

# **AFRICAN MINISTERIAL CONFERENCE ON HYDROPOWER AND SUSTAINABLE DEVELOPMENT**

**(6-9 March 2006, Johannesburg, South Africa)**

**Statement by Mr. A. R. Rakotobe  
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African Development Bank**

Chairperson,

Honourable Ministers

Excellencies

Distinguished Participants,

On behalf of the President of the African Development Bank Group, Mr. Donald Kaberuka, it is an honour to participate in the Ministerial Conference on Hydropower and Sustainable Development. We thank you for this opportunity availed to the Bank to make a statement at this important conference, which provides a unique forum for partners, including Ministers of planning, water affairs and energy, policymakers, financiers and other key stakeholders, to deliberate on the way forward for developing this vital energy resource.

This Conference is taking place at a critical juncture, in the context of efforts at the regional level to tap Africa's huge hydropower potential, estimated at 1,888 TWh/year, which corresponds to about 7% of the world hydropower potential. It is well established that the energy sector has a great impact on development and poverty reduction. We know, for instance, that the development of hydropower is indispensable to improving access to electricity in Africa, security and reliability of energy supplies, and reduction of environmental damages from the use of traditional fuels, which has far-reaching effects on the health and livelihoods of the poor. Moreover, improved access to energy

is not only a critical input for achieving the Millennium Development Goals (MDGs) of reducing poverty and achieving environmental sustainability, but also for achieving other MDGs related to health and education.

In recent years, the importance of developing Africa's renewable energy resources have been enhanced by trends such as:

- ? increased demand for power from households and industries due to rising population and economic growth;
- ? integration of countries' power systems, which allows for increased and more reliable power supply to the centres experiencing shortages;
- ? trend increases in the price of oil and petroleum products; and
- ? New Partnership for Africa's Development (NEPAD) call for increased energy supplies to fuel sustained economic growth and reduce rural poverty.

Distinguished Participants,

Ladies and Gentlemen,

These emerging developments would inevitably pose greater challenges, not only to the growth and effective functioning of the economies of individual countries, but also the ability to provide sustainability of national and regional development. In practical terms, the challenges are multi-faceted and demanding. Their nature calls for innovative and cooperative approaches, and exerting greater commitment on the part of African countries to:

- ? build stronger and integrated power systems by getting the policies right to confront formidable institutional and regulatory barriers to investment;
- ? promote joint investment to tap the continent's hydropower resources; and develop the physical infrastructure so crucial to economic growth and development;

- ? strengthen energy sector institutions, and develop appropriate and cost-effective mechanisms for supporting power trade;
- ? build a conducive policy environment for public-private partnerships; and
- ? find innovative ways to deliver modern energy services to industry and households, including the poor.

The emerging developments make it imperative to develop Africa's water resource endowment for multiple uses such as hydropower, irrigation, flood control and drinking water supply. They also call for an exercise that takes a look into the future of the region's energy sector, bearing in mind the challenges posed by a changing global environment.

To effectively exploit the hydro potential of African countries, the Regional Economic Communities and Multilateral Financial Institutions (MFIs) have to complement the efforts of national governments in mobilizing resources for investment, and fostering the emergence of integrated energy markets. At issue then, is how best to improve coherence and coordination in investment strategies of our national power utilities, River Basin Organizations and regional power pools to achieve the energy sector objectives, and what role should MFIs including the African Development Bank play in furthering these efforts?

Promoting regional integration is at the heart of the mandate of the African Development Bank Group, which has received added impetus from the mandate under the NEPAD to spearhead regional infrastructure development efforts. The Bank has been extending loans and grants to support the development of hydropower projects, interconnection of countries' power systems, and providing technical assistance to help build the capacity of the energy sector institutions. It is also worth mentioning that the Bank is funding important studies on hydropower development in the context of the Nile Basin Initiative's Shared Vision, as well as

power systems interconnection that are the bedrocks for establishing power trade among African countries.

Indeed, in the last few years, the African Development Bank has been undergoing a process of reorganization and self-evaluation aimed at adapting its financial products and operation instruments and policies to more effectively meet the needs of its client countries. In this context, the Bank Group has articulated several new policies to define and guide its approaches to development assistance and lending operations. The Bank's Economic Cooperation and Regional Integration Policy and the NEPAD Infrastructure Project Preparation Facility are a fitting testament to this exercise.

In July 2005, G8 countries met in Gleneagles to discuss actions on Climate Change, Clean Energy and Sustainable Development. The Gleneagles' Plan of Action, by supporting measures to help improve the investment environment, aims to shift a growing share of investments in the energy sector towards cleaner and more efficient energy technologies. Within the G8 Action Plan, it was agreed that the World Bank and Regional Development Banks (RDBs) would create a Clean Energy Investment Framework to address these issues. The purpose of this framework is to accelerate investment in clean energy and energy efficiency, and to develop new approaches for adaptation.

The ADB is designing its own Plan of Action within this overall framework, and in line with its poverty reduction mandate. The Bank will strive to address the issues that are most important for its regional member countries. It will allow the Bank to bring together existing resources and the experience of other key partners to develop a strategic and coherent policy on energy and climate change. Therefore, the Investment Framework will complement, and provide a useful input to, the ongoing review of the ADB Energy Policy, and subsequently, the development of ADB Energy Efficiency and Renewable Energy Strategy.

Distinguished Participants,

Ladies and Gentlemen,

Africa is in acute competition with other continents as a destination for investment. African countries cannot, without pooling their resources and stepping up regional cooperation, provide energy services at least cost to compete effectively with other nations.

The investments would range from micro/mini hydro operated and maintained at the community level to huge hydropower schemes justified on regional demand basis, and developed through multinational initiative. For small hydro projects, building Public-Private Partnerships would be essential specifically for supplying electricity in rural areas. Given the complexity and the huge financial resources required for large projects, a coalition of donors is necessary. In this regard, the Infrastructure Consortium for Africa (ICA) recently established as a multi-donor initiative with the ADB as Secretariat, is poised to assist in the necessary coordination and mobilization of resources.

As you ponder over the themes and issues for this Conference, and strive to forge consensus on the way forward, the ADB Group stands ready to assist African countries implement appropriate strategies to harness the significant water resources for hydropower development, and ensure their sustainability.

We attach the utmost importance to your deliberations, as the **Conference Declaration** and **Action Plan** will help shape the design of the Bank's future interventions in support of the development of Africa's renewable energy resources.

Thank you for your attention.