

**IN THE FIRST SESSION OF THE EIGHTH
PARLIAMENT OF THE FOURTH
REPUBLIC OF GHANA**

**REPORT OF THE
COMMITTEE OF THE WHOLE**

ON THE

**PROPOSED FORMULA FOR THE
DISTRIBUTION OF THE GHANA
EDUCATION TRUST FUND
FOR THE YEAR 2021**

PARLIAMENT OF GHANA LIBRARY

REPORT OF THE COMMITTEE OF THE WHOLE ON THE PROPOSED FORMULA FOR THE DISTRIBUTION OF THE GHANA EDUCATION TRUST FUND (GETFund) FOR THE YEAR 2021

1.0 INTRODUCTION

1.1 Pursuant to section 8 (2) of the Ghana Education Trust Fund Act, 2000, (Act 581), the Proposed Formula for the Distribution of monies expected to accrue to the Ghana Education Trust Fund (GETFund) for year 2021 was presented to Parliament on Tuesday, 22nd June, 2021 by the Deputy Majority Leader, Hon. Alexander Kwamena Afenyo-Markin on behalf of the Majority Leader and Minister for Parliamentary Affairs, Hon. Osei Kyei-Mensah-Bonsu. The Proposed Formula was subsequently referred to the Committee of the Whole for consideration and report.

1.2 The Committee met on Thursday, 24th June, 2021 and considered the referral.

The Committee expresses its appreciation to the Hon. Minister for Education, Dr. Yaw Osei Adutwum, the Administrator of the Fund, Dr. Richard Boadu and officials of the GETFund for attending upon the Committee.

2.0 REFERENCE DOCUMENTS

The Committee, in preparing its Report, availed itself of the following documents:

- i. The Standing Orders of the House.
- ii. The Ghana Education Trust Fund Act, 2000 (Act 581).
- iii. Earmarked Funds Capping and Realignment Act, 2017 (Act 947).
- iv. The Ghana Education Trust Fund (Amendment) Act, 2018 (Act 972).

- v. The Formula for the Distribution of Proceeds of the GETFund for year 2020.

3.0 **BACKGROUND INFORMATION**

- 3.1 Section 8(2) of Act 581 mandates the Board of Trustees of the GETFund to submit annually to Parliament for approval, a Formula for the distribution of funds in respect of the following:
 - a. tertiary education;
 - b. second cycle education;
 - c. basic education;
 - d. investment; and
 - e. other related aspects of education such as distance education, school and public libraries, and special education.
- 3.2 Section 8(3) also requires the Board of Trustees of the Fund to take into account, some crucial factors that relate to the delivery and development of education in the country when preparing the Formula for the distribution of the proceeds of the GETFund. Accordingly, the Board of Trustees, in arriving at the Formula for the distribution of the Fund, considered the following factors:
 - a. promotion of the study of Mathematics, Science, and Technology;
 - b. advancement of female education;
 - c. reduction in the high level of illiteracy in historically disadvantaged areas;
 - d. promotion of Computer, Vocational and Technical Education and Training;
- 3.3 In arriving at the Formula, the Board also took into account, the provisions of Section 8(4) of Act 581 which provides that funds allocated

under the Formula in respect of pre-tertiary education should be equitably distributed to the Districts.

4.0 OBSERVATIONS AND RECOMMENDATIONS

4.1 Review of Year 2020 Performance of the Fund

a. GETFund Allocation for year 2020

An amount of One billion, Two Hundred and Twenty-Eight Million, Thirty-Eight Thousand, Four Hundred and Forty-Eight Ghana Cedis (GH¢1,228,038,448.00) was approved by the House for the Fund for the 2020 fiscal year. The breakdown of the allocation is shown in Table 1:

Table 1

Allocation to the GETFund for year 2020

Sub-sector	Allocation for 2020	%
Debt Service	686,655,000.00	55.91
Tertiary Education	225,000,000.00	18.32
Second Cycle Education	106,665,000.00	8.69
Basic Education	97,476,448.00	7.94
Others	86,117,000.00	7.01
Members of Parliament	26,125,000.00	2.13
TOTAL	1,228,038,448.00	100

The Committee noted however that actual accrual to the Fund in year 2020 was One Billion, Eighty-Two Million, Nine Hundred and Seventy-Five Thousand Ghana Cedis (GH¢1,082,975,000.00). This represents a shortfall of One Hundred and Forty-Five Million, Sixty-Three Thousand, Four Hundred and Forty-Eight Ghana Cedis (GH¢145,063,448.00).

It further came to the attention of the Committee that as at December 2020, only Six Hundred and Ninety-Five Million, Four Hundred and

Seventy Thousand Ghana Cedis (GH¢695,470,000.00) representing 64.22% of GH¢1,082,975,000.00 that accrued to the Fund had been released to the Fund.

The Committee expressed concern about delays and non-releases of monies to GETFund by the Ministry of Finance. Taking cognisance of the important role the Fund plays, particularly in the area of infrastructural development in the educational sector of the country, the Committee is of the view that delays and non-releases of funds to GETFund affects the timely settlement of claims by contractors and ultimately throws project completion schedules and project cost out of gear, sometimes occasioning huge variations.

In order not to defeat the purpose for which GETFund was set up, the Committee urges the Ministry of Finance to ensure that monies that are expected to accrue to the Fund for the execution of projects and programmes, and other commitments, are fully released, and on time.

b. Servicing of GETFund's Debt

The Committee noted that an amount of Six Hundred and Forty Million, Four Hundred and Seventy Thousand Ghana Cedis (GH¢640,470,000.00) out of GH¢695,470,000.00 that was released to the Fund by the Ministry of Finance in year 2020, was used by GETFund to service part of its debt.

As at 31st December, 2020, the outstanding debt of the Fund stood at Six Hundred and One Million, Eight Hundred and Sixty-Three Thousand Ghana Cedis (GH¢601,863,000.00). This includes arrears of Seventy-Six Million, Six Hundred and Six Thousand, Three Hundred and Forty-Nine Ghana Cedis (GH¢76,606,349.00) and One Hundred and Thirty-Seven Million, Seven Hundred and Fifty-Two Thousand Ghana Cedis (GH¢137,752,000.00) from years 2016 and 2019 respectively.

c. Major Projects Undertaken by the Fund in year 2020

In spite of the low releases of monies to the Fund in year 2020 the Committee noted that the Fund was able to undertake some major projects which are at various stages of completion. These include:

- Construction and completion of academic facilities in public tertiary institutions.
- Construction and rehabilitation of dormitories, classrooms, dining halls and other facilities in various Senior High Schools.
- Construction and rehabilitation of basic school classroom blocks.
- Construction of kindergarten facilities.
- Provision of whiteboard and markers in some Senior High Schools.
- Supply of classroom furniture as well as beds and mattresses to various schools.
- Procurement of buses and pick-ups for schools and Agencies under the jurisdiction of the Ministry of Education.
- Procurement of Teaching and Learning materials for schools.

4.2 **Securitisation of GETFund Receivables**

In year 2018, the House gave approval to the Ministries of Education and Finance to securitize a portion of GETFund receipts to raise a US\$1.5 billion loan facility for the provision of educational infrastructure. The GETFund through, the Ministry of Education, was to access the loan facility in three tranches of US\$500 million over a period.

The Committee was informed that the Fund was only able to raise a total of GH¢1.122 billion out of an expected amount of GH¢2.3 billion (1st tranche of US\$500 million) through the CAL Bank and Standard Chartered Bank (SCB) syndication and disbursed same in year 2019. An additional GH¢445 million was raised from the CAL Bank syndication in year 2020, thus bringing the total syndicated loans to GH¢1.567 billion.

According to GETFund, the inability of the syndication to raise the expected amount was attributed to the fact that the syndication was restricted to only banks, many of whom did not have sufficient funds to meet the single obligator limit set by the Bank of Ghana in respect of how much a single bank could contribute to the syndication. Furthermore, the terms did not appear attractive enough to many banks.

To overcome the above challenges and to extend the borrowing capacity of GETFund, the Board of Trustees of the Fund established a Special Purpose Vehicle (SPV) – Daakye Trust PLC (Daakye) to enable the Fund raise the additional funds through bonds and to consolidate the Fund's borrowings into a single debt structure.

The Committee expressed concern about the fact that GETFund failed to seek approval from the House when it decided to enter into a Bond Programme. The Committee is of the view that the creation of Daakye to administer the Bond Programme, serving as intermediary between GETFund and contractors for payments of GETFund commitments to contractors, runs contrary to the GETFund Act which requires GETFund to utilise its accrued inflows to pay its commitment directly to its debtors without an intermediary.

In response to this concern, GETFund indicated that the SPV was an integral part of the prospectus approved by the Securities and Exchange

Commission, and had the objective of creating the needed investor confidence for the success of the programme.

In addition, the arrangement was underlined by the fact that GETFund as an institution did not have the requisite expertise to manage the bond issuance and debt servicing processes, and therefore required an intermediary entity for that purpose.

4.3 **GETFund Bond Programme**

As indicated earlier, the inability of GETFund to raise the required amount through the securitization of a portion of GETFund receipts, necessitated the establishment of Daakye to secure an amount of GH¢5.5 billion Bond Programme to issue cash and to convert the syndicated loans into the Bond Programme. As at the end of December 2020, the Bond Programme had issued GH¢1.392 billion in bonds which have been listed on the Ghana Fixed Income Market.

According to GETFund, the bond was issued through a 7-year Fixed Rate Bond and a 10-Year Fixed Rate Bond. Through the Bond Programme, GETFund was able to raise an additional amount of GH¢259 million from a pool of investors, including individuals and local institutions. Part of this amount was utilised to re-finance the syndicated loan, which had a rather tight repayment schedule.

GETFund further informed the Committee that following the refinancing of the syndicated loans, an amount of GH¢443 million was freed up from the Debt Service Account and was immediately transferred to the SPV for disbursement to contractors. The Bond Programme enabled GETFund to achieve a number of outcomes including the following:

- Reduced the Debt Service Coverage Ratio from 1.5 x and 2x under the terms of the syndicated loans to 1.25x.

- Extended the principal amortization period from 2nd year of the syndicated loans to the 5th year of Tranche 1 and the 8th year of Tranche 2 issued under the Bond programme, thus reducing the payment burden on GETFund cash flows in the early years.
- Reasonably budget for its commitments and debt service requirements during the tenure of its liability in view of the application of fixed interest rate structure for the bonds, as compared to the variable interest rate for the syndicated loans.

Table 2 shows the pricing of the GETFund Bonds as compared to the syndicated loans and other alternatives.

Table 2

Daakye Bond Pricing Analysis

Security	Tenure at Issue (Years)	Term to Maturity (Years)	Coupon Rate (%)	Principal Amortization
SCB Syndicated Loan (Sep, 26)	7	5.3	GRR + 4%	Years 2 - 7
CAL Syndicated Loan (Jan-26)	7	5.1	GRR + 4%+ 0.30-0.40%	Years 2 - 7
Daakye-D1 Bond (Oct-27)	7	6.4	20.90%	Years 5 - 7
GoG (Nov-27)	7	6.5	20.50%	-
ESLA (Oct-27) ¹	10	6.4	19.50%	Years 8 - 10
Daakye-D2 Bond (Apr-31)	10	9.9	20.50%	Years 8 - 10
GoG (Mar-32)	15	10.8	19.75%	-
ESLA (Dec-31) ²	12	10.6	20.50%	Years 10 - 12

¹ ESLA (Oct-27) was issued on 08/11/2017 at a premium of 160bps to a comparable GoG 10-year Bond trading at 17.90%.

² ESLA (Dec-31) was issued on 13/01/2020 at a premium of 39bps to a comparable GoG bond trading at 20.11%.

Table 3

GETFund Bond Programme

DETAILS	AMOUNT REALISED GH¢'000	LOANS REFINANCED GH¢'000	BOND EXPENSES GH¢'000	AMOUNT AVAILABE GH¢'000
Bonds Issued	1,392,581	1,114,611	18,649	259,321
Amount Released from Syndicated Loans DSA & DSRA	443,635	-	-	443,635
TOTAL				702,956

As shown in Table 3, GETFund was able to raise total additional funds of Seven Hundred and Two Million, Nine Hundred and Fifty-Six Thousand Ghana Cedis (GH¢702,956,000.00) from its Bond Programme. The total GETFund exposure, as at 31st December 2020, stood at One Billion, Eight Hundred and Thirteen Million, Five Hundred and Eighty-One Thousand Ghana Cedis (GH¢1,813,581,000.00). This was made up of Bonds Outstanding amount of One Billion, Three Hundred and Ninety-Two Million, Five Hundred and Eighty-One Thousand Ghana Cedis (GH¢1,392,581,000.00) and Syndicated Loans Outstanding of Four Hundred and Twenty-One Million Ghana Cedis (GH¢421,000,000.00).

4.4 Projected Accruals for the 2021 Fiscal Year

For the 2021 fiscal year, an amount of One Billion, Four Hundred and Forty-Two Million, Seven Hundred and Ninety-Six Thousand Ghana Cedis (GH¢1,442,796,000.00) is expected to accrue into the GETFund. The structure of spending of this amount per the various sub-sectors of education and other related areas is shown in Table 4.

Table 4

GETFund Distribution Formula for year 2021

SUB-SECTOR	AMOUNT (GH¢)	PERCENTAGE (%)
Debt Service	866,016,000.00	60.02
Year 2020 Shortfall	145,063,000.00	10.05
Tertiary Education	175,437,000.00	12.16
Secondary Education	74,000,000.00	5.13
Basic Education	66,237,000.00	4.59
Others (GETFund, Ministry of Education and its Agencies)	85,793,000.00	5.95
MPs (Emergency Projects and Monitoring)	30,250,000.00	2.10
T O T A L	1,442,796,000.00	100

According to the Administrator of the Fund, the Fund's structure of spending in year 2021 is aligned to the Education Sector Priority Projects and Programmes.

The Committee however noted with grave concern that out of GETFund's expected total inflows of GH¢1,442,796,000.00 for year 2021, an amount of GH¢866,016,000.00 representing 60.02% of the allocation will be utilised for debt servicing. This situation will leave the Fund with only 39.98% to cater for its projects and programmes for the year.

4.5 Focus Areas of GETFund for year 2021

The Committee observed that the major area of focus of the Fund for year 2021 will be the servicing of debt (Bond Programme and Syndicated Loans residue). As indicated in Table 4, it is estimated that about 60.02% of GETFund's total spending will be allocated for this purpose.

GETFund will also ensure that the year 2020 shortfall of GH¢145,063,000.00 is allocated to the spending institutions to cater

for commitments in respect of planned projects and programmes in year 2020.

Taking cognisance of the amount that will accrue to the Fund in year 2021, the Fund would also focus on the underlisted among others:

- a. Completion of ongoing projects across all sectors of education.
- b. Construction of few critical education facilities.
- c. Construction of kindergarten facilities.

Other components of the above projects and programmes include the following:

- i. academic facilities and infrastructure;
- ii. allocation of funds to the Students Loan Trust Fund;
- iii. scholarships; and
- vi. procurement of teaching and learning materials.

The Committee was informed that notwithstanding the focus of the Fund for year 2021, attention would also be given to other priority needs at all levels of education.

4.6 Allocation to Tertiary Education

The Committee noted that a sum of One Hundred and Seventy-Five Million, Four Hundred and Thirty-Seven Thousand Ghana Cedis (GH¢175,437,000.00) constituting 12.16% of the projected inflow into the Fund for year 2021 has been earmarked to cater for projects and programme under the tertiary sub-sector.

The Committee was informed that government, through GETFund is mindful of the impending impact of increased enrollment in tertiary institutions as a result of the Free Senior High School Policy. Accordingly, the Ghana Tertiary Education Commission will collaborate

with the various institutions to provide adequate academic facilities to deal with the anticipated increased number of enrolment in tertiary institutions.

4.7 Allocation to Secondary Education

An amount of GH¢74,000,000.00 representing 5.13% of the expected accruals to the Fund for year 2021 has been provided for secondary education to facilitate the payments of specific projects and programmes.

According to the Administrator of the Fund, in allocating the amount to secondary education, the Board took into account, the significant allocation from the Bond Programme towards secondary education.

4.8 Allocation to Basic Education

The Committee observed that an amount of GH¢66,237,000.00 representing 4.59% of the expected accruals for year 2021 has been provided for projects and programmes at the basic education level. Basic Education would also benefit from an amount of GH¢57,000,000.00 from the Bond Programme for basic school projects.

4.9 Allocation for Investment

The Committee noted that for year 2021, an amount of GH¢85,793,000.00 constituting 5.95% of the projected amount to accrue to GETfund has been allocated to the Ministry of Education as well as Institutions and Agencies within the Education Sector, including the GETFund. The Committee further noted that in accordance with Section 8 (2) of Act 581, 0.25% of GH¢85,793,000.00 amounting to GH¢214,482.50 has been earmarked for investment activities in the Education Sector.

The Committee considers the allocation for investment, a step in the right direction. However, it observed that GETFund did not provide the breakdown in respect of the allocation for investment activities. It must be noted that GETFund did not also provide details in respect of the allocation for its investment activities in year 2020. Consequently, the Committee directs GETFund to ensure that details on investments are provided in subsequent Distribution Formulae to the House.

The Committee also urges the Parliamentary Select Committee on Education to vigorously carry out its oversight responsibilities by following-up on the execution of various GETFund projects and programmes, monitor the expenditure trends of the Fund, and report to the House periodically.

4.10 Allocation for MPs Emergency Projects and Monitoring Activities

The Committee observed that an amount of Thirty Million, Two Hundred and Fifty Thousand Ghana Cedis (GH¢30,250,000.00) has been earmarked by the GETFund for emergency projects of Members of Parliament and the monitoring of the projects in their constituencies.

4.11 Rising Trend of GETFund Borrowing

The Committee noted that in year 2020, GETFund raised an amount of Seven Hundred and Two Million, Nine Hundred and Fifty-Six Thousand Ghana Cedis (GH¢702,956,000.00) from its Bond Programme. In year 2021, the Fund projects to raise an amount of One Billion, One Hundred Million, Six Hundred Thousand Ghana Cedis (GH¢1,100,600,000.00) through the Bond Programme. This translates into an increase of 56.57% over the amount raised in year 2020. Table 5 provides the breakdown of how GETFund intends to utilise its bond proceeds in year 2021.

Table 5
Proposed Utilisation of Bond Proceeds in year 2021

Item Description	Amount Allocated GH¢	%
Refinancing of Syndicated Loans	100,000,000.00	9.09
Model Schools	80,000,000.00	7.27
Second Cycle Projects	175,000,000.00	15.90
Basic School Projects	57,000,000.00	5.18
Consultancy	16,000,000.00	1.45
Tertiary Projects – New Interventions	55,000,000.00	4.99
Furniture	54,000,000.00	4.91
Vehicles (Buses, Pickups and Motor Cycles)	125,800,000.00	11.43
TVET Equipment	46,700,000.00	4.24
TVET Centers	66,240,000.00	6.02
Laptops for Teachers	150,000,000.00	13.63
Teaching and Learning Materials	45,000,000.00	4.09
Laboratory Equipment	56,000,000.00	5.09
Bond Expenses	13,860,000.00	1.26
Ongoing Projects/Arrears	60,000,000.00	5.45
TOTAL	1,100,600,000.00	100

The Committee raised concern about the rising trend of borrowing by GETFund and observed that this trend, if not measured, has the potential to create a situation where all GETFund allocation may one day be utilised to service debt. The Committee was of the view that since GETFund inflows is tied to a percentage of projected revenues, which could sometimes experience shortfalls, there is the need for GETFund to focus on utilising its inflows to fund its projects instead of resorting to borrowings.

GETFund however explained that financial liabilities to contractors arising from the inability to complete GETFund projects within schedule often results in project variation cost of about 40%. In order to mitigate this high variation, and particularly make funds readily available for completion of projects on schedule, GETFund considered it more cost effective to raise the requisite funds from the capital market at an average lending rate of 20.5% as depicted in Table 2. GETFund

indicated that borrowing at the rate of 20.5% to fund its projects within schedule was a far cheaper option as it eventually reduces the average project variation cost from 40% to about 20.5%.

4.12 Amendment of Act 581

The Committee observed the need to amend the GETFund Act, 2000 (Act 581) to enable the Fund perform more efficiently. The Committee is of the opinion that the membership of the Board of Trustees of the Fund, comprising seventeen (17) persons (as provided in Section 6 of Act 581) is too large and must be reviewed.


The Committee noted that the Distribution Formula of the Fund focuses on the promotion of the study of mathematics, science and technology as well as computer, vocational and technical education and training. The Committee recommends that the amendment of Act 581 should also make provision for GETFund to expand its coverage to cater for the study and promotion of engineering in view of its high relevance to national development.

5.0 CONCLUSION

Undoubtedly, GETFund plays an important role in the development of education in the country. The Committee, having examined the Distribution Formula of expected inflows into the Fund for year 2021, noted that the GETFund Distribution Formula across the various levels of education is in line with Government's objective of improving access, equity and quality of education delivery through the provision of requisite infrastructure and facilities. The Distribution Formula takes into account, the promotion of the study of mathematics, science and technology, promotion of female education, promotion of computer, vocational and technical education and training, as well as equitable allocation of funds to the Districts at the Pre-Tertiary level of education.

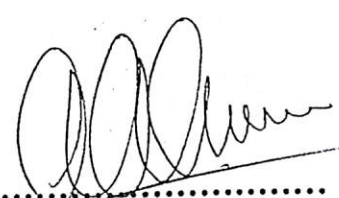
In the light of the above, the Committee recommends to the House to approve the year 2021 GETFund Distribution Formula in respect of an amount of **One Billion, Four Hundred and Forty-Two Million, Seven Hundred and Ninety-Six Thousand Ghana Cedis (GH¢1,442,796,000.00)** for the 2021 fiscal year.

Respectfully submitted.



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HON. JOSEPH OSEI-OWUSU
(FIRST DEPUTY SPEAKER AND
CHAIRMAN, COMMITTEE OF THE WHOLE)

PARLIAMENT OF GHANA LIBRARY



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ABIGAIL ABA ANSO
(CLERK, COMMITTEE ON EDUCATION)

30TH JUNE, 2021