



Powering up the South through energy poverty alleviation

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Energy poverty is one of the biggest obstacles to sustainable economic growth and development in the South, hindering efforts to reach the poverty reduction and related UN Millennium Development Goals (MDGs). Worldwide, 2.7 billion people rely on traditional biomass such as fuelwood, charcoal or crop residues for cooking, agro-processing and heating, and over 1.4 billion people lack access to electricity.

In recognition of these challenges and the need to address them, 2012 has been designated the International Year of Sustainable Energy for All, with the aim of kick-starting efforts towards achieving the goal of Universal Energy Access by 2030.

In the wake of the financial crisis, and as economic growth rates pick up in Africa and other developing regions, it is critical that energy access and supply should not be one of the stumbling blocks in the way of realising national potentials. In the case of Africa, electricity supply has emerged as a major bottleneck in the majority of countries. With a population of about one billion people – a number expected to almost double by 2050 – per capita electricity consumption in the region is one of the lowest in the world, and 70 per cent of the population is not connected to a power grid.

Within this context, the situation in sub-Saharan Africa (SSA) is of particular concern. The sub-region is home to the majority of the Least Developed Countries (LDCs), most of which have suffered acute energy crises in the past. Unless rapid and concerted action is taken towards improving electricity generation and distribution, the number of people without electricity in SSA will rise by 60 million to an estimated 600 million in 2030.

At the fourth UN Conference on the LDCs, Istanbul, Turkey, May 2011, world leaders called upon the international community to assume part of the responsibility for improving access to basic energy services for the very poor. The Istanbul Programme of Action highlights the need to strengthen productive capacities in the world's poorest countries, with energy among the top priorities within a "new global partnership." The Programme of Action further specifies that, in helping to develop the energy sector in LDCs, development partners are – amongst others – to provide "enhanced financial and technical support."

For sure, meeting the goal of universal energy access by 2030 will be a highly capital intensive endeavour, with the current US\$9-10 billion devoted annually to energy poverty alleviation having to increase four or five-fold. The financing, moreover, will have to be diversified, involving official sources (ODA), multilateral institutions, the private sector and developing country governments.

Such an approach was highlighted at the April 2011 Crans Montana Forum High Level Panel on energy poverty reduction, which was hosted by OFID at its Headquarters in Vienna. Organised under the sub-title *Energy Poverty: Can Industry Lead the Necessary Change?* the Panel examined market-based solutions and public-private partnership for boosting investment and developing sustainable business models for rural energy production and distribution.

As well as a diversified financing mix, energy poverty alleviation will also require a diversified fuel mix. Solutions will have to include the continued use of fossil fuels alongside renewable forms of energy, such as hydro, wind and solar power, as well as second-generation



OFID/Helen Abu Jurji

OFID is the development finance institution founded in 1976 by the Member Countries of OPEC as their collective channel of aid to the developing countries. OFID works in cooperation with developing country partners and the international donor community to stimulate economic growth and alleviate poverty in all disadvantaged regions of the world. It does this by providing financing to build essential infrastructure, strengthen social services delivery and promote productivity, competitiveness and trade. Suleiman Al-Herbish, a Saudi national, has been Director-General of OFID since November 2003.

biofuels. Such flexibility, coupled with innovation, will see large-scale infrastructure projects combining with efficient, affordable, small-scale schemes designed to deliver energy faster to poor communities in urgent need.

As a development financing institution with a mandate to eradicate poverty, OFID welcomes the rising profile of energy poverty on the international agenda. Indeed, OFID stands at the forefront of global efforts to fight energy poverty through its Energy for the Poor Initiative (EPI). The EPI was launched in direct response to calls at the November 2007, Third OPEC Summit in Riyadh, where Member Countries acknowledged the “strong interrelationships between energy and development” and urged all OPEC aid institutions, including OFID, to work to eliminate energy poverty in the developing countries.

On the dialogue front, OFID is working to convince its partner countries to make energy provision a priority in their national development strategies; and, moreover, to adopt pro-poor policies with a view to making energy services’ access more affordable; for example, and where appropriate, with well-targeted subsidies that effectively reach the poor.

Secondly, moving from dialogue to action, OFID is substantially stepping up its assistance to the energy sector. Until three years ago, energy accounted for around 19 per cent of

total commitments. In 2010, this allocation grew to 24 per cent, with funds supporting a wide range of projects in a large number of countries. The resulting, enhanced energy access is expected to lead to increased industrial and agricultural productivity, as well as improved social services delivery.

In addition, and in recognition of the need for more grassroots initiatives, the institution recently set up a special enhanced grant programme aimed exclusively at providing basic energy access for poor populations through off-grid and other solutions. The programme will foster partnerships with national governments, UN agencies, the energy industry and NGOs, and has launched with a scheme in association with the Shell Foundation to supply poor rural families in Kenya and Tanzania with solar lanterns.

In June 2011, at their annual ministerial meeting, OFID Member Countries substantiated their support of the EPI by pledging US\$1 billion in fresh resources to the institution. These additional funds will allow OFID to deepen its presence, particularly in the poorest countries, and strengthen partnerships to power broad-based sustainable growth and development in the South. □

Best world practices are no longer found in the most developed countries

