



United Nations
Economic Commission for Africa

**EGM for the 2nd Session of the Committee on Private Sector
Development, Regional Integration, Trade, Infrastructure,
Industry and Technology (CPRTIIT)**

**Enhancing Electricity Market Regulation in Africa to Accelerate
Participation of the Private Sector in Infrastructure Investment**

Concept Note

**United Nations Economic Commission for Africa
Private Sector Division
Energy, Infrastructure and Services Section**

Addis Ababa, Ethiopia

November 30, 2021

Enhancing Electricity Market Regulation in Africa to Accelerate Participation of the Private Sector in Infrastructure Investment

Introduction

Recognition that energy plays a crucial role in facilitating socio-economic development and that its insufficient provision impedes it has brought energy to the forefront of national, regional, and global agenda. Most of Africa's national sector development strategies reflect the need to expand energy access rapidly, facilitated through the implementation of Sustainable Development Goals (SDGs), particularly SDG7. African states have pursued the energy access agenda, devoted public finance for energy infrastructure and capacity expansion, and instituted measures to strengthen the energy sector.

Despite appreciable progress as a result of these measures, structural challenges remain within the electricity markets of Africa. Over 500 million people on the continent today lack access to electricity. The latest global SDG7 tracking report warns that progress made so far is not on track to achieving universal access by 2030. Nearly 90 per cent of the population without access at the end of the decade will be residing in Africa, partly due to rapid population growth.

Financing energy development remains a crucial challenge. The cost of achieving the SDGs at large in the continent is estimated at \$1.3 trillion per year. Africa would require USD 32 billion per year through 2030 on universal electricity access-related investments (AfDB, 2019), with additional investment requirements on energy infrastructure. According to the Infrastructure Consortium for Africa, 37 per cent of infrastructure investments in the continent was undertaken by African governments in 2018, with the private sector accounting for 11 per cent (ICA, 2018). Given the significant infrastructure investment gap and the limited investment role of the private sector, addressing the crowding-in of private sector investment in the electricity market is crucial. This is particularly so in the context that 2020 saw global energy sector investments at \$1.9 trillion; however, emerging and developing countries captured one-fifth of this investment, and Africa, in particular, captured a fraction of these investment resources.

Towards the goal of crowding-in the private sector, feasibility (bankability) of projects, country risks, profitability (viability), and the legal/regulatory environment are often identified as key barriers. Indeed, the regulatory framework is crucial for attracting private investments. The Regulatory Indicators for Sustainable Energy (ESMAP, 2020) indicate that more than half of the global population lacking access to electricity remained in countries with weak regulatory frameworks by 2019. These regulatory challenges remain to be addressed.

To understand the regulatory environment of electricity markets in Africa and assess areas of strength and reforms, ECA, in partnership with RES4Africa, has undertaken assessments in 17 African countries. This was enabled by a rigorous methodology developed focusing on the overall *openness, attractiveness* and *readiness* of national regulations related to private sector investment participation. The need to look at the openness, attractiveness and readiness of electricity market regulations to facilitate investment and finance is endorsed by the UN High-Level Dialogue on Energy, under its thematic report on Finance and Investment. The goal is through regulatory improvement to encourage private sector participation, promote the achievement of SDG7 goals and develop a resilient, competitive, diverse, and vibrant electricity market that will sustainably attract private capita to supplement public investment. This is particularly crucial in a post-COVID-19 environment where public resources are even more constrained due to priorities in public health and social protection, as well as economic

recovery.

The expert group meeting will facilitate further policy dialogue based on the country reports from all regions of Africa and help chart the way forward towards country engagement and impact of the works.

Objectives of the meeting

- Provide a deeper understanding of the regulatory review methodology and its application for greater use in the country's regulatory assessments;
- Unveiling regulatory review findings from member States;
- Receive inputs on the best way forward towards country engagement and support;
- Launch country reports.

Expected Outcomes

- Deepened awareness on regulatory gaps in the electricity markets of Africa and ways of addressing them based on country cases;
- Contribution of participating experts towards charting country engagement and impact;
- Launch and dissemination of country reports on regulatory review and investment and the methodology framework;

Format of the Meeting

The meeting will start with a discussion of the regulatory review methodology, followed by unveiling country results. This will be followed by policy discussions and informing the way forward for country engagement. The meeting will end with the unveiling and launching of country regulatory assessment reports.

Participants

The EGM/Workshop sessions will be attended by representatives of the Member States, the African Union Commission, Regional Economic Communities (RECs), United Nations organisations, the private sector, civil society, academia and sectoral organisations.

Venue

The meeting will take place virtually (online).

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