

Developing An Investment Promotion Strategy and Action Plan: Understanding Your Location



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Developing an Investment Promotion Strategy and Action Plan

- Decide on key sectors/sub-sectors to be promoted.
- Develop thorough understanding of your location within the national, regional and global context.
- Define issues such as: access to land, buildings, electricity, water, transportation modalities, skilled labor,
- Clearly lay out required permits and licenses, including their costs.
- Indicate required local and national taxes and other levies.
- Identify potential competitors for the sectors of interest to Kumasi.

Developing an Investment Promotion Strategy and Action Plan (2)

- Identify the 'compelling' selling proposition for each sector or sub-sector to be targeted.
- Develop detailed information on investment opportunities to present to investors.
- Market Kumasi through all available channels
- Identify companies that could be potential investors
- Target potential investors
- Set up the structures to handle inquiries, host site visits, and facilitate potential investment.

Assessment of Opportunities and Challenges

ASSESSING OPPORTUNITIES:

- Work carried out by KPMG in 2008 to review and identify key sectors with potential to attract investment, both from within Ghana as well as from foreign direct investors.
- Profiles of Small and Medium Enterprises with investment potential developed by UNIDO

ASSESSING CHALLENGES:

- Sector specific challenges
- Broader constraints, including infrastructure
- Business operating conditions

Reviewing what we have in hand: Assessment of Investment Opportunities by KPMG Consulting

- Team from KPMG conducted desk research and on-site data gathering in the City of Kumasi in 2008 to:
 - gain a deeper understanding of the location
 - review first hand the operating environment for business
 - meet with large numbers of individuals in the public and private sector to benefit from their knowledge, insights and recommendations.
- The findings, presented here in brief, are contained in the report entitled '***Kumasi: Potential Opportunities for Investors***' copies of which are available here online at <http://www.kpmg.com/Global/en/>

Opportunities profiled by UNIDO

- UNIDO identified 19 specific companies—some new, some in business for many years—in the Kumasi area seeking to engage business partners—either Ghanaian or international—to develop or expand their operations.
- Sectors include footwear and leather articles, concrete blocks, construction, animal feed, furniture, fruits and fruit juices, paper and cardboard products, soaps, textbook printing, vegetable oil, fashion textiles and Kente cloth
- Opportunities include equity participation or loans, expanding access to markets, access to new technologies
- **(Online at: www.mci.ei.columbia.edu)**

Key Sectors identified by KPMG Consulting: Favorable Factors and Challenges (1)

- HOTELS AND RESTAURANTS FOR BUSINESS AND LEISURE TRAVELLERS- **Favorable Factors:**
 - Shortage of Five Star hotels in Kumasi for business and high-end leisure travellers
 - Shortage of international standard restaurants
 - Many historical sites that could attract more tourists
- HOTELS AND RESTAURANTS FOR BUSINESS AND LEISURE TRAVELLERS – **Challenges:**
 - Insufficient marketing of region and its tourism assets
 - Insufficient tourism infrastructure

Key Sectors: Favorable Factors and Challenges (2)

SOFT DRINKS AND FRUIT JUICES– **Favorable Factors:**

- Growing demand for consumption of such beverages
- Increase in local fruit production in recent years, e.g., citrus fruits and pineapples
- Masig Natural Fruit Industries, founded in 2000, has shown there is demand for locally produced natural fruit juices.
- Availability of packing materials, such as containers and cartons

Key Sectors: Favorable Factors and Challenges

(3)

- **SOFT DRINKS AND FRUIT JUICES –Challenges**
 - Several well established players already in the field in Ghana, including from South Africa, UK, and Asia.
 - Local entities like Masig need more modern equipment to be able to produce at sufficient volume in order to be able to compete.
 - This is a water-intensive industry, likely to face challenges with water supply unless large enough to maintain own supply.
 - Mobilizing a partner with capital to invest is a challenge

Key Sectors: Favorable Factors and Challenges (4)

- **PHARMACEUTICALS – Favorable Factors:**
 - Increasing healthcare spending in Ghana, with Ghana Health Services estimated to spend around US\$45 million on pharmaceuticals and spending by individuals amount to around US \$20 million.
 - The Food and Drug Board Law of 1992 and the Food and Drug (Amendment) 1996 Act, specified a large number of over the counter and prescription drugs not be imported ‘finished’, only raw materials.
 - Track record of producing pharmaceuticals and well-trained personnel in pharmacology.
- **PHARMACEUTICALS – Challenges:**
 - Brand name drugs must be manufactured under license and meet international standards, which can be expensive

Key Sectors: Favorable Factors and Challenges (5)

- **DEVELOPING RETAIL SPACE – Favorable Factors:**
 - Increasing disposal incomes driving consumer demand for high-end retailing
 - KMA has identified two sites for shopping malls, and one for parking
 - Existing Children's Park ripe for upgrading
- **DEVELOPING RETAIL SPACE– Challenges:**
 - Retail space is strictly a private sector endeavor, and raising capital is a challenge

Other Sectors

- There is an increasing supply of fruits, including citrus fruits, offer opportunities in processing them (other than for juice), e.g., canning, freezing, drying.
- Palm oil for human consumption, and seedcake for animal feed.
- Others that may represent opportunities?

Kumasi's Investment Potential

- Given its size and location as a central location in Ghana, Kumasi, according to the KPMG report, has untapped potential to increase its share of new FDI projects, as well as new local productive investment.
- Figures for the amount of domestic investment in 2011 not available, but we do have figures for FDI.
- FDI flows into Ghana have continued to increase (from US\$145 million in 2005 to over US\$2.2 billion in 2011), only US\$4.73m has come to Ashanti Region.
 - More projects were registered, bringing total to over US \$5 billion; however, the figure of US\$2.2 billion covers those projects that actually started, rather than just registered.

FDI Inflows to Ghana 2011 (source: GIPC)

Number of registered projects and value by region (US\$ M):

- **Ashanti:** 7 projects for US\$ 4.73m
- **Brong Ahafo:** 1 project for US\$ 0.03m
- **Central Region:** 4 projects for US\$ 4.39m
- **Eastern Region:** 4 projects for US\$ 72.09m
- **Greater Accra:** 75 projects for US\$ 1,096.48m
- **Northern Region:** 1 project for US\$ 0.46m

What makes Kumasi an attractive location or investment?

- The KPMG report outlines opportunities and challenges for investment in Kumasi but what has changed since the report was prepared four years ago?
- What would you emphasize to an investor about why Kumasi is an attractive location to invest in?

Kumasi's Investment Potential

- Kumasi already home to major companies, including Maersk, Guinness Ghana Breweries, Coca Cola, and Unilever
- Strong local private sector, including in wood working, furniture and light manufacturing, as well as good agricultural production in the surrounding area, with potential to further develop the agribusiness supply chain in fruit juice, fresh fruits, palm oil and cocoa related products.
- The Ashanti Region is legendary for its mineral resources and long tradition in mining, thus the minerals sector will continue to be a major driver of the economy.
- Kumasi boasts a well-educated population and high-quality educational institutions such as KNUST, which is producing graduates in scientific and technical areas, as well as the newly established Science and Technology Center at Abenase.
- Labor costs in Kumasi are estimated to be 10-15 percent lower than Accra.

Kumasi's Investment Potential (2)

- Bui Dam, located on the Black Volta River, to be completed in 2013, with generation capacity of 400 MW, with first generator coming online in 2012.
- Takoradi Power Project, which will expand the existing combined cycle gas turbine generation facility, increasing generation 550W to 660MW, to be completed 2011.
- These and other power generation and distribution schemes will address the shortages previously identified

Kumasi's Investment Potential (3)

- Upgraded cargo handling facilities in Takoradi and Tema have improved speed and efficiency of moving goods in and out of the ports; however, rail and road transportation to and from Kumasi still needs upgrading to reduce time and costs for movement of goods in and out of the area.
- Cold storage facilities in place at port of Tema as well as Accra Airport... but need to be complemented by cold storage facilities within the transportation fleet.
- The planned outer and inner ring roads, as well as the creation of the Boankra inland port still remain on the drawing board.
- Water availability remains an issue and is likely to be exacerbated by further development of water-intensive industries.

Factors Affecting Investment in Kumasi:

Legal Framework

- Investment in Kumasi is subject to the national laws, as well as any special provision at the level of the Ashanti Region.
 - Companies Code 1963| The Partnership Act 152; the Business Act 1962; The Ghana Investment Promotion Act 478; The Free Zones Act 504.
 - Tax holidays are in place for a number of different sectors and offer favorable incentives to investors, local and international.
 - Access to land in the Ashanti Region remains under traditional authority of the Asantehene.

Business conditions matter—locally and nationally

- Decisions to invest go beyond the availability of inputs, infrastructure and market demand for products.
- The investor needs to be able to set up and operate a business at reasonable costs and within reasonable timeframes—time is money!
- Legal, regulatory, and administrative conditions are important, both locally and nationally.

Factors at National Level in Ghana Influencing Investment (World Bank Doing Business)

World Bank's Annual Doing Business Survey, ranks countries on key dimensions of ease of starting, operating and winding up a business in 189 countries/regions.

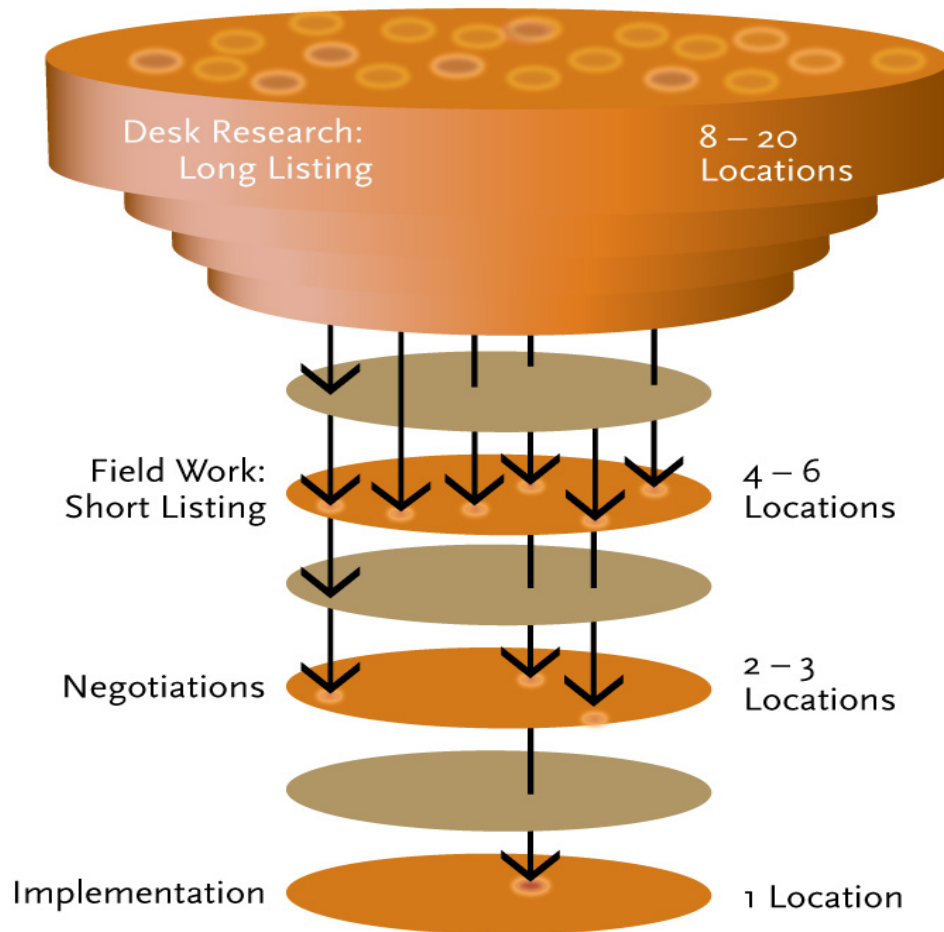
	2011 Rank	2012 Rank
• Starting a Business	85	104
• Dealing with Construction Permits	152	156
• Getting Electricity	74	68
• Registering Property	34	36
• Getting Credit	45	48

Factors at National Level in Ghana Influencing Investment (World Bank Doing Business (2))

	2011 Rank	2012 Rank
• Protecting Investors	44	46
• Paying Taxes	52	92
• Trading Across Borders	87	90
• Enforcing Contracts	45	45
• Resolving Insolvency	115	106

<http://www.doingbusiness.org/reports/global-reports/doing-business-2012>

The Investor's Site Location Search Process



If a country does not make it into the long list...

Important information:



The Site Selection Process: It's all about Information

Long listing

- Project drivers
- Success factors
- Project specifications
- Search Area
- Countries/regions
- Fatal flaw analysis
- Compare costs and conditions

IPI provides country and sector information

Short listing

- Field investigations
- Verify screening and process-drill down
- Identify specific opportunities and risks

IPI provides detailed information and field logistics support (site visit)

Negotiations

- Risk analysis
- Real estate
- Incentives
- Permitting

IPI provides quality contacts, prepares development packages and ensures permits are granted speedily

Implementation

- Transition planning
- Facilities plan
- Vendor selection
- Construction ramp-up

IPI services investor to fast-track project implementation

Motivated Staff are Key to Making Investment Promotion Efforts Successful

- Requires staff who understand the drivers and role of private sector investment
 - Staff should develop a solid understanding of the key sectors being promoted
- Requires staff who have a ‘can do’ attitude in terms of being proactive to promotion as well as responsive to investors
- Good written and spoken English language skills (even non-native English speaking investors tend to communicate in English).
- Staff should report to someone high enough in the City Administration to be able to take key decisions and make things happen.

Key Takeaways

- The decision to invest is typically part of the strategic investment drivers to grow markets, lower costs, deepen or upgrade the value chain – and sometimes a combination of the above.
- The location determinants of investment, both domestic and foreign depend on the sector and individual investment project.
- There are key interventions that a city IPI can make at steps in the process to ensure the city is considered for investment

**Identifying Challenges and
Opportunities
(weaknesses and strengths)
and
Creating a Value Proposition**

Creating a “Value Proposition”

- Why should a customer buy your good? Why should a firm invest here? Why right now or in next 5 years?
- Value proposition based on a limited set of unique selling points of a location that gives potential investors an indication of the costs of doing business compared with the quality of the business environment
- ROI = Quality, Cost, Proximity to Market, Consistent Supply, Favorable Tax Structure, Access to Finance, Regulatory Environment, etc....
- Need to apply the corporate business model and find synergy

Developing an Investment Promotion Strategy and Action Plan (2)

- Set up an office and employ knowledgeable staff responsible for all aspects of investment promotion—from marketing and outreach to handling inquiries, hosting site visits, and facilitating potential investment.
- Develop a ‘compelling’ selling proposition and investment profiles for each sector or sub-sector to be targeted.
- Identify and target potential investors with these investment profiles.
- Market Kumasi through all available channels.

Edible Oil – the Case of Palm Oil



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Kumasi, Ghana
17 May 2012

The Case of Palm Oil (1)

- Palm oil sector employs an estimated 6 million people worldwide
- Generates more jobs per hectare than other large scale farming operations
- Sector is largely driven by private sector investment and includes a large number of smallholder farmers. Smallholder farmers are involved in nearly 40 percent of Southeast Asia's area under oil palm cultivation and over 80 percent of Africa's area under oil palm cultivation
- While income earned by smallholders can vary widely according to the form of engagement and market access, smallholders regularly report achieving more income from oil palm than alternative crops.

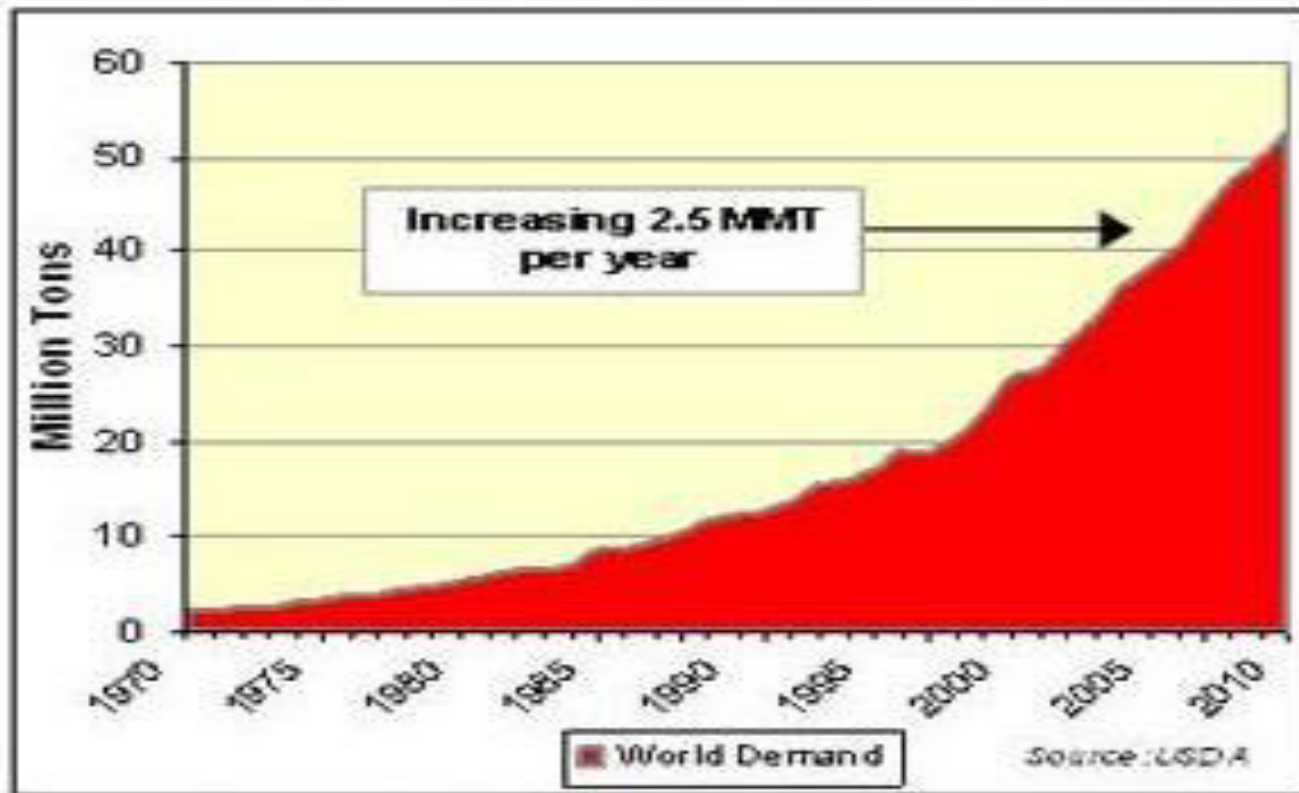
The case of Palm Oil (2)

- While the crop's positive impact on employment, income generation and the poor is considerable, oil palm has long been criticized for being a major contributor to deforestation and emissions of greenhouse gases in some countries.
- It has also been criticized for inequitable benefit sharing with local communities and adverse impacts on indigenous peoples. The net environmental and social impacts of oil palm depend on where and how it is developed.

The Case of Palm Oil (3)

- A focus on increasing the productivity of existing oil palm plantations, when combined with good governance, could limit pressure on expansion into forest lands, and most importantly, addressing the productivity differentials between large plantations and smallholdings could benefit the poor.
- Improving access to markets and finance for independent smallholders, and strengthening farmer extension services, would also deliver additional benefits to local populations.
- Finally, adoption of voluntary commodity-based environmental and social standards that protect high-conservation value forests and promote equitable distribution of benefits is critical to the sustainable development of the sector.

World Demand in Palm Oil and Palm Kernel Oil

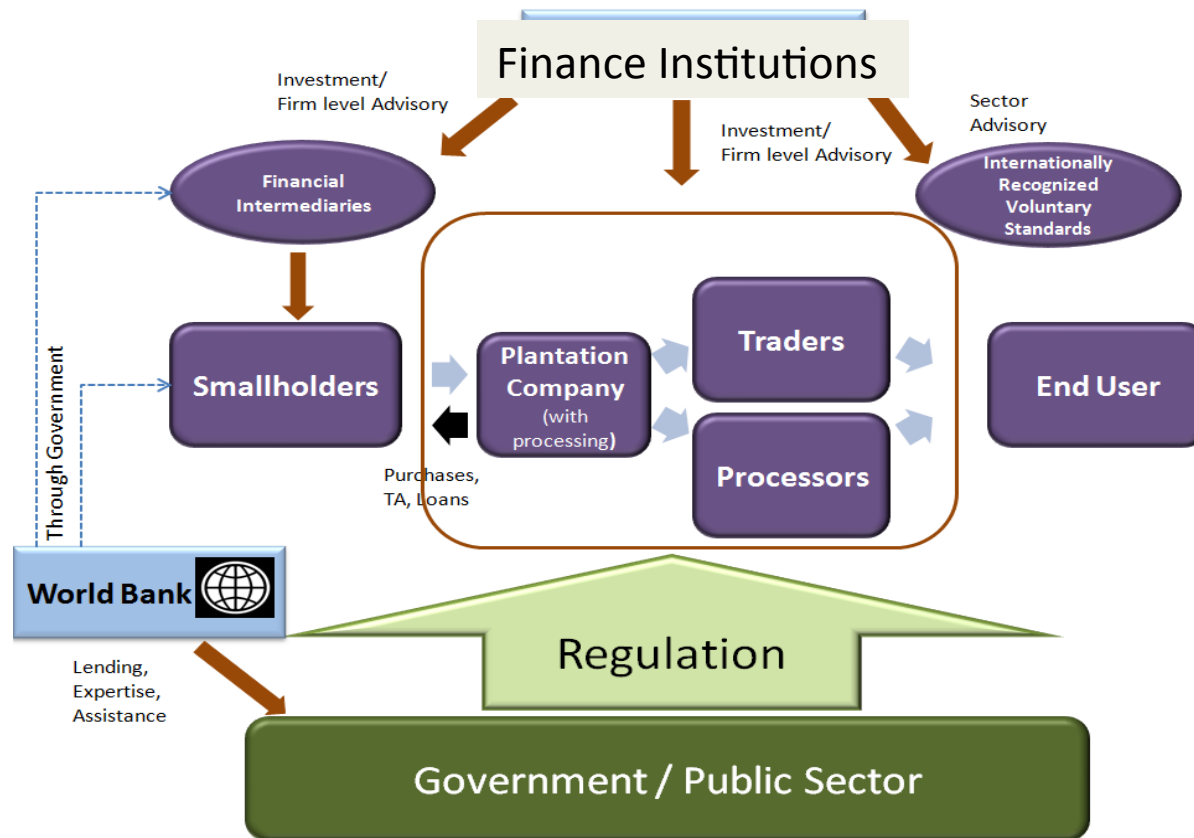


* Includes palm oil & palm kernel oil

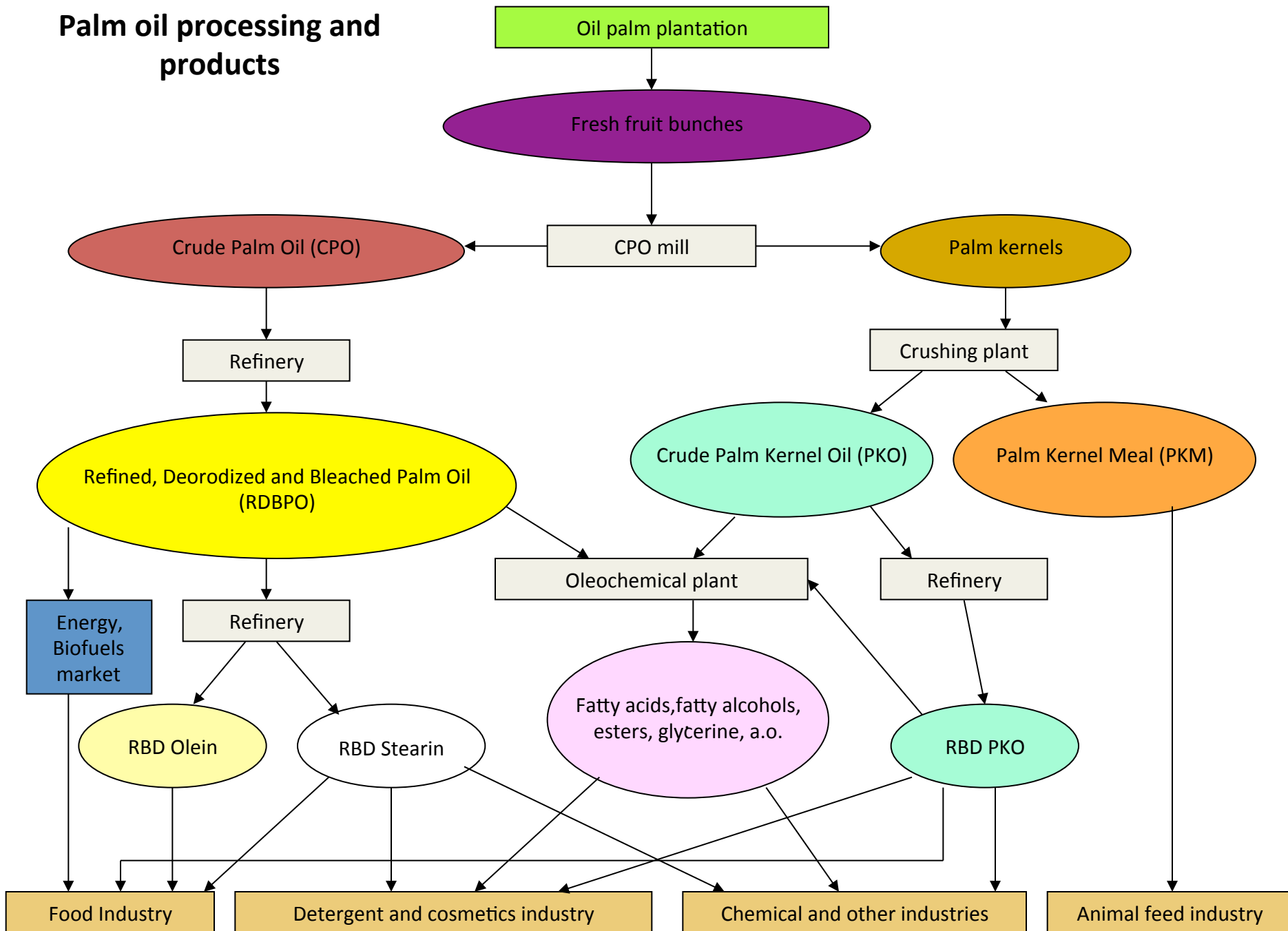
Status of palm oil industry in Africa

- Palm oil production among African producing countries falls short of internal demand (with the exception of Cote d'Ivoire)
- Ghana is importing about 40% of its local demand for palm oil
- Challenges to the African palm oil sector include inadequate and inefficient processing equipment, lack of access to financing and credit and low rates of replacement of old plantings among others
- Production system of the palm oil industry in Africa is dominated by small holder producers with small sized plantations or exploiting semi/natural groves
- The smallholder system could play a sustainable model in long-term palm oil development because also of environmental concerns related with huge plantations

Palm Oil Supply Chain



Palm oil processing and products



Environmental and social issues

- Large damage to rain forests in particular by establishing new plantations
- Huge mono-culture plantations e.g. in Indonesia and Malaysia
- Extermination of endangered animals and plants, e.g.
 - Orang Utan
 - Elephant and Rhino
- Negative change in conditions for local populations because of destruction of forest reserves
- Problematic working conditions on large plantations (e.g. in Indonesia)
- Palm oil is in the focus of NGOs and large corporations active in the palm oil business are under pressure from NGOs world-wide

Exercise: Market Supply and Demand For Palm Oil (Group 1)

- How much palm is consumed internationally? Nationally? In Kumasi area?
- What is the current production of palm oil and related products in Kumasi? How many producers?
- How much is processed locally? Nationally?
- How much sold to traders? In what form?
- Palm oil is just one of edible oils. What share of edible oil markets does palm oil represent? Is it growing or declining? Where is the opportunity?

Exercise: Who are Kumasi's Competitors in Palm Oil ? (Group 2)

- Who else competes for the same market (locally, nationally, regionally, internationally) ?
- What size is their market share?
- What is their selling proposition?
- To whom do they sell?
- What would make Kumasi be able to compete successfully with these competitors?

Exercise: Identifying the Main Challenges for Palm Oil (Group 3)

- Go beyond what we have listed to identify all of the challenges that would need to be addressed in order to further develop the palm oil sector
- For each challenge, identify what actions--policy, practice, technology, infrastructure, business relationships, financing—that would need to be addressed to counter the challenges
- **Time for task: One Hour**

Exercise: Identifying the Main Opportunities for Palm Oil (Group 4)

- List the current markets for Kumasi palm oil and related products, e.g., seedcake (locally, regionally and internationally).
- List what future developments (locally, regionally, internationally) might favorably influence future opportunities—size and location-- for palm oil and related products.
- **Time: One Hour.**

Debriefing the Exercise (1)

- What are the major sources of supply and demand for palm oil and related products?
- Who are the major players in this sector?
- Who are the primary competitors for Kumasi palm oil and related products?

Debriefing the Exercise (2)

- Categorize the challenges:
 - By type, e.g., policy, practice, infrastructure, business relationships, other
 - By severity—how many are ‘binding’ constraints, i.e., what will have to be addressed to move forward?
 - Who needs to take what action to address the challenges/constraints?
 - How long will it take to address the most serious binding constraints?

Debriefing the Exercise (3)

- Categorize the opportunities, by type, by location.
- Is anything on the list of challenges developed by Group One that represents an opportunity?
- Is there anything on the list of opportunities that you would re-categorize as a challenge in view of what Group One has listed?
- Anything additional to add to challenges and opportunities?