



# Public-Private Partnership Stories

## Haiti: Haiti Teleco



On April 29, 2010, the Central Bank of Haiti (Banque de la République d'Haïti or BRH) signed an agreement with Vietnam's largest mobile telephone operator, Viettel, to significantly expand telecommunications services in the earthquake-ravaged country. The public-private partnership is expected to modernize Teleco, help improve the company's technical and financial capacities, modernize its infrastructure, and provide new services to its customers.

*This series provides an overview of public-private partnership stories in various infrastructure sectors, where IFC was the lead advisor.*

IFC Advisory Services in  
Public-Private Partnerships  
2121 Pennsylvania Ave. NW  
Washington D.C. 20433  
[ifc.org/ppp](http://ifc.org/ppp)

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## BACKGROUND

Even before the devastating January 2010 earthquake, Haiti's telecommunications infrastructure was woefully inadequate. Fixed line penetration was only 1.2 percent, the lowest in Latin America and the Caribbean. Mobile density was about 35 percent, while Internet penetration was below 1 percent. With the liberalization of the telecom mobile market in 2000, Teleco—the state owned fixed telephony enterprise that had enjoyed a monopoly in the telecom sector—saw its market share reduced to 4 percent of the overall telephony market or less than 120,000 lines compared to 3.5 million mobile subscribers in 2009. In addition, the company suffered from a deteriorating telephony network. BRH has been required to cover Teleco's recorded financial losses in recent years.

In 2007, BRH and the Government announced their intention to modernize Teleco through a public-private partnership (PPP) that would transfer majority ownership and management control to a reputable telecommunications investor. The strategy of opening Teleco's capital to a strategic partner would help improve the company's technical and financial capacities, modernize its infrastructure, and provide new services to its customers. More broadly, the modernization project aimed at achieving significant development impacts over five-years, including:

- Intensified competition in the telecom market (in 2009, a single company had over 60 percent of the market share).
- Increased penetration and higher quality mobile telephony services, particularly for low income customers and rural subscribers.
- Increased Internet penetration.
- Significant investments in critical telecom infrastructure—such as nationwide fiber optic backbone and access to a second fiber optic submarine cable—which were expected to boost the development of IT-services in the country.

With a population of nearly 10 million, Haiti had the potential to become the second largest telecom market in the Caribbean.

The earthquake that struck Haiti in the midst of the negotiations caused significant damage to the existing telecom operators' networks, including those of Teleco. Rebuilding infrastructure and increasing access to fixed, mobile, and high speed internet services became a key component of the country's long-term recovery strategy.

## IFC'S ROLE

IFC served as the advisor to BRH on structuring and implementing the international bidding process for the telecom PPP. IFC worked closely with Haiti's Council for the Modernization of State-Owned Enterprises, which acted as the project's implementation agency on behalf of BRH to ensure the highest standards of transparency and fairness. IFC also coordinated with the World Bank, which was conducting a reform project to improve the regulatory environment for telecom operators in the country.

## TRANSACTION STRUCTURE

The PPP established a new telecom company that possessed licenses and frequencies for a full range of telecom services, including wire line, fixed-wireless, international submarine cable, WiMax-based wireless broadband, and cellular. The winning bidder would hold a 60 percent stake in the new company; BRH, Teleco, and their affiliates would control the remaining 40 percent.

## BIDDING

Viettel won the international tender among three bidders to upgrade Haiti's fixed line network and build the country's first fiber optic cable network. Viettel will initially invest \$59 million, and then an additional \$40 million over four years.

The construction of the fiber optic cable network will provide Internet access to remote towns, while the opening of a second additional access point to submarine fiber optic cables will improve the country's global connectivity.

## EXPECTED POST-TENDER RESULTS

- The winning bidder, Viettel, will invest \$99 million to upgrade telecommunications services. This is Haiti's largest foreign direct investment following the massive earthquake of January 2010.
- Rebuilding telecom infrastructure and increasing access to fixed, mobile, and high speed Internet services are key components of Haiti's long-term earthquake recovery strategy. For instance, the new company's mobile network is expected to increase mobile penetration by 1.5 million subscribers in five years.
- Construction of the country's first fiber optic cable network—a >3,000 km network as described in Viettel's business plan—will provide Internet access to remote towns; opening a second access point to submarine fiber optic cables will improve global connectivity.
- The project, Haiti's third PPP, is expected to catalyze future foreign direct investments as well as new PPPs in critical power, transportation, and water sectors. This catalytic role is especially important given the challenging post-earthquake reconstruction needs in Haiti.

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