Making Africa's Power sector Sustainable: Stakeholders' Policy Dialogue Forum
ADDIS ABABA, ETHIOPIA DECEMBER 15-16, 2005

POLICY STATEMENT

1. Senior officials and High-level decision-makers of the energy sector from nineteen (19) African countries and representatives of nine (9) international and regional organisations, gathered in Addis Ababa, Ethiopia, December 15-16 2005, for a policy forum on power sector reforms, **acknowledge** that providing access to energy, especially in the rural areas, is the one of the most pressing challenges facing African countries in their effort to meet the goals and targets of the Millennium Development Summit and attain sustainable development.

2. Senior officials and High-level decision-makers of the energy sector **agree** that undertaking reforms of the electric power sector was primarily made necessary by the need to improve the technical and financial performance of utilities to promote social and economic development. Power sector reforms were to contribute to the establishment of sound legal and institutional frameworks conducive to increasing investments in the sector.

3. They **acknowledge** that power sector reforms have contributed to improving the financial viability of the utilities, provided for transparent regulatory mechanisms thereby creating a more conducive investment climate for the power sector which in turn, has led to investment in additional generating capacity. The sector reforms have also contributed to bringing the energy issues firmly onto national agendas and priorities.

4. They however, **agree** that, based on available data and information, the reforms in sub-Saharan African countries have had mixed results. Generally, the reforms have not sufficiently contributed to the sustainability of the power sector.

5. They **note** that while reforms have led, in many countries, to the establishment of rural electrification funds and boards, these developments have not helped to increase electrification levels in most countries. Their design appears to have largely replicated that of past (and failed) mechanisms. Consequently, reforms have achieved weak results in terms of access to electricity in rural and poor peri-urban areas. With the exception of a few countries, there is little evidence of power utilities introducing low cost electrification options on a significant scale to minimise the cost of electricity among the low-income consumers. On the contrary, the liberalisation of the power sector, including the entry of the Independent Power Producers (IPPs) has been associated with an increase in tariffs, however the impact on low-income groups can be ameliorated by targeted interventions.

6. They **regret** that the process of power sector reforms has not included a more integrated approach to development. They therefore **commit** to promoting the establishment of integrated energy markets inclusive of the minimum consumer and production equipments and tools that could boost income generation activities.

7. They also **observe** that power sector reforms in sub-Saharan Africa, have not accounted sufficiently for environmental constraints. They note that whilst most new

generating investments has been via Independent Power Producers (IPPs) building thermal plants, African states have not been able to source financing for hydro power plants because of the strong resistance to the development of large hydropower dams, even for those with potentially little negative environmental impact.

8. They further **regret** that while power sector reforms were advocated as a means to attract new investors in the sector, Governments' efforts to build public-private partnership in many countries failed to generate significant new investments for power generation as well as extension of transmission and distribution networks. These low investments and subsequent increase in tariffs have led, in some countries, to the public resistance to privatization arrangements.

9. Consequently, the senior officials and high-level decision-makers of the energy sector, **reaffirming** their commitment to breaking the poverty cycle in Africa, and achieving sustainable development in their countries, **call upon** all development partners, particularly international finance institutions, to cooperate with African countries on the choices of options in the process development and implementation of reforms in the power sector so as to allow a constructive dialogue with the all national and regional stakeholders, to set specific targets for increasing electricity access to rural areas and the urban poor, to promote the participation of national investors by making finances available to them, to end the strong resistance to the development of large hydro dams, to facilitate the harnessing of renewable energy to broaden energy services mix, to provide more support to governments and the regional economic communities' programmes specifically aimed at generating wealth and reducing poverty in the poor urban and rural areas.

10. Finally, they **encourage** the development and urgent implementation of various strategies to build upon the lessons learnt across Africa and the successes that have been achieved (as documented in the Report entitled "Making Africa's Power sector Sustainable" dated November 2005) for the benefit of their peoples.

Addis Ababa, December 16, 2005