

BAHIA STATE Profile August 2001

Northeast Brazil



Introduction

As the fourth most populated state of Brazil, with more than 12 million inhabitants, Bahia is the leader in the North-East, and its capital Salvador is the largest city in this region.

Bahia is the fifth state of country in territorial area and it corresponds to 36.3% of the total area of Brazil's northeastern region.

Bahia is Brazil's most historic state, and has retained strong links with the African heritage of many of its inhabitants. Its capital Salvador da Bahia, was also once the capital of colonial Brazil, from 1549 to 1763 and was the centre of

the sugar industry, which sustained the prosperity until the 18th century decline in international sugar prices.

Key Indicators

Capital	Salvador
Area	567,295.3 km ²
Towns	415
Population	13,026,171 inhabitants
Urban population*	8,025,229 inhabitants
Rural population*	5,000,942 inhabitants
Density of population	22.9 inhabitant/km ²
Urbanization	59.12%
Total urban households	2,038,781
Total rural households	1,088,000
Non-electrified households	620,160
Percent of Rural Households Unelectrified	57%
People per household rural/urban	4.17/3.9
Illiteracy rate rural/urban	40.4/15.9
GDP total (US\$ 1000)*	43,067 million Reias
State GDP/capita*	3,014 Reias

Source: IBGE 1998 and Projection for 1999

**SEI-Anuario estatístico do Bahia 2000*

1. Market Assessment

1.1 Potential Market

Approximately 620,000 households are not electrified in the state of Bahia, most of them are in the western part of the state. A breakdown of villages is below:

Size of village	Number of villages
Less than 20 households	1,431
20-40 households	607
More than 40 households	351

*ESMAP Rural Electrification with Renewable Energy Systems
in Northeast Brazil, July 2000*

1.2 Ability to Pay

Most households in the rural areas of Bahia expend R10 – R20 per month for traditional energy services.

2. Institutional and regulatory environment.

2.1 Electricity Sector

COELBA (Bahia electricity company) is privatized and will continue to be involved in rural electrification through an agreement with the Bahia state government. The Bahia energy secretariat and COELBA have signed a commercial contract that specifies their respective rights and responsibilities for rural electrification. According to a key provision in the contract, the State can identify and request COELBA to undertake non-conventional energy supply options at the State's expense. COELBA has to indicate within 30 working days if it is interested in undertaking these activities. If COELBA indicates it is not interested, the State may request that ANEEL open a permission to provides these services. However, COELBA must agree to the arrangement and the agreement may be terminated by COELBA when it is able to reach the target population.

Through national and international programs (World Bank, French Government), over 8000 PV systems have been installed in Bahia. Unfortunately, the majority of these programs have failed due to lack of training, maintenance and service.

2.2 Plans for Rural Electrification

Luz no Campo would cover no more than 100,000 of the un-electrified users. Less than 10% of the total budget of Luz no Campo is allocated for Bahia.

PRODEEM, through its Social Program, is planning to install PV systems in 1,200 schools and 1,000 wells in Bahia.

2.3 Non-Governmental Organizations

- Winrock International has an office in Salvador, Bahia. This office is actively involved in promoting the use of renewable energy systems. In addition, Winrock works closely with other NGOs in the Northeast.
- BRASUS-DEERB needs to coordinate its activities with BRASUS.

There are over 22 NGOs in Bahia. The following may be relevant to DEERB:

- **Fundo de Desenvolvimento Social e Econômico.** (Economic and social development resources). To support social and economic development in Bahia. Manager: [DESENBANCO](#). (Bahia State Development Bank).
- **CAR: Regional action and development company.** Division of the Department of Planning, Science and Technology of the Government of the State of Bahia. Plans of sustainable regional development:
 - ✓ Gavião Project: Project for the development of the Gavião River Region. (Dates: March/97 – Dec/03):
 - Improve and expand the communities' supply of basic social services and economic infrastructure.
 - Strengthen existing micro and small entrepreneurs, agricultural or not.
 - Promote growing participation of female labor in the composition of income.
 - ✓ Regional Sustainable Development Program for Chapada Diamantina: implemented by CAR in the region of Chapada Diamantina in Bahia.
 - Chapada Diamantina represents 7.5% of the surface of the state of Bahia. It includes 4% of the state's total population.
 - The program (established in 1997) seeks to build a sustainable development approach over a long period of time, that is based in environmental protection, increased economic performance and in general, improved living standards for the local population;
 - The program includes, as part of its tasks, the objective of increasing energy supply and the extensive use of cost-effective alternatives sources of energy.
- **ADRA:** Agência Adventista de Desenvolvimento e Recursos Assistências. (Agency that provides resources and development). The objectives and goals of ADRA Northeast Brazil include:
 - To work with communities;
 - To support research of alternative developments stemming from local realities;
 - To help people participate in areas of the political process that can influence choices regarding community growth and development.
- **UPB:** União dos Municípios da Bahia (Municipalities of Bahia Union).
- **FUNDESE:** Fundação Centro de Estudos para o Desenvolvimento Sustentável (Sustainable development studies centre foundation).

3. Investment Climate

3.1 Economic

The Bahian economy has undergone major changes during the last 30 years, with the growth of industrial activity and the modernization of the commercial and service sectors. With the exception of a few centres of development in the interior, this forward thrust in the economy is concentrated in Greater Salvador. This growth has accelerated to the extent that the composition of the Gross Regional Product has changed: industry increased its contribution to the state's GDP, while agriculture declined, as did the trade and services sectors.

The process of **industrial expansion** has accelerated with the installation, at the end of the 1970's, of the Petrochemical Centre of Camaçari. The main sectors of the transformation in industry are chemicals / petrochemicals, metallurgy, foodstuffs, nonmetallic minerals and drinks, among others.

In spite of the recent recession, **commerce** and **agriculture** continue to be strong within the total economy of Northeast Brazil. Agriculture has been modernized, mainly in the irrigated regions on the bank of the river São Francisco, and has surpassed the regional norm for the production of goods. Bahia is one of most **mineral**-rich states in Brazil. The minerals include: gold, copper concentrate, magnesite, chromite, rock-salt, barite and manganese.

From the 1960's on, **tourism** came to figure strongly in the economic profile of Bahia. In a survey conducted by Embratur, the government tourist organization, Bahia was shown to be the second port of entry for tourist to Brazil, after Rio de Janeiro. At the start of the 1990's, the state has already received 2 million visitors per year.

Structure of the economy

Sectores	1999 (% GDP)	2000 (% GDP)
Primary	9.43	10.10
Secondary	39.94	41.29
Service	50.63	48.62

Source: SEI/IBGE

Subsector activity	% GDP (2000)
Agropecuary	10.1
Mining industry	1.4
Transformation industry	25.2
Industry services	3.6
Construction	11.1
Household and food	2.0
Commerce	8.4
Transport	1.8
Communication	3.7
Financing	5.0
Aluguel de imo	10.4
Public administration	11.7
Others	5.6
Total	100.00

Source: SEI/IBGE 2000

3.2 Financing/Banks

- [Banco do Nordeste](#). Created 47 years ago, **Banco do Nordeste** is responsible for more than 77% of all the financing in the region. Working as a link between national and international investors and the northeastern economy, Banco do Nordeste offers an information database related to investment opportunities.
- [Banco Nacional de Desenvolvimento Econômico e Social](#). **BNDES** operates in every sector of the economy and its strategy focuses on industrial restructuring, infrastructure expansion and revamping, managing the Brazilian Privatization Program, supporting foreign trade, conserving environment, accomplishing and improving competitiveness of agriculture and services.
- [DESENBANCO](#). Bahia State Development Bank. Projects that can be supported: Implantation, expansion and modernization of productive activities and infrastructure. Commercialization of products and jobs in Brazil and the exterior. Technological qualification. Training of staff, formation and professional qualification. Industrial and enterprise reorganization.

4. Technology

PV technology has been used throughout the state. Despite the failure of the programs implemented previously, solar PV offers a viable, alternative to unelectrified rural households. Biomass resources are also available throughout Bahia.

5. Possible Stakeholders

This section lists possible stakeholders related to the eventual development of DEERB in Bahia. The list might be subject to revisions following additional fact finding.

- Winrock International, Osvaldo Soliano. (Brochure REPSO, attached)
- **PRODEEM**
- NREL/TCAPP
- [Cooperation Brazil Agency](#) (MRE). CBA is developing two interesting initiatives in Bahia State:
 - Programa regional de desenvolvimento local (**Local development regional programme**). Aim: Promote a sustainable local development, improving work opportunities and human developing conditions in 33 municipalities of northeast region. Carrying out: SUDENE – Northeast development superintendence. (Start: 10/12/98, now: developing).
 - **Help to small rural producer in Bahia** Aim: To introduce, in selected areas of Bahia state, process to improve the status of life of small rural producer families, focalizing in their own help and minimizing state intervention.