CAN PROFIT & JUSTICE BE BALANCED

in the bid to expedite access to energy in Africa?

By Adhila Mayet, Senior Project Developer, Pele Energy Group

In Africa, an estimated 600 million individuals are without access to electricity, which is over half of the total population concentrated amongst Sub-Saharan countries. However, the impact of energy access goes beyond simple statistics. It cuts across all spheres of life: safety, education, healthcare and enables access to technology (and thus, the world). Electricity is integral to the expansion of human rights and therefore, energy access has historically been understood as a government imperative.

> “ Blocking the private sector from providing real, immediate solutions is not the answer. ”

However, technology changes have resulted in a fundamental shift in the nature of electricity as a good, therefore challenging the historical status quo. Smart solutions can now be implemented on a much less capital-intensive per-unit basis. This has created many opportunities for the private sector to participate in power generation, and as a result introducing a new dimension to the human rights issue: how do you balance the tension between profit and justice?

Put differently, since the state solves for socio-economic development, whilst business solves for profit, how do you ensure that communities (which may not be profitable) are still given access to this basic right? Given the state sees end-users as citizens, whilst businesses see customers, the challenge for the state is to govern the private sector such that it contributes to rather than subverts the national development project.

Some concerns requiring state regulation include privacy, pricing and indebtedness. Invasive business models include the use of behavioural data as a form of currency, supplementing the inability of poor consumers to pay. Such solutions typically involve building databases on energy-use behavior and the credit profiles of “unbankable” markets. Trading in the behavioural data of consumers is a highly contested practice, particularly if consumers are unable to opt-out.

Furthermore, what may be viewed by an entrepreneur as low-cost energy may be relative to the average cost of energy, but completely skewed for low-income households. As an example, some solutions have been costed on a monthly subscription of R300, which seems inexpensive. However, examining the average income in the market showed that this cost amounts to more than 30% of a household’s monthly income. The private sector is not well-placed to subsidise poorer consumers.

Finally, non-payment risk is a major obstacle for funders of low-income solutions, often countered through excessive interest-rates, which makes payment obligations a lifetime and even unethical commitment.

The desperate consumer is bound to accept solutions that are exploitative in nature. However, blocking the private sector from providing real, immediate solutions is not the answer. Governments should make their focus the development of current and industry-specific regulation. Consumer protection laws exist in most countries, but resource-constrained consumers are unlikely to enforce them. It is therefore critical that government closely monitors the work of the private sector.

More importantly, business should approach the delivery of power as a social enterprise. This means that communities should be viewed as more than just consumers, and solutions should take into account both their immediate needs as well as their human rights.

The innovation space is vast and we are privileged to live in a time where solutions can be expedited through collaboration between the public and private sectors. Generations cannot continue to go without this most basic right. It is our imperative to pair technological innovation with need in a manner that is empowering. □

Pictured right: Adhila Mayet