



## POLITICAL ECONOMY DYNAMICS OF REGIONAL ORGANISATIONS IN AFRICA

**PEDRO**

### *ECOWAS Energy: From national interests to regional markets and energy access?<sup>1</sup>*

This paper sets out to better inform stakeholders about why the Economic Community of West African States (ECOWAS) and national level stakeholders operate as they do on regional markets and energy access. It concludes with implications for support.<sup>2</sup>

#### **Political traction, member states interests and potential**

The ECOWAS region has some of the highest energy production potential in Africa, from both non-renewable (oil, gas, uranium) and renewable sources (hydroelectric power, solar and wind energy). In theory, both net energy exporters and importers can benefit from regional cooperation and energy integration through WAPP. Energy producers Nigeria, Côte d'Ivoire, and Ghana would benefit from improved security of supply through additional investment and trading short-term power surpluses. Other members such as Benin and Togo would benefit from reliable, efficient and safe energy imports. Power pooling can also ensure that more affordable electricity reaches energy-scarce, landlocked countries Mali, Burkina Faso, and Niger, and hinterland areas of coastal countries.

Yet, in practice, regional energy trade remains limited. With few exceptions, West Africa's energy markets remain inward-looking and highly dependent on expensive, imported, fuel for energy production. WAPP has generated investments to boost energy production and facilitate transmission, but most of these investments have experienced repeated delays and/or increased transaction costs. The few energy exchanges between member countries are not regional but mostly based on separate bilateral arrangements.

Regional energy cooperation in ECOWAS is subject to powerful structural factors. Nigeria, Ghana and Côte d'Ivoire have been the region's dominant energy producers since the 1970s. Yet, none of these countries are in a position to drive

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<sup>1</sup> Based on a March 2017 background paper by ECDPM, available at [www.ecdpm.org/pedro/backgroundpapers](http://www.ecdpm.org/pedro/backgroundpapers). The Policy Brief and background paper were prepared under the BMZ-financed project on the *Political Economy Dynamics of Regional Organisations (PEDRO)*. Author: Karim Karaki ([kka@ecdpm.org](mailto:kka@ecdpm.org)). Project team leader: Bruce Byiers ([bby@ecdpm.org](mailto:bby@ecdpm.org)).

<sup>2</sup> Other ECOWAS related papers deal with conflict and food security, governance, trade and trade facilitation, and industrialisation and youth employment.

regional energy integration. Nigeria, for example, has the energy resources to take up the role of a driver if it wasn't struggling to ensure domestic supply coverage. The dominance of obsolete and costly small-scale power systems further limits the possibility for regional trade. Additionally, the monopolistic structure of national markets in most member states represents an impediment to private sector participation and investment, as well as to the development of the regional market.

Power security remains a sensitive and highly political issue. In times of crisis, member states rarely look for solutions abroad. For instance, while droughts have caused frequent disruptions of electricity supply in hydropower-reliant countries like Ghana, Nigeria, Benin, Togo, Guinea and Mali, the immediate reaction of these member states was not to think of import solutions at regional level, but rather implement national solutions that were sometimes expensive and short-term oriented. Exporting energy producing countries, on the other hand, also prioritise national needs over regional objectives. For example, Nigeria's prioritisation of domestic supply led it to postpone energy exports to Benin through the West African Gas Pipeline.

Member state interests can change over time, while changing power relations can both accelerate or hamper regional energy projects. In the case of the Coastal Transmission Line Backbone there was initial agreement between coastal countries in West Africa to connect their energy networks. However, when the high costs of this transnational infrastructure project became clear Benin and Togo backed out. This left energy producing coastal countries Nigeria, Ghana and Côte d'Ivoire to refocus on their national markets or find a new trade partner: Ghana is now connecting to Burkina Faso.

In view of the limited capacity of national energy providers, ECOWAS has consistently tried to engage with the private sector to mobilise additional investments. As shown in the West African Gas Pipeline, the private sector can be instrumental in overcoming several political and economic challenges. However, engaging private sector actors, many of whom are foreign investors, has also caused transparency problems. Questions are raised about the responsibility and accountability of oil companies, some of which have not addressed the negative environmental and socio-economic impacts of their investment projects.

Governments tend to prioritise national over regional interests. The private sector tends to prioritise short-term needs and interests over regional solutions. For instance, in the absence of reliable electricity access due to gas shortages, Nigeria's largest cement producer, the Dangote Group, recently declared plans for a local coal plant to reduce its energy costs.

Finally, the energy sector is strongly influenced by external factors. Many of the WAPP projects have been designed, implemented and funded by external actors. This reduces ownership by the member states, which, reportedly, is one of the major impediments to WAPP implementation. These external actors, such as donors, also have their own agendas, as the US '*Power Africa*' initiative illustrates. Such initiatives may not always serve the region's long-term interests. Investors from China and other emerging power have also favoured bilateral negotiations, potentially undermining the ECOWAS agenda.

ECOWAS has a mandate to establish a regional energy market, yet realising this objective of regional power trade faces substantial hurdles. The lack of pull from a powerful champion in the region, the inwardly oriented structures of the national energy markets and diverging member state interests have resulted in limited political and market traction for a regional approach. In addition, private sector actors and external actors have their own agendas, which often undermine regional efforts in the short and long run. In order to address these issues, WAPP recently reduced the number of priority projects in order to increase the political and technical chances for implementation. This selective approach to projects shows that to some extent, the WAPP is trying to take into account some of the political economy dynamics affecting its priority projects. However, it remains to be seen how this change of approach will affect the West African Energy in the near future.

## Implications for support

### **1. Support to the ECOWAS energy agenda must recognise and take account of the different and changing nature of member state energy challenges and interests:**

- Energy security is a sensitive matter for governments, especially at times where energy access is low. Although a regional energy market would be more efficient for both producer and deficit countries, in the absence of trust, and fear of free-riding, national governments continue to prioritise short-term (national) benefits over the longer-term investments needed.
- Due to evolving relations in energy supply and consumption, as well as external changes such as drought or violent conflicts in energy producing countries, member state priorities change over time. Regional programmes and projects, therefore, need to be adaptive and flexible to these changing circumstances.
- The example of the West Africa Gas Pipeline suggests that private sector engagement can alter incentives for public authorities and spur progress if aligned with political interests.

### **2. Support to WAPP would benefit from complementary support to national markets and infrastructure projects, and from coordination of national and regional efforts.**

- There is a large gap between the current state of national grids and what is required to make WAPP a modern, effective regional power market - both in terms of financing and technical needs. Therefore, support for coordinated national improvements underpinning a regional energy market need to be prioritised. This requires donors to adapt their support and work in a coordinated manner across countries and among donors.
- The political economy around national energy market development and utility companies is extremely complex and key to regional dynamics. So, while national reforms might benefit from regional inputs and facilitation at a technical level (maximising compatibility and minimising transaction costs), the power, interests and incentives around national energy markets may push in different directions. In order to design effective support strategies, the domestic political economy of energy must first be understood and taken into account before choosing particular regional projects that may not enjoy sufficient support.
- WAPP faces numerous coordination failures, with upfront investment by individual countries often not guaranteeing a financial return. Support to WAPP should therefore identify key bottlenecks to overcome these coordination failures at a sub-regional level and focus on offsetting potential losers from a regional approach.

### **3. WAPP support could be better coordinated with ongoing renewable energy development in West Africa, at national levels and with (sub-)regional River Basin Organisations**

- There are other energy players such as hydropower producers and river basin authorities with an energy focus (through their engagement with organisations such as the Niger Basin Authority and the Organisation pour la mise en valeur du fleuve Sénégal, OMVS). These may offer opportunities to complement with WAPP efforts, harmonise long-term energy-generation and electrification perspectives, and sharing of technical knowledge.
- As hydropower generation capacity increases in coming years, WAPP facilitation of individual projects can gain both relevance and momentum, potentially leading to a virtuous cycle of pooling, transmitting and investing in further renewable energy production.

Behind the formal structures of regional organisations is a messy world of regional power and politics. This messiness is often difficult to capture in the language of development cooperation and institutional development. Working with regional organisations and their programmes therefore implies engaging with complex, multi-level power and interest dynamics.

PEDRO, the Political Economy Dynamics of Regional Organisations, is an ECDPM project that looks at the politics behind regional organisations, and the structural factors, institutions and incentives that ultimately define the way in which countries and different stakeholders engage at a regional level. PEDRO covers 17 African regional organisations and 11 policy areas. For each of these, ECDPM has applied a political economy approach to help understand the dynamics and their effects in different regions and policy areas.

The studies are framed around three key questions: the first relates to the political traction of the regional organisation as this helps assess whether the regional organisation has enabled regional decision making and if it has contributed to implementation. The second focuses on the member state interests in engaging with the regional organisation, especially the more resourceful and powerful ones (the so-called 'swing states'). The third looks at the areas with most traction where regional and national level interests seem to be most aligned for regional outcomes.

The reports aim to present information and insights that can help regional stakeholders navigate the obstacles and better respond to reform opportunities. Rather than providing specific operational recommendations, the political economy approach encourages more reality-based discussions among practitioners and reformers about feasible ways to address regional challenges. It is hoped that this may help tailor the ambitions and approaches of donors and reformers and help identify ways to support national or regional champions or coalitions to take regional cooperation and integration forward.