

LEASING SUCCESS STORIES

SECO IFC LEASING PROGRAM GHANA



LESSEE PERSPECTIVES

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Leading printer leases way to success

Back in 2000, Albert Ocran was looking to expand his fledgling printing business. Having failed to secure a bank loan, he turned to leasing, and has never looked back since.

“At the time, it was more difficult to get a bank loan than to take a lease,” notes Mr. Ocran, CEO of Combert Impressions, “The leasing companies were more flexible and timely compared to the banks.

Today, Combert Impressions is one of the leading commercial printing firms in Ghana. The company has managed to finance its impressive growth over the years, mainly through leasing.



According to Mr. Ocran, the company relies totally on leasing to finance its equipment acquisition.

“Leasing has the advantage of not stretching your collateral. If you don't have the security, the equipment itself can serve as collateral,” he notes.



In terms of speed and timely delivery of services, Mr. Ocran says that leasing companies are generally better than the banks, and much less bureaucratic in the approval and closing of deals.

He recommends leasing to small businesses and start up companies as a safer option, noting that with leasing, one can, in the event of default, sell the equipment to help defray the potential risks.

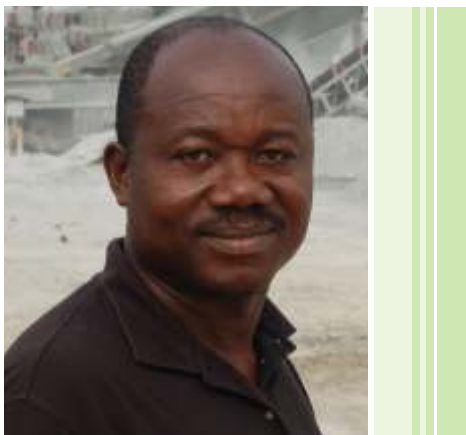


Leasing eases quarry entrepreneur's financing burden

When Ebenezer Sarpong was looking to secure equipment for his business, he found leasing to be the perfect match for his needs. He shares his experience with us.

How did you finance your multi million dollar quarry business?

Financing was certainly one of our major problems, but leasing played an important role in getting our business started.



How did leasing help?

Leasing was the first form of financing we took to secure the initial equipment on site at a cost of \$65,000. Thereafter, we approached EXIM Bank America for a short term loan of \$2 million for other equipment. EXIM Bank could not meet all our needs so we continued to finance our equipment purchases through a leasing company.

What made you turn to leasing rather than use another form of financing?

As a new company we couldn't afford the collateral required for other financing, so we had to lease.

Has leasing delivered the benefits you expected?

Yes, I am comfortable with leasing. We have completed two lease transactions and are currently on the third one. Leasing is absolutely good for our kind of business.

In what ways has leasing been good for you?

It helped us conserve capital and improve cash flow. We didn't have to use up all our resources acquiring the equipment; we leased instead and only paid a percentage of the total cost of equipment to acquire it. We were to finance the rentals from our revenue.

Leasing is ideal for our business. It is difficult to obtain a loan without collateral. For a quarry business, the initial investment is huge and no bank will support this kind of investment without collateral. Even where only 50 percent of the collateral is demanded, it would still be difficult to come up with the required capital.

Would you recommend leasing to other businesses?

For start ups, I think it is very difficult to engage in business without adequate financing. With leasing, businesses don't have to look for capital or obtain loans to finance their equipment. It is more convenient to lease.

What about the pricing? Is leasing not expensive?

No. One can finance the rentals through installment payments using cash flow. Leasing is relatively convenient and, at the end of the day, one still gets to own the equipment.

The SECO IFC Leasing Program, Ghana

Many businesses in Ghana face difficulties in obtaining loans from banks and other financial institutions. For many businesses, small and large, leasing offers one of the most viable options for equipment financing, helping to reduce the capital cost on equipment by up to 75 percent.

However, despite having an appropriate environment for leasing practice, only a few businesses in Ghana have taken advantage of the existing leasing opportunities to grow their businesses. In this brochure, we share success stories from two thriving Ghanaian businesses that have used lease financing to achieve substantial and sustainable business growth. We hope that this will encourage other entrepreneurs to explore leasing as a financing option.

The SECO IFC Leasing Program aims to create new financing opportunities for businesses in Ghana by promoting leasing as an alternative financing mechanism. The program is being implemented under PEP Africa.

The SECO IFC Leasing Program is supported by the State Secretariat for Economic Affairs of Switzerland, under the Swiss Directorate for Economic Development Cooperation.

The program has four main components:

- Legislative and regulatory reform;
- Public Awareness;
- Capacity Building;
- Encouraging new investment into the industry.

IFC in Ghana

The International Finance Corporation, the private sector arm of the World Bank Group, promotes sustainable private sector investment in developing countries, helping to reduce poverty

and improve people's lives. IFC finances investments with its own resources and mobilizes capital. IFC provides advisory solutions to governments and businesses.

A diverse and growing portfolio

IFC has greatly expanded its financial products and advisory services portfolio in Ghana over the past two years. IFC commitments in Ghana currently stand at approximately \$162 million invested in 13 projects, with a strong pipeline of new investments expected over the short term. In FY06, IFC's Private Enterprise Partnership for Africa launched four new technical assistance programs in Ghana. Cumulatively, IFC has invested over \$636 million in 43 projects in Ghana, with \$364 million for its own account and an additional \$272 million in syndicated loans.

IFC's strategy in Ghana includes supporting private provision of infrastructure, building and deepening the domestic financial sector, expanding financing and technical assistance support to micro, small and medium enterprises (MSMEs), promoting the development of non-traditional exports, and enhancing the business enabling environment.

Private Enterprise Partnership for Africa

The Private Enterprise Partnership for Africa (PEP Africa) is IFC's main advisory services delivery vehicle in Sub-Saharan Africa. PEP Africa establishes partnerships with donors, governments, and the private sector to design and deliver advisory services programs that improve the investment climate, mobilize private sector investment and enhance the competitiveness of private enterprises in Africa. In Ghana, PEP Africa is supporting a number of sector and company-level advisory services projects in sectors such as mining, financial services, and education. For further information, visit www.ifc.org/africa.

Ghana is currently home to IFC's regional hub in West Africa, which serves eight other countries in the region.

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