

The time is ripe for modern electricity supply

Electricity is a basic need, and a prerequisite for development. There is no longer any shortage of technical solutions, and sufficient money is available. Why, then, are 1.6 billion people still living without electricity? We present five hypotheses and propose three solutions.

The first hurdle: The people who develop energy strategies do not implement them. Energy strategies are usually drawn up by state development cooperation bodies and financed by the World Bank. Yet these plans need to be implemented by energy companies. Thus such companies would be obliged to operate a solution they had not developed. This is neither a desirable nor an acceptable responsibility for any company to assume.

The second hurdle: The people who supply the components do not operate them. Business in the off-grid sector is dominated by calls for tenders to supply technical components. These calls are made by the bodies drafting energy strategies, and their decisions are made on price grounds. It is not the component supplier who is responsible for running the generation plant, but the operator, who has had no say in the choice of technology. An excessive risk for an operator to take, from both a technical and financial perspective!

The third hurdle: Distortion of competition. Private investors face three main types of competitor:

1. NGOs, who donate private funds without demanding any significant quid pro quo,
2. Development assistance organisations, which buy the goodwill of elites in the host country using large sums of money from donor countries' budgets, and
3. Local politicians, who waste their citizens' money on showcase projects (not only) during election campaigns.

Thus countless one-off solutions are born, free of all strategic cohesion. And the market is *kaput*: who would pay an investor's electricity price when they could get it for free?

The fourth hurdle: To take the initiative, you take a risk. Any party taking energy supply into their own hands, and thus straying from the predetermined path, also adopts all the costs and risks. Costs include import duties and the cost of training technical and sales staff; risks include a lack of legal cer-

tainty, the potential customers' insecure income levels, real or anticipated political instability and more or less severe corruption. Any company facing down these factors needs an iron will!

The fifth hurdle: Stable financing only found among far-sighted investors. And then there's financing. The traditional model is almost impossible – the business model is too risky, the credit risk too great, the volume too small. The only viable source of financing lies in far-sighted investors, who allocate more importance to the strategy than to the basic figures, although the figures must also fit. What a balancing act!

■ Proposals for fair competition and sustainable commitment

- **Consider the full lifetime costs.** Electricity supply is a long-term business, in which initial investment is just one factor. For a fair decision – even and especially in the case of tender processes – we need to calculate all the costs over the project's lifetime. Only then will photovoltaic power win over a diesel generator, the quality product beat a cheap module and a professionally-run village power plant be preferred to a solar home system.
- **Subsidise tariffs not investments.** All investment subsidies will necessarily inflate the purchase price and therefore the cost of importing and processing goods. They are short-termist, selective and benefit above all the participants in one-off business deals. Tariff subsidies, on the other hand, encourage a long-term commitment of investors in developing countries. They keep the door permanently open to renewable energies as a form of electricity supply fit for the future of these economies.
- **Establish partnerships between foreign investors and organisations in the target country, using long-term business models:**
 1. Government development assistance from the investor's home country (in Germany KfW, GTZ, etc.) should agree with the host country a binding set of rules governing partnerships between foreign firms and public or private sector organisations in the host country.
 2. This set of rules should be binding on the host country's partner organisations; foreign organisations submitting to these rules should receive uniform, clearly defined benefits from the host country (in terms of customs duties, tax etc.), special conditions from local banks and if appropriate the allocation of public funds.
 3. Throughout the partnership, development assistance organisations should act as watchdog, overseeing both parties and applying suitable penalties where rules are infringed.



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Africa's woes, world's opportunities

As signs of global economic recovery start to appear, slivers of confidence are returning to consumers, investors and governments. Relieved that the worst part of the recession is over, heads of states, political leaders and civil society are again ready to face questions over progress so far achieved regarding the agreed Millennium Development Goals, to be attained by 2015.

■ The world is on the move – but is Africa lagging behind?

True enough, since 1980, for the first time in history, world poverty has been falling. The positive global growth so often heralded says much on the majority, but gives very little detail on the fate of the minority. If we were to look at the world as our lush backyard garden, Africa would be that spot in the corner where fertilisers applied do not seem to be working. In the realms of development assistance, 'long-term growth prospects' for the developing world are the theme of weekly meetings. However you slice it, over the next ten or twenty years, aside from the usual wars fought here or there, the black spot on the white sheet of paper will be Africa. This continent will continue to be one of the core topics of discussion in international and regional agendas. Poor and stagnant Africa is largely dependent on primary commodity exports that, in combination with manacled traps, keep it stuck at the bottom of the development spectrum. Not all African nations are lagging behind; but an increasingly impoverished African block of about seven hundred thousand will be increasingly difficult for a haughtily affluent world to tolerate.

The low income and slow growth that Africans continue to experience is understood by many as more poverty and hopelessness. If this situation proceeds unchecked, it is to be expected that the poorest African countries will form an assemblage of discontent, misery and hunger. The longer the problems of Africa are left unaddressed, the worse they will get. Admittedly, Africans are well-known for their enterprising resilience, and one could say that they have grown accustomed to conflict, isolation and poverty, but this is no

good reason to ignore them. As much as we wish to continue doing something for them, the truth is that change in African societies must predominantly come from within. The availability of economic opportunities shapes the ease and speed at which African countries can achieve faster growth and higher incomes. And it is at this juncture that the world has an opportunity, a very big one at that, to sincerely assist those that are most in need and want to be helped. There is urgent need for focus and persistence. The world warrants a range of coherent policy instruments to encourage African leaders and its citizenry to climb the ladder toward change. As accountability, democracy and communication technologies continue to spread to faraway lands, an informed and compunctious global electorate could deliver the necessary momentum to promote real transformation.

■ Agriculture – a solid basis for economic growth

The apathy, indifference and mistakes of the past could turn perilous. It would do all of us good if these were not repeated. The delusory free-market theories extolled by intergovernmental financial institutions ended up ramming Africa's throat with disadvantageous structural adjustment measures. These reforms largely proved an intoxicating 'cure' for the continent and nearly fatal to African agriculture given that it lacked the parallel development of education and health systems, private-sector enterprises and new markets for its products. Europe and North America have shown us that a strong agricultural sector forms the rock solid basis for industrialisation to follow. Without food security and healthy labour, progress goals will remain difficult to attain. It is therefore imperative for African leaders to prioritise agriculture. This is not the tasteless recipe of the past. Much has been learned about what works and what doesn't in developing countries. A case in point is China and India. The world's richest nations in the late 70s and early 80s had spent roughly four billion dollars per year on agricultural development aid for Asia as they had placed their bets behind the Asian Green Revolution.

One prerequisite to Africa's successful leap into the world economy is the improvement of its agricultural infrastructure, such as irrigation, rural electrification, telecommunications, and most important of all, roads. Primary and secondary roads are needed to connect the rural plenty with the urban few. Agriculture means food, and food means health and satiation. The heads of developed countries are slowly recognising that eliminating hunger is an effective bulwark against extremism and radicalism sprouting around the world. In response, politicians are marshalling changes in aid and trade policy, military interventions and international co-ordination.



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