



## Ghana Concept Papers Summary

In 2011, the Government of Ghana (GOG) named the Ghana Core Team (GCT) responsible for development of its proposed second compact. The GCT began working on a Constraints Analysis to identify the binding constraints to economic growth and poverty reduction. The findings highlighted the provision of electric power, lack of credit and land tenure as binding constraints. Presentations of the findings from the Constraints Analysis were made and the GCT solicited stakeholder feedback on these findings. In November 2011, the GOG presented MCC with a compact Concept Note focused on electric power.

In January 2012, MCC partnered with the Initiative for Global Development and the Corporate Council on Africa to host a forum for business firms designed to help MCC and the GOG identify opportunities, obstacles, and solutions to private sector participation in Ghana's power sector. Important issues discussed included, among others, the need for reliable gas supply, a transparent framework for independent power producers (IPPs), a credible off-taker for power purchase agreements (PPAs) and a cost-reflective tariff.

On November 6, 2012, the GCT finalized four concept papers for a proposed second compact which address the power sector problems through five projects. These papers were submitted to MCC for review and simultaneously released to the public at <http://www.mida.gov.gh/compact2/concept-papers/>. The concept papers provide details on the proposed project rationale and description; project context and development plans; inventory of existing preparatory work; project benefits and beneficiaries; environmental, social and gender risks and opportunities; and M&E Methodology.

Following internal and external peer reviews of MCC's initial concept assessment, the transaction team prepares a concept paper assessment memorandum for approval by MCC senior management. Upon approval of that memorandum, the transaction team will prepare a letter to the government and core team outlining MCC's decisions and next steps. It is important to note that a decision by MCC to support further project development does not constitute a commitment to finance proposed projects.

### Concept Paper Areas of Focus

- **New Legal Framework for Developing IPPs:** Activities include concession laws that spell out the rules for private participation, in particular the rules for project bidding and tendering, and a description of the circumstances under which concessions can be modified or cancelled. Investors also often doubt the neutrality of the local judicial system, and press for international rules of arbitration.

- **Transparent and Equitable Open Access to Cheaper Gas Resources for Power Generation:** Activities include a consultancy and capacity building to add regulations and procedures to Gas Sector Master Plan.
- **Improved Tariff Model, including Full Cost Recovery and Effective Lifeline Provision, that Meets Requirements of All Sector Stakeholders; and Sector Appellate Body Created:** Concerns have been expressed over the absence of an independent appeal body within the sector – at present, the decisions of the PURC and EC can only be challenged through the courts, a process which is neither timely nor certain to result in an equitable outcome. It is proposed that an independent appellate body be set up, backed by a Legislative Instrument so that its decisions will be enforceable in law. This includes an improved tariff model and processes that meet requirements of all sector stakeholders in terms of cost recovery, an effective and efficient lifeline mechanism, and an appeal mechanism that provides assurance of equity in sector regulatory decision-making.
- **Established Bulk Electricity Trader/Wholesale Offtaker that Provides Creditworthiness and a “One-Stop Shop” for Standardized Power Purchase Agreements:** The GOG has proposed the establishment of a credible interim bulk electricity trader or wholesale offtaker. Under this scenario, a government owned bulk buyer carries out contract management and bulk trading (on behalf of the distribution companies) until such time as the industry has developed the settlement, accounting, managerial and governance systems required for successful bilateral contracting. The establishment of the bulk trader will not impose a “single buyer” model upon the industry because the distribution companies, to the extent that they are able to, will be allowed to procure power bilaterally alongside the bulk trader.
- **Strengthened Regulatory Capacity:** The aim is expected to be achieved through inter-alia the following functions for PURC: a) examine and approve rates chargeable for provision of utility services; b) monitor standards of performance for provision of services; c) initiate and conduct investigations into standards of quality of services given to consumers and d) conduct studies relating to the economy and efficiency of public utilities.
- **Strengthened Sector Corporate Governance:** For any meaningful impact to be made through Compact II intervention, there is the need to mitigate conflicts of interest and roles between stakeholders in the energy sector of Ghana. Roles must be clearly identified and defined between NEDCO, GRIDCO, ECG, PURC, Energy Commission, and Energy Foundation. Activities cover: a) undertaking review of governance standards in the sector; b) ensuring strict compliance with existing and revised corporate governance guidelines, and application of sanctions for misconduct; c) periodically reviewing the composition of the Board; e) determining whether it may be appropriate to add or remove individuals on the Boards of the agencies in the sector; f) capacity building and equipment for regulators (PURC and Energy Commission); and g) power quality measurement equipment and capacity to ensure performance-based regulation and improved quality of service delivery.

- **Supporting Infrastructure for Power Park:** The GOG has proposed the development of a gas to power park capable of housing three sets of generation plant. The location of the proposed site is yet to be determined. Park will be provided with a gas connection, electricity switchyard, and access roads.
- **Technical Assistance for Tema and Tamale Operational Region:** It is proposed to improve the performance of Tema and Tamale Operational Region in areas of technical and commercial operations by providing technical assistance and management support. The following areas are proposed as part of technical assistance: a) counterpart staff, b) re-engineering of business, c) staff re-orientation, d) staff training and e) loss reduction consultancy and training.