

USAID Policy Paper

Energy

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**USAID ENERGY POLICY PAPER
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USAID Energy Policy Paper

I. SUMMARY

Energy is a driving force for development. Countries require increasing supplies of energy to support their expanding economies. Without sufficient energy, development lags. Countries with higher levels of development use much more energy per capita than the least developed countries.

The energy constraints faced by most developing countries are severe. These countries, especially the poorest, share the common problem of inadequate energy supplies to fuel economic growth, and to cook food. These requirements for energy have led directly to unmanageable claims on foreign exchange to import oil, and environmental degradation from an over-exploited traditional fuel resource base.

USAID must be actively involved in helping to address these energy problems, which are likely to become more serious in the years ahead. USAID will address energy requirements in its programs as a separate sector, fully integrate energy requirements with program objectives in other sectors, and will also address energy concerns with other assistance agencies. USAID will tailor energy programs to the needs of individual countries, depending upon their resources and level of development, sources of investment, and the overall program emphasis in the USAID Country Development Strategy.

USAID assistance in energy has the following long term objectives: to help (i) develop sound national energy policies that are integrated with national economic policies and supportive of sustained economic growth; (ii) expand production of indigenous energy sources, substituting for higher cost imported energy wherever economically justified; and (iii) improve the efficiency of energy use.

To determine how USAID objectives can best be achieved, the country CDSS should examine the key role energy plays at both the macroeconomic and the individual project level and indicate how energy components in the program can promote the ultimate program objective of helping poor people.

USAID will promote development of the most cost-effective energy supplies necessary for development, especially in rural areas. USAID's energy program will offer technical assistance for analysis, planning, and policy development; help to develop indigenous energy supplies; training and institution building; research and technology transfer; and encouragement of private investment from domestic and foreign sources. USAID may finance resource transfers in a few selected countries. The program will:

- improve host government policies and programs and raise awareness of how energy is essential for development;
- assist developing countries in the exploration of all energy options, making full use of U.S. technical competence;
- direct significant attention to biomass fuels, and especially fuelwood research;
- tap private sector expertise.

The key energy policy issues to be addressed covering both commercial energy and traditional fuels, are: energy's demand for foreign exchange; market pricing; mobilization of private investment; and conservation (increased efficiency of energy use).

USAID ENERGY POLICY PAPER

II. INTRODUCTION

This USAID energy policy paper supersedes the policy paper issued in January 1981. The paper emphasizes technical assistance and USAID efforts to complement private enterprise. It recognizes lessons USAID has learned about:

- the pervasive effect of energy on the entire economy;
- the importance of understanding how energy is used, and in what form, to support development, especially for the rural economy;
- needs for energy research.

The following sections describe the policy setting and the major energy problems confronting developing countries and set forth guidance for the choice of programs and projects.

III. THE POLICY SETTING

Energy is essential to sustained economic development. Countries require increasing supplies of energy to support their expanding economies and to meet the needs of growing populations. Without sufficient energy, development lags.

Formulating sound energy policies requires an understanding of how energy is used, and in what form. Energy whether derived from commercial or traditional fuel sources takes the form of process heat, motive power (shaft power, transport fuels) and electricity.

Developing countries use energy from fossil fuels (oil, natural gas, coal), nuclear processes (excluded from USAID assistance), and renewable sources (biomass, hydropower, wind, sun, geothermal). Most countries must import energy to supplement limited indigenous sources.

Most economic sectors in developing countries require a mix of energy sources to meet national energy needs: fossil fuels and electricity dominate modern agriculture, industrial uses, and urban building systems, although charcoal and wood are sometimes used. Oil is virtually the only fuel used in modern transportation, but many people continue to rely on foot travel and animal carts. Electricity is generated from fossil fuels, hydropower, and nuclear energy. Human and animal power are a major source of energy for traditional agriculture. And traditional fuels (fuelwood, charcoal, crop residues, dung) are the principal source of energy for cooking.

A. Energy Problems Confronting Developing Countries

Since 1973, two major trends in energy have negatively affected economic development in developing countries:

excessive dependence on high cost imported oil to fuel economic growth; and depletion of wood and other traditional fuels to supply energy for domestic uses.

1. The Ongoing Oil Crisis

Oil is the predominant source of commercial energy in developing countries. Oil currently supplies over 90 percent of the commercial energy used in Latin America, over 80 percent in the Near East and excluding two large coal producers, India and Zimbabwe more than 75 percent in Asia and Africa. Because oil use is closely tied to industrial output and transport, constraints on its availability or affordability can seriously impair export earnings and total economic output. Such heavy dependence on oil can be expected to continue and even increase as countries develop. Economic growth in the developing countries will require substantially greater inputs of fossil fuels for commercial energy.

Except for a few major oil producers, the developing countries import almost all of their oil. The cost of oil has increased about six-fold in real terms over the past ten years, dramatically raising the cost of energy to support the modern sector. The recent \$5/barrel decline has brought USAID-recipient countries surprisingly little relief because the fall in value of local currency against the dollar generally has offset the nominal price decline. In some countries (e.g. those in The Franc Zone), the real price has actually risen.

The cost of importing oil puts an inordinate strain on the economies of the developing countries. In many countries for example, Dominican Republic, Morocco, Senegal oil costs consume 50 percent or more of foreign exchange earnings. Borrowing to pay for oil increases the debt burden, often to unsustainable levels.

If developing countries cannot pay to import oil, they must reduce either investment or consumption; then their economies stagnate.

Some countries have prospects for developing indigenous supplies of oil, natural gas, or coal. The process is capital intensive, requiring large investments from the private sector and/or assistance agencies. Nonetheless, those countries with reasonable prospects (about one-half of USAID-assisted countries) are likely to have economic options.

Developing countries have considerable scope for more efficient energy use (conservation), which offers the best short and medium term extension of supply. The developed countries have achieved remarkable energy savings since the 1978-79 oil price shocks, offering the possibility of similar efficiency gains in developing countries because the modern sectors are comparable.

2. Energy For Domestic Use

While countries struggle to meet commercial energy needs, they must also expand the

supply of fuel to meet a growing population's energy requirement for domestic use, especially for cooking. Most women in the third world— an estimated 2 billion— cook with traditional fuels (frequently referred to as non-commercial energy, though these energy sources are becoming increasingly commercial, especially in urban areas). Over the next two decades, population in USAID-recipient countries is likely to increase by nearly 50 percent, adding a massive new energy demand on presently marginal supplies.

Fuelwood (wood, leaves, branches) is a major source of energy for cooking, because it is an historically available source gathered without cash outflow. Unfortunately, the sustainable supply of fuelwood is declining in many regions as an expanding population clears land to increase food production and supply fuelwood. FAO estimates that 100 million people today live in areas of acute fuelwood scarcity, and the prospects are for the situation to grow even more grave.

The consequences of deforestation not only affect domestic needs. Other results are soil degradation, reduced agricultural productivity, flooding and siltation of reservoirs, and, in extreme cases, desertification.

Obtaining energy for cooking is a labor-intensive task primarily undertaken by women and children. As shortages of traditional fuels increase, more and more human energy is required to collect energy, or to generate cash income to pay for fuel.

For poor people, assuring adequate domestic energy supplies for cooking presents a significant challenge in the years ahead. For many countries, however, the alternatives to using fuelwood for cooking have limitations:

- burning crop wastes and dung deprive the soil of organic fertilizers that, to maintain productivity, must be replaced by chemical fertilizers at considerable cost;
- switching to petroleum products (kerosene, bottled gas) diverts foreign exchange from higher value uses, at costs poor people can rarely afford;
- using less energy for cooking— the likely prospect for many— may mean fewer or less thoroughly cooked meals, or changes in diet, with adverse effects on people's health, nutrition, and productivity.

However, developing countries need to explore all options, particularly the use of biomass and fossil fuels. Countries must use their existing natural resources to the maximum extent feasible.

B. Characteristics of USAID-Recipient Countries

Developing countries differ in energy resources, numbers and types of trained people, economic structures (agricultural or industrial), and levels of development. Although there are some important exceptions, most USAID-recipient countries can be characterized as having low levels of income, large rural populations, and relatively small but important modern sectors.

In USAID-recipient countries, per capita consumption of commercial energy is closely associated with income level. Per capita consumption of traditional fuels follows an opposite pattern, being generally higher in countries with low income and low commercial energy

consumption. Accordingly, commercial energy is the dominant energy source in the Caribbean and the Near East, which have relatively more developed modern sectors. Traditional fuels make the largest contribution to total energy use in Africa (65 percent), in Asia (42 percent), and in Central America (53 percent).

Despite their diversity, the developing countries face common energy problems ineffective policies; limited and costly supplies of fossil fuels; depleting biomass resources; incomplete knowledge of their domestic energy resources and technologies to exploit these resources; shortages of effective institutions, skilled technicians and managers; inadequate understanding of the energy inputs required in agriculture and transport; and most importantly, a lack of capital.

C. Financing Energy Investment

Financing for development of energy supplies strains both internal and external capital sources. The large capital investments required must come from four basic sources: international financial institutions (IFIs) such as the World Bank and the regional development banks; bilateral assistance programs; the private sector (both commercial lenders and operating companies); and the countries themselves (both public and private sources).

Energy is a major claimant on national development budgets: Pakistan, for example, is projecting expenditure of 30 percent of the development funds in its next five-year plan for energy projects. Mobilization of domestic capital will be essential, but extremely difficult. Improvement of energy (and other) pricing policies could help, but the World Bank estimates the developing countries will only be able to furnish half the investments required from now through 1995 (perhaps considerably lower in USAID recipient countries). Furthermore, most costs associated with energy supply development imported equipment and expert personnel can only be paid in foreign exchange.

Assistance agencies have been paying more attention to the energy sector in recognition of the critical constraints to development imposed by more expensive energy. The IFIs now devote about 25 percent of total lending to energy, amounting to over \$4.5 billion in 1982. Bilateral assistance programs provided approximately \$2 billion in concessional assistance, and another \$6 billion in export credits.

Hydropower and electricity transmission are the main recipients of assistance, but oil and gas now receive greater attention from IFIs and bilateral programs. All programs include some element of technical assistance, especially planning and assessments, although the primary focus of most of these programs is on resource transfers.

Private investment is the major source of funding for energy in developing countries. External private capital flows are estimated to exceed by a substantial amount the volume of official flows, especially in the middle income countries, including the oil exporters. Few figures are available on the volume of domestic capital mobilized in individual countries, but it is likely such figures would increase the importance of private vis-a-vis official investment.

IV. USAID ENERGY POLICY

USAID will actively help address developing country energy constraints as these are likely to become more serious in the years ahead and will be a key determinant of future growth prospects. Without focus, USAID's efforts would be engulfed by the magnitude of developing country energy requirements. USAID will therefore be guided by a set of principles in designing programs appropriate to the needs of individual countries.

A. Guiding Principles

USAID's energy programs respond to the mandate of the Foreign Assistance Act of 1961 as Amended to address the development needs of poor people. USAID will conduct programs that affect beneficiaries directly as well as other energy activities that affect the entire economy if these have important, even though indirect, effects on the poor. Because of the pervasive role of energy on all economic sectors USAID will encourage the development of indigenous energy supplies fossil fuels and renewables.

As they do for other programs, USAID's four cornerstones provide the foundation for activities in energy: (i) policy dialogue; (ii) institution building; (iii) research and technology transfer; and (iv) private sector. And, in the allocation of its resources, USAID will select energy programs and projects on the basis of economic viability.

USAID's energy activities will be based on the following additional guiding principles:

the private sector is and should be the primary source of financing for the development of energy supplies;

developing countries must increase their absorptive capacity to expand the supply and the more efficient use of energy;

USAID will promote the utilization of U.S technical expertise to assist countries to develop the most efficient energy options for their economic development;

USAID will coordinate and encourage exchange of information among donors for better program planning and sharing of lessons learned;

USAID will promote the most cost-effective energy project alternatives on the basis of comprehensive economic analysis;

USAID will encourage the maintenance of a sustainable natural resource base;

USAID may finance higher risk activities if they have large potential payoffs;

USAID will pay particular attention to gender issues as they affect these activities.

B. How USAID Can Help

USAID's energy program has the following long term objectives: to help (i) develop sound national energy policies that are integrated with national economic policies and supportive of sustained economic growth; (ii) expand production of economic indigenous energy sources, substituting for higher cost imported energy wherever economically justified; and (iii) improve the efficiency of energy use.

USAID will offer technical assistance for analysis, planning, and policy development; help to develop indigenous energy supplies; training and institution building; research and

technology transfer; and encouragement of private investment from domestic and foreign sources. USAID may finance resource transfers in a few selected countries.

1. Individual Country Strategy Orientation

USAID energy programs should be tailored to the needs of individual countries depending upon several factors; natural resources, level of development, private sector and other assistance agency investments, and the USAID program objectives set forth in the Country Development Strategy Statement (CDSS).

CDSS should examine the key role energy plays at both the macroeconomic and individual project level, and consider giving explicit treatment to the energy sector in USAID programs. This analysis should indicate how energy relates to the overall program objective of helping poor people:

In some countries, the analysis may dictate a major USAID effort in the energy sector to achieve USAID objectives.

In other countries, USAID may concentrate on overcoming the energy constraints to achieving the primary program objectives, such as agriculture and rural development, off-farm employment, or concern for the environment.

2. The Choice of Interventions

Within the contexts of the CDSSs of individual missions USAID assistance in energy can make a critical difference to USAID country programs and the countries overall development.

The following guidance assists in this section:

a. Analysis, Planning and Policy Development

USAID attaches high priority to policy and planning assistance to help countries understand the relationship among energy use, the available indigenous and imported resources, and broader development policies in natural resources and environmental planning.

The private sector and the multilateral development banks are the logical sources of capital for major energy development projects. Sound projects, however, require the acquisition of accurate energy and natural resource information, technical knowledge, and the development of host-country analytical and decision-making capability. These are long-term collaborative processes particularly well-suited to USAID assistance for planning and management, and complement the UNDP/World Bank Assessment and other bi-lateral programs.

USAID energy planning and management assistance can also help foster effective policies and programs (including technology transfer) which support private sector solutions. USAID should take care to avoid enlarging public sector bureaucracies unnecessarily, or promoting non-market approaches to energy policy.

USAID programs will:

help countries analyze national energy supply and demand patterns, stressing links of

energy to development, the importance of both commercial energy and traditional fuels, and, as an equal priority, environment and natural resource management issues. Particular attention will be paid to the energy requirements of rural areas supporting agriculture and employment as well as to meet the need for domestic fuels; undertake policy dialogue and analysis on critical national energy issues; underscore the importance of market pricing policies, and the hidden costs attached to subsidies and cross-subsidies which skew investment and consumption decisions; identify and encourage the implementation of trade and investment policies (investment laws, review of tax structure and incentives, and contract arrangements) that stimulate the private sector foreign and domestic and the operation of market forces to allocate resources; provide long term technical assistance in those countries where the objectives of USAID's programs support a major concern with energy; finance resource assessments when countries need more information about their energy endowments.

b. Increasing Energy Supplies

Although USAID may well be involved in a cross-section of activities justified by the country strategy analysis, USAID's orientation gives it a particular interest in energy activities directly supporting the rural economy (agriculture and rural development, and biomass fuels). More efficient energy use (conservation) is also a supply option suited to USAID assistance.

(i) Agriculture and Rural Development

USAID will give special attention to providing cost effective energy supplies for the rural economy, an effort that receives comparatively little analytical attention from other assistance agencies or host countries. Furthermore, agriculture and rural development are the major recipients of USAID development assistance funds, and generally make the largest contribution to GNP in USAID recipient countries. Moreover, the rural areas are where a large segment of USAID's target population lives.

USAID programs must recognize a fundamental reality: more energy is required to increase agricultural production. Without increased energy, countries cannot achieve production increases of any significance.

Fossil energy (fertilizer; liquid fuels) is a crucial input to the agriculture sector. Although under current production practices energy constitutes only an estimated 5 percent of the costs of agricultural production, it accounts for perhaps 20 percent when transport, storage, and processing are included.

Rising real energy prices and recurring foreign exchange crises limit the availability of petroleum and fertilizer (also energy-intensive) to supply essential energy for the rural economy. This lack of energy in turn jeopardizes the capacity of less developed countries to achieve production increases, and underscores the interrelationship between a nation energy system and support for the rural economy. In many cases, macroeconomic or urban activities (expanding

electricity supply that powers tube wells, oil pricing, charcoal use) can directly affect the energy availability and prices for rural consumers.

USAID *will*:

promote policies and programs that provide essential energy for food production, processing, and distribution and off-farm employment;
help developing countries undertake primary data collection to understand how much energy is required, in what form, by what groups, and the likely sources to support agricultural and rural development programs;
help assess gender differentiated roles and responsibilities in the provision of energy;
consider rural electrification programs, (including resource transfers in selected cases where such activities are consistent with the country program), when the introduction or improvement of electricity supply will enhance agricultural production, and off-farm employment. Rural electrification programs an important source of commercial energy must be carefully analyzed, because the opportunity costs of capital intensive projects are very high for capital scarce economies. Issues to be covered include:

implications for the national economy and energy supply, particularly if energy to power the system must be imported;
evidence of the economic benefits attributable to the electricity provided;
the cost comparisons of centralized vs. decentralized systems over the life of the investment;
alternative forms of investment that might be foregone.

(ii) Biomass Fuels

USAID will direct significant attention to biomass fuels, consistent with USAID forestry policy and forestry programs, and the need to supply domestic energy. USAID should support efforts to expand production and conversion of fuelwood, crop residues, and possibly energy crops in countries with appropriate resources. For some countries, other energy sources may prove to be the most cost-effective over the long term. Where appropriate, USAID should assist in their development and utilization.

Fuelwood, in addition to providing a major energy source for cooking, can be an important commercial energy source as charcoal or burned directly to provide process heat or electricity for rural industries. USAID can help governments establish the policies and conditions to enhance supply and efficient conversion defining the nature and magnitude of the scarcity problem, analyzing distribution and marketing problems, mobilizing political commitment, training people and strengthening institutions, improving seed and seedling availability, and especially supporting research.

USAID should give special attention in implementing these programs to incentives individuals, and involve both men and women in the planning process.

(iii) More Efficient Energy Use (Conservation)

The U.S. expertise in the private sector and experience in achieving significant gains in more efficient energy use offer attractive potential for application in developing countries. These efficiency gains run the spectrum from industrial and commercial practices to more efficient cooking stoves. Developing countries must incorporate, however, the *sine qua non* incentive for efficiency programs market pricing.

USAID can provide access for the developing countries to the considerable US expertise, and finance training and information systems that have low cost and high return. USAID will generally not finance capital investment for conservation; however, USAID will assist the developing countries to identify sources of financing for the capital investments required to implement conservation activities. In selected programs, USAID will finance resource transfers where they constitute part of a capital investment that will result in a self-sustaining, for-profit private business activity contributing to more efficient energy use.

USAID *will*:

- encourage and assist host government conservation programs to improve energy efficiency for both modern and traditional fuel systems;
- concentrate on training people and filling information gaps, transferring the successful experience and expertise in the U.S. private sector;
- finance capital investment in selected programs.

(iv) Other Energy Sources

Most nations throughout the world, including those assisted by USAID, must depend on a mix of energy sources and energy systems to meet their needs. Both renewable and conventional sources must continue to be relied upon. Increasing emphasis on the development and utilization of indigenous resources and a reduction of reliance on imported oil are challenging goals which require considerable diversity in energy supplies.

The U.S. has a wealth of experience in the research, development and utilization of all energy sources and systems and in analysis and assessment methods to identify a country's viable options.

USAID *will*:

- help to evaluate the nature and extent of indigenous energy resources, including coal, oil, gas, hydro, solar, wind and geothermal;
- help conduct feasibility studies to evaluate the most efficient energy systems options;
- use its "front-end" technical assistance efforts to catalyze and leverage follow-on capital investment by others, especially the international financial institutions.

c. Training and Institutional Development

USAID will undertake comprehensive and enhanced training programs integrated with other energy and non-energy activities. The scarcity of trained people, particularly in the poorer countries, inhibits the formulation of effective policies and implementation of expanded or improved energy systems.

USAID programs will:

- undertake needs assessments in specific countries to determine what training is needed, for how many people, and who should be trained;
- develop curricula and teaching materials for developing country energy problems, to be used in developing countries and the U.S.;
- finance major programs targeted to identified training needs at the senior and middle level;
- expand ties with U.S. universities, government laboratories, research institutions, consulting engineers, energy companies, and professional societies that can offer expertise to developing countries and establish long term institution-to-institution relationships.

d. Research and Technology Transfer

USAID will support programs that assist developing countries in research and risk-taking to help them accelerate the transition to sustainable energy supplies.

Priority areas include:

(i) Policy Research

USAID will finance policy research to help officials make informed energy decisions (directly supporting USAID's priority attention to energy analysis, planning, and policy development). Energy investments are enormous, investment decisions take up to a decade to implement, and capital stock takes many more years to roll over. The cost of a bad decision, therefore, is a lasting drag on the economy.

Subjects to be covered include, but are not limited to:

- energy requirements for increased agricultural productivity;
- energy pricing;
- methods for mobilizing private investment;
- energy efficiency;
- energy's relationship to the environment.

(ii) Fuelwood Research

USAID will undertake a major fuelwood research initiative. USAID has designated fuelwood as one of four agency-wide research priorities, and is presently preparing an implementation plan covering the research program. Substantial returns can be expected from this investment because research (technical, economic, social) into multi-purpose species is beginning to lead to important findings, and needs to be institutionalized.

USAID *will*:

promote both basic scientific and applied research, and networking in multi-purpose species;
develop in-country research programs and multi-country networks, through collaborative Mission and centrally-funded efforts emphasizing species assessments and trials, improved management of trees and soils, research on conversion technologies, and strengthening local research institutions;
analyze economic, financial, social, and institutional issues surrounding fuelwood production, marketing, and distribution.

(iii) Research and Field Testing of Energy Systems

USAID will help develop emphasis on energy delivery systems for rural areas. New energy technologies are or will become economic for low-power uses in rural areas of developing countries over the next five to ten years, resulting from intensified research and development throughout the world sparked by the oil price rise since 1973. For many small farmers, appropriate energy systems may offer the only hope of obtaining energy beyond human and animal power.

Appropriate energy technologies will not be promoted on a large scale, however, until they are proved effective in operation over time in a developing country. USAID in close coordination with other assistance agencies should establish systems to learn lessons from field testing (assess the costs, risks, and uncertainties as compared to the benefits) as a prelude to major investment. This research must encompass gender issues.

USAID *will*:

select energy systems for research and field testing with the best economic potential (without subsidies) to meet the most significant end-uses;
field test the technologies under a standardized evaluation system for each technology;
assure the collection, analysis, and distribution of information to assess the results of the field tests which could justify wide-scale application;
document and diffuse information on successful project activities, experience gained, and cost-effective and commercially available energy systems matched to development needs;
finance technical assistance, including feasibility studies for energy systems where they have a potential for making a significant contribution to economic development and where they support the implementation of USAID's country strategy.

e. Urban Requirements.

In some countries where the urban energy needs and problems are predominant, USAID energy analysis, planning and policy development activities will help determine if USAID

interventions in these countries are justified.

In these countries USAID will provide technical assistance to:

promote increased energy efficiency in urban applications, especially in industry, buildings and transport systems;
investigate the use of biomass and other renewable energy systems for urban application;
assist electric utilities to improve management and efficiency of their systems, and examine means to increase the use of renewable energy sources for electricity generation;
work with host countries to reduce dependence on imported oil, by examining the feasibility of increased use of coal and natural gas, as well as domestic oil.

f. Private Enterprise

USAID will tap the considerable expertise, experience, and financial resources in the private sector, including PVOs and cooperatives, to help developing countries address energy problems. Developing countries for their part must be willing to provide a hospitable climate for private investment.

USAID programs will:

stress policy dialogue, especially pricing and investment incentives, that facilitate private sector investment;
establish closer relationships with U.S. private firms, trade associations, and utilities to mobilize U.S. expertise;
encourage indigenous and external private investment in energy resources or systems development by conducting assessments, analyses and feasibility studies integrating the capital investment criteria and informational needs of commercial lenders and energy enterprises;
tie USAID-financed activities for industrial and commercial energy applications to USAID's support for private enterprise (U.S. and local);
consider direct financing of energy production (in selected countries where USAID finances resource transfers) when USAID funds act as a catalyst for private investment;
limit assistance to state-controlled corporations except in those cases when the activity directly or indirectly supports private enterprises, or the country is receptive to policy changes to enhance private sector participation or ownership.

V. USAID'S ENERGY ROLE IN RELATION TO OTHER INSTITUTIONS

With the need for a focus of effort and resources, USAID will work closely with other institutions, both public and private, to help countries make maximum progress in meeting their

energy requirements.

In promoting such collaboration, USAID will:

facilitate private sector and other donor investment by identifying opportunities through feasibility studies, analyses, and other forms of technical assistance, conducted in coordination with the "down-stream" financial organizations;

normally leave infrastructure/capital investments to the private sector and other donor institutions, except in selected countries where resource transfer or energy security issues are in the U.S. interest;

share information on proposed assistance activities with other bilateral and multilateral donors to help assure activities which are mutually supportive, and focused on the priority energy needs of the host countries.

USAID will support the overall U.S.G. policy on financial and technical assistance by multi-lateral institutions to energy activities in developing countries. As a general rule, the guidance and criteria governing U.S. support of energy projects in multilateral banks (MDBS) should be applied in planning bilateral activities.¹ Exceptions to this guidance must be approved by the Administrator.

¹ State Cable 117912. April 1984

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