**Growth trends and outlook for Africa: Time to unleash Africa's huge energy potential against poverty, concludes OECD Development Centre/African Development Bank 2003/2004 *African Economic Outlook***

Despite weak world economic growth and continued structural and political constraints in some parts of the continent, Africa has shown relatively good economic progress over the past year. Africa's 2003 growth rate of 3.6 per cent was a four-year high, significantly higher than the 2.7 per cent growth rate in 2002. Three elements have combined to support this recovery: favourable international commodity prices, increases in international aid, and improved security in key areas of the continent.

The US economic turnaround and geopolitical developments in the Middle East boosted oil prices, benefiting Nigeria, Chad, Equatorial Guinea and other African oil producing countries. Triggered by international uncertainty, the gold price continued the upward trend started in 2001. This was especially good news for South Africa, the world's leading producer, as well as Ghana and Mali. Adverse weather conditions in the US led to a doubling in cotton prices, benefiting African producers. However, this upward trend is expected to be short lived, due to the likely downward impact of increased supply on cotton prices.

Reversing the decline of the 1990s, aid to Africa rose to $22 billion in 2002 (a 32 per cent increase in real terms with respect to 2001) and continued to rebound in 2003. The continent has benefited more than other developing regions from recent aid increases, partly reflecting the support of the international community to the New Partnership for Africa's Development (NEPAD) initiative, launched in July 2001. Encouraging as it may appear; this figure remains far below the levels reached in the early 1990s, and still fails to meet the aid targets pledged at the UN Financing for Development Conference in Monterrey in 2002.

Improved economic fundamentals and the restoration of peace, albeit fragile, also helped the countries of the Great Lakes region, Angola and West Africa to boost their economic performances. However, the civil war that erupted in Côte d'Ivoire following the September 2002 failed coup continues to impose major constraints on the socio-economic situation of the country and its neighbours.

Judging by the likely rise in raw material prices, especially oil, and renewed growth in OECD countries, the growth performance seen in Africa in 2003 should hold up in 2004, and possibly rise to 4 per cent in 2005. However, it will remain far below the rate required for halving poverty and attaining the internationally agreed Millennium Development Goals (MDGs) by 2015.

Nearly ten years before the time target set by the MDGs, it is indeed already clear that Sub-Saharan Africa will miss the MDGs by a large extent. Only Algeria, Egypt, Libya, Morocco, Tunisia, and Mauritius are on track for achieving the first goal of halving the proportion of people living below 1$ dollar per day by 2015. Meanwhile, half of the continent is slipping back or far behind with respect to the target of halving hunger, while the scenario is even worse for the achievement of education and health targets.

Could improvements in energy supply be a way towards alleviating poverty and achieving the ambitious MDGs? Access to modern sources of energy certainly allows people to improve their living conditions, through public and home lighting, refrigerated conservation of food, medicine and vaccines, and access to information through radio and TV. Light, heating and proper sanitation greatly improve health conditions, as well as learning possibilities. In turn, better living conditions and improved information flow facilitate citizen participation in national decision making, creating more democratic institutions, and forcing governments to be more open and accountable. Finally, more and higher quality energy increases production through modernised communications, improved productivity and a better business environment.

However, the enormous African energy potential remains virtually untapped; 21 of the continent's 53 countries could profitably produce hydropower, but only 7 per cent of the potential is used, owing to the prohibitive costs for the initial investments and poor infrastructure. Similarly, despite large geothermal and solar energy potential, Africa accounts for only 1.3 per cent of the world's installed solar facilities, and only four countries have started exploiting geothermal sources of heat. Fossil energy sources such as oil and gas are extensively exploited in Africa, but are mostly exported or wasted through leakages, or flaring. Ultimately, only 26 per cent of Africa's oil production is consumed locally. Consequently, 77.5 per cent of the population in Sub-Saharan Africa has no access to electricity, compared to less than 14 per cent in Latin America and East Asia. The majority of Africans use biomass (animal wastes and firewood) for all lighting, cooking and heating.

Interestingly, some countries have been successfully innovative in bridging the gap between this huge energy potential and the population's limited access to it. In Côte d'Ivoire, electricity companies have been opened up to private sector participation, and an independent regulator has been established, leading to greater and more efficient power generation, increased employment and a doubling of subscribers. Electrification to the rural poor has improved in South Africa and Ghana due to the creation of independent agencies charged with implementing rural electrification plans, the creation of electrification funds, and the application of smart subsidies. Recently, regional and inter-regional power initiatives have been prioritised. These initiatives would allow for a rationalisation of uneven distribution of energy resources across countries and substantially benefit consumers by cutting costs, and improving the reliability and quality of services. Such cases underline the crucial role of energy sector regulation at country and regional levels to promote improved access and quality of services.