I. Project Context

Country Context
An Interim Strategy Note (ISN) for Ecuador discussed at the Board in April 2013 identified transport and access to basic services at the subnational level as key priorities for the authorities to contribute to their goal for inclusive and sustainable growth. The country has seen a period of relative political stability and the Government of Ecuador (GoE) has invested unprecedented amounts of resources in infrastructure and the social sectors in an effort to reduce inequality and promote inclusion.

Sectoral and institutional Context
The GoE is integrating its water institutional framework at the national level by establishing within the National Water Secretariat (SENAGUA) the responsibility for water resources and water and sanitation including sector policy, programing and technical regulation. The upcoming agenda also includes the establishment of the economic and service quality regulatory function at the national level. Municipal governments are responsible for the operation and maintenance of water supply and sanitation systems.
Despite substantial improvements in urban water and sanitation services coverage, especially in the large cities, Ecuador still faces a significant challenge in providing better services in medium and small size cities and rural areas, particularly regarding wastewater treatment. In 2008, urban coverage levels for water and sanitation services were 76.1 and 57.6 percent, respectively, whereas rural coverage levels were 25.3 and 14.6, respectively. National coverage of domestic wastewater treatment was found to be 24.0 percent in urban areas in 2007. Other water and sanitation issues requiring attention are the lack of service quality (number of water hours per day) and efficiency (substantial water losses), limited cost recovery and heavy reliance on subsidies from national, provincial and municipal government entities and sustainability (better integration with water resources, achieving financial closure and resilience to natural disasters and climate change).

Municipal governments are also responsible for planning, regulating and controlling traffic and public transportation within its canton territory, on top of planning, building and maintaining the urban road network. The National Transit Agency retains authority for aspects such as driver licensing and national road safety and related policies including setting of standards and the Ministry of Transport and Public Works retains responsibility of national roads, overall transport sector policy, standards and norms such as for design and construction.

Rapid urbanization in Ecuador is accompanied by similar increases in motorization rates (from 65 vehicles per 1000 inhabitants in the early 2000’s to approximately 90 by 2011) and a concomitant increase in the related negative externalities, particularly air pollution and road accidents. To arrest the deterioration of mobility in urban areas and particularly in medium-sized cities, actions are urgently needed to ensure the more efficient functioning of urban areas. Historically, the levels of investment in transport networks have not kept pace with development needs, but recently the GoE has started to address those trends through enhancement of the planning and management of transport systems and increases in the level of investments in infrastructure. In particular, the GoE has committed to the implementation of mass transit systems in the largest cities (such as with the Quito Metro, Guayaquil Bus Rapid Transit and Cuenca Tranvia projects) and interventions in the urban road network in medium-sized cities to improve their conditions for transit operations, pedestrian use, and overall safety. Recently, non-motorized transport has become a national priority, as exemplified with the creation of an Office of Alternative Transport in the Ministry which is advancing a national cycling agenda.

The City of Manta, located in the Province of Manabi, is a medium-sized fast growing port city with fisheries and tourism as its main economic activities. Manta’s road network has a total length of 350 km consisting of 52 km of arterials and collectors, and 298 km of local streets, and is considered to be in regular-good condition, with low levels of congestion. Proactive planning and incentives for both the demand and supply sides may enable planned growth, ensuring that more sustainable transport modes remain available, even as motorization rates and motorcycle ownership increase. Regarding local roads there is still a significant unpaved area, and old areas requiring rehabilitation. Water supply and sanitation services are provided by the municipal water company Empresa Pública Aguas de Manta (EPAM), and current coverage levels are 79 and 64 percent for water supply and sewerage respectively, as the first phase of its Water and Sanitation Master Plan has been finalized. While Manta potable water production will meet demand for the next few years, the distribution system faces challenges including unserved population, significant areas with aged and ill-performing pipes that need rehabilitation, and significant water losses.

II. Proposed Development Objectives
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.

### III. Project Description

**Component Name**

#### Component 1: Investments in Water Supply and Sewerage

**Comments (optional)**

This component will support storage capacity increase as well as water and sewerage network rehabilitation, amongst others.

#### Component 2: Investments in Road Improvement

**Comments (optional)**

This component will support urban streets upgrading, including sidewalks, street furniture, upgraded bus stops, and cycle infrastructure, amongst others.

#### Component 3: Institutional Strengthening

**Comments (optional)**

This component will support institutional strengthening activities for EPAM, the Traffic Directorate and the Public Works Directorate of the Municipality of Manta.

#### Component 4: Project Administration

**Comments (optional)**

This component will finance costs associated with program management, including project-related audits, monitoring & evaluation, equipment & training to strengthen the project implementation unit.

### IV. Financing (in USD Million)

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<th>Amount</th>
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<td>Total Project Cost:</td>
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<tr>
<td>Total Bank Financing:</td>
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**For Loans/Credits/Others**

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Total 115.60

### V. Implementation

27. The Autonomous Decentralized Government (GAD) of the Municipality of Manta will be the Borrower and overall responsible for project implementation, which will be carried out by a municipal Project Management Unit (Unidad de Gerenciamiento del Proyecto – UGP) supported by
several municipal entities, through the following implementation arrangements: (i) the UGP will be established under the GAD Mayor’s office, with extensive operational autonomy and will be responsible for day-to-day project implementation and overall coordination, as well as for managing and supervising the results framework, project monitoring and evaluation, auditing, communications, safeguards, etc.; (ii) EPAM will provide technical support to implementation, namely by supporting the water and sewerage engineering designs, procurement and operational issues, as well as EPAM’s institutional strengthening activities; (iii) six municipal Directorates will also provide key technical support to implementation: the Traffic and Public Works Directorates will provide support in designs, procurement and operational issues, as well as relevant institutional strengthening activities; the Finance Directorate will be responsible for day-to-day financial management; the Communications Directorate will support project socialization and dissemination; the Environmental Management Directorate will support the environmental, health and safety aspects; and the Community Development Directorate will assist in communications and resettlement activities. The above framework will be established through a municipal resolution and a subsidiary agreement between the Municipality and EPAM. Institutional roles and organizational and operational aspects are detailed in the Project’s Operational Manual.

VI. Safeguard Policies (including public consultation)

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Comments (optional)

VII. Contact point

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