

**AIRGRAM**

4/79 DEPARTMENT OF STATE Proj. 5180099  
AAV-496

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FROM - USAID/Quito

SUBJECT - Evaluation Report Loan No. 518-L-035

518-0099

REFERENCE -

EVALUATION LOAN NO. 518-L-035

A.I.D.  
Reference Center  
Room 1656 NS

- A. The loan was planned and negotiated six years ago, some nine years after the formation of the National Electrification Agency (INECEL). Three other U.S. loans for electrification had been made during the six years previous to this loan.
- B. The recorded purpose of the loan was to give impulse to rural development through electrification, to expand and strengthen the cooperative movement; thus achieving economic as well as social development, which is implicit in coop movements. The extension of electric service to farmers participating in other AID funded programs in the Guayaquil River basin was projected. The loan was designed to promote participation of a large sector of the population, to attain more equitable distribution of income, to increase private investment, and to establish a firm basis for demand of electric energy in this decade. The loan was stated "as important to continuing growth of cooperatives."
- C. Output indicators were given as formation of 3 new cooperatives, expansion of 6 local utility companies, and the organization of a department of INECEL charged with development of rural electrification cooperatives. To achieve these, inputs of \$11.2 million from several sources, and limited technical assistance and training activities by the National Association of Rural Electrification Cooperatives (NRECA) were programmed.

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DRAFTED BY Robert D. Adams <i>RD</i>	OFFICE O/GAP	PHONE NO.	DATE 6/14/76	APPROVED BY <i>[Signature]</i> Harry Ackerman, Director
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AID AND OTHER CLEARANCES

O/DP: PMaldonado *[Signature]*

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ACT. AD: ASchantz *[Signature]*

- D. Replanning by INECEL of national electrification goals was initiated soon after signing of the loan and has been underway continually ever since the program was initiated. With the substantial increase in economic projections and resources in Ecuador during the past few years, the national electrification plan has been redesigned increasing sharply market load projections and transmission voltages. As a result, INECEL sought changes in the selection of the entities participating in the program. There has been limited constructive management relationships between AID, INECEL, and the participating entities.
- E. However, we have been promised increased coordination by the new Manager of INECEL. The loan began as an instrument for promoting one course of system development, cooperatives, at a point in time when Ecuador was in the preliminary stages of setting a course in electrical development. The two previous AID supported efforts in electrical cooperatives (Daule and Santo Domingo) were considered success stories.

As implementation of this loan began, INECEL received a strong mandate from the GOE to produce a national electrification system, and a fairly high percentage of GOE revenues were allocated to INECEL for this purpose. Interest in the cooperative approach waned steadily in favor of a regional company approach which would absorb and integrate the various local companies and cooperatives; in these INECEL would make the management decisions and not be delayed by local groups in achieving the national system.

Although some adjustments have been made by INECEL in this approach, it remains that some of the initially targeted local social development will not be possible. Loan funded technical assistance from the NRECA was phased out in favor of INECEL self-financed assistance from Canadian International Power (CI Power) to provide guidance in the planned integration of existing utility companies into larger regional companies.

- F. In recognition of these changes in approach in the national electrification plan and weighing the need for rural service, the Mission negotiated a revised project description in mid-1975 which pulled together and confirmed the approach which INECEL is now following.
- G. The input of TA through NRECA was sound. However, the intended output of a rural electrification department in INECEL, truly sensitive and competent to reach and involve consumers, has not been achieved. The CI Power inputs are also regarded as sound, however the present management capacity in INECEL for the expanded national system has been evidenced as marginal.

- ii. The inputs of materials and money are still in process and the end results in economic development terms are yet to be verified, however, they appear to still be quite valid. As result of the continued replanning exercise in process within INECEL the utilization of program financed commodities should be monitored to assure that new priorities developed as a result of the planning exercise do not divert our inputs from the rural scene.
- I. The following data provides an overview of the overall electrification program of INECEL for the period 1973-1978 in the areas being supported by the loan:

	<u>Original Plan</u>	<u>1975 Plan</u>	<u>Actual Performance to date</u>
1. Generation	18,413 KW	35,500 KW	19,000 KW
2. Substations	34,350 KVA	77,250	MIL
3. Transmission and Distribution Lines	1,065 KM	1,371 KM	790 KM
4. Customer Connections	56,000	66,000	39,600
5. Estimated Cost	\$11,200,000	\$14,760,040 *	

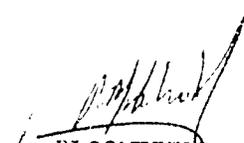
\* (Excluding  
Generation)

In the reprogramming of the loan in 1975, the following allocations were made:

	<u>ORIGINAL</u>		<u>REPLAN</u>		<u>ACCOMPLISHED TO DATE</u>	
1. Generation (Spare Parts)	\$ 158,410	2,500 KW	152,300	2,500 KW	\$152,300	2500 KW
2. Line Materials	2,588,760	1,065 KM	\$1,685,252	1,371 KM	1,600,989	790 KM
Distribution Transformers	300,000	14,500 KVA	541,378	19,750 KVA	541,378	4,000 KVA
Tools and equipment	NIL	34,350 KVA	300,000			
Substation Transformers	393,830		812,740	77,250 KVA		
Training and Contingence	109,000		58,330		47,000	

- J. INECEL has been successful in obtaining responsive bidding on commodities required for the program, with a few minor exceptions which are not expected to impede the program. Loan Financed generation materials line materials, and distribution transformers have arrived in Ecuador and are being distributed to the participating utility companies (empresas). Loan funded tools and equipment, and substation transformers have been contracted and are scheduled for delivery in December 1976. INECEL has been requested to monitor the status of these deliveries very closely in consideration of the December 31, 1976 terminal date for requesting disbursement of loan funds.
- K. The indicators of achievement of the purpose of the loan will be the actual connections of new customers. From Paragraph I above it is noted that there are still 26,400 connections to be made with funded materials in order to achieve the goals of the mutually agreed program.

- L. Our current reading is that these purposes will be accomplished. INECEL presently has budgetary problems which are delaying its procurement of certain self-financed necessary materials and there are delays in actual work commitments on previously planned 13.8 KV and 69 KV lines, and on substations.
- M. The Mission intends to assist INECEL to establish a management reporting system to facilitate monitoring and commitments to actions which will speed utilization and accountability of loan funded materials.



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