

NORAD

**FORWARD LOOKING REVIEW OF THE
REGIONAL STRATEGY ON SCALING UP
ACCESS TO MODERN ENERGY SERVICES IN
THE EAST AFRICAN COMMUNITY**

FINAL REPORT

14 May 2013

NORPLAN 

In cooperation with



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Date of issue : 14.05.2013
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EXECUTIVE SUMMARY

- 1. Across the board, all interviewees in ministries and other agencies took a positive view on the role that the EAC Secretariat's Energy Division has played in regional coordination over the last couple of years.** Whereas international considerations previously resulted in bi-lateral negotiations, interviewees now reportedly adopt a regional perspective. Moreover, face-to-face meetings of representatives from Partner States as arranged by the EAC have allowed for personal networks to develop between professionals in neighbouring countries. As a result, the EAC is becoming a common forum for exchange of best practices and discussions on joint development of energy issues.
- 2. But the EAC's mandate is not substantial enough to influence the execution of the Regional Strategy on Scaling Up Access to Modern Energy Services.** The EAC Secretariat considers the Strategy to be a key in working towards greater energy access in the region. The Consultants indicate three reasons why future Strategy work should receive less attention at the EAC Secretariat: (i) the Strategy was developed by the EAC Secretariat, but responsibility for the achievement of the targets set in the Strategy lies with the Partner States and EAC Secretariat has no effective power to hold the Partner States accountable for lack of activity – it is already clear that the targets will not be met as planned; (ii) the Strategy has ambitious targets and as such is expensive to implement – but limited funding available at Partner States means that the tasks to be performed are not commensurate with available resources; (iii) the Strategy document has clear targets but no roadmap meaning that Partner States are expected to reach the goals as it best fits them – this has created further confusion.
- 3. Norway financed employment of the Project Development Officer at the EAC Secretariat with a task to coordinate Strategy execution. Given the limited influence of the EAC Secretariat and the fact that Norway only financed activities in the Secretariat, one cannot expect major strides in Strategy execution as a result of employment of the Project Development Officer alone.** Prior to Norwegian funding of the PDO's position in 2010 the EAC Secretariat had only one energy officer. Most interviewees admitted that information-sharing has increased and has become more structured after the Project Development Officer took office, meaning that the EAC has improved its visibility among the Partner States in the last two years. However given the limited abilities of the EAC Secretariat to influence Strategy implementation, the PDO could only arrange coordination meetings while expecting that the Partner States increase their commitment too. Owing to financing constraints at the Partner States, attendance of coordination meetings (which implied travel costs to Arusha) as well as implementation of projects did not progress as planned. There were no mechanisms in place that could have given the PDO more powers to enforce Partner States' activities. Given such circumstances as well as the fact that Norway's assistance was not tied to specific goals, the Consultants consider that the PDO performed well enough in "securing planning, coordination and monitoring of EAC activities for implementation of the Strategy" as per the ToR of his position. The problem is rather in the fact that Norway's financing covered coordination while there were not enough Partner State resources to coordinate.
- 4. Despite limited success in Strategy execution, the EAC Secretariat clearly has added value to regionalisation. To EAC's discredit, the Secretariat has not succeeded in measuring it. This inability has in turn contributed to lower visibility of EAC activities among its stakeholders.** Intra-regional meetings have been documented in agreed and duly signed 'Reports of the Meeting' and uploaded onto the EAC website for wide circulation. The reports summarise progress and contain recommendations. This practice is commendable as far as it goes. However, the main

shortcoming of the reports lies in their lack of clarity and precision with regard to the action points. It is not clear which institution/entity/unit is responsible for implementing the recommendations. Responsibilities should be assigned unequivocally to the appropriate institution/entity/unit and revisited in the subsequent meeting on a 'matters arising' agenda item to monitor progress. The EAC Energy Division should improve its reporting practices towards that end as a precondition for future Norwegian support..

5. The Energy Division's short-term goal should be that of becoming a regional knowledge centre. Most interviewees agreed that regional harmonisation efforts need to continue in the energy sector and most of such efforts need to be steered by the EAC Secretariat. The EAC Secretariat is seen as the most appropriate body to provide *modus operandi* guidance in regional power projects, to help Partner States understand how they can best benefit. The Energy Division's current attempts to be engaged at all fronts – and this happens only to a limited extent because of EAC's continued capacity constraints – mean that the delimitation of the EAC Secretariat's activities are unclear to both the Partner States as well as the development partners. The Consultants recommend that future Norwegian support be directed towards reinforcing the EAC's role as a regional knowledge hub, while execution of projects be referred to the national level as per the subsidiarity principle.

6. Provided that the EAC improves its reporting on activities and results, the Consultants recommend that Norway continue its cooperation with the EAC Secretariat: the Energy Division is a good candidate for supporting regional knowledge coordination. The Consultants have grouped future cooperation ideas into two categories: (A) those that will serve to strengthen the EAC as a knowledge centre; and (B) those that are regional in nature but where the EAC's role requires further discussion and delimitation:

A: Support contributing to the strengthening the EAC as a knowledge centre:

- (1) Funding the preparation of regional master plans / general regional planning;
- (2) Funding policy harmonisation efforts;
- (3) Support for regional capacity-building both at the EAC Secretariat and at the Partner States.

B: Support where the EAC's role requires further discussion and delimitation:

- (4) Funding pilot projects;
- (5) Funding regional priority projects.

All of the above suggestions are at least partly related to the Strategy. As a result, any future Norwegian assistance would also mean supporting the implementation of the Strategy, albeit indirectly.

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ABBREVIATIONS AND ACRONYMS

Comesa	Common Market for Eastern and Southern Africa
Consultants	Authors of this report (NORPLAN and CMI)
DFID	UK Department for International Development
EABC	East African Business Council
EAC	East African Community
EADB	East African Development Bank
EAPP	Eastern African Power Pool
EEP	Energy and Environment Programme
ERA	Electricity Regulatory Authority in respective countries
EREA	Energy Regulators Association of East Africa
ESAMI	Eastern and Southern African Management Institute
EUEI-PDF	European Union Energy Initiative – Partnership Dialogue Facility
GIZ	German Agency for International Development
GoN	Government of Norway
IRENA	International Renewable Energy Agency
IUCEA	Inter-University Council of East Africa
MoE	Ministry of Energy in respective countries
MoU	Memorandum of Understanding
NBI	Nile Basin Initiative
NOK	Norwegian krone
Norad	Norwegian Agency for Development Cooperation
Partner States	The five member countries of EAC (Burundi, Kenya, Rwanda, Tanzania, Uganda)
PCU	Programme Coordination Unit (for the Strategy)
PDO	Programme Development Officer (for the Strategy)
PPA	Power Purchasing Agreement
REC	Regional Economic Community
REDD	United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries
SE4ALL	Sustainable Energy For All Initiative
The Strategy	Regional Strategy for Scaling Up Access to Modern Energy Services – owned by the East African Community
ToR	Terms of Reference
TSO	Transmission System Operator in respective countries
UNIDO	United Nations Industrial Development Organisation
USD	United States dollar

1 INTRODUCTION

Norway has been providing development assistance to several East African countries for a considerable period of time. In recent years assistance has also been extended to the EAC Secretariat in support of regional integration. The EAC is seen by most stakeholders as a regional harmonisation vehicle to unite its Partner States through closer economic cooperation. However, the added value of the regional dimension and the EAC's involvement are not always clear, neither to the EAC Secretariat, the Partner States nor to the development partners. Specifically, it has been noted that the EAC is experiencing challenges in finding its footing in the energy sector.

Partnership Fund Norway was in 2006 one of the founding members of the Partnership Fund, which intends to provide core funding to the EAC for regional harmonisation activities. Its use is not tied to specific purposes and is only subjected to approval by a steering committee. Norway supported the Fund from 2007-2009 and has recently granted an additional NOK 30 million for disbursement over the years 2012-2014 (Norwegian Ministry of Foreign Affairs & EAC Secretariat, 2012).

PDO Given the challenge of limited energy-related activities in the EAC, Norway in 2010 agreed to finance a new position in the EAC Secretariat: a Project Development Officer (PDO) dedicated to *the Regional Strategy on Scaling Up Access to Modern Energy Services* ("the Strategy"). The Strategy aims to provide greater access to modern forms of energy for all the people in the Partner States (see section 3.2 for elaboration); the role of the PDO was to facilitate and coordinate its implementation across the Partner States. The financing agreement covered two years and expired in June 2012 (Royal Norwegian Embassy in Dar es Salaam, 2010). The EAC Secretariat has since funded the PDO position.

Purpose of report This report addresses two tasks as stipulated in the Terms of Reference (ToR) attached in Appendix A:

- First, a retrospective end-review is undertaken of the performance of the Project Development Officer during 2010-2012 when Norway provided funding. It should be noted that the Strategy had been approved already in 2006 and is still valid at the time of writing in 2013, hence the assessment focuses on a fraction of the total period of the Strategy's existence.
- Second, a prospective exploration is done in a broader context of on-going and possible future energy-related activities of the EAC. Consequently an elaboration follows on how Norway could provide future development assistance to buttress some of those activities.

Focus on energy It should be noted that this report focuses exclusively on energy related activities in the EAC Secretariat unless mentioned otherwise. This means that mentioning of the EAC Secretariat in the following text by default corresponds to the latter's Energy Division.

2 METHODOLOGY

Outline

In response to the two tasks of this assignment (as outlined in section 1) the Consultants have organised this report in four chapters. First, the Consultants provide an overview of the framework within which the East African Community functions along with its mandate and limitations. *The Regional Strategy on Scaling Up Access to Modern Energy* (“the Strategy”) is also presented within that context. This allows the reader to understand the overall situation before narrowing the focus on the assessment of the Strategy and PDO’s performance specifically. Second, the Consultants list major achievements and challenges in the implementation of the Strategy, which allows the reader to get a better understanding of how the Strategy has contributed to regional harmonisation of energy-related activities. Thereafter, the role and actual achievements of the Project Development Officer are discussed. Third, the Consultants link the discussion of the current status of the Strategy to possible next steps in regional harmonisation. The chapter presents an overview of identified energy-related issues/activities already undertaken or planned at the EAC Secretariat. The Consultants underline which activities could specifically be assisted by Norway as a development partner. Some of these activities are directly linked to the Strategy whereas others contribute to the greater goal of regional harmonisation and energy supply. A concluding chapter follows. Reporting has been undertaken in accordance with Norad’s Development Cooperation Manual.¹

The report is based on the use of relevant documents made available by the Norwegian Embassy in Dar es Salaam; as well as by the EAC Secretariat, in some cases downloaded from the EAC website.

Interviews

Qualitative, in-depth face-to-face interviews have been conducted in Tanzania, Kenya and Uganda with key stakeholders associated with the development and execution of energy-related activities in the EAC. Some of the meetings were set up by the Norwegian Embassy in Dar es Salaam, some were facilitated by the EAC Secretariat, while some were arranged by the Consultants themselves. The field trip to East Africa took place from 27 January to 5 February 2013. The Consultants travelled to Dar es Salaam, Arusha, Nairobi and Kampala to interview various public and larger private sector representatives within energy, as well as the EAC Secretariat’s Energy Division. A telephone interview was carried out with representative of EUEI-PDF after the field trip. A complete list of interviewees is appended to this report.

Logframe

The agreement between Norway and the EAC for the funding of the PDO at the EAC Secretariat does not contain a logframe as is common in conventional projects. The Consultants take the view that the logframe approach would anyway be inappropriate for assessing the effects of the work of a PDO. Hence, we have adopted a method of inter-subjective validation and relied on the assessments and perceptions – however subjective – of our interviewees.

¹<http://www.norad.no/no/resultater/publikasjoner/publikasjon?key=109515>

Limitation	Owing to limited time and funding, the Consultants were not able to meet with representatives from the newest members of the EAC: Rwanda and Burundi.
NORPLAN & CMI	NORPLAN AS was contracted by Norad to carry out this assignment in cooperation with the Chr. Michelsen Institute (CMI). The precise roles of the respective consultants were agreed and set out in the sub-consultancy contract between NORPLAN and the CMI. NORPLAN has been the lead partner.

3 REGIONAL CONTEXT

3.1 The Role and Aims of the EAC to Date

EAC Treaty	<p>The objectives and mandate of the EAC are laid down in the <i>Treaty for the Establishment of the East African Community</i> that was adopted by the then three Partner States (Kenya, Tanzania and Uganda) and entered into force in July 2000 (East African Community, 1999). The erstwhile EAC had collapsed in 1977 over disputes regarding the distribution of costs and benefits between the Partner States. The 1999 Treaty resuscitated the regional endeavour after a 22-year hiatus as the need for closer regional collaboration became increasingly pressing. The membership was in 2007 enlarged to comprise Burundi and Rwanda as well.</p>
Dev. Strategy	<p>While the Treaty forms the overall framework within which policies are formulated and activities undertaken, the current <i>EAC Development Strategy 2011/12–2015/16: “Deepening and Accelerating Integration: One People, One Destiny”</i> goes some way towards providing operational guidance. Moreover, the Partner States, through the EAC Secretariat in Arusha, have adopted a series of sectoral policies and plans that further specify the direction in which the Community is intended to move.</p>
Customs union	<p>Overall, the EAC envisages a roadmap of increasingly deeper integration, from a customs union, a common market, subsequently a monetary union and ultimately to a political federation. To date, a customs union has been established by virtue of which an array of tariff barriers has been dismantled, even though some new ones have emerged. Many non-tariff barriers remain, however. The implementation of the Customs Union Protocol, adopted in 2005, led to a surge in intra-EAC trade by 40 per cent in five years (East African Community, 2011). Growth in trade has been accompanied by cross-border investment in service sectors such as banking, insurance and tertiary education. The potential for further expansion in trade and cross-border investment is considerable.</p>
Common market	<p>The common market formally entered into force in 2010 (East African Community, 2011) but its implementation is fraught with difficulties of harmonisation. The free movement of labour within the EAC area is a particularly thorny issue. While all Partner States have liberalised their economies, albeit to variable degrees, the convergence of macro-economic policies remains a challenge. Even so, the GDP growth rates have been comparatively high.</p>
Monetary union	<p>The ambition of a monetary union is more challenging. It entails a single or several currencies fully convertible at immutably fixed exchange rates; an arrangement whereby monetary policy is determined at the union level, allowing no national autonomy in monetary policy; a single exchange rate policy with a common pool of external reserves of the Partner States; and a regional monetary authority (a central bank) which is the sole currency issuer. The current difficulties facing the Euro illustrate how ambitious the monetary union is.</p>

Persistent constraints The prevalence of non-tariff barriers; inadequate infrastructure, including energy; institutional shortcomings; inadequate national level capacities to domesticate regional policies; divergent socio-economic structures; supply side constraints; weak legal, regulatory and dispute settlement mechanisms and requisite powers for the EAC to enforce Community obligations and decisions; delays in the operationalisation of the EAC competition act; mismatch during the implementation of trade facilitation instruments and processes are some of the major constraints that continue to impede the achievement of deeper integration.

Political federation The ultimate objective of the EAC is a political federation as the logical culmination of the integration process. Once established, a political federation would be a supra-national body which would both reflect a high level of integration and provide a powerful vehicle for even deeper integration. However, a political federation entails a division of responsibility between the components or tiers of government. Its precise nature is a matter of design resulting from negotiation between Partner States. The very design of a federation may be critical for its survival, particularly how it addresses the distribution of costs and benefits in the short and long run, bearing in mind the pre-1977 tension. Critical, however, are the building blocks upon which the political superstructure is to rest, i.e. the customs union, the common market and the monetary union. Establishing a political federation prematurely might lead to a backlash and a new collapse, causing despondency and distrust from which it might be even more difficult to recover than the events of 1977.

A study was undertaken in 2005 to assess the feasibility of establishing a political federation by 2010 in view of an ambition to fast-track developments towards that end (Kibua and Tostensen, 2005). It concluded unequivocally that such a goal would not be feasible within such a time horizon. Subsequent developments have vindicated that conclusion and media reports have claimed that the East African political federation has effectively been put on hold (Onyango-Obbo, 2011).

Regional initiatives As a regional economic community (REC) within the continent-wide African Union, the EAC relates to other RECs in Africa. Of particular importance are the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (Comesa). All EAC Partner States are members of Comesa, except for Tanzania which left in 2000. On the other hand, Tanzania is uniquely positioned as a member of both SADC and the EAC.

In the energy sector specifically, three organisations and initiatives have particularly important roles to play. Headquartered in Addis Ababa, the Eastern African Power Pool (EAPP) is a regional inter-governmental body with the sole purpose of pooling electricity resources in a coordinated manner to provide affordable, sustainable and reliable electricity in the region. The EAPP membership extends far beyond the EAC. The Nile Equatorial Lakes Subsidiary Action Programme (NELSAP) is an investment programme under the Nile Basin Initiative (NBI) with a mandate to promote investment in power development and trade, water resources management, management

of lakes, fisheries and watersheds, and agricultural trade and productivity. Launched in 2010, Sustainable Energy for All (SE4ALL) is a global initiative under UN auspices to promote universal energy access, improve energy efficiency, and increase the use of renewable energy. As confirmed in the interviews with the Energy Division of the EAC Secretariat, there is regular contact between the EAC and these organisations with a view to coordinating action and avoiding duplication of effort.

Subsidiarity principle It can be difficult to distinguish between the regional and national levels of activity. Strict adherence to the *subsidiarity principle* is called for. This is an organising principle stating that a matter ought to be handled by the smallest, lowest, or least centralised authority capable of addressing that matter effectively. A central authority – e.g. a supra-national body in a political federation – should have a subsidiary function, performing only those tasks which cannot be performed effectively at a more immediate or local level. In other words, the subsidiarity principle implies a division of labour and responsibility that militates against centralisation. In the case of the EAC, project proposals should be subjected to a regionality test, i.e. benefiting two or more Partner States. Challenges that can be handled at lower tiers of government should not be hoisted up to the regional level, just because funding might be ‘easier’ to procure at that level. Adherence to the subsidiarity principle applies equally to the governance levels of the EAC as to the donor community.

Funding of the EAC It has been an axiom within the EAC since its resuscitation in 2000 that the Partner States contribute equally to the running of the organisation, regardless of other parameters such as GDP, population size or natural resource endowment. The proposal has been mooted several times to introduce a graduated contribution schedule but so far it has been rejected. Those in favour of such a graduated arrangement argue on grounds of fairness: is it fair that Kenya as the largest economy in the region contributes equally much as the smallest Partner State – Burundi? They also argue that more resources could be leveraged in that manner in order to strengthen the organisation. On the other hand, the opponents of a graduated contribution – however it may be arrived at – argue that existing disparities within the community are likely to be reinforced, which, in turn, could have long-term disruptive effects. There are valid *pros* and *cons* but so far no change has been made to the contribution formula.

The political will is evident – at least rhetorically – but it has not translated into larger flows of resources to manage the multiple tasks. At the 14th Ordinary Summit in November 2012 the Heads of State singled out infrastructure (presumably including energy) as a priority for the Community (East African Community, 2012b). Earlier on, the Customs Union and the Common Market took precedence. Acknowledging that inadequate infrastructure and energy supplies impose serious constraints on production and trade, the need for improvement in those sub-sectors was given higher priority. This reordering of priorities will presumably filter down in the organisation and lead to the strengthening of the Energy Division in the Secretariat. But it remains to be seen to what extent that expectation will be fulfilled.

3.2 Position of the Strategy in EAC and Partner States

The point of departure of *the Regional Strategy on Scaling Up Access to Modern Energy Services* in the East African Community was the fact that four-fifths of the regional population have no access to modern energy services. It was approved by the EAC Ministers of Energy as early as August 2005 with a ten-year time horizon until 2015 when its objectives (closely linked to Millennium Development Goals) were expected to be fulfilled. The Strategy was subsequently formally adopted by the EAC Council of Ministers in November 2006 (East African Community, 2009). However, it took considerable time before actual implementation started.

Strategy start-up

With funding from the German Agency for International Development (GIZ), the formulation of the project document for initial implementation activities was not completed until January 2009 (East African Community, 2009) – more than two years after the Strategy's formal adoption. The Strategy formed the regional framework for implementation and provided a guide for the Partner States to forge ahead with projects at the national level. While the Energy Division of the EAC Secretariat considered the Strategy to be clear with regard to its targets, it was less clear how to implement it, i.e. roadmaps towards the achievement of the targets were missing. This lack of operationalisation led to some confusion on the part of Partner States and donors alike. In a telephone interview a representative of the EUEI-PDF stated that misalignment and disagreement between the EUEI-PDF and the EAC Secretariat on the latter's vision of involvement in energy development was a prime reason why the EUEI-PDF withdrew its support for the Strategy after having been one of its initial driving forces. The EAC Secretariat, however, appeared oblivious of such discord as no communication to that effect had been received. Whatever the reason, it caused further delay. Still, the EAC Secretariat remains committed to the Strategy as a common development platform.

Norway's funding

In order to assist the coordination role of the EAC Secretariat with respect to the Strategy, Norway agreed to fund one professional position for a two-year period, dedicated to the implementation of the Strategy. An agreement to that effect was signed on 30 March 2009 with a financial frame of NOK 1,730,000 (equivalent to USD 231,668 at the applicable rate of exchange at the time). Following standard recruitment procedures, the Project Development Officer took up duty in June 2010 (Royal Norwegian Embassy in Dar es Salaam, 2010). The agreement stipulated that an end-review be undertaken at the expiry of the agreement period. This report comprises that end-review.

Prioritising energy

There is considerable interest in energy both from a consumer point of view (households and industry alike) and from a producer perspective (public utilities and the private sector as well as international investors). With increasing demand for energy from any source, this interest is unlikely to subside. Against that background, it would not be rational to discontinue Norwegian support for the energy sector at this stage. On the contrary, the heightened priority recently accorded to infrastructure (and presumably energy) is a strong argument for continued and reinforced support. In order to determine sufficient support level, next chapter examines developments to date in greater detail.

4

REVIEW OF THE STRATEGY 2010-2012

4.1

Main Achievements During the Review Period

Strategy's four goals will not be met by 2015

The Consultants consider it highly unlikely that the goals of the Strategy will be met by 2015 as originally planned. That being said, it is evident that energy is receiving increasing attention both at national and regional levels. This emerges from statements of interviewees to the effect that their respective countries are engaging in electrification efforts regardless of the existence of the EAC Strategy. At the same time, all interviewees commended the EAC Secretariat for playing a noteworthy role in past energy-related achievements. There is little doubt that Norwegian funding for the Project Development Officer has enabled the EAC Secretariat to add value in that regard.

Main achievement: cross-border information sharing

The Energy Division in the EAC Secretariat considers its main achievement to be creation of a common platform for sharing knowledge and harmonisation of policies among the Partner States: there is a proliferation of initiatives, institutions and units. Indeed, several interviewees think of the Strategy as a success – not because it has resulted or will result in the achievement of its goals by 2015 but rather because its existence has mobilised and fuelled discussion at the regional level. For example, a standard power purchasing agreement (PPA) has been agreed for cross-border energy projects in all five Partner States. A discussion on best practices in financing mechanisms for rural electrification agencies is also regarded as highly beneficial among respective agencies in the Partner States. The only shortcoming is that such discussions have taken place too rarely as not enough funding has been available for more comprehensive and deeper professional exchange of views. All Partner States have, however, appointed focal points for liaison purposes. Thus, even though only a few meetings have been held under EAC auspices for specific topics, the learning effects last longer: shared experiences have given rise to generic models to avoid reinventing the wheel from one country to another. In that sense, it is quite clear that the EAC has added value by being the guardian of regionalist thinking and harmonisation.

These intra-regional meetings have been documented in agreed and duly signed 'Reports of the Meeting', produced in six original copies – one for each of the Partner States and one for the EAC Secretariat. For wider circulation within the EAC they are uploaded on the EAC reports database, which is password-protected. The reports summarise what transpired during the meetings in terms of progress reports from the focal points and contain recommendations for the future. This practice is commendable as far as it goes. However, the main shortcoming of the reports lies in their lack of clarity and precision with regard to the action points. In particular, it is not at all clear which institution/entity/unit would be responsible for implementing each of the recommendations. Responsibilities should be assigned unequivocally to the appropriate institution/entity/unit and revisited in the subsequent meeting on a 'matters arising' agenda item. This would no doubt help in facilitating and monitoring progress. The EAC Energy Division is encouraged to improve its reporting practices towards that

end.

Use of experts

The EAC Secretariat has been inventive in mobilising external resources for regional harmonisation work. This has been done in two ways. First, soliciting in-kind contributions – e.g. expert services – from Partner States on an *ad hoc* basis for specific purposes or projects has been a useful approach. In this manner Partner States make available expert personnel for focused workshops, task forces, etc. while the EAC covers travel and subsistence expenses.

Unfortunately, no formal roster of EAC experts with specified skills has been compiled and maintained for this purpose. Knowledge of “who could be summoned for what task” is informal within the EAC Secretariat. This points to room for improvement in the organisation of work within the EAC Secretariat. A proper database of such experts should be set up, maintained and shared with the Partner States, comprising details of professional skills, contact details, etc.

Use of dev.partners

Another approach to conduct regional integration activities is to mobilise the development partners. Several interviewees pointed out that regional integration is a good idea, not least because development partners are more inclined to support regional rather than national initiatives. The priorities vary by development partner, but their agendas are generally known. Donor preferences might not match the most pressing concerns as seen by the Partner States or the EAC Secretariat, but declining help “would be a luxury that cannot be afforded” as phrased by one interviewee. Hence, all assistance is appreciated and incorporated.

‘Spin-offs’ from Strategy

From the vantage point of the EAC Secretariat, the Strategy is as valid today as it was at the time of its write-up in 2005: the same energy-related challenges remain in the five Partner States. So far, most development partners have chosen not to work further with the Strategy document as it lacks an operational plan of action. Nonetheless, they are willing to support discrete activities that all the same contribute to achieving the goals of the Strategy. The reason for this state of affairs is two-fold: (a) overhauling and implementing the Strategy in its entirety is likely to require investments of significant volume that the development partners are reluctant to provide²; (b) the development partners’ inclination to take ‘ownership’ of their interventions, either for reasons of transparency or simply greater visibility of the development partners’ contributions. The somewhat disjointed approach on the part of donors has resulted in a series of discrete interventions. The below activities were mentioned by the EAC Secretariat to the Consultants:

- The USAID has provided USD 250 000 to a Regional Green Energy Programme and technical assistance to the EAC Secretariat. This programme aims to sponsor selected feasibility studies and is thus contributing to the goals of the *Regional Strategy on Scaling Up Access to Modern Energy Services*.
- Austria, Finland and DFID have extended the Energy and Environment Programme (EEP) to all countries of East Africa. The

² As per the Project Document for Initial Implementation Activities of the Strategy, USD 3.2 million was needed for activities planned in 2008-2010 alone (East African Community, 2008).

EEP provides financing to investors for studies or construction of modern energy projects and thus also contributes to fulfilling the goals of the Strategy.

- The EAC has signed an MoU with the International Renewable Energy Agency (IRENA) in order to incorporate a number of East African activities into the organisation's global work plan, which includes drafting resource maps, master planning and everything related to renewable energy promotion. According to IRENA's brochure "IRENA can assist by raising the profile of cost-effective investments with governments, multilateral development banks and financial institutions, in particular by helping countries to map out and cost out their renewable energy resources. IRENA will work with all major stakeholders in the region to develop an action agenda"(IRENA, 2013). Activities are yet to follow.
- Efforts are being made to involve the private sector in energy projects as investors and implementers (including greater involvement of local investors). This has been discussed through the East African Business Council but no specific action plan exists as yet.
- A Centre of Renewable Energy and Energy Efficiency is planned with a mandate to assist private sector actors with a range of products from business case advice to brokering funding. The Energy and Climate Change Branch of the United Nations Industrial Development Organisation (UNIDO) has been involved to develop a preparatory concept note on the possible design of such a centre. The Centre is planned to be launched in 2014.³

Future developments

A long-term challenge associated with extensive donor funding is donor dependence and durable sustainability. The development partners will inevitably exit at some stage whether they have formulated an exit strategy or not. Pending a substantial increase in funding from sources – public and private – within the EAC and foreign investment, this dependency is exceedingly difficult to overcome. While basket funding from multiple donors such as the Partnership Fund is preferable because it diversifies dependence, it does not necessarily reduce overall donor dependence.

Any regional venture – be it directly related to the implementation of a Strategy or a 'spin-off' activity – needs resources for discussion and meetings. All Partner States have a dedicated body (e.g. a ministry) responsible for handling EAC activities. The Consultants were informed of plans to establish EAC representation offices in the Partner States as a means of strengthening two-way interaction. Whether this will happen or not, the evolving dynamism of the EAC is clearly visible when observing Strategy-related activities during the 2010-2012 review period.

4.2

Shortcomings During the Review Period

Limited capacity

The underlying problem with the Strategy is the fact that it remains incomplete as the goals are clear but there is no commonly agreed path to reach them. The EAC Secretariat is open to amending the

³ For more information, refer to East African Community (2012)

Strategy by adding roadmaps, but this would require the Partner States to increase funding to the Energy Division of the EAC Secretariat so that operational strategy work could continue. The EAC Secretariat's current number of tasks and areas of activity is not commensurate with its human and other resources required to meet those challenges.⁴ To date the Partner States have been reluctant to increase their contributions to the running of the Secretariat: a hiring freeze was imposed in 2005, although interviewees confirmed that it has recently been lifted. Despite repeated questions, the Consultants were unable to ascertain why requests for more funds have been rejected by the Partner States. One possible explanation might be the EAC Secretariat's inability to measure and show satisfactory results (e.g. inadequate minutes from coordination meetings, no regular updates sent to all stakeholders) which could demonstrate added value more convincingly. Another explanation might be the perennial budget constraints at the national level, which affect the EAC Secretariat's budget: the EAC Secretariat informed the Consultants that whereas Partner States have not failed to pay their membership fees, there have been some delays. Several interviewees confirmed that an institutional review of the entire EAC Secretariat is currently on-going; the Energy Division hopes that its outcome will allow for a budgetary increase in the future, reflecting the recent Summit prioritisation of infrastructure (and presumably energy). It should be recalled, however, that staff shortages and the adverse consequences for realising the EAC's mandate were noted already in the *EAC Development Strategy 2006-2010* (East African Community, 2008). Also, the energy sector was given high priority in the *Communiqué of the 9th Ordinary Summit* of EAC Heads of State in June 2008. This means that energy as a priority concern is not new to EAC, but such pronouncements do not seem to have resulted in visible improvement yet (at least in terms of staffing at the EAC Secretariat).

Need for visibility

Several interviewees pointed to the need for the EAC to make itself more visible to the Partner States apart from its coordinating role. Responsibility for the implementation of the Strategy rests with the Partner States, but several stakeholders felt that the EAC Secretariat should assist the Partner States more pro-actively beyond arranging meetings. The preparation and dissemination of a Regional Power Master Plan is an example of delivery of added value that is directly applicable in daily work. The EAC Secretariat could also use its position as a central forum to better communicate (and most importantly: document) success stories, whether they be policy best practices, capacity building on specific themes⁵, successful financing schemes, etc. Better documentation of such activities in Partner States could ultimately help the EAC Secretariat to become a Technical Assistance Facility/Regional Help Desk where Partner States could apply for assistance in developing and implementing reforms or where investors could apply for neutral guidance on

⁴ A recent report by KPMG noted that the EAC has on average only 4.5 staff members in each of its 30 departments, which is unsustainable (KPMG Finland, 2012). By that measure, the EAC Energy Division has in fact only 2 staff members out of 135 employees.

⁵ As an example, Norwegian TSO Statnett has been engaged in capacity building of Ugandan and Tanzanian TSOs for several years. This programme is now expanded to Kenya. To the Consultants' knowledge, the EAC Secretariat has not played any role in this endeavour.

investments in individual countries. Another means of increasing the EAC Secretariat's visibility could be various self-initiated recognition activities, e.g. rewarding a country for the best energy access reform of the year, largest share of population connected to grid in a particular year, etc.

Funding of projects

The Project Document for Initial Implementation Activities of the Strategy pointed to the need for expediting the creation of a Programme Coordination Unit which "would create a Regional Seed Fund to catalyse promising start-up initiatives by providing quick access to funds in addition to development of viable business models" with a budget of USD 5 million (East African Community, 2008). To date, neither the Unit nor the Fund has been created which again points to larger-than-feasible planning; the Consultants later also argue that the EAC should not fund individual projects anyway.

There are plans at an advanced stage of completion to establish a Development Fund designed to provide financing of larger regional projects through the East African Development Bank (EADB), which would also capitalise and manage the Fund on behalf of the EAC. According to the Energy Division a bill for the establishment of a Development Fund is pending before the East African Legislative Assembly. The Sectoral Council on Energy has decided that an 'energy window' be opened within the Development Fund to help jumpstart actual project work on some regional energy projects. A caveat should be inserted in this regard: the EAC Secretariat should not be allowed to hand-pick projects for disbursement nor be involved in detailed work that is better handled at a lower level of operation. It is an open question how successful the EADB will be in capitalising the Fund and to what extent funding could be extended to energy projects. The capital at EADB's disposal is unlikely to be adequate for major capital-intensive energy projects. The Consultants were unable to interview the EADB for comments.

Competing activities

Decentralisation of regional coordination is also present in market regulation. The EAC Secretariat together with the EAPP has made efforts to gather regional electricity sector regulators for information sharing but only two meetings have been held to date. Driven by the need to share information and best practices, the regulators have formed their own body: the Energy Regulators Association of East Africa (EREA). It must be mentioned that EREA's roots date back to 2007, i.e. before the Strategy was formally put to action. However, the EAC's inability to convene regulators more frequently has resulted in EREA's activities being funded outside the EAC framework and run without the involvement of the EAC Secretariat. EREA itself does not rule out the possibility of becoming more closely associated with the EAC in the future. Although mention was made of EREA only as a stand-alone programme in the interviews, there might be other such 'competing' initiatives. The EAC Secretariat claims to have an overview of all regional activities but given its capacity constraints and broad remit, it is a matter of time before such oversight is lost.

EACPP

Furthermore, the EAC has on its own similarly embarked on what might be construed as a competing activity by launching the idea of an East African Community Power Pool (EACPP) which would be a sub-group within the Eastern African Power Pool (EAPP). It is argued

that existing plans for the EAPP are too complex and hinder faster market development in East Africa (e.g. in terms of institutional alignment). It was also argued by interviewees that several larger countries in the EAPP (e.g. Egypt, Ethiopia) feel they are needed by the smaller countries. Hence, they are unlikely to be upset by competing activities emerging in East Africa as the latter will eventually still need to work with the larger entity for power access. Consequently, the EAC should make efforts to build knowledge in cross-border trading and thereby further strengthen the East African common market. Essentially, the East African countries would thus form a sub-group (EACPP) within a larger one (EAPP) in a particular functional area. This approach is dubbed 'variable geometry and multiple speed' within one overall regional venture in the interest of enhanced effectiveness. It means that some vanguard members may form a smaller constellation and move at a higher speed than the rest. Ultimately, however, all members are expected to catch up. Such a plan for an EACPP, if not well coordinated with the EAPP, could lead to duplication of work. It should be recalled that weak alignment and coordination between regional initiatives was highlighted already several years ago (see Hermansen, 2008). Given EAC's already broad mandate and limited capacity the Consultants fail to see why developing the EACPP should be added to the EAC's agenda.

4.3

Added Value of the Project Development Officer

The Strategy recommends the establishment of a Programme Coordination Unit (PCU) in the EAC Secretariat. As per the Project Document for Initial Implementation Activities of the Strategy, the first person to be recruited to the PCU should have been a Chief Technical Advisor, who would have recruited other team members including the Project Development Officer (East African Community, 2008). Discussions between the EAC and development partners led to an understanding that the implementation of the Strategy commence on the basis of available financial resources rather than waiting for all the required resources to be mobilised. Thus, the EAC Secretariat requested development partners to consider supporting the recruitment of a Project Development Officer (PDO) "in order to expedite initial operation and resource mobilisation; and later oversee and coordinate recruitment of other members as resources become available" (Royal Norwegian Embassy in Dar es Salaam, 2010). The costs of employing a Project Development Officer were eventually financed by Norway alone. In mid-2010, Elsam Byempaka Turyahabwe was recruited from the Ministry of Energy and Mineral Development in Uganda. The agreement signed between the EAC and Norway covered financing of Turyahabwe's employment for two years, i.e. mid-2010 to mid-2012.

Set-up of the PDO

The Terms of Reference for the Project Development Officer stipulate the position's main task to be "securing planning, coordination and monitoring of EAC activities for implementation of the Strategy" (Royal Norwegian Embassy in Dar es Salaam, 2010). As the implementation of the Strategy was the responsibility of the Partner States, Turyahabwe's main job was confined to coordinating activities between Partner States, acting as a focal point and developing work plans to allow for lessons learnt, knowledge sharing, etc. It is noteworthy that the agreement was limited to providing the personal

emoluments of the Project Development Officer, which made up two-thirds of the grant. According to the financing agreement, Norway also provided funds for Turyahabwe to visit a Partner State once a month for five nights (Royal Norwegian Embassy in Dar es Salaam, 2010). The agreement also stipulated that the EAC “[p]rovide the financial and other resources required in addition to the Grant” for the execution of the project (Royal Norwegian Embassy in Dar es Salaam, 2010). Hence, organising multi-country meetings would not be possible unless funding was provided by the Partner States or the EAC Secretariat but seemingly it was never agreed how and to what extent EAC funding should be provided in practice. Interestingly, the problems with multi-party meetings were identified as early as in the Strategy’s Implementation Progress Report June-December 2010, where a specific recommendation was made to “reallocate funds for running costs to a new item on organising and facilitating meetings for stakeholders to share experiences and discuss progress of implementation of the Regional Strategy” (East African Community, 2010). According to Turyahabwe, he cut down on his own travels to allow for budgeted funds to be spent on focal points to come to Arusha. With the benefit of hindsight, it is clear that whereas the need for greater collaboration was acknowledged, activities to meet that need were either insufficiently funded or non-existent.

Coordination has started

Several interviewees from all visited countries confirmed that they had participated in regional coordination meetings at EAC headquarters and found them very useful. Examples of information-sharing facilitated by the EAC included learning from Rwanda’s biogas programme to reduce consumption of firewood; placement of a new regional oil refinery in Uganda; extension of an oil pipeline from Kenya to Uganda and further to Rwanda and Burundi; and standardisation of LPG handling. Cross-border electrification of villages was also discussed at the EAC. Most interviewees admitted that information-sharing did not occur in a coordinated fashion before the Project Development Officer was hired in the EAC Secretariat and that the EAC Secretariat had improved its visibility in the last two years. This is an important example of the added value that coordination and facilitation have brought to bear on implementation processes.

Too few meetings

However, such meetings were too short (i.e. participants found that there was not enough time to discuss details) and too infrequent (i.e. once or twice a year; a number of interviewees reported that their last meeting was held in the first half of 2012). Several of the interviewees working on rural electrification and petroleum development had not been informed as to when the next meeting would take place. It was confirmed, however, that at the ministry level an annual Energy Working Group still meets in the EAC. The aim of that meeting is to prepare items ahead of the Ministerial Council meetings. As funding is limited, the meetings usually take place over two intensive (up to 14-hour) working days, where Partner States present their on-going projects and share future plans. Hence, it is possible to align in broad terms but no time is left for in-depth discussions. This means that actual implementation efforts must later be followed up by e-mail and phone calls. The Consultants support the idea of more frequent meet-

ings – but only if they are well planned and clearly structured; result in well-documented minutes and plans of action/follow-up activities; and are distributed to all relevant stakeholders.

It is acknowledged that regional cooperation is a long-term process and the more stakeholders to a project, the longer it takes to reach consensus. All Partner States agree that power trading is the model of the future and is needed already today – and work on the Strategy directly supports this objective. Despite lack of face-to-face meetings all interviewees commend the EAC for its efforts to provide a platform of knowledge-sharing and confirmed that through the EAC they have met colleagues from neighbouring countries and maintain regular contact with several of them.

Three energy working groups in the EAC Secretariat

As a result of limited financing and a broad variety of energy topics the two professionals of the Energy Division at the EAC Secretariat have been sharing responsibilities and engaging in cross-cutting activities to ensure progress on all fronts. Consequently, the Energy Division divides its resources (financial and personnel) between three working groups: (i) fossil fuels (including oil & gas) are handled by both Peter Kinuthia and Elsam Turyahabwe; (ii) main sources of power (including large-scale hydropower, big utilities and transmission lines) are managed by Peter Kinuthia as the responsible officer; and (iii) renewable energy (including new renewables such as solar, wind, biogas) and energy efficiency are managed by Elsam Turyahabwe alone. On account of Turyahabwe's recruitment as a Project Development Officer dedicated to the execution of the *Regional Strategy on Scaling Up Access to Modern Energy Services*, his position is understandably geared towards pursuing the agenda in the third group. However, as the Strategy is not limited to renewable energy alone, coordination is warranted with the other two working groups.

The EAC Secretariat's two-staff sharing of three major tasks seems to be accepted by other stakeholders interviewed by the Consultants. Given the need to engage in several inter-linked issues and the fact that Kinuthia cannot be asked to handle everything that is not directly related to the Strategy, the Consultants consider it justified that Turyahabwe has not kept a narrow focus on Strategy coordination but has broadened his activities to all levels that in various ways could directly or indirectly bear on the execution of the Strategy, sooner or later. This seems to be a logical response to slow progress at the Partner State level that is beyond Turyahabwe's control in implementing the Strategy.

Assessing the performance of the PDO

It is not easy to measure the PDO's performance as not all Strategy-related work is quantifiable. This is further exacerbated by the fact that most projects under the Strategy are still on-going activities (such as information-sharing), despite some tangible results (such as the Regional Power Master Plan). Furthermore, the PDO has been working in a team where his contribution is indistinguishable from that of others. Nevertheless, the Consultants can point out the following:

- i. The PDO has acted within (and in a positive way exceeded) the mandate given to him as per the ToR of his employment. In that regard, the (somewhat vague) goal of Norwegian support – to coordinate the Strategy between the EAC, Partner

States and ultimately the development partners – has been met.

- ii. Whereas the EAC Secretariat has in the meantime produced some reports, the PDO cannot take full ownership of any of them. It is clear that more documentation could have been produced in terms of multiple knowledge sharing / coordination activities.
- iii. None of the interviewees made any negative remarks regarding activities of the PDO, apart from his lack of time to commit to any single activity in full and follow up. This means that to the stakeholders, the PDO is perceived as a useful resource.

4.4 Perceived Short-Term Development Direction of the EAC Secretariat's Energy Division

Perceived role of EAC All interviewees in ministries and other agencies took a positive view of the role the EAC has played and can play in the future. Though cognizant of the constraints under which the EAC is operating – principally the lack of a supra-national authority to enforce decisions; capacity constraints of the Secretariat; and funding shortages – the respondents pointed to significant achievements. Above all, the EAC is seen as a facilitator and mediator. The main function of the EAC Secretariat is seen to be the preparation of regional plans, strategies and other initiatives – in conjunction with donors and other stakeholders, if need be. Taking the cues from those plans and strategies their actual implementation, however, is the responsibility of the Partner States. As a regional body the EAC is not tasked to execute projects and programmes – nor should it be. The EAC can only stimulate and encourage other stakeholders to take up the challenge of execution.

The Capacity Assessment of the EAC Secretariat that was undertaken in 2010-2012 concluded that the EAC Secretariat still has a significant to-do list in the field of facilitation and mediation. Specifically, the report highlights “very high number and diversity of ongoing activities in the region” but “severe lack of information and data” coupled with “technical capacity constraints with large variation across countries”. Most importantly, the report notes “lack of [perceived] linkage between impacts achieved and the Strategy” (East African Community, 2012c, p. 4). The Consultants agree with the EUEI-PDF’s vision that when it comes to energy initiatives, all energy access implementation including seeking financing should be handled at the national level. By contrast, the EAC Secretariat should aim to become “a regional clearing house” for best practices, acting as a centre for information sharing and learning. This is also more realistically in line with the EAC Secretariat’s capacity constraints: the Consultants consider it unlikely that a significant increase in staffing and funding of the Energy Division would take place in the near term.

Support needed Most interviewees agreed that despite slower progress, continued regional harmonisation efforts are needed. The EAC Secretariat is seen as the most appropriate body to provide guidance with respect to *modus operandi* in regional power projects, thus helping the Partner States to understand how they best can benefit. The following section provides ideas as to how Norway as a development partner can move forward to help the EAC Secretariat build a role as a regional knowledge centre of energy activities.

5

OPPORTUNITIES FOR RENEWED SUPPORT

5.1

The Broader Context

Future Norwegian support for the EAC – regardless of sector – must be placed in context. Embarking on an ambitious regional venture such as the EAC is a long-term proposition. The leadership of the Partner States have agreed that an entity larger than the existing territorial states is needed if the region is to grow and prosper. The African Union is the over-arching umbrella at the continental level. The regional economic communities (RECs), e.g. the EAC, are the building blocks envisaged ultimately to make up the Pan-African union at some unspecified future date. Below the REC level, the constituent territorial states are sovereign. It should also be mentioned that there are centrifugal forces within each of the territorial states which threaten their territorial integrity and cause instability. Such circumstances put in perspective the formidable challenges involved in regional integration and the long time horizon needed to make the ambitions come to fruition. As a donor Norway should be cognizant of that perspective.

As an integral part of Norway's foreign policy, support for regional integration is a pillar. The regional blocs form part of the global governance architecture. Norway takes particular interest in the RECs in terms of their role in economic development in a broad sense; conflict management and mediation; governance and political processes, including democratisation, human rights respect; and anti-corruption activities. The subsidiarity principle is considered a key element of the RECs' modus operandi. This foreign policy stance should inform specific interventions financed by aid money.

The *Paris Declaration on Aid Effectiveness* was adopted in 2005 by nearly all bilateral and multilateral aid agencies and most recipient governments. It forms the foundation and guideline for regulating the relationship between donors and recipients. The Declaration contains five main principles: (i) harmonisation of policies by donors; (ii) alignment to the plans and policies of the recipient countries; (iii) ownership of interventions by the recipients; (iv) mutual accountability; and (v) managing for results. Several of these principles are pertinent to the issues discussed in this report. Of particular importance in this context is the fifth principle: managing for results. In any project or programme it is essential that results be accounted for vis-à-vis the donors and the donors' taxpayers, as well as domestic constituencies within East Africa. The preoccupation with results reporting is understandable and justified.

This accountability requirement, however, raises intricate questions of measurement. Many interventions are concrete and tangible, e.g. in the energy sector where one can easily measure installed capacity, consumption, cross-border energy trade, etc. Similarly, one can count the number of improved cooking devices and the resulting energy saving. Quite apart from measurement and quantification, one also needs a baseline relative to which progress can be gauged. This baseline should be established at the start of an intervention. Furthermore, the evaluation of an intervention must be able to attribute

the observed effects to that intervention. Can a particular intervention claim credit for the observed, quantified effects? Or have other factors also contributed to that end? Ideally, to attribute an effect to a particular cause, i.e. to establish a causal relationship, one needs randomised control groups that are not affected by the intervention in order to compare with groups that have received 'treatment' or been part of the intervention. In real-life situations those conditions rarely obtain, which makes causation and attribution exceedingly difficult to establish.

The EAC is pursuing a long-term strategy towards a political federation as the ultimate goal. In view of the ambitious, long-term regional venture one has to acknowledge the need for extensive consultation and harmonisation that do not produce tangible effects in the short run. Some of those consultations are politically charged and intractable to handle, hence being unpredictable and time-consuming. That is not to say that donors should desist from demanding reports at regular intervals as part of normal accountability procedures, only that the measurement of effects may be wanting in precision. The EAC has a monitoring and evaluation (M&E) unit which is expected to be beefed up to satisfy the need to measure progress and results. Performance-based contracts have already been introduced. Continued build-up of the M&E unit is currently work in progress; however the Consultants have not been in a position to obtain further details.

5.2

Ideas for Tightening Regional Development in the Energy Sector

Section 4 has highlighted that the implementation of the Strategy has been challenging although significant achievements have been made. A number of useful activities have been carried out or emerged as spin-offs, even though the tangible results that have come to fruition so far are fewer than planned. Most interviewees decidedly disagreed that work on the Strategy has been a failure and should be discontinued. Instead, the majority underlined that Strategy work needs to be reinvigorated with specific activities. This is in line with the suggestion from the capacity assessment of the EAC Secretariat, which highlighted project-based capacity development. The assessment recommended "a distinct set of specific services... which should materialise in the shape of individual projects under the umbrella of the PCU" (East African Community, 2012b, p.6).

A development partner such as Norway could bring considerable experience to the table in key sub-sectors and make a contribution. Norwegian assistance need not be confined to the Strategy that has been supported so far. Future assistance might be an extension of the profile to date if the scaling-up Strategy is considered still to be valid. Instead or in addition, other interventions could be considered as well. Building on Norwegian comparative advantage coupled with East African needs, the remainder of this section presents some options for future Norwegian assistance.

5.2.1

Ideas that Strengthen the EAC Secretariat as a Knowledge Centre

Coordinated regional action plans as a starting point

There is a common understanding that regional planning will result in more over-riding documents. It is easy to understand why spending time and resources to prepare such higher-level documents is less attractive than directly proceeding to connect new households to grids

– both in the eyes of local politicians as well as development partners who are keen to measure immediate results. However, coordinated regional master plans are a necessity before proceeding to feasibility studies for specific projects. To that end, it was commonly accepted by the interviewees that more harmonisation work is needed at the regional level before Partner States can start constructing inter-regional power lines and invest in cross-border power generation plants (although these activities will certainly take place at the national level).

Several national level master plans are already in existence and a Regional Power System Master Plan has been conceived. The EAC Secretariat also envisages the preparation of regional master plans specifically for renewable energy development, energy efficiency measures and fossil fuel production and use. Especially the latter is a new and pressing concern relevant to all Partner States, given oil and gas development plans in Kenya, Tanzania and Uganda. On the other hand, renewable energy production has been a focus in some Partner States already and hence has a more advanced starting point for co-ordination. Which of the three master plans should be prioritised next should be decided upon in discussions with the EAC Secretariat.

According to the EAC Secretariat, ToR for all the above mentioned missing regional master plans have been prepared and approved at the highest level of authority. Together with the EADB a cost estimate has also been calculated for conducting the studies (see Appendix B). It is hoped that development partners would sponsor these, but so far there has been modest interest. The Consultants find the idea of sponsoring one or more regional master plans valuable, given that long-term planning is needed if the East African region is to become more integrated in the energy field. Furthermore, regional master planning offers a well-structured platform for dialogue among the Partner States and further enhances the EAC's role as a regional co-ordinator / clearing house. Development of key priority projects (e.g. extension of an oil pipeline) can go ahead simultaneously as long as such developments are limited to a few projects pending the preparation of master plans.

Support for fossil fuel development is controversial in Norwegian aid policy because of the attendant emission of greenhouse gases that contributes to global warming and climate change. The Report to the Norwegian Parliament (white paper) no. 14 (2010-2011) *Towards greener development: On a coherent environmental and development policy* acknowledges that many developing countries – EAC Partner States among them – have considerable deposits of non-renewable energy resources such as oil and gas. The extraction of these could significantly boost economic development. However, this requires sound management that is environmentally sustainable. Towards that end, Norway is prepared to assist in providing expertise and technology needed for sustainable low-carbon economic growth and the implementation of green development strategies based on low emissions, especially in areas where Norway has particular expertise: renewable energy (foremost hydropower), long-term management of natural resources and competence- and capacity-building in the field

of environmental policy.

While this policy stance does not appear to impose an explicit ban on the use of aid funds for fossil fuels, the emphasis is decidedly put on renewable forms of energy. Norway is itself a major producer of fossil fuels upon which much of its wealth rests. It appears lacking in policy coherence, therefore, if Norway would deny developing countries assistance in this field. Although this is a matter of high-level policy-making beyond the ToR of this report, it is pertinent to raise it in the context of a region where fossil fuels are likely to constitute an increasing share of the energy supply.

For its part, the EAC has elaborated several climate change documents: (a) the long-term *East African Community Climate Change Master Plan 2011–2031* (East African Community, 2011b); (b) the *East African Climate Change Policy* (East African Community, 2011c) and (c) its attendant *Climate Change Strategy 2011–2016* (East African Community, 2011d). All of these documents refer to the energy sector as a major source of greenhouse gas emissions and emphasise the harnessing of renewable energy sources. It remains to be seen how those policies will be implemented.

Biomass as a stand-alone topic

In addition to regional master plans the proposal to develop a regional biomass strategy has been mooted. Deforestation is a serious concern in all Partner States and little has been done to date to coordinate efforts to counter current trends. In terms of energy, this concern is most visible to rural electrification agencies as they implement the EAC's cross-border electrification schemes: some villages are only accessible by crossing country borders back and forth. Since national borders are often porous people move freely between countries. The same applies to goods and supplies, which means that access to firewood becomes a cross-border concern. The GIZ has reportedly financed some biomass studies in Kenya and Uganda at the national level, while this topic is new in other Partner States – not to mention regional coordination. The Consultants acknowledge that deforestation is not only an energy-related concern: much of the blame must also be attributed to growing agricultural needs. In any case it is noted that deforestation is a regional issue where the EAC can play a role (for example, there might be hidden synergies in coordination with REDD initiatives where forest owners are paid to keep their trees in order to absorb CO₂ from the atmosphere).

Policy harmonisation

Closely related to regional planning is the need for harmonisation of policies and legal framework among the Partner States. This is in some measure already taking place as the EAC Secretariat is engaging in the implementation of the customs union, which ultimately would lead to a common market. According to several interviewees, little has yet been done to harmonise laws and policies governing the energy sector. The emerging petroleum sub-sector is a case in point where hardly any coordination has occurred with respect to fiscal incentives for exploration and development. Nor has standardisation been discussed widely. In Kenya alone, each LPG handling company used to have its own valve size; countrywide standardisation was achieved only recently. Another example is the lack of incentives for private sector actors to engage in cross-border power generation, e.g.

in respect of cross-border feed-in tariff categorisation (e.g. mini vs small hydro-electric power projects) as well as financing support and payment guarantees. The EAC Secretariat went as far as to suggest that feed-in tariffs could be harmonised across all Partner States once a regional power pool becomes a reality. The Consultants remain sceptical to the idea of feed-in tariff harmonisation but concur that there is a need to regionally align incentive methodology in all energy sub-sectors (petroleum, electricity, power, energy efficiency) as well as work with non-monetary support measures and standardisation. Norway could consider funding a dedicated process which would map the possibilities of policy-driven harmonisation among all Partner States.

Capacity building

This report has repeatedly mentioned the problems owing to limited funding of energy-related activities in the EAC Secretariat to date. Whereas all interviewees corroborate that this is a problem which impedes faster regional development, nobody was able to indicate when increased funding will be triggered from the Partner States, and by whom. Intermediate solutions have been developed by using specialist resources on a project basis from Partner States as described above. These activities have proven successful. Therefore, the capacity to develop such activities further is an idea worth considering. The EAC Secretariat needs assistance in developing and maintaining a roster of specialist competencies in the Partner States. The usefulness of knowledge-sharing seminars was emphasised by all interviewees – as well as their lamentation that only a few of such seminars had taken place. More specifically, the need for the continuation of such seminars is becoming more urgent in the emerging hydrocarbon sector, but also in e.g. geothermal energy production where Kenya has considerable experience of relevance to other countries when they consider developing similar production.

5.2.2

Ideas where the EAC Secretariat's Role is Less Clear

Priority projects

The EAC Secretariat produced a list of 'priority projects' which all Heads of State have endorsed as highly beneficial for greater regionalisation of the energy sector in East Africa (see Appendix C). The projects are either in need of feasibility studies or construction-ready. Whereas the motivation for the EAC Secretariat to direct funding for these projects is unclear, it can be surmised that these projects would eventually qualify for funding from the EADB's Development Fund once (or if) the latter is established. Another possible explanation would be use of the EAC as a vehicle for channelling regional development assistance owing to the above-cited Partner States' acknowledgement that regional projects are the most preferred means of funding by developing partners. The Consultants agree that the 'priority projects' as listed in Appendix C are indeed regional in nature and contribute to increased energy access. But whether these projects could best be financed through the EAC or some other entity requires further discussion.

Pilot projects

According to several interviewees, the EAC has a mandate to introduce new technologies to the region through pilot projects (the Energy Division confirmed that this has already been done in the health sector). Indeed, some interviewees pointed out that in their view the EAC is actually expected to take a lead role in introducing new tech-

nologies. This reasoning rests on the logic that the private sector is only willing to invest in tried-and-tested solutions with low risks. When it comes to new technology in unknown environments, most investors are too risk averse to engage. This partly explains why most private investments in the energy sector so far have been made in hydro-power development.

A solid-waste-to-energy programme was mentioned as an example of a pilot project in selected cities in order to learn more about risks, costs and benefits. Solid waste is a major concern in urban Africa and some private investors have already offered their services for initiating a programme: Kampala city authorities have reportedly commissioned a company to look into such opportunities. A problem lies in the fact that the public sector in all Partner States (including staff at the EAC Secretariat) does not have the technical competence to assess proposed solutions. Hence, external help is needed. One informant expressed scepticism to the short-term feasibility of solid-waste-to-energy projects – though not to the very concept – because no city in the region has yet introduced sorting of solid waste. A far more ambitious suggestion put forward to the Consultants included financing of the simultaneous construction of solid-waste-to-energy plants in all Partner States. As the design and capital requirements would be the same regardless of the country selected, simultaneous construction in all five countries could introduce an element of ‘competition’ for the most efficient use of time and funds; and thus provide a variety of experiences for learning and alignment afterwards.

The Consultants applaud the idea of introducing new technologies to the region – but similarly to “priority projects”, the Consultants are hesitant to suggest that the EAC Secretariat (with its limited capacity and lots of issues to address) should be the facilitator of such “pilot projects”.

6

SUMMARISING COMMENTARY

- Positive feedback The discussion above has highlighted that all interviewees support the EAC as a regional venture and see its activities as adding value in terms of harmonisation and coordination of regional energy activities. The EAC Secretariat was praised for its role in initiating information-sharing events which provided a structured platform for charting the way forward. Although the meetings have been infrequent they have made an impact on people's mind-set. Instead of focusing on national or bilateral activities most stakeholders have added a regional perspective. Face-to-face meetings have also allowed for networks of peers to emerge in order to facilitate knowledge transfer and sharing beyond the EAC Secretariat.
- Limited possibilities to enforce Strategy execution The Strategy was conceived by the EAC Secretariat and approved by all heads of Partner States. Hence it is a good means of enforcing harmonised regional energy development and the EAC Secretariat makes an appropriate owner of the initiative. The challenge lies in the fact that Strategy execution is a two-sided coin: on the one hand, the EAC needs to make itself available as a forum for gathering all stakeholders and nurturing knowledge exchange; on the other hand, Partner States need to mobilise resources to act upon their commitment to reach the goals set out in the Strategy. This means that from the perspective of the EAC Secretariat, a Strategy coordinator position was needed while expecting that once such person was in place, Partner States would follow up with mobilising resources on their side.
- PDO has performed well given the circumstances In this light, Norway's funding of a Project Development Officer in 2010 allowed EAC to address the bottleneck within its organisation and increase its coordinating powers for regional energy issues. Yet, the other side was left unchanged – Norway's funding did not stipulate how Partner States should mobilise resources to work with the PDO. Even though the PDO's budget allowed for travel to Partner States it became evident that the operating funds were inadequate for bringing representatives of Partner States to gatherings at the EAC Secretariat or elsewhere in the region. Hence the Project Development Officer had limited opportunities to make an impact on Strategy execution. **Given the circumstances, the Consultants are of the considered opinion that Turyahabwe has contributed towards increasing regional energy activities and coordination.** It is another question whether a different set-up should have been chosen by Norway in the first place.
- Shortcomings of EAC Although the Consultants assess the PDO's performance to be positive, a fair share of criticism must also be highlighted. **Main shortcomings during the review period are:**
- (1) **Inadequate documentation of what has been done in the EAC Secretariat (e.g. meeting minutes / memos / follow-up reports);**
 - (2) **Limited sharing of that documentation / activities with all stakeholders;**

(3) Limited efforts to increase the EAC Secretariat's visibility outside regional coordination activities.⁶

EAC's future role

The *Regional Strategy on Scaling Up Access to Modern Energy Services* has drawn criticism from several stakeholders. The EAC Secretariat acknowledges the shortcomings of the Strategy document in providing guidance as to what must be done. The limited availability of funds as pointed out repeatedly in this report is part of the reason why the Strategy document has been left as it is. Instead the focus is now on conducting activities which will contribute to achieving the goals set out in the Strategy. The Consultants are of the opinion that in the circumstances such an approach is sensible: the EAC should persist in delivering measurable results while still not abandoning the Strategy as the common, unifying platform. This report has highlighted that the most realistic short-term development perspective for the EAC Secretariat's Energy Division is to focus on becoming a regional knowledge centre, which is a respected position that can be strengthened by building on the work already done. The EAC enjoys a reputation as a regional forum for sharing information, but its involvement in several other initiatives has created confusion regarding the delimitation of the EAC's activities among its stakeholders.

It is evident that the EAC will continue to exist as an institution in the future. It is also likely that the role of the EAC as a representative of common regional interests will be strengthened. In that light, the Consultants recommend that Norway continue its cooperation with the EAC Secretariat. A number of suggestions have been put forward in this report. One could question whether all of them are justified given the (expected) role of the EAC Secretariat, which is why the Consultants have further split the ideas into two: (A) those which would enhance the EAC's role as a regional knowledge centre and (B) those ideas which are regional in nature but where EAC's role requires further clarifications. **The suggestions of future support recommended by the Consultants are:**

A: Support that contributes to strengthening the EAC as a knowledge centre:

- (1) Funding the preparation of regional master plans and general regional planning activities;**
- (2) Funding policy harmonisation efforts;**
- (3) Supporting capacity-building both at the EAC Secretariat (by facilitating greater knowledge-sharing) as well as at national level (helping local staff to build competence on issues with regional import).**

B: Ideas where the EAC's role requires further discussion and delimitation:

- (4) Funding pilot projects;**
- (5) Funding regional priority projects.**

All of the above suggestions are at least partly related to the *Regional Strategy on Scaling Up Access to Modern Energy Services*. In that

⁶ Refer to page 11 for elaboration

sense, any future assistance would also buttress the Strategy, albeit indirectly. When considering the Strategy document itself, the EAC Secretariat was open to developing a specific action plan as a complement with a view to guiding Partner States on how to reach the goals. As the responsibility for implementing the Strategy rests with the Partner States, the Consultants recommend not to spend money on developing such an action plan but focus on specific activities instead – as outlined above.

Norway is widely regarded as a responsive development partner. Whether positive or negative, the EAC Secretariat found communication clear in addition to relatively fast and timely. To arrive at more specific interventions amenable to Norwegian support, the Embassy in Dar es Salaam should engage in a dialogue with the EAC Secretariat. The energy agenda of the EAC is large and diverse. Hence, it is hardly realistic to pursue every sub-sector or aspect. Consequently, mindful of the subsidiarity principle the EAC Secretariat should be challenged to focus and prioritise its activities in view of limited capacity, e.g. removal of trade barriers, grid policy harmonisation, platform for sharing of project and policy best practice, facilitator of strategic regional energy projects, etc. where real added value could be made. Such an approach would also be in line with the Paris Declaration's principle of alignment.

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List of Interviewees

1. **Ahimbisibwe, Michael.** Senior Energy Officer, Ministry of Energy and Mineral Development of Uganda.
2. **Andilile, James.** Assistant Commissioner for Energy Development, Ministry of Energy and Minerals of Tanzania.
3. **Behrle, Steffen.** Project Manager, EU Energy Initiative Partnership Dialogue Facility (EUEI PDF).
4. **Bena, Benon.** Manager Investment Planning and Promotion, Rural Electrification Agency of Uganda.
5. **Hermansen, Geir.** Counsellor - Energy, Royal Norwegian Embassy in Dar es Salaam.
6. **Horjen, Stein Erik.** Counsellor, Royal Norwegian Embassy in Nairobi.
7. **Kakeeto, Peter.** Projects Engineer (Monitoring), Electricity Regulatory Authority of Uganda.
8. **Katyega, Maneno J.J.** Deputy Managing Director (Investment), Tanzania Electric Supply Company Ltd.
9. **Kinuthia, Peter.** Senior Energy Officer, East African Community Secretariat
10. **Kityo, Peter.** Principal Environmental Officer, Electricity Regulatory Authority of Uganda.
11. **Kiva, Isaac.** Ag. Director, Renewable Energy, Ministry of Energy of Kenya.
12. **Mataka, Abdillah M.** Assistant Director (Economic Infrastructure), Ministry of East African Cooperation of Tanzania.
13. **Mgweno, Samuel Innocent.** Energy Engineer, Ministry of Energy and Minerals of Tanzania.
14. **Msofe, Bengiel H.** Director Technical Sales, Rural Electrification Agency of Tanzania.
15. **Mukiibi, Paul Kagaba.** Principal Compliance Engineer, Electricity Regulatory Authority of Uganda.

16. **Multhaupt, Bernd.** Integration Process Programme Manager, Support to the East African Community, German Development Cooperation (GIZ).
17. **Musomba, Kapuulya Angetile.** Senior Petroleum Engineer, Tanzania Petroleum Development Company.
18. **Mwalyoyo, Alexander A.** Programme Officer – Energy, Royal Norwegian Embassy in Dar es Salaam.
19. **Nderitu, Agatha.** DANIDA Regional Integration Advisor in Tanzania.
20. **Schwabe-Hansen, Elisabeth.** Counsellor – Political Affairs, Royal Norwegian Embassy in Dar es Salaam.
21. **Turyahabwe, Elsam Byempaka.** Project Development Officer, East African Community Secretariat.
22. **Turyahikayo, Godfrey R.** Executive Director, Rural Electrification Agency of Uganda.
23. **Waako, Ziria Tibalwa.** Director Technical Regulation, Electricity Regulatory Authority of Uganda.
24. **Werikhe, Godfrey K.** Manager Project Development and Management, Rural Electrification Agency of Uganda.
25. **Wæringsaasen, Kristin.** Energy Counsellor, Royal Norwegian Embassy in Kampala.

APPENDIX A: TERMS OF REFERENCE

FORWARD LOOKING REVIEW OF THE REGIONAL STRATEGY ON SCALING UP ACCESS TO MODERN ENERGY SERVICES IN THE EAST AFRICAN COMMUNITY

BACKGROUND

Norway has been providing NOK 1.7 million in financial support for the recruitment of an Project Development officer to assist the East African Community (EAC) Secretariat in implementing the Regional Strategy on Scaling-up Access to Modern Energy Services.

Implementation of the strategy started on June 1, 2010 with the recruitment and reporting of the Project Development Officer. The main functions of the Officer was to secure planning, coordination and monitoring of EAC activities for implementation, as well as serving as a link between the EAC Secretariat and Development Partners and the Private sector.

The goal and purpose of the Norwegian support is in the financing agreement signed March 2009 stated as follows:

2. The Goal of the Project is to fulfil three objectives core to the EAC's regional mission: To strengthen regional integration, to propose harmonised policy and institutional framework and to develop energy investment projects.
3. The Purpose of the Project is that EAC Energy Access Strategy will engage EAC Partner States to scale up access to modern energy services to ensure that at least half of the EAC population has access to modern energy services by 2015.

According to Article X of agreement an end review of the project shall be carried out, with focus on the extent to which the purpose has been achieved.

The EAC is maintaining high ambitions for regional cooperation in the energy sector, a newly proposed Investment Fund to be managed by the EAC Development Bank for financing of regional infrastructure projects. The EAC Secretariat has expressed interest for Norway to extend the support to the Regional Strategy on Scaling-up Access to Modern Energy Services, and to consider other areas of cooperation in the energy sector - including the oil and gas sub sector.

Norway is positive to cooperation with EAC in general and in the energy sector in particular. In addition to several sector specific interventions, Norway was one of the initial founders and contributors to the EAC Partnership Fund to consolidate the many smaller contributions to the EAC's activities and capacity-building of the EAC partnership. In December 2012 Norway signed an agreement providing NOK 30 million to the EAC Partnership Fund.

The Embassy in Dar es Salaam has, however, expressed reservation towards any proposal to extend the support for the Regional Strategy on Scaling-up Access to Modern Energy Services in particular. A decision to extend the support will require a review of achievements and experiences so far, and probably a clearer defined strategic role for EAC to work with energy access issues, plus issues of coordination with other donors support.

Norway looks forward to engaging in dialogue with EAC on proposals that will increase harmonization and underline the importance of assessing the added value of regional dimension and EAC's involvement in a particular funding area. Norway will work with other development partners to improve the quality of results-based management and –reporting in EAC.

OBJECTIVES OF REVIEW

The two main objectives of the review are to:

1. Carry out a review of the implementation of the Regional Strategy on Scaling-up Access to Modern Energy Services that meets the agreement requirements for an end review.
2. Identify, assess and recommend future areas of cooperation between EAC and Norway in the energy sector, based on EAC's priorities, value added and expected impact of the areas of intervention, as well as experience from the implementation of the Regional Strategy on Scaling-up Access to Modern Energy Services.

SCOPE OF WORK

End-Review of the Regional Strategy on Scaling-up Access to Modern Energy Services

The review shall address all relevant aspects of a mid-term evaluation as specified in Norad's Development Cooperation Manual from 2005 and focus in particular on the following issues:

- Results and the extent to which the project has achieved its Goal and Purpose.
- Capacity built through the project in the EAC Secretariat/Energy Department.
- Continued relevance of the Scaling Up Access Strategy toward EAC and member country priorities.

The end review shall emphasize lessons learned, both positive and negative, in the form of practical recommendations relevant for any future cooperation between EAC and Norway in the energy sector.

Identify, assess and recommend future areas of cooperation

The whole energy sector, including the oil and gas sub sector shall be taken into consideration. In assessing future areas of cooperation the following issues shall be taken into regard:

- EAC's plans and priorities in the energy sector within the broader context of the regional agenda for political integration and other sector priorities.
- Division of labor with member countries, the principle of subsidiarity and potential value added of the proposed regional interventions.
- Political will in EAC member countries
- EAC's administrative and technical implementation capacity – feasibility of chosen priorities and capacity building needs.
- Coordination mechanisms, including proposals for cooperation with other donors involved in the sector and consideration of "soft-earmarking" of projects under the umbrella of the Partnership Fund.
- Recommendations to improve the quality of results-based management and – reporting.

IMPLEMENTATION

The consultant will review the Regional Strategy on Scaling Up Access to Modern Energy services documents, the TOR for employing the Project Development Officer, the project reports, the available financing mechanisms and any other documents deemed necessary for the end review.

Review all relevant documents with regard to EACs energy agenda.

The consultants shall also meet with the EAC secretariat in Arusha, representatives from the Tanzanian, Kenyan and Ugandan governments, and key development partners.

REPORTS AND SCHEDULE

A draft report shall be submitted to the Norwegian Embassy and Norad for their comments, after which a final report will be presented and delivered to the same parties.

QUALIFICATIONS

- Economist and social scientist
- Evaluation skills
- In depth knowledge of the EAC
- Energy sector experience

DELIVERABLES

- Presentation to the Norwegian Embassy of initial findings from the field trip
- Draft report delivered electronically to the Norwegian Embassy and Norad for comments within 2 weeks after returning from the field trip
- Presentation of report to Norad within a week of submitting the draft report
- Final report delivered electronically to the Norwegian Embassy and Norad, for Norad's final approval within 1 week of the presentation (provided comments have been received in a timely manner from the Norwegian Embassy and Norad).

The final report should be in English and no more than 25 pages not including annexes and Executive Summary. The report should be more analytical than descriptive in nature. The Executive Summary should emphasize results achieved to date and recommendations on the way forward.

APPENDIX B: PLANNED COST OF MISSING REGIONAL MASTER PLANS

Adopted from “Integrated Regional Resources and Energy Markets Development Strategy: Concept Note” (EAC Secretariat: July 2011).

Study	Estim. cost in USD	Timing
Power Market Master Plan	Already disbursed	Completed
Renewable Energy Master Plan	750 000	Jan 2012 – Sep2012
Energy Efficiency Master Plan	250 000	Jan 2012 – Sep2012
Fossil Fuels Master Plan	850 000	Jan 2012 – Sep2012
Energy Market Development Plan	1 000 000	Aug 2012 – Apr 2013
Institutional strengthening of EAC energy sector secretariat	350 000	Jan 2012 – Dec 2013
Total	3 200 000	

APPENDIX C: PRIORITY PROJECTS OF THE EAC

List of “support-ready” priority projects as indicated by the Energy Division of the EAC Secretariat in e-mail dating from 01.02.2013:

Project	Comments	Estim. cost in USD
Construction of transmission line Masaka (Uganda) – Mwanza (Tanzania): 640 km / 220kV / 250 MW + substation works	Feasibility study completed. Environmental and Social Impact Assessment completed.	326 000 000
Feasibility study for Mwanza (Tanzania) – Kisumu (Kenya) transmission line	The only part of Lake Victoria Transmission Ring that does not have a feasibility study	1 100 000
Construction of transmission lines from Rusumo Hydropower Station (Rwanda) to Nyakanazi (Tanzania): 98 km / 220kV	Feasibility study completed.	27 635 000
Construction of transmission lines from Rusumo Hydropower Station (Rwanda) to Gitega (Burundi): 161 km / 220kV	Feasibility study completed.	33 810 000
Construction of transmission lines from Rusumo Hydropower Station (Rwanda) to Birembo (Rwanda): 109 km / 220kV	Feasibility study completed.	31 260 000