

Exploiting Africa's huge energy potential as a weapon against poverty

One of the most important conclusions of the 2003/2004 *African Economic Outlook*, which we have just published, is that Africa's enormous energy potential remains vastly under exploited. While almost half of the continent's 53 countries could profitably produce hydropower, only 7 per cent of this potential is reached because of poor infrastructure and the high costs of initial investments.

Further, despite its large geothermal and solar energy potential, Africa accounts for only 1.3 per cent of installed world solar facilities and only four countries have started exploiting underground heat sources. And of the fossil energy sources that are exploited, only a quarter of oil production is consumed locally.

Limited energy development in Africa has resulted in one of the lowest use of modern energy sources. More than three quarters of sub-Saharan Africans have no access to electricity, compared to fewer than 14 per cent of Latin Americans and East Asians. As a consequence, most Africans use biomass (animal and vegetable wastes and firewood) for lighting, cooking and heating.

Families in rural and semi-rural areas often have no choice but to exploit what they perceive as a "free" energy source. However, as populations grow and the need for energy increases, fragile ecosystems are threatened. Replacing biomass sources by less destructive energy supplies is, thus, urgent.

Clearly, African countries, assisted by their development partners, would need to develop the continent's enormous energy potential as an integral part of current efforts to spur economic growth and reduce poverty. Improvements in energy supply have multiple beneficial effects. Public and home lighting, refrigeration of food, medicine and vaccines, and heating and proper sanitation help people to improve people's living conditions and health. More and higher-quality energy increases production through modernised communications, improved productivity and a better business environment.

A secure energy supply greatly extends learning possibilities and improves access to information. More informed citizens, in turn, participate in greater numbers and to a greater degree in their country's decision-making processes. Thus, institutions are rendered more democratic and governments are more transparent and responsible.

A number of countries have sought to bridge the gap between their energy potential and their populations' lack of access to it. In some countries, private-sector participation in electricity companies, coupled with new independent regulators have resulted in greater and more

efficient power generation, increased employment, while doubling the number of subscribers. Electrification to the rural poor has improved in South Africa and Ghana through the creation of independent agencies in charge of implementing rural electrification plans. Similar policies would need to be adopted by a greater number of countries to enable them to address their energy challenges in a more effective manner.

More attention should also be given to regional and inter-regional power initiatives that enable the uneven distribution of energy resources across countries to be more rationalised. These have the potential of benefiting consumers by lowering costs and improving the reliability and quality of services. An integrated, continent-wide energy strategy, linked to national policies for growth would, indeed, go a long way in addressing this important need.

We are pleased to note that the New Partnership for Africa's Development (NEPAD) is promoting such an approach. The NEPAD Heads of States Implementing Committee has asked the African Development Bank to take the lead in regional infrastructure (including transport, energy, water, etc.) and banking and financial standards. As part of the work on regional infrastructure, the Bank has developed a short-term action plan. Several projects, including some in the energy sector, have been prepared or are under preparation and four have already been approved for financing by the Bank. Projects and programmes identified in the short-term action plan are estimated to cost \$7 billion. In addition, work has also started in preparing a medium to long-term action plan in close collaboration with the regional economic communities and in cooperation with the World Bank and the European Union.

As Africa looks forward to the future, developing its vast energy resources -- through both national and regional efforts -- will need to be given high priority. Indeed, boosting its energy capacity will be critical if Africa is to accelerate its economic growth.

The *African Economic Outlook* estimates that Africa's GDP growth in 2003 stood at 3.6 per cent, significantly higher than the 2.8 per cent recorded in 2002. Projections for 2004 indicate that this higher growth rate is likely to remain at similar levels or even be better for two or three years to come. Yet, it is also generally acknowledged that average growth rates in the order of 6-8 per cent would be required if Africa is to make headway towards attaining the Millennium Development Goals. A more intensive development and use of its energy resources will necessarily have to be a critical component of all efforts to boost economic growth.

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