

The Arrears Clearance Strategy

BACKGROUND

1. In 2009, Government embarked on an exercise to determine comprehensively the size of arrears from MDAs, Statutory Funds and State Owned Enterprises. At the end of 2010, arrears owed to MDAs, Statutory Funds and State Owned Enterprises stood at GH¢3,800.6 million.
2. Considering the negative impact of the build-up of arrears on the economy, Government took a serious view of it and gave a high priority to the management of arrears.

DEFINITION OF ARREARS

3. The initial challenge was the definition, compilation and establishment of the stock of arrears. In 2009, the definition covered the main central government operations ie. MDAs project and the statutory Funds.
4. In 2010, the definition was extended to cover Energy Sector Stated Owned Enterprises (SOEs).
5. In 2012, the definition was extended to cover COCOBOD indebtedness to Government.

STRATEGY FOR DEALING WITH THE STOCK OF ARREARS

6. Two strategies for liquidation have been adopted by the Ministry of Finance in consultation with the I.M.F. to manage the stock of arrears going forward. These are:
 - Securitization; and
 - Cash payments

Stock of Arrears Development

7. The Government was able to address the arrears problem by reducing the stock from GH¢ 3,800.00 billion in 2012 to GH¢ 2,336.7 million by the end of 2012.

Status of Arrears – Payments, Securitisation and Stock of Arrears

- For the period 2009 - 2012, a total of about GH¢ 3,548.8 million has been utilized to pay for outstanding arrears. In addition, about GH¢ 1,000.0 million has been securitized. Over the period, the definition has been modified to include both central and SOEs. Despite that increase, the stock has declined to GH¢ 2,336.7 million as at the end of 2012. The inclusion of COCOBOD indebtedness increased the stock slightly from the 2011 levels.

Item / (million Ghana cedis)	2009	2010	2011	2012
Payments	626.6	996.2	1,505.2	420.8
Securitisation			796.0	203.1
Stock of Arrears (incl. New ones)	923.7	3,800.6	2,216.8	2,336.7

- The details of the stock of arrears (in million Ghana cedis) at the time the budget was prepared in 2013 are as follows:

	Item	2012
1	Energy	359.8
2	Others	258.5
4	Interest Payments	223.4
5	Education Fund	96.9
6	DACF	121.5
7	National Health Fund	81.6
8	TOR	304.2
9	VRA	149.9
10	BOST	49.4
11	Utilities	333.0
12	Cocobod	358.5
	Total	2,336.7

- Government attaches great importance to the management of arrears. Consequently, Government will continue to monitor and put in place effective mechanisms to continuously reduce the accumulation of these arrears.