



REPUBLIC OF GHANA

## MINISTRY OF FINANCE

*In case of reply, the number and date of this letter should be quoted*

*Our Ref:*

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19<sup>th</sup> FEBRUARY, 2020

PRESS RELEASE

FOR IMMEDIATE RELEASE

### **RE: GOVERNMENT COMPLETES PAYMENTS OF ALL BDCs LEGACY DEBTS**

**Accra, Wednesday 19<sup>th</sup> February, 2020.** Reference is made to a press release by the Chamber of Bulk Oil Distributors (CBOD) on the 10<sup>th</sup> February, 2020 announcing the final settlement in full of all legacy debts due the BDCs and Banks from the period July 2011 – June 2015 plus interest up until 31<sup>st</sup> March, 2018. **This release seeks to outline the processes the Ministry undertook to pay the CBODs, and savings made afterwards.**

In early February 2017, the Ministry of Finance (MoF) received a letter from the Chamber of Bulk Oil Distributors (CBOD) demanding for the payment of the following outstanding claims:

- i. An amount of \$140,609,313 of Forex Loss Under-Recovery (FLUR) for the period 2011 - 2015 due which had been validated by Ernst & Young (EY) and was agreed and signed off by the previous Government but had not yet been paid;
- ii. An additional Forex Loss Under-Recovery (FLUR) amount of \$44,847,784 due for the period 2011 - 2013 , claimed but yet to be validated;
- iii. A Real Value Factor (RVF) amount of GH¢541,058,361 - also yet to be validated; and
- iv. A Forex Loss Under-Recovery Interest (FLURI) amount of \$108,563,490 - also yet to be validated.

**Forex Loss Under-Recovery (FLUR):** This is defined as the loss incurred by the BDCs as a result of the differentials between the GH¢/USD\$ foreign exchange rates determined by the National Petroleum Authority (NPA) for the pump prices and the rates at which the forex rates were supplied by the Bank of Ghana on behalf of the Government of Ghana (GoG).

**Forex Loss Under-Recovery Interest (FLURI):** This is defined as the interest accrued on the delayed payments of forex loss under-recoveries.



**Real Value Factor (RVF):** This is defined as the interest accrued on the delayed payments of price under-recoveries.

**From February 2017 to date, the following steps have been taken to evaluate, validate and settle the total amount due the BDCs and Banks.**

1. Government settled the agreed and signed off validated but still outstanding forex loss under-recovery amount of \$140 million through the ESLA Bond Issuance on 9<sup>th</sup> November 2017.
2. Government appointed EY to validate the unvalidated additional forex loss claim of \$44.83 million. The validation exercise resulted in a reduction of \$19.15 million for the amount claimed, (representing 43% savings) from \$44.83million to \$25.68 million.
3. To determine if the claims for RVF and FLURI were worth considering or should be disregarded, MoF commissioned a five (5) member committee with industrial and practical experience within the petroleum downstream sector to review and advise the Ministry on the validity of the RVF and FLURI claims. The committee concluded in their report that, given the nature of the downstream business operations and its associated risks as well as Government's policy on fuel subsidy at the time, the grounds for claims for RVF and FLURI were genuine and advised the GoG to validate the amounts and settle.
4. Subsequently, the Economic Management Team (EMT) directed MoF and Bank of Ghana (BoG) to invite the BDCs to a discussion with respect to the RVF and FLURI amounts and to review the process used and the interest rates applied to come up with the settlement amounts.
5. Based on the discussion and the terms agreed among MoF, BoG and the BDCs, EY was requested to validate the amounts claimed for RVF and FLURI, using 31<sup>st</sup> March 2018 as the cut-off date for the validation. The claims as of that date per the BDCs, stood at GH¢839,978,140 and \$133,350,625 for RVF and FLURI respectively.
6. The EY validation based on the agreed terms resulted in an amount of GH¢515,407,047 and \$99,667,917 for RVF and FLURI respectively, as against GH¢839,978,140 and \$133,350,625 that had been initially claimed translating into a saving of GH¢324,571,093 (39%) and \$33,682,708 (25%) respectively.

These claims were settled in full with the proceeds from ESLA bonds, under ESLA PLC, issued in June 2019 and in January 2020. As such, Government has now settled in total all the legacy debts - which is not Central Government debt -- due the BDCs it inherited through ESLA PLC. This initiative has helped in reducing the non-performing loans (NPLs) in the banking sector contracted by the BDCs as well as strengthening the operations of the BDCs.

Government wishes to express its appreciation to Legacy Bonds Limited, CBOD, the Banks and all other stakeholders for their cooperation and support.

**ISSUED BY  
PUBLIC RELATIONS UNIT  
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**THE NEWS EDITORS**