# Free Zones as the engine of economic growth in Africa

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Free Zones, also known as commercial free zones, are small fenced-in, duty-free areas, offering warehousing, storage, and distributions facilities for trade transhipment, and re-export operations located in most ports of entry around the world. Recently, Free Zones have attracted academic debates in international business circles because they are perceived as agents of industrialization and socioeconomic developments in developing countries. This article features an interview with Michael Okyere Baafi, Chief Executive Officer (CEO) of Ghana Free Zone Authority (GFZA). The salient issues discussed in the interview include:

exports promotion, eradication of corruption, leadership challenges, politics, sustainability, job creation and new investment opportunities.

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**Setting the scene**

The promotion of free zones seeks to build on Ghana's domestic economy. Importantly, the free zones strategy reflects the shifts towards sectoral diversification and market orientation, which aims to develop exports as an impetus for the Ghanaian economy. The reasons why free zones have dominated international business discourse is that geo-political considerations of economic statecraft dictate investor states' interests, coupled with host states' policy of gravitating towards the best offer (investor with the biggest purse). China's belt and road policy is a classic example in this regard.

Baafi is currently the CEO of GFZA – a strategic investment promotion agency of Ghana, and an export-led authority aimed at attracting investors as well as creating sustainable jobs in Ghana's economy. Baafi, whose previous roles include CEO of Phoenix-Ghana (Insurance), was educated at the University of Cape-Coast with a B.A. in Education, and an MBA in Marketing and Corporate Strategy from the University of Ghana. Baafi shares his thoughts on free zones as economic growth strategy, explaining that we are in the era of rapid revolution, given that most developing states, especially those in the sub-regions of Africa, are competing for investors to establish businesses to boost their respective economies along sustainable paths.

This interview was recorded just before a talk delivered by Baafi as part of the Brunel Business School Executive Speakers Series at the Brunel University London on 26th March 2019. The Brunel Executive Series is a forum where Global Business Leaders and influential industry captains come to share their expertise and thoughts on the challenges, issues and decisions made at the highest level of strategic leadership. It brings together academics, students, alumni, and local businesses to interact and network in a scholarly and friendly environment. The interview deals with the strategic initiatives, anti-corruption measures as well as sustainable policies adopted by the GFZA to promote the economic wellbeing of the people.

**The interview with Michael Okyere Baafi, CEO of Ghana Free Zone**

**Authority**

*Question: Tell me about the role of GFZA in Ghana's strategic drive to become a middle-income country in the 21st century?*

Baafi: The GFZA, which was previously a board, has now been transformed into an authority, and seeks to promote exports by adding value to raw materials, products, services or processes, in order to export them abroad to attract foreign exchanges. The concept of a customs area means that the government of Ghana provides physical incentives to investors who are determined to export beyond the shores of Ghana. This also resonates with the government's economic strategy policy of 'Ghana beyond Aid'. The 'Ghana beyond Aid', is a government initiative seeking to build the Ghanaian economy as a manufacturing and exporting state with little or no dependence on foreign aid or external borrowing from the International Monetary Fund (IMF).

*Question: What kind of leadership is required to make GFZA attractive to prospective international investors?*

Baafi: The issue of leadership is very thorny in business. However, with resilience coupled with visionary leadership, I have managed to position the GFZA strategically as an investor -friendly authority, collaborating with the private sector to increase and expand export-oriented activities beyond the shore of Ghana. Under my leadership, the Authority organizes a monthly forum where private investors and business agencies meet to discuss ideas and share suggestions; as well as offer recommendations with which the Authority could improve its services to attract investors and sustain investment-related activities for the good of the country and its people.

*Question: What strategic policies are you implementing at GFZA to promote growth in the Ghanaian economy?*

Baafi: As a regulator of investment and investor- related activities of the Ghanaian economy, we aim to provide leadership for investor enterprises to grow through some of the following initiatives:

- Beside creating and extending markets for cocoa and chocolate products into South Asia and South America, I also initiated and sustained the one-stop-shop model to eliminate bureaucratic and paper-laden procedures,

paving the way for easy and efficient transactions for investors and other clients. Furthermore, I ensured that all staff clock in at 7a.m. in the morning and clock out at 5p.m. in the evening, with stricter observance for lunch breaks.

- Moreover, one significant initiative introduced under my leadership is to enhance the image of GFZA on the regional plane. That is, for the first time in the history of the Authority, Ghana has become a member of the African Free Zone Board Steering Committee. This achievement portrays Ghana as a good investment country in the sub region as well as deepens the understanding of the Authority's role among many Ghanaians.

*Question: Of course, these successes could not be achieved without problems, so tell us about some of the challenges at the Authority?*

Baafi: Truly, I encountered tensions and internal resistance related to implementing the above changes. Firstly, most of the long-term employees perceived the new innovative policies which I proposed to introduce as threat against them and, consequently organized a cohort of these employees to resist them vehemently. However, with emotional intelligence, determination and resilience, the majority of the middle management team bought into my policy ideas and changes took effect sporadically. Secondly, interference was another challenge which threatened the operations of the Authority. By interferences, I mean some state agencies saw or perceived the Authority as a competitor and would often try to sponsor directives or regulations to undermine/thwart our objectives and newly defined policies. However, by dint of hard work coupled with employees' cooperation, we are now backed by the government's support, and the Authority is sailing quite well.

*Question: How is the proposed Amendment to Act 504 (1995) intended to attract economic and social Investors for Ghana?*

Baafi: Act 504 (1995) has outlived its usefulness because it stifles business initiatives among the investors and partners; therefore, the amendment is urgently needed to enhance the Authority's powers and freedom to promote growth in the Ghanaian economy through exports. In addition, the amended policy is in accord with the government's pragmatic agenda to integrate Greenhouse schemes in all aspects of our operations with a view to safeguarding the environment as well as the health of all Ghanaians. As regards climate change

and climate-related challenges, we are urging all investors to incorporate Ghana's Greenhouse policy to ensure that the environment is adequately protected, and also to implement principles of sustainable development which are in consonance with UN Conventions and International Laws.

*Question: How are you dealing with corruption as indicated by Transparency International in Ghana?*

Baafi: The introduction of paperless procedures for conducting business at our sector is geared to remove the occasions where investors meet government officials to either fill forms or submit applications at respective government departments; and thus the temptation to elicit or offer bribes is effectively curtailed. The Authority is equally determined to institute the severest forms of punishment against any official/agent who is involved in bribery and/or corruption-related activities, as well as summarily dismiss any such persons upon finding them culpable after an investigation. Such persons may also lose any end-of-service benefits and allied statutory entitlements.

*Question: What lessons have you learned from other African Free Zones to promote the Ghanaian economy?*

Baafi: I acquired few new ideas from other countries but the measures outlined below are of the most significance to the Ghanaian economy:

- Sector specific-enclave is one of the lessons that I learned from Tangier in Morocco. For example, I realized that they have built a unique infrastructure dedicated to the automobile industry, such as a factory for Renault to assemble cars in the enclave. This also included infrastructural developments like roads and warehouses to further attract prospective investors.
- The setting up of apprentice shops in the enclaves is one key attractive policy that I learned from the Tangier operations. For example, prior to pitching for Renault to set up an assembly plant, Morocco trained its youth in the technical skills required by Renault. This is a novel strategy Ghana is determined to emulate to make its GFZA an attractive investment option for all prospective investors. In this respect, GFZA has acquired extensive parcel of land to embark upon training of young persons in technical and vocational skills as a ready and prospective

workforce for VW and Renault, which are contemplating commencing operations in Ghana during the second half of this year (2019).

*Question: What novel measures is the Government adopting to protect the environment in respect of the World Banks' remarks concerning Chinese investors?*

Baafi: The following are some measures adopted by the Ghanaian Government to deal with the problem:

- The Greenhouse initiative is the Government's policy to sign a green-pact agreement with investors and prospective businesses with the aim of reducing or minimizing CO2 emissions in Ghana.
- The current government of Ghana has also set up a task force, comprising members of the armed and police forces, to patrol the country's natural resource areas, including forests, rivers, and mining sites as well as specific sites. The aim is to stem illegal mining and related activities as well as seize operational equipment. Backed by legal powers, this task force has the mandate to arrest and prosecute both Ghanaians and foreigner investors who flout the law.

*Question: which sectors are of priority to the GFZA and why?*

Baafi:  Firstly, the manufacturing businesses act as a cog in the Authority's drive to promote expansive exports and attract foreign exchange. Secondly, the Banking sector is yet another essential entity which is inevitable to sustaining the Authority's operations, because investors and prospective investors require sound and reliable financial institutions to enable them transact business dealings at home and abroad. Thirdly and finally, insurance services are equally critical because they help to safeguard investors against potential accidents such as fire, floods and other unforeseen natural disasters, which pose significant problems for investors and the Government alike.

**Commentary**

This interview draws on some interrelated themes that have resonance for developing countries on the continent of Africa, especially Ghana.

- First, a significant lesson learned from this interview is that visionary

leadership is a critical driver to Africa's quest for economic, social, and political freedom and wellbeing. Although Africa's abundant natural resources and human capital have been exploited by foreign multinational companies (MNCs) backed by their respective governments, with a transformative leadership, Africa can inspire new ideas and confidence among its peoples, to advance their fortunes. This view resonates with Baafi's proposition that creative leadership can engineer positive and sustainable outcomes to promote the wellbeing of the African continent.

- Second, the need to implement new strategic changes as a measure of transforming the GFZA to produce intended results for the economy and people have been highlighted. This calls for governments and academics on the continent to undertake research with a view for diagnosing the peculiar problems undermining the economic and social prosperity of the peoples in order to prescribe a lasting remedial policy to resolve them. Thus, African leaders need to establish an economic think-tank unit within the African Union (AU) and charge it with a responsibility to study the free-zone agenda, so as to recommend strategies to help individual countries benefit economically and socially. In addition, this interview suggests that being sensitive, adaptable and innovative at the regional level holds the key to implementing the needed change to benefit economies and social prosperity.
- Third, Koopman et al. (2011:490) explained that "adding value to raw-materials, products or services are potential measures of improving income-generation sources as well as creating employment security for the farmers." This observation has practical implications for the operations of GFZA, because processing and adding value to the various raw materials and allied minerals will attract substantive price at the international market rather than exporting them raw. This strategy underlines Baafi's argument that Ghana needs to intensify export promotion as a driver of growth in the Ghanaian economy through value-added schemes.
- Fourth, the World Bank, as cited by Farole and Akini (2011), has explained that adverse environmental conditions impact negatively on many developing countries, such as Ghana, although employment opportunities are created to provide socio-economic safety-nets for the people. Conversely, some foreign investors that operate under GFZA's scheme engage in destructive practices which are inimical to the

environment. Many commentators, for example, lament that the pollution of streams and rivers in the Eastern and Western regions of Ghana which undermine the dignity and quality of the people's livelihood.

## Final remarks

Baafi's interview provides a thoughtful reflection on the current state of Ghana's economy through the prism of Free Zone enclaves and the implications for strategic development. This means that the CEOs and leaders of private and public institutions should devise and implement creative strategies to promote the socio-economic interests of Ghana and its people. There is no denying the fact that Free Zones create socio-economic opportunities in the areas of employment and infrastructural development for the country; however, the incessant pollution of river bodies coupled with indiscriminate logging activities in the major forests of Ghana by foreign investors, condoned by some Ghanaians, raises challenges of leadership and corruption, devilling the country. Finally, the menace of corruption should be stymied from the entire Ghanaian society, so as to booster the confidence of prospective businesses to invest in the country.

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