

## POLICY INTERVENTIONS FOR INCREASING ENERGY SUPPLY AND INCREASING PRO-POOR ENERGY ACCESS

	Increasing supply of modern energy for economic development	Increasing pro-poor access to modern energy services to meet the MDGs
<b>Current situation</b>	<ul style="list-style-type: none"> <li>- Lack of energy supply to boost industrial and agricultural development</li> <li>- Insufficient investments and inadequate regulatory frameworks</li> </ul>	<ul style="list-style-type: none"> <li>- Increase access to basic modern energy services for cooking</li> <li>- Increase access to basic social services; and greater support for local socio-economic development</li> <li>- Over 81% of the population has no access to modern energy services</li> <li>- Increase funding, adequate models needed for scaling-up</li> </ul>
<b>Targeted areas/ populations</b>	<ul style="list-style-type: none"> <li>- Large number of end-users in densely populated areas needing large quantities of energy, mostly in cities and peri-urban areas</li> </ul>	<ul style="list-style-type: none"> <li>- A widely dispersed large number of end-users needing small quantities of energy, mostly in rural areas</li> </ul>
<b>How?</b>	<ul style="list-style-type: none"> <li>- Increase electricity generation, transmission, and distribution; improve centralised infrastructure (power stations and transmission lines)</li> <li>- Sound legal framework to attract large private investments to the energy sector</li> </ul>	<ul style="list-style-type: none"> <li>- Increase access to modern energy services at local level by allocating sufficient resources for local implementation</li> <li>- Extend grid and build off-grid decentralised infrastructures</li> <li>- Improve understanding of energy demand to ensure optional investments</li> <li>- Sound policy framework reflecting increased political commitment in national development policy and budgets, including de-centralised investment funds</li> <li>- Incentives to attract small investors to less attractive areas</li> <li>- A greater role for local government (districts, municipalities, parishes) in energy planning</li> <li>- Increased capacity of micro-finance institutions to provide credits to end-users</li> <li>- Local finance institutions encouraged to support energy investments</li> </ul>
<b>Required financing</b>	<ul style="list-style-type: none"> <li>- Private and public</li> </ul>	<ul style="list-style-type: none"> <li>- Public (national and local budgets), ODA and private investments</li> </ul>
<b>Key actors</b>	<ul style="list-style-type: none"> <li>- Energy ministry, private investors, ODA,</li> </ul>	<ul style="list-style-type: none"> <li>- Multiple sectors from government, local and national (energy, health, education, national electricity companies and agriculture), energy regulators, rural energy / electrification regulation agency, local actors, private investors</li> </ul>
<b>Examples of programmes</b>	<ul style="list-style-type: none"> <li>- East African Power Pool</li> </ul>	<ul style="list-style-type: none"> <li>- Energy for Rural Transformation Programme (Uganda)</li> <li>- Rural energy agencies (Tanzania, Uganda)</li> <li>- Improved stove programme (Rwanda)</li> </ul>



## SCALING UP ACCESS TO MODERN ENERGY SERVICES IN THE EAST AFRICAN COMMUNITY

A POLICY BRIEF

### BACKGROUND

Unless affordable and reliable access to and supply of modern energy is provided for socio-economic development, East African Community (EAC) countries will struggle to reduce poverty and meet the Millennium Development Goals (MDGs). Although access to energy services alone will not achieve socio-economic growth, sustainable development or the MDGs, it remains an essential condition if these goals are to be reached.

Lack of modern energy services (for, among other things, clean water, education, healthcare, lighting, mechanical power for food production, clean cooking fuels and refrigeration) embeds poverty, limits the delivery of social services and constrains opportunities for children and women.

The increasing demand for modern energy services and the high population growth across the EAC is a challenge for development in the EAC. A business as usual scenario means development levels in the EAC in 2015 will remain almost unchanged to those of today.

EAC countries are addressing the problem individually through a range of measures, but more needs to be done – hence the need for a coordinated regional approach. To meet the challenge of attaining the MDG's, the EAC has launched a three pillar process:

- Regional Development Strategy (2006-2010);
- East African Power Master plan; and
- Regional Strategy on Scaling up Access to Modern Energy Services

The three pillars are linked by the aim to facilitate a reliable supply of, and improved access to, modern energy services. The pillars are prerequisites for poverty reduction and sustainable and equitable development.

The EAC's Regional Development Strategy promotes socio-economic development and views energy access as a priority for socio-economic growth. A common energy policy among EAC countries can assist in attracting necessary investment and promote competitiveness in order to provide cost effective energy services.

The East African Power Master Plan will ensure reliable supply and access to modern energy sources on a regional basis. This will boost industrial development and agriculture. Electricity interconnection and trade within EAC countries will also generate economies of scale.

## SCALING UP ACCESS TO MODERN ENERGY SERVICES FOR THE POOR

To increase energy access for the poor and to complement the activities proposed in the Regional Development Strategy, the East African Power Master Plan, and other country-based initiatives (see box 1), EAC countries approved the Regional Strategy on Scaling up Access to Modern Energy Services in 2006. The Regional Strategy will help to achieve the MDGs by identifying and mapping the energy service needs of half of the EAC population up to the year 2015. This will require additional investments totalling around USD 3.4 billion.

Developing capacity and improving knowledge on energy issues in the EAC are essential to expanding access. Establishing close relationships between regional energy stakeholders (ministries, the private sector, NGOs, energy operators and international donors) is also an essential part of the strategy.

## THE FOUR STRATEGIC TARGETS

The EAC has agreed four strategic targets to address the energy access challenges for achieving the MDGs:

**Target 1:** Use of modern cooking practices by 50% of those who currently use traditional biomass to reduce indoor air pollution to safe levels, and increasing the sustainability of biomass-derived fuel production.

**Target 2:** Access to reliable electricity for all urban and peri-urban poor.

**Target 3:** Provision of modern energy services (such as lighting, refrigeration, information and communication technology) and water treatment and supply for all schools, clinics, hospitals and community centres.

**Target 4:** Access to mechanical power within all communities for productive uses.

Each of the four targets has different characteristics and requirements. However, in general they all require energy supply to a large number of end-users who typically only use a very small amount of energy.

Yet one of the key messages of the scaling-up strategy is that there is a significant untapped market for private sector investment. Figures indicate that (excluding the top 20% income households) poor households spend up to USD 1.2 billion per year on energy services lower in the energy ladder. This shows that a substantial proportion of the required financing is available through end-user payments. Reaching the four targets is a challenge, but it can be achieved.

## KEY FEATURES OF PRO-POOR MODERN ENERGY ACCESS

- Energy for poverty reduction targets needs to reach a large number of end-users who typically use little energy.
- Small improvements in supply can have big impacts in terms of health, education and income generation.
- Generally, end-users have limited resources to spend on energy so energy supply interventions must emphasise affordability.
- Incentives are likely to be needed to encourage the private sector to invest in risky, small-scale energy projects.
- Local governments can take a more active role in energy access, through incentives, capital subsidies and tax concessions
- There are successful business models used in the region which need to be shared among member states – The Regional Strategy will help to do this.
- Some important initiatives to increase energy access for poverty reduction in EAC member states are:
  - Energy for Rural Transformation (Uganda);
  - Rural energy agencies (Uganda, Tanzania);
  - Improved stove programmes (Rwanda and Uganda)

## SCALE-UP STRATEGY ACTIONS

There are three overarching issues that must be addressed to reach the scale-up strategy targets:

- mainstreaming energy into MDG-based national development strategies;
- developing pro-poor energy policies and regulatory frameworks to attract the necessary investment from Official Development Assistance, national budgets and the private sector; and,
- building national capacity to deliver modern energy services for the poor and underserved.

## THE WAY FORWARD

Under the scaling-up strategy the EAC has already defined a regional implementation framework overview, an investment plan and an activity work plan: these are now being converted into national work plans to complement and build on existing energy access activities.

The EAC is strengthening the capacity of its secretariat to support the implementation of the national work plans according to EAC mandate. The work plans need to be endorsed by national governments and presented at a donor meeting, to raise the initial funding needed to begin implementation

There is also a need for advocates in the region to create widened awareness and support for the implementation of the strategy – particularly in its planning stage but also in its implementation, monitoring and evaluation phases.

## IMMEDIATE NEXT STEPS

Activity	Output
Arusha Workshop	National 24-month work plans
EAC meeting	Work plans adopted by EAC Energy Committee and EAC Secretariat
EAC Ministers' meeting	Work plans adopted by member states and governments
Donor Conference	Building support and mobilising resources for implementation