

**TECHNICAL COOPERATION PROGRAM IN SUPPORT OF
PRIVATE INVESTMENT IN INFRASTRUCTURE**

(EC-0180)

EXECUTIVE SUMMARY

**BORROWER AND
GUARANTOR:** The Republic of Ecuador

EXECUTING AGENCY: Consejo Nacional para la Modernización del Estado
(CONAM)

AMOUNT AND SOURCE: IDB: US\$13.5 million (OC)
Local counterpart funding: US\$ 2.7 million
Total: US\$16.2 million

**FINANCIAL
TERMS AND
CONDITIONS:** Amortization period: 20 years
Grace period: 5 years
Disbursement period: 5 years
Interest rate: variable
Inspection and supervision: 1.00%
Credit fee: 0.75%
Currency: United States dollars
from the Single Currency
Facility

OBJECTIVES: The objectives of the program are: (i) to strengthen the capacity of public agencies to fulfill their regulatory functions, grant concessions and formulate policies in subsectors of private sector interest; and (ii) to identify and prepare the technical, legal, economic, financial, social and environmental, and institutional aspects of privatization and investment projects that will attract private capital.

DESCRIPTION: The program is divided into two components: (i) formulating, implementing and supervising regulatory and sector policy mechanisms; and (ii) preparing specific projects to be offered to private investors.

Regulation and sector policies (US\$1.39 million). In the ports sector, the authorities need to conduct studies to define a concessions strategy and then to develop concessions for the ports of Manta, Esmeraldas and Bolívar, and the fruit terminal at the Port of Guayaquil. With respect to airports, financing needs include institutional restructuring

to define and locate regulatory functions relating to infrastructure, services, security and air transport, and to develop the policy-making functions assigned to the Civil Aviation Council. In addition, there is a need in the land transport subsector to identify ways of improving the coordination of regulatory functions between regulatory bodies in the areas of ports, marine transport and aviation, with a view to eventually incorporating the formulation of transportation policies.

Preparation of specific projects (US\$12.1 million). This component will finance technical studies and specialized consulting services for structuring the concession and privatization processes. In the case of studies, funding will be provided for feasibility analyses, traffic, basic and final designs, social and environmental audits for existing projects and social and environmental impact assessments of new projects. With respect to support for process structuring, funding will be provided for specialized advisory services, investment consortia and/or banks, legal advisory services and overall support in negotiating and evaluating financial offers and options.

Specifically, funding will be provided in the electricity sector to prepare privatizations and award concessions for electrical generation and distribution projects and firms, as well to develop guarantee instruments for power generating projects. In the highways sector, funding will be provided for technical, environmental and social studies and the concessions structuring process. In contrast to other sectors, the proper preparation of highway concessions requires a greater level of technical detail, including the preparation of basic and final designs. Accordingly, the program will finance their preparation as well. With regard to sanitation services, projects will be developed and documentation prepared for concessions in various municipalities in the provinces of Esmeraldas and Manabí, in the municipalities of Cuenca, Península de Santa Elena, and various cities across the country. In the ports area, feasibility studies will be prepared for a container handling terminal project in the port of Manta, and situation evaluations will be performed for FLOPEC, TRANSHAVE and Flota Mercante Gran Colombiana, to define alternative forms of private participation. In the airports area, additional resources are needed to review and complete the evaluation of strategic partners, and

the negotiation and award of contracts for the airports of Quito and Guayaquil, and to initiate studies on expanding and relocating other airports serving domestic traffic, including the airport of Cuenca.

Organization and execution. The program will be organized under the administration and coordination of CONAM. A Project Technical Committee will be set up, with responsibility for strategic management of the program. The beneficiary entities will be directly responsible for carrying out each of the activities under both components. The execution period will be four years, on the basis of annual operating plans, the first of which was agreed on between the Bank and CONAM. Specifications for the activities to be carried out in subsequent years will be worked out prior to the beginning of each year, once activities and compliance with goals established for the previous year have been assessed. During the first two years of the program, technical missions will be organized every six months to review the extent to which the goals agreed on have been attained. During the last two years, these missions will review the project on an annual basis only.

Because the program will embrace activities in various sectors, the beneficiaries will be: CONAM, the National Electricity Council (CONELEC), the Ministry of Public Works (MOP), the National Transit and Land Transport Council (CNTTT), the Merchant Marine Department (DIGMER), the Port Authorities of Guayaquil, Manta, Esmeraldas and Bolívar, the Civil Aviation Directorate (DAC), provinces, municipalities and cities across the country.

**ROLE OF THE
PROGRAM IN THE
BANK'S STRATEGY
FOR THE COUNTRY
AND THE SECTOR:**

One of the objectives of the Bank's strategy is to improve the climate for private investment in infrastructure. This program is consistent with that strategy and sector strategies, since it will support the creation of regulatory frameworks and an orderly process for granting concessions, thereby opening up new opportunities for private investment and ensuring that the public sector has the capacity to supervise and monitor private participation.

**ENVIRONMENTAL
REVIEW AND SOCIAL
ASPECTS:**

During the first six months of the program, as part of the activities of the regulation and sector policies component, advisory services will be funded to support the national authorities with the institutional arrangements for establishing, on the basis of the consultants' recommendations, the levels

of responsibility of the different national and regional agencies in monitoring social and environmental commitments; and for drawing up an action plan of social, environmental, and institutional strengthening in the infrastructure sectors, to be financed in year two of the program. As part of the project preparation component, social and environmental audits and assessments will be performed, using sector criteria developed as part of the program preparations.

BENEFITS:

Many of the projects to be prepared under the program entail substantial investments, which will add to the country's production base and will have a positive impact on capital markets and local credit, and expand opportunities for domestic savings. These investments will create important sources of additional employment, resulting in increased access to basic services for people who still have no such coverage.

The State, provinces, municipalities and cities will also benefit, either through an increase in the tax base resulting from the new investments, or in some cases through earnings from concession fees. In addition, public entities will be better able to meet their social obligations, by being relieved of the burden of new infrastructure investments that they would have to make in the absence of private participation.

RISKS:

This program will be particularly difficult to administer and coordinate, in light of the variety of subsectors involved and the great number of participating entities. To help ensure proper execution, a Project Technical Committee and a Coordination and Administration Unit have been established, and institutional strengthening will be provided for the beneficiary sector units. In addition, the program executing agency, CONAM, has built up a sound track record in administering and coordinating operations of this type: in the last five years it has successfully executed two major technical-cooperation programs with the World Bank, and four with the IDB. That this is a program with annual operating plans examined and approved by the Bank, with monitoring by administration missions, on a semiannual basis during the first two years and once a year in the final two years, will permit timely adjustments to be made to keep it on track towards its objectives. Moreover, the inclusion of projects within the operating plans will require careful apportioning of responsibilities between

CONAM and the participating entities, and the establishment of clear operating mechanisms to administer and monitor these responsibilities.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

Conditions precedent to the first disbursement: The borrower through the executing agency shall demonstrate to the Bank that the following units have been set up within CONAM with the functions and personnel previously agreed on: (i) the Project Technical Committee (see paragraph 3.27), and (ii) the Program Coordinating and Administrative Unit and that the Program Coordinator has been appointed (see paragraph 3.30).

Special conditions concerning execution: (i) within six months after the date of contract signature, that a social and environmental program be submitted, setting out the levels of responsibility of the different national and regional agencies in monitoring the social and environmental commitments contained in the concession and privatization agreements as well as an action plan for a social, environmental, and institutional strengthening program for the infrastructure sectors (see paragraph 3.8); (ii) before the consultants are selected and hired to provide social and environmental advisory services, that terms of reference which include the relevant sector criteria be submitted (see paragraph 3.9); (iii) before consultants are selected and recruited to prepare the privatization and concession documentation, that terms of reference which include measures for mitigating adverse social and environmental effects and their estimated costs, and the final documentation for the privatization and concessions be submitted (see paragraph 3.9); (iv) within 30 days of the anniversary date of program execution, that an annual plan of operations be prepared in accordance with guidelines and criteria previously agreed on with the Bank (see paragraphs 3.22 and 3.29); (v) within 45 days after the end of each semiannual period of project execution during the first two years of the program, that technical meetings be held semiannually to evaluate the progress of the program (see paragraph 3.36); (vi) within 60 days after the completion of years three and four of the program and during the last two years thereof commencing from year two of the program, that technical meetings be held every year to review the progress of the program (see paragraph 3.36); (vii) that an interim evaluation be submitted within 24 months after the date of contract signature and a final report within 60 months after the aforesaid date (see

paragraph 5.1); and (vii) within 30 days after the close of each semiannual period during program execution, that a semiannual progress report be prepared in accordance with the guidelines and criteria previously agreed on with the Bank.

**POVERTY TARGETING
AND SOCIAL SECTOR
CLASSIFICATION:**

Not applicable.

**EXCEPTIONS TO
BANK POLICY:**

In the case of specialized consulting services (investment banks or consortia led by investment banks) for privatization and concessions involving contracts greater than US\$200,000, it is recommended that these be subject to a combined technical and economic evaluation procedure, in light of the peculiar features of the international market for such services, where price is a determining factor in the awarding of contracts (see paragraph 3.34). The weighting of the economic factor should not exceed 20% of the total evaluation.

PROCUREMENT:

It is recommended that the evaluation and approval by the Bank of activities relating to the hiring of consulting services valued at up to the equivalent of US\$30,000, be performed on an ex post rather than ex ante basis. During program execution, this recommendation will be examined on the basis of experience to determine whether its use should be continued (see paragraph 3.31).

The threshold above which procurement of goods must be done by means of international competitive bidding is US\$250,000. For procurement below this threshold, the system for awarding contracts for small goods agreed on with the country on September 15, 1992, will apply. No construction works will be financed with the proceeds of the program financing (see paragraph 3.35).

I. BACKGROUND

A. Introduction

- 1.1 During the last five years, the Government of Ecuador has implemented major programs of economic reforms and measures directed at correcting the country's macroeconomic imbalances, restructuring state enterprises, and modernizing the Government and the financial system. Structural reforms are targeted at improving the operating efficiency of the respective sectors, reducing the involvement of the State, and promoting private investment in these areas.
- 1.2 As a result of these efforts, the country has had some success in reducing the inflation rate, stabilizing economic growth at around 3.5% per year for the period 1991-1996, paring fiscal deficits, and reducing the high level of external indebtedness to 66% of GDP in 1996. In addition, during the period 1992-1997, the government won approval of major legislation that allows for private investment in sectors previously reserved for State capital. It has made significant advances in enlisting the private sector in the ports and roads subsectors, and it has developed systems and taken decisions to consolidate the opening up of the telecommunications, electricity and airports subsectors to private capital.

B. The macroeconomic framework

- 1.3 Although fiscal, monetary and balance of payments policies have in general been consistent with the goal of achieving internal and external equilibrium, the results for the years 1996-1997 reflect a certain weakening of the macroeconomic situation. This outcome is the result of shifting domestic political circumstances and the influence of a number of exogenous factors, such as climatic problems and the fall in oil prices. At the beginning of 1998, oil prices remained depressed, although labor unrest in opposition to the government's economic policies seems to have moderated, and progress continues towards a return to political and institutional normality.
- 1.4 The declining trend of inflation indicators over the last few years came to a halt in 1996 and reversed itself in 1997, when consumer prices rose 31%, reflecting political uncertainties and higher tariffs for public services. Economic growth also suffered a setback in 1996, recording a rate of only 2%, but it recovered slightly in 1997 to reach 3.3%, thanks in part to the strength of banana and shrimp exports attendant upon the opening of markets in the United States, Eastern Europe and Asia. The outlook is less promising for 1998, and suggests an economic growth rate of only 2.5%, due to the depressing effect of the increases in real interest rates, the impact of the El Niño phenomenon on output, and

efforts to trim public spending and raise taxes to keep the fiscal deficit under control.

- 1.5 The new government's fiscal policy is a cornerstone of its plan to prevent the macroeconomic situation from deteriorating. The deficit had risen to 6% of GDP by early 1997, and the authorities who took office at that time were compelled to take several steps, which included imposing major increases in the rates charged for public services and in taxes. As a result, the fiscal deficit shrank to just 2.2% of GDP during 1997. In 1998, the Ecuadorian economy was severely affected by a natural disaster caused by the El Niño phenomenon, and the external shock of falling oil prices. These factors accounted for fiscal and balance of payments deficits projected at 7% and 8% of GDP respectively. Inflation continued to be on the rise, touching an annual rate of 34% by the time the new administration took office. Last September 14, the Central Bank raised the exchange band by 15 percent with the result that the depreciation of the sucre reached an annual rate of 48%.
- 1.6 One of the priorities of the new administration is to restore economic stability through increased fiscal revenue, restructuring of the government through greater private participation in infrastructure services, sale of State-owned enterprises, and the targeting of subsidies. This process was launched with the elimination of general subsidies on gas, electricity, and diesel fuel, and is to be replaced by a system of rebates for poor mothers and the elderly. Preliminary estimates show that the net impact of these measures will be to pare the fiscal deficit by 1.6% of GDP. The administration has begun talks with the International Monetary Fund and hopes to reach an agreement in the first quarter of 1999 at the latest.

C. Legal and regulatory framework

- 1.7 The government's initiatives to modernize the Government were launched in 1992, with approval of a new budget law that incorporates management and financial systems in a consolidated public budget, and these efforts continued with approval of the Tax Reform Law of 1993, which cut taxes on savings and improved the administration of taxes. Next, the Law on Modernization of the State, Privatizations and the Delivery of Public Services by the Private Sector, approved in 1993 as well, established the legal framework for reforms in the public sector, and made it possible to privatize State enterprises and services previously provided by government.
- 1.8 Other important laws that have helped to produce more favorable conditions for investment decisions in the country are: the Capital Markets Law, approved in 1993, the Financial Institutions Law of 1994, which calls for introduction of new financial instruments and lays the groundwork for universal banking services, and the Agricultural Development Law (1994), which provides

protection for land ownership rights and facilitates the sale of land.

- 1.9 In August 1995, a law reforming the Special Telecommunications Law was promulgated; it establishes a clear and consistent regulatory framework for the telecommunications market in Ecuador and creates the corresponding regulatory body. This law also authorizes the transformation of the State telecommunications company (EMETEL) into a corporation [*sociedad anónima*], and provides for a restructuring of tariffs to reduce cross subsidies.
- 1.10 In October 1996, the Electricity Sector Law was enacted, putting in place a new legal framework for the electricity sector and permitting private investment in power generation, transmission, distribution and marketing. This law establishes the National Electricity Council (CONELEC) as a purely regulatory body, and the National Energy Control Center (CENACE), a private corporation, to handle the technical and economic aspects of bulk energy transactions. This law was subsequently amended in February 1998. The reform defines the process for transferring the assets of INECEL, sets out the method for privatizing the distribution companies, and stipulates that new power generation projects included in the Master Plan approved by CONELEC should be let under public concession procedures. This legal framework was recently amended to allow an additional six months for the transformation of INECEL into separate production units, thus confirming the priority accorded by the government to linking up private investment in these units. The extension expires in March 1999.
- 1.11 In the sanitation services sector, a draft Basic Law on Water and Sewer Services has been completed and sent to Congress. It will draw up a new legal, institutional and regulatory framework for the sector that will allow for private investment through a system of concessions, and promote the modernization of the sector.
- 1.12 The Regulations to the Law on Modernization of the State, enacted in late 1994, completed the legal framework for participation by the private sector in port services and in road infrastructure, through a concession regime. The Regulations for Port Operations by the Private Sector were approved in 1995, and the Regulations for Port Services for State Commercial Ports in 1996, the year in which the Ministry of Public Works Concessions Unit was established. Currently, a ports law is being drafted that would establish the regulatory and supervisory body for this sector.

D. The role of private investment

- 1.13 With the legal and regulatory frameworks in place and regulations and operating standards now issued, the government has begun to develop and implement a number of projects that involve private investment in the ports and roads subsectors. In addition, it has

moved forward towards defining systems for private investment in airports, telecommunications, electricity and sanitation.

- 1.14 **Ports.** The Port of Guayaquil has undergone a wide-ranging institutional and physical reorganization and redimensioning of its staff, which have resulted in significant reductions in tariffs and greater operating efficiency. The Port Authority is now limited to specific duties, and all port services are being provided by private operators under leasing agreements. Standards and documentation have been completed for calls for bids for the operation of container and grain terminals under concession contracts, the first of which includes the extension of the wharf with an investment of some US\$20 million. Consulting services have been contracted to prepare the terms and conditions for Master Development Plans for the ports of Manta, Esmeraldas and Bolívar, and these are to be completed by the end of 1998.
- 1.15 **Airports.** A corporation has been created for a new airport at Quito, and bylaws for another corporation for the new Guayaquil airport are now being drawn up. As well, cost studies have been done for the two new airports, with preliminary estimates of US\$300-400 million for each one, and seven consortia have been prequalified to participate in the bidding to select strategic partners to build and operate the new Quito airport.
- 1.16 **Highways.** Under the MOP roads concession program, two contracts have been signed for concessions to improve, rehabilitate and maintain two stretches of trunk highway, including a 700-km extension, and the Prefecture of the Province of Pichincha has let a concession to expand and maintain a 12-km stretch of heavily traveled highway.
- 1.17 **Telecommunications.** In October 1996, EMETEL, a State enterprise, was transformed into a corporation. That enterprise is permitted by law to be split into two operating companies, and the Government's strategy includes the creation of ANDINATEL S.A., to provide services in the Sierra zone, and PACIFICTEL S.A., to provide services in the coastal region. These operating companies will be authorized to take on strategic private partners, by means of international bidding, for up to 35% of their capital. Of the 65% remaining in State hands, up to 10% will be reserved for employees of EMETEL, and up to 2.5% for employees and retirees from the subsector. The first call for bids was canceled, when only one bid was received, thereby falling short of the requirement that there should be competitive bids. A second call for bids held in April 1998 was also unsuccessful. It is expected that the new authorities will return to this process.
- 1.18 **Electricity.** Of a total of 60 generating plants, with an installed capacity of 2,834 MW, there are 11 private plants, and private projects for power generation that have been approved by decree or

by permits granted by INECEL for approximately 1,000 MW, which will have to be consistent with the provisions of the legislation approved in October 1996. It is estimated that to meet the country's requirements for the period 1998-2010 some 2,200 MW of capacity will have to be installed, in accordance with government policy, in a variety of forms of private and State participation. The new legislation calls for the transfer of the assets of INECEL to the generating and distribution companies, as appropriate. In 1999, these companies may take on strategic partners for up to 39% of their capital, and their workers may participate in up to 10% of their share capital.

- 1.19 **Sanitation.** The process for privatizing water and sewer services in Guayaquil is now under way. With the Bank's technical and financial support, the municipal authorities have decided to grant a concession for these services to a private firm, for a period of 30 years. The concessionaire will have full responsibility for administration and operation of the service, as well as for execution and financing of an investment plan of some US\$700 million. To date, three firms have acquired the bidding documents. It is expected that the award will be made by the end of 1998, and that transfer of the services to the concessionaire will be completed by the middle of 1999.

E. Social and environmental aspects

- 1.20 In Ecuador, there is no one national standard governing all aspects of environmental protection and natural resource management. Through the years, separate sets of standards have been issued by different legal bodies within the country, reflecting the segmented division of the government. There are sufficient laws and institutions to conduct and maintain satisfactory environmental management, but many of these legal provisions have not been enforced.
- 1.21 As part of the effort to build an environmental institutional framework, the Ministry of the Environment (MMA) was created in October 1996, with the principal objective of unifying existing regulations and rules on the environment and assuming the role of a national environmental authority. The major function of the MMA is to provide guidance on national policies and strategies on issues relating to the environment. Despite its efforts to date, it still faces serious challenges: institutional integration and coordination, land use and development planning instruments, and consistency in environmental legislation.
- 1.22 The draft Environmental Law, currently in its second reading in the National Congress, calls for interaction between the various levels of the government with environmental responsibilities, through a National System of Environmental Management. The MMA will be expected to act as the coordinating and liaison body for the

various components of the system. The draft law also creates the Single National System of Environmental Impact Assessment, establishes the Environmental Control System and the National Network of Environmental Information and Surveillance, and defines the sanctions and penalties to be applied for violations of environmental protection standards, and for environmental damages. This proposal is currently under discussion, and there is still no defined institutional mechanism for its future administration.

- 1.23 With respect to the privatization and concession process for infrastructure services, Ecuador does not have a framework for conducting environmental audits or assessing the environmental and social impact of projects of this type, largely mirroring the institutional situation described above. The consolidation of the legal, regulatory and institutional framework, as well as the introduction of systematic environmental audits and studies of environmental and social impact, are fundamental aspects both for the national authorities, who need a consolidated framework and levels of responsibility established to monitor compliance with environmental commitments; and for potential private investors, who require clear rules for their participation in these processes.

F. Role of the program in the Bank's strategy and country and the sector strategies

- 1.24 One of the objectives of the Bank's strategy is to improve the climate for private investment in infrastructure. This program is consistent with that strategy and the country's sector strategies, since it will support the creation of regulatory frameworks and orderly processes for granting concessions, thereby opening up new opportunities for private investment and ensuring that the public sector has the capacity to supervise and monitor private participation.

G. Bank experience

- 1.25 In recent years, the Bank has supported the Government of Ecuador with investment loans and policy support, and with a number of technical-cooperation operations in the areas of transport, sanitation services and electricity. Reimbursable and non-reimbursable technical cooperation for developing basic legislation and for proceeding with reforms to facilitate private investment in ports, roads, airports and sanitation services have totaled some US\$6 million.
- 1.26 The National Highways Plan (loan 723/OC-EC) in the amount of US\$120 million, approved in December 1992, includes a component for institutional strengthening of the MOP, and studies of highway projects, several of which are part of the MOP concessions program prepared in 1997. The Quito water supply system upgrading program (loan 745/OC-EC) in the amount of US\$170 million, approved in September 1994, provided funding for infrastructure works and for

tariff and cost-benefit studies on expansion of the system. The private sector concession for water supply and sewer service for Guayaquil in the amount of US\$50 million (loan 1026/OC-EC), approved in July 1997, includes funding for rehabilitation of infrastructure, transformation of the municipal utility company, the bidding process, and awarding of the concession.

- 1.27 The restructuring of transport services in the amount of US\$80 million (sector loan 842/OC-EC), approved in November 1994, and technical assistance loan (843/OC-EC) in the amount of US\$2.4 million, in support of the previous loan, helped with the introduction of reforms in the ports, roads and railways sectors. A Legal and Institutional Framework to Encourage Private Investment in the Transport Sector (operation ATN/MT-4908-EC) in the amount of US\$1.6 million, approved in May 1995, supplemented the funding for loan 843/OC-EC for the subsectors mentioned, with additional funding for reforms in the airport subsector.
- 1.28 The modernization of the water supply sector (PROMASAN) in the amount of US\$900,000 (operation ATN/MT-4960-EC), approved in July 1995, includes funding for the legal and regulatory framework and development of criteria and standards for granting concessions. Operation ATN/MT-5877-EC in the amount of US\$1.15 million, approved in February 1998, is intended to strengthen the highway concession system, increase the technical capacity of the MOP's Concession Unit, and expand the network operated under the concessions system. This technical cooperation includes revising the legal and regulatory framework for highway concessions, developing economic and financial methods and models, types of financing, technical and environmental standards, demand studies, and promotion of the MOP concessions program.
- 1.29 Preparation of the proposed program was based on technical studies carried out under the various Bank operations now in progress referred to above. It has taken full account of the progress achieved under them, and is moving ahead and deepening the process already initiated to open the way to private participation in infrastructure.

II. OBJECTIVES

- 2.1 The **objectives** of this program are: (i) to strengthen the capacity of public agencies to fulfill their regulatory functions, grant concessions and formulate policies in subsectors of interest to the private sector; and (ii) to identify and prepare the technical, legal, economic, financial, social, environmental and institutional components of privatization and investment projects that will attract private capital participation.

III. DESCRIPTION

- 3.1 The Government of Ecuador has completed the legal framework needed for private investment in electricity, transportation and telecommunications, and has begun to establish the regulatory and concession-granting bodies and the institutional structure to determine policies in these sectors. Projects with private-sector participation have already been undertaken in the areas of electricity, highways and ports. Now before Congress is draft legislation for the modernization of the water supply and sewer systems and these services are being privatized in the municipality of Guayaquil.
- 3.2 Nevertheless, to expand the involvement of highly qualified private operators in these sectors and to create conditions conducive to introducing these processes in other sectors, specific projects will need to be designed with technical and economic criteria that will make them extremely attractive to private investors. As well, in order to facilitate the involvement of private operators, it is important to establish clearly defined and smoothly functioning systems for the bidding and awarding of contract, so as to minimize complications and delays. Another key element is to ensure an atmosphere of wide competition among bidders, both during the pre-contract period and throughout the provision of services. On the other hand, due protection for the interests of users and consumers and the Ecuadorian State means that services must be of high quality, tariffs for those services must be set at an appropriate level, new technologies must be used whenever suitable, and concession contracts must be strictly enforced in all their aspects.
 - A. Components
- 3.3 The program is organized in two components: (i) formulating, implementing and supervising regulatory mechanisms and sector policies; and (ii) preparation of specific projects to be offered to private investors.
 1. Regulation and sector policies (US\$1.39 million)
- 3.4 This component will finance specialized advisory services to establish or strengthen the functions of regulation and the granting of concessions, and formulating and executing sector policies that bear directly on the participation of private operators. This component will also pay for advisory services on the social and environmental organization of infrastructure sectors. Once these functions have been defined, steps to strengthen them institutionally will be drawn up and financed. As to the electricity sector, CONAM has World Bank funds to develop

the sector regulations, and is expected to seek financing from MIF to supplement these initiatives.

- 3.5 **Ports.** Advisory services in this area will help in the preparation of the ports law, and regulations to promote and consolidate private participation in this sector.
- 3.6 **Airports.** Since the Government's privatization policy would have the Civil Aviation Directorate (DAC) act as a passive partner, representing the State in the new airport companies for Quito and Guayaquil, funding is required for the institutional restructuring needed to define and locate regulatory functions relating to infrastructure, services, security and air transport, and to develop the policy-making functions assigned to the Civil Aviation Council.
- 3.7 **Transport.** In the case of highways, resources have been obtained from MIF to establish a framework for concessions, to strengthen the Concessions Unit, and to provide direct support to the provinces. Hence, funding under this program will go to support institutional reorganization studies and subsequent measures to strengthen the policy and regulatory bodies of the land transport subsector, and measures to improve coordination of functions with similar regulatory bodies responsible for the ports, marine transport and aviation subsectors, with a view to eventual development of integrated transportation policies. Funding will also be provided for studies to determine routes and frequencies for freight and passenger transport, as well as for tariff-setting systems and business management.
- 3.8 **Social and environmental considerations.** During the first six months of the program, advisory services will be funded to support the national authorities in establishing a social, environmental, and institutional framework, and which will serve as a basis for an action plan for an institutional strengthening program. These advisory services will result in the establishment of the levels of responsibility of the various national and regional agencies in monitoring social and environmental commitments, including those contained in privatization and concession contracts. In subsequent years, institutional strengthening activities will be financed under this program.

2. Preparation of specific projects with private participation
(US\$12.1 million)

- 3.9 This component will finance technical studies and specialized consulting services for structuring the concession and privatization processes. In the case of technical studies, funding will be provided for feasibility, demand and traffic analyses, and

basic and final designs. Funding will also be provided for social and environmental audits of existing projects and social and environmental impact assessments in the case of new ones. With respect to support for process structuring, funding will be provided for specialized advisory services, consortia and/or investment banks, legal advisory services and comprehensive assistance in negotiating and evaluating financial offers and options. Advisory services for preparing specific projects will identify and quantify the social and environmental commitments and the mitigation measures, and their costs, to be included in the bidding documents, and those projects will have to respect the minimum sector criteria established for this purpose. The studies required will vary, depending on the sectors involved. The preparation of the final documentation for concessions and privatization, to be funded under the program, will need to outline measures for alleviating any adverse social and environmental effects and the estimated cost of such measures.

Activities

- 3.10 **Electricity.** Funding will be provided for feasibility studies, social and environmental assessments and audits, and analysis of privatization options for electrical generation and distribution enterprises. The terms of reference for the studies will include minimum criteria for environmental assessments. As well, the program will pay for contracting investment banks to help structure private-sector and privatization projects for power generation, transmission and distribution and to provide overall support for the process, including legal, financial and technical advisory services. Provision will also be made for developing mechanisms for guarantees for power generating projects.
- 3.11 **Highways.** In contrast to other sectors, the proper preparation of highway concessions requires a greater level of technical detail, including preparation of basic and final designs. The program will therefore finance such studies and designs, and will provide overall support to the concessions process, including minimum criteria for social and environmental assessments. The MOP has done a preliminary analysis of the technical characteristics, costs and traffic flows for 75 stretches of trunk highway network under its responsibility, and has configured 11 groupings of roadways that could potentially be awarded as concessions. Of these 11 groupings, five have been identified, with a total length of 950 kilometers, that meet the economic and service criteria to make them priorities and for which final studies and documentation are needed in order to be put out for bidding. The MOP's Concessions Unit has drawn up a profile for the studies and for preparing documentation for granting concessions for maintenance and supplementary user services over a 185-kilometer stretch (from Santo Domingo de los Colorados to Esmeraldas), during the first year of program execution.

- 3.12 **Ports.** The Port Authority of Manta has prepared a profile for studying the viability of a project for a container terminal at that port, which will need prefeasibility studies and subsequently feasibility studies. CONAM is interested in pursuing evaluation studies of the situation of the Flota Petrolera Ecuatoriana (FLOPEC), the Empresa de Transporte Naviero (TRANNAVE) and the Flota Mercante Gran Colombiana, to determine and evaluate alternative forms of private participation in those enterprises. As well, DIGMER and the local port authorities must undertake studies to outline and ultimately to implement a concessions strategy for the fruit terminal at the port of Guayaquil, and for the ports of Manta, Esmeraldas and Bolívar.
- 3.13 **Airports.** The New Airports Commission, with the technical and financial support of CONAM, has undertaken the process of prequalifying administrators for existing airports, and is seeking strategic partners for the construction, maintenance and operation of new airport facilities. The Commission has appointed a Legal Committee to draw up the by-laws of the corporations and the bidding documents and selection criteria; for this work it has a limited amount of funding from ATN/MT-4908-EC and from the International Civil Aviation Organization. Additional resources are needed to review and complete the process of evaluating strategic partners and negotiating and awarding contracts for the airports at Quito and Guayaquil.
- 3.14 **Sanitation services.** The program will pay for studies and advisory work to structure concessions for sanitation services in various municipalities in the provinces of Esmeraldas and Manabí, in the municipalities of Cuenca, Península de Santa Elena, and in various other cities across the country. It will also finance social and environmental audits and assessments, which must include a plan of action for dealing with any pre-existing liabilities.

B. Operating plans and goals

- 3.15 On the basis of profiles submitted by the beneficiary entities, a program of activities has been prepared for the first year, covering the preparation of water supply and sanitation projects, ports, airports and highways, and the contracting of specialized consulting services in regulation, sector policy formulation, and in social, environmental, and institutional restructuring. These profiles are consistent with the eligibility criteria referred to below, and they have been approved by CONAM. The specific projects for the first year of the program are presented in Annex II.
1. Program goals for the first year
- 3.16 Program goals for the first year are modest in terms of specific projects, since resources will be concentrated on establishing proper concession-granting and regulatory units, so as to put in

place sound procedures that will inspire confidence in the private sector. These goals are:

- a. To prepare technical studies and requests for proposals (RFPs) for privatizing at least one electricity company or for developing a new private electricity project.
 - b. To finalize definitive studies on the concession for the Santo Domingo-Esmeraldas highway and to prepare bidding documents for presentation to potential private investors.
 - c. To introduce new tariff scales in the ports, with a view to covering the economic costs of providing service; to approve Operating Regulations for two of the three smaller ports; and to determine the feasibility of a container terminal in the port of Manta.
 - d. To approve and begin implementation of a plan for restructuring and institutional strengthening in social and environmental terms for the infrastructure sectors, consistent with the legislation that is now being adopted.
- 3.17 Upon completing the second semi-annual administration mission for the program, the Bank and CONAM will evaluate the degree to which the goals of the first year have been fulfilled, will analyze the progress in light of the funds committed and disbursed, and will verify the quantifiable indicators of proposals and results included in the program's logical framework (Annex I).

2. Program goals

- 3.18 The goals for the second year of the program will be decided at the time the goals for the first-year are assessed, and the goals for the third and fourth years will be established in a similar manner.
- 3.19 It is expected that the following goals will have been reached by the end of the program:
- a. The regulatory agencies for civil aviation and land transport must be properly fulfilling their functions of control and supervision of tariffs and quality of service and promoting competition and new technologies. Consultants to these agencies will develop and establish transparent mechanisms and specific indicators such as publications of regular reports and audits and measurements of user satisfaction to verify achievement of this goal.
 - b. At least three concessions for highway projects, one of which will be for the Santo Domingo-Esmeraldas highway, two for electricity companies or new private electricity projects and three sanitation services concessions, two of which would be

the systems for Estancilla and Sucre, must have been put out to tender for concessions.

- c. The MOP and CONELEC must have an organized inventory of projects suitable for concessions in the highway and electricity sectors, at various stages of preparation, and must have established an institutional capacity that permits them to manage the concession process effectively. As part of this capacity, both agencies must have established mechanisms for recovering the cost of project preparation.
- d. The appropriate government agencies must have the full capacity to monitor compliance with the social and environmental commitments included in the contracts.

C. Budget

- 3.20 The preliminary budget of US\$16.2 million was estimated on the basis of projects for the first year, and a tentative list of projects for subsequent years, proposed by potential beneficiaries. Bank financing would be for US\$13.5 million, with resources from the Single Currency Facility of the ordinary capital, and the contribution of the Government of Ecuador and the beneficiary entities will be US\$2.7 million. Given below is a summary of the budget.

(US\$ 000s)

COMPONENTS AND ACTIVITIES	Total cost	IDB financing	Local counterpart	%
I. Regulation and sector policies	1,390	1,140	250	8.6
Development of the framework for concessions, tariff supervision, service quality control, promotion of competition, environmental monitoring and rationalization of transport regulatory systems. Design of a mechanism to support share purchases by workers.				
II. Preparation of private investment projects	12,100	11,102	998	74.7
Technical, economic, legal, and social and environmental studies of projects eligible for concessioning in electricity, sanitation and transport, including precontract documentation and financing options. Basic and final highway designs.				
III. Coordination and administration	1,258	1,258	0	7.8
IV. Financial costs	1,392	0	1,392	8.6
Financial expenses	1,156	0	1,156	
Credit fee	101	0	101	
Inspection and supervision (1%)	135	0	135	
V. Contingencies	60	0	60	0.4
TOTAL	16,200	13,500	2,700	100%

- 3.21 At the request of the executing agency, and once the conditions precedent to disbursements have been fulfilled, a revolving fund will be established to cover program expenses. This fund will not exceed US\$675,000 (equivalent to 5% of IDB financing), and will be charged to the Bank.

D. Organization and execution

- 3.22 The program will be organized under the administration and coordination of CONAM, and execution of the components will be the direct responsibility of the beneficiary entities for each activity. Management and supervision will be in the hands of a Project Technical Committee (paragraph 3.27). The **execution period** will be four years, on the basis of annual operating plans, the first of which was agreed between the Bank and CONAM during the preparatory phase of this program (Annex II). Specifications for the activities to be carried out in subsequent years will be worked out prior to the beginning of each year, once activities and compliance with goals established for the previous year have been assessed.

1. Borrower and executing agency

- 3.23 The borrower under this operation will be the Republic of Ecuador. CONAM will be the executing agency responsible to the Bank. CONAM was created by the Law on Modernization of the State, Privatizations and Provision of Public Services by Private Initiative, approved in 1993. CONAM reports directly to the President of the Republic, and its principal functions are: (i) to define strategies, standards and procedures for managing, coordinating, executing and supervising the process of State modernization; (ii) to conduct studies and evaluations of proposals and matters referring to privatization; and (iii) to submit a semi-annual report to the National Congress on progress in the privatization process. CONAM has a board of directors with a chairman appointed by the President of Ecuador, three official representatives from the Ministry of Finance and the Ministry of Planning and the Secretariat of Administrative Affairs (SENDA), and three representatives from the private sector: business, labor and religious bodies.

2. Beneficiaries

- 3.24 The program will embrace activities in various sectors. The beneficiaries will be: CONAM, the National Electricity Council (CONELEC), the Ministry of Public Works (MOP), the National Transit and Land Transport Council (CNTTT), the Merchant Marine Department (DIGMER), the port authorities of Guayaquil, Manta, Esmeraldas and Bolívar, the Civil Aviation Directorate (DAC), provinces, municipalities and cities in other parts of the country. Other

agencies as well may benefit, provided they submit projects that meet the established eligibility rules.

- 3.25 The existing legal framework provides that the National Navy Council (CNM) issues policies for the port subsector. DIGMER is the regulatory body, and the Port Authorities of each port are the agencies that grant concessions for provision of services.
- 3.26 The MOP is the body responsible for the country's highways, but the provincial councils and the municipalities share with that ministry responsibility for secondary and feeder roads. The MOP also has a supervisory function over ENFE, the state railway company. The CNTTT is the regulatory body for land transport and must coordinate its work with the provincial councils and municipalities. The ports and marine transport in turn are under the supervision and regulation of the National Navy Council and DIGMER, and civil aviation falls under the Civil Aviation Directorate (DAC), which belongs to the national Air Force.

3. Management and supervision

- 3.27 Program management and supervision will be in the hands of a Project Technical Committee (COTEPRO), which will be appointed prior to the first disbursement under the program, and will comprise the Executive Director of CONAM, or the latter's representative, its General Counsel, and the Technical Coordinator, as applicable ((electrical sector, reform of the State, sanitation, transport). The program coordinator will act as technical secretary to this committee.
- 3.28 The responsibilities of the COTEPRO will fall within the framework of the National Modernization Policies, and will be as follows:
- a. To approve annual operating plans for executing selected projects and their respective budgets, as well as the execution plan of the beneficiary entities; to advise the beneficiaries of these plans, as well as the Ecuadoran Association of Private Banks and the Federation of Chambers of Industry. To reach agreement with the Ministry of Finance on these plans.
 - b. To direct execution of the program, and in particular to approve project profiles, and to approve or reject as appropriate the terms of reference for consulting services and the selection of consultants and consulting firms.
 - c. To review and approve, or reject as appropriate, final reports from consultants and consulting firms.

4. Eligibility standards for projects

3.29 The program will be executed on the basis of annual operating plans prepared by the Project Technical Committee, agreed on with the Ministry of Finance and revised and approved by the Bank's project team. The operating plan for the first year was worked out between CONAM and the Bank, as part of the program preparations. The inclusion of any activity in the operating plans will be subject to compliance with the following eligibility criteria:

- a. The project or activity must carry the approval of the COTEPRO, on the basis of a profile prepared by the beneficiary entity. The profile will include: project objectives, justification for the project, description of activities to be financed, preliminary budget, beginning and termination dates, certification of availability of counterpart funding, and identification of the unit or officials responsible for execution.
- b. In the case of projects for feasibility studies or concessions for infrastructure services, the profile must include legal, technical and environmental information that will allow the COTEPRO to evaluate the prospects for completing the process of preparing and developing the project.
- c. Each project or activity must be accompanied by an agreement or memorandum between CONAM and the beneficiary entity responsible for carrying it through. This document must include the assignment of responsibilities with respect to: preparation of terms of reference, source of counterpart funding and personnel, publication of notices, pre-qualification and selection of consultants, negotiation, award and signing of contracts, supervision of consultants, and approval of final reports. This document must also specify how the conclusions or recommendations of the consultants are to be implemented and the specific goals to be attained.
- d. The project or activity must be consistent with the national policies established for each sector in: (i) the Electrical Sector Regulations Law; (ii) the Law on Modernization of the State and the Regulations thereto; and (iii) the Environmental Law and others that come into being during the process.

5. Coordination and administration

3.30 Prior to the first disbursement, CONAM will set up a Coordination and Administration Unit (CAU) for the program, with the following functions:

- a. Coordinating project execution activities as agreed between CONAM and the beneficiary entities in the respective agreement.

- b. Promoting the program with potential beneficiaries and stimulating demand for use of its resources.
- c. Monitoring activities or projects in execution, by holding regular meetings with the beneficiary entities or requesting reports from them.
- d. Administering the program's financial resources, ensuring that annual operating plans, the agreements between CONAM and the beneficiary entities, the contracts for services, and the execution timetables and the targets thereof are being met.
- e. Cooperating with the beneficiary entities, at their request, to facilitate execution of the programmed activities.
- f. Reviewing the terms of references, short lists, selection procedures for consultants, contracts, and compliance therewith.
- g. Providing for contract supervision at all stages.
- h. Preparing reports for the COTEPRO.
- i. Preparing regular reports for the Bank, as agreed in the loan agreement.
- j. COTEPRO will function under the direction of a coordinator who will be supported by a technical assistant, a financial assistant, a legal advisor, and administrative support staff as necessary.
- k. It will earmark sufficient funds that it can respond in a timely manner to unforeseen needs of the beneficiary entities for short-term technical, legal, financial or environmental assistance.
- l. Coordinating institutional strengthening activities for the beneficiary units.

6. Contracting for goods and services

- 3.31 Program administration requires the contracting of individual, short-term consulting services to carry out some of the proposed activities. With a view to facilitating contracting and simplifying the Bank's processing, it is recommended that activities costing up to the equivalent of US\$30,000 be contracted by CONAM. To this end, a limit for local consultants fees has been set at the equivalent of US\$3,000 per month. This means that no terms of reference or short lists will be submitted to the Bank for approval. However, CONAM will be required to inform the Bank of such contracts on an ex-post basis, and retain all relevant documentation for review by the Bank upon request. During

preparation of the operating plans and based on experience with the program, the use of this mechanism will be assessed to determine whether it should be continued.

- 3.32 For contracts exceeding US\$30,000 and less than US\$200,000, CONAM must submit to the Bank for its nonobjection the terms of reference, procedures to be followed for selection and, as applicable, publication, and a short list of consultants and/or consulting firms to be evaluated and subsequently selected.
- 3.33 In the case of contracts equivalent to US\$200,000 or more, Bank procedures must be applied. In order to speed up the process of dissemination and prequalification, once the activities under the operating plans have been approved, the respective announcement will be submitted to *UN Development Business* for publication.
- 3.34 With respect to specialized consultants (investment banks or consortia headed by investment banks) in the areas of privatization and concessions, where contracts exceed US\$200,000, it is recommended as an exception to the Bank's policy that a procedure using combined technical and economic evaluation of the proposals be permitted, given the unique features of the international market for such services, where price is a determining factor in the awarding of contracts. The invitations to submit proposals must specify the underlying nature of the pricing factor in the evaluation process. The weighting of the economic factor will not exceed 20% of the total evaluation.
- 3.35 Although no significant equipment purchases are planned, when the estimated value of any such goods is the equivalent of US\$350,000 or more, the procurement method to be followed will be international competitive bidding. This limit is justified, since it has been found that external suppliers generally submit bids for projects financed by the IDB in Ecuador when the amounts involved exceed this threshold. For amounts below this threshold, the system of contracting agreed on with the country on September 15, 1992 (OPS/GCO-174/92) will apply. No construction works will be financed with the proceeds of the financing.

7. Program monitoring

- 3.36 During program execution, technical administration missions will be conducted on a semi-annual basis during the first two years of the program. In subsequent years, these missions will be carried out annually. With the help of these missions, CONAM and the Bank will assess the progress of program execution and will monitor and supervise compliance with the established goals. On the basis of these evaluations, the Bank and CONAM will agree on any modifications that may be needed to ensure that the program's objectives are achieved.

IV. BENEFITS AND RISKS

A. Benefits

- 4.1 The program will mean considerable benefits for Ecuador's economy in general, as well as for the government, consumers and workers. The introduction of clear rules applied with transparent criteria to the operators of public services will create more opportunities for private investment and will reduce the risks that frequently prove to be limiting factors. In addition, competition will be enhanced by increasing the number of interested parties and giving consumers the chance to choose among providers.
- 4.2 Many of the projects that will be undertaken under the program call for substantial investments, which will add to the country's productive resources and will have positive impacts on capital markets and local credit, as well as expanding opportunities for domestic savings. These investments will create significant sources of additional employment and will help to increase access to basic services such as sanitation, electricity and telephone for groups that now have no such coverage.
- 4.3 The State, provinces, municipalities and cities will also benefit, either through an increase in the tax base resulting from new investments, or in some cases through their earnings from concession fees or royalties. In addition, public enterprises will be better able to meet their social obligations, by being relieved of the burden of new infrastructure investments that they would have to make in the absence of private participation.

B. Risks

- 4.4 This program will be particularly difficult to administer and coordinate, owing to the different subsectors involved and the great number of participating entities. Moreover, the success of the program will depend to a large extent on the active participation of these entities, and the degree of their commitment and their compliance with their commitments. To help ensure proper execution, a Project Technical Committee and a Coordination and Administration Unit have been established, and institutional strengthening will be provided for the beneficiary sector units.
- 4.5 During preparation of the operation, great interest has been noted on the part of many entities that have project profiles ready or in preparation; only those that are clearly of a priority nature have been included in the operating plan for the first year. Moreover, inclusion in the operating plans requires a careful definition of responsibilities between CONAM and the participating entities, and the establishment of clear operating mechanisms for administering and monitoring these responsibilities.

- 4.6 For its part, the program executing agency, CONAM, has built up a sound track record in administering and coordinating operations of this type: in the last five years it has successfully executed two major technical-cooperation programs with the World Bank (PERTAL and MOSTA programs), and four with the IDB (842/OC-EC, 843/OC-EC, ATN/MT-4908-EC and ATN/MT-4960-EC).
- 4.7 The fact that this is a multi-year program with annual operating plans that have been examined and approved by the Bank, and where execution is monitored by means of administration missions by the Bank's Project Team, will allow for timely adjustments to be made to keep it on track towards its objectives.

V. EVALUATION

- 5.1 A comprehensive mid-term evaluation will be made to finalize the first two years of program execution. At the end of this evaluation, if necessary, adjustments could be made to improve program execution and to identify specific actions to achieve a greater flow of private resources into infrastructure projects. When the last operating plan is concluded, a final program evaluation will be conducted. Both evaluations will be carried out by independent consultants and will be funded under the program.

LOGICAL FRAMEWORK AND INDICATORS

DESCRIPTIVE SUMMARY	QUANTIFIABLE INDICATORS	MEANS OF VERIFICATION	MAJOR ASSUMPTIONS
Private investment in electricity, telecommunications and transport	<ol style="list-style-type: none"> 1. Amount of private investment in areas previously reserved to the State 2. Number and value of concession contracts granted by provincial and municipal government 	<ol style="list-style-type: none"> 1. Statistics on private investment in infrastructure sectors 2. Provincial and municipal government information 	<ol style="list-style-type: none"> 1. Maintenance of domestic political conditions that inspire confidence and a stable macroeconomic situation 2. No crisis of confidence in the new emerging markets
Regulatory functions, the management and administration of concessions and private operators	<ol style="list-style-type: none"> 1. Tariff systems and service quality controls in operation, positive consumer satisfaction indicators and no monopoly situations 2. Inventories of concessionable projects, continuously updated, and consistent with private investor interests 	<ol style="list-style-type: none"> 1. Regular surveys of intermediate and final users of privatized services 2. Final project reports prepared and submitted to the Bank by the executing agency 	<ol style="list-style-type: none"> 1. Execution of agreements between the executing agency and the beneficiary entities for implementing consumer recommendations 2. Continuity in private investment and strategies of beneficiary agencies
Implementation and enforcement of new laws and policies	<ol style="list-style-type: none"> 1. Regulatory agencies: CONELEC, DAC, CNTTT and municipal bodies strengthened and fully operational 2. At least 3 highways projects, 2 electricity projects and 3 sanitation services projects under concession 	<ol style="list-style-type: none"> 1. Annual reports presented to the Bank by the executing agency 2. Publication of calls for tender and reports on the transfer of operations to winning bidders 	<ol style="list-style-type: none"> 1. Compliance with execution time schedules agreed on between the executing agency and the beneficiaries 2. Compliance with annual operating schedules agreed on between the executing agency and the Bank
Proper functioning of the Project Management Committee and the Management and Administration Unit	<ol style="list-style-type: none"> 1. Project Technical Committee and Coordination and Administration Unit in operation 2. Contracting for specialized consulting services valued at at least US\$4 million during the program's first year 	<ol style="list-style-type: none"> 1. Compliance with conditions precedent to first disbursement 2. Disbursement authorization requests 3. Semi-annual administration mission reports 	<ol style="list-style-type: none"> 1. Timely availability of specialized consultants 2. Availability of local counterpart from CONAM and subexecuting agencies 3. Coordination and Administration Unit operating properly

ECUADOR: TECHNICAL COOPERATION LOAN IN SUPPORT OF PRIVATE INVESTMENT IN INFRASTRUCTURE (EC-0180)
TENTATIVE OPERATING PLAN FOR FIRST YEAR OF EXECUTION
(in US\$000s)

SECTORS AND ACTIVITIES	COST (US\$000)	IDB (US\$000)	Local Counterpart (US\$000)	RESPONSIBLE BODY	BENEFICIARIES
ns for specific generation and distribution projects	600	480	120	CONELEC/CONAM	CONELEC
SERVICES					
n for water supply systems in Estancilla and Chone and for sewer Sucre, Tasagua, Chone and Calceta	500	400	100	Manabí Rehabilitation Center	Manabí Rehabilitation
regulation and policies	100	80	20	CONAM	Transport sector
tion of land transport regime	150	120	30	CNTTT	CNTTT
tariff levels, operating regulations, contracts and royalties for yard and operations at the ports of Manta, Esmeraldas and Bolívar	50	40	10	DIGMER and Port authorities	Port authorities
economic and environmental prefeasibility study for a container Manta	300	240	60	Manta Port Authority	Port of Manta
ssions at Esmeraldas, Manta and Bolívar	300	240	60	Ports of Esmeraldas, Manta and Bolívar	Ports of Esmeraldas and Bolívar
oncession	1,000	800	200	MOP	MOP
cession	400	320	80	New Airports Commission	Quito and Guayaquil
ent information systems for Port Authorities at Manta, Esmeraldas and	450	350	100	Port authorities	Port authorities
ENVIRONMENTAL ASPECTS					
l restructuring and strengthening for social and environmental aspects cture sectors	50	50	0	CONAM	Sector agencies

ECUADOR: TECHNICAL COOPERATION LOAN IN SUPPORT OF PRIVATE INVESTMENT IN INFRASTRUCTURE (EC-0180)
TENTATIVE PROCUREMENT PLAN FOR FIRST YEAR OF EXECUTION 1/
(in US\$000)

ACTIVITIES BY SECTOR	Amount (US\$000)	Financing:		Method <u>2/</u>	Prequalification	Public
		IDB	GOE			
for specific generation and distribution projects	600	480	120	ICB	YES	First
SERVICES						
for water supply systems in Estancilla and Chone and in Sucre, Tasagua, Chone and Calceta	500	400	100	ICB	YES	First
regulation and policies	100	80	20	LC	NO	
tion of land transport regime	150	120	30	LC	NO	
tariff levels, operating regulations, contracts and royalties for warehouse operations at the ports of Manta, Esmeraldas	50	40	10	LC	NO	
economic and environmental prefeasibility study for a handling terminal at Manta	300	240	60	ICB	YES	First
ssions at Esmeraldas, Manta and Bolívar	300	240	60	ICB	YES	First
oncessions	1,000	800	200	LC/ICB	YES	First
cessions	400	320	80	LC/ICB	YES	First
nt information systems for port authorities at Manta, a and Bolívar *	450	350	100	ICB	YES	First
ENVIRONMENTAL ASPECTS						
restructuring and strengthening for social and tal aspects of infrastructure sectors	50	50	0	LC	NO	

for subsequent years will be determined on the basis of the annual operating plans, in accordance with the eligibility criteria and program targets
national competitive bidding; LC: Unrestricted local call for proposals
al procurement notice
proposed, except this one, are for advisory support.

PROPOSED RESOLUTION

ECUADOR. TECHNICAL COOPERATION LOAN No. ____/OC-EC
TO THE REPUBLIC OF ECUADOR
Support to Private Investment in Infrastructure

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf the Bank, to enter into such contract or contracts as may be necessary with the Republic of Ecuador, as Borrower, for the purpose of granting it a financing to support private investment in infrastructure. Such financing will be for the amount of up to thirteen million five hundred thousand United States of America dollars (US\$13,500,000), from the Single Currency Facility of the Ordinary Capital resources of the Bank, and will be subject to the "Terms and Financial Conditions" and "Special Contractual Conditions" of the Executive Summary of the Loan Proposal.