

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

REPORT OF THE FINANCE COMMITTEE

ON THE

LOAN FACILITY AGREEMENT AMONGST THE GOVERNMENT OF THE
REPUBLIC OF GHANA AND ING BANK (A BRANCH OF ING-DIBA AG
DEUTSCHE BANK AG) HONG KONG BRANCH (AS ORIGINAL
LENDERS, ARRANGERS AND COORDINATORS), ING BANK N.V. (AS
AGENT), AND ING BANK N.V., BEIJING BRANCH (AS ECA AGENT) FOR
AN AMOUNT OF ONE HUNDRED AND TWENTY-THREE MILLION,
SEVEN HUNDRED AND FIFTY-SIX THOUSAND, SEVEN HUNDRED AND
SEVENTY-FOUR EUROS AND FIFTEEN CENTS (123,756,774.15)

TO FINANCE THE

OVERALL UPGRADING AND MODERNISATION OF THE
VOCATIONAL EDUCATION SYSTEM IN GHANA

MARCH 2019

1.0 INTRODUCTION

The **Loan Facility Agreement** amongst the **Government of the Republic of Ghana** and **ING Bank** (a branch of ING-DIBA AG Deutsche Bank AG) **Hong Kong Branch** [as Original Lenders, Arrangers and Coordinators), **ING Bank N.V.** (as Agent), and **ING Bank N.V., Beijing Branch** (as ECA Agent) for an amount of *One Hundred and Twenty-Three Million, Seven Hundred and Fifty-Six Thousand, Seven Hundred and Seventy-Four Euros and Fifteen Cents (123,756,774.15)* to finance the **Overall Upgrading and Modernisation of the Vocational Education System in Ghana** was presented to the House on Tuesday 12th March 2019 by the Hon. Deputy Minister for Finance, Mrs. Abena Osei-Asare on behalf of the Minister for Finance.

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

The Committee subsequently met and discussed the Agreement with the Minister for Education, Hon. Dr. Matthew Opoku-Prempeh, a Deputy Minister for Finance, Hon. Mrs. Abena Osei-Asare as well as officials from the Ministries of Finance and Education. Also in attendance were the heads of the National Vocational and Technical Institutes (NVTI) and the Council for Technical and Vocational Education and Training (COTVET).

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

The Committee is grateful to the above-mentioned Honourable Minister, Deputy Minister and 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 Agreement:

- 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

The physical infrastructure and equipment of the existing Technical and Vocational Institutions are presently in a poor state. There is a compelling need to reverse the trend of disintegrating infrastructure.

In line with Government's commitment to tackle youth unemployment, programmes are now being designed to ensure that the youth are better equipped with employable skills to match the requirements of industry in a lower middle income and nascent oil economy.

The present project is in accordance with Government's commitment to reform the Technical and Vocational Education & Training system which has wide social and economic benefits, especially to the youth.

The project is designed to upgrade and revamp vocational training infrastructure in all 34 centres across the country in all the twenty-six (26) trades with world-class training equipment, content, curriculum and infrastructure including hostels, classrooms and workshops.

The project is expected to result in the upgrading and revamping of vocational training infrastructure to help bridge the skills gap of the youth of Ghana.

The integrated approach will improve the quality of the Technical and Vocational Education and Training (TVET) system across the entire spectrum and result in empowering the youth of Ghana.

3.1 PROJECT OBJECTIVE

The objective of the **Overall Upgrading and Modernisation of the Vocational Education System in Ghana (OUMVESG) Project** is to create a sustainable, quality-oriented vocational education system that will build a highly efficient skilled society ultimately producing highly trained manpower year after year, enhancing the vast development activities and initiatives being introduced by the Government of Ghana.

The eight (8) specific key objectives of the Project are:

- i. Improving youth employment especially in the rural areas
- ii. Expanding equitable access in public TVET institutions targeting more females and the rural poor
- iii. Improving relevance and quality of TVET delivery
- iv. Building technical and management capacity of NVTI and other skills training centres
- v. Equipping the youth with entrepreneurship skills
- vi. Adopting the cooperative approach to skills training for the youth to create their own jobs
- vii. Retraining current workers who have skill gaps, and
- viii. Imbuing in master craftsmen the aptitude for productivity and credibility.

4.0 TERMS AND CONDITIONS OF THE LOAN

The Loan Agreement covers two facilities, the **Sinosure Guranteed Facility** and a **Tied Commercial Facility**.

The terms and conditions are as follows:

A. SINOSURE GUARANTEED FACILITY

Facility Amount	-	€105,193,258.03 (of which €99,525,074.50 is for 85% of the contract amount and €5,668,183.48 is for 85% of the SinSURE Premium)
Grace Period	-	2 years
Repayment Period	-	10 years
Maturity Period	-	12 years
Interest Rate	-	6M Euribor +2.0% per annum

B. TIED COMMERCIAL FACILITY

Facility Amount	-	€18,563,516.12 (of which €17,563,248.45 is for 15% of the contract amount and €1,000,267.67 is for 15% of the SinSURE Premium)
Grace Period	-	0.5 years
Repayment Period	-	7 years
Maturity Period	-	7.5 years
Interest Rate	-	6M Euribor + 5.7% per annum

5.0 PROJECT COMPONENTS

The Project is divided into ten (10) components with the associated costs as follows:

S/No.	Description	Amount (in Euros)
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1	Upgrading the infrastructure (laboratories, workshops, classrooms, hostels and administration offices) for the 34 Vocational Training Institutes	26,031,051
2	Re-tooling of the 34 Vocational Training Institutes	68,150,305
3	Provision of latest Content and Curriculum based on outcome based approach and industrial growth requirements	2,890,363
4	Providing training for the teachers and the trainers from the 34 Vocational Training Institutes	2,576,647
5	Deployment of a Project Management Team for project management	1,467,415
6	Upgrading Head Office, 10 Regional Offices & 5 Apprenticeship Offices	1,734,218
7	Providing transportation vehicles for the 34 Vocational Training Institutes	2,721,381
8	Providing transportation vehicles for the Head Office and Regional Offices	912,110
9	Constructing 2 new centres for foundry and machinery	6,938,893
10	Upgrading the OICG center and its Head Office in Greater Accra	3,665,940
	Sub-Total	117,088,323
11	Sinosure Premium	
	TOTAL	123,756,774.15

6.0 OBSERVATIONS

6.1 Resolving Youth Unemployment

The **Overall Upgrading and Modernisation of the Vocational Education System in Ghana** Project for which the present loan facility is being contracted will support the rehabilitation, retooling, modernisation and capacity building of the NVTI Training Centers to help resolve the challenges of youth unemployment in the country. The project accords with Government's priority of emphasising the enhancement of the competitiveness of goods and services produced in the country and ensuring an improved production of human capital for growth and poverty reduction.

6.2 Need to Retool the NVTIs

The Committee noted that the NVTI and other competency based training institutes under the Ministry of Education provide demand driven employable skills to enhance the employability and income generating capacity of those predominantly in the 15-24 age bracket who are mostly basic and secondary school leavers. These institutes provide the skills training through apprenticeship, master craftsmanship, testing and career development. They however have dilapidated infrastructure with obsolete tools and equipment. Indeed, the last time some of these institutions were retooled was as far back as 1977, thus some 42 years ago.

6.3 Beneficiary Institutes

The Committee observed that the project covers all the 34 Vocational Training Institutes in the country and commended the Ministries of Education and Finance for ensuring that there is a 100% cover of all the institutes across the length and breadth of the country. This would ensure that the youth can attend the institutes that are closer to their location since the required facilities and equipment would be equally available thereat.

Attachment: Please find attached as APPENDIX, a list of all the 34 Vocational Training Institutes to benefit from the project.

6.4 Project Implementation Period

The Project has a planned two (2) year duration (i.e. 24 months). In accordance with the Project Implementation Schedule, it is expected to commence in 2019 and end in 2021.

6.5 Agency Fee

The Committee sought to know which of the Entities was entitled to the Agency Fee. To this, it was explained to the Committee that the ING Bank N.V. Beijing Branch being the *ECA Agent* is entitled to the Agency Fee of *Five Thousand Euros (EUR5,000.00)* per annum throughout the period of the loan. The other Agents would be sharing the Management Fee of 0.85% flat of the Facility Amount.

6.6 Difference between Loan Amount and Contract Price

As to why the Government was borrowing more than the contract price, it was explained to the Committee that though the Contract Price is in the sum of *One Hundred and Seventeen Million, Eighty-Eight Thousand, Three Hundred and Twenty-Three Euros (€117,088,323.00)*, the total Loan Facility amounts to *One Hundred and Twenty-Three Million, Seven Hundred and Fifty-Six Thousand, Seven Hundred and Seventy-Four Euros and Fifteen Cents (€123,756,774.15)*. The difference of ***Six Million, Six Hundred and Sixty-Eight Thousand, Four Hundred and Fifty-One Euros and Fifteen Cents (€6,668,451.15)*** represents the Sinasure Premium associated with the transaction.

6.7 Standardization of Skills Training and Certification

The Committee observed with concern the seeming inconsistencies between the examination and certification being employed by State Agencies such as NABTEX, NVTI, COTVET and the Technical Education Division of the Ghana Education Service. The Committee iterates the need to ensure standardization in the technical, vocational and other competency-based training system in the country to provide a unified and

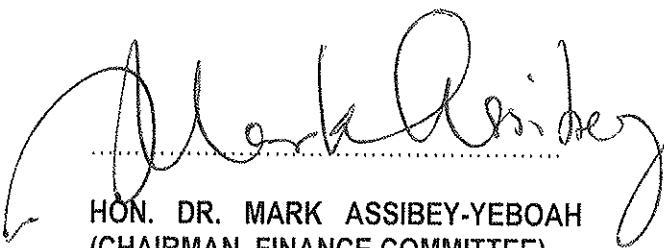
comprehensive technical and vocational certification programme in the country, from the lowest to the highest level.

7.0 CONCLUSION

The Committee finds the **Overall Upgrading and Modernisation of the Vocational Education System in Ghana Project** to be immensely important towards retooling and revamping the entire Technical and Vocational Education and Training (TVET) system in Ghana.

The Committee therefore respectfully recommends to the House to adopt this report and approve by resolution, the **Loan Facility Agreement** amongst the **Government of the Republic of Ghana** and **ING Bank** (a branch of ING-DIBA AG Deutsche Bank AG) **Hong Kong Branch** [as Original Lenders, Arrangers and Coordinators), **ING Bank N.V.** (as Agent), and **ING Bank N.V., Beijing Branch** (as ECA Agent) for an amount of *One Hundred and Twenty-Three Million, Seven Hundred and Fifty-Six Thousand, Seven Hundred and Seventy-Four Euros and Fifteen Cents (123,756,774.15)* to finance the **Overall Upgrading and Modernisation of the Vocational Education System in Ghana** 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)

19TH MARCH 2019

APPENDIX

Schedule C

Details and Description of Transport Vehicles for Each Project Site

Sr. No.	NVTI	City/Town	Region	33-Seater Bus
1	St Annes VTI	Nandom	1	1
2	St Claire's VTI	Tumu		1
3	Namalteng VTI	Tongo	2	1
4	Bawku VTI	Bawku		1
5	Kofi Annan VTI	Kumbungu	3	1
6	St. Marry's VTI	Tamale		1
7	Tamale VTI	Tamale		1
8	Our Lady Fatima VTI	Sampa	4	1
9	Yamfo VTI	Yamfo VTI		1
10	Dormaa VTI	Dormaa-Ahenkro		1
11	Kumawuman VTI	Kumawu	5	1
12	Kumasi VTI	Kumasi		1
13	Institute of Business Studies	Kumasi		1
14	Hemang-Buoho VTI	Kumasi		1
15	Atorkor VTI	Atorkor	6	1
16	Toh-Kpalime VTI	Toh-Kpalime		1
17	St. Theresa's VTI	Chinderi		1
18	Caring Sisters VTI	Keta	7	1
19	Presbyterian VTI	Anum		1
20	Abetifi VTI	Abetifi VTI	7	1

21	St. Mary's VTI	Asamankese		1
22	Takoradi VTI	Takoradi		1
23	Charlotte Dolphyne VTI	Esiaman		1
24	Manso Amenfi VTI	Manso Amenfi	8	1
25	Birwa Voc Training & Rehab Inst	Cape Coast		1
26	Assin Foso VTI	Assin Fosu		1
27	Gomoa Aday VTI	Gomoa Aday		1
28	Breman Asikuma VTI	Asikuma		1
29	Winneba VTI	Winneba	9	1
30	Pilot Training Institute	Accra		1
31	Tema Industrial Mission VTI	Tema		1
32	Construction Machinery mech VTI	Accra- Cantonment		1
33	Kanda Career Training Institute	Kanda - Accra		1
34	New Century Career Training Institute	Dansoman - Accra	10	1
	Total			34

Summary of Vehicle Needs

Serial #	TYPE	Location	Qty
1	Double Cabin 4*4 Pick up	Regions Head office	20
2	33 Seater Bus	34 VTI Centers	34
3	Toyota Fortuner	Commissioner, Controller and Others	3