Ghana's Cyclical Challenge of Incessant Tariff Increments, Power Sector Inefficiencies and Suffering Household and Firms

Ghana's Public Utilities Regulatory Commission (PURC) has once again sanctioned a significant upward adjustment in electricity tariffs, with an increase of 9.86% on all end users effective 1Q26. The decision, framed as essential for ensuring the financial viability of utility providers and attracting investment, has met with agitation and apprehension from Ghana's Trade Union Congress (TUC) due to the anticipated and deeply asymmetrical impact, laying bare the stark trade-off between economic efficiency and social welfare in a struggling economy.

For the average household, this is not merely a statistic but a direct assault on a strained budget. As of 3Q25, Ghanaian families allocate approximately an average 15.1% (an estimation based on 13.3% as of 2013 in the GLSS 7 report) of their monthly expenditure to utilities, including housing, electricity, water, and gas. Data from the Ghana Living Standards Survey (GLSS 7) reveal that while the poorest households spend a smaller share (9.9%) of their total budget on electricity, the expense consumes a crippling portion of their discretionary income. Such low-income families in urban areas, who mostly depend on the grid for refrigeration and lighting, will likely respond by rationing consumption, either by turning off lights, reducing fridge use, or limiting water consumption which has the potential to increase energy poverty and undermine their expenditure on health and education (children cannot study after dark) and productivity. In addition, the new 9.86% hike will force painful trade-offs, especially for the 3rd and 4th quintiles (predominantly the working class), who spend between 11% and 12% of their total expenditure on utilities. This implies that middle-class households with higher appliance ownership are likely to face the largest absolute increase in their bills, using about 20% of their household expenditure on utilities which further squeezes their disposable income amidst soaring inflation and eroding any sense of financial security.

For firms, particularly small and medium-sized enterprises (SMEs) and energy-intensive industries such as manufacturing, hospitality, and mining, the hike is a blow to competitiveness. Electricity is a critical input. An almost 10% increase threatens to suppress output, force price increases on already burdened consumers, and trigger layoffs or freezes. The Ghana Labour Force Survey highlights that sectors such as manufacturing are already fragile.

Therefore, this tariff increase risks stalling industrial growth and formal job creation, pushing more economic activity into the informal and less productive realm. While large corporations may absorb the cost or invest in backup solar systems, SMEs often lack that capital buffer, risking their closure. Evidence in the literature supports that higher tariffs and their continuous increments negatively affect the profitability of small and medium-scale enterprises like head dressing salons, barbershops, food vending shops, and artisanal craft shops.

Although higher tariffs evidently impact households and firms, the PURC justifies these adjustments as necessary to close the “revenue gap” for utility companies, primarily the Electricity Company of Ghana (ECG). The argument is that cost-reflective tariffs are essential for maintenance, infrastructure expansion, and reducing reliance on government subsidies. However, historical evidence from Ghana starkly challenges the assumption that tariff hikes automatically lead to improved efficiency or reduced system losses. The system loss of ECG before the major tariff review in 2018 was 24.3%; however, this increased to 30.6% by 2022, defeating the argument that major tariff reviews will automatically reduce system losses. As of 2024, ECG’s system loss was approximately 27%, estimated in monetary terms at approximately $600 million annually. Aside from the system losses, findings from the Auditor General's report on ECG and several audit reports from PWC and established reports confirm under-declaring of revenue, underreporting of revenue, frivolous procurement, and other bad corporate governance practices, making the company lose over Ghc2 billion annually. This means that a significant portion of the revenue generated from customers through incessant tariff hikes literally goes unaccounted. Each tariff hike has been followed by promises to curb these losses; however, progress is glacial. The revenue gained often seems to plug holes in a leaking bucket rather than funding transformative network modernisation.

History has established that the PURC continues to place the entire burden of utility sector inefficiencies on the end user, both household and firm, without guaranteeing service improvements. This suggests that tariff increments without stringent, enforceable performance benchmarks on loss reduction are a futile and regressive policy. Such policy directives create a vicious cycle of higher bills, leading to increased non-payment and illegal connections, which in turn exacerbate commercial losses, prompting calls for another tariff hike.

In conclusion, the 9.86% hike is not just a number or a percentage increase but a stress test for Ghana's social contract and economic resilience. Without a concomitant, demonstrable drive for efficiency within the utility companies themselves, it risks being merely another painful withdrawal from the pockets of Ghanaians with little collective returns. Ghana demands not just higher bills but also a smarter, fairer, and more accountable power sector.

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