

## Energy Poverty Action: Rural Energy Fund

Energy Poverty Action (EPA) is a partnership of private companies, utilities, international financial institutions and other organizations affiliated with the World Economic Forum<sup>i</sup>, which aims to accelerate delivery of rural energy services in the developing world, with an initial focus on sub-Saharan Africa, through programmes that are replicable, scalable and environmentally, financially and socially sustainable.



A view of Mphaki Village, Lesotho

Only 6% of Africa's rural population has access to electrical power. Present policies will not improve access, as utility extensions are only keeping pace with population growth. The fact that rural and many peri-urban communities have no access to power is a debilitating constraint on economic growth, human development, social equity and sustainable stewardship of natural resources. Greater access to energy services is essential if Africa is to achieve the Millennium Development Goals (MDGs).

Through partnership, business-based innovation, access to knowledge in development institutions and new funding, and by empowering African communities, EPA aims to catalyse large-scale programmes of rural electrification to assist Africa in achieving sustainable growth.

EPA's approach to this challenge is based on that set out in the New Partnership for Africa's Development (NEPAD)<sup>ii</sup>.

An executing agency is being established to develop and deliver grid extension and off-grid energy service projects to rural communities, through pre-feasibility and full feasibility phases, to enable funding and execution of sustainable projects.

The Executing Agency, housed in the Development Bank of Southern Africa, will:

- 1) Develop a pipeline of bankable rural energy projects
- 2) Partner with key stakeholders in leveraging large-scale projects to deliver rural energy services
- 3) Develop new formulae for successful large-scale rural electrification and other energy service projects
- 4) Catalyse their implementation

The Executing Agency will enjoy exemption from taxes and duties in South Africa.

A dedicated rural energy fund is needed to secure a funding pipeline for these projects. A fund of US\$ 250 million will allow EPA to deliver pilots, develop new formulae and catalyse delivery of large-scale rural energy service projects. Longer-term funding on a much larger scale<sup>iii</sup> will be needed to roll out successful projects across the continent, but this goes beyond EPA's mission.

In the light of the G8's commitment to help Africa achieve the MDGs and set itself on a path of sustained growth, creation of a rural energy fund to support Energy Poverty Action's unique not-for-profit partnership between private companies, public institutions and civil society will be a highly cost-effective and potentially decisive intervention.

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<sup>i</sup> **EPA Partners**

- Energy Poverty Action (EPA) is a joint initiative of the World Business Council for Sustainable Development (WBCSD), the World Energy Council and the World Economic Forum.
- It was initiated at the World Economic Forum Annual Meeting 2005 by British Columbia Hydro and Power Authority (Canada), Eskom (South Africa) and Vattenfall (Sweden). Since then, additional Industry Partners of the Forum have joined the project.
- The Development Bank of Southern Africa provides offices, the African Development Bank finances the first pilot project and the World Bank second senior staff to the project.

<sup>ii</sup> **NEPAD, B1 Bridging the Infrastructure Gap, paragraph 103 Actions**

- Promote community and user involvement in infrastructure construction, maintenance and management, especially in poor urban and rural areas, in collaboration with the governance initiatives of the New Partnership for Africa's Development
- Work with the African Development Bank and other development finance institutions on the continent to mobilize sustainable financing, especially through multilateral processes, institutions and donor governments, with a view to securing grant and concessional finance to mitigate medium-term risks
- Promote public-private partnerships (PPPs) as a promising vehicle for attracting private investors and focus public funding on the pressing needs of the poor by building capacity to implement and monitor such agreements

<sup>iii</sup> At US\$ 1,000 per connection, full coverage in rural areas would require over US\$ 400 billion, but full coverage is not a realistic target. Current annual expenditure on all large-scale infrastructure projects in SSA is approximately US\$ 9 billion.