



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF THE
EC MANTA PUBLIC SERVICES IMPROVEMENT PROJECT
APPROVED ON AUGUST 8, 2013
TO THE
MUNICIPALITY OF MANTA

WATER GLOBAL PRACTICE

LATIN AMERICA AND THE CARIBBEAN

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ABBREVIATIONS AND ACRONYMS

C-RAP	Corrective Resettlement Action Plan
EPAM	Manta Municipal Water Utility - <i>Empresa Pública Municipal de Agua de Manta</i>
ERP	Enterprise Resource Planning
IBRD	International Bank for Reconstruction and Development
IWRM	Integrated Water Resources Management
Km	Kilometer
MS	Moderately Satisfactory
PAP	Project Affected Persons
PDO	Project Development Objective
PIU	Project Implementation Unit
SENAGUA	National Water Secretariat - <i>Secretaria Nacional del Agua</i>
WSS	Water Supply and Sanitation



BASIC DATA

Product Information

Project ID P143996	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 08-Aug-2013	Current Closing Date 30-Jun-2019

Organizations

Borrower Municipality of Manta	Responsible Agency Municipality of Manta
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Project Development Objective (PDO)

Original PDO

The Project Development Objective (PDO) is to support the Municipality of Manta in increasing the quality and sustainability of public services for water, sanitation and urban mobility.

The objective will be achieved by (i) increasing availability of water supply and efficiency of water and sewerage services; (ii) improving urban mobility and accessibility through improvements to the street network, including sidewalks; and (iii) enhancing the capacity of the municipal government in planning and managing the provision of water and sanitation and urban transport services.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IBRD-82890	08-Aug-2013	20-Nov-2013	18-Jul-2014	30-Jun-2019	100.00	93.76	6.24

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Introduction

1. **This Restructuring Paper seeks the Country Director's approval of a Second Order Restructuring of Loan 8289-EC for the Manta Public Services Improvement Project (P143996).** The proposed restructuring entails the following changes to the Finance Agreement: (i) allowing for resettlement and land expenditures (including compensation for land acquisition related to implementation of a resettlement instrument) under this Loan; and (ii) reallocation of funds from Category 3 (*Institutional Strengthening*) to a new expenditure Category 7 (*Land Acquisition Compensation and Corrective Resettlement*) to cover compensation expenditures, and Category 4 (*Program Management*) to implement compensation measures. The Regional Vice President for Latin America and the Caribbean has approved the use of the loan proceeds for compensation of land acquisition.

B. Project Background and Rationale for Restructuring

2. **The loan in the amount of US\$100 million was approved on August 8, 2013 and became effective on July 18, 2014.** The delay in effectiveness was mainly due to the change of local government authorities following the February 2014 local elections, which entailed significant changes of management and staff within municipal units that played an important role in the Project. The change of municipal authorities also resulted in shifting priorities and in the envisaged municipal development model. As a result, certain works that were ready to be launched were dropped from the scope of the Project, and other infrastructure investments were prioritized for which designs were yet to be prepared. These issues, coupled with the lack of previous experience managing World Bank financed projects, resulted in significant delays in Project implementation. These implementation issues were resolved with the appointment of a new Project Implementation Unit (PIU) coordinator near the end of 2015 coupled with a series of training events and capacity building support provided by the World Bank, particularly on fiduciary aspects which resulted in notable improvements in project management, coordination at the local level, an increased focus on results and overall Project performance.
3. **However, the effects of the 7.8 magnitude earthquake that hit the city of Manta in April 2016 coupled with the initial implementation delays resulted in the need for two previous restructurings.** The first restructuring was approved in the wake of the earthquake. Approved in June 2016, that Second Order restructuring comprised: (i) the reallocation of loan proceeds to allow for the financing of emergency response and reconstruction activities particularly the restoration of water supply and sanitation services; (ii) associated modifications to component costs and disbursement categories; and (iii) modifications to the Results Framework to reflect such changes to revised activities in response to the April 2016 earthquake. A second restructuring was approved in May, 2018 and comprised: (i) a one-year extension of the Project closing date from June 30, 2018 to June 30, 2019; (ii) changes in the disbursement estimates and implementation schedule; (iii) a reallocation of loan proceeds between disbursement categories; and (iv) changes in the results framework of the Project and the methodology for the economic analysis that was employed at Appraisal.
4. **The proposed Second Order restructuring would be required to allow the use of Loan proceeds to cover land acquisition expenditures and to reallocate resources between disbursement categories.** Component 2 of the



Project is comprised of several sub-components, including rehabilitation of Calle 13, Avenida 24, and Avenida Flavio Reyes, reconfiguration and reconstruction of Avenida 4 de Noviembre and Avenida 113 to create a Par Vial entry into Manta from the West, and reconstruction of *Vía Barbasquillo* to remove an open trench in the median. Works for all these sub-projects except for the Par Vial have already been completed. In the case of *Vía Barbasquillo*, land acquisition had been required. During an April 2016 supervision mission, the Borrower had agreed to try to obtain the land for *Vía Barbasquillo* through voluntary land donations and to clearly document the process. If owners opposed the voluntary land donations, compensation was to be provided to them for the land. The possible use of voluntary land donations had been incorporated into the Corrective Resettlement Action Plan (C-RAP) that had been prepared for the *Vía Barbasquillo* subproject, which was cleared by the RSA.

5. However, during the June 2018 technical mission, it became clear to the Task Team that the voluntary donation processes associated with the 21 impacted properties along the *Vía Barbasquillo* had only occurred for 7 of the 21 properties before construction began. There was no further documentation in the Project files indicating the rationale for not proceeding with a voluntary donation process for the remaining 14 properties. Furthermore, the documentation that was provided by the Borrower consisted of “Certificates of Donation”, which referenced expropriation under national law (COOTAD)¹ and did not contain evidence of the voluntary nature of land donation process. As a result of these findings, the Bank team requested at the end of the mission that the borrower prepare a Corrective Resettlement Action Plan (C-RAP) to properly document the affected land owners, including a proposed compensation scheme that complies with both national expropriation laws and OP 4.12. The Borrower submitted the C-RAP and was found satisfactory by the Bank. The total cost of preparing and implementing the C-RAP was estimated at US\$214,000, with US\$164,000 allocated to compensate affected land owners and the remaining \$50,000 allocated to supervise the implementation of the C-RAP.
6. **The resources required to cover these resettlement expenditures cannot be made available by the municipality before the Project’s Closing Date, especially because the municipal budgeting process is frozen during the municipal election year.** Therefore, the Borrower requested that loan proceeds be used to cover these expenses. To do so, land acquisition needs to be included as an eligible expense under the Loan, through the introduction of a new category (Resettlement Expenditures), and reallocation of US\$164,000 from Category 3 (Institutional Strengthening) to the new Category 7. The funds thus allocated to the proposed new Category 7 would allow the Project to cover cash compensation for land acquisition to landowners (US\$164,000). In addition, US\$50,000 would be reprogrammed from Category 3 to Category 4 to ensure adequate implementation of measures and their supervision for *Vía Barbasquillo*. The funds being reprogrammed to cover these new items correspond to funds currently allocated to Component 3 - *Institutional Strengthening*, which will be reallocated to Component 4 – *Program Management*. These funds had been designated for the development of an integrated water resource management (IWRM) plan for the river basins that provide water to the city of Manta, but project financing of this activity is no longer needed, since it is being undertaken by the National Water Secretariat (*Secretaría Nacional del Agua*, SENAGUA) with its own funds (counterpart funds). Reallocation of funds will not impact the PDO. Thus, these funds are available to cover the costs of the resettlement expenditures outlined in the C-RAP.

C. Project Status

¹ Código Orgánico de Organización Territorial



7. **As of February 2019, US\$93.76 million (93.76 percent of loan proceeds) have been disbursed and 98 percent have been committed.** All main procurement processes have been finalized. Following is a detailed description of the implementation status of each of the 5 Project components.
8. **Component 1: Investments in Water Supply and Sewerage (IBRD financing US\$41 million, 27.95 percent disbursed and documented, 100 percent committed).** Main activities under this component include: (i) the construction of Los Geranios sewer main (US\$0.6 million); (ii) the construction of the Santa Martha and Colorado drinking water reservoirs (US\$2.87 million); (iii) water supply and sanitation (WSS) network rehabilitation activities performed as part of the *Vía Barbasquillo, Flavio Reyes, Calle 13 and 24th Avenue* street upgrading contracts (US\$3.24 million); (iv) WSS rehabilitation activities performed as part of the Par Vial Urban Upgrading contract (US\$ 10.37 million); and (v) the Manta District WSS networks' rehabilitation contract (US\$19.72 million). Activities (i), (ii) and (iii) listed above have been completed. Works under (iv) and (v) were awarded in the third quarter of 2017, and despite some delays in their startup, works under (iv) are progressing satisfactorily and will be completed by April 2019. Works under (v) include the construction of main water lines and sewer collectors, which are at over 70 percent complete; however, progress on the water distribution and tertiary sewer collectors are just over 30 percent complete. Works for Par Vial are expected to be finalized by June 2019. The Borrower is aware that payment for any works carried out after the closing date would need to be covered directly from municipal funds and not from the loan proceeds.
9. **Component 2: Investments in Road Improvement (IBRD financing US\$45.2 million; 93.45 percent disbursed and documented, 100 percent committed).** Main activities under this component include: (i) paving of 9.3 km. of dirt streets in the "*15 de Septiembre*" neighborhood (US\$3.65 million); (ii) works prioritized by citizens in the area as part of the participatory municipal planning and budgeting process including the construction of 3 stairways (192 meters), 4.6 km paved streets and 5.3 km of sidewalks in other poor peri-urban areas of the city; (iii) street upgrading activities along *Barbasquillo Avenue, Flavio Reyes Avenue, Calle 13 and 24th Avenue*; and (iv) urban upgrading activities along *Par Vial*. Activities listed under points (i), (ii) and (iii) above have been finalized. The *Par Vial* urban upgrading contract was awarded in the third quarter of 2017 and works are expected to be completed by April 2019.
10. **Component 3: Institutional Strengthening (IBRD financing US\$3.9 million; 29.49 percent disbursed and documented, 97 percent committed).** Funding allocated to this component will be decreased by US\$214,000 (US\$3.9 to 3.69 million). This component is financing the development of an Enterprise Resources Planning (ERP) system and a client database for the Manta Municipal Water Utility (*Empresa Pública Municipal de Agua de Manta, EPAM*), as well as the consulting services required for the structuring of a strategic alliance with a private operator aimed at improving EPAM's performance. All of these activities are nearing completion, with a strategic alliance agreement signed in November 2017 and the ERP system and the client database 98 percent complete. Through this component, the Borrower has procured laboratory equipment for EPAM, and the construction of a building to host said laboratory, which will be finalized by March 2019. The Project is also financing the development of an urban mobility plan for the City of Manta, the contract for which is underway.
11. **Component 4: Project Management (IBRD financing US\$0.7 million, 77.14 percent disbursed and documented).** Funding allocated to this component will need to be increased by US\$214,000 (from US\$0.7 to US\$0.91 million) to cover the land acquisition compensation to landowners and the implementation of the C-RAP for *Vía Barsbaquillo*, as well as the supervision activities.
12. **Component 5: Emergency response (IBRD financing US\$9.2 million, 83 percent disbursed, 98 percent committed).** Activities financed under this component include: (i) a temporary bridge-financing of operational



expenses of EPAM (US\$2.5 million); (ii) the rehabilitation of the main raw water pumping stations feeding Manta’s distribution system (*El Ceibal*, *Caza Lagarto* and *El Oro* pumping stations, totaling US\$5.9 million); (iii) critical repairs and isolation of the water distribution system in “ground zero” (US\$0.35 million); and (iv) studies and technical assistance to EPAM to recuperate normal operations (US\$0.46 million). Activities (i), (iii) and (iv) have been finalized. The rehabilitation of *El Ceibal*, *Caza Lagarto* and *El Oro* pumping station is expected to be completed by June 2019.

II. DESCRIPTION OF PROPOSED CHANGES

13. This Restructuring Paper seeks to add land acquisition as an eligible expense under a new Category 7 in the Loan Agreement, and reallocate US\$164,000 from Category 3, to Category 7, as well as US\$50,000 from Category 3 to Category 4. The funds reallocated to Category 7 and 4 correspond to Component 4, as explained above and shown in Table 1 below:

TABLE 1: REALLOCATION BETWEEN DISBURSEMENT CATEGORIES (in US\$ millions)

Category	Current Allocation	Proposed Allocation	Disbursement % current	Disbursement % proposed
1. WSS investments	41.00	41.00	100%	100%
2. Road investments	45.20	45.20	100%	100%
3. Institutional Strengthening	3.90	3.69	100%	100%
4. Project Management	0.70	0.75	100%	100%
5. Emergency Response	6.70	6.70	100%	100%
6. Emergency: operational costs	2.50	2.50	80%	80%
7. Resettlement Expenditures	0	0.16	100%	100%
TOTAL	100.00	100.00		

III. SUMMARY OF CHANGES

	Changed	Not Changed
Components and Cost	✓	
Reallocation between Disbursement Categories	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Results Framework		✓



Loan Closing Date(s)		✓
Cancellations Proposed		✓
Disbursements Arrangements		✓
Disbursement Estimates		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)

COMPONENTS

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Component 1: Investments in Water Supply and Sewerage	41.00	Revised	Component 1: Investments in Water Supply and Sewerage	41.00
Component 2: Investments in Road Improvement	45.20	Revised	Component 2: Investments in Road Improvement	45.20
Component 3: Institutional Strengthening	3.90	Revised	Component 3: Institutional Strengthening	3.69
Component 4: Project Management	16.30	Revised	Component 4: Project Management	16.51
Component 5: Emergency Component	9.20	Revised	Component 5: Emergency Component	9.20



TOTAL		115.60			115.60
REALLOCATION BETWEEN DISBURSEMENT CATEGORIES					
	Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
				Current	Proposed
IBRD-82890-001 Currency: USD					
iLap Category Sequence No: 1		Current Expenditure Category: GO, CW, NCS, CS - Part 1			
	41,000,000.00	11,464,945.31	41,000,000.00	100.00	100.00
iLap Category Sequence No: 2		Current Expenditure Category: GO, CW, NCS, CS - Part 2			
	45,200,000.00	42,244,586.48	45,200,000.00	100.00	100.00
iLap Category Sequence No: 3		Current Expenditure Category: GO, CW, NCS, CS, TR - Part 3			
	3,900,000.00	1,148,369.33	3,686,000.00	100.00	100.00
iLap Category Sequence No: 4		Current Expenditure Category: GO, CS, NCS, CW, TR - Part 4			
	700,000.00	541,502.55	750,000.00	100.00	100.00
iLap Category Sequence No: 5		Current Expenditure Category: GO, CS, NCS, CW - Part 5			
	6,700,000.00	5,140,037.67	6,700,000.00	100.00	100.00
iLap Category Sequence No: 6		Current Expenditure Category: Operating Costs - Part 5			
	2,500,000.00	2,485,088.58	2,500,000.00	80.00	80.00
iLap Category Sequence No: 7		Current Expenditure Category: Resettlement Expenditures- Part 4			
	0.00	0.00	164,000.00		100
Total	100,000,000.00	63,024,529.92	100,000,000.00		



The World Bank

EC Manta Public Services Improvement Project (P143996)

