

Africa Energy Collaboration

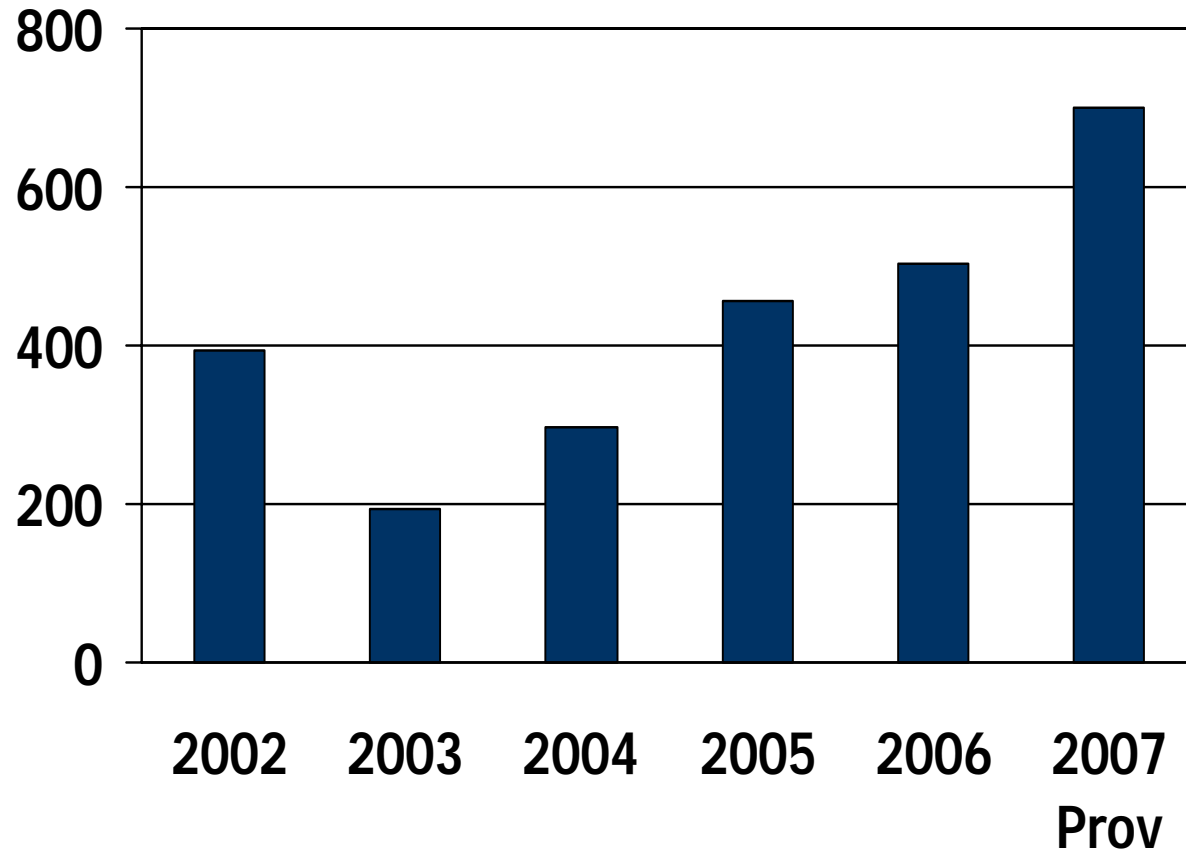
**World Bank and African Development Bank
Joint Retreat**

Tunis, September 19 2006

Overview

- Introduction: About AFTEG
- Energy Access in Africa: Context
- Rising to the Challenge: an Action Plan for Energy Access?
- Working Together: Strategic & Operational Convergence

World Bank Africa Energy Unit: AFTEG



■ Lending Commitments US\$ million

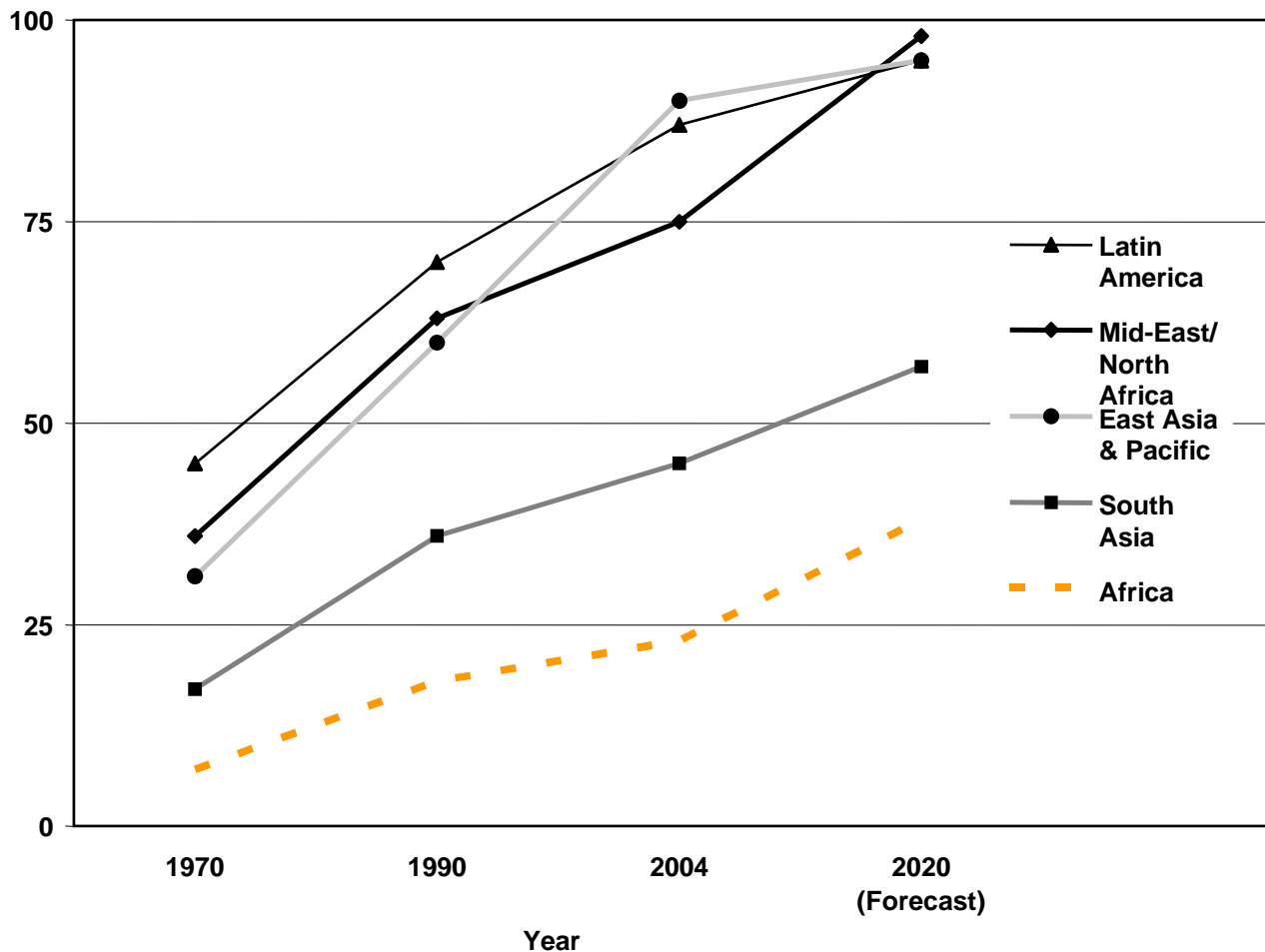
- 30 staff
- Decentralising
- Infrastructure merging with Environmental & Social Development: 'Sustainable Development'

Energy Access in Africa: Context

Without Urgent Scaling-Up of Energy Access, Africa Will Continue to Lag

% of population with access to electricity

Global Electricity Access Rates



- 500+ million in sub-Saharan Africa lack access to electricity
- Connection rates as low as 5% in rural areas

'Business as Usual' Is Not an Option

- Spotlight on Africa...
 - MDGs, Africa Action Plan, ICA
- ...Has raised expectations...
 - African Union & NEPAD, our Boards of Governors
- ...But resource constraints require new approaches
 - Working in partnership
 - Regional integration
 - Cutting across policy silos
 - New financing mechanisms

***Rising to the Challenge:
an Action Plan for Energy Access ?***

Scaling-Up Energy Access: 3 Overarching Goals

Electricity for Growth

- Increase coverage for enterprises & households

Powering the MDGs

- Connect public facilities - clinics, community centers, schools & local administration - using least cost mix of grid extensions & decentralized solutions

Meeting Basic Needs

- Equip households with at least one modern, affordable light
- Boost use of improved cook stove or LPG; achieve sustainable biomass fuel supply

Addressing Short-Term Challenges

- Several countries face severe short-term problems
 - Degraded systems emerging from conflict (e.g. Sierra Leone, Guinea Bissau, Liberia)
 - Natural causes such as drought (e.g. Uganda, Ghana)
 - High oil prices (e.g. Burkina Faso, Rwanda)
- Uganda a good model?: Package of measures over 3-4 year timeline, in parallel with access scale-up
 - Emergency generation with leasing, IPPs, cross-border power purchases etc.
 - Fuel and tariff support, in conjunction with progressive adjustment of energy prices
 - Rehabilitate systems, improve management efficiency (e.g. contract out utility functions), fix the utility's distribution business model
 - Clean up procurement and governance

Access Scale-Up Along Five Strategic Tracks?

- 1) Electrification programs with better integration of mini-grid and off-grid electricity options to complement grid-based approaches
- 2) Enhancing generation capacity (including via regional projects) to power grids
- 3) Provision of energy services for key public facilities such as schools and clinics
- 4) Promotion of stand-alone lighting packages for households remote from electricity service
- 5) Push for cleaner cooking, heating and lighting fuels

Tracks 1 & 2 necessitate new approaches to G&T and electrification projects

Fragmented Approach



Comprehensive Actions

Planning is ad-hoc & driven by donor priorities, each with different targets

Sequential program of grid expansion that is long term – 15 years or more

Execution is on project by project basis

Financing strategy for longer term with program approach

Financing is inadequate & unpredictable

Order of magnitude increase needed. From ~\$2 billion to ~\$4 billion p.a.

Countries are at different stages of readiness: a possible typology

Country Readiness	Actions
Green light: 'ready to go' countries	<p>Ready for multi-year investment program for scaling up energy access. Possible next steps:</p> <ul style="list-style-type: none"> - Analytical work to identify investments, least cost build-out - Capacity building for procurement and supervision of turn-key contracts - Pooled financing mechanisms
Yellow light: 'almost ready to go' countries	<p>Remove critical policy barriers prior to moving forward</p> <ul style="list-style-type: none"> - e.g. improving cost recovery to O&M break even level
Red light: 'some way to go' countries	<p>Improve up-stream governance and get sector fundamentals right as first step</p>

Initial thoughts on next steps

- Track 1: Electrification programs
 - Satellite-based ('GIS') mapping work to determine least cost grid expansion programs and to cost scale-up plans
- Track 2: Enhancing generation capacity (including via regional projects)
 - Short term support packages for countries under stress
 - Agree with partners a 5 year program of regional generation projects What is a realistic target?
- Tracks 1 & 2:
 - New approach to joint funding at sector level
 - A "Prospectus for Sector Syndication"?
 - Build capacity to improve planning, implementation and M&E of results
 - What else?

Initial thoughts on next steps: Track 3

- Provision of energy services for key public facilities
 - Closer collaboration with UN agencies
 - Share data, align planning
 - Launch joint ‘campaign approach’?
 - Use GIS-based analysis to determine least cost options for electrifying facilities
 - Active collaboration with partners to plan and implement specific programs
 - GVEP, NEPAD, local NGOs, private sector, others?
 - Include public facilities programs in “Prospectus for Sector Syndication”?
 - What else?

Initial thoughts on next steps: Track 4

- Promotion of stand-alone lighting packages for remote households
 - Assess the business case for demand-led affordable lighting provision, delivered by the private sector
 - Market development studies and pilots: e.g. investigate how to incentivise product development, assess product delivery chains
 - Consider proactive support to catalyse market development?: e.g. micro-credit mechanisms
 - What else?

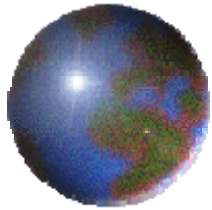
Initial thoughts on next steps: Track 5

- Push for cleaner cooking, heating and lighting fuels
 - New investments in sustainable woodfuel supply
 - Scale-up household energy demand management programs
 - Support pilots assessing scope for production and distribution of modern biofuel products
 - E.g. ethanol, gelfuel
 - What else?

***Working Together:
Strategic & Operational Convergence***

Suggested objectives for today

- Strategic alignment: a shared vision
- Operational convergence
 - Make our current projects perform better
 - What are the key issues?
 - How can we help each other get better results?
 - Review our FY07 and 08 lending programs and agree to partner/co-finance projects
 - How many?
 - Modalities ?
- Joint business development
 - What opportunities does the Action Plan present?
 - Countries like Botswana, Namibia and South Africa – what are the possible entry points for new business?



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