

PROJECT ABSTRACT

Project number:	VE-L1004
Project name:	Electricidad de Caracas Investment Program
Country:	Venezuela
Total project cost:	Approximately US\$462 million
Department:	Private Sector Department
Status:	Eligible for Bank's financing
Estimated approval date:	June 2004

Project Description

The Project comprises the capital expenditures of C.A. La Electricidad de Caracas ("EDC" or the "Company"), a private utility in Venezuela, programmed for the 2004-2007 period. The capital expenditures comprise the expansion, renewal and improvement of EDC's electricity transmission and distribution networks to increase their reliability, availability, capacity, and safety. The project to be funded by the Bank comprises only capital expenditures related to transmission and distribution works (the "Investment Program") which amount up to US\$424 million during 2004-07 and other eligible costs (US\$38 million) for a total of up to US\$462 million (the "Project"). In addition to the capital expenditures that constitute the Project to be financed by the Bank, the Company has programmed to undertake other capital expenditures related to upgrading and rehabilitation of existing power generation assets. A brief description of the capital expenditures of the Project is as follows:

Expansion and Rehabilitation of Electricity Distribution Network: comprises: (a) the expansion of the electricity distribution network; (b) the installation of new circuits; (c) the connection of additional users; (d) the investments required for improving the quality of electricity services; and (e) the substitution of outdated components with cost-efficient and higher-performing equipment, including the installation of efficient circuits to minimize distribution losses.

Expansion and Rehabilitation of Electricity Transmission Network: comprises the installation and rehabilitation of transmission lines and the rehabilitation of power substations.

Project activities will take place across the areas of EDC operations, primarily located in the metropolitan Caracas and surrounding areas.

EDC is a Venezuelan affiliate of U.S.-based AES Corporation ("AES"). Originally established in 1895, EDC is the largest private electricity distribution company in the Country. During 2002, the Company's distribution area covered 5,476-square kilometers ("km") and served 1.2 million customers in the *Caracas* Metro Area and its surrounding municipalities.

Funding for the Project will be provided by a US\$75 million A-Loan and a US\$25 million B-Loan with the

remaining amount financed by operational cash flow and other debt.

Project Benefits

The Project will support the development of private provision of infrastructure services. As such, the Project will contribute to developing private sector involvement in the provision of public services in an economy dominated by the public sector.

The Project will also contribute to improve the efficiency and reliability of the electricity sector enabling EDC to increase its service coverage and improve the quality of services to final consumers.

IDB Participation

The Project is consistent with the Bank's objectives for Venezuela, as outlined in the Country Paper, which emphasizes increased private sector participation in the provision of public services.

The participation of the Bank is necessary to structure terms and conditions for the Project compatible with the required amounts and duration period of the Investment Program, which requires long-term financing to be viable. Such tenors are longer than what the market is willing to provide, particularly under current circumstances. As such, the participation of the Bank would enable EDC to obtain financing at tenors more consistent with the long-term nature of the investments.