Can location incentives deliver jobs to the less endowed regions of Ghana?

Obeng, Camara Kwasi

University of Cape Coast

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By

Camara Kwasi Obeng

Department of Economics
University of Cape Coast
Cape Coast, Ghana
Mobile: +233244841712
+233202830203
Email: cobeng@ucc.edu.gh
Alternative email: camaraobeng@yahoo.co.uk

Abstract

Countries have used location incentives extensively as in-country policy to disperse FDI to regions other than the prosperous ones even though there is no consensus on its effectiveness. This study, therefore, explored the effect of location incentive in influencing the location of FDI and job opportunities away from the Greater Accra region to the remaining nine regions of Ghana. Using the Ghana Investment Promotion Centre data set from 1994 to 2015 and employing trend analysis, the results show that there is no relationship between location incentives and regional distribution of FDI and job opportunities. Thus, FDI and its associated job opportunities is still concentrated in the Greater Accra region in spite of the juicy location incentives government has provided in Ghana. The study recommends that government must work to improve on the investment climate in the less endowed Northern region, Upper West region and Upper East region of Ghana so as to attract FDI to these regions and hence deliver job opportunities to ensure regional balance in economic growth and development.

Key Words: Location Incentives, Foreign Direct Investment; Regional Distribution; Job Opportunities; Ghana

1.0 Introduction

The United Nations (UN) adopted 17 Sustainable Development Goals (SDGs) at its General Assembly meeting held in New York, USA from 25th September 2015 to 27th September 2015. Goal 8 of the SDGs enjoins all countries to "achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value" by 2030 (United Nations Department of Economic and Social Affairs). The achievement of this goal will require countries creating jobs for their citizens. In developing economies characterized by low saving rates and investment, providing jobs for the citizenry will be a monumental endeavor. However, developing countries can rely on foreign direct investment (FDI) to augment the domestic investible resources.

Inward FDI makes investible resources available and these resources add to the capital stock of the host country. By creating employment for all categories of labour from management staff to junior staff, FDI directly creates employment. Also, FDI creates employment indirectly through identifying and supporting local suppliers. The ready market created for the products of local suppliers and the training offered the firms, help them to become competitive, and expand to employ more people. In addition to the above, FDI helps create employment indirectly in a host economy when local firms imitate the technologically advanced processes and managerial skills employed by the FDI. It is for these reasons that governments do not only focus on the quantum of FDI received but pay attention to their spatial distribution within the economy.

Theoretically, the decision of a foreign firm to locate in another jurisdiction has been analyzed using the Dunning's eclectic OLI theory (Dunning, 1997; 1981). Dunning argues that a foreign firm ensures that it has competitive advantage over other firms in a particular activity (Ownership advantage), the destination country offers some benefits that cannot be found elsewhere (Locational advantage) and it is willing and capable of keeping those advantages to itself (Internalization advantage) before it decides to locate in another country. It is clear that Dunning's eclectic theory is spot-on in explaining why a firm would want to locate in a jurisdiction other than its own. It is however, handicapped when it comes to explaining the dispersion of FDI within a country. It is for this reason that theories of economic geography come in handy.

Theories of economic geography argue that different regions of a country are presented with varying levels of transportation network, other social and economic infrastructure, communication infrastructure, administrative institutions and accessibility to business services, coastal locations with major ports that are open to international markets, market, labour, and an existing cluster of firms. Regions that can boost of all or most of their endowments are classified as prosperous while those that lack these resources are seen as less prosperous (Marshall, 1920; Krugman, 1991; Audretsch, 1998; Fujita, Krugman and Venables, 1999; Mariotti & Priscitello, 1995 and He, 2002). The availability of these facilities reduces the costs of doing business to a firm. Differences in the distribution of these amenities create attractive regions and remote region for FDI within a country, with FDI preferring the prosperous/attractive regions to the less prosperous/remote regions. This has a huge implication for job creation and availability within the various regions of a country.

The tendency has been for people in the remote areas that lack FDI and hence jobs to migrate to the attractive regions in search of non-existent jobs. To stem the migration of people from the remote areas to the attractive regions where jobs are not readily available, many governments have resorted to the use of location incentives to influence the spatial distribution of FDIs away from the favoured regions. Location incentives are any concessions that "reduce the tax burden of enterprises in order to induce them to invest in particular projects, sectors, or regions" of the host country (UNCTAD, 2000). Location incentives usually come in the form of full or partial tax holidays, tax reductions, accelerated allowance and export incentives (UNCTAD, 2000). Governments are increasingly using them as in-country investment dispersion tool (ActionAiD, Ghana, 2014) even though there is no consensus in the literature on their effectiveness (UNCTAD, 2000).

Historically, investments in the Ghanaian economy have been over concentrated in four main regions, Greater Accra, Ashanti, Central and Western with cities like Tema, Accra and Kumasi being the preferred destinations (ActionAiD, Ghana, 2014; ISSER, 2011). It is worthy of note that the four regions mentioned earlier are the well-endowed regions of the country in terms of availability of economic and social infrastructure, supply of specialised labour, vibrancy of market, natural resources and a host of other factors. The remaining six regions of Brong Ahafo, Volta, Eastern, Northern, Upper East and Upper West are less endowed regions. Among the less endowed regions, the Northern region, Upper East region, and the Upper West region are the least endowed regions because they are isolated, they lack infrastructure, they have the highest poverty headcount rates and they are prone to conflict. The lack of job opportunities in these least endowed regions has led to migration of the youth to the more endowed regions, especially to cities like Accra and Kumasi to look for non-existent jobs.

To ensure spatial distribution of investments and in particular, FDI, the government of Ghana has among other policies made extensive use of location incentives. The incentives as provided for in the Ghana Investment Promotion Centre Act 478 (now replaced by Act 865 of 2013) and expressed in the form of tax rebate for investment as follows: Manufacturing companies located in Accra and Tema attract 25 per cent corporate tax and any company located in all other regional capitals attracts 18.75 per cent. Firms established outside regional capitals attract 12.50 per cent. In addition, agro-processing companies located in Accra and Tema attracted 20 per cent and those located in other regional capitals except Temale, Bolgatanga and Wa attract 10 per cent. Those located in Northern, Upper East and Upper West regions attract 0 per cent and those outside regional capitals also attract 0 per cent. The incentive structure has been designed to encourage manufacturing and agro-processing companies to locate in the less endowed regions to achieve regional balance in economic growth and development, reduce rural unemployment and to stem the urban-rural drift (GIPC Act, 2013; Ministry of Finance & Economic Planning, 2004).

The purpose of the study was to investigate the effectiveness of these location incentives in creating job opportunities in the less endowed regions of Ghana. Specifically, the study examined first, the extent of disparity in the regional distribution of FDI projects before and after the introduction of the incentive package. Second, the study explored the association between location incentive and regional distribution of FDI before and after the introduction of the incentive scheme in Ghana. Third, the study discusses the implications of the observed association between location incentive and regional distribution of FDI for availability of job opportunities in the less endowed regions of the country. The results indicate no association between location incentives and regional distribution of FDI and that the distribution of FDI is still over concentrated in the Greater Accra region with the three regions of Northern region, Upper East region and Upper West region, receiving virtually no FDI. The latter regions are less endowed regions, so the result implies that location incentives have not delivered jobs to the less endowed regions of Ghana.

The rest of the paper is organized as follows: the next section considers a review of the literature. Next, the data and methodology employed for the study is discussed and this is followed by the results and discussion. Finally, the conclusions and recommendations of the study are presented.

2.0 Review of related literature

The extant literature on regional location of FDI has its roots in economic geography. According to this strand of the literature the factors that determine the location of a firm in a particular region of a country encompass all the factor endowments like capital and labour and natural resources that confer comparative advantage on the firm. Other characteristics that have received attention in the literature are increasing returns external to the firm but internal to the territory. Marshall (1920) identified three types of external economies, namely, specialized labour, specific inputs and technological spillovers as being the cause of geographical concentration of firms. In Marshall's view, the localization of an industry creates market for specialized labour that benefits the firms and labour alike. Similarly, the creation of a large market because of the location will, as a result, bring into being a large number of suppliers of specialized inputs. Clearly, market size is important in the springing up of complementary activities that create backward and forward linkages between firms. Finally, technological advancements that take place in the location benefits all the firms through technological spillovers.

Recent contributions to the literature on the location of FDI within a host country have concentrated on aspects of Marshall's original idea. For instance, Krugman (1991) argues that factors like availability of labour or other inputs are more important in explaining localization of industry than technological spillovers. He explains this to mean that driven by scale economies, a firm will locate where demand is highest and the convenience of input supply is maximized. Thus, it is the interaction between transport costs, scale economies and demand that determines spatial location. Audretsch (1998), on the other hand contends that technological spillovers is the main factor influencing a farm's choice of a location. He contends that cultural differences between regions and the underlying structure of each region determine the differences in their innovative activities.

The new economic geography literature stresses on common elements such as increasing returns, transport costs, congestion costs and market access as the main drivers of the choice of location by firms. The argument is that as these elements interact, firms will be attracted to one location or they will become dispersed in space depending on whether the resulting forces are centripetal or centrifugal respectively. Very prominent among this category of proponents are Fujita, Krugman, and Venables (1999) who identified the centripetal forces leading to concentration of firms in one location as backward and forward linkages, existence of a large market, and knowledge spillovers. For the factors that will lead to the dispersal in space of firms (that is centrifugal factors), they identified immobile factors, and congestion diseconomies.

Another strand of the new economic geography singles out information asymmetry as the major cause of concentration of firms in a particular location. The contention is that because of the high cost of obtaining information and business uncertainty, firms will location where information cost is lowest and business uncertainty is reduced (Mariotti & Priscitello, 1995; He, 2002). He (2002) for example indicates that regions where communication infrastructure, administrative institutions and business services are readily accessible to FDI, coastal regions with major ports that are open to international markets, areas with previous foreign investment and cities implementing policies that encourage foreign investment will have low information costs and as a result attract more FDI.

There are quite a number of empirical studies on regional location of FDI. However, the reviewed ones have been found to be relevant to the current study. Gonchar and Marek (2014) explored the factors that influenced regional distribution of FDI in Russia using plant-level data. They conclude that the distribution of FDI in Russian regions depends on market access, availability of natural resources and labour cost. In a related study, Iwasaki and Suganuma (2005) investigate the regional distribution of FDI in Russia using a panel data for the period 1996-2003.The results indicate that there are disparities in the regional distribution of FDI in Russia but a clear geographical pattern could not be observed. They also find that resource endowments, market factors and social development factors, climatic conditions and regional incentives explain regional location of FDI. In another panel study of 68 Russian regions over the period 2000-2004, Buccellato and Santangelo (2009) used the system GMM to explore the effect of spatial factors in influencing the distribution of FDI across Russian regions. The authors found that agglomeration and remoteness factors play a significant role in determining FDI inflows towards Russia.

Hill and Munday (1992) investigated the drivers of regional distribution of FDI in the UK. The authors found financial incentives and access to markets as important determinants of regional distribution of new FDI projects and jobs. In a study on the regional distribution of foreign manufacturing investment in Spain, Pelegrin (2003) uses a panel data of 136 observations for an eight-year period in 17 regions and a random effects model which was estimated using generalized least squares method. The author found that agglomeration factors such as manufacturing agglomeration, concentration of R&D activities and the availability of skilled labour were important determinants of regional FDI distribution but congestion costs discourages location of FDI in a particular region.

Coughlin, Terza and Arromdee (1987) investigated the determinants of regional location of FDI in the USA. Using both the maximum likelihood estimates and a minimum Chi-square estimator, the authors found market, manufacturing density, characteristics of the labour market, transportation infrastructure to positively influence regional distribution of FDI. But taxation was found to have a negative effect on regional distribution of FDI.

Woodward (1992) used firm-level data set of 540 new Japanese manufacturing plants to examine the locational determinants of Japanese manufacturing start-ups in the USA. Using conditional logit estimation, he found out that Japanese investors preferred states with strong markets and low unionization rates but the impact of taxation was mixed. At the sub-state level, the author found that Japanese investors avoided less developed (poor) areas of the county but selected counties characterized by manufacturing agglomeration, low unemployment rates and poverty rates, and concentration of educated, productive workers. In the automotive industry, Japanese investors avoided counties with high black population, and unemployment rates. Interstate highway connections were important when plants were constructed in the rural and semi-rural areas. Confirming Woodward's finding, Van Parys and James (2009) find that the effect of tax incentives on the location decision of investors increase in countries with stronger investment climate than those with weak investment climate. They conclude that countries with weak investment climate must concentrate on improving on their investment climates instead of reducing taxes.

There is a dearth of studies on the effect of location incentives on regional distribution of FDI in Ghana. The only related studies the author has sighted are by Koomson (1997), Boateng and Glaister (1999) and ActionAid, Ghana (2014). Koomson (1997) conducted a field survey to investigate the effect of tax incentives on the spatial distribution of private manufacturing firms in Accra and the remaining nine regions of Ghana using the before and after the implementation of the tax policy. The survey results indicated that tax incentives played marginal role in influencing the location of manufacturing firms in the nine regions other than Accra. However, accessibility to market areas, inputs and materials and investors own decisions were found to influence the location of private industries in the hinterlands. Another study by Boateng and Glaister (1999) did a trend analysis of the patterns of FDI and the role of government in attracting FDI in Ghana. The ActionAid, Ghana (2014) as part of a study on investment incentives in Ghana find location incentives have not had any marked effect on the quantum and direction of investments within the country, suggesting that tax incentives are not the sole determinants of investment flow.

The current study is different from all the other studies that have been reviewed because it employs trend analysis to test the efficacy of a policy that is currently being implemented in Ghana. It is however, to some extent similar to the ActionAid, Ghana study in that both studies used the GIPC data set (even though the current study period is from 1994 to 2015) and trend analysis. It is worthy to note that the current study is different from the ActionAid study because it in addition, considers the potential employment implications of the location incentives.

3.0 Data and Method

The data for the study are from secondary sources. They are annual FDI regional and potential jobs data from the Ghana Investment Promotion Centre (GIPC) and Location incentives from the Internal Revenue Service 15. The GIPC (GIPC Act, 2013; Act 865) defines FDI as any project that is partly owned by a foreigner who has contributed two hundred million US Dollars or is wholly owned by a foreigner who has contributed five hundred million US Dollars to the capital of the firm. The jobs discussed in the study are the cumulative expected jobs to be created by the registered projects. The study employed trend analysis as its method. Specifically, the study adopted the before and after approach of trend analysis of regional distribution of FDI and expected jobs. That is, the study examined the pattern of FDI location in the country before the implementation of the location incentive policy and what the situation is after the implementation of the policy. The implications for job creation and availability were then drawn from the analysis.

4.0 Results and discussion

The study set out to pursue two specific objectives; firstly, to investigate the extent of regional imbalance in the distribution of FDI projects and draws implications for job creation; secondly, the study examined the effect of location incentives on regional distribution of FDI in Ghana.

Objective 1: Extent of regional imbalance in the distribution of FDI projects and implications for job creation.

In pursuant of the first objective, trend analysis was used. The results show that the regional distribution of FDI is skewed towards the Greater Accra region, Ashanti region, Central region and the Western region. In particular, for the period of study, that is, September 1994 to 2015Q2, Greater Accra recorded 4278 out of the 5184 FDIs the country received which amounts to 82.52 per cent of the FDI inflows. The Greater Accra region is followed by Ashanti region with 300 projects, that is, 5.79 per cent of all projects received, the Western region with 300 FDIs, that is 4.19 per cent of all projects received and the Central region with 115 projects, which is 2.22 per cent of FDI inflows. The four regions together received 4910 FDIs out of the total of 5184 projects recorded by the country for the period of study. In terms of percentage, the four regions together recorded 94.71 per cent of all the FDIs received during the period. The remaining 274 (5.29%) of FDIs received by the country were shared among the remaining six regions of Eastern, Volta, Northern, Brong Ahafo, Upper East and Upper West. In particular, the Upper West region recorded only 4 projects (0.08%) and the Upper East region recorded only 8 projects (0.15%). The results are captured in Table 1.

Table 1: Regional Distribution of FDI projects, September 1994 – 2015Q2

Region	Total	Per cent

Greater Accra	4278	82.52
Ashanti	300	5.79
Western	217	4.19
Central	115	2.22
Eastern	113	2.18
Volta	60	1.16
Northern	49	0.95
Brong Ahafo	40	0.77
Upper East	8	0.15
Upper West	4	0.08
Total	5184	100.01

Source: GIPC quarterly reports, various issues.

The results in Table 1 show that the distribution of FDI in Ghana is skewed towards Greater Accra region followed by the Ashanti region, Western region, Central region, and Eastern region. The remaining regions recorded less than 2 per cent of the FDI inflows and in particular, the Northern region, Upper East region, Upper West region and Brong Ahafo recorded less than 1 per cent of the FDI projects registered during the period.

Sector-wise, the number of FDI continues to be unequally distributed among the regions of Ghana. Figure 1 shows the sectoral distribution of FDI by region for the period September 1994 and December 2011. From Figure 1, Greater Accra records the highest number of FDI for all the sectors. It is interesting to note that even agricultural-based projects are concentrated in Greater Accra. Other regions that record quite a substantial number of FDI for the study period are Ashanti, followed by Western region and then the Central and Eastern regions, respectively (ISSER, 2011).

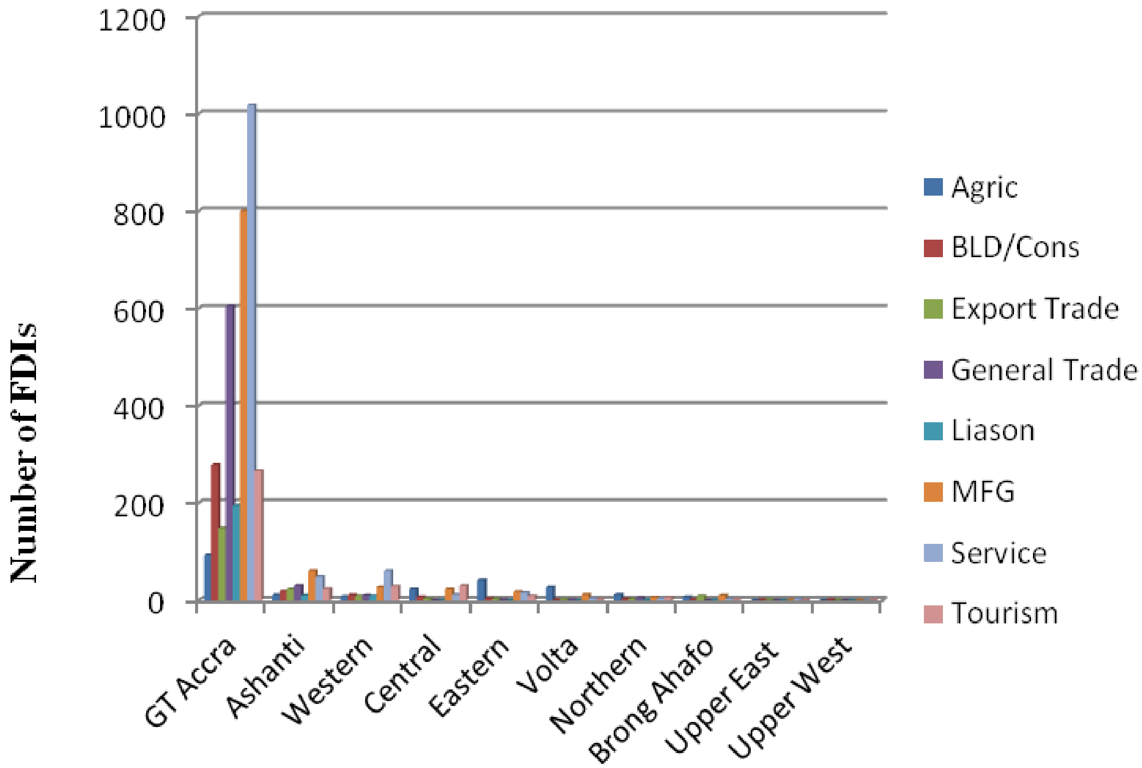

Figure 8:Regional Distribution of FDI Projects By Sector (Sep 1994-2011)

Source: Ghana Investment Promotion Centre & ISSER (2011)

It is worthy of note that the projects recorded are expected to create potential jobs. The implication is that the more such projects are recorded in a region, the higher the probability that more jobs will be created in such a region. In fact, the Greater Accra region, the most endowed region that hosts most of these FDI projects has more jobs than the less endowed regions like Upper East and Upper West. Table 2 shows the expected employment creation by projects for the periods Jan 2001 to Dec 2011 and 2013 to 2014.

Table 2: Expected employment creation by projects

Sector	Cumulative Jan 2001 – Dec 2011			2011		2013		2014	
	Total	Gh	For	Gh	For	Gh	For	Gh	For
Agriculture	207,259	205,749	1510	6600	910	8710	272	381	61
Building/construction	93310	77804	15506	16095	641	4959	877	260	24

Export Trade	3575	3004	571	388	93	274	36	138	37
General Trade	18516	16291	2225	2630	447	3783	501	1286	192
Liaison	2791	2312	479	712	215	306	368	221	99
Manufacturing	44578	41351	3227	5925	346	3612	271	6571	741
Service	85895	80698	5197	10318	862	53589	10673	2455	284
Tourism	7852	6745	1107	508	76	866	92	352	14
Total	463776	433954	29822	43176	3590	76099	13090	11664	1452
% of Total	100	93.57	6.43	92.32	7.68	85.32	14.68	88.93	11.07

Note: Gh represents Ghanaian and For stands for Foreigners

Sources: ISSER, 2011 and GIPC, 2013 - 2014

From Table 2, the cumulative expected employment for the period 2001 to 2011 is 463,776. Out of this number, 433,954 are available to Ghanaians and the remaining 29,822 are available to foreigners. In 2011, 43176 were created for Ghanaians while 3590 jobs were created for foreigners. The figures, however, ballooned to 76099 and 11664 for Ghanaians and foreigners respectively. In 2014 the figures plummeted to 11664 and 1452 for Ghanaians and foreigners respectively.

In terms of sectors, the agricultural sector dominates in terms of the expected jobs to be generated. Other sectors in order of importance are building and construction, service, manufacturing and general trade. Given that FDIs are concentrated in the Greater Accra region, Ashanti region, Western region, Central region and Eastern region, job opportunities are available in these regions while the less endowed regions of Brong Ahafo, Northern region, Upper East region and Upper West region have fewer or no job opportunities offered by the FDIs. This clearly provides ample justification for the introduction of the location incentives. But have they achieved their prime object of influencing the location of FDI in the less endowed regions of Ghana?

Objective 2: Relationship between location incentives and regional distribution of FDI

The government of Ghana’s rationale for providing the location incentives was to influence the location of FDI away from the Gt. Accra region to the other regions, more especially, to the three northern regions of Northern region, Upper West region, and Upper East region. In pursuit of this vision, and as far back as 2004, location fiscal incentives in the form reduced corporate tax for agro-processing firms and firms that produce cocoa based products from cocoa waste was announced. The package included a 20 per cent corporate tax for firms that locate in Accra and Tema and 10 per cent corporate tax for firms that locate in the other regional capital excluding Tamale, Wa and Bolga and no corporate tax for firms that locate in Northern, Upper East and Upper West regions. In 2006, the general corporate tax rate was reduced to 25 per cent. In addition to that firms that located in Accra and Tema attracted the same rate of 25 per cent while firms that locate in other regional capitals attract 18.75 per cent. Firms that locate outside regional capitals attract 12.50 per cent. Within the period the regions have received quite a substantial amount of FDI but it is not known whether the incentive package has had any effect on the regional distribution of foreign direct investments in the country. This section analyzes FDI data from Ghana Investment Promotion Centre (GIPC) and the incentive package with the object of identifying any association between the location incentives and regional distribution of FDI in Ghana.

As has already been mentioned, the expectation of government for crafting the incentive package was that regions with low corporate tax burdens would attract more FDI. Is that the case for Ghana? In Figure 2, a comparison is made between the average FDI value and corporate tax rate for Gt. Accra and the rest of the regions. The result indicates that Gt. Accra has a higher tax burden but it attracts more FDI than the other regions that have lower burden.

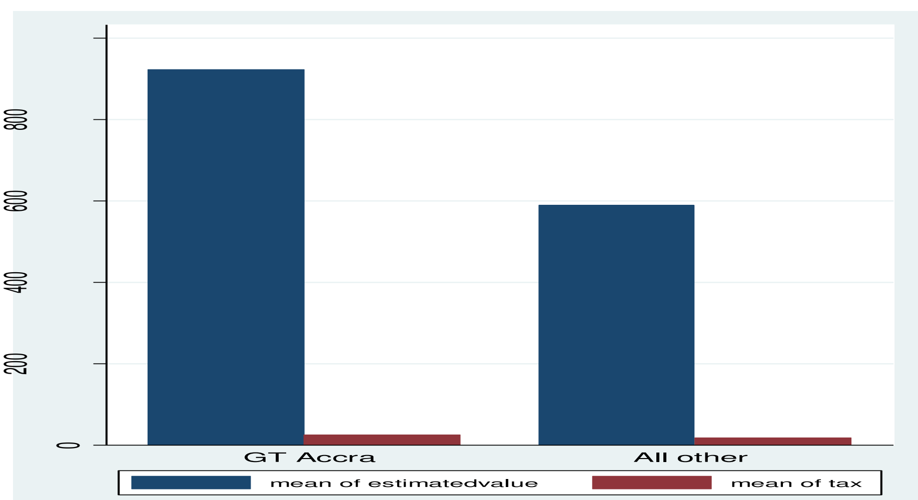

Figure 1: Comparison of estimate value of FDI and corporate tax rate in Greater Accra with all other regions.
Source: GIPC data, 2005-2015

The comparison is further extended to between Gt. Accra and the three Northern regions. The three northern regions of Ghana have the lowest and in some case no corporate tax burden, however, they are less endowed compared to the other regions, especially Greater Accra region, in terms of availability of social and economic infrastructure, market for manufactured goods, and they have high cost of information among other factors. It is clear from Figure 3 that even though the three Northern regions have no tax burden, they attract fewer FDI than Gt. Accra region, which has a higher tax burden. The picture emerging from the analysis shows that corporate tax rate is not an important determinant of the regional distribution of FDI in Ghana.

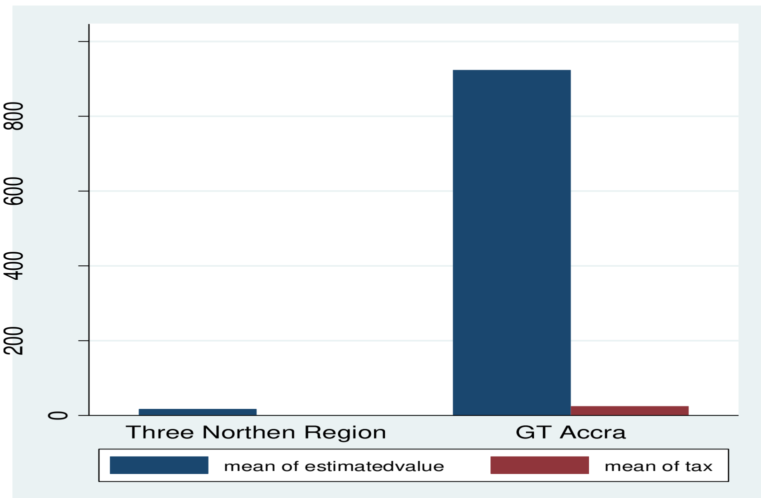

Figure 3: Comparison of estimate value of FDI and corporate tax rate in Greater Accra with three northern regions.

Source: GIPC data, 2005-2015

The finding so far, confirms the findings of ActionAid Ghana (2014) and Van Parys and James (2009) that location incentives are ineffective policy tools to influence the location decisions of FDI but contradicts the finding of Iwasaki and Suganuma (2005) for Russia. Van Parys and James (2009) suggest that countries with weak investment climate must concentrate on improving on their investment climates instead of reducing taxes.

Discussion

The results so far indicate that the regional distribution of FDI is highly skewed towards Greater Accra region with a dire consequence for job creation and availability for the less endowed regions of Upper East, Upper West and Northern regions of Ghana. Clearly Greater Accra is a well endowed region in that it is the nation's capital with all the administrative institutions so information costs is minimal, it has both social and economic infrastructure, it has a pool of specialized labour from which firms can draw labour at lower costs, its market is vibrant, it is linked to the rest of the world and it enjoys agglomeration advantages. However, the other regions, most especially, the three northern regions of Upper East, Upper West and Northern regions are less endowed in that they are isolated and with the exception of the cities like

Tamale, Wa and a few other towns, have sparse population, lack skilled labour, market, roads, drinking water, good road network, telecommunication network, electricity and they also lack forest and natural resources. Consequently, the North with the exception of cities like Tamale, Wa and the rest, has attracted very few FDIs because it lacks these amenities, and in addition it is an isolated location. Equally, important is the fact that the North also lacks agglomeration effect. The lack of FDIs in the Northern part of the country has limited the job opportunities the place offers its population. In particular, the most readily available job opportunity for the people is agriculture. However, majority of the agriculture related FDIs are located not in the northern regions but in Accra and Tema. Moreover, because the place lacks FDIs, the economy is not as vibrant, incomes are low (they are the poorest regions in the country) and most of the places are not opened up as we have in the south. These findings confirm those of Fujita, Krugman, and Venables (1999); Mariotti and Priscitello, 1995; He, 2002; Gonchar and Marek, 2014; Iwasaki and Suganuma, 2005; and Buccellato and Santangelo, 2009.

Even though recent interventions by government and NGOs have led to substantial progress in investments in road, electricity, health, telecommunication, electricity, drinking water, sanitation and education, the levels are no where near that of Greater Accra. And what is more, the north continues to suffer from lack of capital, conflict, weather, infrastructure and living conditions and remoteness from key economic and governance institutions. The results of the study indicate that government needs to do more for the three Northern regions other than merely providing location incentives to really encourage foreign investors to locate in the those regions. Clearly and as suggested by Van Parys and James (2009), government needs to concentrate more on improving the investment climate of the Northern region instead of providing location incentives amidst weak investment climate so as to engender location of FDI in the North.

5.0 Conclusions and Policy Recommendations

The study investigated the effectiveness of location incentives in influencing regional distribution of FDI and the implications for employment opportunities in the less endowed regions of Ghana. Using data from GIPC for the period 1994 to 2015 and trend analysis, the results show that regional distribution of FDI is skewed towards Greater Accra region, Ashanti region, Central region and Western region in spite of the juicy location incentives government has provided since 2014. It also reveals that there is no relationship between location incentives and regional distribution of FDI in Ghana. This means that location incentives have not delivered jobs to the less endowed regions of Ghana.

As a policy recommendation, government must work to improve the investment climate of the country as a whole and in particular, address the lack of capital, conflict, infrastructure and living conditions and remoteness from key economic and governance institutions characteristic of the northern regions of Upper East, Upper West and Northern region in order to attract substantial FDI to these regions. When the conditions in the northern part have improved then the location incentive could serve as the “icing on the cake”.

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