



## Ecuador

# 47 Telecommunication Network Expansion Project

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This project was designed to improve telephone service, which is indispensable to business activities, etc., by expanding and modernizing the telephone network in the environs of the capital, Quito, and in the major commercial city of Guayaquil, etc., and thereby contribute to the economic development of the country.

**Loan Amount/Disbursed Amount:** 7,670 million yen/3,390 million yen

**Loan Agreement:** February 1988

**Terms and Conditions:** Interest rate, 3.75%; Repayment period, 30 years (grace period, 10 years); General untied

**Final Disbursement Date:** October 1995

**External Evaluator:** Ayako Namura (IC Net Limited)

**Field Survey:** July 2003



## Evaluation Result

In this project, the switchboard facilities and transmission facilities were installed almost as planned. The project period was extended considerably beyond the planned period because additional time was required for adjustments in the project contents, the processing involved in consultant hiring, and decision on the standards for the transmission system and the switchboard equipment. The project cost was considerably less than planned due to efficient ordering through competitive bidding, etc. Through this project, 68,950 lines were installed, resulting in an increase in the number of subscriber lines from 310,687 lines in 1995 to 415,428 lines in 1997. The project also contributed to the expansion of telecommunication infrastructure by increasing the nationwide traffic volume by approximately 50% and boosting the telephone density rate from 5.8% in 1994 to 6.1% to 8.7%, depending on the region, in 1997. Regarding the quality of telecommunications service, prior to the project problems frequently occurred wherein calls could not be connected, but in 2002 call completion rate\* in the region around Guayaquil was 55% to 70%. Moreover, since the volume of international telephone calls grew sharply, it appears that the project also served to prepare the

environment for expanded business opportunities with foreign parties. Due to the reform of the telecommunications sector in Ecuador starting in 1992, the original executing agency, IETEL, was incorporated and divided geographically into PACIFICTEL S.A. and ANDINATEL S.A.. There are no problems with either company's technical capacity or operation and maintenance system, but regarding financial condition, the former is required to improve the profitability.

\*Number of calls where a connection is made to the other party, out of all calls placed.

## Third-Party Evaluator's Opinion

The infrastructure gap, particularly in the telecommunication area, between Ecuador and the region is deep. The project has supplied nearly 5% telephone lines in Ecuador, and there was an important improvement in telephone density in the project's main target areas in the last years.

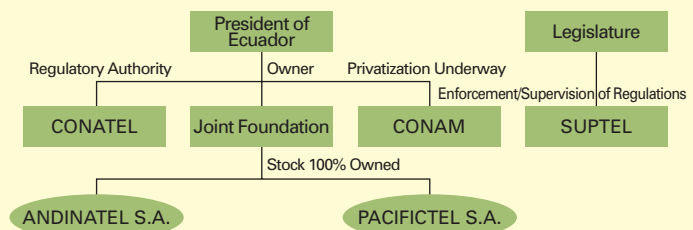
**Third-Party Evaluator:** Mr. Rafael Correa

Obtained a doctorate in economics from University of Illinois. Presently holds the post of Principal Professor, Department of Economics, University "San Francisco de Quito". Specializes in economic growth and development, international macroeconomics, and public economics.

### Ecuador, where the project was implemented



### Major Bodies in Ecuador's Telecommunications Sector



In 1992, IETEL, which had monopolized telephone business in Ecuador, was divided into three institutions, CONATEL, the body in charge of regulation, SUPTTEL, the communications supervision agency, and EMETEL, which operates the telephone business. The following year, CONAM was established for the purpose of privatizing government-owned companies. Following that, EMETEL was incorporated and furthermore was divided into ANDINATEL S.A. and PACIFICTEL S.A.. Sale of the stock of both companies to private parties is being discussed, but currently the Ecuadorian Government still continues to hold 100% ownership (through a joint foundation which is a government agency).