

IN THE THIRD SESSION OF THE SEVENTH PARLIAMENT OF THE FOURTH REPUBLIC OF  
GHANA



**REPORT OF THE  
FINANCE COMMITTEE**

*ON THE*

**i. FACILITY AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA (REPRESENTED BY THE MINISTRY OF FINANCE) AND DEUTSCHE BANK AG, LONDON BRANCH (AS AGENT, ARRANGER, STRUCTURING BANK AND ORIGINAL LENDER) FOR AN AMOUNT OF FORTY-SIX MILLION, TWO HUNDRED AND FORTY-TWO THOUSAND, SEVEN HUNDRED AND SEVENTY FOUR EUROS AND FIFTY-SEVEN CENTS (€46,242,774.57) (INCLUDING THE UK EXPORT FINANCE SUPPORT FEE)**

AND

**ii. FACILITY AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA (REPRESENTED BY THE MINISTRY OF FINANCE) AND DEUTSCHE BANK AG, LONDON BRANCH (AS AGENT, ARRANGER, STRUCTURING BANK AND ORIGINAL LENDER) FOR AN AMOUNT OF EIGHTEEN MILLION, NINE HUNDRED THOUSAND EUROS (€18,900,000.00)**

**RELATING TO THE FINANCING FOR  
PHASE 3 OF THE KUMASI AIRPORT REDEVELOPMENT  
PROJECT**

APRIL 2019

## 1.0 INTRODUCTION

The

- i. Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Deutsche Bank AG, London Branch (as Agent, Arranger, Structuring Bank and Original Lender) for an amount of **Forty-Six Million, Two Hundred and Forty-Two Thousand, Seven Hundred and Seventy Four Euros and Fifty-Seven Cents (€46,242,774.57)** [including the UK Export Finance support fee] relating to the financing of Phase 3 of the Kumasi Airport Redevelopment Project; AND
- ii. Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Deutsche Bank AG, London Branch (as Agent, Arranger, Structuring Bank and Original Lender) for an amount of **Eighteen Million, Nine Hundred Thousand Euros (€18,900,000.00)** relating to the financing for Phase 3 of the Kumasi Airport Redevelopment Project

were presented to the House on Tuesday 9<sup>th</sup> April, 2019 by the Honourable Deputy Minister for Local Government and Rural Development, Mr. Osei Bonsu Amoah on behalf of the Minister responsible for Finance.

Pursuant to Article 103 of the 1992 Constitution and Orders 169 and 171 of the Standing Orders of the House, the Agreements were *referred* to the Committee on Finance for consideration and report.

The Committee subsequently met and discussed the Agreements with the Deputy Minister for Aviation, Hon. Yaw Afful and a Deputy Minister for Finance, Hon. Kwaku Kwarteng as well as officials from the Ministries of Finance and Aviation and the Ghana Airports Company Limited (GACL).

The Committee hereby submits this report to the House pursuant to Order 161(1) the Standing Orders of the House.

The Committee is grateful to the above named Deputy Ministers for Aviation and Finance and the officials for attending upon and assisting the Committee in its deliberations.

## **2.0 REFERENCES**

The Committee referred to and was guided by the following documents *inter alia* during its deliberations on the Agreements:

- The 1992 Constitution of the Republic of Ghana
- The Standing Orders of the Parliament of Ghana
- The Public Financial Management Act, 2016 (Act 921)

## **3.0 BACKGROUND**

On the 10<sup>th</sup> day of December, 2012, His Excellency John Dramani Mahama, the then President of the Republic gave approval for the Kumasi International Airport Redevelopment Project. Subsequently on the 10<sup>th</sup> day of November, 2017, Cabinet endorsed and approved the redevelopment of the Kumasi International Airport Phase 2.

At the conception stage of the Project, a decision was taken by Government to phase the Project due to the Government's Economic Agreement (ECA) with the International Monetary Fund (IMF) which had set limits on borrowing. The Phase 2 was therefore approved and the scope of works were as follows:

- New Passenger Terminal Building (5,800m<sup>2</sup>)
- Parking Lot and Access Road (8,800m<sup>2</sup>)

- Access Road (11,500m<sup>2</sup>)
- Apron (17,500m<sup>2</sup>)
- Runway Extension and Taxiway and related infrastructure (319m)

Works on the Phase 2 started in 2018 and are presently ongoing as scheduled. The Ghana Airports Company Limited (GACL) has however advised that the two phases, Phase 2 and Phase 3 be combined to reduce cost and minimize disruption to operations.

### 3.1 PROJECT OBJECTIVES

The objectives of the Project is to design and construct the Third Phase of the Kumasi International Airport Project pursuant to the overall vision and strategy for the short to medium-term development of the Airport with a well-balanced mix of appropriate airside and landside facilities.

### 4.0 TERMS AND CONDITIONS OF THE LOAN

The terms and conditions of the Loan are as shown in the table below:

Terms and Conditions	UKEF Facility Agreement	Tied Facility Agreement
Finance Amount	<b>€46,242,774.57 including UKEF Premium of €6,242,774.57</b>	<b>€18,900,000.00</b>
Tenor	12 years	5 years
Grace Period	2 years	1 year
Interest Rate	6M EURIBOR + 1.45% p.a.	6M EURIBOR + 4.90% p.a.
Commitment Fee	0.75% p.a.	1.00% p.a.

Arrangement Fee	1.00% flat of the facility amount	1.00% flat of the facility amount
Structuring Fee	0.50% flat of the facility amount	0.50% flat of the facility amount

## 5.0 PROJECT DESCRIPTION AND SCOPE

The scope of Third Phase of the Project is as follows:

- a. Terminal and Landside
  - Terminal Building Extension (2,522m<sup>2</sup>)
  - New Fire Station
  - New Fire Access Road
  - New Air Control Tower (ACT)
  - Car Park Extension (9,000m<sup>2</sup>)
  - Access Road Extension (4,200m<sup>2</sup>)
  - 2 New Boarding Bridges
- b. Works on Airside
  - Apron Extension (7,731m<sup>2</sup>)
  - Runway Strip (202,805m<sup>2</sup>)
  - Airside Service Road

## 6.0 OBSERVATIONS

### Need to Combine Phases 2 and 3

The Committee was informed that there is the critical need to undertake Phases 2 and 3 together in order to realize cost and time savings. It is estimated that a total amount of €4,000,000.00 will be made in cost savings if the two phases are combined. In addition,

combining the two phases will ensure that interruptions to operations and lags in the delivery schedule are minimized. Thus combining the two phases will enable the Project to be fast-tracked and at the same time meet the agreed programme of work for the project.

### **International Status**

The Committee observed that under the Phase 3 of the project, a new Air Control Tower would be constructed. Additionally, an aerodrome 4D, an important component of the Project will be provided to ensure that the Kumasi Airport properly meets the classification of an international airport.

### **Expected Benefits of the Project**

The Committee observed that the Kumasi International Airport master plan has been translated into an overall vision and a strategy for short to medium-term development. The Airport is to be developed to have a well-balanced mix of appropriate airside and landside facilities. The Kumasi International Airport is expected to catalyse industrialization and rapid socio-economic development of Kumasi and the Middle Belt of the Country in general.

### **Expected Traffic Growth**

The development of the Kumasi Airport is expected to promote domestic air travel and provide the national spokes to open up the enormous potential growth of traffic in domestic and regional routes to and from the Airport in support of the Kotoka International Airport's pole position to be the gateway and the aviation hub in West Africa.

### **Boost to Eco-Tourism and Agriculture**

The Committee noted that the redeveloped Kumasi International Airport will boost eco-tourism and cultural tourism by facilitating domestic and international travel for the exploration of the national historic heritage sites and the development of eco-tourism and cultural tourism of Ashanti and the middle zone of the Country.

Also, the Airport will benefit the Agricultural Sector by leveraging the export of fresh produce and support an agro-based national strategic goal leading to the potential establishment of agro-based industries whose produce could be transported rapidly by air to various destinations around the world.

### **Alternative to the Kotoka International Airport**

The Committee was informed that the development of the Kumasi Airport will serve as an alternative international destination to the Kotoka International Airport, Accra, especially in case of emergency or airport closure in Accra.

The Kumasi International Airport was said to be being developed to an efficient and modern airport facility, oriented towards the international, regional, and national aviation markets.

The Committee was informed that some major international airlines have already expressed a firm interest in flying direct to Kumasi from Europe and other parts of the World.

### **Project Financing**

The cost of the Project is estimated at €58,900,000.00 whilst the UKEF Fee amounts to €6,242,774.57. All these costs are to be financed under these Agreements by Deutsche Bank AG, London Branch (as Agent, Arranger, Structuring Bank and Original Lender). The credit guarantee support is provided by the United Kingdom Export Finance (UKEF). The financial package provides a 100% financial solution to ensure that the Project proceeds smoothly without financial hindrances.

### **On-Lending**

The Committee noted that Government was considering the possibility of on-lending the loan funds to the Ghana Airport Company Limited in accordance with the Public Financial Management Act, 2016 (Act 921). The Committee is however of the view that the funds should

not be on-lent to the company but must to be taken on directly by the Government of Ghana since the operations of the Kumasi Airport may not make sufficient income in the short to medium term to repay for the facility.

## **7.0 CONCLUSION**

In view of the social, commercial and economic benefits to be derived from the Project, the Committee respectfully recommends to the House to adopt this report and approve by Resolution, the

- i. Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Deutsche Bank AG, London Branch (as Agent, Arranger, Structuring Bank and Original Lender) for an amount of **Forty-Six Million, Two Hundred and Forty-Two Thousand, Seven Hundred and Seventy Four Euros and Fifty-Seven Cents (€46,242,774.57)** (including the UK Export Finance Support fee) relating to the financing of Phase 3 of the Kumasi Airport Redevelopment Project; AND
- ii. Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Deutsche Bank AG, London Branch (as Agent, Arranger, Structuring Bank and Original Lender) for an amount of **Eighteen Million, Nine Hundred Thousand Euros (€18,900,000.00)** relating to the financing for Phase 3 of the Kumasi Airport Redevelopment Project

in accordance with Article 181 of the 1992 Constitution of the Republic of Ghana.

Respectfully submitted.



HON. KWABENA AMANKWAH-ASIAMAH  
(VICE CHAIRMAN, FINANCE COMMITTEE)



MS. EVELYN BREFO-BOATENG  
(CLERK, FINANCE COMMITTEE)  
11<sup>TH</sup> APRIL, 2019