Regional Strategy on Scaling-up Access to Modern Energy Services in the East African Community

Project Document for Initial Implementation Activities

January 2009
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Scaling-up Access to Modern Energy Services
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List of abbreviations

CTA   Chief Technical Advisor
EAC   East African Community
EDPRS Economic Development and Poverty Reduction Strategy
EUEI   European Union Energy Initiative
GTZ   German Technical Cooperation
GVEP   Global Village Energy Partnership
GWh   Gigawatt hour
ICS   Improved cook stove
KCJ   Kenya ceramic jiko
KEBS   Kenya Bureau of Standards
KenGen   Kenya Electricity Generating Company
KNBS   Kenya National Bureau of Statistics
KPLC   Kenya Power and Lighting Company
kWh   Kilowatt hour
LPG   Liquefied petroleum gas
MDG   Millennium Development Goals
MoA   Ministry of Agriculture
MoE   Ministry of Energy
MoH   Ministry of Health
MoU   Memorandum of Understanding
PCU   Programme Coordination Unit
PRSP   Poverty Reduction Strategy Paper
PSC   Programme steering committee
PV   Photovoltaics
SIDA   Swedish International Development Agency
TANESCO   Tanzania Electricity Supply Company
UNDP   United Nations Development Program
UNEP   United Nations Environment Program
US$   United States of America Dollar
WHO   World Health Organisation
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Executive summary

The East African Community (EAC) faces several challenges in achieving its development vision. Energy has been recognised as one of the key elements in achieving this vision. Currently, over 81% of the populations in the five East African Community countries live without access to modern energy services. Most of them use traditional biomass burnt in open three-stone stoves which expose the users to health hazards from indoor smoke and fire hazards, but also — due to their inefficiency — contribute to rapid deforestation. In 2002, the World Health Organisation (WHO) estimates that indoor air pollution from solid fuel use was responsible for the following levels of national burden of disease in the EAC countries:

- Burundi: 5.2%
- Kenya: 2.9%
- Rwanda: 5.8%
- Tanzania: 4.4%
- Uganda: 4.9%

Furthermore, a WHO study shows that promotion of LPG as an alternative fuel for cooking — despite initial investment costs — can result in a seven-fold return on investment.

Lack of electrical and motive power means that a majority of the population cannot participate in economic and social activities to improve their standards of living. Access to clean, affordable, and reliable energy has a profound bearing on living standards and human wellbeing. It can therefore accelerate the achievement of the Millennium Development Goals (MDGs) especially those related to income, poverty, health, education and women’s empowerment. Without improving access to modern energy services, EAC countries will continue to face extreme poverty and inequality for most residents and will not be able to meet any of the MDGs by 2015. Current energy access programmes and commitments will not address the growing demand for modern energy in time to meet the MDGs but instead will result in a wider gap in energy access among the EAC population. It is therefore necessary to move away from the ‘business-as-usual’ scenario to a more determined energy services driven approach that addresses some of the key barriers that hinder increased access to modern energy services.

It is with this in mind that the EAC Strategy on Scaling-up Access to Modern Energy Services was conceptualised and developed to enable the Partner States (Kenya, Uganda, Tanzania, Rwanda and Burundi) to fight poverty, improve living conditions and achieve the MDGs. This strategy was adopted in November 2006 by the EAC Council of Ministers.

The Strategy has four key targets, which were approved by EAC Energy Ministers in August 2005 to be fulfilled by 2015, in line with the MDG framework in scaling-up access to modern energy services. They are:

**Target 1:** Provide access to modern cooking practices for 50% of the population that currently uses traditional cooking fuel. (Linked to MDGs 3, 4, 5 and 7)

**Target 2:** Provide access to reliable electricity for all urban and peri-urban poor. (Linked to MDGs 1, 4, 5 and 6)

**Target 3:** Provide access to modern energy services for all schools, clinics, hospitals and community centres. (Linked to MDGs 1 through 6)

**Target 4:** Provide access to mechanical
power for heating and productive uses for all communities. (Linked to MDGs 1 through 7)

1.1 Regional approach
The benefits of a regional approach to energy access have been well articulated. They include high level political support, synergy, the existing common market, cross-learning, economies of scale and peer support leading to more cost effective implementation than would otherwise have been possible at national level.

The energy access targets will be realised through the implementation of key national and regional level interventions. These interventions — as identified in the strategy — are geared towards elevating and integrating energy access issues into national development processes so as to increase funding, build capacity and change implementation practices.

At national level, the following interventions will be undertaken:
i) Mainstreaming energy access into national development planning and budgeting,
ii) Developing pro-poor and gender-responsive energy policies,
iii) Strengthening national capacity to deliver energy services for the poor, and
iv) Targeting investment in proven systems and develop new ‘business models’ to scale up energy access.

All the Partner States have developed national baseline reports and two-year workplans to initiate and propagate these interventions.
The EAC Secretariat, working closely with national agencies, can play a leadership role in scaling-up energy access regionally. Four interventions that can be spearheaded at the regional level have been identified to assist EAC countries implement the Strategy as follows:

• Policy harmonisation at the regional and national level: creating a forum for regional policy discussions,
• Regional capacity building: building the institutional capacity of key institutions that will have regional impact,
• Investment formulation: assisting fund mobilisation for national investment programmes, and
• Strategic coordination and programme management: actively managing attainment of the targets through effective feedback and timely application of seed interventions.

Through the baseline reports developed for each country, it was established that the need for modern energy access is growing by the day. It was also established that the EAC is deficient of institutional and professional capacity to provide necessary support and catalytic interventions towards achieving the strategy objectives.

This project document therefore has two objectives:

a) To initiate processes at national and regional level to ensure that EAC modern energy access targets are met by 2015, and
b) To strengthen institutional and human capacity at EAC Secretariat and in Partner States so as to implement the Energy Access Strategy.

The project proposes a set of key activities to prepare the countries for implementation of the strategy. It also proposes the establishment of a Programme Coordination Unit (PCU) at the EAC Secretariat to provide coordination, implementation assistance, fund mobilisation, monitoring and communicating the progress of the Energy Access Strategy. One of the key expectations of the PCU is the creation of a Regional Seed Fund to catalyse promising start-up initiatives by providing quick access to funds in addition to development of viable business models that deliver expanded energy access.

The PCU will work closely with the country working groups and national focal points in each country. In doing so, the PCU will provide strategic coordination of the various activities under the strategy. It will also facilitate cross learning across Partner States. The key entry point in each country will be the ministry in charge of energy and specifically the designated focal point for the strategy.

This project document covers the initial 24-month implementation phase of the strategy which focuses on actions that improve the policy and regulatory environment, pro-poor strategies, capacity and knowledge and viable business models. It sets a firm foundation to make the shift from ‘business as usual’ to a scaling-up mode. It seeks to mobilise further support from the development partners to EAC to jumpstart the implementation of the strategy.

The indicative budget for the phase is estimated to be US$ 3.2 million over the 24 month period.
The East African Community

The East African Community (EAC) is the regional intergovernmental organisation of the Republics of Burundi, Kenya, Rwanda, Uganda and the United Republic of Tanzania, with its headquarters in Arusha, Tanzania. The Treaty for Establishment of the East African Community was signed on 30 November 1999 and entered into force on 7 July 2000 following its ratification by the original three Partner States — Kenya, Uganda and Tanzania. Burundi and Rwanda acceded to the EAC Treaty on 18 June 2007 and became full members of the Community with effect from 1 July 2007.

The Community has an estimated gross domestic product of over US$50 billion and a population of about 100 million people.

The Mission of EAC — as stated in its founding charter — is to widen and deepen economic, political, social and cultural integration in order to improve the quality of life of the people of East Africa through increased competitiveness, value added production, trade and investment.

2.1 Governance structure

The EAC is governed through the following organs:

- **The Summit**: Comprising heads of government of Partner States, it gives general direction towards the realisation of the goal and objectives of the Community.

- **The Council of Ministers**: This is the main decision-making body. It is made up of ministers from the Partner States responsible for regional cooperation.

- **The Coordinating Committee**: It consists of permanent secretaries of the key ministries and reports to the Council of Ministers. The Committee is responsible for regional cooperation and coordinates the activities of the sectoral committees.

- **Sectoral Committees**: These committees conceptualise programmes and monitor their implementation. The Council establishes the committees on recommendation of the coordinating committee.

- **The East African Court of Justice**: The court ensures that Community law is interpreted and implemented in line with the Treaty.

- **The East African Legislative Assembly**: Consists of legislators from each member country. It provides a democratic forum for debate on matters relating to the Community and has a watchdog function over the Secretariat.

The Secretariat is the executive organ of the Community. As the guardian of the Treaty, it ensures that regulations and directives adopted by the Council are properly implemented. It is headed by a Secretary General who is assisted by three deputies in charge of the following portfolios: Political Federation; Projects and Programmes; Finance and Administration, and a Director General in charge of Customs and Trade. Energy issues fall under the office of the Deputy Secretary General in charge of Projects and Programmes. The structure is as shown in Annex 4. The Energy
Access Strategy is handled by the New and Renewable Energy Working Group which reports to the Energy Committee and subsequently to the Sectoral Council of Ministers responsible for Energy.

The core budget of the EAC Secretariat is funded by equal contributions from the Partner States though there have been proposals for proportionate contribution in line with economic considerations.¹ Regional projects and programmes are funded through the mobilisation of resources from both within and outside the region. A partnership fund to provide better coordination of donor support and better alignment with the priorities was established in September 2006.

The current EAC Development Strategy outlines a proposal for pooling of resources into an EAC Development Fund to finance programmes for the socio-economic development of the region. The proposed fund could address infrastructural and economic imbalances across the region.

b. EAC programmes

One of the key achievements for the EAC is the realisation of the Customs Union for the region as a step toward economic integration with free movement of goods. This has greatly opened up the borders between the countries. The Partner States have also agreed to fast-track the political integration process. Programmes of infrastructural nature include the EAC power master plan, the petroleum refinery development strategy, oil and gas pipeline projects and cross-border electrification programme.

These programmes are largely geared towards the development of energy resources — but they go to show the EAC commitment towards meeting its objectives. However, energy access has continued to be a challenge for a majority of East Africans, many of who live below the poverty line.

¹ EAC Development Strategy 2006 – 2010
All the EAC Partner States are keenly aware that the current access to modern energy services for the majority of the population is grossly inadequate, and is a key barrier to the reduction of poverty and attainment of MDGs in the region.

Traditional biomass (wood, charcoal, and animal waste) currently meets most of the region’s household cooking and heating needs. Diminishing of biomass resources has reached critical levels in the region. This, coupled with rapid urbanisation, has contributed to the increasing scarcity and high price of cooking fuel in urban areas. Less than 30% of households in the region currently use liquefied petroleum gas (LPG) or an improved cook stove (ICS). If the current trend continues, a proportion of more than 70% of households will be without modern cooking services by 2015.

In all the countries, biomass is the dominant cooking and heating fuel — accounting for up to 96% of energy consumption in some countries. In Kenya, traditional biomass-based fuels accounts for 68.3% of total energy consumption.²

Burundi meets 96% of her energy needs from traditional biomass, comprising mainly of fuel wood, agricultural residues and charcoal. The balance of energy needs are met by imported petroleum products, hydropower, peat, solar and biogas.

The other three EAC Partner States lie somewhere in between in their reliance on traditional biomass. This over-reliance on traditional biomass has serious environmental, health and economic impacts.

Indoor cooking fires are a major cause of respiratory diseases, especially among children and women. According to WHO, indoor air pollution from solid fuel use in 2002 was responsible for a national burden of disease of 5.2% in Burundi, 2.9% in Kenya, 5.8% in Rwanda, 4.4% in Tanzania and 4.9% in Uganda. In these countries, more than 75,000 people die annually from pneumonia and chronic obstructive pulmonary disease linked to the inhalation of indoor smoke.

Target No. 1 of the strategy aims at introducing modern cooking practices for 50% of those relying on traditional biomass for cooking. Various options for improvement include ICS, biogas, LPG etc. The countries have had mixed experiences with ICS. For example, Rwanda has a national programme to introduce ICS, and in Uganda, there has been some success with new stoves in a number of districts. In Kenya the Kenya ceramic jiko (KCJ) has done extremely well and the consumption of LPG (though still low by international standards) is on the rise with a national coverage of 3.5% (urban 11.9%, rural 0.7%).³

In Target No. 2, the strategy aims to increase access to electrification of the urban and peri-urban populations. Baseline survey of the Partner States indicated large sections of the population in these areas have no

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³ Kenya modern energy scale-up baseline report
access to electricity, even while power lines passing in close proximity transport electricity to faraway places. Furthermore, due to the high population densities, the per capita cost of electrical connections would be low, and thus have a major impact on meeting the MDGs.

Unless measures are taken to drastically increase energy access, all indicators point that over 80% of EAC residents will not have access to clean cooking fuels by 2015. Also, 50% of the urban population, 90% of rural populations and more than 90% of local schools, clinics and community centres will still have no access to electricity. Access to motive power for mechanical loads, necessary to transform rural economies, will also still be largely lacking as seen in Table 1.

This situation will deal a major blow to EAC countries in their quest to achieve any meaningful development and attain the MDGs.

The strategy estimates that the EAC population most important to the MDGs spends about US$1.2 billion per year on inefficient energy sources and practices. This represents a significant market demand for improved energy services, which would significantly increase rural production and economies.

**TABLE 1: Current levels energy access in EAC by challenges and population segments**

<table>
<thead>
<tr>
<th>Energy challenge</th>
<th>Target group</th>
<th>Target size</th>
<th>Current number with access</th>
<th>Access (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of modern cooking practices by 50% of those who at present use traditional biomass for cooking, including reducing indoor air pollution to safe levels, and increasing the sustainability of biomass-derived fuel production</td>
<td>Urban poor</td>
<td>6.4 million households</td>
<td>3.0 million households</td>
<td>47%</td>
</tr>
<tr>
<td></td>
<td>Rural poor</td>
<td>13.8 million households</td>
<td>1.5 million households</td>
<td>11%</td>
</tr>
<tr>
<td>Access to reliable modern energy services for all urban and peri-urban poor</td>
<td>Urban poor</td>
<td>4.7 million households</td>
<td>2.0 million households</td>
<td>43%</td>
</tr>
<tr>
<td></td>
<td>Urban slums</td>
<td>1.7 million households</td>
<td>0.5 million households</td>
<td>30%</td>
</tr>
<tr>
<td>Energy services such as lighting, refrigeration, information and communication technology, and water treatment and supply for all schools, clinics, hospitals, and community centres</td>
<td>Schools</td>
<td>41,838</td>
<td>1,848</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td>Clinics</td>
<td>9,550</td>
<td>401</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td>Hospitals</td>
<td>717</td>
<td>38</td>
<td>5%</td>
</tr>
<tr>
<td>Access to mechanical power for heating and productive use within all communities</td>
<td>Rural communities</td>
<td>22,165</td>
<td>955</td>
<td>4%</td>
</tr>
</tbody>
</table>
Often national planning documents such as the Poverty Reduction Strategy Papers (PRSPs) in the region do not give sufficient attention to energy access issues, and budgetary allocations in the PRSPs remain lower than $4 per capita in EAC countries. At the same time, studies in the region suggest that minimum per capita investment of $15 on energy access will be needed to meet the MDGs.

Sharp population growth coupled with economic growth has over the past decade led to a tremendous surge in energy demand, especially for electrical power.

For example, in Kenya, electricity demand is projected to grow from 5035GWh in 2003/04 to 8561GWh in 2013/14, representing an average growth rate of 5.6% and the average energy production from all the potential sites is at least 6,600GWh per annum (MoE, 2004).

In Kenya, solar PV is commonly used for lighting, refrigeration, telecommunications and water pumping. Due to the country’s strategic location on the equator, where insolation (energy available/unit area/unit time) is high, over 20,000 solar systems, mainly small (12Wp to 30Wp) are sold annually in the commercial market (aggregate estimate is over 2000⁴ units with an installed capacity of about 4 MWP (MoE, 2004)). Other alternative energies are diesel generating sets. There also exist mini hydropower stations for communities and missionaries.

Stand-alone diesel generators and inverters are also in use, but are mainly limited to hotels and lodges.

In Rwanda the price of electricity is high at US$0.21 per kWh (excluding 18% VAT, and US$ 0.79 monthly meter rent):

- Rural electricity access is only 4% but the government has a target to increase to 10% by 2012 and 35% by 2020 (EDPRS).
- The per capita electricity consumption in Rwanda is around 30 kWh in comparison to neighbouring countries Uganda (66 kWh), Kenya (140 kWh) and Tanzania (85 kWh).

Population increase in urban and peri urban areas means the demand for energy is increasing.

The use of solar systems at household level is not widespread as equipment remains expensive and the number of distributors in the region is limited.

However, through a number of government and donor-led interventions, many of the social institutions in the country are already connected to the grid or use solar systems. At the end of the EDPRS period, 100% of all health facilities and administrative centres and 50% of the schools are expected to be provided with electricity.

Unfortunately, many solar systems are not functioning, mainly due to improper maintenance and lack of funds for parts. There are some initiatives ongoing to rectify this situation and increase the number of PV installations.

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⁴ Kamfor, 2002 and Hansjoerg G, 2004
⁵ More recent quoted figures — though not officially available for quote — indicate over 280,000 PV systems and over 7MWp in installations.
4 The EAC Energy Access Scale-up Strategy

In response to the need to achieve the MDGs, and in accordance with its mandate of improving the lives of the people of the Partner States, the EAC with the support of development partners formulated the Regional Strategy on Scaling-up Access to Modern Energy Services.

The strategy seeks to engage EAC Partner States in an ambitious initiative to scale up access to modern energy services, to support the achievement of the Millennium Development Goals and poverty reduction. It represents a credible plan to meet energy and development targets by scaling up new and existing business models, leveraging development finance, and securing programmatic support to ensure an enabling environment for increased energy access.

The objective of the strategy is to ensure that at least half of the EAC population has access to modern energy services by 2015. It is intended to focus efforts towards the vulnerable populations in rural, peri-urban, and urban areas with the lowest rates of access to basic social infrastructure.

The strategy also aims at the following:

- Reinforcing regional integration by pooling good practices and exchanging experiences for capacity building,
- Promoting harmonised political and institutional frameworks to include energy access as a key national priority for ensuring human development and achieving the MDGs,
- Supporting development of MDG-based investment programmes.

The outcome will be that an additional 9.6 million households (approximately 50 million people) will have access to modern energy services.

In this regard, the strategy has set out four key energy access targets that were ratified in August 2005 by the EAC Energy Ministers (see table 2 below).

To meet these targets, the strategy has identified national level interventions to be undertaken across the region to bring about desired changes that will lead to the attainment of the targets. They are:

i) Mainstreaming energy access into national development planning and budgeting

This will address the critical need for a holistic view at energy planning and increase budgetary allocations for energy access.

<table>
<thead>
<tr>
<th>TABLE 2: EAC modern energy access (MDG) targets by 2015</th>
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<tbody>
<tr>
<td><strong>The EAC Strategy Energy Access Targets</strong></td>
</tr>
<tr>
<td>Target 1: Access to modern cooking practices for 50% of traditional biomass users</td>
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<tr>
<td>Target 2: Access to modern energy services for all urban and pen-urban poor</td>
</tr>
<tr>
<td>Target 3: Access to electricity for all schools, clinics, hospitals, and community centres</td>
</tr>
<tr>
<td>Target 4: Access to motive/mechanical power for productive uses for all communities</td>
</tr>
</tbody>
</table>
ii) Develop pro-poor and gender-responsive energy policies

Policies are needed to support a diversity of energy technologies and service delivery models that are easily accessible by the poor. These include affordable financing options, targeting of subsidies and incentives as well as loan facilities.

iii) Strengthen national capacity to deliver energy services for the poor

Decentralising and reforming public administration, strengthening capacity of local administration and communities, and supporting the role of the private sector.

iv) Target investment in proven systems and develop new ‘business models’ to scale up energy access

The strategy recognises that new business models are needed to meet energy needs for populations such as inhabitants of urban slums, informal settlements, and nomadic groups.

On its part, the EAC will provide support to the Partner States along the following service lines identified in the strategy:

- Regional policy harmonisation: assisting Partner States review and develop forward looking energy access policies — and harmonising legislation and standards that could hinder replication and scaling up;
- Capacity building at national and regional level: building the institutional capacity of key public and private sector institutions that will have regional impact;
- Strategy Implementation support: assisting Partner States develop investment programmes, mobilisation financing for national investment programmes, including targeted co-financing to catalyse investment;
- Strategic coordination and programme management: developing a regional strategy to inform and support national strategies, and actively managing attainment of targets through effective feedback and timely application of seed interventions.

These services will catalyse investment in energy at the national level by improving the national policy and budget regime for energy access and building national investment programmes through demonstration of results achieved.

Each partner state has undertaken a baseline assessment that identifies the main gaps, opportunities and requirement for the strategy. A summary of the particular national aspects are given in the Annex 2. Each country has also developed a 24 month workplan and preliminary budget that will prepare them to initiate activities aimed at meeting the energy access targets.

4.1 Advantages of a regional approach

Working through EAC structures provides exceptional opportunities to increase energy access in Partner States by taking advantage of the following:

- Considerable political commitment incorporating five heads of states and many high level leaders,
- Established mechanisms for regional cooperation and decision making,
- Economies of scale,
- Synergy and cross learning opportunities,
- Peer pressure among Partner States and some element of healthy competition.

To undertake its mandate in relation to the energy access strategy, there is need to develop different types of skills and capacities within the EAC.
5 Problem statement

The continued low access to modern energy services poses a major threat to the economic and social development of the region and is a serious constraint to the attainment of the MDGs. Only a small percentage has access to modern energy services from electricity or liquefied petroleum gas (LPG). Currently, less than 3% of East Africa’s rural population and 32% of its urban population are connected to the electricity grid.

Apart from being a serious constraint to industrial activities, particularly manufacturing, energy has an explicit gender dimension where women are disproportionately burdened by lack of access to modern energy services.

Even with all the combined programmes, activities and resources currently directed towards energy access in the region, the strategy indicates that the energy access gap is widening fast. The projected gaps by 2015 are:
- Improved cook stove: above 70%
- Urban electrification: above 50%
- Rural electrification: above 90%

Thus the countries in the region will have little chance of attaining the MDGs. It is for this reason that the EAC modern energy access strategy proposes a radical re-orientation from the ‘business as usual’ scenario to a more fundamental approach which seeks to address barriers of policy, planning, budgeting, capacity and business models.

The EAC has both political clout and goodwill among the Partner States to improve the welfare of citizens in the region through provision of increased access to modern energy services. However there are several constraints that have been identified.

Budgetary allocations in the PRSPs remain lower than US$4 per capita in EAC countries, at a time when studies carried out elsewhere in the region suggest that a minimum per capita investment of US$15 will be needed to meet the MDGs.

A key problem to the implementation of the strategy is the limited institutional and human capacity at the EAC Secretariat. The 2006-2010 EAC Development Strategy recognises that “The mandate of the Secretariat has expanded over time without corresponding expansion of its capacity (staff and resources). In many areas, the Secretariat is thin on the ground with departments understaffed (sometimes with one person). This situation has had implications on efficiency and effectiveness of service delivery”. The situation needs to be rectified to enable the Secretariat provide the necessary support to Partner States.

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6 EAC Development Strategy 2006-2010
7 EAC Development Strategy 2006-2010
Achieving the EAC modern energy access targets within the timeline is an extremely challenging and ambitious undertaking — but one that has to be done if the countries of the region are to reverse the deteriorating trend of energy poverty and accelerate the rate of meeting the MDG targets. It will require political commitment and a supportive institutional framework of competent actors, both in the private and the public sector. In addition it will require a coherent policy, and legal and regulatory instruments designed to support the attainment of the targets.

The key thrust of the EAC Energy Access Strategy is a paradigm shift from the ‘business as usual’ scenario in the energy sector to a more pragmatic approach that will address the fundamental barriers. This will involve integration and mainstreaming of national planning on a sector-wide basis, policy and regulatory framework reviews and re-formulation, extensive awareness creation, facilitation and implementation of energy access initiatives, and investment programmes. Emphasis will be placed on interventions that can demonstrate conformity with a pro-poor and high-impact low-cost and scalable approach.

The initial activities will be undertaken through a two year programme to put in place structures and capacities for the above interventions. These will prepare the EAC Secretariat and Partner States to mobilise and effectively implement the expected huge investment programmes in energy access that will be required to meet the targets. The EAC Secretariat will provide support to Partner States through the four key service lines that are within the EAC’s regional mandate, namely:

1. Policy harmonisation at regional and national level — including regulations, standards etc.,
2. Capacity building of public and private sector actors to implement the strategy,
3. Implementation support: formulation and implementation of investment programmes to expand energy access (soft loans, grants, private sector investment),
4. Strategic coordination and programme management, including promotion of exchanges and dissemination of best practices (knowledge management).

Activities to meet the targets will primarily be implemented at the national level while the EAC’s role will be that of a catalyst and facilitator. The EAC Secretariat will also foster cooperation and collaborative efforts across the Partner States, exploit synergy, facilitate knowledge and information sharing, and thus reduce the time and resources required to meet the targets.

This project document covers the initial 24-month implementation phase of the strategy which focuses on actions that improve the policy and regulatory environment, development of pro-poor strategies, capacity development and identification of viable business models to scale-up access to modern energy services. It sets a firm foundation to make the shift from ‘business as usual’ to a scaling-up mode. It seeks to mobilise further support from the development partners of the EAC to begin the implementation of the strategy.
The EAC Energy Access Strategy will be implemented with various partners, some of whom are already involved in related activities in the region. UNDP, GTZ and EUEI have shown great interest to support EAC in realising the energy access goals. Both UNDP and GTZ have ongoing energy programmes in the region and will be key partners in the implementation of the strategy.

UN-HABITAT has initiated a programme to improve livelihoods in poor urban areas and human settlements. This is expressly captured in MDG 7 which aims to improve the lives of slum dwellers and others in poor living conditions. Presently UN-HABITAT is working with a group of stakeholders to improve access to modern energy services in poor urban settlements, which are characterised by acute deficiency of basic infrastructure and services. Due to the high population densities in these settlements, any intervention to improve energy access would have a significant impact towards achieving the MDGs. UN-HABITAT can target investment in proven and new business models to scale up energy access and especially in poor urban and peri-urban areas where it has a comparative advantage. In addition, the agency can provide strategic coordination and programme management for Target 2 through effective feedback and timely application of appropriate interventions under the strategy framework.

The work of UN-Habitat in water and sanitation provision is very relevant to the strategy (Target 2-4) since this is one of the key services expected to be delivered through modern energy access. Energy costs make up a large proportion of the price of clean water (up to 70%) and therefore improving access to modern energy could lower the cost of water delivery and thus improve the lives of many within East Africa. UN-Habitat is already active in the Lake Victoria Region and has signed a Memorandum of Understanding (MoU) with the EAC for joint programming.

Health impacts from indoor smoke due to solid fuel use in households add considerably to the national burden of disease in EAC Partner States. Reducing the impact of indoor air pollution on maternal and child health would significantly improve the achieving of MDGs 3, 4 and 5.

WHO has developed technical expertise in the field of household energy and health, in particular by monitoring the proportion of the population using solid fuels for cooking, and collecting information on stove type and cooking location. WHO can contribute to target 1 of the EAC strategy, where national actors may require technical assistance and research support to help traditional solid fuel users gain access to modern cooking practices. Furthermore, WHO can participate in the evaluation of the impact of improved stoves and LPG programmes in the countries concerned.

In addition to research activities, WHO has developed the basis for a planning tool that supports national efforts to reduce the exposure to indoor smoke caused by cooking or heating in rural and urban households. Where appropriate, such a tool may assist country decision-makers in planning activities in capacity building, awareness raising, mainstreaming household energy and health, monitoring as well as research and development.
Where appropriate, WHO offers to facilitate the engagement of the health sector in the formulation of national policies, strategies and programmes, and in raising awareness among affected populations. This may be done by promoting household energy and health for research and intervention involving primary health care facilities or programmes such as the Integrated Management of Childhood Illness.

SIDA has been supporting rural electrification programmes in Tanzania. Other players in the region with whom partnership could be established include The World Bank and GVEP.

A donor mapping exercise aimed at identifying potential partners for the implementation of the strategy has been undertaken and the results will be an important input in the design of programmes and projects for realising the targets.
The development objective of this initiative is to ensure that EAC modern energy access targets are met, to enable Partner States meet the Millennium Development Goals.

Implementation of the strategy will facilitate increased access to sufficient, reliable, affordable and environmentally-friendly energy sources in the region.

The EAC scale-up strategy proposes to enable at least half of the population to access modern energy services by 2015. This translates to increasing by ten-fold the 2005 energy access figures in the Partner States.

The region will mobilise synergies and support for national activities to speed up what countries are already doing in energy access. This is consistent with EAC core objectives:

- To strengthen regional integration by sharing experience and best practices, developing cross-border cooperation, to foster capacity building at the national and regional level.
- To promote harmonised policy and institutional frameworks (PRSPs, MDG monitoring framework, etc.), integrating access to energy services as one of the national priorities with a view to ensuring human development and achieving the MDGs.
- To develop, on the basis of national and local policy frameworks, energy investment programmes, based on sustainable business models that focus on poverty reduction in rural and peri-urban areas and the achievement of the MDGs.

7.1 Immediate objective

The immediate objective is to strengthen institutional and human capacity at EAC Secretariat so that it can actively support national governments in the region to attain the modern energy access targets.

This will facilitate the completion of the preparatory activities that will enable the EAC scaling-up programme to be operational.

The two year programme will establish structures and capacities for the required interventions to achieve the stated targets by:

- Strengthening institutional and human capacity at the EAC Secretariat and Partner States to effectively implement the investment programmes in energy access,
- Catalysing the paradigm shift from ‘business as usual’ scenario in the energy sector to a more pragmatic approach that will address the fundamental barriers and facilitate the completion of the preparatory activities to operationalise the EAC scaling-up programme,
- Mainstreaming national planning on a sector-wide basis through prerequisite policy and regulatory framework review, awareness creation and facilitating energy access initiatives and investment programmes.
Partner States will implement activities at national level to achieve the four targets. These activities will be coordinated at a regional level from the EAC Secretariat.

The implementation strategy will lay emphasis on the following:
1. Improved capacity at Secretariat: establishment of PCU and infrastructure.
2. Leveraging political commitment: through harmonisation of policies, regulations and standards.
3. Utilising synergy: regional capacity building programmes; learning from one another.
4. Energy investment programme: resource leveraging, implementation support, funds mobilisation, technical support.
5. Peer pressure: through monitoring, feedback, comparisons.

Regional intervention
A number of bottlenecks relating to policy, capacity, investment and business models were identified as preventing the scaling up of modern energy services. To deal with them effectively, the following four key interventions at the regional level are necessary to assist the countries implement the strategy.

1. Regional policy harmonisation: assisting Partner States review and develop forward-looking energy access policies,
2. Capacity building at national and regional level: building the institutional capacity of key public and private sector institutions that will have regional impact,
3. Strategy implementation support: assisting Partner States develop investment programmes, and
4. Strategic coordination and programme management: developing a regional strategy to inform and support national strategies.

National level intervention
At the same time, a complementing strategy at the national level will be undertaken to remove specific barriers focusing on the following:
1. Mainstream energy planning into energy planning and budgetary processes. (The aim is to increase funding for energy access through elevation of energy access issues into national planning and budgeting processes.)
2. Build national capacity to support the role of private sector and communities in enhancing effective energy service delivery. (Improve institutional and human capacity for energy access at local, national, private and community sectors.)
3. Develop pro-poor energy policies and strategies including financing, support programmes (e.g. soft loans, grants etc.). Expanding access through macro-economic and fiscal processes.
4. Identify and promote viable business models that address the needs of the poor in energy access.
7.2 Concept of the EAC regional seed fund for implementation of the Energy Access Strategy

**Purpose of the regional seed fund**

This fund will enable EAC to catalyse and facilitate development of energy access scale-up projects to test, in accordance with the strategy approach. The fund can be used to demonstrate scale-up of modern energy services as well as test and prove viability of proposed interventions identified in the strategy.

It can be used to support demonstration/scale-up projects in for example, energy policy harmonisation or a viable business model in peri-urban electrification in various cities in the region, improved biomass utilisation etc. The project will also serve as learning opportunities for replication.

Source(s): Development partners and a proportion from Partner States contributions. This will be targeted finance, to be used specifically in furtherance of any one of the EAC energy access targets or on the proposed regional interventions.

Operation: A proportionate distribution mechanism to be developed, taking into consideration partner country needs in energy access, and project assessment criteria based on considerations such as impact, potential for learning/replicability, energy access targets etc.

Size: An initial US$ 5 million
Duration: 5–10 years

7.3 Examples of pilot projects for EAC Energy Access Strategy

**TARGET 1: Access to modern energy cooking services by 50% of the population using traditional biomass**

Expanding the use of LPG in cooking could greatly contribute to the lowering of dependence on traditional biomass for cooking services. The key barriers in this process include the following:

- Low storage capacity in all countries, thus being unable to make use of economies of scale in purchasing the commodity.
- Poor transportation — most transport is by road trucks thus making LPG very expensive.
- Poor distribution mechanisms, leaving many areas un-served.

To overcome these barriers, investments have to be made in bulk storage facilities along the ports and on inland transport infrastructure such as railroad or pipeline. Kenya has already initiated development of a storage facility. However, for the landlocked countries of Uganda, Burundi and Rwanda, investments are needed to lower transport costs. Distribution mechanisms can be improved through commercial and technical interventions: Commercial interventions include reduction of the size of gas cylinders to make them more affordable, and appointment of more suitable and strategically placed retailers.
A technical solution to improving distribution is the standardisation of cylinder valves to enable cross-filling of cylinders and avoid the need for households to have multiple cylinders and multiple adaptors.

TARGET 2: Urban and peri-urban electricity access

Major urban areas in East Africa are growing by as much as 15% per year. However, access to modern energy services is not keeping up with this growth rate. This is most evident in the urban slums and peri-urban settlements. There are over three million households in this group without access to electricity in the region. The Energy Access Strategy has identified increased access to electricity among these groups as a major opportunity for improving livelihoods.

There are a number of proven institutional and technical solutions that can be used to efficiently increase electricity connections. For example, use of load limiters, "ready boards" and pre-payment meters are some of the technical solutions that enable poor people to have access to electricity without the use of costly conventional meters and connections. An institutional solution is the sale of bulk power and application of community-based management of power distribution services. This frees the power company from having to deal with large numbers of poor customers (thus reducing costs) and enables a different approach to electricity sales.

In order for such initiatives to prosper, there would be need for policy reform to support the different technologies and business models. However, there are excellent experiences worldwide (e.g. South Africa) and there are development partners that may be willing to work with the EAC to roll out such a programme.

TARGET 3: Modern energy services for rural institutions

The EAC scaling-up strategy document estimates that less than 5% of all rural

<table>
<thead>
<tr>
<th>Country</th>
<th>Project</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uganda</td>
<td>Energy for Rural Transformation</td>
<td>This project developed approaches to provide electricity (grid, PV and mini-grid) for rural institutions. The project has developed considerable experience in planning, designing and tendering on and off-grid electrification projects.</td>
</tr>
<tr>
<td>Rwanda</td>
<td>Various</td>
<td>Rwanda has aggressive programmes to electrify schools and clinics, supported by the European Union, the Belgian Government, the World Bank, USAID and others. It is rapidly scaling-up access to modern energy in rural institutions and provides interesting experiences.</td>
</tr>
<tr>
<td>Kenya</td>
<td>Electricity Planning and Investment Costing model</td>
<td>This model is being used by the Ministry of Energy, KPLC and the World Bank to decide on the most cost-effective model for electrifying rural areas. The model enables planners to choose between on-and off-grid solutions.</td>
</tr>
<tr>
<td>Tanzania</td>
<td>Sustainable solar market packages</td>
<td>Solar market-based approach invites eligible companies to supply, install and maintain solar PV systems for community facilities. It offers clusters of villages as potential markets for the commercial selling and installation of a minimum number of solar home systems. A government subsidy is made available to eligible companies in addition to grants for system installation.</td>
</tr>
</tbody>
</table>
schools, clinics, hospitals and community centres have access to modern energy services. However, in Kenya, Tanzania, Rwanda and Uganda, there are a number of approaches to rural electrification and energy service provision that take in lessons from Sector Wide Approaches (SWAp) to rural development. These experiences provide lessons that can be quickly scaled up for the EAC project. Therefore, it may not be necessary to develop “entirely new” delivery approaches for modern energy services to rural institutions — but rather a look at ongoing initiatives in the region may provide some insights. These are outlined in table 3 on the previous page.

The EAC could serve as a clearing house for energy access projects and provide important lessons to policy makers, line ministries and other stakeholders throughout the region in electrification programmes.

TARGET 4: Modern energy services for productive use

Meeting the MDGs and reducing poverty calls for increased economic activities and incomes. For communities to derive maximum benefits from the agricultural and other products that they produce, they must be able to process or mill these products into higher value goods. This typically involves use of shaft power (to drive motors) or heat power to raise or lower temperatures. The EAC Energy Access Strategy has identified the need for energy for productive purposes among communities throughout the region — where only a small fraction of rural villages have access to such energy.

Many barriers to access to energy for productive use have been identified. They include capacity barriers among the users, technical barriers such as poor equipment availability and back-up support, and also lack of financing mechanisms.

A scaling-up approach can be adopted from lessons in Indonesia, which faced similar barriers in its efforts to electrify isolated islands. In this programme, a partnership was established between equipment suppliers, microfinance institutions, business development service providers and rural electrification agencies. The business development service providers gave business advice to the communities on growing their business and selecting key production equipment for their processes; the microfinance agencies provided loans to finance both the electricity connections and the production equipment. The role of the equipment suppliers was to provide suitable guarantees on the equipment sold, and also to provide back-up support, which is critical for far-flung areas. This process was managed by business development service providers and it enabled rural enterprises to plan their business expansions and cross the gap from being un-electrified to being fully electrified.

This approach could be replicated in East Africa through the Energy Access Strategy.
Based on the objectives analysis, the project has six expected outputs that will enable the attainment of the immediate objective, namely:

**OUTPUT 1**
EAC Secretariat has the organisational capacity to coordinate and manage the scaling-up programme.

Presently, the EAC Secretariat lacks capacity to carry out the scaling-up programme. Essentially, this output will provide EAC Secretariat with the means and abilities to undertake the activities leading to the scaling up of modern energy access. This output involves the setting up of a Programme Coordination Unit (PCU) that has the human resources and facilities to coordinate an EAC scaling-up programme.

**Expected effects:** It is expected that EAC will have the ability to perform functions effectively, efficiently and sustainably, in implementing the Energy Access Strategy. Output 1 will strengthen EAC’s internal motivation and capacity to support national governments in taking appropriate action to meet the energy scale-up targets.

**Activity 1.1**
Establishment of the PCU

The first activity will be the recruitment of the Chief Technical Advisor (CTA). This will be done through international advertisement and a selection based on agreed ToR, with full participation of the EAC and development partners. The CTA when on board will take charge of recruiting the other members of the PCU and setting up the systems and procedures for smooth functioning of the office.

Recruit key staff including Communications Officer, Capacity Building Officer, Project Development Officer, Policy Specialist and administrative staff.

Set up PCU at EAC offices, purchase equipment, establish systems etc.

**Activity 1.2**
Set up in-country management structures

Current in-country structures for implementing the Energy Access Strategy will be strengthened to be effective counterparts for the PCU. This will be done through defining clear functions and a workplan for each of the national focal points based on the country’s baseline report and workplan. The Focal Point will receive expert support from a part-time Scale-up Facilitator who will be recruited under the programme for an initial period of two years. The focal point will spearhead implementation of the strategy and coordinate the country working groups, and will receive strategic support from the PCU. The activities under this item include:

- Review and focus roles and responsibilities of the country focal points and working groups,
- Assist Partner States set up the coordination teams and recruit scale-up facilitators,
- Set up reporting systems for national activities, based on country workplans.
Activity 1.3
Set up institutional arrangements

Develop institutional linkages between national institutions and EAC Secretariat. Develop a strategy and plan for constructive and pro-active interaction between national governments and the EAC modern energy access unit.

Activity 1.4  Set up PCU procedures

Create accounting and reporting procedures including for the PCU
• Annual Work Plans,
• Accounting systems,
• Progress reports to the EAC and Partner States,
• Monitoring and evaluation systems.

OUTPUT 2
Structures have been developed to achieve policy harmonisation with regard to the energy targets in the region.

National energy policies are usually developed for the electricity and petroleum sectors. However, since over 80% of the region’s population relies on biomass fuels, these policies often do not include measures to help the lower income segments improve their access to basic energy services. This output will help ensure that countries re-orient their policy, planning and budgeting processes towards the energy needs of lower income groups and, at the same time, mainstream energy into national planning and budgeting processes. It will also ensure that Partner States’ energy policies and related strategies, standards and regulations are harmonised to create synergy and remove any policy conflicts to increased energy access.

Activity 2.1
Conduct country policy review

Review and assess EAC partner state policy frameworks, planning and budgetary processes with respect to energy access targets. It will:
• Review energy standards and regulatory frameworks with respect to the four targets,
• Identify critical standards and regulatory issues that need to be addressed and harmonised,
• Sensitise stakeholders and country working groups about results,
• Present results to EAC energy committee.

Activity 2.2
Produce policy harmonisation recommendations

Using the results of Activity 2.1 and international best practice, prepare regional energy access policy harmonisation recommendations to inform and support improvement of national energy policies, energy planning and budgeting processes.

Activity 2.3
Improve national energy access policies

Using the policy harmonisation recommendations:
• Facilitate and provide support to key stakeholders (policy working groups) to define and improve upon existing national energy and pro-poor policy and policy frameworks (PRSPs etc.),
• Support country working groups to mainstream the strategy document in national policy and planning processes,
• Ensure that affordable energy is part of national planning processes.
Activity 2.4
Awareness creation about energy access policy

Sensitise and create awareness among a wide group of stakeholders, including civil society and the private sector, about the need for regular policy reviews and harmonised energy policy at the regional and national levels.

Develop and disseminate a simplified version of the policy harmonisation report.

OUTPUT 3
A capacity building programme for the scaling-up strategy has been developed and initiated which includes regional and national activities.

Strengthen national and local capacities to understand the energy-poverty nexus and the need to revise policy frameworks accordingly.

The programme will target institutions involved in policy planning and monitoring, including key sectors such as energy, finance, health, agriculture, water and education, as well as institutions in charge of planning and delivery at national and local level. Energy planning and budgeting is very much a central government function but often confined to the ministry in charge of energy. The programme will aim to expand the planning and budgeting process to involve other key institutions and energy service consumers as well as to build capacity for local institutions to undertake energy planning and budgeting. Energy policies will be reviewed to identify gaps and bottlenecks to energy service delivery, and institute a programme on harmonisation to achieve optimum support for scaling up across the region.

The programme will also address relevant regulations and energy standards that have an impact on replication and scaling up of energy services.

Lack of capacity at national level is a fundamental barrier to the development and diffusion of energy services in the region. There is a need to develop national level capacities at all levels including government, private sector, NGO and community levels. The capacity building programme will address a wide range of needs, including technical, policy, financial, business models, planning and budgeting, as required to meet the strategy goals. Efforts will be made to use technical resources from within the community to build skills within Partner States.

Activity 3.1
Conduct capacity needs assessment

Conduct capacity needs assessment for modern energy access in the region that identifies critical needs and gaps. In undertaking this exercise, use will be made of best practice examples of capacity needs assessment, especially those that have worked in similar context.

In consultation with the Partner States, the exercise will identify the most critical needs for scaling up energy access programmes in government institutions, financial institutions, training institutions, private sector and local levels.
Activity 3.2
Identify capacity building partners and mechanisms for collaboration

Identify key public and private sector institutions in the region that can provide capacity building services (centres of excellence).

Identification of energy access “champions” at the regional and national levels.

Develop agreements with these agencies to supply capacity building services in identified sectors.

Activity 3.3
Develop capacity building plan

Develop a medium term capacity building plan for modern energy access in the region. This plan will focus on bridging the identified gaps and meeting the priority needs of the Partner States. The plan will include budgeting and staffing requirements for a five year period.

Activity 3.4
Establish information sharing systems

Develop and set up a capacity building information sharing system between the EAC modern energy access unit and the centres of excellence.

Activity 3.5
Implement capacity building activities

Involve country working groups to conduct capacity building activities as per the plan.

OUTPUT 4
An implementation support initiative has been designed and commenced to support development of pro-poor energy access programmes. The initiative is able to develop projects and raise funds in conjunction with the private sector, donors and governments.

Support towards formulation of national investment strategies to scale up access to energy services.

In order to meet the identified targets, the EAC Energy Access Strategy envisages a need to mobilise a minimum of USD 2.7 billion to be invested towards scaling up energy access in the EAC over the next eight years. For a sector that has been perennially under-funded and underestimated, this is a tall order. There is need therefore to re-evaluate traditional approaches to energy investment financing and adopt more innovative business models that take into account the multifaceted nature of the energy economy.

The programme will take into account the need for pro-poor energy investment strategies that consider appropriate loan mechanisms, targeted subsidies and national budgeting processes.

The scaling-up energy access programme will require the use of viable business models. Countries will require support to develop projects with viable business models and to identify the funding sources to support them. The implementation support initiative will help countries identify and develop viable business models and link them with sources of finance.
Activity 4.1
Evaluate partner state energy sector investment frameworks

Evaluate existing energy sector investment framework in Partner States with a view to gaining information about investment in energy access projects.

Highlight potential investment barriers in policy, regulation, taxation and legislation. Highlight internal and intra-country incentives, successful pro-poor projects, opportunities, on-going project efforts.

Sensitise key stakeholders about the results of the evaluation.

Activity 4.2
Prepare scaling up energy investment and financing “toolbox”

Use outputs of Activity 4.1 to develop a set of tools to inform investment and financing modern energy access packages. Develop criteria for development of successful projects.

Activity 4.3
Identify and catalogue viable scaling-up opportunities

Identify priority investment opportunities under the four targets in the region that are high impact, low cost and scalable. Use criteria to rank ideas for support. Sensitise key stakeholders about opportunities.

Create and maintain a database of potential modern energy access investment opportunities. Database should include existing opportunities and activities stimulated by EAC support.

Activity 4.4
Identify investors and donors

Identify and characterise potential investors and donors with interest in energy access scale-up activities. Maintain an investment database for use by region.

Activity 4.5
Provide project development planning assistance

Assist EAC countries to plan and develop innovative modern energy access investment programmes using viable business models and develop necessary incentive packages.

Activity 4.6
Facilitate project financing and initiation

Identify regional projects to serve as initial scale-up activities (pilots). Actively facilitate deals and partnerships between projects and investor/donors. Support the implementation of these projects in Partner States through identification of funding, facilitation of partnership and business model development.

OUTPUT 5
A communication and knowledge management programme is designed and initiated which includes regional activities in data collection, information exchange, knowledge management and dissemination of best practices.
Presently, countries are not fully aware of the Energy Access Strategy and do not have access to the types of information they need to scale up energy access under the targets. Although there is ample information about technology and practices that are useful, there is no “one-stop shop” where this information can be found. Information dissemination programmes in the region are also inadequate. The communication and knowledge management programme will collect useful information about energy access and make it available throughout the region. The programme will also enhance awareness about the scaling-up programme.

Activity 5.1
Set up a data management system

Develop and implement a data/information management programme. This includes the following tasks:
• Set up and maintain systems for data collection and analysis with regard to regional progress on energy access targets (utilising baseline information and country reports),
• Set up a database of interested stakeholders including government, private sector, training institutions, NGOs, consultants, financial institutions and donors,
• Create and maintain a clearinghouse of information needed for policy, mainstreaming, capacity building and business models in each target.

Activity 5.2
Develop and implement a comprehensive communication strategy

Implement a system for advocacy and outreach about the EAC modern energy access programme to private sector, civil society, government, training institutions, etc.

Create a system for information sharing with development partners and between countries. This will involve the creation of tools, methodologies and protocols for communication. This should include the clearing house created in Activity 5.1.

Activity 5.3
Develop monitoring & evaluation tools

Develop a detailed monitoring and evaluation plan which tracks progress in the scaling-up process. Provide regular feedback on projects, which assesses impact with respect to targets.

Activity 5.4
Awareness raising and sensitisation

Develop a popular version of the Energy Access Strategy and assist Partner States to disseminate it.

Develop awareness creation tools and strategies to raise and maintain high interest on the strategy among all partners and stakeholders.

OUTPUT 6
A seed fund for regional projects is established. Procedures are in place for EAC Partner States to access the funds.

The EAC Secretariat as a coordinating institution lacks the means to play a key catalytic role in promoting the Energy Access
Strategy — primarily due to lack of financial resources to catalyse activity. Traditional funding mechanisms have not adequately addressed the energy access needs of low income groups, including the need to develop and propagate viable business models. Nevertheless, there is great interest to initiate and learn from successful business models that deliver expanded energy access. The seed fund will catalyse promising start-up initiatives by providing quick access to easily available funds.

Activity 6.1
Characterise basic concept of seed fund
Consult with EAC Partner States, development partners and experts to elaborate and agree on the structure, size, disbursement practices and management of seed fund. Develop terms of reference for design activity of seed fund.

Activity 6.2
Design seed fund parameters
Design seed fund parameters including the following elements:
- Operations, staffing and management structures,
- Define fund allocations in targets and Partner States,
- Eligibility and criteria for fund disbursement,
- Methodology for evaluating fundable projects,
- Monitoring and evaluation criteria for management of seed fund,
- Prepare annual work plan for seed fund.

Activity 6.3
Identify support sources for seed fund
i) Utilise results of Activity 4.4, 5.1, donor mapping exercise and donor conference to draw up list of interested supporters.
ii) Negotiate with potential donors and investors with a view to their participation in seed fund.

Activity 6.4
Receive project proposals
- Evaluate projects according to criteria,
- Disburse finance,
- Monitor implementation and document.
9 Implementation: the institutional setting

9.1 Introduction

This section describes the implementation arrangements of the project. It lays a basis for the strengthening of the EAC Secretariat's capacity to coordinate programmes and lays the basis for the establishment of a coordination unit. It outlines the responsibilities and activities of the relevant actors at the EAC Secretariat and within national governments of Partner States.

Though the political structure of the EAC gives it plenty of goodwill, there are many gaps at the Secretariat professional staff level. The 2006–2010 EAC Development Strategy recognises that “The mandate of the Secretariat has expanded over time without corresponding expansion of its capacity (staff and resources)”. In many areas, the Secretariat is thin on the ground with many departments grossly understaffed. Even with strong political commitment, “this situation has had implications on efficiency and effectiveness of service delivery”, according to the EAC development plan. Various development partners and Partner States have also expressed concern over the inadequate institutional capacity at EAC to undertake major programmes in the region. They have however appreciated the challenges involved in developing capacity of a regional secretariat.

In 2007 a Senior Energy Officer was recruited to spearhead various energy initiatives under the Secretariat including those in the power, fossil fuels, new and renewable energy, energy conservation and efficiency sub-sectors. Though an important initial step, this capacity is still inadequate. In light of the urgent time frame for implementation of the MDGs, and the need to demonstrate positive outcomes in the short-term, there is a need for a dedicated coordination unit at the EAC Secretariat devoted to the implementation of the Energy Access Strategy.

9.2 The Programme Coordination Unit (PCU)

The EAC Energy Access Strategy proposes the setting up a coordination unit at the EAC to provide coordination of regional and national activities. The Programme Coordination Unit has clear linkages to the EAC Energy Committee and the Renewable Energy Working Group at the regional level, as well as the ministries of energy and the multi-sectoral working groups at the national level. This PCU will go a long way towards addressing the critical capacity gaps at the EAC Secretariat and enable it to discharge its mandate.

The PCU will support the EAC Secretariat in coordinating, assisting implementation, monitoring and communicating the progress of the energy scale-up strategy.

The functions of the PCU are to:

- Coordinate implementation of the strategy in all Partner States
- Provide technical support to the EAC Secretariat on all aspects of energy scale up.
- Identify business models that have greatest impact in improving energy access.
- Assist Partner States develop national
strategies and actively mainstream energy access in high-level policy, budgeting and planning.

- Help create an enabling environment for scale up of these business models:
  - Mobilise investment to support energy access by demonstrating to investors that programmes have been successful and that risks have been mitigated (documenting success),
  - Actively manage attainment of the targets through effective feedback and timely course corrections,
  - Foster innovation in new technologies and business models,
  - Provide support to national focal points in the implementation of national level activities in support of the strategy,
  - Ensure communication and awareness on the strategy.
- Undertake programme management
  - Work planning,
  - Budgeting
  - Training
  - Monitoring and evaluation;

- Initiate and assist Partner States implement scaling-up activities;

- Develop indicators towards targets achievements;

- Operation and management of the regional seed fund to be set up
  - Assist countries develop eligible projects,
  - Receive and evaluate applications/proposals,
  - Disburse,
  - Monitor and evaluate performance.

Structure of the PCU:
The PCU will comprise a small number of professionals based at the EAC Secretariat who will cooperate closely with country working groups at the national level in the initial two years. The long-term structure of

![FIGURE 2: Proposed structure of the PCU](image-url)
the PCU will be decided by the EAC and development partners. After the initial two years, the structure will be reviewed in light of performance, ongoing activities under the strategy, and the financial capacity of the EAC and development partners.

It is proposed that the coordination unit will comprise of six technical officers and an administrative assistant. The officers will undertake specific roles related to implementing the Energy Access Strategy as follows:

i) Policy advice, planning and budgeting,
ii) Capacity building,
iii) Implementation support,
iv) Communication, knowledge management and information sharing,
v) Strategic coordination including monitoring and evaluation.

The internationally-recruited CTA will provide technical and management support to the team in the first two years, with a view to withdrawal in the middle of the third year during which time the role of the CTA will diminish and be taken up by the Regional Programme Manager.

A modest team is proposed herein, given that 1) the existing EAC energy programme is currently constrained, and 2) there is a need to gradually build up the team.

The PCU will be based in the EAC headquarters. It will be directly responsible to the Programme Steering Committee comprising members of the energy committee, who will meet regularly to review progress and provide direction.

*Detailed terms of reference for the PCU personnel are provided in Annex 1.*

### Table 4: Roles of key personnel in the PCU

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Function</th>
<th>Personal Specifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Technical Advisor</td>
<td>Strategy coordination, key inputs to project conception and management</td>
<td>Ability to develop and manage large projects in East Africa, provide skilled input and management advice to multi-disciplinary team</td>
</tr>
<tr>
<td>Programme Manager</td>
<td>Management and coordination. Key link to EAC and Partner States</td>
<td>Ability to coordinate, manage and supervise regional project and ability to work on a political, technical and managerial level</td>
</tr>
<tr>
<td>Communications Officer</td>
<td>Knowledge management programme set-up and execution</td>
<td>Ability to collect information, develop M&amp;E programmes and actively manage cross-border information-sharing initiatives</td>
</tr>
<tr>
<td>Capacity Building Officer</td>
<td>Capacity building programme set-up and execution</td>
<td>Ability to design capacity building efforts in technical, policy, management and institution-building levels</td>
</tr>
<tr>
<td>Project Development Officer</td>
<td>Development of seed fund. Strategy coordination. Fund raising. Scale-up projects development. Assisting proposal development, Reviewing proposals</td>
<td>Ability to identify, provide planning assistance and develop funding proposals and follow-up activities for scale-up projects</td>
</tr>
<tr>
<td>Policy Advisor</td>
<td>Policy harmonisation programme development and execution</td>
<td>Ability to plan, negotiate and advocate for policy change across the region</td>
</tr>
</tbody>
</table>
The PCU will coordinate with the EAC through the designated Energy Programme Officer appointed by the EAC to provide institutional support. The PCU will be responsible to the EAC Energy Committee through the Director — Productive and Social Sectors, or his appointed representative.

At the country level, the PCU will coordinate with Partner States through the ministry of energy and national focal points of the working groups.

9.3 National level setup

For effective implementation of the strategy, strong and committed teams will need to be established at national level. These groups are expected to be broad based to provide wide consultations and mainstreaming. The country working groups drawn from the key stakeholders will be coordinated by the designated national Focal Point, and will receive dedicated professional support from a part-time National Energy Scale-up Facilitator to be appointed by the ministry in charge of energy.
The Focal Point will provide strategic, policy, and institutional guidance for the strategy implementation. The Focal Point will be a senior officer at the ministry reporting to the Permanent Secretary. The person will chair and guide the country working groups and ensure coordinated implementation of the strategy at national level. A part-time Energy Scale-up Facilitator will be appointed by the ministry in charge of energy in collaboration with PCU — to provide technical support to the focal point and the working group. Part of the salary for the officer will be paid from the EAC through the PCU as contained in the appended budget. A brief description of the roles is given below:

9.4 Focal Point
This is the key Government person managing the implementation process at national level. The position also coordinates the working group. The position will have the following major responsibilities:
• Have a performance contract at Government level that includes the EAC energy scale-up strategy,
• Supports resource mobilisation for scaling-up activities,
• Reports to the Permanent Secretary in the ministry responsible for energy,
• Provides linkage with the EAC Secretariat and presents progress reports at the EAC energy committee meetings.

9.5 National Energy Access Scale-up Facilitator
This position could refer to an individual or a team. It will initially start out as an individual but in time, it will grow to match in size and mandate as scaling-up activities increase. The position will initially be filled by a suitable national consultant or a qualified government officer seconded to the working group and whose task will be to expressly facilitate the implementation of the work plan as directed by the national working groups and the Focal Point.

The Scale-up Facilitator will be based at the offices of the Ministry of Energy or — in some cases — in a related partner organisation through an understanding with the ministry. Part of the salary will be paid through the PCU. Details of the working arrangements will be discussed with the focal points and determined at national level. The Scale-up Facilitator will provide a continuous presence and focus on the energy access strategy. Key tasks are outlined below.
• Liaises with development partners and Focal Point.
• Prepares work plans and budgets for approval by working group.
• In charge of day to day operations to implement the approved work plan.
• Responsible for the national secretariat on the strategy.
• Reports to national Focal Point.

The Scale-up Facilitator will be well versed in the national energy sector, particularly the energy needs for the poor, and the various approaches to address them.

9.6 National multi-stakeholder working group
The country Energy Working Groups comprise of technical officers in key government institutions, private sector and NGOs with interest in energy access, working under the coordination of the energy ministry via the Focal Point. These will include the Ministry of Energy as convener,
the ministries in charge of planning, finance, agriculture, education and health, as well as utilities and related agencies.

They will meet regularly and approve national work plans, budgets and monitor progress. They will provide institutional linkages with the EAC through the Focal Point. The country working group will approve the annual work plan and budgets and assess the performance of the national energy access facilitator against the work plan and the goals set out in the strategy.

The PCU will provide technical support to the working groups to enable them meet their goals and learn from each other. A small budget is provided to facilitate the working groups and will cover deserving costs such as communication, internet and some meeting costs.
A detailed schedule of review meetings will be developed by the Programme Coordination Unit, in consultation with the implementation partners and stakeholders. This schedule will be incorporated in the Programme Inception Report which will be presented to the Energy Committee. The schedule will include: (i) tentative timeframes for steering and committee meetings and (ii) programme related monitoring and evaluation (M&E) activities.

It is proposed that a Programme Steering Committee (PSC) be established to provide policy and strategic guidance and support to the PCU in line with the EAC Partner States’ priorities. Members of the PSC will be drawn from the Energy Committee and selected representatives of the development partners. The chair of the committee will be a senior officer who will be selected in accordance with EAC procedures. The committee will meet at least three times in a year to review progress, approve work plans and budgets and provide strategic guidance.

Day-to-day monitoring of implementation progress will be the responsibility of PCU and the national scale-up facilitators, based on the annual work plan and its indicators. The PCU will inform the Steering Committee of any delays or difficulties faced during implementation so that appropriate and timely support or corrective measures can be taken.

Periodic monitoring of implementation progress will be at two levels. First level is through the PSC meetings. The PSC will in turn report to the Energy Committee in their regular meetings and once a year to the Council of Ministers. The Strategy implementation progress report will be an item in the meetings of the Energy Committee during which the chairperson of the PSC will report. This will allow all the parties to take stock and to troubleshoot any problems pertaining to the process.

Annual Monitoring. The PCU will prepare an Annual Progress Report (APR) to be submitted to the PSC. The APR will highlight any policy issues and recommendations for the decision of the Steering Committee. Separate reviews of each programme component may also be conducted if necessary.
### Regional level 24 month work plan

<table>
<thead>
<tr>
<th>PMU Level Activity</th>
<th>Resp</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q5</th>
<th>Q6</th>
<th>Q7</th>
<th>Q8</th>
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<tr>
<td>Activity 1.1</td>
<td>Recruit CTA and PM</td>
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<td>Set up in-country management structures</td>
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<td>Set up institutional arrangements</td>
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<tr>
<td>Activity 1.4</td>
<td>Complete PCU staffing plan</td>
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<td>Set up PCU procedures</td>
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<td>Initiate and coordinate policy harmonisation process</td>
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<td>Conduct capacity needs assessment. Identify capacity building partners and mechanisms</td>
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<td>Establish information sharing system</td>
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<td>Activity 3.4</td>
<td>Delivery of capacity development plan</td>
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<td><strong>OUTPUT 4  Implementation support</strong></td>
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<td>Evaluate energy sector investment frameworks</td>
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<td>Activity 4.2</td>
<td>Prepare investment &amp; financing “toolbox”</td>
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<td>Identify and catalogue viable scaling-up opportunities</td>
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<td>Identify investors and donors</td>
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<td>Activity 4.5</td>
<td>Provide project development planning assistance</td>
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<td>Facilitate project financing and initiation</td>
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<tr>
<td>Activity 5.1</td>
<td>Set up data management system</td>
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<tr>
<td>Activity 5.3</td>
<td>Develop monitoring &amp; evaluation tools</td>
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<tr>
<td>Activity 5.4</td>
<td>Knowledge sharing and awareness raising</td>
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<td><strong>OUTPUT 6  Seed fund for regional projects</strong></td>
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<td>Characterise basic concept of seed fund</td>
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<td>Design seed fund operation parameters</td>
<td>CTA/PDO/PM</td>
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<tr>
<td>Activity 6.3</td>
<td>Review and obtain stakeholder inputs</td>
<td>CTA/PDO/PM</td>
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<td>Activity 6.4</td>
<td>Identify support sources for seed fund and obtain commitment</td>
<td>CTA/PDO/PM</td>
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</tbody>
</table>

**KEY**
- CBE: Capacity Building Expert
- CO: Communications Officer
- CON: Consultant
- CTA: Chief Technical Advisor
- PDO: Project Development Officer/Deputy Manager
- EAC: East African Community
- PA: Policy Advisor
- PM: Programme Manager
- EA: East Africa
12 Budget summary

As shown in table 5 below, the 24-month budget for initial implementation of the modern energy scale-up activities is US$3.2 million, or about US$1.6 million per year. This includes all costs for staffing, administration, operations and equipping of the PCU.

It also includes the regional budgets to support national programme activities — workshops and consulting activities necessary to commence the major implementation programmes of the scaling-up strategy.

Details of the budget are attached in Annex 2.

### Table 5: Implementation budget summary in US$

<table>
<thead>
<tr>
<th>Item</th>
<th>Year 1 US$</th>
<th>Year 2 US$</th>
<th>Total US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staffing</td>
<td>573,500</td>
<td>578,000</td>
<td>1,151,500</td>
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<tr>
<td>ICT Costs</td>
<td>20,248</td>
<td>2,048</td>
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<tr>
<td>Office equipment</td>
<td>11,425</td>
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<tr>
<td>Office running costs</td>
<td>56,850</td>
<td>60,000</td>
<td>116,850</td>
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<tr>
<td>Operational costs</td>
<td>6,000</td>
<td>8,000</td>
<td>14,000</td>
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<tr>
<td>Vehicles</td>
<td>84,000</td>
<td>17,000</td>
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<tr>
<td>Travel</td>
<td>83,600</td>
<td>83,600</td>
<td>167,200</td>
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<td>Promotion &amp; recruitment</td>
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<td>10,000</td>
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<tr>
<td>Training</td>
<td>10,750</td>
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<tr>
<td>Workshops</td>
<td>103,000</td>
<td>103,000</td>
<td>206,000</td>
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<tr>
<td>Audit</td>
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<td>National level costs</td>
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<tr>
<td>Consultant costs</td>
<td>232,000</td>
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<td><strong>TOTAL</strong></td>
<td><strong>1,646,373</strong></td>
<td><strong>1,576,848</strong></td>
<td><strong>3,223,220</strong></td>
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</table>

Table 6: Implementation budget by components

<table>
<thead>
<tr>
<th>Component</th>
<th>Programme US$</th>
<th>PCU Component US$</th>
<th>Total US$</th>
</tr>
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<tbody>
<tr>
<td>Policy Harmonisation</td>
<td>381,000</td>
<td>310,000</td>
<td>691,000</td>
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<tr>
<td>Capacity building</td>
<td>382,000</td>
<td>300,000</td>
<td>682,000</td>
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<tr>
<td>Implementation support</td>
<td>390,000</td>
<td>330,000</td>
<td>720,000</td>
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<tr>
<td>Information collection and dissemination</td>
<td>160,300</td>
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<tr>
<td>Seed fund set-up</td>
<td>65,000</td>
<td>50,000</td>
<td>115,000</td>
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<tr>
<td>Coordination a) regional</td>
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<td>19,920</td>
<td>489,920</td>
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<tr>
<td>b) national</td>
<td>75,000</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,923,300</strong></td>
<td><strong>1,299,920</strong></td>
<td><strong>3,223,220</strong></td>
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</table>
## Indicative 24 month workshop and consultant budget

### Table 1: PCU Level Consultant and Workshop Costs

<table>
<thead>
<tr>
<th>TASKS</th>
<th>Coordination Unit</th>
<th>Consultant and Workshop Costs</th>
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<tbody>
<tr>
<td><strong>OUTPUT 1</strong> Coordination Unit</td>
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<tr>
<td>Activity 1.1 Establish the PCU Office</td>
<td>EAC, RPM</td>
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<td>Activity 1.2 Set up in-country management structures</td>
<td>CTA, PM</td>
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<tr>
<td>Activity 1.3 Set up institutional arrangements</td>
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<td>Activity 1.4 Complete PCU staffing plan</td>
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<td><strong>Subtotal Workshop</strong></td>
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<tr>
<td><strong>Subtotal Consultant</strong></td>
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<td>$32,500</td>
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| **OUTPUT 2** Policy Harmonisation | | |
| Activity 2.1 Conduct Country Policy Review | PA, CON | $7500 |
| Activity 2.2 Produce Policy Harmonisation Recommendations | PA, CON | $7500 |
| Activity 2.3 Initiate and coordinate harmonisation process | PA/CTA | $5500 |
| Activity 2.4 Awareness Creation about Energy Access Policy | PA/CO | $5500 |
| **Subtotal Workshop** | | $60,000 |
| **Subtotal Consultant** | | $58,250 |
### Indicative 24 month workshop and consultant budget... cont.

<table>
<thead>
<tr>
<th>TASKS</th>
<th>PCU Level</th>
<th>Consultant and Workshop Costs</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Resp</td>
<td>Level</td>
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<td></td>
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<td><strong>OUTPUT 3</strong></td>
<td>Capacity building</td>
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</tr>
<tr>
<td>Activity 3.1</td>
<td>Conduct capacity needs assessment</td>
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<td>Activity 3.2</td>
<td>Identify capacity building partners and mechanisms</td>
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<td>Activity 3.3</td>
<td>Develop capacity building plan</td>
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<td>Activity 3.4</td>
<td>Establish information sharing system</td>
<td>CBE, CO</td>
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<td>Activity 3.5</td>
<td>Delivery of capacity development plan</td>
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<td><strong>Subtotal</strong></td>
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<td>Activity 4.1</td>
<td>Evaluate energy sector investment frameworks</td>
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<td>Prepare investment &amp; financing “toolbox”</td>
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<td>Activity 4.3</td>
<td>Identify and catalog viable scaling-up opportunities</td>
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<td>Identify investors and donors</td>
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<td>Activity 4.5</td>
<td>Provide project development planning assistance</td>
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<td>Activity 4.6</td>
<td>Facilitate project financing and initiation</td>
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<td><strong>Subtotal</strong></td>
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## Regional Strategy on Scaling-up Access to Modern Energy Services

### Consultant and Workshop Costs

<table>
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<td>Resp</td>
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<td>Activity 5.1</td>
<td>Set up data management system</td>
<td>CO</td>
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<tr>
<td>Activity 5.2</td>
<td>Develop and implement comprehensive communication strategy</td>
<td>CO</td>
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<td>Activity 5.3</td>
<td>Develop monitoring &amp; evaluation tools</td>
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<td>Knowledge sharing and awareness raising</td>
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<td>Subtotal Workshop</td>
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<tr>
<td>OUTPUT 6</td>
<td>Seed fund for regional projects</td>
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</tr>
<tr>
<td>Activity 6.1</td>
<td>Elaborate concept of seed fund</td>
<td>PDO/CTA</td>
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<tr>
<td>Activity 6.2</td>
<td>Design seed fund operation parameters</td>
<td>PDO/CTA</td>
</tr>
<tr>
<td>Activity 6.3</td>
<td>Review and obtain stakeholder inputs</td>
<td>PDA/CTA</td>
</tr>
<tr>
<td>Activity 6.4</td>
<td>Identify and contact support sources for seed fund</td>
<td>PDO/CTA</td>
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<td>Subtotal Workshop</td>
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<td>Subtotal Consultant</td>
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<td>Total Consultant</td>
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**KEY**
- CBE: Capacity Building Expert
- CO: Communications Officer
- CON: Consultant
- CTA: Chief Technical Advisor
- PDO: Project Development Officer/Deputy Manager
- EAC: East Africa Commission
- PA: Policy Advisor
- PM: Programme Manager