Policy brief

THE ONE-DISTRICT-ONE-FACTORY INITIATIVE: EMPHASIS ON COCOA GROWING AREAS

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INTRODUCTION

There is little, if any, doubt that industrialization provides the bedrock for the socio-economic transformation of economies the world over. Industrialization clearly played and still plays crucial roles in the development of countries in the Global North and Asia. In sub-Saharan Africa (SSA), however, the case is quite the opposite as the industrial sector is highly underdeveloped while there is a bourgeoning service sector. The agricultural sector, on the other hand, has often been the base of these economies. Thus, the underdevelopment of these economies could also be largely looked at in terms of the underdevelopment of the industrial sector.

The peculiar challenges with Ghana's effort to industrialize include, among others, a "…lack of access to finance, high interest rates, inadequate and poor quality raw materials for industrial processing, lack of land for industrial zones, unreliable and expensive power source"[1]. The New Patriotic Party (NPP) government, recognizing the challenges, set out to implement a very 'ambitious' industrialization policy mainly within the framework of three industrial development initiatives, namely, (i) the One-District-One-Factory Initiative; (ii) the Strategic Anchor Initiatives; and; (iii) the Industrial Sub-contracting Exchange.

The focus of this policy brief is on the first of these initiatives which is the One-District-One-Factory (ODOF) Initiative because it is the premium district industrialization programme in Ghana that seeks to "…ensure an even, spatial spread of industries."[2] It is through this kind of industrial policy that rural communities concentrated in rural districts can also experience accelerated growth and development. This paper focuses on exploring the feasibility of building cocoa processing industries in Bia West and Juaboso Districts in Ghana. The paper begins with a brief overview of the government's efforts to deliver on its mandate of industrialization since coming to office. A brief profile of the Bia West and Juaboso Districts is are then outlined. The paper finally makes a strong case for the establishment of cocoa processing industries in these districts as part of ODOF Initiative.

OVERVIEW OF THE NPP GOVERNMENT'S INDUSTRIALIZATION EFFORTS

The NPP made what would appear to be very ambitious promises as it campaigned towards the 2016 elections. The NPP's vision to industrialize Ghana with the establishment of factories in each of the 216 districts may have partly contributed to its victory. While it may appear ambitious, barely 7 months into office, the government has demonstrated some commitment towards delivering on its mandate on industrializing Ghana. In January 2017, the Minister for Trade and Industry, Mr Alan John Kwadwo Kyerematen, reassured Ghanaians about the government's commitment to

[1] See Highlight of the New Patriotic Party (NPP) Manifesto for Election 2016. p. 9.
[2] Ibid. p. 10.

implementing the ODOF project while recognizing that paramount to rolling out this project is availability of capital[3].

Nonetheless, the government, through its bilateral relations with the People's Republic of China, has been able to secure funds to the tune of US$ 2 billion to support the project. Although the ODOF is a government initiative, implementation would be done through the private sector. Thus, the government seeks to disburse the funds to the private sector through banks such as the Universal Merchant Bank, Access Bank and the Ghana Commercial Bank (GCB). It is worth noting that the China Building Material Equipment Import and Export Corporation would partner the private sector in Ghana to build the district based factories.[4]

It is must be emphasized that the amount of money committed into the development of districts in Ghana with regard to industrialization is so unprecedented. Since Kwame Nkrumah's regime in the early 1960s, no government has demonstrated such a level of commitment to the economic transformation of districts in Ghana. In order to ensure that this investment inures to the benefit of Ghanaians in general and the districts in particular, it is important that the allocation of factories across the districts is done taking into cognizance the districts' own peculiarities that would reinforce government's effort to establish factories through the private sector.

BRIEF DISTRICT PROFILES

The Bia West and Juaboso Districts are border districts located in the Western Region of Ghana. These districts border Cote d'Ivoire to the West and thus have some of the country's entry/exit points to Cote d'Ivoire. The districts are located in a region that accounts for over 50 percent of total cocoa production in Ghana.[5] To appreciate the urgent need for the establishment of confectionary factories in these districts, a prior understanding of the profile of these districts would be vital.

Bia West District

Bia West District has a total population of 88,989 constituting 3.7 per cent of the total population of the Western Region. The District has more male population (51.4%) than female population (48.6%) while the percentage of people residing in rural areas (73.4%) is far higher than those in urban areas (26.6%).[6] The District has a youthful population with a total age dependency ratio of

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[3] See GNA (2017). Private sector to play critical role in industrial revolution – Kyerematen. Available at https://www.ghanabusinessnews.com/2017/01/25/private-sector-to-play-critical-role-in-industrial-revolution-kyerematen/ [Accessed, 9th August, 2017]

[4] See Doreen Andoh (2017). China gives Ghana US$2bn to finance one-district, one-factory-Veep. http://www.graphic.com.gh/news/general-news/china-gives-ghana-2bn-to-finance-one-district-one-factory-veep.html [Accessed 9th August, 2017]

[5] Asante-Poku, A., & Angelucci, F. (2013). Analysis of incentives and disincentives for cocoa in Ghana. *Technical notes series*.

[6] See Ghana Statistical Service (2014). 2010 Population and Housing Census. District Analytical Report, Bia West.

79.1%[7] higher than the national average of 73.04%.[8] More than 76.9% of the population, that is, 15 years and older are economically active of which 96.4% are employed while 3.6% are unemployed. Regarding the employed, 74.7% are found in occupations such as agriculture, forestry and fishing; 9.0% are employed in the service and sales sectors while 6.5% are in craft and related businesses.[9] A paltry 23.1% of the population, that is, 15 years and above are economically not active[10] out of which 55.6% are students, 30.2% perform domestic chores and 2.9% are disabled.[11]

Juaboso District

Juaboso District has a total population of 58,435 representing 2.46% of the population in the Western Region.[12] Males constitute 50.9% of the population in the district while females constitute 49.1%. Approximately 90.7% of the population are rural dwellers whereas 9.3% are urban residents.[13] Like the Bia West District, the Juaboso District has an age dependency ratio of 79.3% higher than the national average.[14] The economically active in the district constitute 83.1% and about 98.8% of the economically active population are employed with only 1.2% unemployed.[15] 16.9% of the population are economically not active out of which 52% are students, 29.0% are engaged in domestic duties while 6.7% are either disabled or too sick to engage in any profit-making activity. Among those employed, 76.2% are in the areas of agriculture, forestry and fishing, 8.5% in service and sales and 5.7% in the areas of craft and related trades.[16]

It is clear from the foregoing profiles that both districts have similar characteristics though the population size of Bia West District is bigger than Juaboso District. In terms of their economic characteristics, agriculture, forestry and fishing are the key economic activities in both districts but even among this trio, agriculture, especially cocoa production, stands out. Cocoa production is arguably the main economic activity sustaining livelihoods in both districts and needs assessment conducted by IDEG in 2016 suggests that during lean seasons, most economically active individuals become vulnerable for lack of jobs.

[7] See ibid
[8] See Ghana: Age dependency ratio at http://www.theglobaleconomy.com/Ghana/Age_dependency_ratio/ [Accessed 9th August, 2017]
[9] Ibid
[10] See Ghana Statistical Service (2014). 2010 Population and Housing Census. District Analytical Report, Bia West.
[11] Ibid
[12]See Ghana Statistical Service (2014). 2010 Population and Housing Census. District Analytical Report, Juaboso.

[13] Ibid

[14] Ibid
[15] Ibid
[16] Ibid

WHY ESTABLISH COCOA PROCESSING INDUSTRIES IN BIA WEST AND JUABOSO DISTRICTS?

A significant proportion of Ghana's cocoa beans are exported to foreign confectionary companies which transform these raw cocoa beans into finished products and then export them into Ghana for the consumption of the citizenry. Meanwhile, it is estimated that the export of raw cocoa beans generates approximately US$ 5 billion while export of value added cocoa products generates more than US $100 billion. While this is common knowledge, Ghana has, for decades, become a net exporter of raw cocoa beans. This presupposes that the country is automatically out of the US$ 100 billion revenue quadrant from the export of refined cocoa beans. Although the Cocoa Processing Company (CPC) based in Tema has contributed to adding value to the cocoa beans, the company has in recent years underutilized its processing capacity of about 65,000mt of cocoa annually. This is mainly because the Cocoa Marketing Board (COCOBOD) refused to supply CPC with cocoa beans because of a debt of US$ 50 million owed the former raising efficiency and effectiveness questions about the operation and management CPC.[17]

Regardless of this challenge, given the billions of dollars that could accrue to Ghana's account, it is imperative that the country considers the establishment of more cocoa processing companies to ensure that a significant proportion of Ghana's cocoa is refined for export.

Unlike the CPC that is based in a non-cocoa producing region, Greater Accra Region (Tema), it is about time that the government's decision to establish factories is governed by rational-economic and strategic calculations. The establishment of cocoa processing companies in cocoa producing districts would be one of the finest policy decisions that any government may take. To that end, government may find establishing cocoa processing companies in Bia West and Juaboso Districts economically and geopolitically useful for several reasons highlighted below.

First, cocoa smuggling into neighbouring Cote d'Ivoire due to the proximity of these districts to that country is commonplace especially when there are more favourable prices in that country than in Ghana. Establishing cocoa processing industries in these districts as part of the ODOF project, combined with other factors such as favourable prices by the Government of Ghana for the cocoa farmer, would effectively serve as anathema to cocoa smuggling from these two districts.

Second, available data shows that not only do these districts have very high economically active population, but also the population is youthful and often predominantly engaged in the production of cocoa. However, given that cocoa production is seasonal, the majority of the economically active or youthful population is often out of job during lean seasons. Establishing cocoa processing factories in this district means that the majority of the youth who otherwise would have been temporarily unemployed during lean seasons would find some decent jobs to do in the factories at various levels and in various capacities.

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[17] COCOBOD begins CPC revival at www. (incomplete citation – check)

Third, in both districts, as is arguably the case in most, if not all cocoa growing areas in Ghana, cocoa growing has often not been viewed as a viable business and that partially explains the apathy of, especially, the youthful population to cocoa farming. The establishment of these factories would provoke an attitudinal change and cocoa business would become viable and attractive to the youth. Moreover, these factories, once established, would further engender more investment into cocoa growing and thus add to Ghana's tonnage of cocoa production.

Fourth, the Juaboso District is known for *galamse*y (illegal small-scale mining) which has destroyed arable cocoa farm lands and caused unspeakable damages to the health and well-being of communities. While the government's crackdown on *galamsey* operators in the district is yielding some positive effects, there is hardly any guarantee that *galamsey* may not spring up in the future. Establishing cocoa processing factories in this district, for example, would provide a greater incentive for farmers to want to produce more cocoa beans and thus prevent them from leasing their lands to *galamsey* operators. This would be a more feasible but sustainable approach to dealing with the canker of *galamsey*.

Finally, cocoa is currently exported to neighbouring countries through major ports in Takoradi and Tema which themselves are distant away from cocoa growing districts. Nonetheless, Bia West and Juaboso Districts are strategic border districts to Ghana's neighbour, Cote d'Ivoire, which has competitive advantage over Ghana in terms of the annual metric tonnage of cocoa produced.[18] Establishing cocoa processing factories in these districts means that refined products could be exported to Cote d'Ivoire at relatively far cheaper transportation costs than would be the case through the traditional route of Tema and Takoradi ports. Thus, the country could save a lot of money on the cost that comes with the export of refined cocoa beans.

CONCLUSION

True to its promise, the NPP government has been able to negotiate with the government of China and secured funding from the latter to the tune of US 2 billion to be invested into the ODOF project. These district-based industries would be constructed by China Building Material Equipment Import and Export Corporation in partnership with the private sector in Ghana. Given this commitment by the government to district development, this brief argues that construction of confectionary industries in the Bia West and Juaboso Districts is ideal for several reasons. Cocoa smuggling from these border districts to Cote d'Ivoire is likely to reduce while at the same time more employment opportunities would be provided for the teeming economically active and youthful population in the districts that are usually economically moribund during lean cocoa seasons. Moreover, cocoa industries in the district would provide alternative employment opportunities to the youth involved in galamsey, which is a threat to cocoa production, and thus, complement government's

[18] In the Crops years 2010/11; 2012/13 and 2013/14 Cote d'Ivoire produced 1.5, 1.4 and 1.7 million tonnes of cocoa while Ghana produced 1 million, 835,000 and 897,000 respectively.

For more information on earlier statistics on annual tonnage of cocoa production between Cote d'Ivoire and Ghana, see Wessel, M., & Quist-Wessel, P. F. (2015). Cocoa production in West Africa, a review and analysis of recent developments. *NJAS-Wageningen Journal of Life Sciences*, *74*, 1-7.

efforts to fighting galamsey in a more feasible and sustainable manner. Finally, the geostrategic position of these districts as entry and exit points to Cote d'Ivoire implies that transportation cost of export of refined products to neighbouring Cote d'Ivoire could be relatively cheaper.