

# ENERGY SECTOR ARREARS CLEARANCE PLAN

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## INTRODUCTION

1. Since 2009, the Government of Ghana has taken a serious view of the accumulation of huge arrears and commitment on the national budget.
2. One of the sectors that has been adversely affected is the energy sector with reference to utility payments by Government agencies.
3. The government, through Ministry of Finance and the Energy Ministry has therefore developed an arrears clearance plan to effectively deal with this issue in the energy sector.
4. The objective of this strategy is to establish the total arrears, payment of the arrears and measures to mitigate its reoccurrence.

## STOCK TAKE OF ENERGY ARREARS FOR 2012

5. Provisional information indicates that the total stock of energy utility arrears as at end 2012 stood at GH¢ 420.99 million. The details of the arrears are shown in Table 1 below:

Table1:GOG Indebtedness to Energy Sector as at end 2012 (million Ghana cedis)

VRA	239.89
ECG	107.73
NEDCo	73.37
TOTAL	420.99

6. The stock take also shows that there is the need for GOG to undertake a reconciliation exercise with the energy utility sector providers for the absolute indebtedness to be established.

## **STRATEGY FOR DEALING WITH THE STOCK OF ARREARS**

7. Consistent with Government's position in dealing with arrears, two strategies have been proposed by the Ministry of Finance.
8. The strategy consists of absolute cash payments and securitization of the debt.
9. In addition, the Ministry of Finance in conjunction with the Energy utility providers will monitor the clearance or accumulation of arrears.

### **Cash Payments in the 2013 Budget**

10. For the 2013 Budget, an allocation of GH¢100.0 million has been made to clear part of the arrears. This is expected to reduce the stock from GH¢ 420.99 million to GH¢ 320.99 million.

### **Securitization for 2013 Fiscal Year**

11. For the 2013 fiscal year, an amount of GH¢320.99 million will be securitized and/or paid in 2014.

## **STRATEGY TO DEAL WITH THE ACCUMULATION OF ARREARS**

### **Migration of all MDAs from Analogue to Pre-Paid Electricity Meter System**

12. In recognition of the need to halt the occurrence of huge energy utility arrears, His Excellency, the President in a letter No. 0P/COS/030 dated 7th March, 2013 has directed all Ministries, Departments and Agencies (MDAs) to migrate from Analogue to Pre-Paid Electricity Meter System by 30th April, 2013.
13. However, the Electricity Company of Ghana (ECG) was not able to carry out the full directives due to the huge consumption of electricity by some of government establishment which will make it impossible for them to operate on pre-paid meter system. The modalities are being worked out by the ECG.

### **MDAs Budgeting for Utility Payment**

14. In a related development, for the Ministry to curtail the policy of centrally paying for utilities, the Ministry of Finance in the 2013 Budget Guideline No. MoFEP/BDU/BG/12/1 issue to all MDAs indicates that all MDAs are to fully budget for their utility expenditure within their annual budget ceilings.

## **Government Investment Relations with SOE's**

15. The strategy for arrears clearance is part of a general plan of assessing government relations in terms of the following with SOE's: Equity, Loans (recovery/on-lending), debt service (from on-lending) and subsidies. Hence for example, it is expected that SOE's will establish Escrow and Counter-guarantee mechanisms for repaying loans that government guarantees for installation and operations of commercial projects

## **Conclusion**

16. It is expected that these measures would contribute to solve the accumulation of arrears problems for the Government of Ghana and reflect government's over all financial relations with SOE's.