



MINISTRY OF ENERGY AND PETROLEUM

PRESS RELEASE

For Immediate Release

ECG AND NEDCo NOT FOR SALE UNDER GHANA'S SECOND MILLENNIUM CHALLENGE CORPORATION COMPACT

The attention of the Ministry of Energy and Petroleum has been drawn to publications on a number of news websites which claim that the Electricity Company of Ghana (ECG) is up for sale in fulfilment of conditionalities attached to the second Millennium Challenge Compact. These publications are untrue and we wish to set the records straight as follows:

1. After the successful execution and implementation of the first compact which represented a refreshing new strategy for the transformation of agriculture and transport, Ghana has been selected among a few countries to benefit from a second Compact under the US Government MCC having demonstrated commitment to strengthening good governance, economic freedom, elimination of extreme poverty and investment in its people.
2. A growth diagnostic study (Constraints Analysis) identified three critical binding constraints to economic growth in Ghana. These are:
 - a. inadequate and unreliable supply of electricity,
 - b. lack of access to credit and
 - c. lack of access to secure land rights.
3. With our challenges with electricity availability, sufficiency and reliability, this Compact would focus on specific interventions in the power subsector aimed at increasing electricity access and reliability. The goal of the second Compact is to reduce poverty through economic growth in Ghana with interventions in the power sector.

4. Over the past 2 years a multi-sectoral consultation process coupled with the constraint analysis study culminated in the determination that lack of access to power is the single largest constraint to economic development in the country. Following this constraint analysis, several Government Ministries, Departments and Agencies including, the Ministries of Finance and Energy & Petroleum, Parliamentary Select Committee on Mines and Energy, ECG, NEDCo, VRA, GRIDCo, Energy Commission, PURC, EPA, NDPC, etc., have through several engagements and interactions worked together to develop and shape Ghana's second Compact.

5. This Compact has been carefully developed to holistically address challenges in the entire power supply value chain, specifically in generation, transmission, distribution, sector regulation and capacity building. The programme has six (6) projects designed to address the power supply constraints while enhancing efficiency, transparency and accountability in the power supply value chain. The specific interventions are:
 - a. ECG Financial and Operational Turnaround Project
 - b. NEDCO Financial and Operational Turnaround Project
 - c. Access to Electricity Project
 - d. Regulatory Strengthening and Capacity Building Project
 - e. Power Generation Sector Improvement Project
 - f. Demand Side Management/Energy Efficiency Project

6. To address the constraint of inadequate and unreliable power supply, the power distribution companies were found to be critical. The Ghanaian public is served by two distribution companies, Electricity Company of Ghana (ECG) and the Northern Electricity Distribution Company (NEDCo).

7. It is generally accepted that the distribution companies are financially unsound; have high losses and do not operate on sound commercial principles. This makes it difficult to maintain assets and finance capital expenditures and deters private investment, leading to low quality service and high cost of electricity service provision.

8. When the performance of the power distribution sector in Ghana improves with the supply of reliable power, it is expected that there will be

increased access to power for social and economic activities.

9. The Distribution and Access Projects under the Compact are therefore expected to result in the sustainable improvement of the operational and commercial performance of the electricity distribution companies through reduction of “hidden costs”, increased investments and improved regulatory environment leading to increased access to electricity for social and economic uses’.

10. The expected outcomes for the distribution and access projects are:
 - a. Reduced Outages
 - b. Improved power quality
 - c. Improved access/intensification of connections
 - d. Reduced commercial and technical losses
 - e. Improved customer services
 - f. Improved financial management and sustainability
 - g. Reduced cost of service

11. The discussion recognized the Electricity Company of Ghana’s on-going efforts at working with the Private Sector to improve on its operations for the benefit of the people of Ghana and industry eg: outsourcing of collections, pre-payment metering points, meter reading, sub-contracting of operations and maintenance works etc. Private Sector participation option in distribution is a generally accepted principle under the power sector reform efforts. The proposal under the MCC is a derivative of ECG’s own on-going efforts at ensuring private Sector participation (PSP) in its operations. The sale of ECG is not a subject for consideration under this compact.

These efforts at resolving our distribution challenges should therefore not be seen as sale of ECG or NEDCo.

Signed:

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