



Peacebuilding Fund

2010 ANNUAL PROGRAMME¹ NARRATIVE REPORT

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Submitted by:

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Country and Thematic Area

Sierra Leone, Thematic Area Not Applicable
for Emergency Window projects

Programme No: PBF/SLE/B-3

MDTF Office Atlas No: 00066688

Programme Title:

Emergency Support to Energy Sector

Participating Organization(s):

UNDP

Implementing Partners:

- Ministry of Energy and Water Resources
- National Power Authority

Programme Budget (from the Fund):

USD 9,000,000

Programme Duration (in months):

- Start Date:
27 August 2008
- End date:
26 August 2009
- Budget Revisions/Extensions:
31 December 2010
10 March 2010
- Due to the change in GMS, the entire budget was revised and only approved on 18 November 2008 by Project Board.

¹ The term “programme” is used for programmes, joint programmes and projects.

I. Purpose

Following the cessation of hostilities in 2001, Sierra Leone experienced an average growth rate exceeding 6% p.a. Electricity production, although below pre-war levels, amounted to approximately 125 GWh annually. In 2006 this declined to 24 GWh. This led to major losses in the private sector resulting in a drastic decline in economic activities. The ripple effects led to major shortfall in government revenue, triggering violations of the conditions for the country's programme with the IMF. An important part of the explanation is the non-completion of the Bumbuna hydropower plant and the associated transmission line, long envisaged as the long term electricity solution for Freetown. Internal weaknesses in the performance of the National Power Authority (NPA) also played a major part.

In the capital Freetown, the National Power Authority's Kingtom Power Station is the main generating station in the Western Area, has an installed capacity of 39 MW and very poor availability and reliability track-record. In 2007 the available generating capacity at Kingtom was 23.5 MW. Currently continuous generation of 10.5MW- 17.5 MW could be expected if fuel were available and machines rehabilitated. NPA has difficulties in collecting sufficient revenue to purchase its fuel because of the level of technical and commercial losses and a poor system of billing. Lack of revenue to purchase fuel is also a consequence of the inappropriate tariff, as discussed further below. Existing demand is estimated to be at least 100MW and with continuous power and extension of electricity supply to new settlement along the seaside villages demand will eventually rise.

The Second City Bo and the Eastern capital Kenema with a combined population of 345,000 people have had their power supply from a thermal plant in Bo which is twined with the Dodo Hydro Plant in the East with the two stations complimenting each other during the dries and rains respectively. The Dodo plant's installed capacity had been increased to 6MW in August 2007. However, this plant can only supply effective energy for 6 -7 months during the rains with the thermal plant in Bo with an installed capacity of 5MW expected to compliment for the remainder of the year. However, two of the three machines are completely down with only one plant producing around 0.5MW. These twin cities that were recently the energy envy of the Country had been suddenly plunged into darkness leading to a drastic reduction in small scale economic activities and an increase in costs for energy related services and an increasing feeling of neglect. This has also led to a drastic reduction in revenue for Government and thus the inability to purchase additional fuel and spares

The newly elected Government has rallied its development partners around its energy agenda and there are indicators of incensing commitments from key donors. It is expected that the Bumbuna Hydro Power Plant shall be completed in mid 2009 which shall drastically increase energy supplies to the west and parts of the North. It is also expected that several donors including the WB, EC, DFID etc have shown commitment in investing the medium to long term energy needs of the country which shall include investing in the reduction of technical and commercial losses.

While the power sector situation can only be characterized as a crisis, the new Government has taken steps to stabilize the situation in an organized manner. Following the pronouncement by

His Excellency the President in his parliament address on 5th October 2007, during which he identified energy as top priority of his Government several efforts have been made. The Government has presented its Energy Sector policy letter to its Development Partners, and solicited support for its implementation. Several donors have indicated their interest to finance the needed investments. Among them are the African Development Bank, DFID, EC, JICA, the Government of China, the Government of Morocco, BADEA, IsDB and the World Bank. Some of these partners are either already engaged or expected to engage in financing and/or implementing significant improvements in both hydro and thermal generation, in rehabilitation of distribution, and in improvements in management, capacity and commercial operations for NPA.

Most of these interventions however target the medium to long term needs of energy in Sierra Leone and fall short of addressing the emergency requirement of the energy sector. Owing to the importance of Energy in promoting SME development and hence wellbeing, Government as an initial move requested the PBC to incorporate the lack of energy as a threat to peace in its cooperation framework (compact) which was concluded in December 2007.

NPA's losses due to unreliable generation and supply by outdated and badly maintained machines, by technical and commercial power losses, insufficient tariffs, greatly amplified by pilferage, management problems and low revenues, have caused severe cash flow problems in recent years. Revenues in 2005 fell to US\$8.6m, equivalent to a 36% decrease from its level in 2003. In 2006 this fell further to US\$5.62m. Electricity generation has been non-existent for significant periods of time as of late 2006. Some key commercial and industrial customers now use their own generating plants, with further loss of potential revenue to the authority. Government is committed to a review of current tariffs with a view to ensuring that cost-recovery tariffs are set ahead of the Bumbuna project completion (estimated for mid 2009).

Recognizing the inter-relationship between the regular supply of energy and economic performance and noting the increasing deteriorating economic situation that may return the country to the situation before the war, this project is aimed at complementing the medium to long term energy reform process been undertaken by the Government and its development partners by addressing the immediate energy needs for some 1,250,000 Sierra Leoneans in the Capital Freetown, and the Cities of Bo and Kenema.

The current output of power supply has improved from 5 MW in November 2007 to 25MW (15MW rented power and 10MW IPP). The emergency PBF funds shall further improve this supply from 25MW to 31MW for Freetown by rehabilitating one thermal plant at Kingtom Power Station and by providing fuel and lubricants. It shall also support the rehabilitation of two thermal plants in Bo and provide fuel and lubricants. The resources harnessed by Government shall be used to compliment donor's efforts in building capacities for improved revenue collection, reduced power loss etc. Regular and sustained supply to these major towns/cities shall have immediate wins in improving economic performance through the revitalisation of small scale industries that would avert the threats to stability, human security and reduce the increasing feeling of neglect by Government especially in the provinces.

The intervention was specifically to bridge the funding gap following the end of a World Bank funded intervention to supply generators and fuel for three month covering October to December 2008. The provision of stable electricity also serves to improve the delivery of public goods in education, health, water as well as to boost productive activities.

The overarching development objective of the project is to increase well being, peace and security, as captured in the following intended outcomes:

- Contribute to increased employment/income opportunities for urban families in Freetown, Bo and Kenema by revitalization of energy based SMEs through increased and sustained power supply.
- Add to increased public revenue base for Government with increased capacity to support poverty related programmes.
- Contribute to a reduced feeling of neglect and disillusionment due to lack of adequate power.

II. Resources

Financial Resources:

The United Nations Peace Building Fund steering committee of the “Emergency Support to Energy Sector Project” approved a total budget of USD 9,000,000. The following is financial information for 2010 under the project:

Budget(\$)	Expenditure(\$)	Balance(\$)
528,160.01	420,966.87	107,193.14
Delivery Rate		79.7%

Human Resources:

A Project Management Unit was established within the Ministry of Energy and Water Resources to coordinate the implementation of project activities. The PMU comprised of two national professional staff, a Project Coordinator and Project Engineer, and two support staff, an Office Assistant and a Driver. A Programme Officer (international) was designated by UNDP to collaborate with PMU staff in the implementation of the project.

III. Implementation and Monitoring Arrangements

A project board consisting of the Co-Chairs of the PBF National Steering Committee, Ministry of Energy and Power, NPA, UNDP and the World Bank was set up to provide overall technical guidance and guide the decision making process for the implementation of the project.

The project was implemented by NPA with direct supervision from the Ministry of Energy and Power as well as oversight by UNDP. The project was implemented under the DEX modality, and procurement under this project has been conducted in accordance with UNDP rules and

regulations. In such cases where technical knowledge is required, sourcing was done by MEWR in close collaboration with UNDP. The selection process was conducted by NPPA.

UNDP also worked closely with the World Bank on issues relating to the procurement of fuel. As this project followed the end of the World Bank initiative on emergency support to energy, the MEWR had an existing contract in place for the supply of fuel and lubricants, which had been awarded through a global competitive process under World Bank rules. In consideration of this and given the short period of support envisaged as well as the urgency of the emergency support requested, this contract was not re-tendered and the project continued to utilize the services of the existing supplier.

Daily activity level implementation was the responsibility of the PMU and regular monitoring the responsibility of MEWR and UNDP.

IV. Results

PBF funding allowed for the procurement of fuel, lubricants and other vital inputs for the period thus ensuring stable provision of electricity for Freetown. The rehabilitation of a generator in Kingtom Power Station in Freetown was completed. This enhanced the operational capacity of the station by an additional 4.5 MW. The procurement of vehicles and office equipment has improved the logistical capacity of NPA, BKPS and MEWR as technicians and officials of these institutions are now able to perform maintenance of power lines on a speedier basis.

The procurement of operational vehicles, motorbikes and office equipment significantly improved the logistical capacity of NPA, BKPS and MEWR. As a result, the operations of technical staff undertaking transmission and distribution activities were greatly enhanced.

The improvement in power supply led to an increase in activities by SMEs using electricity. This resulted to an increase in income opportunities for urban families especially in Freetown as was reflected in the upsurge of trading in cold water and ice blocks.

V. Future Work Plan

In 2011, procurement of the spare parts for the rehabilitation of thermal generator in BKPS (\$ 120,000) will be completed. Disbursement of \$120,000 to the vendor will be done upon the provision of a letter of credit by the Ministry of Finance and Economic Development.

VI. Abbreviations and Acronyms

BKPS – Bo Kenema Power Services
DEX – Direct Execution
MEWR – Ministry of Energy and Water Resources
NPA – National Power Authority
NPPA – National Public Procurement Authority
PMU – Project Management Unit
UNDP – United Nations Development Programme