U S A I D

GHANA CONTRACEPTIVES SUPPLIES
PROJECT ASSESSMENT OF DANAFCO's
BUDGET AND PRICING STRUCTURE
CONTRACT NO.681-0000-I-00-3156-00
WORK ORDER NO. 7

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GHANA CONTRACEPTIVES SUPPLIES PROJECT
ASSESSMENT OF DANAFCO's BUDGET AND PRICING STRUCTURE

I N D E X

A P P E N D I C E S

-1-

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December 13, 1985

Ms. Mary Reynolds
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c/o BP 1712 Abidjan 01
Ivory Coast

Dear Madam,

1.1 At your request we have carried out an assessment of DANAFCO's proposed budget and pricing structure. The purpose of the budget is to provide an estimate of the cost which are to be incurred to implement the contraceptives social marketing program and develop a justifiable price for the commodities.

1.2 The specific terms of reference for our assessment is attached as Appendix XI to this report. We have provided a summary of our major conclusions and recommendations in Section II. In Section III we have reviewed the pricing structure and in Section IV the budget of DANAFCO.

1.3 We, again, are grateful to be of service to you and your agency in your effort to achieve the successful implementation of the Ghana Contraceptives Supplies Project. We look forward to continuing cordial relations with you and USAID REDSO/WCA.

Yours truly,

MAJOR CONCLUSIONS AND RECOMMENDATIONS

2.1 The rough draft estimate provided by DANAFCO for the ex-factory price before taxes for condoms is ₵.9471 per condom and ₵12.4859 per cycle for oral tablets We have suggested revisions in some of the basic assumptions used to develop these prices and have arrived at revised estimates of ₵.5460 per condom and ₵7.1668 per cycle for oral tablets.

2.2 We consider the inclusion of manufacturing and wholesaling cost in the ex-factory price of the commodities to be acceptable However a profit margin of 9% - 13% appears to be more appropriate when using this pricing approach.

2.3 We consider a material and labor percentage of less than 25% of ex-factory price to be reasonable for at least the first year.

2.4 The budget presented by DANAFCO for project expenditures which are to be funded by them totals ₵9,125,274. We have suggested revisions in some of the basic assumptions for the development of manufacturing direct labor costs and indirect cost. Our revisions have resulted in a maxmum budget to be funded by DANAFCO of about ₵5.2 million, not withstanding line items for which estimates were not provided.

2.5 The budget presented by Pharmahealth for the training component of DANAFCO's budget is to be financed by MFEP and totals ₵3,053,614. This budget has not been negotiated with DANAFCO. We have suggested revisions in some of the fees and allowances proposed in the budget and would consider the maximum amount of about ₵2.2 million acceptable for negotiation, notwithstanding line items for which estimates were not provided.

2.6 The budget presented by Lintas for the advertising component of DANAFCO's budget is to be financed by MFEP and totals ₵22,330,000. This budget has not been negotiated with DANAFCO. We have suggested revisions in the fixed fee and the elimination of all Lintas time costs which have been included in the budget as well as other modifications. We would consider the maximum amount of about ₵18.8 million acceptable for negotiation.

2.7 With all of the above revisions, and completed negotiations with Lintas and Pharmahealth, we would consider DANAFCO's total budget at a maximum amount of about ₵26.3 million down from ₵34.7 million, acceptable for negotiation with MFEP.

PRICING STRUCTURE

3.1 The pricing structure format in use at DANAFCO has been provided by the Prices and Incomes Board (PIB). A sample of this structure is shown in Appendix I. In the development of a price for any commodity the structure considers direct costs such as raw materials, duty, and labour as well as indirect costs for administration, selling and delivery. In addition, profit margins, wholesale and retail prices are provided. This pricing structure format appears to be satisfactory although for certain commodities all components may not be applicable.

3.2 We are informed that in most cases commodities are not priced until the raw materials are received and all costs associated with production known. At that point all other cost required to develop the price are determined based on PIB allowable percentages and DANAFCO's desired percentages. The PIB allows companies to sell goods at the proposed prices requested in their submissions until the PIB has reviewed and approved the prices. If the PIB does not accept the proposed price the company is required to effect a price reduction. No refunds to the public or government is required. These prices once approved by PIB, are maintained for at least one year by DANAFCO unless circumstances arise that affect the cost of any price component by more than 5%, then a price adjustment would be requested.

3.3 As a manufacturing concern, DANAFCO Manufacturing, monitors the cost and quantity of raw materials, labour and machine time used to manufacture a batch of commodities. This information is summarized on a Product Cost Sheet after each batch of commodities has been produced. See Appendix II.

3.4 We are informed that the estimated prices for the various contraceptive commodities which was made available at the time of our visit had been developed with an outside consultant and based on a retail price which was considered reasonable to the average consumer. (Appendix III) These prices were not based on an analysis of the actual cost associated with the packaging and distribution of the contraceptives, they were worked backwards from a price using PIB allowable percentages. This was done as an exercise to have an idea of what a possible pricing structure might be and not as a definitive pricing proposal.

3.5 During our visit DANAFCO received information on the quantities of plain condoms and oral contraceptives it should recieve in the initial consignment. They have prepared some cost data for these commodities and it is shown in Appendix IV.

It is based upon these cost estimates that our analysis of the pricing structure was performed. These estimates should not be considered final and price should not be submitted to PIB for approval until all actual costs are known.

3.6 Our analysis of the pricing structure has concentrated on the methods used by DANAFCO for developing the prices of the plain condoms and oral tablets. This was done because we have been informed that the cost data shown in Appendix I for all four commodities has no substantive basis for its development and DANAFCO was revising the cost data for plain condoms and oral tablets and definitive percentages for all cost components and commodities was not available.

3.7 In developing prices for those commodities several points must be taken into consideration.

1) This is a social marketing program and one of the main objectives is to keep the price of the commodities to the consumer as low as possible.

2) At the end of the project life the retail commercial sale of contraceptives should be self financing.

3) USAID through SOMARC will be providing some initial assistance, technical and otherwise to increase the probability of success of the project and reduce the possible losses to DANAFCO if the project is not as successful as anticipated.

4) MFEP will be providing assistance for the initial advertising and training programs.

5) DANAFCO will be responsible for expanding its distribution network and sales force to the 10 regions, clearing the goods from the port, packaging and wholesaling them as well as the day to day management of the project. In addition, DANAFCO will absorb the financing cost of the expansion and inventory if the commodities are not sold within the year. They will also bear the risk of inventory losses by supplying commodities which have a limited shelf life.

<u>Using the PIB price structure format:</u>

3.8 <u>Imported raw materials</u> will have no cost as USAID is providing all contraceptive commodities free of charge for the life of the project. At no point should this be included in the price of the commodities.

3.9 <u>Imported packing and printing materials</u> will be provided free of charge for at least the first year of the project. The cost of these materials should not be included in the development of the price for the first year.

As DANAFCO's policy is to review all prices at least once a year, when they are informed by USAID that they will be required to finance (in cedis) the cost of packing and printing materials, they can request a price adjustment through PIB.

3.10 The costs of these materials should be known by DANAFCO as early as possible to enable them to arrange financing. As the project nears completion it will be necessary for DANAFCO to identify its source for foreign exchange to import these materials or a local supplier of them.

3.11 Duty on imported materials has been waived by the Government of Ghana for all materials imported for the project. This cost should not be included in the price of the commodities.

3.12 Other local cost on raw materials includes all costs, except duty, associated with clearing the imported goods and getting them to DANAFCO's premises. This includes costs paid to the Ghana Cargo Handling Company (GCHC) for moving containers or goods from the ship to the sheds to the delivery truck. The GCHC charges are based on the container tonnage which depends on its size. It was determined that all costs associated with cargo handling ranges from ¢5,000 to ¢9,000 per container. Port charges are paid by the importer to the shipping company for the container fee and wharfage charges they have paid to the Ghana Ports Authority. In addition demurrage charges are paid by the importer if containers are not cleared within four days of their arrival. We are informed that DANAFCO usually clears its goods within two to five days of arrival. Container and wharfage charges range from ¢1,000 to ¢2,000 per container while demurrage charges are ¢125 to ¢200 per day per container.

3.13 DANAFCO does not have a truck which can carry a container and must rent a truck each time a container is removed from the port. We are informed by the State Transport Corporation that the cost of hiring a truck to carry a container from Tema ranges from ¢22,864 to ¢28,520 per day and that these trucks can carry two containers without increasing the rental cost. State Transport Corporation trucks are in high demand and there is usually a waiting list for their use. DANAFCO uses private trucks which can carry only one container and the market cost for these trucks is ¢25,000 per day.

Off loading charges at DANAFCO are incurred for the hiring of labourers to remove goods from containers and these range from ¢3,000 to ¢4,000 per container.

3.14 All of these costs should be included in the development of price of the commodity. Since these costs are directly related with the container and not with the commodities inside the containers, DANAFCO and USAID should make every effort to utilize the full capacity of each container hereby keeping these costs per commodity to a minimum.

3.15 If more than one commodity is included in a container the cost associated with other local cost of raw materials should be shared by the commodities based on an estimate of the space each commodity utilizes in the container. DANAFCO has received information on quantities of condoms and oral tablets to be received in the first shipment and were developing a price for these commodities during our visit. As the actual or estimated cost per commodity for other local cost on raw material was not available at the time of our visit we are unable to comment on it.

3.16 We can however state that this cost should be determined by accumulating the actual cost for handling charges, port charges, transportation and unloading, then dividing it by the quantity of commodities in the shipment. It is advisable that DANAFCO does not develop a definitive price for presentation to the PIB until they have cleared the goods from the port and processed them so that all actual costs are known thereby submitting a price based on actual rather than estimated costs.

3.17 Using information obtained at the time of our visit, estimates for other local costs on raw materials would be expected to range as follows:

TABLE I

	PER CONTAINER	
	High ¢	Low ¢
Handling Charges	9,000	5,000
Port Charges	2,000	1,000
Transport to Accra	28,520	22,864
Unloading	4,000	3,000
Cost Per Container	43,520	31,864
÷ Quantity		
Condoms (2004000)	.0217	.05159
Orals (708000)	.0615	.0450

3.18 Local raw materials, local packing materials and transport and handling charges on local raw materials will not be used for the contraceptive products therefore no costs for these items should be included in the price.

3.19 Direct labour costs are usually determined by costing the estimated time required to manufacture the commodities, DANAFCO Manufacturing has made the following estimates for manufacturing time and cost for the plain condoms and oral contraceptives for the initial quantities they expect to receive.

TABLE II

	Packing & Labelling	Printing Dye Cutting	Packing/ Labelling
Number Direct Laborers	6	5	18
Target Days Per Laborers	19	15	79
Total Man Days	114	75	1422
Hours Per Day	8	8	8
Total Man Hours	912	600	11376
Company Labor Cost Per Hous (Cedis)	50	55	50
Total Direct Labour Cost	¢ 45,600	¢ 33,000	¢ 568,800
Quantity	2,004,000	708,000	708,000
Direct Labor Cost Per Commodity	¢ .0228	¢ .0466	¢.8034

3.20 The development of these direct labour costs are shown in Appendix V. We have reviewed the development of these costs and suggest that only the actual cost per man day be included in the price of the contraceptive commodities. For printing and dye cutting, this equate to ¢309.93 per man day or Total Direct Labour Cost of ¢23,244. For packing and labelling this equates to ¢288.38 per man day or Total Direct Labour Cost for condoms of ¢32,875 and ¢410,076 for orals. The revised per commodity cost is shown in Table VII.

3.21 It is recommended that after the first consignment of each commodity has been processed, an independent analysis be performed to determine the actual time and cost incurred in Production. DANAFCO performs an internal analysis of all its manufactured products on a monthly basis. This analysis provides them with basic information on the cost of production and gross contribution margin of each product. As DANAFCO does not usually prepare product budget, these cost analysis do not attempt to cover all the cost associated with the production of particular product.

3.22 Other factory services consists of the indirect costs associated with production. This includes such things as indirect wages of factory workers, depreciation and repairs on equipment, utility costs etc. The normal policy of DANAFCO is to determine the percentage of time the production of the goods will utilize of their manufacturing capacity and use that as an activity ratio. Based upon these activity ratios, and total company cost for other factory services, adminstration and other overheads taken from the last annual financial reports the respective indirect costs per commodity are determined. DANAFCO has provided the following activity ratios and estimates for these costs.

TABLE III

	Condoms	Orals	
	Packing & Labelling	Print & Dye Cutting	Packing & Labelling
Manufacturing Days Available	200	200	200
Days Required	19	15	79
Total Indirect Production Cost (000's)	1830	1830	1830
(Days Required ÷ Days Available) Activity Ratio	10%	7½%	39½%
÷ Quantity	2,004	708	708
Indirect Production Cost Per Commodity	¢.0913	¢.1938	¢1.0207

3.23 We have reviewed the development of the activity ratios and their use as a starting point for allocating indirect production cost appears to be reasonable. It is suggested that 9½% be used as the activity ratio for condoms instead of 10% which is a rounded figure.

3.24 DANAFCO Manufacturing is composed of various production sections, two of which are printing/dye cutting and packing /labelling. It appears to be more appropriate to allocate the total indirect production costs of these two sections based on activity ratios than to allocate the entire factory indirect production costs based on them. In the absence of the indirect cost of these two sections, we suggest that a more appropriate allocation of indirect production costs would be based on the 1985 ratio of Direct Wages and Social Security to Indirect Production Cost (excluding technical service fee) shown in their financial statement. Using this method, the total indirect production cost to be allocated to the project is ¢726,726. The development of this amount is shown in Appendix VI.

3.25 Administration and other overheads are the costs related to the running of DANAFCO Manufacturing and DANAFCO Limited that are allocated to the costs of each commodity produced and sold. These include such items as the costs of administrative staff, stationery, telecommunications, insurance, bank charges, etc. These costs are allocated to products based on the manufacturing activity ratios previously determined.

3.26 DANAFCO Manufacturing has provided the following estimates for these costs.

TABLE IV

	Condoms Packing/ Labelling 10%		Orals Print/ Dye Cutting 7½%		Orals Packing Labelling 39½%	
Activity Ratio	Admin.	Other	Admin.	Other	Admin.	Other
Total Cost (000's)	2328	736	2328	736	2328	736
x Activity Ratio	232.8	73.6	174.6	55.2	919.56	290.72
÷ Quantity	2004	1004	708	708	708	708
Administrative Cost per Commodity	¢.1162	-	¢.2466	-	¢1.2988	-
Other over-heads per Commodity	-	¢.0368	-	¢.0779	-	¢.4103

3.27 We have reviewed the development of these estimates and suggest that some of the expense items included in the total cost of administration and overhead be removed. It appears to be more appropriate to include only those items which would be relevant to the activities of the contraceptives project in the total cost for allocation. For example, the elimination of overseas travel and end of service benefits from total administrative cost and the apportionment of medical expenses, canteen subsidy and bonuses to take into consideration the inclusion of these items under direct labour costs for manufacturing labourers. In addition, the elimination of all establishment costs except General Insurance and Miscellaneous. It would be expected DANAFCO Manufacturing financing cost for the contraceptives project activities would not exceed ¢67,000 as they will be required to finance their activities during the production process.

3.28 These revisions would result in a total Administrative Cost of ¢1,148,000 and total Other Overheads of ¢197,000 to be allocated to the project. The allocation of these cost would be made to the project based on a percentage using direct wages and social security for the project to 1985 total direct wages and social security (as direct wages are the only measurable item). For administrative cost this means that ¢457,000 will be allocated to the project and other overheads ¢149,000 (including the financing cost). These cost would then be reallocated to each commodity based on the reallocated percentages shown in Appendix VI.

3.29 Unlike many of its other commodities, DANAFCO Limited will incur direct cost related to administration for the contraceptives program.

For most commodities, administration and other overhead costs are determined only by using the activity ratio and the percentage DANAFCO Manufacturing products comprise of DANAFCO Limited's cost of sales. For these commodities, however, direct administrative cost must be considered as well.

3.30 Within DANAFCO's budget estimate for the project, shown in Table VIII they have itemized the administrative cost they expect to incur as a direct result of selling and distributing the contraceptives within the USAID framework. In addition, they have provided the following information on indirectly identifiable administrative and overhead costs.

TABLE V

	CONDOMS		ORALS	
	Direct	Indirect	Direct	Indirect
Total Cost (000's)				
Administrative	565	12895	565	12895
Other Overheads	-	7269	-	7269
x Activity Ratios	20%	3%	80%	14.1%
÷ Quantity	2004	2004	708	708
Administrative Cost per Commodity	¢.0563	¢.1930	¢.6378	¢2.568
Other overheads per Commodity	-	¢.1088	-	¢1.4477

3.31 The activity ratios for directly identifiable costs have allocated all of the costs to the condoms and oral tablets. This method of allocation increases the direct administrative cost applied to each commodity than would otherwise be applied if all four contraceptive commodities were being introduced. However, it ensures that all of the direct cost incurred for the project are recovered within the price if the other commodities are not introduced. These activity ratios were developed by forming a ratio between the highest manufacturing activity ratio for each commodity. (i.e. Condoms 10% and Oral Tablets 39½% or 40%). This resulted in a ratio of 1 to 4 or percentages of 20% and 80%.

3.32 This method of developing activity ratios for directly identifiable costs appears to be satisfactory. However, when the other contraceptive commodities are introduced the activity ratios should be revised and a portion of the direct cost reallocated to them. In addition if USAID through SOMARC, is providing funding for the Product Manager, these cost should not be included in the directly identifiable cost component of the price.

3.33 We have reviewed the development of the indirect administrative and overhead cost and suggest that some of the expense items included in the total cost of administration and other overheads be removed. For example, the elimination of management supervision, overseas travel, maintenance trek and staff retirement. The cost of Accountants and Bookkeepers directly charged to the project should also be removed, resulting in a total administrative cost before reallocation to the project of ¢6,699,000. The cost of registration should be removed from establishment expenses and the entire amount for indirect financing cost. This results in total other overhead cost of ¢2,311,000. It would be expected that DANAFCO will finance their project activities and it has been determined that these cost should not exceed ¢300,000.

3.34 Commodities provided by DANAFCO manufacturing company comprise 30% of DANAFCO Ltd's cost of sales. The overhead allocation for the project would then be expected to be 30% of the DANAFCO manufacturing overhead percentage of 39.9%. On this basis indirect administrative and overhead charges can be allocated to the project at 12%. This brings project indirect administrative cost to ¢803,900 and other overheads to ¢577,000 (including financing costs). These costs should then be reallocated to each commodity.

3.35 Delivery and selling expenses are those costs incurred in delivering the goods to the distributors, warehousing, selling and marketing them. DANAFCO plans to expand its sales force by adding five new Regional Managers and converting three of their regional agents to DANAFCO regional managers. In addition, we are informed that they will rent five new warehouses and hire store-keepers. These direct project cost as well as the indirect cost have been allocated by DANAFCO to the plain condoms and oral tablets as follow:

TABLE VI

	CONDOMS		ORALS	
	Direct	Indirect	Direct	Indirect
Total Cost (000's)				
Delivery	NOT AVAILABLE		NOT AVAILABLE	
Selling	1549	1476	1549	1476
x Activity Ratios	20%	3%	80%	14.1%
÷ Quantity	2004	2004	708	708
Selling Cost per Commodity	¢.1546	¢.0221	¢1.7503	¢.2919
Delivery Cost per Commodity	NOT AVAILABLE		NOT AVAILABLE	

3.36 As was the case with directly identifiable cost for administration, the selling and delivery have only been allocated to the plain condoms and oral tablets. These costs should be reallocated to all contraceptives when they are introduced.

3.37 After the allocation of direct selling and delivery cost to the commodities, a basis for allocating indirect cost to them as well, could not be determined. The usual practice of DANAFCO is to allocate these costs based on the manufacturing activity ratios and DANAFCO's sales ratio. For these commodities, however, DANAFCO should be able to isolate all of the selling and delivery cost they expect to incur and apply them to the price of the commodities. As a result, there should be no additional indirect selling and delivery cost for these commodities.

3.38 Advertising expenses should be included under the indirect selling costs for developing the prices of most commodities. However, Ministry of Finance and Economic Planning will be financing the advertising campaign for at least the first year of the contraceptive project. It is envisaged that over the life of the project DANAFCO financing of advertising will increase and Ministry of Finance and Economic Planning financing will decrease, thereby reducing the dependence of the retail commercial sales program on outside support. By the time DANAFCO is required to finance all of the advertising an established market should have been developed and only maintenance advertising needed.

3.39 The cost of the Ministry of Finance and Economic Planning supported advertising campaign should not be included in the price of the commodities until DANAFCO begins financing portions of it. At that point, it should be applied to all four commodities using the activity ratios, at the time, for directly identifiable cost.

3.40 If training costs were to be financed by DANAFCO, they would be allocated under selling expenses as a directly identifiable cost. Training costs are to be completely financed by MFEP and no cost associated with it should be applied to the price of the contraceptives.

3.41 The Profit Margin is a percentage of total cost which the Prices and Incomes Board allows as the manufacturers mark up on each commodity. The PIB has stated that they will allow a 15% profit margin for the contraceptives. This margin, although consistent with DANAFCO's normal pricing policy and accepted by PIB, appears to be high given the fact that all direct and indirect cost are included in the ex-factory price before tax.

3.42 If PIB accepts the inclusion of all costs within the ex-factory price before tax and eliminates the wholesale margin, it would appear more appropriate to have a profit margin in the range of 9%-13%. This margin would justify the efforts which are to be undertaken by DANAFCO to market contraceptives which are not a part of their current operations and at the same time not overcompensate them.

3.43 An Excise Duty of 5% is charged by the Government of Ghana for all goods manufactured in Ghana. This excise duty is charged on the ex-factory price and these commodities are not exempted.

3.44 The Return to Project Fund allocation is not a standard part of the PIB price structure and would have to be included as a separate line item above the ex-factory price (including tax). The PIB has stated that they will accept whatever amount or percentage which has been agreed upon between USAID and DANAFCO. If RTPF is to be an established percentage, it is recommended that it be a percent of the ex-factory price as this price is controllable by DANAFCO, the retail price is not. The alternative, which we recommend is to make the RTPF a specific amount for each commodity which can remain constant over the life of the project or be adjusted to reach the desired price the goods should be sold to retailers and the consumer.

3.45 Ex-factory Price (Including Taxes) is the price at which the manufacturer sells its goods to the wholesaler. In this case, it is the price DANAFCO Manufacturing sells its goods to DANAFCO Limited.

3.46 The Wholesale Price is then determined by the wholesaler adding its margin to the goods. The PIB has informed us that they expect the ex-factory price to be the same as the wholesale price for these commodities. Thereby disallowing any additional mark-up by DANAFCO Limited as the wholesaler of the contraceptives.

This elimination of the wholesale margin is inconsistent with the normal operations of a separate manufacturing and wholesale concern, however, it can be considered justifiable in this case.

3.47 Under normal circumstances the administrative and other overhead cost incurred by DANAFCO Limited would be financed through their wholesalers margin. Since DANAFCO is treating the contraceptives program as a group venture, all of their direct and indirect cost of administration and other overheads have been included in the ex-factory price of the commodities, and they have no cost to be covered by the wholesale margin. It is based upon this that we consider a profit margin of 9%-13% more appropriate for the level of effort to be undertaken by DANAFCO.

3.48 As the cost of the commodities is not a component of the price it reduces their total ex-factory price. Thereby increasing the percentage which DANAFCO's administrative and overhead costs would be of the ex-factory price. Given that DANAFCO has direct cost related to the contraceptives, they should be willing to forego the wholesalers margin in order to cover all of their costs and share the manufacturer's margin. The elimination of the wholesalers margin and the inclusion of DANAFCO Limited's administrative and overhead cost within the ex-factory price appears to be satisfactory.

3.49 The Retail Price is the price at which the goods are to be sold to the consumer. The PIB has stated that it will allow a margin of 20% on the wholesale price.

3.50 A summary of the price structure estimates provided by DANAFCO and our suggested revisions in these estimates is as follows: (See TABLE VII attached)

3.51 It can be seen from these basic estimates that the elimination of the cost of the commodities from the price structure will result in total material and labour costs being less than 25% of the ex-factory price of the commodities. Although the percentages shown in Table VII are not definitive since all costs have not been included, it appears that a lower than normal material and labour percentage of the ex-factory price cannot be avoided. The revised estimate percentages can be considered indicative of what would be expected when the definitive price structure for all commodities have been developed. DANAFCO will incur its cost in the expansion of the sales force and distribution network instead of on the commodities themselves. These costs would only appear under administration, delivery and selling expense thereby increasing their percentage of the ex-factory price. It might be expected that this situation will cause difficulties for DANAFCO in getting their prices approved by Prices and Incomes Board.

3.52 Over the life of the project, DANAFCO will be responsible for some of the materials and other costs and their direct cost associated with administration, selling and distribution is expected to be reduced, thereby resulting in changes in the price structure percentages which would be more consistent with DANAFCO's other products. It is suggested that at least once a year a review of the price of the contraceptives be performed to determine the actual cost incurred and whether the assumptions for the development of direct and indirect costs remain valid.

TABLE VII

	CONDOMS QUANTITY 2,004,000				ORALS QUANTITY 708,000			
	Original Estimates	% of Ex-Factory	Revised Estimates	% of Ex-Factory	Original Estimates	% of Ex Factory	Revised Estimates	% of Ex-Factory
Imported raw materials, Imported Packing, Duty & Other Local Cost on raw materials	.0217		.0217		.0615		.0615	
Total Cost Imported Raw Materials	.0217		.0217		.0615		.0615	
Local raw materials, Local Packing materials, transport, Handling charges on Local Raw Materials								
Total Cost of Raw Material	.0217	2.3	.0217	4.0	.0615	.5	.0615	.9
Direct Labour	.0228	2.4	.0164	3.0	.8500	6.8	.6120	8.5
Other Factory Services	.0913	9.6	.0609	11.1	1.2145	9.7	.8514	11.9
Total Materials & Labour	.1358	14.3	.0990	18.1	1.1260	17.0	1.5249	21.3
Administration	.3655	38.6	.1620	29.7	4.7512	38.1	2.1196	29.6
Other Overheads	.1456	15.4	.0676	12.4	1.9359	15.5	.9472	13.2
Delivery		not avail.			not avail.			
Selling	.1767	18.7	.1546	28.3	2.0442	16.4	1.7506	24.4
Total cost	.8236	87.0	.4832	88.5	10.8573	87.0	6.3423	88.5
Profit Margin	.1235	13.0	.0628	11.5	1.6286	13.0	.8245	11.5
Ex-Factory Price	.9471	100.0	.5460	100.0	12.4859	100.0	7.1668	100.0
Excise Duty 5%	.0474		.0273		.6243		.3583	
Sales Tax								
Return to Project Fund	To be determined				To be determined			
Ex-Factory Price (Including Tax)	.9945		.5733		13.1102		7.5241	
Wholesale Price (Same as Ex-Factory Including Tax)								
Retail Price (20% on Wholesale price)								

* Our high estimate
** Excludes the cost of the product manager and maintains the allocation of direct cost between these two commodities only.
*** Using our high estimate of 13% profit margin for the two commodities DANAFCO could expect a profit of approximately ₵710,000.

BUDGETS

4.1 At the commencement of our assignment DANAFCO had not prepared budget estimates for the Contraceptive Supplies Project. As a result there was no comprehensive budget available for our review. We have been able to obtain basic information from DANAFCO on their estimated direct and indirect cost of packaging and selling the contraceptives. Based upon these estimates and information obtained from Lintas and Pharmahealth a tentative budget for the first year has been developed. All of the budgets are rough drafts, at best. In our analysis we have suggested revisions in some of the basic assumptions. It should be noted that for Lintas and Pharmahealth their budgets have not been negotiated with DANAFCO and we have suggested negotiating points.

4.2 The DANAFCO budget shown in Table VIII has an estimated expenditure in the first year of ₵34,721,840. This estimate includes direct selling and administrative costs which DANAFCO expects to incur in implementing the retail commercial sales program. In addition, it provides estimates for clearing the goods from the port and processing them for distribution. The budgets which have been submitted by the subcontractors for training and advertising are shown as single line items in DANAFCO's budget and are to be financed by MFEP.

4.3 The development of the clearing and handling and manufacturing labour costs was discussed in the section on the pricing structure. Within this budget the cost per container using the high estimates determined by us, has been doubled because the manufacturing costs relate only to the plain condom and oral tablets which will arrive in separate containers.

4.4 We are informed that DANAFCO does not usually prepare detailed product budgets as has been developed for the contraceptives. They develop their manufacturing plan for products they want to produce over a six month period and estimate total cost of production and income based on these overall estimates. As a result, a product budget for the contraceptives is a new feature in DANAFCO's operations. (Table VIII shown on the following page)

4.5 DANAFCO plans to recruit a product manager who will have complete responsibility for the retail commercial sales program. The total cost of his salary, benefits, social security and bonus has been included in the budget. (These four cost elements are included in the development of all personnel costs). As he will be devoting all of his time to the program, it is reasonable that all of his cost be allocated directly to the contraceptives. The cost of this person is financed by SOMARC and reduces DANAFCO's direct administrative cost. At the end of the project, however, it is envisaged that DANAFCO will finance this position.

TABLE VIII

D A N A F C O

FIRST YEAR BUDGET FOR CONTRACEPTIVES SUPPLIES PROJECT *

Direct cost	Total Cost	Project Allocation %	Project Budget	FUNDED BY: DANAFCO	MFEP	SOMARC
**Clearing & Handling (2 Containers)	87040	100	87040	87040		
Manufacturing Labour	647400	100	647400	647400		
Direct material & Labour			734440	734440		
ADMINISTRATION						
- Product Manager	212592	100	212952	-		212952
- Steno. Secretary	132205	50	65603	65603		
-^{1}Accountant, ^{2}Book-keepers	269848	20	53969			
- Watchmen (new)	289985	80	231988	231988		
Sub Total Admin.			564512	351560		
SELLING & DISTRIBUTION						
- Regional Managers (Existing)	782940		391470	391470		
- Regional Managers (New)	782940	80	626352	626352		
- Warehousemen (New)	364290	80	291432	291432		
-Warehouses (Existing) 56.06 per sq. ft. per annum						
- 5 Warehouses (New)	300000	80	240000	240000		
Vehicle Operations	Not Available					
-Advertising	22330000	100	22330000		22330000	
-Training	3053614	100	3053614		3053614	
Subtotal selling & Dist.			26719916	1549254		
Direct Admin. & Selling			27284428	1900814	26383614	
Total Direct Cost			28231820	2635254	25383614	212952
INDIRECT COST						
Other Factory Service	1830000	57	1043100	1043100		
Administration						
-DANAFCO Mfg.	2328000	57	1326960	1326960		
-DANAFCO Ltd.	12895000	17.1	2205045	2205045		
OTHER OVERHEADS						
-DANAFCO Mfg.	736000	57	419520	419520		
-DANAFCO Ltd	7269000	17.1	1242999	1242999		
Selling & distribution	1476000	17.1	252396	252396		
Total Indirect Cost			¢ 6490020	¢ 6490020	-	
GRAND TOTAL			¢ 34721840	¢ 9125274	¢ 25383614	¢ 212952

*For two commodities

** Based on our high estimate

4.6 We are informed that the product manager will be expected to spend much of his time outside of Accra monitoring the RCS program. As a result he will need a secretary to collect the data he sends and ensure reporting is being done on a timely basis during his absences. As DANAFCO is currently operating lower than capacity it is reasonable to expect that a new secretary will not be needed until the second half of the year when the program has gotten underway and the pace of activities is increasing.

4.7 It is estimated that one accountant and two bookkeepers will devote 20% of their time to maintaining the records for the retail commercial sales program. Given the contract stipulations for reporting and accounting requirements this percentage appears reasonable. Since this amount is being allocated directly to the cost of the contraceptives, the total cost of the accountant and two bookkeepers should be removed from indirect administrative costs for DANAFCO Limited before allocating cost to the project.

4.8 We have been informed by DANAFCO that they plan to hire five new regional managers and convert three of their agents into DANAFCO regional managers. The three former agents and two existing managers will be expected to devote 50% of their time to the RCS program. This estimate was determined based on the current situation whereby the regional managers are not required to do much marketing to move their products. As a result, if the program objectives are to be achieved they will be required to change their approach and do more marketing for these products. In addition, they have assistants who can continue the marketing of other products to allow them to spend more time on the contraceptives.

4.9 DANAFCO has stated that with the opening of the five additional warehouses they will not alter the manufacturing schedules of their other products. Therefore, any products other than contraceptives which are carried by the new warehouses will be reducing the quantities which are usually sent to the existing distributors. It was explained that this was being done to avoid possible problems with raw materials availability and other manufacturing requirements which could not immediately be supported. Based upon this, an 80% project allocation percentage has been applied to the cost of the five new regional managers, watchmen and warehousesmen as well as the cost of retaining the new warehouses. These percentage allocations for selling and distribution costs appear to be reasonable.

4.10 An estimate for existing warehousing costs was not provided however the cost per square foot which is currently used by DANAFCO is ¢56.06 per annum.

In our opinion the cost of this existing space should not be charged directly to the commodities as amounts for depreciation, rent, rates and grounds are included in overhead costs and have been applied under indirect cost.

4.11 DANAFCO has estimated that rental cost for the five new warehouses is expected to be ¢5,000 per month or ¢60,000 per year for each warehouse. They have stated that they plan to use about 84 square feet for each warehouse. This equates to ¢714.28 per square foot per annum which is substantially higher than DANAFCO's current internal rate of ¢56.06 per square foot per annum. It is realized that the cost per square foot depends on the cost of the warehouse to the owner, however, we cannot ascertain the reasonableness of this budgeted amount.

4.12 It is suggested that over the life of the project annual budgets be prepared and project allocation percentages reviewed. It is expected that as the new distribution centres establish themselves in the regions, markets for DANAFCO's other products will expand. This would enable DANAFCO to plan their increased production requirements and balance out the relationship of their other products to contraceptives in these locations, thereby reducing the project allocation percentages.

4.13 We have reviewed the development of the total cost for personnel shown in the budget and it appears to be reasonable.

4.14 Estimates for vehicle operation cost were not available and we cannot comment on them.

4.15 Total cost for indirect items shown in the budget were extracted from the 1985 audited and draft accounts of DANAFCO Manufacturing and DANAFCO Limited. Under the section on Pricing Structure we have discussed our suggested revision in the amounts allocated for indirect cost. As all costs associated with selling and distributing the contraceptives has been charged under direct costs, it is recommended that indirect selling and distribution costs be removed from the project budget.

4.16 Our suggested revisions in the budget are shown in Table XII

4.17 Training

The training component of DANAFCO's budget was provided by Pharmahealth Centre who will be responsible for training activities under the contraceptives project. The itemized budget for the training component excluding fuel cost totals ¢3,053,614 and is shown in Table IX attached.. DANAFCO has not reviewed this budget therefore all components of the budget remain negotiable.

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TABLE IX

PHARMAHEALTH CENTRE

TRAINING BUDGET
CONTRACEPTIVES SUPPLIES PROJECT

		TOTAL BUDGET	High Range Revisions for Negotiation
TRAINING PREPARATION			
Training Consultant	Fee ¢3000 per day @ 27 days	81,000	67,500
	Per Diem ¢2500 per day @ 27 days	67,000	54,000
Driver	Per Diem ¢ 800 per day @ 27 days	21,600	10,800
TRANSPORT			
- Maintenance	¢1000 per week	3,857	3,857
- Fuel	5 Gallons per day in town		
	25 miles per gallon out of town		
Overhead	20% of Fee	16,200	-
	SUB TOTAL	¢ 190,157	136,157
TRAINING PHARMAHEALTH			
Training Consultant	Fee ¢3000 per day @ 41 days	123,000	102,500
	Per Diem ¢2500 per day @ 41 days	102,000	82,000
Driver	Per Diem ¢ 800 per day @ 41 days	32,800	16,400
TRANSPORT			
- Maintenance	¢1000 per week	5,857	5,857
- Fuel	5 Gallons per day in town		
	25 miles per day out of town		
Overhead	20% of Fee	24,600	-
Facilities	¢5000 per day @ 21 days	105,000	105,000
Miscellaneous	¢5000 per day @ 21 days	105,000	105,000
	SUB TOTAL	¢ 498,257	416,757
TRAINERS			
Accra & Kumasi (4 trainers)	Fee ¢1000 per day @ 13 days @ 4	52,000	52,000
	Per Diem ¢2500 per day @ 13 days @ 4	130,000	104,000
Other regional capitals (3 trainers)	Fee ¢1000 per day @ 28 days @ 3	84,000	84,000
	Per Diem ¢2500 per day @ 28 days @ 3	210,000	168,000
	SUB TOTAL	¢ 476,000	408,000
TRAINEES			
Regional Capitals	Allowance ¢1000 per day @ 837 trainees	837,000	669,000
	Food ¢ 600 per day @ 837 trainees	502,200	167,400
Outside regional capitals	Allowance ¢1000 per day @ 220 trainees	220,000	176,000
	Overnight ¢1500 per day @ 220 trainees	330,000	176.000
	Mileage ¢2.5 per mile		
	SUB TOTAL	¢1,889,200	1,189,000
ALL OTHER EXPENSES DIRECTLY REIMBURSEABLE			
	T O T A L	¢3,053,614	2,149,914

4.18 The fee for the training consultant is proposed at ¢3,000 per day. We are informed that this was the rate agreed upon with DANAFCO for the trainer testing program which was recently carried out at DANAFCO. It is the opinion of Pharmahealth that as this rate has already been negotiated, a precedence has been set from the trainer testing and that this rate should be maintained.

4.19 We are informed that the rate negotiated by Pharmahealth and DANAFCO for the trainer testing was accepted taking into consideration the fact that this was a short term contract of three days and that the rate would be renegotiated after the training testing was completed. The actual training activities are to take place over a 3 month period and these long term daily rates would be expected to go down.

4.20 The overhead fee which Pharmahealth is proposing is 20% of the fee or ¢600 per day. This results in a total fee to Pharmahealth of ¢3600 per man day. We are informed that the cost of the training consultant to Pharmahealth per month is ¢30,000. This equates to a daily salary cost without benefits of ¢1,365.

4.21 Based upon this it would appear that DANAFCO is in a position to negotiate a daily rate with Pharmahealth that provides for their cost as well as a provision for overhead and profit. As Pharmahealth will have the overall responsibility for coordination as well as providing the training consultant for the entire period they should be compensated for their effort and responsibilities. It would appear that an acceptable fee rate range for DANAFCO to negotiate with Pharmahealth would be about ¢2000-¢2800 per day which includes profit and overhead. It is possible that duel rates could be used with a higher rate for lecture days and a lower rate for non-lecture days.

4.22 The fee proposed by Pharmahealth for the trainers who will be assisting them is ¢1,000 per day. This rate was used for two of the trainers and ¢1,500 a day for the trainer from Kumasi during the trainer testing program.

4.23 The cost of these trainers to their various organizations could not be determined. However, they are all employed within government related institutions or agencies. Each trainer has been selected based on their competencies and in effect is participating as an independent consultant sub-contracted by Pharmahealth.

4.24 Due to the importance of the training component to the success of the contraceptive program it is vital that a complete commitment be obtained from the trainers. We informed that the trainers as well as the training consultant will be involved full time once the training begins. It would then be expected that these trainers would take vacations or leave of absence from their regular jobs to participate in the training program.

4.25 As independent trainers in Accra, a fee of ¢500-¢1000 per day appears to be acceptable to obtain the level of commitment and quality desired for the program.

However, DANAFCO should ensure that the entire amount is actually paid to the trainers. In addition, the same method of duel rates for lecture and non-lecture days can be applied.

4.26 Pharmahealth proposes to provide an allowance of ₵1000 per day for the pharmacists and chemical sellers who attend the training seminars. This allowance is being provided as an inducement for them to attend. We are informed that many of the pharmacists and chemical sellers operate their own shops and to attend the one day seminars they would be required to close for that day. In an effort to counter the possible loss of income for these shop owners the allowance is to be provided. In our opinion a proposed allowance of ₵500-₵800 would be reasonable for negotiation given that DANAFCO can be assured that these amounts will actually be provided to the trainees.

4.27 The per diem proposed by Pharmahealth for the training consultant and trainers is ₵2,500 per day and for the driver ₵800 per day. They have proposed a food allowance of ₵600 per day for the trainees from regional capitals who will be able to return home the same day of the training and an overnight allowance of ₵1,500 for those from outside regional capitals who will be required to return home the day after the training.

4.29 The usual practice in Ghana for local travel is to either pay hotel and food expenses upon receipt, if the person is staying in a hotel, or providing them a flat amount per day if they are not staying at a hotel. The flat amount paid to the person not staying in a hotel is usually determined by their position in the company. These rates range from ₵200 to ₵1000 per day.

4.30 We are informed that the trainers will be staying in-hotels while training in various parts of the country, although meals might be taken in or out of the hotel. It would appear more appropriate to allow maximum per diem of about ₵2000 per day for the trainers. Most companies in Ghana would not expect the driver to stay in a formal hotel when traveling and he would be provided a flat rate. An acceptable allowance for a driver appears to be between ₵200-₵400 per day.

4.31 As the trainees are receiving an allowance for attending the seminar it might be possible for DANAFCO to negotiate the elimination of a food allowance. If one is provided it would seem appropriate to accept up to ₵200 per day. For trainees who will be required to stay overnight the allowance provided appears to be high. It would appear more appropriate for this overnight allowance to be between ₵500 and ₵800. The mileage reimbursement of ₵2.5 per mile is considerably lower than the cost of fuel per mile for a private vehicle. For example, fuel cost are ₵105 per gallon and using 25 miles per gallon that equates to a fuel cost of ₵4.2 per mile. The reimbursement of ₵2.5 per mile for commercial transport for the trainees appears acceptable.

4.32 Transportation maintainance allowances for Pharmahealth are proposed at ¢1,000 per week for the training preparation and training program. This is 3.8 weeks for preparation and 5.8 weeks for actual training. DANAFCO currently provides its field staff with ¢3,000 per month as a vehicle maintenance allowance, 60 gallons of gasoline and ¢1,000 per month for other lubricants. Given these existing allowances there is room for negotiation of Pharmahealth's proposed fuel and maintenanace allowance more in line with DANAFCO's. It must be noted, however, that Pharmahealth was not able to provide an estimate of the number of miles they expected to cover over the period. Using DANAFCO's 60 gallon per month allowance this would be (25 miles per gallon times 60) or 1,500 miles in one month. Pharmahealth will be travelling around the country extensively and it would be expected that their mileage will be considerably more than 1,500 miles per month. It is suggested that DANAFCO obtain mileage estimates from Pharmahealth when they negotiate this budget in order to have a complete proposal to submit to MFEP.

4.33 It would appear more appropriate to use either a set number of gallons per day fuel allocation or a miles per gallon fuel allocation and not both as is proposed by Pharmahealth. Of the two methods, a mile per gallon allocation will appear more controllable. As DANAFCO is providing the vehicle as well as a maintenance allowance it would be expected that the fuel cost would be charged at cost.

4.34 Pharmahealth has estimated that facilities will cost ¢5000 per lecture day and that miscellaneous items will amount to ¢5000 per lecture day.

4.35 we are informed that the facilities which will be used for the training seminars will be hotels in most of the locations, however, they may be held in other places. The cost of facilities at locations around the country could not be determined. It is recommended that since hotels would be considered the most expensive facility a maximum of ¢5000 per lecture day be considered when negotiating the contract. These cost can be kept to a minimum by reimbursing facilities cost on presentation of paid invoices up to the maximum level.

4.36 Miscellaneous is to cover the cost of the coffee/tea breaks during the seminars and any other unforeseen items which arise. It is expected that an average of fifty trainees will participate in each seminar. It has then been determined that an average of ¢100 would be expended per day on each trainee for breaks and other unforeseen items. The proposal for ¢5000 per day for miscellaneous appears acceptable for negotiations.

4.37 The budget presented by Pharmahealth has not been negotiated with DANAFCO. The high range revisions we have suggested reduce the budget to ¢2,149,914 and we consider this an acceptable level for negotiation.

4.38 We are informed that no budget for the monitoring of training has been developed because it has not been clarified who will be ultimately responsible for this activity.

4.39 Advertising

The advertising budget for the contraceptives project was provided by Lintas (Ghana) Ltd, who will be implementing the marketing communications effort. A summary of this budget is shown in Table X and a detail budget is shown in Appendix V which totals ¢22,330,000 for the first year and covers the pre-launch, launch and theme advertising campaigns, as well as the company's fixed fee.

TABLE X

LINTAS BUDGET SUMMARY

Year One

Pre-launch	¢ 1,075,000.00
Launch	1,580,000.00
Theme	15,195,000.00
	17,850.000.00
15% Contingency and inflationary reserve	2,680,000.00
Total	20,530,000.00
Fee	1,800,000.00
GRAND TOTAL	¢22,330,000.00

4.40 Lintas has provided us with their proposed scope of work and first year communications effort shown in Appendix VI. Based upon this planned communications effort and the scope of work, they have developed their budget for the first year.

4.41 We held discussions with two other major advertising agencies in Accra to determine the standard practice for developing a campaign and charging fees for agency services. It was determined that advertising campaigns or marketing communications efforts (as they are called by Lintas) are developed based on the goal the client wants to be achieved in the market. If the goal has not been finalized by the client, the agency provides assistance in this area.

4.42 Once the plan has been developed to achieve specific goals, overall estimates are provided as to the cost of the campaign. We are informed that in most cases these costs vary greatly as payments are not made until services are rendered. As a result, over the period of a campaign the plans and approaches may be revised and adjusted to meet the conditions of the market. Before each activity in the campaign is carried out the method, presentation, duration and cost are agreed upon with the client.

Thereby allowing for changes in the direction of the effort and the costs.

4.43 The standard practice for costs of agency services appears to be the use of agency fees. These fees are determined based on a percentage of gross cost to the agency for the services rendered. From our discussions these percentages range from 10-15% of gross costs. We are informed that most agencies changed from a fixed fee system several years ago when companies were trying to keep their fixed cost to a minimum. When it was in use, these fees were paid to the agency as their retainer for providing advise and being available as well as for the time the company expended effecting the actual work of the campaigns.

4.44 It was ascertained that, production cost are usually charged separately as they involve hiring models, doing screen and voice tests, developing sound effects, etc. These costs are usually charged to the client based on actual cost with a 20-33% service charge added for the agency. The industry charges air-time and press space to the client at gross cost, which includes an advertising tax, plus the agency fee.

4.45 In reviewing the budget submitted by Lintas it appears that they have included their time costs for the preparation of editorial materials, artwork, addressing mailouts, preparing visuals, putting together press kits etc. This would not be expected given that these cost are included in the fixed fee and it is suggested that these time costs be removed from the budget.

4.46 As the development of all line items figures was not provided, it would be expected that items like production costs would follow the industry standards. This means that about 25% of production costs could be removed from the budget as it covers agency service charges which are included in Lintas' fixed fee. For the Launch Campaign this would mean detailed budget items 5, 7, 9, 11, 15, 17, 22 and 23 and for the theme campaign items 1,2,3,5,6,7,9,10,11,12,14,15,16,17,18 and 19. The reduction of these items by 25% means a possible reduction in the budget of ¢2,473,750.

4.47 Within the pre-launch campaign Lintas has stated that editorial material might be written a third party. Considering the fact that Lintas would have to provide the person with the basic information for the article a fee of ¢1,000-¢2,000 per article appears to be more appropriate than ¢3,333 per article. In addition editorial space is free. As Lintas is providing ranges for the double page spreads it would appear more appropriate to use the average price for both newspapers.

This would reduce the estimate for these placements by ₵53,000.

4.48 Within the launch campaign it appears that the only costs which should be charged to DANAFCO for the direct mail shots are the cost of printing the letter and product information and the stamps. The domestic cost for a stamp is about ₵3.00 and the cost of photocopying ranges from ₵15-₵20 a copy. It would be expected that printing a large quantity such as 1,000 letters would be about ₵10-₵15 each. These adjustments reduce these line items by ₵92,000.

4.49 When negotiating this budget with Lintas, DANAFCO should require that they remove all of their time costs from the budget as well as the costs for the plates used in printing since SOMARC will be providing some of them. It should be noted that Lintas has not provided any estimate for travel costs. It would be expected that these allowances will be consistent with those provided to Pharmahealth.

4.50 As all costs for air time and press space are available on rate cards from the Ghana Broadcasting Corporation and the newspapers (examples are shown in Appendices VII and VIII) we suggest that DANAFCO have this information available when they review Lintas submissions for payment of these costs. The airtime and press space costs shown in the budget are consistent with the current rates charged by GBC, the Graphic and the Mirror. It appears that the only cost reductions which could achieved here would be a decrease in the number or length of advertisements.

4.51 DANAFCO can determine at the time of negotiation with Lintas whether a contingency is required for this budget. For an advertising budget all costs can be controlled within a specific level of expenditure. When the maximum level is reached all activity will stop. For this campaign, the achievement of the advertising objective as well as the cost are important. As a result, a contingency provision may need to be provided to ensure that objectives are met. The range of this provision could be between 10%-15% of the budget, however it should only be used as a last resort at the end of the first year if budgetted funds have been exhausted on the approved communciations effort and additional activities must be performed.

4.52 We suggest that the budget submitted by Lintas be considered the maximum level for the advertising campaign and used as a basis for negotiation. The accumulative effect of all the reductions we have quantified, reduces Lintas budget before contingency to ₵15,209,250. It would be expected that the actual cost will be lower than this as all possible reductions could not be quantified.

4.53 DANAFCO should ensure that at the time of re-negotiation for the various components they are not paying twice for services and that they are only paying for actual costs. Given the fact that all line items in the budget are re-negotiable the only fixed component of Lintas budget is the fixed fee.

4.54 The fixed fee proposed by Lintas is ₵1,800.00. They have proposed a fixed fee as it is required by USAID. From discussions held with Lintas it is our understanding that this fee covers all of Lintas' time cost associated with providing services which can be performed using their materials, facilities and staff, as well as the overall management of the communications effort. It would therefore not be expected that Lintas would charge additional fees for their staff costs associated with production, creation, artwork, etc.

4.55 The fee proposed by Lintas was developed based on the all inclusive cost to Lintas for the various staff who will be responsible for implementing the activities involved in the campaign. They anticipate that the effort of the sections of Lintas in support of the contraceptives campaign will be as follows:

No. of Staff	Section	% of Time
2	Client Service	20%
1	Copy	40%
1	Visuals	30%
1	Creative	45%
1	Audio-visual/production/media	20%
1	Media	20%
1	Mechanical Production	15%

4.56 We have reviewed the development of the cost for these services and it appears that a fee range for negotiation with Lintas would be between ¢1,000.000 - ¢1,300,000. It is considered that this would be appropriate for the proposed level of effort to provide Lintas with a profit and cover its staff costs.

TABLE XI

LINTAS BUDGET
HIGH RANGE REVISION

FOR NEGOTIATION

Pre-Launch	1,000,000
Launch	1,300,500
Theme	12,908,750
	¢15,209,250
15% Contingency	2,281,388
Total	17,490,630
Fee	1,300,000
GRAND TOTAL	18,790,638

4.57 Table XII shows the entire DANAFCO budget with our suggested revisions where they could be made. For line items where the information is not available or the revisions could not be made for other reasons, they remain as submitted by DANAFCO.

TABLE XII

R E V I S E D   D A N A F C O

FIRST YEAR BUDGET FOR CONTRACEPTIVES SUPPLIES PROJECT *

Direct cost	Total Cost	Project Allocation %	Project Budget	FUNDED BY DANAFCO	FUNDED BY MFEP	FUNDED BY SOMARC	REMARKS
**Clearing & Handling (2 Containers)	87040	100	87040	87040			
Manufacturing Labour	466195	100	466195	466195			Par. 3.20 - Actual cost per man day only
Direct material & Labor			553235	553235			
ADMINISTRATION							
- Product Manager	212592	100	212952	-		212952	
- Steno. Secretary	132205	50	65603	65603			
- 1 Accountant, 2 Book-keepers	269848	20	53969	53969			
- Watchmen (New)	289985	80	231988	231988			
Sub Total Admin.			564512	351560			
SELLING & DISTRIBUTION							
- Regional Managers (Existing)	782940	50	391470	391470			
- Regional Managers (New)	782940	80	626352	626352			
- Warehousemen (New)	364290	80	291432	291432			
-Warehouses (Existing	-	-	-	-			Par. 4.10
- 5 Warehouses (New)	300000	80	240000	240000			
Vehicle Operations	Not Available						
-Advertising	18790638	100	18790638		18790638		Par. 4.43 - 4.54
-Training	2149914	100	2149914		2149914		Par. 4.17 - 4.38
Subtotal selling & Distribution			22486806	1549254	20940552		
Direct Admin. & Selling			23054318	1900814	20940552	212952	
Total Direct Cost			23607553	2454049	20940552	212952	
INDIRECT COST							Par. 3.24 and App. VI
Other Factory Service			726726	726726			Development of more measurable method of allocation.
Administration							
-DANAFCO Mfg.	1148000	39.9	457000	457000			Par 3.27 - 3.34
-DANAFCO Ltd.	6699000	12.0	803900	803900			Elimination of non-applicable indirect cost and revision on method used to develop allocation percentages
OTHER OVERHEADS							
-DANAFCO Mfg.	197000	39.9	146000 +	146000			
-DANAFCO Ltd	2311000	12.0	577300+	577300			
Selling & distri.	-	-	-	-			Par. 3.36
Total Indirect Cost			2710926	2710926	-	-	
GRAND TOTAL			¢26318479	¢5164975	¢ 20940552	¢212952	

*For two commodities
** Based on our high estimate
+ Includes financing cost

APPENDICES

APPENDIX I

PRICE STRUCTURE FOR LOCAL MANUFACTURES COST DATA

Description of Product: ....

Specification: ....

Period of Inquiry: ....

Date of approval of present price (if any) ....

Prices & Incomes Board Reference No. of Letter: ....

	COST PER UNIT		
	Previous	Proposed	% Increase
1. Imported Raw Materials 2. Imported Packing Materials 3. Duty on Imported Materials 4. Other Local Cost on Raw Materials 5. Total Cost of Imported Raw Materials (1 + 2 + 3 + 4)			
6. Local Raw Materials 7. Local Packing Materials (if any) 8. Transport & Handling Charges on Local Raw Materials 9. Total Cost of Raw Materials (5 + 6 + 7 + 8)			
10. Direct Labour			
11. Other Factory Service (if any) 12. Materials & Labour (9 + 10 + 11)			
13. Administration 14. Other Overheads 15. Delivery Expenses 16. Selling Expenses 17. Total Cost (12 + 13 + 14 + 15 + 16)			
18. Profit Margin 19. Ex-Factory Price (17 + 18)			
20. Exice Duty 21. Sales Tax 22. Ex-factory price (including tax) (19 + 20 + 21)			
23. Wholesale Price 24. Retail Price			

Authority: Required under Section 7 and 8 of the Prices & Incomes Board Decree, 1972 (NRCD 119).

NOTES:

1. APPLICATION FORM NOT DULY COMPLETED WILL NOT BE PROCESSED
2. Concept of costing used: Actual ....Expected.............Standard.........
3. Estimated Annual Output ....
4. Percentage capacity utilisation ....

APPENDIX II
Banafco Limited

PRODUCT COST SHEET

Packing Calculated: ____________ Product Name: ____________

Packing Product : ____________ Batch No. ____________

Production Loss : ____________ Pack Size : ____________

% Loss/Excess : ____________

Description	Batch Total Cost ¢	Actual Cost/ Pack ¢	Standard Cost/ Pack ¢	Variance ¢	Variance ¢
Bulk Materials Cost					
Packing Materials Cost					
Packing/Filling Labour Cost					
Machine Labour Cost					
Prime Cost					
Service Fee					
Gross Mark-Up					
Ex-Factory Price					

Comments: ____________

____

____

____

Approved By: 1. ____________

2. ____________

3. ____________

Cost Accounting Assistant: ....

Date: ....

BEST AVAILABLE COPY

TIME SHEET

PRODUCT NAME: ____________________

BATCH NO: ____________________

PACK SIZE: ____________________

SECTION: ____________________

DAY AND NIGHT	1 QTY	MORNING					AFTERNOON				9 7&8	10 TOTAL NO OF HOURS (519)
		2 Time		3 Time Taken	4 No. of P'son.	5 3x4	6 Time		7 Time Taken	8 No. of P'sons		
		From	To				From	To				
MONDAY ( )												
TUESDAY ( )												
WEDNESDAY ( )												
THURSDAY ( )												
FRIDAY ( )												

Gross Total Hours ____________________

LAB. MACHINE COST PER HOUR ____________________

Total Lab./Machine Cost ____________________

____
SUPERVISOR/SECTION LEADER

____
(COST CLERK)

____
(D A T E)

____
(D A T E)

BILL OF PACKING MATERIALS

Danafco Manufacturing Limited

Calculated Packing: ____________

Actual Packing : ____________

Loss Packing : ____________

% Loss Packing : ____________

Production Name: ____________

Batch Size : ____________

Pack Size : ____________

Date of Issue : ____________

Date of Issue : ____________

Description	Quant. Reqd./ Batch	Quantity Issued	Quantity Returned	Used	Damaged	Unit Cost ¢	Used Item ¢	Damaged Cost ¢
Bottles/Jars								
Basses								
Caps								
Codets/Inserts								
Rings								
Labels								
Dosen Parkers								
Long Division								
Short Divison								
Outer Cartons								
Sealing Tape								

Total Cost ____________

Gross Total Cost ____________

Issued BY:.............Date:...........Received:...........Dated..........

Issued By:.............Date:...........Received:...........Date:..........

Batch Sheet

Production Name: ____________________

Batch No. : ____________________

Formula : ____________________

Shade : ____________________

Date Issued

Theoretical Yield: ____________________

Actual Yield : ____________________

Loss : ____________________

Date Production Commenced: ____________

Date Production Completed: ____________

Date Sample Sent To Lab: ____________

Ingredient Code	Description	% Ingredient	Batch Weight			Unit Cost ¢	Cost Batch ¢
			Kilo	Grams	Mg		
	Bulk Material Total Cost						

COST DATA

	SSS	% (a)	% (b)	Panther	% (a)	% (b)
Printing/Conversion Cost	.50	7.5	6.3			
Direct Labor: Packing	.80	12.0	10.0	13.60	16.3	13.6
Delivery & Transportation Expenses	.80	12.0	10.0	10.00	12.0	10.0
Selling Expenses	.84	12.6	10.5	10.46	12.6	10.4
Administrative and Other Overheads	2.08	31.2	26.0	28.68	34.4	28.7
TOTAL COST	5.02	75.3	62.8	62.74	75.3	62.7
Factory Margin	.67	10.0	8.4	8.33	10.00	8.3
Wholesaler's Margin	.70	10.6	8.7	8.81	10.6	8.8
Return to Project Fund	.28	4.1	3.5	3.45	4.1	3.5
Wholesale Price	6.67	100.00	83.4	83.33	100.0	83.3
Retailer's Margin	1.33		16.6	16.67		16.7
RETAIL PRICE	8.00		100.0	100.00		100.0

	Coral	% (a)	% (b)	Floril	% (a)	% (b)
Printing/Conversion Cost	.50	10.0	8.3	.50	6.0	5.0
Direct Labor: Packing	.80	16.0	13.3	1.00	12.0	10.0
Delivery & Transportation Expenses	.60	12.0	10.0	1.00	12.0	10.0
Selling Expenses	.63	12.6	10.5	1.04	12.5	10.4
Administrative and Factory Overhead	1.23	24.6	20.5	2.73	32.8	27.3
TOTAL COST	3.76	75.2	62.6	6.27	75.3	62.7
Factory Margin	.50	10.0	8.3	.83	10.0	8.3
Wholesaler's Margin	.53	10.6	8.8	.88	10.6	8.8
Return to Project Fund	.21	4.2	3.5	.35	4.1	3.5
WHOLESALE PRICE	5.00	100.00	83.3	8.33	100.0	83.3
Retailer's Margin	1.00		16.7	1.67		16.7
RETAIL PRICE	6.00		100.0	10.00		100.0

KEY: (a) ... Expressed as a % age of Wholesale Price

(b) ... " " of Retail Price

N.B. The value of the Cedi in November, 1984 is C 38.5 = $1.00 (C1.00=2.597)

COSTING FOR CSM FAMILY PLANNING PRODUCTS

A. DANAFCO MANUFACTURING LTD

	Panther Condoms		Oral Contraceptive Tablets			
QUANTITIES		2,004,000				708,000
	Packing Labelling ¢		Packing Labelling ¢	Printing Dye Cut'ing ¢	TOTAL ¢	
Items Of Cost						
Direct Labour	0.0228		0.8034	0.0466	0.85	
Indirect Production Cost	0.0913		1.1207	0.1938	1.2145	
Overheads						
Administration	0.1162		1,2988	0.2466	1.5454	
Establishment	0.0155		0.1727	0.0328	0.2055	
Financial	0.0213		0.2376	0.0451	0.2827	
Total Cost Established	0.2671	535,268.4	3.5332	0.5649	4.0981	2,901,454.8
B. DANAFCO LIMITED						
Overheads						
i Directly Identified						
Selling & Distribution	0.1546				1.7506	
Administration	0.0563				0.6378	
ii Indirectly Identified						
Selling & Distribution	0.0221		0.2470	0.0460	.2939	
Administration	0.4930		2.1582	0.4098	2.568	
Establishment	0.0698		0.7808	0.1482	0.020	
Financial	0.0390		0.4359	0.0828	0.5187	
Total Cost Established	0.5348				6.6980	4,742,254.8
	0.8019	1.607.007.6			10.7961	7,643,638.8

ASSUMPTIONS

1. Activity Ratio (200 manufacturing days available)

    a. Panther Condoms - 19% Packing & Labelling
    b. Oral Contraceptives Tablets

        i $7\frac{1}{2}$% Printing and Dye Cutting
        ii $39\frac{1}{2}$% Packing and Labelling

2. Overheads

    Overheads have been absorbed in the same activity ratios

3. Staff Engagement - Direct Labour

    a. Panther Condoms Labelling & Packing - 6
    b. Oral Contraceptive Tablets

        i Printing/Dye Cutting of Cartons - 5
        ii Labelling and Packing - 18

4. Target Completion Days

    a. Panther Condoms Labelling & Packing - 19
    b. Oral Contraceptive Tablets

        i Printing/Dye Cutting of Cartons - 15
        ii Labelling and Packing - 79

5. Bulk Quantities

a.	Panther Condoms	2,004,000
b.	Oral Contraceptive Tablets	708,000

6. Distribution Pack Quantities

a.	Panther Condoms	1x100 condoms in a pack
b.	Oral Contraceptive Tablets	1xdispenser x 24 cycles

7. Danafco Manufacturing Sales to DANAFCO Ltd represent 30% of DANAFCO Ltd . total purchases.

DANAFCO MANUFACTURING LTD.

PRINTING SECTION

No. of Employees = 4	
Basic Pay	¢10,524
12½% S.S.F. Contribution	1315.5
Rent allowance - 20% of basic pay	2104.8
Transport allowance ¢50 per day for 22 days	4400.0
Canteen Subsidy (¢80% of cost per plate)	3520.00
Leave Allowance (¢100% of monthly basic) ÷ 12	877.00
Bonus (10% of annual salary) ÷ 12	1052.4
Medical attention (¢3,000.00 per staff per year)	1000.0
	¢24,793.7
Average number of working days = 20	
20 days cost	¢24,793.7
1 day will cost ¢24,793.7 ÷ 20	1,239.685
Cost per man day 1,239.685 ÷ 4	309.685
Effective number of working hours = 7 hrs.	
7 hours cost	¢1,239.685
1 hour will cost ¢1239.685 ÷ 7	177.09785
Labour cost per hour per employee	¢44.274462
Add 20% Margin	8.8548924
say	¢55.00

Issued 18·11·85
Effective 1·9·85

DANAFCO MANUFACTURING LIMITED

COMPUTATION OF DIRECT LABOUR RATE PER HOUR

No. of Employees = 18	
Basic Pay	₵42,217
12½% E.D.F. Contribution	5277.125
Rent Allowance - 20% of basic	8443.400
Transport allowance ₵50 per day for 22 days	19,800.00
Canteen subsidy (80% of cost per plate)	15,840.00
Leave allowance (100% of monthly basic) ÷ 12	3,518.0833
Bonus (10% of annual salary) ÷ 12	4,221.70
Medical attention (₵3000.00 per staff per year)	4,500.00
	103,817.3083
Average number of working days = 20	
20 days cost	103,817.3083
1 day will cost ₵103,817.3083 ÷ 20	5,190.8655
Cost Per Man Day 5,190.8655 ÷ 18	288.381
Effective number of working hours = 7 hrs	
7 hours cost	5190.8655
1 hour will cost 5190.8655 ÷	741.55221
Labour cost per hour per employee	= 741.55221 ÷ 18
	= ₵41.197345
Add 20% Margin	8.239469
say	₵50.00

Issued 18.11.85

Effective 1.9.85

40

OTHER FACTORY OVERHEADS

	Packing	Printing	TOTAL
Basic Monthly Salary	42217	10524	
$12\frac{1}{2}\%$ S.S.	5277.125	1315.5	
Total Direct Labour & S.S. Per Month	47494.125	11839.5	
No. of Employees	18	4	
Days Per Month	x 20	x 20	
Total Man Days Per Month	360	80	
Cost Per Man Day	131.93	147.99	
Man Days Needed	1536	75	
Total Project Direct Wages and S.S.	202,644	11,099	213,743

1985 Direct Wages and S & S	537
1985 Indirect Production Excluding Tech. Fee)	1830

Ratio 537:1830 or 1 to 3.4

Project Indirect Production Allocation

213,743 x 3.4 — 726,726

Project Indirect Production Allocation to Commodities

	Quantity	Activity Ratio	Reallocated Percentages	Total Allocation to Commodity	Per Commodity
Condoms	2,004,000	9.5	16.8	122090	.0609
Orals	708,000				
- Packing		39.5	69.9	507981	.7149
- Printing		7.5	13.3	96655	.1365
		56.5	100%	726726	

BUDGET: LINTAS DETAILED BUDGET

a) **Pre Launch campaign:**

- Duration - 8 weeks

1)	Preparation of editorial material (minimum of 6 articles)	¢20,000.00
2)	Placement of articles	10,000.00
3)	Finished artwork, bromide and plates for double page spread of contraceptive methods	35,000.00
4)	Space cost for double page spread (15 placements ranging in price per placement from ¢16,905.00 for Daily Graphic to ¢12,000.00 for Love & Fun)	270,000.00
5)	Finished artwork, cost of separations, photo-prints and printing of 10,000 double crown posters on art paper in four colours	750,000.00
	TOTAL PRE-LAUNCH CAMPAIGN	1,075,000.00

b) **Launch Campaign**

- Duration:- 3 months

1)	To cost of collating and computerising names and addresses of medial profession	20,000.00
2)	To cost of preparing and producing contents of direct mail shot including cost of printing 1,000 copies each of letter, product information etc.	100,000.00
3)	To cost of addressing and stamps for mail shots 1,000 @ ¢10.00	10,000.00
4)	To cost of preparing visual material, chart on Coral etc eg. population growth, clinics per '000 of population, Pharmacies and chemical sellers per '000 of population aprox. 30 charts (@ approx ¢600.00)	20,000.00
5)	To cost of producing 35 mm slide of charts and other visual materials Maximum 80 slides @ ¢450.00	35,000.00
6)	To cost of hiring audio equipment	10,000.00
7)	To cost of producing press kits	70,000.00
8)	To cost of adding media contact list to addresses on computer	5,000.00

9)	To cost of producing 15 sec radio commercial in English, trade announcement	₵ 5,000.00
10)	To cost of air-time 45 x 15 sec AA @ ₵552.00	25,000.00
11)	To cost of producing 35mm slide for trade announcement, including cost of artwork and dubbing for TV audio	5,000.00
12)	To cost of TV airtime 30 x 15 sec spots @ ₵345.00	10,000.00
13)	To cost of artwork including plates and extra bromides for half page press trade announcement	20,000.00
14)	To cost of space, 15x ½ page cols (½ page Daily Graphic ₵4226.25 ½ page Spectator)	60,000.00
15)	To cost of production of 7 x 90 sec radio commercials for consumer announcement to be produced in English, Twi, Fante, Ga, Ewe, Dagbani and Hausa	75,000.00
16)	To cost of airtime (210 x 90 sec AAA @ ₵780.00)	160,000.00
17)	To cost of production of 90 secs video commercial, consumr announcement	70,000.00
18)	To cost of 60 x 90 secs @ ₵944.00	60,000.00
19)	To cost of artwork and plates, extra bromide for full page announcement press ad.	25,000.00
20)	To cost of artwork, plates and bromide for ½ page consumer announcement press ad.	20,000.00
21)	To cost of space 30 insertion F.P x ½ page (eg. Full page Daily Graphic ₵8452.50 ½ Page Mirror ₵3622.50)	270,000.00
22)	To cost of artwork and production of 1,000 in at least four colours of "Available here", posters for display in pharmacies	90,000.00
23)	To cost, including artowrk and printing etc in at least 4 colours on artpaper of 5,000 "available here" posters of two products for use in chemical sellers	400,000.00
	TOTAL LAUNCH CAMPAIGN	1,580,000.00

C. <u>Theme Campaigns</u>

Duration - 7 months

1)	To cost of production of 7 x 30 sec radio commercials in English and six vernaculars for Panther Condoms	70,000.00
2)	To cost of prodution of 7 x 30 sec radio commercial in English and t vernaculars for foaming tablets	70,000.00

3) To cost of production of 7 x 30 secs radio commercials in English and 6 vernaculars for Oral contraceptives ₵ 70,000.00

4) Radio airtime 905,000.00

600 x 30 secs AAA @ ₵598.00 : 358,800.00
600 x 30 " AA @ ₵506.00 : 303,600.00
400 x 30 sec A @ ₵368.00 : 147,200.00
300 x 30 secs B @ ₵322.00 : 96,600.00

5) To cost of production of 30 secs video commercial for Panther Condoms. 60,000.00

6) To cost of production of 30secs video commercials for foaming tablet 60,000.00

7) To cost of production of 30 sec video commercial for Oral contraceptives 60,000.00

8) To cost of airtime 200,000.00
335 x 30 secs week days @ ₵460.00 : 154,100.00
85 x 30 secs Sundays @ 575.00 : 48,875.00

9) Outdoor 3,300,000.00
To cost of production and erection of 51 x 40 sheet handpainted signs including cost of artwork, signwriting etc / 3,060,000.00

To cost of rent, maintenance and insurance of 40-sheet sites @ ₵12,000.00 pa. but pro-rated to allow time for erection ₵240,000.00

10) Press
To cost of artwork, plates, bromides for ½ Page and 6" D/C press ads for Panther Condoms 45,000.00

11) To cost o production of artwork, plates bromides for ½ page, ¼ page and 6" D/C press ads for foaming tablets 45,000.00

12) To cost of production of ½ page, ¼ page and 6" D/C press ads for oral contraceptive 45,000.00

13) To cost of space for insertions of above press advertisement 590,000.00

86 x ½ page: ₵340,00.00
86 x ¼ " 170,000.00
86 x 6" D/C 80,000.00

14) To cost of production of 1,000 x three products "on sale here" metal plates ₵20,000.00

15) To cost of production of 5,000 x two products "on sale here" PVC decals 1,620,000.00
15" x 10"

16) To cost of production of 15,000 double crown posters for foaming tablets 1,050,000.00

17) To cost of production of 15,000 double crown posters for Panther condoms 1,050,000.00

1 18) To cost of production of 3,000 double crown poster for Oral contraceptives 250,000.00

19) To cost of production of 10,000 contra-indication oral contraceptive posters full colour 750,000.00

20) Shelf strips printed in 5 colours on self adhesive PVC 2"x12" 1,335,000.00
15,000 Panther Condoms ₵600,000.00
15,000 Foaming Tablet ₵600,000.00
3,000 Oral Contraceptives ₵135,000.00

21) Plastic threshold canopies silkscreened in 5 colours, size 6" x 25" 2,000,000.00
5,000 Panther Condoms ₵900,000.00
5,000 Foaming Tablets 900,000.00
1,000 Oral Contraceptives ₵200,000.00

22) Decols approx. size 6" x 4" on self adhesive PVC in maximum of five colours 420,000.00
5,000 Panther Condoms ₵210,000.00
5,000 Foaming Tablets ₵210,000.00

23) Mobile decorated stand for use at trade and agricultural fairs 150,000.00

24) Promotional give-aways, caps, badges, T-Shirts etc. 450,000.00

TOTAL THEME BUDGET 15,195,000.00

TOTAL BUDGET

Pre Launch	...	₵1,075,000.00
Launch	...	1,580,000.00
Theme	...	15,195,000.00
		17,850,000.00
15% Contingency and inflationary reserve		2,680,000.00
		₵ 20,530,000.00

NOTES ON BUDGET

1) Amounts stated are based on current costs
Production quotations are in the absence of any layouts etc.

NOTES ON BUDGET (cont.)

2) Figures are rounded to the nearest 5 or 0 thousand.

3) Theme media figures are for 7 months display or air time.

4) Theme P.O.S. production figures are for a full year's supply of waiting items eg. posters: this is to maximise production runs.

5) Media rates include ad tax.

• REMUNERATION

In consideration for the above services, Lintas Ghana Limited shall receive a fixed fee for the year of ₵1,800,000.00 (One million eight hundred thousand cedis) payable in four equal instalments of ₵450,000 (Four hundred and fifty thousand cedis) quarterly in advance.

DISBURSEMENT:

(a) MEDIA: All space or time costs will be charged to Danafco Limited at the gross figure.

(b) CREATIVE: Layouts storyboards, radio and TV scripts shall be prepared by Lintas at the request of Danafco Limited at no cost.

(c) PRODUCTION: All production charges including finished artwork, print and point of sale material, mechanical production, film and accessories shall be charged at a cost to be agreed prior to production.

(d) PACKAGE DESIGN: Design work for packaging, labels, containers and exhibition stands shall be charged to Danafco at the market value, the basis of the charge to be agreed upon before the commencement of the work.

(e) EDITORIAL, PUBLIC RELATIONS AND PUBLICITY WORK: Services required for editorials publicity may be carried out by Lintas or through Lintas with a third party as may be agreed upon before the commencement of work.

(f) TRANSLATION: Translation and or rewriting in a language other than English for all advertising materials will be charged at gross cost.

(g) RESEARCH: All research projects briefed by Danafco Limited will be charged at a cost agreed on before commencement of work.

All travel made by Lintas Ghana Limited with the consent of Danafco Limited over and above Lintas Ghana Limited,s own operational requirements will be charged to Danafco Limited at net cost.

LINTAS SCOPE OF WORK

1. Lintas Ghana Limited shall provide such advertising, promotional services and materials as may be required by Danafco Limited for the attainment of the aims and objectives of the Contraceptive Social Marketing Programme.

2. LINTAS SCOPE OF WORK:

(1) To provide to the CSMP through Danafco Limited the full services of a marketing communication agency. Namely:

(a) To assist in developing marketing strategies and plans.

(b) To consult with Client and other knowledgeable sources, to gather input from the market place and consumer, to examine and evaluate such relevant data as research reports, publications etc. so as to prepare, present to and agree with, client a communications strategy.

(c) To implement that strategy by:

1. Providing the client with client service facilities who will evaluate all sources of inputs and prepare as frequently as needed to meet the requirements of the agreed strategy, plans for advertising, brand P.R., project P.R. etc.

Client service will be responsible for briefing the Agency,s specialist departments on client,s needs and making sure those needs are met.

Agency!s client service personnel will meet with client regularly to evaluate on going communications activity and decide on tactical changes within the plan and the overall strategy.

Agency's client service personnel will also consult with client and offer advice on on-going developments in the market place.

(2) Provide client with creative facilities to prepare those campaigns that are called for in the various plans agreed with client.

These creative services involve the writing of the commercials for the various media envisaged to be used in the plans and the preparation of the layouts for those visual media requiring layouts or storyboards.

(3) Provide client with media services. These include but one not necessarily limited to advising client on the media to use, planning the use of such media, presenting to client such media plans for client approval. Upon approval to purchase the agreed media and within normal agency practices monitor the performance of each medium.

Also to provide client with an on going evaluation of media performance.

(4) To co-ordinate the production of all the items needed for each campaign so as to meet the deadlines and needs of the campaigns efficiently and cost effectively.

II. Marketing is a final activity that responds to changes in the market place. Within overall strategy marketing communication is also fluid and plans are male and adjusted in accordance with changing factors of the market place.

At this time it is envisaged that the first ye r's communications effort will be as follows:

(a) Pre-Launch Campaign

Target Audiences:

The media; those opposed to the advertising of contraceptives; the general public.

Objectives:

To establish the right of the CSMP to use the mass media to effectively promote its contraceptive brands

- P l a n

i) To prepare and place in the mass media series of editorial articles in support of family planning and informing the public of the various methods of contraception. Also to provide additional editorial coverage of the planned conference.

ii) To prepare and place a press advertisement, with a poster spin-off, of the various methods of contraception, showing how they work and emmerating their extra non contraceptive benefits.

- Duration of campaign 4 to 8 weeks

(b) Launch Campaign

- Target audiences and objectives.

1) The medical profession. To inform them of the availability of CSMP brand and to gain their support for the brands especially the oral.

2) The Media. To gain their support for the CSMP so that they will develop and maintain a positive attitude to the programme and use their editorial columns in a supportive capacity.

3) Opinion Leaders. To gain their support for the CSMP so that they develop and maintain a positive attitude to the programme.

4) The Trade. To encourage off-take from the Danafco warehouse and depots and aid Danafco in obtaining good display space in outlets and to place products in every outlet.

5) The Consumer. To inform the consumer about the availability of the brands at the Points of Sale and the prices.

6) The general Public. To re-inforce the right of CSMP to use the mass media to advertise contraceptives in anticipation of the theme campaign.

- Plans

1) To collate and computerise the names and addresses of all doctors and pharmacists so as to have them available for regular direct mail shots.

   - To prepare a launch direct mail shot that will inform them of the programme, its objectives, the products etc.

2) To prepare in collaboration with client and the Government of Ghana a market audio-visual briefing of the media complete with press bits.

   To collect names and addresses of media practitioners interested in being kept informed of future developments.

3) These to be reached through the editorial support generated by its media briefing.

4) To prepare and place press, radio and Tv ads advising the trade of the availability of product.

5) To prepare and place press, radio and TV ads and prepare P.O.S. poster announcing the availability of the brands and their prices.

6) To use all of the above media activity to condition the general public to tolerate contraceptive advertising.

   - Duration of campaign - approx. 3 months maxim.

c) THEME CAMPAIGNS:

- Target Audiences

The female target audience consists of all urban women 15-49 years of age. In general, they will have less than eleven years of education and will work outside of the home. If they are married, they will want to space births after their first child. If unmarried, they will desire to postpone the first birth until after marriage.

The male target audience consists of all urban male 20-55 years of age and either married or unmarried. In general, they will have less than 15 years of education and work within the full range of the economy.

The total market in Ghana encompassing urban women of reproductive age is approximately 842,000 women. The total urban population of males above age 15 is approximately 937,000 men.

- Objectives

By identifying and using the correct benefits to establish images for the brands th t will achieve different but upwardly using levels of:

Awareness, knowledge and recognition of the brands.

Interest in the brands and their benefits.

Desire to try the brands.

Conviction th t the brands will deliver their promised benefits.

Action in purchasing and trying the brands.

- P l a n

To implement a multi media campaign for each of the brands separately yet working together to create a whole that is greater than the sum of its parts.

- Radio

For each brand (as permited by the Pharmacy Board) to create at least one commercial for use in English, Twi, Fante, Ga, Ewe, Dagbani and Hausa.

- Television:

To create video commercials for each of the three brands.

- Outdoor:

To develop the most impactful visual use of this medium in support of the brands

- Press

To develop such press ads as are necessary and place these where they will be most effective.

- P.O.S.

To develop a range of P.O.S. materials including some of but not limited to:

a) Metal point of sale identification plates

b) Paper posters for all the products in full tone or flat colour as necessary.

c) Decals and shelf strips.

d) P.V.C. threshhold canopies

e) Mobiles.

- Oth r media

To develop a range of other media materials including some of but not limited to:

a) Car stickers
b) Bus signs
c) ~~Dangling~~ Day glo Disco posters
d) Give aways and trade stimulants
e) Trade calendar
f) Badges

- Promotion.

To develop with client promotional support such as a mobile stand for use at trade and agriculture fairs.

- P.R.

To prepare and disseminate at least one oth r direct mail shot to list of addresses.

- Duration - On going from product launch + 3 months.

APPENDIX IX

From	:	Commercial Manager
To	:	Ag. D.O.F., Regional Managers, Reg. Accts., S.A.M. (Revenue) S.A.M. (Commercial), Revenue Office.
Copy to	:	DG., DDG., All Directors
Subject	:	New Rates For Social and Funeral Announcements
File No:	:	CAC.34/8
Date	:	24th May, 1985.

****

Please find below the approved new rates for Social and Funeral Announcements on the National and Local Networks.

2. These rates take effect from 1st June, 1985.

3. All Funeral Announcements are limited to 80 words. Recorded Funeral Announcements with dirges are prohibited and names of chief mourners limited to 8 (eight).

4. All announcements must be accepted four days prior to the time of transmission.

		RATE	TAX	TOTAL
FUNERAL - RADIO				
1 - 8 Names: (National)	...	₵ 540.00	₵ 81.00	₵ 621.00
(Local)	...	315.00	47.25	362.25
SOCIAL - RADIO				
1 - 8 Names: (National)	...	450.00	67.50	517.59
(Local)	...	250.00	37.50	287.50
PROMOTIONAL - RADIO				
National	...	630.00	94.50	724.50
Local	...	540.00	81.00	621.00
FUNERAL - TV (WITHOUT PICTURE)				
1 - 8 Names	...	648.00	97.20	745.20
SOCIAL - TV.				
Without Picture	...	552.00	82.80	634.80
PROMOTIONAL - TV.				
Without Picture	...	648.00	97.20	745.20
NEW RATES FOR RECORDED SOCIAL ANNOUNCEMENTS				
SOCIAL - RADIO				
National	...	900.00	135.00	1035.00
Local	...	450.00	67.50	517.50

-2-

PROMOTIONAL - RADIO		RATE	TAX	TOTAL
National	...	¢1350.00	¢202.50	¢1852.50
Local	...	675.00	101.25	776.25
SOCIAL - TV				
With Picture	...	1800.00	270.00	2070.00
Without Picture	...	1620.00	241.00	1861.00
PROMOTIONAL - TV				
With Picture	...	2250.00	325.35	2575.35
Without Picture	...	1800.00	270.00	2070.00

COMMERCIALS - RADIO & TV

(a) English Recording	¢600.00
(b) Vernacular	600.00
(c) Translation	400.00

STUDIO & DUBBING FACILITIES

One Hour Studio Booking	.... 500.00
Dubbing	... 300.00
1 - 1200m Tape	...1500.00
1 - 600m Tape	.. 300.00
Service Fee	.. 500.00

PROGRAMME SPONSORSHIP - TV

Add 25% of ~~cost~~ as profit Margin

RADIO

Add 25% of Cost as Profit Margin

(EBENEZER AKAFO)
COMMERCIAL MANAGER

54

GHANA BROADCASTING CORPORATION
BROADCASTING HOUSE
POST OFFICE BOX 1633
ACCRA - GHANA.

TELEVISION RATE CARD NO. 9

(EFFECTIVE FROM 1ST JUNE, 1985)

	60 SEC	45 SEC	30 SEC	15 SEC
MONDAY - SATURDAY	¢ 600	¢ 500	¢ 400	¢ 300
SUNDAY	700	600	500	400

News Adjacencies - Charged 30% extra

Volume Discounts

All rates are net but volume discounts will be allowed to advertisers on the total yearly expenditure in each 12 month period to the 31st January in all rate categories both on Radio and Television for gross rate card expenditure by one advertiser.

Where expenditure exceeds	¢ 1000,000		10% discount
Where expenditure is between	800,000	& ¢ 850,000	7½ discount
Where expenditure is between	600,000	& ¢ 650,000	5 discount
Where expenditure is between	500,000	& 550,000	2½ discount
Where expenditure is under	400,000		Nil

Live Commercials

Charges for facilities quoted on application.

Filmed Commercials

Accepted on 16mm. positive only.

Slides

Accepted for 7, 15, 30 and 60 second advertisements with voice over live or recorded on disc or tape. Maximum and minimum duration of each slide 7 and 5 seconds respectively.

Production of Commercials

Ghana Broadcasting Corporation will provide facilities for the production of filmed commercials.

Charges quoted on application.

No Frequency Discounts or Surcharges

There are no frequency discounts or surcharges for casual bookings. The maximum booking period is 52 weeks. There is no minimum period, all spots will rotate throughout the stipulated time segment at the discretion of the station.

Cancellation

Eight weeks' notice in writing prior to scheduled transmission date is required for cancellation.

There is no surchage.

GHANA BROADCASTING CORPORATION
BROADCASTING HOUSE
P. O. BOX 1633
ACCRA - GHANA

COMMERCIAL RADIO RATE CARD NO. 9
(Effective from 1st June, 1985)

Spots will be divided evenly between the days covered and will be rotated within the appropriate time segement of each day. Subject to availability, Advertiser's day and time preference can be fixed, upon payment of fixing surcharge. Spots of longer duration than 60 seconds are pro-rata to the 60 seconds rate.

TIME SEGMENTS		CLASSIFICATION	60 SEC	45 SEC	30 SEC	15 SEC
MONDAY - FRIDAY SATURDAYS SUNDAYS	0530 - 0800 0530 - 1200 0530 - 1200	PEAK	¢ 600	¢ 560	¢ 520	¢ 480
MONDAY - FRIDAY SATURDAY SUNDAY	1200 - 1300 1600 - 1800 0800 - 0900 1200 - 1400 1200 - 1600	PRIME	500	480	440	400
MONDAY - FRIDAY	1300 - 1415 2000 - 2145	A	400	360	320	300
MONDAY - FRIDAY SATURDAY SUNDAY	1700 - 1745 1900 - 1945 1400 - 1600 2000 - 2145 1600 - 1800	B	360	300	280	240

GRAPHIC CORPORATION

ADVERTISEMENT RATES

EFFECTIVE DATE: 1ST JUNE 1985 THE MIRROR

Inch	Advert Cost	15% Tax	Total	Inch	Advert Cost	15% Tax	Total
	¢	¢	¢		¢	¢	¢
1	112.50	16.88	129.38	31	3,487.50	523.15	4,010.65
2	225.00	33.75	258.75	32	3,600.00	540.00	4,140.00
3	337.50	50.65	388.15	33	3,712.50	556.90	4,269.40
4.	450.00	67.50	517.50	34	3,825.00	573.75	4,398.75
5	562.25	84.40	646.65	35	3,937.50	590.65	4,528.15
6	675.00	101.25	776.25	36	4,050.00	607.50	4,657.50
7	787.50	118.15	905.65	37	4,162.50	624.40	4,786.90
8	900.00	135.00	1,035.00	38	4,275.00	641.25	4,916.25
9	1,012.50	151.90	1,164.40	39	4,387.50	658.15	5,045.65
10	1,125.00	168.75	1,293.75	40	4,500.00	675.00	5,175.00
11	1,237.50	185.65	1,423.15	41	4,612.50	691.90	5,304.40
12	1,350.00	202.50	1,552.50	42	4,725.00	708.75	5,433.75
13	1,462.50	219.40	1,681.90	43	4,837.50	725.65	5,563.15
14	1,575.00	236.25	1,811.25	44	4,950.00	742.50	5,692.50
15	1,687.50	253.15	1,940.65	45	5,062.50	759.40	5,821.90
16	1,800.00	270.00	2,070.00	46	5,175.00	776.25	5,951.25
17	1,912.50	286.90	2,199.40	47	5,287.50	783.15	6,070.65
18	2,025.00	303.75	2,328.75	48	5,400.00	810.00	6,210.00
19	2,137.50	320.65	2,458.75	49	5,512.50	826.90	6,339.40
20	2,250.00	337.50	2,587.50	50	5,625.00	843.75	6,468.75
21	2,362.50	354.40	2,716.90	51	5,737.50	860.65	6,598.15
22	2,475.00	371.30	2,846.30	52	5,850.00	877.50	6,727.50
23	2,587.50	388.15	2,975.65	53	5,962.50	894.40	6,856.90
24	2,700.00	405.00	3,105.00	54	6,075.00	911.25	6,986.25
25	2,812.50	421.90	3,234.40	55	6,187.50	928.15	7,115.65
26	2,925.00	438.75	3,363.75	56	6,300.00	945.00	7,245.00
27	3,037.50	455.65	3,493.75	57	6,412.50	961.90	7,374.40
28	3,150.00	472.50	3,622.50	58	6,525.00	978.75	7,503.75
29	3,262.50	489.40	3,754.90	59	6,637.50	995.65	7,633.15
30	3,375.00	506.25	3,381.25	60	6,750.00	1,012.50	7,762.50

	Advert Cost	15% Tax	Total
Full page	¢6,300.00	¢945.00	¢7,245.00
Half page	3,150.00	472.50	3,622.50

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GRAPHIC CORPORATION
ADVERTISEMENT RATES

EFFECTIVE DATE: 1ST JUNE, 1985 — DAILY GRAPHIC

Inch	Advert Cost	15% Tax	Total	Inch	Advert Cost	15% Tax	Total
	₵	₵	₵		₵	₵	₵
1	75.00	11.25	86.25	31	2,325.00	348.75	2,673.75
2	150.00	22.50	172.50	32	2,400.00	360.00	2,760.00
3	225.00	33.75	258.75	33	2,475.00	371.25	3,131.25
4	300.00	45.00	345.00	34	2,550.00	382.50	2,932.50
5	375.00	56.25	431.25	35	2,625.00	393.75	3,018.75
6	450.00	67.50	517.50	36	2.700.00	405.00	3,105.00
7	525.00	78.75	603.75	37	2,775.00	416.25	3,196.25
8	600.00	90.00	690.00	38	2,850.00	427.50	3,277.50
9	675.00	101.25	776.25	39	2,925.00	438.75	3,363.75
10	750.00	112.50	862.50	40	3,000.00	450.00	3,450.00
11	825.00	123.75	948.75	41	3,075.00	461.25	3,536.25
12	900.00	135.00	1,035.00	42	3,150.00	472.50	3,622.50
13	975.00	146.25	1,121.25	43	3,225.00	483.75	3,708.75
14	1,050.00	157.50	1,207.50	44	3,300.00	495.00	3,795.00
15	1,125.00	168.75	1,293.75	45	3,375.00	506.25	3,881.25
16	1,200.00	180.00	1,380.00	46	3,440.00	517.50	3,957.50
17	1,275.00	191.25	1,466.25	47	3,515.00	528.75	4,043.75
18	1,350.00	202.50	1,552.50	48	3,590.00	540.00	4,130.00
19	1,425.00	213.75	1,638.75	49	3,665.00	551.25	4,216.25
20	1,500.00	225.00	1,725.00	50	3,740.00	562.50	4,302.50
21	1,575.00	236.25	1,811.25	51	3,815.00	573.75	4,388.75
22	1,650.00	247.50	1,897.00	52	3,890.00	585.00	4,475.00
23	1,725.00	258.75	1,983.75	53	3,965.00	591.25	4,561.25
24	1,800.00	270.00	2,070.00	54	4,040.00	602.50	4,642.50
25	1,875.00	281.25	2,156.25	55	4,115.00	616.75	4,731.75
26	1,950.00	292.50	2,242.50	56	4,190.00	628.00	4,818.00
27	2,025.00	303.75	2,328.75	57	4,265.00	639.25	4,904.25
28	2,100.00	315.00	2,415.00	58	4,340.00	650.50	4,990.50
29	2,175.00	326.25	2,501.25	59	4,415.00	661.75	5,076.75
30	2,250.00	337.50	2,587.50	60	4,490.00	673.00	5,163.00

	Advert Cost	15% Tax	Total
Full page	₵7,350.00	₵1,102.50	₵8,452.50
Half page	3,675.00	551.25	4,226.25
Back page	1,710.00	256.50	1,966.50

Classified rate: 5 words for ₵8.00 per line plus tax of 1.20

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REFERENCE ARTICLE III - STATEMENT OF WORK

In addition to the scope of work specified in the original work order the contractor will be required to accomplish the following tasks under this amendment:

1. Examine in detail the proposed budget of DANAFCO (and its sub-contractors) to determine if it is a sound and reasonable budget for such a commercial venture. The fact that the contraceptives will not be manufactured by DANAFCO but will be provided free of charge and duty should be considered.

2. Ascertain if the local currency inputs from the MFEP as requested by DANAFCO are reasonable and that DANAFCO can provide sufficient justification for requesting particular sums for particular activities.

3. Examine the pricing structure for the various contraceptives which will be sold under the CSM program to determine that all components which made up the structure are valid, and that the percentage of the total price alloted to each component is reasonable, taking into consideration that the product is being provided free and only packaging is likely to be required. Also the inputs from AID centrally-funded projects must be considered.

4. Examine the advertising budget to determine if it is reasonable and that all line items have been derived from well-planned out activities, and the costs as reflected in the budget are justified based on current practice in Ghana.

5. Examine the following areas of DANAFCO's operations to evaluate the soundness of their budget and pricing policy:

   - formal pricing policy
   - cost data for other products
   - various product budgets
   - assumptions used in developing the budget
   - current distribution costs and company
   - policies for travel outside of Accra

6. In an effort to substantiate cost estimates, information will be obtained from the relevant government agencies such as the Prices and Income Board, Bureau of Statistics, Bank of Ghana, Ghana Ports Authority, Ghana Broadcasting Corporation and other organizations which will provide information upon which comparisons can be made.