



The World Bank

Ecuador - Sustainable Family Farming Modernization Project (P151963)

REPORT NO.: RES47802

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RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
ECUADOR - SUSTAINABLE FAMILY FARMING MODERNIZATION PROJECT
APPROVED ON JULY 15, 2015
TO
REPUBLIC OF ECUADOR

AGRICULTURE AND FOOD

LATIN AMERICA AND CARIBBEAN

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**I. BASIC DATA****Product Information**

Project ID P151963	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 15-Jul-2015	Current Closing Date 31-Dec-2021

Organizations

Borrower REPUBLIC OF ECUADOR	Responsible Agency Ministry of Agriculture and Livestock
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Project Development Objective (PDO)

Original PDO

The project development objective is to enhance incomes of small and medium sized farm households by supporting more productive and climate-smart use of land and water.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
COFN-C1410	04-Sep-2015	31-May-2016	14-Jun-2016	23-May-2022	20.00	7.69	12.31
IBRD-85150	15-Jul-2015	09-Oct-2015	16-Dec-2015	31-Dec-2021	65.00	24.32	40.68



Policy Waiver(s)

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

No

II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

A. Project Status

1. The Ecuador Sustainable Family Farming Modernization Project (PIT; IBRD-85150) maintains the pace to accelerate implementation. Progress towards the achievement of the Project Development Objective (PDO) and Implementation Progress were both rated as Moderately Satisfactory, as documented in the Implementation Status Report of June 2021. The Project is supporting the economic re-activation agenda of Ecuador amidst the COVID-19 pandemics by enhancing incomes of smallholder family farmers and supporting more productive and climate-smart use of land and water.
2. Progress towards the achievement of outcomes of PDO indicators continues to make strong steps. Although the COVID-19 pandemics has hit Ecuador heavily, caused disruptions in key agri-food value chains, and posed a slowdown in the pace of implementation during 2020-2021, the Project has continued to report progress in key indicators. By design, the Monitoring and Evaluation system reports on results achieved in 39 subprojects (out of 48 approved subprojects worth US\$44.2 million) in which irrigation works and improvements in production systems have been completed to date. As confirmed during the implementation support mission of October 4-7, 2021, for the two PDO-level indicators, the Project reported a 47.3 percent increase of annual net income on area benefited by the project (79 percent of the end target of 60 percent), while 4,938 water users were provided with new/improved irrigation and drainage services (55 percent of the end target), of which 2,013 are women (112 percent, surpassing the end target of 1,800).
3. As for Implementation Progress: 4,840 beneficiaries have adopted an agricultural technology promoted by the Project (180 percent, surpassing the end target of 2,700); 4,493 ha were provided with irrigation and drainage services (43 percent of the end target); while 27 farmer organizations have implemented processes of value addition (135 percent, surpassing the end target of 20). Projections for the current implementation pace with 48 ongoing subprojects show that, by December 2021, the Project would support 5,962 beneficiaries (66 percent of the final target), achieve 6,256 hectares with irrigation services (60 percent of the final target), and be close to reaching the end target of 60 percent increase of annual net income in these subprojects.
4. On December 15, 2020, the Ministry of Economy and Finance of Ecuador (MEF) requested the Bank to extend the Project's closing date for a 6-month period from June 30, 2021 to December 31, 2021. Following a review with the Ministry of Agriculture (MAG) and the project co-financier, the Spanish Agency for International Development Cooperation (AECID), the Bank approved the request on March 1, 2021. The implementation plan of the first closing date extension included the possibility of a second extension, contingent to the Project sustaining the pace of implementation, as well as the preparation of technical studies for a group of new subprojects. Satisfactory implementation of said plan to date has been summarized in section A and as follows.

B. Rationale for Restructuring



5. The main rationale for the proposed restructuring is to extend the Project's closing date by 12 additional months (18 months cumulatively) to make up for delays at the beginning of project implementation and due to the COVID-19 pandemics. The proposed closing date extension would give the Project the time to (i) complete irrigation works, technical assistance, and agri-environmental investments in 14 ongoing subprojects out of 48 approved subprojects, as well as (ii) launch implementation of 26 new subprojects (US\$29.3 million) that have been prepared in recent months (as agreed in the action plan of the first closing date extension). Considering the 2022 annual budget preliminarily allocated to the PIT (US\$12.2 million), between December 2021 and March 2022, the Project could commit US\$11.8 million to finalize 14 ongoing subprojects (US\$8.2 million) and 4 new subprojects (US\$3.6 million). If additional budget space is allocated to the PIT in March 2022, the bidding processes for works, goods, and technical assistance for additional 22 subprojects (US\$25.7 million) could be launched. With that, the Project would achieve the original PDO outcome indicators, while contributing to economic recovery of the family farming sector after the COVID-19 pandemics.

6. This second extension of the closing date would allow sustained disbursements throughout 2022 as the Project speeds up. The Project has demonstrated a significant acceleration in disbursement of resources. During the first five years of project implementation, between July 2015 and June 2020, the Project has disbursed US\$13.1 million (20 percent of loan funds available). However, during the last 16 months, the Project has disbursed additional US\$11.2 million and is preparing to request a US\$3.0 million disbursement by the end of 2021 (to reach US\$27.3 million; 42 percent of loan funds available). This shows a pattern of faster disbursement over recent time as learning efficiencies have occurred and the preparation and implementation of subprojects have sped up.

7. The Project is increasing the pace of implementation of subprojects and will require enough budget space during 2022 to achieve its end targets. While the Project remains relevant for current authorities and there is political support, project implementation is limited by the reduced 2022 budget space preliminarily allocated by the MEF and the MAG to the PIT. As recently reviewed by the MAG and the Bank team, by completing a total of 74 subprojects (total value of US\$73.5 million in loan funds), the Project would achieve its targets with 10,532 hectares served with irrigation (100 percent of the end target) and 8,930 beneficiary families (99.2 percent of the end target). The MAG has confirmed that, per the budget space allocated by the MEF to the Ministry, the preliminary 2022 annual allocation to PIT is US\$12.2 million with which the Project would overall achieve approximately 70 percent of its end targets. For the Project to achieve all its targets, additional budget space of approximately US\$30.0 million will be needed by the end of March 2022; for which an implementation plan of the closing date extension is proposed.

C. Request to Extend the Project's Closing Date

8. A request to extend the IBRD Loan 85150 and the PIT's closing date for an additional 12-month period from December 31, 2021 to December 31, 2022 was submitted to the Bank by the MEF (Oficio No. MEF-SFP-2021-0120, dated July 23, 2021 and corresponding Resolution No. 0042, dated July 22, 2021).

9. On August 12, 2021, the MAG submitted to the Bank a detailed implementation plan with updated projections based on the new closing date. After further exchanges of the Bank with the MAG, MEF, National Planning Secretariat, and AECID, it was confirmed that the proposed closing date extension and implementation plan would first require the approval of an updated Priority Opinion for the Project (Dictamen de Prioridad) by the National Planning Secretariat, which was issued on November 19, 2022 (Oficio No. SNP-SPN-2021-0877-OF).



10. Following the joint review of the request during the recent implementation support mission and subsequent meetings, the MAG, AECID, and the World Bank team are agreeable to a December 31, 2022 closing date extension that is based on the following implementation plan (with milestones):
- i. The MEF confirms the 2022 budget allocation for PIT in December 2021. Funds will be committed as follows (see ii. and iii.).
 - ii. The Project completes the implementation of the last pending investments (US\$8.2 million from the loan funds) in some of the 48 subprojects by June 30, 2022, including:
 - a. the final reception of the last (ongoing) 12 irrigation works, worth US\$4.6 million in final payments, is made by March 31, 2022;
 - b. to carry out tenders and to contract (between December 1, 2021 and February 28, 2022) the remaining 14 Training and Technical Assistance Plans (PCAT, for its acronym in Spanish) worth US\$1.2 million, as well as the last group of agri-environmental investments (US\$2.4 million) for 36 subprojects. These services and goods are delivered by June 30, 2022.
 - iii. The Project completes the bidding processes and (by March 15, 2022) contracts the irrigation works, PCAT and agri-environmental investments of four new subprojects (total value of US\$3.6 million) from the current pipeline of 22 subprojects. These four subprojects are implemented by November 2022.
 - iv. In late March 2022, once the Project has committed most of the 2022 budget allocation, the MAG will request an increase of approximately US\$30.0 million to the current budget ceiling of US\$12.2 million, to launch the implementation of additional subprojects out of the remaining pipeline of 22 subprojects (US\$25.7 million) to be completed by December 2022.
 - v. Contingent to implementation progress of i. – iv., the Bank and the Borrower will agree in late March 2022 on next steps to complete the implementation of ongoing subprojects by December 2022 and start the implementation of additional subprojects that could be finalized by December 2022.
11. No reallocation between disbursement categories is required under the proposed restructuring.
12. The task team confirms that (i) the PDO is achievable within the proposed extension of the closing date; (ii) the performance of the Borrower continues to be Moderately Satisfactory; (iii) there are no outstanding audit reports or audit reports which are not satisfactory to the Bank; (iv) this is the second extension of the project closing date (18-months cumulatively); and (v) the Bank and the Borrower agree on actions that will be undertaken by the Borrower prior to the December 31, 2022 as the proposed extension of the project closing date.

III. DETAILED CHANGES

LOAN CLOSING DATE(S)



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Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
COFN-C1410	Effective	30-Jun-2021	23-May-2022	23-May-2022	23-Sep-2022
IBRD-85150	Effective	30-Jun-2021	31-Dec-2021	31-Dec-2022	30-Apr-2023