



## **INVESTMENT OPPORTUNITY IN KUMASI, GHANA MULTI-STOREY CAR PARK IN THE KUMASI BUSINESS DISTRICT/PROPERTY DEVELOPMENT**

### **1.0 EXECUTIVE SUMMARY**

Kumasi is a fast-growing city of over 2 million inhabitants and the capital of a rapidly growing region over 5 million. Kumasi is also an important commercial centre, both within Ghana and for the surrounding countries. The city's day time population is estimated at over 2.5 million people. This has led to a significant increase in traffic congestion, especially in its central business district where most of the administrative and commercial facilities are located.

Municipal authorities have adopted temporary parking solutions by converting parts of streets into paid parking areas but the capacity of these parking areas is not sufficient. Furthermore, taking away space on already narrow streets for parking contributes to further congestion in the central business district, creating challenges for both drivers and pedestrians.

Arguments for the construction of a multi-purpose car park in the central business district of Kumasi are presented in this profile. The Kumasi Metropolitan Assembly (MA) is ready to provide potential investors full support and is willing to undertake a public-private partnership to with a potential investor.

### **2.0 INTRODUCTION TO KUMASI AND THE ASHANTI REGION**

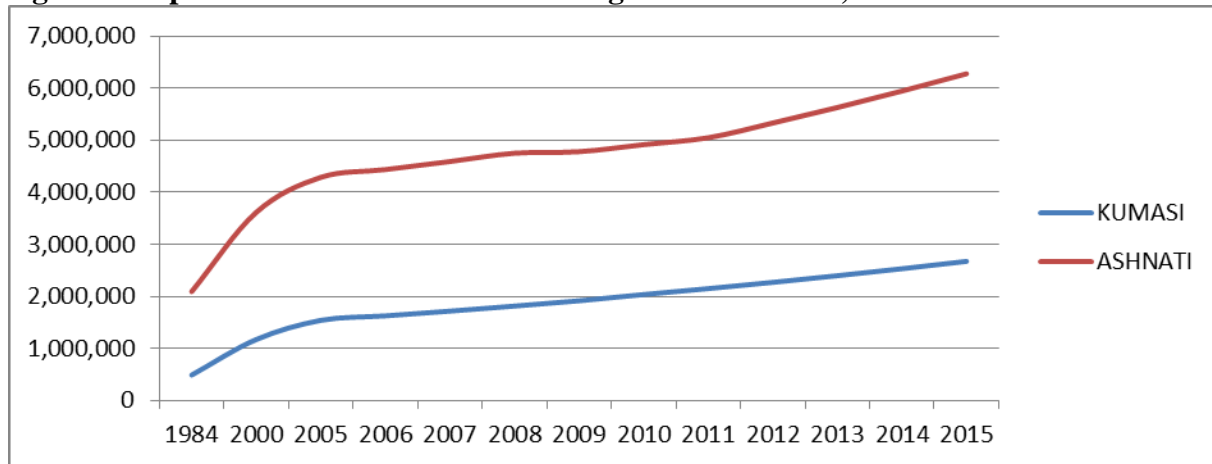
With some 5 million inhabitants (4,780,380 according to the 2010 national census), the Ashanti Region is the most populous region in Ghana. The region occupies a total land area of 24,389km<sup>2</sup> (approximately 10 percent of total land in Ghana) and has Kumasi as its regional capital.

Kumasi is located centrally in the Ashanti Region, forming an important transport and commercial hub for both domestic and international traffic. It is the key transportation link between the south and north of Ghana as well as the surrounding landlocked countries. It has a national airport with several flights a day to Accra, Tamale and Takoradi.

Kumasi's daytime population is estimated to reach 2.5million people because of its role as a commercial centre. Officially, Kumasi recorded 2,035,064 inhabitants in 2010. The city's population is growing fast; it has almost doubled since 2000, from a little over 1 million people.



**Figure I: Population Trend: The Ashanti Region and Kumasi, 1984 to 2015**



Source: KMA Statistics, 2012

Kumasi's strategic geographic location makes it a brisk commercial and administrative centre, and it is often regarded as the commercial capital of Ghana, with West Africa's largest open-area market, the Kumasi Central Market. Estimated market reachable within 1 day of ground travel is approximately 12 million consumers (Ashanti region and surrounding regions, approx. half of Ghana's population).

Kumasi has already proved attractive to a number of large foreign investors. Agro-processing giant Archer Daniels Midland (ADM) has been operating a cocoa processing facility in Kumasi since July 2009. Other major players with active presence include Coca Cola and Guinness which both have bottling plants in the City. Other international companies with offices in Kumasi include Maersk, Barclays Bank, Standard Chartered Bank and Unilever, which has been operating in Ghana for over 70 years.

Ghana is divided into ten administrative regions. Each region is headed by a Regional Minister appointed by the President. The principal units of local government are the district assemblies. There are three kinds of districts in Ghana – districts, municipalities and metropolis. Between the district assemblies and the central government are the regional coordinating councils. The role of these bodies is to administer and coordinate policy implementation at the local level. Kumasi is administered by the Kumasi Metropolitan Assembly, with the Mayor serving as the city's chief executive officer. The Ashanti region as a whole is under the purview of the regional minister.

The institution of chieftaincy is very pronounced in the Ashanti region and plays a significant role in its management, especially in the area of land administration. Most land in the Ashanti is



administered by the Asantehene (Ashanti King) and relatively small portions belong to the state under the administration of the Lands Commission. The Asantehene is assisted by a variety of chiefs ranging from paramount, divisional and sub chiefs, stool and clan elders who all play roles in land acquisition with the Asantehene playing the ultimate role.

Kumasi is home to numerous educational institutions, including the largest science and technology university in Ghana and in West Africa, the Kwame Nkrumah University of Science and Technology (KNUST), which has a student population of over 31,000 students comprising both undergraduate and postgraduate students.

Kumasi's location at the centre of the Ashanti Region and of Ghana, coupled with its good road network and airport, makes it the preferred trading centre for most of the surrounding regions and is an important commercial centre for West Africa. Kumasi serves as the commercial hub for the neighbouring Brong-Ahafo region, the three northernmost regions of Ghana, and parts of the Western and Eastern regions, creating a potential market of about 12 million people. An investor can access landlocked Burkina Faso, Mali and Niger with a total potential market of over 48 million people. Merchants from these landlocked countries trade at the Kumasi Central Market, West Africa's largest open air market — to the extent that a section of the market has come to be called the "French line".

Through Ghana's membership in the Economic Community of West African Countries (ECOWAS), Kumasi potentially serves an even larger market of over 250 million people.

### **3.0 MARKET OPPORTUNITY**

As a result of the city's growing importance as a commercial and administrative centre, traffic management in the city centre presents an enormous challenge. Kumasi's central business district is characterized by relatively narrow roads. Parts of these roads have been converted into parking spaces for both private and commercial vehicles. This presents an enormous challenge for city officials, drivers and pedestrians.

#### **3.1 Parking Facilities in The Kumasi Business District**

The Kumasi Metropolitan Assembly (KMA) which is responsible for administering the city operates through its an agent to manage three major off-street parking facilities in Kumasi. Two of these are located in the central business district and the third located just outside of the central business district.

In addition, the city has converted portions of about 54 streets in the business district into parking slots. A total of about 1,278 individual parking spaces have been created from these already narrow roads. These parking slots are manned by attendants who collect hourly parking fees on behalf of the city.



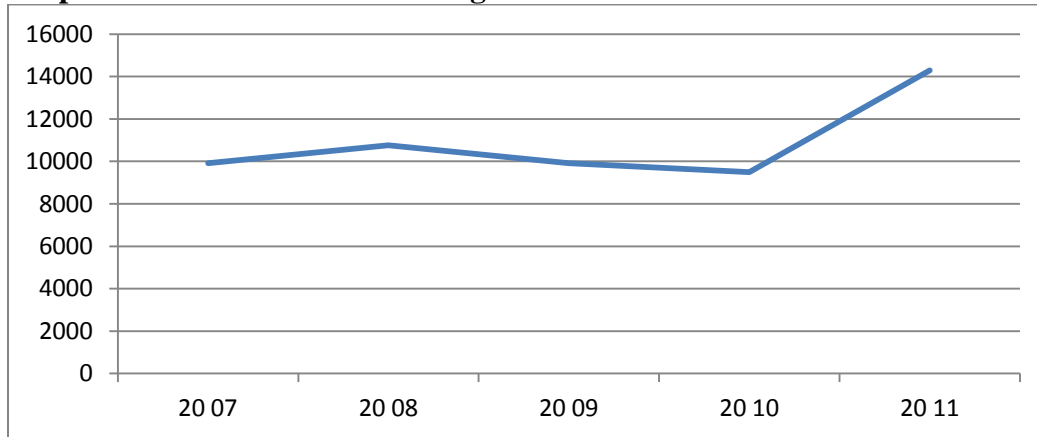
**Table I: Available Off- Street facilities and their capacities – July 2012**

Facility	Number of parking slots
Prempeh Assembly Hall	200
KMA Central Car Park	450
Prisons Car Park	78

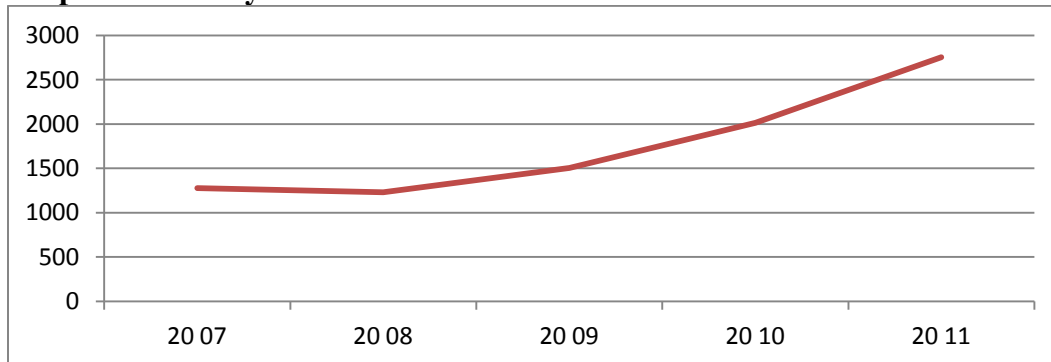
### 3.2 Increase In Vehicular Movement In the Kumasi Metropolis

Due to the growing population of Kumasi and the Ashanti Region, as well as to the increase in economic activity and the large number of merchants from neighboring regions and countries, the number of motor vehicles in Kumasi has increased significantly.

**Graph IV Number Of Vehicles Registered In Kumasi From 2007 To 2011**



**Graph V: Motorcycles recorded in Kumasi 2007 to 2011**

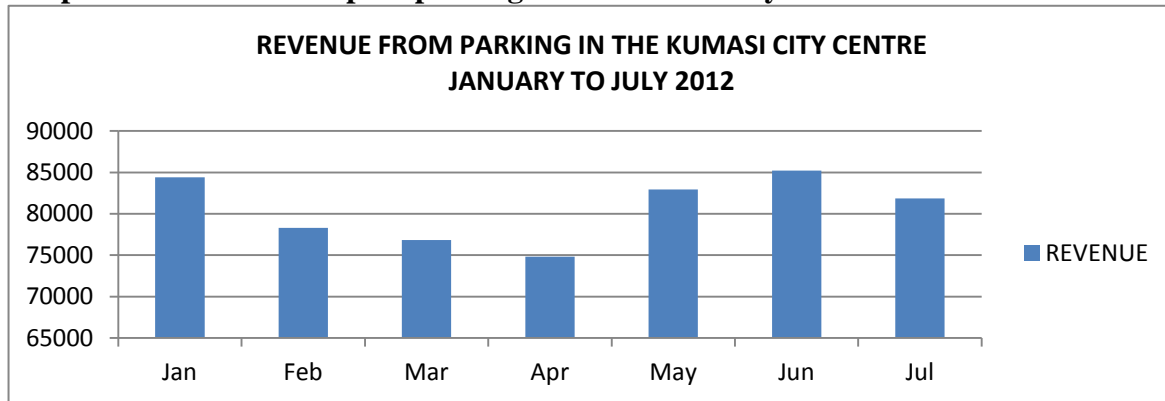




### 3.3 Revenue From On And Off Street Parking

The city realized an amount of GHC564, 385.48 (USD 282,192.7) from both on and off street parking from January to July, 2012. An amount of GHC14, 708.2 (USD7354.10) was generated from fines as a result of wrongful parking in the city from January to July, 2012.

**Graph II Revenue from paid parking in the Kumasi city centre**



The table below compares the revenue generated from parking fees and clamping fines from May to July 2012 to its corresponding months in 2011. An average growth in revenue 11.43% is observed.

**Table II Year-on-year increase in revenue from paid parking in Kumasi city centre**

YEAR	MAY	JUNE	JULY
2012	84,764.80	88,008.10	71,383.92
2011	75,461.66	79,960.38	84,394.30
Percentage growth	12.32	10.07	11.92

The number of vehicles and the volume of traffic are expected to continue to grow with the predicted growth of population in Kumasi and the Ashanti Region, as presented in the Introduction to Kumasi section above. This challenge presents an opportunity for an investment in a commercial car park in the city centre.

## 4.0 WHY BUILD A CAR PARK IN KUMASI?

### 4.1. Rapid growth of traffic

As can be seen from the data presented above, there is an urgent need for off-street parking in Kumasi. The growth of traffic will be further escalated by the expected fast growth of population, both in Kumasi and in the Ashanti Region of which Kumasi is an administrative and commercial centre. The Ashanti region with a growth rate of 2.7% is the third fastest growing



region in Ghana after the Northern and Greater Accra regions with the growth rates of 2.9% and 2.8% respectively. It is expected that by 2015, the population of Kumasi will be approaching 2.75 million and that of the Ashanti region is expected to exceed 6million.

#### **4.2 Availability of land**

The Kumasi Metropolitan Assembly has land available in prime areas in the city centre which could be used in a Public Private Partnership (PPP) arrangement. Information on potential locations is provided in the next section.

#### **4.3. Support from the Municipality**

The city authorities, realizing the extent of the traffic problem, have adopted temporary measures which include on-street and off-street car parking spaces. However, the city will welcome a permanent solution through the development of one or more multi-purpose car parks which will ease the traffic situation and at the same time guarantee revenue for the city. Under a Public Private Partnership (PPP) arrangement the investor is in a position to request additional support from the local authority.

Kumasi has institutions and companies that can provide inputs and offer services for the construction of the multi-purpose car park. Services offered by these institutions and companies include architectural services, building materials and hardware, construction equipment and services.

#### **5.0 Potential locations for new car park(s) in Kumasi**

Land in the following locations in the city centre has been identified;

- Central Prisons area can be found in the central business district. Its location within the business district will makes it ideal for a car park.

#### **5.0 Support provided by Kumasi Municipality and Kumasi Regional Administration**

The Kumasi City Investment Promotion Unit (KCIPU) will help potential investor to select the most suitable area for the construction of the new car park and assist potential investors in securing building permits for the projects. Building permits are building development consents granted to a prospective developer by the KMA to construct buildings or related structures in an approved location, within a set time frame and in line with local or national building regulations. The permit provides the necessary guarantee that a proposed building or related structure is to a large extent suitable for construction.

### **6.0 INVESTMENT INCENTIVES**

#### **6.1 General Incentives and Guarantees**

- Custom duties exemptions for plant, machinery, equipment and parts thereof
- Graduated and reasonable corporate taxes



- Automatic immigrant quotas (work permit for employees and residence permits for dependants) depending on the amount of paid-up capital
- Other attractive tax concessions such as accelerated depreciation for plant and buildings, five-year loss carry-over and R & D expenditure deductibility
- Relief from double taxation for foreign investors and employees where applicable
- Full repatriation of dividends and net profits attributed to an investment
- Transfer of funds in respect of servicing of foreign loans.
- Guarantee against expropriation (enshrined in the Constitution of Ghana and Ghana Investment Promotion Centre Act, 478)
- Remittance of proceeds in the sale or liquidation of investment

## 6.2 public private partnerships projects

The Government of Ghana through its Public Private Partnership (PPP) policy encourages the use of PPP as a means of leveraging public resources with that of the private sector to address the infrastructure gap and promote efficient service delivery. The Kumasi Metropolitan Assembly (KMA) owns some strategic lands in the city centre which could be used in a PPP arrangement. Under this arrangement an investor can negotiate additional incentives in addition to the statutory ones that investors are entitled to.

At the national level an investor can negotiate for:

- Customs exemptions on non zero rated plants and equipment
- Additional immigrant visas (for non-Ghanaian employees)

At the city level an investor can negotiate for the waiver of building permit fees and other levies associated with the development of property

## Funding

The country hosts major international and local finance institutions that a potential investor can benefit from. There are 25 banks and several mortgage finance institution in the country. All the banks are universal in nature and provide support for the real estate sector.

The Social Security and National Insurance Trust (SSNIT) which is the statutory body for the management of workers' pensions is a good source of funding for the car park project. SSNIT has already invested in three multi-purpose car parks in Accra, the capital of Ghana.

## 7.0 FURTHER INFORMATION AVAILABLE

List of other relevant information materials on Kumasi (both municipality and region) / Ghana available electronically and/or in print, including MCI studies etc.

- MCI: Invest in Ghana: Focus Kumasi. March 2008



- KPMG: Kumasi, Ghana: Potential Opportunities for Investors. September 2008

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