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Ghana's Energy Sector to Receive US\$210 Million from World Bank and Other Development Partners

*Sector management, efficiency, reliability, sustainability, access and
alternative sources targeted*

WASHINGTON, July 26, 2007 - The World Bank Board of Executive Directors and the Global Environment Facility today approved US\$95.5 million in financing of the Energy Development and Access project to increase electricity access, supply, and reliability in Ghana, where rolling blackouts and inaccessibility continue to impede economic growth.

Ghana has made tremendous efforts to promote growth and development, and is reported to be on course to achieve the MDG goal of halving poverty in about a year, but is currently facing major energy challenges which could have far-reaching political, social, and economic repercussions.

Several factors account for Ghana's energy problems, and there is now an urgent need for a long-term visionary approach to sector management. The main objective of the Energy Development and Access project is to support long-term efforts aimed at (i) improving the performance of the power companies, (ii) increasing energy efficiency, (iii) scaling-up energy access to reduce inequity due to urban-rural imbalance, and (iv) enhancing renewable energy generation capacity.

"The current energy crisis in Ghana is one of the key impediments to growth," said World Bank Senior Energy Economist and Project Team Leader Paivi Koljonen. "Improving overall sector management, and the access and reliability of electricity supplies are pressing needs for Ghana today, and the Project is designed to address these. It will also help provide infrastructure that will help in the creation of new business opportunities and the acceleration of economic growth and employment."

In support of Ghana's multi-faceted energy sector strategy, the project will provide grants to developers of renewable energy generation projects - such as small hydropower, wind, and biomass - for the benefit of communities outside the main national grid system. It will also finance the establishment of an independent Rural Electrification Agency, which will coordinate all rural electrification programs. In all, 134,000 new customers in rural towns and villages will be connected to the national power grid by the project's end.

1 Of the total estimated project cost of US\$210.55 million, the World Bank financing is comprised of a US\$90 million equivalent International Development Association (IDA) credit on standard terms over a 40-year period of maturity and with a 10-year grace period, and a US\$5.5 million Global Environment Facility grant. Other sources of financing include the Africa Catalytic Growth Fund (US\$50 million), the African Development Bank (US\$18.25 million), the Global Partnership on Output-based Aid (US\$6.25 million), Ghanaian Financial Intermediaries (US\$7.75 million), and the Swiss Agency for Development and Cooperation (US\$11 million).

An important component of the project is the improvement of the distribution of electricity supply in the long-run, and in improving the sector's commercial performance. It is estimated that about 25% of total electricity generated is lost in the distribution process, and at a time when Ghana needs every unit of electricity to power the country's growth, these losses have to be minimized.

"Over one quarter of all electricity produced in Ghana is lost due to technical and commercial inefficiencies and theft," said Koljonen. "This project will help address these losses, making more power available."

Complementary World Bank Support for Ghana's Energy Sector

The Government of Ghana has both a long-term strategy and a short-term action program to improve the availability and reliability of power. The long-term strategy is the regional integration of Ghana's energy system through two major multinational energy projects -- the West Africa Gas Pipeline (WAGP) and the West Africa Power Pool (WAPP), both of which are financed by the World Bank. In the short-term, the Government is addressing the power capacity deficit and financial issues on several fronts, including a crash investment program to install thermal capacity this year, load curtailment, demand side management measures, and increases in power tariffs.

The WAGP is currently under construction and should bring Nigerian gas to Ghana in 2008. This gas would diversify Ghana's hydro-based power system with a cleaner burning, lower cost source of thermal power, which also would have environmental benefits. In addition, the ongoing WAPP will enhance cross-border power trade in West Africa in two ways. First, it will strengthen interconnecting power lines from Cote d'Ivoire to Togo and Benin along the Ghanaian Coast. Second, the WAPP will establish new interconnection lines within Ghana to transfer lower cost, gas-fired power generated along the Ghanaian coast, northwards, into Burkina Faso and other Sable Countries.;