

**Peacebuilding Commission Country-Specific Configuration on Guinea-Bissau**  
Thematic Discussion on the Energy Sector in Guinea-Bissau – 25 June 2008

**Background Paper on the Energy Sector in Guinea-Bissau**

**Introduction**

1. The rehabilitation of basic urban infrastructure, especially power and water services, is paramount in the process of underpinning the economic recovery and political stabilization of the country and in the revitalization of the public and private sectors of the economy.
2. Prior to the 1998 conflict, Guinea-Bissau had one of the least developed infrastructure sectors in Africa. Only 2.6 percent of the population in Bissau had access to electricity, and 1.3 percent had access to water. The conflict caused the destruction of an important part of the existing infrastructure, and the subsequent lack of maintenance for infrastructure in general and poor management of utilities further eroded the country's infrastructure base.
3. The social and economic implications of the virtual lack of electricity are considerable, particularly for a country that has been striving to achieve post-conflict reconstruction and consolidate peace. The energy crisis in Guinea-Bissau, which was already very severe, has now become even more acute in the face of the current worldwide rise in the price of oil.
4. In Guinea-Bissau, the Government has been unable, for many years, to make the necessary investments in the energy sector. As a consequence, the energy crisis constitutes a serious bottleneck that, coupled with other deficiencies in infrastructure (in the areas of transport, communication and water) hamper socio-economic recovery – without which peace consolidation can hardly materialize. In this context, it is no exaggeration to say that a long-lasting crisis in the energy sector could eventually become a humanitarian crisis.

**Analysis of the energy crisis in Guinea-Bissau**

5. Upon the Government's emergency call to the World Bank for assistance in the energy sector, the latter provided three 850-KW generators to the Electricity and Water Company (EAGB) in January 2008. This 2.5 MW energy-generation capacity was intended to complement the existing 2.0 MW (commonly known in Bissau as "Group 7"). Group 7 has been in use for over 20 years and has served as the single provider of energy supply for the capital, Bissau. Two new 1.5 MW generators are expected to be delivered to the Government in July 2008 in substitution of the older ones provided as an interim procurement solution under the Multi-Infrastructure Rehabilitation Project (MIRP).

6. However, the 2.5 MW generators, originally intended to complement Group 7, were in fact replacing the latter due to its sudden breakdown earlier in the year. A World Bank field visit was carried out to the power plant, in the company of the director of EAGB (Electricity and Water Company), in order to assess the problem *in loco*. It was found out that Group 7 was overworked during the period that it was the only one operating, which led to serious mechanical problems. A list of needed parts was prepared and sent to Denmark and the United Kingdom for quotations. Given the age of Group 7, some parts may no longer be available on the market and would need to be specifically manufactured.

7. A technical report on the breakdown of Group 7 was also prepared by the Director of the power plant and submitted to the MIRP Coordination Unit for further processing and submission to the World Bank for consideration. Following consultations with the Energy project manager in Dakar, taking into account the delay period required for the procurement of the spare parts requested, a cost-effective analysis was carried out about the convenience of continuing to rent the generators under leasing agreements with MATFORCE (an electricity firm from Senegal) for another seven months. It was concluded that it would be better to keep the leasing of the generators. After the arrival of the two generators of 1.5MW each expected in Mid-July, a total of 5.0 MW will be available. By the end of 2008, a new generator of 15MW is expected to be delivered. It is important to notice, however, that the demand for energy in the city of Bissau alone is estimated at 20MW.

### **Ongoing efforts by Government and partners to resolve the energy crisis**

8. The World Bank is financing Guinea-Bissau's Multi-Infrastructure Rehabilitation Project (MIRP), with particular focus on the sub-sectors of energy, water and urban road network. Working in partnership with the West African Development Bank (BOAD), the World Bank focuses mainly on resolving the energy crisis by providing support to the Government in restructuring and developing the energy and water sectors in Bissau by rebuilding the capacity of the EAGB. Support for capacity-building also aims at integrating the energy infrastructure within the framework of regional energy-generation programmes and initiatives, such as ECOWAS West African Power Pool (WAPP) and the Gambia River Development Organization (OMVG) project.

9. Currently, the joint assistance programme of the World Bank and the West African Development Bank stands at US\$20 million and US\$5 million respectively. Projects envisaged within the joint assistance programme include the rehabilitation and extension of electrical networks and installations; rehabilitation and extension of the water supply network, including water storage capacity-building; the creation of the appropriate technical conditions for the installation of the 15 MW generator expected at the end of the year; technical assistance for the commercial and financial management of the Electricity and Water Company; and co-financing of an Energy Sector Master Plan.

10. The European Commission (EC) and the Government signed an Energy Convention in January this year, with the objective of developing an Energy Sector

Master Plan, valued at 640,000 Euros and co-funded in the same amount by the World Bank under MIRP. The EC will also finance the current budget gap of 6 million Euros under the MIRP to cover the conclusion of the electrical network rehabilitation and extension works in Bissau. Under the 10<sup>th</sup> European Development Fund (EDF) assistance package, the EC will provide 23 million Euros to support countrywide electrification to enable absorption and distribution of electricity to be generated through the Regional Energy Program for the Gambian River Valley (OMVG). Progress has been made with the OMVG project; the necessary resource-mobilization has almost been completed for implementing the project and preparatory works would be initiated at the end of the year or at the beginning of 2009. Guinea-Bissau will be able to cover its initial budget obligations due under the OMVG project through the funding assistance provided for under the 10th EDF assistance package.

11. In January 2008, EAGB and ECOBANK signed a Convention for support in the energy sector for six months, valued at FCFA 288 million. Under the Convention, ECOBANK would provide (i) a forty-five day bank guarantee in the amount of FCFA 158 million; (ii) two months of salary payments to EAGB staff valued at FCFA 92 million; and (iii) payment of debtor balances in other banks, valued at FCFA 38 million. ECOBANK would also be responsible for collecting EAGB's revenues for the period; processing the salary payments of EAGB staff; providing 372,000 litres of diesel for the three generators provided by the World Bank and controlling stock to avoid misuse. The Convention produced immediate results in terms of reduction of running costs. After a short period of implementing the Convention, the daily consumption of fuel was reduced by 50%. As the period covered by the Convention is about to expire, consultations would need to be carried out to determine follow-up issues.

### **Possible contribution of the Peacebuilding Commission (PBC)**

12. The PBC has been working with the Government and relevant partners to help Guinea-Bissau in its manifold peacebuilding challenges and priorities through a short-term approach under the PBF and a medium to long-term approach. Bearing in mind the negative impact of the current energy crisis in the government's efforts to reactivate the economy and consolidate peace, the PBC's overall Strategic Framework for Peacebuilding in Guinea-Bissau will provide an extra advocacy platform for the formulation of strategies and the mobilization of resources.