The EU Energy Initiative
for poverty eradication
and sustainable development
Contents

1. WHY AN EU ENERGY INITIATIVE? .........................4

2. THE OBJECTIVE OF THE EU ENERGY INITIATIVE .......5

3. HOW THE INITIATIVE WORKS ..............................6

   Figure 1: Working together through Partnerships
   Box 1: Examples of Activities

4. THE CURRENT SITUATION .................................9

   Figure 2: EU Energy Commitments per year 1997 to 2001
   Figure 3: EU Energy Commitments from 1997 to 2001 by purpose
   Figure 4: EU Energy Commitments from 1997 to 2001 by region

5. WHO IS INVOLVED? .......................................11

6. WHAT NEXT? .................................................12

ANNEX: EXAMPLES OF PAST/ONGOING EU FUNDED ENERGY ACTIVITIES ..................................13

   Figure 5: Location of Selected EU Energy Case Studies
Limited access to energy services and a heavy reliance on traditional biomass are hallmarks of poverty in developing countries. Currently, 2.4 billion people rely on traditional biomass – wood, agricultural residues and dung – for cooking and heating. The United Nations Millennium Declaration, as part of the “indispensable foundations for a more peaceful, prosperous and just world,” set ambitious Millennium Development Goals (MDGs), with the particular aim of lifting people out of poverty and hunger. Achieving these goals of social and economic development requires, among other things, access to energy in a sustainable manner.

Better access to sustainable energy services helps to develop businesses and income-generating activities. Homes, schools and health centres need adequate energy for lighting, communication, water supply, heating and cooling. Streetlights improve safety at night, better fuels and stoves are necessary to end the exposure of women and children to indoor air pollution and reduce the drudgery of daily life.

Despite the importance of energy for poverty reduction and sustainable development, current market and aid mechanisms are unlikely to bring modern energy services to the poor in the foreseeable future. For this reason, public authorities in developed and developing countries must work towards elaborating frameworks for establishing the basic energy services for the poor, which are necessary for sustainable development.

In order to respond to unmet needs for energy services, the European Union (EU) developed the Initiative for Poverty Eradication and Sustainable Development. The Initiative was launched at the World Summit on Sustainable Development (WSSD) in September 2002. It demonstrates the commitment of EU Member States and the European Commission (EC) to supporting improved access to sustainable energy services in developing countries. Through the Initiative, the EU proposes to work with developing countries towards creating the necessary conditions in the energy sector to achieve their national economic, social and environmental objectives, in particular by maximising energy efficiency, including the more efficient use of fossil fuels and traditional biomass, and increasing the use of renewable energy.

Activities implemented under the Initiative are driven by the needs and priorities of the participating developing countries. The EC and EU Member States invite developing countries and other stakeholders to become part of the Initiative and to participate in the further development and implementation of partnerships at the national and regional level.

(1) IEA, World Energy Outlook 2002
The objective of the Initiative is to contribute to providing the access to energy necessary for the achievement of the Millennium Development Goals, particularly, but not exclusively, that of halving the proportion of people in extreme poverty by the year 2015. This objective will be achieved within the context of activities driven by participating developing countries, through the provision of adequate, affordable, sustainable energy services.

By creating a focus on energy and poverty, the Initiative:

- Raises political awareness among high level decision makers of the important role energy can play in poverty reduction.

- Clarifies the need for energy services for poverty reduction and sustainable development.

- Makes apparent the need for energy services in national and regional development strategies.

- Encourages the coherence and synergy of energy-related activities.

- Stimulates new resources (capital, technology, human resources) from the private sector, financial institutions, civil society and end-users.
A demand-led approach

The Initiative enables the EU and its developing country partners to work together – in partnership with the private sector, financial institutions and civil society – to achieve effective improvement of the energy situation in partner countries. It works through a demand-led approach that involves both government-to-government liaison and local participation. Ownership of activities by the partner country is a key feature. The government-to-government liaison is based on dialogue, formalisation of responsibilities and action from national governments. Local participation will be encouraged from end-users, communities, businesses and other stakeholders in both the planning and implementation stages.

The EU is taking the Initiative forward through open dialogue with partner governments at country level through its EC Delegations and Member State country offices. The situation may vary from one country to another. The Commission facilitates in countries where energy is a focal sector for EC programmes, and Member States facilitate in those countries where they are active in energy-related projects and programmes, co-ordinating with each other. The EU and partner country dialogue is followed by, or in parallel with, dialogue with the private sector, financing organisations, civil society and end-users. Partnerships will develop in response to the energy needs of developing countries and regions.

Figure 1: Working together through Partnerships
An important first step is working with developing countries to highlight the role of energy within their development strategies, such as National Poverty Reduction Strategy Papers, Country Strategy Papers, Regional Strategy Papers, National Indicative Programmes, or other national Sustainable Development Strategy documents. Currently, the importance of energy services is identified in only a small number of development strategies. The Initiative is helping to integrate energy issues into sectoral strategies and programmes (such as education, health, water and sanitation, and the creation of income-generating activities) as they are developed or revised, thus encouraging a cross-sectoral approach to energy.

**From dialogue to partnerships…**

Dialogue defines the scope and the nature of the partnerships, the activities in the countries or regions, and the roles of the different stakeholders. The fundamental basis for action is to develop partnerships in areas where common efforts between the EU (Commission and Member States) and participating countries can contribute to broadening access to energy services, in particular for poorer populations. Gender issues are important in all aspects of the Initiative.

The partnerships evolve through in-depth discussion of necessary actions with participating countries or regions, so as to contribute to their specific needs, as defined in development strategies. The partnerships are country-driven and are based on existing organisations, structures and procedures so as to avoid creating new structures or administrative burdens for partner countries.

Appropriate and transparent monitoring and review arrangements, based on existing co-operation practices, will be put in place. The partnerships provide flexible and transparent frameworks for achieving synergies with, and feedback from, other international energy-related initiatives.

**Partnerships lead to action…**

The agreed activities are carried out at country or at a regional level. The EU Energy Initiative is supporting partner countries in carrying out the agreed national and regional action plans through concerted efforts at all levels.

Activities draw on national, regional and international resources and strengthen regional co-operation in the field. The specific activities will be determined through the dialogue between Partners. Some examples of the types of partnership activities are described in Box 1.

The Initiative is drawing upon appropriate combinations of public and/or private resources, both from domestic and international sources. EC and EU Member State co-operation agencies contribute financing, following the procedures and priorities established with respect to development
strategies. Public resources will be provided in a variety of forms, so as to maximise their impact.

Given the magnitude of the need for access to energy services, the Initiative will strive to attract major contributions from private sources. Official Development Assistance (ODA) provides a basic funding framework that attracts private resources for further investment. Specific Initiative activities are designed to create the conditions for maximising private sector involvement.

The Initiative also invites involvement of development banks (including the European Investment Bank) and other investors to facilitate increased investment. Such financing may come from:

- the domestic public and/or private sector
- the international private sector
- loans from international financial institutions and development banks
- donor aid provided by other public and private donors
- grants and guarantees from international organisations and foundations
- proceeds from mechanisms, such as the Clean Development Mechanism (CDM), and/or innovative equity financing mechanisms.

**Box 1: Examples of Activities**

- **Energy policy development.** Provision of support to the public institutions, both national and regional, responsible for setting priorities, for planning, and for establishing appropriate policy and regulatory frameworks to ensure affordable access to efficient energy services.

- **Institutional capacity building and technical co-operation.** Through the transfer of knowledge and skills, the partnership can provide training and education to help build capacity both for public institutions and for private actors, as well as support for energy centres, including the dissemination of knowledge on the sustainable use of energy to end-users. The partnership can encourage information gathering and exchange through networks, both on policy and technological issues, as well as secondment activities for energy professionals, etc. The partnership can also encourage specific R&D activities focused on the specific needs of each participating nation or region.

- **Cross-sectoral planning.** The partnership can encourage the use of tools, such as multi-disciplinary workshops and literature, by non-energy decision-makers in developing countries, as well as within donor organisations and financial institutions, to integrate energy issues into decision-making processes in all sectors of activity.

- **Market development.** The technologies, the expertise and much of the capital needed to provide energy services come from the private sector. Appropriate forms of public-Private Partnerships attract private actors and contribute to achieving national development priorities. The partnership can provide support for local market actors (both public and private), who sell, finance, install and maintain the technologies required for access to energy, to foster the creation of dynamic energy service sectors.

- **Co-operation with financial institutions.** The partnership can play a facilitation role to promote investment in energy efficient infrastructure, for instance, in public transport, buildings, and industry. Innovative financial mechanisms (ESCOs, guarantee funds, micro credit, etc.) are developing to make best use of financial resources.
4. THE CURRENT SITUATION

Existing EU energy activities

The EU Energy Initiative focuses on achieving poverty eradication and sustainable development by improving access to adequate affordable sustainable energy services in rural, peri-urban and urban areas, through a menu of technical and institutional options, including:

- rural electrification
- enhanced energy efficiency (including cleaner, more efficient fossil fuel technologies, technology for more efficient appliances, and the more efficient use of traditional biomass)
- decentralised energy systems
- increased use of renewable energy (such as hydropower, biomass, solar energy, wind power, tidal, wave, or geothermal energy)
- institutional capacity building and restructuring
- policy, planning and transfer of knowledge and skills.

Some of the existing EU-funded projects in these areas are shown on the map in Figure 5 (see pages 13-14) and are described in more detail in the case studies available separately. These case studies are drawn from ongoing or completed energy-related activities carried out through EU aid programmes. They are indicative of the types of future activities that might be included in the EU Energy Initiative.

Existing EU energy funding*

Between 1997 and 2001, the average energy commitments from the EU, in the form of Official Development Assistance (ODA) and Official Aid (OA), were US$ 795 million per year. The EU Energy Initiative will work towards sustained commitments to energy and to increasing the level of energy commitments beyond current levels, in line with increased demand from beneficiaries.

Figure 2: EU Energy Commitments per year 1997 to 2001

* Figures established using Official Development Assistance and Official Aid data collected from the OECD Credit Reporting System (www.oecd.org)
Figure 3 shows that electrical transmission and distribution received the greatest share of EU financial commitment to energy between 1997 and 2001, at just over 27%, with power generation achieving the second largest share at nearly 21%. The majority of poor people in developing countries rely on biomass and charcoal for cooking and heating, but this attracted less than 1% of commitments in the same period. The EU Energy Initiative will work towards raising the profile and importance of these traditional energy resources, with the aim of increasing funding commitments in this area.

Figure 4 shows that the regions receiving the greatest share of EU energy commitments between 1997 and 2001 were South and Central Asia (25%) and Sub-Saharan Africa (24%). The EU Energy Initiative will work towards ensuring that the commitments for Africa are sustained or increased.
5. WHO IS INVOLVED?

Stakeholders involved in the Initiative come from the partner country governments, the private sector, end-users, NGOs, and financial institutions. A successful partnership appeals to the interests of different stakeholders, and at the same time, the overall approach of the Initiative is driven by the needs of the partner country and target group.

There are two levels of stakeholder involvement:
• the country level
• the international level.

The country level is the primary forum for the development and implementation of the partnerships. It consists of three stages: concept, formation and implementation.

Concept stage: the overall objectives for the partnership are defined.
Formation stage: the objectives are made operational. The outcome of this stage is the formation of a partnership.
Implementation stage: the partners implement the agreed action.

At the international level stakeholder involvement contributes in a number of areas by benefiting from sharing:
• experience in carrying out ‘energy access’ projects in the field
• views on the different models available for public/private co-operation in energy service delivery
• views on models for the implementation of the activities
• experience of outcomes in the field and in the longer term
• experience of best practice as a result of the partnerships under the Initiative.

There have already been a number of multi-stakeholder meetings at the international level and these will continue throughout the life of the Initiative to enhance dialogue.

The following are based in Europe:
• EU Advisory Group made up of Member State and Commission officials and experts in energy and development
• Working groups supporting the Advisory Group, on specific issues
• EUEI Secretariat established to coordinate the Initiative.

The EU Advisory Group is the forum for the presentation of specific inputs to the Initiative from Member States and the Commission. It takes an overview of activities, identifying gaps in coordination, as well as new opportunities. The group serves as a vehicle for seeking complementarity between this and other initiatives and programmes and to develop networking.

Working groups are identified as the need arises to help to develop suitable activities. These working groups operate either in a virtual manner, by electronic means, or in a physical manner by meeting and working together, developing thematic papers, concepts, proposing solutions and exchanging views and experiences.
The EUEI Secretariat is at the core of the Initiative. The Commission hosts the Secretariat within DG Development. The Secretariat draws its staff from both the Commission and Member States.

The Secretariat:
• facilitates and stimulates co-operation and synergy between EU donors and partner countries and regions
• communicates with other donors and initiatives
• participates in international fora
• monitors and reports on activities
• provides a promotional and communication role through a website and other promotional tools
• provides a point of contact for the Initiative.

The Initiative strives to work with other ongoing sustainable development efforts and, in particular, other international energy-related initiatives, whenever this contributes to the national and regional partnerships. There are common issues between this and other initiatives and there is collaboration to ensure that the various initiatives are complementary and do not overlap.

To gain maximum benefit, information and knowledge will be shared among these initiatives on issues such as finance, transfer of knowledge and skills, lessons learned, dialogue with stakeholders, monitoring and evaluation of projects etc. In addition, the EU Energy Initiative will take part in the partnership dialogue envisaged within the context of the Commission for Sustainable Development (CSD).

6. WHAT NEXT?

The EUEI invites stakeholders to participate in its activities and to join relevant partnerships at national and regional level. Further information is available on the Initiative website. This website is updated with information on the different partnerships, to ensure transparency and to facilitate the exchange of information and experience.

To discuss issues related to the Initiative, please contact either the Secretariat or the relevant Member State country office (see the website for a list).

The EU Energy Initiative Secretariat
European Commission
DG Development, rue de la Loi 200 – B-1049 Brussels
E-mail: dev-eu-energy-initiative@cec.eu.int
Website: http://europa.eu.int/comm/development/body/theme/energy/initiative/index_en.htm
ANNEX: EXAMPLES OF PAST/ONGOING EU FUNDED ENERGY ACTIVITIES

Figure 5: Location of Selected EU Energy Case Studies

Case Study Index

1. **Nepal, Solu Khumbu/Sagarmath National Park, Namche Bazar – Thame.** A mini hydro project with grant funding from the Austrian Development Cooperation to supply electricity to 11 villages in partnership with local and international organisations. Around 630 customers are served: 84% domestic and 16% commercial.

2. **Zimbabwe solar hot water and crop drying systems.** A solar-thermal project with grant funding from the Austrian Development Cooperation, to provide solar hot water to households, schools and clinics, and solar drying for crops. This project was carried out in partnership with local and international organisations and includes a training programme for local people.

3. **India, Orissa rural community electricity supply (ORCES).** Micro privatisation of electricity supply involving the setting up of village electricity committees and a village contact person. The United Kingdom Department for International Development is supporting this programme through its country programme.

4. **Support to the regional programme for the promotion of domestic and alternative energy sources in the Sahel (PREDAS).** This EC programme was created to assist countries in the Sahel region of Africa to design, adopt and implement domestic energy plans for overcoming the fuel wood crisis, and to ensure optimum use of renewable energy resources in the longer term.

5. **Solar power for water supply and rural development in the Sahel region (PRS).** This EC programme uses solar energy to pump water from the ground, supplying local populations with drinking water and irrigating land. It has the objective of increasing access to water (quality and quantity), and improving economic conditions by developing complementary resources and by reducing time spent on collecting drinking water.

6. **Kiribati solar energy programme, South Pacific.** This EC programme provided funding for the Kiribati rural electricity utility firm, the Solar Energy Company (SEC), to install 250 solar home systems as fee for service, and in 2000 agreed a grant of 4 million euros to install an additional 1,500 household and 133 community systems. The objective is to provide access to electricity on the outer islands in order to reduce migration to the main island and to reduce the environmental impact of using other fuels.

7. **Nepal, rural regions biogas support programme.** Phases III and IV of this project are jointly funded by Nepal, Germany and the Netherlands. The programme installed decentralised digesters run on cow dung to produce biogas for cooking and
lighting in rural households. The benefits of the programme are reduced indoor air pollution, savings on fuel cost, reduced deforestation, reduced CO₂ emissions and knowledge transfer.

**6 Technical expertise for renewable energy application (TERNA).** This cross-regional German-funded project aims to support partners in developing countries to plan and develop wind power projects. The goals are to lay the foundations for sound investment decisions and to enable partners to plan and develop further wind energy projects.

**7 China, Yunnan and Qinghai Province renewable energies in rural areas.** This project is jointly funded by Germany and China. The objective is to improve living and working conditions in remote rural areas by decentralising electricity supply, based on solar PV and micro hydro technologies, including solar-diesel hybrids.

**8 Mozambique, Nampula Province rural electrification Ribaué–lapala.** The Swedish International Development Cooperation Agency (Sida) is financing this grid connected project which uses electricity from hydropower with the aim of supporting commercial and social development in the Nampula province of Mozambique.

**9 An energy and environment partnership with Central America.** The Finnish Ministry of Foreign Affairs has jointly funded this Initiative with private companies. The partnership aims to promote the sustainable and efficient use of renewable energy sources, to reduce emissions and to combat climate change.

**10 Energy for rural development.** This cross regional project is jointly funded by the French government, Electricité de France and partner country rural electrification funds. It takes a global approach to meeting energy needs in rural areas. Countries where activities are taking place include: Benin, Senegal, Mauritania, Indonesia, Laos, Madagascar, Mali, Morocco, Tunisia, the Philippines, South Africa and Vietnam. Links to national goals are considered in each country where programmes are developed.

**11 Approach for urban energy needs through industrial energy efficiency.** This cross-regional project is jointly funded by the French government, ESMAP and GEF. It takes a global approach to meeting energy needs in urban areas. In Morocco, the project has gained political support from local authorities because of its environmental and social impact.

**12 Energy efficiency and renewable energy in buildings.** This cross-regional project is largely privately financed, with some supplementary funds from France. It takes a global approach to meeting energy needs in urban areas. Activities have been carried out in China, Lebanon and Tunisia. Among other activities in China and Lebanon, local architects and promoters received training to better take into account energy use in housing design and building.

**13 Burkina Faso, production and provision of sustainable wood fuel to the urban markets.** This project is funded by Danida. The objectives of the project were to develop and expand an existing concept for sustainable wood fuel production initiated by a UNDP/FAO ‘BKF forestry project’. The programme aims at developing methods, tools, monitoring systems and institutional frameworks for sustainable wood fuel production, commercialisation and sales.

**14 Energy sector programme support (ESPS), Mozambique.** This project is part-funded by Danida. The objective of the programme is to improve access to energy services for the poor through support to the Ministry of Minerals and Energy’s Department of Energy (DNE) and the National Energy Fund (FUNAE), to enhance their functioning and cooperation mechanisms. In addition, it will improve local energy management by supporting Sofala Province in particular and developing a network of energy consultants.

**15 Improved cooking stove (ICS) component of the energy sector assistance programme (ESAP), Nepal.** Danida is funding the project planning and implementation of phase I of this project which had installed around 30,000 ICS by the end of 2002 and is expected to reach 80,000 by the end of phase I in 2004. The primary objective of the project is to improve the efficiency of the cooking stoves used in ordinary households in order to reduce fuel consumption and smoke pollution in dwellings. Secondary objectives are to facilitate the development of local skills and income generation amongst those that are trained to build the stoves.

**16 The Mediterranean Renewable Energy Initiative.** This is a co-operative programme lead by Italy with countries bordering on both the north and south of the Mediterranean. The Initiative will encompass public, private and multilateral and non-profit organisations. The goal of the initiative is to serve 100 million people in the Mediterranean region with renewable energy within the next ten years. The Italian Ministry for the Environment and Territory has created start-up funds in UNEP of 1.28 million euros to support the preparation of renewable energy projects.