



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
SOCIAL SAFETY NET PROJECT
APPROVED ON APRIL 3, 2019
TO THE
REPUBLIC OF ECUADOR
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SOCIAL PROTECTION & JOBS

LATIN AMERICA AND CARIBBEAN

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ABBREVIATIONS AND ACRONYMS

BDH	Human Development Cash Transfer (<i>Bono de Desarrollo Humano</i>)
BDH-V	Variable Human Development Cash Transfer (<i>Bono de Desarrollo Humano Variable</i>)
CCT	Conditional Cash Transfer
CDH	Human Development Credit
COVID-19	Coronavirus Disease of 2019
DLI	Disbursement-linked Indicator
DA	Designated Account
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
e-SIGEF	Sistema Integrado de Gestión Financiera
FM	Financial Management
GoE	Government of Ecuador
GRM	Grievance and Redress System
IFR	Interim Financial Report
IMF	International Monetary Fund
INEC	National Institute of Statistics and Census
IPP	Indigenous Peoples Plan
MEF	Ministry of Economy and Finance
MIES	Ministry of Economic and Social Inclusion
PDO	Project Development Objective
PEFA	Public Expenditure and Financial Accountability
PIU	Project Implementation Unit
PAM	Pension for Elderlies – “ <i>Pensión para Adultos Mayores</i> ”
PMMA	Pension for Seniors in Extreme Poverty - <i>Pensión “Mis Mejores Años”</i>
SENPLADES	National Secretariat for Planning and Development
SIIMIES	Information Integrated System of the Ministry of Social and Economic Inclusion - <i>Sistema Integrado de Información del Ministerio de Inclusión Económica y Social</i>
SR	Social Registry
SRU	Social Registry Unit
SSN	Social Safety Nets
STEP	Systematic Tracking of Exchanges in Procurement System
UCT	Unconditional Cash Transfer
VAT	Value Added Tax
WB	World Bank



BASIC DATA

Product Information

Project ID P167416	Financing Instrument Investment Project Financing
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Environmental and Social Risk Classification (ESRC) Substantial
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Approval Date 03-Apr-2019	Current Closing Date 30-Dec-2022
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Organizations

Borrower Republic of Ecuador	Responsible Agency Ministry of Economic and Social Inclusion (MIES), Unidad del Registro Social
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Project Development Objective (PDO)

Original PDO

The Project development objective is to improve the equity, integration and sustainability of selected social safety net programs.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IBRD-89460	03-Apr-2019	22-Jul-2019	06-Aug-2019	30-Dec-2022	350.00	167.38	182.62

Policy Waiver(s)

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

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Project Status:

- 1. The overall Project implementation progress is satisfactory.** The Project was approved in April 2019, signed in July 2019 and became effective in August 2019. There are two project implementation units (PIUs): one at the Ministry of Economic and Social Inclusion (MIES) and another at the Social Registry Unit (SRU).¹ By September 2019, both PIUs were staffed and operating. MIES PIU Coordination team was reshuffled in December 2019 generating delays in some of the project's critical processes. During the project implementation support mission held in November 2020, however, the government's counterpart team demonstrated progress and efforts to obtain the necessary documents to confirm compliance and execution of planned expenses. As of today, the government has been supporting compliance with such agreements.
- 2. The overall Project risk is Substantial.** Macroeconomic risk has been considered high throughout all project implementation and remains as it. The Financial Management (FM) residual risk is Substantial, taking into account that the project has been subject to continuous staff rotations resulting in delays to document expenditures under the Designated Account (DA) and delays to carry out the accounting regularization of expenditures already reimbursed by the Bank, which may affect the overall project performance. In addition, the country's weaknesses in budget management (according to latest PEFA report) also impacts this project and delay getting the budget allocation approved and processing project payments. The change of administration following presidential run-off elections (April 2021) represent an additional risk of potential implementation delays.
- 3. The rating of the environmental and social risk changed from moderate to substantial in September 2020 due to significant project implementation delays, high staff turnover in MIES and contextual challenges due to COVID-19, among others.** Despite, some progress made, there are still key outstanding issues. MIES has committed and shown progress towards the achievement of milestones agreed in the Environmental and Social Commitment Plan (ESCP), including: (i) hiring of a full-time social development specialist to oversee and implement commitments; (ii) conducting a gender assessment (completed in January 2021), which served as a starting point for a gender action plan currently under preparation and to be implemented at a later stage; (iii) finalizing the Grievance Redress System (GRM) technological platform (completed in February 2021) and currently under socialization in the aim of improving case response and resolution ; and (iv) finalizing a comprehensive labor management procedure (LMP) to ensure consistency between both MIES and SRU. Pending Environmental and Social Framework (ESF) actions include: (i) piloting at least two of the Indigenous Peoples Plans (IPPs) for which a contracting process has been launched; (ii) implementing the roll-out of capacity building activities for MIES (central and branch office staff) and awareness raising efforts to inform about the

¹ In April 2019 and through [Presidential Executive Decree 712](#), the Government of Ecuador created the Social Registry Unit (SRU). In May 2019 and through [Presidential Executive Decree 732](#), the National Secretariat for Planning and Development (SENPLADES), the former national planning institution responsible for targeting in Ecuador and which was one of the project co-executing counterparts, was transformed into two agencies: *Planifica Ecuador* and the Social Registry Unit (SRU). The SRU is currently the agency responsible for implementing component 1.1, 2.1 and partially 2.4. of the project.



enhanced system to beneficiaries; and (iii) rolling out the communications plan to inform about changes in the selected social protection programs.

4. **To date, the Project has disbursed a total of US\$167.4 million (a 48 percent disbursement rate).** Of those, US\$17.8 million correspond to reimbursements and US\$149.6 million to advanced disbursements to the DA. The DA presents a balance of US\$57.8 million to be justified.
5. **The challenges leading to initial slow disbursements include fiscal constraints, a lengthy and complex procurement process, and high turnover rates at MIES.** High-level decisions have taken longer than expected (e.g., the adoption of the 2018 Social Registry Index) impacting the implementation timeline. In addition, the health emergency and social distancing constraints imposed by the Coronavirus Disease of 2019 (COVID-19) further delayed key project activities (e.g., challenges to conduct in-person household surveys resulted in additional interruptions to the updating of the Social Registry and to the in-person provision of MIES' social services). However, project implementation has significantly accelerated in the past months (achievements detailed below).
6. **The project has been restructured twice. The first restructuring occurred in a context of increased fiscal constraints where the Government of Ecuador (GoE) requested to amend the Loan Agreement to allow the financing of the Value Added Tax (VAT).** In January 2020, the GoE requested to amend its full World Bank (WB) Group portfolio of loan agreements in an attempt to avoid implementation delays and to allow the use of loan proceeds to finance VAT. Project documents were revised, and the amendment of the Loan Agreement was approved by the WB on March 16th, 2020. **The second restructuring was approved to respond to the GoE's request to mitigate the impact of both the COVID-19 and the related quarantine on poor and vulnerable households.** This restructuring was requested by the Ministry of Economy and Finance (MEF) on June 25, 2020. The MEF conducted an analysis aimed at optimizing resources and prioritizing assistance to those most affected by the COVID-19 crisis. To accomplish this, activities under subcomponent 1.3 were reduced by US\$92.5 million to fund the horizontal expansion of the *Bono de Desarrollo Humano* (BDH) and *BDH Variable* (BDH-V) to 226,000 additional households (deciles 1 to 3) and included under a new Component 3. This new group of beneficiaries is being targeted using the 2018 Social Registry database and metric. This second restructuring – approved by the WB on August 6th, 2020 – covered the financing of cash transfers from September to December 2020.

The status of the Project's components is as follows:

7. **Component 1: Improving equity, integration and sustainability of selected Social Safety Nets (SSN) programs (US\$235.7 million):** This Component supports improvements in the targeting process of SSN beneficiaries and the provision of integrated, relevant social protection 'packages' (bundles of benefits and services). The Disbursement-Linked Indicators (DLIs) for this component correspond to three main activities: (i) strengthening of the Social Registry (SRU, US\$61.2 million); (ii) increasing access of extreme poor households to an integrated package of cash transfers and complementary social services (MIES, US\$137.7 million); and (iii) implementing an exit strategy from selected programs (Human Development Cash Transfer, BDH or BDH-V)² for eligible

² The BDH (*Bono de Desarrollo Humano*) is an unconditional cash transfer (UCT) program that provides monetary funds to protect minimal consumption of poor households. BDH-V (*Bono de Desarrollo Humano Variable*) is a conditional cash transfer (CCT) program for poor households with family members who are 18 years old and younger, contingent upon the fulfillment of education and health co-responsibilities.



households that receive cash transfers through the Human Development Credit (CDH)³ (MIES, US\$36.8 million).
Implementation progress under this component is currently rated Satisfactory.

Progress in subcomponent 1.1: Equity (Strengthening of the Social Registry)

8. **As of February 2021, US\$ 46.7 million had been disbursed as an advance to the designated account for subcomponent 1.1, of which US\$32.2 million had been executed and documented.** The SRU came into operation in July 2019. In April 2020, the GoE issued the 2018 update of the registry and indicators (database and index) which would be used to verify DLIs achievement. The initial agreement was that both, the National Institute of Statistics and Census (INEC) and a set of universities, would conduct the social registry census sweep. However, due to institutional constraints, INEC's participation in data collection was reduced from 26 to 19 percent and additional universities were contracted to finalize data collection. Due to the COVID-19 pandemic, hired universities were forced to temporarily stop carrying out in-person surveys. Hence, the SRU shortened the number of questions in the survey used for data collection to optimize the process and accommodated social distancing and other safety procedures. This change in the survey methodology did not affect the index consistency.
9. **As of November 2020, 1.44 million households have updated their information, fully meeting DLI 2 goal.** Expenses related to the accomplishment of DLI2 were documented and a new disbursement was processed in late December 2020. The final goal of 2.7 million households with updated information is expected to be reached by May 2021.

Progress in subcomponent 1.2: Integration

10. **As of February 2021, US\$26.9 million had been disbursed under subcomponent 1.2 (19.5 percent).** Through Ministerial Agreements, MIES revised and approved the Operation Manuals of “*Mision Ternura*” (an early childhood program) and “*Mis Mejores Años*” (a program for seniors in extreme poverty), meeting DLI 3 and 5 respectively, and enabling a total disbursement of US\$6.9 million. Both manuals aimed at ensuring the delivery of an ‘integrated package’ of cash transfers and services. Additionally, US\$20 million were disbursed as an advance to the designated account, under this subcomponent.
11. **As of December 2020, 57,249 seniors and 77,143 children under 3 years old in poor families had benefited simultaneously from a cash transfer and care services.** MIES cross-referenced administrative data on current beneficiaries from cash transfers and early childhood or elderly care services to identify poor households that received both benefits simultaneously (using SR2018 and SIIMIES). This means that DLI 4 (4,589 children under 3 years old from poor households with access BDH and early childhood services), DLI 9 (36,806 children under 3 years old from poor households have access to BDH or BDH-V and early childhood services) and DLI 10 (12,279 elderly persons from poor households receive *Pensión Mis Mejores Años*- PMMA or *Pensión para Adultos Mayores* -PAM and have access to care services) have been accomplished. The results have been confirmed and verified by an independent audit firm (the firm was hired on October 26, 2020 and ended the verification process in December 2020). Initial findings were presented to MIES and the World Bank in February 2021.

³ The Human Development Credit (CDH- *Crédito de Desarrollo Humano*) promotes financing to establish mechanisms and incentives to support productive programs aimed at contributing to the strategy of overcoming poverty among people and households targeted by the Human Development and Pensions Bond.



12. **Due to COVID-19, MIES temporary suspended in-person services and has provided “remote/virtual” early childhood and old age care services since mid-March 2020.** The implementation of this modality has been challenging, including difficulties to cover all costs associated to its implementation (e.g. field providers have been using their own equipment and personal phone/internet plan to communicate with end-users) and the lack of adequate protocols available in March 2020 for virtual service provision. These challenges have affected early childhood and old age service coverage and quality. A revised protocol for the provision of remote early childhood services (following the REACH UP approach)⁴ was approved by the Government in October 2020 and is under implementation since December 1, 2020. The formalization of protocols for virtual services for old age is incipient and will require closer follow up by the WB team.

Progress in subcomponent 1.3: Sustainability

13. **As of February 2021, there have been no disbursements for subcomponent 1.3: Sustainability.** In the context of the project restructuring of August 2020, the indicators and goals for DLI 7 and DLI 11 were reconsidered, reducing the amount of resources assigned for this subcomponent to US\$36.8 million. The progress was especially harmed due to personnel changes in the undersecretary in charge of the implementation of this subcomponent. The “Operational Manual of the Economic Inclusion Strategy” (DLI 6), a document that contains detailed guidelines the implementation of this subcomponent, was finally approved on December 16, 2020, allowing to move forward with the design and implementation of activities planned under DLI 7 and DLI 11..
14. **Component 2: Technical Assistance for Capacity Building and Monitoring & Evaluation (US\$21.8 million).** As of February 2021, US\$1.3 million had been disbursed from this component (5.7 percent).⁵ During the mission of November 2020, it was agreed that detailed activities regarding this component could require the inclusion of INEC as co-executor involved in the definition of said activities and approval of the Operations Manual. INEC’s purchasing plan will also be included in the Systematic Tracking of Exchanges in Procurement System (STEP).
15. **Component 3: Equity - Cash transfers (US\$92.5 million).** Component 3 is a new component included as part of the restructuring of August 2020 with the objective of improving the equity of selected programs of the SSN, namely, through the horizontal expansion of the BDH and BDH-V to 226,000 new beneficiaries from deciles 1 to 3. The financing of this component comes from the reallocation of resources from subcomponent 1.3 and will be used for the payment of monetary transfers for new beneficiaries, as well as for the expenses incurred by the MIES for payment services. For this new component 3, a new disbursement category was established, anticipating the total value of US\$92.5 million, which, once executed, must be documented by the MIES. According to the information provided by the MIES, as of December 2020, 212,627 new beneficiaries received a cash transfer, which represents a fulfillment of 94 percent of the horizontal expansion goal set in the project. However, not all of them collected the four-month payment foreseen by the project, mainly due to communication failures that delayed the collection of this benefit. By December 2020, US\$70.9 million had been used for payments to authorize beneficiaries, US\$21.6 million less than the resources assigned to this component. **(Up to date, US\$69.7 million of the US\$70.9 million have been documented which represents 75 percent).**

⁴ The Reach Up Early Childhood Parenting Program provides a structured training course for home visitors to help parents improve their child’s development. The program consists of home visits by trained practitioners to teach parents how to use the materials to teach their children, build parents’ self-confidence and develop their knowledge and skills to provide a happy, stimulating environment and encourage the mother to continue activities between visits and integrate them into daily routine.

⁵ US\$567,674.12 for Social Registry Unit and US\$683,510.15 for MIES.



16. **There was a high non-collection rate seen in September and October 2020 (25 and 16 percent, respectively).** This was partially due because new beneficiaries were not aware of their eligibility for transfers and a lack of adequate communication. MIES is committed to improve communication plans targeting new beneficiaries so that those who have not yet received payments will do so in the next months. This non-collection rate could result in a component execution slower than planned with the MIES.

B. Rationale for Restructuring:

17. **The GoE has taken several emergency measures to mitigate the impact of the COVID-19 pandemic, since the first case was confirmed in Ecuador late in February 2020.** The first confirmed case of COVID-19 was reported on February 29. On March 11, the Ministry of Health declared a health emergency (Ministerial Resolution N. 00126-2020) and on March 16, President Moreno signed Presidential Decree N. 1017 declaring a national emergency to contain the spread of the disease.⁶ On May 15, the state of emergency was renewed and extended until June 15 due to public calamity throughout the national territory (Decree 1053). On June 15, President Moreno signed the Presidential Decree N. 1074 declaring state of emergency nationwide for 60 additional days, which was renewed in August 2020 and ended on September 13, 2020.
18. **As of March 19, 2021, the country counted 309,643 confirmed cases and 16,412 deaths related to COVID-19.** Around 263,164 people are considered as recovered. The province of Pichincha accounts for about 34 percent of all confirmed cases by PCR test, the province of Guayas for 13 percent and the province of Manabi for 8 percent.⁸ Furthermore, most cases (60.8 percent) occurred in the age group of 20 to 49 years old, followed by 50 to 64 years old (20.3 percent).
19. **Ecuador is facing an economic, health and social crisis that could erode welfare gains, bring poverty levels back to those seen in 2010, and aggravate inequality.** Ecuador's growth levels have progressively declined from 2.4 percent in 2017 to 1.3 percent in 2018 and registered close to zero in 2019. This deceleration was a result of Ecuador's ongoing fiscal consolidation, coupled with dampened private consumption and disruptions of economic activity associated with violent protests triggered by a government attempt to eliminate the fuel subsidy in October 2019. A second plummeting of oil prices and the rapid spread of COVID-19 cases further challenged the economic crisis, forcing the GoE to enact a series of economic and social measures. However, reduced fiscal buffers, limited monetary policy tools, and restricted access to financing constrained the size and scope of the response. The economy was expected to shrink by 7.4 percent in June 2020⁹, the International Monetary Fund (IMF) downgraded those projections in October 2020 and a decrease of 11 percent is expected in 2020¹⁰ and poverty could fall back to 2010 levels.¹¹ More importantly, the conditions of those who are already poor have worsened as a consequence of the crises as shown by an increase in the poverty gap and inequality – measured by any index – has significantly increased and impact incidence curves have shown a higher impact on the bottom 40 percent of the distribution, than the upper 60 percent.

⁶ <https://www.presidencia.gob.ec/el-presidente-lenin-moreno-decreta-estado-de-excepcion-para-evitar-la-propagacion-del-covid-19/>

⁷ WHO, Coronavirus Disease (COVID-19) Dashboard

⁸ <https://www.salud.gob.ec/wp-content/uploads/2021/03/INFOGRAFIA-NACIONALCOVID19-COE-NACIONAL-08h00-19032021.pdf>

⁹ World Bank. 2020. Global Economic Prospects, June 2020. Washington, DC: World Bank. DOI: 10.1596/978-1-4648-1553-9. License: Creative Commons Attribution CC BY 3.0 IGO.

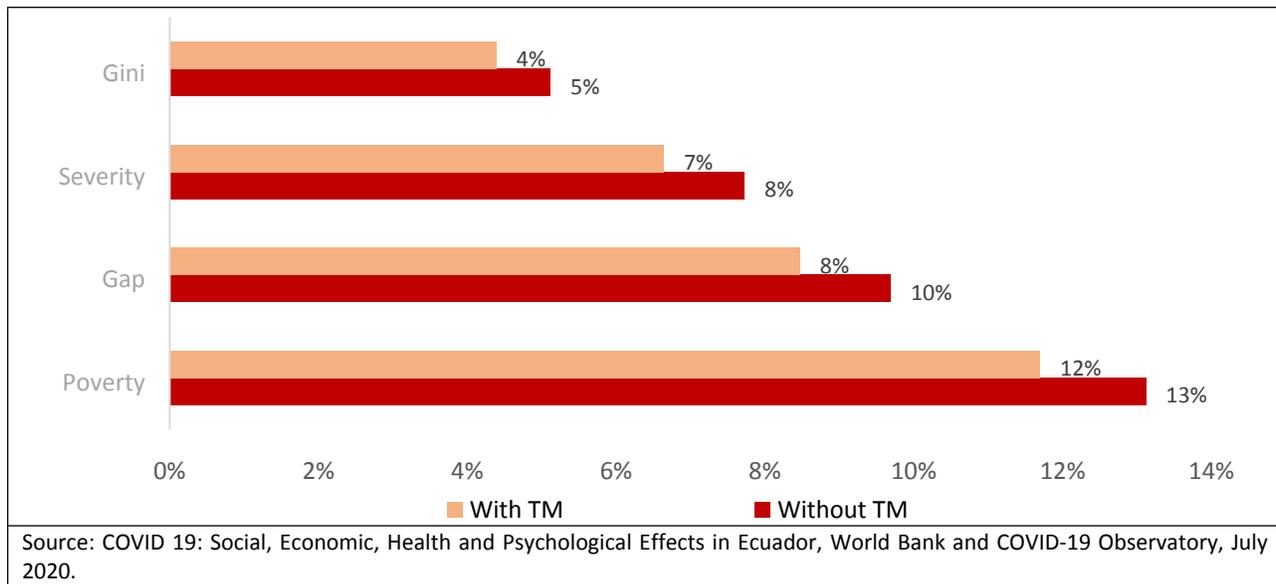
¹⁰ IMF Datamapper, Real GDP Growth, 2020, https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEO_WORLD

¹¹ Olivieri, S. (2020) The perfect storm: the welfare and distributional impact of the triplet crises in Ecuador, Mimeo, Quito, Ecuador.



20. **The GoE's social protection response to this triple crisis includes a series of emergency cash transfers targeting 950,000 poor and vulnerable households.** On March 27th, 2020, the government launched an initial US\$60 emergency cash transfer (*Bono de Protección Familiar* – Decree 1022) targeting 400,000 informal low-income workers delivered twice (in April and May 2020). The recipients of emergency cash transfer -*Bono de Protección Familiar*- were not current beneficiaries of BDH or other government non-contributory transfers. The WB supported the financing of this response through the amendment of Loan IBRD 8591-EC (P157324), approved on March 15th, 2020. Later, on April 24th, a new decree was issued (Decree 1026) to launch the second phase of the emergency cash transfer - *Bono de Protección Familiar*: one-off payments (US\$120) targeting 550,000 additional households who had not benefited from the first phase of the emergency transfers and who were not beneficiaries from other government transfers (including regular cash transfers and social pensions).
21. **Additional decrees were issued in 2020.** Through Executive Decree No. 1179 of October 26, 2020, the President of the Republic amended Executive Decree No. 804 of June 20, 2019, introducing the economic contraction of at least three consecutive quarters and the health emergency determined by competent authority, as reasons for launching a third round to expand the emergency cash transfer -*Bono de Protección Familiar*. Through Executive Decree No. 1211 of December 15, 2020, the President of the Republic approved the implementation of the National Strategy *Ecuador Grows Without Malnutrition*, which establishes a prioritized package of goods and services aimed at serving the target population that will be monitored nominally. This decree enables the project to perform monitoring activities for Subcomponent 1.2 through the National Statistics Institute (INEC).
22. **According to WB estimations, more than 47 percent of the 950,000 households that benefited from the first two rounds of the emergency cash transfer -*Bono de Protección Familiar*- belong to deciles 1-3 and are currently excluded from regular cash transfer programs.** With support from the WB (Loan IDRB 8946-EC (P157324) the GoE has horizontally expanded the coverage of social protection cash transfers by including almost 425,000 families (by November 2020) that would be supported beyond the emergency.
23. **The scope of the Social Protection strategy in Ecuador has shifted to protect not only extreme poor households, but also poor and vulnerable households.** This new policy to expand eligibility criteria from extreme poor to poor and vulnerable will result in an expansion of fiscal social expenditures. Nonetheless, this new approach is consistent with the COVID-19 recommendations made by the Bank, and with the overall need to respond to the economic downturn and hardship that Ecuador is experiencing. Available evidence has shown (Figure 1) that the emergency cash transfer -*Bono de Protección Familiar*- helped reduce the impact of COVID-19 on poverty by 1 percent, the poverty gap by 2 percent and the poverty severity by 1 percent. In the case of this project, around 50 percent of the households that received the emergency cash transfer -*Bono de Protección Familiar*- constitute beneficiaries of the BDH cash transfer program; thus, social protection could be better sustained if these beneficiaries are formally included in the regular cash transfer through BDH or BDH-V.

Figure 1: Variation Foster-Greer-Thorbecke (FGT) index -0,1,2 and Gini coefficient between March-May 2020 with respect to December 2019



24. **Due to the effects of the ongoing COVID-19 pandemic, the GoE has further committed to increase the coverage of cash transfers to the poor** from 54 percent in December 2020 to 80 percent by March 2021 (approx. 225 thousand people from decile 1 to 3). The commitment was agreed with the IMF, as part of its financial support plan. The MEF has requested the WB to contribute with resources to close the financing gap for 2021. The proposed project restructuring will support the ongoing social protection response to the COVID-19 pandemic reassigning US\$81.5 million to Component 3 to finance cash transfers for 604,000 beneficiaries from April to July 2021. To this purpose, loan proceeds from 1.2 will be reallocated to component 3 to increase cash transfer coverage for those most vulnerable and given that the goals set for DLIs under sub-components 1.2 have already been reached with government funds. Therefore, the outstanding resources will be re-allocated to Component 3.¹²
25. **To avoid future exclusion or inclusion errors in the social safety net programs, the Social Registry Unit is implementing a strategy that will allow for constantly updated information.** The strategy consists of working together with local governments and using the field data collection experience of the current operators (universities) to construct data-update protocols, processes and execute the data collection. In the last two quarters of 2020 and first quarter of 2021, this activity will include a pilot and a first data collection exercise to update 260,000 beneficiary registries (that were collected 2 years ago and are now outdated), in the provinces of Manabi, Santo Domingo and Esmeraldas. In parallel, the SRU will implement administrative data filters and analysis to make the process more efficient and expedited. In addition, for the remainder of 2021, there is a need to amplify the coverage of the Social Registry ISR) by 110,000 additional households in deciles 1 and 3 whose information has not been collected. Resources to fund this new activity will be reallocated from Subcomponent 1.2 since the goals set for DLIs under this subcomponent have been reached.

II. DESCRIPTION OF PROPOSED CHANGES

¹² DLI 4 has been fully funded with GoE's resources (US\$20 million); DLI 9 and 12 were partially financed by GoE (the WB is financing US\$33.1 million of US\$100.5 million planned).



26. **Components and Cost.** Based on the Government's request and the technical discussions, the proposed changes are as follows: (i) reallocate resources across disbursement categories; (ii) revise the DLIs under subcomponent 1.1 and 1.2; (iii) include a new DLI under subcomponent 1.1, that will refer to the proposed strategy to have a permanent social registry data update; and (iv) revise the results framework to reflect the Project Development Indicators. The proposed changes were agreed with the GoE and confirmed during the meetings held in November 2020, as reflected in the corresponding Aide Memoires, and during the portfolio discussion held on January 28th, 2021.
27. **Reallocation of resources across disbursement categories.** The current restructuring proposes: (i) reallocate resources from subcomponents 1.2 (Cat. 2) and 2.1 (Cat. 5) to subcomponent 1.1 (Cat. 1), to provide resources for the SRU operation; (ii) reallocate resources from subcomponent 1.2 (Cat. 2) to Component 3 (Cat. 6), to support the ongoing social protection response to the COVID-19 pandemic. Since DLIs under Subcomponents 1.1 (Cat. 1) and 1.2 (Cat. 2) have been achieved as well as the activities planned under Subcomponent 2.2 (Cat. 4), the remaining resources (US\$ 88.9 million) and the US\$21.58 million that were not collected by beneficiaries between September and December 2020¹³, will be reallocated and used to fund the SRU and to provide cash transfers to 604,000 beneficiaries for four months, between April and August 2021; (iii) reallocate resources from Subcomponent 2.2 (Cat. 4) to Subcomponent 2.4 (new category, Cat. 7 for US\$ 1.4 million) to fund activities that will be executed by the National Institute of Statistic and Census (INEC).
28. **Results Framework.** There are no changes in the PDO or intermediate indicators but targets in PDO 3 have been updated to reflect the additional resources allocated to Component 3 that will result in an increase of 386,000 additional beneficiaries to the 218,000 that were included by December 2020 so that the total number of beneficiaries will be 604,000. DLI 1 will be reduced in resources since it has been already achieved. DLI 4 has been accomplished with domestic resources. Resources to achieve DLI 8 will be increased. Budget assigned to DLIs 9 and 12 will be reduced as detailed in the Performance-Based Conditions Matrix below, since the resources required to achieve the established goals were partially provided by the GoE. DLI 14 will be created under Subcomponent 1.1 and will be related to the permanent social registry data update process (details in the Performance-Based Conditions Matrix).
29. **The reallocation of resources between project components does not modify the main goals expected under Subcomponent 1.2.** The GoE has committed to compensate with domestic resources the amount that is being reallocated to Component 3. The achievement of goals under this Subcomponent will be monitored through an independent verification. Moreover, the economic analysis will not be modified because the original cost / benefit analysis assumed that the inclusion and exclusion errors will be corrected throughout the adoption of the SR2018 for the whole social safety net programs (PAD, page 108, par. 8).
30. **Implementation Arrangements.** To perform monitoring activities for key indicators in Subcomponent 1.2¹⁴, INEC will develop and implement an annual statistical exercise to verify results achievements on chronic malnutrition, vaccination, and health checkups. The project will include INEC as a co-executor that will carry out a pilot test of the statistical exercise in 2021. The parameters of the statistical exercise will be defined

¹³ Some beneficiaries did not collect their transfers due to the lack of timely information.

¹⁴ The key indicators that will be monitored under this activity are: (i) Extreme poor infants attending early childhood development services; (ii) Number of health controls for extreme poor children according to age from 0 to 24 months; (iii) Children age 0 to 24 months with complete vaccination schedule.



through this pilot and the project will also finance the execution of the Nutritional Performance Survey, planned for the year 2022. According to the information provided by MIES and INEC, the main items to be financed by the project will be: Goods, Non-consulting services, consulting services and Operating Costs under Section 2.

Table 1. Proposed changes in disbursement categories (P167416)

Category	Original Loan Agreement and its Amendment		Proposed Revised Allocation	
	Original amount from loan agreement (US\$)	Original % expenditures to be financed (including of value added tax-VAT)	Revised amount from loan agreement (US\$)	Revised % expenditures to be financed (including of value added tax-VAT)
(1) Eligible Expenditures Programs under Part 1.1. of the Project	61,200,000	100% of the amount of the Loan allocated to each DLI, subject to the provisions of Part B of this Section.	68,659,000	100% of the amount of the Loan allocated to each DLI, subject to the provisions of Part B of this Section.
(2) Eligible Expenditures Programs under Part 1.2. of the Project	137,680,000	100% of the amount of the Loan allocated to each DLI, subject to the provisions of Part B of this Section.	50,245,695.00	100% of the amount of the Loan allocated to each DLI, subject to the provisions of Part B of this Section.
(3) Eligible Expenditures Programs under Part 1.3. of the Project	36,800,000	100% of the amount of the Loan allocated to each DLI, subject to the provisions of Part B of this Section.	36,800,000.00	100% of the amount of the Loan allocated to each DLI, subject to the provisions of Part B of this Section.
(4) Goods, Non-consulting services, consulting services and Operating Costs under Part 2 for MIES	17,050,000	100%	15,615,390.00	100%
(5) Goods, Non-consulting services, consulting services and Operating Costs under Part 2 for (SRU)	4,750,000	100%	3,200,000.00	100%
(6) Cash Transfers under Part 3 of the Project	92,520,000	100%	174,045,305.00	100%
(7) Goods, Non-consulting services, consulting services and Operating Costs under Part 2.4 for (INEC)	-	-	1,434,610.00	100%
TOTAL AMOUNT	350,000,000		350,000,000.00	

31. **This restructuring will require following changes to the Operational Manual:** (i) changes to the description of Component 2 since existing subcomponents have been modified and INEC has been included as a co-executing counterpart of MIES under Subcomponent 2.4; (ii) modification of the number of beneficiaries under Component 3; (iii) revision of DLIs to update resources, goals and timeframe; (iv) inclusion of a description of payment of bank commissions for cash transfers; and (v) inclusion of the Borrower's obligation to document expenditures at least every two months and that balances of advances to the designated account, to be documented should not exceed 20-25 percent before releasing a new advance. Modifications to the Operational Manual will be effective after the WB provides the No Objection to the proposed changes and



MIES and SRU issue internal resolutions, accordingly. Once the Operational Manual is adopted by MIES and SRU, the Bank will declare the amendment to the Loan Agreement effective.

32. **Disbursements Arrangements:** as MIES will continue to be the overall responsible for those project’s fiduciary activities namely budgeting, recording, disbursement of payments of transfers, financial reporting and auditing responsibilities, no changes will be made to the disbursement arrangements.
33. **Financial Management:** institutional arrangements will remain the same except for the inclusion of INEC as a co-executing agency. A fiduciary assessment of INEC has been carried out, and the results are presented in Annex I.
34. **Procurement:** INEC has been included as a co-executor, therefore will have to prepare and submit a Procurement Plan for the Bank’s approval. To carry out the proposed activities (pilot and execution of the statistical operation), INEC will incur in contracts to hire pollsters, pay for travel expenses, transport services and vehicle rental, printing, coordination, among others. Therefore, goods, consulting and non-consulting services will be procured following the World Bank’s Procurement Regulations through the INEC’s public procurement unit.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Results Framework	✓	
PBCs	✓	
Components and Cost	✓	
Reallocation between Disbursement Categories	✓	
Disbursement Estimates	✓	
Legal Covenants	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Disbursements Arrangements		✓
Overall Risk Rating		✓
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: Improving equity, integration and sustainability of the selected SSN programs	235.68	Revised	Component 1: Improving equity, integration and sustainability of the selected SSN programs	155.70
Component 2: Technical Assistance for Capacity Building & Monitoring and Evaluation	21.80	Revised	Component 2: Technical Assistance for Capacity Building & Monitoring and Evaluation	20.25
Component 3: Improving the equity of selected SSN Program	92.52	Revised	Component 3: Improving the equity of selected SSN Program	174.05
TOTAL	350.00			350.00

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
			Current	Proposed

IBRD-89460-001 | Currency: USD

iLap Category Sequence No: 1

Current Expenditure Category: EEPs - Part 1.1



	61,200,000.00	32,220,029.41	68,659,000.00	100.00	100.00
iLap Category Sequence No: 2			Current Expenditure Category: EEPs - Part 1.2		
	137,680,000.00	6,930,000.00	50,245,695.00	100.00	100.00
iLap Category Sequence No: 3			Current Expenditure Category: EEPs - Part 1.3		
	36,800,000.00	0.00	36,800,000.00	100.00	100.00
iLap Category Sequence No: 4			Current Expenditure Category: GO,NCS,CS,OP - Part 2 MIES		
	17,050,000.00	82,707.66	15,615,390.00	100.00	100.00
iLap Category Sequence No: 5			Current Expenditure Category: GO,NCS,CS,OP - Part 2 SRU		
	4,750,000.00	567,674.12	3,200,000.00	100.00	100.00
iLap Category Sequence No: 6			Current Expenditure Category: CASH TRANSFERS - Part 3		
	92,520,000.00	69,741,493.89	174,045,305.00	100.00	100.00
iLap Category Sequence No: 7			Current Expenditure Category: GO,NCS,CS,O - Part 2 INEC		
	0.00	0.00	1,434,610.00		100
Total	350,000,000.00	109,541,905.08	350,000,000.00		

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2019	0.00	0.00
2020	63,315,937.45	63,315,937.45
2021	145,520,000.00	209,160,415.39



2022	141,164,062.55	75,459,441.43
2023	0.00	2,064,205.73
2024	0.00	0.00

LEGAL COVENANTS

Loan/Credit/TF	Description	Status	Action
IBRD-89460	GAD and NGO Inter-institutional Agreement - LA, Schedule 2, Section I. B.2. "To facilitate the carrying out Part 1.2. of the Project, the Borrower, through MIES, shall enter into an agreement with the selected GAD and NGO ("Inter-Institutional Agreements"), under terms and conditions acceptable to the Bank, which shall include, inter alia, the Borrower and the respective GAD and NGO responsibilities under Part 1.2. of the Project."	Expected soon	Revised
Proposed	GAD and NGO Inter-Institutional Agreement-LA, Schedule 2 Sec I B.2 "To facilitate the carrying out Part 1.2, the Borrower, through MIES, shall enter into an agreement with the selected GAD and NGO(Inter-Institutional Agreements) under terms and conditions acceptable to the Bank which shall include, inter alia, the Borrower and the respective GAD and NGO responsibilities under Part 1.2.	Complied with	
IBRD-89460	Environmental and Social Standards - LA, Schedule 2, Section I. D.1. "The Borrower shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank."	Partially complied with	No Change
IBRD-89460	Project Report (MIES) - LA, Schedule 2, Section II. 1. "The Borrower, through MIES, shall furnish to the Bank each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester."	Complied with	No Change



IBRD-89460	Independent Technical Review Entity (MIES) - LA, Schedule 2, Section II. 2. "The Borrower, through MIES, shall not later than ninety (90) days after Effective Date, select and contract an entity or, independent from the Borrower (Independent Technical Review Entity) with experience and qualifications acceptable to the Bank, and in accordance with terms of reference satisfactory to the Bank. The Independent Technical Review Entity shall be responsible for the carrying out of technical audits of the Project at the end of each semester, particularly focused on the achievement of the DLIs."	Expected soon	Revised
Proposed	Independent Technical Review Entity (MIES) - LA, Schedule 2, Section II. 2. "The Borrower, through MIES, shall not later than ninety (90) days after Effective Date, select and contract an entity or, independent from the Borrower (Independent Technical Review Entity) with experience and qualifications acceptable to the Bank, and in accordance with terms of reference satisfactory to the Bank.	Partially complied with	
IBRD-89460	Operational Manual - LA, Schedule 2, Section I. C.2. "Not later than thirty (30) days after Effective Date of this Amendment, the Borrower shall adopt the Operational Manual in a manner and with contents acceptable to the Bank."	Expected soon	No Change
IBRD-89460	Hiring of a Procurement and a Financial Management specialist (MIES PIU) - LA, Schedule 2, Section I.A. (b) "not later than October 30, 2020, ensure that a procurement and a financial management specialists are hired to work full time within MIES PIU, all under terms of reference acceptable to the Bank."	Expected soon	Revised
Proposed	Hiring of a Procurement and a Financial Management specialist (MIES PIU) - LA, Schedule 2, Section I.A. (b) "not later than April 15, 2021, ensure that a procurement and a financial management specialists are hired to work full time within MIES PIU, all under terms of reference acceptable to the Bank	SOON	
IBRD-89460	INEC Inter-institutional Agreement - LA, Schedule 2, Section I. B.1. "To facilitate the carrying out Part 1.1. of the Project, the Borrower, through SRU, shall enter into	Complied with	No Change



	agreements with INEC (“Inter-Institutional Agreement”), under terms and conditions acceptable to the Bank, which shall include, inter alia, the Borrower, INEC responsibilities under Part 1.1. of the Project."		
IBRD-89460	Hiring of a Procurement and a Financial Management specialist (SRU PIU) - LA, Schedule 2, Section I.A. (d) "not later than October 30, 2020, ensure that a procurement and a financial management specialist are hired to work full time within SRU PIU, all under terms of reference acceptable to the Bank."	Expected soon	Revised
Proposed	Hiring of a Procurement and a Financial Management specialist (SRU PIU) - LA, Schedule 2, Section I.A. (d) "not later than October 30, 2020, ensure that a procurement and a financial management specialist are hired to work full time within SRU PIU, all under terms of reference acceptable to the Bank."	Complied with	
IBRD-89460	Independent Technical Review Entity (SRU) - LA, Schedule 2, Section II.3. "The Borrower, through SRU, shall not later than ninety (90) days after Effective Date of this Amendment select and contract an entity, with TORs, experience and qualifications acceptable to the Bank. Entity shall be responsible for the carrying out technical audits each semester, focused on the achievement of DLIs."	Expected soon	Revised
Proposed	Independent Technical Review Entity (SRU) - LA, Schedule 2, Section II.3. "The Borrower, through SRU, shall not later than ninety (90) days after Effective Date of this Amendment select and contract an entity, with TORs, experience and qualifications acceptable to the Bank. Entity shall be responsible for the carrying out technical audits each semester, focused on the achievement of DLIs"	Partially complied with	
IBRD-89460	Inter-institutional Agreement - LA, Schedule 2, Section I. B.3. "To facilitate the carrying out of Parts 1.3 and 3, the Borrower, through MIES, shall enter into an agreement with the selected Concentradores (“Inter-Institutional Agreements”), under terms and conditions acceptable to the Bank, which shall include, inter alia, the Borrower’s and the respective Concentradores’ responsibilities.	Expected soon	Revised



Proposed	Inter-institutional Agreement - LA, Schedule 2, Section I. B.3. "To facilitate the carrying out of Parts 1.3 and 3, the Borrower, through MIES, shall enter into an agreement with the selected Concentradores ("Inter-Institutional Agreements"), under terms and conditions acceptable to the Bank, which shall include, inter alia, the Borrower's and the respective Concentradores' responsibilities.	Complied with	
IBRD-89460	INEC Inter-institutional Agreement - LA, Schedule 2, Section I. B.1. "To facilitate the carrying out Part 2.4. of the Project, the Borrower, through MIES, shall enter into agreements with INEC ("Inter-Institutional Agreement"), under terms and conditions acceptable to the Bank, which shall include, inter alia, the Borrower, INEC responsibilities under Part 2.4. of the Project."	Expected soon	New



Results framework

COUNTRY: Ecuador
Social Safety Net Project

Project Development Objectives(s)

The Project development objective is to improve the equity, integration and sustainability of selected social safety net programs.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Improve the equity, integration and sustainability of selected social safety net programs						
Percentage of poor households (deciles 1 to 3) with children under three years old receiving BDH or BDH-V with corresponding early childhood development services nationwide (Percentage)	PBC 4, 4, 9, 9, 12, 12	0.90	1.40	11.20	18.70	18.70
Action: This indicator has been Revised						
Percentage of elderly in poor households (deciles 1 to 3) receiving UCT and elderly care services nationwide (Percentage)	PBC 10, 13	3.20	3.20	8.20	13.60	13.60
Percentage of currently BDH beneficiaries from non-poor households (decile 3 and above) with young members (18-29 years old) that receive an economic inclusion package (Percentage)	PBC 7	0.00	0.00	18.30	60.30	60.30



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
<i>Action: This indicator has been Revised</i>						
Percentage of extreme poor households (decile 1) with updated information in the Social Registry (Percentage)	PBC 2, 8, 8	25.00	40.00	60.00	70.00	70.00
Percentage of poor households (deciles 1 to 3) included in regular cash transfer (CT) programs (Percentage)	PBC 11	38.00	54.00	80.00	80.00	80.00
<i>Action: This indicator has been Revised</i>						

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Sub-component 1.1: Improvements in the Social Registry.						
Depth of the Social Registry Database (Percentage)		40.00	50.00	80.00	80.00	80.00
Usage of the Social Registry database at the MIES' programs (Percentage)		50.00	50.00	75.00	100.00	100.00
Usage of administrative records in the Social Registry database (Percentage)	PBC 14	0.00	5.00	15.00	25.00	25.00



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Beneficiaries of social safety net programs (CRI, Number)		965,737.00				1,089,305.00
Subcomponent 1.2: Improving integration within selected SSN programs.						
Extreme poor infants receiving cash transfer Bono de Desarrollo Humano Variable (BDH-V) (Percentage)		36.20	40.00	75.00	90.00	90.00
Extreme poor infants attending early childhood development services (Percentage)		21.40	25.00	50.00	80.00	80.00
Extreme poor indigenous infants with complete package (BDH-V and early childhood services- ECD) (Percentage)		0.00	20.00	40.00	60.00	60.00
Extreme poor indigenous elderly with complete package (PMMA and elderly care services) (Percentage)		0.00	10.00	20.00	30.00	30.00
Number of health controls for extreme poor children according to age from 0 to 24 months (Percentage)		0.00	25.00	50.00	75.00	75.00
Children age 0 to 24 months with complete vaccination schedule (Percentage)		0.00	25.00	50.00	75.00	75.00
Percentage of necessary childcare time dedicated by father of extreme poor children (Percentage)		0.00	20.00	25.00	30.00	30.00



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Extreme poor elderly receiving cash transfer PMMA (Percentage)		58.10	62.00	80.00	90.00	90.00
Extreme poor elderly receiving caring services (Percentage)		3.80	15.00	30.00	43.20	43.20
Extreme poor female children under three years old receiving CCTs with corresponding early childhood development services nationwide (Percentage)		0.00	20.00	40.00	60.00	60.00
Strengthening of the GRM for BDH and BDH-V (Text)		The baseline is not available yet. It will be available by the end of CY19.	The current BDH and BDH-V GRM will be reviewed, including types of complaints, response times, and responsibilities for administering the system, and preparation of Action Plan for strengthening.	Protocols of GRM improved according to Action Plan.	Response time improved for three main types of complains identified in the preliminary review.	Action Plan for GRM strengthening completed.
Sub-component 1.3: Improving the sustainability of selected programs within the SSN.						
Percentage of poor households enrolled in a twenty-four month CDH integrated service package program (Percentage)		0.00	0.00	10.55	10.55	10.55
Percentage of non-poor households enrolled in a twelve month CDH integrated service package (Percentage)		0.00	0.00	2.85	2.85	2.85
Component 2: Technical Assistance for Capacity Building & Monitoring and Evaluation.						



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Implementation of a Gender Plan (Text)		There is no baseline at the moment. Information will be available at the end of the first year.	Diagnostic of: (i) access, of health/nutrition services disaggregated by gender and program, (ii) women's time consuming on children care and BDH's conditionality fulfilment; (iii) women economic decisions autonomy within the home; (iv) secondary school dropout reduction among girls.	a) Design, based on the diagnostic results, of gender specific actions to guarantee: (i) gender equity on time devoted to children care; (ii) equality of opportunities for employment and entrepreneurs within the home; (iii) secondary school dropout reduction among girls.	a) Implementation of the gender specific actions previously defined. b) Monitoring of: (i) access and use of health/nutrition services disaggregated by gender and program; and (ii) secondary school dropout reduction among girls	Monitoring of: (i) gender equity on time devoted to children care and (ii) women economic autonomy.
Component 3: Improving the equity of selected SSN Programs.						
Percentage of poor households that have been included and are receiving CT packages. (Percentage)		38.00				80.00
Action: This indicator has been Revised						

Performance-Based Conditions Matrix

PBC 1	Executive Decree creating the institutional framework to operate the Social Registry- SR- approved.				
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount	
Process	No	Yes/No	20,400,000.00	53.24	
Period	Value		Allocated Amount (USD)	Formula	



Baseline	No		
Year 1	Yes		20,400,000.00
Year 2			0.00
Year 3			0.00

Action: This PBC has been Revised. See below.

PBC 1 *Executive Decree creating the institutional framework to operate the Social Registry- SR- approved.*

Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Process	No	Yes/No	1.08	100.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	No			
Year 1	Yes		10,860,683.53	
Year 2			0.00	
Year 3			0.00	

PBC 2 *Households classified d1 to d3 by the 2018 Social Registry Index, included in a validated database.*

Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	24,550,000.00	100.00
Period	Value		Allocated Amount (USD)	Formula



Baseline	224,753.00			
Year 1	1,200,000.00		24,550,000.00	
Year 2			0.00	
Year 3			0.00	
PBC 3	Operational manual of 'Mision Ternura' approved			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Process	No	Yes/No	6,100,000.00	100.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	No			
Year 1	Yes		6,100,000.00	
Year 2			0.00	
Year 3			0.00	
PBC 4	Percentage of poor households (deciles 1 to 3) with children under three years old receiving BDH or BDH-V with corresponding early childhood development services nationwide			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	Yes	Percentage	20,000,000.00	100.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.90			



Year 1	11.20	20,000,000.00
Year 2	18.70	0.00
Year 3		0.00

Action: This PBC has been Revised. See below.

PBC 4	<i>Children under 3 years old from poor households with access to BDH or BDH-V and early childhood services.</i>			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
<i>Outcome</i>	<i>Yes</i>	<i>Number</i>	<i>0.01</i>	<i>0.00</i>
Period	Value		Allocated Amount (USD)	Formula
<i>Baseline</i>	<i>3,045.00</i>			
<i>Year 1</i>	<i>4,589.00</i>		<i>0.01</i>	
<i>Year 2</i>			<i>0.00</i>	
<i>Year 3</i>			<i>0.00</i>	

Rationale:

Loan resources planned for this DLI were reassigned to other components and activities. The DLI was accomplished with domestic resources granted by the GoE.



PBC 5	Operational manual of “Mis Mejores Años” approved			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Process	No	Yes/No	830,000.00	100.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	No			
Year 1	Yes		830,000.00	
Year 2			0.00	
Year 3			0.00	
PBC 6	Operational Manual of economic inclusion strategy for eligible beneficiaries of BDH and BDH-V through CDH approved.			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Process	No	Yes/No	5,000,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	No			
Year 1	Yes		5,000,000.00	
Year 2			0.00	
Year 3			0.00	
Action: This PBC has been Revised. See below.				



PBC 6	<i>Operational Manual of economic inclusion strategy for eligible beneficiaries of BDH and BDH-V through CDH approved.</i>			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Process	No	Yes/No	5,000,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	No			
Year 1	Yes		5,000,000.00	
Year 2			0.00	
Year 3			0.00	
PBC 7	Percentage of currently BDH beneficiaries from non-poor households (decile 3 and above) with young members (18-29 years old) that receive an economic inclusion package			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Percentage	19,800,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
Year 1	18.30		0.00	
Year 2	60.30		19,800,000.00	
Year 3			0.00	



PBC 8	Households classified d1 to d3 by 2018 Social Registration Index, included in a validated database.			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	16,250,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	224,753.00			
Year 1			0.00	
Year 2	2,400,000.00		16,250,000.00	
Year 3			0.00	

Action: This PBC has been Revised. See below.

PBC 8	<i>Households classified d1 to d3 by 2018 Social Registration Index, included in a validated database.</i>			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	23,350,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	224,753.00			
Year 1			0.00	
Year 2	2,400,000.00		23,350,000.00	
Year 3			0.00	



PBC 9	Percentage of poor households (deciles 1 to 3) with children under three years old receiving BDH or BDH-V with corresponding early childhood development services nationwide			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	Yes	Percentage	36,050,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.90			
Year 1	11.20		0.00	
Year 2	18.70		36,050,000.00	
Year 3			0.00	

Action: This PBC has been Revised. See below.

PBC 9	Children under 3 years old from poor households with access to BDH or BDH-V and early childhood services.			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	Yes	Number	17,875,695.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	3,045.00			
Year 1			0.00	
Year 2	36,806.00		17,875,695.00	
Year 3			0.00	



Rationale:
Resources planned for accomplishing this DLI have been recalculated since part of the activities are performed using domestic resources granted by the GoE.

PBC 10	Elderly persons from poor households receive PMMA and have access to care services.			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	Yes	Number	3,810,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	4,756.00			
Year 1			0.00	
Year 2	12,279.00		3,810,000.00	
Year 3			0.00	
PBC 11	Percentage of poor households (deciles 1 to 3) included in regular cash transfer (CT) programs			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Percentage	12,000,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	38.00			
Year 1	80.00		0.00	
Year 2	80.00		0.00	



Year 3			12,000,000.00	
PBC 12	Percentage of poor households (deciles 1 to 3) with children under three years old receiving BDH or BDH-V with corresponding early childhood development services nationwide			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	Yes	Percentage	64,460,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.90			
Year 1	11.20		0.00	
Year 2	18.70		0.00	
Year 3			64,460,000.00	
<i>Action: This PBC has been Revised. See below.</i>				
PBC 12	<i>Children under 3 years old from poor households have access to BDH or BDH-V and early childhood services.</i>			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	Yes	Number	15,200,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	3,045.00			
Year 1			0.00	
Year 2			0.00	



Year 3	61,805.00	15,200,000.00
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Rationale:

Resources planned for accomplishing this DLI have been recalculated since part of the activities will be performed using domestic resources granted by the GoE.

PBC 13	Elderly persons from poor households receive PMMA and have access to care services.			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	Yes	Number	6,430,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	4,756.00			
Year 1			0.00	
Year 2			0.00	
Year 3	20,279.00		6,430,000.00	
PBC 14	Households classified d1 to d6 by 2018 Social Registration Index, updated in a validated database.			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	No	Number	9,898,316.47	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	1,921,955.00			
Year 1			0.00	



Year 2		0.00	
Year 3	2,660,000.00	9,898,316.47	
Action: This PBC is New	<p>Rationale: <i>To avoid future exclusion or inclusion errors in the social safety net programs, the Social Registry Unit requires to implement a strategy that will allow for permanent updated information. Therefore, a new PBC will be included for the designing and implementation of a strategy that will allow working together with local governments and using the field data collection experience of the current operators (universities) to construct data-update protocols, processes and execute the data collection.</i></p>		

Verification Protocol Table: Performance-Based Conditions

PBC 1	Executive Decree creating the institutional framework to operate the Social Registry- SR- approved.
Description	Approved Executive Decree creating the institutional framework for the Social Registry means a Presidential Decree containing at least 3 elements: (i) creation of the new entity, purpose and use of the Social Registry, (ii) roles and responsibilities of the different actors, including rules governing information, and (iii) conditions and rules for transitioning from previous 2014 Social Registry to SR 2018.
Data source/ Agency	The office of the President of Ecuador
Verification Entity	Non-scalable DLIs will be subject to Task Team verification of compliance.
Procedure	The President proposes a decree that is approved and published in the Registro Oficial
PBC 1	Executive Decree creating the institutional framework to operate the Social Registry- SR- approved.
Description	Approved Executive Decree creating the institutional framework for the Social Registry means a Presidential Decree containing at least 3 elements: (i) creation of the new entity, purpose and use of the Social Registry, (ii) roles and responsibilities of the different actors, including rules governing information, and (iii) conditions and rules for transitioning from previous 2014 Social Registry to SR 2018.



Data source/ Agency	The office of the President of Ecuador
Verification Entity	Non-scalable DLIs will be subject to Task Team verification of compliance.
Procedure	The President proposes a decree that is approved and published in the Registro Oficial
PBC 2	Households classified d1 to d3 by the 2018 Social Registry Index, included in a validated database.
Description	Percentage of extreme poor households (measured by Social Registry index) enlisted in the Social Registry Database as ratio of extreme poor households (measured by per capita income).
Data source/ Agency	Legal and Administrative registers to come from: (i) Social Registry database under the Social Registry Unit (SRU).
Verification Entity	Scalable DLIs will be subject to external entity (university or consulting/auditing company) verification of coverage results using evidence sources, every six months, in the first two years of implementation.
Procedure	The following protocol will be used to validate the SR household data base: (i) the total of existing registers will be counted at the household level using the variable that is defined in the data as the household ID; and (ii) lost values will be counted, in order to diagnose the data and accept the records available as validated at the household level.
PBC 3	Operational manual of 'Mision Ternura' approved
Description	Operational manual of 'Mision Ternura' approved, means a Ministerial Agreement that articulates the norms and regulations to (i) provide an integrated package of social services, cash transfers and family accompaniment for early childhood development, (ii) verify compliance with co-responsibilities (that is, the family's obligation to attend to children's' health controls according to their age, following the official Ministry of Health protocol); and (iii) rules for increasing coverage based on report of inputs needed to achieve coverage's target value.
Data source/ Agency	Legal and Administrative data to come from: (i) the Official National Registry of Laws and Norms- Registro Oficial.
Verification Entity	Non-scalable DLIs will be subject to Task Team verification of compliance.
Procedure	MIES publishes the Ministerial Agreement which is included in the Registro Oficial.



PBC 4	Percentage of poor households (deciles 1 to 3) with children under three years old receiving BDH or BDH-V with corresponding early childhood development services nationwide
Description	Percentage of children of poor households receiving cash transfer (BDH or BHD-V) and attending counseling services.
Data source/ Agency	Legal and Administrative data to come from: (i) Social Registry data base under SRU and (ii) CNH/CDI/CCRA users in SIIMIES and Payments database of beneficiaries.
Verification Entity	Scalable DLIs will be subject to external entity (university or consulting/auditing company) verification of coverage results every six months, using evidence sources and protocols defined in the contract, prior to each disbursement request.
Procedure	Information can be retrieved from early childhood services supply capacity dashboard reports (this refers to online monitoring of coverage capacity of CNH and CDI, CCRA to provide the ECD's services to the list of new poor children under three years old that request their services).
PBC 4	Children under 3 years old from poor households with access to BDH or BDH-V and early childhood services.
Description	Children under 3 years old from poor households have access to BDH or BDH-V and early childhood services. Poor refers to those households that hold a 2018 social registry index below 29.7/100. 'Early childhood services' includes two modalities of services provided by MIES or its implementation partners: Centro de Desarrollo Infantil (CDI), Creciendo con Nuestros Hijos (CNH) and Circulos de Cuidado, Recreacion y Aprendizaje (CCRA). 'BDH' means the unconditional cash transfer program Bono de Desarrollo Humano. 'BDH-V' means the conditional cash transfer program Bono de Desarrollo Humano Variable. 'Integrated packages of services' include early childhood and family accompaniment services, and BDH or BDH-V cash transfers.
Data source/ Agency	Legal and Administrative data to come from: (i) Social Registry data base under SRU and (ii) CNH/CDI/CCRA users in SIIMIES and Payments database of beneficiaries.
Verification Entity	Scalable DLIs will be subject to external entity (university or consulting/auditing company) verification of coverage results every six months, using evidence sources and protocols defined in the contract, prior to each disbursement request.
Procedure	Information can be retrieved from early childhood services supply capacity dashboard reports (this refers to online monitoring of coverage capacity of CNH and CDI, CCRA to provide the ECD's services to the list of new poor children under three years old that request their services).



PBC 5	Operational manual of “Mis Mejores Años” approved
Description	Operational manual of ‘Mision Mis Mejores Años’ approved means a Ministerial Agreement that articulates the norms and regulations to deliver an integrated package of social services, cash transfers and family accompaniment for elderly persons, based on autonomy capacity
Data source/ Agency	Legal and Administrative data to come from: (i) elderly users (Residential gerontological center, Day gerontological center, Home visit, and Active care spaces) in SIIMIES and payments data base of beneficiaries of PMMA under MIES.
Verification Entity	Non-scalable DLIs will be subject to Task Team verification of compliance.
Procedure	Operation manual should be developed by the MIES and approved by authorities, that is upon publishing of Ministerial Agreement
PBC 6	Operational Manual of economic inclusion strategy for eligible beneficiaries of BDH and BDH-V through CDH approved.
Description	Operational manual of BDH and BDH-V’s economic inclusion strategy program approved means a ministerial agreement, articulating norms and protocols to implement an integrated package of economic inclusion services, ‘Crédito de Desarrollo Humano’ (CDH), a communication strategy to inform and affiliate those households to the program, and socio-economic evaluation and exit rules for each household group.
Data source/ Agency	Executive orders, Ministerial Agreements, and Interinstitutional Agreements, including operational manuals and protocols.
Verification Entity	Non-scalable DLIs will be subject to Task Team verification of compliance.
Procedure	MIES published Ministerial Agreements and Interinstitutional Agreements, including operational manuals and protocols.
PBC 6	Operational Manual of economic inclusion strategy for eligible beneficiaries of BDH and BDH-V through CDH approved.
Description	Operational manual of BDH and BDH-V’s economic inclusion strategy program approved means a ministerial agreement, articulating norms and protocols to implement an integrated package of economic inclusion services, ‘Crédito de Desarrollo Humano’ (CDH), a communication strategy to inform and affiliate those households to the program, and socio-economic evaluation and exit rules for each household group.



Data source/ Agency	Executive orders, Ministerial Agreements, and Interinstitutional Agreements, including operational manuals and protocols.
Verification Entity	Non-scalable DLIs will be subject to Task Team verification of compliance.
Procedure	MIES published Ministerial Agreements and Interinstitutional Agreements, including operational manuals and protocols.
PBC 7	Percentage of currently BDH beneficiaries from non-poor households (decile 3 and above) with young members (18-29 years old) that receive an economic inclusion package
Description	Percentage of currently BDH beneficiaries from non-poor households (decile 3 and above) with young members (18-29 years old) that receive an economic inclusion package.
Data source/ Agency	Administrative register (Social Register, SIIMIES and payments database of Concentradores).
Verification Entity	Scalable DLIs will be subject to external entity (university or consulting/auditing company) verification of coverage results every six months, using evidence sources and protocol defined, prior to each disbursement request.
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PBC 8	Households classified d1 to d3 by 2018 Social Registration Index, included in a validated database.
Description	Percentage of extreme poor households (measured by Social Registry index) enlisted in the Social Registry Database as ratio of extreme poor households (measured by per capita income).
Data source/ Agency	Legal and Administrative registers to come from: (i) Social Registry database under SRU; and (ii) ENEMDU annual household survey under INEC.
Verification Entity	Scalable DLIs will be subject to external entity (university or consulting/auditing company) verification of coverage results using evidence sources, every six months, in the first two years of implementation..
Procedure	The following protocol will be used to validate the SR household database: (i) the total of existing registers will be counted at the household level using the variable that is defined in the data as the household ID; and (ii) lost values will be counted, in order to diagnose the data and accept the records available as validated at the household level.
PBC 8	Households classified d1 to d3 by 2018 Social Registration Index, included in a validated database.
Description	Percentage of extreme poor households (measured by Social Registry index) enlisted in the Social Registry Database as ratio of extreme poor households (measured by per capita income).
Data source/ Agency	Legal and Administrative registers to come from: (i) Social Registry database under SRU; and (ii) ENEMDU annual household survey under INEC.
Verification Entity	Scalable DLIs will be subject to external entity (university or consulting/auditing company) verification of coverage results using evidence sources, every six months, in the first two years of implementation..



Procedure	The following protocol will be used to validate the SR household database: (i) the total of existing registers will be counted at the household level using the variable that is defined in the data as the household ID; and (ii) lost values will be counted, in order to diagnose the data and accept the records available as validated at the household level.
PBC 9	Percentage of poor households (deciles 1 to 3) with children under three years old receiving BDH or BDH-V with corresponding early childhood development services nationwide
Description	Percentage of children of poor households receiving cash transfer (BDH or BHD-V) and attending counseling services.
Data source/ Agency	Legal and Administrative data to come from: (i) Social Registry data base under SRU and (ii) CNH/CDI/CCRA users in SIIMIES and Payments database of beneficiaries.
Verification Entity	Scalable DLIs will be subject to external entity (university or consulting/auditing company) verification of coverage results every six months, using evidence sources and protocols defined in the contract, prior to each disbursement request.
Procedure	Information can be retrieved from early childhood services supply capacity dashboard reports (this refers to online monitoring of coverage capacity of CNH and CDI, CCRA to provide the ECD's services to the list of new extreme poor children under three years old that request their services).
PBC 9	Children under 3 years old from poor households with access to BDH or BDH-V and early childhood services.
Description	Children under 3 years old from poor households have access to BDH or BDH-V and early childhood services. Poor refers to those households that hold a 2018 social registry index below 29.7/100. 'Early childhood services' includes two modalities of services provided by MIES or its implementation partners: Centro de Desarrollo Infantil (CDI), Creciendo con Nuestros Hijos (CNH) and Circulos de Cuidado, Recreacion y Aprendizaje (CCRA). 'BDH' means the unconditional cash transfer program Bono de Desarrollo Humano. 'BDH-V' means the conditional cash transfer program Bono de Desarrollo Humano Variable. 'Integrated packages of services' include early childhood and family accompaniment services, and BDH or BDH-V cash transfers.
Data source/ Agency	Legal and Administrative data to come from: (i) Social Registry data base under SRU and (ii) CNH/CDI/CCRA users in SIIMIES and Payments database of beneficiaries.
Verification Entity	Scalable DLIs will be subject to external entity (university or consulting/auditing company) verification of coverage results every six months, using evidence sources and protocols defined in the contract, prior to each disbursement request.



Procedure	Information can be retrieved from early childhood services supply capacity dashboard reports (this refers to online monitoring of coverage capacity of CNH and CDI, CCRA to provide the ECD’s services to the list of new extreme poor children under three years old that request their services).
PBC 10	Elderly persons from poor households receive PMMA and have access to care services.
Description	Percentage of elders of extreme poor households receiving cash transfer and attending caring services.
Data source/ Agency	Legal and Administrative data to come from: (i) Social Registry data base under SRU; and (ii) elderly users (Residential gerontological center, Day gerontological center, Home visit, and Active care spaces) in SIIMIES and payments data base of beneficiaries of PMMA under MIES.
Verification Entity	Scalable DLIs will be subject to external entity (university or consulting/auditing company) verification of coverage results every six months, using evidence sources and protocol defined in their contract with MIES, prior to each disbursement request.
Procedure	Information can be retrieved from old age care services supply capacity dashboard which is an online monitoring of capacity to provide the elderly care services to the list of new extreme poor elderly beneficiaries that request their services.
PBC 11	Percentage of poor households (deciles 1 to 3) included in regular cash transfer (CT) programs
Description	
Data source/ Agency	Administrative register (Social Register, SIIMIES and payments database of Concentradores).
Verification Entity	Scalable DLIs will be subject to external entity (university or consulting/auditing company) verification of coverage results every six months, using evidence sources and protocol defined, prior to each disbursement request.
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PBC 12	Percentage of poor households (deciles 1 to 3) with children under three years old receiving BDH or BDH-V with corresponding early childhood development services nationwide
Description	Percentage of children of poor households receiving cash transfer (BDH or BHD-V) and attending counseling services.
Data source/ Agency	Legal and Administrative data to come from: (i) Social Registry data base under SRU and (ii) CNH/CDI/CCRA users in SIIMIES and Payments database of beneficiaries.
Verification Entity	Scalable DLIs will be subject to external entity (university or consulting/auditing company) verification of coverage results every six months, using evidence sources and protocols defined in the contract, prior to each disbursement request.



Procedure	Information can be retrieved from early childhood services supply capacity dashboard reports (this refers to online monitoring of coverage capacity of CNH and CDI, CCRA to provide the ECD's services to the list of new extreme poor children under three years old that request their services).
PBC 12	Children under 3 years old from poor households have access to BDH or BDH-V and early childhood services.
Description	Children under 3 years old from poor households have access to BDH or BDH-V and early childhood services. Poor refers to those households that hold a 2018 social registry index below 29.7/100. 'Early childhood services' includes two modalities of services provided by MIES or its implementation partners: Centro de Desarrollo Infantil (CDI), Creciendo con Nuestros Hijos (CNH) and Circulos de Cuidado, Recreacion y Aprendizaje (CCRA). 'BDH' means the unconditional cash transfer program Bono de Desarrollo Humano. 'BDH-V' means the conditional cash transfer program Bono de Desarrollo Humano Variable. 'Integrated packages of services' include early childhood and family accompaniment services, and BDH or BDH-V cash transfers.
Data source/ Agency	Legal and Administrative data to come from: (i) Social Registry data base under SRU and (ii) CNH/CDI/CCRA users in SIIMIES and Payments database of beneficiaries.
Verification Entity	Scalable DLIs will be subject to external entity (university or consulting/auditing company) verification of coverage results every six months, using evidence sources and protocols defined in the contract, prior to each disbursement request.
Procedure	Information can be retrieved from early childhood services supply capacity dashboard reports (this refers to online monitoring of coverage capacity of CNH and CDI, CCRA to provide the ECD's services to the list of new extreme poor children under three years old that request their services).
PBC 13	Elderly persons from poor households receive PMMA and have access to care services.
Description	Percentage of elders of extreme poor households receiving cash transfer and attending caring services.
Data source/ Agency	Legal and Administrative data to come from: (i) elderly users (Residential gerontological center, Day gerontological center, Home visit, and Active care spaces) in SIIMIES and payments data base of beneficiaries of PMMA under MIES.
Verification Entity	Scalable DLIs will be subject to external entity (university or consulting/auditing company) verification of coverage results every six months, using evidence sources and protocol defined in their contract with MIES, prior to each disbursement request.



Procedure	Information can be retrieved from old age care services supply capacity dashboard that is online monitoring of capacity to provide the elderly care services to the list of new extreme poor elderly beneficiaries that request their services.
PBC 14	Households classified d1 to d6 by 2018 Social Registration Index, updated in a validated database.
Description	Verification of manuals issued and approved for updating and collecting household data under the Deconcentrated Permanent Information Update Protocol of the SRU. Verification of the number of household registries in the SR database, from which information was collected no later than two years ago (database with time-stamp variable).
Data source/ Agency	Legal and Administrative registers to come from: (i) Social Registry database under SRU.
Verification Entity	Scalable DLIs will be subject to verification of coverage results using evidence sources, at least 6 months before project closing date.
Procedure	The following protocol will be used to validate the SR household database: (i) the total of existing registers will be counted at the household level using the variable that is defined in the data as the household ID; and (ii) lost values will be counted, in order to diagnose the data and accept the records available as validated at the household level.



Annex I

Financial Management

A Financial Management (FM) assessment was conducted to evaluate the proposed arrangements to have INEC as co-implementing entity of MIES and arrangements under the modality related to direct deposits to BDH¹⁵ and BDH-V¹⁶ beneficiaries' bank accounts. The Social Safety Net Project is currently under implementation and has a moderately satisfactory performance¹⁷.

The implementation arrangements for Components 1, 2 and 3 will remain unchanged except for the restructuring of subcomponent 2.4 to include INEC as co-implementing entity of MIES. This will require INEC to implement the associated budget activities under the project, carry out payments, record project transactions and submit progress implementation reports to MIES. MIES will continue to be the overall responsible agency for the project's fiduciary activities, namely budgeting, recording, disbursement of payments of transfers, financial reporting, and auditing responsibilities.

The FM Risk is Substantial, considering that the project nature involves implementation of DLIs and cash transfers, involving a large volume of payment transactions and supporting documentation with the associated challenges in terms of control, which may delay documentation of expenditures to the Bank. The project already involves some implementing entities which demands close inter-agency coordination of FM implementation arrangements and having INEC as co-implementing of MIES brings some additional complexities to the Project. Thus, MIES will require the signing of an inter-institutional agreement between MIES and INEC providing the framework for inter-agency coordination and allowing for a suitable project implementation. The project operational manual will need to be updated to include these arrangements.

Organization and staffing. From the point of view of FM institutional arrangements under subcomponent 2.4, INEC will be co-implementing entity of MIES, and the main FM counterpart within INEC will be the Administrative and Financial Unit in coordination with the main technical responsible unit, the General Coordination of Statistical Production (Coordinación General de Producción Estadística) under the Directorate of Statistics and Sociodemographic Surveys (Dirección de Estadísticas y Encuestas Sociodemográficas). Thus, it will be important that 30 days after the amendment letter is signed, the interinstitutional agreements and operational manual reflect roles and responsibilities of MIES and INEC and the need to maintain adequate coordination during project implementation to achieve the PDOs.

Budgeting. The current restructuring proposes to reallocate funds to Component 3 to support the ongoing social protection response to the COVID-19 pandemic under the BDH and BDH-V programs to provide cash transfers to additional beneficiaries, from March to June 2021. For this purpose, MIES needs to coordinate with the Planning Secretariat and Ministry of Finance to ensure timely availability of budget allocation for this purpose.

¹⁵ Bono de Desarrollo Humano.

¹⁶ Bono de Desarrollo Humano Variable.

¹⁷ The FM performance risk of MS assigned as of the date of this assessment considers that there is still an important balance in the Designated Account (DA), disbursed and not documented, of US\$57.9 million, 39 percent out of the total disbursements advanced to the DA. Additionally the fact that reimbursements recognized by the Bank and deposited in the same DA resulted in operational complexity in the project implementation and the Ministry of Finance still requires to regularize the balance of US\$439,783, which appears as a difference in the DA.



Likewise, as other co-implementing entities, MIES will transfer annual project budget space to INEC according to their programmed activities and ensuring these activities correspond to eligible expenditures under the Project. INEC will implement project budgeted activities through the country's financial management information system e-Sigef and coordinate with MIES on the periodicity of financial reporting.

The most recent Public Financial Management assessments on Ecuador (most notably the PEFA report 2019) pointed out various deficiencies in the budgeting area, including the need to strengthen the budget management and control framework, and the associated internal control mechanisms. Such deficiencies may impact this project (as it is the case of other projects in Ecuador) and reflect in delays in getting the budget approved in time, and the process of payments, with an overall impact in project implementation. Considering such problems, budget allocation for this project may experience delays; thus, the Bank and the project coordination with MIES should keep continuous monitoring and follow-up, flagging any potential budget delays to the corresponding authorities

Accounting and financial reporting. MIES will include INEC transactions into project financial reporting. The Interim Financial Report (IFR) will continue to be prepared based on the e-Sigef and continue covering calendar semesters and be submitted to the Bank not later than 45 calendar days after the end of each reporting period. MIES will coordinate with INEC to prepare simplified financial reports for consolidation purposes of the Project. The revised forms and frequency to send financial information related to INEC implementation will be reflected in the project operational manual.

Internal Controls. INEC has experience carrying out statistical operations (surveys) and has established processes and systems that allow for an orderly implementation of these activities. Likewise, MIES has experience implementing cash transfer programs and those processes and procedures implemented under payments over the counter (*pagos por ventanilla*) will be also applied to the modality of direct deposits to BDH and BDH-V beneficiaries' bank accounts. The project operational manual will be amended to reflect FM arrangements agreed under this restructuring process.

Flow of funds and disbursements arrangements. Incorporation of INEC as co-implementing entity with MIES to carry out statistical surveys under subcomponent 2.4 will not result in changes in disbursement arrangements. Disbursement methods of advances to the DA, reimbursement and direct payments will remain the same.

Withdrawal from the DA under INEC will continue to be carried out to pay eligible expenditures to goods and services providers. Payments will be processed using the Interbank Payment System (SPI) of the Central Bank of Ecuador (BCE). Withdrawal from the DA in component 3, under the modality of direct deposits to BDH and BDH-V beneficiaries' - bank-accounts, MIES will authorize the list of beneficiaries and payments to be processed through financial institutions¹⁸. Payments of cash transfers (covering bank fees and VAT¹⁹) will be processed using the SPI of BCE and financial institutions will continue to send daily information of payments and payees of both programs. All supporting documentation will remain at MIES and INEC respectively.

¹⁸ Including cash deduction as authorized by beneficiary to MIES to pay obligations of the beneficiary under the Ministry of Urban Development and Housing and Ecuadorian Institute of Social Security.

¹⁹ Value Added Tax.



Expenditures will continue to be documented using statement of expenditures for subcomponent 2.4 and a customized report designed for component 3 (sending additional supporting documentation reconciled daily by MIES “*Reporte de Pagos a las Transferencias Monetarias*”).

External Audit. Each audit of annual financial statements of the SSN project for MIES under subcomponents 1.2, 1.3, 2.2, 2.3, 2.4 and component 3; and for SRU under subcomponent 1.1, 2.1 and 2.4, will continue to be conducted by an external audit and under terms of reference, both acceptable to the Bank. The audit scope under MIES will include the review of activities under subcomponent 2.4 related to INEC and to confirm the existence of adequate controls and audit tracking in the information system managed by MIES under the reconciliation process of databases of planned beneficiaries and payees under the modalities of cash transfers under BDH and BDH-V WB-financed programs.