

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



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**REPORT OF THE
FINANCE COMMITTEE**

ON THE

- i. UNITED KINGDOM EXPORT FINANCE (UKEF) FACILITY AGREEMENT
BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA, REPRESENTED
BY THE MINISTRY OF FINANCE, AND KFW IPEX-BANK GMBH, IN THE SUM OF
FIFTY-SIX MILLION UNITED STATES DOLLARS (\$56,000,000.00)

- ii. TIED COMMERCIAL AGREEMENT BETWEEN THE GOVERNMENT OF THE
REPUBLIC OF GHANA, REPRESENTED BY THE MINISTRY OF FINANCE, AND
KFW IPEX-BANK GMBH IN THE SUM OF TWENTY-FOUR MILLION DOLLARS
(USD24,000,000.00)

FOR THE
**DESIGN AND CONSTRUCTION OF THE SECOND PHASE
OF THE TAMALE INTERNATIONAL AIRPORT**

JULY 2018

1.0 INTRODUCTION

The

- i. **United Kingdom Export Finance (UKEF) Facility Agreement between the Government Of The Republic Of Ghana, represented by the Ministry of Finance, and KfW IPEX-Bank GmbH, in the sum of Fifty-Six Million United States Dollars (\$56,000,000.00) for the Design and Construction of the Second Phase Of The Tamale International Airport; AND**
- ii. **Tied Commercial Agreement between the Government of the Republic Of Ghana, represented by the Ministry of Finance, and KfW IPEX-Bank GmbH in the sum of Twenty-Four Million Dollars (USD24,000,000.00) for the Design and Construction of the Second Phase of the Tamale International Airport**

were presented to the House on Thursday 19th July, 2018 by the Honourable Minister responsible for Finance, Mr. Ken Ofori-Atta.

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 Minister for Aviation, Hon. Cecilia Abena Dapaah and the Deputy Minister for Aviation, Hon. Kwabena Okyere Darko-Mensah, 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 Minister for Aviation, the Deputy Minister for Aviation and the other officials for attending upon the Committee.

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

It would be recalled that this project was submitted to Parliament for approval on 31st October 2016. The project was to be financed by Banco Santander with Export Credit Guarantee from the United Kingdom Export Finance.

However, Banco Santander was not able to put together the loan syndication and has been replaced by KfW IPEX-Bank of Germany.

The Government of Ghana acting through Ghana Airport Company limited (GACL) intends to upgrade Tamale Airport to be able to handle international operations. As a strategic decision by GACL, Tamale Airport is proposed to be an alternative to the Kotoka International Airport in Accra. In particular, the Government of Ghana intends to use this Airport to support the programme of the Northern Development Authority (NDA) of Ghana as well as use the Tamale Airport as a base for seasonal direct Hajj (Pilgrimage) flights between Ghana and Mecca in Saudi Arabia. The Tamale Airport shall be developed as a sub-Saharan Hub Airport for flights to/from neighbouring West African countries.

GACL signed a contract with QG Construction Limited for the upgrade and extension of the existing runway and associated facilities to accommodate large wide-bodied jet aircraft. That phase of the Project was completed in August 2016. The phase 1 of the Project included the

preparation of the Master plan and Environmental and Social Impact Assessment to cover the whole scope of the development of the Tamale Airport for international operations.

In addition, phase 1 of the project rehabilitated and extended the existing runway from 2438m up to 3400m length, extended and strengthened the existing runway pavement, rehabilitated the existing taxiway and taxi-links and the apron extension.

The Government of Ghana wishes to develop the next phases for the entire development of Tamale Airport. The next phase of the development of the Airport shall include the construction of a modern international airport terminal, a Hajj Facility and development of a modern infrastructure for all aviation and relevant non-aviation facilities.

Due to the central location, Tamale serves as a hub for all administrative and, commercial activities in the Northern Region of Ghana, doubling as the political, economic and financial capital of the Northern Region.

3.1 PROJECT OBJECTIVES

The objectives of the Project is to design and construct the Second Phase of the Tamale 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 business, commercial, industrial, sports and recreational areas and facilities.

4.0 TERMS AND CONDITIONS OF THE LOAN

The terms and conditions of the Loan are as follows:

UKEF FACILITY AGREEMENT

Facility amount	:	up to US\$56,000,000 (including the UKEF premium of about US\$7,480,000.00)
Borrowing currency	:	U.S. Dollar
Interest rate	:	6 Months Libor + 1.75% p.a.
Grace period	:	2.5 years
Repayment Period	:	10 years
Commitment Fee	:	0.70% p.a.
Structuring Fee	:	1.25% flat

TIED COMMERCIAL FACILITY

Tied Facility Amount	:	US\$ 24,000,000.00 (including the risk mitigation fee of US\$2,520,000.00)
Borrowing currency	:	U.S. Dollar
Interest rate	:	6 Months Libor + 5.00% p.a.
Grace Period	:	2.5 years
Repayment Period	:	3.5 years

Commitment Fee : 1.60% p.a.

Structuring Fee : 1.25% flat

5.0 PROJECT DESCRIPTION AND SCOPE

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

- a. Design for the scope of work
- b. Modular Airport Terminal Building with approximately 5,000m square expandable in the future
- c. Hajj Facility with approximately 1000m square
- d. Single Carriage Access road
- e. Landslide and airside infrastructure adapted to the terminal size
- f. Water, power and sewerage infrastructure deemed necessary for normal operations.

Thus, the Phase 2 Project will cover the following components:

- a. Passenger Main Terminal
- b. Hajj Facility
- c. Access and Secondary Roads
- d. Water, Power and Sewerage Infrastructure



6.0 OBSERVATIONS

6.1 Expected Benefits of the Project

The Committee observed that the Tamale 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 business, commercial, industrial, sports and recreational areas and facilities. Tamale International Airport is expected to catalyse industrialization and rapid socio-economic development

Expected Traffic Growth

The development of the Tamale 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 KIA'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 Tamale 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 the savannah 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.

Annual Hajj Pilgrimage

The Tamale Airport is expected to significantly support International travel for Hajj pilgrimage by the large Muslim population which performs the annual Hajj. The catchment is also expected to cover the Sahalien countries.

Alternative to the Kotoka International Airport

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

Tamale international airport was said to be being developed to an efficient and modern airport facility, oriented towards the international, regional, and national aviation markets

Maintenance, Repair, and Overhaul (MRO) Facility

The Committee noted that upon completion, the Tamale International Airport is expected to become the only Maintenance, Repair, and Overhaul (MRO) facility for Ghana and other African Airlines.

Project Financing

The cost of the Project is estimated at US\$70.00 million and is financed by **KfW-IPEX Bank GmbH** (as the original lender) under an export credit financing structure. 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.

7.0 CONCLUSION

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

- i. The United Kingdom Export Finance (UKEF) Facility Agreement between the **Government Of The Republic Of Ghana**, represented by the Ministry of Finance, and **KfW IPEX-Bank GmbH**, in the sum of **Fifty-Six Million United States Dollars**

(\$56,000,000.00) for the Design and Construction of the Second Phase Of The Tamale International Airport; AND

- ii. **The Tied Commercial Agreement** between the **Government of the Republic Of Ghana**, represented by the Ministry of Finance, and **KfW IPEX-Bank GmbH** in the sum of **Twenty-Four Million Dollars (USD24,000,000.00)** for the design and construction of the **Second Phase of the Tamale International Airport.**

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

Respectfully submitted.



HON. DR. MARK ASSIBEY-YEBOAH
(CHAIRMAN, FINANCE COMMITTEE)



MS. EVELYN BREFO-BOATENG
(CLERK, FINANCE COMMITTEE)

23RD JULY, 2018