Fourth power project

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Haiti: Fourth Power Project (Credit 1527-ELA)

The simplified Implementation Completion Report (ICR) on the Haiti Fourth Power Project (Credit 1527-HA, approved in FY85), was prepared by the Latin America and the Caribbean Regional Office. The Credit in the amount of SDR21.8 million was fully disbursed and closed on June 30, 1990 with a delay of one year. France's Caisse Centrale de Coop,ration Economique (CCCE) contributed US$8.9 million to project financing.

The project objectives were to: (i) expand and improve power generation to meet the country's growing demand for electricity; (ii) improve distribution service and decrease energy losses; and (iii) strengthen technical and financial capabilities of Electricit, d'Haiti (EdH), the state-owned utility. Project components were: (a) expansion of the Carrefour power plant through installation of two 7.8 MW diesel electric units; (b) installation of a new cooling tower at the Varreux diesel electric plant; (c) purchase of a fouryear stock of essential spare parts for the Carrefour and Varreux power plants and the Peligre hydroelectric station; (d) consultant services to assist EdH in carrying out feasibility studies for hydroelectric projects in the Artibonite river basin; monitoring a loss reduction program; supervising the expansion, operation and maintenance of the Carrefour and Varreux power plants; providing advice on technical, financial and administrative matters; and reviewing the municipal finances of Port-au-Prince; and (e) a training program for EdH personnel.

The project's objectives were partially achieved. The physical components were completed: the additional generation was in service as scheduled and the renovation of the distribution network was completed. The plans for future hydroelectric projects were finalized with good support from the consultants. However, the technical assistance and training program failed to improve the management and the technical and financial operations of EdH. Energy losses instead of dropping to the covenanted 17 percent, increased sharply to 35 percent; as a result of high unaccounted-for energy losses and customers' arrears, EdH's rate of return on revalued assets averaged only 2 percent, significantly short of the covenanted 8 percent.

The project outcome is rated as marginally satisfactory, mainly on account of its physical achievements. Its institutional development is rated as negligible, and its sustainability as unlikely on institutional as well as on financial grounds. Bank performance was unsatisfactory because: (i) it identified the operational weakness of EdH at appraisal, but the training program (vaguely defined) was not designed to correct them; (ii) it included in the project scope, without clear justification, a review (ultimately never carried out) of the Municipal finances of Port-au-Prince, which was unrelated to the power project; and (iii) it was lax in enforcing compliance with financial covenants. These ratings are consistent with the substance of the simplified ICR, which includes no rating.

The simplified ICR draws a trite but important lesson: when the achievement of project objectives depends critically on the performance of a public institution, the objectives should be based on a comprehensive assessment of the principal social, political, institutional, and economic factors influencing project implementation.

The simplified ICR is unsatisfactory. It is not based on a field mission, presents only a scant account of the project's implementation and results, and fails to include most of the required statistical tables. The ICR preparers explain that most local data sources have been lost as a result of precarious country circumstances. The project may be audited.