



# HAITI

## CARACOL POWER UTILITY TRANSACTION SUPPORT

From March 2015 to March 2018, SRUC supported the Government of Haiti by providing transaction advisory services to assess the feasibility for and facilitate the establishment of a public private partnership for the private sector management of Caracol Power Utility. This utility provides reliable power to the Caracol Industrial Park and a growing number of surrounding residential customers.

### WORK ASSIGNMENT SUMMARY

The Sector Reform and Utility Commercialization (SRUC) Task Order (TO) delivered long-term transaction advisory services to the Government of Haiti (GOH) to assess the feasibility for and facilitate the establishment of a public private partnership (PPP) for the sustainable management of the Caracol Power Utility (CPU) – a 10MW power plant and distribution network located on Haiti’s Northern coast. The SRUC team worked directly with Haitian Ministry of Finance and Ministry of Public Works to provide leading practice approaches to develop a PPP to operate and expand the CPU. The power plant was built in 2012 by USAID and is the only generation facility in Haiti providing 24/7 electricity to its customers, which are primarily commercial off-takers located in the Caracol Industrial Park (CIP). However, since the inception of the CPU, its client base has expanded to include roughly 13,000 residential connections near the CIP as well. SRUC assisted the GOH with the PPP structure,

the request for proposals (RFP) process and associated documentation, and interactions with potential bidders in its competitive selection of a private sector partner.

## CHALLENGE

The CPU has been operated by USAID since it was first constructed in 2012. Its provision of reliable, high quality power primarily to the factories in the CIP and increasingly to the surrounding residential areas has made it central to the local job market and economy in the region. USAID needs to transition the operation of the power plant to a private sector partner to ensure a sustainable future for the 10-MW generation facility and distribution network, and the customers it serves.

The GOH needs to fairly and transparently transition the plant to a private sector operator while ensuring stable and affordable electricity rates for both the CIP industrial tenants and non-CIP customers. If the GOH fails to do so, the CPU will be absorbed by Electricité d’Haiti (EDH), Haiti’s state-owned utility, which faces entrenched operational, financial, and capacity issues and aggregate technical and commercial losses over 50 percent. In order to retain and attract multi-national industrial tenants to the CIP, the CPU must maintain internationally competitive electricity rates which implies the need for continued operational efficiencies and diversification of generating fuel sources.

In general, the ministries within the GOH that are responsible for structuring and executing the PPPs, have faced challenges effectively executing new private sector transaction or PPPs for electricity provision. Additionally, the Haitian operating environment is one of the most challenging in the world, with pervasive political turmoil and deeply rooted public sector corruption which present significant risk to potential investors.

## APPROACH

Working closely with GOH and guided by USAID Haiti, the SRUC team carried out activities under the following two phases to facilitate the beginning of transition of the CPU to a private sector partner.

### Phase I: Analysis of CPU Operations and Feasibility Assessments

- Developed an updated financial model, populated with CPU’s historical operational data, anticipated expansion plans and associated capital costs, load / demand forecasts, and considerations for the CPU’s ability to switch from diesel combustion to Heavy Fuel Oil (HFO) combustion.
- Updated CPU’s cost of service study – inclusive of a willingness and ability to pay analysis – for electricity services to existing and new potential CPU customers.
- Worked with the current operator of the CPU to create an asset register for the plant’s generation, transmission, and distribution infrastructure for transaction related discussions.
- Assessed the viability of the CPU’s possible expansion of services to the Communes of Ft. Liberté and Ouanaminthe, integration with the EDH-managed power plant in Ft. Liberté, and bilateral cross-border power trade with the Dominican Republic.
- Conducted a comprehensive feasibility study – drawing on the findings of the aforementioned deliverables. This comprehensive study documents needs analysis, solution options analysis, due diligence and risk assessments/mitigation plans. The study presented recommendations of appropriate PPP models for the GOH to explore.

## Phase 2: CPU PPP Design and Competitive Procurement Support

- Provided GOH decisionmakers with an analysis of the mechanics and implications of using a variety of PPP models, along with the benefits, challenges, and risks of each.
- Provided GOH counterparts examples of leading practice procurement methodologies and options from similar countries as examples for their PPP structure.
- Provided GOH counterparts with examples of tender documentation and ranking criteria for bid selection based on leading practice for similar contexts. These examples assisted the GOH's development of sample tender documentation and ranking criteria for bid selection for the CPU.
- Prepared guidelines for GOH consideration on conducting the competitive procurement process – aligned to relevant Haitian law and international leading practice.
- Provided applicable and relevant on-the-job training to GOH decision-makers as they designed, implemented, and began to conduct a competitive procurement process.
- Provided examples of leading practice approaches for successful PPP contracts worldwide, highlighting challenges and specific issues and summarizing potential applicability to the CPU PPP.
- Used these contract examples to build the GOH's capacity to develop tender documentation, ranking criteria, and bidder interaction protocols for bid selection for the CPU.

## KEY RESULTS

SRUC's work with the CPU resulted in the following foundational elements for the transition to a private sector partner:

- The Ministry of Finance and the Ministry of Public Works selected the long-term (20-year) concession model as the preferred PPP for the CPU.
- In December 2017, the GOH transitioned to commercially-viable electricity tariffs for the communes served by the CPU.
- Over this time period, the USG sent several formal Implementations Letters to the GoH that set the tariff for the CPU and provided context and a methodology for those tariff levels.
- The Caracol investment opportunity generated significant interest in the market, with over 25 potential private sector partners responding to the market sounding and participating in preliminary discussions. This laid the groundwork for the future market engagement and the formal solicitations, including the recent RFQ.
- The Haitian Parliament made imports related to renewable energy generation exempt from customs duties, therefore reducing the overall cost of generating renewable energy in the country.
- For over three years, 81 GOH representatives attended 12 workshops and training sessions on multiple facets of standard international practice for PPP structures.
- The GOH created essential tender documentation, including the Request for Expressions of Interest, Request for Proposals, Information Memorandum, and PPP concession contract.

## M&E INDICATORS

- Number of people trained in technical energy fields supported by USG assistance – **81 people trained (33 Females, 48 Males)**. (Standard Indicator: EG.7.3-2)
- Number of laws, policies, regulations, or standards to enhance energy sector governance formally proposed, adopted, or implemented as supported by USG assistance – **2 policies** (USG

Implementation Letters to the GOH on the tariff methodology for the CPU). (Standard Indicator: EG.7.3-1)

## **COOPERATING PARTNERS**

The SRUC team worked closely with USAID Haiti to build critical capacity at the GOH Ministry of Public Works and Ministry of Finance for one of the first private sector PPPs and transactions in the Haitian context. To do so, the SRUC team leveraged previous work carried out by the International Finance Corporation and other multilateral finance institutions, including the Inter-American Development Bank and World Bank.

## **FOLLOW ON WORK**

As part of the broader GOH transition toward private sector participation in the power sector, the CPU transaction has continued to move forward as a GOH priority with a Request for Qualifications released in 2019 with support from USAID's INVEST mechanism. Increasing the renewable energy resource has also become an important component of expertise sought by the private sector.