LOCAL GOVERNANCE PRACTITIONERS' FORUM

POLICY AND PRACTICE BRIEF

Advancing Democratic Local Governance

Issue No. 3 May 2020

INDUSTRIAL POLICY FOR LOCAL ECONOMIC TRANSFORMATION AND DEVELOPMENT IN GHANA

Beyond Enabling Environment, Local Governments Have Business Doing Business

The belief that governments have "no business doing business" in productive sectors is dead. The new wisdom, following decades of trials and errors in development efforts worldwide, is that governments *must* make business their business if they want an industrial policy to succeed to transform local economy. There is increasing recognition that Local Governments need to be the front-line players in that respect, and to do that they have to be businesslike.

Of course an "enabling environment" is necessary and helpful. It is also difficult and complex. But even if well delivered it is not enough. To suggest that an enabling environment is all a government needs to provide is like a shepherd taking his flock into a field of lush grass, and expecting that alone to turn into mutton and wool industries!

A key starting point is that countries making industrialisation a central plank of their development policy have not had and do not yet have industrial DNA in their experience or culture or structure. The private sector, the general public and the government itself are beginners as they start to compete in a world of fully industrialised, strongly resourced and experienced countries with many generations of industrial foundation.

Many of today's rich countries - USA, Germany, France, Norway, Finland, Austria, etc. used industrial policies including state-owned enterprises (!) to promote economic transformation.

None of them became rich on today's thesis of an "enabling environment". Their initial hands-on approach is relevant to today's developing countries.

Industrialisation can be done. Witness the achievements of a little farming nation called Japan, and subsequently Korea, Malaysia, Taiwan, Singapore, China, India, Mauritius, Thailand, and Brazil. They did not just provide an "enabling environment" and then stand aside and leave the rest to "market forces" and the piecemeal imagination of private investors.

Even to decide which industries offered them the best factor or comparative advantages, or what enablers would be most necessary and effective, and what cultural, structural, logistical, legislative, educational, economic, demographic and political changes would be needed in advance or consequentially, governments had to make business their business…to even begin.

They had to remain an active ingredient in the dough that would make the bread of an industrialised economy, listening, learning, steering, adjusting, redirecting, fine-tuning, coordinating balances, meeting challenges and solving problems; reconciling the big picture with myriad crucial details, and the very different circumstances and potentials of different parts of the country and other non-industrial elements of the economy.

Someone who is inspired to build one factory in one town is not motivated nor assured success by a national policy and will face choices and problems that are unique to that business, that process, that place, and very personal perspectives and objectives.

To lead and flexibly support that national process for several thousands of diverse factories in variable conditions in hundreds of places, from start up to stable establishment and beyond, both central and local government have to work closely with and indeed "in" every single one as a supportive partner and informed counsel. To develop the understanding and wisdom and reflexes to nurture business, policy must do business.


Kuamawa machine resource factory

What does this mean to Local Governments in Ghana?

This means that local governments must invest directly in productive sectors (agriculture, industries, tourism, extractives, etc.) in partnership with private enterprises. Standing aside in the name of enabling environment to do little direct support is not an option for developmental local governments. Charting-out (and implementing!) a set of activities specific to the establishment of productive sector programmes like the 'One District One Factory' (1D1F), 'One Village One Dam' (1V1D) and 'Planting for Food and Jobs' in the 260 LGs in Ghana is needed for local economic transformation and development. The 1D1F initiative is an echo of the "One Village, One Product" in Oita prefecture in Japan and "One Tambon One Product" in Thailand. Local governments directly invested in these notably successful programmes.

What is Industrial Policy and how is Ghana's Experience in it?

Ghana's attempt in the 1960s to transform its economic structure through import-substitution industries (ISI) failed because of political patronage and inefficient management. The past experience has made many senior technocrats, policy makers and intellectuals fixated on State retreat from direct participation in productive sectors, to be replaced by the private sector. At best, government is asked to provide an enabling environment.

Since 2010, it appears local governments have gone beyond ending governments to directly rejuvenate a hitherto minor and now moribund industrial sector, establishing new manufacturing companies partnerships with local and international investors. The 1D1F industrial programme is a bold initiative of the government to regenerating local industrialization. By early 2019, a total of 181 industries under 1D1F were in various stages of construction or completion.

At the local level, because industrial policies in support of productive sectors failed in the past, many stakeholders have adopted a wait-and-see attitude.


Tanoso Bricks and Tiles Factory

Hence attention on local economic development has focused on micro-level poverty alleviation programmes seen as support to survival enterprises. The implementation of 1D1F programme suggests that Local Governments learn some lessons from the past experiences.

Kwahu Organic Ginger Factory

Implications of 1D1F to Local Economic Transformation and Development

Institutional Learning and Rapid Feedback

The design stage of an industrial policy, analysis and research contributes most substantially to intended goals. There are many examples for Ghana to learn from…or to avoid. The Local Governance Practitioners Forum can facilitate informed policy discussions, decision-making, policy design and programme implementation by making synthesis of research evidence available to policy makers and practitioners. It can also facilitate a structured relationship between the central/local governments and private investors in a way that will enable and encourage rapid feedback on local industrial policy and programme implementation and to adjust where needs be.

Persuading MMDAs to Embark on Local Economic Transformation

Local governments (Metropolitan, Municipal and District Assemblies) need to stimulate and promote transformation in productive sectors like manufacturing, agriculture, tourism, or any others in which their territories have comparative advantage. Currently LGs in Ghana are given performance-based grants, but many of the assessment indicators are based on process requirements rather than development outcomes.

By refocusing its incentive package on outcomes, the Ministry of Local Government and Rural Development can encourage LGs to devote local revenue towards economic transformation.

A total transformation of the culture, mandate and staff competency of local government service is essential for them to manage LGs as corporates in the business of steering and resourcing development.

Innovative approaches to financing local economic transformation

As LGs invest in industrialisation programmes, they will need access to a wide range of innovative financing options including; inter-municipal cooperation and joint capital, crowd funding through small contributions from diverse individuals and organizations, sub-national borrowing through intermediaries in the form of loans, and other forms of public-private partnerships. Fiscal reforms that will also give LG a share of company taxes paid by the local industries they are supporting.

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LGPF Policy and Practice Briefs are published by the Institute of Local Government Studies and aim to provide high quality analysis and practical recommendations for varied policy actors on decentralization, local governance and development issues.

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