

AN ANALYSIS OF THE MNCs IN GHANA AND THEIR IMPACT ON THE
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ABSTRACT

AN ANALYSIS OF THE MNCs IN GHANA AND THEIR IMPACT ON THE COUNTRY'S DEVELOPMENT

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Multi-national corporations (MNCs) since time immemorial have been grails and developing countries in Africa, just like their counterparts in other parts of the developing world, have enunciated diverse but competitive programmes and measures to attract them to invest in their respective countries of which Ghana is not an exception. The pertaining persistent perception among leaders and policymakers of most of these developing countries is that the presence of MNCs in their countries could help them realize their economic aspirations. The pertinacious growing predominance of MNCs in developing countries can therefore among other reasons be the results of the measures that those countries have put in place to attract FDI. Ghana, a tiny country in West Africa and a developing country has adopted policies to attract FDI. As a result, the number of MNCs invading the country Ghana keeps ascending. Also, the literature on development is

fraught with numerous examples of the impacts of MNCs on the development of both developed and developing countries. As the perceived architects of development, and considering the relatively abundant human and natural resource base of Ghana coupled with its position as a bread basket in Africa, one would have thought that the MNCs present in the country would have played a commanding role in accelerating development, and helping the country in its transition from poverty to prosperity. However, despite their snowballing presence in Ghana, the country's uphill battle to attain development remains a steeper climb. Yet still, it is impossible to discuss the development of Ghana without making reference to some of these MNCs. This study first and foremost seeks to consider the history of the MNC by way of finding out the kind of FDI policies that Ghana have adopted in the past. The study also seeks to look at the impact of the presence of FDI on the country's development by focusing on the changes that might have occurred in the country's development indicators such as Human Development Index (HDI), trade balance, unemployment, poverty, growth rate, and Gross Domestic Product (GDP) per capita. More so, using the Peter Nunnenkamp's (2004) theory on the heterogeneous nature of FDI, this research seeks to critically conduct an inquiry as to whether Ghana has in place the necessary conditions to benefit from FDI in the country. To be able to achieve the desired results and to permit clearer analysis, scholarly articles, journals, archives, newspapers, government white papers and policy documents are used in this study. Drawing from the fact-finding literature so far, it is palpable that Ghana over the past years have adopted neoliberal FDI policies geared towards making Ghana an attractive place for investment, and the policy focus has been on the quantity rather than the quality of FDI. From the literature, it is also revealing that FDI, though at varied immensity might have

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stimulated Ghana's development through their contribution to the country's key development indicators such as Human Development Index (HDI), trade balance, poverty, growth rate, and GDP per capita. The literature also suggests that there is no positive correlation between FDI and unemployment. According to this study, some conditions in Ghana like education might have hindered the country from enjoying the benefits of FDI.

Key words: *Ghana, MNC, GDP, FDI, Development*

ÖZ

ÇOK ULUSLU ŞİRKETLERİN GANA EKONOMİSİ VE ÜLKE KALKINMASI ÜZERİNDEKİ ETKİSİNİN İNCELENMESİ

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Afrikanın gelişmekte olan ülkeleri, tıpkı gelişmekte olan dünyanın diğer bölgelerindeki ülkeler gibi, eskilerden beri peşinde koşulan çok uluslu şirketleri (ÇUŞ) kendi ülkelerine yatırım yapmaya ikna etmek için çeşitli fakat rekabetçi yatırım programları ve düzenlemeleri uygulaya gelmişlerdir ki bu konuda Gana bir istisna değildir. Bu gelişmekte olan ülkelerin çoğunun siyasi yöneticileri ve politika yapıcılarında arasında ülkelerindeki ÇUŞ'ların varlığının ekonomik özlemlerini gerçekleştirmelerine yardımcı olabileceği yönünde devamlı kabul gören bir görüş mevcuttur. Bu nedenle, gelişmekte olan ülkelerdeki ÇUŞ'ların sürekli artan baskınlığı, diğer nedenlerin yanı sıra, bu ülkelerin doğrudan yabancı yatırımları (DYY) çekmek için uyguladıkları düzenlemelerin sonucu olabilir. Batı Afrika'da küçük ve gelişmekte olan bir ülke olan Gana, doğrudan yabancı yatırımları çekmek için politikalar benimsemiştir. Sonuç olarak, Gana'ya akın eden

ÇUŞ'lerin sayısı artmaktadır. Ayrıca, kalkınma literatüründe ÇUŞ'ların hem gelişmiş hem de gelişmekte olan ülkelerin kalkınması üzerindeki etkilerine dair sayısız örnek bulunmaktadır.

ÇUŞ'ların gelişim mimarları olarak kabul görülmeleri, Gana'nın görece bol miktarda insan ve doğal kaynak zenginlik dayanağı ve onun Afrika'da bir ekmek sepeti olarak kabul görülmesi konumuyla birleştiğinde, ülkede mevcut ÇUŞ'ların kalkınmayı hızlandırmada ve yoksulluktan refaha geçişte ülkeye yardım etme yolunda önemli bir rol üstlenebileceklerini düşündürmektedir. Ancak, ÇUŞ'lerin Gana'daki kartopu varlığına rağmen, ülkenin kalkınmaya yönelik yokuş yukarı mücadelesi daha sert bir tırmanış olarak sürmektedir. Yine de, bu ÇUŞ'lerin bazılarında atıfta bulunmadan Gana'nın gelişimini tartışmak mümkün değildir. Bu çalışma öncelikle ve en önemlisi, Gana'nın geçmişte benimsemiş olduğu DYY politikalarını öğrenmek yoluyla ÇUŞ tarihini incelemek istemektedir. Çalışma ayrıca, ülkenin İnsani Gelişim Endeksi (İGE), ticaret dengesi, işsizlik, yoksulluk, büyüme oranı ve kişi başına GSYİH gibi kalkınma göstergelerinde oluşan değişikliklere odaklanarak DYY varlığının ülkenin kalkınması üzerindeki etkisini incelemeyi hedefliyor. Dahası, Peter Nunnenkamp'ın (2004) DYY'nin heterojen doğası hakkındaki teorisini kullanarak, bu araştırma, Gana'nın ülkedeki DYY'den yararlanmak için gerekli koşulların yaratılıp yaratılmadığına dair bir eleştirel araştırma yürütmek istiyor.

İstenilen sonuçları elde edebilmek ve daha net analizlere olanak sağlamak için bu çalışmada bilimsel makaleler, dergiler, arşivler, gazeteler, devlet raporları ve politika belgeleri kullanılmıştır. Bugüne kadarki araştırma literatüründen yola çıkarak, son yıllarda Gana'yı yatırım için cazip bir yer haline getirmeye yönelik neoliberal DYY politikalarının benimsendiği ve politika odağının DYY kalitesinden daha çok miktarına odaklandığı somut olarak görülmektedir. Literatürden, aynı zamanda, farklı boyutlarda olsa da, Doğrudan İnsani Gelişme Endeksi (İGE), ticaret dengesi, yoksulluk, büyüme oranı ve kişi başına GSYİH gibi kilit kalkınma göstergelerine katkılarıyla Gana'nın kalkınmasını teşvik etmiş olabileceğini de ortaya koymaktadır. Literatür ayrıca DYY ile işsizlik arasında pozitif bir ilişki olmadığını göstermektedir. Bu çalışmaya göre, Gana'da eğitim gibi bazı koşullar ülkenin DYY'nin faydalarından yararlanmasını engellemiş olabilir.

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LIST OF ABBREVIATION

CHRAJ	Commission on Human Rights and Administrative Justice
CPP	Convention People's Party
EC	Electoral Commission
EOCO	Economic and Organized Crime Unit
ERP	Economic Recovery Program
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEC	Ghana Energy Commission
GFA	Ghana Football Association
GHS	Ghana Health Service
GIAC	Ghana Investment Advisory Committee
GhIE	Ghana Institution of Engineers
GIPC	Ghana Investment and Promotion Center
GNP	Gross National Product
GNPC	Ghana National Petroleum Corporation

GSS	Ghana Statistical Service
GVC	Global Value Chain
HDI	Human Development Index
ICT	Information and Communications Technology
IMF	International Monetary Fund
ISSER	Institute of Statistical Social and Economic Research
ITU	International Communications Union
KIA	Kotoka International Airport
MDG	Millennium Development Goal
MMDA	Metropolitan Municipal and District Assemblies
MNC	Multinational Corporation
MNE	Multinational Enterprise
MTN	Mobile Telephone Network
NCA	National Communications Authority
NAFTA	North American Free Trade Association
NDC	National Democratic Congress
NLC	National Liberation Council

NPP	New Patriotic Party
NRC	National Redemption Council
NRCDC	National Redemption Council Decree
OECD	Organization for Economic Co-operation and Development
PNDC	Provisional National Defense Council
PURC	Public Utilities and Regulatory Commission
PZ	Paterson and Zochonis
RCC	Regional Coordinating Council
SAP	Structural Adjustment Program
SAPRIN Network	Structural Adjustment Participatory Review International
SMC	Supreme Military Council
SSNIT	Social Security and National Insurance Trust
TNC	Transnational Corporation
UGAG	Unemployed Graduate Association of Ghana
UGCC	United Gold Coast Convention
UN	United Nations

UNDP	United Nations Development Programme
UNCTAD	United Nation Conference on Trade and Development
UNICEF	United Nations International Children's Emergency Fund
UTC	United Trading Company
VAT	Value Added Tax
VRA	Volta River Authority
WB	World Bank
WEF	World Economic Forum

1.0 INTRODUCTION

1.1 Background information

The Multinational Corporation (MNC), used interchangeably with Transnational Corporation (TNC), or the Multinational Enterprise (MNEs) in simple terms is a business entity that has a centralized head office in a home country, but manages or controls both production and distribution in other countries where it has subsidiaries. The MNCs are usually referred to as the parents of FDI. Regarded also by many as the engine of growth, prosperity, and development, the MNC has undoubtedly become one of the fundamental actors in the global economy. They are flush with cash and the “world’s nations are locked in a pitched battle to win some of that cash in the form of Foreign Direct Investment (FDI)” (Obiols,2018). The investment could be in different sectors such as manufacturing, service or the extractive sector. It could also originate as greenfield investment which requires the building of new structures, brownfield where an existing company is acquired or through partnership. Without a doubt, the presence of FDI is felt all around the world as their impacts are assumed to have transcended national boundaries. Regarded as an engine of world prosperity, the MNCs account for some 80% of world exports. In the case of Ghana, 2018 data provided by the global economy indicates that on average, the FDI percent of Ghana’s GDP between 1975 and 2017 stood at 2.85%, a minimum of -0.66 in 1976, and 9.52% maximum in 2008. As of the year 2017, FDI percent of the country’s GDP stood at 6.88% (The Global Economy, 2017). Ranked 10th among the twenty superstars of FDI by the Global Finance Magazine in 2018, the only African country in the top ten, Ghana remains one of the safe havens for FDI in Africa. The country attained

that feet due to its stable political environment, and abundant natural resources among others (Obiols,2018).

It is thus palpable that the high presence of FDI in Ghana cannot be without effects, that is in terms of contributing to the country's development, be it positive or the opposite. This study, therefore, attempts to delve into the relationship existing between the MNC and Ghana's development. The relationship is limited to and defined by FDI impact on the country's key development indicators such as Human Development Index (HDI), trade balance, unemployment, poverty, inequality, and GDP per capita. The study argues Ghana has in the past adopted neoliberal policies to attract FDI leading to the upsurge of FDI in the country. The study also argues that ever since the upsurge in of FDI in Ghana, the country's key development indicators aforementioned have been able to attain some positive changes. The study also argues that for Ghana to enjoy the potential benefits associated with FDI, the country should have in place certain conditions. An attempt is therefore made to find out whether the country has put in place those conditions so as to be able to enjoy the potential benefits associated with FDI.

1.2 Objectives of the study

Developing countries are victims of poor economic circumstances and MNCs are the main source of FDI for the development of most of these countries. Undisputable, there are many scholarly articles discussing the role of MNCs in facilitating the development of developing countries. However, in the case of Ghana, which is the country under consideration, the scholarly articles dwelling on the potential impact of MNCs on the development of the country, both at the macro and micro level, (i.e. at the entire country's

economy level and at the firms and people's levels respectively) are not only few, but also most of them are limited in scope. In an attempt to gauge the policies of the MNCs that might have contributed to Ghana's development, most of these studies basically dwell only on narrower views of development by focusing on only a few areas such as an upsurge in GDP, the rise in incomes, technological advancement and industrialization. Even in using this narrow approach, less attention is paid to finding out whether Ghana as a host country has in place the necessary resources to tap the development that MNCs are likely to bring. But one cannot keep doing the same thing expecting different results. Thus, this study seeks to add to the existing literature, but in a different and broader way. The study would first look at the history of the MNC in Ghana by way of finding out the kind of FDI policies that Ghana have adopted in the past years. Also, the study adopts a holistic approach to look at the changes that might have occurred in the country's key developmental indicators ever since FDI started increasing in Ghana. Also, in using Nunnenkamp (2004)'s heterogeneous notion of FDI, the study seeks to find out whether the prevailing conditions in Ghana are good enough for the country to have positive results from FDI.

1.3 Defining the MNC

The term Multinational Corporation is not a modern-day terminology despite the fact that the environment within which such bodies operate (globalized economy) is largely a twentieth-century product (Dabbah, 2010:104). Robbok & Simmonds trace the early development of the MNC to 1851, when an American named I.M Singer, developed the modern day sewing machine. This, to them, gave birth to a reasonable number of

subsidiaries within two decades in different countries. Others followed after this pioneering invention and subsequently made effort to decouple themselves from the control of the mother company. Greer & Kavaljit (2000) trace the earliest historical origins of Transnational Corporations to colonialism and imperialism ventures by England and Holland in the 16th century, where firms such as the British East India Trading Company were formed, to champion the trading activities, and as well as the territorial acquisition of their parent countries in Africa, the Americas and the Far East. The transnational cooperation's, as it is basically known today, as they argued, appeared in the 19th century, and was influenced by the advent of industrial capitalism. Bakan and Elif (2015:147) have a divergent view, regarding the specific periodization and the nations involved. To them, the MNC took shape after World War two, particularly in the 1960s, with the United States, Western Europe, Japan, and Korea as the pioneering nations. To Abdullah (1997), the MNC at the beginning took the form of some kind of alliances, in which the parent country 's political or military power extended their activities to foreign areas.

In the context of Ghana, diverse views are also expressed regarding the presence of MNC in the country. Williams et al (2017), for instance, deferred the existence of MNCs to the period of the colonial era when companies such as United Trading Company (UTC) Kingsway, Paterson and Zochonis (PZ) among others invaded the country. But, to some writers, the formal history of the MNC is traced to the period after the country gained political independence from the British in 1957. The formal history of MNC in the country for instance is traced to the period after the country gained political independence from the British in 1957 (Samuel, Gifty, Xicang, & Efia , 2013). They trace the history of FDI

to the post-independence era, an era in which “the pioneer industries and companies act of 1959” which sought to offer ten-year tax holiday was brought into force. This move was followed by the ratification of the capital investment Act of 1963, to offer varied fiscal and other related concessions to prospective investors conditioned that they adhere to certain rules. One of such conditions was that “foreign private enterprises and enterprises jointly owned by the state and foreign investors be required to invest 60% of their net profit in Ghana as stipulated by Nkrumah’s regime” (Gyebi, Owusu & Etroo, 2013:257).

Just like the divergent views expressed in relation to the origin of the MNCs, there are varied explanations regarding what MNCs are Dabbah,(2010:104) argues that there is a problem in the definition of the MNC, and over the past years, different views expressing how the term should be defined run through the work of both scholars and international organizations. Michael & Ruth, (1998, 64) opined that though there is no universally accepted definition of the term MNC, an earlier review of the status and literature of multinationals was carried out in 1971 in the “Quarterly Review of Economics and Business” by Yair Aharoni. They argued that Aharoni credited David E. Lilienthal for being the first to use the term “multinational”. They maintained that in April 1960 Lilienthal put forward a definition of “multinational corporations” as “corporations which have their home in one country but operate and live under the laws and customs of other countries as well” (Michael & Ruth,1998:64) Buckley (1976:1) posited “a multinational enterprise may be defined as an enterprise which owns and controls activities in different countries”. In other words, they are businesses that “either own or control foreign

subsidiaries in more than one country” (Baafi, 2009). To Dunning (1992), “a multinational company is an enterprise that engages in foreign direct investment (FDI) and owns or controls value-adding activities in more than one country”. Michie (2011:97) opined that “a corporation could be classified as an MNC according to where it sells, where it produces, whom it employs, where it has its offices and so on”. Most of the definitions are tied down to ownership and it is this “ownership of control of productive assets in other countries which makes MNCs distinct from enterprises that do overseas business by simple exporting and importing goods or services” (Baafi, 2009:1).

Though the definitions have varied interpretations of what constitutes MNCs, the key distinctive features of the many attempted definitions of MNCs is that they (MNC) are defined in cognizance with where the frontiers and geographies are drawn. In other words, MNCs are tagged or seen generally as bodies that internalize and as well coordinate the economic activities via internationally recognized border.

1.4 Research questions

Three primary research questions are raised in this study. First, what kind of FDI policies has Ghana adopted in the past? Second, has the presence of MNCs in Ghana impacted positively on the country’s key development indicators? Third, does Ghana have the necessary conditions to enjoy the benefits associated with MNCs?

Primarily, the first question seeks to dwell on the history of the MNCs in Ghana with a focus on the kind of policies that have made Ghana an attractive destination for FDI. The second question measures development by critically looking at the changes that might

have occurred in the country's key development indicators such as Human Development Index (HDI), trade balance, unemployment, poverty, growth rate, and GDP per capita. The third question seeks to investigate as to whether Ghana has the necessary conditions in terms of infrastructure, political stability, friendly investment policies, functioning institutions and the required human resource which is powered by education so as to enjoy the potential benefits associated with FDI.

The following secondary question is also raised for the study: What specific roles do MNCs play that might impact Ghana's development? The aim here is to narrow the roles of MNCs to Ghana's development in the areas of its development indicators.

1.5 Hypothesis

To guide this research in finding answers to the primary and secondary questions raised above, the following three hypotheses are formulated:

The first hypothesis argues that the kind of FDI policies Ghana has adopted in the past are neoliberal policies which have been focused on making Ghana more open to FDI. The second hypothesis states that the MNC's might have positively impacted Ghana's development, and the MNCs impact may be seen in the areas such as Human Development Index (HDI), trade balance, unemployment, poverty, growth rate, and GDP per capita.

The third hypothesis states that Ghana has some of the necessary conditions such as the prevalence of political stability, infrastructure, strong institutions in place to enjoy the benefits of MNCs. However, it does not yet still immensely benefit from the presence of

MNCs. The reason why it does not benefit could be that it is lacking in other areas, such as human capital.

The hypotheses formulated are to serve as a guide through which this research will be able to find answers to the primary and secondary questions raised.

1.6 Theoretical framework

The theoretical framework for this study is constructed based on Nunnenkamp's (2004) review on the role of FDI in promoting economic development. Nunnenkamp, a liberal institutionalist is positive that FDI can contribute to the alleviation of poverty, as well to the upsurge in average incomes. Mounting a solid defense in favor of FDI, Nunnenkamp (2004) noted that since the middle of 1980, developing countries have adopted liberal policies towards the inflow of FDI as foreign aid got stagnated and debt related imports of private capital assumed an unreliable posture. FDI has however remained on an upward trend due to it been less prone to capital reversals in periods of financial crisis, and it also been considered to be a "composite bundle of capital stocks, know-how, and technology" (2004:658). He opined that FDI generally has contributed "a rising share to overall capital formation in developing countries... evidence presented suggests that policymakers should not expect too much from FDI"(2004:660). Nunnenkamp is positive in his analysis that FDI can contribute to the alleviation of poverty, and as well to the upsurge in average incomes. For that to be achieved, however, certain conditions such as friendly FDI policies, institutional and local markets development, administrative framework and the availability of complementary factors of production are necessary.

Without a doubt, deducing from the theory of Nunnenkamp, it can be argued that MNCs are not charity organizations. They are owned by shareholders who ideally expect returns annually in compensation for their funds. It, therefore, behooves on host countries to have in place the needed mechanisms or conditions to enjoy the benefits associated with MNCs. In line with that, Nunnenkamp, therefore, concludes that for host countries to enjoy the benefits associated with FDI, the structural weaknesses that impede managerial and technological spillovers of FDI should be overcome. To overcome such weaknesses, he highlighted that the following conditions such as better education and training, sophisticated indigenous financial markets, trade liberalization, and institutional development should also be improved by the host country to make them benefit from FDI. Therefore, the theory of Nunnenkamp (2004) is adopted for this study as it is in line with the objectives of this study. His theory clearly outlines the conditions that host countries should have before they can enjoy from the benefits of FDI.

1.7 Methodology

This study aims to look at the history of the MNC by way of investigating the kind of FDI policies Ghana has adopted in the past. It also seeks to look at the impact the presence of the MNC may have on the country's development by concentrating on the changes that have occurred in the country's HDI, GDP per capita, trade balance, poverty, and unemployment ever since the presence of MNCs in Ghana started increasing. The study also seeks to find out whether Ghana has the conditions necessary for it to benefit from the MNCs.

As a result, my methodology is based on a case study using Ghana to explain how FDI contribute to the development of developing countries. The quest to use case study in this research is to make it possible for the researcher to use variety of data sources. This would make it possible for the research objectives to be achieved. Also, through the use variety of sources, the content of the research would be an in-depth one thereby making room for generalization. The research is qualitative in nature and uses primarily secondary data. The secondary data is based on other's research, internet sources, newspapers, annual reports, data from both government and international institutions and journals.

It is, however, instructive to note that diverse opinions have been shared on the MNCs and development. Whilst some scholars and institutions consider MNCs to be ambassadors of development, others see them as impediments to the development of developing countries. In the chapter that follows, the diverse nature of the existing literature regarding the positives or negatives of FDI is clearly elaborated.

1.8 Outline and chapters

This thesis is divided into six chapters. The first chapter provides the background information, objectives and the theoretical framework of the study. The chapter also highlights the methodology employed in this study. Chapter two reviews the literature. The chapter provides a synopsis of the three primary but contending theories for and against the contribution of MNCs to the development of developing countries. These theories are: liberalism, Marxism/ Critical/ Structuralism, and Mercantilism. The chapter also reviews the literature of FDI in Ghana.

Chapter three provides a brief history of Ghana and its economy. The chapter also provides the historical analysis of FDI in Ghana beginning from 1957 to 2016. In chapter four, the general conditions necessary for FDI to be beneficial is discussed. Also in this chapter, the conditions under which Ghana can maximize the benefits and minimize the cost of FDI is examined. Chapter five provides an empirical data on FDI contribution to Ghana's development.

The final chapter provides a summary of the research findings in relation to the objectives of the study. The chapter also discusses the limitations of the study.

2.0 LITERATURE REVIEW

2.1 Review of existing literature

The presence of FDI as noted from its brief history earlier is not a recent phenomenon. As a result, scholars and organizations alike have conducted several research on the effects of FDI. The outcome of such studies has persistently yielded contradictory results. As a result, there are various arguments, for and against the contributions of MNCs to the economic and social development of developing countries. In this section, a synopsis of those arguments is given using three primary but contending theories; Liberalism, Mercantilism and Structuralism/Marxism. At the tail end of the discussion, a review of Ghana constituting the diverse opinion shared by scholars, and other commentators on FDI is looked at.

2.2 The three contending conceptions of the MNCs

As stated above, the arguments put forward by scholars and sympathizers of the liberal, Marxist/ Structuralist and Mercantilist theories either in support of or against the activities of MNCs in developing countries are discussed here. The discussion starts with the liberal conception of the MNC, followed by the Marxist/Structuralist, and Mercantilist conception in that order.

2.2.1 The liberal conception of the MNC

Liberalism is a systematic world view that advocates liberty, regional economic integration, free market, and mutual economic gains. It also hypothesizes the positive impact of MNCs, to both the promotion of economic development and as a strong deterrent to the barriers of the nation-state. Liberal thinkers opine that free trade and

markets are the critical circuitry and as well as the payload to a prosperous, freer, happier and safer world, and the MNCs serve as the delivery system. Liberals believe that “an economy free from political interference is needed to help generate the large amounts of investments needed to foster sustained economic growth and development” (UNCTAD,1994: 422). According to liberals, MNCs are independent actors that have no allegiance to any state and are not controlling or under the control of any state.

Consistently, Liberals express the view that MNCs are the panacea to development in developing countries. This consistency, for example, is reflected in the works of a Liberal evangelist, Jagdish Bhagwati (2004,2007:2012) who argues that there are diverse reasons to support the claim that MNCs do good and perpetuate no harm in developing countries. To Bhagwati, most of the claims regarding the bad side of the MNCs are faked by anti-globalization crusaders. He also believes that “unions in the developed countries are agitated about competition from the developing countries, and hiding behind the façade of altruistic concern with the exploitation of workers abroad, they seek to prevent the outflow of DFI to developing countries abroad and the resulting addition to competition for themselves” (Bhagwati, 2012:11). Drawing from the findings of Görg and Strobl (2005) who used an empirical data involving manufacturing MNCs in Ghana, Bhagwati asserts that spillovers do occur in host countries through labor movements as workers trained by MNCs do move to local firms carrying with them the knowledge acquired. To him, MNCs enhance social good and also promote economic activities in developing countries through their investments. Thus, he maintains that MNCs have ‘benign impact’

and not 'malign impact' on development, and that the claim, the MNCs are foes of development is clearly a specious assertion and should be discarded.

Consistent with his views is that of Ahiakpor, a liberal sympathizer who is convinced that MNCs

engage in very useful and morally defensible activities in Third World countries ...but these firms have been misrepresented by ugly or fearful images by Marxists and "dependency theory" advocates. Because many of these firms originated in industrialized countries, including the U.S., the U.K., Canada, Germany, France, and Italy, they have been viewed as instruments for the imposition of western cultural values on Third World countries rather than allies in their economic development (Ahiakpor, 2010:1).

This Liberal theorist maintains that MNCs are innocent, and developing countries themselves, through their policies, are the cause of the problems created by the MNCs.

In his contribution to the literature, Gilpin, a mercantilist who favors liberal ideals argues that "many of the perceived negative consequences of foreign investment are actually the results of the policies of the developing countries themselves or an integral part of the development process itself. He concludes that the record of the multinationals in the developing countries is a favorable one" (Gilpin,1987:248). The work by Gilpin also supports the thesis that for host countries to benefit from MNCs, they must have in place the needed policies, an area this research would look into.

Looking also at the activities and corporate contribution of MNCs, and from a liberal perspective, Saville and Lumby (1995:108) test empirically the performance of MNCs, and local firms in the construction and engineering sectors of the South African economy and contend that developing countries are suffering from four gaps. These gaps

conclusively are the main causes of economic backwardness in developing countries. The gaps identified are: “resource gap, skills gap, foreign exchange gap, and technology gap.” They contend that MNCs is one of the effective means through which those gaps can be filled. Thus, MNC is presumed to be the catalyst in promoting economic growth and development in less developed countries.

In filling the gaps identified by Saville and Lumby (1995), employment opportunities would be created for the populace of the host country thus reducing poverty. Obwona (2004) noted that there is a link existing between FDI and poverty reduction and this link is indirect. In his argument, he stressed that FDI contributes to export growth and productivity growth and this generates benefits for the poor and the impact of FDI in this sense is indirect as it creates an enabling environment for poverty reduction. To him, to the extent that FDI can create and increase employment rate means that it can help a section of the population to move out of poverty. He further argues that the tax base of host countries would increase due to the presence of FDI and the increase in domestic revenue would create an opportunity for the state to provide certain services that can benefit the poor. He is further convinced that the indirect nature of the way FDI contribute to poverty reduction can be tied to the fact that FDI could be the catalyst for the payment of higher wages as other firms such as the local ones would be competing to maintain their skilled workers. In examining the extent of wage differentiation between medium to large foreign Multinational enterprises and local firms limiting it to Malaysia’s manufacturing industries, Ramstetter (2014) concluded that MNCs significantly contribute to the provision of employment opportunities in host countries and crowns it all with high pay

salaries as compared to indigenous firms. Ajayi (2006) stated that FDI is capable of creating employment opportunities in three fundamental ways: “direct employment for operations in the domestic economy, the second is through backward and forward linkages. Employment is created in enterprises that are suppliers, subcontractors or service providers, the third way in which employment is created is through the growth in the economy that leads to further employment generation in the economy” (Ajayi,2006:15). Similarly, Graham &Wada (2001:8) after discussing the effects of FDI on growth and economic performance in China observed, “FDI in China has stimulated much growth in income that would almost surely not have been realized in the absence of this investment.”

Some available literature reviewed, such as the one by Wang (2010), seems to yield different or parallel results with time as the causal agent. After conducting research into the impact of FDI and domestic investment in the host country, with data drawn from 50 countries over a 34-year period, Wang (2010) concluded that FDI in the short term has a negative impact on the host country’s economy. On the other hand, however, the cumulative effect of FDI on the host economy over time tends to be positive. Thus, MNCs could contribute to the host country’s development, or not, depending on the time frame. Wang’s (2010) conclusion that FDI tends to yield positive results depending on the duration of stay in the host country is questionable especially taking into account the situation in Ghana, the country under study. Nonetheless, his findings, in general, would be a useful guide.

Modern day liberals have expressed diverse views and theories explaining the relationship existing between MNCs, host governments, global trade, and economic growth. Gereffi

& Lee (2015), for instance, introduced the global value chain (GVC) concept to highlight the relationship existing between MNCs, investments and production, global trade and its influence on economic and social upgrading. They profess that “A GVC approach views the global economy as a complex network linking together suppliers and buyers that are integrated and driven by MNCs as leading firms”(321). Even though they acknowledged the difficulty involving the measurement of employment opportunities generated by GVC, a study they reported conducted by Jiang & Milberg (2013) involving 39 countries estimated that GVCs have generated 88 million jobs. With MNCs as the driver of GVC, Gereffi & Lee concluded that MNCs have fundamentally influenced the export performance and innovation potentials of emerging economies.

In his attempt to throw more light on the relationship between MNCs and the governments of host countries, Ramamurti (2001) adopted the bargaining models. He noted that governments of friendly developing countries in the 1990s moved towards MNCs, and there was a paradigm shift in the strategies of developing countries, as developing countries abandoned the path of import substitution industrialization to join the train open markets. Policy-wise, he asserted, the two tie model draws attention to MNCs, the leverages host states grants can provide them. It simultaneously highlights the kind of bilateral and as well as multilateral paths by which host governments can influence policy directions of MNCs for their benefits. His arguments are suggestive that, despite the gains they get, host countries still have the opportunity to derive maximum benefits from MNCs.

Nunnenkamp, a liberal institutionalist, is positive that FDI can contribute to the alleviation of poverty, as well to the upsurge in average incomes. For that to be achieved, however,

developing countries showing signs of attractiveness to foreign investors and the creation of fertile host country environment for investors should have the needed conditions in place. He further identified the availability of complementary factors of production, institutional and local markets development, administrative framework and investment-friendly policies as the driving forces of FDI as such factors have the potential of helping to ensure that host countries enjoy the favorable effects of FDI. He stressed “in the absence of a quick fix to deriving more benefits from FDI, policymakers should not expect too much from FDI. For various countries, it may take considerable time to reach the minimum level of economic development, which appears to be required for FDI to act as a catalyst for growth”(Nunnenkamp, 675:2004).

Nunnenkamp & Chakraborty (2006) after looking at the economic reforms, FDI and its economic effects in India also noted that the FDI is a catalyst to higher economic growth in India. Looking at industry-specific FDI, they concluded that “favorable growth effects of FDI in India are largely restricted to the manufacturing sector” Nunnenkamp & Chakraborty (2006:30).

Even though the above views expressed by liberals would serve as a useful guide in this research, it should be noted that some of the views shared are misleading. Saville and Lumby (1995), for instance, did not recognize the fact that most of the technologies that are introduced into developing countries are obsolete, and has, therefore, not helped those countries in their development drives. Ramstetter (2014) did not also recognize the fact that, even though some MNCs pay high salaries as compared to indigenous firms, most of them also flout the labor laws of host countries with impunity. Ahiakpor’s (2010)

'imposition of western cultural values' debate cannot stand the taste of time since, in this modern era, there are emerging instances of MNCs originating from non-western countries. In the case of Ramamurti (2001), Gereffi & Lee (2015) in their studies did not seriously consider the fact that not all host countries or MNCs are the same. As a result, host countries may not all derive maximum benefits from the MNCs presence. Nonetheless, their findings, as earlier asserted, in general, would be a useful guide.

2.2.2 The Marxist/ Critical/Structuralist conception of the MNC

Whereas the position of liberals remains that MNCs will radiate development, and thus contribute to an increase in living standards throughout the globe, Marxists/Structuralists are of the view that MNCs are the latest facilitators of imperialism. According to Lenin, the expansion of imperialism abroad created an opportunity for capitalism to postpone its inevitable crisis and the MNCs are the catalyst for this expansion. He averred that "imperialism is capitalism in that stage of development in which the domination of monopolies and finance capital is established; in which the export of capital has acquired pronounced importance; in which the division of the world among the international trusts has begun, in which the division of all territories of the globe among the biggest capitalist powers has been completed" (Lenin,1963). Marxists /Structuralists also see the MNC as the drivers of capitalist exploitation and the "instrument of international class struggle that supplements the bourgeoisie nation-state" as it represents the more efficient route through which the capitalist economies would be able to dominate and exploit the less developed states (Gilpin,1976:187).

Neo Marxists under the label 'dependency theory' such as Baran and Sweezy (2010), Evans (1971), do express ill feelings regarding the activities of MNCs. To Baran and Sweezy (2010) whose 1964 essay titled "Notes on the Theory of Imperialism" offered the first fundamental step in analyzing the MNCs, (Suwandi & Foster, 2016), the decisions and actions of MNCs are geared towards satisfying the interests of those companies and not the benefits to their host countries. They argue MNCs are giant 'monopolistic and oligopolistic corporations' which take advantage of capital shortages, low wages and the weak nature of states to leverage their profit margins, thus siphoning off huge surpluses from countries in the Global South. Supported by the empirical analysis of the inflow and outflow of income that was associated with the U.S MNC's investments in the 1950s and early 1960s, Baran and Sweezy (2010) also remarked in their "Monopoly Capital" that "one can only conclude that the foreign investment, far from being an outlet for domestically generated surplus, is a most efficient device for transferring surplus generated abroad to the investing country" (107-108).

Evans (1971) in his article "National Autonomy and Economic Development: Critical Perspectives on Multinational Corporations in Poor countries" was also skeptical about the roles of MNCs in facilitating development in developing countries. He looked at both the extractive and manufacturing sectors and argues that dating back to the period of the industrial revolution, poor countries have persistently lost capital. He attributes this to "exorbitant rates of return on foreign investment in these countries" (678). To him, the exorbitant rate is peculiar to both the manufacturing and the extractive industries. He opined that in the extractive sector, for instance, the investment is geared toward creating

an enclave and the growth of the local economy is ignored. This is because the goods produced are sold abroad. Thus, the extractive sectors have the worst impacts. Having said that, however, Evans is of the view that developing countries can still retain a sufficient amount of income within its borders from investment in the extractive sector. This can be achieved if the state retains some sufficient political autonomy to enable it to bargain with the MNCs. On the manufacturing sector, he argues that aside from the creation of environmental problems, MNCs also help transfer standards of consumption which may serve as a representation of the misallocation of resources. He stresses that MNCs change the consumption norms of developing countries in a way which retards economic growth.

To Evans, both the state and its elites have critical roles to play in as far as attracting more benefits from the MNCs is concerned. He sees the state as the most important organization that has sufficient force to bargain with the MNCs. In his view, even though the state in poorest countries is seen as an instrument of the elite class, it still remains as the only entity through which it's citizenry can defend their interests. Therefore, the autonomy of the state is also important to be able to have a good bargain with the MNCs. If the state is weak and co-opted by the local bourgeoisie, the potential benefits from the MNCs cannot be attained.

Other prominent gurus of the dependency school of thought, such as Samin (1972) also argue that for developing countries to develop or attain economic growth, they would need to end their ties to the capitalist system and should strive to be self-reliant and foster some kind of mutual cooperation among themselves. This should be done outside the brackets of the capitalist system. FDI is seen as a dependency syndrome with the

internationalization of capitalism as the core cause. FDI is also seen as a means to which the resources of the dependent countries are exploited by the advanced states. And MNCs are therefore seen as the perpetrators as they are believing to represent the economic interest of their home countries abroad. Thus, MNCs cannot contribute to the development of developing countries. The stance of Amin is indifferent from that of Walter Rodney (1973). In his book titled 'How Europe Underdeveloped Africa', he noted that the underdeveloped nature of the continent is attributed to structural factors with links to the capitalist economy. In his view, "the true explanation lies in seeking out the relationship between Africa and certain developed countries and in recognizing that it is a relationship of exploitation" (37). And advanced country's corporations are always at the centre.

Stephen Hymer (1982), a preeminent Marxist theorist of MNCs who "retained guru status among MNCs theoreticians" (Cohen,2007:344), developed two economic laws- the law of Uneven Development, and the law of Increasing Firm Size in his attempt to explain the importance of MNCs and how they arose. Explaining the Law of Increasing Firm Size, Hymer posits that

since the beginning of the Industrial Revolution, there has been a tendency for the representative firm to increase in size from the workshop to the factory to the national corporations to the multi-divisional corporation and now to the multinational corporation. This growth has been qualitative as well as quantitative...the Law of Uneven development he continued is the "tendency of the system to produce poverty as well as wealth, under development as well as development (128-129).

The consequence of these two economic laws, in summary, is the perpetuation of inequality and dependency, and also, the relationship existing between different countries would be one of the superior and subordinate ones. This dependency syndrome and

inequality culture together with the servant-master relationship orchestrated by the MNCs would certainly stifle the development of developing countries. Ronald Muller, another Marxist theorist and the co-author of 'Global Reach' also asserted that the MNC is "one of the most powerful impediments to Third World development" (LaPalombara & Blank,1980:119).

Also, in the Hymer-Kindleberger oligopoly theory, a theory which is also known as "monopolistic power", "structural market imperfection", "market power" and "industrial organization theory" (Kuşluvan,2016:169) of foreign investment, which was an attempt by Hymer (1976) to specifically elucidate the widespread of United States MNCs, it is argued that the presence of MNCs abroad is directly linked to the monopolistic power they possess. Such monopolistic powers are acquired through factors such as access to capital and raw materials, economies of scale, unique products, marketing expertise, managerial know-how, and the control of technology. (Hymer, 1976; Kindleberger,1969). This, therefore, means that MNCs presence in developing countries is a calculated attempt on the part of the MNCs to stay relevant in business rather trying to serve as genuine partners for development in host countries.

In a similar premise, Harrison, (1982), Barnett and Cavanagh, (1994) and Greider (1997) as reported by Crotty, Epstein, & Kelly (1998) hold a critical view about MNCs. They suggest that an upsurge in the mobility of MNCs has the potential of benefiting capital, whilst workers and communities stand to lose. It's revised version, however, suggests further that skilled workers or rent-appropriating professionals along with the capitalists are part of the winners in the race to the bottom whilst the unskilled workers and the

unemployed would be the losers. Crotty, Epstein, & Kelly further maintain that “some regions of the world will grow at the expense of others...if the south integrated itself with the North, the North would grow at the expense of the South” (1997:2-3).

In his attempt to bring to bear new and empirical evidence on the relationship existing between colonialism and foreign investment, Frieden (1994) arrived at the conclusion that “there appears to be a strong historical association between colonial rule and foreign investment in primary production for export and between independence and foreign borrowing and foreign investment in manufacturing”(Frieden,1994:592). The findings of Frieden points to the fact that “some, such as investments in extractive industries or agriculture, appear both logically and historically associated with higher levels of intervention in the host country and conflict among investing nations, leading perhaps to colonial annexation” (593).

In contributing to the literature on the pros and cons of MNCs, Clark (2010), also assumed a Structuralist position. Clark is certain that the consequences that are associated with the operation of MNCs are multifaceted. In his opinion, MNCs are not in a position to assist third world countries in finding solutions to their economic problems due to the fact that the interest of these companies is not tied to the host nations. In his view, MNCs does not only discourage local production activities but also adopt means and ways to encourage members of host countries to patronize their products at the expense of the indigenous products. He asserted that Third world countries are reduced to the trading output as these MNCs are concerned more with commercial activities instead of productive activities. It is as well his belief that MNCs encourage the privatization of indigenous enterprises in

host countries and then turn to acquire larger shares in those privatized companies. He further disputed the claim that MNCs are providers of technological know-how vital for the establishment of modern industrial societies. To him, the developmental challenges of third world countries are compounded by them as they send into those countries obsolete and mostly over-priced equipment such as computers. As part of their attempt to repatriate huge amount of profits, MNCs blackmail the governments of host countries into giving them concessions and this according to Clark (2010) contribute to the retardation of third world countries.

Clark's work is one-sided as it failed to consider the prevailing conditions in developing countries and also the perceived positives of MNCs, an area this research would look into. In examining the pros and cons of MNCs in developing countries where most MNCs are hosted, and in the context of Africa, precisely in Kenya whilst looking into employment generation, transfer pricing, and as well as poverty reduction and dependence Tirimbia and Macharia (2014) made this observation: even though MNCs do create the opportunities for poverty reduction, employment generation and reduction in dependency, such gains are however lost through transfer pricing ultimately to the mother or parent branches of those MNC stationed in the developed countries. "on the basis of facts presented in this study" as they argued, the "MNC has lost its usefulness of a development agent" (Tirimbia & Macharia,2014:5). This study conducted by Tirimbia and Macharia (2014) therefore lends credence to the views expressed by the dependency theorists.

Structuralists argue that Africa's low development structure is believed to be attributed partly to pervasive corruption and MNCs are accused of engaging in it or facilitating these

nefarious activities. The continent “has been labeled the world’s most corrupt region because multinational internal mis-pricing makes up 60 percent of capital outflow, with corporations declaring profits in tax havens, as opposed to the country operate” (Adusei, 2009:3). Adusei opines that the MNCs in a way are not only corrupt, but they also facilitate corruption as they aid African leaders to steal trillions of dollars which is worth tons of resources as some of the host countries provide the ideal environments for such loots. The motives behind assisting corrupt African leaders are tied to the fact that those leaders serve as conduits through which Africa’s natural resources are exploited to the benefits of the western world, thereby perpetuating the cycle of dependency. “Halliburton in Nigeria, Mabey & Johnson in other countries such as Ghana, Madagascar, Angola, Mozambique, and South Africa among others have been involved in various corrupt practices in some countries in Africa in collaboration with corrupt government officials” (Momoh,2016:80). Despite the fact that mechanisms have been put in places such as the promulgation of the OECD anti-corruption convention,

Multinational corporations from the U. S, Europe, and Japan have devised sophisticated payment mechanisms to evade home country anti-corruption laws. New evidence that has emerged from the awarding of power projects to international companies in Indonesia, between 1995 and 2003, shows that multinational corporations have devised clever current-payoff-deferred-gift structures to relatives and friends of host country officials that do not technically put them at risk of OECD-consistent home country anti-bribery laws, or the US Foreign Corrupt Practices Act (Moran, 2006:1-3)

The views expressed by the Marxist theory and its sympathizers, so to speak, is intelligently summarized by Hawley when she argued that: MNCs are corrupt and they undermine development, exacerbate inequality and poverty. They are also said to

disadvantage smaller domestic firms, transferring money that could be spent towards poverty alleviation into the hands of the rich. They engage in projects that benefit the few instead of the many. They as well increase debt; benefit the company, not the host country. They bypass local democratic processes, endanger the environment, circumvent legislation; and finally promote the sale of weapons (Hawley, 2000:6). Hence, they do not facilitate economic development.

Taking on the general perception of Marxists, it is worth noting that the principle of generalization in which MNCs are considered as impediments to the development of developing countries is misleading, and does not help the general discussion on the subject matter. For instance, the findings of Evans (1971), that MNCs in the extractive sector are the worst, suggest that MNCs from different sectors perform differently. Whilst some MNCs are performing poorly, others could be doing well. The Marxist scholarship, as noted above, is also looking at one aspect of the argument without considering the basics, that is, whether developing countries have the needed conditions to benefit from the presence of the MNC. More so, it is prudent to emphasize that MNCs are not agents of morality or charity organizations and thus need profits on their investments. It is, therefore, the duty of developing countries to put in place the needed mechanisms so as to enjoy the benefits that may be associated with the MNCs.

2.2.3 The Mercantilist conception of the MNCs

Mercantilism, an economic foreign policy doctrine is built on the foundation that the property of every state depends on its ability to supply capital. Classical Mercantilists hold the view that the capital of every state, classically measured in the form of gold or silver,

is best increased and maintained when the balance of trade of the state is positive against other states. In simplicity, modern mercantilism is state driven in nature and advocates for the development of certain home-based industries by way of adopting protectionist policies through tariffs. The protectionist agenda is set up to protect those industries against foreign competition. To mercantilists, in trade transactions, there is a zero sum gain in which the gain of one country would be at the expense of the other. Mercantilists, therefore, consider free trade to be the avenue for the attainment of both military and political power. Thomas Mun (1571-1641), one of the influential mercantilist writers in his pamphlet “A Discourse of Trade” (1621) sought to fundamentally defend the East India Company of England. The company was accused of being responsible for the shortage of specie in England. In a memoranda Mun submitted to England’s commission of trade, he “proposed the principle that the ordinary means to increase our wealth and treasure is forraign trade, wherein we must ever obscure this rule: to sell more to strangers yearly than we consume of theirs in value” (Murphy,1998:34). Mun’s view as expressed by Murphy clearly points to the fact that he was encouraging Britain to use the East India Company as a conduit to advance its economic interest. His position further reveals that states use MNCs as a means of achieving their economic interest, and they cannot, therefore, be partners of development.

In the case of the United States, Gilpin (1976) also argued that;

the role of the MNC has been viewed by political leaders in the Mercantilist terms of maintaining America’s share of world markets, of securing a strong position in foreign economies, and of controlling access to raw materials. Even more important, the MNC is judged to be a major

generator of the foreign earnings required to ensure national prosperity and to finance American military and political commitments overseas (189).

In this way, Mercantilists see the MNC as reflecting the economic expansion and maintaining the political interest of the dominant nation-states. In other words, the MNC is used as a tool by the powerful states to compromise the sovereignty of the lesser states.

The views expressed by Gilpin in relation to State's Mercantilist positions in using MNCs as the ladder to achieving their economic and political goals still finds its place in the actions, policies, and speeches of American policymakers. Delivering a speech in May 2015 at the headquarters of Nike, an American iconic MNC, president Barack Obama noted "we have to make sure that America writes the rules of the global economy. And we should do it today, while our economy is in the position of global strength, because if we don't write the rules of trade around the world...guess what...China will. And they'll write those rules in a way that gives Chinese workers and Chinese businesses the upper hand, and locks American-made goods out" (Obama, 2015).

Obama's immediate successor, Donald Trump is also championing this mercantilist agenda. Donald does not perceive any mutual gains emanating from trade. To him, there are only winners and losers and global trade is a zero-sum game. This is reflected in his "America first vision" and clearly evident in his trade war with China, imposition of tariffs on imported steel and aluminum imported from Canada, Mexico and the European Union (EU), abandoning of the Trans-Pacific Partnership trade deal, and his anti-NAFTA (North America Free Trade Agreement) stance.

In his "Sovereignty at Bay Ten years after" Vernon (1981) made three propositions:

that most governments, reluctant to give up the advantages they perceive in inviting multinational enterprises into their jurisdictions, will continue to permit a significant part of their national output to be accounted for by the affiliates of such enterprises; that the policies of any affiliate of a multinational enterprise are bound to reflect in some degree the global interests of multinational network as a whole, and hence can never respond single-mindedly to the requirements of any one national jurisdiction; and that the network of any multinational enterprise cannot escape serving as a conduit through which sovereign states exert an influence on the economies of other sovereign states (523).

Notwithstanding, MNCs, as Pauly and Reich (1997) contextualize them, have concrete relationships with the state. Their arguments emphasize the national character of the firm which they believe reflects both the ideological and institutional legacies and historical experiences of the home states. The arguments put forward by both Vernon, Pauly, and Reich are at the base of the lineage of the Mercantilist school of thought. As noted earlier, MNCs are seen as flying the national colors of their respective home countries, and whatever MNCs do, either directly or indirectly is a reflection of their national priorities at any given time.

From the perspective of the Mercantilist, the MNCs are foes and not friends of development as they represent the horses on whose backs advanced states would ride to achieve their economic and military might. However, Mercantilist have failed to realize that time changes. As a result, the era in which the MNC was regarded as an instrument used by states to advance their interest could be over. Purely, modern MNCs are inherently profit-seeking actors who act in line with the needs and demands of customers and not states as Mercantilists want people to believe. The 2008 mortgage crisis in the United States was among others the deliberate attempt by some MNCs to sell unaffordable mortgages, and at unprecedented rates. This led to many bankruptcies in the country. The

quest to make a profit motivated the said MNCs even at the expense of the nation. Therefore, MNCs may not be the way Mercantilists want people to believe.

2.3 Review of literature on FDI in Ghana

The literature on MNCs in Ghana also reflects the ideas of the various theories identified and discussed. In tandem with that, there are mixed feelings regarding how positively or negatively the MNCs contribute to the economic development of Ghana. Under this section, the contending views are explored.

Scholars of the liberal tradition see MNCs as partners in the country's development. Using time series data and periodizing the relationship between economic growth and FDI in Ghana, Gifty et al (2013), George (2014), and Sackey George, & Nsoah (2012), for instance, note that there is a strong correlation between FDI and economic growth in Ghana and, as a result, the government must adopt policies to ensure that it put in place measures for domestic producers to collaborate well with the foreign investors for optimum benefits. In accordance with their view, Sakyi, Commodore & Opoku (2015) show that "the interaction of FDI and exports have been crucial in fostering economic growth" (2015:10). This was revealed after their investigation into the long –run impact of FDI and the impact of trade openness on Ghana's economic growth for the years between 1970 and 2011. They, thus, recommended among other things that FDI should be channeled into areas that the country has a comparative advantage and FDI and export strategies should be harmonized in long-term development plans. Also, after looking at FDI and employment in host countries using Ghana, Abor and Harvey (2008) conclude that FDI "should be considered an integral part of the Ghanaian economic policy in order

to spur on economic growth” (2008:213). Also, Abor et al in their article entitled ‘How does FDI affect the export decisions of firms in Ghana’ concluded that “overall, the result of the study demonstrates that FDI has a positive effect on firms’ decision to export as well as their export performance. This is explained by the fact that FDI brings on board improved technologies and management skills that would translate into efficiency and productivity and thus the decision to export would depend on the ex-ante productivity” (2008:461). Joseph & Oteng-Abayie (2006) in using a bivariate causality analysis between FDI inflows and economic growth in Ghana concluded that there is no positive correlation between FDI and growth during the period before Ghana adopted the SAP. A positive unidirectional correlation was however established during the period after the implementation of the SAP. A recent research study by Tee, Frank & Rebecca (2017), Boakye & Gyamfi (2017) on the effect of FDI on Ghana’s growth revealed that FDI has positively impacted the economic development of Ghana. According to their study, the increasing flow of FDI in Ghana has led to a significant increase in the country’s GDP making FDI the key driver for Ghana’s economic growth and development. FDI their findings conclude does not only boost capital formation in Ghana but it also enhances the quality of the country’s capital stock. However, Gifty et al, (2013), George (2014), George and Nsoah (2012), and Sackyi, Commodore and Opoku (2015) all ignored the fact that the perceived benefits they are dreaming for the country would not come if the country does not have in place the needed conditions such as human resource to benefit from the presence of FDI in the country.

The Ghana Investment Promotion Center (GIPC), as cited by Aryeetey (2004), asserts that there is a positive correlation between FDI and formal employment and as well as quality levels of skills of workers in Ghana. The Center maintains that in the period from 1995 to 2000, FDI inflows registered at the center in cumulative sense amounted to 150 million dollars. It noted further that the inflow of FDI reached its peak in 1997 with 475 million dollars. Therefore, the FDI inflows have been able to generate a reasonable number of jobs for Ghanaians (Aryeetey,2004:18-19). The GIPC also estimated that between the period of 1994 and 2002, registered projects had created 72,384 and 4,652 job opportunities for the Ghanaian and non-Ghanaian population respectively. Besides the creation of employment opportunities, Williams et al (2017) assert that MNCs in Ghana also create linkages with local firms making it easy for access to inputs as well as local production techniques, capacity building and the creation of market opportunities. Having arrived at a similar conclusion after conducting research on “Foreign Direct Investment, Host Country Experience’ ’Abor and Harvey (2008) recommend that for rapid economic growth in the country, FDI should be considered as an important part of the Ghanaian economic policy. The findings the GIPC, as reported by Aryeteey (2004), would be relevant to my study. However, granted that the findings are accurate, one would have expected that the unemployment of the country would be reducing. However, as discussed under the economic history of Ghana, the reverse is the case as the country still has unemployment problems.

In evaluating the “sectoral analysis of Foreign Direct Investment in Ghana”, Abdulai (2004) argues that FDI is a major source of economic development of host countries. He,

therefore, advocated for an effort to be put in place in Ghana to attract FDI in other sectors of the economy as Ghana's FDI for long has concentrated in the mining sector, and in regional terms, the Greater Accra Region continues to be the region receiving the bulk of FDI.

Commentators who assume the Structuralist position do opine that MNCs are predators and their activities are geared towards ripping the country off development as most of them perpetuate corruption, exploit the country's natural and human resources such as cocoa, oil, timber, bauxite, diamond, manganese, and gold to be precise. These sectors especially gold, diamond, and the oil sectors are controlled by the MNCs due to a World Bank/IMF Structural Adjustment Program that began in 1986 and championed privatization, deregulation, and liberalization. Ghana's mining sector as opined by Awudi (2002) has attracted US 2billion FDI over the last decade. The sector he maintains contributes to about 41% of the country's foreign exchange. Gold, he specified, is an important mineral and earns over 600 million US dollars making up nearly 90% of the mineral output. Further, Ghana is the second largest producer of gold after South Africa. "Despite these positive indicators, the role of the mining industry in the economic development of Ghana is a suspect. Despite the over US 2billion attracted in mineral exploration and mine development during the last decade representing over 56% of total FDI flows to the country, (with the attendant increase in mineral export) the sector is yet to make an impact on the country's overall economy. The sector's contribution to the country's GDP is meager, average 1.5% since 1993" (Awudi,2002:2). His findings are corroborated by the views shared by Adusei, (2009). To Adusei (2009), though the country

contributes for instance to about 12% of the world gold production, it is sad to note that only a minute part of the revenue stays in the country. These corporations undoubtedly are making fortunes but the citizens see none of the benefits derived from these fortunes. “Ghanaians know gold and diamonds are being mined at Obuasi and Akwatia but they do not know where it goes, who buys them and where the proceeds end up” (Adusei, 2009:4). To worsen things, certain laws such as “the current mining laws seem a brutal, unjust and ineffective way of development”and in summary, “Ghana gold enriches MNCs and not its people” (Haselip, 2006). The 2001 executive summary of the Structural Adjustment Participatory Review International Network (SAPRIN) says it all “liberalization, deregulation and privatization of the mining sector have enabled transnational corporations to remove resources and profits from poor countries while failing to generate sustainable economic growth that is of net benefit to national or local economies” (2001:17).

In his dissertation, Jay Chou (2014) examined the role of MNCs in discharging their Cooperate Social Responsibility (CSR) in Ghana with Newmont Ahafo mine as the case study. Data collated from his research reveals that Newmont Ghana, an MNC in the country, has worsened the poverty situation in Ghana, specifically in its areas of operation as it has generated unemployment and as well contributed to the high cost of living making life unbearable for the local indigenes of the Ahafo area (Chou,2014:84). Besides creating unemployment conditions, Asad Ismi (2005) of the Canadian Centre for Policy Alternatives reports that most of these mining companies abuse the rights of the people living in the environments of their mining operations. The abuse is usually in the form of

rape, house burning, illegal detention and intimidation and attacks by dogs belonging to the mining companies and their workers. The Ghana Human Rights and Administrative Justice Committee that is in the area of the Wassa community confirmed many reports of arbitrary arrests, forceful eviction, violations of the right of access to food, demolition of villages and inadequate compensation. “the government body found overwhelming evidence of human rights violations occasioned by the mining activities which were not sporadic but a well-established common pattern common to almost all mining communities” (Ismi,2005:5).

In contributing to the discourse on FDI in Ghana in relation to employment conditions and that of labor standards using some selected Manufacturing MNCs, Dziedom & Cooke (2011) suggest that MNCs do not contribute to the development of the country, but they rather stifle the country’s development by way of illegally avoiding taxes. Contrary to the traditionally held notion that MNCs pay their worker's huge salaries in host countries, their findings suggest that MNCs pay low wages to their workers in host countries, though what they pay does not fall below the country’s minimum wage. Discrimination based on gender and nationality, low applications of labor standards are among the things MNCs are noted for. However, the point on wages misses the fact that most of the workers employed by these MNCs do not have the skills or the needed educational qualification.

2.4 Summary and conclusion

The discussion above has highlighted the absence of consensus regarding the benefits or otherwise of FDI in developing countries. The three contending views discussed above seems to have all taken entrenched positions. Whilst liberals are optimistic of the positive

roles of FDI in developing countries, Marxists see them as predators. The position of Mercantilist is built around the belief that MNCs are used by powerful states to maintain their economic and military might. However, each of the contending schools of thought, as pointed out earlier, are without lapses.

It is worth noting that it would be difficult for the benefits associated with FDI to automatically accrue to host countries evenly, and across the various sectors of the country's economy without the host country having in place the needed conditions that would make FDI beneficial. This, in the case of Ghana, will be examined in the later part of the study. Before delving into that, however, it will be prudent to have a look at a brief history of FDI in Ghana. This will create an understanding not only regarding how the leadership of the country has initiated policies towards attracting and benefiting from FDI, but to also have a fair view on the progress that has been made, and the challenges involved. The chapter that follows thus considers this by primarily looking at the history of FDI in Ghana.

3.0 FDI IN GHANA

3.1 Short profile of Ghana

Officially known as the Republic of Ghana which it attained in 1960, Ghana is a relatively small West African country. As shown in **figure 1**, Ghana is made up of ten commercial and administrative regions, with Accra as the administrative capital. The country is situated on the Gulf of Guinea. It is boarded to the East by Togo, north by Burkina Faso, West by Cote d'Ivoire and the South by the Atlantic Ocean (**shown in Figure 1**).

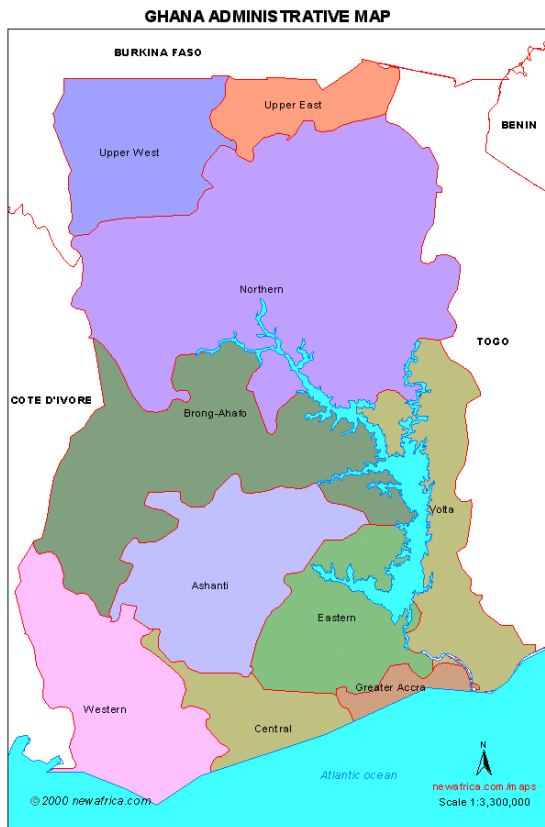


Figure 1: Administration map of Ghana

The country, according to 2017 official figures released by the Ghana Statistical Service, has an estimated population of 28.96 million. Before its independence in 1957, the country was under the colonial rule of Britain. However, Britain was not the only country nor the first European country that developed contact with the then Gold Coast.

It is documented historically that the Portuguese were the first Europeans to reach Ghana in 1471. Upon their arrival, they noted that the country was rich in gold and they started trading with the locals in gold. Gold, therefore, became the most traded commodity. Because of its richness in gold, the country was named Gold Coast, a name it maintained until it gained political independence in 1957. The Portuguese built the Elmina Castle, the first ever European settlement on the Gold Coast. They acquired gold and slaves which were traded for European goods, such as guns, mirror, beads, metal knives, beads, and rum. After their successful spell in the Gold Coast, the British, Swedish, Danish, Dutch, and Prussian traders arrived as well. The European traders built several forts along the coastline. The forts were built to basically serve as safeguards for trade. It can thus be said on authority that from earlier times, Ghana attracted foreign investment.

In 1867, the Gold Coast became a British colony until the year 1957 when the country became independent. The country's drive for independence was facilitated by Kwame Nkrumah who was a nationalist and pan Africanist. Nkrumah broke away from the newly formed United Gold Coast Convention (UGCC) to form his own party known as the Convention Peoples Party (CPP). It was through the CPP that the Gold Coast gained political independence on the 6th of March, 1957. After the attainment of independence,

the country was renamed Ghana, a name that was proposed by the historian Dr. J. B. Danquah.

Etymologically, the word “Ghana” means ‘warrior king’, an honorific title that was given to the emperor who ruled the medieval empire of Ghana. The empire, in brief, was approximately 800 km west, and north of the modern Ghanaian state. Precisely, until its demise in the 13th century, the empire was located in the region of present-day south-eastern Mauritania, and the western part of Mali. Apart from being noted as a very rich kingdom owing partly to its gold mines, it was strategically positioned for trade. It is from this great empire present-day Ghana derived its name from, a name of great resonance in as far as African history is concerned.

Since independence, the country has experienced four military coups leading to the overthrow of three democratically elected presidents, with the fourth one being a military government. Today, Ghana is practicing multiparty democracy, and as a result, the country has enjoyed some level of political stability since 1992. It has had seven (7) successful general elections. This has brought to power five (5) Presidents namely J.J. Rawlings, (1993-2000) J. A. Kuffour, (2001-2008) J. E. A. Mills (the late), (2009-2012) J. D. Mahama (2013-2016) and the incumbent Nana Addo Dankwa Akufo-Addo.

3.2 Ghana’s economy, a brief history

Undoubtedly, the economy of a country plays a major role in the country’s ability to attract FDI. Countries with weak economic fundamentals are less likely to attract FDI. In this subsection, a brief overview of the Ghanaian economy with a focus on

macroeconomic trends, and with emphasis on GDP, inflation, sectors of the economy, labor and employment are presented. This would in no doubt make us appreciate the trend of FDI flow in the country. Before delving into the macroeconomic fundamentals of the country, a critical observation is made regarding the general picture of the Ghanaian economy at independence.

As noted earlier, Ghana gained political independence in 1957. At independence, the country was ruled by Kwame Nkrumah, a Marxist-Leninist ideologist who espoused a socialist agenda. As he tilted towards socialist ideals, the country was run on that path. As a result, he brought in so many social interventions such as free education, housing, as well as health care services. At the time of Ghana's independence, the country was the largest producer of cocoa in the world. Its foreign exchange reserve stood at 273 million dollars and Ghana had no external debt. Besides cocoa, diamond, bauxite, gold was among the natural resources the country had coupled with fertile lands. The economy was stable and, as La Verle Berry (1994) argued, President Kwame Nkrumah sought to take advantage of the apparent stability of the Ghanaian economy. To La Verle Berry (1994), Nkrumah dreamed of using the economic stability and cocoa as a springboard for the diversification and expansion of the economy and therefore began the process of moving Ghana away from a predominantly agricultural economy to a mixed agricultural-industrial one. Revenues from cocoa production were used to guarantee loans as he adopted import substitution strategies. Sadly, the collapse in the price of cocoa in the mid-1960s destroyed the stability of the economy and therefore made it nearly impossible for Nkrumah to realize his vision. "Since then, Ghana has been caught in a cycle of debt, weak commodity

demand, and currency overvaluation, which has resulted in the decay of productive capacities and a crippling foreign debt....by the early 1980s, Ghana's economy was in an advanced state of collapse” (La Verle Berry,1994). The country, therefore, engaged in major IMF and World Bank sponsored liberal economic reforms in the 1980s. That brought the liberalization of the Ghanaian economy.

The real GDP growth is a major indicator of the macroeconomic performance of a country (Alagidede, Boateng & Amponsah,2013,). Before the 1980s when Ghana put in place the liberal reforms, the country’s GDP was unstable, recording many times negative growth rate. This occurred in the years 1966, 1972,1975, 1976, 1979,1981, 1982 and 1983. The country began to experience strong positive GDP growth rate beginning from 1984 after liberalizing the economy, a situation that has been consistent even till date. **Figure 2** provides a clearer picture of the situation.

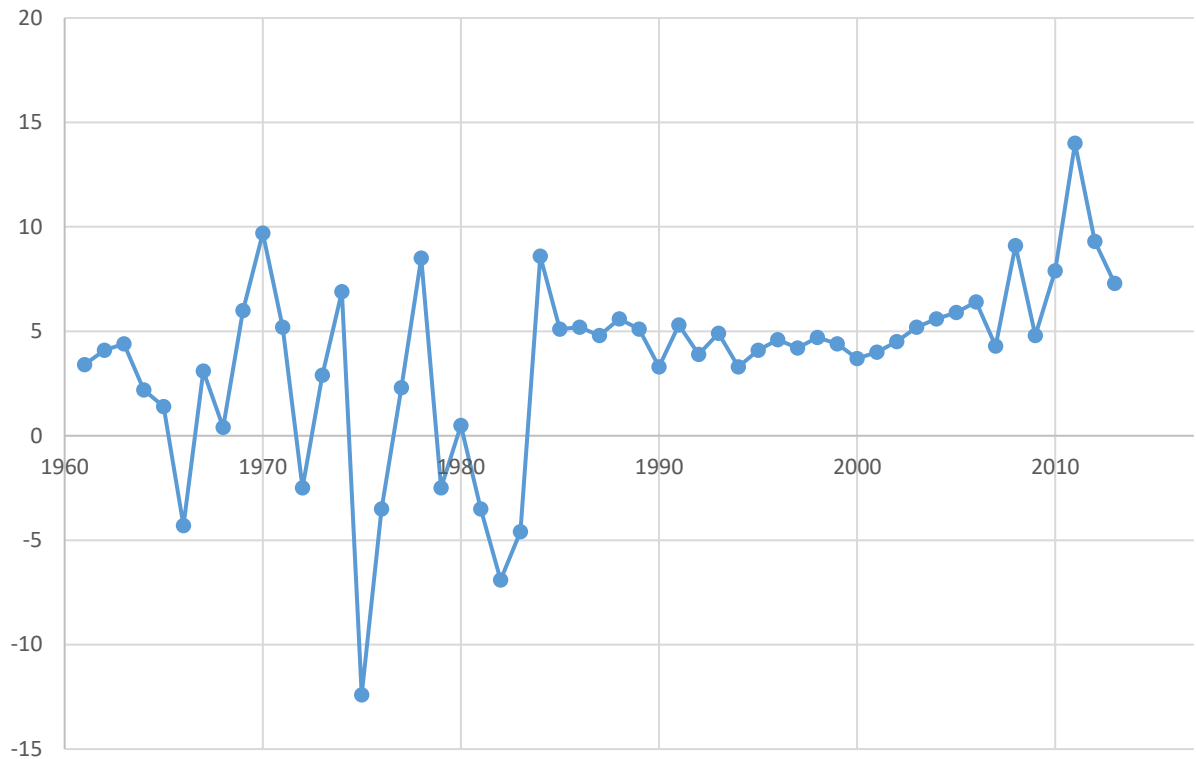


Figure 2: Ghana GDP annual growth rate (%). Source: (As of 21 June 2018) Constructed from the World Bank GDP by country statistics.

Alagidede, Boateng & Amponsah (2013) argue that “the generally strong economic growth performance is a reflection of liberal economic policy accompanied by large inflows of aid and foreign direct investment that has triggered increased levels of investment, particularly in the public sector” (Alagidede, Boateng & Amponsah, 2013:7).

The economic growth of Ghana in terms of GDP since independence has been aided by three major sectors namely; agriculture, industry, and service. The agricultural sector originally was regarded as the backbone of Ghana’s economy and was thus dominating in terms of growth, and contribution to GDP. However, the service sector’s growth and contribution to Ghana’s GDP in the late 2000s has been significant exceeding the

agricultural sector. Relying on 2017 official facts figures of the Ghana Statistical Service, for instance, the services sector currently dominates the Ghanaian economy (52.3%), followed by industry (24.8%), and agriculture, (22.9%). “The strong show of services in terms of growth and sectoral contribution has emanated largely from improved growth performance of trade, hospitality, telecommunication and financial subsectors, aided by the liberalization of activities that have seen increased private sector participation in the sub-sector” (Alagidede, Boateng & Amponsah,2013:8).

On monetary policy and financial sector development, the country has had erratic history regarding inflation, the balance of payments and exchange rate. Inflation has been a major problem with data available covering the period of the mid-1980s to present indicative of the fact that the country in 1981 recorded 116.50% inflation rate, which increased to 122.87% in 1983. However, from the year 2004 up till date, the economy has been relatively stable in terms of inflation with the inflationary figures below 20%. Even in the year 2011, the country recorded a single digit rate for inflation. Details provided by **Figure 3.**

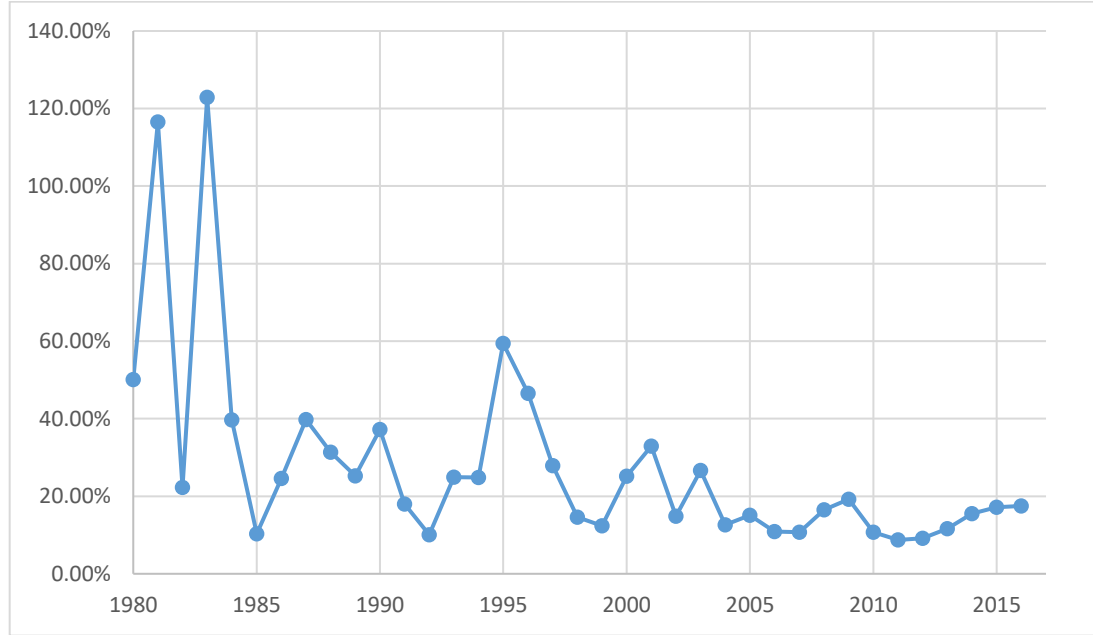


Figure 3: Ghana annual inflation rate, Computed from (worlddata.info, 2018)

In an economic sense, an increase in inflation contributes to a rise in interest rates, exchange rates, and low economic growth. Ghana has undoubtedly experienced those effects at varied times and degrees.

In terms of labor and employment, “the employment growth in Ghana has not kept pace with economic growth” (Alagidede, Boateng & Amponsah, 2013:19). The country has been battling with the problem of unemployment, with groups such as the Unemployed Graduate Association of Ghana (UGAG) emerging in 2011. However, it is worth noting that the problem of unemployment is not only peculiar to Ghana but common in Africa. Zambia's Minister of Finance Alexander Chikwanda, posited succinctly "Youth unemployment is a ticking time bomb" (Evans, 2015) which now appears to be perilously close to an explosion. Figures provided by the Global Economy (2017) on Ghana's

unemployment for the period 1991 and 2017 put the rate between 2.15% and 10.36%. During the said period, the year 2000 recorded the highest rate of 10.36% with 2015 recording the lowest of 2.15%. The rate was relatively constant between the period of 2013 and 2016 but increased a bit in 2017. Even though the rates provided by the Global Economy is not too much as compared to some European countries, the problem is still regarded as a national security issue. From these figures and the corresponding figures on GDP, it is noted that unemployment could impacts negatively on Ghana's economic growth.

On labor, there are disparities in the average daily earnings of private and public sector workers as wage policies tend to favor workers in the formal sector. "the inability of the labor department to enforce compliance of minimum wage legislation that enjoins all employers to pay at least the daily minimum wage cannot escape blame for the lower earnings in the informal sector which is dominated by self-employment and contributing family work" (Alagidede, Boateng & Amponsah,2013:21). In effect, the problem of inflation, unemployment, and labor-related issues should be given proper attention as a positive development in those sectors could spur economic growth by way of contributing to the country's GDP.

3.3 Ghana's FDI in historical context

In a broader sense, Ghana's economic engagement with the outside world can be traced to the era of the Trans Saharan trade, with gold, slavery, and cocoa serving as the major trading activities the country engaged in. With slavery having to become history before the country gained independence, the country's economic engagement with the outside

world in gold and cocoa in later years broadened to include manufacturing, services, extraction and exportation of resources among others warranting the involvement of foreign direct investment in the country. However, even though the country has had some kind of economic engagement with the outside world as far as FDI is concerned, there is no consensus among scholars regarding the formal history of FDI in Ghana, as the literature points at different periods in which the MNCs registered their presence in the country.

Williams et al (2017), Puplampu (2004) for instance deferred the existence of MNCs to the period of the colonial era when companies such as United Trading Company (UTC) Kingsway, Paterson and Zochonis (PZ), Unilever Ghana, British American Tobacco, Ghana Limited among others invaded the country. But, to some writers, the formal history of MNCs is traced to the period after the country gained political independence from the British in 1957. Samuel, Gifty, Xicang, & Efia (2013), for instance, traces the history of FDI to the post-independence era, an era in which “the pioneer industries and companies act of 1959” which sought to offer ten-year tax holiday was brought into force. This move was followed by the ratification of the capital investment Act of 1963 (Act 172) to offer varied fiscal and other related concessions to prospective investors conditioned that they adhere to certain rules. One of such conditions was that “foreign private enterprises and enterprises jointly owned by the state and foreign investors be required to invest 60% of their net profit in Ghana as stipulated by Nkrumah’s regime” (Gyebi, Owusu & Etroo,2013:257).

Despite the absence of unanimity regarding the history of FDI in the country, it is on record that beginning from the period the country gained political independence, past and present heads of states have adopted varied means and policies to boost the economic fortunes of the country by way of increasing the presence of MNCs in the country. This chapter, therefore, seeks to elaborate on the history of FDI in Ghana by concentrating on the policies that different heads of states right after independence have put in place to make the country a safe haven for FDI. The chapter concludes on the note that even though the persistent enactment of decrees and political instability have not helped in the flow of FDI into the country, the main concern of the country's leadership should be how the country can derive maximum benefits from FDI. To do that the writer suggests, emphasis should be placed on the kind of FDI, and Ghana's industrial policy and capacity.

3.3.1 From 1960-1966, President Dr. Kwame Nkrumah

As noted earlier, Nkrumah espoused a socialist agenda and as he believed in socialist ideals, the country's economy was state-led, therefore making it difficult for the inflow of FDI due to a disregard of private firms. Undoubtedly, the state had the monopoly over businesses, as Nkrumah's "government starved the private sector of imported raw materials, spare parts, and equipment, and used exchange controls to prevent the repatriation of after-tax profits" (Tsikata, Asante & Gyasi,2000:29).

Nkrumah and his CPP government considered industrialization as the catalyst for development and modernization. "The extensive industrialization programme, which emphasized import substitution, was pursued to transform the industrial structure and reduce the Ghanaian economy's dependence for goods on colonial powers and other

foreign economies.... at the centre of the ISI strategy was the development of largescale, capital intensive state owned manufacturing industries... In addition, the government resorted to administrative controls in the form of import tariffs and licensing” (Ackah, Adjasi, & Turkson, 2016: 2-3). These factors, therefore, made it very difficult for the country to attract MNCs since it became clear that only state-owned enterprises could enjoy economies of scale. Even though subsequent governments that took over political power after the unconstitutional overthrow of Dr. Kwame Nkrumah in 1966 adopted various measures, including the passage of decrees and legislations soliciting the inflow of capital into the country, a move that was geared towards assisting the country in its socio-economic development, it is fair to add that the pioneer industries and companies act of 1959, the capital investment Act of 1963, were initiatives by the Nkrumah led administration to attract prospective foreign investors.

3.3.2 From 1969-1972, President Dr. Kofi Abrefa Busia

The National Liberation Council (NLC), is a body that emerged after the overthrow of president Nkrumah and ruled Ghana between 1969 and 1972. It ruled under the leadership of Ghana’s second head of state, General Joseph Ankrah,(1966-1969). Ankrah’s NLC led administrations claimed to have undertaken liberal policies with the motive of soliciting the inflows of capital.

After taking over power, the NLC started Ghana’s first negotiation with the IMF. It was a conscious attempt to liberalize trade, ensure the removal of subsidies and the devaluation of the Ghanaian cedi. However, with the support of the Eastern Bloc, the NLC ignored most of the industries established by the Nkrumah’s administration and his state-led

approach. On the contrary, efforts were made to empower the private sector as a major engine of economic growth (Boafo-Arthur,1999b:47). Interestingly, unions and professional bodies in the country such as lawyers, and teachers registered their displeasure over the market-oriented policies that were pursued by the NLC. With this as the catalyst, coupled with bribery charges involving a Nigerian man and financially influencing the outcome of a poll that was due in August 1969, General Ankrah was forced to hand over power to Abrefa Busia. The administrations of both Ankrah and Busia claimed to have undertaken liberal policies (Tsikata, Asante & Gyasi 2000).

In its bid to ensure the revival of the country's economy, the pro-IMF Busia government placed emphasis on addressing the flaws of the private sector through the use of neo-liberal policies. In 1971, the government introduced taxes on imports, withdrew subsidies, and introduced a development levy. It also liberalized trade and abolished free education and transport. The devaluation of the Ghanaian cedi was later carried out. These measures adopted also raged disagreements, and as a result, there was another coup in 1972. However, the implementation of these neoliberal policies by the government was a signal to the outside world that the Ghanaian economy was ready to attract foreign investments (Awuah,2015:15).

3.3.3 From 1972 -1981- President Ignatius Kutu Acheampong and President Dr. Hilla Liman

When Acheampong took over the mantle of leadership in 1972 under the National Redemption Council, (NRC), and later under the Supreme Military Council (SMC), he adopted some austerity measures and “discarded the neo-liberal policies and the

development levy adopted by its predecessor, reinstated full benefits to public sector workers, rebuffed many of the country's external debts, and revalued the country's currency back to its original state before the Busia government came into power. This reduced the inflow of foreign direct investment" (Awuah, 2015:15). Having said that, however, measures were adopted to provide the legal framework for businesses to survive. As a result, decrees such as the Capital Investment Decree-NRCD 1413 investment decree of 1973, and the Investment Policy Decree-NRCD 329 of 19775, the Investment Policy (amendment) N0 2, and the Investment Policy (decree) 1977 were promulgated. The promulgation of these measures did not lead to the outright inflow of FDI into the country and FDI inflows, in terms of share of GDP in 1976 for instance, recorded negative values (-0.66%). This can be attributed to the fact that the austerity measures introduced by the government caused a major setback with the rise in fuel prices, and the upsurge in corruption in the country. As a result, his government was overthrown in June 1979 by a military uprising.

President Hilla Liman took over power in 1979 through the ballot. It ruled from 1979 to 1981. Even though the Liman administration was short-lived, and encountered many economic challenges, which is partly inherited from the previous administration, the economy could have been bailed out through FDI, but less was done by the administration to attract FDI. As a result, the government had to turn to the IMF for assistance, a move that was strongly rejected by civil society and professional bodies. As a result, the government backed down and living conditions in the country worsened. This led to the overthrow of the Liman administration in 1981 through a revolution led by Rawlings.

3.3.4 From 1981-2000, President Ft. Lt. Jerry John Rawlings

After taking over power from Liman in 1981, Rawlings formed the Provisional National Defence Council (PNDC). “In its early proclamations of a revolutionary social mission, the government of President Jerry Rawlings has presented itself as anti-capitalist, anti-marketplace, and anti-business. “The PNDC chairman [Jerry Rawlings] said that Ghana's problems stemmed from the activities of the multinationals and that the current revolution was meant to cut off the stronghold these companies had on Ghana” (Price,1984:163). Like the CPP leadership of the 1960s, Rawlings and his followers have publicly espoused the view that the purpose of government is to protect ordinary Ghanaians from exploitive and corrupting business influences” (Ayee, Lofchie, & Wieland,1999: 4). In what appeared to be a total deviation from its economic and political philosophy, the PNDC in its 1983 budget moved the country away from the socialist economic philosophy of Nkrumah towards Busia and Danquah’s philosophy of capitalist free market. As industrial production, educational and medical services begun to deteriorate, and stagflation set in coupled with famine, which was the results of prolonged drought and bushfires, making it difficult for the country to meet her food requirements, the famous Economic Recovery Program (ERP), an International Monetary Fund (IMF) and the World Bank initiative was instituted setting a stage for the implementation of the first-generation neoliberal reforms. This began in April 1983, but with actual implementation over 1983-1986. “Starting in 1986, the ERP was supplemented with the Structural Adjustment Program (SAP), geared toward correcting a number of structural imbalances in order to engender a sustained healthy economic growth” (Kwasi,1971:3).

Ayee, Lofchie, & Wieland (1999) argued that these liberal reforms under the SAP which included liberalization of cocoa marketing, trade liberalization, attempted measures towards the decontrol of bank lending which was to be done through the restoration of positive interest rates, currency devaluation which was intended to primarily remove the price bias against tradable goods, and measures to bring about greater fiscal discipline, appeared to have offered the only viable way out of the complicated situation the country was facing. It was to also serve as the means and ways through which the country could attract financial support from the donor community. They (Ayee, Lofchie, & Wieland, 1999) further argued that these policies were not alone as they eventually came hand in hand with the second-generation neoliberal reforms, which constituted structural reforms such as the divestiture of state-owned enterprises (SOEs) and the creation of institutions deemed appropriate for a market-based economy, such as a stock exchange. This widespread liberalization was done purposely to attract FDI into the country. As a result, the move adopted by the administration brought about a freer business environment.

Also, on July, 13th 1985, the PNDCL 116 came into force replacing the investment code of 1981 and subsequently led to the establishment of the Ghana Investment Centre (GIC) to evoke a business response from the business community. The GIC “played a more regulatory than a promotional role: as approval had to be obtained from numerous individual ministries and institutions, it did not act as a true one-stop-shop. The centre was revised with the Ghana Investment Centre Act in August 1994 to convert the centre into a promotional institution” (Lall & Pietrobelli, 2002:146). The GIPC Act of 1994 was set up with the prime motive to encourage and promote both domestic and foreign investment.

It also aimed at reviewing the 1985 investment code with the aim of placing more emphasis on private sector development as an essential element for accelerated economic growth (Tsikata et al, 2000). After its establishment, the centre operated in line with its core duties and functions with some innovations. In the year 1998 for instance, the GIPC spearheaded the Ghana Club 100 Ranking consisting of an annual ranking of top hundred companies. The aim of this move was to recognize the best companies engaged in the diverse sectors of the country's economy, and as well as foster competition so as to improve products and services. In 2013, the 1994 GIPC Act was reviewed leading to the birth of a new GIPC.

Notwithstanding, in September 1995, the free zone act was promulgated by the legislative arm of government, a move that was designed primarily to attract both domestic and foreign direct investment into the country. In consonance with the law that establishes the Free Trade Zone, the establishment of single factory zones within and outside the demarcated areas such as the seaports of Tema and Takoradi, and the Kotoka International Airport is allowed. In order to facilitate the smooth operation of the zone, the declaration of a ten-year corporate tax holiday, zero duty on imports, and allowing the nationals of South African, East Asian and OECD with advance notice to secure a visa at the Kotoka international airport are some of the incentives the zone gives out.

As a result of the policies the Rawlings PNDC-NDC adopted, FDI net inflows (**in terms % of GDP and Bop, current US\$**) increased. It is instructive to note that, at least in terms of FDI share of the GDP, the period did not record any negative value. The data are illustrated in **figure 4 and 5**.

From the literature, it can be said that the economic development of Ghana under Rawlings passed through different phases. The most critical of those phases started in 1983 when Ghana accepted the liberal economic principles of the IMF. Even though the FDI net inflows in terms of GDP started gaining positive values during that era, and there were some reliefs in the extent and degree in poverty, a reasonable number of the people were unemployed and the problem of the inadequate public facilities remained unsolved. More so, though Acts such as GIPC Act of 1994 and the free zone act of 1995 were all promulgated, the fundamental motive behind the promulgation of those acts was to attract FDI into Ghana. Less attention was paid to state capacity, the kind of FDI Ghana needed and how the country could develop through those FDIs. It seems the leadership of the country placed emphasis on the quantity rather than the quality of FDI.

3.3.5 From 2001-2008, President John Agyekum Kufuor

The J.A Kufuor N.P.P led administration took over the political office in 2001 after winning the 2000 presidential and parliamentary election. In his inaugural address in 2001, President Kufuor stated categorically that Ghana was open for business, and thus welcome foreign investors. The administration adopted strategies and initiated policies towards making the country an ideal place for FDI. The country persisted in making strides in structural reforms towards accelerating the participation of the private sector in the economy and to also attract investment in areas the country thought it had a comparative advantage.

The Kufuor administration, for instance, created the Ghana Investment Advisory Council (GIAC). This is achieved with external support from the World Bank. The GIAC was

comprised of local companies and MNCs. It also consisted of institutional observers drawn from bodies such as the IMF, the World Bank, and the United Nations Development Program. In short, The GIAC was established with the core mandate of attracting FDI into Ghana. The Council (GIPC) was also mandated to manage (with the exception of the free zones, minerals, mining, oil, and gas) investments in all sectors of the economy. The privatization which the country had begun in the 1990s continued.

The programme started with 300 public enterprises in various sectors slated for privatization. Although no completion date was earmarked, by June 2002, 212 enterprises had been divested. The government has favored the outright sale of assets, with 112 enterprises divested along that route; sale of shares in 31 enterprises; a joint venture in 21 enterprises; while six enterprises have been offered on lease; and 42 enterprises got liquidated. Some of the constraints which have impeded the progress of the process, including limited preparatory work, limited regulatory capacity and the influence of special interest groups stem from the initial omissions to the programme (OECD,2003:170).

The privatization derives helped in attracting FDI into the country as most of the firms were acquired by foreign investors. Among the enterprises affected by this divestiture programme was; Ghacem shares were sold to Norwegians, GIHOC Bottling became the Coca-Cola bottling company of Ghana limited and Ghana Telecom shares sold to Malaysians. Kanda GNTC, Abosso Glass factory, and Kwame Nkrumah Catering Rest House were sold to Ghanaian individuals and groups. In simplicity, it is palpable that most of these MNCs that settled in the country were in the form of acquisitions and not greenfield investments and the significant difference between the old companies and the newly acquired ones was just the change of ownership. However, as would be argued in chapter four, MNCs in the form of greenfield are generally considered the best for the

development of developing countries. The privatizations also explain why FDI flows increased in the 2000s.

The policies of the Kufuor administration brought success to the country in as far as the FDI is concerned. Since independence, it is in this period that FDI net inflows (**% of GDP**) reached a record high of 9.52, the same period the country began recording net inflows (**Bop, current US\$**) in billions beginning from 2007. The figures are illustrated in **Figure 4 and 5** respectively. The high inflow of FDI into the country during this period could be attributed to the privatization policies which the country pursued.

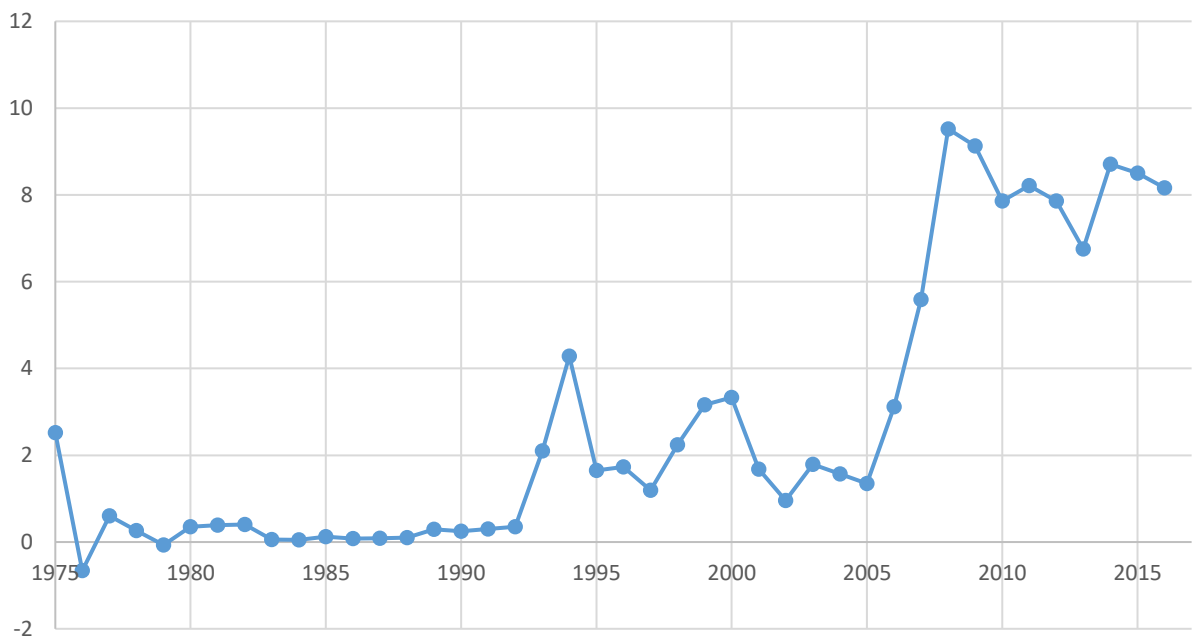


Figure 4: FDI net inflows (% GDP). Source (AS of 22 June 2018), Worldbank data,2018.

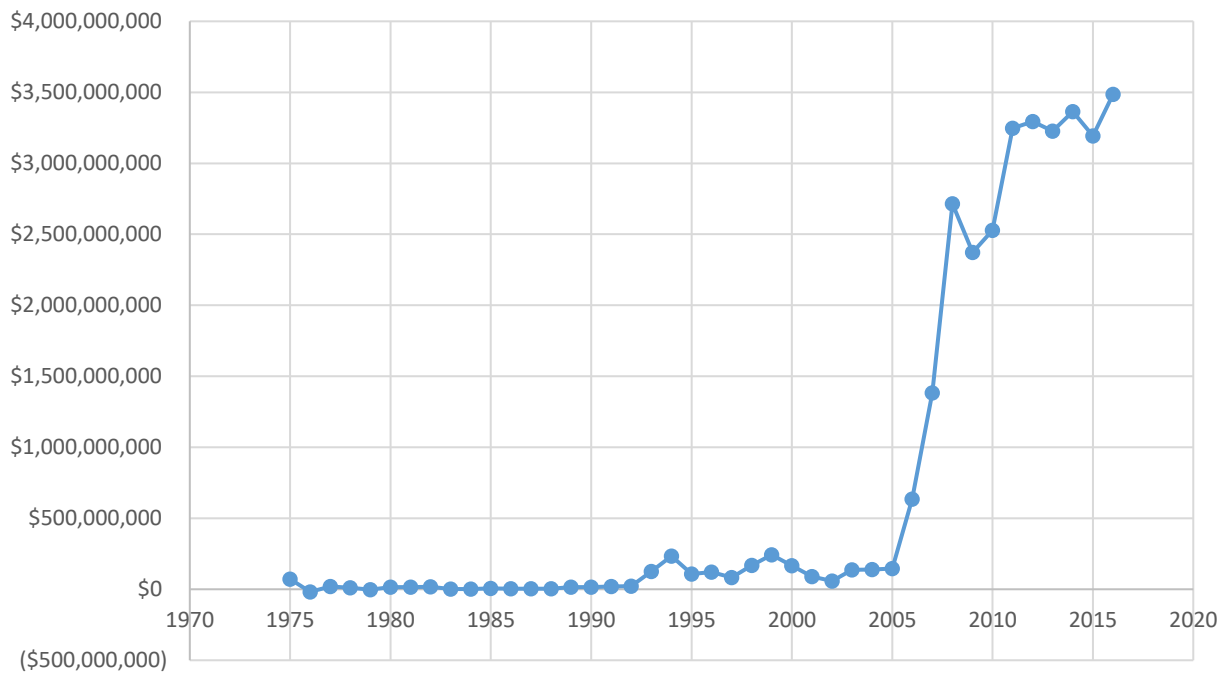


Figure 5: Foreign direct investment, net inflows (BoP, current \$). (Worldbank, 2018).

Clearly, the Kufuor led administration was interested in attracting FDI into the country. The administration initiated and implemented neoliberal policies towards that and it paid off. Among these economic policies, the Kufuor government adopted included the lifting of import restrictions, privatization of state-owned enterprises, the removal of fuel subsidies and the introduction of the free-floating exchange rate. Other measures specifically adopted to attract FDI included tax concessions for manufacturing firms found in certain areas, tax holidays, guaranteed transfer of dividends on investments and the establishment of tax-free zones (SAIIA, 2008). The new GIPC (discussed below) also received presidential assent during this period. As noted earlier, these policies together led to the historic net inflows of FDI (% of GDP). It is worth noting that the high inflows of FDI during that period did not really translate into development. Despite rising GDP, the

country was still lacking behind in the areas of public facilities and poverty was still high. Between 2005 and 2006 for instance, the population of the Ghanaian population living in poverty was 29% (Africa Renewal, 2008). Also, there was no specific strategic policy or initiative to properly address how best to pursue domestic policies that would strengthen the country's human and institutional capacities to make Ghana reap the full benefits of FDI.

3.3.6 From 2009-2016, President John Evans Atta Mills/ John D. Mahama

Under President Mills better Ghana, the country continued in its quest to attract FDI, as FDI inflows continue to increase. The Mills-led administration devised diverse strategies and means to attract FDI into Ghana. The administration adopted the Ghana Shared Growth and Development Agenda (GSGDA). Under this policy initiative, there was an improvement and expansion in access to health, education, housing, and potable water. Measures were also put in place to ensure the reduction in geographical disparities regarding the distribution of national resources, ensure environmental sustainability in line with the use of natural resources through science, technology, and innovation. Also was the pursuance of employment led economic growth strategies that were to will link agriculture to industry, most especially manufacturing. Measures were also adopted under this policy to bring about improvement in transparency and accountability regarding the use of public funds and other national resources (NDPC,2010). Mechanisms such as the improvement in the regulatory and legal framework for business operations, expanding access to land, strengthening the financial sector, and reforming customs administration

among others were also put so as to attract FDI. The inflows of FDI during this period (**in terms % of GDP and Bop, current US\$**) is illustrated in **figure 4 and 5**.

The Mills/Mahama administration followed the example of its predecessors. Its policies were primarily geared towards attracting FDI into Ghana. Nonetheless, some of these policies were good policies. Policies such as linking the agricultural sector to the industrial sector was a well-thought policy. According to the Ghana Statistical Service (2017), the industrial sector's contribution to Ghana's economy is 24.8%, whilst the agricultural sector contributes 22.9%. Therefore, if such policy was well implemented, it would have helped the country to develop by way of poverty reduction, the provision of public facilities and the enhancement of social opportunity.

3.3.7The new GIPC in perspective

The new Centre, a government agency that is directly placed under the office of the president, came into being under GIPC Act 865 in 2013, phasing out and replacing the previous GIPC Act 1994- Act 478. The new GIPC act was passed by the Ghanaian parliament and got presidential assent on the 26th of August, 2013. The centre is mandated to promote and regulate investment on behalf of the government of Ghana as stated in its preamble: "An act to provide for the Ghana Investment Promotion Centre as the agency of Government responsible for the encouragement and promotion of investments in Ghana, to 'provide for the creation of an attractive incentive framework and a transparent, predictable and facilitating environment for investments in Ghana and for related matters'" (GIPC,2018:6). The GIPC law targeted foreign investments through mergers, takeovers, and acquisition, portfolio investments, bonds and securities that are traded on the Ghana

stock exchange market. The function of the current GIPC as summed up in section four of the act: Section 4. The functions of the new GIPC are shown in **Table 1**.

Table 1: The functions of the new GIPC

- | |
|--|
| <p>a. formulate investment promotion policies and plans, promotional incentives and marketing strategies to attract foreign and local investments in advanced technology industries and skill-intensive services which enjoy good export market prospects;</p> <p>b. initiate and support measures that will enhance the investment climate in Ghana for both Ghanaian and non-Ghanaian enterprises;</p> <p>c. initiate, organize and participate in promotional activities such as exhibitions, conferences, and seminars for the stimulation of investments, to present Ghana as an ideal investment destination;</p> <p>d. collect, collate, analyze and disseminate information about investment opportunities and sources of investment capital, incentives available to investors, the investment climate and advise upon request on the availability, choice or suitability of partners in joint venture projects;</p> <p>e. register, monitor and keep records of all enterprises in Ghana;</p> <p>f. register and keep records of all technology transfer agreements;</p> <p>g. identify specific projects and prepare project profiles on investments and joint venture opportunities in Ghana and attract interested investors for participation in those projects;</p> |
|--|

- h. bring about harmonization in investment policy formulation through coordination of the activities of all other institutions and agencies, and
- i. perform any other functions that are necessary for the attainment of the objects of this Act” (GIPC,2018:6).

Table 1. Functions of the new GIPC, Source; GIPC,2018.

The main differences between the new and old GIPC Acts as sighted on the official website of the GIPC are that the new Act is said to have an extended threshold, a wider mandate and the renewal of registration. But, the functions of the new GIPC as listed in **table 1** seems to be problematic. The functions are only limited to the attraction of FDI into the country. There is no function that clearly spells out how the center would aid in ensuring that Ghana derives maximum benefits from FDI, especially in the areas of poverty reduction, the provision of public facilities and the enhancement of social opportunities and order. Notwithstanding, there seem to be no clear cut guidelines as to how those functions would be accomplished and even if there is, some of the functions especially function ‘a’ would be very difficult to be accomplished.

3.4 Chapter summary and conclusion

From the discussion, it is noted that the history of FDI in Ghana is not motivating, as it is fraught with economic and political shambles, inconsistent policies and initiatives. It is as well observed from the discussion that ever since independence in 1957, successive governments have adopted diverse policies to make the country an attractive place for FDI. But it seems less attention has been paid to ensuring that FDI impact positively the

development of the country in terms of poverty reduction, the provision of public facilities and the enhancement of social opportunities and order. Consistently, the leadership of Ghana have always placed emphasis on how to attract FDI into Ghana. Though these measures adopted by leaders at varied times put together, especially the IMF and World Bank-led neoliberal policies, have laid a bit stable foundation for the country to serve as a safe haven for the MNCs and FDI, the impact of the FDI on national development is still questioned. Decrees at varied times have been enacted, and other economic policies pursued in the country's attempt to attract FDI. In sincerity, such measures have contributed in one way or the other in facilitating the inflow of FDI into the country irrespective of how minimal its effect on development was sometimes. The inflows are, however, without a corresponding increase in the country's development as poverty seems to go high, and the country continues to lack behind in public facilities. This can be attributed to the fact that FDI could not be utilized sufficiently to raise the developmental level of the country. The expectation was that FDI would increase development automatically.

Moving beyond the paltry gains regarding FDI inflows and its contribution to Ghana's development, and whilst commending Ghana for being politically stable after the restoration of democratic governance in 1992, it would be good to question some of the initiatives and policies thus far initiated and implemented by the country's leadership. For instance, there is the exigency to question the rationale behind the frequent enactment of these decrees, and whether they are necessary. It is also important to question the real

essence of some of these neoliberal policies such as the varied tax incentives awarded to MNCs when the country needs money for developmental projects.

However, based on this long history of FDI, two important but overlooked factors, political instability and the continuous enactment of decrees as noted earlier might have impacted negatively the flow of FDI into Ghana, and could also impair the country's development. Such factors could have an adverse effect on how FDI contributes to development. It is in the writer's opinion that most of those decrees are available in name only and would possibly not have impacted positively on the inflow of FDI into the country. Also, such decrees might have ended up confusing prospective investors thus, scaring them away. Besides, there is the need to question whether these decrees are usually implemented. As a result, considering the long history of reforms, FDI inflow into the country could have been greater if most of these decrees enacted were implemented to the letter.

In addition, it is sad that in Africa, there is usually no continuity in governance, especially when it comes to economic policies, and ruling governments owing to ideological differences, do come into power with different visions and policies. Though the country has had some form of consistency in its liberal policies for FDI, especially beginning from the Rawlings era, it is worth noting that most of these policies are usually re-negotiated. A comprehensive Ghanaian national policy, say a 50 year national FDI development policy with room for modification but with broader national consultation is needed. The said policy should also clearly outline the kind of developmental benefits it expects Ghana to derive from the presence of FDI in the country. This may perhaps solve the problem of

always enacting decrees which appear in the end to be bogus. However, it is instructive to point out that it is not the quantity of FDI that matters, but the quality. Therefore, in as much as the country tries to attract FDI, which has remained the desire of the Ghanaian leadership since independence, the country must probably lay emphasis on the kind of FDI. It should also strengthen its industrial policies, and build on its capacity to benefit from the presence of FDI.

Despite the fact that the history of FDI in the country is not motivating, there will always be the need to critically research into the impact has on the development of the country. It would also be prudent to consider the general conditions a country need to have in place before it can enjoy the benefits of FDI. The chapter that follows, therefore, examines the conditions through which states could reap the benefits associated with FDI. An attempt is also to look at the specific conditions in Ghana.

4.0 A BRIEF OVERVIEW OF NUNNENKAMP'S IDEAS ON HOST COUNTRY'S CONDITIONS

From the reviewed literature, for developing countries to benefit from FDI, it would be ideal for them to have in place certain necessary conditions. Nunnenkamp (2004), as noted earlier, is positive that FDI can contribute to the alleviation of poverty, and as well to the upsurge in average incomes provided that the developing countries have the capacity to absorb these investments. He also admonishes the creation of fertile host country environment for investors. He summed up his opinion in the following phrase “for FDI to help achieve the international development goals of reducing absolute poverty and raising average incomes, two conditions have to be met. First, developing countries need to be attractive to foreign investors. Second, the host-country environment in which foreign investors operate must be conducive to favourable FDI effects with regard to overall investment, economic spillovers and income growth” (Nunnenkamp, 2004:673). He therefore suggested the following conditions: better education and training, sophisticated local and financial markets, sufficiently qualified labor, availability of complimentary factors of production and opening up to trade. Also, Nunnenkamp and Spatz (2003), in applying industry specific data on FDI stocks that is been held by US investors in developing countries, noted that “apart from improving the local availability of sufficiently qualified labor force, host countries are well advised to focus on developing sound institutions which appear to be the prerequisite for attracting and benefiting from both market-seeking and efficiency seeking FDI” (Nunnenkamp & Spatz: 2003, 40). In Nunnenkamp’s opinion, poor institutions in host states has two fundamental effects: one,

it does not allow the host state to receive much FDI and two, FDI in such poor conditions does not impact positively on growth. Therefore, Nunnenkamp also sees effective institutions in host countries as one of the prerequisites for host countries to enjoy from the presence of FDI in their countries.

Nunnenkamp's ideas have been reinforced by other scholars and there are also additions made to the conditions he identified. Margeirsson (2015), for instance, noted that for host countries to enjoy the benefits that FDI comes with such as technology, they must possess the requisite human capital driven by education. Without sufficient human capital, host countries cannot absorb the spillovers that MNCs do travel with, making it difficult if not impossible for FDI to be effective in promoting development. Wang & Wong (2009), also suggest that the quality of education is paramount in any host country's bid to absorb FDI spillovers. Their position reinforces the view of Nunnenkamp (2004) as he observed that better education and training has the potential of contributing to the supply of qualified labor in host countries thereby increasing their prospects of benefiting from the transfer of technology and spillovers. Also, according to the OECD report "achieving a certain minimum level of educational attainment is paramount to a country's ability to both attract and to maximize the human capital spillovers from foreign enterprise presence." (OECD,2000:14) The report noted that even though the minimum level may differ between industries and according to other conditions in the host country if there is a significant gap in knowledge persisting between foreign entry and the host economy, no significant spillovers are likely.

The type of FDI is also important. Research has proven that for FDI to be able to contribute to the development of host countries, it must be in the form of greenfield investments, where an MNC constructs a facility for the purpose of investment as against brownfield (mergers and acquisitions). Mencinger (2003) and Wang & Wong (2009) argue that there are differences in the contribution of FDI to economic growth. Greenfield FDI they suggest encourages economic growth, whilst FDI in the form of mergers and acquisition would do the same on the condition that there is the presence of human capital in the host state prior to the flow of FDI into that sector. After conducting an inquiry into a sample of Eastern and Central European countries, Mencinger (2003) argues that brownfield investment was the most available form of FDI and money was used to simply finance imports and consumption instead of using it for investment which could spur economic growth. Bayar (2017) also investigated the mutual effects among brownfield and greenfield investments and economic growth in Central and Eastern European Union countries. His studies focused on the period between 2003-2015. His findings revealed that both brownfield and greenfield impacted positively on the economic growth of the selected region. However, the impact of greenfield investments was relatively higher. The research findings of Hayalı (2014) lend further credence to the argument that the kind of developmental benefits host countries can derive from FDI is dependant on the type of FDI. According to her research findings, Greenfield is more useful in as far as contributing to the development of the host country is concerned. Her findings further revealed that brownfield can also be good for development. However, the development would only come in the long run and in the form of capital development.

4.1 Conditions under which Ghana can maximize the benefits, and minimize the cost of FDI

As noted from the literature thus far, developing countries like Ghana have adopted varied competitive measures to attract FDI, considering FDI to be the catalyst to development. Though there is no consensus regarding the validity or otherwise of this view, in any case, it should be noted that the perceived benefits associated with FDI do not come automatically. They are not also evenly distributed across developing countries, or even sectors, though such countries and sectors may enjoy certain commonalities.

Nunnenkamp (2004) is of the belief that the effect of FDI on a host country depends primarily on the conditions not just policies of that country. It thus behooves on individual host countries to have in place some form of mechanisms that would make it possible for it to maximize the benefits of FDI. Influenced by Nunnenkamp's ideas as raised above, this section primarily seeks to find out whether Ghana has in place the needed mechanisms so as to enjoy the potential benefits associated with FDI. The critical areas under consideration are **political stability and autonomy, infrastructure, friendly investment policies, functioning institutions, and education level.**

4.1.1 Political stability and state autonomy

When a country is in political shambles, it becomes difficult for it to attract FDI. Even when attracted, the benefits it should get from such FDI would not come. In studying "the inevitability of Multinational Corporations towards achieving sustainable development", using the Nigerian economy as a case study, Makinde (2013) suggests that the underdeveloped nature or the low economic growth rate of developing countries is

internally inflicted. The arguments proceed further to suggest that the governments of developing countries are constrained by political instability so that the issue of development is a secondary matter. This scenario prevents MNCs from investing in such economies. The blame for the absence of economic development is put on factors such as insecure property rights, political instability, and unguided economic policies. In other words, political and economic factors or features of the developing countries, the changes that those features have gone through vis-à-vis response to home pressures and world events obstructs the development of developing countries (Makinde,2013).

Ghana, a former British colony, gained political independence in 1957 after years of struggle, becoming the first sub-Saharan African state to achieve that feat. Though not immune from economic and political turbulences in the past, Ghana, in contrast to other countries in the West African sub-region and the continent at large since its transition to multiparty democracy in 1992, has been considered one of the most stable democracies in Africa. Considered as a presidential representative democratic and multi-party system republic, elections are conducted every four years by an independent electoral commission to elect simultaneously both the president and members of the legislature. The presidential tenure constitutionally is limited to two terms of four years each. This has been adhered to since 1992. Even though there are twenty-four registered political parties in Ghana, according to the country's electoral commission (EC) in 2018, political power has always altered between the two major political parties- the National Democratic Congress (NDC) and the New Patriotic Party (NPP).

It is fair to acknowledge that despite the political stability of the country which is anchored on largely free, fair and transparent elections, there are sometimes electoral disputes where the presidential or parliamentary results declared are contested or disputed. However, such disputes are resolved through legal means. And in the interest of the nation, the outcome has been accepted by the contending parties irrespective of how they view differently such outcomes. A case in point is the landmark 2012 petition of the presidential election in which the then opposition New Patriotic Party rejected the presidential results. The party alleged fraud and thus challenged the results at the nations Supreme Court. The verdict was given by the court in December 2013 in which the claims of the opposition party were rejected. The opposition party's presidential candidate in the 2012 election Nana Akuffo Addo accepted the court's verdict. This set a precedent for Africa and the world at large.

Globally, Ghana is ranked 23rd out of 180 countries (but first in Africa) in the 2018 World Press Freedom Index published by Reporters Without Borders, a world freedom index that ranks the performance of countries on respect for the safety and freedom of journalist, media pluralism, media independence and the institutional and legislative environment in which the work of the media is carried out. This is an improvement from its global 26th position in 2016, and 2017 consecutively (In Africa, the country was ranked second in 2016). Using the following categories: free, partly free and not free in measuring the dimensions of freedom rating, political rights, and civil liberties, Ghana has consistently been rated free by Freedom House since 1999. The country has undoubtedly been politically stable. Even though the World Economic Forum's Global Competitiveness Report for the year 2016-2017 ranked Ghana 114 out of 138 countries, the forum noted

that government instability was the least problematic factors for doing business in Ghana. The forum's report on Ghana's stability is consistent with its 2011-2012 and 2017-2018 reports.

Regionally, the country also enjoys commendations in as far as the maintenance of political stability and peace is concerned. The Ibrahim Index of African Governance (IIAG), otherwise known as the Mo Ibrahim Foundation which provides "a quantifiable tool to measure and monitor governance performance in African countries, to assess their progress over time and support the development of effective and responsive policy situations" has indicated through its reports that Ghana is doing well in overall governance. For instance, "in 2015, Ghana ranks among the ten best-performing countries on the continent in Overall Governance 8th out of 54" (IIAG,2016:4). The 2017 IIAG on Ghana further indicates that according to the 2016 ranking the country placed 8th in Africa in overall governance. The overall index was dependent on four key categories: sustainable economic opportunity, participation, and human rights, safety, and rule of law, and human development. According to the foundation's report, Ghana has been consistent since 2000 especially in the category of human development.

Undoubtedly, the country largely has a predictable political environment. Though there are some worrying developments, such as the rise in vigilantism, for now, everything points to the fact that there is at present no risk of the country running into serious political problems. The country can, therefore, be regarded as the poster-child of Africa's democracy as it serves as the paragon of peace and political stability in the continent. The stability of the country in political sense thus put it in a better position to not only attract

FDI but to also enjoy the potential benefits that may be associated with it. This conclusion is supported by the research conducted by Makinde (2013) on “the inevitability of Multinational Corporations towards achieving sustainable development” using the Nigerian economy as a case study. He suggests that the governments of developing countries are constrained by political instability so that the issue of development is a secondary matter. To him, the absence of economic development is caused by factors such as insecure property rights, political instability, and unguided economic policies. And developing countries can develop once those factors are taken care of.

Also worth discussing is the autonomy of Ghana. As opined by Evans (1971), the autonomy of a state is critical in its quest to benefit from FDI. In the case of Ghana, the state cannot be said to be absolutely autonomous. Just like any other African country, most of the policies of the country are dictated or influenced by international organizations such as the World Bank. The state relies on developmental ideas usually proposed by these international agencies. Arguably, most of the policies of these international organizations are influenced by the MNCs. In Evans (1971) view, indigenous ideas “increases the possibility of innovations shaped by the particular situation.” However, the country has strong civil society organizations such as IMANI Africa that are always critical about policies and negotiations of the state.

4.1.2 Infrastructure

For the purpose of this thesis, the analysis of infrastructure is limited to six categories. These are **roads, railways, ports, Air travel,, energy, and Information and Communication Technology (ICT).**

4.1.2.1 Roads

As averred by the GIPC, Ghana's road transport can be categorized into four segments; urban, rural, rural-urban and express services. Indisputable, road transport is the most widely available form of transport, accounting for about "96% of passenger and freight traffic in Ghana and about 97% of passenger miles in the country" (GIPC, 2018). According to the ministry of Roads and Transport, as reported by the GIPC, at the end of 2006, Ghana's road infrastructure constituted 63,122km of the road network that linked the entire country. Of these number, 12,786km was trunk roads with 40,671km and 9,764km as feeder roads and urban roads respectively. However, as of 2011, the number of trunk roads increased to 13,367. Feeder roads during the same period also increased to 42,100km and 12,600km for urban roads. As observed by the minister of Roads and Highways Kwesi Amoako –Atta, and reported by Joy Online, the road network of the country as of 2017 stood at approximately 72,000 kilometers.

Globally, the country's road network receives praises. A World Bank (2010) sponsored study dubbed 'Africa Infrastructure Country Diagnostic Report' noted that;

Ghana's road transport indicators are strong. By almost all measures, they are well ahead of those found among low-income peers and nearing the levels expected of a middle-income country. The length of the main (primary and secondary) network is more than adequate to achieve regional and national connectivity. The record on road network quality is quite reasonable, with 75 percent of the paved network in good or fair condition and, more impressive, 74 percent of the unpaved network in good or fair condition (World Bank,2010:10).

Also, the World Economic Forum 2013 travel, tourism and competitiveness report on the quality of roads ranked Ghana 84 out of 140 countries. Even though the country has made

giant strides in building roads linking its various parts, and can be said to have better roads compared with some other low-income countries as noted by the 2010 World Bank's sponsored report, the road network in the country is still inadequate and most existing ones have shorter lifespans. The country's Roads and Highways minister in 2017 revealed that about 61% of roads in the country are poor. This was consistent with a report titled "Ghana Infrastructure Report Card 2016" published by the Ghana Institution of Engineers (GhIE). According to the report, the road sector had scored 2.79 out of 5. Despite the challenges, the country tries as much as possible to ensure security on its existing roads and has received international recognition. In 2012 for instance, Ghana was the only country in Africa that got an invitation from the United Nations (UN) to share its road safety management approach, an approach the UN considered to be the model for Africa and developing countries at large (GhanaWeb, 2015).

4.1.2.2 Railways

"By the tenets of modern economic models, an effective railway system, if well implemented, would transform the way a country engages in its business activities and quicken the pace at which development would take place for the betterment of its people" (Graphic online, 2015). In Ghana, the country's rail network system, which began in 1898, arguably is not only less extensively developed but also ineffective. It is in a sorry state with rusty coaches and weedy rail lines as the best description. The nation's rail network is in a triangular form linking only some selected cities in three regions, namely Ashanti region, Western region, and the Greater Accra region. "The network connects the main agricultural and mining regions to the ports of Tema and Takoradi. It has mainly served

the purpose of hauling minerals, cocoa, and timber” (GIPC, 2018). It should be noted that the rail network is only a domestic one. It has no linkage to other neighboring countries. The World Economic Forum 2013 travel, tourism and competitiveness report on the quality of railroad infrastructure ranked Ghana 102 out of 122 countries.

4.1.2.3 Ports

Principally, Ghana has two major commercial ports, the Tema and Takoradi port. The Tema Port is the country’s major port. Its construction began in the 1950s under the leadership of Nkrumah, the country’s first black president. It was commissioned in 1962 and is said to be handling about 80% of the country’s national imports and exports. The major activities at the port include the loading and unloading of goods and serving as a transit area through which goods from landlocked countries are connected to the North. The port also serves as the main handlers of trade for companies engaged in imports and exports. In the past years, owing to increased cargo through the port and also due to trans-shipment as well as transit traffic to Niger, Burkina Faso and Mali the port has undergone major expansion works, making it possible for the port to deal with such challenges. The other port is the Takoradi port which was commissioned in 1928. Even though the port went through some sort of rehabilitation in the 1990s, it is still going through some expansion works. Despite the fact that the port is small in nature, its contribution to the import and export business of the country cannot be underestimated. In the year 2015 for instance, the port “handled 27% of national seaborne traffic, 15% of national seaborne imports, 68% of national seaborne exports, 6% of national seaborne container traffic and 7% of transit traffic to the Sahelian countries of Burkina Faso, Niger, and Mali. Over the

years' vessel calls to the port has increased from 485 in 2003 to 1,525 calls in the 2015" (GIPC, 2018).

Globally, in a 2013 report that captured the quality of ports globally with 140 countries included in the study, Ghana's port infrastructure was ranked 75th out of 140 countries by the World Economic Forum. Also, using the Index 1 (port infrastructure considered to be extremely underdeveloped) to 7 (port infrastructure well developed and efficient by international standards), a 2018 World Bank report on the quality of port infrastructure noted that Ghana's port scored the lowest of 3.488 in 2008 and the highest mark of 4.464 in 2010.

In Africa, the country's port is ranked high. For instance, during the maiden edition of the African best performing port in both West Africa and Central Africa (Agbenyega, 2015).

4.1.2.4 Air travel

Clearly, air travel is the fastest means of transport in the world. The main point of entry to Ghana by air is the Kotoka International Airport (KIA), previously known as the Ghana International Airport. The airport is located in the capital city of Accra. Undoubtedly, the country is connected to other African countries and the world at large. The KIA is a place where major international and local carriers regularly fly. "This is the result of Ghana's open skies policy, which frees an air space regulator from the constraints on capacity, frequency, route, structure and other air operational restrictions...Working to position itself as the gateway to West Africa, KIA remains the leading and preferred airport in the sub-region, having attained Category One status by the US Federal Aviation

Administration (FAA)” (GIPC,2018). The airport has runways to cater for all manner of aircraft. As reported by the GIPC, as of June 2017, the number of airlines operating in Ghana included two domestic airlines, eight cargo airlines, and twenty-eight scheduled airlines.

KIA is not the only airport in Ghana. There are quite a number of other airports that link various parts of the country to the capital city of Accra. The official website of the Ghana Civil Aviation Authority (GCAA) indicates that the country has seven other airports located in Kumasi, Sunyani, Sekondi Takoradi, Tamale, Yendi, Paga, and Wa. Contrary to this figure, however, not all the said airports are open for commercial purposes. Also, conspicuously missing in the list is the yet to be commissioned Ho airport.

4.1.2.5 Energy

In Ghana, two bodies are mandated to regulate the electricity supply industry. These bodies are the Ghana Energy Commission (GEC) and the Public Utilities Regulatory Commission (PURC). The GEC is a statutory body which came into being through Act 541(the energy commission Act, 1997). As part of its functions, it is supposed to regulate, manage, develop and utilize the country’s energy resources. It is also the technical regulator of the country’s electricity, natural gases and as well as the renewable energy industries. The PURC was also set up under the PURC act 1997 (Act 538). It is mandated among others to regulate the provision of electricity and water.

The energy sector of Ghana is a composition of petroleum and power. The petroleum sector engages in activities such as procurement, production, and refining of crude oil.

The sector also involves itself in the premixing of petroleum products, which is used by industries. Also worth mentioning the activity of the petroleum sector is the distribution of petroleum products which is dominated by oil marketing MNCs (GIPC,2018). The power sector is the one responsible for the generation and distribution of electricity for both private and commercial purposes. For industrial and domestic purposes, electricity is the dominant form of energy in Ghana. With the state-owned Volta River Authority (VRA) as the main entity generating it, about ‘82.5 percent of the population of Ghana had access to electricity as of 2016’ (Kumi,2017). Until 1998, the only source of power was through hydro plants, but additional power plant has been made available from thermal plants. The GIPC also observed that “independent power producers have been licensed to build, own, and operate power plants”. As one of the core determinants of the economic prosperity of any country, electricity “plays a significant role in undertaking daily activities from cooking, lighting, heating to powering machines in the industrial sector. Electricity is also essential for quality healthcare delivery, education, transport, effective communication, mineral exploration and many more; serving as the building block on which every sector of a nation’s economy thrives. This emphasizes how crucial and indispensable electricity is for human existence in the 21st century” (Kumi,2017, 5). However, Ghana’s power sector, precisely under the electricity generation which is supposed to power industrial growth and ensure convenience at the domestic level, is beset with numerous challenges. There, for instance, have been electricity crises. This, as a result, led the country to experience ‘load shedding’ (the interruption of electricity supply) in 1983, 1998, and between 2006 and 2007. Even though the country is in a comfortable position in as far access rate to electricity is concerned, the country still experiences some

major power crises with dire economic repercussions. The country's recent load shedding, which became severe in 2016, attests to this crisis. The persistent crisis has led to the coining of the term "Dumsor" by Ghanaians to describe the unpredictable and irregular electricity outages in the country. On its economic repercussions, the World Bank in a June 2013 report in consonance with a joint study by the United States of America and the government of Ghana stated that "inadequate and unreliable" power supply was considered to be part and parcel of three major constraints to future economic growth in the country. It further hinted that the state lost nearly 1 percent of its GDP during the 2007 power crises (World Bank,2013:1). Also, the Institute of Statistical, Social and Economic Research (ISSER) at the University of Ghana estimated in a 2014 study that Ghana, on the average, lost production worth about US \$2.1 million per day (or, the US \$55.8 million per month) through the power crisis alone. This means that the country lost about US \$680 million (2 percent of GDP) in 2014 due to the power crisis (Kumi,2017:6). Undoubtedly, this is not good for the country's development and its quest to attract and enjoy the potential benefits of FDI.

4.1.2.6 Information and Communication Technology (ICT)

Without a doubt, IT has become an important driver of growth and development in this globalized world and countries wishing to join the train of development ought to develop its IT base. As pointed out in the literature, Saville and Lumby (1995), identified technology as one of the resource gaps that cause economic backwardness in developing countries. As a country craving for rapid growth and development, Ghana has also identified IT as one of the surest means through which its developmental goals can be

achieved and sustained. As a result, it has made giant strides to build upon its IT infrastructure. “The country’s IT industry comprises telecommunications operators, internet service providers, VSAT data operators, software manufacturers, broadcast institutions, ICT education providers, internet cafés” (GIPC,2018). As noted by the Oxford Business Group in 2018, “Ghana was one of the first countries in Africa to liberalize and deregulate its telecoms industry. The sector is well established, and has a high penetration rate in voice and data services, bringing a range of content to consumers and posting steady growth.” As noted by Wiseguy research consultants (2017) notable developments that have been adopted to put the country on the path of IT, specifically in the telecommunication sector involves the opening of the Accra digital Centre, the construction of a 1,200km metro-net fibre by Google as part of its Project Link Program, and Government’s plan of launching Ghanasat 1 satellite in 2020 among others. Also worth mentioning is the construction of Regional Community Information Centers (RCIC).

The Ghanaian leadership is persistently making a conscious effort to make the country the hub of IT in Africa. This ambition, if realized, would in no doubt contribute to the country’s development agenda. In 2017 for instance, the president of Ghana launched the National Digital Property Addressing System, which will provide every Ghanaian with a unique permanent digital address linked to postcodes, thus making it easy for properties and businesses to be located. Notwithstanding, the introduction of the integrated e-immigration system, paperless port operations, mobile interoperability system, e-business registration, and others all represent giant milestones in Ghana’s journey to becoming an

IT hub. This would in no doubt as earlier noted contribute to the consolidation of the country's position in attracting and benefiting from FDI.

Competing with other countries in the globe, the World Economic Forum (WEF) and the International Graduate Business School and Research Institution as reported on GhanaWeb (2011) noted that the country was placed 98th in 2009-2010 and in 2010-2011 99th in the global information technology out of 138 countries. The ITU (an ICT arm of the U.N) ICT Development Index for the year 2017 ranked Ghana 116th out of 176 countries. This is a drop from its 113th position in the previous year. (ITU,2017). A 2016 report by the Global Telecommunication Union (GTU) that assessed the level of development in terms of ICT and telecom in 46 African countries ranked Ghana 10th in Africa. The country, according to the same report, occupied the 112th position globally in 2016.

4.1.3 Friendly investment policies

Devoid of any doubt, among the economic policies of every government of the Republic of Ghana since the attainment of political independence in 1957 has been trade openness supported by sound investment promotions and policies. This has therefore made it possible for the country to attract diverse forms of FDI. In the belief of Ahiakpor (2010) and Gilpin (1987), it is fundamentally the policies of developing countries that are to be blamed for the perceived problems or negative consequences that are associated with the MNC. Friendly investment policies in a way, as it may be generally known, may not only help a country to attract FDI and keep the FDI in the country, but they could as well create a conducive atmosphere for the country to enjoy potential benefits that may be associated

with FDI. The friendly investment policies include locational incentives, tax holidays, capital allowances, customs duty exemptions, massive road and port rehabilitation program, non-discriminatory investment environment, prohibition of nationalization or expropriation of foreign-owned enterprises (unless for public purpose and in national interest), transfer of funds, and so on (UNCTAD;2003; John,2005:3). On record, the only investment policy Ghana seems to be benefiting from is the tax concession that was granted GGL in 2012. Through this initiative, the firm is using local raw materials in its production. This, without doubt, contributes to Ghana's development. It is on record that almost all MNCs in the country are headquartered in the capital city of Accra. Therefore, the country through the GIPC has implemented some locational incentive policies. According to these policies, manufacturing companies in regional capitals other than the Greater Accra and Tema would be offered 25 percent rebate, whilst other manufacturing companies outside regional capitals will enjoy a 50 percent rebate. This could push manufacturing companies to the other parts of the country such as the poverty endemic Northern regions. This could in a way contribute to the reduction of poverty and other social problems. There are also some specific incentives enjoyed by companies under the Free Zones Act, 1995 and the Double Taxation Agreement (DTA).

Regionally, the investment policies of Ghana seem to distinguish it from other countries on the continent UNCTAD (2003:1), for instance, observed that the implementation of the 1994 investment code "was considered the best of its kind in Africa." Busse, Osei & Barthel (2008) reported that "Ghana was one of the first sub-Saharan African countries to carry out market-friendly economic reform programmes. Beginning with the

implementation of the Economic Recovery Programme in 1983, the adoption of the Mining Code in 1986, the enactment of the Investment Code 1994, and the Free Zone Act in 1995, Ghana has greatly improved the business environment for foreign (and domestic) investors” (2008:1).

Despite such juicy investment policies and incentives, there are some notable policies in Ghana that can hurt MNCs and could make their stay in the country short, stifle their ability to contribute towards the country’s development thus making people tag all MNCs as bad. Possible, such ill-thought policies could also prevent potential new entrants into the country who genuinely could have helped the country to develop. Such policies include limitations on foreign ownership, restrictions on the stock exchange, restrictions by sectors, preferences giving to local participation in privatization, cumbersome registration procedure, etc (UNCTAD, 2003).

Ghana has also crafted its own industrial policy. It cuts across twenty-one thematic areas. The country’s industrial policy is geared towards the creation of an industrial architecture that is “based on the value-added processing of Ghana’s natural resource endowment through the private sector-led accelerated industrial development strategy” (Ackah,Adjasi, & Turkson,2016:25). The general objectives of the country’s industrial policy and the key components on trade are illustrated in **Table 2 and 3;**

Table 2: The general objectives of Ghana’s industrial policy

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| <ol style="list-style-type: none">1. “expand productive employment in the manufacturing sector; (2) create a modern productive economy with high levels of value added; (3) expand technological capacity in the manufacturing sector; (4) promote agro-based industrial |
|--|

development; (5) promote spatial distribution of industries in order to achieve reduction in poverty and income inequalities; (6) provide consumers with fairly priced, better quality products and services; (7) make firms within the industrial sector—especially manufacturing firms—competitive on both domestic and international markets” (Ackah,Adjasi, & Turkson,2016:25).

Table 3: the key components of the country’s industrial policies on trade

2. “maintaining competitive real exchange rates; (2) improving the import/export regime; (3) establishment of the Ghana Competition Commission to deal with unfair international trade practices; (4) establishment of a National Agency for the Protection of Consumers; (5) promoting new goods and services; (6) taking full advantage of Preferential Access to markets such as Africa Growth and Opportunity Act (AGOA), European Union-African Caribbean and Pacific (EU-ACP), and sub-Saharan Africa (SSA) sub-regional trading blocs; (7) engaging fully in multilateral trade negotiations; (8) strengthening links between industrial and trade policies” (Ackah,Adjasi, & Turkson,2016:25)

The country, without doubt, has very strong industrial policies which if implemented could help it develop. However, the policies are only good on paper. It has gone through recycling since independence and not so much has been achieved. One would have thought that the presence of MNCs would have aided the country to achieve most of the industrial policies. This is, however, being yet to be seen.

4.1.4 Functioning institutions

The conditions under which FDI can be beneficial is dependent on both national and international conditions and institutions. Crotty, Epstein, & Kelly (1998) note that FDI is neither good nor bad. They observed that an upsurge in the mobility of capital within neo-liberal regimes is persistently creating massive constraints on both workers and states, and the effects of FDI is dependent on domestic as well as international conditions within which it occurs. They posit that “when FDI occurs in the context of high aggregate demand and high labor markets, effective regulatory institutions, and non-destructive competitive processes, it may indeed have a positive impact on nations and communities. In the absence of these conditions, FDI can have destructive economic and political consequences on both home and host countries” (1997:3).

Ghana could stand the opportunity to benefit from FDI if it had functioning institutions to initiate, monitor, regulate and protect the activities of the MNC in the country. Such institutions could equally be important in shaping government policies in not only attracting FDI but also creating a fertile environment for it to survive. As opined by Crotty, Epstein & Kelly (1998), “when FDI occurs in the context of high aggregate demand and high labor markets, effective regulatory institutions, and non-destructive competitive processes, it may indeed have a positive impact on nations and communities. Absent of these conditions, FDI can have destructive economic and political consequences on both home and host countries” (1997:3).

On record, the country has among others the following institutions: The Ghana Investment Advisory Committee (GIAC), the Divestiture Implementation Committee, the GIPC, the

Ghana National Petroleum Authority (GNPC), Commercial Courts, Commission on Human Rights and Administrative Justice (CHRAJ), Economic and Organized Crime Office (EOCO), and the various security agencies including the military and police services. Most of these institutions have been working effectively. EOCO since its inception in 2010 has shown some signs of effectiveness. For instance, in 2010, EOCO raided the offices of the Ghana Football Association(GFA). This was done after it received a search warrant from the high court. They took away some vital documents and computers from the GFA. The action of EOCO was due to alleged financial malfeasance involving tax laws and sponsorships. Also, in May 2011, EOCO together with the security agencies rescued 116 trafficked children. CHRAJ has also been very effective in charging its duties. It has embarked on educating the Ghanaian citizenry on human rights and corruption. It has also investigated cases of alleged corruption and impropriety under the whistleblower's act. The government also recently set up the office of the special prosecutor to deal with corruption-related cases as the corruption in the country is in the ascendancy. However, since the setting up of the office, the office seems to be neglected by the state as it has not been provided with adequate logistics. But the listed institutions, if given the opportunity to work holistically without interference, could achieve a lot for the country making it enjoy the presence of FDI. However, as most of the stated institutions are beset with serious bureaucratic challenges, corruption is also becoming a nightmare. Though it is predominantly experienced at the local level, of late, innocent foreign investors are also sometimes victims.

At the local level, corruption usually involves politicians, civil servants, and political appointees. Prominent and high profile corruption allegations in the country include the popular Alfred Woyome judgment debt scandal and the case involving the then president of Ghana, John Mahama, who was alleged to have accepted a four-wheel drive gift from a businessman from neighboring Burkina Faso who was bidding for three government contracts. The judicial scandal of 2015 which involved 32 judges, the passport office scandal, the Tema port scandal and the recent scandal involving the president of the Ghana Football Association (GFA) are some of the exposed corruption cases in Ghana.

Regrettably, foreign investors are fast becoming victims of corruption. A situation where foreign investors, for instance, are asked for favors from their contacts in Ghana. Undeniably, most foreign investors, as reported by the U.S Department of State, (2013), are duped in commercial scams, a development popularly called “419” in Ghana. It is sad that most of the perpetrators of these scandalous crimes are allowed to go free without the law dealing with them as it should be. Let it be emphasized that corruption in Ghana is endemic and the country has attracted global attention in this negative area. This has negative consequences in as far as the development of the country is concerned. According to Transparency International (2013) for instance, Ghana was ranked 63 out of 177 countries around the world in 2013. According to Afro Barometer, the country was also ranked 61 out of 174 countries in 2014. Transparency International further reports that the country is placed 70 out of 176 countries in 2016 and further fell to its lowest of 81 out of 180 countries in the 2017 ranking. Also, even though the World Economic Forum’s Annual Global Competitiveness Index (GCI) ranked Ghana’s institutions 72nd and 59th in

the world in the years 2015/2016 and 2016/2017 respectively, the report considered corruption to be the second major factor that affects the country's competitiveness. As noted earlier, this corruption problem could definitely have negative repercussions on the country. Undoubtedly, there is the need for mechanisms to be put in place to ensure that the country's institutions are functioning to be able to not only properly regulate the activities of MNCs but also to monitor and protect them where necessary.

4.1.5 Educational level

Well educated, skillful and enlightened human resources of a country are critical in a country's request to enjoy the influx of foreign investments. Margeirsson (2015) noted that for host countries to enjoy the benefits that FDI comes with such as technology, it must possess the requisite human capital driven by education. Borensztein et al, 1998 noted that FDI tends to have a positive effect when a host country has a highly educated workforce. The educated workforce in their opinion would create an opportunity for the citizenry to benefit from the spillovers of FDI. Without the literate and skillful population, the indigenes of a host country would not be able to fill the resource gap which, as argued by Saville and Lumby (1995), hinders growth and development. Knoema (2018), in looking at Ghana's adult literacy rate observed that the literacy rate of the Ghanaian population aged 15 years and older in 2000 stood at 57.9%. The rate increased to 71.5% in 2010 and moved further to 76.6% in 2015. According to the same report, youth literacy rate (15-24 years) in Ghana increased from 70.7% in 2000 to 85.7% in 2010, and then reached a record high of 90.6% in 2015.

Globally, the country is reported to be doing fairly well in education. According to Index Mundi, with a literacy rate of 76.6%, Ghana was ranked 121 out of 162 countries in the world in 2015. This is an improvement from its previous performance. Index Mundi had reported that Ghana's literacy rate in 1995 stood at 64.5% but sharply declined to 57.9 in the year 2000. The rate rose to 74.8% in 2003 and remained relatively around that figure until the year 2010 when it declined to 71.5%. After the drop in 2010, the literacy rate of the country has been increasing, reaching its highest with 76.6% in 2015. As reported by a UNDP 2018 Human Development Report on education index, Ghana was ranked 138 out of 187 countries in 2013. In the year 2018, however, the country is ranked 140 out of 189 countries in the world. The country's expected years of schooling for females and males, according to the 2018 statistical update of the UNDP, stood at 11.5 and 11.8 respectively and with 11.6 as the overall expected years of schooling (UNDP,2018a).

As can be seen from the ranking, compared with other indicators, the country is trailing in terms of education. The Cyprus mail in 2015 noted that Ghana was at the bottom of 76 countries worldwide in the biggest education league table released by the Organization for Economic Cooperation and Development (OECD). The organization received some backlashes from some people of Ghana as most of them did not agree with the report. However, time seems to have exposed the country thereby lending credence to the OECD report. A 2018 World Bank report on the Human Capital Index (HCI) ranked Ghana 116th out of 157 countries. The report made a damning revelation that owing to the poor quality of the country's educational system, 56% of the country's human capital is to go waste in

the next 18 years, and 44% of the children currently born in Ghana will not be productive when they grow up.

Regionally, the country is also performing poorly in as far as the literacy rate is concerned. A 2014 report by the African Economist pointed to the fact that out of 52 countries in the African Continent, the country's literacy rate was 57.90% placing it on the 33rd position. The country's immediate West African neighbors namely Togo, Cote d'Ivoire, and Burkina Faso placed 30th, 38th and 52nd positions respectively.

4.2 Summary and conclusion

Influenced and guided by Nunnenkamp's ideas on FDI but limited to his ideas on the conditions under which FDI can be beneficial to host countries, this subsection has sought to critically find out whether Ghana has in place the needed mechanisms to be able to enjoy the possible benefits of FDI. The analysis has been limited to the following critical areas: **political stability and autonomy, infrastructure, friendly investment policies, functioning institutions, and education.** Having examined the facts available, it is palpable that all the areas raised are fundamental and critical in the country's quest to benefit from the FDI as they play complementary roles. It is clear from this fact-finding literature that in areas such as political stability, the country stands tall in the West African sub-region and the entire continent at large, having had successful presidential and parliamentary elections since the country embraced multi-party democracy in 1992. Even in instances where there are disagreements, legal procedures are followed to address such disagreements. An assessment of the infrastructural standing of the country in terms of roads, ports, energy, railways, air transport, and information and communication

technology has also given the indication that the Ashanti region and Ghana at large can boast of substantial development in those areas. The country also has robust institutions such as EOCO, CHRAJ, GIPC, GNPC, GIAC, the office of the special prosecutor, the security services and the courts. Relatively, these institutions are doing their best in their respective line of duties. As a result, their contribution cannot be underrated in aiding the country to enjoy from the benefits of FDI. In terms of education, Ghana is not rated as highly in education compared to other criteria.

Having said that, however, it is also true that each of the critical areas looked at is without lapses. The country, for instance, may be enjoying a stable political environment at present. However, if not checked, current development in the country regarding the rise in vigilantism because of political expediency could derail the peace and stability in the country. In terms of infrastructure, the country needs to increase its effort, as most of the road network in the country is in a deplorable state. The country's rail network system, which began in 1898, is in a sorry state. Despite several false promises by the leadership of the country to develop it, there haven't been major changes. Electricity, which remains vital in powering industries, continues to be a national problem. It is also pathetic that the country having gained political independence more than sixty years ago and having only ten administrative regions does not have half of the regions connected via air travel as most of the regions do not have functioning airports. In terms of ICT, the country seems to be retrogressing in the global ranking. Education is fundamental in developing the human resource based of the country. However, having looked at the regional ranking on education, the country is not doing well. It does not have a high educational level. This is

not good for a country seeking to develop its human resource. It is also evident that the country has good industrial policies at least on paper. Though the country has initiated some good investment policies as pointed out in the discussion above, the results may not be visible. The country also has in place robust institutions through which it can attract and reap the benefits of FDI for development. However, most of those institutions are beset with serious bureaucratic challenges, resource constraints, neglect by the state, lack of power to enforce decisions and poor working relations with other state institutions. Also, corruption is becoming endemic.

Therefore, based on the evidence as provided and highlighted in the foregoing discussion, it may be true to assume that before Ghana can reap the full benefits of FDI for development, it must satisfy its infrastructural needs and strengthen its human and institutional capacities. In other words, the country needs to put more emphasis on infrastructure, education, develop its institutions, curb corruption and maintain its healthy, stable and peaceful political environment before it can fully benefit from FDI. Having said that, however, it would be good to know how the country has benefited so far from the long presence of FDI in the country. In line with this objective, a critical assessment is conducted into some key development indicators of the country. This represents an attempt to ascertain whether those indicators through which the development of the country can be measured are affected positively or not. This is presented in the next chapter.

5.0 EMPIRICAL PRESENTATION OF DATA ON MNC's CONTRIBUTION TO GHANA's DEVELOPMENT

The literature on the history of FDI in Ghana points to the fact that FDI presence in the country began increasing tremendously after the adoption and implementation of some neoliberal policies. Beginning from 1992 for instance, FDI net inflows (Bop, current US Dollar) was 22,500,000 USD. The figure increased tremendously to 3,485,33,000 USD in 2016. In general, the core motive of the Ghanaian leadership has been that once FDI is attracted into the country, the country would develop. This chapter thus seeks to empirically establish whether the upsurge of FDI in Ghana, especially beginning in 1992, has had some impact on the country's development. This is done by critically looking at certain development indicators such as growth rate, trade balance, poverty, unemployment, GDP per capita, and HDI. This would help establish whether there is a positive correlation between those variables and the presence of FDI in Ghana. However, it would be good to state in categorical terms that it is not possible to measure the direct or indirect impact of FDI through these parameters.

5.1 Ghana's GDP growth

GDP annual growth rate is one of the economic fundamentals used in measuring the growth of a country. A country is said to be developing when the annual growth rate is increasing. However, if the GDP growth rate of a country is declining, the country in an economic sense is assumed to be under developing or facing development problems. Without a doubt, the inflows of FDI into a country could positively impact the growth rate of the country's GDP. During the periods Ghana experienced political crises, especially

in the 1960s and 1970s, the presence of MNCs in the country was minimal, the country's GDP growth rate recorded negative values. In other words, Ghana had a falling GDP beginning from the 1960s. This got a bit stable in 1966 after the country's first coup d'état but it started falling again in the early part of the 1970s. However, after the adoption of neoliberal policies, especially the SAP, the economy was liberalized and FDI started to flow into the country. The country began to experience a positive GDP growth rate in the early 1980s. This could be attributed partly to the inflow of FDI in the country. Considering the period between 1975 and 1982 for instance, Ghana recorded negative FDI net inflows. During the same period, GDP annual growth rate was also negative. From the year 1983 when the country's economy was opened, there came some relative stability in both the figures of GDP growth (annual %) and FDI net inflows, (% of GDP). This is illustrated in **figure 6**. This, therefore, is suggestive of the fact that there is a correlation between FDI and GDP annual growth in Ghana.

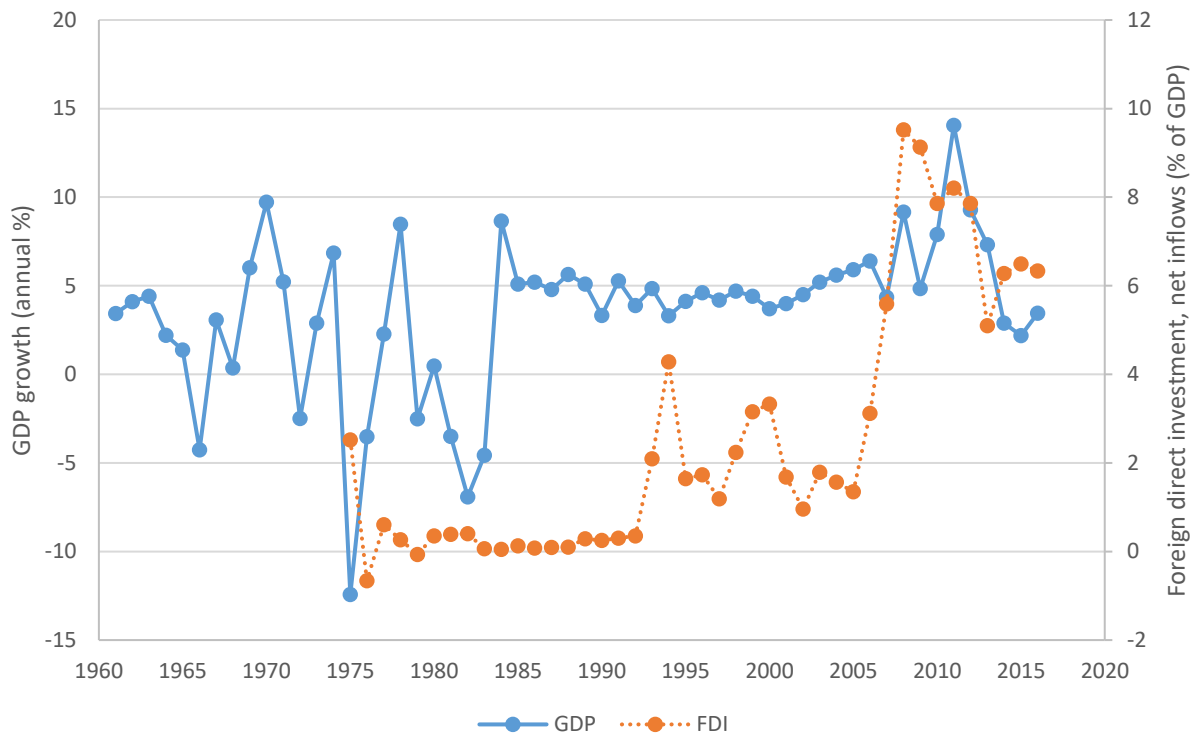


Figure 6: Ghana's GDP growth (annual %) from 1960- 2016, Source, the World Bank, 2017

5.2 Ghana's trade balance

Primarily, the trade balance of a country depends on the country's imports and exports. It is called a trade deficit when the trade results are negative, that is when a country imports much more than it exports or trade surplus when a country exports more than it imports. From **figure 7**, it can be concluded that Ghana has persistently recorded trade deficits, between 1995 and 2010. However, between 2011 and 2013, the country had a trade surplus. It again recorded trade deficits between 2014 and 2015. As reported by OEC and corroborated by the Bank of Ghana, in the year 2016, Ghana once recorded some trade surplus. The country as noted by the OEC was the 71st largest export economy in the world in 2016, with an export worth of 16.5 Billion USD, and an import worth 12.5 Billion USD.

Thus, the country recorded a trade balance of 3.97 Billion USD in 2016. The OEC reported that the country's top export was Gold, with an export worth of 9.4 Billion USD, followed by cocoa beans, 2.21 Billion USD, and crude oil, 1.19 Billion USD. The top imports are however cars, delivery cars, refined petroleum, cement, and non-fillet frozen fish.

The negative trade balance means the country imported much more than it exported. That in an economic sense means that the country consumes more than it exports, clearly creating the notion that Ghana is not self-reliant. This development can, however, be attributed to the fact that the country exports are usually in the raw state. In other words, the country exports raw materials and imports consumer goods making the economy highly dependent on global commodity prices.

From **figure 7** therefore, it may make sense to argue a point that Ghana's poor trade balance is attributed to the fact that only fewer MNCs are into manufacturing, a reasonable number is in the extractive (mining) and service sectors which either have less to export or export commodities in the raw state. Therefore, it doesn't look like rising FDI levels have improved the trade balance of Ghana too much. Ghana is still dependent on global commodity prices in terms of its exports. Looking to **figure 7**, it is possible to claim that MNCs operating in Ghana have increased Ghana's exports, but it is also possible that they increased Ghana's imports at the same time.

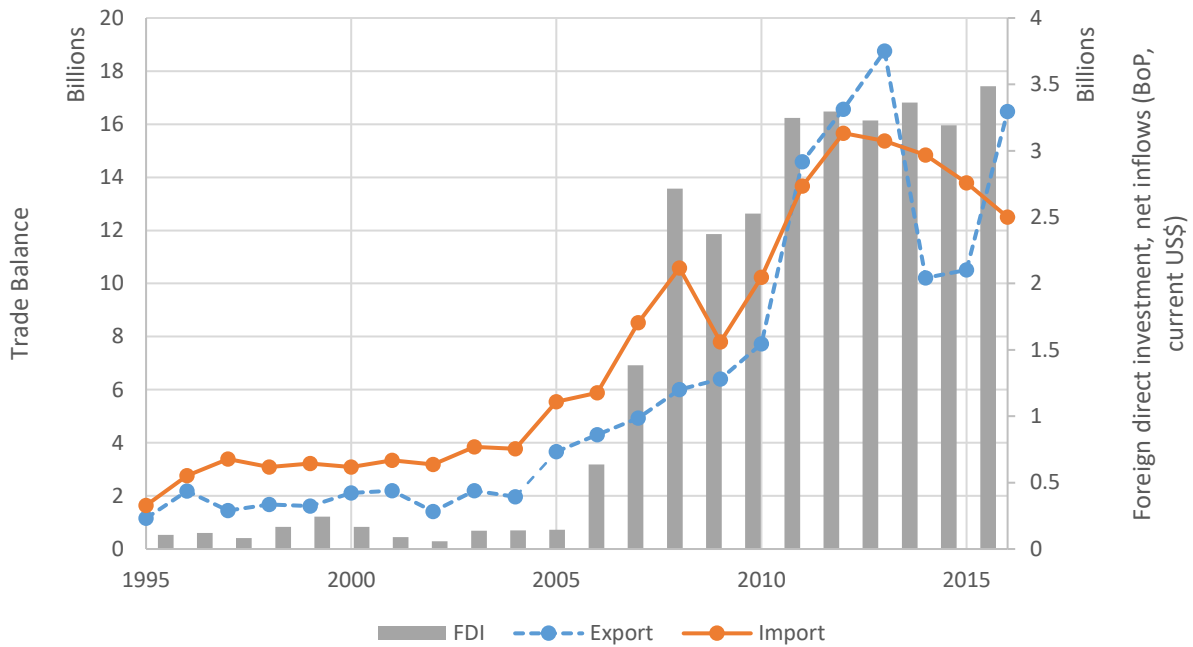


Figure 7: Ghana's trade balance between 1995 and 2016, source OEC, 2018

5.3 Ghana's HDI values and current rank

The Human Development Index (HDI) was developed in the 1990s through the ideas of an Indian economist Mahbub ul Haq, a Pakistani economist, and other scholars. The HDI is usually adopted by the UNDP to measure a country's development. In other words, the HDI is primarily a statistical tool which is used to gauge both the economic and social development of a country. "it is a summary measure for assessing long-term progress in three basic dimensions of human development in three basic: a long and healthy life, access to knowledge, and a decent standard of living" (UNDP,2018b:1). Ghana is one of the country's whose development in these areas has consistently been measured by the UNDP. Beginning in 1992, there seems to be a positive correlation between Ghana's development in terms of its performance using the HDI index and the inflow of FDI in the

country. The country, for instance, placed 140 out of 189 countries in the 2017 ranking by the UNDP putting it in the position of the medium human development category (UNDP, 2018). As noted by the UNDP, 2018, countries in Sub-Saharan Africa that came closer to Ghana and to some extent in population size were Cameroun and Kenya ranking 142 and 151 respectively. Between the period of 1990 and 2017, the data as provided in **Table 4** indicates Ghana’s progress in the HDI indicators, with the country moving for instance from the value of 0.455 in 1990 to 0.592 in 2017. “Between 1990 and 2017, Ghana’s life expectancy at birth increased by 6.2 years, mean years of schooling increased by 2.2 years and expected years of schooling increased by 4.0 years. Ghana’s GNI per capita increased by about 115.9 percent between 1990 and 2017” (UNDP,2018b:2). The trends of the various components are illustrated in **figure 8**.

Without a doubt, the said period also witnessed some kind of increase in the flow of FDI in the country as also shown in **table 4**. Ghana’s HDI increase has made it possible for Ghana to become part and parcel of the medium human development countries. It can thus be argued that there is a positive correlation between FDI inflows and HDI as the country’s increase in HDI ranking is occurring at the period the country is experiencing the influx of FDI.

Table 4: HDI trends in Ghana. Source, UNDP, 2018

	FDI net inflows% of GDP	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (2011 PPP\$)	HDI value
1990	0.25	56.8	7.6	4.9	1,897	0.455

1995	1.65	57.5	7.7	5.7	2,035	0.473
2000	3.33	57.0	8.0	6.1	2,214	0.484
2005	1.35	58.7	8.7	6.4	2,556	0.509
2010	7.86	60.9	10.9	6.7	3,011	0.554
2015	8.5	62.4	11.7	6.9	3,861	0.585
2016	8.16	62.7	11.6	7.1	3,889	0.588
2017		63.0	11.6	7.1	4,096	0.592

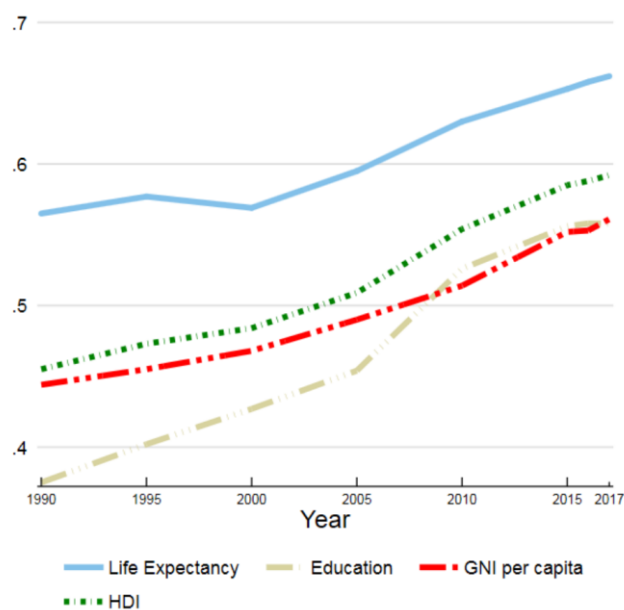


Figure 8: contribution of each component index to Ghana's HDI since 1990, Source, UNDP, 2018

5.4 Unemployment in Ghana

To be able to determine whether a country is developing or not, the unemployment rate is one of the core indicators considered. Ghana, just like any other developing country, has been faced with the problem of unemployment. Much poverty in the country is caused by lack of income due to unemployment or underemployment. According to the World Bank

and reported by the global economy, Ghana's average value on unemployment between 1991 and 2017 was 5.45%, with a minimum of 2.5% in 2015 and a maximum of 10.36% in 2000. However, the data provided on Ghana's unemployment rate seems to suggest that there is no positive correlation between unemployment and FDI flows in the country. By the year 1993, FDI net inflows in Ghana, the percentage of the country's GDP started to increase as shown in **figure 9** but the unemployment rate was also increasing. Between 1999 and 2000, FDI net inflows as a percentage of the country's GDP was increased as compared to the early part of the 1990s but surprisingly the year 2000 was the period the country experienced the highest form of unemployment in its history.

Also, in 2008 as FDI inflows were increasing, the unemployment rate did not decline. It rather increased a bit. In the year 2010, FDI inflows fell and the unemployment rate kept increasing. Between 2013 and 2015, whilst the inflow of FDI in the country kept increasing by some smaller margin, the unemployment rate remained constant during that period. From the period covering 2005 and 2017, the FDI inflows percentage of the country's GDP has been increasing yet still, unemployment though relatively declined but not as expected. Without a doubt, therefore, there is no positive correlation between employment and FDI inflows in Ghana. The figures for unemployment beginning from 1991 to 2017, and the FDI inflows percentage of Ghana's GDP are better illustrated using **figure 9**. Therefore, FDI is not creating significant employment opportunities for the people of Ghana. This could be attributed to the fact that most of the country's MNCs came into existence through acquisitions and mergers, and when a company is acquired, the probability that some of its already existing employees would lose their jobs is very

high. Also fundamental is the fact that Ghana, as noted in the previous chapter, is lacking behind in terms of education, but “foreign investors typically apply more advanced production technologies than local firms operating in the same sector, and FDI is frequently concentrated in relatively skill-intensive sectors” (Nunnenkamp,2004:667).

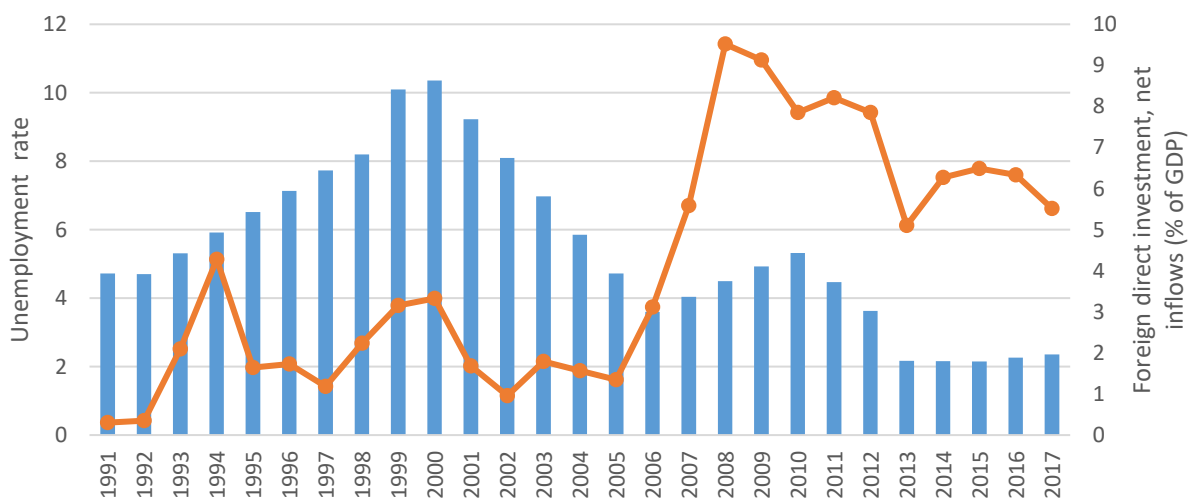


Figure 9: Ghana unemployment rate, 1991-2017, Source, the Global Economy.

5.5 Poverty trends in Ghana

The issue of poverty, since time immemorial, has been a global agenda and states have adopted measures to curb it. In the case of Ghana, poverty seems to be endemic and much of it is felt in the rural areas. The country’s road to poverty eradication gained traction during the era of the “lost decade for Africa” (Jeffrey,2006). A period in Africa in which Africa experienced political upheavals and economic crises. This catastrophic years (between the 1970s and 1980s) compelled the regime of Rawlings to adopt the Structural Adjustment Programme. As part of the conditions of the programme, the government had

to introduce user fees for education and health. This is said to have affected the poor and led to inequality between the elite rich in urban areas and the rural poor. “On realizing the social costs that the SAP was inflicting on the general populace, the Government of Ghana introduced the Programme of Action to Mitigate the Social Consequences of Adjustment (PAMSCAD)” (Sowa,2002:1). Since then, a number of measures have been adopted by different leadership of the country to reduce poverty in Ghana.

Even though there is a scholarly divide regarding how the country has fared in its bid to eradicate poverty, most scholars and international organizations are of the view that poverty in the country is falling. For instance, according to UNICEF (2016), “between 1992 and 2013, Ghana’s national level of poverty fell by more than half (from 56.5 to 24.2)” becoming the first country in Sub-Saharan Africa to reduce poverty by half thus achieving the Millennium Development Goal (MDG) 1 target. In **table 6**, Ghana’s whole poverty incidence was 51.7% in 1992. The poverty incidence for adults and children was 46.3% and 53.4% respectively. In the same year, the extreme poverty incidence in the whole country was 36.5%. That for adults and children stood at 31.9% and 40.5% respectively. By the year 2013, the whole country’s incidence of poverty was 24.1%, and that of adults and children stood at 20.6% and 28.3% respectively. In the extreme poverty incidence for the same year, the country’s total was 8.4% whilst that of adults and children stood at 7.0% and 9.9% respectively. This is illustrated in **table 6**. Without moving into specifics, it is palpable that beginning from 1992 when FDI in the country started to increase, poverty in the country also began to decline. Possible, FDI may be said to have

positively impacted the development of Ghana. However, despite the general reduction in poverty, the annual rate of

Table 5: distribution of the poor population in Ghana between 2006 and 2013, Source, UNICEF, 2016

	Distribution of the Poor		Distribution of the Poor (%)			Distribution of the Population		
	2006	2013	2006	2013	Change	2006	2013	Change
Urban	1,041,086	1,402,091	14.7	22	7.3	37.7	50.1	12.4
Rural	6,050,606	4,981,967	85.3	78	-7.3	62.3	49.9	-12.4
Total	7,091,692	6,384,058	100	100	0	100	100	0
REGION								
Western	514,737	507,416	7.3	7.9	0.7	10.1	9.2	-0.9
Central	456,322	438,835	6.4	6.9	0.4	8.8	8.9	0.1
Greater Accra	416,827	241,166	5.9	3.8	-2.1	13.9	16.3	2.4
Volta	618,168	773,051	8.7	12.1	3.4	7.5	8.7	1.2
Eastern	530,644	592,241	7.5	9.3	1.8	13.4	10.4	-3
Ashanti	894,264	766,148	12.6	12	-0.6	16.8	19.7	2.9
Brong Ahafo	692,635	727,607	9.8	11.4	1.6	9.2	9.9	0.7
Northern	1,490,584	1,326,048	21	20.8	-0.2	12	10	-2
Upper East	771,423	474,600	10.9	7.4	-3.4	4.8	4.1	-0.7
Upper West	706,083	536,943	10	8.4	-1.5	3.6	2.9	-0.7

poverty reduction has slowed down moving from an average of 1.8% points in the 1990s to 1.1% point in 2006. But the rate of extreme poverty reduction has not decreased since the 1990s. Considering the period between 2006 and 2013, it is revealing that urban

households have less rate of poverty as compared with households in rural areas. This is illustrated in **table 5**.

Regionally, as shown in **table 5**, the three Northern Regions have the highest poverty rates. Despite the high incidence, however, it is worth noting that in the case of the Upper East region, from 2006 to 2013, the poverty rate has experienced a significant drop, from 771,423 in 2006 to 474,600 in 2016. That is a drop from 72.9% to 44.4%. Though the Northern region also had its share of poverty-reducing during this period, the drop which is from 1,490,584 in 2006 to 1,326,048 (that is from 55.7% to 50.4%) in 2006 is not as significant as in the Upper East region. That, therefore, makes the Northern region the poorest region, with a home to 1.3 million poor people out of the national 6.4 million poor. As noted earlier, the reduction in poverty in Ghana could be partly attributed to the inflow of FDI especially considering the urban-rural and regional dynamics. The Greater Accra region where almost all MNCs are headquartered and which is the country's most populous region, is the least affected in terms of poverty. Also, most of the MNCs which have branches in other regions are usually located in urban areas. This could also help explain the dynamics of rural-urban poverty difference.

Table 6: National Poverty Estimates by Age Category 1992 – 2013, Source, UNICEF, 2016

	Poverty Incidence	Extreme Poverty Incidence
	1992 (old poverty line)	
All Ghana	51.7	36.5
Adults	46.3	31.9
Children (below 18)	53.4	40.5

	1998 (old poverty line)	
All Ghana	39.7	27.0
Adults	35.4	24.2
Children (below 18)	44.0	29.9
	2006 (old poverty line)	
All Ghana	28.3	18.0
Adults	24.6	15.5
Children (below 18)	32.5	20.8
	2006 (new poverty line)	
All Ghana	31.7	16.4
Adults	27.5	14.2
Children (below 18)	36.4	18.4
	2013 (new poverty line)	
All Ghana	24.1	8.4
Adults	20.6	7.0
Children (below 18)	28.3	9.9

The poverty situation in the country also affects children and not only adults. **Table 6** also provides some disturbing revelation regarding child poverty in Ghana. As noted from the table, in the year 1992, as adult's poverty incidence was 46.3%, that of children was 53.4%. The figures, however, suggest that between 1992 and 2006, the poverty incidence among children has been declining. But fast moving into 2013, results, as shown in the same table, reveals that for the year 2013, about 28.3% of Ghanaian children are still poor. That means about 3.65 million children out of a total child population of approximately

12.9 million are poor (UNICEF, 2016). That means the depth of poverty among children in Ghana is higher than that adults. The higher poverty among children can be attributed to the fact that most rural households in Ghana where poverty is usually pervasive do give birth to many children. This, without doubt, has negative effects on the development of children who are supposed to be the country's future leaders. Thus, the 2018 World Bank Human Capital Index report, as mentioned in the previous chapter, argues that 44% of children born in Ghana will not be productive when they grow up. This could be the direct results of the incidence of poverty among children.

It is worth stating that the presence of FDI in the country may not be the only factor that might have aided the reduction of poverty in Ghana. Without a doubt, the Ghanaian state just like many states has a critical role to play in reducing poverty and inequality in the country. This role is performed through enhancing or contributing to some social elements of development such as education and health. Without any contradiction, these two critical social elements are key to reducing poverty and inequality. Data provided by UNICEF and cited by Index Mundi suggests that the government's expenditure on health and education, both total (% of government expenditure) and total (% of GDP), has been very encouraging. This is illustrated in **figure 10 to 12**.

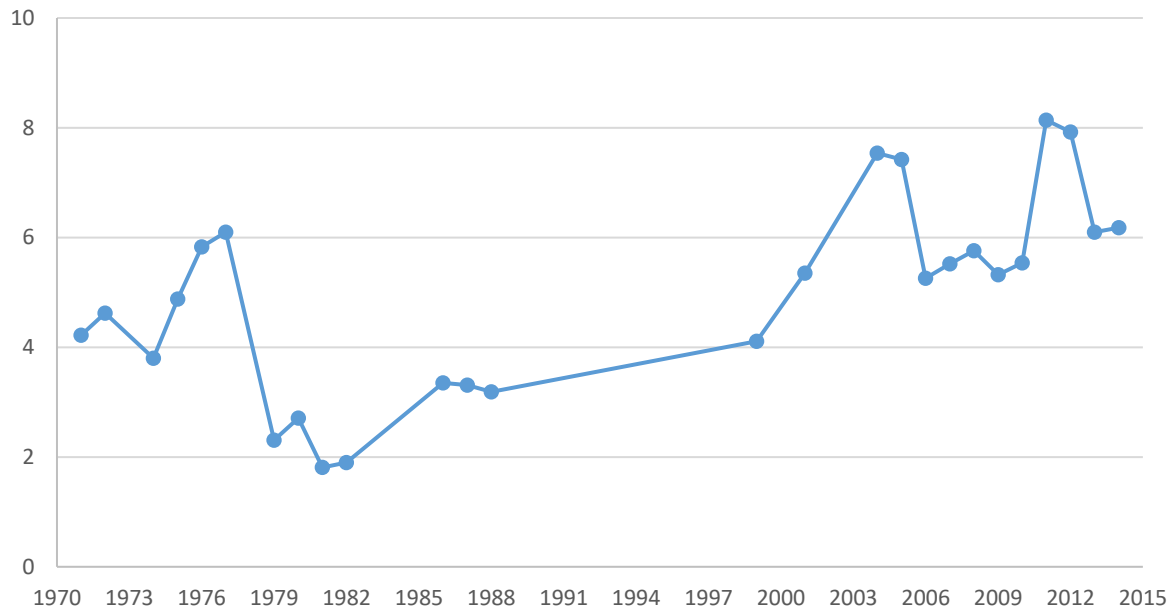


Figure 10: Government expenditure on education, (total % of GDP): Source, Index Mundi, 2019

From **figure 10**, it is observed that the Ghanaian government expenditure in relation to the total percentage of GDP stood at 8.14, the highest in 2011 and 1.81, the lowest in 1981. But from 1992 till 2013, the government's expenditure in relation to the percentage of the GDP has been increasing. Without a doubt, the said period also represented that moment when the overall poverty rate of the country reduced leading to Ghana achieving the MDG 1. This, therefore, makes it difficult to fully tie down the rate of poverty reduction to the inflow of FDI in the country. Yes, the high inflow of FDI could have positively impacted the rate at which poverty decreased, but certainly, other factors would have an influence too.

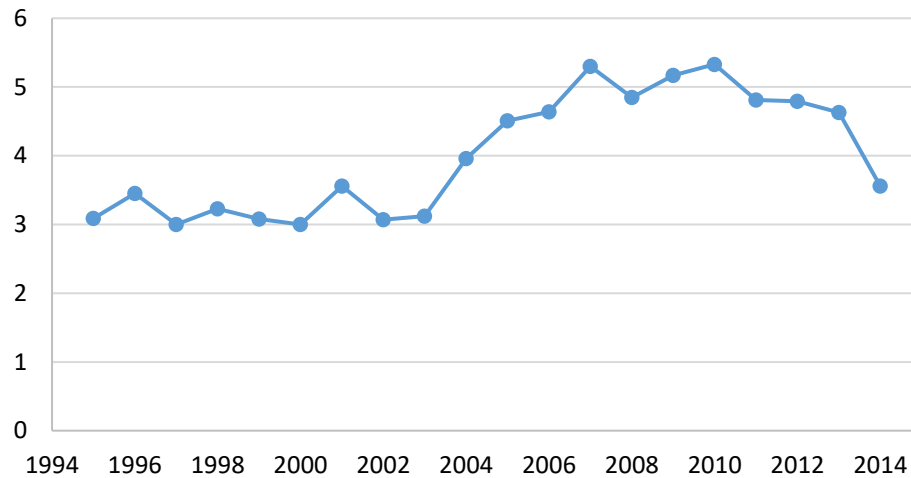


Figure 11: Health expenditure total (% of GDP): Source, Index Mundi, 2019

The health of a country's citizenry can be said to be one of the prerequisites for the reduction of poverty, inequality among others, thus facilitating development. Any serious state that therefore intends to develop could play a major role in ensuring that its citizens are fit in terms of the provision of services that would cover preventive and curative disease. The Ghanaian government has noticed this has since the 1990s and have dedicated some of the country's earning into the health sector. From **figure 11**, it can be seen that the Ghanaian government expenditure on health, the total percentage of GDP was 3. in 1997, the lowest, and 5.3in 2010, the highest since 1994. Without a doubt, the kind of expenditure in relation to the country's GDP spent on health could have a direct impact on reducing poverty.

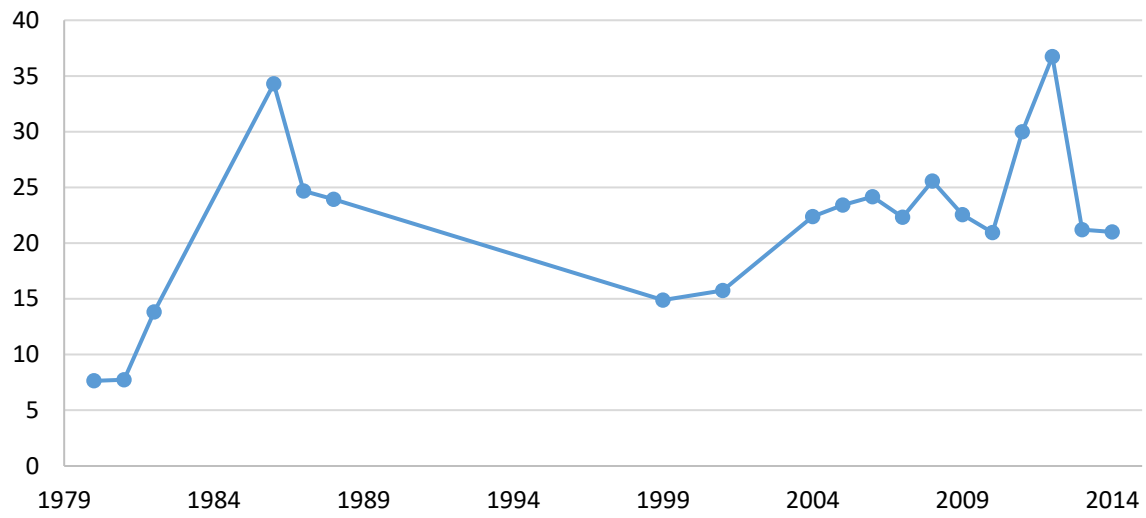


Figure 12: Government expenditure on education, (% of government expenditure) Source: Index Mundi, 2019

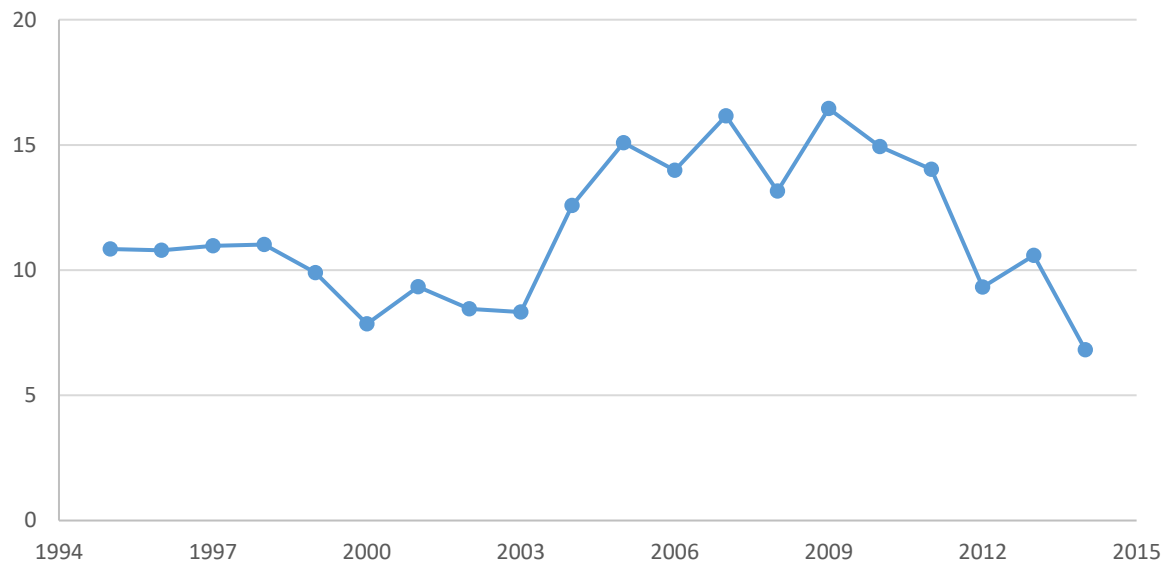


Figure 13: Health expenditure, public (% of government expenditure): Source, Index Mundi, 2019

Figures 12 and 13 represent government expenditure on both education and health, the total percentage of government expenditure. In the case of education, successive governments of Ghana have dedicated so much to improving education in the country. Even though the 1980s represents a turbulent period in the history of Ghana, as the country faced both economic and political shambles, the leadership of the country continued to spend on education. In 1982 for instance, as illustrated in **figure 12**, government expenditure on education, total (% of government expenditure) was 13.83. This increased to 34.31 in 1986. Even though with a sharp decline of 14.89 in 1999, the situation has improved again since 2001. It would be good to also add that constitutionally, basic education has been free in Ghana. This has been extended to the senior high level which took effect in 2017. Also, at the basic level, some selected schools especially those in deprived communities have been enrolled in the national school feeding programme, a policy initiative where school children are provided with free meals. On health, though not consistent, government expenditure in that area is also encouraging. Also, in the year 2003, president Kufuor abolished the cash and carry system making basic health care services free for every Ghanaian. All these could also, therefore, impact positively in reducing poverty. Therefore, FDI may not only be the sole factor that has aided the reduction of poverty in Ghana.

5.6 Inequality trends in Ghana

The country's inequality reduction is not keeping pace with its rate of poverty reduction. Statistically as shown in **table 7**, there has not been any decline in Ghana's inequality as inequality has increased between 1992 and 2013. From the period 1992, with the exception of the Greater Accra Region, all the remaining nine regions of Ghana experienced rising inequality just as in the case of poverty increasing in the rural communities of Ghana.

Regionally, the inequality between the South and the North is persistent as the highest level of inequality is found in the Northern Region with the Upper West Region recording 0.440 Theil figure, followed by the Northern Region with 0.322 Theil as shown in **table 7**. UNICEF (2016) observed that the difference between the North and the South account for 10% of national inequality and inequality between the urban and rural communities account for 17.6% of Ghana's inequality as of 2013.

Table 7: Ghana inequality estimates, UNICEF, 2016

	1992		1998		2006		2013	
	Gini	Theil	Gini	Theil	Gini	Theil	Gini	Theil
National	0.373	0.249	0.388	0.259	0.406	0.301	0.409	0.296
Decomposition by region								
Western	0.326	0.190	0.324	0.198	0.355	0.227	0.368	0.233
Central	0.338	0.200	0.332	0.188	0.388	0.278	0.370	0.254
Greater Accra	0.354	0.223	0.300	0.158	0.410	0.323	0.356	0.220
Eastern	0.327	0.192	0.346	0.198	0.319	0.186	0.365	0.243
Volta	0.339	0.197	0.304	0.160	0.346	0.206	0.402	0.318

Ashanti	0.376	0.256	0.380	0.240	0.377	0.253	0.371	0.240
Brong Ahafo	0.349	0.224	0.333	0.190	0.357	0.217	0.369	0.244
Northern	0.400	0.285	0.389	0.291	0.400	0.272	0.413	0.322
Upper West	0.326	0.203	0.316	0.161	0.413	0.360	0.477	0.440
Upper East	0.346	0.195	0.316	0.176	0.399	0.274	0.395	0.276
Within regions	.	0.221	.	0.198	.	0.255	.	0.250
Between regions	.	0.028	.	0.061	.	0.046	.	0.046
The share of 'between regions' inequality in total inequality		0.112		0.236		0.153		0.155
Decomposition by urban/rural								
Urban	0.347	0.213	0.349	0.206	0.373	0.257	0.373	0.242
Rural	0.342	0.212	0.369	0.239	0.366	0.238	0.389	0.277
Within urban/rural	.	0.212	.	0.224	.	0.248	.	0.254
Between Urban and rural	.	0.037	.	0.035	.	0.053	.	0.041
Share of 'between urban/rural' inequality in total inequality	0.149	0.160	0.135	0.155	0.176	0.192	0.139	0.176
Decomposition by north/south								
North	0.382	0.255	0.375	0.269	0.424	0.312	0.423	0.330
South	0.363	0.237	0.362	0.226	0.378	0.265	0.391	0.270
Within North/South	.	0.240	.	0.230	.	0.270	.	0.276
Between North and South	.	0.009	.	0.029	.	0.031	.	0.020
Share of 'between north/south' inequality in total inequality	0.036	0.057	0.112	0.151	0.103	0.163	0.068	0.101

inequality in total inequality								
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From the data on equality and poverty, it is noted that as poverty is declining, the same cannot be said of inequality. From this development, therefore, it can be argued that granted FDI has positively impacted the growth in Ghana, the benefits can be said not to be evenly distributed as the gap between the poor and the rich keeps widening. This could be attributed to the fact that “the labor demand for foreign investors is biased towards higher skills and the wage premium paid by multinational corporations in developing countries is larger for skilled workers than for unskilled workers” (Nunnenkamp, 2004:667). It is the unskilled labor who lives in more dire conditions.

5.7 Chapter summary and discussion

This chapter has presented some of the data for the study. It has also provided discussion on some of the research questions raised earlier. From the discussion above, it is palpable that MNCs could have impacted the development of Ghana in diverse ways. Fundamentally, MNCs have contributed to the growth of the Country’s GDP. In consonance with the data provided and examined, it is observed that there is a positive relationship between FDI and GDP growth. This finding validates the findings of Samuel et al (2013). It is also in consonance with the empirical research findings of Sakyi, Commodore & Opoku (2015), Boakye & Gyamfi (2017) and Tee, Frank & Rebecca (2017) on the relationship between FDI and economic growth in Ghana. It is as well in consonance with other empirical literature elsewhere as it is supported by the work of Graham & Wada (2001) for China.

The research has revealed that the country started recording a positive GDP growth rate consistently after the adoption of the neoliberal policies, which opened the country to FDI. An increase in GDP means the state gets increased revenue and the government can prosecute some developmental projects with the help of that revenue. “The positive and statistically significant long-run impact of FDI on economic growth in Ghana can be justified on the fact that FDI, which hitherto was concentrated in the mining sector, has in recent times been channeled into more viable sectors of the economy. Key among the latest recipient areas of the Ghanaian economy are the banking, the telecommunication, and the crude oil sectors” (Sakyi, Commodore & Opoku,2015:8). The viewpoint of Sakyi, Commodore & Opoku is buttressed by the fact that the service sector in Ghana since 2006 has been the major contributor to the economic development of Ghana, specifically in terms of GDP. In 2007 for instance, the sector’s contribution to national GDP was 50.2% as against the industry, 20.7% and agriculture 29.1%. By 2017, the service sector was contributing 59.5% to Ghana’s GDP as against 21.1% by industry and 19.4% by the Agricultural sector. In specific terms, key MNCs in the service sector contributing greatly to the country’s GDP is the telecommunication sector. For example, it is reported by Balance Act Africa (2008) that MTN Ghana, an MNC in the telecommunication sector contribution to the GDP of Ghana moved from 1.8%. to 6% between 2000 and 2005, and almost doubled (10%) in 2008.

The country’s shift from the concentration of FDI in the mining sector to other viable areas could be attributed to the fact that most mining MNCs are contributing less to the nation's development as they use means such as tax concessions that has the potential of

resulting in the reduction of the country's revenue. For instance, in the mining sector, corporate tax was reduced up to 45% in 1986, and 25% in 2011. Also, a 259 million USD tax concession given to AngloGold Ashanti, a mining MNC in Ghana in 2018 in its revamping effort is one of the examples of the means mining MNCs use to siphon money from the state. What makes the case of AngloGold worst in as far as mobilizing state revenue is that "in the agreement, they are reducing corporate income tax that is supposed to be for mining companies which are 35 percent. In the case of Ashanti Gold, they are giving it to them at 32.5 percent" (Opoku, 2018). In a comprehensive research report by Action Aid concerning tax and investment in Ghana, the organization noted that the country could be losing 1.2 billion USD annually to tax, this represents about half of Ghana's annual budget for education. Therefore, concentrating FDI in the mining sector could have affected the country greatly in terms of its revenue mobilization. It is also worth mentioning that the mining firms mostly create enclaves thus ignoring the development of the local economy.

But it should also be stated that tax concessions could also be a tool that can be used to spur the economic growth and development of Ghana. In 2012 for instance, due to economic difficulties in the country, the government of Ghana introduced tax concessions to promote the use of local raw materials. Guinness Ghana Breweries Limited (GGBL), a manufacturing MNC in Ghana took advantage of this initiative and came out with the Ruut extra beer exclusively made from cassava. Through its brilliant initiative, the Local Raw Material (LRM) programme, the firm has been able to provide income for a reasonable number of farmers across the country, thereby improving their lives. The

programmes which started in 2012 currently source up to 48% of raw materials from farmers. In 2013 for example, cassava production was **15,989.90 (mt)**. GGBL bought **3,527.00 (mt)**. The quantity bought increased to **6,409.70 (mt)** in 2015 as against **17,212.70 (mt)** that was produced. (MOFA, 2015). It should be noted that the Agricultural sector employs about 50% of the Ghanaian population (Oxford Business Group, 2017) and cassava alone contributes 22% of the Agricultural GDP of Ghana (GIPC, 2017). Therefore, tax concessions have both benefits and effects and is dependent on how it is used.

From the data presented in this chapter, there is evidence that there is no positive correlation between FDI and the country's trade balance. In other words, the study does not support any correlation between FDI and trade balance in Ghana. That would mean that the interaction of FDI and exports in facilitating growth and development in Ghana is questionable. This thus suggests that the results do not validate the Bhagwati hypothesis. Sakyi, Commodore and Opoku (2015) had empirically proven that the interaction of FDI and exports have been crucial in fostering growth in Ghana. The data reveals that despite the increase in the flow of FDI in Ghana, especially beginning in the 1990s, the country has persistently recorded some trade deficits, with imports always exceeding exports. The 2016 trade surplus should not, however, fool policymakers and the government of Ghana into believing that the country is on track to improve on its trade balance. In the year 2013, the country as shown **in figure 7** recorded some encouraging trade surplus but this did not continue in the years that followed.

From the data discussed in this chapter, it is palpable that FDI in the country might have also facilitated the reduction of poverty. It is noted from the data that during the period of the influx of FDI in Ghana, poverty began to decline. The finding thus is in consonance with the analytical reasoning and empirical findings of Graham (2000). According to Graham (2000), FDI in developing countries help to better the welfare of workers in those countries. It, however, contradicts the research findings of Chou (2004) whose research revealed that a mining MNC in Ghana has contributed to the worsening of the poverty situation in its areas of operation. However, it should be noted that the relationship between poverty reduction and the influx of FDI may not necessarily be direct but indirect as argued by Obwona (2004), a situation in his view where the taxes paid to the state by the MNCs and their contribution towards export growth and productivity could lead to poverty reduction. Having said that, however, the study reveals that the government's expenditure on social services such as education has been tremendous. This could positively also have contributed to poverty reduction. The studies regrettably establish no positive correlation between FDI and inequality as the gap between the rich and the poor keeps increasing. This could, therefore, mean that, if FDI impacts positively on Ghana's development, only a handful of the population are benefiting. As also observed by Nunnenkamp (2004), relatively skilled workers may stand the chance of benefiting significantly more than unskilled workers, who can reasonably considered to be poorer than the skilled workers. This could also be interpreted to mean that the handful of the Ghanaian population who may be benefiting from the presence of FDI in the country are the skilled ones. And in as much as there exist a distinction and a gap between the skilled and the unskilled, inequality in Ghana is bound to persist.

The study, whilst relying on a UNDP report covering the period between 1990 and 2017, has noted that the country has been improving well in the HDI barometer making it possible to become part of the medium human development countries. Having looked at both the HDI and FDI figures as tabulated in **table 4**, it is evident that there is a positive correlation between the indicators. As HDI figures are improving, so does the figures on FDI inflows.

From the literature, it is also observed that there is no positive correlation between FDI and employment generation in the country. FDI inflow into the country keeps soaring, yet the unemployment rate of the country is not declining. This findings, therefore, does not support the findings of Ramstetter (2013) and the GIPC as cited by Aryeetey (2004) who both argued that MNCs are employment generating avenues. On the contrary, Ajayi: (2006, 15) opined that FDI provides employment opportunities in host countries in three different ways; first direct employment for operations in the domestic economy, the second is through backward and forward linkages. Employment is created in enterprises that are suppliers, subcontractors or service providers; the third way in which employment is created is through the growth in the economy that leads to further employment generation in the economy". Based on the view expressed by Ajayi (2006), it may be possible to suggest that FDI has impacted Ghana's development through the creation of job opportunities using that medium.

As noted from the objectives of the study, the chapter intends finding out whether MNCs contribute to the development of Ghana or not. The chapter explained that, although it is not possible to talk about a direct link between FDI and development, FDI might have

affected some aspects of Ghana's development positively such as GDP growth, HDI, and poverty reduction. Despite that, it might also have failed to contribute in other aspects such as inequality, trade balance and employment.

6.0 CONCLUSION

As part of the objectives of this study, an attempt has been made to put into historical context the kind of FDI policies Ghana has adopted in the past. An attempt has also been made to critically enquire whether MNCs have impacted the development of Ghana. The nature of their impact and Ghana's readiness to enjoy the benefits of FDI are also looked at. To be able to achieve the intended purpose, the study is divided into six chapters.

The **first chapter**, which also contains these research objectives, presents overview information of the MNC, the hypothesis, the research questions, and the theoretical framework. Nunnenkamp's (2004) heterogeneous nature of FDI is adopted as the theoretical framework. In **chapter two**, a literature review of the three primary schools of thought, liberalism, Marxism, and Mercantilism are discussed. The discussion highlighted the absence of agreement on the contribution of MNCs to the development of developing countries. **Chapter three** presents the historical background of FDI in Ghana since independence. The chapter started with a brief history of Ghana. The chapter also noted that many liberal policies have been pursued by the leadership of the country to attract FDI, but however, not much has been derived from the presence of FDI in the country. In **chapter four** the literature considers the general conditions under which a country can benefit from FDI. In the same section, the conditions in Ghana in terms of political stability, infrastructure, functioning institutions, and friendly investment policies are examined. This is a conscious attempt to find out whether Ghana has in place the necessary conditions to enjoy the benefits associated with FDI. The study reveals that Ghana is doing relatively well in some areas but at the same time performing poorly in other areas. In

chapter five, the main data for the study is provided. The data covers on GDP, HDI, trade balance, unemployment, poverty, and inequality. All these critical areas are critically examined to gauge the relationship between development and FDI in Ghana. In the final chapter, a conclusion is drawn and the limitations of the research, and recommendations are presented.

Based on the aforementioned objectives, three primary research questions are raised. The first primary question seeks to find out the kind of FDI policies Ghana has adopted in the past. Based on the first research question, it is hypothesized that the kind of FDI policies Ghana has adopted in the past are neoliberal policies mainly focused on opening Ghana more to FDI rather than on getting the most benefit from them. The study thus supports the first hypothesis. From the study, it is noted that two fundamental issues might have influenced Ghana's policies during the period under study. First, the kind of policies that would make Ghana an attractive destination for FDI, which are neoliberal policies, and second, the focus has been placed on quantity and not quality. Without a doubt, the 1980s catastrophic economic and political conditions conditioned the adoption of these neoliberal policies in Ghana. With imports declining over 33%, export-earning declining over 52%, inflation reaching 100% and GDP almost zero in the 1980s, (Konadu – Agyemang, 2000). The country was on an economic downturn and the only option by then was the adoption of the neoliberal policies.

Though the country might have experienced growth in economic terms after the adoption of the neoliberal policies, and the inflow of FDI, after more than three decades of the adoption of the neoliberal policies, the country is still backward as it still battles with

inequality, unemployment and trade balance. It also still depends on aid and loans to finance its budget, export raw materials and struggles to meet its infrastructural needs. The country's backwardness can partly be attributed to the same neoliberal policies that it hastily adopted. As evident from the literature, the country, for example, privatized most of the state-owned enterprises. However, history has taught us that industrialization played a central role in the development of countries such as Malaysia and South Korea. Without a doubt, the aforementioned countries could have their own peculiar situations, but Ghana possibly would have been better in terms of social and economic development if the industries were maintained and properly regulated by the state.

The second research question seeks to find out the MNC impact on Ghana's development. In line with this question, it is hypothesized that the MNC's might have positively impacted Ghana's development, and the MNCs impact may be seen in the areas such as **Human Development Index (HDI), trade balance, unemployment, poverty, inequality, growth rate, and GDP per capita**. The study to a reasonable extent supports this hypothesis. The contribution of the MNC to Ghana's development is also felt in areas such as the GDP growth rate, poverty eradication, and the HDI. However, as noted from the findings, the study has not been able to establish any positive correlation between FDI and some indicators such as trade balance, and inequality.

The third research question is aimed at finding out whether Ghana has the necessary conditions to be able to enjoy the benefits associated with FDI. A fourth hypothesis, therefore, states that Ghana has some of the necessary conditions, yet it does not benefit from FDI. This claim is supported by the facts provided. From the facts provided, it is

observed that though the country is doing relatively well in areas such as political stability, infrastructure, friendly investment policies, and functioning institutions, it is still lacking behind in certain critical areas, such as education. As compared to other countries, the country's performance in education is not encouraging. As Borensztein et al, 1998 noted, FDI tends to have a positive effect when a host country has a highly educated workforce. The educated workforce in their opinion would create an opportunity for the citizenry to benefit from the spillovers of FDI.

The secondary research question primarily seeks to find out the kind of specific roles MNCs do play that might impact Ghana's development. The aim here is to narrow the roles of MNCs to Ghana's development in the areas of its development indicators. From the study, it is glaring that the roles MNCs play towards the development of Ghana directly relates to their contribution towards employment generation, poverty eradication in the country. Another noticeable way the MNC impacts Ghana's development is how the MNC contribute to the country's GDP.

6.1 Evaluation of findings

As opined by Nunnenkamp (2004), FDI can contribute to the developing of developing countries based on two critical conditions: developing countries been attractive to foreign investors, and having conducive environment for investors to operate. From the study, it is palpable that Ghana has may be said to have met the first condition as it embarked on several neoliberal policies to liberalize the economy. Beginning from the early part of the 1980s, the country successfully implemented both the first and second-generation neoliberal policies. In other words, the literature reveals that Ghana, just like any

developing country has become so reliant on the policies of the IMF, the World Bank and other multilateral organizations thus having their political and economic policies been shaped by some of these institutions. The leadership has been following the mainstream ideas of development. In following these mainstream ideas of development, policies have been implemented to help open the Ghanaian economy for FDI, thinking it is the catalyst for development. Even though the country has attracted lots of FDI especially beginning from the 1990s, it is observed that the results emanating from FDI in terms of its contribution to national development is not as desired. That, therefore, suggests that the uncritical embrace of this mainstream idea for more than three decades now have not been able to solve the critical developmental needs of the Ghanaian state. The problem as observed from this study emanates from five fundamental factors.

First, the failure of leadership to strategize, and design domestic policies outlining the expected benefits the nation wants to derive from FDI. All along, the initiation and implementations policies and decrees have been designed towards attracting FDI, but not managing it. As a result, tax concessions are given mostly without conditions to favor the state. The country should, however, be guided by the fact that it is not the quantity but the quality of FDI that matters.

Second, the country's failure to put emphasis on the kind of FDI to attract is problematic. All along, the FDI in the country has been a plethora of mergers. The giant oligopolistic MNCs in the country are all brownfield and not Greenfield MNCs. However, the literature on FDI states that FDI in the form of Greenfield is better. **Third**, Nunnenkamp (2004) noted that the host country's conditions are important if they want to enjoy the benefits of

FDI. However, it appears that the conditions in the country contribute significantly to its inability to derive maximum benefits from FDI. As noted from the literature, the country after more than sixty years of political independence is still lacking some basic infrastructure. The worst is its performance in education. It should be noted that the country's quest to enjoy the benefits of FDI would be a mirage if the country does not have the necessary human resource to absorb the spillover effects of FDI. Also, even though the country has in place institutions such as EOCO, CHRAJ, the office of the special prosecutor among others, it is noted that mostly some of those institutions are handicapped in terms of resources making it difficult for them to diligently discharge their duties.

Fourth, the literature points to the fact that the dependency syndrome that affects most developing countries in real in Ghana. According to the study, the country to a larger extent has been experiencing negative trade balance despite the huge presence of FDI in Ghana. This phenomenon suggests that the country is highly dependent on other countries for survival as its exports are almost exclusively raw materials as opposed to its imports which are mainly consumer manufactures.

Lastly, the capacity of Ghana is also questioned. However, without state capacity, the country would not be able to enjoy the benefits of FDI.

The leadership of the country must, therefore, begin to think outside the box. In line with that and in consonance with the research findings, the following are recommended. The

recommendations could also be of use to other developing countries who are not only following the mainstream ideas of development but also hosting MNCs.

To begin with, a comprehensive national policy detailing how and what the state intends to get from FDI should be designed. Emphasis should be put on the kind of FDI and Greenfield investments must be encouraged. Thus, the government's flagship policy of one district one factory should lay emphasis on Greenfield investments. However, the Ghanaian state should note that, under the current structure of the global economy, there cannot be any development strategy without obstacles. Therefore, placing emphasis on Greenfield investment could come with some challenges and the state must be prepared to deal with it.

The country must also work in improving the conditions in the country such as infrastructure and education. From the analysis, it is seen that even though the literacy rate in the country is not encouraging, there also seems to be a mismatch between employment and education. We have a situation where many graduates are unemployed. Most of them do not have employable skills. Therefore, the Ghanaian state should develop sound educational policies and emphasis should be placed on technical and vocational education. Through this, the country can produce scientist, engineers, technicians and other high professional personnel who would, without doubt, develop employable skills.

On the issue of tax incentives, far from arguing that the government should not provide tax incentives, but the state can be selective. The 2012 tax concession the state awarded manufacturing firms in the country using local materials, for instance, made it possible for

a company like GGBL to contribute in diverse ways towards national development. Quite apart from been selective, the government should also put in concrete measures to reduce the kind of tax incentives it gives out to MNCs. In doing that, the state can save some money to push into other areas (such as education, health, water, good roads among others) that could serve two purposes, one as a catalyst to attract FDI into the country, and two as means to reap the benefits of FDI.

Also, the state should try as much as possible to diversify the economy and as well add value to most of the raw materials been produced and exported. More so, the people of Ghana should be educated on the need to consume or buy made in Ghana goods. With these measures, the always negative balance of trade of the country can be corrected. In addition, the capacity of the state and its institutions should be enhanced. Without state capacity and proper institutional framework, the country would not be able to benefit from FDI.

6.2 Limitations of the study

This study, just like any other study in the social sciences is not without key challenges and limitations. This challenges or limitations span from data collection to its analysis. Central among the challenges is data acquisition. Primarily, the research uses secondary and the authenticity of this data cannot be guaranteed. Data provided by some state institutions and international organizations sometimes appear to be contradictory. The situation is much more visible when trying to compare and contrast the data that is chained out by some of these international organizations. Critical for example is the figures on Ghana's trade balance. The differences noticed as in figures provided by most of these

organizations is huge. The research had to, therefore, rely on one whose figures and analysis come close to the Bank of Ghana report.

Also, even though this study has provided information on a number of development indicators, with a conscious effort to find out the relationship existing between FDI and Ghana's development, the final results can be said to be without precision. In the case of the relationship between FDI and both unemployment and inequality, for instance, the study lacked the participation or inputs of the Ghanaian population. This could, therefore, pose a threat to the data analyzed.

Lastly, even though it is in the research findings that MNCs, in general, contribute to the development of Ghana, this is without precision. The conclusion could be out of the fact that the data used in the analysis points to that direction. The study does not establish clear links between FDI and development.

Further studies can be conducted on how MNCs contribute to national development using sole primary data. An attempt should be made to move away from the use of economic fundamentals to the use of social indicators. Also, further studies can be conducted on the issues of MNCs and human rights abuses in the country. Focus can be on specific corporations' contributions.

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