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# PROSPECTS AND CHALLENGES OF THE GHANA INVESTMENT PROMOTION CENTRE (GIPC) IN PROMOTING FOREIGN DIRECT INVESTMENT IN GHANA

# PERSPEKTYWY I WYZWANIA STOJĄCE PRZED GHANA INVESTMENT PROMOTION CENTRE (GIPC) W PROMOWANIU ZAGRANICZNYCH INWESTYCJI W GHANIE

**Abstract**

*The purpose of the study was to examine the prospects and challenges of the Ghana Investment Promotion Centre (GIPC) in promoting foreign direct investment in Ghana. Descriptive survey research design was employed for this study. The populations of interest for this study are staff and management of GIPC. Convenience sampling method was adopted. The main instrument that was used to gather data was an open-ended questionnaire. The study found that the GIPC is mandated to 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; initiate and support measures that will enhance the investment climate in Ghana for both Ghanaian and non-Ghanaian enterprises. The study found inadequate infrastructure, inhospitable regulatory environments, macroeconomic instability, inadequate Employees, inadequate support from Investors and financial challenge as the major challenges facing GIPC in promoting FDI. Moreover, the study also found the following as the strategies that can be used to effectively to promote FDI in Ghana; providing financial support to GIPC, getting enough infrastructure to facilitate the activities of the Centre, appointment of qualified staff to occupy positions in the GIPC, employing more employees to help GIPC to effectively carry out its mandate, registration should be relatively easy and the entire process of establishing a business in Ghana should not be complex, provision of hospitable regulatory environments, ensuring macroeconomic stability, investment generation and facilitation and reducing minimum equity requirements*

***Keywords:*** *Challenges, Foreign, Direct Investment, Ghana Investment Promotion, Prospects, Enterprises, Development, Manufacturing, Africa*

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**Streszczenie**

*Celem tego badania jest eksploracja perspektyw i wyzwań, stojących przed Ghana Investment Promotion Centre (GIPC) w zakresie promowania bezpośrednich inwestycji w Ghanie. W badaniu zostało wykorzystana metoda opisowych badań ankietowych. Populację stanowiły współpracownicy i menedżerowie GIPC. Została wykorzystana technika wygodnego doboru próby. Głównym narzędziem do zbierania danych był otwarty kwestionariusz ankiety. W badaniu zostało ustalono, że GIPC ma mandat do kształtowania polityki i planów wsparcia inwestycji, zachęt promocyjnych oraz strategii marketingowych, które przyciągną zachodnie i lokalne inwestycje do przemysłu technologii zaawansowanych oraz usług, wymagających wysokich kwalifikacji, które mają dobre perspektywy rynkowe; do rozpoczęcia oraz wsparcia środków, które poprawią klimat inwestycyjny w Ghanie jak dla przedsiębiorstw z Ghany, tak i spoza kraju. Jako główne wyzwania stojące przed GIPC w promowaniu FDI w badaniu zostały wykazane niezadowalający poziom rozwoju infrastruktury, nieprzyjazne otoczenie regulacyjne, niestabilność makroekonomiczna, nieodpowiedni poziom pracowników, nieodpowiednie wsparcie inwestorów oraz wyzwania finansowe. Ponadto w badaniu zostało wskazane strategie, które mogą być wykorzystywane efektywnie do promowania FDI w Ghanie. Jest to zabezpieczenie wsparcia finansowego dla GIPC, uzyskanie odpowiedniej infrastruktury dla ułatwiania działań Ośrodka, zatrudnienie wykwalifikowanej kadry w ramach GIPC, zatrudnianie większej liczby pracowników w celu efektywniejszego wykonania przez GIPC swoich zadań. Rejestracja działalności powinna być prostsza, a cały proces rozpoczęcia biznesu w Ghanie nie powinien być złożony. Potrzebny jest także przyjaźniejsze środowisko regulacyjne, zapewnienie stabilności makroekonomicznej oraz generowania inwestycji oraz facylitacja i zmniejszenie minimalnego wymogu kapitałowego.*

***Słowa kluczowe:*** *Wyzwania, zagraniczne bezpośrednie inwestycje, wsparcie inwestycji w Ghanie, perspektywy, przedsiębiorstwa, rozwój, przemysł, Afryka*

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## Statement of the problem in general outlook and its connection with important scientific and practical tasks.

### Background to the Study

Foreign Direct investment (FDI) is defined by the International Monetary Fund (IMF) and Organization for Economic Co-operation and Development (OECD) as investment made to acquire a lasting interest in or effective control over an enterprise operating outside of the economy of the investor (Awuah, 2005). FDI is also defined by the Investment, Economic and Financial report as an investment, which is made to serve the business interests of the investor in a company, which is in a different nation distinct from the investor's country of origin. Foreign Direct Investment is the most significant source of private capital flows to Sub-Saharan Africa contributing about a fifth of Gross National Formation (Dennis, 2010). It has also been recognized that the maximizing benefits of

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FDI for the host country can be significant, including technology spillovers, human capital formation support, enhancement of competitive business environment, contribution to international trade integration and improvement of enterprise development (Kurtishi-Kastrati, 2002). Moreover, further than economic benefits, FDI can help the improvement of environment and social condition in the host country by relocating 'cleaner' technology and guiding to more socially responsible corporate policies. All of these benefits contribute to higher economic growth, which is the main instrument for alleviating poverty in countries according to (Kurtishi-Kastrati, 2002).

Foreign direct investment (FDI) plays an extraordinary and growing role in global business. It can provide a firm with new markets and marketing channels, cheaper production facilities, access to new technology, products, skills and financing. For example, a host country or the foreign firm which receives the investment, are also provided with a source of new technologies, capital, processes, products, organizational technologies and management skills, and as such can provide a strong impetus to economic development (Okyere, 2010).

**Statement of the Problem**

Foreign direct investment (FDI) in developing economies has grown rapidly following financial and political transformation. To increase their share of FDI inflows, most countries have eased restrictions on foreign direct investment, strengthened macro stability, privatized state-owned enterprises, instituted domestic financial reforms, capital account liberalization and granted tax incentives and subsidies. Ghana for instance through the Free Zones Act, 1995 and the Ghana Investment Promotion Act 1994 has granted certain tax incentives and investor protection policies to attract foreign investors and also make the environment conducive for their operations.

Policy makers believe that FDI can contribute to faster economic growth by bringing additional capital, creation of jobs and the transfer of technology and knowhow across international borders. Because of these benefits, countries in recent times have set up institutions whose sole purpose is to undertake activities that are geared towards the promotion of FDI according to (Hardin & Javorcik, 2011). The Multi-lateral Investment Guarantee Agency (MIGA), in a study in 2009, identified 213 Investment Promotion Intermediaries (IPIs) in 181 countries. This confirms the assertion that countries now attach importance to investment promotion activities. This also means that, there is keen competition between countries to attract FDI.

However, the small existing literature on investment promotion suggests that investment promotion is a cost-effective way of attracting FDI to developing countries (Harding & Javorcik, 2011). At the same time the results for industrialized countries appear to be mixed. While Bobonis and Shatz (2007) and Charlton and Davis (2006) provide evidence suggesting that investment promotion is associated with higher FDI inflows into developed countries, Head, Ries and Swenson (1999) and Harding and Javorcik (2011) do not find any significant effect of investment promotion efforts in developed countries. The Ghana Investment Promotion Centre (GIPC), which is the lead agency of the Government of Ghana with the responsibility to promote and facilitate investment in all sectors of the economy, was first established in the early 1960's and has since undergone several transformations. These changes resulted in the change of its role which used to focus on investment screening, to its present role of promotion and facilitation. The Ghana

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Investment Promotion Centre (GIPC) was mandated (GIPC Act 478), to promote and facilitate investment in all sectors of the economy with the exception of core mining and petroleum, free-zones activities, portfolio investments and the divestiture of State owned enterprises, is faced with stiff competition from other attractive Investment Promotion Agencies (IPA) in their quest to attract more FDI.

Despite the introduction of GIPC to increase the inflow of FDI in Ghana, according to Aryeetey, Barthel, Busse, Loehr, and Osei (2014) Ghana has not received much FDI in manufacturing and assembly sectors which, on average, offer higher positive growth effects through spill overs in the long run. Among the most important reasons for not receiving more FDI, we identified access to land, property registration and the labour market (regulations, availability of skilled labour, labour productivity). It is against this background that the study seeks to examine the prospect and challenges of GIPC in promotion of FDI in Ghana.

**Research Objectives**

The main objective of the study is to examine the prospects and challenges of the Ghana Investment Promotion Centre (GIPC) in promoting foreign direct investment in Ghana. However, the study specifically seeks to;

1. Examines the mandate of Ghana Investment Promotion Centre (GIPC) according to GIPC Act 865.
2. Find out the challenges that Ghana Investment Promotion Centre (GIPC) faces in promoting foreign direct investment in Ghana.
3. Identify strategies that can help Ghana Investment Promotion Centre (GIPC) to effectively promote foreign direct investment in Ghana.

**Research Questions**

Base on the research objectives, the following research question will be formulated to guide the study;

1. What are the mandates of Ghana Investment Promotion Centre (GIPC) according to GIPC Act 865?
2. What are the challenges that Ghana Investment Promotion Centre (GIPC) faces in promoting foreign direct investment in Ghana?
3. What are the strategies that can help Ghana Investment Promotion Centre (GIPC) to effectively promote foreign direct investment in Ghana?

**Significance of the Study**

A study of this nature is very imperative in so many ways. First of all, the study as a whole it would contribute to the body of knowledge in this area of study. The study would also serve as a guide for policy makers to assess the performance of institutions and programmes which have been set up to attract FDI. Again, the study would help identify the challenges that Ghana Investment Promotion Centre (GIPC) faces in promoting foreign direct investment in Ghana. Knowledge of this will help policy makers to come out with policies to alleviate the challenges that GIPC faces in executing their mandate. Moreover, the study will suggest ways that can also be of help to policy makers in dealing with the challenges they face.

**Delimitation of the Study**

The study will be restricted to only the management of Ghana Investment Promotion Centre. Again, the study will be restricted to the mandates of GIPC, the challenges they

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face in promoting foreign direct investments and the suggestions that can help enhance their quest to promote foreign direct investments.

Limitation of the Study

The study will make use of descriptive survey design which has demand characteristics or social desirability of participants, sometimes referred to as response bias. This happens when respondents give responses in keeping with what they consider was expected of them. When this happens, it is likely to affect the results.

**Organization of the Study**

This study is will be organized into five chapters. The first chapter deals with the general introduction of the study, background to the problem, statement of the problem, objectives of the study, research questions, and significance of the study, delimitation and limitations of the study. Chapter Two of the study deals with the review of related literature. It presents the theoretical framework, conceptual framework and empirical review. Chapter Three presents the methodology employed in the study including: the research design, population, sample and sampling procedure, research instrument, validity and reliability of instrument, data collection procedure and data processing and analysis procedure. Chapter four of the study deals with the presentation and analysis of results as well as the discussion of the findings of the study. Chapter five concludes with a summary of the study, presents conclusions based on the findings, and makes recommendations.

## Analysis of latest research where the solution of the problem was initiated.

**The nature of Foreign Direct Investment**

There is no single definition of what constitutes foreign investment. According to Juillard and Carreau, the absence of a common legal definition is due to the fact that the meaning of the term investment varies according to the objective and purpose of different investment instruments it contains (Juillard & Carreau, 2007). Foreign investment activities could widely be defined on varieties of factors including; green-field investment, mergers and acquisitions, provision of long-term financing to subsidiaries, obtaining a license to explore natural resources or operate/construct infrastructure projects, acquisition of real property, controlling or holding an interest in a domestic entity, and offshore transactions which result in actual control of a domestic company being transferred to a foreign investor (Juillard & Carreau, 2007).

The concept of foreign investment involves the international movement of capital from one geographical area to another (Sornarajah, 2010). Foreign investment denotes that foreigners have an active role in management as a part of their investment. FDI and Foreign Portfolio Investment (FPI) are the two major forms of foreign investment. FDI is when there is a transmission of a perceptible and imperceptible asset from a business entity which has bulk of its shares directly and indirectly in the custody of another business entity of foreign nationality into the host country with full or fractional control of the owner of the asset. This is normally done with the intention of creating wealth in the host country (Södersten, 2004). FDIs occur when a company invests in a business other than it domicile country. For a private foreign investment to be considered as an FDI, the investing company must have at least 10% of shares in the foreign company (Nelson, 2016). Thus, the parent company is the investing company while the foreign company is the subsidiary company. FPI is investing in financial assets, such as stocks or

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bonds, in a foreign country. FPIs occurs when foreign investments are made by a company and it does not provide the investor with direct ownership of financial assets and is relatively liquid depending on the volatility of the market. Whereas an FDI allows the investing company to own shares of the subsidiary company, an FPI may be more temporary (Nelson, 2016).

There is strong empirical evidence that FDI flows are less volatile than other capital flows (e.g., IMF, World Economic Outlook (2007)), and a widespread impression that FDI is somehow better for growth and development than other capital flows. While empirical support for FDI being better for growth is mixed, there is evidence that given certain country prerequisites, FDI does in fact lead to better growth outcomes (e.g. Borensztein, de Gregorio & Lee (1995). These qualities of FDI have led to substantial interest among policymakers on the factors that might attract FDI flows. FDI brings in new technology which enhances productivity. Also, FDI has demonstration effects on domestic firms from technology choice and new managerial practices. Notwithstanding, by helping to train local staff, FDI contributes to human capital development, to the extent that FDI increases growth, it contributes to poverty reduction and hence increases political stability. Moreover, FDI brings in much needed foreign exchange to pay for capital and intermediate goods.

As contained in the Balance of Payment Manual: Fifth Edition (BPM5) (Washington, D.C., International Monetary Fund, 1993) FDI refers to an investment made to acquire lasting interest in enterprise operating outside of the economy of the investor (UNTAD, 2002). By FDI, we mean international capital flows in which a firm in one country creates or expand a subsidiary in another. Rotjanapa, (2005) also defined it as an investment involving a long-term relationship and reflecting a lasting interest and control of a resident entity in one economy (Foreign direct investor or parent enterprise) in an enterprise resident in another economy (FDI enterprise or affiliate enterprise or foreign affiliate). Thus, an investment made to acquire lasting interest in the enterprises operating outside the economy of the investor is FDI (UNCTAD, 2002). FDI implies that the investor has significant degree, partial or full control or influence on the management of the enterprise resident in the other economy. The most distinctive feature of FDI is that it involves not only the transfer of resources but also the acquisition of control (Krugman and Obstfeld, 2009). Components of FDI are equity capital, reinvested earnings and other capital (UNCTAD, 2002). The different determinants of FDI represent a fundamental focus of literature on FDI flows.

**Foreign Direct Investment in Africa**

Foreign Direct Investment in Africa, since the early 1980s and the ascendance of the "Washington consensus",many economists have shifted to the belief that a more liberalized economy will promote more economic growth and development. Consequently, many international institutions have encouraged free trade, opening the economy to foreign direct investment along with a host of other policies that endorse free market operations. In fact, the implementation of such policies became a precondition for receiving any assistance from such institutions. In recent years, these policies have come under intense scrutiny, as the implementation of them has had undesirable effects in many countries (Caffentzis, 2002; MacEwan, 2000).

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Much of the literature devoted to FDI in Africa has focused on the influence of macroeconomic variables. Per capita GDP, GDP or GDP growth, invariably have been included in many of such researches. Aseidu (2005) for instance, contended that the higher levels of GDP positively affected FDI. Similarly, Mhlanga, Blalock, and Christy (2009) demonstrated that GDP, in the log form, promotes FDI flow to the Southern African Development Community region. On the other hand, Anyanwu (2012) showed that GDP per capita did not have a positively significant association with FDI flow in Africa. However, the real GDP growth lagged one period had a positive influence on the flow of FDI to the region. As a measure of macroeconomic instability, inflation rates have been utilized in many researches. Mhlanga, Blalock, and Christy (2009) and Aseidu (2005), for example, found that inflation rates had a negative effect on FDI. Another macroeconomic variable utilized is country openness to trade. Sawkut, Boopen, Taruna, and Vinesh (2007) argued that the openness of an economy to trade has a positive effect on FDI. Dinda (2008) in analyzing factors determining FDI to Nigeria concluded that openness is a significant determinant of FDI to Nigeria. Dinda (2008) utilized the ratio of imports and exports to GDP as an appropriate measure of openness.

In recent decades, a Neo-Liberal philosophy has been overtaking economic policy. The neo-liberal ideology follows that all human activities can be essentially considered as "commodity and the best way (leading to the greatest satisfaction possible) is to organize these activities through a market" (Caffentzis, 2002, p.89) Throughout the 1980's, the major international institutions such as the International Monetary Fund(IMF) and the World Bank began pushing for major market reform overhauls across the globe, mainly in developing countries. The primary aim of such overhauls was the liberalization of the world economy. Success of such policies is subject to debate even in developed countries that have the necessary resources and infrastructure at their disposal to implement them. However, the rapid implementation of liberal economic policy in developing countries that lack such resources and infrastructure are even more problematic (MacEwan, 2000). Again, International investment theory explains the flow of investment capital into and out of a country by investors who wants to maximize the return on their investment. The main factor that influences international investment is the potential return on alternative investments in the home country or other foreign markets. This theory is largely determined by the opportunity cost of investment. This is to say that international investors compare various investment alternatives and select the opportunity that is likely to maximize returns. International investment theory is defined by two general types of foreign investment: foreign portfolio investment and foreign direct investment. These two investment types have specific implications on how a firm decides to invest in a foreign market in the first place. However, the focus here is on foreign direct investment. With the opportunity cost of investment by investors in mind, the GIPC woo these investors through their promotion activities by highlighting a stable and conducive environment for investment, stable currency, good returns on investment, access to the regional markets and liberal tax system in the country. These was done through the distributing of the Centre's printed promotional materials, presentations at fora and seminars, an interactive website, providing investors with incentives and investment promotion missions. FDI is in fact an important vehicle for the transfer of technology, contributing to growth in larger measure than domestic investment taking into account the threshold of human capital.

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There is also a strong complementary effect between FDI and human capital, that is, the contribution of FDI to economic growth is enhanced by its interaction with the level of human capital in the host country. FDI may support the expansion of domestic firms by complementarities in production or by increasing productivity through the spillover of advanced technology.

**Forms of Foreign Direct Investments**

FDI can be in the form of inflows referred to as Inward Direct investment which constitute the value of investment made by non-resident investors in the reporting economy whereas outflows which is known as the outward direct investment, involving the transfer of assets and liabilities by resident investors to other countries. Some likely questions that some managers of MNCs might ask before establishing their companies abroad are; where exactly to locate their businesses and how to control them. Little attention has been given to locational decisions in literature (Buckley, Devinney, & Louviere, 2007). Locational decisions can be affected in two ways; some firms would want to invest at places where they are familiar with, while others would prefer less of destinations that are closer, familiar or have similar markets. Foreign investors deliberately choose to invest outside their home countries for several purposes. They include but not limited to; acquiring natural resources, cheap labour and gaining access to new markets that cannot be gotten domestically.

As pointed by Dunning (1993), four types of FDI can be identified with regards to the eclectic paradigm; resource seeking or supply oriented FDI which looks out for the extraction of natural resources like minerals, oil and even unskilled labour; market seeking or demand oriented focuses on meeting the needs of a specific foreign market, strategic asset seeking which tends to augment the Ownership advantages while minimizing those of competing firms and finally, efficiency or rationalized seeking FDI is designed to promote a more effective specialization of resources available in host and domestic countries (Alcantara & Mitsuhashi, 2012; Dunning, 2000). The resource and market seeking FDIs are mostly associated with first-time investments especially in developing economies.

According to Dunning (2000), strategic asset seeking is dependent on the intellectual endowment in host countries which when tapped into, will be of immense benefit to foreign firms. He further stated that efficiency seeking FDI will be worthwhile if the foreign firm is already producing in at least one country. Inward FDI is the focus of this research. According to Slangen & Beugelsdijk (2010), horizontal FDI is referred to as market-seeking activity whereas vertical FDI is related to the extraction of natural resources or further production of intermediate goods by interlinked affiliates. Therefore, vertical activity can comprise of both natural resource seeking and efficiency seeking. These are among the influences for most developed countries. The opportunities existing in host countries determine the level of attractiveness of these countries. Host countries with low production cost, abundant resources, large market size and/ or high technology would attract efficiency seeking, resource seeking, market seeking and strategic seeking respectively. Also, Asiedu (2002) indicated that market seeking primarily serves the local market and sometimes include the neighbouring countries and non-market seeking FDI involves producing domestically and exporting these produces to serve the market abroad.

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Furthermore, Musila & Sigué, (2006) added a category of FDI (same as the vertical type) which is the extractive type which involves the derivation of natural resources in host countries. They indicated that this type of FDI give rise to conflicts in the domestic countries therefore many developing countries prefer the export-oriented FDI since it is less likely to result in conflicts.

**Importance of FDI**

The Handbook on Promoting Foreign Direct Investment in Medium Sized, Low Budget Emerging Markets identifies core reasons why FDI should be encouraged and prompted in a host country. They are outlined as follows;

Job Creation: FDI does not only create jobs for the foreign affiliates but also creates jobs for suppliers and other stakeholders. The FDI Market database estimates the jobs created through FDI was well over 4 million through Green field and expansions in 2008. Export Market Access: FDI that are usually motivated by market and production are more often export oriented. This export orientation leads to an opening or a further opening of the host country to international trade.

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

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

Innovation: "FDI can be a key source of foreign exchange in countries with low savings or access to capital" according to Abosi.13 He also identifies the benefits of FDI to a host country as being:

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

**Current trends of FDI in Ghana**

Until recently, FDI was not fully embraced by African leaders as an essential feature of economic development, reflecting largely fears that it could lead to the loss of political sovereignty, push domestic firms into bankruptcy due to increased competition and, if entry is predominantly in the natural resource sector, accelerate the pace of environmental degradation (Dupasquier & Osakwe, 2005). Ghana was among the first countries in Africa to pursue economic reforms. Yet FDI trends have not been sustained, and Ghana has not been able to reap the benefits that a more stable inflow of investments could bring (UNCTAD, 2003).

Ghana has a long, though modest, history of FDI. The early foreign establishments date back several centuries. In more recent times – the 1970s – FDI was mainly in import

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substitution manufacturing. Annual inflows were as high as $68 million for about two years, but were much less in most years, even slipping to negative numbers (net outflows) in the late 1970s, and hovering at under $5 million in the mid-1980s (UNCTAD, 2003). With the introduction of the Economic Reform Programme (ERP) in 1983, Ghana undertook a relatively successful transition from an administrative system of economic management to a market economy. The share of FDI to gross fixed capital formation in Ghana rose (from 1980 to 1992) but still below the African average (Boateng & Glaister, 1999). By 2007, it rose dramatically to 16.14 percent (the highest ever) from 15.23 percent in 2006.

Gross domestic product (GDP) grew at an average annual rate of 5.4 percent between 1984 and 1990 and gross fixed capital formation (GFCF) doubled as a percentage of GDP. FDI remained sluggish during the period 1991-1995, but Ghana was considered a front runner, ranking among the top 10 investment locations in Africa (UNCTAD, 2003). Ghana has always instituted extensive joint programmes through legislature and administration of investment codes since the mid-60s (Boateng & Glaister, 1999). There was an increase in FDI which was triggered by the adoption of policies in 1986 to attract investment in natural resources. FDI to SSA countries tends to be natural resource based, mainly in extractive industries (Asiedu, 2001). Investor response to the new mining law enacted in 1986 was positive, causing a surge of investment similar to a mini "gold rush" (UNCTAD, 2003). The divestiture programme also attracted FDI. The primary aim of this programme has been to increase local control of key economic sectors while utilizing foreign expertise to do so (Afriyie, 1988).

When privatization began in 1988, there were 350 State-owned enterprises (SOEs). The programme got on to a slow start. Chhibber and Leechor (1993) and Appiah-Adu (1999) both acknowledged that Ghana is among a few countries in South Saharan Africa to implement economic reforms aimed at sustainable economic growth and development among which was liberalization of FDI regulatory framework. A turning point came in 1994, when the Government put its most prized asset, Ashanti Goldfields Corporation (AGC), on the market. There was an abrupt peak in FDI flows of $233 million as a result of the sale of AGC to the South African mining company, Lonmin. This deal, one of Africa's largest privatization to date, put Ghana in the spotlight for international investment (GIPC, 2000). FDI also flowed to services (Banking, Telecommunications, etc).

After 1996, FDI inflows declined and Ghana barely just made the ranks of the top 20 FDI recipients in Africa in 1996-2000 (figure I.2). Many of Ghana's neighbours such as Senegal and Côte d'Ivoire, which attracted less FDI than Ghana in 1991-1995 – have had a comparatively better experience in recent years (UNCTAD, 2003). The main deterrent to new FDI was the deterioration in economic conditions. In 1998 and 1999, Ghana's economy suffered a shock with the fall in prices of its major exports – cocoa and gold – and the rise in price of its major import, oil resulting in severe trade imbalances a rapidly depreciating currency and high interest rates, accompanied by an expansionary fiscal policy, yielded unsustainable budget deficits, (UNCTAD, 2003).

FDI inflows recovered in 2000. The policies introduced by the new Government, which took office in January 2001, have helped stabilize the economy. A restructuring of debt under the Heavily Indebted Poor Countries (HIPC) programme took place. But the decline

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of worldwide FDI in 2001 has deterred inflows to Ghana as elsewhere. FDI inflows as a percentage of gross fixed capital formation to Ghana stood at 16.1 percent in 1999, declining to 9.6 percent in year 2000. It decreased further to 7.1 percent in 2001 and then to 4.0 percent in 2002, (UNCTAD, 2003). In terms of geographical location of new investments projects, the Greater Accra region has the bulk of the Ghanaian infrastructure, followed by the Ashanti region, then the Western and Central regions. The least developed regions in terms of infrastructure which recorded little or no investment flows are the Upper East and Upper West Regions respectively (Boateng & Glaister, 1999).

The UK leads the league of foreign investors in Ghana with over 12 percent of the projects, followed by Germany and India with 8 percent each. The others representing about 42 countries contribute about one-third of the projects (Boateng & Glaister, 1999). South African investors now play a major role in the mining industry. They also focus on domestic market opportunities, particularly in brewing and the distributive trade. Interesting recent developments as signalled by GIPC data has shown that Asian investors account for the largest investment in registered projects: for example, China, India and Malaysia were increasingly important in the recent bout of privatization. Malaysian companies have invested substantially in the telecommunications and telephone sector, including television and film, infrastructure and the provision of services for the free trade zone (UNCTAD, 2003).

Ghana has a long, though modest, history of FDI. The early foreign establishments date back several centuries. In more recent times – the 1970s – FDI was mainly in import-substitution manufacturing. Annual inflows were as high as $68 million for about two years, but were much less in most years, even slipping to negative numbers (net outflows) in the late 1970s, and hovering at under $5 million in the mid-1980s. With the introduction of the Economic Reform Programme (ERP) in 1983, Ghana undertook a relatively successful transition from an administrative system of economic management to a market economy. Gross domestic product (GDP) grew at an average annual rate of 5.4 per cent between 1984 and 1990 and gross fixed capital formation (GFCF) doubled as a percentage of GDP1. FDI remained sluggish in the years immediately following the start of reforms, accounting for less than 1 per cent of GDP. However, it soon picked up, and during the period 1991-1995, Ghana was considered a front runner, ranking among the top 10 investment locations in Africa.

**Impact of FDI in Ghana**

As earlier on mentioned in this study, Ghana's portion of FDI inflows is almost negligible, although it has risen in recent years. Ghana, like many other African countries, relies heavily on natural resources in its attraction of FDI inflows and is thus able to attract flows to only few sectors within the economy. The impact of FDI is therefore felt in those specific sectors and in few other areas, mostly in the areas of capital formation, employment generation and technology transfer (GIPC, 2007).

**Capital Formation**

FDI contribution to Ghana in terms of capital formation has been about 5 per cent from 1996-1999 (UNCTAD, 2002), still low compared to the average for SSA. By and large, ODA inflows formed about 50 per cent of the formation of capital in Ghana between the periods 1990-1999 (UNCTAD, 2002). Most of these ODAs were linked to FDI projects

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as long-term loans and grants. These funds also contributed to infrastructural development and not only that but also the establishment of FTZs and customs rehabilitation. Then came a period, 1993-1998, when there was a rise in portfolio investment complementing FDI flows in the area of privatization in the formation of capital (UNCTAD, 2002).

**Employment generation, technology and skills transfer**

In terms of job creation, technology and skills transfer, FDI has played an enormous role in Ghana and this also has a multiplier effect in the economy. According to the GIPC estimates of registered projects, FDI has generated about 72,384 jobs for the Ghanaian population and about 4,652 for non-Ghanaians between the periods of 1994-2002. An UNCTAD survey of small and medium sized enterprises (SMEs) with linkages to foreign firms or export activity shows that firm size has increased in the last five years (2003-2008). Out of 83 projects registered during the second quarter 0f 2009 alone, 56 (67.47%), were wholly-owned foreign enterprises and 27 (32.53%) were joint ventures between Ghanaians and their foreign partners with about 4,457 jobs believed to have been created. 92.15% (4,107) of the total jobs to be created will be for Ghanaians and the remaining 7.85% (350) for expatriates (GIPC, 2009).

FDI has also aided significantly to the increase in the stock of technology in Ghana by providing machinery and equipment and at the same time helped in the build-up of local industrial capabilities by contributing to skills formation. This is particularly evident in the area of natural resources exploration such as mining, where the use of capital-intensive technology has developed a pool of trained labour. Product improvement, constituted the most relevant support to local firms, followed by training, provision of machinery and equipment together with information on market opportunities (UNCTAD, 2002).

**Government Policy**

Since Ghana is yet to start drilling its newly discovered oil, the government has not yet put in place any policies with regards to the use and management of the oil revenues that would be received. Thus, we are going to review literature of Ghana government policy with regards to FDI.

In recent years, there have been a lot of reforms in national policies in Ghana and Africa as a whole all aimed at attracting further FDI. In the early 1980s Ghana embarked upon economic reforms to reverse economic decline, and to generate sustainable growth and development under the auspices of the IMF (Boateng & Glaister, 1999). Some of the key areas that were considered for reforms were Liberalisation of FDI regulatory framework, Economic stabilisation including reduction in fiscal deficits, Privatisation, rationalisation and restructuring of SOEs and in the development and upgrading of physical infrastructure.

In 1994, Ghana's Parliament enacted and promulgated the Investment Promotion Centre Act to regulate all FDI activities in the country. This act is aimed at easing the establishment of businesses and attracting investment. It created the Ghana Investment Promotion Centre (GIPC) to deal with all aspects of the FDI regulatory framework, in sectors covered by the Act.

The UNCTAD World Investment Report (2006) is quoted as saying that " recognizing that an investor-friendly admission phase has a beneficial effect on the subsequent

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relationship between host and investor, countries such as Ghana and Mali have reformed their admission procedures by introducing one-stop shops". Although this Investment Act makes no mention of specific standards of investor treatment, Ghana's track record of investor treatment has shown that it is non-discriminatory to investors from any part of the world. Investment treaties which most often spell out and guarantees better treatment standards have been entered into by Ghana. Ghana has entered into more than 20 BITs with a number of capital-exporting countries. Most of these agreements were signed and ratified between1989 and 1992 and a number of others have been signed but are still awaiting ratification (UNCTAD, 2006).

In addition to the BITs, some treaties for the avoidance of double taxation have also been entered into with others still under negotiation. Ghana's Constitution prohibits the compulsory taking of private property without compensation. The GIPC Act reflects this, guaranteeing that a foreign-owned enterprise shall not be subject to expropriation or nationalization unless appropriation of it is in the national interest and for a public purpose (section 28 of the GIPC Act). The legal system of Ghana is based on Common Law supplemented by specific legislation. Judicial independence is enshrined in the Constitution and all investors have equal rights and access to the courts of law where business and investment related disputes can be resolved or settled. There has been a tax reform system in Ghana as well, creating the new Tax law (Act 597, 2000) where there has been reduction of corporate tax rates. Corporate income tax has been reduced from 35 per cent to 30 per cent for companies listed on the Ghana Stock Exchange, and to 32.5 per cent for unlisted companies (GIPC 2003).

There have also been a number of incentives and inducements for foreign investors quite recently. These include tax holidays, capital allowances, locational incentives, customs duty exemptions, just to mention a few. These are specified in the relevant statutes such as the Income Tax Decree, 1975 (as amended), Free Zones Act, 1995, Art. 504, Income Tax (Amendment) Act, 1998, Art. 551 and Ghana Investment Promotion Centre Act of 1994 and applied fairly.

**Ghana Investment Promotion Centre (GIPC)**

In order to facilitate investment, Ghana has established a one-stop centre, the Ghana Investment Promotion Centre (GIPC), to facilitate, encourage, promote and support the manufacturing and services sectors (except mining and petroleum, which are regulated by the Minerals Commission, and the Ghana National Petroleum Corporation respectively.) Through the GIPC and other stakeholders, key government policies that have been put in place to attract investments include:

1) customs import duty exemptions;
2) tax holidays;
3) free transfer of capital, dividends and net profits;
4) generous capital allowance;
5) locational incentives;
6) quota-free access to United States and European Union markets;
7) membership in the World Trade Organization for settlement of investment disputes;
8) duty free export trade zones;
9) preferential access to 15 other markets in the Economic Community of West African States; and

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10) demonstrated commitment to additional market liberalization.

Other important incentives include: high safety standards and precautionary measures by the Ghana Standard Authority, the Environmental Protection Agency (EPA) and other regulatory agencies; access to good roads and physical infrastructure; improvements in information, communication and technology; and a well-qualified and educated labour force of about six million, among others.

**Ghana Investment Promotion Centre Act, 2013**

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 (Ghana Investment Promotion Act, 2013). This act of parliament mandates the GIPC to promote and facilitate investment in all sectors of the economy, with the exception of core mining and petroleum activities, free zones activities, divestiture of state-owned enterprises and portfolio investments. The GIPC is relatively autonomous because it does not operate under any sector ministry and therefore reports directly to the President of the Republic of Ghana (Ghana Investment Promotion Act, 2013).

**History of the GIPC**

The Ghana Investment Promotion Centre (GIPC) is an agency of the government of Ghana charged with the responsibility of promoting and facilitating investment in the Ghanaian economy. The activity is done by providing support services to both existing and prospective investors.

The Centre was first established in the early 1960's and has since undergone several changes, the first of which was the Capital Investment Board established by the Capital Investment Act, 1963 (Act 172) with the mandate to promote the investment of foreign capital. This was then followed by the Ghana Investment Centre established by the Investment Code, 1981, (Act, 437) which had a mandate to promote and regulate investments in all sectors of the Ghanaian economy. It was this act that introduced exclusive areas of investment for Ghanaians. The Ghana Investment Centre was re-established by The Investment Code, 1985 (PNDC LAW 116) which introduced the minimum foreign equity capital requirement, and also cut off the petroleum and mining sectors from the investment code. The current Act, Act 478 established the Ghana Investment Promotion Centre in 1994.

**Objective of the Centre**

The objective of the Centre is to

a) create an enhanced, transparent and responsive environment for investment and the development of the Ghanaian economy through investment; and

b) encourage, promote and facilitate investment in the country (Ghana Investment Promotion Act, 2013).

Functions of the Centre

The Centre shall for the purposes of attaining its object, actively encourage, promote and facilitate investments into and within Ghana, and shall

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;

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b) initiate and support measures that will enhance the investment climate in Ghana for both Ghanaian and non-Ghanaian enterprises;
c) initiate, organise and participate in promotional activities such as exhibitions, conferences and seminars for the stimulation of investments, to present Ghana as an ideal investment destination;
d) collect, collate, analyse 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;
e) register, monitor and keep records of all enterprises in Ghana;
f) register and keep records of all technology transfer agreements;
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;
h) bring about harmonisation 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 (Ghana Investment Promotion Act, 2013).
Functions of the Board
1) The Board shall provide policy guidance and give advice to ensure the proper and effective performance of the functions of the Centre.
2) The Board may, in the implementation of the objects of the Centre
i. design, review, formulate and adopt a national strategy for promoting domestic and foreign investment;
ii. approve the investment promotion operations and marketing plans proposed by the Chief Executive Officer for implementation by the Centre;
iii. identify obstacles to investment in Ghana and make proposals and suggestions to the President through the Minister on steps which should be taken to remove the obstacles and foster effective linkages between the appropriate institutions and agencies towards the removal of obstacles of investment; and
iv. make recommendations to the President through the Minister on incentives for the promotion of investment and the eligibility criteria for the incentives and priority areas of investment (Ghana Investment Promotion Act, 2013).

**Benefits and Incentives**

a. An enterprise registered by the Centre is entitled to the benefits and incentives that are applicable to an enterprise of a similar nature under the Internal Revenue Act, 2000 (Act 592), Value Added Tax Act, 1998, (Act 546) and under Chapters 82, 84, 85 and 98 of the Customs Harmonised Commodity and Tariff Code Schedule to the Customs, Excise and Preventive Service (Management) Act, 1993 (P.N.D.C.L. 330) and any other relevant law.
b. An enterprise whose plant, machinery, equipment or parts of the plant, machinery or equipment are not zero-rated under the Customs Harmonised Commodity and Tariff Code Schedule to the Customs, Excise and Preventive Service Management Act, 1993 (P.N.D.C.L. 330) may submit an application for exemption from import duties and related charges on the plant, machinery or equipment or the parts of the plant, machinery or equipment to the Centre for onward submission to the Minister responsible for Finance.

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c. The Centre shall before submitting a request for exemption to the Minister responsible for Finance determine whether the request will facilitate changes in technology and promote the specialised use of machinery, equipment or other items necessary for the establishment and operation of the enterprise.

d. For the purpose of promoting identified strategic or major investments, the Board may in consultation with appropriate government agencies and with the approval of the President

i. specifies priority areas of investment and their applicable benefits and incentives; and

ii. negotiate specific incentive packages for strategic investments in addition to the incentives available to any enterprise under the tax, customs and other laws referred to in subsection

e. The Board shall publish

I. in the Gazette and on its website the criteria for determining what constitutes strategic investments and shall designate an investment that satisfies the criteria, as strategic investment; and

II. the details of special incentives awarded through negotiation under this section (Ghana Investment Promotion Act, 2013).

**Challenges of Ghana Investment Promotion Centre**

It is well-established that investment – whether national or foreign direct investment (FDI) is critical for promoting economic growth and sustainable and inclusive development. Specifically, any investment, including national, intra-regional, and extra-regional foreign investment, expands the productive capacity of any economy and drives job creation and income growth. Researchers like Chantal Dupasquier and Patrick N. Osakwe have examined the performance, promotion, and prospects for foreign direct investment (FDI) in Africa. They identified factors such as political and macroeconomic instability, low growth, weak infrastructure, poor governance, inhospitable regulatory environments, and ill-conceived investment promotion strategies, as responsible for the poor FDI record of the region.

The only pre-condition for foreign investment in Ghana is financial; the GIPC requires foreign investors to satisfy a minimum capital requirement. Once this is met and all necessary documents submitted, investments are supposed to be registered within five working days. However, the actual time required for registration can be significantly higher (sometimes three to four times) than the required time. Although registration is relatively easy, the entire process of establishing a business in Ghana is lengthy, complex, and requires compliance with regulations and procedures of at least government agencies including the GIPC, Registrar General Department, Internal Revenue Service (IRS), Ghana Immigration Service, and Social Security and National Insurance Trust (SSNIT).

**Promotional Activities of GIPC**

In the work of Amponsah (2014) concerning the role of the Ghana Investment Promotion Centre in attracting Foreign Direct Investment into Ghana, found that the promotional activities of an IPA were identified as image building, investment generation and facilitation and policy advocacy.

**Image Building**

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

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to enquiries from potential investors. Public Relations Activities: The Centre utilized various channels to promote investments. The Centre adopted Business Journals, local news houses, local and foreign television networks, the internet and its brochures and publications. The July, 2010 'Fortune 500' magazine, for example carried a two-page article, aimed at encouraging potential investors to explore investment opportunities in Ghana (Amponsah, 2014).

Investment Generation and Facilitation

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

Development of Promotional Materials: The Centre developed various promotional materials that provide information to potential and existing investors. These profiles are sector/industry specific and provide an overall brief of the sector, investment opportunities, incentives and guarantees in the specific sector. Investor Facilitation and Services: These were activities specifically targeted at providing some preferential treatment to potential and existing investors as a means of encouraging the former to invest and the latter to reinvest (Amponsah, 2014). For example, helping them access land. Relationship Management Approach: The Centre in 2007 recruited 34 officers with educational background and experience in key fields in line with the Centre's priority sectors of investment (Amponsah, 2014). The rationale behind the recruitment was to match potential investors with these officers who understood the "language" of the sector. This made the facilitation process easy for both parties. These officers are responsible for responding to specific enquires and linking the investor with the appropriate agencies and entities. The officer assigned to a specific investor is also required to facilitate stakeholder meetings and undertake site visits with the investor.

Registration and other Incentives: There are a number of incentives designed to encourage registration of investors.

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

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

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

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

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

**Policy Advocacy**

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

## Aims of paper. Methods

### Research Design

Research design is a plan or blueprint, which specifies how data relating to a given problem should be collected and analysed. According to Polit and Hugler (1995), the research design principally aims at describing, observing and documenting naturally the aspect of the situation as they occur but not just explaining them. This actually informed the choice of the descriptive survey as it will be deemed the most appropriate method to gather information, to answer the research questions posed. Cohen and Manion (1989) also see a survey, typically as gathering data at a particular point in time with the intention of describing the nature of the existing condition.

Descriptive Survey Research Design describes and explains conditions of the present by using many subjects and questionnaires to fully describe a phenomenon. Best and Kahn (1993) posited that descriptive survey is a process of collecting data in order to answer questions concerning the status of the subject of the study. The design helped the researcher to report things as they were. Again, this method will be used because it helps in gathering data at a particular place and time by describing the nature of existing conditions and identifying other conditions against which existing condition can be compared.

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This design is appropriate for the current study as it enables the study to estimate, with significant precision, the percentage of population that has a specific attribute by collecting data from a sample of the total population. It is also believed that the survey design served as an excellent vehicle for the measurement of a wide variety of data which are ordinarily not unobservable data, such as traits, attitude towards working.

**Population**

Poilt and Hungler (1996) define population as the entire aggregation of cases that meet a designated set of criteria. They emphasised that whatever the basic unit, the population always comprises the entire aggregation of elements in which the researcher is interested. To Sanrantakos (1998), a research population is also known as a well-defined collection of individuals or objects known to have similar characteristics. All individuals or objects within a certain population usually have a common, binding characteristic or trait.

According to Agyedu, Donkor & Obeng (2007), population refers to the complete set of individuals (subjects), objects or events having common observable characteristics in which the researcher is interested in studying. The population may be all the individuals of a particular group or a more restricted part of the group. This group becomes the target group. The populations of interest for this study are staff and management of GIPC.

**Sample and Sampling Procedure**

Sampling is the process of selecting units (e.g., people, organizations) from a population of interest so that by studying the sample we may fairly generalize our results back to the population from which they were chosen (Trochim, 2006). For the purpose of this study, a convenience sampling method was adopted in the selection of 10 staff members, including personnel responsible for managing foreign direct investment of GIPC.

**Data Collection Instrument**

The main instrument that was used to gather data was an open-ended questionnaire. This is because it is quick and effective if properly structured and also has a high degree of transparency and accountability. The research objectives formed the basis for the questionnaire items and analytical tool. Kerlinger (1973) posited that questionnaire is very effective for securing factual information about practices and conditions, and for inquiring into opinion and attitude of the subject.

**Data Collection Procedure**

The researcher obtained a letter of introduction from the Ghana Institute of Management and Public Administration, soliciting for the assistance of the Head of the GIPC to enable me carry out the study. Data was collected from selected staff. The researcher encouraged them to provide honest responses since the study is for academic purposes and will also be useful to the activities of the GIPC in promoting FDI in Ghana.

**Ethical Consideration**

Research ethics refers to the correct rules of conduct necessary when carrying out research. It describes the need for participants to understand the aims, objectives and potential harm that such involvement may have on them (Seidman, 2006). It also spells out that they have the right to withdraw even after consent has been given. This is in line with Cohen et al (2000), and Mertens, (2010), who stated that informed consent, arises from the participant's right to freedom. Researchers have moral responsibility to protect participants from harm. The primary responsibility for the conduct of ethical research lies with the researcher. Researchers have a responsibility to ensure as far as possible that the

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physical, social and psychological well-being of the research participant are not detrimentally affected by the research. Research relationships should be characterized, whenever possible, by mutual respect and trust. In this study, the purpose of the study was carefully reviewed with each participant before they will be involved in the research. Punch (2008) was of the opinion that researchers should be mindful of ethical issues especially in social research because it is concerned with data about people. Consideration for moral issues and respect for participants is essential in social research. Hence, in this research several ethical issues were taken into consideration. The research addressed all ethical concerns which include informed consent, anonymity and confidentiality.

I obtained informed verbal consent from the workers before commencement. The participants were made aware that their participation is voluntary, and that they are free to decline or accept or decline to engage in the research. Anonymity of study respondents was highly taken into consideration in the present study. Oliver (2010) pointed out that anonymity is a vital issue in research ethics because it gives the participants the opportunity to have their identity concealed. In order not to unnecessarily invade the privacy of participants, I made prior visits to the office of GIPC in Accra before the data collection commenced to seek for their consent. Neither names nor any identifiable information from respondents was taken as a way of ensuring the ethical principle of anonymity. This is to prevent possible victimization of respondents where certain responses may be viewed as unpalatable to other stakeholders.

On the issue of confidentiality, efforts were made to maintain confidentiality of the responses of the participants. Participants were told that their responses would be kept confidential and that no one known to them would have access to the information provided and none of the respondents' names were recorded in the study. Most importantly on the ethical issues of the study, pieces of information that was cited from earlier studies were duly acknowledged through both citation and referencing in order to avoid academic dishonesty otherwise known as plagiarism.

**Data Sources**

Both primary and secondary data was used for this study. The researcher gathered primary data from interviews and questionnaires were administered to staff members. Secondary data was gathered from libraries, Internet and from both published and unpublished materials.

**Data Processing and Analysis**

The research is quantitative; therefore, the researcher was descriptive statistics in analysing the data. The data collected will be edited for consistency and then frequencies and percentages worked out to show the responses of the distribution. The responses were analysed using Statistical Package of Social Science (SPSS). The variables were coded and with the aid of the SPSS, frequency counts and tables made for groups of opinions from the responses. Percentages, frequency, pie chart and bar graph were used to analyse the background information of the respondents. Mean and Standard deviation was used to answer research question two and Frequency table was used to analyse research question one.

This part discusses the methodology used for the research. The descriptive survey designed was deemed the most appropriate method to gather information, to answer the research questions posed. The populations of interest for this study are staff and

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management of GIPC. Convenience sampling method was adopted in the selection of 10 staff members, including personnel responsible for managing foreign direct investment of GIPC. The main instrument that was used to gather data was an open-ended questionnaire. All ethical concerns which include informed consent, anonymity and confidentiality were adequately addressed. Both primary and secondary data was used for this study. Percentages, frequency, pie chart and bar graph were used to analyse the background information of the respondents. Mean and Standard deviation was used to answer research question two and Frequency table was used to analyse research question one.

## Exposition of main material of research with complete substantiation of obtained scientific results. Discussion

The purpose of the study was to examine the prospects and challenges of the Ghana Investment Promotion Centre (GIPC) in promoting foreign direct investment in Ghana. This chapter deals with the presentation and analysis of the data that I collected from the participants from workers that participated in the study.

The data were analysed and discussed according to the research questions. The respondents of the study were pupils, parents and teachers. Data were analysed using frequency distributions, percentages, standard deviations and means.

The first part of this chapter describes the demographic characteristics of respondents. In the second part, the research findings are presented in three sections according to the research questions posed. The analysis was done based on the following research questions.

**Demographic Characteristics of the Respondents**

The demographic characteristics of the GIPC workers which were considered include: Gender, Educational level and working experience. This demographic information enriched the understanding about the category of respondents who were involved in the study. The background information of the respondents which were considered in the study is presented in Table 1.

**Table 1. Distribution of Respondents.**

| Gender | Frequency | Percent |
|---|---|---|
| Male | 6 | 60 |
| Female | 4 | 40 |
| Total | 10 | 100.0 |

Source: Field Study, (2019)

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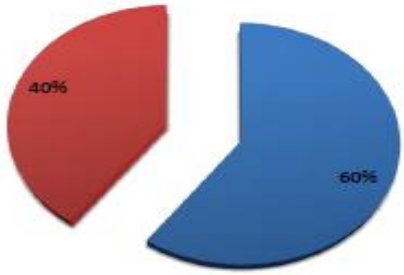
**Figure 1. Distribution of Respondents Gender.**




Source: Field Study, (2019)

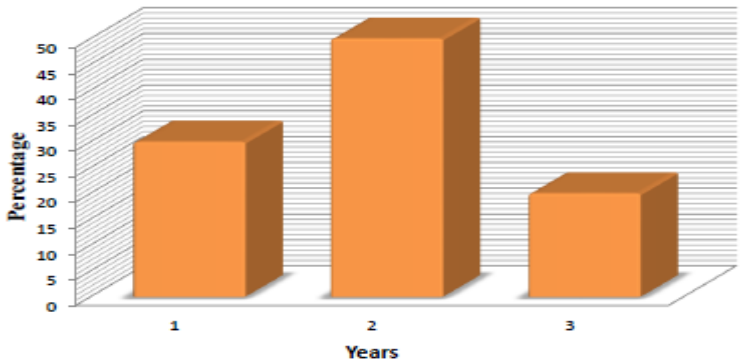
From Table 1, regarding the gender of the GIPC who participated in the study, the data in Table 1 shows that 6 (60%) were males while 4 (40.0%) were females. This shows clearly that there were more male respondents than female respondents for the study.

**Table 2. Distribution of Working Experience of Respondents.**

| Year | Range | Frequency | Percent |
|---|---|---|---|
| 1 | 0-5 years | 3 | 30 |
| 2 | 6-8 years | 5 | 50 |
| 3 | 9 and above years | 2 | 20 |
| | Total | 10 | 100.0 |

Source: Field Study, (2019)

**Figure 2. Distribution of Working Experience of Respondents.**




Source: Field Study, (2019)

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The Table and Figure 2 above presents the teaching experience of the respondents. The Table and Figure 2 shows that majority 5 (50%) of the respondents indicated that they have worked at GIPC for 6-8 years. Also, 3 (30%) of the respondents have worked at GIPC between 0-5 years. Moreover, 2 (20%) of the respondents indicated that they have worked GIPC between 9 years and above. This finding implies that majority of the respondents have worked at the GIPC between 6-8 years which means they have enough working experience to give adequate information regarding GIPC challenges in promoting FDI in Ghana.

**Discussion of the Research Questions**

**Research Question One**

What are the mandates of Ghana Investment Promotion Centre (GIPC) according to GIPC Act 865?

This research question seeks to determine the mandates of the Ghana Investment Promotion Centre (GIPC).

According to the eight hundred and sixty-fifth act of the parliament of the republic of Ghana entitled Ghana investment promotion centre Act, 2013, the GIPC is mandated to;

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;
b. initiate and support measures that will enhance the investment climate in Ghana for both Ghanaian and non-Ghanaian enterprises;
c. initiate, organise and participate in promotional activities such as exhibitions, conferences and seminars for the stimulation of investments, to present Ghana as an ideal investment destination;
d. collect, collate, analyse 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;
e. register, monitor and keep records of all enterprises in Ghana;
f. register and keep records of all technology transfer agreements;
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;
h. bring about harmonisation in investment policy formulation through coordination of the activities of all other institutions and agencies; and perform any other functions that are necessary for the attainment of the objects of this Act.

Attracting foreign direct investment continues to be a priority for the government. President Kufuor, re-elected in December 2004, continues to encourage foreign investment as an integral part of Ghana's economic policy. The Ghana Investment Advisory Council (GIAC), which was established with the help of the World Bank, helps shape government policy aimed at creating an enabling investment environment. The GIAC consists of multinational and local companies and institutional observers (IMF, WB, UNDP). Ghana embarked on a privatization program in the early 1990s. The Ghanaian government at one point controlled more than 350 state-owned enterprises, but nearly 300 were privatized by the end of 2000 under the privatization program of former

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President Rawlings. Privatization efforts have continued under the Kufuor Administration under a reconstituted Divestiture Implementation Committee. As of December 31, 2005, a total of 351 firms had been privatized, leaving only a handful of state-owned enterprises, some of which are in very poor financial condition.

The government also pursues privatization through selling of state-owned shares on the Ghana Stock Exchange (GSE). For example, the government has an ongoing process of offering its shares in Ghana Oil Company and State Insurance Company on the GSE. The Divestiture Implementation Committee is the government institution that oversees the privatization of public enterprises. Actual divestiture is usually done through a bidding process, and bids are evaluated on the basis of criteria including management skills, financial resources, and business plans. New owners are expected to build the enterprises into profitable, productive ventures, which contribute to tax revenue and increase local employment. Foreign investors comprise most of the interested bidders. Few local investors have sufficient capital to participate in this process except as partners with foreign firms. Although the Kufuor administration has publicly stated its support for continuing the privatization program, it has made only one major new divestiture during its 6-year tenure, the Cocoa Processing Company. The government's stated priority privatizations for 2007 include Ghana Telecom, Western Wireless (Westel), Tema Oil Refinery, Ghana Oil Company and State Insurance Company. In October 2006, the government solicited letters of interest for a transaction's advisor for the privatization of Ghana Telecom.

The Government of Ghana recognizes that attracting foreign direct investment requires an enabling legal environment, and has passed laws that encourage foreign investment and replaced some that previously stifled it. The Ghana Investment Promotion Center (GIPC) Act, 2013 (Act 864), governs investment in all sectors of the economy except minerals and mining, oil and gas, and the free zones. Sector-specific laws further regulate banking, non-banking financial institutions, insurance, fishing, securities, telecommunications, energy, and real estate. Foreign investors are required to satisfy the provisions of the investment act as well as the provisions of sector-specific laws. In general, the GIPC has streamlined procedures and reduced delays. The GIPC law also applies to foreign investment in acquisitions, mergers, takeovers and new investments, as well as to portfolio investment in stocks, bonds, and other securities traded on the Ghana Stock Exchange. The GIPC law specifies areas of investment reserved for Ghanaians, such as small-scale trading, operation of taxi services (except when a non-Ghanaian has a fleet of at least 10 vehicles), pool betting businesses and lotteries (except soccer pools), beauty salons and barber shops. The law further delineates incentives and guarantees that relate to taxation, transfer of capital, profits and dividends, and guarantees against expropriation. With the enactment of the GIPC law, the Government of Ghana stopped screening investments. The GIPC registers investments and provides assistance to enable investors to become established and take advantage of relevant incentives. The Government of Ghana has no overall economic or industrial strategy that discriminates against foreign-owned businesses. In some cases, a foreign investment can enjoy additional incentives if the project is deemed critical to the country's development. U.S. and other foreign firms are able to participate in government-financed and/or research and development programs on a national treatment basis.

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The only pre-condition for foreign investment in Ghana is financial; the GIPC requires foreign investors to satisfy a minimum capital requirement. Once this is met and all necessary documents submitted, investments are supposed to be registered within five working days. However, the actual time required for registration can be significantly higher (sometimes three to four times) than the required time. Although registration is relatively easy, the entire process of establishing a business in Ghana is lengthy, complex, and requires compliance with regulations and procedures of at least 5 government agencies including the GIPC, Registrar General Department, Internal Revenue Service (IRS), Ghana Immigration Service, and Social Security and National Insurance Trust (SSNIT). Nevertheless, the government's reforms in this area have yielded some returns.

According to The World Bank's Doing Business 2007 report issued in 2006, the average time to start a business in Ghana is 81 days. This is an improvement from the 129 days it took in 2003 but still places Ghana 145th out of 175 countries surveyed on this indicator. In terms of overall ease of doing business, the report ranks Ghana 94th. The minimum capital required for foreign investors is USD 10,000 for joint ventures with Ghanaians or USD 50,000 for enterprises wholly owned by non-Ghanaians. Trading companies either wholly or partly-owned by non-Ghanaians require a minimum foreign equity of USD 300,000 and must employ at least ten Ghanaians. This may be satisfied through remitting convertible foreign currency to a bank in Ghana or by importing goods into Ghana for the purpose of the investment. The minimum capital requirement is, however, not applicable to portfolio investment, enterprises set up for export trading (operating inside or outside of Free Zones), or branch offices.

The principal law regulating investment in minerals and mining is the Minerals and Mining Law, 1986 (PNDCL 153) as amended by the Minerals and Mining Amendment Act, 1994 (Act 475). Non-Ghanaians may invest in mining, except in small-scale (artisanal) mining, which is reserved for Ghanaians. It addresses different types of mineral rights, issues relating to incentives and guarantees, and land ownership. The government revised the law in December 2005. The revised law contains a stability and development agreement, which protects the holder of a mining lease from future changes in law for a period of 15 years. The Minerals Commission is the government agency that implements the law. The Petroleum Exploration and Production Law, 1984 (PNDCL 84), known as the Petroleum Law, regulates oil and gas exploration and production in Ghana. The law deals extensively with petroleum contracts, the rights, duties, responsibilities of contractors, and compensation payable to those affected by activities in the petroleum sector. The Ghana National Petroleum Corporation (GNPC)) is the government institution that administers this law. Several U.S. companies currently are involved in oil/gas exploration in Ghana.

There are no major sectors in which American investors are denied the same treatment as other foreign investors. There are, however, some areas where foreign investors as a whole are denied national treatment: banking, securities, fishing and real estate. Regarding real estate, the 1992 Constitution recognized existing private and traditional title to land but does not now allow freehold acquisition of land. There is an exception for transfer of freehold title between family members for lands held under the traditional system. Foreigners are allowed to enter into long-term leases of up to 50 years (the lease

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may be bought and sold and/or renewed for consecutive terms) while Ghanaians are allowed to enter into 99-year leases. The U.S. Embassy in Accra advises companies or individuals considering investing in Ghana or trading with Ghanaian counterparts to consult with a local attorney or business facilitation company.

**Research Question Two**

What are the challenges that Ghana Investment Promotion Centre (GIPC) faces in promoting foreign direct investment in Ghana?

The main objective of this research question was to identify the challenges that GIPC faces in promoting FDI in Ghana. On a four-point Likert scale (1 = strongly disagree, 2 = disagree, 3 = agree, and 4 = strongly agree), GIPC workers were asked to indicate their levels of agreement or disagreement with statements posed by the researcher. The results were discussed using means and standard deviation. A mean of 2.50 and above indicates respondents' agreement with the challenges while a mean of 2.49 and below indicates respondents' disagreement with the challenges.

**Table 3. Challenges that Ghana Investment Promotion Centre (GIPC) faces in promoting foreign direct investment in Ghana.**

| Statement | Mean | SD | Rankings |
|---|---|---|---|
| Inadequate infrastructure, | 3.20 | .79 | 1st |
| Inhospitable regulatory environments. | 3.19 | .77 | 2nd |
| macroeconomic instability, | 3.16 | .76 | 3rd |
| Inadequate Employees | 3.11 | .88 | 4th |
| Inadequate support from Investors | 2.53 | .88 | 5th |
| Financial challenge | 2.51 | .833 | 6th |
| ill-conceived investment promotion strategies | 2.32 | .91 | 7th |
| **Overall mean and Standard Deviations** | **2.86** | **0.83** | |

Source: Field Survey, (2019)

Table 3 shows the results of the respondents' views on Challenges that Ghana Investment Promotion Centre (GIPC) faces in promoting foreign direct investment in Ghana. It is obvious from the results that the majority of the respondents agree with the statements concerning the challenges that Ghana Investment Promotion Centre (GIPC) faces in promoting foreign direct investment in Ghana.

For example, it was realized that respondents (M=3.20; SD=0.79) strongly agreed with the statement that inadequate infrastructure is the major challenge that the GIPC face in their quest to promote FDI in Ghana.

From Table 3, it is very conspicuous that majority of the respondents (M=3.19; SD=.77) strongly agreed that inhospitable regulatory environments is also another major challenge that the GIPC face in promoting FDI in Ghana.

This result indicates that inhospitable regulatory environments are a challenge that GIPC face in promoting FDI in Ghana. It was found that respondents (M= 3.16, SD= 0.76)

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strongly agreed that macroeconomic instability is a challenge that the Ghana Investment Promotion centre face in promoting FDI in Ghana. It was revealed by the respondents that inadequate number of employees is challenge that face the Ghana investment promotion centre (M=3.11; SD=0.88).

This result implies that the number of employees at the Ghana Investment Promotion Centre is not enough to effectively help in promoting FDI in Ghana.

As evident in Table 3, respondents revealed that inadequate support from investors with respect to the rules of the GIPC also possess a major challenge in promoting FDI in Ghana (M=2.53; SD=0.88). The respondents also indicated that financial challenge is one of the factors that impede effective promotion of the FDI in Ghana by the Ghana Investment Promotion Centre (M=2.51; SD=0.83).

Notwithstanding, the respondent disagreed to the statement that ill-conceived investment promotion strategies is a challenge they face in promoting FDI in Ghana (M=2.32; SD=.91). From these results, it is concluded that on the average, respondents (MM=2.86; SD=0.83) agreed to most of the above challenges that are facing the Ghana Investment Promotion Centre in promoting FDI in Ghana.

Other challenges that respondents stated as facing GIPC in promoting FDI in Ghana are; favouritism in employing qualified staff, politicizing appointment of staff into major positions in the centre. They also stated that although registration is relatively easy, the entire process of establishing a business in Ghana is lengthy and complex.

These findings support the work of researchers like Dupasquier and Osakwe (2016) who have examined the performance, promotion, and prospects for foreign direct investment (FDI) in Africa.

They identified factors such as political and macroeconomic instability, low growth, weak infrastructure, poor governance, inhospitable regulatory environments, and ill-conceived investment promotion strategies, as responsible for the poor FDI record of the region.

The paper stresses the need for more trade and investment relations between Africa and Asia.

It also argues that countries in the region should pay more attention to the improvement of relations with existing investors and offer them incentives to assist in marketing domestic investment opportunities to potential foreign investors.

Research Question Three

What are the strategies that can help Ghana Investment Promotion Centre (GIPC) to effectively promote foreign direct investment in Ghana?

This research question sought elicits from the respondents the strategies they perceive to be effective in dealing with the challenges that the GIPC face in promoting FDI in Ghana.

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**Table 4. With respect to the challenges stated, what are the strategies that can be adopted to help Ghana Investment Promotion Centre (GIPC) to effectively help in promoting foreign direct investment in Ghana?**

| Strategies | Frequency |
|---|---|
| Providing financial support to GIPC | 9 |
| Getting enough infrastructure to facilitate the activities of the Centre | 8 |
| Appointment of qualified staff to occupy positions in the GIPC | 8 |
| Employing more employees to help GIPC to effectively carry out its mandate. | 8 |
| Registration should be relatively easy and the entire process of establishing a business in Ghana should not be complex | 3 |
| Provision of hospitable regulatory environments. | 2 |
| Ensuring macroeconomic stability, | 2 |
| Avoiding favoritism | 1 |
| Investment generation and facilitation | 1 |
| Minimum equity requirements should be reduced | 1 |
| Development of effective investment promotion strategies | 1 |
| Investors should adhere to the rules and regulations of the GIPC | 1 |

Source: Field Survey, (2019)

Table 4 present the analyses of the perceived strategies that can be adopted to help effectively deal with the challenges that the Ghana Investment Promotion Centre face in promoting Foreign Direct Investment in Ghana. The respondents sated the following as the strategies that can help deal with the challenges that GIPC face in carrying out their mandate;

- Providing financial support to GIPC
- Getting enough infrastructure to facilitate the activities of the Centre
- Appointment of qualified staff to occupy positions in the GIPC
- Employing more employees to help GIPC to effectively carry out it mandate.
- Registration should be relatively easy and the entire process of establishing a business in Ghana should not be complex
- Provision of hospitable regulatory environments.
- Ensuring macroeconomic stability,
- Avoiding favouritism when employing
- Investment generation and facilitation

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- Minimum equity requirements should be reduced
- Development of effective investment promotion strategies
- Investors should adhere to the rules and regulations of the GIPC.

These findings support the work Amponsah (2014) who found that to ensure the effectiveness of its strategy, the GIPC focused its activities on certain specific sectors which are strategic and play a vital role in the overall development agenda of the government. The key sectors include Agriculture and Agro Processing, Infrastructure, Information and Communication Technology, Tourism, Financial Services, Manufacturing/Industry, Petroleum and Gas Services. Participation in industry and Sector Specific Investment Forums and Exhibitions: During such events GIPC made sector specific presentations. Information stands were mounted to respond to enquiries from potential investors. Leads generated from these events were collected for follow-up by schedule officers. Amponsah (2014) stated that Act 865 that have received revision include the minimum equity requirements and the incentive regime.

**Summary**

The purpose of the study was to examine the prospects and challenges of the Ghana Investment Promotion Centre (GIPC) in promoting foreign direct investment in Ghana. However, the study specifically seeks to; examines the mandate of Ghana Investment Promotion Centre (GIPC) according to GIPC Act 865, find out the challenges that Ghana Investment Promotion Centre (GIPC) faces in promoting foreign direct investment in Ghana and identify strategies that can help Ghana Investment Promotion Centre (GIPC) to effectively help in promoting foreign direct investment in Ghana.

Descriptive survey research design was employed for this study.

The populations of interest for this study are staff and management of GIPC.

Convenience sampling method was adopted.

The main instrument that was used to gather data was an both close and open-ended questionnaire. The responses were analyzed using Statistical Package of Social Science (SPSS).

**Key Findings**

The following key findings were made based on the results of the study:

1. The study found that the GIPC is mandated to 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; initiate and support measures that will enhance the investment climate in Ghana for both Ghanaian and non-Ghanaian enterprises; initiate, organise and participate in promotional activities such as exhibitions, conferences and seminars for the stimulation of investments, to present Ghana as an ideal investment destination; register, monitor and keep records of all enterprises in Ghana and register and keep records of all technology transfer agreements.

2. The study further found the following as the major challenges that the GIPC face in promoting FDI in Ghana; inadequate infrastructure, inhospitable regulatory environments, macroeconomic instability, inadequate Employees, inadequate support from Investors and financial challenge.

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3. The study also found the following as the strategies that can be used to effectively to promote FDI in Ghana; providing financial support to GIPC, getting enough infrastructure to facilitate the activities of the Centre, appointment of qualified staff to occupy positions in the GIPC, employing more employees to help GIPC to effectively carry out its mandate, registration should be relatively easy and the entire process of establishing a business in Ghana should not be complex, provision of hospitable regulatory environments, ensuring macroeconomic stability, investment generation and facilitation and reducing minimum equity requirements.

## Conclusions

The purpose of the study was to examine the prospects and challenges of the Ghana Investment Promotion Centre (GIPC) in promoting foreign direct investment in Ghana. The study found that although GIPC is mandated to promote FDI in Ghana, but they face a lot of challenges which impede effective promotion of FDI in Ghana.

Notwithstanding, providing financial support to GIPC, getting enough infrastructure to facilitate the activities of the Centre, appointment of qualified staff to occupy positions in the GIPC, employing more employees into GIPC are the perceived strategies that can be adopted to enhance the promotion of FDI in Ghana.

**Recommendations**

Based on the findings of the study, the following recommendations are made for practice and policy.

1. The government should provide enough infrastructures to help GIPC to effectively promote FDI in Ghana.
2. Those in charge of recruiting employees into GIPC should make sure they recruit qualify employees.
3. The GIPC should provide hospitable regulatory environments to facilitate their activities.
4. The government should ensure macroeconomic stability which will help GIPC to carry out its mandate effectively.

**Suggestions for further studies**

Further studies can be conducted to involve more employees of the GIPC and since the study made use of open-ended questionnaire, further studies can add interview.

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