PPIAF
PUBLIC-PRIVATE INFRASTRUCTURE ADVISORY FACILITY

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PPIAF Assistance in Haiti

Haiti remains the poorest country in the Americas and one of the poorest in the world, with significant needs in basic services. It is also one of the most unequal, with a Gini coefficient of 0.59. Over half of its population of 10 million lives on less than US$1 per day, and 78% live on less than US$2 per day. Before the earthquake in 2010, the country lagged in social indicators and had suffered from repeated exogenous and political shocks. In 2008 rising food and fuel prices led to riots and the fall of the government. Tropical storms and hurricanes that same year caused losses estimated at US$900 million (15% of GDP). Despite this, Haiti experienced modest but stable growth in the 2000's, with an average real growth of 2.2% p.a. between 2004 and 2009.

Today, Haiti ranks as a low-income country with GNI per capita of US%560 in 2011. The percentage of the population with access to electricity in 2011 was 34% compared to an average of 79% in Latin and the Caribbean. The number of total telephone subscribers per 100 inhabitants varies from 10–16.

The catastrophic impact of the magnitude 7.0 earthquake on January 12, 2010 killed up to 230,000 people in Haiti's capital and nearby towns, making it one of the deadliest natural disasters on record. Damages and losses were evaluated at around US$8 billion or 120% of GDP. This was by far the worst catastrophe ever to hit the island.

PPIAF has supported the consolidation, strengthening, and harmonization of public-private partnership (PPP) policies and institutional and legal frameworks of Haiti's telecommunications and energy sectors. PPIAF's activities have reviewed, analyzed, and proposed recommendations on existing legislation to support public enterprises entering into long-term contractual arrangements with private sector service providers, and to develop minimum standards and regulations governing PPP contracts.

Technical Assistance for Haiti's Transport Sector

The lack of road maintenance is a critical obstacle to the sustainability of any transport infrastructure improvement program in Haiti. Only 5% of the roads are in good condition, and 50% of them are considered in very bad condition. To improve the situation, donors have pushed for the creation of a Road Maintenance Fund, a mechanism which has been successfully been implemented by several countries in Latin America and other regions of the world. This instrument aims at: i) securing sustainable resources for road maintenance (usually through the earmarking of transport-related user charges, like gasoline taxes), and ii) contracting out maintenance activities to private actors (construction firms, small and medium enterprises, or micro-enterprises). Most donors consider that the implementation of the Fund should be a pre-requirement to further investment in the sector (like road rehabilitation), since it is critical for the sustainability of these investments.

The Haitian government requested PPIAF technical assistance in 2005 to help implement the new instrument and make it fully operational. This activity resulted in the preparation of the Fund's main operational documents (operational manual, standard contracts, budget, and program plans for the next three years), a critical step for implementation by defining the procedures for contracting out maintenance activities to private operators. A study was also conducted on road maintenance alternatives, with a particular focus on the development of routine road maintenance procedures and the contracting of micro-enterprises to perform such maintenance. Lastly, a series of training activities were conducted as part of this PPIAF activity. These included: i) study tours to visit fully operational road funds in El Salvador and Guatemala (six Haitian officials participated); ii) a two week-intervention of a senior consultant specialized in African road funds to help the Roads Maintenance Fund design a short- and medium-term strategy to operationalize the Fund; and iii) a one-week training in Paris on road funds management.

As a result of PPIAF's assistance, the Road Maintenance Fund was fully operational and trained by 2006. The national budget allocated around US$700,000 in resources for Fund operation, and additional financing was provided by other donors. The European Union offered a US$1 million grant to help the Road Maintenance Fund settle in and buy equipment. The Inter-American Development Bank helped the

Ministry of Transport perform a detailed road inventory to prioritize among road segments for maintenance work.

In 2006, the Road Maintenance Fund signed its first road maintenance contract under a transparent and competitive process. The $2 million contract involves the periodic maintenance of a major paved road (RN4 between Jacmel and Carrefour Dufort). Smaller routine maintenance contracts outsourced to micro-enterprises will be developed by the Road Maintenance Fund in the future. These are particularly important for the unpaved road network, which represents 82% of the total Haitian road network. The European Union and Inter-American Development Bank also assisted with the preparation of other contracts.

Results of PPIAF's Activities in Assisting with the Road Maintenance Fund

Category	Outputs
Enabling environment reform	
Analyses/assessments prepared	• Study on road maintenance alternatives, with a particular focus on the development of routine road maintenance procedures and the contracting of micro-enterprises to perform such maintenance, 2006
Plans/strategies prepared	• Road Maintenance Fund's main operational documents (operational manual, standard contracts, budget, and program plans for the next three years), August 2005
Capacity and awareness building	
Workshops/seminars	• Study tours to visit fully operational road funds in El Salvador and Guatemala, May 2005 • Two week-intervention of a senior consultant specialized in African road funds to help the Roads Maintenance Fund design a short- and medium-term strategy to operationalize the Fund, May 2005 • One-week training in Paris on road funds management, June 2006

Category	Outcomes
Enabling environment reform	
Institutions created or strengthened	• Road Maintenance Fund created, fully operational, and trained, with operational financing received from the government and other donors, 2006

Category	Impacts
Additional private investment in the sector (US$)	• $2 million road maintenance contract signed for the periodic maintenance of a major paved road (RN4 between Jacmel and Carrefour Dufort), 2006

Technical Assistance for Haiti's Electricity Sector

PPIAF assistance was requested in 2005 to assist the Government of Haiti with facilitating private sector involvement in the management of the local utility Electricité d'Haiti to help improve its performance, increase access to energy, and support its financial sustainability. Six studies were completed (legal framework, assessment of contractual options to secure reliable and efficient generation, bidding documents for management contract, tariff study, market study, monitoring mechanism review).

This PPIAF-funded analysis presented a full set of alternative management improvement measures to strengthen the utility's performance. As a result of the PPIAF study and the consultative process that the team conducted, it was agreed with the Haitian government and the CEO of Electricité d'Haiti on a consensual formula consisting in hiring four international consultants—rather than a management firm—with strong experience in managing utilities in developing countries, to be integrated in the management of Electricité d'Haiti, as deputy CEOs to take over the four main departments of Electricité d'Haiti (operations, commercial, administrative and financial, and planning) for two years, having their remuneration partially indexed to a indicators measuring the overall improvement of the performance of the utility, especially the improvement of the production/bills collection ratio.

On the basis of the PPIAF-funded reports produced under this activity, the World Bank approved the Haiti Additional Financing for the Electricity Loss Reduction Project, which is an integral part of a multi-donor coordinated strategy of support to the energy sector. Introducing private sector expertise through individuals, rather than firms, is preferable in difficult environments such as Haiti. The PPIAF study shows that, in countries facing severe constraints and where utilities are very weak, consulting firms have difficulty attracting qualified staff. Over time, firms have been known to replace the staff originally assigned (and vetted for quality by the financing agency) with inexperienced or insufficiently motivated personnel. By hiring individual experts, the government will have greater control over the quality of the expertise it receives.

Results of PPIAF's Activities in Haiti's Electricity Sector

Category	Outputs
Enabling environment reform	
Analyses/assessments prepared	• Legal framework, tariff study, and market study • Assessment of contractual options to secure reliable and efficient generation, bidding documents for management contract, and monitoring mechanism review

Category	Outcomes
Enabling environment reform	
Institutions created or strengthened	• Electricité d'Haiti strengthened, 2009

Technical Assistance for Haiti's Telecommunications Sector

Modernization of the Legal and Regulatory Framework in Telecommunications

Even before the 2010 earthquake, Haiti's telecommunications infrastructure was amongst the least developed in the region. There were roughly 150,000 fixed telephone lines for more than 8 million people (penetration rate of 1.8%). While the recent dramatic growth of mobile subscriptions has brought total telephone density closer to 10%, most of these are concentrated in Port-au-Prince and few other urban sites, with very little private interest in serving rural areas. Haiti's poorly performing Teleco controls the land-line phone service and, with less than 2% fixed-line density, labors under one of the lowest penetration rates in the world. The most significant developments in the sector over the past ten years have been in the area of mobile telecommunications, largely stimulated by the entry of the private operator Digicel in 2006.

In early 2007, Haiti's telecommunications legal and regulatory framework was outdated and identified to hinder entry and competition in the sector. Despite the technological changes that had revolutionized the sector, the most significant piece of legislation had been a 1977 decree-law that regulated the sector and in particular the incumbent Teleco. No regulatory development had taken place since, and therefore the pre-conditions of a free and transparent competitive environment conducive to private sector investment were not in place, as the rules for interconnection, licensing, spectrum management, and competitive safeguards, among others, did not exist.

In addition, the regulatory authority, the National Council for Telecommunications (Conatel), lacked the staffing, technical, and financial resources necessary to reassure investors in this increasingly private sector-oriented infrastructure sector.

Thus PPIAF assistance was requested in 2007 to support the Haitian government in its efforts to modernize its telecommunications sector, through the drafting of and discussions on a modern telecommunications law, a set of essential modern regulatory decrees implementing the key provisions of the law, and the definition of the main structure and procedures for a strengthened regulatory authority. The PPIAF-funded work helped the government prepare these together with other complementary reports on the status of the sector legal framework, universal service, regulatory authority, as well as an analysis of options for the future adaptation of licenses to the new legal framework.

In early 2010 the draft telecommunications law was in Parliament for review and eventual approval. Throughout the process there were numerous consultations and seminars conducted with government officials and key stakeholders. The successful implementation of this activity was just about to secure a major outcome when the earthquake hit the island in February 2010. A winning bid had already been announced for the privatization of the Haiti Telecommunications Company. The law remains in parliament, a vote has yet to be rescheduled since the earthquake (Parliament was out of session for one year).

The prepared regulation was used in the license agreement for the privatization of Teleco. The same team of PPIAF-funded consultants who design the regulation/law was hired by the International Finance Corporation and played an integral part in support of the transaction.

On April 29, 2010 the Vietnamese military-owned telecommunications company Viettel was selected as the successful bidder (with a big of $59 million) to acquire a 60% share in Teleco (with the Haitian government keeping the remaining 40%), which was effectively transformed into a new entity, Natcom. Viettel's bid included a commitment to build a 2,000 km fiber optic cable to provide Internet access to remote areas in particular, and install a second submarine cable. In 2011 Natcom began replacing and expanding the ruined fixed-line network with the aim of providing national services including DSL broadband access. In 2011 Natcom also began to roll out its GSM/3G mobile network, which allowed for placing international calls over its mobile network.

Results of PPIAF's Activities in Haiti's Telecommunications Sector

Category	Outputs
Enabling environment reform	
Policies prepared or legal or regulatory changes recommended	• Draft telecommunications sector law, March 2009 • Regulatory decrees implementing the key provisions of the draft law, and definition of the main structure and procedures for a strengthened regulatory authority, October 2009

Category	Outcomes
Enabling environment reform	
Policies prepared or legal or regulatory changes recommended	• The prepared regulation was used in the license agreement for the privatization of Teleco

Category	Impacts
Improved level of services	• Viettel was selected as the successful bidder to acquire a 60% share in Teleco, which was effectively transformed into a new entity, Natcom on April 29, 2010. Viettel's bid included a commitment to build a 2,000 km fiber optic cable to provide Internet access to remote areas in particular, and install a second submarine cable. In 2011 Natcom began replacing and expanding the ruined fixed-line network with the aim of providing national services including DSL broadband access. In 2011 Natcom also began to roll out its GSM/3G mobile network, which allowed for placing international calls over its mobile network.