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CHALLENGES AND OPPORTUNITIES FACING CONTRACTORS IN GHANA

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The main aim of this study was to ascertain and discuss the current challenges and opportunities facing construction contractors in Ghana. This involved a review of the economic, legal and political environments in which contractors in Ghana operate; a review of published studies on construction in developing countries generally and Ghana specifically; and in-depth interviews and discussions with seven building and civil engineering contractors in Ghana in 2009 and 2010. Six road contractors were also interviewed. The findings indicate significant challenges relating mainly to financing for projects and a harsh business environment. However, most contractors interviewed admitted to significant problems in their own organisations. It is clear that the contracting environment in Ghana is harsh particularly for local contractors who are often not paid on time and without compensation for late payment. However, local construction firms in Ghana who want to breakthrough ought to formulate the right strategic plans, develop innovative business strategies, develop professionalism, and merge with local firms with similar organisational values and characteristics. In short, local or indigenous Ghanaian contractors ought to face up to the reality of competition and the dynamics of modern business in order to survive, grow and become major players in the construction industry in Ghana.

Keywords: challenges and opportunities, contractor, developing country, Ghana.

INTRODUCTION

The aim of this study was to ascertain and discuss the current challenges and opportunities facing construction contractors in Ghana. This begins with a review of literature on challenges and opportunities facing contractors in developing countries. Second, a brief description of the economic, legal and political environments in which contractors in Ghana operate is provided. Third, the results of interviews and discussions with seven building and civil engineering contractors and six road contractors in Ghana conducted in 2009 and 2010 are presented and discussed.

CHALLENGES FACING CONTRACTORS IN DEVELOPING COUNTRIES

The market for major projects in developing countries tends to be dominated by foreign contractors. In a study on contractor development in Nigeria, in which 69 indigenous

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contractors and 71 professionals responded, Adams (1997) found that major projects in most developing countries are carried out by foreign contractors because of deficiencies in indigenous construction capacity. This was also found in a study of the business environment of contractors in Nigeria by Aniekwu (1995). Using a questionnaire survey covering 11 out of 21 states in Nigeria, Aniekwu (1995) asked 344 contractors to assess 47 variables relating to the construction industry in Nigeria. Of the 344 respondents, 266 were indigenous contractors (wholly Nigerian-owned) and 78 foreign contractors (either Nigerian branch of a foreign company or Nigerian/foreign joint venture). Although 78% of contractors were indigenous firms, their total share of annual construction work was likely to be significantly lower than the total annual volume of work done by the 22% foreign firms.

Adams (1997) identified the constraints on indigenous contractors' performance in Nigeria as emanating from uncertainties in supplies and prices of materials, obtaining interim payment , procuring work, access to capital, negotiating variation payment, access to plant and equipment, inappropriate contract conditions, maintaining plant and equipment, resolving contract disputes, meeting contract deadlines, design changes, incomplete contract documents, transporting materials and equipment, materials control on site, providing reliable tenders, communicating with client/representatives, shortages of skilled labour, public image, accounting of financial management, inadequate supervision by client, project planning and site management, technical know-how, commitment to construction, company organization, personnel management, providing quality workmanship. Contractors in developing countries have limited access to funding sources, especially contractors in the small-and-medium bracket. One of the biggest consequences of this is that it prevents them from satisfying the financial requirements (e.g. bid and performance bonds) needed to win major contracts often awarded to their foreign counterparts.

The situation in Ghana when it comes to challenges associated with construction in developing countries is not significantly different. Eyiah and Cook (2003) carried out a questionnaire study to identify the financing needs and constraints of contractors in Ghana; determine the extent to which their characteristics influence financing needs and constraints; examine factors contributing to these constraints and the effect on different groups of contractors; and develop guidelines for policy-makers. The research was focused on the experience of the erstwhile Bank for Housing and Construction (BHC) in Ghana which was one of several government owned banks created to provide support for private housing schemes, expansion and modernization of immovable property, estates and industrial construction activities in Ghana. The BHC's financing programme achieved an appreciable level of success initially. However, the level of success later declined as a result of delayed payments to contractors for works completed; contractor's lack of managerial and technical capability to make profit on projects in which they were engaged, or to secure more lucrative ones; inability to obtain contracts; persistent delayed payments by major clients; and the deliberate refusal to repay loans. Despite the underachievement of the BHC's contractor financing programme, Eyiah and Cook (2003) advocated for more but effective financing schemes for local contractors. Other special programmes designed by banks like the Social Security Bank and to help contractors with project financing also failed as a result a number of factors discussed in Eyiah and Cook (2003). These include poor contractors' attitude towards competitive tendering; contractor inability to service equipment loans; lack of spare parts to maintain equipment; poor managerial capacity of contractors; disparity between Ghanaian currency and foreign currency in which cost of equipment was to be repaid; and seizure of equipment from contractors' sites. The BHC's liquidation in 1996 has often been linked to its involvement with contractors.

The literature reviewed in this section of the paper reveals a set of complex challenges facing contractors in developing economies. An article in the April 17-23 2010 edition of The Economist by Wooldridge (2010) explains some of the current developments, challenges and opportunities associated with innovation in emerging markets. Among the challenges are poor distribution systems, unpredictable income streams, pollution of the environment, infuriating and interfering governments, lack of basic infrastructure and services, and poverty. However, these should be viewed as obstructions and not obstacles to entering and investing construction markets in developing countries. There are opportunities too as indicated by Wooldridge (2010).

OPPORTUNITIES FACING CONTRACTORS IN DEVELOPING COUNTRIES

Nowadays, many multinational firms are moving into developing countries where a lot of markets are emerging (Wooldridge, 2010). Because such countries are mainly developing countries, there is a lot of demand for all types of construction work (Jaselskis and Talukhaba, 1998). A lot of developing countries also have incentive packages designed to attract foreign investment and foreign firms including tax reliefs. In Ghana for example, the Free Zones Act, 1995 was passed *inter alia* to provide incentives such as tax concessions to firms granted licences under the Act.

Corruption has often been touted as a problem in developing countries (Olken, 2009; Olken 2007). However, it may also be an opportunity for firms who have the capacity to bribe government officials to win projects. For example, in 2000, the company now known as Aon Ltd. was censured and fined £300,000 (US $435,000) by Lloyd's Disciplinary Board in relation to payments, including to government officials, in Ghana, Nigeria and the Philippines in the 1990's (Transparency International 2009 report p.71). The UK Serious Fraud Office in 2009 exposed Mabey and Johnson Ltd, a British construction firm, for overseas corruption practices in Ghana, Jamaica, Bangladesh, Mozambique, Angola and Madagascar. The firm was fined £6.6 million by the Crown Court judge Lord Rivlin. Reparations are also to be paid by the company to the governments of Jamaica and Ghana (http://www.sfo.gov.uk/).

In many developing countries, government agencies tend to be are lax and there is not a strict enforcement of laws relating to environment, labour, sustainability, health and safety, etc (Wooldridge, 2010). Therefore, businesses are not likely to incur much overhead of ensuring compliance with environment and labour rules. In short, although the poor institutional structures in developing countries are often criticized, these same deficiencies enable multinational firms to realise high profit margins.

THE ECONOMIC, LEGAL AND POLITICAL ENVIRONMENTS OF CONTRACTORS IN GHANA

Ghana is a major Sub-Saharan African country with a population of 23.5 million people. It has a vibrant and stable multiparty democratic political system of governance particularly in the past 20 years (i.e. since the introduction of the 1992 constitution which ushered in the current Fourth Republic). However, in the past there have been pockets of political instability and a history of coup d'états. For example, between 1966 and 1983, Ghana experienced five successful military coups. To date, there is no research work that explains the impact of politics on the construction industry in Ghana. Therefore it is hard to conclude on the impact of politics in Ghana on the construction industry. Nonetheless, the research work by Jaselskis and Talukhaba (1998) on bidding considerations in developing countries makes it clear that governments in developing countries have a direct influence on construction in both the public and private sector through their behaviour, policies and legislations. As in many other

countries, government is the major construction client in Ghana (Eyiah and Cook, 2003). Hence it is hard to disconnect the impact of government and politics on construction in Ghana. For example, a contractor who is not registered with the government ministries responsible for works and housing or roads and transport will not be entitled to the award of any government project or contract.

In recent years, Ghana has experienced stable patterns of real GDP economic growth rate (2008) of around 7.2%. 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). As there is a 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. Another reason why demand for construction work is likely to increase is that Ghana is a typical developing country (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. The construction industry in Ghana is an important element of the national economy. The government of Ghana Growth and Poverty Reduction Strategy report (2005) reported that the construction industry contributed 8.8% to GDP in 2003 and 2004, ranking third behind agriculture (35.99%) and government services (9.98%).

The legal system in Ghana (formerly the Gold Coast) is based on English common law and customary law (mainly as a result of British imperialism in the Gold Coast (from the early 1800s) and colonial rule from July 24, 1874 to March 6, 1957). The civil law in force in Ghana is based on the Common Law, doctrines of equity and general statutes which were in force in England in 1874, as modified by subsequent Ordinances. Ghanaian customary law is, however, the basis of most personal, domestic and contractual relationships. Criminal Law is based on the Criminal Procedure Code, 1960, derived from English Criminal Law, and since amended.

RESEARCH METHOD

In order to investigate challenges and opportunities facing contractors in Ghana, it was important to place 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 licence from the Ministry of Roads and Highways. And second, there are building and civil engineering contractors who operate with licence from the Ministry of Works and Housing (Eyiah and Cook, 2003 and Dansoh, 2005).

It would have be difficult to undertake a study of this nature without covering 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. Each contractor was interviewed for more than one hour and notes were recorded in the course of each interview. All the contractors interviewed are in the top category of classification of firms by their respective government ministries.

DATA PRESENTATION

Table 1 presents a summary of the interview findings.

Table 1: Summary of major challenges and opportunities facing contractors in Ghana

Building & civil engineering contractors (seven contractors)		Road contractors (six contractors)	
Challenges	Opportunities	Challenges	Opportunities
Finance	Emergence of new oil and gas industry	Finance related - lack of funds; delays in payment; cancellation of advance mobilization; guarantee on government of Ghana projects; cumbersome payment process; limited access to credit	Opportunity to team up for resource pooling
Payment delays	Non-adversarial culture of dispute resolution	Lack of adequate equipment holdings	Diversification into alternative businesses like waste management
Poor design quality	Poor form of consultants	Quarry/aggregates/chippings	Opportunity to learn from the presence of foreign firms
Personnel issues	Lack of vigilance and effective supervision	Lack of adequate supervision of contracts; Technology	
Bribery and corruption	Corrupt officials	Inadequate preparation of projects; Changes in Bill of Quantities	
Poor contractor classification		Presence of foreign contractors	
		Politics	
		Lack of professionalism	

The results of the study are discussed under two broad sections. Section 1 covers building and civil engineering contractors and Section 2 covers road contractors.

Building and civil engineering contractors: challenges and opportunities

The significant challenges relating to building and civil engineering works related to financial issues, design, contractor classification system, bribery and corruption, personnel and supervision and managerial aspect of contracts. The main opportunities related to the emerging oil and gas industry and perceived growth in the economy.

Challenges

Financial: The contractors explained that the biggest problem on contracts was payment. Payment-related delays meant that a contractor cannot predict cash flow. The difficulty in predicting cash flows means that banks consider contractors as a higher risk, thus the interest on money to construction firms is higher. Thus, the cost of contractors acquiring capital is high.

Design: The contractors indicated that most designs are often inadequate and poorly articulated to enable contractors to clearly understand what to build without several meetings with designers. Drawings do not often have sufficient details. 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 and naturally that impacts on cash flow, workflow, and duration/programme. Ultimately, design-related problems impact on profitability of firms.

Contractor classification: Many of the contractors explained that those who classify firms do not ensure that firms in the same category have the minimum requirements in practice. This does not create real competition. The interviews indicated that the process of registering construction firms in Ghana needs review. It is important for government ministries to ensure that people who register firms actually possess the personnel, capital and equipment required for classification into a particular category.

Bribery and corruption: Bribery and corruption is a big problem for both contractors and consultants in Ghana. Contractors often have to pay kickbacks to the people involved in a project. The total kickback amount was generally expressed around 10%. However, most of the contractors try to negotiate this down to about 5%. In effect, they have accepted it as part of normal business practice and may even build this into the price structure of a job. According to the UK SFO report which indicted Mabey and Johnson (M&J) for corrupt business practices in Ghana and other countries, "The payment of commissions to agents was a routine aspect of the Company's business, authorised at director level. These payments were structured into the Company's commercial processes and were factored into contract pricing. Commission fees paid to local agents or middlemen ranged from contract to contract and by jurisdiction. However, historically, it was not atypical for agents to be paid between 5-15% by M&J, although M&J maintain the average was about 8% (Regina vs. Mabey and Johnson limited in the Southwark Crown Court No. T2009 7513). One main problem identified with kick backs is that it affects work quality. 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.

Personnel: The contractors explained that there was a lack of qualified construction professional with basic knowledge in construction works. There is also a problem with supervision and managerial aspects of construction work in Ghana. Contractors complained that many workmen (artisans) lack the necessary training for carrying out their work. In current practice, "somebody just gets up and says I am a mason". There are no criteria or qualifications or a barrier to entry into artisanship.

Workflow: Some contractors complained about low workload. The volume of construction work has slumped in recent years because of lack on finance and sometimes it takes up to half a year to win a job.

Opportunities

On current opportunities associated with construction in Ghana, most of the contractors said they were optimistic work will increase with the emerging oil and gas market in Ghana. One of the contractors said that "There is construction work associated with the emergence of the new industry, offshore bases. There is real estate associated with the oil and gas industry. There will be a spill over of oil and gas on others industries and sectors of the economy". One of the contractors said that "Although the industry is competitive, there is not a lot of professionalism so if you have a company with a lot of professionalism, you have a clear advantage over others who are not as equally professional with the way they go about their work. Construction in Ghana at the moment is a growth industry because of the stage we are in our economic development. There is a lot of opportunity for growth for a construction firm that is serious". Thus, significant opportunities exist with construction work in Ghana which makes it an attractive market for contractors.

Road contractors: challenges and opportunities

The discussions with road contractors revealed several challenges and also a few opportunities associated with road construction work in Ghana. The data here relates mainly to the leading indigenous or local contractors in Ghana.

Challenges

Funding: The main problems expressed by all of the contractors was funding problems which affects the engagement and retention of qualified professional personnel (both administrative – accountants, human resources managers, middle and top level personnel and technical – civil engineers, mechanical engineers, quantity surveyors, artisans and tradesmen – fitters, carpenters, masons, electricians). The contractors said that lack of funding affects equipment also. They do not have the full complement of equipment – most of their equipment is over 20-25 years. This results in frequent and occasional breakdown of the equipment which impedes the progress of work. In some cases, the spare parts are not available to buy, because the machines are obsolete. There are also problems relating to fake spare parts for plan and equipment. Lack of funds also means that staffs are not paid well. Sometimes some contractors do not even have money to pay monthly staff salaries. Sometimes for about eight months a contractor do not get money from any source to pay staff. Because of lack of funds, contractor 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 go to borrow until they are no longer able to get credit. According to the contractors, the main reason why there is lack of funds is excessive delays in payment by the government – Ministry of Roads and Highways, Ghana Highway Authority, Department of Feeder Roads, Department of Urban Roads. Apart from the Ministry itself, there are other Road Agencies. For example, the Ghana Road Fund (GRF) Secretariat is 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 authorised.

The contractors also complained about 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. Sometimes, for as much as up to eight months, contractors may not be paid on a job although they are supposed to receive monthly payments for work-in-progress. 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 jumped even higher. Some contractors narrated an ongoing practice where in order for banks to be certain that contractors will repay a loan or mobilisation advance, the GRF has to agree in advance with the bank to pay cheques in the joint name of the contractor and the bank. The contractors explained that most of them tend to rely on overdraft facilities rather than bank loans. When they go for bank loans, they often have to provide collateral or guarantee that is difficult for them to provide. One contractor said that "Sometimes you have to use your equipment, often times the equipment might even be under collateral already. So we have to use our house sometimes as collateral".

Competitive bidding: Some contractors also explained that they do not get projects to execute because of competitive bidding. For big jobs, clients often ask for a certain level of turnover – normally around 1m 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.

Equipment: The interviews with contractors revealed that most contractors do not have equipment and have to hire. In 2005/06 the government of Ghana tried to support contractors through an equipment supply scheme managed by the National Investment Bank (NIB). The

equipment was given to about 40 Ghanaian contractors to be paid for in instalments. However the scheme did not quite succeed as some contractors could not pay for the equipment. Not that they did not want to pay, but most of them did not even win any work in the first place to be able to pay for the equipment. Eventually, a lot of the equipment was dormant and depreciated in value without having done any work. The NIB nonetheless chased (and is still chasing) the contractors for the equipment money and the interest rate is accumulating for the contractors.

Presence of foreign contractors: the contractors explained that most major projects in Ghana are awarded to foreign contractors. Sometime ago, the Association of Road Contractors (ASROC) Ghana suggested to government that when a job is awarded to a foreign contractor, the firm should be encouraged to sublet about 25% of the work to local contractors with known capability. However, the call has not been heeded by government. ASROC argued that much of the jobs done by staff of the foreign contractors can be done by local experts and professionals. 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.

Job availability: The interviews showed a strong relation between job availability and politics. 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 what happens is that 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 ne government. One of such contractors interviewed said that "Sometimes the government even gives work to some contractors that are not known to members of the ASROC."

Contractor associations: There are different contractor groups and associations in Ghana. This is not a problem in itself per se 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. In the past there used to be just one contractors' association. However, there are now splits and different groups because of disagreements over leadership and constitutional issues.

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. Government is over paying. 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 when 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 vet the accounts. For almost the whole of 2008, government had no money available to pay to contractors. The government was forced to borrow money from the Social Security and National Insurance Trust (SSNIT) in order to be able to pay its debt to contractors. A new government inherited the situation and, as happens in the political climate in Ghana, the new government wanted to understand why and how the debt had accrued. Therefore, there was a temporary freeze on payments to contractors and it took a significant while some contractors were paid.

Between 2004 and 2007 for example, the contractors explained that payment delays ranged between 6-19 months. Discussions with the contractors revealed over 37 processes a contractor has to go through before getting payment. The contractors complained that a certificate could take up to 4-6 months to get through the 37 payment processes. The interviews revealed that most part of the delay occurred around the 'pending payment stage' due to non availability of funds. Even after a certificate has passed through all 37 steps, it may arrive finally at the table and government will have no money to pay for the certificate. In the case of 2007 alone, the total money owed to road contractors in alone in respect of projects was 614 billion cedis or 61,446,957.25 Ghana cedis. And the debt was cleared in 2008 (when government was able to borrow some money from SSNIT).

Politics: Contractors expressed frustration with the contracting environment in Ghana and the politics that often surrounds it. The contractors complained that the business environment is driven by politics. Each government that comes into power tries to propel its own set of contractors because they realise that contractors are a very good source of raising money for financing political campaigns. In short, most contractors complained that "Politics is a major problem". One contractor mentioned that foreign contractors, for example, are not members of any of the local contractor associations in Ghana because they have been advised by their home governments to stay out of the political atmosphere in Ghana for sustainable business.

Contractor capacity: Low capacity of indigenous Ghanaian contractor was identified as a major problem. Some contractors said that the World Bank was trying to help in addressing it through a series of training programmes and workshops for contractors. One contractor explained that "Competition is good. We should encourage competition. However, it is the business environment that is competitive. Everybody who is interested in doing the job has to show their capacity. The low capacity of the local contractors makes it difficult for us to compete."

Access to credit: Most Ghanaian contractors fall within the SME bracket and always have to go and look for credit. The cost of credit is high. Most contractors in the SME bracket could not afford equipment. These contractors said that it was government's duty to create an environment which ensures that businesses can thrive and grow. They were certain that "Government can help". The contractors complained that the current business environment is not one that is capable of helping them to build their capacity.

Other challenges identified through the interviews included technology and lack of barriers to entry into the market. In the words of one contractor, "This is the only industry in the country where everyone can get up and say I am a mason, I am a carpenter, etc. Government should set up a school to train all the artisans. Currently we train our own people through apprenticeships. There is a wide range of problems facing us."

Opportunities

Despite the numerous challenges, some contractors suggested opportunities that could be pursued to develop their capacity and business. One contractor said "As contractors, we can team up to buy equipment. But there is a problem with the history of partnerships in this country. People cannot be trusted. That is the problem. People do not approach partnerships in a business sense. Considerations of friendship and family are too much in our social setting, which ultimately affects business. There is a problem with attitudes. But it is the nature of our society. The kind of aspirations that society places upon us does not help us. If you are a contractor and your family members hear that you have won a project, everyone will expect you to help them out of their personal financial difficulties. There are a number of

opportunities that contractors can tap. But our attitudes and the system in Ghana is a problem."

Some contractors complained that the contracting environment and business in Ghana is stifled and not growing. However, some of them said it provided contractors with an opportunity to diversify into other areas where they can make higher profits.

One contractor said that a Ghanaian contractor who wants to increase and build their capacity should approach foreign firms who might like to sublet some of their work. This would help the local contractor in developing capacity and learning and transferring knowledge. One contractor explained that "Chinese firms in Ghana don't give work to local contractors in Ghana because the Chinese work 24hours and Ghanaians work just 5hours. We are running our economy on an 8-hour basis whiles people in advanced countries run theirs on 24hrs so naturally we cannot compete. If we don't increase production how can we grow the economy? We have to move a step further. Collectively we have a long way to go." therefore, there is a lot of opportunity for the contractor who is serious in developing a professional approach to business. One contractor said that "The concept of entrepreneurship should be applied by contractors in Ghana. If you look at the way a lot of our contractors operate, you would see that there is no real planning for business. Contractors must be trained to manage their business. Unfortunately in Ghana, anyone can just get up and say that they are a contractor. What we need to do is to take a comprehensive step/package to help us address the problems and that takes a bit of time".

CONCLUSION

The aim of this study was to ascertain challenges and opportunities of construction contractors in Ghana. Seven building and civil engineering contractors were interviewed. Six road contractors were also interviewed. The findings reveal a huge number of challenges but also some opportunities for contractors in Ghana. The emerging oil industry presents fresh opportunities for construction work and development of infrastructure. There is also a culture where cases and disputes on projects tend to be resolved through arbitration and mediation rather than litigation where contractors may lose a lot of money. Another big opportunity on construction contracts is that consultants are sometimes not very confident of their professional abilities and estimates and sometimes tend to overvalue work or pay quantities provided in bills of quantities without measuring the actual work done on site. This helps some contractors to make money. There is also almost no penalty for delay and shortcomings on contracts especially because clients also tend to default on their responsibilities. Thus, because of poor form of some consultants and the absence of many competitive firms, there is significant opportunity for a serious contractor.

The main challenges were related to financial, political, organisational and the economic factors. The significant similarity in the challenges facing both category of contractor is the funding or payment problem. For road contractors, this is a bigger problem because government tends to be their major and only client. But for building and civil engineering contractors, there are private clients who have the ability to pay certificates promptly. Therefore, a building or road contractor who has sufficient private sector jobs can opt out of government projects and still survive in the contracting business. However, this cannot be the case for road contractors as all roads are constructed by the government. Both category of contractors agreed that there are opportunities associated with contracting in Ghana. For the building and civil engineering contractors, significant opportunities are anticipated with the emerging oil and gas industry. Road contractors would also have opportunities with this although none of them mentioned it directly. Both category of contractors agreed that most local contractors in Ghana lack strong organisational, managerial and financial capacity. This

was attributed as one main reason preventing them from competing against foreign contractors. Contractor associations like ASROC have called on the government of Ghana to allocate a percentage of public projects to local contractors, even when the project is awarded to a foreign contractor. However, this may not be a viable call in practice. Local construction firms ought to be competitive and win work on meritorious rather than nationalistic reasons. Most contractors interviewed admitted to significant organisational problems that they needed to sort out in order to become competitive. It is clear that the contracting environment in Ghana is harsh particularly for local contractors who are often not paid on time and without compensation for late payment. However, local construction firms in Ghana who want to breakthrough ought to formulate the right strategic plans, develop professionalism, and seek mergers with other local firms with similar organisational values and characteristics. In short, local or indigenous Ghanaian contractors ought to face up to the reality of competition and the dynamics of modern business in order to survive, grow and become major players in the construction industry in Ghana.

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