

Workshop on Mobilizing Investments for Africa Power Infrastructure
Forum of Energy Ministers of Africa
Maputo October 9-10, 2008

Statement by Boris E. Utria,
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Excellency Minister Salvador Namburete, Minister of Energy of Mozambique and Chairperson of the Forum of Energy Ministers of Africa (FEMA);
Excellency Minister Simon Døjunga, Minister of State for Energy, Republic of Uganda;
Excellency Minister Salomon B. Baliene, Minister of Energy, Democratic Republic of Congo;
Honorable Official Representatives of Ministers of FEMA member states;
Mrs. Mette Masst, Charge d'Affairs of the Royal Norwegian Embassy in Mozambique;
Dr. Vijay Iyer, Sector Manager for Energy of the Africa Vice-Presidency, World Bank;
Official Senior delegates from FEMA members countries;
Representatives from the private sector and from the Donor Community;
Ladies and Gentlemen.

[Mr. Chairman] The World Bank is honored to be a supporting partner of the **Forum of Energy Ministers of Africa (FEMA)** and is pleased to see how FEMA is following-up on the "Maputo Declaration of March 2007", with among other activities, organizing events like this important Workshop on "Mobilizing Investments for Africa Power Infrastructure" to foster discussion of new ideas, the exchange of experiences and regional integration. We recognize the leadership and efforts being done by his Excellency Minister Namburete as the Chairperson of FEMA.

Considering energy a key economic sector, the World Bank has developed a Clean Energy for Development Investment Framework to guide our work. As a result of that, overall World Bank Group lending for energy has exceeded \$11bn so far in last three fiscal years, compared to under \$7bn in the previous three year period. And under the World Bank's **Africa Action Plan for Energy Access**, lending has risen to \$2.4bn during last three years, compared to \$1.4bn. However, this is not enough. **Lending needs to double, from current levels of about \$2bn to \$4bn a year** in order to achieve that :

- Household electricity access increases from 25% today to 35% by 2015;
- At least 30 countries increase generation supply by >20%; and,
- Utilities in 20 countries reduce losses by >10%.

That **Africa Action Plan for Energy Access** focuses on five implementation tracks:

- Electricity coverage for enterprises, households and agriculture;
- Expansion of generation capacity, transmission networks, and regional integration;
- Energy services for schools, clinics, and public services;
- Affordable modern lighting in unconnected households (Lighting Africa); and.
- Clean cooking and heating fuels.

[Mr. Chairman] A well functioning and efficient energy sector is an essential condition to achieving economic growth, poverty reduction and the attainment of the Millennium Development Goals in all African countries.

Regrettably the energy sector is today facing serious challenges. In the power sector, in particular, those multiple and inter-related challenges include: severe power generation shortages, significant constraints on transmission and distribution networks, generalized high fuel prices, poor regulation, poor maintenance, low efficiency, high technical and non-technical losses, and, poor system reliability. These factors invariably result in overall poor systems performance, power outages and load shedding, and, high power costs. In turn, that situation is: **(i)** seriously hampering economic competitiveness of African business and enterprises in the new global economy and markets; and, **(ii)** is delaying the implementation of the crucial agenda of **increase access to modern energy**. And, let's not forget here that only 25% of people in Sub-Saharan Africa has access to electricity compared to 54% in South Asia and 90% in East Asia, Latin America, the Middle East and North Africa.

Within that context, I would like to limit my words this morning to offer you 4 quick points as *“food for thought”* for the deliberations and expected outcome of this Workshop.

First, while in Africa the installed power generation capacity is insufficient to meet even current demand, paradoxically the continent: **(i)** has less than 10% of its potential hydropower capacity developed, **(ii)** has a reserves-to-production ratio for natural gas of 79 years and for coal of 192 years, and, **(iii)** the energy lost in the form of gas flaring would be enough to meet half of Africa’s current power demand. In this regard I would like to ask you to reflect on **what should be the role of FEMA in promoting the development of that potential into new energy projects for the region.**

Second, the uneven geographic distribution of power generation potential in Africa and the large volumes of additional generation that are required across the region presents significant opportunities for the promotion of regional trade of least cost power. In regards to this, I invite you to reflect on what should be the role of FEMA in promoting regional integration as a means to supporting the required scaling-up in generation capacity.

Third, the emerging “global financial crisis” has the potential to limit access to financing sources and, in the very least, to increase the cost of borrowing for new infrastructure and other investment projects in Africa. This could greatly affect not only future projects, but even public and private commercial low risk projects that are already in the pipeline. Very importantly, although the risk profile of African projects has not changed, credit might become tighter as a result of an increased risk aversion on the part of lenders. Here, I ask you to reflect on what should be the role of FEMA in helping to disseminate the message that well prepared and structure power investments in Africa continue to be secure financial propositions.

And **fourth**, Although Africa only represents 2% of global Carbon emissions, the continent cannot afford to remain at the margin of the growing debate on Climate Change. New global consensus and framework agreements are setting higher standards of environmental compliance and access to financing for new energy investments from key donors and the private sector will become increasingly tied to the adherence of those standards. This will become even more important if conventional funding sources become more limited as a result of the emerging global financial crisis. In regards to this I would ask you reflect on: (i) what should be the role of FEMA in helping countries to understand the new standards and to improve the quality of project preparation in the region, including herein not only environmental concerns but governance factors; and (ii) what should FEMA do to become and be recognized as an active partner in the ongoing global Climate Change discussion.

[Mr. Chairman] I would like to close off by saying that we look forward to the conclusions and recommendations of this Workshop and by re-stating that The World Bank stands ready to continue to support FEMA and its regional initiatives.

Thank you!