

Project Assistance Completion Report

Project Title: Regional Utilities Maintenance Project
Project Number: 538-0138.08
Funding Period: 08/13/88 - 09/30/95
LOP Funding: DA Grant \$1,500,000 increased to
DA Grant \$5,000,000
Implementing Agency: Caribbean Electric Utility Services
Corporation (CARILEC)
National Rural Cooperative Association
(NRECA)
PACD: Original 07/31/93; Revised 09/30/95

1. Project Purpose

To assist in developing a regional electric utility association to provide training and other common service needs of ten targeted Eastern Caribbean Utilities.

2. Background

Developmental Problem

A prerequisite for the economic development of the Eastern Caribbean States was an adequate infrastructure, including a reliable and affordable source of electric power. The overall development strategy for most of the EC countries involved the development of tourism, small industry and private-sector led commercial enterprises. Such plans, if they were to succeed required reliable sources of electrical power at a reasonable cost.

Unfortunately, most of the utility systems in these countries were not reliable and had very expensive energy costs. Due to their small size and remote location, it was difficult for them to learn new techniques to improve service, to find cost-effective training for technicians and to take advantage of economies-of-scale, where activities could be undertaken at a lower per unit cost for bulk transactions.

As a result, the functions of many of the utilities were carried out uneconomically. For example, some of the systems were being operated by untrained personnel. To compensate for the lack of skills, line crews were often much larger than needed. Furthermore, errors caused by untrained crews threatened the useful life of the system facilities and endangered the lives of fellow employees as well as the general public.

In some of the islands, hotels and other sensitive loads had their own stand-by power units due to the unreliability of the electric systems. This made it much more expensive to operate such commercial enterprises in the region. As a result, future development in such crucial economic sectors became a problem.

It was felt that as the islands attracted more small industry and commercial investments, their utilities would have to become much more responsive to the need for reliable service and would have to change their operating procedures accordingly. For example there was a need to implement hot line maintenance techniques, changing conductor ties and other activities, which in turn required training.

For their part, the smaller utilities in the region individually could not afford to develop staff skills in detailed engineering analysis, financial studies and management techniques. As a result they would have been compelled to do one of the following:

- pay for very expensive foreign consultants, who rarely train utility staff or explain their work in sufficient detail;
- depend on grant funds from donor agencies to conduct the studies (and these are often tied to equipment purchases);
- do not conduct needed analysis, and make decisions based on insufficient indicators.

The conclusion was that the utilities had to unite to serve their best interests and the interests of their customers, the general public. The vehicle chosen for this undertaking was The Caribbean Electric Utility Services Corporation (CARILEC).

3. Project Funding

The Regional Utilities Maintenance Project was authorized on July 1, 1988 and on the same day a Cooperative Agreement was signed with the National Rural Electric Cooperative Association (NRECA) of the US with \$1,500,000 in USAID funds. The expiration date of the agreement was set for August 31, 1989 and extended first to December 31, 1989 by Amendment No. 2 dated August 31, 1989 and then to March 15, 1990 by Amendment No. 3 dated February 15, 1990. The Cooperative Agreement with CARILEC was signed on August 15, 1989 with \$1,500,000 in USAID funds (DA), CARILEC's contribution was \$45,400. This brought total USAID funding to \$3 million (\$1,500,000 - NRECA, \$1,500,000 - CARILEC).

The expiration date of this agreement was set for July 31, 1993. By Amendment No. 2 dated June 29, 1990, USAID funds were again raised to \$2,343,000 (DA), CARILEC's contribution remained the same. By this action the total USAID funding for the project became \$3,843,000 (\$1,500,000 - NRECA, \$2,343,000 - CARILEC). By Amendment No. 3 dated August 30, 1990, USAID funds were raised for the final time to \$3,500,000 (DA) and CARILEC's contribution remained at \$45,400. By this action the total USAID funding for the project now became \$5,000,000 (\$1,500,000 - NRECA, \$3,500,000 - CARILEC). By Amendment No. 4 dated January 29, 1993 CARILEC's contribution was raised to \$2,098,103 and the expiration date was extended to September 30, 1995. By Amendment No.5 dated January 13, 1995 CARILEC's contribution was reduced to \$1,064,234.

At the end of the project expenditures amounted to:
USAID grant funds \$5,000,000 and CARILEC funds \$1,064,233.

4. Outputs

Planned Outputs

1. Training of trainers:- 13
2. Utility staff skills training (courses):- 31
3. Common services training:- 8
4. Participating utilities:- 7

Achieved Outputs

1. Training of crainers:- 13 (100%)
2. Utility staff skills training (courses):- 201 (648%)
3. Common services training:- Nil
4. Participating utilities:- 23 (328%)

When CARILEC was launched in 1989 the plan allowed for a membership of 7. Due to CARILEC's excellent performance and its success in marketing itself, at the end of the project it had 34 members from the English, French and Spanish speaking Caribbean, of which 23 members were utility companies. All through its project life CARILEC continued to form business relationships with organizations having common interests and at the end of the project had formed 9 such relationships in the Caribbean, in Canada and the United States.

There was a proposal to train staff in common services in the US. However the utility member companies proposed and it was agreed that this training be cancelled and that the funds be used for local training. CARILEC's training program which its members wanted from the start was and continues to be a resounding success and has been widely acclaimed for raising the standards of service in the utilities. Over a period of less than 5 years CARILEC managed to initiate a program acceptable to its members and carried out 203 training courses that trained over 3,150 persons. This intensive training program has resulted in over 17,350 trainee days. The program which is ongoing has to date covered the following areas:- management, administration, business, engineering, technical and craft and has dramatically changed the quality of service delivered by member utilities.

Having achieved its objective in training CARILEC added to its business portfolio a joint services program which is progressing satisfactorily. Over 32 activities have already been completed or ongoing. The Joint Services Catalogue, the Hurricane Action Plan, the Materials Procurement Plan and Joint Insurance are some of the activities of this program.

CARILEC's sustainability came under review in 1991 and an evaluation was carried out. The evaluation recommended that CARILEC begin contributing to the project instead of continuing with its then existing practice of banking its funds for the day when USAID funding ends and CARILEC begins to fund itself. This and other recommendations made by the evaluators were adopted by CARILEC and in 1992 CARILEC contributed 25% of expenditure. From January of 1995 CARILEC was expected to contribute 75% of all expenditure. However due to RDO/C's plan to close down in 1996 it was decided that the USAID contribution should be used up as soon as possible. As a result CARILEC's contribution kicked in towards the latter half of 1995 and from then on CARILEC funded all its expenditure. This does not take into account the individual contributions made to the programs by CARILEC's members. CARILEC has pursued self sustainability from 1989. In 1993 CARILEC began developing a business plan for self sustainability which was finalized in November of 1994. In June 1995 CARILEC achieved self sustainability after having redrafted its business documents to reflect its independence from USAID.

5. Lessons Learned

Lesson No. 1 - Discussion

This project was the result of an intense lobbying effort by some of the utilities in the region, in particular the Barbados Light and Power Company. A Congressional earmark started the project and NRECA was chosen to implement activities together with the Florida Power and Light Company (FPL). The original proposal was for NRECA and FPL to implement the project and at the end of USAID funding to hand over the project to the utilities. However the utilities refused to accept this proposal and counter proposed that they form a company and take over the project after one year. After some discussion this proposal was accepted and as a result the Caribbean Electric Utilities Services Corporation (CARILEC) was born. The electric utilities were on the management board of this company and took a very keen interest in its progress. As a result CARILEC prospered.

Lesson No. 1 - Let the recipient of assistance decide what it really wants. USAID's role should be that of a facilitator helping the recipient to clearly define the problem.

RDO/C has often tried to take a back seat when a project problem was being defined but has then found itself right in the thick of things due to its enthusiasm to help quickly. This attitude has inevitably ended with the project being considered by the recipient of aid as a USAID project and not as a recipient's project. However the Regional Utilities Maintenance Project was one time this did not happen and the results have been astounding.

Lesson No. 2 - Discussion

From the beginning of the project it was the desire of all concerned to implement the project as much as possible as a business. With this in view it was decided to audit the project on an annual basis. As a result problems of proper accounting, implementation and sustainability were identified early on and not only rectified but improved. Also early in the project an evaluation was carried out to determine the sustainability of CARILEC. This evaluation helped greatly to focus the attention of all on running CARILEC as a business. Both these actions helped CARILEC towards profitability and therefore survival in the market place.

Lesson No. 2 - Use audits and evaluations as management tools.

Generally the attitude has been to have an audit or an evaluation carried out when implementation of the project has become problematical. This did not happen with this project. There was a conscious effort by all concerned with the project to use especially the annual audit as a management tool and it had very good results.

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