The Electricity Company of Ghana (ECG) is a victim of Government Policies and Practices

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The 17th February 2015 edition of the Business and Financial Times carried a long front page feature/opinion article written by Basiru Adam titled "The Headache called ECG" which purported to analyse the problems of the Electricity Company of Ghana (ECG) and its contribution to the current electricity supply crisis. It is however clear that the main purpose of the article is to justify the privatisation of the ECG. The privatisation (under the guise of restructuring) is the centerpiece of an energy sector project under the 2nd Millennium Challenge Compact between Ghana and the USA for which the USA is providing a $498 million grant.

Unfortunately the article suffers from various weaknesses -a false premise worsened by factual errors, strategic silences and omissions. These flaws seem driven by the author's hurry to arrive at a conclusion justifying the government's decision to privatize ECG. He ends up misleading readers about the complex of factors which account for the current electricity mess which is ruining businesses and lives. As a result the article's hailing of the MCA project as offering a "turnaround" stands on very weak foundations.

The ECG is one of the least loved public companies in Ghana and not only because it has its share of the operational and managerial shortcomings that afflict the public sector. Critically it is the frontline contact between most Ghanaians and the country's electricity industry and is therefore the target of public frustration about the problems of electricity supply. Many of us have stories of negative experiences with the ECG and can relate to the hassles faced by the real or fictional woman on a pre-paid meter in Mr. Basiru Adam's article. Equally well known are the losses suffered by the ECG from unpaid/uncollected revenue and illegal connections. The article correctly points out the knock on effects of ECG's revenue problems on power generators such as VRA and the independent power producer (IPP) Sunon Asogli.

Despite these problems it is patently false to claim, as Mr Basiru Adam does, that the ECG is " the problem with power supply in Ghana" , the headache "that needs to be confronted head-on if *dumsor-dumsor* is to be a thing of the past" and the privatizing of which "will give us uninterrupted power supply". Resolving the ECG's problems and making it more efficient will contribute to improving the quality of electricity supply but will not fundamentally resolve the many other problems which have contributed to the present crisis. In its determination to intensify "the headache called ECG" Basiru Adams' article fails to advert to these factors. It also fails to address how some of these factors have created a big headache for ECG which it is passing on to us.

The article is completely silent on the most important factor in the current energy crisis – shortfall in the generation of power. The details of the generation shortfall and its causes were laid out by the Minister of Power, Dr. Kwabena Donkor when he met the press on 2nd February 2015. According to him the generation shortfall had "led to the supply inadequacies leading to the current load shedding that we are all experiencing". In the week of his press conference Dr Donkor estimated demand at 2,109 MW compared with the week's peak generation capacity 1,494 MW.

The article's "blame it all on ECG" approach combines silence about the primacy of the generation shortfall as the reason for current crisis with implying that the debts ECG owes to VRA and Sunon Asogli are the main reasons for their generation problems and the reluctance of IPPs to enter the market. True the ECG is indebted to VRA and Asogli but more interestingly who is indebted to the ECG thereby undermining its ability to pay for power supplies? The Ghana government and public institutions are ECG's biggest debtors.

40% of ECG's monthly bills go to the Government of Ghana. According to a statement put out jointly by the workers of ECG, VRA and GRIDCO in January this year **the total Government indebtedness to ECG was GHC1, 247,597,280.51 (i.e. just under GHC1.25 billion or US$375m) as at the end of October 2014. This constituted more than 62% of debts owed to ECG.** This debt, accumulated by successive governments which carries no interest and has been devalued by inflation, is **still worth more than the $365m net value of the MCC grant once we deduct the $133.89m tax waiver for imports and foreign firms under the Agreement from the $498m nominal value of the American grant.**

In December last year Energy Minister, Emmanuel Armah-Kofi Buah publicly admitted the government's indebtedness to ECG. More significantly he confessed that no business entity could live for long with that amount of debt owed to it by customers. In other words, the default of the government and public institutions has been a major factor in the decline and crisis of ECG and its inability to pay its debts and to invest in maintenance and replacement of equipment.

So what are we to make of the lamentations of Ministers and other politicians about ECG's finances and concerns about its possible collapse? Hypocrisy and double standards would be a charitable description. Having undermined the ECG the government (with the support of the NPP in Parliament) now turns round to use its difficulties as justification for privatizing it under the Ghana MCA Energy project.

A condition for the MCA grant is that debts due to the ECG are recovered so as to make it attractive for a private operator. The government has agreed a plan for clearing the debts. So perversely while government will not pay its bills to keep ECG alive it will urgently do so to prepare it for privatisation! Even more bizarrely after years of policies and practices that have weakened not only ECG but also the VRA it will ensure the profits of the private firms who will take ECG's assets and the IPPs who will sell power through ECG!

The signing of the Compact was the high profile moment of President Mahama's participation in the August 2014 Africa-USA Summit in Washington. Sadly the government is doing its best to arrive at the implementation of the Compact by stealth with the manipulation of public opinion a key tool. There are credible rumours that private operators are being lined up for various roles in the private execution of ECG's roles. Are we heading for the usual scenario where privatisation hands the cash cow to foreign firms while Ghanaian cronies are guaranteed crumbs from the high table?

Parliament has contributed to the democratic deficit in the Executive's handling of the MCA Compact II project rushing through approval and barely evaluating it. The process by which the Compact Agreement came before the House is worrying. The Presidency sent the Agreement to the Speaker on the 16th July asking for it to be approved by the 18th. On the 17th July the Finance Committee met and produced a flimsy report recommending approval of the Compact Agreement. On the 18th of July 2014, two days after the government submitted the Agreement to Parliament, the legislature approved the Compact grant.

The approval process was without a meaningful debate of a complex project, prepared over a number of years with far reaching policy reform implications for the public and energy sectors. Shockingly the most lively exchanges in the House was over the attempt by NDC MP Alhaji Sorogho to stop NPP MP Mr. Annoh-Dompreh paying tribute to ex-President Kufuor for initiating relations with the MCC.

This speedy approval of the Compact involved another instance of what has become a worryingly frequent practice in Parliament - the waiver of the Standing Order that requires that at least 48 hours elapse between the date on which notice of a Motion is given and the date on which it is moved. This approach prevents close examination of issues, thereby undermining Parliament's oversight and representative function.

Clearly both the Executive and Legislature treated legislative approval of the Compact as merely part of the preparatory steps for President Mahama's visit to Washington rather than a serious democratic exercise. This enabled him to face the media flashbulbs in Washington fully garbed with a democratic mandate to sign the Compact. If the same type of approval had taken place in Zimbabwe in respect of a contract with China his American hosts would have denounced it as a farce.

The perfunctory approval may have led to a serious blunder in the Executive's presentation and Parliament's consideration of a separate request from MIDA to waive taxes (import duties on inputs, profit taxes on foreign firms, etc.) connected with the Project. The tax waiver worth USS133.89 amounts to 25% of the face value of the $498m of the MCC grant. The MIDA request was part of the material Government Memorandum to Parliament but its approval was not mentioned as part of the action the Executive required from Parliament. There is no reference to it in the Finance Committee Report, the Order Paper for the 18th July or the Hansard Report of the approval of the Second Compact. Perhaps a $133.89m tax waiver is too small a detail to worry about in respect of for a conditionality laden grant from the USA?

That reforms are needed in the energy sector, including improving the efficiency of ECG, is beyond question. Is the privatisation of ECG one of the answers? I do not think so. I have read a lot of the Compact II documents and there are many reasons for doubt and worry which space does not allow me to elaborate. Suffice to say we have been down this road before most notably in the case of the Ghana Water Company and the concession agreement with AVRL which ended badly. Government and its foreign partners are privately making claims of successful example in other developing countries and flying journalists around to come and tell the stories. The official narrative can however be challenged.

In January the Public Utility Workers Union (PUWU) and the Public Services Workers Union (PSWU) which cover the workers of ECG, VRA and GRIDCO put out a critique of the MCA project, including the planned privatisation of ECG and offered their alternative for dealing with the problems of the ECG. This position has been backed by the TUC and a number of other organisations. The workers intervention raises many important issues and underscores the need for more public information and discussion about the assumptions, justifications and implications of the MCA Energy project and its many conditionalities.

Even as Mr. Basiru Adam's article sits very well within the preference of our Governments for obfuscation rather than openness and engagement with citizens on a far reaching policy we should welcome it as a trigger for a debate. I hope the B&FT publishes this rejoinder as part of widening the debate.