

# Political, financial commitment needed to make Africa energy reform a reality - World Bank

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28th January 2009

Sub-Saharan Africa had an average energy tariff of about \$0,14c a kWh, making the region's electricity the second most expensive in the world, with tariffs only higher in the countries belonging to the Organisation for Economic Cooperation and Development (OECD).

Power tariffs in most parts of the developing world range between \$0,04 to \$0,08 per kWh.

Sub-Saharan Africa had the lowest consumption rate, at less than 1 000 kWh per capita a year, while the OECD countries had a yearly consumption rate of higher than 8 000 kWh per capita.

Of Africa's power producers, Nigeria was the most inefficient, with its costs to generate electricity a percentage of turnover hovering between 140% and 150%. The cost of generation was equal to almost 1,5% of the country's entire gross domestic product. Revenue from the electricity produced was being lost owing to collection inefficiencies, and unaccounted losses.

World Bank lead energy specialist **Reynold Duncan** said, at this year's Energy09 Conference, organised by media management company Ziyenza, that average effective tariffs for sub-Saharan Africa were high, but that tariffs only covered capital costs in a few instances. Average revenues typically covered only average operating costs, owing to the low tariff collection, and excessive expenses.

"Highly inefficient institutions are creating a major economic burden."

To combat the shortage of energy in Africa, Duncan suggested that regional power pools had to be developed. "You have to get key interconnections in place and complete institutional frameworks. In certain African countries there are also political concerns on security of supply that need to be surmounted."

To mitigate the effects of unrecovered costs, utilities should lower their operating costs while increasing tariffs, and should investigate the possibility of improving their equity. To make operations financially viable, tariffs should be raised while the company should invest to reduce costs.

Duncan further suggested that the producers also investigated load management and demand side management programmes in an effort to control electricity usage, and major effort should be put into capacity building.

He noted that the continent had undergone widespread reform, with limited results, and while high expenditure was required for energy infrastructure, little investment was being made.

Duncan said that political and financial commitment was required to make the reform a reality. Access to energy sources was imperative, and he suggested that capital should be redirected to subsidies towards this rollout.

There was also a need to increase donor commitments to multiyear programmes.

Institutional models for energising rural communities should be developed, and Duncan noted that technology advances should be harnessed.

“All these themes need to be tackled jointly. You can’t trade or rollout access programmes without technically and financially viable utilities. You can’t postpone long-gestation investments until institutional frameworks are right, and you can’t increase access without producing and transmitting more electrons and improving utilities.”

Edited by: [Marian Webb](#)