

**Haiti SREP IP**  
**SREP Sub-Committee – Written comments received, May, 2015**  
**Matrix of Comments and Responses**  
 June 30, 2015

**Comments received from: Norway, Energy Department at Norwegian Agency for Development Cooperation (NORAD)**

**1. General**

The SREP investment plan (IP) for Haiti is of relatively good quality. However, Norad recommends that SREP elaborates on the following issues:

- The governance structure of the project
- How has lessons learned from other SREP countries informed the project design?
- How has the fragile state context of Haiti informed the project design?
- How realistic is the assumed leverage of funds from the private sector?

Thank you.

**2. Relevance**

The relevance of the proposed project components seems high.

The team agrees with the high relevance of the proposed project components, noting the alignment between the SREP IP and Haiti's priorities in the energy sector.

**3. Investment Plan Quality**

Norad's assessment is that the investment plan by and large is of good quality.

Thank you.

**4. Realistic Leverage**

According to the financing summary, the leveraged private sector financing will be US\$ 79 million. (US\$ 30, 4 and 45

Projects in the pipeline are all at different stages of preparation and, therefore, the sizes and leveraged amounts are indicative. Hence, the numbers may vary

million for components **i)**, **ii)** and **iii)** respectively). The IP lists quite a few hurdles for private investments in Haiti. Experience from other developing countries with less challenging business environments shows that there is no quick fix for substituting expensive diesel and heavy fuel oil electricity generation with renewable energy technologies.

On one hand the IP states that:

*“Several companies, including reputable international investors, are already conducting on-site feasibility studies and discussing with government the potential investment modalities such as PPPs.”*

On the other hand the IP also states that:

*“If a PPP approach is not feasible or would lead to terms unfavorable to the government, a public sector option—an EPC (engineering, procurement and construction) contract plus an operation and maintenance contract to the private sector—could be considered. The final technology and deal structure will be decided when SREP implementation starts, based on a more detailed analysis in the new Electricity Master Plan (to be released this year) and information on variable RE grid absorption, relative benefits in situ, private sector interest, and EDH performance at that time. The experience will be used to develop frameworks and instruments to encourage larger RE investments and scale-up.”*

This paragraph indicates a considerable uncertainty with regard to private sector leverage. In Norad’s opinion, the assumed private sector leverage should be assessed into more detail.

based on final selection of projects and establishing specific financing structures. Nevertheless, the estimates for private sector leveraged financing are conservative and based on feedback gathered through several rounds of consultations with relevant stakeholders in the energy sector (including representatives from the private sector) as well as a preliminary assessment of the project pipeline. Please refer to Section 7 for the Financing Plan and to Annex III in the SREP IP for a summary of stakeholder consultations conducted during the preparation of the SREP IP. Please note that the leveraged private sector financing in the final version of SREP IP is US\$ 78 million (US\$ 16, 2, 60 million for components i), ii) and iii) respectively).

Private sector co-financing expected for the grid-connected PPPs (to which the question refers to) is relatively modest, noting that contributions from the private sector are mainly expected from other market segments covered by the SREP IP (small stand-alone PV products and the larger fuel saving PV and biomass applications – for business and industrial clients not connected to EDH which currently produce with diesel generators). Financial analysis demonstrates that funding from users and investors can be significant, leaving the use of public funds to address specific market barriers and/or to lift market volumes above a critical threshold.

In relation to grid-connected renewables, as indicated in the SREP IP, deal structures with international bidders will depend on the off-take risk at project development and on the debt terms they can secure in the global market. The final technology choice and deal structure will be determined during project preparation based on in-depth analysis/assessment. The flexible approach adopted at the SREP IP will allow for selecting the most adequate model for attracting private sector participation either through PPP model or EPC plus O&M contract - once the aforementioned in-depth assessment has been completed.

## 5. Lessons Learned

According to the IP, SREP will support the government’s path along the learning curve of RE planning and dispatch by

SREP presents an opportunity for Haiti to leapfrog old technologies and to reap a “second mover advantage” by applying lessons from other countries’

<p>applying lessons from other countries and optimizing the volume of on-grid RE interventions.</p> <p>However, Norad cannot see that there are any references to lessons from SREP projects in other countries. In some of these countries, such as Nepal, it has taken more years to move from an approved IP to implementation. We would thus like to challenge SREP on how experiences from other SREP countries have been used.</p>	<p>business models and planning tools. The design of the SREP IP was informed by lessons learned from preparing and implementing components in SREP and non-SREP countries, including experiences from Mali and Tanzania as well as in those countries that were most relevant for the Haitian context (with similar conditions such as low access and/or fragile environment). Therefore, the design of the SREP IP benefited from lessons learned and experience sharing, as well as multi-country or regional efforts and South–South knowledge exchanges for fast diffusion of emerging lessons on, for instance, PAYG and similar innovative business models. Design examples cover energy access projects in Tanzania, Kenya, Uganda and Bangladesh. In addition, experiences on how to approach the education sector as a whole (especially with Burkina Faso and Mali), and documentation and experience-sharing on gender-sensitive RE project design will be integrated in the project design at preparation stage. Pilots in Malawi and Ghana on implementing the SE4All Multi-Tier Framework will further strengthen the setup of a data collection system to obtain baseline information – so as to systematically track and evaluate project progress, impact and outcome of SREP project interventions, including SREP indicators.</p> <p>Additionally, the Haitian SREP Task Force has also benefited from lessons shared by other SREP countries at the SREP New Pilot Countries Workshop, which was held in the Hague during February 26-27, 2015. Lessons shared at this workshop have been integrated in the design.</p>
<p><b>6. Fragile State Context</b></p>	
<p>Compared with other SREP countries as Nepal, Ethiopia and Tanzania, the enabling environment for successful implementation of SREP in Haiti is much more challenging. The IP refers to the Electricity sector Project Implementation Unit (PIU), which may address some of the particular challenges in Haiti. Still, Norad recommends that SREP elaborates on how the more challenging context in Haiti has informed the project design.</p>	<p>The team agrees with the assessment that the environment for successful implementation of SREP-funded components included in the SREP IP is particularly challenging. In view of this, the preparation of the SREP IP relied on comprehensive participatory process through numerous stakeholder consultations. Significant scale and thoroughness of this process allowed the identification of selected activities to follow a bottom-up approach and ensured a complete fit with the Government priorities as well as support from a broad range of stakeholders. Besides, the design of the SREP IP was informed through excellent donor collaboration, including MDBs and bilateral donors alike. The team analyzed ongoing and past energy activities in Haiti, their lessons-learned and failures – so as to fully reflect the challenges in the</p>

	<p>SREP IP. Additionally, the design of the SREP IP was conducted around existing activities that can be further scaled up, instead of bringing new approaches/models that may not work in the local conditions. Finally, risks for successful implementation have been carefully identified and thoroughly assessed (Chapter 11: Risk assessment). Respective mitigation measures will be fine-tuned during project preparation phase.</p>
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<p><b>7. Project Governance</b></p>	
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<p>There is no reference to project governance, such as a Steering Committee. Norad assumes that the project components will be managed as part of ongoing/planned WB and IFC projects. In any case, some questions in this regard are:</p> <ul style="list-style-type: none"> <li>• Is there a risk of parallel structures?</li> <li>• What is the role of the government? (On one hand, does the government have sufficient ownership/participation in project governance. On the other hand, does the government has sufficient commitment to remove barriers for private investments?)</li> </ul>	<p>The WB is generally cautious towards establishing new governance structures such as Steering Committees when new projects are being developed owing to risk of parallel structures and redundancies. From the WBG side, SREP components will be fully integrated into the existing energy portfolio. From the government side, for the SREP grant funded activities, the team plans to support the strengthening of existing structures on the Government side, such as the Electricity sector Project Implementation Unit (PIU) and the Energy Cell at MTPTC. Therefore, we do not foresee any potential parallel / redundant structures in governing the SREP activities.</p> <p>The SREP IP is the product of a strong government led initiative – since the EoI in April 2014 - to significantly increase the power generated indigenously and initiate the shift to a green economy. From our experience, the unique Government coordination unit on Energy, whose experience and efficiency has progressively increased since the first projects in 2007, provides confidence on the implementation capacity following donors’ guidelines. In addition, the Energy Cell has been strengthened with a strategic staffing under the PRELEN project and this process will continue in the future (supported by IDA and SREP) – as to ensure excellent ownership/participation in project governance. It can be noted, that the day-to-day exchange with Government authorities during implementation of PRELEN and other projects has already been excellent over the last year, and is expected to be strengthened under SREP.</p> <p>The Government is committed to remove barriers for private investments. As an example, Government has launched an initiative to establish a regulatory framework that will enable private sector to benefit from enhanced investment security. In its Energy Directions Paper endorsed in 2013, the Government</p>
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	<p>clearly stated that a profound reform of the regulatory framework is needed in order to allow the energy access expansion and the development of the power system. The Government is currently reforming the legal and regulatory framework to build-up an enabling environment for RE, putting together a team of local and international consultants and collaborating with an expert institution (HEC Montreal Management School) to develop the needed capacities to conduct the legal and regulatory reform and put in place and operate a regulator. It is using the expertise of MDBs and development partners in doing so. The Government is also implementing and supporting several RE pilot projects to assess and identify best business models.</p> <p>From a donor’s perspective, donor collaboration in Haiti has been streamlined, collaborative, and focused on assisting the Government with removing barriers affecting the scaling-up of private sector investments and market development in the energy sector.</p>
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**8. Cross-Cutting Issues**

<p>There are quite a few references to cross-cutting issues, including gender (with a particular reference to capacity building targeting women), environmental and social impact standards, in the IP. The challenge may rather be if these issues are complied with in the implementation phase.</p>	<p>Addressing cross-cutting issues such as environmental and social impact, gender, etc. is inherent to project design and implementation. During project design, environmental and social impacts will be assessed and respective mitigation measures developed by the WBG safeguards experts. A gender assessment will be conducted during project preparation and gender considerations be integrated in the design of the project. The team will build on its excellent partnership with academia, private sector and civil society in order to assess new needs and define respective activities under the SREP-funded components. Regular supervision missions will ensure that the aforementioned cross-cutting issues are thoroughly implemented, with informed ad-hoc progress indicators.</p> <p>In addition, the SREP IP envisages through a separate component (#5) the building of an enabling environment, capacities and skills for renewable energy scale-up. This component will help to strengthen efforts on cross-cutting issues under SREP, including gender - being in full alignment with the other four components.</p>
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## 9. Anti-Corruption Measures

Corruption is not listed as a risk and there is only one reference to corruption in the document. However, the IP refers to the Electricity sector Project Implementation Unit (PIU), which is now composed with eight staff and consultants, experts in energy project management, procurement and fiduciary management; financed mainly by the World bank and IDB projects. According to the IP, this team has benefited from the institutions' training throughout the years (on Safeguards, Procurement, Monitoring and Evaluation, and Communication), and has been considered in 2014 as the best Government's team for financial reporting of donor funded projects, all sectors wide.

The SREP IP recognizes that corruption is one of the governance challenges in Haiti and a major constraint on growth and investment. The team is aware that corruption mitigation remains a condition that needs to be addressed throughout project preparation and implementation, especially when the public system is still relatively weak, despite encouraging reforms in the legal and institutional framework (such as for procurement). During project design/preparation of IP components, detailed assessments of procurement, safeguards and fiduciary management will be carried out, mitigation measures defined and their implementation thoroughly supervised.

Procurement for the SREP IP components will be carried out in accordance with the World Bank Guidelines including the Anti-Corruption Guidelines. If measures proposed will be correctly applied, the risk of an inconsistency in the application of rules and procedures, limited planning, insufficient use of standard documents, poor contract management and political interference can be significantly reduced.

The team is confident that the PIU will continue with its strong performance - as recognized in 2014.

## 10. Coordination with UNEP

Norway is also supporting energy activities in Haiti through UNEP. Coordination with UNEP has been satisfactorily addressed. (Andrew Morton, the UNEP - Haiti Sustainable Energy Manager, has been peer-reviewed the IP). As always, the actual coordination also has to be followed up in the implementation phase.

The team has been in close contact with Andrew Morton and his team during preparation of the SREP IP and the UNEP Phase II preparation. The team is confident to continue this excellent exchange in the future, and to coordinate efforts to leverage impact on the ground. UNEP is spearheading the work on Haiti's first mini-grid cooperative that will certainly inspire energy access activities under SREP.

Contacts also have been established with Dean Cooper at UNEP who is leading the High-Impact Initiative on Mini-Grids.

## 11.Regarding Norwegian funding of hydro power plants

According to the IP *“Norway is supporting the planned rehabilitation of one hydro power plant and the construction of two other small-hydro power plants in the South Department. The Power Purchase Agreement is currently being discussed with the Government. Once consensus has been reached, Norway’s Development Banks will make funds available to provide financing (AAA rating) to the Haitian company that is supposed to renovate, build and operate the power plants. In addition, Norway made available through an IDB administered escrow account, an amount of US\$3 million as guarantee funds for renewable energy projects in the South, starting with the hydro power plants project mentioned above.”*

To Norad’s understanding, this has not progressed, due to slow decision making processes in the government. This may also be an indication of the challenges that implementation of some of the SREP components may face.

We hope these comments are useful. We are looking forward to continued good dialogue.

The SREP IP for Haiti was developed during the first months of 2015 and in close coordination with multilateral and bilateral partners. Hence, inputs and updates on current activities, such as the activities related to funding of hydro power plants, have been directly sought from our partners for this specific section of the IP. An update on the status of this initiative will be included into the SREP Haiti project documents.

We will be learning from Norway’s and other donor challenges when designing the projects.

Thank you very much for the valuable comments that will guide us during the upcoming project preparation/design phase.

The team would like to express its gratitude to NORAD’s continued support and excellent collaboration in Haiti.