Apodo Alphonce is a young Kenyan. A product of his generation, he uses a solar-powered lamp to read and light his home. Solar energy is now a relatively cheap and reliable source of power for millions of Kenyans.
From left to right: Elias Ayuk, Director, UNU-INRA, Accra; Aka Hyacinthe Kouassi, Senior Advisor, AfDB; Vanessa Ushie, Pan-Africa Senior Policy Advisor on Extractive Industries, Oxfam; Moderator, Ronald Meyer, Executive Director, AfDB; Marc Albérola, CEO, Eranove Group/Director of Operations, Eranove Côte d’Ivoire; Amadou Hott, Vice-President, Power, Energy, Climate and Green Growth, AfDB.

“Aiming to resolve our electricity problems within the next ten years is a daunting task, but possible if we build strong partnerships. Vietnam and Bangladesh have achieved extraordinary results over the last years, and Kenya is our continent’s showcase country. Donor money alone will not be sufficient; we need $40-50 billion/year over the next ten years to achieve our renewable energy targets. The Bank must play a leadership role to coordinate the various efforts, and to leverage development finance institution funds to catalyze private sector money in the form of pension funds, private equity funds, etc. PPP is a viable option to solve “bankable” issues but institutional capacity at the government side remains an issue for investors.”

Amadou Hott
We are obviously interested in developing renewable energies, which are abundant, locally available and therefore offer options for competitively priced energy access. Governments and their development partners must find the institutional and regulatory arrangements that favor this type of energy development. In Mali, which has the capacity and investment framework, we are currently building a small 42 MW hydro power plant on the Niger river.

We believe that it is preferable to develop very local, off-grid renewable energy solutions rather than investing in large power plants to produce renewable energies, as these create other issues such as costly distribution networks.

Government focus should be on accompanying local micro-hydraulic and biomass power-production projects, especially in areas without electricity. Local companies and individuals should be capacitated to exploit them to an extent where they will develop revenue-generating activities and therefore the capacity to auto-finance solutions and pay for the services.

PPPs are vital elements in offering affordable energy solutions. To bring down the price of services to an acceptable level for rural populations where the private sector finances let’s say 30% of a power plant project, the State could contract the remaining 70% of financing, passing on the benefit of its loan conditions to end users of the energy services.

“We need a regulatory framework to favor off-grid energy.”

Marc Albérola
We need incentives to drive power supply away from fossil fuels towards a more diversified mix of energy.”

Vanessa Ushie

When discussing powering Africa and closing the energy gap, we must distinguish between interrelated structural issues. Is our focus on providing energy for industrial use or giving access to energy to the poor? The latter is just as strategic, since it equates to meeting the demands of the poor for multiple uses—cooking, education, small-scale agriculture and small businesses.

The heavy carbon footprint of natural resource extraction is highly regressive, creates few local jobs, and diverts resources. Climate change is affecting how we transform our economies, societies, and lives in Africa. The New Deal and High 5s in general must build local resilience and ensure that projects designed to increase energy access are climate-proof investments. Regional development financial institutions must confront the structural problem of relying on natural resource extraction as a basis for industrialization. In the Bank’s shift to renewable energy, it must find the right balance between resources and incentives, and between off-grid and on-grid electricity.

Falling prices of renewables, growing numbers of rooftop smart and micro-grids, improvements in power efficiency, reduction in waste and emissions; all need to be tracked regularly. Environmental and health outcomes should be evaluated in parallel. What are the outcomes for women’s health, for example, of the clean-cook stove initiative?
In the current energy mix, Africa relies on fossil fuels for 50% of its energy, which is unacceptable. This must and can change given Africa’s enormous production potential using renewable resources. Côte d’Ivoire, Guinea, and Equatorial Guinea are examples of countries that produce electricity primarily using hydro and thermal energy.

We need to strengthen governance in the energy sector, carry out an evaluation of the renewable energy potential, and draw up a clear policy promoting renewable energy and ending subsidies to the fossil fuel industry. The institutions created to promote renewable energies remain undeveloped.

It is important to establish a regulatory framework that encourages private investments, with appropriate implementation measures and reassurance of government commitment.

“The role of a Development Finance Institution is to:

- Build government capacity.
- Help governments develop a diversified energy mix.
- Increase the number of bankable renewable energy projects.
- Provide the financial resources necessary to produce a leverage effect for the market and trigger private sector investments.
- Increase programs for small-scale financing in rural areas, in partnership with social funds, NGOs, and other development initiatives.”
We know that when the space shuttle passes over Africa, it is dark. We have done too little to provide electricity in a context where energy holds the key to structural transformation in many countries. When evaluating the benefits of providing power, we should take a holistic approach that encompasses knock-on effects to education, health, and small and medium-sized enterprises etc.

In Ghana, we have been challenged to provide sufficient power over the last few years, and this has had direct implications for SMEs. The power supply is therefore an urgent issue for the country’s development and we must include renewable energy alternatives when we address it.

The USA has a deliberate strategy to pursue fossil fuels. Next year it will be the world’s largest oil producer. Here in Africa, the cost of environmental degradation is high and is growing. Energy access directly impacts health, education, and trends in rural-urban migration. 2012 data shows that in Ghana we lose 12% of our GDP to environmental degradation. We cannot grow now and then debate and clean up later.

I’d like to suggest that we follow the six I’s to achieve our aspirations: Ideas, Incentives, Innovations, Institutions – political institutions, market institutions, etc., Infrastructure, and Implementation.

“In Ghana, we lose 12% of our GDP to environmental degradation. We cannot grow now, then debate and clean up later.”

Elias Ayuk
“We need to promote a green economy through regulations that foster investment, effectively managing technology transfer, and by providing innovative financing mechanisms for the private sector that break de facto monopolies. In Burkina Faso, a National Renewable Energies Promotion Agency was recently set up at a Council of Ministers’ meeting. A solar power station is under construction in Zagtouli to supply energy to Ouagadougou.”

Ramachandra Jammi, Senior Evaluator, IEG, World Bank.

“15 years ago, a country-led program in Rwanda aimed to put up off-grid power facilities in every community across the country. The government remained committed and involved throughout, and the implementation has been successful”

Batio Bassière, Minister of the Environment, Burkina Faso
Knowledge Café

What are the recommendations for an effective implementation of this High 5?

Participants noted that with its ‘New Deal on Energy’, the Bank is now adopting a more holistic approach to light up and power Africa.

Participants from IDEV, currently conducting an evaluation of AfDB funded rural electrification projects, point out that less than 5 percent of rural populations in sub-Saharan Africa have access to electricity, the lowest access rate in the world. This is due to the fact that the high cost of electricity supply in rural areas and the limited capacity of households to pay for services make it difficult to attract investment. At country level, there should be a system of tariffs and subsidies that ensures sustainable cost recovery while minimizing price distortions. In most countries, subsidies have so far failed to provide utilities with incentives to invest in rural electrification.

The approach focuses less on projects and more on solutions to power problems in Africa. The mandate of the Bank includes providing contextual advice which fits the country’s strategy for development. The Bank is enjoined to first identify the needs of a country prior to its intervention there. To facilitate implementation, participants unanimously think that the Bank should carry out evaluability studies prior to its intervention in the power sector. Finally, the Bank is urged to draw appropriate lessons from its own experience prior to any new intervention; harmonize with good practices of other donors on the Continent in order to enhance development effectiveness; and reinforce the monitoring system as basis for ensuring success.

LESS THAN 5% OF THE RURAL POPULATION IN SUB-SAHARAN AFRICA HAS ACCESS TO ELECTRICITY