



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
ECUADOR RISK MITIGATION AND EMERGENCY RECOVERY PROJECT
APPROVED ON MARCH 15, 2016
TO
MINISTRY OF ECONOMY AND FINANCE

SOCIAL, URBAN, RURAL AND RESILIENCE GLOBAL PRACTICE

LATIN AMERICA AND CARIBBEAN

Regional Vice President:	Axel van Trotsenburg
Country Director:	Marianne Fay
Regional Director:	Anna Wellenstein
Practice Manager/Manager:	Ming Zhang
Task Team Leader:	Diana Marcela Rubiano Vargas, Alexander Agosti



ABBREVIATIONS AND ACRONYMS

CD	Country Director
ERL	Emergency Recovery Project (ERL)
GoE	Government of Ecuador
MAG	Ministerio de Agricultura y Ganadería (Ministry of Agriculture and Livestock)
MEF	Ministerio de Economía y Finanzas (Ministry of Economy and Finance)
MINEDUC	Ministerio de Educación (Ministry of Education)
PDO	Project Development Objective



BASIC DATA

Product Information

Project ID P157324	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 15-Mar-2016	Current Closing Date 07-Sep-2020

Organizations

Borrower Ministry of Economy and Finance	Responsible Agency Ministry of Finance
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Project Development Objective (PDO)

Original PDO

The Project Development Objective is to reduce the potential effects of the El Niño phenomenon and the Cotopaxi volcano, and support the recovery of basic and production services in affected areas in case of an Eligible Disaster, in selected sectors.

Current PDO

To support the recovery of basic and productive services in selected sectors in affected areas in case of an Eligible Disaster and strengthen resilience to natural disasters and macroeconomic shocks

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Commitment	Net Disbursed	Undisbursed
IBRD-85910	15-Mar-2016	22-Apr-2016	19-Jul-2016	07-Sep-2020	91.79	6.57	85.22



Policy Waiver(s)

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

No

I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. **The Ecuador Risk Mitigation and Emergency Recovery Project (ERL) was approved by the Bank on March 15, 2016 and declared effective on July 19, 2016.** Its revised Project Development Objective (PDO) is to “support the recovery of basic and productive services in selected sectors in affected areas in case of an Eligible Disaster and strengthen resilience to natural disasters and macroeconomic shocks”. It is currently undergoing a major restructuring to be processed in two distinct stages that will update the original Project design to be consistent with Government of Ecuador (GoE) priorities¹ and process the two cancellation requests. The first restructuring was approved on April 23, 2019 and covered the following changes: a) PDO change to remove the reference to the mitigation of risks from the El Niño phenomenon and Cotopaxi volcano and add the reference to strengthening resilience to natural disasters and macroeconomic shocks; b) revision in description of components and costs; c) reallocation of funds between components and categories to reflect the cancellation of funds (US\$58,210,000.00), requested on Sep. 27, 2018; d) change in the Results Framework; e) update of disbursement projections, and f) update of implementation arrangements (inclusion of Ministry of Education (MINEDUC) and exclusion of Ministry of Agriculture and Livestock (MAG). On August 28, 2019, the Bank received the amendment letter countersigned by the MEF, and the portal already reflects the loan amount after cancelation. The second restructuring will process the required changes to reflect the Feb. 7, 2019 request to cancel an additional US\$32,204,448.41.

2. **The Project’s disbursement rate as of August 31, 2019 is 7.15% (US\$6.57 million), and approximately US\$32 million of its funds are committed under on-going contracts** ². The progress towards achievement of the PDO and Implementation Progress (IP) are both rated Moderately Unsatisfactory (MU), particularly due to the slow implementation. The recent implementation support mission from April 8-12, 2019 witnessed positive developments in project implementation, and there has been progress in the procurement process for some priority activities and commitment by high-level ministerial officials to the updated implementation timeline. The restructured PDO and Results Framework are considered achievable within the remaining implementation period if the client adheres to the timeline agreed to during the April 2019 mission. Disbursements are also expected to improve considerably in the coming months with the awarding of contracts for major works. The ratings (progress towards achievement of the PDO and Implementation Progress) will be revisited in the next supervision mission scheduled for mid-October 2019.

¹ Early on during implementation, Component 2 was activated by the heavy rains, floods and landslides caused by the “El Niño Costero” phenomenon and by a powerful earthquake (measuring 7.8 on the Richter scale) that hit the country on April 16, 2016 (one month after Board approval). The severity of the disasters and budgetary limitations gave way to a series of shifts in GoE priorities on the use of the loan funds. The first request was received in 2017 and implied a refocus of remaining project funds towards recovery activities (Component 2). Subsequent changes in GoE priorities for the project came as result of significant delays in the definition of activities to be financed, which eventually led to the identification of various activities that could not be completed before the Project closing date and resulted in the GoE’s first cancelation request for US\$58.21 million on Sep. 27, 2018. A second cancelation of funds was requested by the GoE on Feb. 7, 2019 for US\$32.2 million, following a further refocus of project activities towards including technical assistance for macroeconomic resilience under Component 3.

² The procurement processes for the miscellaneous medical goods, supervision and reconstruction of the port, the supervision for the rehabilitation of the road, and the hiring of consultants have been initiated and are being processed through the STEP platform.



3. **Rationale for Restructuring.** This restructuring paper seeks Country Director approval to cancel US\$32,204,448.41 of project funds as requested by the GoE in a letter dated February 7, 2019. This Level 2 restructuring is the second of two restructurings that had to be processed separately due to the requirements of the WBG Operations portal. All other required changes to the project were carried out in the first restructuring process, approved by the Regional Vice President on April 23, 2019. These changes will bring the total loan amount to US\$59,585,551.59. The closing date of September 7, 2020 will not be affected.

II. DESCRIPTION OF PROPOSED CHANGES

4. **Summary of changes.** The proposed changes are to: (a) reflect the cancellation of funds requested by GoE on February 7, 2019, (b) make changes to Components and Costs, (c) reduce disbursement category totals for component 2, and (d) update disbursement estimates. The Project closing date and implementation schedule will not change. The safeguards policies and fiduciary arrangements will remain the same.

5. **Cancellation of US\$32,204,448.41 of Loan IBRD-85910.** Due to delays in Project implementation, the approaching Project closing date, and the desire to reprogram funds to address emerging national priorities, the GoE requested on Feb. 7, 2019 a second cancellation of funds for US\$32,204,448.41 related to activities that would not be completed within the current Project timeframe.

6. **Changes in Component and Costs for Component 2.** The proposed changes in component costs as financed by the Bank loan are presented in Table 1 and comprise a revision to the amounts under Component 2. No other components will be amended under the restructuring.

TABLE 1. PROPOSED CHANGES IN COMPONENT COSTS

Component	Current Cost (US\$)	Proposed Cost (US\$)	Action
Component 1. Disaster Preparedness and Risk Mitigation	3,776,367.31	3,776,367.31	
Component 2. Post-Disaster Recovery and Reconstruction	82,238,762.80	50,034,314.39	Revised
Component 3. Technical Assistance to MEF and Project Monitoring and Evaluation	5,774,869.89	5,774,869.89	
Amount to be cancelled		(32,204,448.41)	
Total	91,790,000.00	59,585,551.59	Revised

7. **Changes in disbursement categories.** The proposed change reflects a reduction of funds to be disbursed under Component 2 (associated with Category 2 or Emergency Expenditures) from US\$82,238,762.80 to US\$50,034,314.39 to accommodate the proposed cancellation. No other categories are expected to be adjusted.

8. **Update of Disbursement Estimates.** The restructuring will adjust the disbursement estimates based on the agreed final definition of the Project scope. The disbursement estimates are based on the premise that the GoE will complete all recovery/reconstruction activities within the prescribed timeline agreed during the April 2019 mission.

TABLE 2. UPDATED DISBURSEMENT ESTIMATES



Fiscal Year	Current (US\$)	Proposed (US\$)
2015	-	-
2016	-	-
2017	994,465.00	994,465.00
2018	5,052,141.00	5,052,141.00
2019	3,451,100.00	455,800.00
2020	57,584,000.00	28,130,000.00
2021	24,708,294.00	24,953,145.59
Total:	91.790,000.00	59,585,551.59

III. SUMMARY OF CHANGES

	Changed	Not Changed
Components and Cost	✓	
Cancellations Proposed	✓	
Reallocation between Disbursement Categories	✓	
Disbursement Estimates	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Results Framework		✓
Loan Closing Date(s)		✓
Disbursements Arrangements		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓



Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)

COMPONENTS

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Component 1: Disaster Preparedness and Risk Mitigation	4.23	No Change	Component 1: Disaster Preparedness and Risk Mitigation	4.23
Component 2: Post-Disaster Recovery and Reconstruction	92.11	Revised	Component 2: Post-Disaster Recovery and Reconstruction	56.04
Component 3: Technical Assistance to MEF and Project Implementation, Monitoring and Evaluation	6.47	No Change	Component 3: Technical Assistance to MEF and Project Implementation, Monitoring and Evaluation	6.47
TOTAL	102.81			66.74

CANCELLATIONS

Ln/Cr/Tf	Status	Currency	Current Amount	Cancellation Amount	Value Date of Cancellation	New Amount	Reason for Cancellation
IBRD-85910-001	Disbursing	USD	91,790,000.00	32,204,448.41	07-Feb-2019	59,585,551.59	BORROWER'S REQUEST FOR COUNTRY REASONS

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)
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			Current	Proposed
IBRD-85910-001 Currency: USD				
iLap Category Sequence No: 1	Current Expenditure Category: GO, CW, NCS, CS and TR - Part 1			
	3,776,367.31	3,776,367.31	3,776,367.31	100.00
iLap Category Sequence No: 2	Current Expenditure Category: Emergency Expenditures - Part 2			
	82,238,762.80	1,974,576.96	50,034,314.39	100.00
iLap Category Sequence No: 3	Current Expenditure Category: GO,NCS,TR & CS (inc audit) - Part 3			
	5,774,869.89	487,762.38	5,774,869.89	100.00
Total	91,790,000.00	6,238,706.65	59,585,551.59	

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2016	0.00	0.00
2017	994,465.00	994,465.00
2018	5,052,141.00	5,052,141.00
2019	3,451,100.00	455,800.00
2020	57,584,000.00	28,130,000.00
2021	24,708,294.00	24,953,145.59