

Energy poverty affects poor communities and poor nations far more severely, and more directly, than in developed nations. Poor rural communities are particularly vulnerable, and the poor globally spend by far the largest percentage of income on energy. To make matters worse, record-high oil prices combined with sharp decline in foreign exchange earnings are key processes influencing the energy sector in Africa. These increases cause tremendous local hardships, but can be used to steer development decisions toward renewable energy technologies. At the same time, breaking up of public monopolies and liberalizing generation and distribution provides an opportunity for a new approach to rural electrification. Given the right incentives and institutional framework, a new set of players (e.g., private entrepreneurs, cooperatives, nongovernmental organizations, and communities) are likely to emerge and dominate reformed rural electricity markets in the future. Through technological and institutional “leap-frogging,” Africa stands to gain significantly by augmenting current initiatives with experience and lessons recently gained in South Asia and Latin America. In these regions, a number of remarkable recent strides to seed and grow rural electricity markets while stimulating and encouraging private investments. Examples of innovative regulatory tools to address poverty include licensing, standards and guidelines, metering, tariffs, transmission charges, and performance-based contracting for energy services.