDI Stock *(million USD)*	23,205.1	26,397.4	29,882.3	33,137	36,126
Number of Greenfield Investments* **	44.0	41.0	28.0	30.0	30.0
FDI Inwards *(in % of GFCF**)***	33.9	35.6	34.0	n/a	n/a
FDI Stock *(in % of GDP)*	60.1	70.6	69.1	n/a	n/a

Source: UNCTAD (2019)

The performance index of the UNCTAD Inward FDI is based on a ratio of the country's share of global FDI inflows and its share of global GDP.
** * The potential index of the UNCTAD inward FDI is focused on 12 economic and structural variables such as GDP, foreign trade, FDI, infrastructure, energy use, R&D, education, risk to the economy. * * * Green field investments are a form of foreign direct investment where, by building new operating facilities from the ground up, a parent company starts a new venture in a foreign country.*
** * * * Gross Fixed Capital Creation (GFCF) calculates the amount of fixed asset acquisitions acquired by companies, governments and households less disposals of sold or scrapped fixed assets.*

FDI inflows into Ghana have been oscillating and not generally following a decreasing or growing pattern that has been developed. The FDI inflow abrupt fluctuation phenomenon in Ghana is difficult to be explained satisfactorily by traditional theories [42]. This situation is worrying for a country like Ghana which depends so much on external capital flows especially FDI. In addition to this, the current trend in FDI will stifle the economic growth and development agenda as well as stifle the rippling effects that FDI generates for the country.

The above situation has raised questions regarding the factors that are contributing to this change in FDI inflows. On this premise, it is important and timely to understand how stand-alone enterprises contribute in attracting FDI inflows in order to aid Government design and execute precise policies to even our odds on FDI inflows.

1.1 RESEARCH PURPOSE

The main aim of this paper is to examine the degree to which foreign direct investment has been successfully accumulated by the enclaves of the free zone. In order to extend their operations and export capabilities, the researchers are focused on stand-alone companies and their ability to attract foreign investment. The paper also aims to examine the export output and the challenges of optimal performance reduction of firms operating in these free zones.

2 LITERATURE REVIEW

2.1 THEORETICAL REVIEW

In order to understand the internal and outward movement of foreign direct investment, several hypotheses exist. Most of these ideas are inseparable and almost unavoidable from those of international firms (MNCs) and corporations [37] [17]. categorized FDI theories into: Vernon 's Theory of the Development Cycle, the Theory of Exchange Rates on Imperfect Capital Markets, the Theory of Internalization and Dunning's Eclectic Model.

The FDI theories were categorized into three (3) large categories by [36]: FDI theories based on perfect competition, FDI theory based on currency strength and FDI theories based on imperfect markets (Industrial organization approach, FDI based on monopoly control, FDI theory of internalization, FDI theory of oligopoly and FDI theory of eclectic paradigm). The theories of FDI were divided by [27] into traditional theories and modern FDI theories. They describe three (3) key types of benefits that are essential for both Foreign Direct Investment (FDI) and Multinational Corporations (MCs) operations to be clarified. Together, these advantages are referred to as the model of OLI. Where; O-Specific advantage of ownership (OSA), L-Specific advantage of location (LSA) and I-Specific advantage of internalization (ISA). Some of the theories that affect the inward and outward flow of FDI are explained below:

[2] propounded “the FDI theory based on the strength of the currency of a nation”. He advanced his” Foreign Direct Investment theory by referring to the buying power of the countries' different currencies; the disparities in intensity between the investment country's currency and that of the host economy”. After checking his hypothesis and coming out with the findings, Aliber is consistent with FDI that, when opposed to countries with weaker currencies, stronger and stable currencies draw FDI inflow to their countries. Aliber 's theory, however, offers no justification for investment between two economies of similar currency power.

[31] was the first to closely examine issues concerning the advantages, market imperfections and regulation of large multinationals [39]. Global organization, his definition, attempts to clarify the principle of foreign production in an imperfect market environment [32]. The importance of this principle was to allow foreign companies to compete in advantageous positions with domestic companies (LSA) [25]., [15], [20] were several renowned authors who helped support this theory 's interpretation. The benefits resulting from working in an oligopolistic market and economies of scale are also linked to industrial organization [37]. The theory of internalization was first proposed by Coase in 1937 [14]. were, however, the first to combine ISAs with the 1976 FDI study [37].

Five forms of market imperfections resulting in internalization have been defined by [13]: (a) resource coordination needs a long-term lag, (b) successful use of market power needs differential pricing, (c) a bilateral monopoly causes unstable bargaining situations; (d) a consumer is unable to accurately estimate the price of the products on sale; and (e) a government monopoly produces unstable bargaining situations. This hypothesis is embedded with the possibility of interference from the host government. The founders did not, however, recognize the disparity in the extent of this danger across different industries.

2.2 EMPIRICAL REVIEW

[21] suggest that there are four key reasons why transnational companies are investing: searching for natural resources, searching for new markets, reforming current global output, and searching for new strategic assets [35]. also described market-related motives, production-related motives and resource-related motives as motives for TNCs to invest abroad, agreeing with this notion. On the other hand, [46] argues that there are numerous and complex factors that establish an investment environment in one country and decide its attractiveness to FDI.

In Ghana, in their report on “the determinants and pro-development impacts of foreign direct investment in Ghana”, [7] found that “the macroeconomic and political climate, market size, and natural and physical resources were the most significant contributing factors for Ghana as an investment destination”.

[5] argue that “Foreign Direct Investment (FDI) has a strong potential to make significant contributions to the country's growth, especially when it is focused on business linkages where foreign companies investing in Ghana are encouraged to outsource the production of intermediate goods and services to successful external suppliers (preferably local Ghanaian companies) This, they claim, would result in benefits such as capital provision, access to foreign markets and technology, and, as a result of other spillover effects, a general increase in productivity and competitiveness”.

"Four physical zones have been established in Tema, Ashanti, Sekondi and Shama since the beginning, whereas the literature on backward ties of EPZs in general is very limited, a small number of studies on the GFZ have been carried out". Based on very limited data, [27] offers a reasonably detailed analysis, while [4] work lacks analytical depth.

While private sector views have changed after the ERP, according to [6], "it still does not have the capacity to compete on the international stage". As a result, there is no explanation why manufacturers would be able to thrive in the sense of duty-free imports if they were generally unable to communicate with foreign firms.

As Efficient Policy is an Enclave Promotion or Developmental Asset in Ghana, [24] studied "Export Processing Zones and found that companies in EPZs produce less backward ties than those without: indeed, differentiating the partial effects of the categorical variable, it seems that EPZ-based companies use 2.6 percent less local inputs than those outside". The qualitative study of [27] corroborates this result, which finds that linkage formation is generally poor in Ghana's EPZ [38]. also employed Vector Error Correction Model (VECM) to ascertain the impact of the free zone programme on economic growth in Ghana, using quarterly time series data from 1998 to 2015. Their findings depict significant negative relationship between exports and investment in the zones and economic growth in Ghana

2.3 The Concept Of Free Zones

Among other names, the "Export Processing Zones (EPZs) and Special Economic Zones (SEZs) " are modernized types of fenced zones where companies whose goods and services are export-bound are housed and special facilities are provided to help increase the export capacity of the country. Buckley et al. (2010) argued that in the early 1990s, much of the recent growth and rise of FDIs in Asia could be put at the door of the new EPZ innovation in the countries studied. Evidence of the role of EPZs in economic growth is strong, although labor conditions and other factors in these zones are not favourably examined. Hansen (2008) further identified "EPZs as contributing significantly to FDI growth and diversification of exports. Despite this, attracting FDIs through EPZs to Africa has been nothing short of abysmal". A UNCTAD-funded study found in 2005 that "up to 80 percent of FDI inflows into African countries were primarily targeted at the extractive sector". For a long time, this trend has been criticized as unsustainable and must be reversed [22]., [1], and [8] bemoaned this phenomenon as "it shows a negative long-term correlation with economic growth". Other studies have also "discovered major negative correlations between natural resource-based FDIs and the long-term growth prospects of an economy". This is partially due to the fact that, in natural resource-rich nations, these resources are used by the ruling class to enrich themselves rather than develop the wider economy throughout the course of history. The Ghanaian case did not vary too much from the cases under consideration. Successive governments have taken policy steps in order to redirect FDIs to other areas of the economy rather than the extractive sectors.

[30] described "Foreign Direct Investment (FDI) as a transfer of technology and managerial skills from the source country to the recipient country, providing greater access to world markets for exports from the recipient country." Reasons for and against FDIs are well dealt with in literature and also in practice. Ghana 's past negative attitude towards FDIs was inconspicuous during the former Nkrumah and Rawlings regimes; one thing that remains clear, however, is that the benefits of FDIs far outweigh the negatives in today's global economy.

Susan in 2016 discusses "the resource dependency hypothesis, among other anti-FDI theories, and concludes that, overall, Ghana stands to benefit from prudent FDI management". According to [29], "governments and policy makers have seen the increased contribution of FDIs to economic growth as it brings additional capital, leads to job creation, and the transfer of technology and knowledge across national and international borders". Studies in Ghana have therefore concluded that "in order to enhance the full benefits of FDIs, the benefits Ghana has obtained from FDI have strengthened its commitment to building a strong institutional framework".

2.4 Historical FDI Inflows Into Ghana

Monitoring FDI inflows into Ghana is a challenging job, as many establishments are charged with coordinating FDI ventures. On its website, "the Ghana Investment Promotion Center (GIPC) announced that FDI inflows into new projects accrued to USD 2.95 billion in the first quarter of 2017, primarily from China and the Netherlands. In addition, the study shows that the country's total number of FDIs was USD 2.4 billion in 2016 and USD 2.7 billion in 2015".

Data available from the [47] from the year 1975 to 1998 as shown in Figure 1 shows a similar erratic trend in FDI inflows in the past. FDI inflows started with an amount of 80.78million US dollars in 1975 but sharply declined to 18.26 million US dollars before rising again to 19.22 million US dollars in 1977. After 1977, FDI inflows fluctuated slowly in a horizontal manner but rose sharply from 22.5 million UD dollars in 1992 to 233 million US dollars in 1994 where FDI inflow recorded its peak before the 2000s and fluctuated afterwards to record 167.4 million US dollars in 1998.

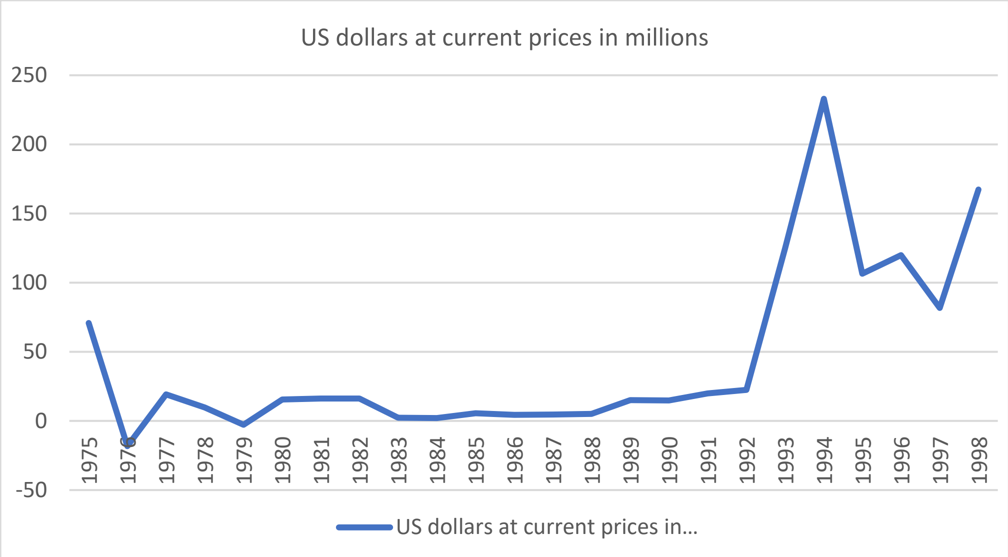

Fig. 1. FDI inflows into Ghana

Source: UNCTAD (2020)

Furthermore, information available from the Bank of Ghana from 2001 to 2011 indicates a similar pattern in FDI inflows. Actual FDI inflow decreased from 89.95 million US dollars in 2001 to 61.58 million US dollars in 2002 and in 2003, FDI inflow went up again to 88.6 million US dollars. The inconsistent flow of FDI continued throughout the 2000s ending 2011 with an amount of 6,820 million US dollars.

Table 2. Historical FDI inflows into Ghana 2001 -2011

YEAR	ESTIMATED INFLOW (USD MILLION)	ACTUAL INFLOW (USD MILLION)	Variance (%)
2001	97.94	89.95	8.166
2002	69.67	61.58	11.60
2003	118.48	88.60	25.22
2004	205.01	152.86	25.44
2005	213.74	167.16	21.79
2006	2,367.87	2,317.47	2.13
2007	359.01	259.49	27.72
2008	3,540.13	3,446.83	2.64
2009	627.73	558.92	6.18
2010	1,278.59	1,108.06	13.34
2011	7,685.57	6,820.00	11.26
TOTAL	16,563.47	15,070.92	

Source: Bank of Ghana (2012)

In the years reviewed, following the return to a democratic national polity, Ghana 's FDI peaked in 1994 and took a nosedive in the years after a change in government from the then ruling government to the opposition before rising steadily after 2001 elections. Macro and micro economic variables that provide an indicator of the success of such investments have traditionally influenced FDIs. In a groundbreaking analysis, [2], [3] and [16] found that "the strength of a country's currency had a strong influence on its choice among foreign investors. The study concluded that the stronger a country's currency, the less likely it is for foreign investors to move into that country". A strong factor regarded by cross-border investors has also been described as the level of openness or export orientation of the economy of a country; the political environment and the size of the demand are still among the main considerations. In recent years in Ghana, some of the variables influencing FDI inflows have been more pronounced than others [41]. noted that "most of the FDIs in Ghana are concentrated in mining and other extractive industries, making FDI synonymous with mineral and natural resource mining in Ghana. In order to ensure that the country's development policies have a broader and more viable reach for areas previously ignored, aggressive efforts are being made to refine the quality and type of FDIs attracted to the country. By making free zones more accessible and easier for foreign investors to operate in, the Authority for Free Zones is poised to step up those steps".

3 RESEARCH METHODOLOGY

The research employed descriptive research and data mining techniques as the main design for the study. While the descriptive analysis categorizes and describe the information, data mining look for useful trends, patterns or relationship in the information [33]. This is because, descriptive research and data mining research design provide an understanding of underlying reasons, opinions, and motivations of the subject matter. According to [18] "descriptive research design helps to uncover trends in thought and opinions, and dive deeper into the problem".

The study was conducted in Ghana taking only "Free Zones Enterprises" into cognizance and secondary data was the main source of data for this study. "The Ghana Free Zones Authority (GFZA)", "the Ghana Investments Promotions Council (GIPC)", "the Bank of Ghana (BoG)", "the United Nations Conference on Trade and Development (UNCTAD) " and "the World Bank" have released the necessary data for this paper. A cross-case synthesis was used to make concrete comparisons and draw inferences from the collected data, using longitudinal tables and maps.

4 RESEARCH FINDINGS

This section illustrates and explains the data analysed. The findings of the study are reported below;

4.1 FREE ZONES IN WEST AFRICA

[11] study found that countries in West Africa that have implemented free zone regimes have struggled to draw more Foreign Direct Investment (FDI) than countries that do not have such regimes [11]. found that in 1948, "Liberia was the first West African country to develop economic free zones. The enclave of the Liberia Free Zone now consists of one free port (Monrovia) and one free industrial zone". In 1974, "Senegal participated in the establishment of free economic zones; one Special Economic Zone (SEZ); one (1) Industrial Free Zone (Dakar); about 10 Free Points; and about 180 Free Exporting Companies. This was followed by the establishment of one industrial free zone by Cape Verde in 1989, with Togo also entering one free port (Lome), four export processing zones (EPZ) in 1989; three (3) in Lomé and one in Kara and around 40 stand-alone companies here referred to as Free Points in 1989. With Nine (9) functioning Free Trade Zones, Nigeria entered the free zone bandwagon in 1991, with only a few Manufacturing Factories. In 1991, with only a few manufacturing factories with no expansion to date, Mali also gave it a try. With two (2) Free Ports (Tema and Takoradi), four (4) Export Processing Zones: Tema, Takoradi (2) and Kumasi and approximately 150 Single Factory Enterprises, Ghana was relatively late, but began with great momentum". Lately, the policy is also being experimented with by Cote d 'Ivory, Benin and the Gambia.

Table 3. Free Zones in West Africa and their features

Country	Legislation Adopted	Free trade Zones	Export Processing Zones	Free Points
Benin	2005	-	1 Industrial Free Zone	-
Cape Verde	1989	-	1 Industrial Free Zone	-
Cote d' Ivory	2004	-	1 Technology Free Zone (village of information, communication and biotechnology	-
Chad		-		-
The Gambia	2002	1 Free Port	1 Industrial Free Zone	-
Ghana	1995	2 Free Ports (Tema and Takoradi)	4 Export Processing Zones: Tema, Takoradi (2) and Kumasi	Around 150 Single Factory Enterprises
Guinea	-	-	-	-
Guinea Bissau	-	-	-	-
Liberia	1948	1 Free Port (Monrovia)	1 Industrial Free Zone	-
Mali	1991	-	-	A few Free Points only
Mauritania	2002	-	-	A few Free Points only
Niger	-	-	-	
Nigeria	1991	-	9 operating *Free Trade Zones*; 10 under construction, 3 planned	*A few Processing Factories* only
Senegal	1974	1 Special Economic Zone (SEZ)	1 Industrial Free Zone (Dakar)	Around 10 Free Points, around 180 Free Exporting Firms
Sierra-Leone	-	-	-	
Togo	1989	1 Free Port (Lome)	4 Export Processing Zones (EPZ) 3 in Lomé and 1 in Kara	Around 40 Free Points

Source: Bost (2010) Atlas Mondial des zones franches

4.2 Free Zones in Ghana

"According to information obtained from the Ghana Free Zones Board, the board has been able to attract a total of two hundred and twenty-one (221) firms from both Ghanaians and foreigners since its establishment. Unfortunately, some of them have either left the market in Ghana or stopped operating, making them dormant. The information available at the GFZB (2018) shows that the current number of active companies operating in the free zone enclaves is one hundred eighty-eight (188)".

These corporations' activities have a tremendous effect on the country's economic growth and development. The following figure shows the ownership structure of companies operating in the enclaves of the free zone in Ghana.

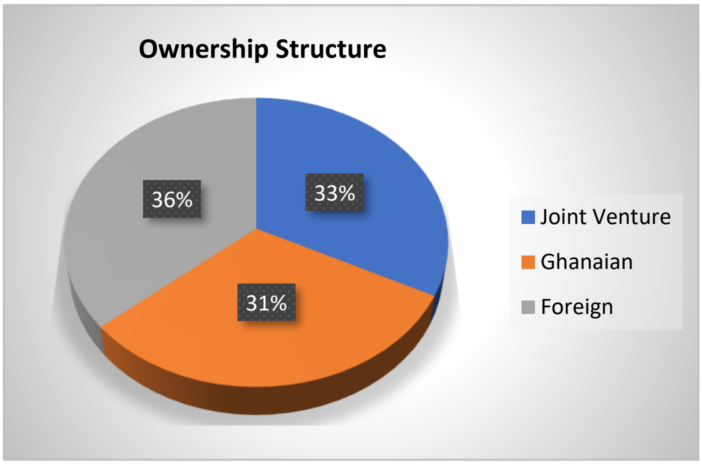

Fig. 2. Ownership Arrangement of companies in free-zone areas of Ghana

Source: Board of Ghana Free Zones (2018)

Firms owned by Ghanaians make up 59 percent, 61 (33 percent) are 100 percent foreign-owned firms, and 68 (36 percent) are joint ventures. According to the data assessed by the Board, joint businesses and international corporations constitute 69 percent of all operating companies as of March 2018. This is a strong purpose to argue that the free zones' contribution to the economic growth of Ghana has been very positive.

The further classification of companies currently operating in free zone enclaves into sectors of the economy provides a better picture of their contribution to the economy. A whopping 78 percent (146) of the businesses are in the manufacturing sector. These businesses concentrate on the production of beauty products, food processing, reception, cutting and packaging of fresh fruit, production of spare parts for automobiles, apparel, cocoa processing, apparel, plastic and packaging products, processing of fresh fruit, processing of cashew nuts, plastic household goods, processing of wood products, plastic / vacuum bags, wood processing, cocoa pro processing

The remaining 30 companies are interested in the production of real estate, utilities and industries, such as trading and warehousing. In figure 4 below, descriptions are shown.

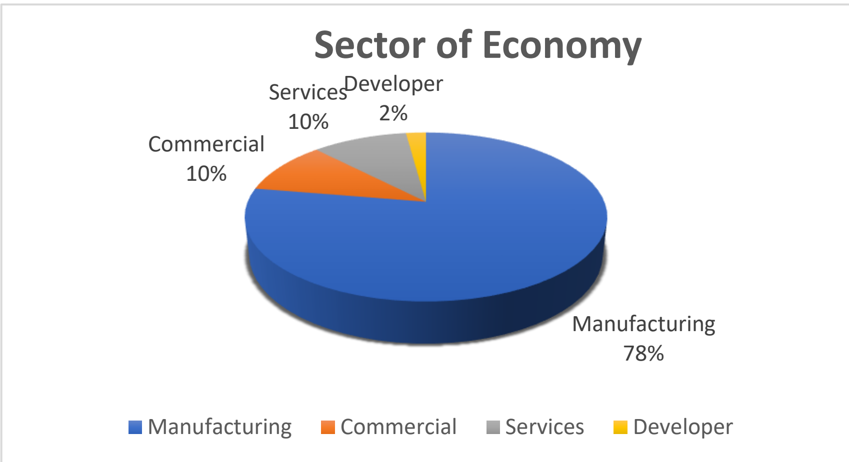

Fig. 3. Companies and Sectors of the Economy they operate

Source: Board Ghana Free Zones (2018)

"Although the exact amount of contribution is difficult to measure, the stand-alone companies in Ghana's free zone enclaves contribute to the country's FDI inflows. Ghana's primary source of FDI has come from China in recent times" according to Gyasi and co. in 2016. "FDI inflows from China amounted to US$ 552 million in 2010 alone, which was a major boost to the US$ 48 billion FDI inflows from the world in 2010" (BOG, 2011). Around 500 registered Chinese companies have engaged in mineral extraction, construction and oil and gas exploration projects in Ghana.

4.3 Contribution Of Stand- Alone Enterprises To Employment In Ghana

For many years since independence, Ghana has been battling with the problem of high unemployment. Many policies have been undertaken to solve this canker. Such policies were evident through the 7-Year Development Plan that was introduced on 11th March, 1964 by Dr. Nkrumah, targeted at wooing foreign direct investors into the private sector to contribute employment creation among other objectives [9]. The development of jobs was to be made possible by the manufacture of consumer goods, the local processing of Ghanaian raw materials and the use of natural resources of Ghana in those economic activities where a large amount of investment is needed [9]. Dr. Nkrumah had the believe that FDI in relation to local initiatives had the advantage to contribute personal initiative, managerial ability and technical skills towards employment creation and the development of the country [9].

After the overthrow of the Nkrumah's era, the Ghanaian labour markets have witnessed some adjustments due to globalization and the direct involvement of productive ventures.

FDI have a direct and indirect effect on employment through the Free Zones Enterprises, [45] use data from 1983 to 2002 to make a measurement study. They found that FDI directly increases the employment and reduces unemployment by supplanting domestic investments and improving productivity levels indirectly.

From Figure 4, stand-Alone companies recorded the lowest level of direct employment in 2001 with 7, 445 people. The reason for this low number could be attributed to the fact that Ghana's Free Zones was still young and not many companies was in this sector economic. In the following year, the number increased slightly to 9, 459 people and the trend continued the subsequent years until 2005 where employment level was 28, 334 people before falling in 2006 to 25, 773 people. 2007 saw an increase again in employment and the increase in employment continued until employment level in the Stand –Alone companies peaked in 2013 with a 31,005 people being employed as a record. After 2013, due to the economic challenges such as "the Dumsor", depreciation of the Cedi among others that befell Ghana, Free Zones Enterprises have reduced their employment level which steadily with little fluctuations fell to 29, 518 people in 2017.

This implies that, when the economic fundamentals are strong, the operations of Free Zones Enterprises can drastically reduce the steady unemployment canker that has caught Ghana in its web and the multiplier effect may see Ghana develop faster.

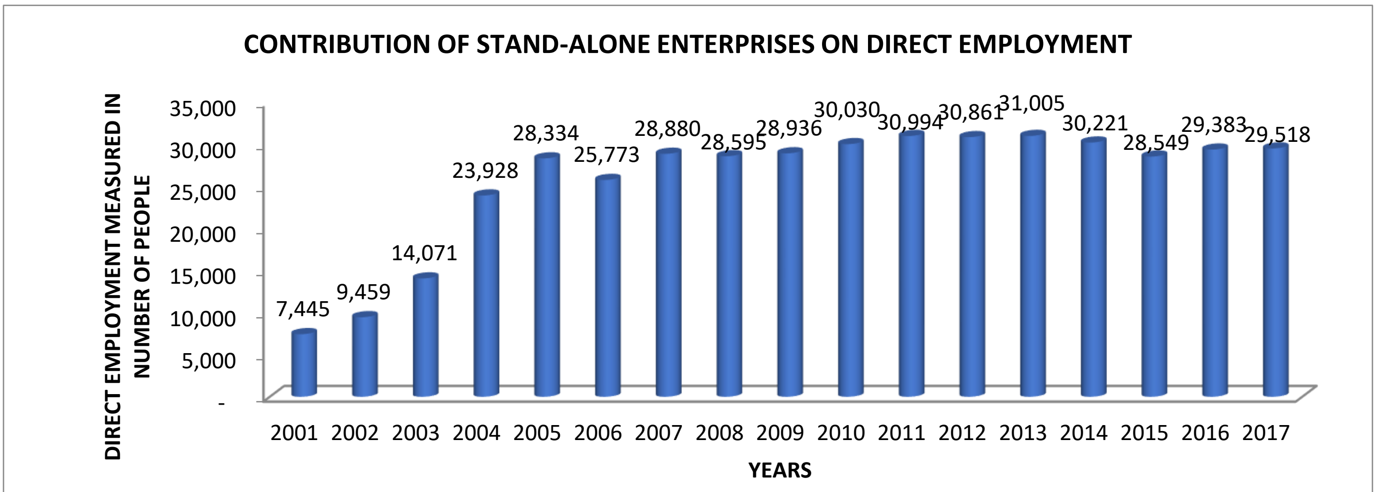

Fig. 4. Bar Chart Showing Contribution of Stand- Alone Enterprises to Employment in Ghana

Source: Ghana Free Zones Board (2018)

4.4 Comparative Analysis Contribution Of Stand- Alone Enterprises To Exports To Total Exports In Ghana

Free Zones Enterprises contribute so much to economic growth in many ways. Apart from its contribution to reducing the high unemployment rate, it also contributes enormously to exports as compared to other agencies of the economy. From the graph below, in 2001, whilst total exports in all sectors summed up to 2,404.094 million US Dollars, Stand-Alone Enterprises alone contribute 291.03

million US Dollars. As the trend of total exports increased steadily from 2001 to 2017 with few fluctuations between 2012 and 2017, the trend of exports from Stand-Alone companies increased steadily from 2001 to 2013 where FZE had their highest contribution of 12,268.18 million US Dollars out of 16,344.113 million US Dollars of total exports. After 2013, exports from FZE steadily decreased from 12,268.18 million US Dollars in 2013 to 1,490.86 million US Dollars in 2017 whilst total exports continued to rise to 18,891.8962 million US Dollars.

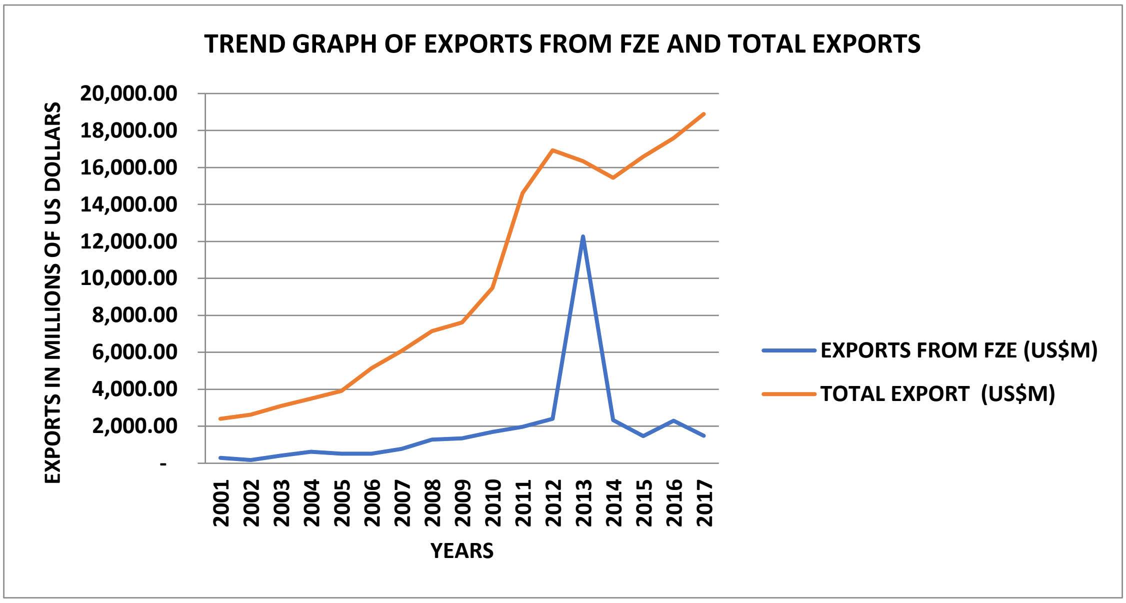

Fig. 5. Trend Graph of Total Exports and Total Exports from Free Zones Enterprises (FZE) all in Millions of US Dollars

Source: Ghana Free Zones Board (2018)

4.5 CONTRIBUTIONS OF STAND-ALONE ENTERPRISES IN GHANA FREE ZONES ENCLAVE TO GHANA'S FOREIGN DIRECT INVESTMENT

The study analysed the by sector FDI contributions of Free Zones Enterprises in Ghana considering the commence or commercial sector, the developers sector, manufacturing and the service sectors between 2010 and 2018. From the figures in Table 4, there has never been a consistent FDI inflow from any sector throughout the period. It can be observed in that developers are the least contributor of FDI inflow among the FZEs throughout the period, contributing 550,000 US dollars in 2010 and fluctuated in between the years till the sector recorded its lowest contribution in 2017 at 30,000 US dollars.

The second lowest contributing sector of FDI in the Free Zones enclave is the Commercial sector. Similar to the Developers sector, FDI inflow kept on wavering from 2010 to 2018. The commercial sector recorded 3.96 million US dollars in 2010 and increased to 7.12 million US dollars where this sector recorded its peak value in 2011. After FDI inflow decreased slightly to 7.09 million US dollars in 2012, the decrease continued consistently to 2015 where its value was 980,000 US dollars. The FDI inflow continued to waver until it recorded its lowest at 730,000 US dollars in 2018.

The service sector also did well in contributing FDI into the country raking in 120.48 million US dollars in 2010 and 113.87 million US dollars in 2011 but fell sharply to 26.24 million US dollars in 2012. Since 2012, FDI inflow from the service sector has remained double digits fluctuating up and down and recording 91.09 million US dollars in 2018.

The highest contributor of FDI in the Free Zones enclave is the manufacturing sector. The sector recorded 87.35 million US Dollars' worth of FDI inflow in 2010 and increased steadily to 249.45 million US dollars in 2013. The FDI inflow slipped to 131.50 million US dollars in 2014 but recovered in 2015 and 2016, reporting an amount of 228.65 million US dollars in 2016. However, the figures declined in 2017 and 2018, ending at 89.39 million US dollars in 2018.

It can be observed that, most of the sectors did well in their contributions to FDI inflow before 2012 than after 2012 except for the manufacturing sector which recorded its peak in 2013. This can be alluded to successive governments' policy initiative towards FDI inflow and how they support Free Zones Board to achieve its objectives.

Table 4. Sectoral FDI Contribution from Free Zones Enterprises (FZE) all in Millions of US Dollars between 2010 and 2018

SECTORS	2010	2011	2012	2013	2014	2015	2016	2017	2018
Commercial	3.96	7.12	7.09	3.71	2.81	0.98	2.77	2.46	0.73
Developers	0.55	0.63	0.40	0.45	0.24	0.48	0.26	0.03	-
Manufacturing	87.35	103.02	213.78	249.45	131.50	169.76	228.65	116.33	89.39
Service	120.48	113.87	26.24	25.84	32.92	21.56	39.04	46.62	91.09

Source: Ghana Free Zones Board (2019)

Table 5. Comparative Analysis of Contribution of Stand- Alone Enterprises FDI inflow to Total FDI inflow in Ghana

Year	Total FDI inflows into Ghana (in million USD)	Total FDI inflows from FZE into Ghana (in million USD)	Percentage of FZE FDI inflow to Total FDI inflow (in %)
1998	167.4	117.18	70
1999	243.7	80.63	33.09
2000	114.9	43.82	38.14
2001	89.3	63.52	71.13
2002	58.9	41.51	70.48
2003	110.02	60.54	55.03
2004	139.27	131.32	94.29
2005	144.97	85.90	59.25
2006	636.01	151.83	23.87
2007	855.4	114.03	13.33
2008	1220.42	315.84	25.88
2009	2897.1	214.83	7.42
2010	2527.36	212.33	8.40
2011	3237.39	224.64	6.94
2012	3293.43	247.51	7.52
2013	3226.33	279.45	8.66
2014	3356.99	167.47	4.99
2015	3192.3	192.78	6.04
2016	3485.3	270.72	7.77
2017	3255	165.44	5.08
2018	2989	181.21	6.06

Source: Total FDI inflow from UNCTAD (2020) and FZE FDI inflow from Ghana Free Zones Board (2019)

shows the grand total FDI inflow in Ghana, the total FDI inflow from the Free Zones Enclave (FZEs) and the FDI inflow from FZEs as a percentage of the grand total FDI inflow in Ghana whilst gives a pictorial view of the FDI inflow from FZEs as a percentage of the grand total FDI inflow in Ghana since the inception of the Ghana Free Zones Enclave.

After putting up all necessary laws and structures from 1995 and the subsequent years, Ghana FZEs contributed 70% to the national FDI inflow in 1998. However, in 1999, how much FZEs contribute to FDI in Ghana drop to 33.09% and afterwards increase to 71.13% in 2001. The percentage of FZEs contribution to total FDI inflow kept going up and down till it gain its peak in 2004 with 94.29%. After 2004, the contribution of FZEs drop sharply to 59.25% in 2005 and since then, the figures have been dropping consistently throughout the rest of the years ending with a single figure 6.06% in 2018.

From figure 6, it is clear that the contribution of FZEs to FDI inflow has been trending negatively from 2004 to 2018. It is very interesting how the contribution of FZEs to total FDI inflow drop from double figures to single figures. However, the drop to single figure contributions is not surprising as the Ghana Free Zones Board has been recording increasing numbers of dormant enterprises in the enclave. According to the Ghana Free Zones Board, out to 221 registered companies, only 188 were active as at the end of 2018. However, the board could not explain why these companies were dormant. Also, the decrease can be alluded to shifts in government initiative and policies on FDI and the support they give to FZES since there many institutions tasked with coordinating FDI projects.

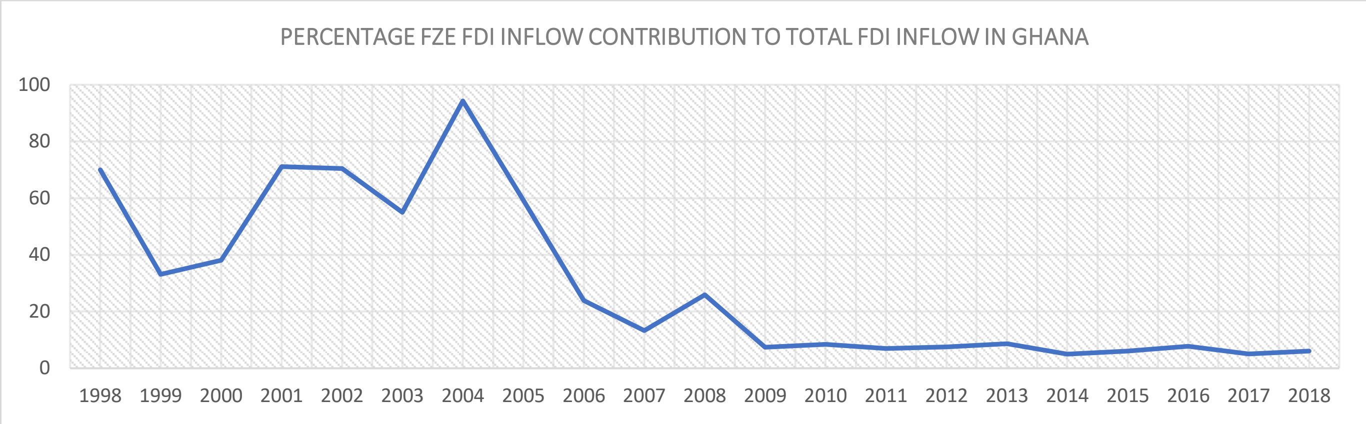

Fig. 6. Trend Graph of Free Zones Enterprises (FZE) Contribution to Total FDI Inflow in Ghana

Source: Author's Calculation based on data from Ghana Free Zones Board (2019) and UNCTAD (2020)

4.6 Challenges For Multinational Firms In The Enclaves Of Free Zones

Unfavorable circumstances in the local economy, such as economic uncertainties, exchange rate instability, high interest rates, bureaucratic red tape in ports, inadequate supply of services (particularly electricity and water) and the emergence of market contamination with regard to poorly produced products repackaged under reputable labels or counterfeit goods, are challenges facing all businesses.

However, companies operating in the enclaves of the free zone have peculiar problems that hamper their growth. One such crucial challenge is the difficulty of land acquisition due to Ghana's land tenure scheme. Acquiring the appropriate parcel of land for business purposes can be extremely hard. Investors often disagree with local residents on issues related to land ownership, where appropriate. It can be very expensive to purchase and use land owned by the Free Zones Commission, thereby de-motivating investors.

For international businesses, trade unionism and other labor activities often create difficulties without a deep understanding of the labor laws of the countries. Reports of international firms trying to avoid the creation of labor unions have been recorded in the past, but the workers did not take this lightly, contributing to many issues and the crisis of working relations for those firms. Insufficient infrastructure also masks corporations working within and outside the enclaves of free zones in Ghana. Bad road networks, inadequate electrical power, lack of water and poor law enforcement systems all pose significant challenges for multinational enterprises trying to enforce their legal rights and to function optimally. The inability of Ghana to enter some of the big markets in the world is a huge impediment.

Due to various restrictions levied on the nation for different reasons, businesses often lose their consumers in Europe and North America. Product limitations and exit limits on offshore markets often make it impossible to export at least 70% of the quantity demanded by the Board, resulting in a situation in which businesses illegally sell goods intended for export on the local market; defeating the very reason for which the free zones were established.

5 Conclusion

Free zone enclaves in Ghana, stand-alone companies have played a vital role in drawing foreign direct investment into the region. The bulk of these investments are in the production and transformation of agricultural and extractive raw materials. The research conducted shows that there is still a great deal of room to boost the contribution to economic development of companies in the free zones, but the success achieved so far is phenomenal. Ghana as a country have to learn a lot from its West African peers on how the advantages of free zones can be completely realized. The country's poor commercial relationship with major markets in Europe and the Americas makes it very impractical for companies to export 70% of the goods that are needed. In order to profit from the tax and other advantages provided under the system, many Ghanaians abroad have invested back home in free zone enclaves.

6 Recommendations For The Free Zones Authority In Boosting FDIs

The results of this study indicate that there is enormous potential for the Ghana Free Zones Board to increase the county's efforts to attract more FDI. However, in order to do this effectively, it is recommended that the Ghana Free Zones Board, on the basis of our findings, simplify the legal framework under which free zone companies operate, such as easing the procedures for purchasing property, offering a flexible tax payment system and granting exemptions under certain strict labor laws. These can be accomplished by close cooperation with the Lands Commission, the Revenue Authority of Ghana and other government agencies.

It is also recommended that the Ghana Free Zones Board, rather than the current multi-activity-oriented nature of the free zones governed by a highly opportunistic 'take all' policy typical of poorer countries, consider developing zones with sectoral specialization. The competence of companies operating in the free zones would be improved by specializing in certain areas of development and value addition.

With the COVID-19 Pandemic still lurking around, it would be incumbent for policy makers to look into how best some restrictions on 70% quota of export could be eased. This would help keep local staff at their positions in the job market.

Again, the stand-alone companies that are dormant be revived. This can be done by finding out the specific challenges of these companies and giving a helping hand.

Finally, by pursuing such infrastructure development projects on its own initiative, the Board will increase the attractiveness of the free zones in order to relieve businesses from having to spend an immense amount of their money on electricity, transport and other amenities.

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