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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Vienna International Centre, P.O. Box 300, 1400 Vienna, Austria
Tel: (+43-1) 26026-0 · www.unido.org · unido@unido.org

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PROJECTS FOR DEVELOPING COUNTRIES

TEXTILES

THE GHANA EXPERIENCE 1/

by

Mr. David K. Aninakwah*

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* President, Ghana Institute of Management.

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BACKGROUND

Wealthy in natural resources, Ghana was throughout the colonial era, one of the world's suppliers of industrial raw materials i.e. cocoa, timber, gold, diamond, manganese, bauxite, palm oil. These exports earned her foreign exchange.

An agricultural country, cocoa is the mainstay of her economy. Depending entirely on a one-crop economy was ruled out. To diversify was to create a more balanced economy. The answer was the establishment of agro-based industries. Existing cottage industries include traditional weaving (textiles) pottery, leatherworks, crafts etc.

With diversification, Ghana was breaking new grounds. The industrial era started in the post-independence years of the 1950s. There was a dearth of entrepreneurs, investment capital, management and technical expertise. Technology was and continues to be expensive and hard to come by. However, the Government established a variety of factories i.e. sugar, jute, cocoa, meat, shoe, textiles, glass, oil palm, cocoa products. The majority of the factories come under the Ghana Industrial Holding Corporation. The minority of the factories have proved profitable. Others costly in terms of foreign exchange because of the substantial foreign inputs.

Today, the Government urges agro-based industries to produce locally the requirement of raw materials i.e. raw cotton, tobacco, jute, sugarcane. Only about 20% of raw cotton required by the textiles industry is locally produced. This Government move will in the long run reverse the immediate past tendency - merely factories were set up with inadequate consideration of the source of raw materials (local or foreign).

Thus has emerged the accelerated industrialisation programme. It was aimed at :-

a. To save foreign exchange

b. To produce import substitutes

c. To maximise socio-economic benefits

Imports on consumer and capital goods bedevilled the Ghana economy i.e. balance of payments. Foreign exchange was to be conserved.

TEXTILES

The nineteen sixtees witnessed the establishment of textiles factories. Ghana until then, was importing almost all textiles goods. Labour-intensive, textiles seems to rank high when it comes to industrialise in a developing country.

GHANA TEXTILES PRINTING (GTP)

The Ghana Textiles Printing (GTP) is one of Ghana's five major textiles industry. Wax prints are the products. The predecessor Company, the State Textiles Manufacturing Company (STMC) was established in the industrial-designated area of Tema : the harbour city. It was 100% Government-owned. The operating results proved subsequently unsatis-factory.

This led the Government in 1964 to invite the Anglo-Dutch African Textiles Investigation Group (ADATIG), to take over the commercial and technical management of STMC. ADATIG acquired 49% of the equity. ADATIG is a consortium of UAC International, Gamma Holdings, N.V. and Total International.

The Holland-based Adatig has been a traditional supplier of quality textiles piece goods. Well-known to ADATIG was the conservative Ghana Market. The initial difficulties ADATIG faced included rehabilitating aging machinery and equipment. Import licensing controls posed problems to bring in the needed spare parts. Similarly, Grey-cloth, as the raw materials was to be imported under licence.

The Government was facing balance of payment difficulties, scarce foreign exchange. For these reasons, foreign exchange control on import licensing were imposed. Lately, compounding the issues worldwide inflation, quintupling price of petroleum products and the fluctuating price of primary products i.e. cocoa, recession.

The Government, under Ghana's Investment Policy Decree (NRCD 329), increased the controlling interest i.e. 55% and ADATIG 45%. The underlying principles of the policy was for Ghanaians "to capture the commanding heights of the economy and to sustain its growth."

Investment sectors of the economy of Ghana under the law are four-fold:-

a. Areas reserved for Ghanaian investments only i.e. 100% Ghanaian ownership.

b. Areas for State/Ghanaian/Foreign ownership i.e. 55% Ghanaian ownership.

c. Areas for joint ventures between Ghanaian and foreigners i.e. 50% or 40% Ghanaian ownership depending on turnovers/employed capital.

d. Areas in which for the time being, foreigners may own 100% equity.

Thus, GTP is in the areas of State/Foreign ownership. Not unusually, the foreign partner provides factory equipment foreign inputs. The interests of the foreign partner are protected under a joint-venture agreement which has to be cleared with an Agreements Review Committee and the Bank of Ghana. Repatriation equity Capital, profits, dividends are regulated under the Exchange Control Act of 1960.

MANPOWER

Labour-intensive GTP, today employs 1,800 people. They include four Dutch expatriates employed in the production/technical area. The factory provides new skills for Ghanaians to acquire i.e. engineering, production. The management instituted "on-the-job" training programmes. Takes advantage of the training facilities of the Management Development and Productivity Institute (MDPI) in Ghana and overseas training for higher level staff. For example, several of the production team have participated in UNIDO in plant Group training programmes for textiles industries, mainly in Poland. The initial expatriate staff in 1971 was 25.

FACTORY SITE

The textiles factory site covers an area of 16 acres. Machinery and equipment originally installed are the standard type of roller printing industries to be seen all over the world. Special facilities to produce Real Java Prints were provided. The arrangement was middle technology. The most complex part were the electricals.

The wax printing equipment is fairly complex. However, the photographic/engraving department is highly technologiaal. The large volume of water used for processing is drawn from the town mains, rather expensive. The effluent is discharged into the town sewers.

SOURCES OF RAW MATERIALS

Printed greycloth is, by far, the largest raw material requirement. The source of supply is nearby Juapong Textiles Limited (JTL). Prior to this foreign exchange saving arrangement, the factory was fed on imported greycloth. Juapong factory at present imports yarn but will shortly be spinning cotton to produce yarns. Chemicals and dyestuffs foreign inputs - are presently imported.

To set up a large chemical plant for Ghana would almost certainly be uneconomic. However, when ECOWAS takes off, it may well be very worthwhile for a number of countries to consider the establishment of such an industry to serve all.

The foreign exchange saving/earning has not been as high as was originally hoped for, because the bulk of raw materials have to be imported. The factory is not up to optimum - production level.

It has to be realised that the general problem concerning import licence restrictions does affect the commencement of a new industrial project where some imported materials are needed, e.g. cement. It is most important to ensure supply of all essential building materials, machinery/ spare parts before the construction gets underway.

The land tenure system in Ghana and, maybe in some other developing countries, is rather complex. Government acquired land on lease to the Project to stave off protracted negotiations with the owners (extended family system). Otherwise, new claimants for the rent may continue to appear for years after the project becomes operational:

The land tenure problem becomes irksome when dealing with agricultural projects i.e. cotton growing on a plantation scale. Aware of this, the Government has put up pleas for landowners to make land available for development. The sheer size of land required for a plantation, say about 10,000 hectares or more involves the resettlement of people as well as possibly adjusting roads etc. If Ghana is to become self-supporting, for example, in cotton, these problems will have to be overcome.

GTP itself is not involved in Cotton-growing but the sister Company, Juapong Textiles Limited, which is a weaving Factory (currently installing spinning as backward integration) has investment in two large farms. One is at Juapong Volta Region and the other at Ejura Ashanti Region. Both farms are still little more than pilot production. There are plans to develop the farms - Juapong (5,000) Ejura (10,000).

The aim is to produce Cotton of 1.1/16" staple length. The seed is provided by the Cotton Development Board.

The policy being pursued is undoubtedly the right one. Large scale cotton growing plantation take time to develop. It is a pity the plantations were not started earlier. Vast areas of land will be required before the country becomes self-supporting. On a rough rule of thumb one acre of cotton is required per year to supply one spindle. Including the spinning mill, now being built at Juapong, the five main textiles factories have between them some 135,000 spindles.

Experience has shown that the number of expatriates required to train local personnel can be run down fairly rapidly except at the very highest level of technical/commercial expertise. For example, in Tema, where we are employing a total of 1,800 people, we now have only 5 expatriate management despite the extension I have mentioned earlier; in 1971 there were a total of 17.

GTP investment capital is about ₵13 million. Anticipated return on investment is roughly 15%. The supply of textile is not keeping pace with demand. It will not be the case if all the textile factories were operating at full capacity.

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