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**ECUADOR**

**MICI-BID-EC-2018-0131**

**CONSULTATION PHASE REPORT  
PROGRAM FOR THE RECONSTRUCTION OF ELECTRICITY INFRASTRUCTURE  
IN AREAS AFFECTED BY THE EARTHQUAKE IN ECUADOR**

**(EC-L1219)  
(3906/OC-EC)**

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2.	Eligibility Memorandum <a href="http://www.iadb.org/document.cfm?id=EZSHARE-394129275-132">http://www.iadb.org/document.cfm?id=EZSHARE-394129275-132</a>
3.	Consultation Phase Assessment Report <a href="http://www.iadb.org/document.cfm?id=EZSHARE-394129275-182">http://www.iadb.org/document.cfm?id=EZSHARE-394129275-182</a>
4.	MICI-BID-EC-2018-0131 case file <a href="https://www.iadb.org/es/mici/detalle-de-la-solicitud?ID=MICI-BID-EC-2018-0131">https://www.iadb.org/es/mici/detalle-de-la-solicitud?ID=MICI-BID-EC-2018-0131</a>
5.	Project profile (loan EC-L1219) <a href="https://www.iadb.org/Document.cfm?id=40680300">https://www.iadb.org/Document.cfm?id=40680300</a>
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7.	Environmental and social management report (ESMR) of the Program for the Reconstruction of Electricity Infrastructure in Areas Affected by the Earthquake in Ecuador (loan EC-L1219) <a href="https://www.iadb.org/Document.cfm?id=40701398">https://www.iadb.org/Document.cfm?id=40701398</a>
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## ABBREVIATIONS

CNEL-EP	Corporación Nacional de Electricidad, Empresa Pública [State-owned electricity utility]
kV	Kilovolts
MERNNR	Ministry of Energy and Nonrenewable Natural Resources
MICI or “the Mechanism”	Independent Consultation and Investigation Mechanism
MICI Policy	The Policy approved by the IDB Board of Executive Directors in December 2014 and revised in December 2015 that governs the MICI’s work regarding Requests related to operations financed by the IDB or the MIF (document MI-47-6).
Parties	The Requesters, Management, borrower, client, and/or executing agency, as appropriate
PRIZA	Proyecto de Reconstrucción Integral de las Zonas Afectadas [Comprehensive Reconstruction Project for Affected Zones]
Request	A communication submitted by the Requesters or their representative that alleges that they have suffered or may suffer Harm due to the failure of the IDB Group to comply with one or more of its Relevant Operational Policies within the context of the Operation



## EXECUTIVE SUMMARY

The “Program for the Reconstruction of Electricity Infrastructure in Areas Affected by the Earthquake in Ecuador” (loan EC-L1219) is financed by the Inter-American Development Bank through a sovereign guaranteed multiple-works investment loan operation, approved on 25 January 2017, in the amount of US\$60,000,000 with a local counterpart contribution of US\$9,234,000. The borrower is the Republic of Ecuador, and the executing agency is the Ministry of Energy and Nonrenewable Natural Resources (MERNNR), with technical assistance provided by the State-owned electricity utility, Corporación Nacional de Electricidad (CNEL-EP). The program objective is to improve electricity service by rebuilding electricity infrastructure affected by the 16 April 2016 earthquake in the provinces of Esmeraldas, Manabí, and Santo Domingo. The Request before the Independent Consultation and Investigation Mechanism (MICI) concerns a subproject under program Component I, “Comprehensive reconstruction plan for the electrical power subtransmission system.” This subproject consists of the relocation of 9 kilometers of subtransmission line between the communities of San Vicente and Jama.

On 20 April 2018, the MICI received a Request from 547 residents of eight communities (Briceño Alto, Briceño Bajo, La Fortuna, Nuevo Briceño, Comunidad Extranjera, El Recreo, Urbanización de Canoa, and Canoa) in the province of Manabí, Ecuador. The Requesters claimed that the proposed relocation of the subtransmission line along the “Spondylus route” between San Vicente and Canoa through a populated area reliant on tourism could cause the following harms: (a) obstruction of evacuation routes, given that the area is highly prone to earthquakes and landslides; (b) negative impact on tourist activity in the area; (c) adverse effects on the health of people living near the subtransmission line; and (d) impact on the flora and fauna, particularly on protected species. When submitting their complaint, the Requesters asked that their identities remain confidential due to fear of reprisals.

The Request was registered on 27 April and declared eligible on 17 October 2018 and transferred to the Consultation Phase as requested by the Requesters. Following an assessment process, the MICI team ascertained the Parties’ willingness to initiate a dispute resolution process.

During the Consultation Phase process, the MICI hosted and facilitated three dialogue sessions attended by CNEL-EP, the Comprehensive Reconstruction Project for Affected Zones (PRIZA), the IDB, MERNNR, and the Requesters. These meetings were facilitated by Juan Dumas, a member of the MICI’s roster of facilitation experts, and MICI staff were present. Consensus was reached with the Parties on the overall design of the process, including the agenda and sequence of topics, the arrangements for participation in the sessions, the venue for the meetings, and how progress was to be documented. Throughout the process the MICI was in constant contact with the Parties by telephone and through face-to-face meetings.

The agreement reached on 17 April 2019 states that CNEL-EP, acting through PRIZA, will perform maintenance and repowering work on the subtransmission line, following the existing route as far as the Canoa bypass. This work will be done with the line disconnected from power, and so cannot start until CELEC-EP Transelectric completes construction of the line between the Pedernales and La Concordia substations, scheduled for October 2019. The Parties also agreed to address the situation of the dwellings of a family in the La Fortuna community that lie under the current route of the subtransmission line. This family states that it has suffered adverse health impacts, and to rectify this situation the

decision was made to relocate one of the line structures. Regarding information disclosure, an agreement was reached to publicly release the environmental impact studies, the geological and geotechnical study, and the electromechanical design study used during the Consultation Phase process. It was also agreed that the executing agency would inform and engage with the owners of the land over which the existing San Vicente–Jama subtransmission line was routed. Lastly, the Parties have agreed that the agreement and the identities of its signatories would be made public. For this reason, in view of the Requesters' preferences as stated to the MICI team, the initial request for confidentiality has been withdrawn.

As a result of the agreement reached, the Consultation Phase process is considered complete. Under paragraph 35 of the MICI-IDB Policy and at the request of the Parties, the MICI proposes to monitor compliance with the terms of the agreement based on the plan and timetable submitted to the IDB Board of Executive Directors for consideration by the no objection procedure.

## I. BACKGROUND

### A. Geographic and social context of the program

- 1.1 Ecuador is located in a highly earthquake-prone area. On 16 April 2016, Ecuador was struck by an earthquake measuring 7.8 on the Richter scale, the strongest recorded in the country since 1979. Its epicenter was in the canton of Pedernales in the province of Manabí. The earthquake affected several cities and communities, primarily in Manabí, resulting in many fatalities and severe damage to infrastructure, which has negatively impacted electricity, drinking water, health, and education services.<sup>1</sup>
- 1.2 The province of Manabí is located on the central northwestern coast of Ecuador. With a population of 1,395,249, Manabí is Ecuador's third most populous province and is administratively divided into 22 cantons. Its main economic activities are trade, livestock-raising, industry, and fishing, as Ecuador's second-largest port is located in the province. Tourism is also a growing sector, mainly due to Manabí's extensive beaches.

**Figure 1. Map of Ecuador, province of Manabí**



Source: Province of Manabí, Ecuador, Government of Manabí.

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<sup>1</sup> Risk Management, Government of Ecuador, <https://www.gestionderiesgos.gob.ec/wp-content/uploads/downloads/2016/05/Informe-de-situación-n°65-especial-16-05-20161.pdf>.



## **B. The Program<sup>2</sup>**

- 1.3 The “Program for the Reconstruction of Electricity Infrastructure in Areas Affected by the Earthquake in Ecuador” (loan EC-L1219) is financed by the IDB through a sovereign guaranteed multiple-works<sup>3</sup> investment loan operation in the amount of US\$60,000,000 with a local counterpart contribution of US\$9,234,000. The borrower is the Republic of Ecuador, and the executing agency is the Ministry of Energy and Nonrenewable Natural Resources.<sup>4</sup> The operation was approved by the Bank’s Board of Executive Directors on 25 January 2017 and is now in the implementation stage.
- 1.4 The program objective is to improve electricity service by rebuilding electricity infrastructure affected by the 16 April 2016 earthquake in the provinces of Esmeraldas, Manabí, and Santo Domingo. Specifically, it seeks to reestablish the supply of electricity in the subtransmission systems of electricity distribution companies affected by the earthquake and generate distribution projects. The program has two components, as described below.
- 1.5 **Component I. Comprehensive reconstruction plan for the electrical power subtransmission system (US\$47.1 million).** This component finances the relocation and/or reconstruction of 27 subtransmission projects with earthquake-resistant features, which include: 12 projects in the province of Manabí, with 107 kilometers of subtransmission lines and 8 substations.
- 1.6 **Component II. Comprehensive reconstruction plan for the electrical power distribution system (US\$20.91 million).** This component supports the reconstruction of electrical power distribution infrastructure with earthquake-resistant features, facilitating electrical power supply through to the end user. It involves the reconstruction of 26 distribution system projects in affected population centers and outlying areas, including: 6 projects in the province of Esmeraldas, 9 projects in the province of Manabí, and 11 projects in the province of Santo Domingo.
- 1.7 The request before the MICI concerns a subproject under program Component I, consisting of the relocation of nine kilometers of subtransmission line between the communities of San Vicente and Jama.
- 1.8 The operation was classified as category “B” under the Environment and Safeguards Compliance Policy (Operational Policy OP-703) and based on the environmental and social analysis of the sample of projects under the program, because the social and environmental impacts were expected to be localized, temporary, and short-term in nature, and adverse impacts would occur mainly during reconstruction of the subtransmission lines and substations. No exceptions to Bank policies apply.

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<sup>2</sup> The information presented here is available in the EC-L1219 project profile and loan proposal documents.

<sup>3</sup> Loans for multiple-works programs are investment loans that are designed to finance groups of similar works (a sample of which are fully defined). For this type of operation, only a representative sample of specific works (amounting to approximately 30%, by value, of the total cost of the program) must be fully designed before the Board can approve the loan. The other works comprising the program should be similar to those in the sample. Each individual work should be defined, and approved by the Country Office, prior to authorization of its execution and commitment of funds. Source: Operations Processing Manual, Section PR-202, “Multiple-works programs.”

<sup>4</sup> The original name at the time of signing the contract between the IDB and Ecuador was “Ministry of Electricity and Renewable Energy.” The ministry’s name was changed by Executive Decree 399, signed on 15 May 2018.

- 1.9 According to information from Bank systems, 51.27% of the loan proceeds had been disbursed as of May 2019.

**C. The Request**

- 1.10 On 20 April 2018, the MICI received a Request regarding this program from 547 residents of eight communities (Briceño Alto, Briceño Bajo, La Fortuna, Nuevo Briceño, Comunidad Extranjera, El Recreo, Urbanización de Canoa, and Canoa) in the province of Manabí, Ecuador, filed through a representative. All Requesters asked that their identities remain confidential due to fear of reprisals. The Request was registered as [MICI-BID-EC-2018-0131](#) on 27 April upon satisfying the procedural requirements.
- 1.11 The Request refers to the subproject BID-PRIZA-CNEL-STD-ST-FI-004 Reconstruction and Relocation of 9 kilometers of the San Vicente–Jama subtransmission line. The Request alleges that the route of the relocated subtransmission line had been determined without a public hearing to properly analyze alternatives to that route and without an environmental and social impact study. The Requesters also claimed that an agreement they had reached with the executing agency regarding the route of the line had not been honored.
- 1.12 Regarding the alleged harm, the Requesters stated that their health could be adversely affected by radiation exposure because the selected route would run lines directly above the main road in their community, disregarding minimum setback distances for limiting exposure to electrical and magnetic fields.
- 1.13 The Requesters also note that the selected route could result in a significant decline in tourism activities in the area, which is the source of their livelihood, because of the proximity of the lines to roads heavily used by tourists and locals alike.
- 1.14 Additionally, the Request explains that the San Vicente–Jama area is a highly seismic region, and that the selected route of the line positions structures dangerously close to a mountain where landslides regularly occur. The Requesters state that these structures could collapse when landslides occur, blocking routes that the local population has identified as emergency evacuation routes, as well as causing accidents and damaging private property.
- 1.15 The Requesters also warned that the proposed relocation of the San Vicente–Jama subtransmission line could impact flora and fauna, particularly protected species such as migratory birds.
- 1.16 Lastly, the Requesters expressed their interest in the MICI processing the Request through both the Consultation Phase and the Compliance Review Phase.

**D. The MICI process to date**

- 1.17 Table 1 shows the main milestones in the MICI process from receipt of the Request to date. Section II.B. of this report gives more details of the actions taken during the Consultation Phase process.

**Table 1. MICI actions to date**

<b>Date</b>	<b>Actions</b>
<b>2018</b>	
20 April	Receipt of Request and phone call with the Requesters' representative regarding the MICI process.
27 April	Notification of Registration of Request sent to Requesters and IDB Management.
30 May	Receipt of IDB Management's Response, which included a request for a temporary suspension of the eligibility determination process.
4 June	Notification to the parties of the 45-day temporary suspension of the eligibility determination process so that Management could implement corrective actions.
26 July	Discussion with Management regarding the progress made on the corrective action plan and a request for an extension of the deadline for completing the tasks pending for that plan.
2 August	End of the temporary suspension of the eligibility determination process.
7 August	No objection to extending the deadline for the eligibility determination obtained from the Board of Executive Directors.
28 September	Receipt of Management's Report on the Implementation of the Corrective Action Plan for Request MICI-BID-EC-2018-0131.
17 October	Eligibility Memorandum issued.
5-9 November	Consultation Phase assessment mission to Ecuador
3-4 December	First dialogue session attended by Requesters, IDB, MERNNR, CNEL-EP, and PRIZA, facilitated by the MICI.
14 December	Consultation Phase Assessment Report issued.
<b>2019</b>	
13 March	Second dialogue session attended by Requesters, IDB, MERNNR, CNEL-EP, and PRIZA, facilitated by the MICI.
17 April	Third dialogue session attended by Requesters, IDB, CNEL-EP, and PRIZA, facilitated by the MICI. Agreement signed.
30 May	Consultation Phase Report issued. Start of monitoring stage.

## **II. CONSULTATION PHASE**

### **A. Policy framework**

- 2.1 The MICI Consultation Phase process is governed by the MICI Policy, document MI-47-6, approved on 16 December 2015. Section H sets out the processes, stages, and time frames to be observed during processing of a case in the Consultation Phase. Also, the "Guidelines for the Consultation Phase" (document MI-74) describe the provisions of that section in detail.
- 2.2 The purpose of the Consultation Phase is to provide an opportunity, applying flexible, consensus-based approaches, for the Parties to address the concerns raised in the Request. It fosters unbiased, equitable treatment of all Parties involved in the process. During the Consultation Phase, a variety of methods can be used depending on urgency, type of Harm alleged, corrective actions sought, the likelihood that the process will have positive results, and other factors. Among the methods for analysis and alternative dispute resolution to be used are situational and conflict analysis, scenario building, structured dialogue, sustained dialogue,

mediation, negotiation, and facilitation, under different formats. These methods can be used simultaneously or sequentially (see “Guidelines for the Consultation Phase,” paragraph 4.4).

- 2.3 Upon completion of the Consultation Phase process, the MICI will prepare a Consultation Phase Report describing its outcome. If an agreement has been reached and is to be monitored, this report may include a monitoring plan.
- 2.4 The plan must determine whether monitoring of the agreements between the Parties will be direct or external, and what measures will be adopted to determine whether such agreements are being implemented appropriately. The duration of the monitoring plan will be stipulated in the agreements reached by the Parties, but may not exceed five years, running from the date the agreement is signed, and will be considered by the IDB Board of Executive Directors.

#### **B. Timeline for the Consultation Phase process**

- 2.5 Paragraph 31 of the MICI-IDB Policy sets a maximum time limit of 12 calendar months for the Consultation Phase from the date of distribution of the Consultation Phase Assessment Report to the Board of Executive Directors.
- 2.6 In this case, given that the stated need of the Parties for diligent processing of the complaint, the MICI conducted the first dialogue session on 3 and 4 December, whereas the assessment report was distributed to the Board of Executive Directors on 14 December.
- 2.7 The Consultation Phase process took five months, during which the following activities took place:

**Table 2. MICI actions during the Consultation Phase process**

Date	Actions
<b>2018</b>	
3-4 December	First dialogue session attended by Requesters, IDB, MERNNR, CNEL-EP, and PRIZA, facilitated by the MICI.
14 December	Consultation Phase Assessment Report issued.
<b>2019</b>	
4-30 January	Conversations with IDB, CNEL-EP, PRIZA, and Requesters to analyze progress on commitments made at the first dialogue session.
2-15 February	Conversations with IDB, CNEL-EP, PRIZA, and Requesters to analyze progress and plan the second dialogue session.
11-12 March	Bilateral preparatory meetings with PRIZA, MERNNR, and Requesters.
13 March	Second dialogue session attended by Requesters, IDB, MERNNR, CNEL-EP, and PRIZA, facilitated by the MICI.
20 March to 5 April	Telephone conversation with IDB, CNEL-EP, PRIZA, and Requesters to analyze progress and plan the third dialogue session.
11 April	Telephone conversation with IDB and CNEL-EP to determine progress of studies committed to at the second dialogue session.
17 April	Third dialogue session attended by Requesters, IDB, CNEL-EP, and PRIZA, facilitated by the MICI. Agreement signed.
30 May	Consultation Phase Report issued. Start of monitoring stage.

**C. Methodology and actions taken during the Consultation Phase process**

- 2.8 According to the MICI-IDB Policy and the Guidelines for the Consultation Phase, the Consultation Phase process is intended to be flexible, consensus-based, and tailored to the specific issues raised in the Request. The methodology used depends on the specific characteristics of each case and process.
- 2.9 **Process design.** During the initial assessment stage of the Consultation Phase, the MICI gathered information on the Parties' methodological preferences, on the basis of which it prepared an initial proposal. This methodological proposal, referred to as the groundwork for an effective dialogue process, was reviewed and endorsed by the Parties at the first dialogue session.
- 2.10 The Parties agreed on an agenda and initial sequence for the Consultation Phase process, which included a first session to lay the groundwork for effective dialogue and exchange information on the project, particularly the environmental impact study and the geological study by CNEL-EP and PRIZA.
- 2.11 To ensure effective participation during the process, arrangements were agreed upon for representatives to take part in each dialogue session. Thus, the Requesters would be represented by up to 11 people, with six speaking representatives and five observers. For their part, CNEL-EP and MERNNR would also have up to six representatives, while the IDB would participate with up to two representatives. A condition of participation in the dialogue sessions was the representatives' ability to make decisions for the group or organization they represented. The Parties also committed to keep their representatives unchanged over the course of the process, avoiding changes that would hinder the progress of the discussions.<sup>5</sup>
- 2.12 As far as the location of the dialogue sessions, it was agreed that meetings be held at a neutral venue offering the facilities necessary for an effective dialogue. The Parties agreed to the MICI's choosing the location. Accordingly, the meetings were held in the city of Bahía de Caráquez (Sucre Canton, Province of Manabí).
- 2.13 The MICI was responsible for hosting and leading the dialogue sessions. These tasks were performed by Juan Dumas, a member of the MICI's roster of facilitation experts, and at least one MICI staff member (Consultation Phase Coordinator and/or Case Officer) was present during the dialogue sessions. The facilitation expert provided methodological advice during the process and performed facilitation tasks during the dialogue sessions. MICI staff designed the process, organized the bilateral meetings with the Parties, and represented the Mechanism during the dialogue sessions.
- 2.14 Additionally, the Parties agreed that the results of each of the dialogue sessions should be documented in minutes prepared by the MICI. These minutes were to record the points discussed, commitments made, and next steps. The Parties expressed their preference for keeping a low public profile during the dialogue process, refraining from approaching the mass media or using social media to

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<sup>5</sup> It is worth noting that, despite the changes in the authorities at PRIZA and CNEL-EP in December 2018, the staff assigned to the process maintained a stable presence, and the incoming representatives honored the progress made and willingness to find solutions.

disclose positions or progress in the process. Consistent with this, the Parties agreed that everything discussed during the meetings was to remain confidential.<sup>6</sup>

- 2.15 **Dialogue sessions and partial agreements.** The MICI hosted and facilitated three structured dialogue sessions between the Parties. During the first session, which was held over two days, CNEL-EP presented a proposal for a solution to the problem identified in the Request, based on the findings of a geological risk study commissioned by the executing agency. This geological study pointed out the risks of rerouting the subtransmission line along the highway between San Vicente and Canoa, due to the instability of the roadside embankment. During this meeting, the Parties reviewed the CNEL-EP proposal and reached a partial agreement to maintain the current route of the subtransmission line as far as the Canoa bypass. The Parties agreed to study technical options to address the situation of the dwellings of a family in the La Fortuna community that lie under the current route of the subtransmission line, as the family states that it has suffered adverse health impacts. Another partial agreement reached at the first session was the Requesters' commitment to help facilitate CNEL-EP's access, if necessary, for the required maintenance work on the subtransmission line, once in operation. Additionally, CNEL-EP committed to prepare and submit a technical report to the Parties with the electromechanical design for the new repowering and maintenance proposal for the subtransmission line.
- 2.16 As a result of the first dialogue session, CNEL-EP shared with the Requesters the geological study conducted to analyze the situation of the roadside embankment between San Vicente and Canoa.
- 2.17 The main objective of the second dialogue session, held on 13 March 2019, was to share information on progress of the commitments made at the first session and identify the next steps in the process. CNEL-EP reported the progress of the electromechanical study and explained the two technical options being considered for execution of the work on the San Vicente–Jama subtransmission line: (a) perform the work with the line electrified, which would allow it to be completed sooner but at a higher cost, given the high technical complexity of the task; (b) perform the work with the line disconnected from power, which would not entail additional costs but would delay the start of work, as it would be necessary to wait for construction to be completed on the line between the Pedernales and La Concordia substations; this construction work is currently under way and being done by CELEC-EP Transelectric. CNEL-EP also reported that the most appropriate technical option to address the situation of the dwellings of the family in the La Fortuna community that lie under the current route of the subtransmission line would be to move the structure on their property and replace it with a taller tower. At the end of the meeting the Parties agreed to meet again in a month's time, to learn about the technical alternative chosen by CNEL-EP and PRIZA for the repowering and maintenance work and to sign an agreement.
- 2.18 The third and last dialogue session took place on 17 April 2019. Prior to this meeting, the MICI had prepared a draft agreement that was made available to the Parties for review. The Parties reviewed the document jointly at the session and, after reaching

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<sup>6</sup> The Parties agreed that the question of whether to make the final results public would be discussed, once the Consultation Phase process was complete.

consensus on certain amendments that they proposed, signed the final agreement resulting from the MICI Consultation Phase process.

- 2.19 Importantly, at the time of signing the agreement, the Parties reached a consensus that the document and the identities of its signatories should be made public.<sup>7</sup> For this reason, in view of the Requesters' preferences as stated to the MICI team, the initial request for confidentiality has been withdrawn.
- 2.20 Before and after the face-to-face meetings, the MICI was in constant contact with the Parties by telephone and through bilateral face-to-face meetings. These steps were intended to learn the Parties' perspectives vis-à-vis the dialogue sessions, inform them about practical analytical tools to maximize their engagement, and follow up on the commitments made at each session.

#### **D. Results of the Consultation Phase**

- 2.21 During the dispute resolution process, the MICI sought to create a safe space for airing the concerns raised in the Request through dialogue. To do so, the MICI sought to establish threshold levels of trust between the Parties, so that information could be shared, and different options weighed, to address the issues raised. The MICI also sought to address the asymmetries between the Parties, so as to improve the likelihood of achieving a satisfactory outcome through the Consultation Phase process.
- 2.22 At the heart of this process was the use of technical studies, such as the electromechanical and geological studies, to deepen the Parties' understanding and inform the process of dialogue and building agreement. The active participation of IDB Management, the executing agency, and the Requesters in the exchanges was essential to give the process legitimacy and reach a solid agreement to address the issues raised.
- 2.23 The agreement reached contains a series of commitments, mainly associated with implementation of the work, information disclosure, and stakeholder awareness.
- 2.24 **Implementation of repowering and maintenance work on the San Vicente–Jama subtransmission line.** The Parties agreed that CNEL-EP, acting through PRIZA, will perform maintenance and repowering work on the subtransmission line, following the existing route as far as the Canoa bypass. This work will be done with the line disconnected from power.
- 2.25 To perform the repowering and maintenance work, CNEL-EP and PRIZA will have to wait until CELEC-EP Transelectric completes construction of the line between the Pedernales and La Concordia substations, scheduled for October 2019. The aim is to avoid affecting the electricity supply to the population currently receiving its power via the San Vicente–Jama subtransmission line.
- 2.26 The San Vicente–Jama repowering and maintenance works are projected to last four months. The Requesters agreed to work with CNEL-EP insofar as possible, to facilitate access to the area during this period, as well as during subsequent maintenance work.

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<sup>7</sup> The agreement is available in Annex I. This document will also be made public via the MICI's Public Registry.

- 2.27 The Parties have agreed to relocate the structure currently on the property of the family residing under the San Vicente–Jama subtransmission line. The change in location and greater height of the new structure will mean it no longer affects the family.
- 2.28 **Stakeholder awareness and information disclosure.** The Parties agreed that the studies used during the Consultation Phase process would be made public. This means that CNEL-EP and the IDB must disclose the environmental impact study, the geological and geotechnical study, and the electromechanical design study, within 30 business days after signature of the agreement.
- 2.29 The Parties also agreed that CNEL-EP, acting through PRIZA, would inform and engage with the owners of the land over which the existing San Vicente–Jama subtransmission line was routed, including presentation of the technical study for the electromechanical design and an explanation of the alternative selected for the subtransmission line repowering and maintenance work.

### III. NEXT STEPS

#### A. Monitoring mechanism

- 3.1 The Parties have asked the MICI to monitor the agreements reached.
- 3.2 The MICI's role in the monitoring phase is to maintain trust between the Parties, monitor compliance with the agreements, and support their execution. To this end, the MICI may perform a series of activities, including: hosting and facilitation of working meetings between the Parties for implementation of the agreements; ongoing monitoring through face-to-face meetings, by telephone, email, and videoconference; at least one annual monitoring mission; and production of monitoring reports.
- 3.3 Under paragraph 35 of the MICI-IDB Policy, progress will be reported directly to the IDB Board of Executive Directors through annual monitoring reports. Once the agreed activities have been concluded, the MICI will consider monitoring completed and proceed to close the case.

#### B. Projected monitoring timeline

- 3.4 Annex II of this document contains a proposed plan and timeline for monitoring the commitments reached. This monitoring plan is based on the timeline for the work agreed upon by the Parties in Clause 13 of the agreement and has a duration of 10 months, running from May 2019 to February 2020.
- 3.5 Under Paragraph 35 of the MICI policy, the Board of Executive Directors will consider the monitoring plan and time frame via the no objection procedure. Monitoring activities will proceed, if there is no objection from the Board of Executive Directors to the MICI being responsible for monitoring.

#### C. Projected resources in relation to the monitoring activities

- 3.6 The Consultation Phase team will need to conduct at least one monitoring mission to Ecuador, to assess progress on compliance with the agreements. This mission will involve joint sessions and the support of the facilitator who moderated the dialogue sessions during the Consultation Phase. Visits will also be made to the project site, to record the progress made photographically.





**CONSULTATION PHASE. MICI-BID-EC-2018-0131. PROGRAM FOR THE RECONSTRUCTION OF ELECTRICITY INFRASTRUCTURE IN AREAS AFFECTED BY THE EARTHQUAKE IN ECUADOR**

**AGREEMENT ON THE ROUTE OF THE SAN VICENTE–JAMA SUBTRANSMISSION LINE**

**Background**

On 20 April 2018, the Independent Consultation and Investigation Mechanism (MICI) of the Inter-American Development Bank (IDB) received a Request from five-hundred and forty-seven (547) residents of eight (8) communities (Briceño Alto, Briceño Bajo, La Fortuna, Nuevo Briceño, Comunidad Extranjera, El Recreo, Urbanización de Canoa, and Canoa) in the province of Manabí, Ecuador (hereinafter, “the Requesters”). This Request refers to the execution of the work, BID-PRIZA-CNELMAN-ST-OB-004 “RECONSTRUCTION AND RELOCATION OF 9 KM OF THE SAN VICENTE–JAMA SUBTRANSMISSION LINE TO PROPERTY BOUNDARY,” particularly the proposed routing or rerouting of the subtransmission line. The Requesters claimed that the proposed relocation of the subtransmission line along the “Spondylus route” between San Vicente and Canoa through a populated area reliant on tourism could cause the following harms: (a) obstruction of evacuation routes, given that the area is highly prone to earthquakes and landslides; (b) negative impact on tourist activity in the area; (c) adverse effects on the health of people living near the subtransmission line; and (d) impact on the flora and fauna, particularly on protected species.

During the eligibility phase, IDB Management asked the MICI for two temporary suspensions of the process (from 30 May to 17 October 2018) to implement a series of activities as part of the corrective action plan, including an environmental impact study and a geological risk study. By joint decision of IDB Management and the client, the works were suspended during implementation of the measures in the corrective action plan. At the end of the extension period, it had not been possible to complete the risk assessment report or the information and engagement activities regarding the aforementioned documents. On 17 October 2018, the MICI issued the memorandum declaring the request eligible and launching the Consultation Phase.

As part of the MICI Consultation Phase, a series of preparatory meetings were held with the Requesters, the State-owned electricity utility, Corporación Nacional de Electricidad (CNEL-EP), Comprehensive Reconstruction Project for Affected Zones (PRIZA), the Ministry of Energy and Nonrenewable Natural Resources (MERNNR), the Ministry of Finance, and the IDB. These meetings made it possible to determine the Parties’ willingness to begin a dispute resolution process and their preferred methodology, as well as work with them on the design of the Consultation Phase process. The MICI also held bilateral meetings with the Parties prior to each of the dialogue sessions.

During the Consultation Phase, two dialogue sessions were hosted and facilitated by the MICI. At the first session, on 3-4 December 2018, CNEL-EP presented a proposed solution to the issues raised by the Requesters. This proposal was based on the findings of the geological risk study conducted as part of the corrective action plan, which indicated the risks of rerouting the subtransmission line along the highway between San Vicente and Canoa due to the instability of the roadside embankment. The Parties reviewed the CNEL-EP proposal, which combined a new route and part of the original route. The new route would follow the highway along the coast from San Vicente, then turn right along the San Isidro road and connect with the previous route through the mountains to the Canoa

bypass. Issues associated with the preventive maintenance work required by the subtransmission line were also examined at the first session, along with the situation of the dwellings of the Ayong family and others in the La Fortuna community that lie under the current route of the line. As a result of the first meeting the Parties agreed that the route of the subtransmission line would follow the existing route as far as the Canoa bypass and that repowering and maintenance work would proceed. On 13 March 2019, at the second dialogue session, CNEL-EP presented the progress of the electromechanical study for the design of the repowering and maintenance of the subtransmission line. CNEL-EP presented two options that were being studied for the execution of the work, both following the existing route as far as the Canoa bypass: (a) perform the work with the line electrified, which would, in principle, allow it to be completed sooner but at a higher cost, given the greater technical complexity of the task; (b) perform the work with the line disconnected from power, which would not entail additional costs but would delay the start of work until after December 2019, when CELEC-EP Transelectric is scheduled to complete construction of the line between the Pedernales and La Concordia substations, so as not to affect the electricity supply to population currently receiving power via the San Vicente–Jama subtransmission line from the San Vicente substation. On 11 April 2019, CNEL-EP, the IDB, MERNNR, and PRIZA met with the senior authorities of CELEC-EP Transelectric, who confirmed that the line would be completed in October 2019.

### **Agreement**

In view of the foregoing, and in the presence of representatives of the Requesters, CNEL-EP, PRIZA, MERNNR, the IDB, and the MICI, the Parties have agreed as follows:

1. CNEL-EP, acting through PRIZA, will perform the subtransmission line repowering and maintenance work on the San Vicente–Jama subtransmission line, following the existing route as far as the Canoa bypass, as shown in the diagram included as Attachment 1.
2. Based on the conclusions of the study for the electromechanical design, CNEL-EP, acting through PRIZA, has opted to work without the line connected to power, as the best technical and economic alternative for implementation of the work.
3. CNEL-EP, acting through PRIZA, with the support of MERNNR, will enter into a supplemental contract with the contractor responsible for execution of the work, based on the changes in project time frames and costs. The IDB's no objection must be obtained before signing this contract.
4. Supported by the steps taken by the CNEL-EP Manabí business unit, MERNNR notes for the record that, from the environmental standpoint, no additional formalities should be required, as all environmental permits for the existing San Vicente–Jama subtransmission line are in force.
5. Once construction of the line between the Pedernales and La Concordia substations has been completed, CNEL-EP, acting through PRIZA, will begin the repowering and maintenance work on the San Vicente–Jama subtransmission line. The work is expected to start in November 2019 and last four (4) months. When work starts, CNEL-EP, acting through PRIZA, will post an updated work execution timetable on its institutional website, where it will be accessible to the Parties.

6. CNEL-EP, acting through PRIZA, undertakes to relocate the structure now on the Ayong family's property. The new tower will be approximately six (6) meters to the right/northeast of the current structure and will raise the height of the line to approximately thirty (30) meters. The foregoing will mean that, as a result of the San Vicente–Jama repowering and maintenance work, the Ayong family will not be affected by the line.
7. The Requesters expressed their willingness to work with CNEL-EP insofar as possible, to facilitate access to the area during the construction process.
8. Personnel of CNEL-EP, PRIZA, and the contractor responsible for execution of the repowering and maintenance work on the San Vicente–Jama subtransmission line must be properly identified while in the working areas.
9. The subtransmission line will require preventive maintenance approximately every six months. The Requesters express their willingness to work with the CNEL-EP Santo Domingo business unit insofar as possible, to ensure that the respective maintenance work can be performed.
10. In compliance with the IDB's Access to Information Policy (Operational Policy OP-102), the environmental impact assessment (EIA), the geological and geotechnical study, and the electromechanical design study must be public. The EIA is currently publicly available. The geological and geotechnical study and the electromechanical design study will be posted on both the IDB and CNEL-EP websites within thirty (30) business days after signature of this agreement. The studies mentioned in this clause must remain accessible on the IDB and CNEL-EP websites.
11. CNEL-EP, acting through PRIZA, has committed to conduct information and engagement activities with the owners of land crossed by the existing San Vicente–Jama subtransmission line. These activities will not alter the decisions made in this agreement and must include presentation of the technical study for the electromechanical design and explanation of the selected alternative for implementation of the work.
12. If there is no objection from the IDB Board of Executive Directors, the MICI will collaborate with the Parties to monitor this agreement. To do so, the MICI Consultation Phase personnel may interview the Parties by telephone, call specific meetings in the event of disagreements, disputes, or growing dissatisfaction with the degree of compliance with the agreements, conduct field missions, and/or collaborate to build communication platforms using new information technologies, to facilitate monitoring of the commitments.
13. The MICI plans to conduct a monitoring mission when the works are complete, in accordance with the following work execution timetable:

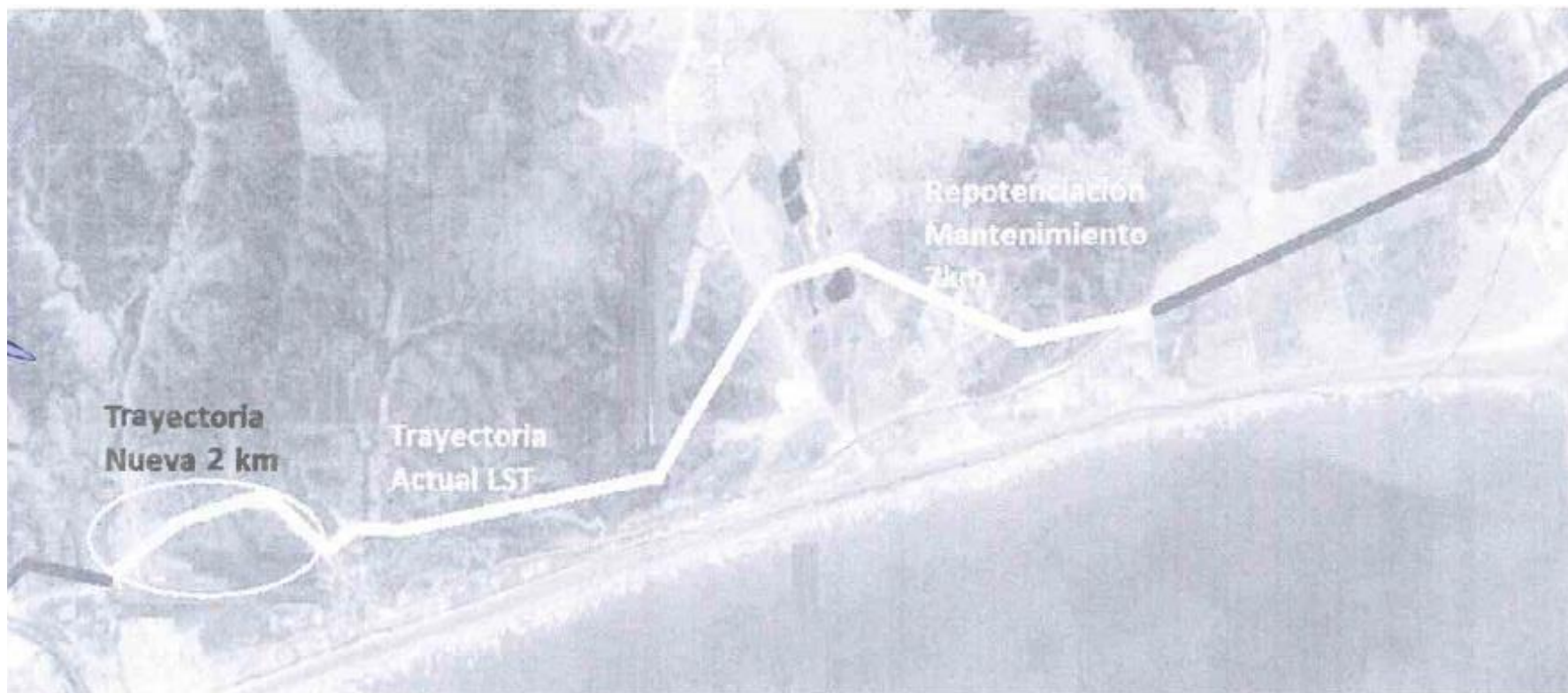
Milestone	Date of fulfillment
Completion of electromechanical design study	May 2019
Information and engagement with the owners of the land to be crossed by the subtransmission line	May 2019
Posting of: (a) geological and geotechnical study, and (b) electromechanical design study on the CNEL-EP and IDB websites	May 2019
Signature of supplemental contract by CNEL-EP, acting through PRIZA, after obtaining the IDB's no objection	June 2019
Presentation of the updated work execution timetable for the San Vicente–Jama subtransmission line	October 2019
Start of the San Vicente–Jama subtransmission line repowering work	November 2019
Relocation of the structure on the Ayong family's property	February 2020
Completion of the San Vicente–Jama subtransmission line repowering work	February 2020

In witness of their acceptance of, and agreement with, the foregoing, six identical counterparts hereof have been signed on the seventeenth of April, two thousand and nineteen, at the city of Bahía de Caráquez, Sucre Canton, Province of Manabí.

[Signatures]

Tayisiya Teplyuk Requester	Dmytro Teplyuk Requester	Alla Teplyuk Requester
Marco Arístides Figueroa Arteaga Requester	María Teresa Lambert Requester	Douglas Rafael Estrada Morales Requester
Cristián Ernesto Cadena Carvajal Requester	Roberto Torres Portilla CNEL-EP	Diego Orbe Malla PRIZA
Pierre Kenol Thys IDB	Silvia Vargas Carvajal MERNNR	Julio Fuel MERNNR
Martín Packmann MICI	Gastón Aín MICI	Juan Dumas MICI Facilitator

Attachment 1. Agreed route





## PROPOSED MONITORING PLAN AND PRELIMINARY TIMELINE

Commitment to be monitored	Compliance status	
	Fulfilled	Pending
San Vicente–Jama subtransmission line repowering and maintenance work performed following the existing route of the line as far as the Canoa bypass		
Information and engagement activity with the owners of the land to be crossed by the subtransmission line		
Posting of the geological and geotechnical study and electromechanical design study on the CNEL-EP and IDB websites within 30 business days after signature of the agreement		
Signature of supplemental contract by CNEL-EP, acting through PRIZA, after obtaining the IDB's no objection		
Publication of updated work execution timetable for the San Vicente–Jama subtransmission line at the start of work		
Start of the San Vicente–Jama subtransmission line repowering work in November 2019		
Proper identification, in the work areas, of the personnel of CNEL-EP, PRIZA, and the contractor responsible for execution of the work, who are performing the repowering and maintenance work on the subtransmission line		
Relocation of the structure on the Ayong family's property		
Completion of the San Vicente–Jama subtransmission line repowering work		



<b>Monitoring timetable</b>										
<b>Milestone</b>	<b>Date of fulfillment</b>									
	<b>2019</b>								<b>2020</b>	
	<b>May</b>	<b>June</b>	<b>July</b>	<b>August</b>	<b>Septem-ber</b>	<b>October</b>	<b>Novem-ber</b>	<b>Decem-ber</b>	<b>January</b>	<b>February</b>
Completion of electromechanical design study										
Information and engagement with the owners of the land to be crossed by the subtransmission line										
Posting of: (a) geological and geotechnical study, and (b) electromechanical design study on the CNEL-EP and IDB websites										
Signature of supplemental contract by CNEL-EP, acting through PRIZA, after obtaining the IDB's no objection										
Presentation of the updated work execution timetable for the San Vicente–Jama subtransmission line										
Start of the San Vicente–Jama subtransmission line repowering work										
Relocation of the structure on the Ayong family's property										
Completion of the San Vicente–Jama subtransmission line repowering work										