

Dominican Republic: Sustainability of the Electrical Power Sector

Activity:	Analysis of the Sustainability of the Electrical Power Sector in the Dominican Republic
Program Area:	Energy Sector Governance
Implementer:	Advanced Engineering Associates International
Geographic focus:	Global
Duration:	September 1998 – December 2004



1999, which resulted in the transfer of operating control over and the sale of a major ownership stake in, these companies to private foreign investors. Despite capitalization and the creation of a wholesale power market, the financial and quality of service problems that plagued the sector before the reform—and motivated it in the first place—have stubbornly persisted, resulting in ever deepening crises. Losses have remained at very high levels, impeding the attainment of financial sustainability despite very high rates. Blackouts have remained common, angering consumers, who have often blamed the reform process for these problems.

Project Background

This project assesses the sustainability of power sector reforms in Dominican Republic and proposes strategies or specific actions to consolidate these reforms and promote a more efficient and stable sector.

Development Objectives

The project was motivated by the major difficulties experienced by the electricity sector in the Dominican Republic since the capitalization of the country's generation and distribution utilities in

At the request of the new energy planning agency created as a result of the reforms—known as the National Energy Commission, or CNE by its Spanish acronym—USAID agreed to provide support for the identification of key problems and potential solutions so as to place the sector on the path towards financial, social, and political sustainability.

Project Approach and Activities

Starting with a description of the current structure of the Dominican electricity sector, the project examined the key stakeholders in the sector, including those of an institutional or programmatic nature, such as the regulatory agency or the anti-fraud program, respectively. The aim of the analysis was to identify the key stakeholders, their motivations and behavior, and their expectations about the reform process.



Power plant in Haina, the Dominican Republic.

In turn, this analysis led to the identification of the fundamental discrepancies among stakeholders and their impact on the performance of the sector after its reform. The analysis also permitted an assessment of the adequacy of the post-reform institutional and regulatory framework within the context of

the Dominican Republic. On the basis of these considerations, the report provided recommendations for strategies and actions to consolidate and promote the reform process. A second phase of the project probed more deeply into the quantitative analysis of key issues, such as the cost and quality of service.

Methodologically, the project relied on the collection of a very extensive set of documentation, ranging from contracts and regulatory decisions to databases on cost and quality of service at various levels (generation, transmission, distribution), as well as a large number of interviews with all the key stakeholders and many other persons, including low-income consumers of electricity in different parts of the country. The project reports are therefore based on both an assessment of information from interviews and written documents, and on the analysis of quantitative data.

The third phase helped push forward the implementation of the recommended actions through participation in a series of workshops organized by the CNE and open to all stakeholders. The project team made presentations that provided an international perspective on some of the key items in the reform agenda, such as ownership of transmission, and participate in the ensuing debates which were advertised in the press and open to all interested parties.



Project Results

First and foremost, it has established a diagnostic of the sector's problems, backed where possible by considerable quantitative analyses, that has helped to set a national priority agenda for both stakeholders within the country and major foreign actors such as USAID and the World Bank. This agenda has been the basis for the choice of themes addressed in the workshops, and should continue to provide a focus for reform efforts.

Second, the project has laid the groundwork for the establishment of a domestic and international consensus on the reforms that need to be implemented to ensure the sustainability of the reforms of the Dominican electricity sector. This has been accomplished through participation in the workshops, which on a number of issues, such as the vertical structure of the sector, have helped forge a consensus among major stakeholders, like the need to maintain the vertical unbundling of the sector, contrary to the calls for vertical reintegration expressed at times in the country as a solution to the current crisis.

Project Impact

The study will help the Government of the Dominican Republic and Multilateral Banks to articulate a better basket of instruments to support the country in the implementation of sustainable power sector reform and will serve as a base to design action plans (short, medium, and long term) to be implemented by the Government.

Lessons Learned

The report provided the basis for making concrete and actionable recommendations for strategies and tasks to ensure sustainability of the reforms in consonance with the country's history and characteristics. The workshops have helped the different stakeholders engage in an open dialogue and build consensus on issues critical to the reform process. Significant progress has also been made towards developing a national consensus for the additional reforms needed to attain sustainability.

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