



REPUBLIC OF GHANA

MINISTRY OF FINANCE

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PRESS RELEASE

FOR IMMEDIATE RELEASE

MINISTER FOR FINANCE KEN OFORI-ATTA TELLS CITI'S BERNARD AVLE:

"HE'S UPBEAT ABOUT GHANA'S FUTURE, THE ENERGY SECTOR REFORMS ARE ON COURSE AND THE PDS SAGA OVER"

Accra, Thursday, 31ST October, 2019 ...In a wide-ranging interview on CITI News last night, the first granted by the Finance Minister since the decision of the Government of Ghana to terminate the Power Distribution Services (PDS) concession, Hon. Ofori-Atta told Mr. Avle that Government is methodically addressing the challenges in Ghana's energy sector, inherited from the "Dumsor" era.

2. The Minister for Finance called the decision to split with the Millennium Challenge Corporation (MCC) on the termination of the PDS concession "unfortunate," but "justified," given the failure by PDS to secure valid payment securities, which was a critical condition- precedent to the transfer of ECG's assets to PDS, thus exposing a sensitive, strategic national asset to undue risks.

3. Despite the revenue mobilisation challenges of 2019, the Minister was upbeat about the future of the country and noted that this year has been a good one for Ghana because, "we were able to find solutions to many of the issues that plagued the economy and our freedom to grow."

4. He cited a number of developments including: The undertaking the biggest clean-up of the financial services industry since independence; paying Government road contractors, notably, clearing 100 percent of what is owed to 82 percent of the contractors; major road works in all 16 regions across the country, including the Eastern Road corridor.

5. Honourable Ken Ofori-Atta also spoke about Ghana's exit from the IMF; inflation in the single digits, the lowest in 27 years; a stable Cedi; import duties lowered; the National Health Insurance Authority (NHIA) arrears cleared, as well as those owed to the Bulk Distribution Companies (BDCs);



6. Finally, the Minister reminded his audience that Junior High School pupils now have access to free secondary education, as well as in-school feeding programs.

7. The Minister cautioned however, that it will take “hard work” and “continued fiscal discipline” to safeguard Ghana’s economic future.

8. He explained further that Ghana’s current state of overcapacity in power generation, as well as in Natural Gas and Liquefied Natural Gas supply, arose out of an uncoordinated approach, plunging Ghana’s energy sector into a financial crisis.

9. Ghana has an installed power generation capacity of 5,083 MW, a dependable capacity of 4, 593 MW, and a peak demand of around 2,700 MW. In effect, Ghana’s installed capacity is almost double its peak demand. Moreover, with current tariffs not at full cost recovery for power and gas, the 2019 sector shortfall is expected to grow to approximately USD\$1.3 billion, and without urgent Government action, the sector shortfall will continue to increase and accumulate to more than USD\$12.5 billion (more than 25% of 2017 GDP) by 2023.

Said the Minister, “This situation, we would all agree, is unsustainable and unfair on the Ghanaian people.”

10. The Minister also clarified the role of the newly inaugurated Steering Committee under the Energy Sector Recovery Task Force, noting that the Committee will take responsibility for the collaborative consultation process between Government representatives and each Independent Power Producer (IPP) and Gas Supplier (GS) aimed at achieving a managed transition towards more balanced long-term relationships and sustainable energy partnerships. He noted also that the Committee is mandated to act until the objectives of the renegotiation exercise are fulfilled.

11. In response to a question about the consultation process, the Minister noted that the collaborative consultation has been “welcomed” by the investor community and will provide a forum for stakeholders to contribute to Ghana’s energy strategy, which is fundamental to the country’s industrialization and sustainable growth.

12. The Minister explained further that the Steering Committee is prioritizing several operational projects covering both renewable and conventional plants. He noted further that the primary focus of the renegotiation exercise is not merely on the number of contracts to be renegotiated, but about the formation of balanced, sustainable energy partnerships, which will reduce the overall financial burden imposed on Government by onerous energy sector contracts. In this regard, Government intends to re-negotiate every agreement it deems necessary to achieve the objectives of the Energy Sector Recovery Program (ESRP).

13. Hon. Ofori-Atta also used the CITI platform to disabuse the public of the many misstatements in the public domain on the PDS concession, and government’s plans regarding Private Sector Participation (PSP) in the Electric Company of Ghana (ECG). In doing so, he made some fundamental points:

- a. The Government of Ghana is fully committed to Private Sector Participation in ECG and is focused on strengthening Ghana's energy sector by attracting world-class private sector expertise and capital;
- b. The Republic of Ghana and the United States of America are long-term partners, with a shared vision of a Ghana Beyond Aid and the USA's principle of a "Journey Towards Self-Reliance", anchored by the emergence of Ghana as a Pillar of Stability in West Africa, and indeed, on the Continent;
- c. Ghana's relationship with the Millennium Challenge Corporation (MCC) under the US\$498 million Ghana Power Compact (Compact II), dated August 5, 2014, will continue to with the support and stewardship of the Millennium Development Authority (MiDA). It is worth noting that despite the de-obligation by the MCC of the USD\$190 million Tranche 2 funds under Compact II, the USD\$308 million Tranche 1 funding is committed and intact; and
- d. The primacy of Ghana's energy sector reforms as envisioned under both the MCC Compact and the Energy Sector Recovery Program (ESRP), jointly developed by the World Bank and the Government of Ghana, remain foundational.

14. Looking forward, the Minister said that to restore private sector participation in the management and financing of the ECG, and to avoid the pitfalls that the PDS concession encountered, the Government plans to institute broad Ghanaian institutional participation, as well as the democratization of share ownership, with an eventual listing on the Ghana Stock Exchange. He noted that the Government intends to present an action plan, by November 15, 2019, for the restoration of private sector participation in ECG.

15. In his closing remarks to Bernard Avle, Minister Ofori-Atta extolled the relationship between the United States and Ghana going back 60 years to the U.S. administration of Dwight D. Eisenhower and Ghana's first President, Dr. Kwame Nkrumah, noting that "our shared values and strong partnership will enable us to overcome this difference in opinion to build a stronger future together."

16. He stated that the Government of Ghana is making every effort to ensure that the electricity distribution assets are secured and properly managed and looks forward to deepening its relationships with the United States Government and other foreign partners

17. Our goal, reminded the Minister, is to achieve a WISER society – Wealthy, Inclusive, Sustainable, Empowered and Resilient. **END**



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THE NEWS EDITOR