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CLASSIFICATION

PROJECT EVALUATION SUMMARY (PES) – PART I

Report Symbol U-447

1. PROJECT TITLE	2. PROJECT NUMBER	3. MISSION/AID/W OFFICE
Rural Electrification (AID Loan No. 386-T-225)	386-0462	USAID/India

4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) 82-5

[X] REGULAR EVALUATION [ ] SPECIAL EVALUATION

5. KEY PROJECT IMPLEMENTATION DATES	6. ESTIMATED PROJECT FUNDING	7. PERIOD COVERED BY EVALUATION
A. First PRO-AG or Equivalent FY 1979 B. Final Obligation Expected FY NA C. Final Input Delivery FY 83	A. Total $116 million B. U.S. $ 58 million	From (month/yr.) June 1979 To (month/yr.) October 1981 Date of Evaluation Review April 1982

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
1. Review construction and procurement management, systems for storage, recording and accounting to be in all states eligible for financing under the AID loan.	Messrs Y.P. Kumar, K.C. Kapoor & G.P. Varshneya	June 1983
2. Review construction quality and progress made on selected schemes.	Mr. Y.P.Kumar	June 30,1983

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS None

- [ ] Project Paper
- [ ] Financial Plan
- [ ] Logical Framework
- [ ] Project Agreement
- [ ] Implementation Plan e.g., CPI Network
- [ ] PIO/T
- [ ] PIO/C
- [ ] PIO/P
- [ ] Other (Specify) _____
- [ ] Other (Specify) _____

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

- A. [X] Continue Project Without Change
- B. [ ] Change Project Design and/or [ ] Change Implementation Plan
- C. [ ] Discontinue Project

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)

Y.P. Kumar, General Engineer
Project Officer
USAID/New Delhi

John R. Westley
Chief, Program Office

Clearances: JAMalick
RWNachtrieb

12. Mission/AID/W Office Director Approval

Signature Priscilla M Boughton

Typed Name Priscilla M. Boughton
Director

Date

AID 1330-18 (3-78)

and accepting supplies against orders placed. In a meeting to review the progress under the AID loan on October 14-15, 1981 with the officers of the various SEBs, REC expressed its concern over the slow progress made by SEBs in the utilization of the AID loan. REC urged the various SEBs benefitting from the AID loan to ensure that there is no delay in opening L/C and accepting supplies against the orders already placed so that the utilization of the credit could progress rapidly. Since then, disbursements have averaged $4.8 million per quarter and are expected to maintain this schedule.

MNP and SU schemes are formulated by the SEBs in accordance with REC's guidelines and norms concerning technical, financial and economic feasibility. The schemes formulated by SEBs are appraised in all aspects by REC's own staff before approving them for financing. We have found REC's appraisal and approval system satisfactory.

During the course of its review the Asia Project Advisory Committee (APAC) while approving the PP expressed the need for further studies/information regarding the project's social and economic equity considerations, interest rate spreads (i.e., the impact of interest rate structure on the viability and choice of rural electrification, and the impact of interest rates on the rate of return on investment in rural electrification) and justification of the extent and cost of electrification subsidies to small farmers.

The Mission noted that Resources for the Future (RFF), under a Central AID/W grant would be studying these aspects of socio-economic impact of the rural electrification program. The studies would be carried out by two Indian institutions: The Administrative Staff College of India (ASCI) and Operations Research Group (ORG). These studies will also shed light on the impact of rural electrification on incomes, employment, regional balance and the incidence of benefits. These studies focus on the relatively more advanced areas not covered by USAID financial assistance, but will give some insights into the overall program. The studies are still being finalized.

Evaluation Methodology

AID relies on REC for evaluation work on rural electrification program under this project. REC's evaluation program consists of current and long term evaluations. Current evaluation work is synonymous with REC's monitoring functions, and is carried out by its Appraisal and Monitoring Division. These evaluations review each project and its physical progress towards achieving connection targets through completion. The long term evaluation program focuses on getting impact evaluation studies done through private consultancy organizations or academic institutions. For the purposes of this PES, our evaluation is based on impressions gained by USAID monitoring teams during their visits to various SEBs and the discussions held with SEBs and REC officials. In some cases it was noticed that separate records were not kept for AID-financed materials or that the material were diverted for use in schemes other than eligible MNP and SU schemes. These problems were discussed by the concerned officials of SEBs and REC prompting REC to issue instructions to keep separate accounting records, replenish the materials diverted to ineligible schemes and to ensure that the AID financed materials issued to only eligible schemes.

External Factors

Major delays occurred in the procurement of materials at the outset because of issues related to AID policy on procurement source. Resolution of this issue caused a three to four month delay in the issuance of the first IFB. This situation was compounded by the submission of several unresponsive bids which necessitated a second round of bidding, for which the final issuance of this IFB was delayed due to last-minute modifications in response to U.S. supplier recommendations.

Inputs

No problems have been experienced in the amount and availability of AID and GOI contributions.

Outputs

The Project Paper has indicated an output target of approximately 154 schemes, a figure based on the average costs of a scheme (projected at $755,000 at the time of PP preparation) divided by the total amount of AID and GOI financing ($116 million) available. AID support of REC's MNP and SU program is intended for the procurement of materials to be installed primarily during the period from April 1, 1980 to March 31, 1982. The support is based on a time slice concept which means that schemes will be in various stages of completion that receive AID financing. Therefore, the actual number of schemes may differ from the 154 at the completion of the project. Because of delays in the early stages of the project, not all equipment has been installed by March 31, 1982. The PACD may be extended to accommodate a third and final round of procurement.

Purpose

The purpose of the project is to provide electrical energy for productive and social services to "backward" or economically disadvantaged areas. The purpose remains valid in view of the size of the MNP and SU program. The assessment with regard to physical achievement in terms of electrical connections actually given against targeted will have to wait until completion of this project.

Goal

The objectives of the project are to contribute to increased production/income and expand employment opportunities. At this point, when project progress is minimal, any attempt to estimate its contribution towards achievement of the goal will not be worthwhile. Despite the slow activity under the project, its goal remains unchanged.

Beneficiaries

The AID loan will finance both MNP and SU schemes. These schemes are of relatively recent origin (dating back to 1974) and they have encountered numerous implementation delays attributable to procedural and operational problems of SEBs and REC as a whole. Therefore, REC has not made any evaluation efforts as such. Schemes are still being constructed and expected benefits are still too minimal to warrant in-depth impact evaluations. However, inasmuch as these schemes are targeted to economically disadvantaged areas, beneficiaries are likely to be the AID target group. (For further background discussion, see pages 43 to 46 of the PP).

Unplanned Effects

Quantities procured in first two rounds of procurement were less than planned. A third round is contemplated, requiring an extension in the PACD by one year. Completion of schemes is taking longer than originally planned, and potential users are not seeking connections as rapidly as had been expected.

Lessons Learned

One of the factors that delayed implementation concerns the substance of the IFB. In retrospect much more time should have been spent with REC and appropriate AID/Washington offices in identifying potential problem areas. Although the Mission is not planning follow-on assistance for rural electrification, the lessons learned with respect to the IFB preparation process will have relevance to any similar procurement documents for USAID in the future. Many factors beyond the purview of the project as designed affect its success, e.g. coordination between SEBs and other development agencies and officers such as the block development officer. AID monitoring will have to address these factors.