



STUDY ON THE ESTABLISHMENT OF A WEST AFRICAN REGIONAL AGENCY FOR ENERGY ACCESS (RAEA)

Executive Summary (nov 2006)

Supported by



Partnership Dialogue Facility (EUEI PDF)

1. Background

The ECOWAS/UEMOA Member States have committed themselves to provide access to modern energy services by 2015 to at least half the populations in rural and peri-urban communities in the ECOWAS/ UEMOA White Paper on Energy Access (2006). This White Paper puts forward a number of very ambitious energy access targets such as 100 % access to improved energy services for domestic cooking, 100 % access to electricity for households in urban & peri-urban areas, and 60 % access to motive power for the rural population. The White Paper also proposes the establishment of a Regional Agency for Energy Access (RAEA) as a means to achieve these ambitious targets. This report proposes the institutional set up and program for the RAEA, keeping in mind the need to create a lean and goal oriented agency that can respond quickly and professionally to the challenge of regional energy access. The report was prepared by Abeeku Brew-Hammond with Mansour Dahouénou and Sabine Häusler and financed by EUEI PDF.

2. Objectives Programme of the RAEA

- **Vision Statement**

Access to modern energy services for all the people of West Africa

- **Mission Statement**

Leading and coordinating implementation of the ECOWAS/ UEMOA regional plan of action for increasing access to energy services through funds mobilisation, policy and capacity development, and knowledge management and communications, working with both the public and private sectors to develop and implement investment projects/ programmes, including business ventures, at national and regional levels.

- **Overall Goal up to 2015**

Contribution to achievement of the MDGs in West Africa by providing at least half of the people with access to modern energy services.

- **Specific Goal up to 2015**

Leading and coordinating implementation of the ECOWAS/ UEMOA Regional White Paper on Energy Access.

Result #1: The Regional Agency for Energy Access (RAEA) is established.

Result #2: The institutional set up for the implementation of the regional programme on energy access is in place.

Result #3: Funds for the regional plan of action and assistance to Member States in mobilizing funding are raised.

Result #4: Capacities of public and private actors for developing harmonised policy and institutional frameworks are developed.

Result #5: Knowledge and information on good (and poor) practices to support implementation of energy investment projects/ programmes is harvested and shared.

Implementation Strategy:

With respect to **Funds Mobilisation**, the proposed strategy for the RAEA is to work in close collaboration with and eventually cede the fund management function to the regional financial institutions (EBID, BOAD, AfDB and the ECOBANK). In the early years close

cooperation with these institutions will eventually lead to a point where they will continue to provide the necessary funding service, with no further need for assistance from the RAEA. The RAEA will draw on the World Bank's support and establish energy access funding lines and credit windows, and raise the bulk of the required funds to be managed by the RFIs.

For **Policy and Capacity Development**, the RAEA will promote capacity development activities, including energy service enterprises development- building on the SME promotion work already undertaken in the ECOWAS Region (AREED, IEPF, World Bank/ESMAP, etc). The RAEA will also pursue capacity development activities with respect to project/program implementation and promote manufacturing enterprise development. For the policy and capacity development activities in the region the RAEA will work closely with the existing training institutions in the region and stimulate the existing and encourage the formation of new consortia for different levels and fields of training.

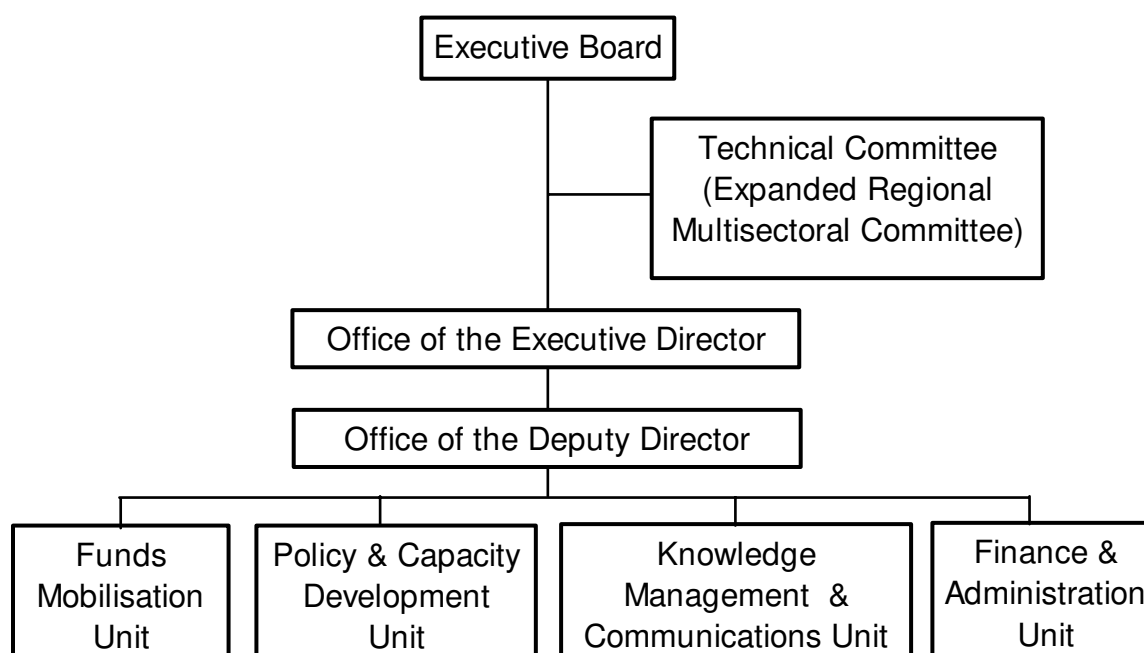
In the area of **Knowledge Management & Communications**, the West African Power Pool's (WAPP) Energy Information System comes closest to what is required by way of an energy information system for the implementation of the ECOWAS/ UEMOA White Paper. The RAEA would work closely with the WAPP, drawing on technical support from the International Energy Agency (IEA) and the WEC, to develop an appropriate RAEA Energy Information System. The focus will be on developing data bases and indicators for energy access. Other activities under Knowledge Management & Communications are Results Monitoring, Knowledge Management (setting up of data base with relevant experiences/ projects and papers/studies/research reports, synthesis and dissemination of best practices, etc,) and Advocacy, Communications and Networking.

The multi-annual program for the RAEA covers a prospective period of ten years. This period is broken down into the following phases: An *Establishment Phase* would cover the period from start-up to full staffing, to be completed by the end of year 2 (i.e. from fourth quarter of 2007 to end of 2008). This would be followed by a *Maturity Phase* (2009 – 2013) during which all of the RAEA's activities in the three programme areas – Funds Mobilisation, Policy and Capacity Development, and Knowledge Management & Communications – are fully implemented. Lastly, the *Permanent Institution Phase* will cover the period from 2014 (year 8) onwards when the Funds Mobilisation function would be wound down and the RAEA continues activities in the two other major functional areas of Policy and Capacity Development, and Knowledge Management & Communications. At the end of this phase the RAEA should be largely self-financing through service provision to its clients in the region.

3. Institutional Framework and Internal Structure of the RAEA

The consultants recommend that the RAEA is set up as a specialized agency of ECOWAS and become the agency concentrating on regional energy access, at par with the West African Power Pool and the West African Gas Pipeline. The RAEA should be placed outside of the ECOWAS Secretariat/ Commission in order to fulfil a much more operational and implementation-oriented role than the ECOWAS Energy Department. The recommended option for the set up of the RAEA is shown below. The ECOWAS and UEMOA Energy Departments and the RAEA will have distinct functions, but work together closely.

After reviewing several options the following internal structure of the RAEA is recommended, keeping in mind to create a lean organization, keeping staff numbers to an absolute minimum:

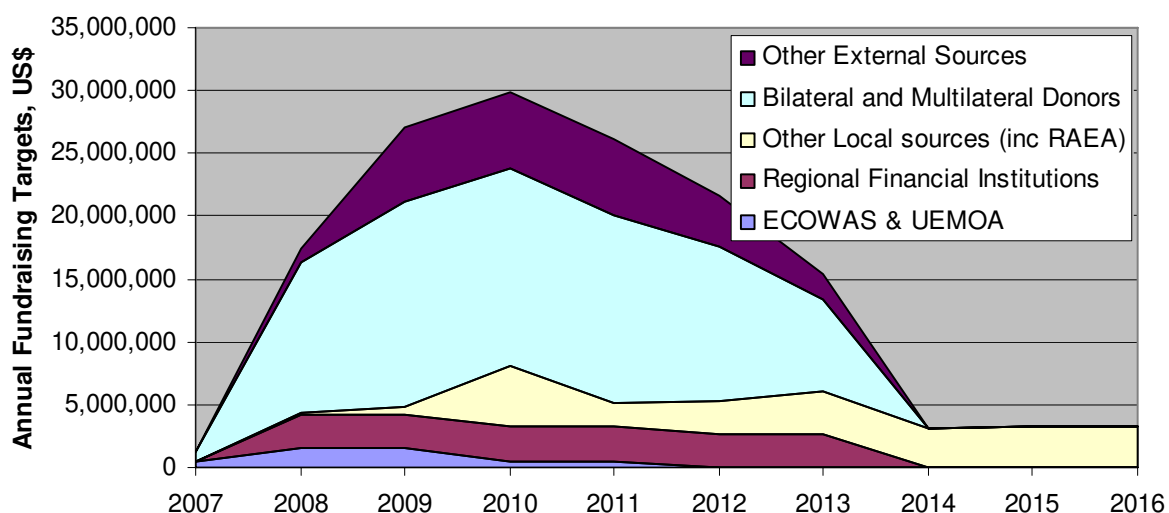


4. Budget and Financing Strategy for the RAEA

The RAEA will require funds to cover core costs (for staff salaries and staff training, purchase of equipment, etc), program expenses (i.e. cost of activities linked to funds mobilization, policy and capacity development, and knowledge management and communications) and regional funds (for manufacturing and energy service enterprises, and credit lines for microfinance). The total funds required over the first ten years amount to US\$ 89 million, as shown in the table below:

	Establishment	Maturity	Perm Inst	Total
Phase:	2007 -2008	2009 - 2013	2014 – 2016	2007 -2016
Core Costs	2,192,705	8,332,024	4,322,833	14,847,562
Programme Expenses	6,225,000	24,945,000	2,910,000	34,080,000
Regional Funds	3,000,000	37,000,000	-	40,000,000
Total	11,417,705	70,277,024	7,232,833	88,927,562

A large proportion of the budget is attributable to the Regional Funds whose total value is US\$ 40 million and individual amounts of US\$ 3 million in the establishment phase (2nd year) and US\$ 37 million over the 5-year period of the maturity phase.



Projections of expected contributions from different sources are shown in the figure above. Total funding from ECOWAS and UEMOA covers 50% of the core budget for the Establishment Phase plus a contribution from ECOWAS programme funds towards the RAEA's programmes. This constitutes 5 % of the total budget for the RAEA. The regional financial institutions (AfDB, EBID, BOAD and Ecobank) and other local sources, including sales revenues from the RAEA's products and services are projected to contribute 18% and 26%, respectively, to the overall budget.

The bulk of donor/external funding will be needed in the early years, reaching a peak of some US\$ 30 million around the middle of the maturity phase. Regional contribution from ECOWAS/UEMOA, the regional financial institutions and other sources, including sales revenues from the RAEA's own products and services, will be around US\$ 5 million for the 10-year period covered in this study.

A commitment of about US\$ 500,000 per annum, at the very least for the initial 2-year period (preferably extending through to year 5) must be secured from ECOWAS and UEMOA in order to cover close to one half of the RAEA's core costs which total just over US 2 million for the Establishment Phase.

A similar commitment of nearly US\$ 10 million in loans and grants for programme activities and regional funds for the initial 2-year period must be raised from the financial institutions and donors who have expressed interest in supporting the agency (AfDB, WB, KfW, FMO, EBID, BOAD, DFID, DGIS, ADA, AFD, UNDP, USAID, etc.). Most of these donors have expressed keen interest in funding/ financing the specific programmes that will be the result of the RAEAs activities, whereas they are less interested in funding the RAEA itself. It is important to realise the without such an agency it will be very difficult to create the regional dynamism that is needed to achieve energy access within the framework for the MDGs.

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