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Energy Services for the Urban Poor in Africa: Issues and Policy Implications. Kebede, Bereket and Ikhupuleng Dube (eds.). London: Zed Books, Ltd in association with African Energy Policy Research Network (AFREPREN), Nairobi, Kenya, 2004. 297pp.

Energy Services is a compilation of country case studies designed to address the challenge of providing the ever-growing urban poor population on the continent with modern energy services such as electricity and kerosene that would replace traditional biomass based fuels such as wood and charcoal. The cases come from the SADC region (Zambia and Zimbabwe) and from East Africa (Ethiopia, Uganda, and Tanzania). In order to make cross-country comparisons and draw more general conclusions each case study was to address five broad areas: 1) the extent to which the poor can afford modern energy services; 2) the role of upfront costs in providing modern energy services to the poor; 3) the extent to which energy subsidies targeted toward the poor actually reach the poor; 4) the impact of energy subsidies on government finances; and 5) the impact of the current system of electricity tariffs on small and micro enterprises (SMEs). Each case study then offers policy recommendations based on the study's findings.

Most of the case studies are quite detailed in terms of the data used, with most of the data are derived from government agencies, state-owned utilities, or through surveys. The amount and detail of the data used were quite surprising given the known difficulties with obtaining the necessary data, or the reliability of the data. I find this especially true of the Zambian case where I have knowledge of data problems with the state-owned electric utility ZESCO at their most recent price review proceeding. Moreover, the use of survey data was also relied upon quite heavily in the Zambian and Ethiopian cases, and should make any reader question the validity of the data used to reach some of the over-arching conclusions. Only in one case study (Tanzania) was there a truly open acknowledgement of the aforementioned data problems.

Some of the over-arching findings of the studies may be surprising to Africa watchers, especially with respect to affordability. The first is that the urban poor can afford unsubsidized energy services. The second finding, related to the first, is that the poor cannot afford to pay for the upfront costs associated with consuming modern energy services such as electricity connections, house wiring, stoves, lamps, etc. Consequently, many of the cases recommend subsidizing the up-front costs rather than subsidizing consumption, as has traditionally been the case in pro-poor policies, or to amortize the cost of the up-front investment by consumers over a period of years noting the current practice would require the poor to pay the up-front costs as a lump-sum payment. These findings and recommendations are similar to the findings and recommendations of World Bank and UN studies on serving the poor in places such as Latin America and South Asia.

A third general finding indicates most subsidies for energy consumption are NOT captured by the poor! This is also consistent with findings from other studies from around the developing world. The reason subsidies end up benefiting the non-poor is because they are subsidies on

consumption, as mentioned above, not on connection or up-front costs. Therefore, anybody who is connected receives the subsidy (usually non-poor), but the poor who have trouble affording the up-front costs are excluded. This result further bolsters the recommendation for subsidizing up-front costs.

The impact of subsidies on government finances is not so clear cut. However, the reader is left wondering what constitutes “government” and there was no consistent measure of the impact on the fiscal health of government across cases. The general impression is that subsidies have little impact on public finance as evidenced by cost-reflective and revenue sufficient tariffs in Ethiopia and the less than 5% impact in Tanzania. However, the subsidies in electricity in Zambia and Zimbabwe have been debilitating to the state owned companies and while they do not necessarily constitute government spending, the large company deficits are clearly a long-run burden on those governments. The authors should have provided more consistency here.

Overall, the book is well done and it accomplishes the goals set forth by the editors of the compilation, in spite of the data limitations and data questions, and verifies that providing energy services to the poor in Africa is financially viable if the best possible policies are implemented. Moreover, it reinforces, in the African context, what has been found in other parts of the world with respect to energy service provision for the poor. It is a must read for anybody working in development and energy in Africa including and especially World Bank and IMF professionals as well as government policy makers in Africa. There are many other smaller lessons that can be drawn from the cases presented, other than those provided above, and that could be applied with appropriate modifications to change policy in the local context.

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