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**THEME:**

**FINANCING OF CONSTRUCTION PROJECTS AWARDED  
BY THE GOVERNMENT OF GHANA TO GHANAIAN  
CONSTRUCTION COMPANIES**

**Presented by:**  
**ASHLEY Angela Martekie**  
12th Batch

**Supervised by:**  
**Professor Jean Baptiste AHETO**  
Business Consultant (PsyconH.R)

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## **DEDICATION**

I dedicate this work to Jehovah God Almighty, The One who has made it all possible.

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## LIST OF ABBREVIATIONS

<b>AfDB</b>	.....	African Development Bank
<b>AFD</b>	.....	Agence française de Développement
<b>ASROC</b>	.....	Association of Road Contractors
<b>BoG</b>	.....	Bank of Ghana
<b>CF</b>	.....	Cash Flow
<b>CIT</b>	.....	Corporate Income Tax
<b>DEG</b>	.....	German Investment and Development Corporation
<b>EBID</b>		Ecowas Bank for Investment and Development
<b>EIB</b>	.....	European Investment Bank
<b>FMO</b>	.....	Entrepreneurial Development Bank of the Netherlands
<b>GDP</b>	.....	Gross Domestic Product
<b>GRF</b>	.....	Ghana Road Fund
<b>GSGDA</b>	.....	Ghana Shared Growth and Development Agenda
<b>GSTS</b>	.....	Ghana Secondary Technical School
<b>IFC</b>	.....	International Finance Corporation
<b>IFRS</b>	.....	International Financial Reporting Standards
<b>IRR</b>	.....	Internal Rate of Return
<b>MOFEP</b>	.....	Ministry of Finance and Economic Planning
<b>NPV</b>	.....	Net Present Value
<b>ODA</b>	.....	Official Development Assistance
<b>PI</b>	.....	Profitability Index
<b>PPA</b>	.....	Public Procurement Authority
<b>RMC</b>	.....	Regional Member Country
<b>SADA</b>	.....	Savannah Accelerated Development Authority
<b>VAT</b>	.....	Value Added Tax

## ABSTRACT

Developing countries face numerous challenges in various sectors of their economies of which the construction sector is no exception. The construction sector in Ghana faces challenges including Presence of foreign contractors, Poor design quality, Lack of adequate and regular finance, Bribery and corruption, just to mention a few.

Governments of these developing countries also face a consistent budget deficit, which translates into late payment of contractors and other stakeholders. This in turn, hinders the steady progress of local construction companies that win government contracts especially in terms of quality standards.

This project introduces 'the GOLD fund with Stated Capital of 5000,000 USD and long-term debt of 20,000,000 USD to finances government of Ghana awarded contracts. The fund itself is pooled from international financial institutions such as the International Finance Corporation (IFC), African Development Bank (AfDB), and other organizations that aim at helping developing economies grow by empowering their private sectors. Funds are released promptly for the commencement of projects and then, every quarter throughout the period of construction. Negotiation of material prices and cost of hiring equipment as well as foreign exchange hedging are all done on behalf of client companies with the help of local bank partners.

Interest rate charged by foreign partners is estimated at an average of 10%. The fund itself charges a commission of 15% on the lump sum cost of the contract which embodies interest rate and cost of financial services rendered.

The government of Ghana in turn, is supposed to release funds periodically (every quarter) for the payment of contracts on which work has already began. The project allows for a month's delay in payment hence expect funds to be paid every trimester. Interim funds are solicited from partners if the need arises whiles excess funds are invested on the overnight market at an average rate of 14% per annum.

The GOLD fund project proves profitable with a Net Present Value (NPV) of 7339362 USD and an Internal Rate of Revenue (IRR) of 14.67% per annum.

**Key words: Government; Construction; Financing**

## RESUME

Les pays en voie de développement font face à de nombreux défis dans divers secteurs de leurs économies; le secteur de la construction ne fait pas exception. Le secteur de la construction au Ghana connaît un certain nombre de problèmes dont la mauvaise qualité des conceptions de projet, le manque de financements, la présence d'entrepreneurs étrangers, et la corruption, pour ne citer que ceux-là.

Le gouvernement ghanéen fait aussi face aux déficits budgétaires qui se traduisent par le paiement tardif des entrepreneurs (contractuels), les investisseurs et d'autres parties prenantes. Cette situation influence négativement le progrès des sociétés de construction locales qui ont remporté des appels d'offre du gouvernement particulièrement en termes de normes de qualité.

Ce projet professionnel porte sur la création d'une société, la « GOLD fund » avec un Capital de 3.500.000 Dollars et une dette à long terme de 20.000.000 Dollars. Elle a pour vocation le financement des projets gouvernementaux obtenus par les entrepreneurs ghanéens. Le fonds lui-même sera soutenu par les institutions financières internationales comme la Société Financière Internationale (SFI), la Banque Africaine de Développement (BAD) et d'autres organisations qui soutiennent les développement des nations. Les fonds seront décaissés dans un premier volet au début des projets et ensuite, chaque trimestre pendant la période de construction. Les négociations des prix des matériaux ainsi que les coûts de location des équipements et la protection contre les risques de change seront faites pour le compte des sociétés clientes avec l'aide de partenaires bancaires locaux.

Le taux d'intérêt facturé par les partenaires étrangers est évalué en moyenne à 10 %. Le fonds lui-même facturera une commission de 15 % sur le coût forfaitaire du contrat qui inclut le taux d'intérêt et le coût des services financiers rendus.

On suppose que le gouvernement du Ghana à son tour, paiera trimestriellement pour les travaux déjà effectués.

Des appels de fonds seront faits au besoin auprès des partenaires et les excédents de trésoreries placés sur le marché inter bancaire à un taux moyen de 14 % par an.

Le projet GOLD fund prouve sa rentabilité avec une VAN de 7 339 362 USD et un Taux de Rentabilité Interne (TRI) de 14,67% par an.

**Mots Clés : Gouvernement, construction, Financement**



## GENERAL INTRODUCTION

Ghana is a major Sub-Saharan African country with a population of about 25 million. It has a vibrant and stable multiparty democratic political system of governance particularly in the past 20 years. The construction sector holds immense potential for stimulating growth, boosting project exports and generating employment. The domestic construction sector happens to be one of the fastest growing sectors, with an impressive average growth of 7-8 per cent per annum (International Journal of Development and Economic Sustainability Vol. 1, No.1, March 2013, pp56-72). The foundation of a higher growth rate rests on a sound and efficient infrastructural development, which makes the construction sector key.

The rapid expansion of infrastructure by both government and the private sector has triggered off construction activities and fuelled demand in many key sectors like cement, steel, paints and chemicals, glass, timber and earth moving equipment and machinery. The construction sector is a crucial industry having strong backward and forward growth linkages.

The Ghana Shared Growth and Development Agenda (GSGDA) 2010-2013 emphasizes the necessity to develop the transport, water & sanitation, and power infrastructure to support economic and social development. From a strategic development perspective, the Government considers infrastructure investment as critical to sustain growth and diversify the economy away from natural resource exploitation. With a greater participation of the private sector to infrastructure development and operation, Ghana will need to improve its regulatory capacity, based on the good principles of independence, responsibility, transparency and technical excellence. Following a consultative group meeting on June 19, 2012, Government acknowledges the need to strengthen quality control of project preparation, appraisal, selection and implementation, currently highly decentralized with poor central guidance and independent review.

The contribution of the Construction sector is very critical in every economy, especially developing countries, where critical infrastructure required to facilitate production is woefully inadequate. In Ghana, this sector plays a key role in both economic and social development. The inherent under-development of the Industry

in these countries means that they are unable to deal with their weaknesses to make a strong case for support. Consequently, the output of the Construction industries in these Ghana falls short of the target set by awarding institutions in terms of cost, schedules and quality specifications. The local industry is not only under-resourced but also lacks modern technologies to enable them win big and sophisticated contracts. This is the reason why almost all major road contracts are being executed by foreign firms.

Ghanaian construction companies who win government contracts have quite a bad reputation both in the eyes of the government and the Ghanaian public. This is due to the low level of quality exhibited in the execution of contracts. Another reason is late timing whereby projects are not completed before the agreed time scheduled. Due to this, the Ghanaian government prefers awarding contracts to foreign companies because they have the hallmark of adherence to quality standards and timely delivery. This fierce international competition does not auger well in encouraging growth in the construction sector of the country.

The main problem faced by construction companies in Ghana is the lack of affordable finance. Banks usually charge between 20%-30% interest per annum on loans that they issue out, but this is clearly not their doing given the fact that banks in Ghana can invest risk free rate usually between 18 and 23 percent. The policy rate of the BoG also hovers between 12.5% and 18.5%<sup>1</sup>. Due to this generally high level of interest rates in the economy, by the time banks factor in the element of default risk and spreads considering the government's delay in payment for contracts, the effective interest rates are very elevated.

Ghanaian contractors may also lack the requisite skills in the field of finance to negotiate prices of materials. As a result they remain at the mercy of price fluctuations on the international market, which can distort their budgets. There is also the risk of exchange rate uncertainties for which reason the GOLD fund will also hedge on behalf of contractors.

This project, the GOLD fund is providing solution to the challenge of finance and

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<sup>1</sup> Refer to *appendix 4* for policy rate trends in Ghana

price uncertainties faced by the Ghanaian construction companies who win government contracts in order to make them more competitive in winning and executing these contracts. A pool of funds will be created and made available to these companies at a commission. In addition to this, other finance related services such as negotiating cost of materials, hedging, and so on, would be provided to enhance efficient use of funds. Periodic training sessions, related to ongoing contracts will also be organized for the personnel of these firms to ensure adherence to high quality standards.

The main challenges of construction companies in Ghana are related to financial, political, organizational and the economic factors. The problem of finance has always been one of the main. Although there are about 30 duly registered and operating banks in Ghana as well as over 50 financial institutions, this problem of access to finance faced by contractors still persists and has worsened over the years. It is about time we take the bull by the horns, focusing attention on the construction sector to accelerate national development.

This project tackles the response to the problem, “how can we finance construction projects awarded by the Government of Ghana to Ghanaian construction companies and ensuring high quality standards and timely delivery?”

The project aims at designing a financial service dedicated to government construction contract winners to help them play their role effectively by maintaining high quality standards and timely delivery. It contributes to enhancing the consistency of Ghana’s local companies in the construction sector.

Precisely, this work:

- Presents the construction sector of Ghana and address the financial difficulties they encounter.
- Presents the design of the financial procedure that we deem more suitable for the sector and the resources necessary to enhance its activities.
- Discusses the strengths, weaknesses, opportunities and threats of the project.

This project addresses specifically, problem of access to finance. The project seeks to respond only to this aspect of the numerous challenges faced in the industry,

especially by government-employed contractors.

The project is also limited to the provision of finance for companies that win GoG biddings for the construction of roads, houses, schools, hospitals, markets, recreational centres, just to mention a few. This is to help ensure, for the early stages of this project, a sure repayment of loans given that the government is a sure payer even though it may not always do so on time.

The project is mainly fed with information on recent studies already undertaken by some Ghanaian professionals within the construction industry.

These researchers, including that of Dr. Samuel Laryea of the University of Reading, in order to investigate challenges facing contractors in Ghana, placed the contractors themselves at the heart of the study. In Ghana, there are two main categories of contractor. First, there are road contractors who operate with license from the Ministry of Roads and Highways. And second, there are building and civil engineering contractors who operate with license from the Ministry of Works and Housing (Eyiah and Cook, 2003 and Dansoh, 2005).

It was necessary to cover both categories of contractor as they both cover a significant share of the construction market in Ghana (according to the registration list of contractors kept by the relevant government ministries). One aim of the study was also to compare findings from the two categories in order to ascertain significant differences and similarities. In all, seven building and civil engineering contractors were engaged in semi-structured interviews. Six road contractors were also interviewed. All interviewees were senior management-level personnel including Technical Managers and Directors. All the contractors interviewed are in the top category of classification of firms by their respective government ministries.

## **CHAPTER 1: BACKGROUND OF THE PROJECT**

This chapter reviews certain terms that are usually found in finance literature and which have been employed in the creation of this project. It also discusses the construction sector of Ghana's economy and its role in the development of the country.

### **1.1 CONCEPTS AND DEFINITIONS**

The following are terms have been mentioned in this report. Eventhough the list is not exhustive of all the terms used, the basic ones as far as this project is concerned, are presented.

#### **1.1.1 General Contracting**

The concept of 'general contracting' refers to the professional practice or system where an organization or individual undertakes to supply the resources and services required to construct a project (as explained in a standard construction contract textbook by Murdoch and Hughes, 2008)

On the whole, a contractor can be anyone who agrees to fulfill the terms of a legally binding agreement. Most commonly, the term is used to describe an expert in the construction industry who hires skilled and unskilled workers to actually construct a financed project. An examining board must license a contractor before he or she can bid on the project. This bid is based on the estimated cost of the building materials, the wages of subcontractors and laborers and the professional's fee for coordinating the project.

Contract documents include a budget, any general and special conditions, blueprints and specifications prepared by a design professional such as an architect. In many instances the general contractor is the project engineer or project manager for construction projects.

A general contractor is responsible for providing all of the material, labor, equipment and services necessary for the construction of the project. The general contractor hires specialized subcontractors to perform all or portions of the construction work.

Responsibilities may include applying for building permits, securing the property, providing temporary utilities on site, managing personnel on site, providing site surveying and engineering, disposing or recycling of construction waste, monitoring schedules and cash flows, and maintaining accurate records.

### **1.1.2 Government Bidding**

In business, bidding is a recognized way of competing with other businesses for a contract to do a project. Government authorities (Public Procurement Authority in Ghana) examine and compare bid proposals from the different businesses to choose the firm with the best overall proposal. Bidding is used for many types of business work and supplies that range from construction projects to medical equipment. The government usually specifies how the winning bid will be chosen. A bid is also known as a tender. Invitations to tender are placed on the PPA website or in advertised in the daily graphic, a national newspaper.

### **1.1.3 Specialty Funds**

Specialty Funds are a form of collective investment funds which invest primarily in a specific geographical area (e.g. Africa) or in a specific industry (e.g. construction companies). As a result, specialty funds are subject to a certain risk-level related to the market in which it specializes. Types of risks specialty funds face include foreign exchange, political, geographical or sectorial (industry) risk

### **1.1.4 Revolving Credit Facility (“Revolver”)**

A revolver is a loan, which can be drawn down and repaid. In a business context, a grant of security interest creates the borrowing base for the loan. As receivables are paid, the cash is turned over to the lender to pay down the loan balance. When the borrower needs additional revolver frequently is secured by the borrower’s receivables and/or inventory. In this project, the receivables are from government coffers. This kind of asset-based loan is designed to optimize the availability of

working capital from the borrower's current asset base. The borrower grants a security interest in its receivables and/or inventory to the lender as collateral to secure the loan. This working capital, the borrower requests another advance. The lender manages a revolving credit facility and the related collateral in order to offer the borrower the largest possible loan amount at any given time.

The borrowing arrangement is usually transparent to the borrower's customers. The principal advantage is the acceleration of cash flow to the borrower to support its working capital needs. By using its current assets as collateral, a company is able to generate cash sooner than if it had to wait for accounts receivable to be paid in cash. Cash is available as needed, and any cash not needed on a daily basis is used to pay down the loan balance and minimize interest expense

#### **1.1.5 Cash Collection Cycle**

The cash collection cycle is simply a way of segregating collections as accounts are received. As receivables are paid, the cash collected is used to pay down the outstanding loan balance. This creates a win-win situation: the lender minimizes the outstanding loan risk, and the borrower minimizes idle cash and interest expense while creating renewed borrowing availability. When the borrower requires additional cash for working capital, the lender advances funds based on the updated borrowing base. This cycle can be done as frequently as daily if needed.

#### **1.1.6 Project Viability**

NPV is the difference between the present value of cash inflows and the present value of cash outflows. It is used in capital budgeting to analyze the profitability of an investment or project. NPV analysis is sensitive to the reliability of future cash inflows that an investment or project will yield.

$$NPV = \sum_{t=1}^T \frac{C_t}{(1+r)^t} - C_0$$

## INTERNAL RATE OF REVENUE

It is the discount rate often used in capital budgeting that makes the net present value of all cash flows from a particular project equal to zero. Generally speaking, the higher a project's internal rate of return, the more desirable it is to undertake the project. As such, IRR can be used to rank several prospective projects a firm is considering. Assuming all other factors are equal among the various projects, the project with the highest IRR would probably be considered the best and undertaken first. IRR is sometimes referred to as "economic rate of return (ERR)."

## PROFITABILITY INDEX

An index that attempts to identify the relationship between the costs and benefits of a proposed project through the use of a ratio calculated as:

$$= \frac{\text{PV of Future Cash Flows}}{\text{Initial Investment}}$$

### **1.1.7 Hedging**

A risk management strategy used in limiting or offsetting probability of loss from fluctuations in the prices of commodities, currencies, or securities. In effect, hedging is a transfer of risk without buying insurance policies.

Hedging employs various techniques but, basically, involves taking equal and opposite positions in two different markets (such as cash and futures markets). Hedging is used also in protecting one's capital against effects of inflation through investing in high-yield financial instruments (bonds, notes, shares), real estate, or precious metals.



### **1.1.8 Outreach Strategy**

An outreach strategy is the manner in which a product or service is made known to a target group of people.

## **1.2 HOW LOCAL CONTRACTORS IN GHANA HAVE EVOLVED OVER THE PAST YEARS.**

The research pointed out that in the colonial times, there was a government department of works responsible for construction works in Ghana including engineering, design and construction. The government of Ghana for some time past employed almost all the construction artisans in the country. As a result, it had a structured training programme for the artisans' skills development. The present Ghana Secondary Technical School (GSTS) in Takoradi served as training centre for middle-level construction professionals during that period. The department of works was responsible for all public works, electricity supply, road construction and water supply. The department of works had an intensive apprenticeship scheme that was used for training and categorizing labour.

Contractors of the construction industry in Ghana have increased in numbers over the years. They however, have little impact on the market due to well-identified challenges.

## **1.3 OVERVIEW OF THE CONSTRUCTION SECTOR OF GHANA**

Construction industry plays a major role in the development of every country due to the role it plays in the provision of basic and sophisticated infrastructure for the enhancement of society. It also contributes to government income generation through taxes on imported raw materials, Value Added tax (VAT), corporate income tax (CIT), among others.

The construction industry in Ghana contributed 8.6% to Ghana's GDP (2010) and provides jobs for around 2% of the workforce (2009). The sector has grown significantly from around 4.5% of GDP in the 1980s to become one of Ghana's most

important industries. In 2008 the sector grew by 10%, although the global economic downturn dampened growth prospects in 2009.

Further economic growth is predicted particularly with the recent discovery of oil in Ghana (as revealed in a study on links between the growth of the construction industry and the growth of the macro-economy in Ghana by Anaman and Osei-Amponsah, 2007; and another on oil and urban development in Ghana by Obeng-Odoom, 2009 published in the African Review of Economics and Finance). Considering the strong link between construction and economic activity (see Hughes and Hillebrandt, 2003 and Calvert, 1995) the projected economic growth in Ghana and the emerging oil industry suggests that demand for construction goods and services will increase in the coming years. Demand for construction work is likely to increase in Ghana as it is of typical developing countries (according to the United Nations Human Development Report/Index, 2008) and according to a paper by Jaselskis and Talukhaba (1998: 185) developing countries have great need for almost all types of construction such as highways, roads, hospitals, power plants, dams, housing, maintenance on existing infrastructure, etc.

There is therefore, enormous demand for housing in Ghana, but the local building industry is incapable of meeting the demand due to several challenges. The housing industry in Ghana is confronted by major problems. These include the problem of finance, delayed payments, poor design quality, bribery and corruption, personal issues amongst others. As a result, the local building industry has not been able to develop technical and financial capacity to execute big building projects. It is against this backdrop that, the Government of Ghana signed a housing agreement with the STX Group of South Korea in March, 2010 to build 200,000 housing units in Ghana by 2015 at a cost of about US\$10 billion. The Government offered STX various support ranging from guaranteeing of loans for the project; free land; provision of roads; water; and electricity, under the agreement

## **1.4 CHALLENGES AND OPPORTUNITIES OF CONSTRUCTION CONTRACTING IN GHANA**

Ghana's construction sector faces numerous challenges that inhibit its progress. These problems span from company level to government level. Financial challenges, cumbersome payment procedures, poor design and high quality Standards, presence of foreign contractors, lack of competent personnel, bribery and corruption, barriers of competitive bidding, job availability, Contractor capacity, disunited contractor associations.

### **1.4.1 Financial challenges**

The main problem facing contractors is that of funding in the form of lack of funds, delays in payment, cancellation of advance mobilization, guarantee on government of Ghana project, cumbersome payment process and limited access to credit which affect the engagement and retention of qualified skilled labour (both administrative – accountants, human resources managers, middle and top level personnel.

Lack of funds also means that personnel are poorly paid. As a result, contractors find it difficult to procure necessary materials like chippings, gravels, bitumen and even water, fuel (gas oil and other lubricants) to carry out works. They borrow until they are no longer able to get credit. Apart from the Ministry of roads and transport there are other Road Agencies like the Ghana Road Fund (GRF) Secretariat, under the Ministry of Finance and in some way also under the Ministry of Roads and Highways. It is the GRF that pays for road construction works in Ghana and all paper work has to go there before payment can be authorized.

There is lack of access to credit from banks. The main reason for this is that contractors tend to experience unusually long payment delays, which make it difficult for banks to calculate when monies will be repaid. Where banks decide to give a loan, the interest rate tends to be very high. Sometimes by the time a contractor receives a payment, interest rates may have increased even higher. As a result, most of them tend to rely on overdraft facilities rather than bank loans, which are even more costly. When they apply for bank loans, they often face difficult challenges of collateral and guarantee. In some cases, contractors have to use their

personal properties such as their houses as collateral since equipment may have already been used for this purpose.

#### **1.4.2 Cumbersome payment procedures**

Payment for work done is a very big problem for contractors in Ghana. One reason is that jobs are more than what government can afford to pay. The main funding for road projects in Ghana come from road tolls, the Consolidated Fund, and donor agencies. The complicated and bureaucratic structure of payment to contractors makes even the release of payment a problem. Even after government has given the approval for payment, Parliament must approve the total amount, before the Ministry of Finance (MOF) will disburse the money, every quarter. Before the MOF disburses the payment, it will ask the contractor to account for monies disbursed for the last quarter to ensure that it has actually completed the work. However, it takes time for the contractor to gather the documentation needed to prepare the accounts and also for the MOF to crosscheck the accounts.

#### **1.4.3 Poor design and low quality standards**

Right from the beginning, the client's requirements are not captured in the tender documents. As a result, there are a lot of variations in the construction phase, which naturally impacts on cash flow, workflow, and duration or planning. Ultimately, design-related problems that lead to low quality standards, impact on profitability of firms.

#### **1.4.4 Presence of foreign contractors**

Contractors in Ghana complain that most major projects in Ghana are awarded to foreign contractors. ASROC argues that local experts and professionals can do much of the jobs done by staff of the foreign contractors. Some contractors complained that there are cases when some expatriates brought in to work for foreign construction firms do not even possess any relevant qualifications in construction.

#### **1.4.5 Absence of highly qualified personnel**

The contractors explained that there was a lack of qualified construction professionals with basic knowledge in construction works. There is also a problem with supervision and managerial aspects of construction work in Ghana. There are no criteria or qualifications or a barrier to entry into artisanship.

#### **1.4.6 Bribery and corruption**

Bribery and corruption is a big problem for both contractors and construction consultants in Ghana. Contractors often have to pay kickbacks to the people involved in a project. One main problem identified with kickbacks is that it affects the quality of work. Where kickbacks have been paid, contractors tend to use low quality materials to recoup the amount lost and consultants hardly reject the work because of the kickback taken.

#### **1.4.7 Barriers to competitive bidding**

In order to win big contracts, clients often ask for a certain level of turnover, normally around one million dollars. Sometimes a contractor's turnover for the previous year may not be up to that turnover so it is not even possible to apply for that job in the first place.

#### **1.4.8 Challenge of job availability**

In Ghana, the availability of work and whether a contractor will win a contract is linked to the political regime or party in power. Generally, many contractors in Ghana are perceived to have sympathies for particular political parties. Therefore when a particular government comes into power and a particular contractor is perceived as being sympathetic towards an opposition party, that contractor hardly wins any work throughout the time of the new government.

#### **1.4.9 Disunited contractor associations**

There are different contractor groups and associations in Ghana. This is not a problem in itself because of freedom of association. However, the different groups have different interests so they are not able to speak with one voice about the challenges facing contractors in Ghana. There used to be just one contractors' association. However, there are now splits and different groups because of disagreements over leadership and constitutional issues.

#### **1.4.10 Contractor capacity**

Indigenous construction firms in Ghana operate on a small scale. This poses a serious challenge in winning huge contracts, which could help increase profitability and growth of the company and the industry at large. Most high capacity construction firms that operate in Ghana are foreign owned. Local contractors then find themselves in a vicious cycle of small contracts with little profitability.

#### **1.4.11 Opportunities**

Ghana, as a middle-income country and at a vibrant stage of economic development (13% in 2010) government construction is on high demand. The rate of construction by the government is also likely to increase with the emerging oil and gas market in Ghana. Thus, significant opportunities exist with construction work in Ghana, which makes it an attractive market for contractors. If contractors could develop a professional approach to business there would be progress. Contractors in Ghana should apply the concept of entrepreneurship with real planning for business.

## 1.5 GOVERNMENT OF GHANA INFRASTRUCTURAL ACTIVITIES

Ghana like many other developing economies, has various infrastructural projections. These may either be based on the short, medium or long term.

### 1.5.1 Ghana Infrastructure Plans<sup>2</sup>

To finance Ghana's investment needs, the Government intends to rely on increased budgetary resources, concessional and non-concessional borrowing, as well as on public private partnerships. This, while pursuing debt sustainability principles and matching financing to project types: budgetary resource and concessional finance for infrastructure projects with high social returns; non concessional finance and private participation for infrastructure projects with high commercial returns.

Ghana's roads network comprises 66,200 km, out of which 42,192 km of feeder roads, 12,400 km of urban roads and 11,628 km of trunk roads. The network links all districts and regions, as well as most population settlements, and is considered adequate to meet the minimal requirements for sub-regional integration. It nevertheless suffers from congestion in terms of very high traffic density in major urban centers, rapid deterioration (with 41% of the road network considered in good condition), and poor connectivity in rural areas, where only one fourth of rural population live within 2km of an all season road. While continued expansion of the network is desired, priority is given to improving roads quality through the introduction of improved/latest construction technology, better maintenance and regulation, decongesting urban traffic, and improving rural connectivity.

Ghana's railways network of 1,300km is concentrated in the south and designed to transport export commodities (bauxite, manganese, cocoa, timber). The network forms a triangle that links Accra-Kumasi-Takoradi and currently only the Western line. Old tracks, inadequate and outmoded rolling stocks and other essential facilities severely limit the development of the mining sector in the Western region, and clearly will not be able to support the development of the emerging oil and gas industry. The Government foresees as priority the need to rehabilitate and modernize

<sup>2</sup> Source: Ghana Infrastructure Plans Consultative Group Meeting, June 19, 2012

the network in the Western region to fully tap its enormous economic potential. It also considers building a segment Tema - Akosombo as part of the proposed Eastern multimodal corridor and in the long- run extend a line from Kumasi towards the North with some lateral extensions to provide cheaper access to areas of natural resources and other high economic potential to facilitate their exploitation, processing and export where applicable.

Ghana's seaports at Tema and Takoradi are considered fairly well equipped to service local production and international traders, and saw their volumes of activity increase sharply in recent years, to the extent that congestion and capacity constraint have now become serious impediments to further development.

### **1.5.2 Financing Options**

The GSGDA estimated that Ghana's total investment needs for the period 2012-13 would cumulatively amount to US\$13,985 million, out of which US\$5,704 million would be used to finance investments in transport, water and sanitation and power sectors.

Under the most recent macroeconomic framework (April 2012), Ghana could actually now invest US\$10,611 million in 2012-13, against US\$5,568 million in the GSGDA. As such, the resource gap (to meet the same investment needs of US\$13,985 million over the period 2012-13), was reduced from US\$7,725 million to US\$2,681 million.

Based on the fact that ODA gross disbursements on infrastructure represented 14.6 percent of total ODA between 2007 and 2009, one could grossly estimate that ODA ongoing investment projects could finance US\$450 million worth of Ghana's infrastructure plans in 2012-13. Thus, against infrastructure investment needs of US\$5,704 million in 2012-13, a maximum of US\$2,175 million could be spent in the same period.

Beyond the GSGDA period, identified infrastructure projects, up to 2017, amount to US\$13,996 million (or equivalently, US\$11,821 million over the period 2014-17, assuming that US\$2,175 million would have been disbursed in 2012-13). To meet such investment needs, the Government intends to continue relying on a mix of financial resources, acknowledging that a sharp rise in ODA concessional financing



seems unlikely. The current medium term macroeconomic framework retained for debt sustainability analysis envisages that US\$21,439 million could be invested (in infrastructure and other sectors) by the Government between 2014 and 2017, out of which US\$13,601 million from domestic resource mobilization, US\$1,070 million from ODA, and US\$6,768 million from other external financing.

**Table 1 Infrastructure investment plans 2012-17**

<b>Domain</b>	<b>Amount (US\$million)</b>
Generation	1,980
Transmission	903
Distribution	1,000
Roads	5,497
Ports	675,000
Rails	2,832
Water and Sanitation	1,110
<b>Total</b>	<b>13,996</b>

The bulk of the existing investment portfolio is being allocated to roads and railroads to improve the quality of corridors as well as extend the rural network towards to reach rural population in agricultural and poorer areas. From the road portfolio over 35 percent is to improve roads in SADA, 90 percent will go to improve the quality of the existing roads while new extensions are being kept to the minimum (slightly under 10 percent of total road portfolio).

The Integrated Transport Plan alone considers in the mid-run development of at least six north-south corridors, including 3 road corridors (western, central and eastern), one rail corridor (western corridor building on the existing western railroad spur) and two multi-modal corridors (east rail-lake-road and west rail-road).

## **CHAPTER 2: “THE GOLD FUND”**

The GOLD fund as an investment company, seeks to address the problem of financing facing indigenous Ghanaian contractors who win government contracts. The contracts were selected based on the 2013 budget statement presented by the minister of finance. As an investment company, it seeks funding from international partners who have at the heart of their organization to help the development of growing economies, especially the private sector.

A pool of funds is being created to help finance the activities of indigenous construction companies who win GoG contracts. The fund shall be called the ‘GOLD fund’ and registered as a limited liability company under Ghana’s registrar general. It shall have a stated capital of 3.5 million USD and a total of ten members of staff. It shall partner mainly with international financial organizations as well as local banks. For the sake of simplicity we assume that funds will be received and disbursed in US dollars.

### **2.1 SWOT ANALYSIS**

The GOLD fund project exploits certain strengths and opportunities inspite of some weaknesses and threats. The following is the SWOT analysis of the fund.

Table 2 **SWOT Analysis of the Gold Fund**

CATEGORY	OBSERVATION	EFFECT	COUNTER ACTION
<b>STRENGTHS</b>	The gold fund is the first of it's kind in Ghana	Project will enjoy some period of monopoly	
	The government with it's sovereignty is the main creditor	Assurance of payment	
<b>OPPORTUNITIES</b>	The gold fund can expand its activites by purchasing and renting its own equipments based on its profitability	Increase in flexibility on use of equipments by clients	
	The gold fund has partners with solid base and who are committed to projects of this sort who	Availability of funds as and when needed	
	Investing on the overnight market at an average rate of 18% per annum is a very good deal for the fund	Excess liquidity will not pe put to profitable use	
<b>WEAKNESSES</b>	Certain loans come with strings attached to them	Automatic exemption of Ghanaian construction companies	There are many others that are funded without strings through GoG's own coffers
	The government delays in payment 1/3 of the time added on	Regular inflow of cash will be hindered	Both local and foreign partners are there to respond to emergency need of funds
<b>THREATS</b>	The activities of the fund depends on other partners like equipment dealers, trainers, e.t.c	The need to compromise hence a degree of inflexibility	The GOLD fund will build it's own department for anciliary services by the fifth year of its existence
	Local banks may move into the industry		Sign a contract of allegiance with contractors
	The government with its vulnerability to political instability is the ultimate client	Any disturbance in the political stability of the country will distort the flow of work of the fund	Ally with civil authorities in their campaign for peace and national security

## 22.2 LEGAL PROCEEDURES

Like any other country there are certain legal procedures in Ghana, to be followed in establishing a corporate financial institution. This chapter breaks down these procedures and shows how the GOLD fund will come into existence.

### 2.2.1 Registrar General's Procedure For Establishing A Limited Liability Company

The GOLD fund shall heed to the following procedure as required by the registrar general of companies:

We purchase a set of Limited Liability Forms at GH15.00 cedis.

The following documents are lodged at the Registry after completion.

- Declaration
- Consent letter from qualified Auditors.

A prescribed fee of GHS 175 and a 0.5 % stamp duty on stated capital are paid.

Registrar issues certificate of incorporation and certificate to commence business.

Renewal of license each year at GHS 15

### 2.2.2 Application For BoG Licence<sup>3</sup>

Since the contractor's fund has been duly registered as a corporate body in Ghana, it shall be eligible to apply for a license to carry on the business of a non-bank financial institution. To enable us carry on the business of a non-bank financial institution we proceed to seek for the Bank of Ghana license.

We shall first submit ourselves for interview by the Banking Supervision Department located in the Cedi House (Bank of Ghana Annex). We then obtain the prescribed form of application from the Banking Office, Bank of Ghana, High Street, Accra, upon the payment of GH¢2,000.00 (Two thousand Ghana Cedis only) as non-

<sup>3</sup> See Appendix 1

refundable application form and processing fee. A licensing fee of GH¢5,000.00 (Five thousand Ghana Cedis) would be paid if the application is approved for the issuance of the license.

We then look forward to satisfying all conditions and eventually receive the following:

- In Principle Approval
- Final approval and license
- Certificate of Specification from the Bank of Ghana.

As a finance company, we are licensed to provide consumer credit, business finance and subscribe to short-term securities.

### **2.3 LOCATION AND FURNISHING**

The company will be located in Accra, the capital city of Ghana in the ministries area. It will be closest to the premises of the national procurement authority, as much as possible.

The premises for the contactors' fund will be rented for the first five years of its existence. At the end of the fifth year, there will be a budget for buying land and building a premises for the company. In the mean time, office allocation will be as follows;

- A suitable office space for CEO/ board chairman;
- The office area will be opened with the following partitions;
- Five medium sized spaces for the directors;
- A space for finance officers;
- A space for accountant;
- General secretary will share office space with Driver/messenger;
- An open space, furnished for receiving clients.

In view of furnishing the following facilities will be provided

- ✓ 6 Six executive office desks and swivel chairs;
- ✓ A highly secured state of the art vault;
- ✓ 5 Five medium size office desks and swivel chairs;
- ✓ 3 Air conditioners ;
- ✓ Good lightening system;
- ✓ 11 computers for every office;
- ✓ 2 large printers for board secretary and general secretary;
- ✓ A fax machine and scanner for general secretary;
- ✓ Stationnery for every office

An office will also be created at the very premises of the national Procurement authority.

This office will be specifically for advertising and awareness creation. It is also in a way to help register various construction companies for future partnership.

There will also be (sting staff of partner banks) in all ten partner bank

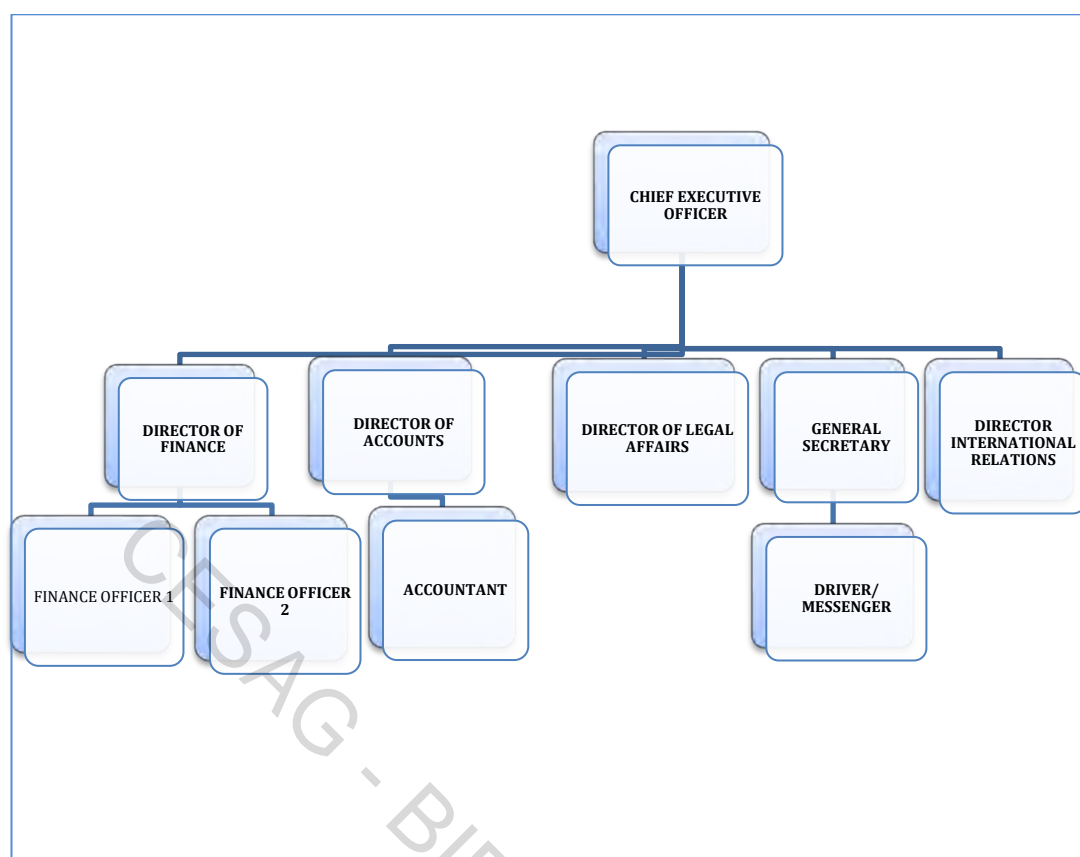
## **2.4 STAFFING**

The company shall have a total of eleven (11) members of staff at the commencement of the business. This is made up of six directors, two finance officers, an accountant, a general secretary and a driver.

### **2.4.1 Organogramme**

For the purposes of division of labor and a well-defined sense of responsibility, a hierarchy is formed. This is to serve as a guide for the delegation and decentralization of the activities of the fund.

Figure 1: Organogramme of the Gold fund



## 2.4.2 Profile, Duties And Responsibilities

### a. Position: Chief Executive Officer (CEO)/ Board Chairman

#### Profile/Background

- At least a master's degree in Finance/Risk management
- 15 years' experience as head of an international financial institution
- Has adequate knowledge and experience in financial Law
- Ready for regional and international travel

#### Duties/Responsibilities

- Directing and controlling all board meetings
- Overseeing to the general harmonisation of all other duties of the organization
- Travelling together with the head of public relations for negotiations with international partners

- A second language will be an added advantage

**b. Position: Director of Finance**

Profile/Background

- At least a master's degree in Finance
- 15 years of relevant experience with a financial institution
- Great analytical skills
- Ready for regional and international travel

Duties/Responsibilities

- Identifying various financial instruments necessary in the course of contract execution and monitoring its implementation
- Give relevant advice as to the risks, challenges and opportunities specific to various client firms in collaboration with finance officers
- Analysing financial status of firms that access the fund

**c. Position: Director of Accounts**

Profile/Background

Must be a chartered accountant with at least 10 years relevant experience

Duties/Responsibilities

Ensure that relevant books of account of the IFRS are kept for organisational and public use

**d. Position: Director Public Relations/ Board Secretary**

Profile/Background

- At least a master's degree in International relations
- Great command over the English language
- Possess a second language (French/ Chinese/ Spanish,)
- Great analytical and organisational skills
- Should have relevant experience in the field of finance



Should have at least 5 years' experience as head of international relations of a financial institution

#### Duties/Responsibilities

- Taking minutes during board meetings
- Representing the contractor's fund on local or international platform
- Responsible for negotiations with local and international partners
- Responsible for the outreach strategy of the GOLD fund
- Serves as the mouthpiece of the GOLD fund
- Working harmoniously with all other members of staff in order to get quick access to relevant information
- Collaborating effectively with the general secretary in the dissemination of information to members of the board and to other members of staff

#### e. **Position: Director of legal affairs**

##### Profile/Background

- Should be a practicing lawyer specialised in the field of finance and head of a legal firm
- Should be a vibrant member of the Ghana Bar Association and member of international legal organisations
- Should be conversant with the government of Ghana procurement processes especially in the area of bidding
- Should be familiar with all laws and acts bordering government contracts, Ghana's construction sector and any other relevant information as far as these are concerned

##### Duties/Responsibilities

- Serves as the mouthpiece of the GOLD fund in conjunction with international relations officer and general secretary
- Shall represent the company in court together with members of his law firm if necessary
- Shall oversee and ensure that all legal documents relevant to the access of finance by client firms are duly filled and signed

- Director legal is responsible for any other issue relating to the field of law by ensuring that they are duly fulfilled and plays the role of whistle blower in case of any likely dangers and shortfalls in the legal field

**f. Position: Finance officers**

Profile/Background

- At least a master's degree in finance or related field
- At least a 2 year work experience in the field of finance
- Strong analytical and interpretation skills of financial statements
- Conversant with the use of financial instruments

Duties/Responsibilities

- Conducting financial research and analysis of client firms, partners and potential partners
- Working closely with director of finance by implementing all directions given
- Contributing to the financial strength of the GOLD fund through suggestions and negotiations
- Monitoring the treasuries of the GOLD fund

**g. Position: Accountant**

Profile/Background

- Must hold relevant degree in accounting and be conversant with the IFRS
- Must have a least 5 years work experience as accountant of a financial institution

Duties/Responsibilities

- Working under director of accounts in keeping proper books of records for local and international use
- Working closely with auditors of the fund

**h. Position: General Secretary**

Profile/Background

- At least a diploma in secretariaship
- Great command over the English language
- At least 5 years work experience as secretary with a financial institution
- Should be familiar with financial terms and jargons

Duties/Responsibilities

- Responsible for all clerical duties, word processing, documentation, filing, etc of the organisation
- Disseminate relevant information throughout the organisation
- Serves as an internal link between members of staff and also responsible for public relations
- Supervises driver/messenger

**i. Position: Driver/ Messenger**

Profile/Background

- Should possess a Ghanaian class B driver’s license
- Should have at least 2 years driving experience
- Should be generally active and vibrant
- Should be between the ages of 30 and 40

Duties/Responsibilities

- Run necessary errands on behalf of the company
- Act as the main driver of the staff of for business purposes
- Responsible for the maintenance of the company vehicles

Positions will be advertised in the Daily Graphic and on the company’s website. Applications will be shortlisted and interviews conducted for eventual recruitment.

**2.5 SOURCES OF FUNDS**

The GOLD fund will partner mainly, with international institutions that have, as mission and vision to support the private sector of development countries will be

solicited. Funds will be borrowed from these institutions at concessional costs to help finance local contractors.

Partners will be divided into groups in such a manner that, a group finances contracts for a particular year and will not reinvest until the previous loans taken are paid. In the meantime, some groups invest while others wait to receive payment for their previous investments. Interest on loan the other hand is paid on a monthly basis.

With the stated capital of 3, 500,000 USD plus a long term debt of 20,000,000USD, the company will be better placed to start financing contracts. As stated earlier on, almost all sources of funds are from the international collaborators

### **2.5.1 International Partners**

The GOLD fund will collaborate mainly with the following international financial institutions for loans, grants and technical support. These partners will be the main financiers of the GOLD fund

- a. The African Development Bank AfDB
- b. The IFC (International Finance Corporation, a branch of the World Bank)
- c. FMO (Entrepreneurial Development Bank of the Netherlands)
- d. PROPARCO (French Financial Development Institution, member of the Groupe Agence Française de Développement).
- e. DEG (German Investment and Development Corporation, member of the KfW Banking Group)
- f. European Investment Bank
- g. The Finn fund
- h. The Ecowas Bank for Investment and Development (EBID)

A brief presentation of institutions earmarked as international collaborators of the GOLD fund are:

### **a. The African Development Bank AfDB**

The African Development Fund (ADF) is the concessional window of the African Development Bank (AfDB) Group. It is administrated by the African Development Bank and comprises State Participants and recipient countries. Its main objective is to reduce poverty in Regional Member Countries (RMCs) by providing loans and grants.

The ADF contributes to the promotion of economic and social development in 40 least developed African countries by providing concessional funding for projects and programs, as well as technical assistance for studies and capacity-building activities.

No interest is charged on ADF loans; however, the loans carry a service charge of 0.75 percent per annum on outstanding balances, and a commitment fee of 0.50 percent per annum on undisbursed commitments. Project loans have a 50-year repayment period, including a 10-year grace period. Lines of credit have a 20-year repayment period with a five-year grace period.

The Fund's core strategic priorities are infrastructure, governance, fragile states and regional integration. Crosscutting issues are private sector development, climate change adaptation and mitigation, gender equality, and food security and agricultural productivity.

### **b. International Finance Corporation (IFC)**

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries.

Its purpose is to create opportunity for people to escape poverty and improve their lives by:

- Mobilizing other sources of finance for private enterprise development
- Promoting open and competitive markets in developing countries
- Supporting companies and other private sector partners where there is a gap
- Helping generate productive jobs and deliver essential services to the poor and the vulnerable

To achieve this purpose, IFC offers development-impact solutions through firm-level interventions (direct investments, advisory services and IFC Asset Management Company) by promoting global collective action, strengthening governance and standard setting and through business-enabling environment work.

**c. Finn fund**

Finn fund is a Finnish development finance company that provides long-term risk capital for private projects in developing countries. They do not extend soft loans but are ready to share risks by providing long-term financing for promising projects in challenging markets, where commercial financing is hard to obtain.

Their funding can be in the form of equity capital, mezzanine financing or long-term investment loans.

**d. Entrepreneurial Development Bank of the Netherlands (FMO)**

FMO is the Dutch development bank. It supports sustainable private sector growth in developing and emerging markets by investing in ambitious companies. It believes a strong private sector leads to economic and social development, empowering people to employ their skills and improve their quality of life.

FMO supplements this need with a range of services and products that include:

- Equity, loans and guarantees
- Capital market transactions
- Mezzanine and other tailor-made solutions
- Long-term and short-term project financing
- Access to our expertise, vast network and partnerships
- We also foster capacity development, such as financial administration & planning skills, and sustainable business practices.

**e. PROPARCO**

This company has as its foremost objective to intervene in venture capital to strengthen the stockholders' equity of private companies within the field of intervention of the AFD.

PROPARCO is a Financial Institution for Development, jointly owned by the 'Agence Française de Développement' (AFD) and private shareholders of the North and South (french international financial organisations, companies, funds and foundations).

PROPARCO provides a supplementary support to the inadequacies of market. It finances economically viable, socially equitable and environmentally sustainable projects. Its main strategy is linked to the development of countries and focuses on the manufacturing and financial sectors and infrastructural development as well as investing innovative sectors deemed too risky by the average investor.

**f. German Investment and Development Corporation, member of the KfW Banking Group (DEG)**

DEG, a subsidiary of KfW, is one of the largest European development finance institutions for long-term project and company financing. For more than 50 years, DEG has been financing and structuring the investments of companies in developing and transition countries in order to contribute to sustainable progress.

DEG's purpose is to promote private enterprise initiative in developing and transition countries as a contribution to sustainable growth and a lasting improvement in the living conditions of the local population. Therefore, it provides long-term capital and advice for private enterprises investing in those countries.

It only takes on commitments in projects that make an effective development policy impact, meet environmental standards and comply with social principles. They are particularly committed to their developmental mandate and their guidelines for social and environmental sustainability.

**g. European Investment Bank**

As the EU bank, it provides finance and expertise for sound and sustainable investment projects in Europe and beyond. It is owned by the EU Member States and the projects we support contribute to furthering EU policy objectives. The EU bank is the largest multilateral lender and borrower in the world and their 2 000 staff can build on more than 50 years of experience in project financing. It is headquartered in Luxembourg and has a network of some 30 local offices.

**h. Ecowas Bank for investment and Development (EBID)**

EBID's mission is to contribute towards the creation of the conditions which would enhance the emergence of an economically strong, industrialised, and prosperous West Africa that is perfectly integrated both internally and in the global economic system in order to benefit from the opportunities offered by globalisation.

Thus, the Bank aims to contribute to the achievement of the community by supporting projects to create infrastructure for regional integration in public and private sectors and to help develop the community by funding special programmes.

**2.5.2 Local Partners**

The GOLD fund will also partner with ten selected local banks. These are;

- a. Ecobank Ghana
- b. Ghana Commercial bank
- c. Fidelity bank
- d. HFC bank
- e. National investment bank
- f. Agricultural development bank
- g. Barclays bank
- h. Zenith bank



- i. United bank for Africa
- j. Merchant bank

There will also be partnership between manufacturers of construction materials especially Ghacem, the cement producer as well as dealers and leasers of heavy duty equipment.

These local bank partners have important roles to play and these include;

- ✓ Serving as bankers for the contractor's fund
- ✓ Tracing the financial history of companies that would access the funds
- ✓ Serving as points of advertisement and awareness creation
- ✓ Responding to emergency calls for funds

### CHAPTER 3: PROCESS OF FINANCING, PROFITABILITY OF THE FUND AND OUTREACH STRATEGY

The company shall have a stated capital of 5,000,000USD, equivalent to 10,000,000GHS (on an exchange rate basis of 2:1 as at June 2013), which exceeds the minimum required by the bank of Ghana for non-bank non-deposit receiving financial institution. Shareholders will mainly international partners.

It shall also borrow a total amount of 20,000,000 USD from its international partners. There shall also be periodic emergency borrowings from these same partners to finance the treasuries whenever it is projected negative.

The Gold fund shall also provide ancillary services to ensure the overall success of construction projects. A comprehensive outreach strategy will be adopted to make the fund well known to the general public

#### 3.1 OPENING BALANCE SHEET

The following the company's opening balance sheet based on the IFRS.

Table 3 **Balance Sheet as at January 1, 2014**

ASSETS	\$	\$
Tangible assets	24 000	
Intangible assets	1 000	
Financial Assets	975 000	
debtors	0	
other accounts receivable	0	
bank	22 500 000	23 500 000
LIABILITIES	\$	\$
Stated capital	3 500 000	
long term debts	20 000 000	
Current liabilities	0	
other accounts payable	0	23 500 000

#### 3.2 DISTRIBUTION OF FUNDS

This projection is based on the 2013 GoG construction projects, which are summarized in the following table.

**Table 4: Government of Ghana budgeted construction - 2013<sup>1</sup>**

PROJECTS	COST ESTIMATES <sup>4</sup>	
	(GHS)	(\$)
<b>Under the Ministry of Transport</b>		
Dualization of the Accra–Kumasi and Accra-Takoradi Highways	27300000	13000000
Refurbishment and expansion of Accra-Tema Motorway	10500000	5000000
Construction of Overpass at Teshie Link, and Western Corridor roads Phase 1 (Elubo-Sunyani)	31500000	15000000
Nsawam-Suhum-Apedwa road	19950000	9500000
Tetteh-Quarshie-Madina road	9450000	4500000
Madina–Pantang road	9072000	4320000
Berekum–Sampa road	19530000	9300000
Kpando–Worawora–Dambai road (PhIII)	31500000	15000000
Wenchi–Sampa road (PhII)	21000000	10000000
Bomfa Junction–Asiwa–Bekwai road	21000000	10000000
Sefwi Bekwai– Eshiem–Asankragwa road (km 10-56)	31500000	15000000
Asankragwa–Enchi road	26250000	12500000
Navrongo–Tumu road	21840000	10400000
Sofoline Interchange in Kumasi	6300000	3000000
Takoradi Port Development Project will commence to upgrade the port to meet the demands in the emerging oil and gas industry	37800000	18000000
KIA Terminal building including the installation of aerobridges	52500000	25000000
Development of :		
1,200 new boreholes,	6300000	3000000
400 old boreholes	2100000	1000000
40 Limited mechanised water facilities	1050000	500000
29 Small Town Systems	630000	300000
<b>Under the Department of Rural Housing</b>		
17 Cocoa Farmers’ Houses	2142000	1020000
3 regional bungalows and the headquarters will be rehabilitated	210000	100000
<b>Under the Ministry of Water Resources, Works and Housing</b>		
Preparatory works will also commence on the Madina reservoir	210000	100000
<b>Improving efficiency in the delivery of services</b>		
The provision of GHC10,000,000.00 to furnish the Parliamentary Tower Block	10000000	5000000
GHC10,000,000.00 for the construction of MPs Constituency Offices	10000000	5000000

<sup>4</sup> based on rough estimates of similar projects in the past

<sup>1</sup> based on 2013 GoG budget statement

It is worth noting that some construction contracts are meant for particular international firms (strings attached) especially those of lender or donor countries. As a result, out of these projected government construction contracts the following were selected as those that will be eligible for tender on the Ghanaian construction industry.

Table 5 **Selected Projects for Funding**

PROJECTS	COST ESTIMATES		ESTIMATED DURATION
	(GHS)	(\$)	(Months)
The provision of CASH to furnish the Parliamentary Tower Block	10000000	5000000	8
CASH for the construction of MPs Constituency Offices	10000000	5000000	8
Tetteh-Quarshie-Madina road	9450000	4500000	12
40 Limited mechanised water facilities	1050000	500000	12
29 Small Town Systems	630000	300000	12
Nsawam-Suhum-Apedwa road	19950000	9500000	16
Madina-Pantang road	9072000	4320000	16
Bomfa Junction-Asiwa-Bekwai road	21000000	10000000	16
Asankragwa-Enchi road	26250000	12500000	16
3 regional bungalows and the headquarters will be rehabilitated	210000	100000	20
Dualization of the Accra-Kumasi and Accra-Takoradi Highways	27300000	13000000	28
Berekum-Sampa road	19530000	9300000	28
1,200 new boreholes,	6300000	3000000	32
Sefwi Bekwai- Eshiem-Asankragwa road (km 10-56)	31500000	15000000	32
Navrongo-Tumu road	21840000	10400000	36
17 Cocoa Farmers' Houses	2142000	1020000	36
TOTAL	216224000	103440000	

### 3.2.1 Basis of Funding Government Contractors

A commission of 12% will be deducted from the overall cost of the project. This implies that only a total of 88% of the overall cost of contract will be funded. This amount shall cover all costs of funding, especially interests. It shall also cover delays in government payment. It shall also cover all other ancillary services like material price negotiations, hedging, training workshops, etc.

Commission covers all other services and frequent and timely financing is assured.

The following table shows amounts that will be financed to clients (88%) of cost.

Table 6 Effective Funding After Commission

project	PROJECTS 2015	COST ESTIMATES		COST-INTEREST=85%	TOTAL TIME FRAME	NUMBER OF QUARTERS
		(GHS)	(\$)			
1	The provision of CASH to furnish the	10000000	5000000	4250000	8	2
2	CASH for the construction of MPs	10000000	5000000	4250000	8	2
3	Tetteh-Quarshie-Madina road	9450000	4500000	3825000	12	3
4	40 limited mechanised water facilities	1050000	500000	425000	12	3
5	29 Small Town Systems	630000	300000	255000	12	3
6	Nsawam-Suhum-Apedwa road	19950000	9500000	8075000	16	4
7	Madina-Pantang road	9072000	4320000	3672000	16	4
8	Bomfa Junction-Asiwa-Bekwai road	21000000	10000000	8500000	16	4
9	Asankragwa-Enchi road	26250000	12500000	10625000	16	4
10	3 regional hungalows and the headquarters will be rehabilitated	210000	100000	85000	20	5
11	Dualization of the Accra-Kumasi and Accra-Takoradi Highways	27300000	13000000	11050000	28	7
12	Berekum-Sampa road	19530000	9300000	7905000	28	7
13	1,200 new boreholes,	6300000	3000000	2550000	32	8
14	Sefwi-Bekwai-Tshiem-Asankragwa road (km 0-56)	31500000	15000000	12750000	32	8
15	Navrongo-Tumu road	21840000	10400000	8340000	36	9
16	17 Cocoa Farmers' Houses	2142000	1020000	867000	36	9
	Total amount to be disbursed	216224000	103440000	87924000		

Funds will be released in a revolving manner, ie, funds are paid by government through the course of financing.

Funds will be released for the commencement of project. In this project we assume that all government of Ghana projects begin in January. Funds released for commencement on January is expected to be paid at the end of the first quarter ie, end of March. The next tranche is released by the fund in April, July, October and then January the next month until the project is duly completed.

The government of Ghana usually requires construction companies to provide a third of the total cost of the contract before commencement. However, this amount is required to ensure that contractors will be able to pre finance contracts when won. With the GOLD fund, this amount will not be necessary as financing the entire project is assured. In case of mandatory presentation, the sum shall be given to contractors, simply to prove that they are ready and capable of pre financing the contract. It is worth noting that all funds disbursed and received are done at the end of the month.

During funding of the 2015 project, cash will be disbursed based on the lifespan of project, as follows:

Table 7 **Disbursement of Funds**

project	JANUARY15	APRIL15	JULY15	OCTOBER15	JANUARY16	APRIL16	JULY16	OCTOBER16	JANUARY17
	\$	\$	\$	\$	\$	\$	\$	\$	\$
1	2125000	2125000							
2	2125000	2125000							
3	1275000	1275000	1275000						
4	141667	141667	141667						
5	85000	85000	85000						
6	2018750	2018750	2018750	2018750					
7	918000	918000	918000	918000					
8	2125000	2125000	2125000	2125000					
9	2656250	2656250	2656250	2656250					
10	17000	17000	17000	17000	17000				
11	1678671	1678671	1678671	1678671	1678671	1678671	1678671		
12	1129286	1129286	1129286	1129286	1129286	1129286	1129286		
13	318750	318750	318750	318750	318750	318750	318750	318750	
14	1693750	1693750	1693750	1693750	1693750	1693750	1693750	1693750	
15	982222	982222	982222	982222	982222	982222	982222	982222	982222
16	96333	96333	96333	96333	96333	96333	96333	96333	96333

### 3.2.2 Legally Binding Agreements with Contractors

Construction companies that access the GOLD fund will be forbidden to seek finance elsewhere as far as the project in question is concerned. This is to avoid disputes government payments and its resultant complications.

### 3.3 BASIS OF LOAN REPAYMENT BY CONTRACTORS

The government is the ultimate payer of the funds that will be given out to contractors. Therefore contracts will be signed to ensure that payments are made directly into the accounts of the GOLD fund.

The following represents the amounts to be paid in quarterly tranches into the accounts of GOLD funds by the government as cost of contract.

Table 8 **Cost of Contracts Expected to be Paid for by Government**

PROJECTED GOVERNMENT CONSTRUCTION	COST ESTIMATES		Total Time Frame Months	NUMBER OF QUARTERS
	(GHS)	(\$)		
The provision of CASH to furnish the Parliamentary Tower Block	10 000 000	5 000 000	8	2
CASH for the construction of MPs Constituency Offices	10 000 000	5 000 000	8	2
Tetteh-Quarshie-Madina Road	9 500 000	4 500 000	12	3
40 limited mechanised water facilities	1 050 000	500 000	12	3
29 Small Town Systems	630 000	300 000	12	3
Nsawam-Suhum-Apedwa Road	19 500 000	9 500 000	16	4
Madina-Pantang Road	9 072 000	4 320 000	16	4
Bomfa Junction-Asiwa-Bekwai Road	21 000 000	10 000 000	16	4
Asankragwa-Enchi Road	26 250 000	12 500 000	16	4
rehabilitation of 3 Regional Bungalows	210 000	100 000	20	5
Dualization of the Accra-Kumasi and Accra-Takoradi Highways	27 300 000	13 000 000	28	7
Berekum-Sampa Road	19 530 000	9 300 000	28	7
1,200 new boreholes,	6 300 000	3 000 000	32	8
Sefwi Bekwai-Eshiem-Asankragwa Road (km 10-56)	31 500 000	15 000 000	32	8
Navrongo-Tumu Road	21 840 000	10 400 000	36	9
17 Cocoa Farmers' Houses	2 142 000	1 020 000	36	9



Government usually pays in tranches out cash to contractors every quarter (ie, march, June, September and December of each year) until the full cost of contract is paid. Amounts expected from government in view of 2014 projects, the following table sums it up. There are no receipts from January to April.

**Table 9 Expected Cashflow from Government**

MARCH 2015	JUNE 2015	SEPTEMBER 2015	DECEMBER 2015	MARCH 2016	JUNE 2016	SEPTEMBER 2016	DECEMBER 2016	MARCH 2017
\$	\$	\$	\$	\$	\$	\$	\$	\$
2500000	2500000							
2500000	2500000							
1500000	1500000	1500000						
166667	166667	166667						
100000	100000	100000						
2375000	2375000	2375000	2375000					
1080000	1080000	1080000	1080000					
2500000	2500000	2500000	2500000					
3125000	3125000	3125000	3125000					
20000	20000	20000	20000	20000				
1857143	1857143	1857143	1857143	1857143	1857143	1857143		
1328571	1328571	1328571	1328571	1328571	1328571	1328571		
375000	375000	375000	375000	375000	375000	375000	375000	
1375000	1375000	1375000	1375000	1375000	1375000	1375000	1375000	
1755556	1755556	1755556	1755556	1755556	1755556	1755556	1755556	1755556
113333	113333	113333	113333	113333	113333	113333	113333	113333

The management of the GOLD fund assumes a one month delay of government payment each quarter. Therefore funds expected for March will be received in April, those expected for June in July, and so on.

### 3.4 PROFITABILITY AND OUTREACH STRATEGY

In ascertaining the profitability of the GOLD fund, there is first of all, a presentation of its budget, which gives an idea of how cash is expected to flow in and out of the treasury. The budget also indicates how shortages and excesses of cash will be managed. The viability of the fund is also measured with four different indicators. The marketing aspect is also addressed in the form of an outreach strategy.

#### 3.4.1 Presentation of Budget

The following table represents an aggregated expected flow of cash in the treasuries of the fund.

Table 10: Three-Year Budget<sup>5</sup>

ELEMENTS	2015	2016	2017
	\$	\$	\$
PAYMENT BY GOVERNMENT	62,713,810	29,233,810	11,492,881
interest received on overnight market	670,619	2,691,881	4,841,877
<b>RECIPTS TOTAL</b>	<b>63,384,428</b>	<b>31,925,691</b>	<b>16,334,758</b>
MAIN DISBURSEMENT	66,740,651	20,104,794	1,078,556
<b>sub total</b>	<b>66,740,651</b>	<b>20,104,794</b>	<b>1,078,556</b>
water	127	143	161
electricity	2,537	2,858	3,221
stationery	2,537	2,858	3,221
transportation cost	4,239	5,002	5,636
rent	8,200	8,200	8,200
insurance	16,995	19,150	21,579
cost of advertisement	19,024	21,236	24,155
cost of communication	12,683	14,291	16,103
internet cost	1,522	1,715	1,932
royalties	27,902	31,240	35,228
Travel expenses	63,213	71,255	80,517
salaries	178,560	178,560	178,560
Allowances	38,669	43,573	49,099
social charges	22,829	25,724	28,986
interest payment	2,000,000	2,000,000	2,000,000
miscellaneous	7,229	8,146	9,179
<b>sub total</b>	<b>2,406,862</b>	<b>2,434,751</b>	<b>2,466,177</b>
<b>TOTAL DISBURSEMENT</b>	<b>69,147,513</b>	<b>22,539,545</b>	<b>3,544,733</b>
OPENING BANK BALANCE	64,777,336	211,258,951	380,061,337
TOTAL RECIPTS	63,384,428	31,925,691	16,334,758
TOTAL DISBURSEMENT	69,147,513	22,539,545	3,544,733
CLOSING BANK BALANCE	59,014,252	220,644,997	392,850,862
INTERIM FUNDS FROM PARTNERS	0	0	0
EFFECTIVE CLOSING BALANCE	59,014,252	220,644,997	392,850,862

<sup>5</sup> Refer to Appendix 5 for the monthly breakdown

### **3.4.2 Elements of the Budget**

#### **a. Payment by government**

This represents expected quarterly cash receipts from government in payment for contracts

#### **b. Interest received on overnight market<sup>6</sup>**

Excess cash at bank after monthly disbursements are invested on the overnight market. It is made available to banks who need extra liquidity to meet daily minimum balance requirements with Bank of Ghana. The overnight rate was pegged at an average of 14% throughout the period. It was also assumed that every month is made up of 30 days and a year made up of 360 days. I

#### **c. Interim funds from partners**

This is a form of emergency funds from partners to respond to projected disbursement for financing the contractors. They may either be grants or loans.

#### **d. Total receipts**

It is the total of all cash inflows. Here, government payments and interest received

#### **e. Main disbursements**

This represents 85% of overall cost of contract. It is the contract cost – GOLD commission. It is done in tranches, spread evenly over the entire period of the contract in question.

#### **f. Sub total 1**

This represents the sum of direct disbursements.

#### **g. Expenses**

These are general overhead costs of running the business. They are subject to a 1% monthly rate of progression. Salaries and rent, however remain fixed over the entire period.

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<sup>6</sup> Based on *appendix 4*

**h. Interest payments**

Monthly payment of interests on long-term loans

**i. Sub total 2**

Total overhead cost

**j. Total disbursements**

As the name suggests, this is the total monthly cash disbursement.

**k. Opening bank balance**

This represents the cash at bank at the beginning of every month

**l. Closing bank balance**

Cash at the end of the month

Under current tax laws, Collective Investment Schemes do not pay taxes on their incomes. Again, investors in these schemes do not pay taxes on incomes received from these schemes. These tax incentives have been designed to encourage the pooling of investors' resources together for investments to develop the economy.

**3.5 VIABILITY OF THE GOLD FUND**

The NPV, the IRR, Payback Period and Profitability Index will be employed in determining the profitability of the project. Since most government projects extend over a year (and to as long as over 3 years), we calculate these profitability indicators over a period of three years.

Firstly, all monthly cash flows are discounted to January of that year to give the yearly cash flow.

The yearly cash flows are then discounted to the first month of the first year to arrive at the NPV. Discount rate used for the calculation of profitability is 15.5%.

Table 11 **Accumulated Discounted Monthly Cashflow**

	2 015	2 016	2 017
	\$	\$	\$
Total discounted monthly disbursements	62 011 318	18 713 034	1 062 616
Total discounted monthly receipts	55 999 451	26 467 999	10 502 011

Table 12 **Discounted Annual Cashflow**

TIME (N) in years	0	1	2
	\$	\$	\$
discounted monthly disbursements	62 011 318	15 858 504	763 154
discounted monthly receipts	55 999 451	22 430 507	7 542 381

Table 13 **Net Present Value**

PRESENT VALUE OF DISBURSEMENTS	78 632 977
PRESENT VALUE OF RECEIPTS	85 972 339
NPV	7 339 362

Table 14 **Measurement of Viability and Intepretation**

INDICATOR	FORMULAE	RESULTS	COMMENTARY
NPV	$\sum CF - INVESTMENT$	16 621 658	NPV>0, Project is viable
Profitability Index (PI)	$\sum (NPV / INVESTMENT) + 1$	1,21	PI>1, Project is viable
Interna Rate of Returns (IRR)	$\sum CF - INVESTMENT = 0$	43,940%	equivalent to rate of 14.65% per annum

### 3.6 OTHER ANCILLIARY SERVICES

In addition to financing, the GOLD fund will conveniently provide other services to client companies.

### **3.6.1 Hedging**

The company shall also offer services such as exchange rate hedging on behalf of clients. Clients companies will make a comprehensive budget available to the fund based on which we shall make predictions of the need for foreign exchange and then which we would hedge accordingly on their behalf.

To this end, local partners, specifically the banks will have a major role to play. The contractor's companion will negotiate exchange rate hedging's with these banks on a very competitive basis. The bank that offers the best prices in terms of exchange rate will be called upon to execute the process. Hedging will be done mainly in the form of forward contracts as this is the almost the only choice on the local market.

However, in the due course of existence of the contractor's companion, other possible aspects of the hedging process will be exploited as far as it is convenient to the contractors and to the company itself

### **3.6.2 Material Price Negotiation**

The prices of construction materials such as cement, sand, asphalt, concrete, bricks, gravels, etc, will be negotiated for on behalf of client companies. To reinforce its negotiating powers, the contractor's companion will build a good relationship with both local and international dealers of construction materials such as Ghacem (the cement producer), African Concrete Products Limited, just to mention a few.

This established relationship will be exploited to negotiate favourable and wholesale prices for the contractors.

### **3.6.3 Hiring of Equipments**

The GOLD fund will negotiate for the hire of equipment, such as tractors, bulldozers, maxi concrete mixers, etc., on behalf of clients. This way the contractors do not have to go through this process which proves to be sometimes difficult. Corporate bodies in the construction equipment business like WAKUNDA Engineering Limited (a company registered under the laws of Ghana), CFAO Equipment, J.A. Plant Pool Ghana Limited

### **3.6.4 Periodic Training and Workshops**

The GOLD fund will also organize training programs and workshops for construction companies on specific contracts. An amount of 10000 USD<sup>7</sup> is set aside every six months, for this purpose. This is to help maintain and improve quality and delivery standards. This service may come as part of the general service package or separately, depending on the cost and length of time it covers.

## **3.7 OUTREACH STRATEGY**

The contractor's fund will be made known to its target group through the following strategy.

### **3.7.1 Involvement of local banks**

The selected local banks of the GOLD fund are to play a very important role in the outreach to construction companies. Since these companies go to these banks to borrow, banks (who are already known to be reluctant to give out loans) will refer these contractors to us. We can also advertise by displaying flyers and notices in these banks. This way, almost every customer that walks into these banks gets to read and know about the new GOLD fund.

### **3.7.2 Advertisement and awareness creation through the PPA**

The Public Procurement Authority, needless to say, attracts the attention of these contractors, with its various activities. Therefore it is one of the easy ways to reach out to these local contractors. Again posters and flyers will be left for distribution at the offices of the public procurement authority to help reach out to contractors.

### **3.7.3 Awareness creation through various contractor associations in Ghana**

There are a number of contractor associations in Ghana and they will be contacted to help diffuse the information on the contractor's fund among members. Forums and seminars will be organized to educate these contractors on how the contractor's fund works.

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<sup>7</sup> Appendix 5

## CONCLUSION

Ghana's construction industry faces a considerable number of problems including lack of finance. The GOLD fund as introduced in this work, seeks to address this problem. However, in view of other major problems of the industry, there is the need for shared efforts. All stakeholders, be it government as debtor, public agencies or the contractors themselves should as much as possible contribute their quota in making the industry a desirable and efficient one to contribute effectively to the development and growth of our country, Ghana.

In the light of the various challenges facing the construction sector in Ghana the government needs to improve its sources of revenue and also budget within its means in order to be in the position to pay contractors on time. Government authorities such as the PPA need to do their work effectively by making the bidding process as transparent and free as possible. This way, the ordinary Ghanaian construction company who has no stake in partisan activities can also win government contracts to the development of the entire sector and the country at large.

The contractors themselves should pull their weights by taking their work seriously and approaching it in a more professional way. They should take charge of their field and do their best to improve quality designs and good finish. In doing this, they increase their chances of winning more contracts which would help keep them in business and help them grow even further.

An amount of 20 million dollars was borrowed at 10% interest rate from partners. The fund charges a commission of 15% of total cost of contract and provides timely finance throughout its execution. All hedging, material price negotiations as well as equipment hiring is done on behalf of construction companies. All amounts borrowed were repaid before the end of the first year projects.

This work was based on the 2013 budget statement to select projects. It was assumed that the 2015 projects and subsequent ones will most likely take the same form or will not vary much from that of the year indicated. Some of the projects go as far as thirty six months before completion while some are for only eight months.



Therefore this work covers a total of three years, when all projects selected were duly completed to show the profitability of the fund. Based on the NPV and the IRR, the GOLD fund was concluded viable and profitable.

For the sake of simplicity, it was assumed that only the first year, i.e. 2015 projects existed. In reality however, the fund should be a continuing process in that, by the second year, new projects should be added to already existing ones for financing. This would mean investing in these projects instead of the overnight market and so the treasuries would not be as much as is reflected in the budget. In any case, emergency funds would be sort for if there be shortage of funds and surpluses will be invested on the overnight market. In the course of time, debts will be paid and new ones will be contracted to aid in funding.

This report has so far neglected the possibility of grants from partners or other international organizations. Grants will help increase the financial position of the fund and make it even more profitable.

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CESAG - BIBLIOTHEQUE

## *Appendix 1*

### BANK OF GHANA BANKING SUPERVISION DEPARTMENT

#### REQUIREMENTS FOR NON-BANK FINANCIAL INSTITUTIONS LICENCES

##### 1. Restricting Eligibility to Licensed Corporate Bodies

No person other than a body corporate incorporated in Ghana shall be eligible to apply for a license to carry on the business of a non-bank financial institution.

2. No person shall carry on the business of a non-bank financial institution unless the Bank of Ghana licenses it.

##### 3. Interview

The Banking Supervision Department located in the Cedi House [Bank of Ghana Annex] shall first interview the applicant. The applicant may then obtain the prescribed form of application from the Banking Office, Bank of Ghana, High Street, Accra, upon the payment of GH¢2,000.00 [Two thousand Ghana Cedis only] as non-refundable application form and processing fee. A licensing fee of GH¢5,000.00 [Five thousand Ghana Cedis] would be paid if the application is approved for the issuance of the license.

##### 4. Application for License

Every application for a license shall be made in writing to the Director, Banking Supervision Department Bank of Ghana, Accra, and shall be accompanied by:

[a] A certified true copy of the Regulations or other Instrument, relating to the proposed business, or by or under which any person proposing to carry on such business was established.

[b] Names, addresses, occupations of persons who would hold significant shareholdings directly or indirectly in the proposed venture and the respective values of such holdings as also their corporate affiliations.

[c] Completed Personal Questionnaire on the particulars of five [5] directors and senior persons to be in-charge of the management of the said business, including their background, financial position, business interests and

Particulars of other business concerns under their control or management.

[d] A feasibility report including a business plan and financial projections for the first five years and intended areas of specialization, if any.

[e] Information on capital and sources of funds; and

[f] Such other particulars as the Central Bank may require.

##### 5. Minimum Paid-Up Capital

All institutions which operate under the Financial Institutions [Non-Banking] Law, 1993 [PNDCL. 328] require not less than GH¢1,000,000.00 [one million Ghana cedis only] as minimum capital for non-deposit-taking business and GH¢1,500,000.00 [one million five hundred thousand Ghana Cedis only] for deposit-taking business. In the case of foreign ownership not less than 60% of the required capitalization shall be brought into Ghana in convertible currency.

However in view of the on-going reforms in the industry, new entrants/applicants will be required to raise an initial paid-up capital of GH¢7,000,000 (seven million Ghana cedis) for the establishment of a Non-Bank financial Institution.

## 6. In Principle Approval

The Central Bank may issue ‘in-principle’ approval to the applicant on such terms and conditions as it may consider necessary and appropriate, if it is satisfied that:

[a] the applicant would carry on the business with integrity, prudence and the required professional competence; and

[b] the applicant has the initial paid-up capital required to hold a licence.

The Central Bank may issue the final approval and licence to the applicant after satisfying itself that the foregoing conditions and conditions set out in Sections 5.0 and 7.0 have been met.

## 7. Pre-Operating Conditions

Approved institutions shall not commence business until they have obtained a Certificate of Specification from Bank of Ghana. Such a certificate shall be issued only upon fulfillment of the

following requirements and demonstration of readiness to commence business by the institution.

### i. Premises:

[a] Sufficiency of title deeds/lease agreements

[b] Approvals by relevant authorities

[c] Adequacy of business premises, staff operating area, ventilation, lighting, etc. and

[d] Display of name and other requirements under Section 8 of PNDC Law 328.

ii. Security of premises including adequacy of alarm systems, fire Extinguishers, vaults or safes, etc.

iii. Insurance – fire, burglary, fidelity guarantee, etc.

iv. Operational plans and policies approved by the Board.

v. Accounting procedures manual. General ledger and subsidiary ledgers.

vi. Capital stock or shareholder's register.

vii. Adequacy of staffing;

viii. Capital subscribed and received; and

ix. Competent key personnel (Managers) in place.

x. Submission of financial statement of affairs.

8. Licences Issued Under Financial Institutions (Non-Banking) Law, 1993 (PNDC L 328)

#### 9. CHANGES IN LICENSING CONDITIONS

[a] It should be noted that the above conditions for licence are subject to review, and could affect an application in process.

[b] The Bank of Ghana relies on other agencies both local and external in the processing of applications, and this could cause delays in the processing of applications.

Appendix 2 : Viability of the Gold fund

Tab I Cash Outflow

Year	Amount	Discounted Investment= $I*(1+i)^{-n}$
0	62 011 318	62 011 318
1	18 713 034	15 858 504
2	1 062 616	763 154
<b>Total</b>	<b>81 786 969</b>	<b>78 632 977</b>

Rate of discount 0,18

Tab II Cash Inflow

Year	Cash flow	Discounted CF $(1+i)^{-n}$	cumul Cfact
0	55 999 451	62 011 318	62 011 318
1	26 467 999	15 858 504	77 869 822
2	10 502 011	763 154	78 632 977
<b>Total</b>	<b>92 969 460</b>	<b>78 632 977</b>	

Cumul 1

Cumul2

Tab III Summary

<b>NPV</b>	16621658,16
<b>PI</b>	1,211382792
<b>IRR</b>	43,94%

>0, hence project is viable

>1, hence project is viable

*Appendix 3***NON-SOVEREIGN GUARANTEED LOANS (AfDB)****PUBLIC SECTOR ENTERPRISES****Eligible Sectors**

1. Non-Sovereign Guaranteed Loans to Public- Sector Enterprises (Public-Sector NSGLs) are made to public enterprises that meet specific eligibility criteria, without the requirement of a sovereign guarantee by the host government.

**Eligible Countries**

2. Eligible countries for Public-Sector NSGLs are regional member countries (RMC) from the Bank's Category C and Category B or blend countries.

3. Under NSGLs operations, the Bank may provide assistance to a public sector enterprise engaged in activities in any sector, including, but not limited to, manufacturing, infrastructure, extractive industries, energy, and other productive activities, provided that the enterprise meet the eligibility criteria.

**Eligible Enterprises**

4. Public enterprises to be considered for NSGLs would reside principally in the public sector and presenting the following characteristics: a. Share capital is majority (i.e., over 50%) owned by the Government or by

corporations the capital of which is majority owned by the Government of an eligible country, including cases of full (or 100%) ownership.

- . Managed autonomously from the host government and financially sustainable.
- . Duly established, validly existing and operating under the applicable laws of the country in which they are organized.
- . As a general rule, must have a distinct legal personality and capacity to sue and be sued, as well as incur debts on their own account.
- . Those not protected by immunities, for example, from legal process, seizure, attachment or execution of judgment. Where such immunities are enjoyed by an eligible public enterprise, the waiver of such immunity for the purpose of the NSGL will be required.
- . Incorporated in a middle-income regional member country or countries.
- . Financially and commercially viable, with full control over funding, budgeting, investment, and pricing policies.



- . Track record of good operational and financial performance.
  - . Adequate accounting and cost control arrangements and management information systems, and must be subjected to annual audits by independent auditors acceptable to the Bank.
  - . Sound management and corporate governance systems.
- k. Demonstrable developmental impact through their activities, and demonstrable contribution towards poverty reduction in the RMC.

5. In the case of special purpose vehicles (SPVs) (i.e., corporate entities established for the specific purpose of operationalizing special capital projects), due diligence process will involve gathering relevant information on the entities sponsoring the SPVs, assessing their financial perspective and operational track record, evaluating the reliability of their guarantees for the SPV, and ascertaining the level of their control and involvement in the decision-making processes of the SPV. In addition, the SPV should have good prospects for meeting all its financial obligations and generate adequate surpluses to sustain its long-term viability. Public enterprises wishing to apply for NSGLs will be encouraged to seek a credit rating from one of the major international credit rating agencies, or a reputable local rating agency.

### **Private sector enterprises**

#### **Eligible enterprises**

6. To be eligible for financing, an enterprise should be privately owned and managed, meaning that more than 50% of its voting shares must be in private hands.

#### **Currencies**

7. The Bank may finance a project in one or several currencies approved as lending currencies, currently USD, Euro, JPY and ZAR.

8. In principle, the Bank can also consider lending in other currencies in which it can fund itself efficiently and for which there is sufficient demand.

9. Disbursements, principal repayments and all loan charges are denominated in the loan currency (ies) chosen by the Borrower.

10. **Currency substitution clause:** In the event of a disruption that constrains the Bank's access to a given loan currency, the Bank may replace the loan currency by a substitute currency until appropriate access is restored. The Borrower can accept the substitute currency, withdraw the disbursement request, prepay the loan without penalty or cancel the un-disbursed portion of the loan. A Borrower that accepts a substitute currency will be billed on a pro-rata basis in the original loan currency (ies) and the substitute currency. Interest on the substitute currency portion of the loan will accrue at the rate applicable in the substitute currency.

### **Loan documentation**

11. In addition to a loan agreement, and depending on the project, non-sovereign guaranteed loans may also typically have security documentation, such as: (i) project funds agreement, which provides that the project sponsors have an obligation to contribute any shortfall in financing for a project; (ii) guarantee of sponsors; (iii) escrow account that will have on deposit a certain amount of project revenues which could be used for debt service repayment; and (iv) security sharing agreement with other senior lenders. This list is not exhaustive and additional agreements may be required depending on the project.

### **Loan disbursement**

12. Loan disbursements, which will generally occur in several tranches over an agreed disbursement period, are contingent on the fulfillment of disbursement conditions specified in the loan agreement and in accordance with the “General Conditions Applicable to Loan and Guarantee Agreements”.

### **Loan duration**

13. The Bank provides financing to suit the needs of its Borrowers. Loans may have a maximum duration of up to fifteen (15) years, inclusive of the grace period. In exceptional cases, longer duration loans may be considered on a case-by-case basis. Duration restrictions may apply to certain currencies and product types depending on market conditions.

### **Grace period**

14. Grace periods are dependent on the specific characteristics of the project and the time required for its implementation but should generally not exceed 5 years. In exceptional cases, grace periods longer than 5 years may be considered subject to satisfactory justification of project requirements by the Borrower. The grace period starts from the date of signature of the loan agreement or at a date agreed amongst co-financiers in co-financed projects.

### **Principal repayment terms**

15. The Bank’s principal repayment terms provide for the payment of equal installments of principal, after the expiration of the grace period, if any. Other principal repayment terms, notably, annuities, bullet repayment and step-up or step-down amortization of principal may be considered subject to satisfactory justification of project requirements by the Borrower.

### **Payment frequency**

16. Interest and any other charges on the Bank’s loans are payable semi-annually on any of the payment dates. The Bank has the following payment dates:

a. For floating and fixed rate loans February 1 and August 1 are the standard repayment dates; in addition any combination of the 1st and 15th of any month (excluding 1st January) in accordance with the payment frequency selected by the Borrower is acceptable.

b. For variable Rate Loan: February 1 and August 1, March 1 and September 1, April

1 and October 1, May 1 and November 1, and June 1 and December 1 are the standard repayment dates.

17. Monthly, quarterly, and annual payment frequencies are allowable (except for variable rate loans) subject to suitable justification by the Borrower, according to payment dates.

**Loan status**

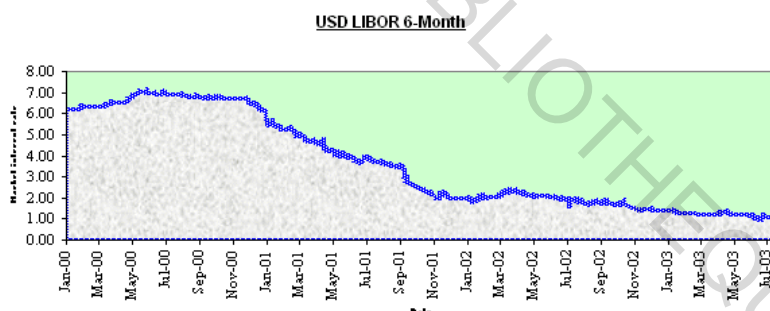
18. In most cases, the Bank makes its loans

on a “senior” basis. Unless the Bank specifically agrees to other arrangements, its loan must rank at par, regarding debt service and security, with other senior loans of the Borrower. The Bank may make

subordinated loans to enterprises meeting its investment criteria.

**Interest rate terms**

19. The Bank provides several alternative interest rate mechanisms. In all cases, the applicable rate of interest is the sum of two components, namely; the chosen base rate plus a lending margin (or spread). These two components are described below. Interest rates on Bank loans are expressed as nominal rates. Interest and any other charges are computed on the basis of the actual number of days elapsed and a 365-day year.



**Base Rates**

20. To provide its Borrowers with the flexibility to match the interest rate structure of their loans with their individual financial needs, the Bank offers three principal structures for the base lending rate, namely; floating base rate, fixed base rate, and variable base rate.

**Fixed Base Rate**

21. The principal feature of the fixed rate is that it remains fixed for the life of the loan. However, because loans are generally disbursed in several tranches and the rate applicable to each loan tranche is fixed independently, a single fixed rate loan is usually initially composed of several tranches each with a different interest rate. The fixed rate for each loan tranche is computed by the Bank as the inter-bank swap market rate corresponding to the principal amortization schedule of that tranche plus a premium to reflect the Bank’s funding risk. When the disbursement of a loan is

complete, the Bank gives its Borrowers the option to consolidate multiple loan tranches into a single equivalent structure to simplify the future administration of the loan.

22. The rate will be fixed by the Bank either at: (i) the time of each disbursement; (ii) the rate reset/fixing dates corresponding to the selected rate reset frequency; (iii) at loan commitment, i.e. at loan signature (only permitted for loans of a maximum amount equivalent to USD 5 million and where full disbursement will occur within one year from the date of signature); or (iv) after all disbursements have been completed. For Borrowers who choose to delay rate fixing until either the rate fixing dates or until the completion of loan disbursement, interest will accrue from the date of disbursement until rate-fixing at the rate applicable to floating rate loans in the applicable loan currency(ies). For Borrowers who choose to fix the rate at disbursement, the Bank reserves the right to delay fixing if the size of the disbursement is not large enough to allow for a cost-effective fixing transaction. In such cases fixing would occur as soon as an adequate disbursed amount, as determined by the Bank, has been accumulated to warrant the transaction and such amount should be set out in the loan agreement.

<b>Fixed interest lending rate calculation table (in %)</b>	
<b>Non Sovereign Guaranteed Loan</b>	
<b>Base rate</b>	Rate of the swap corresponding to the amortisation structure of the principal
<b>+ Lending spread</b>	Project specific risk spread
<b>Fixed interest rate</b>	
The lending rate can be fixed (1) at each disbursement, (2) on corresponding floating rate reset dates, and (3) when all disbursements are completed.	

23. At the time of rate fixing, the Bank computes the fixed swap rate that transforms its floating rate funding into the exact structure of the Borrower's loan, including grace period and principal amortization, at current market rates.

### **Lending Margins**

24. The lending margin is a rate premium expressed as a nominal interest rate added to the Borrower's chosen base rate to determine the total lending rate. The lending margin(s) are determined by the Bank and are independent of the base rate chosen. The lending margin(s) are set at the time of loan approval based on the Bank's assessment of the risks inherent in each project.

## **LOAN FEES**

### **Commitment Fees**

25. The commitment fee is 1 % per annum and is calculated on un- disbursed loan balances. The commitment fee starts to accrue at latest 60 days after loan signature. The commitment fee is payable each payment date.

### **Front-end fee**

26. The front-end fee is designed to partially compensate the Bank for the costs associated with processing a loan request and preparation of the documentation for loan approval. It is only charged on an approved project. It is not reimbursed if the project is subsequently canceled. The front-end fee is 1 % of the loan amount. The fee is payable before or at loan signature, however when market and/or conditions warrant, the front-end fee may be paid up to thirty (30) days after loan signature or as agreed among co-financiers in co-financed projects.

### **Appraisal fee**

27. In cases where project appraisal contains a large advisory component such as external legal counsel and/or due diligence, the Bank may charge an appraisal fee. The fee is set in order to partially or fully recoup the Bank's costs during appraisal and is payable even in cases where the project is, for whatever reason, not approved. The appraisal fee is payable no later than the date of first disbursement, or as agreed among co- financiers in co-financed projects.

### **Late payment fee**

28. To cover the financial cost of delayed interest, principal or any other amounts due under the loan, the Bank charges a late payment fee and breakage costs, if any, as incurred by the Bank. The late payment fee will be at least 2 % per annum above the interest rate on the loan and will be calculated on the amount overdue.

### **Prepayment Premium**

29. Subject to having paid all interest, commitment fees and any other charges, and upon giving the Bank forty-five (45) calendar days' notice, loans can be pre-paid in whole or in part. Notice shall begin to run as from the date of its receipt by the Bank. In the event of early repayment, the Bank may charge a prepayment premium that reflects the Bank's cost of re-deploying the pre-paid funds. The premium is based on current market interest rates, loan interest rate and repayment structure of the remaining term of the loan.

## **OTHER FEES AND PENALTIES**

30. The Bank may charge other fees and/or penalties on a case-by-case basis.

### **Loan Cancellation**

31. Loan cancellation will be in accordance with appropriate Bank financial policies and guidelines and/or provisions of the loan agreement.

### **Loan Security**

32. The Bank will require borrowers requesting NSGLs to provide it with suitable security – including but not limited to mortgages, fixed and/or floating charges over the assets of the borrower, as well as pledges. In cases where there are other co-financiers of the project, the Bank shall require that its own security is of a rank pari passu with that of the other co-financiers.

33. In addition, the Bank may require adequate guarantee to cover its loan exposure, including commercial bank guarantees and/or guarantees issued by other corporate entities acceptable to the Bank. The Bank may accept a central bank guarantee if offered by the NSGL client, provided it is determined that such a guarantee is, firstly, legally callable, and, secondly, does not constitute a sovereign guarantee. As other alternative forms of

security, in particular cases, the Bank may request the establishment of (i) foreign or domestic escrow accounts that will have on deposit a certain amount of project revenues, which could be used for debt service repayment, (ii) support agreements under which third parties would undertake to cure defaults of the borrower to the Bank and or

(iii) any other mechanisms that the Bank, in consultation with the borrower, deems necessary and appropriate under specific project circumstances. Guarantees, escrow and support arrangements may cover a specified period (e.g. project construction) or the entire duration of the Bank's loan.

APPLICABLE VARIABLE RATES FOR LOANS APPROVED BEFORE 4 MAY 2005

Dates	Variable Base Rates						Lending Spread						Applicable Variable Lending Rates								
	USD	EUR <sup>(1)</sup>	FRF	DEM	YEN	CHF	MVR	USD	EUR <sup>(1)</sup>	FRF	DEM	YEN	CHF	MVR	USD	EUR <sup>(1)</sup>	FRF	DEM	YEN	CHF	MVR
1-Jul-91	8.490%		9.820%	8.490%	7.600%	7.290%	8.090%	0.50%		0.50%	0.50%	0.50%	0.50%	0.50%	8.990%		10.320%	8.990%	8.100%	7.790%	8.580%
1-Jan-92	7.890%		8.760%	8.270%	7.060%	7.220%	7.680%	0.50%		0.50%	0.50%	0.50%	0.50%	0.50%	8.390%		9.260%	8.770%	7.560%	7.720%	8.180%
1-Jul-92	8.110%		8.880%	8.390%	6.630%	7.100%	7.520%	0.50%		0.50%	0.50%	0.50%	0.50%	0.50%	8.610%		9.380%	8.890%	7.130%	7.600%	8.020%
1-Jan-93	7.940%		8.570%	8.500%	6.430%	6.910%	7.250%	0.50%		0.50%	0.50%	0.50%	0.50%	0.50%	8.440%		9.070%	9.000%	6.930%	7.410%	7.750%
1-Jul-93	7.900%		7.420%	9.080%	6.340%	6.790%	7.120%	0.50%		0.50%	0.50%	0.50%	0.50%	0.50%	8.400%		7.920%	9.580%	6.840%	7.290%	7.620%
1-Jan-94	7.830%		7.410%	9.070%	6.250%	6.650%	7.030%	0.50%		0.50%	0.50%	0.50%	0.50%	0.50%	8.330%		7.910%	9.570%	6.750%	7.150%	7.530%
1-Jul-94	7.780%		7.400%	8.510%	6.240%	6.570%	7.030%	0.50%		0.50%	0.50%	0.50%	0.50%	0.50%	8.280%		7.900%	9.010%	6.740%	7.070%	7.530%
1-Jan-95	7.860%		8.080%	8.990%	6.270%	6.660%	7.050%	0.50%		0.50%	0.50%	0.50%	0.50%	0.50%	8.360%		8.590%	8.590%	6.770%	7.160%	7.550%
1-Jul-95	7.480%		7.380%	7.350%	6.200%	6.930%	7.010%	0.50%		0.50%	0.50%	0.50%	0.50%	0.50%	7.980%		7.860%	8.350%	6.700%	7.430%	7.510%
1-Jan-96	7.130%		7.220%	7.010%	6.220%	6.950%	6.810%	0.50%		0.50%	0.50%	0.50%	0.50%	0.50%	7.630%		7.720%	7.510%	6.720%	7.450%	7.310%
1-Jul-96	7.490%		9.420%	7.030%	6.230%	6.690%	7.120%	0.50%		0.50%	0.50%	0.50%	0.50%	0.50%	7.990%		9.920%	7.530%	6.730%	7.990%	7.620%
1-Jan-97	7.500%		6.440%	7.630%	6.230%	6.900%	6.950%	0.50%		0.50%	0.50%	0.50%	0.50%	0.50%	8.000%		6.940%	7.530%	6.730%	7.400%	7.450%
1-Jul-97	7.390%		7.090%	6.910%	6.140%	6.790%	6.890%	0.50%		0.50%	0.50%	0.50%	0.50%	0.50%	7.880%		7.590%	7.410%	6.640%	7.290%	7.390%
1-Jan-98	7.330%		6.930%	6.860%	6.110%	6.780%	6.900%	0.50%		0.50%	0.50%	0.50%	0.50%	0.50%	7.830%		7.430%	7.390%	6.610%	7.280%	7.400%
1-Jul-98	7.330%		6.880%	6.880%	5.800%	6.060%	6.820%	0.50%		0.50%	0.50%	0.50%	0.50%	0.50%	7.830%		7.380%	7.380%	6.300%	6.550%	7.320%
1-Jan-99	7.330%	6.860%			5.370%	6.050%	6.680%	0.50%	0.50%				0.50%	0.50%	7.830%	7.360%			5.870%	6.550%	7.180%
1-Jul-99	7.330%	6.850%			5.310%	6.050%	6.660%	0.50%	0.50%				0.50%	0.50%	7.830%	7.350%			5.810%	6.550%	7.160%
1-Jan-00	7.340%	6.690%			5.250%	6.050%	6.510%	0.50%	0.50%				0.50%	0.50%	7.840%	7.090%			5.750%	6.550%	7.010%
1-Jul-00	7.320%	6.690%			5.250%	6.050%	6.540%	0.50%	0.50%				0.50%	0.50%	7.820%	7.090%			5.750%	6.550%	7.040%
1-Jan-01	7.340%	6.820%			5.220%	6.080%	6.620%	0.50%	0.50%				0.50%	0.50%	7.840%	7.320%			5.720%	6.580%	7.120%
1-Jul-01	7.310%	6.950%			5.270%	5.590%	6.630%	0.50%	0.50%				0.50%	0.50%	7.810%	7.450%			5.770%	6.060%	7.130%
1-Jan-02	7.300%	6.850%			5.230%	5.390%	6.700%	0.50%	0.50%				0.50%	0.50%	7.800%	7.350%			5.730%	5.890%	7.200%
1-Jul-02	7.270%	5.780%			5.220%	3.630%	6.450%	0.50%	0.50%				0.50%	0.50%	7.770%	6.280%			5.720%	4.130%	6.950%
1-Jan-03	7.230%	5.200%			4.730%	3.630%	6.210%	0.50%	0.50%				0.50%	0.50%	7.730%	5.700%			5.230%	4.130%	6.710%
1-Jul-03	7.230%	5.490%			4.820%	3.630%	6.210%	0.50%	0.50%				0.50%	0.50%	7.730%	5.950%			5.120%	4.130%	6.710%
1-Jan-04	7.160%	5.380%			4.680%	3.630%	6.070%	0.50%	0.50%				0.50%	0.50%	7.680%	5.880%			5.160%	4.130%	6.570%
1-Jul-04	7.040%	5.350%			4.580%	3.640%	5.910%	0.50%	0.50%				0.50%	0.50%	7.540%	5.850%			5.060%	4.140%	6.410%
1-Jan-05	6.990%	5.360%			4.560%	3.780%	5.740%	0.50%	0.50%				0.50%	0.50%	7.480%	6.860%			5.060%	4.260%	6.240%

Last Update 1-Jan-05

<sup>(1)</sup> The EUR replaced the FRF and DEM in 1999

For Applicable Fixed Lending Rates, please contact us at X 3132 or e-mail: FTRY4@afdb.org

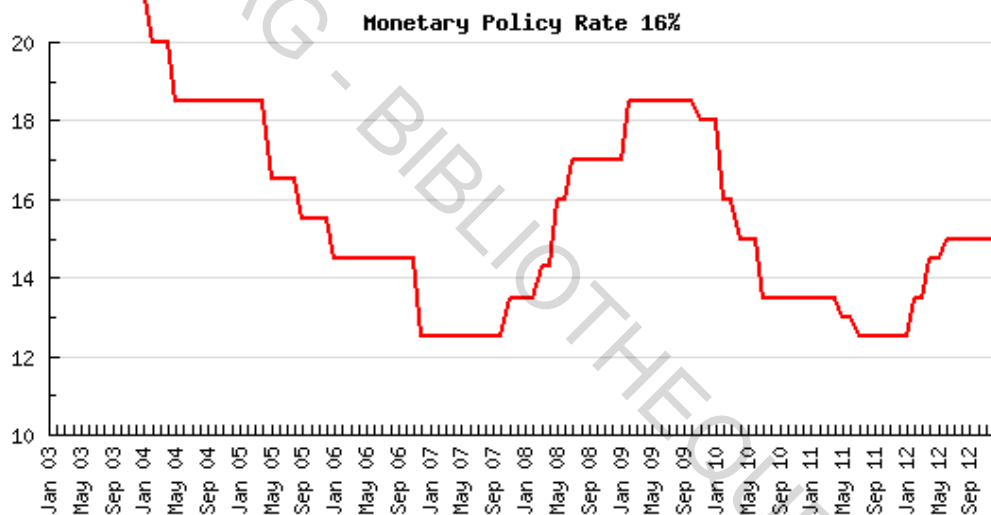
## Appendix 4 : INTEREST RATES IN GHANA

### Policy Rate Trends

The Policy rate Graph is supposed to give readers an overview of the historical trends in the key policy rate of the Bank of Ghana.

Historically since the inception of business of the bank, the key rate announced by the Bank of Ghana has undergone various transformations and changes. First the name rediscount was used during the period,... then the bank rate, ..... then the prime rate and now known as the monetary policy rate

The rate is a signaling rate which is supposed to serve as a reference cap for all other rates in the economy.



Source : BoG



**Appendix 5: Three Year Monthly Budget**

ELEMENTS	2015											
	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
PAYMENT BY GOVERNMENT	0	0	0	22571270	0	0	0	22571270	0	0	0	17571270
interest received on overnight market		39582	37543	35575	76512	75036	73538	0	166536	166096	0	0
<b>RECEIPTS TOTAL</b>	<b>0</b>	<b>39582</b>	<b>37543</b>	<b>22506545</b>	<b>76512</b>	<b>75036</b>	<b>73538</b>	<b>22571270</b>	<b>166536</b>	<b>166096</b>	<b>0</b>	<b>17571270</b>
MAIN DISBURSEMENT	19185579	0	0	19185579	0	0	14335579	0	0	13333913	0	0
training sessions for contractors	10000					10000						
<b>subtotal</b>	<b>19185579</b>	<b>0</b>	<b>0</b>	<b>19185579</b>	<b>0</b>	<b>0</b>	<b>14335579</b>	<b>0</b>	<b>0</b>	<b>13333913</b>	<b>0</b>	<b>0</b>
water	10	10	10	10	10	11	11	11	11	11	11	11
electricity	200	202	204	206	208	210	212	214	217	219	221	223
stationery	200	202	204	206	208	210	212	214	217	219	221	223
transportation cost	350	354	357	361	364	368	372	375	379	383	387	390
rent	700	700	700	700	700	700	700	700	700	700	700	700
insurance	1340	1353	1367	1381	1394	1408	1422	1437	1451	1466	1480	1495
cost of advertisement	1500	1515	1530	1545	1561	1577	1592	1608	1624	1641	1657	1674
cost of communication	1000	1010	1020	1030	1041	1051	1062	1072	1083	1094	1105	1116
internet cost	120	121	122	124	125	126	127	129	130	131	133	134
honorary	2200	2222	2244	2267	2289	2312	2335	2359	2382	2406	2430	2454
Travel expenses	5000	5050	5101	5152	5203	5255	5308	5361	5414	5468	5523	5578
salaries	14380	14380	14380	14380	14380	14380	14380	14380	14380	14380	14380	14380
Allowances	3049	3079	3110	3141	3173	3205	3237	3269	3302	3335	3368	3402
social charges	1800	1818	1836	1855	1873	1892	1911	1930	1949	1969	1988	2008
interest payment	166567	166567	166567	166567	166567	166567	166567	166567	166567	166567	166567	166567
miscellaneous	570	576	581	587	593	599	605	611	617	623	630	636
<b>subtotal</b>	<b>199586</b>	<b>199759</b>	<b>199934</b>	<b>200111</b>	<b>200290</b>	<b>200470</b>	<b>200652</b>	<b>200836</b>	<b>201022</b>	<b>201210</b>	<b>201400</b>	<b>201591</b>
<b>TOTAL DISBURSEMENT</b>	<b>19385765</b>	<b>199759</b>	<b>199934</b>	<b>19385590</b>	<b>200290</b>	<b>200470</b>	<b>15236232</b>	<b>200836</b>	<b>201022</b>	<b>1335723</b>	<b>201400</b>	<b>201591</b>
OPENING BANK BALANCE	22500000	3114835	2954758	2792467	6013521	588944	5764510	-9298284	1307250	1303763	-43164	-632763
TOTAL RECEIPTS	0	39582	37543	22506545	76512	75036	73538	22571270	166536	166096	0	17571270
TOTAL DISBURSEMENT	19385765	199759	199934	19385590	200290	200470	15236232	200836	201022	1335723	201400	201591
CLOSING BANK BALANCE	3114835	2954758	2792467	6013521	588944	5764510	-9298284	1307250	1303763	-43164	-632763	16736915
INTERIM FUNDS FROM PARTNERS												
EFFECTIVE BANK BALANCE	3114835	2954758	2792467	6013521	588944	5764510	-9298284	1307250	1303763	-43164	-632763	16736915

overnight rate 15,5%  
 days in year 365

ELEMENTS	2016											
	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
PAYMENTS BY GOVERNMENT	0	0	0	15,046,03	0	0	0	6,724,603	0	0	0	6,704,603
interest received on overnight market	213,224	140,550	139,768	138,973	266,909	267,728	268,556	196,788	282,376	283,382	246,293	246,834
<b>RECEIPTS TOTAL</b>	<b>213,224</b>	<b>140,550</b>	<b>139,768</b>	<b>15,943,76</b>	<b>266,909</b>	<b>267,728</b>	<b>268,556</b>	<b>6,921,391</b>	<b>282,376</b>	<b>283,382</b>	<b>246,293</b>	<b>6,951,438</b>
MAIN DISBURSEMENT	5,715,13	0	0	5,698,13	0	0	5,698,13	0	0	2,991,056	0	0
training sessions for contractors	10,000					10,000						
<b>sub total</b>	<b>5,715,13</b>	<b>0</b>	<b>0</b>	<b>5,698,13</b>	<b>0</b>	<b>0</b>	<b>5,698,13</b>	<b>0</b>	<b>0</b>	<b>2,991,056</b>	<b>0</b>	<b>0</b>
water	11	11	11	12	12	12	12	12	12	12	12	13
electricity	225	228	230	232	235	237	239	242	244	246	249	251
stationery	225	228	230	232	235	237	239	242	244	246	249	251
transportation cost	394	398	402	406	410	415	419	423	427	431	436	440
rent	700	700	700	700	700	700	700	700	700	700	700	700
insurance	1,510	1,525	1,540	1,556	1,571	1,587	1,603	1,619	1,635	1,651	1,668	1,685
cost of advertisement	1,690	1,707	1,724	1,741	1,759	1,776	1,794	1,812	1,830	1,849	1,867	1,886
cost of communication	1,127	1,138	1,149	1,161	1,173	1,184	1,196	1,208	1,220	1,232	1,245	1,257
internet cost	135	137	138	139	141	142	144	145	146	148	149	151
honorary	2,479	2,504	2,529	2,554	2,580	2,605	2,632	2,658	2,684	2,711	2,738	2,766
Travel expenses	5,634	5,690	5,747	5,805	5,863	5,922	5,981	6,041	6,101	6,162	6,224	6,286
salaries	14,880	14,880	14,880	14,880	14,880	14,880	14,880	14,880	14,880	14,880	14,880	14,880
Allowances	3,236	3,270	3,305	3,340	3,375	3,411	3,447	3,484	3,520	3,558	3,595	3,633
social charges	2,028	2,049	2,069	2,090	2,111	2,132	2,153	2,175	2,196	2,218	2,240	2,263
interest payment	166,667	166,667	166,667	166,667	166,667	166,667	166,667	166,667	166,667	166,667	166,667	166,667
miscellaneous	642	649	655	662	668	675	682	689	696	702	709	717
<b>sub total</b>	<b>201,785</b>	<b>201,980</b>	<b>202,177</b>	<b>202,377</b>	<b>202,578</b>	<b>202,781</b>	<b>202,987</b>	<b>203,194</b>	<b>203,404</b>	<b>203,615</b>	<b>203,829</b>	<b>204,045</b>
<b>TOTAL DISBURSEMENT</b>	<b>5,917,697</b>	<b>201,980</b>	<b>202,177</b>	<b>5,901,289</b>	<b>202,578</b>	<b>202,781</b>	<b>5,901,899</b>	<b>203,194</b>	<b>203,404</b>	<b>3,194,671</b>	<b>203,829</b>	<b>204,045</b>
OPENING BANK BALANCE	16,736,915	11,032,442	10,971,012	10,908,602	20,950,889	21,015,219	21,080,666	15,946,822	22,165,019	22,243,992	19,327,04	19,751,68
TOTAL RECEIPTS	213,224	140,550	139,768	15,943,76	266,909	267,728	268,556	6,921,391	282,376	283,382	246,293	6,951,438
TOTAL DISBURSEMENT	5,917,697	201,980	202,177	5,901,289	202,578	202,781	5,901,899	203,194	203,404	3,194,671	203,829	204,045
CLOSING BANK BALANCE	11,032,442	10,971,012	10,908,602	20,950,889	21,015,219	21,080,666	15,946,822	22,165,019	22,243,992	19,327,04	19,751,68	26,222,61
INTERIM FUNDS FROM PARTNERS												
EFFECTIVE CLOSING BALANCE	11,032,442	10,971,012	10,908,602	20,950,889	21,015,219	21,080,666	15,946,822	22,165,019	22,243,992	19,327,04	19,751,68	26,222,61

ELEMENTS	2017											
	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
PAYMENT BY GOVERNMENT	0	0	0	6704603	0	0	0	3518889	0	0	0	1268889
interest received on overnight market	332794	320691	322172	323668	410596	413213	415861	418539	466078	469891	472742	476133
<b>RECEIPTS TOTAL</b>	<b>332794</b>	<b>320691</b>	<b>322172</b>	<b>7028271</b>	<b>410596</b>	<b>413213</b>	<b>415861</b>	<b>3937228</b>	<b>466078</b>	<b>469891</b>	<b>472742</b>	<b>1745022</b>
MAIN DISBURSEMENT	1078556	0	0	0	0	0	0	0	0	0	0	0
training sessions for contractors	10000					10000						
<b>sub total</b>	<b>1078556</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
water	13	13	13	13	13	13	13	14	14	14	14	14
electricity	254	256	259	262	264	267	270	272	275	278	281	283
stationery	254	256	259	262	264	267	270	272	275	278	281	283
transportation cost	444	449	453	458	462	467	472	476	481	486	491	496
rent	700	700	700	700	700	700	700	700	700	700	700	700
insurance	1701	1718	1736	1753	1771	1788	1806	1824	1842	1861	1879	1898
cost of advertisement	1905	1924	1943	1962	1982	2002	2022	2042	2062	2083	2104	2125
cost of communication	1270	1282	1295	1308	1321	1335	1348	1361	1375	1389	1403	1417
internet cost	152	154	155	157	159	160	162	163	165	167	168	170
honorary	2793	2821	2850	2878	2907	2936	2965	2995	3025	3055	3086	3117
Travel expenses	6349	6312	6276	6241	6206	6173	6139	6107	6075	6043	6013	5983
salaries	14880	14880	14880	14880	14880	14880	14880	14880	14880	14880	14880	14880
Allowances	3871	3910	3949	3989	4029	4069	4110	4151	4192	4234	4276	4319
social charges	2286	2308	2331	2355	2378	2402	2426	2450	2475	2500	2525	2550
interest payment	166667	166667	166667	166667	166667	166667	166667	166667	166667	166667	166667	166667
miscellaneous	724	731	738	746	753	761	768	776	784	792	799	807
<b>sub total</b>	<b>204263</b>	<b>204283</b>	<b>204305</b>	<b>204330</b>	<b>205257</b>	<b>205386</b>	<b>205517</b>	<b>205651</b>	<b>206087</b>	<b>206225</b>	<b>206366</b>	<b>206509</b>
<b>TOTAL DISBURSEMENT</b>	<b>1282818</b>	<b>204283</b>	<b>204305</b>	<b>204330</b>	<b>205257</b>	<b>205386</b>	<b>205517</b>	<b>205651</b>	<b>206087</b>	<b>206225</b>	<b>206366</b>	<b>206509</b>
OPENING BANK BALANCE	26122561	25172537	25288746	25406213	32229554	32342993	32457221	32572364	36584641	36699833	37107698	37222874
TOTAL RECEIPTS	332794	320691	322172	7028271	410596	413213	415861	3937228	466078	469891	472742	1745022
TOTAL DISBURSEMENT	1282818	204283	204305	204330	205257	205386	205517	205651	206087	206225	206366	206509
CLOSING BANK BALANCE	25172537	25288746	25406213	32229554	32342993	32457221	32572364	36584641	36699833	37107698	37222874	38112087
INTERIM FUNDS FROM PARTNERS												
EFFECTIVE BANK BALANCE	25172537	25288746	25406213	32229554	32342993	32457221	32572364	36584641	36699833	37107698	37222874	38112087

Appendix 6: MONTHLY CASH FLOW

Disbursements

2015				2016				2017
JANUARY	APRIL	JULY	OCTOBER	JANUARY	APRIL	JULY	OCTOBER	JANUARY
27125000	27125000	1275000	2018750	17000	1578571	1578571	318750	982222
27125000	27125000	141667	918000	1578571	17129286	17129286	1593750	96333
1275000	1275000	85000	27125000	17129286	318750	318750	982222	
141667	141667	2018750	2656250	318750	1593750	1593750	96333	
85000	85000	918000	17000	1593750	982222	982222		
2018750	2018750	27125000	1578571	982222	96333	96333		
918000	918000	2656250	17129286	96333				
27125000	27125000	17000	318750					
2656250	2656250	1578571	1593750					
17000	17000	17129286	982222					
1578571	1578571	318750	96333					
17129286	17129286	1593750						
318750	318750	982222						
1593750	1593750	96333						
982222	982222							
96333	96333							
19185579	19185579	14935579	13433913	5715913	5698913	5698913	2991056	1078556

Receipts from Government

2015			2016			2017		
APRIL	AUGUST	DECEMBER	APRIL	AUGUST	DECEMBER	APRIL	AUGUST	DECEMBER
\$	\$	\$	\$	\$	\$	\$	\$	\$
2500000	2500000	1500000	2375000	20000	1357143	1357143	375000	1755556
2500000	2500000	166667	1080000	1357143	1328571	1328571	1375000	113333
1500000	1500000	100000	2500000	1328571	375000	375000	1755556	
166667	166667	2375000	37125000	375000	1375000	1375000	113333	
100000	100000	1080000	20000	1375000	1755556	1755556		
2375000	2375000	2500000	1357143	1755556	113333	113333		
1080000	1080000	37125000	1328571	113333				
2500000	2500000	20000	375000					
37125000	37125000	1357143	1375000					
20000	20000	1328571	1755556					
1357143	1357143	375000	113333					
1328571	1328571	1375000						
375000	375000	1755556						
1375000	1375000	113333						
1755556	1755556							
113333	113333							
22571270	22571270	17571270	1504603	6724603	6704603	6704603	3518889	1268889

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