

REPORT OF THE FINANCE COMMITTEE ON THE
EKN-COVERED EXPORT CREDIT FACILITY AGREEMENT
BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA
(REPRESENTED BY THE MINISTRY OF FINANCE) AND ING BANK
N.V. OF NETHERLANDS FOR AN AMOUNT OF ONE HUNDRED
AND EIGHTY MILLION, NINE HUNDRED AND FIFTY-SIX
THOUSAND, FOUR HUNDRED AND FIFTY-THREE EUROS AND
NINETY-FIVE CENTS (€180,956,453.95) SUPPORTED BY AN EKN
PREMIUM OF TWENTY-THREE MILLION, FIVE HUNDRED
THOUSAND EUROS (€23,500,000.00) TO FINANCE THE
ESTABLISHMENT OF TWELVE (12) STATE-OF-THE ART
TECHNICAL AND VOCATIONAL EDUCATION TRAINING
CENTRES – PHASE II

AND

DOWN PAYMENT FACILITY AGREEMENT AMONG THE
GOVERNMENT OF THE REPUBLIC OF GHANA (REPRESENTED
BY THE MINISTRY OF FINANCE), THE DEVELOPMENT BANK OF
SOUTHERN AFRICA (DBSA) (AS ORIGINAL LENDER), AND ING
BANK N. V. OF NETHERLANDS (AS ARRANGER AND AGENT) FOR
AN AMOUNT OF TWENTY SEVEN MILLION, SEVEN HUNDRED
AND EIGHTY-SIX THOUSAND, FOUR HUNDRED AND THIRTY-
THREE EUROS AND FIVE CENTS (€27,786,433.05) TO FINANCE THE
ESTABLISHMENT OF TWELVE (12) STATE-OF-THE ART
TECHNICAL AND VOCATIONAL EDUCATION TRAINING
CENTRES – PHASE II.

1.0 INTRODUCTION

The

- i. EKN-Covered Export Credit Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and ING Bank N.V. of Netherlands for an amount of One Hundred and Eighty Million, Nine Hundred and Fifty-six Thousand, Four Hundred and Fifty-three Euros and Ninety-five Cents (€180,956,453.95) supported by an EKN-Premium of Twenty-three Million, Five Hundred Thousand Euros (€23,500,000.00) to finance the Establishment of Twelve (12) State-of-the-Art Technical and Vocational Education Training Centres – Phase II; and
- ii. Down Payment Facility Agreement among the Government of the Republic of Ghana (represented by the Ministry of Finance), the Development Bank of Southern Africa (DBSA) (as Original Lender), and ING Bank N.V. of Netherlands (as Arranger and Agent) for an amount of Twenty Seven Million, Seven Hundred and Eighty-six Thousand, Four Hundred and Thirty-three Euros and Five Cents (€27,786,433.05) to finance the Establishment of Twelve (12) State-of-the-Art Technical and Vocational Education Training Centres - Phase II.

were presented to the House by the Hon. Deputy Minister for Finance, Mrs. Abena Osei Asare on Wednesday, 4th November, 2020 in accordance with Article 181 of the 1992 Constitution.

The Rt. Hon. Speaker referred the agreements to the Finance Committee for consideration and report in accordance with Order 169 of the Standing Orders of the House.

Pursuant to the referrals, the Committee met with, Hon. Deputy Ministers of Finance and Education, Mrs Abena Osei-Asare and Ms. Gifty Twum-Ampofo

respectively, Officials from the Ministries of Finance and Education and examined the Agreements.

2.0 REFERENCE DOCUMENTS

The Committee refereed to the following documents:

- i. The 1992 Constitution of the Republic of Ghana;
- ii. The Public Financial Management Act, 2016 (Act 921);
- iii. The Standing Orders of the Parliament of Ghana; and
- iv. Commercial Contract Agreement between the Government of the Republic of Ghana and SUMET Complete Equipment and Engineering Company Limited and Planet One Education Limited for the Establishment of 12 No. State-of-the-Art Technical and Vocational Education Training Centers in Ghana.

3.0 BACKGROUND

Technical and Vocational Education has over the years play a key component in Ghana's Education system. Technical and Vocational education provides skills training for youth who cannot be absorbed into tertiary institutions. Regrettably, Technical and Vocational institutions have not been adequately funded over the years resulting in total disrepair of their physical infrastructure and equipment. This position has been aggravated by inadequate numbers of skilled instructors to teach in the Technical and Vocational Institutions. This has adversely affected the human resource capacities of technical and vocational institutions across the country. To address these inadequacies, Government has embarked on a program to reform technical and vocational education in Ghana. In line with the above, the government initiated a program to establish 32 State of the Art Technical and Vocational Centers of Excellence across the country. The program which is being implemented in phases will improve the quality and access to Technical and Vocational Education in Ghana. Phase I of the project commenced in 2018

to upgrade facilities in nine (9) selected vocational and Technical Institutions across the country. Following the success of the first phase of the program, the Government intends to proceed with Phase II which seeks to upgrade facilities and improve the skills of staff of some twelve (12) Technical and Vocational schools in eleven (11) selected regions. To this end, Government secured credit facility to finance the Second Phase of the project which aimed at expanding access and increasing enrolment in Technical and Vocational Training Institutions.

4.0 OBJECTIVE OF THE PROJECT

The objective of the project is to improve physical infrastructure, equipment and human resource capacities in twelve (12) Technical and Vocational Institutions in Ghana to increase access and improving the quality of Technical and Vocational Education in Ghana. The project will also ensure that youth who cannot make it to tertiary institutions get employable skills.

5.0 JUSTIFICATION OF GOVERNMENT ACTION

As Ghana transitions to middle income country, there is the need to develop appropriate skills set to meet the growing industry requirement to fuel expected expansion in economic activity. To this end, Government has embarked on a project to develop world class Technical Training centers for the training of critical human resources required to meet the skills need of the economy.

The establishment of state of the Art TVET training centers across the country is expected to play a key role in the development of the required human capital needed to propel industrial growth. Government has therefore developed a five year development plan aimed at prioritizing technical and vocational education by expanding facilities at Technical and Vocational schools and providing them with state-of-the-Art equipment to train the needed human resources for the changing labour market.

6.0 TERMS AND CONDITIONS OF THE FACILITY

The total loan facility for phase II of the project is €208,742,887.00 of which €185,242,887.00 is the project cost and EKN insurance premium is €23,500,000.00. Out of the total loan, ING is providing €180,956,453.95 and the Development Bank of Southern Africa (DBSA) is making available €27,786,433.05. The summary of terms and conditions of the two-financing agreements is provided below:

Terms	ING ECA-Backed Facility	DBSA Commercial Loan Facility
Facility amount	€180,956,453.95 (of which €157.46 Million is 85% of the contract amount and €23.0 Million is EKN premium)	€27,786,433.05 (representing 15% of the contract amount)
Currency	Euro	Euro
Grace Period	3 years	0.5 years
Repayment Period	10 years	7 years
Maturity	13 years	7.5 years
Interest rate	6M EURIBOR +1.1% p.a (Currently 0+1.1%)	6M EURIBOR + 5.50% p.a. (Currently 0+5.5)
Commitment fee	0.40% p.a.	1.0% p.a.
Management Fee	1.0% flat	1.0% flat
All-in-cost	3.22% p.a.	5.81% p.a.

7.0 OBSERVATIONS

7.1 *Project Description*

The Committee noted that the project intends to construct twelve (12) state-of-the Art Technical and Vocational Training Centers across the country in line with Government's commitment to reform Technical and Vocational Education in

Ghana. The Committee was informed that the project forms part of the overall objective of Government to improve vocational education in Ghana. The project which is being implemented in phases will see to the establishment of over 36 state of the Arts Technical and Vocational Training Institutions across every region in Ghana, The Committee was further informed that, the 12 Technical Institutions form part of phase II of the project. Phase II is divided into four components as follows:

Component	Description	Cost (€)
Component 1	Infrastructure Development – Design, Build and Construct 12 Technical Training Centers	€119,400,222.00
Component 2	Tools and Equipment for 12 Technical Training Centers	€57,819,284.00
Component 3	Competency Based Master Training	€2,767,027.00
Component 4	Contractor’s Project Management Expenses	€2,256,354.00
Project Sub Total		€185,242,887.00
Employer’s Representative and Government Project Management Expenses		€3,000,000.00
Project Contract Price		€185,242,887.00

7.2 Application of the Facility

The Committee noted that, the Ministry of Education intends to spend the credit amount of €185,242,887.00 to upgrade facilities in eight (8) Technical and Vocational Training Institutions. The Committee was informed that, the Credit facility will be applied toward the refurbishment and upgrading of infrastructure, provision of state-of-the-Art equipment in twelve (12) Technical and Vocational

Training Institutions. Part of the facility will also be applied towards capacity building for staff of the Institutions.

7.3 *Facilities to be provided in Each Category of Institutions*

The Committee further noted that the Ministry of education classified the Institutions into two categories depending on the level of infrastructure upgrade to be provided and the target students. In all four (4) Category “A” and eight (8) category “B” facilities will be constructed under this facility. The Deputy Minister of Education explained that, Category “A” institutions are designed for skills upgrade and improvement for artisans who desire to improve upon their skills. These institutions will mainly concentrate on short courses and training programs. Category “A” facilities will be provided with modern and state-of-the-Art equipment but will not be provided with hostel facilities. Category “B” facilities on the other hand are designed to admit and train young fresh men, they require longer periods of training and are therefore to be provided with hostel facilities to accommodate students on campus.

The Committee however is of the opinion that, all category of facilities require hostel accommodation in view of the challenges associated with finding short-term accommodation especially in big towns and cities in Ghana. The Committee therefore urges the Ministry of education to seek alternative funding to provide hostel facilities in all Technical and Vocational Training Institutions in order to realize the full benefits of the investment being made in the sector

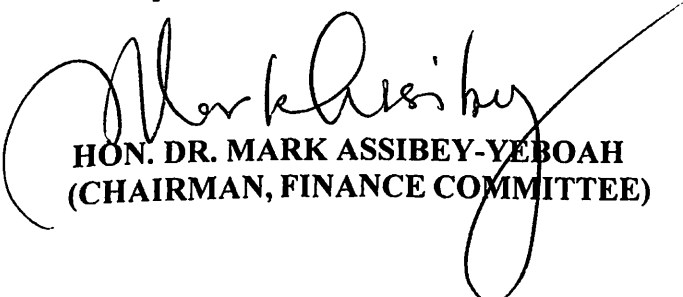
8.0 CONCLUSION

The Committee after carefully examining the referral is convinced that the facility, when approved will help expand access to Technical and Vocational Education and help train the critical human resources required to support the Country’s Industrial drive. The Committee therefore recommends to the House to adopt its report and approve the

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in accordance with Article 181 of the Constitution, Section 56 of the Public Financial Management Act, 2016 (Act 921) and Order 169 of the Standing Orders of the Parliament of Ghana

Respectfully Submitted.



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



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

November, 2020