



**THE WORLD BANK**  
IBRD • IDA | WORLD BANK GROUP

**FOR OFFICIAL USE ONLY**

Report No: PAD3247

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$350 MILLION

TO THE

REPUBLIC OF ECUADOR

FOR A

SOCIAL SAFETY NET PROJECT

March 13, 2019

Social Protection & Jobs Global Practice  
Latin America And Caribbean Region

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

## CURRENCY EQUIVALENTS

(Exchange Rate Effective Dec 17, 2018)

Currency Unit = US Dollars

= US\$1

## FISCAL YEAR

January 1 - December 31

Regional Vice President: Axel van Trontsenburg

Country Director: Alberto Rodriguez

Senior Global Practice Director: Michal J. Rutkowski

Practice Manager: Pablo Gottret

Task Team Leader(s): Nelson Gutierrez

## ABBREVIATIONS AND ACRONYMS

APA	Alternate Procurement Arrangements
BCE	<i>Banco Central del Ecuador</i> (Ecuadorian Central Bank)
BDH	<i>Bono de Desarrollo Humano</i> (The Conditional Cash Transfer)
BDH-V	<i>Bono de Desarrollo Humano Variable</i> (Conditional Cash Transfer Variable)
CCT	Conditional Cash Transfer
CCRA	<i>Círculos de Cuidado, Recreación y Aprendizaje</i> (Circles of Care, Recreation and Learning)
CDI	<i>Centros de Desarrollo Infantil</i> (Child Development Centers)
CDH	<i>Crédito de Desarrollo Humano</i> (Human Development Credit)
CQS	Consultant Qualification Selection
CNH	<i>Programa Creciendo con Nuestros Hijos</i> (Growing with our Children Program)
COOTAD	<i>Código Orgánico de Organización Territorial Autonomía y Descentralización</i> (Organic Code of Territorial Organization, Autonomy and Decentralization)
COPLAFIP	<i>Código Orgánico de Planeación de las Finanzas Públicas</i> (Organizational Code of Public Finance Planning)
CPF	Country Partnership Framework
CSO	Civil Society Organizations
DA	Designated Account
DFIL	Disbursement and Financial Information Letter
DINARDAP	<i>Dirección Nacional de Registro de Datos Públicos</i> (National Public Data Registry Department)
DLI	Disbursement-linked Indicator
DPF	Development Policy Financing
DS	Direct Selection
DTM	Displacement Tracking Matrix
ECD	Early Child Development
ENEMDU	<i>Encuesta Nacional de Empleo, Desempleo y Subempleo</i> (National Employment Survey)
ENIGHUR	Income and Expenses National Services
ESCP	Environmental and Social Commitment Plan
ESRS	Environmental and Social Review Summary
FI	Financial Intermediary
FM	Financial Management
FMA	Financial Management Assessment
GADs	<i>Gobiernos Autónomos Descentralizados</i> (Decentralized Autonomous Governments)
GoE	Government of Ecuador
GRS	Grievance Redress Service
GDP	Gross Domestic Product
GLP	<i>Gas Licuado de Petróleo</i> (liquefied petroleum gas)
IA	Implementing Agency

IBRD	International Bank for Reconstruction and Development
IEPS	<i>Instituto de Economía Popular y Solidaria (Institute of Solidarity and Public Economy)</i>
IESS	<i>Instituto Ecuatoriano de Seguridad Social (Ecuadorian Institute of Social Security)</i>
IFR	Interim Financial Report
INEC	<i>Instituto Nacional de Estadísticas y Censos (National Institute of Statistics and Surveys)</i>
IP	Indigenous Peoples
IPPF	Indigenous Peoples Planning Framework
ISP	Implementation Support Plan
ISPOL	<i>Instituto de Seguridad Social de la Policía (Police Institute of Social Security)</i>
ISSFA	<i>Instituto de Seguridad Social de las Fuerzas Armadas (Army's Institute of Social Security)</i>
LAC	Latin America and the Caribbean Region
MEF	<i>Ministerio de Economía y Finanzas (Ministry of Economy and Finance)</i>
MIDUVI	<i>Ministerio de Desarrollo Urbano y Vivienda (Ministry of Urban Development and Housing)</i>
MIES	<i>Ministerio de Inclusión Económica y Social (Ministry of Economic and Social Inclusion)</i>
MINEDUC	<i>Ministerio de Educación (Ministry of Education)</i>
MIS	Management Information System
MPA	Multiphase Programmatic Approach
MSP	<i>Ministerio de Salud Pública (Ministry of Health)</i>
M&E	Monitoring and Evaluation
NCB	National Competitive Bidding
NDT	National Digital Transaction
NGO	Non-governmental organization
NPV	Net Present Value
QCBS	Quality and Cost Based Selection
PAD	Project Appraisal Document
PAI	<i>Plan Anual de Inversión (Annual Investment Plan)</i>
PAM	<i>Pensión para Adultos Mayores (Social Pension)</i>
PDO	Project Development Objective
PEFA	Public Expenditure and Accountability Assessment
PER	Public Expenditure Review
PFM	Public Financial Management
PIU	Project Implementation Unit
PMMA	<i>Pensión para Adultos Mayores en Extrema Pobreza - Mis Mejores Años (My Best Years Pension)</i>
PMT	Proxy Means Test
POM	Project Operations Manual
PPSD	Project Procurement Strategy for Development

PTUV	<i>Plan Toda Una Vida</i> (Plan for Life – Ecuador’s Social Protection Strategy)
REVIT	Vital Data Registration System
RFB	Request for Bids
RFQ	Request for Quotations
RFP	Request for Proposals
RIPS	<i>Dirección del Registro Interconectado de Programas Sociales</i> (Directorate of Interconnected Social Programs Registry)
RS	<i>Registro Social</i> (Social Registry - SR)
RSR	Rapid Social Response
SA	Social Assistance
SCD	Systematic Country Diagnostic
SECAP	<i>Servicio Ecuatoriano de Capacitación Profesional</i> (Ecuadorian Vocational Training Service)
SENPLADES	<i>Secretaría Nacional de Planificación y Desarrollo</i> (National Secretariat of Planning)
SEP	Stakeholder Engagement Plan
SETEC	<i>Secretaría Técnica del Sistema Nacional de Cualificaciones</i> (Technical Training Secretariat)
SI	Social Inclusion
SIIMIES	<i>Sistema Integrado de Información del MIES</i> (MIES’ Integrated Information System)
SMF	Social Management Framework
SOP	Series of Projects
SP	Social Protection
SSN	Social Safety Net
STEP	Systematic Tracking of Exchanges in Procurement system
TA	Technical Assistance
TSA	Treasury Single Account
UCT	Unconditional Cash Transfer
UDAF	<i>Unidad de Administración Financiera</i> (Financial and Administrative Units of the public entities of the Government)
VIE	Vice-Ministry of Economic Inclusion
WBG	World Bank Group



## TABLE OF CONTENTS

<b>DATASHEET .....</b>	<b>1</b>
<b>I. STRATEGIC CONTEXT .....</b>	<b>7</b>
A. Country Context.....	7
B. Sectoral and Institutional Context .....	9
C. Relevance to Higher Level Objectives.....	12
<b>II. PROJECT DESCRIPTION .....</b>	<b>13</b>
A. Project Development Objective .....	13
B. Project Components .....	14
C. Project Beneficiaries .....	19
D. Results Chain .....	19
E. Rationale for Bank Involvement and Role of Partners .....	20
F. Lessons Learned and Reflected in the Project Design .....	20
<b>III. IMPLEMENTATION ARRANGEMENTS.....</b>	<b>21</b>
A. Institutional and Implementation Arrangements .....	21
B. Results Monitoring and Evaluation Arrangements.....	22
C. Sustainability.....	22
<b>IV. PROJECT APPRAISAL SUMMARY .....</b>	<b>23</b>
A. Technical, Economic and Financial Analysis (if applicable) .....	23
B. Fiduciary.....	25
C. Legal Operational Policies.....	28
D. Environmental and Social.....	28
<b>V. GRIEVANCE REDRESS SERVICES.....</b>	<b>30</b>
<b>VI. KEY RISKS .....</b>	<b>31</b>
<b>VII. RESULTS FRAMEWORK AND MONITORING.....</b>	<b>33</b>
<b>ANNEX 1: Implementation Arrangements.....</b>	<b>56</b>
<b>ANNEX 2: Implementation Support Plan.....</b>	<b>67</b>
<b>ANNEX 3: Detailed Project Description of the Programs and Services included in the Project .....</b>	<b>70</b>
<b>ANNEX 4: Matrix of Disbursement Linked Indicators .....</b>	<b>77</b>
<b>ANNEX 5: Capitation Cost Methodology for the selected Social Safety Net Programs .....</b>	<b>85</b>
<b>ANNEX 6: Financial Management Arrangements .....</b>	<b>89</b>
<b>ANNEX 7: Economic and Financial Analysis .....</b>	<b>104</b>



**The World Bank**

EC-Social Safety Net Project (P167416)

---



DATASHEET

**BASIC INFORMATION**

Country(ies)	Project Name	
Ecuador	Social Safety Net Project	
Project ID	Financing Instrument	Environmental and Social Risk Classification
P167416	Investment Project Financing	Moderate

**Financing & Implementation Modalities**

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input checked="" type="checkbox"/> Disbursement-linked Indicators (DLIs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
03-Apr-2019	30-Dec-2022

Bank/IFC Collaboration

No

**Proposed Development Objective(s)**

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





### Components

Component Name	Cost (US\$, millions)
Component 1: Improving equity, integration and sustainability of the selected SSN programs	328.20
Component 2: Technical Assistance for Capacity Building & Monitoring and Evaluation	21.80

### Organizations

Borrower:	Republic of Ecuador
Implementing Agency:	Ministry of Social Inclusion and Equity (MIES) Secretaria Nacional de Planificacion y Desarrollo (SENPLADES)

### PROJECT FINANCING DATA (US\$, Millions)

#### SUMMARY

<b>Total Project Cost</b>	387.25
<b>Total Financing</b>	387.25
<b>of which IBRD/IDA</b>	350.00
<b>Financing Gap</b>	0.00

#### DETAILS

##### World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	350.00
--	--------

##### Non-World Bank Group Financing

Counterpart Funding	37.25
Borrower/Recipient	37.25

### Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2019	2020	2021	2022	2023
<b>Annual</b>	150.70	148.37	46.82	4.11	0.00



<b>Cumulative</b>	150.70	299.07	345.89	350.00	350.00
-------------------	--------	--------	--------	--------	--------

### INSTITUTIONAL DATA

**Practice Area (Lead)**

Social Protection & Labor

**Contributing Practice Areas**

Poverty and Equity

**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

**Gender Tag**

**Does the project plan to undertake any of the following?**

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF	No
b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment	No
c. Include Indicators in results framework to monitor outcomes from actions identified in (b)	No

### SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Substantial
2. Macroeconomic	● High
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Substantial
7. Environment and Social	● Moderate
8. Stakeholders	● Substantial
9. Other	



10. Overall

● Substantial

**COMPLIANCE**

**Policy**

Does the project depart from the CPF in content or in other significant respects?

Yes  No

Does the project require any waivers of Bank policies?

Yes  No

**Environmental and Social Standards Relevance Given its Context at the Time of Appraisal**

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Not Currently Relevant
Community Health and Safety	Not Currently Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Not Currently Relevant

**NOTE:** For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).



## Legal Covenants

### Sections and Description

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 SENPLADES, 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 1.1. of the Project."

### Sections and Description

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."

### Sections and Description

BanEcuador Inter-institutional Agreement - LA, Schedule 2, Section I. B.3. "To facilitate the carrying out Part 1.3. of the Project, the Borrower, through MIES, shall enter into an agreement with BanEcuador ("Inter-Institutional Agreement"), under terms and conditions acceptable to the Bank, which shall include, inter alia, the Borrower and BanEcuador responsibilities under Part 1.3. of the Project."

### Sections and Description

Operational Manual - LA, Schedule 2, Section I. C.2. "Not later than thirty (30) days after Effective Date, the Borrower shall adopt the Operational Manual in a manner and with contents acceptable to the Bank."

### Sections and Description

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."

### Sections and Description

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."

### Sections and Description

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."

### Sections and Description

Independent Technical Review Entity (SENPLADES) - LA, Schedule 2, Section II. 3. "The Borrower, through SENPLADES, 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."

**Sections and Description**

Hiring of a Procurement and a Financial Management specialist (MIES PIU) - LA, Schedule 2, Section I.A. (b) "Not later than ninety (90) days after Effective Date, ensure that a procurement and a financial management specialist are hired to work full time within MIES PIU, all under terms of reference acceptable to the Bank."

**Sections and Description**

Hiring of a Procurement and a Financial Management specialist (SENPLADES PIU) - LA, Schedule 2, Section I.A. (d) "not later than a ninety (90) days after Effective Date, ensure that a procurement and a financial management specialist are hired to work full time within SENPLADES PIU, all under terms of reference acceptable to the Bank."

**Conditions**

Type	Description
Disbursement	B.1 No Withdrawal shall be made: (b) for payments under Category 3, unless the Borrower has formally created the necessary legal, institutional and implementation arrangements to reformulate CDH as an investment program (Proyecto de Inversión) and included such arrangement in the Operational Manual.
Disbursement	B.1 No Withdrawal shall be made: (c) for payments made under Categories (1), (2) and (3) unless: (i) the Borrower has furnished evidence, in form and substance satisfactory to the Bank, of EEPs incurred, as presented in the corresponding EEPs Spending Report; and (ii) the Bank has determined, on the basis of the evidence furnished by the Borrower, as set forth in the Verification Protocols, that the DLIs have been satisfactorily achieved, as further elaborated in the Operational Manual and in the Disbursement and Financial Information Letter.



## I. STRATEGIC CONTEXT

### A. Country Context

1. **Ecuador, an upper middle-income country,<sup>1</sup> witnessed substantial economic and social gains between 2001 and 2014.** During this period, real Gross Domestic Product (GDP) annual growth averaged 4.5 percent, well above the regional average of 3.3 percent. High economic growth and changes in the distribution of income helped lift 1.4 million people out of poverty. Welfare gains intensified during the 2007-2014 period, when income poverty fell from 36.7 to 22.5 percent, extreme poverty fell from 16.5 to 7.9 percent, and the income of the bottom 40 percent grew almost twice as fast as the national average.<sup>2</sup>
2. **Labor income and public transfers were the main contributors to these welfare gains.** Labor income accounted for a decline of 10.7 percentage points in the national poverty headcount and 15.5 and 8.5 percentage points in rural and urban poverty, respectively. In rural areas, government transfers also played a key role, and were responsible for a more than 3 percentage point reduction in total poverty. Improved access to basic services also contributed to improved welfare. The infant mortality rate fell from 23.7 to 17.8 per 1,000 live births, while the under-5 mortality rate decreased from 28.3 to 20.9 per 1,000 live births. Access to basic education became close to universal, and net enrollment rates in upper-secondary and tertiary education increased by 19 and 14 percentage points, respectively.<sup>3</sup>
3. **Despite these welfare gains, macroeconomic vulnerabilities came to the fore in 2014, affecting the country's fiscal capacity to protect the poor against social risks<sup>4</sup> and natural disaster.** When oil prices – and revenues – dropped in 2014, Ecuador had little room to undertake countercyclical fiscal policy, making it difficult to maintain social assistance coverage for the poor given the reduction of budget for public transfers. Despite the contraction in spending, fiscal deficits widened (from 4.6 percent of GDP in 2013 to a peak of 7.2 percent in 2016), arrears accumulated, and the public debt more than doubled (from 20 percent of GDP in 2013 to 45 percent in 2018). In addition, external imbalances associated with lower oil exports led to a sharp decline in international reserves, thus pressuring the country's dollarization regime. All this resulted in a sharp decline in economic growth (from 3.8 percent in 2014 to minus 1.2 percent in 2018), and poverty reduction stalled. Between 2014 and 2018, the incidence of both extreme and moderate poverty remained at around 8 and 23 percent, respectively. The contribution of public transfers to the small decline in poverty between 2014 and 2018 dropped significantly, and the main drivers of poverty subsequently became the increase in labor in low quality jobs and in the informal sector (particularly for female, younger, and older cohorts). With regard to vulnerability to natural disasters, Ecuador ranks number 18 among countries with the highest economic risk exposure to three or more hazards in a year (EM-DAT, 2017,

<sup>1</sup> US\$10,459 Purchasing Power Parity 2011. Gross national income per capita using the Atlas method.

<sup>2</sup> During the 2007-2013 period the bottom percentiles grew between 7 and 9 percent annually, compared to an overall mean growth rate of 4 percent.

<sup>3</sup> World Bank Systemic Country Diagnostic, World Bank 2018 (Report # 127987).

<sup>4</sup> For instance, one of the main social risk is that 43.5 percent of poor children under five suffered from chronic malnutrition in 2014, due to the limited success of the existing social policies for early childhood development which lacked precise information on nutrition, the optimal allocation of resources, and the right coordination efforts to facilitate families' access to complete health packages.



GFDRR, 2012). Landslides (45 percent of total events), together with floods, rain and storms, account for almost 90 percent of recorded natural hazard events in Ecuador.<sup>5</sup>

4. **In parallel with a contracted macroeconomic environment**, Venezuela's economic crisis has pushed more than three million of its citizens to migrate as of November 2018. Ecuador is the third largest recipient of these migrants (246,721) with Colombia receiving the most, (1,032,016 as of September 30, 2018), followed by Peru (546,689 as of October 30, 2018). Venezuelans currently represent around 1.5 percent of Ecuador's total population (similar to Peru). The third round of the Displacement Tracking Matrix (DTM),<sup>6</sup> carried out between November and December 2018, shows that the majority of surveyed Venezuelans entering Ecuador are male (42.5 percent); young (61.9 percent are in the 18-30 age group); single (60 percent); and have finished high school (56.7 percent). Thirty-five percent of those surveyed reported traveling with family (with an average of 1-3 members per family group). Of those traveling with family, 32.8 percent have at least one member with specific needs: either pregnant (3.5 percent of interviewed women) or lactating women, children under five years old, and/or older adults. Most of this population is self-employed and operate in the informal sector (75.8 percent). Moreover, 83.3 percent reported their average monthly work income was under US\$386 (i.e., under the 2018 minimum legal salary for Ecuador). This vulnerable population demands coverage for Early Child Development (ECD), health and education services, putting yet more strain on Ecuador's social safety net.
5. **The Government of Ecuador (GoE) is committed to reforms<sup>7</sup> that can provide enough fiscal space to increase protection of the poor and vulnerable.** These reforms include rationalizing price subsidies in the fuel and energy sectors; designing mitigation measures targeted to protect the most vulnerable populations;<sup>8</sup> improving the quality of energy services and efficiency of energy production; and reducing the financing burden of the GoE that resulted from the implementation of universal energy – regressive subsidies in the medium term.<sup>9</sup> The proposed loan will be complemented by a Development Policy Financing (DPF) currently under preparation to support reforms that would: (i) promote a more efficient mobilization and allocation of government resources; (ii) reduce barriers for private sector development; and (iii) protect and include vulnerable segments of the population. Additionally to support Government's reform agenda, the International Monetary Fund is providing an Extended Fund Facility (EFF) [US\$4.2 billion], which is centered around four major pillars: (i) boosting competitiveness and job creation; (ii) strengthening fiscal sustainability and the institutional foundations of Ecuador's dollarization; (iii) protecting the poor and most

---

<sup>5</sup> The most recent El Niño in 2015-16, resulted in 1,196 adverse events (mostly floods and landslides), negatively affecting approximately 27,000 people (Secretariat for Risk Management, 2016). The poorest regions, with the lowest recovery capacity, are the most vulnerable to these disasters (World Bank Preliminary Assessment, 2016). In addition to the negative effects of disasters on health, education, water, transport, and housing sectors, primary sectors such as agriculture, forestry, fishing, and livestock are also subject to significant impacts from hydro-climatic disasters and extreme weather events.

<sup>6</sup> The International Migration Agency (IOM), Displacement Tracking Matrix (DTM). The third round of the DTM referenced here was collected between November 14th and December 10th, 2018 in Rumichaca, San Miguel, Huaquillas, and in four main cities – Quito, Guayaquil, Manta and Cuenca. The 2,657 surveys are not representative of the Venezuelan population entering or settled in Ecuador.

<sup>7</sup> The main fiscal reforms undertaken by Government up to date are: The Production Promotion Law to reduce the fiscal deficit (merging of institutions, reduction of public servants, reduction of selected energy subsidies); and the new Budget Law which includes the reduction of public expenditure in relative terms.

<sup>8</sup> The distributional impact of reforms will be monitored by household head gender. Preliminary analysis so far does not suggest significant gender gaps in access to energy services nor on the impact of possible price reforms. However, the Bank team will continue monitoring as applicable.

<sup>9</sup> It is relevant to point out that energy subsidies represent a higher share of total family income for lower income than for higher income groups. For instance, in the case of GLP, subsidies represent 5.2 percent of total family income for the first decile, which is almost thirteen times higher than what represents for the 10th decile (less than half a percentage point).



vulnerable; and (iv) improving transparency and bolstering the fight against corruption. The proposed Project is being processed in advance of the DPF because it will support needed improvements in the Social Registry. These improvements are critical first steps to ensuring that Government can mitigate the impact of adjustments that will result from implementing the DPF and EFF operations.

## B. Sectoral and Institutional Context

### *Rationale for the Intervention*

6. **To mitigate the impact of subsidy reforms on the poor and vulnerable, the GoE needs to improve the effectiveness of public spending on its social safety net (SSN). This involves addressing the equity, integration and sustainability of the SSN.** Equity will seek to improve the SSN's coverage of the extreme poor;<sup>10</sup> integration will aim to provide an articulated package of transfers and social services to the poorest, and sustainability will involve developing and implementing exit strategies from selected social assistance programs.<sup>11</sup>

### *Description of the current Social Protection System*

7. The National Social Inclusion and Equity System in Ecuador (that is, the country's social protection system) comprises contributory and non-contributory schemes. The contributory scheme consists of three social insurance programs that cover formal labor market workers and that use mandatory saving mechanisms, but this scheme only reaches 40 percent of the country's population.<sup>12</sup> Most of the poor are therefore covered by the non-contributory scheme (the social safety net), which consists of a few conditional and unconditional cash transfer programs and complementary social services implemented by the Ministry of Economic and Social Inclusion (MIES).
8. **The cash transfers implemented directly by MIES** provide income support targeted to (i) low-income households with children under 18 years old (*Bono de Desarrollo Humano* (BDH)); (ii) poor households with the potential to carry out productive and income-generating activities (*Crédito de Desarrollo Humano* (CDH)); (iii) low-income seniors over 65 years old (*Pensión Adulto Mayor*); and (iv) vulnerable people with disabilities (*Pensión para personas con discapacidad* and *Bono Joaquín Gallegos Lara*).
9. **The Social Registry (SR) is the beneficiary selection mechanism for non-contributory programs.** Ecuador's Social Registry, created in 2009, is the information system that supports intake, registration and determination of potential eligibility for several social programs. To determine eligibility, the SR counts on the socio-economic welfare index, which classifies households within the Registry as extreme poor, moderately poor, and non-poor. The index was revised in 2018 to reduce inclusion and exclusion errors. Currently, the Registry is managed by the Directorate of Interconnected Social Programs Registry (RIPS), within the National Secretariat of Planning (SENPLADES),<sup>13</sup> and contains information on eight million individuals (roughly two million households), mainly from per capita consumption quintiles 1 and 2, covering approximately 48 percent of the Ecuadorian population.

<sup>10</sup> At least 50% of the extreme poor, as measured by the Social Registry, people have not benefitted from any of these programs.

<sup>11</sup> A simulation conducted by the World Bank in 2017 suggests that an increase in spending on the BDH from 0.6 to 0.96 percent of GDP, combined with a major effort to target households in extreme poverty, would increase the poverty reduction impact of BDH on program beneficiaries from 7 percent registered in 2016 to 11.6 percent with the simulation.

<sup>12</sup> WB working paper, Apella, 2016.

<sup>13</sup> In December 2018, it was announced SENPLADES will be merged with *Secretaría de Administración Pública* in the office of the Presidency. As a result, institutional arrangements for the Social Registry will change in the upcoming months and should be finalized in 2019.





10. **To further support families in extreme poverty, the GoE recently introduced a variable component of cash transfers, targeting extreme poor families with children under eighteen years old, (*Bono de Desarrollo Humano Variable (BDH-V)*) and increasing the amount of the non-conditional transfer to seniors (*Pensión Para Adultos Mayores en Extrema Pobreza - Mis Mejores Años*). Both programs provide specialized case management in addition to the transfer.**
11. **The Ecuadorian Social Protection Strategy, (*Plan Toda una Vida – PTUV*) prioritizes a variety of social protection benefits and services that are grouped into *misiones* - ‘missions’ - designed along the life cycle and its associated risks.<sup>14</sup> The *misiones* include: early childhood (*Misión Ternura*), youth (*Impulso Joven*), old age (*Pensión Para Adultos Mayores en Extrema Pobreza - Mis Mejores años*), extreme poverty (*Menos pobreza más desarrollo*), affordable housing (*Casa para todos*), disability -that includes benefits for both disabled people and care takers- (*Las Manuelas* and *Las Joaquinas*, respectively), and gender (*Plan Mujer*). The missions have the two-fold objective of promoting institutional coordination of public policies targeted to vulnerable groups and encouraging recipients to be co-responsible for their social mobility. All the ‘missions’ are implicitly or explicitly targeting the poorest quintile and aim to progressively expand coverage over time, based on availability of fiscal resources.**
12. **The lion’s share of missions is administered by MIES and involves both cash transfers and services.** Cash transfers are designed to facilitate beneficiaries’ economic inclusion, while services are aimed at promoting their social inclusion. The main social inclusion services are:
  - **Child Development Centers program (CDIs)** that provide ECD services for children from 0 up to 3 years of age, across the nine zones and forty districts of the country. CDIs provide institutional early childhood education to 91,605 children, mainly in urban areas.
  - **Parental education “Growing with our children” *Creciendo con nuestros hijos (CNH)*** targeted at parents and care-givers of children from 0 to 3 years old, offering home-visits and group activities across the nine zones and forty districts of the country. The CNH program provides parental education and community counseling to pregnant mothers and families (196,319 households), mainly in rural areas.
  - **“Circles of Care, Recreation and Learning” *Círculos de Cuidado, Recreación y Aprendizaje (CCRAs)*** targeted to parents and care-givers of children from 0 to 3 years old, offering training and demonstrations on nutrition and providing adequate nourishment.
  - **Services for people with disabilities**, include *Las Manuelas* that provides health and productive inclusion services to disabled people, and *Las Joaquinas*, that aims to strengthen the skills of care givers, in this way promoting the autonomy and social inclusion of the person with disability.
  - **Day Care Centers** that offer gerontological services to seniors with lower levels of dependency.
  - **Residential Centers** that provide care services to seniors who do not have family members to care for them and are therefore in need of temporary or permanent assistance.
  - **Home Visits that offer** gerontological services include residential visits to the families of more than 25,000 seniors, offering family members education on how to care for seniors and how to facilitate their social integration.
13. Services are delivered directly or through agreements with a range of implementers, namely decentralized autonomous governments (GADs), civil society organizations (CSOs), and religious institutions. However, other ministries and government institutions (health, education, water and sanitation, agriculture, labor and the civil registry, among others), are responsible for coordinating activities with MIES.

---

<sup>14</sup> Detailed description of the Missions and programs included in each of those missions is presented in Annex 3.



### **Main gaps in the SSN**

14. **Ecuador's limited social assistance spending translates into low coverage of the poorest.** Spending on social assistance programs increased from 1.24 percent of GDP in 2007 to 1.9 percent of GDP in 2010. However, in more recent years it has fluctuated, with a decreasing trend, reaching its lowest at 1.05 percent of GDP in 2015. This not only places Ecuador on the lower side of the regional average, but it makes it the only country in LAC that shows a decrease in social spending in recent years. Following a similar decreasing trend, the BDH coverage of the first two quintiles dropped from more than 60 and 50 percent, respectively, in 2008, to 40 (first quintile) and 26 (second quintile) percent in 2016.
15. **In 2014, the Government introduced stricter eligibility conditions for the BDH program, to improve its targeting and prioritize people in the lowest quintile.** Due to fiscal constraints, Government prohibited adding beneficiaries to the BDH and the *Pensión Asistencial*. As a result, targeting improved and the percentage of users that belonged to the first quintile increased (from 34.7 percent in 2012 to 42 percent in 2016), yet overall coverage rates dropped substantially. Moreover, in 2014 the revision of the welfare index resulted in increased errors of inclusion and exclusion, altering the definition of the lowest quintile.<sup>15</sup>
16. **While the Social Registry has adequately performed its functions in the last decade, currently it is facing several challenges** related to outdated information, the social programs' targeting accuracy, and the inefficient process for updating information (which currently is done via survey-sweeps, a methodology that hampers the continuous collection of information). The last data collection sweep was carried out in 2014. A new data collection is on-going and is expected to cover 2.4 million households. The data collection strategy would ensure that not only is current registrants' information updated, but also that new individuals/households (whose circumstances may have deteriorated since 2014) will be added. Also, there are plans to update part of the information in the Social Registry through exchanges with other complementary administrative databases, including MIES.
17. **There is also a need to establish a solid legal framework and institutional arrangements for the Social Registry to become the unique entry point for accessing social programs.** Originally created in a Coordinating Ministry, the registry was transferred to SENPLADES in 2017. However, this Secretary has neither the legal capacity to fulfill the Social Registry's mandate, nor enough budget and human resources to support the Registry's roles and functionalities in a sustainable manner.
18. **In addition to improving the beneficiary selection processes, benefits and services need to be integrated to achieve greater impact.** MIES has created specialized teams for the provision and articulation of services and benefits. However, it has identified operational issues that include difficulties in selecting the most needy beneficiaries using the social registry for each program; lack of instruments to smooth internal coordination among MIES teams (as well as with other government institutions that provide complementary services); lack of effective monitoring and supervision of service providers at the local level to assure that the beneficiaries receive a complete package of services; and a lack of evaluations for the social assistance programs to measure their success in delivering integrated services to families rather than executing isolated programs, among others.
19. **Similarly, it is necessary to improve the "Crédito de Desarrollo Humano -CDH," informally considered the 'exit' strategy for beneficiaries of the BDH.** Although this program has showed a consistently superior effect on overall welfare, average educational attainment and housing conditions, compared to the BDH,<sup>16</sup> it still

<sup>15</sup> The targeting power of the Welfare Index in 2013 – 2014 was reduced by 23 percentage points with respect to the 2009 Index.

<sup>16</sup> Lozada, R Cash Transfer Programs and Conditionality: Why Not a Lump-Sum Payment Trusting the Poor? Edinburg University 2018.



faces design and operational challenges that prevent it from ensuring a sustainable exit strategy for program users. In addition to targeting challenges, the capacity building component of the CDH has proven to be ineffective and there is a need to introduce adjustments in the business development services offered by the program, as well as developing solid Monitoring & Evaluation (M&E) mechanisms and information systems. It is also key to improve referral systems to provide a more comprehensive package of support.

20. **To address these challenges, the GoE has requested the Bank's support to improve the equity, integration and sustainability of selected social assistance programs administered by MIES.** As detailed in the Economic and Financial Analysis Annex, estimates suggest that the project would have significant impacts on reducing extreme poverty. Through an improved beneficiary selection mechanism, the incidence in extreme poverty would be reduced almost by half. The cost-benefit ratio of the BDH would more than double irrespective of the poverty status. The work on the Social Registry, in particular, is critical to ensuring that the needs of the poor and vulnerable are addressed during the adjustment process that will take place under the Bank's DPF and the IMF's EFF operations. For this reason, the Project is being processed in advance of the Bank's DPF operation.

### C. Relevance to Higher Level Objectives

21. **The objectives of the proposed project are aligned with those of the latest World Bank Group's Country Engagement Note (FY2016-2017) (Report # 100012-EC) and with the World Bank Group's Ecuador Systematic Country Diagnostic (SCD) (Report # 127987).** The Project supports SCD Pillar 1: "Addressing Macroeconomic Imbalances" by improving the efficiency of public spending at different government levels and shifting resources towards priority social spending; SCD Pillar 2: "Lifting barriers to private sector development", which highlights the need to increase the effectiveness of the safety net; and SCD Pillar 3: "Building human capital and expanding economic opportunities" by a) strengthening coordinated efforts to address high levels of stunting and to reinforce preventive and primary health care; and, b) enhancing integration of vulnerable groups and ethnic minorities who receive cash transfer benefits. The project also contributes to Pillar 4 "Invest in long term resilience and adaptation measures" as it intends to improve vulnerable households' nutritional outcomes, and to making the SSN more responsive in times of climate-related crisis.
22. **The proposed project will be complemented by policy measures supported by the DPF under preparation, more specifically, Pillar III, "supports reform measures to protect and include vulnerable segments of the population," and its prior action.** "The Borrower has issued a set of legal reforms to expand the objectives and define the governance of the social registry." The Project's development objective related to equity of the social safety net focuses on improving coverage of the extreme poor by strengthening the Social Registry, and its first Disbursement Linked Indicator (DLI) requires an Executive Decree to create and approve the institutional framework of the Social Registry.
23. **The project is also aligned with the World Bank's 2012-2022 Social Protection and Labor Strategy's** objective of "helping make social protection and labor more responsive, more productive, and more inclusive of excluded regions and groups." It is also aligned with the Strategy's prioritization of investments during the first years of life as a crucial ingredient for resilience throughout the life cycle; and with its focus on reducing the social risk associated with chronic malnutrition and school dropouts by "combining income transfers with education, nutritional and health objectives, to promote human development." Finally, the



operation is aligned with the Bank's global Human Capital Project, whose objective is to focus on more and better investments in people.<sup>17</sup>

24. **Ecuador's government is committed to guaranteeing social rights and integral protection<sup>18</sup> of its citizens along their life cycle.** Article 341 of the National Constitution highlights the Government's responsibility to provide citizens with social protection, particularly to those groups who may face additional vulnerabilities due to inequalities, exclusion, discrimination, violence, or due to their **age, illness, or disabilities**. **The National Development Plan 2017-2021** seeks to strengthen the National Social Inclusion and Equity System declared in the Constitution. *The Estrategia Nacional de Cambio Climático 2012-2025* (National Climate Change Strategy) establishes parameters for sector plans for mitigation and adaptation (*Contribución Tentativa Nacionalmente Determinada de Ecuador, INDC, October 2015*). The proposed project is closely aligned with the Constitution and the Plan, which supports citizens' rights and a life cycle approach by "guaranteeing a dignified life with equal opportunities for all."

## II. PROJECT DESCRIPTION

### A. Project Development Objective

#### PDO Statement

25. The Project development objective is to improve the equity, integration and sustainability of selected social safety net programs.
- (a) **Equity** will focus on improving coverage of the extreme poor,<sup>19</sup> by strengthening the Social Registry.
  - (b) **Integration** will include linking cash benefits with social services for extreme poor households in a coordinated manner.
  - (c) **Sustainability** will focus on the implementation of exit strategies of beneficiaries from the safety net programs. The exit strategies will seek to provide a transition period for those households that should no longer be included in the program because they do not fit the eligibility criteria; and will seek to connect those households classified as moderately poor, or those above the poverty line, but still considered vulnerable to falling back into poverty, with productive and jobs inclusion programs.<sup>20</sup>
26. **Selected social programs to be supported by the project** fall under the "Ternura," "Menos pobreza, más desarrollo" and "Mis Mejores Años" Missions. Specifically, they are: BDH and BDH-V; CDH, "Pensión Mis Mejores Años" (PMMA) and early childhood and elderly care services. Programs were selected because they: i) support the most vulnerable households; i.e., those with children under 3 years of age and the

<sup>17</sup> A new World Bank Group Country Partnership Framework (CPF) for FY19-FY23 building on the approved SCD is under preparation and is expected to be discussed by the WB Board in May 2019.

<sup>18</sup> Integral Protection include social assistance measures to address income vulnerability and special protection for other kinds of vulnerabilities associated with violence, disability, etc.

<sup>19</sup> See paragraph 26 for definition of extreme poor.

<sup>20</sup> Productive Inclusion programs are: (i) **CDH** which is an 12-24 months advance payment from the BDH or BDH-V for micro economic entrepreneurship; (ii) **IEPS**, provides accompaniment and technical assistance to vulnerable households and production organizations promoting associative entrepreneurship. Labor Inclusion Programs include: (i) **Socio Empleo**, which provides an online platform for job searching, recruitment and selection; and (ii) **SECAP**, which provides certified vocational training under two modalities: short duration (30 hours) and mid duration (150 hours).



elderly, groups that are a priority for Government; ii) provide opportunities to integrate services with transfers; and, iii) have no alternative funding sources.

#### PDO Level Indicators

- % of extreme poor households with updated information in the Social Registry (equity).
- % of children under three in extreme poor households receiving BDH-V transfers and ECD services (integration).
- % of elderly in extreme poor households receiving PMMA transfers and elderly care services (integration).
- % of moderate poor BDH beneficiary households who receive either a lump sum or an economic inclusion package (sustainability – exit strategy).
- % of non-poor households (as a share of the total of CCT beneficiaries) receiving CCTs (sustainability - exit strategy)

27. In 2018, Ecuador’s Social Registry established a new index to measure the socioeconomic conditions of households in Ecuador based on per-capita consumption. The threshold for moderate poverty was estimated at the index value of 25.8, whereas the threshold for extreme poverty was estimated at the index value of 5.7 (the index varies from 0 to 100). These thresholds were used to determine eligibility of project beneficiaries and to set up the targets for project indicators and DLIs. The Government is expected to update the index, which is based on household data from 2014, within the first 18 months of project implementation (approximately by 2020). Once this is completed and new definitions/thresholds for extreme and moderate poverty are established, the project will align itself with the new values, which will likely involve a restructuring to modify indicators and targets.

## B. Project Components

28. **The Project would combine a results-based financing component with a technical assistance component.** Component 1 would disburse upon achievement of specific results measured by DLIs related to improvements in equity, integration and sustainability in the selected social programs.<sup>21</sup> The achievement of DLIs would, as relevant, be scalable; that is, disbursements would be proportional to the fraction of the target achieved. Eligible budget lines have been identified for tracking related disbursements and can be found in Annex 4. Component 2 would provide technical assistance for institutional strengthening of the MIES and the agency administering the SR, currently SENPLADES, to support the implementation of key reforms needed to achieve the project’s development objective.
29. **Component 1: Improving equity, integration and sustainability of selected SSN programs (US\$328.20 million).** This DLI-based Component will support improvements in the SSN beneficiary selection process and the provision of integrated service packages. Improvements will be reflected in a set of DLIs that, once achieved, will disburse against eligible expenditures related to their achievement. The proposed DLIs correspond to activities that: a) strengthen the Social Registry; b) increase the access of extreme poor households to an integrated package of cash transfers and complementary social services; and c) implement

---

<sup>21</sup> The proposed DLIs would specifically reflect improvements in the delivery of combined cash transfer and care service packages by the selected programs; the accompaniment mechanism; and the social registry.



an exit strategy from the selected programs for eligible households that receive the BDH or BDH-V. This Component will be implemented by MIES and SENPLADES.

This component has three Sub-components.

30. **Sub-component 1.1: Improvements in the Social Registry (US\$61.2 million).** The objective of this Sub-component is to strengthen the SR's data updating process and its regulatory framework, and to improve the accuracy of selected social programs' beneficiary selection mechanism.<sup>22</sup> Specific activities include:

- a) Updating and improving SR data: revising the data-collection strategy, including protocols, calendar and data-quality monitoring processes; developing a communication strategy for the update of the Social Registry; enhancing existing information and technology tools, and finalizing the data-collection process, including hiring universities or other third parties to undertake surveys.
- b) Improving accuracy of social programs' beneficiary selection mechanism: facilitating the transition of selected social programs to apply the new Social Registry Index (SRI2018) to their programs, which will result in new eligibility thresholds. Improving the accuracy of beneficiary selection will result in strengthening support to those most vulnerable, particularly in the aftermath of climate-related disasters (who are often the poorest). Updates in the Social Registry Index have significant implications for user programs in terms of entry and exit of beneficiaries, and the new approach for data updating through administrative exchanges will also have implications for user programs and their information systems; therefore, the project will finance a communication strategy to inform beneficiaries of eligibility changes in a timely manner.
- c) Strengthening the SR regulatory framework. The Project will support the GoE in articulating the legal framework for the Social Registry, to clarify institutional arrangements for its administration and the scope of its application. Specifically, the project will accompany the GoE in defining the optimal institutional arrangements and management model for the SR, given the sectoral and institutional context; preparing the long-term view of the Registry;<sup>23</sup> and increasing interoperability with other administrative databases to allow for continuous data updating.

31. The DLIs selected for Sub-component 1.1 and their amounts have been calculated based on survey unit costs to cover 2.4 million of households, and can be found in Annex 4.

32. **Sub-component 1.2: Improving integration within selected SSN programs (US\$137.68 million).** The objective of this Sub-component is to ensure extreme poor families' access to a basic income plus a package of social services relevant to the needs of their family members.<sup>24</sup>

The following groups will be targeted:

---

<sup>22</sup> Only 20 percent of BDH beneficiaries come from extreme poor households, 58.7% in the case of BDH-V, and 9.9% in the case of PMMA.

<sup>23</sup> The long-term view means the scope of the SR in terms of population coverage (both potential and actual beneficiaries), frequency of data collection, and in terms of information exchanges with administrative registries. More frequent data updates would in principle support better response to disaster events.

<sup>24</sup> Cash transfers are intended to improve food consumption and nutrition outcomes, which are affected by climate change impacts such as droughts and uncertain rain patterns. Evidence from Northern Ecuador suggests that cash transfers increase food consumption by 14%, improving both the caloric intake and dietary diversity (Hidrobo, M. *et al.* 2014. *Cash, food, or vouchers? Evidence from a randomized experiment in northern Ecuador.* Journal of Development Economics, Volume 107, March 2014, Pages 144-156).



- **Group 1:** Extreme poor households with children under 3 years of age, who receive the BDH-V, child development services (CDI, CNH or CCRA) and family accompaniment.
- **Group 2:** Extreme poor households with adults over 65 years of age who receive PMMA, gerontological services and family accompaniment.

33. The programs and services are described below:

- ***Bono de Desarrollo Humano Variable*** (BDH-V) targets families with members under 17 years of age and under, that are extreme poor. The BDH-V involves a monthly fixed transfer of US\$50, and an additional transfer based on the number of children for up to a maximum additional US\$100.
- ***Pensión para Adultos Mayores en Extrema Pobreza - Mis Mejores Años*** (PMMA) provides a non-contributory pension of US\$100 to elderly in extreme poverty.
- ***Early Childhood Services*** includes three types of services: Children Development Centers (*Centros de Desarrollo Infantil*- CDI); Growing with our Children (*Creciendo con Nuestros Hijos* -CNH); and Circles of Care, Recreation and Learning (*Círculos de Cuidado, Recreación y Aprendizaje* - CCRA).
- ***Care services for the elderly*** includes four types of services: Homecare; Daily gerontological centers; Residential gerontological centers; and Alternative spaces for revitalization, recreation, socialization and meeting.

34. Specific Project activities to contribute to the achievement of integration include:

- a) Activities to increase extreme poor access to the integrated cash transfer and service packages. The objective is to more fully address the needs and profiles of the poor, including in the aftermath of economic and natural disasters. Activities include: update of operational rules and manuals for each program, and the preparation of joint operational rules and manuals to ensure integration; development and update of service provision maps aligned with the poorest targeted population; and training to increase MIES's operational capacity in delivering complementary services, directly or through performance-based agreements between the National level and GADs. These agreements are expected to be more focused on results than on inputs.
- b) Activities to enhance the accompaniment mechanisms provided to beneficiaries of the BDH-V and the PMMA. In the case of the BDH-V, an effective accompaniment mechanism implies that the case worker verifies the co-responsibilities linked to the cash transfer, supporting the beneficiary in overcoming challenges to comply; undertaking the corresponding screening to identify best suited services for the children and family; and referring the family to the corresponding ECD service. Similarly, an effective accompaniment mechanism for the PMMA would imply adequate screening and referrals to care services, as well as support to beneficiaries in ensuring reception of the cash transfer. Therefore, the Project will contribute to enhancing accompaniment mechanisms through the: definition of protocols for a home visit program to assess needs of targeted extreme poor families;<sup>25</sup> review of the referral and counter-referral protocols, and the preparation of protocols to accompany and support the family in their agreed commitments, including involving the father in childcare duties to free up time for women to carry out other activities.<sup>26</sup>

<sup>25</sup> In most cases, these needs include nutritional interventions which will contribute to nutritional outcomes.

<sup>26</sup> For instance, the family that receive the BDH transfer should be advised on the importance to attend the health controls timely to avoid the stunting risk, and on the need for the timely registration of each newborn within the 30 days following the birth and should



35. The DLIs selected for this Sub-component are found in Annex 4. Disbursement amounts will be based on eligible budget lines subject to the compliance that the two target groups described above (extreme poor households with children under 3 years and extreme poor households with elderly) are receiving an integrated package of cash plus services. Capitation cost calculation methodology is detailed in Annex 5.
36. **Sub-component 1.3: Improving the sustainability of selected SSN Programs (US\$129.32 million).** This subcomponent will provide financing to the EEPs for the development and application of comprehensive exit strategies for eligible beneficiaries that receive the BDH or BDH-V. The exit strategy will target (i) current beneficiaries who do not fit the eligibility criteria for selected programs, who, upon leaving the program, will receive a one-time cash transfer, through the **Human Development Credit (CDH)**, which is an advance payment from the BDH or BDH-V; and (ii) households that receive the BDH or BDH-V who are poor, but not extremely poor, who will be linked to productive inclusion or vocational training programs. This package of **economic inclusion services** will be provided through SOCIOEMPLEO, an employment program of the Ministry of Labor and related training will be carried out by the Ecuadorian Vocational Training Service (SECAP) and the Technical Training Secretariat (SETEC).
37. The targeted groups covered under this Sub-component are:
- **Group 3:** Poor households who are part of the Human Development Credit Program with an exit amount equivalent to 24 months of BDH-V and economic inclusion services according to family profile and local supply.
  - **Group 4:** Non-poor households who are part of the Human Development Credit Program with a lump sum exit amount equivalent to 12 months of BDH-V and information about economic inclusion services.
38. The main activities under this Sub-component will support the development of an operational manual that includes family planning for access to economic inclusion services through training, technical assistance, and financial support<sup>27</sup>; the preparation of supply maps for employment and productive inclusion services at the local level; and the formulation of a communication strategy for the implementation of an exit CDH benefit to be paid upon signature of a rights and responsibilities agreement with the beneficiary households that will stop receiving cash transfers; and the implementation of monitoring and evaluation changes in the socio-economic condition of each household participant of the exit strategy. The modalities' package design will contribute to overcome gender barriers of beneficiaries and will promote increasing women's decision making and self-confidence.
39. The DLIs selected for this Sub-component are found in Annex 4. Disbursement amounts will be based on eligible budget lines subject to the achievement of targets for selected groups receiving integrated packages of cash and services.
40. **Component 2: Technical Assistance for Capacity Building & Monitoring and Evaluation (US\$21.80 million).** To achieve the results described in Component 1, the Project would provide the necessary technical assistance (TA) to improve the effectiveness of the selected social programs and to support institutional capacity building. Technical assistance activities are divided into four Sub-components.
41. **Sub-component 2.1: TA to support equity improvements (US\$ 2.65 million):** This Sub-component will finance a series of technical assistance activities to support Sub-component 1.1, which aims to update the

---

receive information on the specific health post where they will receive the service.

<sup>27</sup> These economic inclusion activities are designed to diversify livelihoods that are threatened by climate change impacts such as climate-affected agricultural areas.





Social Registry and increase its use by social programs, including: (i) the verification of collected data from massive processes, (ii) regular updating of some variables of the SR<sup>28</sup> and the update of the family composition;<sup>29</sup> and (iii) standardizing the information transfer processes between the SR and the programs that use the SR data, as well as to guide entities in the use of the Social Registry to design strategies and public policies. Details can be found in Annex 1.

42. **Sub-component 2.2: TA to support integration improvements (US\$ 9.75 million):** This Sub-component will support Sub-component 1.2, whose objective is to extend the provision of the cash benefits and care services to each poor household in a coordinated and combined manner. Specifically, the sub-component will finance goods and activities to (i) optimize services provided by the MIES; (ii) strengthen family accompaniment mechanisms and (iii) plan to expand coverage and benefits of BDH-V and PAAM, and key services. Details can be found in Annex 1.
43. **Sub-component 2.3: TA to support sustainability (US\$ 0.20 million):** This Sub-component will finance a series of technical assistance activities to strengthen Sub-component 1.3, whose objective is to create exit strategies of beneficiaries from the safety net programs to ensure sustainability of the whole SSN. Technical assistance covers the following subjects: design and development of instruments for the CDH (including different modalities for CDH delivery such as lump sum deposit in savings accounts, productive credit card and quarterly disbursements for compliance with family plan's milestones on active labor programs); development of an IT platform for the registration of economic inclusion services; design and implementation of a pilot for strengthening micro-networks of small businesses; and training to improve capacities of small entrepreneurs under CDH's program. Details can be found in Annex 1.
44. **Sub-component 2.4: TA to support coordination, monitoring and evaluation activities (US\$ 9.20 million):** This Sub-component will finance a series of technical assistance activities to strengthen capacity of the entities responsible for implementing Component 1. Activities will involve improving institutional coordination, strengthening the verification process, and carrying out impact evaluations for selected programs. It will also support the Instituto Nacional de Estadísticas y Censos—National Institute of Statistics and Surveys (INEC) in defining the questionnaire and potential oversampling frame for the ENEMDU Survey,<sup>30</sup> a key input for Project monitoring. Details can be found in Annex 1.

---

<sup>28</sup> The updating could be through the information obtained from administrative records or through collected new data of the household members who are not in the SR or in the administrative records.

<sup>29</sup> For example, births, deaths and marriages.

<sup>30</sup> ENEMDU (*Encuesta Nacional de Empleo, Desempleo y Subempleo*) is the National Employment Survey.

**Table 1: Project Cost and Financing**

Component	Sub-component	TOTAL		
		Counterpart Funds	WB	Total Operation
<b>Component 1: Improving equity, integration and sustainability of the selected SSN programs</b>	<b>Subtotal Component 1</b>	<b>34.64</b>	<b>328.20</b>	<b>362.83</b>
	Sub-component 1.1: Improvements in the Social Registry	2.51	61.20	63.71
	Sub-component 1.2: Improving Integration within Selected SSN Programs	-	137.68	137.68
	Sub-component 1.3: Improving Sustainability of selected SSN Programs	32.13	129.32	161.45
<b>Component 2: Technical Assistance for Capacity Building &amp; Monitoring and Evaluation</b>	<b>Subtotal Component 2</b>	<b>2.62</b>	<b>21.80</b>	<b>24.42</b>
	Sub-component 2.1: TA to support Equity improvements	0.32	2.65	2.97
	Sub-component 2.1: TA to support integration improvements	1.17	9.75	10.92
	Sub-component 2.3: TA to support sustainability	0.02	0.20	0.22
	Sub-component 2.4: TA to support coordination, monitoring and evaluation activities	1.10	9.20	10.30
	<b>TOTAL</b>	<b>37.25</b>	<b>350.00</b>	<b>387.25</b>

### C. Project Beneficiaries

45. Estimated total beneficiaries include 228,000 households living in extreme poverty, with children under three years (estimated 79,684 children); children ages 6 to 12 years (estimated 140,398 children); teenagers/youth 13 to 19 years (estimated 88,986 youth), and elderly (48,587 elderly persons).

### D. Results Chain

46. A large share of the extremely poor are not covered by social assistance programs, and those who are moderately poor who are covered lack access to complementary services that are critical to moving them out of poverty. The project seeks to address this by increasing coverage of the extreme poor, linking both moderate and extreme poor to complementary services, graduating vulnerable groups who could benefit from more specialized support, and exiting those who do not meet eligibility requirements for the selected social programs. The results chain below summarizes how this will be done under the Project, and the expected outcomes.



Figure 1: Results Chain



## E. Rationale for Bank Involvement and Role of Partners

47. At a political and communication level, the World Bank brings deep experience in the design and implementation of social safety net programs, particularly in CCTs. This expertise will ensure that the Government has access to the best international practice on improving the effectiveness of its social assistance interventions, while minimizing the fiscal pressure over the national budget, and communicating to Ecuadorian society the need for cost-effective goal-oriented interventions.

## F. Lessons Learned and Reflected in the Project Design

48. **This project has benefited from previous analytical work including the Ecuador social assistance expenditure review and analysis of the impact of GoE's social safety net in reducing chronic malnutrition.** The social assistance expenditure review provided valuable information on the current efficiency and equity of the social safety net in Ecuador and in the mapping of all existing social protection<sup>31</sup> and labor programs according to the stage of the life cycle that they address and the types of risk they mitigate. The efficiency and equity analysis<sup>32</sup> were anchored in three dimensions: i) historical trend analysis of expenditure and coverage of social protection and labor programs in Ecuador; ii) international comparisons of efficiency and

<sup>31</sup> This mapping was based on administrative data at the program level for a series of comparator countries will be provided by ASPIRE, which consists of panel data on beneficiaries and expenditure at the program level for a series of countries with annual information covering the period between 2000 and 2015.

<sup>32</sup> Standard indicators on equity and efficiency was used to facilitate international comparisons using the ADePT Social Protection toolkit.



equity indicators with other countries in the Latin American region as well as other regions; and (iii) institutional analysis to identify potential efficiency gains for programs that reach similar populations and deal with comparable risks. The main recommendations and data on each of these dimensions was used to define the PDOs of the proposed project and served to identify base lines in the assessment of current SSN and some reforms in the delivery system of the selected programs in the project to promote their integration. The economic analysis section also benefited from this previous work.

49. In addition, the analytical work carried out by the Rapid Social Response (RSR) grant was an integral part of an active sectoral policy dialogue in Ecuador. The Grant helped assess the contribution of Ecuador's social protection system in reducing chronic malnutrition. The main recommendations from this study inspired the "integration" dimension of the project's PDO, especially for children under three years old.

50. **The main components of the project have also benefited from regional and global work of other SSN projects, including:**

- Accurate selection of program's beneficiaries is of utmost importance to contribute to equity in the delivery of SA Programs' benefits/services. Internationally, the impact of family transfers on poverty has been higher when there is an effective system for identifying and selecting poor beneficiaries.
- Integrated information systems are critical for integration of SSN programs. From selection to enrollment to making payments and providing services, to monitoring and evaluating progress, the information platform is an important tool to correctly implement the delivery of benefits and services to the poor.
- Exit strategies are key to promoting social mobility and sustainability of the entire SSN.
- Use of DLIs promotes good governance service delivery and improved results.
- Ongoing communication with stakeholders regarding changes in program objectives, eligibility, application processes, benefits, etc., is key to successful reforms.

### III. IMPLEMENTATION ARRANGEMENTS

#### A. Institutional and Implementation Arrangements

51. Implementation will be carried out by the MIES—responsible for administering the selected social programs, and the agency responsible for the Social Registry, currently SENPLADES. Each will set up a Project Implementation Unit (PIU) to ensure timely implementation and adequate coordination: MIES PIU will be seated at the Economic Inclusion Vice-Ministry (VIE); and SENPLADES PIU will be seated at the Information Undersecretary (SI). The SENPLADES PIU will have four staff: i) Technical Manager, ii) Procurement Specialist, iii) Financial Management Specialist; and iv) Field Research Specialist. Since MIES will be managing most of the project's budget, its PIU will have more staff, including a: i) Technical Manager; ii) Procurement Specialist; iii) Financial Management Specialist; iv) Legal Specialist; and v) Social Protection Specialist. MIES will lead the coordination with SENPLADES and will consolidate implementation information from both institutions, with the purpose of preparing regular progress reports. Institutional capacity building activities for all institutions will be assessed prior to loan approval.

52. **Component 1, Sub-component 1.1 (Improvements in Social Registry)** will be carried out by SENPLADES. The PIU will be responsible for the coordination between the Social Registry and the other technical areas of



SENPLADES. To execute this sub-component, SENPLADES will sign an agreement with INEC and contract universities to collect SR data and information in the territories defined by SENPLADES.

53. **Component 1, Subcomponent 1.2 (Improving integration within selected SSN programs)**, will be carried out by MIES. The MIES PIU (MIES-VIE) will be responsible for the coordination between the Vice-ministry of Economic Inclusion and the Vice-ministry of Social Inclusion. At the subnational level, Project activities will be coordinated, implemented, monitored and evaluated with MIES district directorates (*Direcciones Distritales*). To execute this Sub-component, MIES district directorates will sign agreements with cooperation agencies (GADs and NGOs) to provide child and elderly care services.
54. **Component 1, Sub-component 1.3 (Improving sustainability of selected SSN Programs)**, will be carried out by MIES-VIE. To proceed with the cash transfers for those who exit programs, MIES will sign an interinstitutional agreement with *BanEcuador*, for the management and administration of such transfers.
55. **Component 2**, SENPLADES-SI will be responsible for Sub-component 2.1 (TA on supporting equity improvements), MIES-VIE will be responsible for the implementation of activities under Sub-component 2.2 (TA to support integration improvements) and the activities under Sub-component 2.3 (2.3: TA to support Sustainability).
56. **For sub-components of Component 1, disbursements can only happen upon achievement of disbursement linked indicators (DLIs)**. Disbursement requests will be elaborated by the respective PIUs. The verification of the compliance of DLIs will be carried out by a consulting agency or university hired by MIES and SENPLADES, according to what is established in the project's operational manual.
57. **For sub-components of Component 2**, respective PIUs will prepare disbursements requests, documentation for hiring staff, and payments record for the Bank's review. The Bank will disburse the resources to the DLI's specific account, established by Ministry of Economy and Finance (MEF), for both MIES and SENPLADES.

## B. Results Monitoring and Evaluation Arrangements

58. The project's monitoring strategy includes the use of the National Employment Survey (*Encuesta Nacional de Empleo, Desempleo y Subempleo – ENEMDU*). This survey incorporates a specific sample for people in extreme and moderate poverty, collecting key information on the use, access and admission to child development, health, and elderly care services. This tool will provide national estimates for the monitoring indicators. The project will carry out: (i) a study of the results of the update of the Social Registry Data, focusing on coverage and quality of the information; (ii) an outcome evaluation which will diagnose the coverage, service level and quality (usage of protocols) of childhood and elderly care services, and the potential effects of these services on health and education outcomes of the beneficiaries; and (iii) an impact evaluation of the CDH and the exit packages.

## C. Sustainability

59. Although there is strong Government commitment to carry out SSN reforms from the fiscal (MEF) and policy design perspectives (MIES), the reforms to social assistance programs in Ecuador could face resistance and political opposition. Therefore, the sustainability of the project's contributions will depend on solid demonstrated performance of the implemented reforms, and a good communication strategy to inform



beneficiaries about their new rights and obligations within those selected SSN programs. Thus, the project will invest heavily in the institutional capacity of MIES and the agency responsible for the social registry (currently SENPLADES).

60. Given that under the Project, beneficiaries of MIES's cash transfer programs (BDH-V, PMMA, and disability benefit),<sup>33</sup> will be recertified through the Social Registry, the project will have a considerable impact on poverty. To be sustainable, however, recertification will need to be repeated periodically and paths to program exit further developed. Therefore, the upcoming Presidential Decree defining the institutional arrangement of the Social Registry, will include a clear plan for periodic updates. In addition, the project will support the plan to deploy registry staff at the local level to encourage frequent update of beneficiary details and receipt of new applications. The proposed development of exit strategies will support turnover of beneficiaries in the interim.

## IV. PROJECT APPRAISAL SUMMARY

### A. Technical, Economic and Financial Analysis (if applicable)

61. The primary development impact of the project will be achieved through the development of a more equitable and accurate beneficiary selection mechanism, which will directly improve the welfare of extreme poor households in Ecuador. A secondary development impact of the project will be the efficient use of public resources through a reform in the main conditional cash transfer program in Ecuador.
62. The project will finance the improvement of the Social Registry which will contribute to increasing the coverage of the poor and will significantly reduce the systematic bias in the selection criteria. Meanwhile, the project will finance an increase in the number of eligible individuals covered by programs as the *BDH-V* and *PMMA*. Finally, having a reliable social registry will provide flexibility for creating new compensation mechanisms necessary for the implementation of reforms such as those for energy subsidies. Initial simulation results show that these project's efforts would contribute to the reduction in extreme poverty of about 2 percentage points (i.e., falling from 8.4 percent to 6.4 percent).<sup>34</sup>
63. Ecuador is currently facing a difficult fiscal situation which demands a rapid response. Therefore, the project will seek to improve the efficiency in the use of public funds for social expenditures by excluding ineligible beneficiaries. Preliminary results show an expected net value of fiscal savings of US\$192.4 million in the first three years of the project, an estimated of US\$392.6 million would be saved for a lifespan of 10 years of the programs.<sup>35</sup>

#### Economic Analysis

64. **An improved targeting mechanism would produce significant impacts on reducing extreme poverty by Project's end.**<sup>36</sup> The results of the microsimulation exercises show that the incidence in extreme poverty would be reduced almost by half, reaching a minimum of 4.6 percent without considering behavioral

<sup>33</sup> The update to the Social Registry financed under this project will include data on people with disabilities. This will facilitate work on the Government's disability agenda, which is currently being financed by the IDB at the GoE's request.

<sup>34</sup> These are preliminary results and a comprehensive description of the methodology is available in the Economic and Financial Analysis Annex 7.

<sup>35</sup> Ibid.

<sup>36</sup> For information regarding the methodology of both microsimulations the document is available upon request.



responses. Given that beneficiaries of this operation are mostly in extreme poverty, simulation results are not significant for moderate poverty incidence (i.e., less than 1 percentage point). Yet, the living conditions of the poor would significantly improve because of this project. This is shown by the reduction of around 8 percentage points in both poverty gap indexes. Note, these results assume usual trajectories for macroeconomic and external factors and are in a partial equilibrium setting.

65. **The cost-benefit ratio of BDH would more than double irrespective of the poverty status.** The cost-benefit ratio measured as the fall in the poverty gap for each dollar spent in the transfer programs, shows that the efficiency of the program would increase from U\$S 0.4 to U\$S 0.9 cents. This increment in efficiency is explained by two factors: the increase in coverage up to 80 percent of deciles 1 to 3, and the improvement in measuring households' socioeconomic status with the new Social Registry Index.
66. **Impacts of conditional monetary transfers on early childhood development of extreme and moderate poor populations are key for intergenerational mobility.** The literature shows encouraging results for this kind of intervention which will be observed beyond the timespan of this operation. That said, early childhood development seeks to eliminate gaps between poor and non-poor. Schady et al. (2014) found that cognitive skills are barely noticeable between poor and non-poor children at 3 years of age but these almost double by the age of 6 years. Grantham-McGregor et al. (2007) find that children in a state of chronic malnutrition at 24 months of age have an average income of 10 percent to 20 percent over their productive lives. Heckman (2009) estimates that early childhood programs that are focused on the poorest present returns between 7 percent and 16 percent on their future earnings. In addition, Shonkoff and Phillips (2000) and Walker et. al. (2011) illustrate that early childhood development interventions help the neuronal development process which occurs in the first five years of life.
67. **International experience of graduation programs and their long-term impacts are positive.** Impact evaluations of BRAC program in Bangladesh show that three years after graduation, 92 percent of the beneficiaries had exceeded the US\$0.5 per day goal, 47 percent of the beneficiaries increased their food consumption by US\$0.93 cents, and access to the credit increased from 22 percent to 77 percent (see annex on economic analysis). The authors summarized two key conditions: (i) a monetary transfer of graduation equivalent to 18 months of the monthly transfer; and (ii) training of beneficiaries' skills linked to productive activities. Misha and Das (2010) complement these findings by noting that the graduation strategy significantly increased entrepreneurship. The authors find that four years after graduation, the income of female entrepreneurs grew by 13 percent compared to a 17 percent drop in women who continued with temporary jobs associated with the agricultural or domestic service sector. However, the success of these programs depends on their design and implementation. The main problems are the structural barriers that households in poverty face, such as market failures, absence of capital and assets and vulnerability to external economic and environmental shocks (Browne, 2013). Sabastes-Wheeler and Devereux (2011) point out that graduation needs to be understood as a process of sustaining and continuous escorting of beneficiaries. It is not simply a given cut-off point for a program. The authors point out that the restrictions and drivers of an effective graduation process are: (i) the markets in which households operate properly function and provide opportunities; (ii) initial levels of financial and non-financial resources (individual and community) need to be significant so they will have positive effects on the exit of poverty; (iii) the amount of the transfer must be adequate.



**68. The *Crédito de Desarrollo Humano* (CDH) could have a significant role to guarantee a safer exit process.**

The CDH is an advance payment from the BDH or BDH-V for micro economic entrepreneurship. The transfer currently covers 12 months for individual activities, or 24 months for associativity entrepreneurship. The latest includes training, accompaniment and technical assistance. The CDH is meant to promote livelihoods and economic autonomy of poor households. Martinez et al. (2016) studied a marginal exit strategy exercise in the province of Chimborazo in 2014 and 2015. The authors find that the targeted exit plans generated a high participation rate in training and active job search. One of the current modalities of the BDH is to opt for a Human Development Credit (CDH), which is the advanced sum of two years of transfer for productive undertakings. Lozada et al. (2018) in a quasi-experimental evaluation find that beneficiaries who opted for CDH have greater impacts in terms of improving their economic well-being, housing conditions and levels of average schooling.

**69. The net present value of the project using a 10 year' horizon and a 12 percent discount rate is US\$392.56 million, showing the project is feasible.** Net present value uses a 12 percent discount rate as a standard number for SENPLADES investment projects. Using the values calculated as potential expenses and potential savings, the NPV shows a positive number, meaning that the project is feasible.

## B. Fiduciary

### (i) Financial Management

70. A Financial Management Assessment (FMA) was carried out by the Bank in accordance with OP/BP 10.00 and Bank Guidance on Investment Project Financing with Disbursement-linked Indicators, to evaluate adequacy of MIES<sup>37</sup> and SENPLADES<sup>38</sup> financial management arrangements to support implementation of the SSN Project.

71. According to institutional arrangements, MIES<sup>39</sup> and SENPLADES will be the project implementing entities and its current staff will be complemented with PIU staff who are experienced and qualified FM professionals. They will be responsible for budgeting, managing funds, signing agreements with co-implementing entities, transferring budget space to co-implementing entities, transaction recording, withdrawal applications and disbursement of funds, financial statements; adequate files of the Project and providing support to auditing requirements.

72. The financial management arrangements for the operation will make use of country systems including the current legal FM framework, the use of the Governmental FMIS<sup>40</sup> e-Sigef, and the TSA.<sup>41</sup> Additionally, the country intends to modernize government accounting, the e-Sigef financial management information system and streamlined budget preparation to strengthen the PFM. Consistent with Bank Policy, the project has identified specific expenditures to be financed under government budget items and has agreed with implementing entities on the protocols to follow. Furthermore, MIES will strengthen current monitoring mechanisms to monitor expenditures incurred under transfers made to GADs, CSOs (Civil Society Organizations) and BanEcuador for CDH. Additionally, both MIES and SENPLADES through the Project will

<sup>37</sup> Ministerio de Inclusión Económica Social.

<sup>38</sup> National Secretary of Planning and Development.

<sup>39</sup> Performs surveys through their own facilities through “ventanilla.”

<sup>40</sup> Financial Management Information System.

<sup>41</sup> Treasury Single Account.





strengthen the capacity of current staff and future PIU staff to implement the project. The Project Operational Manual will reflect financial management implementation arrangements. Based on the above, proposed financial management arrangements are considered satisfactory to the Bank; however, there are some risk factors which have been identified and for which the following mitigation actions will be carried out: (i) draft project operational manual reflecting financial management arrangements agreed for the project; (ii) inclusion of a disbursement condition under Subcomponent 1.3 (against the official approval of an investment project in Senplades, and upon definition of institutional and implementation arrangements to be reflected in the Operations Manual); (iii) adoption of the operational manual by MIES and SENPLADES through a ministerial agreement (*one month after effectiveness*); (iv) timely contracting of technical independent firm to verify DLIs accomplishment under each implementing entity, before authorizing disbursement of funds; (v) development and implementation of an automated system that allows for an effective monitoring of the transfers of funds made to GADs and CSOs and CDH beneficiaries, and reporting of the expenditures incurred by such entities; and (vi) the PIUs at MIES and SENPLADES have in place a fiduciary unit acceptable to the Bank, comprising qualified and experienced FM staff, hired under Terms of Reference approved by the Bank.

## (ii) Procurement

73. **Procurement institutional arrangements:** The MIES team will be strengthened to ensure its capacity to manage the procurement process under the WB requirements, as follows: i) at least one new staff with experience in applying the Bank's Procurement Regulations (World Bank Procurement Regulations for IPF Borrowers, dated July 2016, revised November 2017 and August 2018) must be incorporated within a period not exceeding 90 days after effectiveness of the loan; and ii) the Bank will provide additional training for all MIES staff. For the implementation of Component 1, MIES may use the Country's own procurement procedures for "*Menor Cuantía*," "*Infima Cuantía*," "*Ferías Inclusivas*" and "*Catalogo Electronico Inclusivo*" to procure the goods and services identified, those procedures will be complemented by specific processes and procedures established in the Operational Manual. The Bank team will carry out prior review of select procurement processes, as well as annual supervision visits that will include site visits and a post-review of a sample (approximately 20 percent) of procurement actions from Component 2. Contracts are eligible for retroactive financing if the procurement process is consistent with Sections I, II and III of the Procurement Regulations and within the limits specified in the legal agreement.
74. **Component 2 will finance** technical assistance, training, goods, and services needed for the implementation of the Project, including procurement of computing hardware, consulting services to create software applications, communication campaigns, and other services. Table 2 presents a summary of the procurement approach options. A detailed list is included in the Project Procurement Strategy for Development (PPSD) that is available in the Operational Manual.

**Table 2: PPSD, Procurement Approach Options for Procurement under Component 2**

ATTRIBUTE	SELECTED PROVISION	SUMMARY OF JUSTIFICATION/LOGIC
<b>MARKET ACCESS</b>	National International	The procurement is open to eligible firms and individuals from any country. The goods will be grouped by lots to promote the participation of large and small contractors.
<b>SELECTION METHODS</b>	Goods/services <ul style="list-style-type: none"> <li>• Request for Bids (RFB)</li> <li>• Request for Quotations (RFQ)</li> <li>• Direct Selection</li> </ul> Consulting Firms <ul style="list-style-type: none"> <li>• Quality and Cost Based Selection (QCBS)</li> <li>• Consultant Qualification Selection (CQS)</li> <li>• Direct Selection (DS)</li> </ul> Individual Consultants <ul style="list-style-type: none"> <li>• Competitive</li> <li>• Direct Selection (DS)</li> </ul>	Due to the low level of technical complexity of the consultancies, goods and services to be acquired, the use of more complex methods of selection is not foreseen.  The Procurement Local Law procedures " <i>Menor Cuantía</i> ," " <i>Infima Cuantía</i> ," " <i>Ferías Inclusivas</i> " and " <i>Catalogo Electronico Inclusivo</i> " for goods and services, could be used in the procure of in the Component 1.
<b>SUPERVISION</b>	Prior Post	Both schemes will be used, according to the risk and complexity of the procurement processes.
<b>STANDARD PROCUREMENT DOCUMENT</b>	Standard Procurement Document <ul style="list-style-type: none"> <li>• Request for Bids (RFB)</li> <li>• Request for Proposals (RFP)</li> </ul>	Both documents will be used according to the needs of each selection process.
<b>SPECIAL CONTRACT CONDITIONS</b>	None	
<b>CONTRACT PRICE/COSTING METHOD</b>	Goods and services <ul style="list-style-type: none"> <li>• Global sum</li> <li>• Unit prices</li> </ul> Consulting <ul style="list-style-type: none"> <li>• Global sum</li> <li>• Time worked</li> </ul>	
<b>ADJUSTMENT/PRICE REVIEW</b>	None	



ATTRIBUTE	SELECTED PROVISION	SUMMARY OF JUSTIFICATION/LOGIC
NEGOTIATION	Technical in the case of consultancies	
BEST AND FINAL OFFER (BAFO)	None	
VALUE ENGINEERING	None	
PROPOSAL EVALUATION METHOD/OFFERS	<ul style="list-style-type: none"> <li>• Highest combined score</li> <li>• Lowest evaluated cost</li> </ul>	
CONTRACT MANAGEMENT APPROACH	Standard Form: The contract format provided in the WB documents will be used; no major difficulties are foreseen in the contractual stage.	

75. **Procurement Plan.** The Procurement Plan was prepared by the Borrower based on the PPSD and agreed with the World Bank. In accordance with paragraph 5.9 of the ‘World Bank Procurement Regulations for IPF Borrowers’ (July 2016, revised on November 2017 and August 2018), the PIUs will use the World Bank’s Systematic Tracking of Exchanges in Procurement (STEP) system to upload and update the Procurement Plan.

### C. Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

### D. Environmental and Social

76. This Project has a moderate Environmental and Social Risk Classification. In the context of the new Environmental and Social Framework (ESF), the following Environmental and Social Standards (ESSs) apply:

- ESS1 (Assessment and Management of Environmental and Social Risks and Impacts), for which the Borrower has prepared a Social Assessment (SA) that has been adopted by MIES and SENPLADES. The SA identifies potential risks and opportunities for disadvantaged and vulnerable groups, particularly indigenous peoples, afro descendants, and women. The SA includes an Action Plan with specific measures to avoid, minimize or mitigate potential adverse impacts, as well as measures to maximize project benefits.
- ESS10 (Stakeholder Engagement and Information Disclosure). The various stakeholders, which include Ministry staff at the national and regional level and some local indigenous organizations, are engaged in the



design, implementation, and evaluation of the project. This ongoing stakeholder engagement, captured in a Stakeholder Engagement Plan (SEP), will complement the Social Assessment and the IPPF. The SEP includes an Action Plan that lays out how program and local staff will ensure the active participation of project beneficiaries and includes the responsibilities for monitoring project implementation at beneficiary level to ensure that the project reaches its stated objectives and responds to any queries and/or grievances that may emerge.

- ESS7 (Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities) applies as a large segment of the beneficiaries are expected to be indigenous. About 7 percent of Ecuador's population (1.02 million people) are indigenous. It is not expected that the project will have a negative impact on indigenous peoples; however, the beneficiaries of the Project will deliver benefits to indigenous communities, particularly Amazonian and Sierra based communities. A draft Indigenous Peoples Planning Framework (IPPF) has been developed and will be further refined and consulted on after Negotiations.

- ESS2 (Labor and Working Conditions). The project will be implemented primarily by government staff from MIES at the national, regional, and canton levels. The workforce make-up will be a mix of civil servants and direct workers hired to support the program's implementation. Therefore, the government is committed to develop Labor Management Procedures (LMP) before hiring new direct workers and strengthening the existing Grievance Mechanism for workers.

77. The Project will be implemented at the national level over a heterogeneous geographical area. No rehabilitation or construction of infrastructure will be financed through the project thus there will be no land issues. The Project is therefore expected to have only positive social impacts on the vulnerable as its main objectives are intended to improve access of the extreme poor to the selected social protection programs and improve effectiveness. In particular, the program intends to reduce extreme poverty and malnutrition rates through CCTs, reduce school dropout rates, and increase coverage of elderly care services contributing to a direct increase in life expectancy.
78. The relevant safeguards instruments have been prepared prior to appraisal, all of which have been further refined and validated with the Borrower during Appraisal and prior to Negotiations. These are: (a) a Social Assessment which evaluated potential risks associated with the proposed activities under the Project and highlights mitigation measures to improve the design or implementation of the proposed activities (disclosed February 27, 2019); (b) a draft Stakeholder Engagement Plan (SEP) that maps out the key state and non-state actors that have a stake in the project as well as key phases they will be engaged in (disclosed February 27, 2019); and (c) a draft Indigenous Peoples Planning Framework (IPPF) which encompasses the national territory (disclosed February 27, 2019). The three instruments served as the basis for discussion between the Bank and MIES during the appraisal mission which informed the preparation of the draft Environmental and Social Commitment Plan (ESCP) and were finalized during Negotiations.
79. While the project is not expected to do harm, it is expected that it will need to address challenges to implement the program. First, MIES and SENPLADES have not previously worked with the World Bank thus hand holding will be needed to ensure that environmental and social standards are applied effectively. It will be important to ensure that the measures to reach the extreme poor are effective particularly with regards to, access to social services, understanding of rights and responsibilities, multicultural approaches to service provision, and robust grievance redress mechanisms. Some of the most salient issues identified in the social assessment are: (i) extreme poor populations entitled to receive cash transfers and services may fall in the 6 percent margin of error and be excluded, and (ii) some of the individuals who may cease to



receive the Human Development Bono (BDH) may slip into vulnerable conditions even if they have access to the Human Development Credit (CDH) and social services. Mitigation measures include increasing the capacity of MIES local teams to support households that are exiting the BDH program and monitor and evaluate the training results. Complementary activities for individuals and households to strengthen their economic capacity will be provided through technical assistance.

80. **Climate Change co-benefits.** The project intends to increase beneficiary households' adaptability to climate change by targeting the SSN to households most vulnerable to climate change, improving their nutritional outcomes, and making the SSN responsive and agile at times of climate-related crisis. Specifically, the Project will finance: (i) cash transfers intended to improve food consumption and nutrition outcomes, which are affected by climate change impacts (Sub-component 1.2); (ii) improvements in the accuracy of beneficiaries' selection which will reinforce the support to the most vulnerable in the aftermath of climate-related disasters (Sub-component 1.1); and (iii) economic inclusion activities designed to diversify livelihoods that are threatened by climate change impacts, including climate-affected agricultural areas (Sub-component 1.3).
81. **Gender.** The Social Protection Network's programs in Ecuador do not have disaggregated information to identify the gender gaps in coverage, attention or exposure to specific risks. To overcome this, the project will obtain this information through two key actions: (i) an agreement between the MIES and the National Institute of Statistics and Censuses – INEC --to gather information disaggregated by gender for the project's indicators, and (ii) elaboration of a gender assessment of the social protection network, which will be carried out during the first year of the implementation. With these two inputs, the Government will be able to establish an action plan to address the information gaps identified above. In the meantime, the project will then aim to: (i) monitor the overload labor of women for the care of their children, through the compliance of health and education conditionalities as well as small business entrepreneurship; (ii) monitor the fathers involvement in child care; (iii) evaluate the risk of teenage girls' dropping out of school; and, (iv) monitor job creation opportunities for women given the expansion of child care services promoted by the project. The project's results framework includes an indicator on gender assessment compliance and a gender action plan under Component 2. The project is not currently gender-tagged; however, upon the completion of the Gender Assessment and the preparation of an action plan this can be re-assessed.

## V. GRIEVANCE REDRESS SERVICES

82. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, because of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).



## VI. KEY RISKS

83. The overall risk is assessed as Substantial.
84. **Political & Governance risks are Substantial** due to fiscal constraints and economic measures that have created an unstable political context which can have an impact in the implementation of the safety net's modernization reforms. While there is strong commitment from MEF authorities to implement these reforms, political resistance can pose a risk that cannot be fully mitigated. The reforms will also lead to changing roles and responsibilities in several SSN institutions which may be resisted by some officials at the central level. To address this risk, as part of the Project activity to develop the legal and institutional framework for the Social Registry, a collective Board with participation of the main stakeholders will be established. In addition, the Bank team will continue its dialogue with all levels of government on the need for safety net modernization, greater accountability, and transparency. Finally, the project will provide TA for policy making, regulation, and oversight for all safety net programs of the line ministries, beyond the Social Registry.
85. **Macroeconomic risks are assessed as High** and stem from weak external and internal conditions. Externally, tightening global financial conditions could push global interest rates upwards, which will further harden financial access to Ecuador. This might also trigger capital outflows, so that the domestic rollover risk might intensify. An additional external risk could be an appreciation of the US dollar, which might depress Ecuador's exports. Ecuador's economy is also vulnerable to oil price volatility. Finally, the Ecuadorian economy might be adversely affected by further deterioration of the economy in Venezuela, as it might have to absorb part of any renewed outflow of Venezuelans to neighboring countries. Internally, the response of the economy to reforms might take longer than envisaged, or negative internal shocks such as natural disasters, might derail the recovery. Close supervision and engagement through the IMF, World Bank, IDB and CAF-supported programs will provide effective mechanisms for mitigating these risks.
86. **Sector Strategies and Policies risks are rated Substantial.** The development of an integrated SSN that can link multiple programs is an ambitious goal and will require considerable stable political leadership, vision, and stakeholder ownership to succeed. Ecuador's social protection vision is articulated through the *Plan Toda Una Vida* (PTUV) but tools to implement this vision are being developed and could take some time to be put in place. Furthermore, the current fragmentation of safety net programs can create difficulties in coordinating stakeholders and reaching agreements on the harmonization of a beneficiary selection system and the use of the new 2018 Social Registry Index for cash transfer programs and to orient care services. To mitigate these risks, supporting actions will be adopted by the MIES and SENPLADES including: the new Presidential Decree which will aim at setting the legal framework for articulation and facilitate the transition from the old 2014 Social Registry Index to the new metric; a communication strategy which will be implemented to inform stakeholders and beneficiaries of their rights and responsibilities under the social assistance programs, and workshops which will be conducted-as part of the communication strategy- to adopt a coherent vision and policy framework for social protection, based on extensive stakeholder consultations and consensus-building activities.
87. **Institutional Capacity for Implementation and Sustainability risks are rated Substantial.** This is due to the complex institutional arrangements with two implementing agencies and two PIUs, and technical and institutional challenges given that MIES and SENPLADES are not familiar with WB processes. There is also limited capacity for program implementation, coordination, and oversight at local (*distrital*) level. Finally,



beneficiaries may resist the new system given concerns about their exclusion from the programs. To mitigate these risks, the project will: carry out World Bank operations' training for PIU staff; strengthen the institutional capacity of the MIES and SENPLADES staff to manage the WB procedures; provide examples of high-quality disbursements reports and include in the communication strategy an updated enrolment process for the selected SSN programs and rules and opportunities to connect beneficiaries with productive and employment inclusion programs.

88. **Fiduciary risks are rated Substantial**, primarily due to the MIES' and SENPLADES' limited implementation experience of World Bank-funded projects operating under a DLI approach, and the capacity constraints prevailing in the MIES (at national and local level) in managing the financial management (FM) arrangements required for payment claims (to NGOs and local governments; and CDH-transfers-) as eligible expenditures under Components 1. To mitigate these risks, the project will establish PIUs that will have dedicated financial management (FM) specialists and several measures (described in FM annex) will support the institutional capacity of MIES. In addition, a procurement specialist, knowledgeable on World Bank-financed operations will be part of key staff of PIU. Capacity building and training will also be provided to the relevant staff to meet fiduciary requirements. The Project Operational Manual will also detail these arrangements and will be adopted by no later than mid-CY2019, or the first date on which a Verification Report shall be required under the Project.
89. **Stakeholders risks are rated Substantial**. The decision to exit ineligible beneficiaries may be reversed or not implemented if there is not adequate articulation among MIES, SENPLADES, and MEF, or if there is pushback from other line ministers. There may also be resistance to changing the current beneficiary selection procedures by some high officials. To mitigate risks, the project will include a comprehensive communications campaign and awareness-raising activities emphasizing the benefits of the new system and will support a transition program for those households that will exit the BDH. Another risk is that key partners and their staff at the local level do not provide the necessary support for the new system to operate effectively. To address this issue, the TA component will develop a stakeholder engagement strategy and outreach activities to create buy-in among local-level staff and seek their inputs at all stages of the design and implementation of the reform.



**VII. RESULTS FRAMEWORK AND MONITORING**

**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**

Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
<b>Improve the equity, integration and sustainability of selected social safety net programs</b>						
Percentage of extreme poor households with children under three years old receiving CCTs with corresponding early childhood development services nationwide (Percentage)	DLI 4, 9, 12	5.40	6.00	46.00	77.60	77.60
Percentage of elderly in extreme poor households receiving UCT and elderly care services nationwide (Percentage)	DLI 10, 13	0.80	6.20	25.30	41.70	41.70
Percentage of moderate poor households who have received an economic inclusion package or lump sum to exit from the selected SSN programs (Percentage)	DLI 7	0.00	20.00	60.00	80.00	80.00





Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
Percentage of non-poor households (as a share of the total of CCT beneficiaries) receiving CCTs (Percentage)	DLI 11	18.30	15.00	10.00	5.00	0.00
Percentage of extreme poor households with updated information in the Social Registry (Percentage)	DLI 2, 8	25.00	40.00	60.00	70.00	70.00

#### Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
<b>Sub-component 1.1: Improvements in the Social Registry.</b>						
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)		0.00	5.00	15.00	25.00	25.00
Beneficiaries of social safety net programs (CRI, Number)		965,737.00				1,089,305.00
<b>Subcomponent 1.2: Improving integration within selected SSN programs.</b>						
Extreme poor infants receiving cash transfer Bono de Desarrollo Humano Variable (BDH-V)		36.20	40.00	75.00	90.00	90.00



Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
(Percentage)						
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
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		The baseline is not available	The current BDH and BDH-V	Protocols of GRM improved	Response time improved for	Action Plan for GRM



Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
and BDH-V (Text)		yet. It will be available by the end of CY19.	GRM will be reviewed, including types of complaints, response times, and responsibilities for administering the system, and preparation of Action Plan for strengthening.	according to Action Plan.	three main types of complains identified in the preliminary review.	strengthening completed.
<b>Sub-component 1.3: Improving the sustainability of selected programs within the SSN.</b>						
Average increase of per capita income for moderate poor households receiving the exit strategy package (Percentage)		0.00	0.00	15.00	25.00	25.00
Average number of persons from moderate poor households that have a full time or part time job (either at the formal or informal sector) receiving the exit strategy package (Number)		0.00	1.00	1.50	2.00	2.00
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
<b>Component 2: Technical Assistance for Capacity Building &amp; Monitoring and Evaluation.</b>						
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	a) Design, based on the diagnostic results, of gender specific actions to guarantee: (i) gender equity on time devoted to children	a) Implementation of the gender specific actions previously defined. b) Monitoring of: (i) access and use of health/nutrition	Monitoring of: (i) gender equity on time devoted to children care and (ii) women economic autonomy.



Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
			and BDH's conditionality fulfilment; (iii) women economic decisions autonomy within the home; (iv) secondary school dropout reduction among girls.	care; (ii) equality of opportunities for employment and entrepreneurs within the home; (iii) secondary school dropout reduction among girls.	services disaggregated by gender and program; and (ii) secondary school dropout reduction among girls	

**Monitoring & Evaluation Plan: PDO Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Percentage of extreme poor households with children under three years old receiving CCTs with corresponding early childhood development services nationwide	Percentage of children of extreme poor households receiving cash transfer and attending counseling services	Annual	National Employment Survey	Stratified probabilistic survey	INEC
Percentage of elderly in extreme poor households receiving UCT and elderly care services nationwide	Percentage of elders of extreme poor households receiving cash transfer and attending caring services	Annual	National Employment Survey	<b>Stratified probabilistic survey</b>	INEC
Percentage of moderate poor households who have received an economic inclusion package or lump sum to exit from the selected SSN programs	Percentage of moderate poor households receiving a lump sum and accompaniment services for employment and entrepreneurship	Annual	National Employment Survey	<b>Stratified probabilistic survey</b>	<b>INEC</b>



Percentage of non-poor households (as a share of the total of CCT beneficiaries) receiving CCTs	Percentage of non poor households who are not longer beneficiaries of the CCTs	Biannual	National Employment Survey	<b>Stratified probabilistic survey</b>	INEC
Percentage of extreme poor households with updated information in the Social Registry	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)	Annual	National Employment Survey and Social Registry Database	Stratified probabilistic survey and Administrative record	INEC and SR

**Monitoring & Evaluation Plan: Intermediate Results Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Depth of the Social Registry Database	Percentage of decile 1 households (measured by per capita income) enlisted in the Social Registry Database.  Note: Baseline to be available 4th Quarter-2019.	Annual	National Employment Survey	Stratified probabilistic survey	INEC
Usage of the Social Registry database at the MIES' programs	Percentage of household registries used by social and non social programs of the central government.  Note: Baseline will be available 4th Quarter-2019.	Annual	Social Registry Database	Administrative record	SR



Usage of administrative records in the Social Registry database	Percentage of variables collected from administrative data, mainly Civil Registry, IRS, Social Security, Health and Education.  Note: Baseline to be available 4th Quarter-2019	Annual	Social Registry Database	Administrative record	SR
Beneficiaries of social safety net programs		Annual	SIIMIES	Survey	MIES
Extreme poor infants receiving cash transfer Bono de Desarrollo Humano Variable (BDH-V)	Percentage of infants of extreme poor households receiving cash transfer	Annual	National Employment Survey	Stratified probabilistic survey	INEC
Extreme poor infants attending early childhood development services	Percentage of infants of extreme poor households attending infant development services	Annual	National Employment Survey	Stratified probabilistic survey	INEC
Extreme poor indigenous infants with complete package (BDH-V and early childhood services- ECD)	Percentage of extreme poor indigenous infants with complete package Note: Baseline to be available on 4th quarter 2019	Annual	National Employment Survey	Stratified probabilistic survey	INEC
Extreme poor indigenous elderly with complete package (PMMA and elderly care services)	Percentage of extreme poor indigenous elderly with complete package (PMMA and elderly care services) Note: baseline to be available 4th quarter 2019	Annual	National Employment Survey	Stratified probabilistic survey	INEC



Number of health controls for extreme poor children according to age from 0 to 24 months	Average of total number of health controls for extreme poor children ages 0 to 24 months Note: Baseline to be available 4th quarter 2019	Annual	National Employment Survey	Stratified probabilistic survey	INEC
Children age 0 to 24 months with complete vaccination schedule	Percentage of children ages 0 to 24 months from extreme poor households having all the required vaccines according to their age and the national vaccination schedule	Biannual	National Employment survey	Stratified probabilistic survey	INEC
Percentage of necessary childcare time dedicated by father of extreme poor children	Percentage of time dedicated by extreme poor to nurture their infants	Annual	National Employment Survey	Stratified probabilistic survey	INEC
Extreme poor elderly receiving cash transfer PMMA	Percentage of elders from extreme poor households receiving the CT-PMMA	Annual	National Employment Survey	Stratified probabilistic survey	INEC
Extreme poor elderly receiving caring services	Percentage of elders from extreme poor households receiving caring services	Annual	National Employment Survey	Stratified probabilistic survey	INEC
Extreme poor female children under three years old receiving CCTs with corresponding early childhood development services nationwide	Percentage of female infants of extreme poor households receiving cash transfer and attending caring services	Annual	National Employment Survey	Stratified probabilistic survey	INEC



Strengthening of the GRM for BDH and BDH-V	To strengthen the GRM there will be a review of current BDH and BDH-V GRM, including types of complaints, response times, and responsibilities for administering the system, and an Action Plan will be prepared.		Administrative data of MIES (assessment report and operational rules of BDH and BDH-V).		
Average increase of per capita income for moderate poor households receiving the exit strategy package	Quarterly per capita income variation of moderate poor households that are part of the exit strategy of the CCT Note: Baseline will be available on 4th quarter 2019	Annual	National Employment Survey	Stratified probabilistic survey	INEC
Average number of persons from moderate poor households that have a full time or part time job (either at the formal or informal sector) receiving the exit strategy package	Average number of persons from moderate poor households that have a full time or part time job (either at the formal or informal sector) receiving the exit strategy package Note: Baseline will be available on 4th quarter 2019	Annual	National Employment Survey	Stratified probabilistic survey	INEC
Percentage of poor households enrolled in a twenty-four month CDH integrated service package program	Percentage of moderate poor households enrolled in a twenty-four month CDH integrated service package program.	Annual	National Employment Survey	Stratified probabilistic survey	INEC





Percentage of non-poor households enrolled in a twelve month CDH integrated service package	Percentage of non-poor households enrolled in a twenty-four-month CDH integrated service package program.	Annual	National Employment Survey	Stratified probabilistic survey	INEC
Implementation of a Gender Plan	Implementation of a gender plan to: (i) monitor the overload labor of women for the care of their children, through the compliance of health and education conditionalities as well as small business entrepreneurship; (ii) monitor the fathers involvement in child care; (iii) evaluate the risk of teenage girls' dropping out of school; and, (iv) monitor job creation opportunities for women given the expansion of child care services promoted by the project.	Annual	INEC and MIES	Household surveys and SIIMIES analysis	INEC and MIES



**Disbursement Linked Indicators Matrix**

Disbursement Linked Indicators Matrix				
<b>DLI 1</b>	Executive Decree creating the institutional framework to operate the Social Registry- SR- approved.			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Process	No	Yes/No	20,400,000.00	5.27
Period	Value		Allocated Amount (USD)	Formula
Baseline	No			
Year 1	Yes		20,400,000.00	
Year 2			0.00	
Year 3			0.00	
<b>DLI 2</b>	Households classified d1 to d3 by the 2018 Social Registry Index, included in a validated database.			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	24,550,000.00	6.34
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	



<b>DLI 3</b>				
Operational manual of 'Mision Ternura' approved				
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Process	No	Yes/No	6,100,000.00	1.58
Period	Value		Allocated Amount (USD)	Formula
Baseline	No			
Year 1	Yes		6,100,000.00	
Year 2			0.00	
Year 3			0.00	
<b>DLI 4</b>				
Children under 3 years old from extreme poor households with access BDH-V and early childhood services				
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	Yes	Number	20,000,000.00	5.16
Period	Value		Allocated Amount (USD)	Formula
Baseline	4,306.00			
Year 1	4,589.00		20,000,000.00	
Year 2			0.00	
Year 3			0.00	



<b>DLI 5</b>				
Operational manual of “Mis Mejores Años” approved				
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Process	No	Yes/No	830,000.00	0.26
Period	Value		Allocated Amount (USD)	Formula
Baseline	No			
Year 1	Yes		830,000.00	
Year 2			0.00	
Year 3			0.00	
<b>DLI 6</b>				
Operational manual of BDH and BDH-V’s exit strategy program, approved				
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Process	No	Yes/No	5,000,000.00	1.29
Period	Value		Allocated Amount (USD)	Formula
Baseline	No			
Year 1	Yes		5,000,000.00	
Year 2			0.00	
Year 3			0.00	



<b>DLI 7</b>				
Poor households enrolled in a twenty-four month package of CDH Program				
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Number	60,600,000.00	15.65
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
Year 1	54,663.00		60,600,000.00	
Year 2			0.00	
Year 3			0.00	
<b>DLI 8</b>				
Households classified d1 to d3 by 2018 Social Registration Index, included in a validated database.				
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	16,250,000.00	4.20
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	



<b>DLI 9</b>				
Children under 3 years old from extreme poor households with access to BDH-V and early childhood services.				
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	Yes	Number	36,050,000.00	9.31
Period	Value		Allocated Amount (USD)	Formula
Baseline	4,306.00			
Year 1			0.00	
Year 2	36,806.00		36,050,000.00	
Year 3			0.00	
<b>DLI 10</b>				
Elderly persons from extreme poor households receive PMMA and have access to care services				
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	Yes	Number	3,810,000.00	0.98
Period	Value		Allocated Amount (USD)	Formula
Baseline	397.00			
Year 1			0.00	
Year 2	12,279.00		3,810,000.00	
Year 3			0.00	



<b>DLI 11</b>				
Non-poor households enrolled in a twelve-month package of CDH program				
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Number	63,700,000.00	16.45
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
Year 1			0.00	
Year 2	106,201.00		63,700,000.00	
Year 3			0.00	
<b>DLI 12</b>				
Children under 3 years old from extreme poor households have access to BDH-V and early childhood services.				
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	Yes	Number	64,460,000.00	16.65
Period	Value		Allocated Amount (USD)	Formula
Baseline	4,306.00			
Year 1			0.00	
Year 2			0.00	
Year 3	61,805.00		64,460,000.00	



<b>DLI 13</b>	Elderly persons from extreme poor households receive PMMA and have access to care services.			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Outcome	Yes	Number	6,430,000.00	1.66
<b>Period</b>	<b>Value</b>	<b>Allocated Amount (USD)</b>		<b>Formula</b>
Baseline	397.00			
Year 1		0.00		
Year 2		0.00		
Year 3	20,279.00	6,430,000.00		

**Verification Protocol Table: Disbursement Linked Indicators**

<b>DLI 1</b>	Executive Decree creating the institutional framework to operate the Social Registry- SR- approved.
<b>Description</b>	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.
<b>Data source/ Agency</b>	The office of the President of Ecuador
<b>Verification Entity</b>	Non-scalable DLIs will be subject to Task Team verification of compliance.
<b>Procedure</b>	The President proposes a decree that is approved and published in the Registro Oficial





<b>DLI 2</b>	Households classified d1 to d3 by the 2018 Social Registry Index, included in a validated database.
<b>Description</b>	At least 1.2 million households, of which 360,000 are classified d1 to d3 by the 2018 Social Registry Index, included in a validated database. A validated SR database, means a report of all existing records validated and not validated at the level of individuals and households, based on agreed protocol, covering at least 60 percent of decil1 to decil3 households as classified through the application of the new Social Registry Index 2018 (SRI2018) and in the ENEMDU INEC survey based on methodology to be included in OM
<b>Data source/ Agency</b>	Legal and Administrative registers to come from: (i) Social Registry database under SENPLADES.
<b>Verification Entity</b>	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.
<b>Procedure</b>	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.
<b>DLI 3</b>	Operational manual of 'Mision Ternura' approved
<b>Description</b>	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.
<b>Data source/ Agency</b>	Legal and Administrative data to come from: (i) the Official National Registry of Laws and Norms- Registro Oficial.
<b>Verification Entity</b>	Non-scalable DLIs will be subject to Task Team verification of compliance.
<b>Procedure</b>	MIES publishes the Ministerial Agreement which is included in the Registro Oficial.
<b>DLI 4</b>	Children under 3 years old from extreme poor households with access BDH-V and early childhood services
<b>Description</b>	Children under 3 years old from extreme poor households with access to the BDH-V and early childhood services provided by MIES. Extreme poor refers to those households that hold a 2018 social registry index below 5,73848/100. '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-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-V cash transfers
<b>Data source/ Agency</b>	Legal and Administrative data to come from: (i) CNH/CDI/CCRA users in SIIMIES and BDH Payments database of beneficiaries of BDHV.
<b>Verification Entity</b>	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.
<b>Procedure</b>	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).
<b>DLI 5</b>	Operational manual of “Mis Mejores Años” approved
<b>Description</b>	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
<b>Data source/ Agency</b>	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.
<b>Verification Entity</b>	Non-scalable DLIs will be subject to Task Team verification of compliance.
<b>Procedure</b>	Operation manual should be developed by the MIES and approved by authorities, that is upon publishing of Ministerial Agreement
<b>DLI 6</b>	Operational manual of BDH and BDH-V’s exit strategy program, approved
<b>Description</b>	Operational manual of BDH and BDH-V’s exit 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.



<b>Data source/ Agency</b>	Executive orders, Ministerial Agreements, and Interinstitutional Agreements, including operational manuals and protocols.
<b>Verification Entity</b>	Non-scalable DLIs will be subject to Task Team verification of compliance.
<b>Procedure</b>	MIES published Ministerial Agreements and Interinstitutional Agreements, including operational manuals and protocols.
<b>DLI 7</b>	Poor households enrolled in a twenty-four month package of CDH Program
<b>Description</b>	Poor households enrolled a twenty-four month package of CDH program. Poor refers to those households that hold a social registry index between 5.73848 and 25/100.
<b>Data source/ Agency</b>	Administrative register (Social Register, SIIMIES and payments database of BanEcuador).
<b>Verification Entity</b>	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.
<b>Procedure</b>	Targeted households will be enrolled and will receive integrated packages of economic inclusion services which include training and employment services, and productive credit and cash transfers.
<b>DLI 8</b>	Households classified d1 to d3 by 2018 Social Registration Index, included in a validated database.
<b>Description</b>	At least 2.4 million households, of which 720,000 are classified d1 to d3 by the 2018 Social Registry Index, included in a validated database. A validated SR database, means a report of all existing records validated and not validated at the level of individuals and households, based on agreed protocol, covering at least 60 percent of decil1 to decil3 households as classified through the application of the new Social Registry Index 2018 (SRI2018) and in the ENEMDU INEC survey based on methodology to be included in OM.
<b>Data source/ Agency</b>	Legal and Administrative registers to come from: (i) Social Registry database under SENPLADES; and (ii) ENEMDU annual household survey under INEC.
<b>Verification Entity</b>	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..
<b>Procedure</b>	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.



<b>DLI 9</b>	Children under 3 years old from extreme poor households with access to BDH-V and early childhood services.
<b>Description</b>	Children under 3 years old from extreme poor households have access to BDH-V and early childhood services. Extreme poor refers to those households that hold a 2018 social registry index below 5,73848/100. '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-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-V cash transfers.
<b>Data source/ Agency</b>	Legal and Administrative data to come from: (i) Social Registry data base under SENPLADES; and (ii) CNH/CDI/CCRA users in SIIMIES and BDH Payments data base of beneficiaries of BDHV.
<b>Verification Entity</b>	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.
<b>Procedure</b>	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).
<b>DLI 10</b>	Elderly persons from extreme poor households receive PMMA and have access to care services
<b>Description</b>	Elderly persons from extreme poor households receive PMMA and have access to care services. Elderly persons refer to persons over 65 years old. Extreme poor refers to those households that hold a social registry index below 5. 73848/100. 'Care services' includes four modalities of services provided by MIES or its implementation partners: Residential gerontological center, Day gerontological center, Home visit, and Active care spaces. 'PMMA' means the unconditional cash transfer program Pensión Mis Mejores Años.
<b>Data source/ Agency</b>	Legal and Administrative data to come from: (i) Social Registry data base under SENPLADES; 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.
<b>Verification Entity</b>	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.
<b>Procedure</b>	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.
<b>DLI 11</b>	Non-poor households enrolled in a twelve-month package of CDH program
<b>Description</b>	Non-poor households enrolled in a twelve-month package of CDH program. Non-poor means those households that hold a social registry index above 25.830953095/100.
<b>Data source/ Agency</b>	Administrative register (Social Register, SIIMIES and payments database of BanEcuador).
<b>Verification Entity</b>	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.
<b>Procedure</b>	Targeted households will be enrolled and will receive integrated packages of economic inclusion services which include training and employment services, and productive credit and cash transfers.
<b>DLI 12</b>	Children under 3 years old from extreme poor households have access to BDH-V and early childhood services.
<b>Description</b>	Children under 3 years old from extreme poor households have access to BDH-V and early childhood services. Extreme poor refers to those households that hold a 2018 social registry index below 5,73848/100. '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-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-V cash transfers.
<b>Data source/ Agency</b>	Legal and Administrative data to come from: (i) Social Registry data base under SENPLADES; and (ii) CNH/CDI/CCRA users in SIIMIES and BDH Payments database of beneficiaries of BDHV.
<b>Verification Entity</b>	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.
<b>Procedure</b>	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).



<b>DLI 13</b>	Elderly persons from extreme poor households receive PMMA and have access to care services.
<b>Description</b>	Elderly persons from extreme poor households receive PMMA and have access to care services. Elderly persons refer to persons over 65 years old. Extreme poor refers to those households that hold a social registry index below 5. 73848/100. 'Care services' includes four modalities of services provided by MIES or its implementation partners: Residential gerontological center, Day gerontological center, Home visit, and Active care spaces. 'PMMA' means the unconditional cash transfer program Pensión Mis Mejores Años.
<b>Data source/ Agency</b>	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.
<b>Verification Entity</b>	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.
<b>Procedure</b>	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.



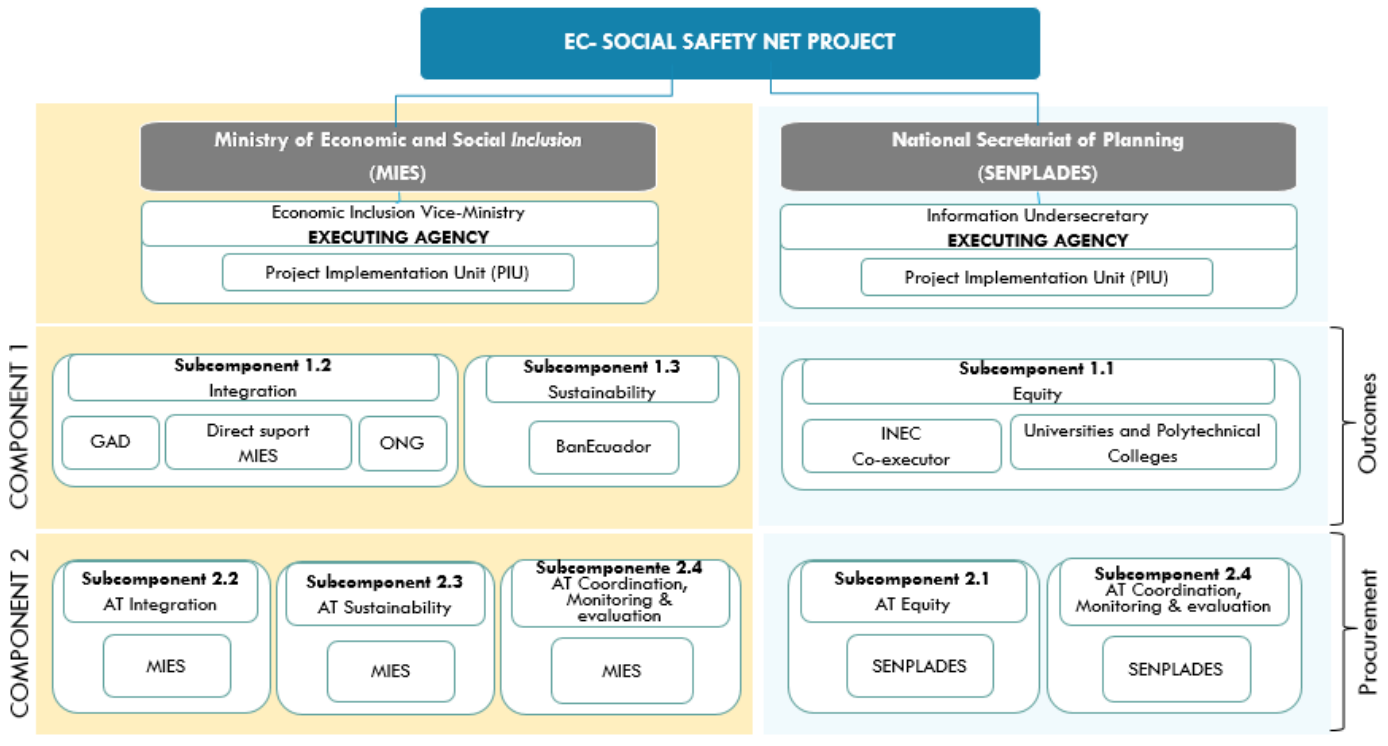
ANNEX 1: Implementation Arrangements

COUNTRY: Ecuador
Social Safety Net Project

INSTITUTIONAL ARRANGEMENTS

- 1. To implement both components, the program will be executed by two agencies: The Ministry of Social and Economic Inclusion (MIES) through its Vice Ministry of Economic Inclusion (VIE) will oversee the implementation of Sub-components 1.2, 1.3, 2.2, 2.3 and part of 2.4. SENPLADES, through the Information Secretariat (SI), will implement Sub-components 1.1 and 2.1 and 2.4.

Figure 1.1: Institutional Arrangements



- 2. The MIES-VIE will support the execution of the project within MIES and will have a team composed of one technical manager, one legal specialist, one procurement specialist, one financial specialist and one social protection specialist. SENPLADES PIU will be comprised of: one technical manager, one procurement specialist, one financial specialist and one field research specialist.

42 Once the new institutionalization of the Social Registry is defined, the institutional arrangements must be updated.



3. ***Institutional Arrangements for the implementation of Component 1.*** This component's objective is to improve the equity, integration and sustainability of the selected social programs. and involves three subcomponents:
4. **Sub-component 1.1 (Improvement in the Social Registry),** will be coordinated and executed through the following institutions:
  - **Development and Planning National Secretariat (SENPLADES)** will be responsible for: i) defining and executing policies, strategies, programs, projects and services to achieve social and economic inclusion of households and people in extreme poverty; ii) follow up and monitoring of the indicators and goals established for Subcomponent 1.1.
  - **SENPLADES' Information Secretariat, as SENPLADES PIU,** shall: i) elaborate technical regulations, instruments and quality standards to generate SR data and information; ii) sign agreements with other organizations to collect data for the SR in the field; iii) train key staff from co-executing institutions; iv) coordinate the execution with other Information Sub-Secretariats; v) manage the articulation, integration and exchange of SR statistical data and information with other organizations; vi) update periodically the SR data base; and viii) follow up and monitor indicators and goals of Sub-component 1.1.
  - SENPLADES will sign an Interinstitutional Framework Agreement with the INEC, and a service provision agreement with universities to collect SR data and information in the territories defined by SENPLADES.
  - **National Census and Statistical Institute (INEC)** will be responsible for: i) executing SENPLADES' budget resources for the SR data and information collection in those territories defined by SENPLADES; ii) hiring personnel and contract all required services for collecting the SR data, based on available budget as well as the current legal regulations; and iii) delivering the data collected for the SR through the mechanism established by SENPLADES.
  - **Universities and Polytechnical Colleges** will be hired by SENPLADES to be responsible for: (i) the SR data and information collection in those territories defined by SENPLADES; and (ii) delivering the data collected for the SR through the mechanism established by SENPLADES.
5. **Sub-component 1.2 (Integration/ (BDH-V & early childhood services) + (Pensión para Adultos Mayores en Extrema Pobreza - Mis Mejores años pension + elderly care services).** Activities will be coordinated and executed through the following entities:
  - **Ministry of Social and Economic Inclusion (MIES)** will define and execute the policies, strategies, planning, programs, projects and services to achieve social and economic inclusion of households and people in extreme poverty.
  - **MIES Economic Inclusion Vice-Ministry (MIES-VIE),** as the PIU, shall: i) coordinate the execution of Sub-component 1.2; and ii) follow up and monitor the established goals and indicators for Sub-component 1.2.
  - **MIES-VIE,** through its undersecretaries and directorates, will be responsible for: i) developing a regulatory framework and required operational tools to guarantee that cash transfers and family accompaniment services are delivered, and to verify the compliance with BDH co-responsibilities; ii) authorizing and managing, from a central level, the cash transfers; iii) organizing, in coordination with the Zonal and District units, the compliance of the family accompaniment and to verify the BDH's co-





responsibility; and iv) following up and monitoring the established project's indicators for the cash transfers, family accompaniment services, and verify the BDH's co-responsibility.

- **SENPLADES Social Inclusion (SI) Vice-Ministry:** through its undersecretaries and directorates, will be responsible for: i) developing a regulatory framework and operational instruments to guarantee the delivery of the childhood development and elderly support services; ii) organizing, in coordination with the Zonal and District Units, the compliance of childhood development and elderly support services; ii) generating reports on progress toward indicator targets; and iii) monitoring the project's goals and indicators for child and elderly support services.
  - **MIES' District Units** will be responsible for: i) organizing, within its jurisdictions, the delivery of direct care services, family accompaniment, childhood development and elderly care services, and verifying the BDH's co-responsibility; ii) signing agreements with GADs and NGOs for an indirect provision of services, within its jurisdictions, of childhood development and elderly care services; and iii) implementing quality control and assessment mechanisms of the public and private services for childhood development and elderly care services, which will be executed at district levels, according to the established agreements, Technical Regulatory Framework, protocols, procedures and guidelines established by MIES.
  - **Decentralized Autonomous Governments (GADs)** are the local governments in charge of promoting social economic development in the municipality. They will contribute to the execution of Sub-component 1.2 as follows: i) implementing the services of child development and elderly care, according to the established regulations within their jurisdiction; ii) executing actions in the agreement signed with MIES's District Unit for the provision of services related to childhood development and elderly care, according to the technical regulations, protocols, procedures and guidelines issued by MIES; iii) maintaining an updated record of the Information Systems which are required by MIES; and iv) preparing and presenting the corresponding service execution settlement, as well as information of the disbursements made according to the payment schedules established in the MIES agreement.
  - **Partners / Non-Governmental Organizations (NGOs)**, are social civil organizations that have programs or projects that directly benefit the community. NGOs will contribute to the execution of Sub-component 1.2 by: i) providing childhood development and elderly care services, according to the regulations within their jurisdiction; ii) providing, actions in the Agreement signed with MIES's District Unit the services according to technical regulations, protocols and procedures issued by MIES; iii) maintaining an updated record of the Information Systems which are required by MIES; and iv) preparing and presenting the corresponding service execution report, as well as information of the disbursements made according to the payment schedules established in the MIES agreement.
6. **Sub-component 1.3 (Sustainability/ exit strategies).** Activities will be coordinated and executed through the following entities:
- **MIES** will define and execute the policies, strategies, planning, programs, projects and services to achieve social and economic inclusion of households and people in extreme poverty.
  - **MIES-VIE**, as the PIU, shall: i) coordinate the execution of Sub-component 1.3 with the Social Inclusion Vice-ministry; and ii) follow up and monitor the established goals and indicators for Sub-component 1.3.
  - **MIES-VIE:** through the MIES Undersecretariat of Economic Inclusion and Social Mobility, will be responsible for: i) developing a regulatory framework and operational tools to guarantee the delivery



of the Human Development Credit (CDH); ii) coordinating actions with *BanEcuador* to deliver CDH; iii) supervising disbursements of the credits to ensure they are carried out properly in the different modalities; and iv) following up and monitoring the project's indicators for the CDH.

- **BanEcuador** will be responsible for: i) delivering transfers for CDH program to the beneficiaries according to MIES-VIE guidelines; and ii) generating reports requested by the MIES-VIE.
7. Disbursements against DLIs will be estimated according to budget execution and the level of compliance with established goals.
  8. ***Institutional Arrangements for the implementation of Component 2.*** Component 2 corresponds to the technical assistance activities of SENPLADES and MIES, which will ensure that both MIES and SENPLADES benefit from the technical assistance required to achieve expected results, to strengthen institutional capacity, and that the required studies and pilots are available for decision-making. Overall, this Component will improve effectiveness of the social safety net delivery system and increase efficiency of public spending to protect the most vulnerable. SENPLADES-SI will be responsible for Sub-component 2.1 (TA on supporting equity improvements), MIES-VIE will be responsible for the implementation of activities under Sub-component 2.2 (TA on supporting integration improvements) and the activities under Sub-component 2.3 (TA on supporting sustainability improvements).

#### **IMPLEMENTATION ARRANGEMENTS**

9. According to national regulations, the public indebtedness shall finance investment projects. Therefore, all approved disbursements complying with DLIs are linked to expenses related to investment projects and their credit objectives.
10. The credit's disbursement requests must comply with the DLIs indicators. These requests will be elaborated by the two PIUs.
11. The Budget of the operation by component is detailed as follows:

**Table 1.1 Budget of the Operation**

Component	Subcomponent	TOTAL		
		Fiscal	WB	Operation
<b>Component 1: improvement of equity, integration and sustainability</b>	<b>Sub total Component 1</b>	<b>34.64</b>	<b>328.20</b>	<b>362.84</b>
	Subcomponent 1.1: equity/Social registry	2.51	61.20	63.71
	Subcomponent 1.2: integration/ (BDH-V & early child) + (Mis Mejores años pension + elderly care services)	-	137.68	137.68
	Subcomponent 1.3: sustainability/ exit strategy	32.13	129.32	161.45
	<b>Sub total Component 2</b>	<b>2.62</b>	<b>21.80</b>	<b>24.42</b>
<b>Component 2: capacity building, monitoring and evaluation</b>	Subcomponent 2.1: TA on supporting Equity improvements	0.32	2.65	2.97
	Subcomponent 2.1: TA on supporting integration improvements	1.17	9.75	10.92
	Subcomponent 2.3: TA on supporting Sustainability improvement	0.02	0.20	0.22
	Subcomponent 2.4: Coordination, monitoring and evaluation	1.10	9.20	10.30
	<b>TOTAL</b>	<b>37.25</b>	<b>350.00</b>	<b>387.25</b>

**12. Component 1, Sub-component 1.1 (equity/Social Registry)**

- a. This subcomponent will be carried out by SENPLADES, and co executed by INEC and Universities. In 2018, US\$12.4 million were spent. In 2019, SENPLADES will update the information of the World Bank's Investment Project under its Annual Investment Plan, including other executing agencies such as Civil Registry, and *Dirección Nacional de Registro de Datos Públicos*—National Public Data, Registry Department (DINARDAP), by an amount of US\$78.92 million, that will be executed between 2018 up to 2022. The World Bank will finance sub components 1.1, 2.1 and 2.4 for an amount of US\$ 65.95 million; US\$12.98 corresponds to the counterpart funding (including Taxes - IVA).



PROYECTO REGISTRO SOCIAL	2018	2019	2020	2021	2022	TOTAL
Actualización de registro	\$ 12.461.563,80	\$ 50.765.000,00	\$ 7.875.000,00			\$71.101.563,80
Asistencia técnica		\$ 418.000,00	\$ 3.060.000,00	\$ 710.000,00	\$ 560.000,00	\$ 4.748.000,00
IVA		\$ 1.720.480,00	\$ 1.202.360,00	\$ 85.200,00	\$ 67.200,00	\$ 3.075.240,00
<b>TOTAL</b>	<b>\$ 12.461.563,80</b>	<b>\$ 52.903.480,00</b>	<b>\$ 12.137.360,00</b>	<b>\$ 795.200,00</b>	<b>\$ 627.200,00</b>	<b>\$78.924.803,80</b>

PROYECTO REGISTRO SOCIAL	Banco Mundial	Recursos Fiscales	TOTAL
Actualización de registro	\$ 61.200.000,00	\$ 9.901.563,80	\$ 71.101.563,80
Asistencia técnica	\$ 4.748.000,00		\$ 4.748.000,00
IVA		\$ 3.075.240,00	\$ 3.075.240,00
<b>TOTAL</b>	<b>\$ 65.948.000,00</b>	<b>\$ 12.976.803,80</b>	<b>\$ 78.924.803,80</b>

- b. SENPLADES will update the information of the investment project in the first quarter of 2019, so that the Ministry of Economy and Finance (MEF), allocates the resources to increase the amount of the project within the Annual Investment Plan (PAI) 2019, from US\$11.3 million up to US\$ 52.9 million. With this resource allocation, SENPLADES will sign agreements with its co-executing agencies and the Universities to conduct surveys and update the registry's information, as indicated below:

PROYECTO REGISTRO SOCIAL	ENTIDADES	2019	2020	TOTAL
CONVENIOS	INEC	\$ 19.500.000,00		\$19.500.000,00
	MIES	\$ 980.000,00		\$ 980.000,00
	REG CIVIL	\$ 6.000.000,00		\$ 6.000.000,00
	UNIVERSIDADES	\$ 23.625.000,00	\$ 7.875.000,00	\$31.500.000,00
	<b>TOTAL</b>	<b>\$ 50.105.000,00</b>	<b>\$ 7.875.000,00</b>	<b>\$57.980.000,00</b>

- c. The SENPLADES PIU will request the first credit disbursement (by approximately July 2019), which will correspond to a retroactive financing of the expenses incurred by SENPLADES/MIES/INEC, from July 2018 up to December 2018, in the amount of US\$10.37 million, according to the execution duly registered in eSIGEF, as detailed below:

UDAF_DESC	INCURRED JUL.- DEC 2018 (US\$)
INSTITUTO NACIONAL DE ESTADISTICAS Y CENSOS	2.280.966,17
MINISTERIO DE INCLUSION ECONOMICA Y SOCIAL	6.312.838,18
SECRETARIA NACIONAL DE PLANIFICACION Y DESARROLLO SENPLADES	1.780.674,04
<b>General Total</b>	<b>10.374.478,39</b>

The eligible expenses that will be reimbursed were executed under budgetary line item groups: 71 (staff expense for investment), 73 (goods and services for investment), 77 (insurances) and 84 (long-lived assets). The SENPLADES PIU will have all the documentation of hiring process and payments incurred between July – December 2018, to be reviewed by the Bank.

- d. The first disbursement will also include the reimbursement of expenses incurred by the co executing agencies (SENPLADES/INEC/ Civil Registry /MIES), during the period of January 2018 up to June 2019, once the DLI is accomplished; while the second disbursement (expected December 2019) and the third disbursement (expected March 2020) will cover the expenses of the co executing agencies in the period of July 2019 - November 2019, and December 2019 - February 2020, respectively. If the DLIs are accomplished, the total disbursement will be up to an amount



of US\$61.2 million.

- e. The SENPLADES PIU will coordinate with the co executing agencies on the hiring process that shall comply to the World Bank's procurement policies. The eligible expenses that will be reimbursed beginning 2019, will be executed under budgetary groups: 71 (staff expense for investment), 73 (goods and services for investment), 77 (insurances), 78 (investment transferences and donations) and 84 (long-lived assets).
- f. The verification of the compliance of DLIs will be carried out by a consulting agency hired by SENPLADES, according to what it is established in the project's implementation arrangements and in the operational manual.

13. Component 1, Sub-component 1.2 (integration/ (BDH-V & early childhood) + (*Mis Mejores años pension + elderly care services*)).

- a. This sub-component will be carried out by MIES, through its Annual Investment Plan (PAI), in two missions: *Mision Ternura* and *Mis Mejores Años*.
- b. MIES will sign agreements with cooperation agencies (GADs, associations, foundations, etc.) to provide child and elderly care services, that will fall under budget line items: 780104 (Transfers and Donations to GADs for investment projects) and 7802024 (Transfers and Donations to Non – Financing Private Sector) of both programs.
- c. The MIES-VIE will request reimbursement of the eligible expenses incurred in the period January 2019 – December 2021, up to an amount of US\$ 137.68 million; for this, MIES shall present technical reports (DLI compliance) and financial reports (payment records of the agreements). The World Bank will disburse the resources to the Exclusive Account of the National Treasure of the Ministry of Economy and Finance.
- d. The verification of the compliance of DLIs will be carried out by a consulting agency hired by MIES, according to what it is established in the project's implementation arrangements and in the operational manual.

14. Component 1, Sub-component 1.3 (sustainability/ exit strategies).

- a. MIES will develop the Investment Project: "Productive Economic Inclusion – CDH", which will have to be approved by SENPLADES and executed within the PAI in 2019, 2020 and 2021, prior to the Loan approval in the National Debt Committee.
- b. This project will establish the number of people that will exit the program (that is, the moderate poor people, and non-poor people), and determine the number of people in extreme poverty, who are currently excluded from the program, so they can be included.
- c. Prior to implementing the exit strategy (June 2019), MIES will carry out an information campaign for all the beneficiaries, regarding the exit terms and processes.
- d. The World Bank, once the communication campaign, is complete, will disburse the resources to the specific credit account of MIES, to execute the exit strategy "Productive Economic Inclusion – CDH", up to an amount of US\$ 129.32 million. Furthermore, the Ecuadorian Government shall finance approximately US\$ 32.13 million, which will correspond to moderate poor people who are excluded and who do not receive the BDH grant.



- e. MIES will sign an interinstitutional agreement with *BanEcuador*, for the management and administration of cash transfers to those who exit the program. MIES will send information to those individuals and will transfer the resources through budgetary item 780106 (Transfers and Donations to Financial Public Entities) of the CDH. The transfers will be done from MIES’ budget to *BanEcuador* up to an amount of US\$ 161.45 million (WB + local counterpart funding) according to programmed amount transfers to the beneficiaries or based on achievement of targets.
- f. The verification of the compliance of DLIs will be carried out by a consulting agency hired by MIES, according to what it is established in the project’s implementation arrangements and in the operational manual.

15. Component 2 corresponds to the technical assistance activities of SENPLADES and MIES for an amount of US\$21.8 million that will be executed in the period of 2019 – 2022.

<b>COMPONENT 2</b>	<b>EXECUTING ENTITY</b>	<b>USD</b>
Subcomponent 2.1: TA to support Equity improvements	SENPLADES	2,650,000.00
Subcomponent 2.1: TA to support Integration improvements	MIES	9,750,000.00
Subcomponent 2.3: TA to support Sustainability improvement	MIES	200,000.00
Subcomponent 2.4: TA to support Coordination, monitoring and evaluation	SENPLADES	2,098,000.00
	MIES	7,102,000.00
	<b>TOTAL</b>	<b>21,800,000.00</b>

Technical assistance activities, broken down by subcomponent, are found in Table 1.2 below:

**Table 1.2: Technical Assistance Activities**  
**Subcomponent 2.1**

Lines of Action	Technical Assistance Activities
1. Update the Social Registry	i. Hiring personnel to support the management of the Social Registry's update and coordination with implementing agencies;
	ii. Maximizing the technological infrastructure of SR;
	iii. Developing interoperability with the administrative records of the Public Data Registration National System (DINARDAP) for a continuous updating of the Social Registry's variables;
	iv. Developing a Nominal Registry <sup>43</sup> that may accurately identify the minors who do not have identity registration and data;
2. Use of Social Registry by social programs	v. Developing protocols for interoperability between user programs and Social Registry;
	vi. Revising operational manuals of safety nets programs

**Sub-component 2.2 TA Activities**

Lines of Action	Technical Assistance Activities
1. Optimize the services provided by the MIES	i. Purchase of tablets for the CNH Specialists to improve the registration system and the information of the household's visits.
	ii. Development of apps to be used in tablets for the registration of the household's visits carried out by the CNH specialists as well as the BDH family counselors; and, development of interfaces to synchronize the information with <i>Sistema Integrado de Información del MIES</i> (MIES Integrated Information System) (SIIMIES).
	iii. Development an integrated system to address claims and complaints
	iv. Design and implementation of a text message system that will work as a counseling reinforce for caregivers of children and elderly persons through text messages.

<sup>43</sup> This Nominal Registry will be developed in collaboration with the Civil Registry and will contain information on all minors in the country, not just those within the Social Registry database.



Lines of Action	Technical Assistance Activities
2. Strengthen family accompaniment mechanisms (reference and counter reference, Support the accomplishment of the co-responsibilities)	v. Design and implementation of a pilot program that includes: 1) new differentiated incentive schemes for the BDHV beneficiaries to promote the use of health and education services to those groups with less access to the programs; and, 2) a co-responsibility control mechanism to ensure interoperability among the MIES, Health and Education data bases.
	vi. Awareness campaign on the importance of the accomplishment of the co-responsibility. A specific analysis on women’s time devoted to childcare will be supported to inform this campaign.
3. Expanding coverage and benefits (BDH-V + PMMA) and key services	vii. Consultancy to identify, through territorial maps, the offer and demand of care services for the poor over time
	viii. Financial Sustainability Study of the Social Insurance Pillar, including both contributory and non-contributory schemes, with a focus on Program <i>Mis Mejores Años</i> and PAM
	ix. Designing communications campaign to mitigate potential tensions in face of eligibility changes

**Sub-component 2.3**

Lines of Action	Technical Assistance Activities
1. TA on supporting Sustainability improvement	Design and development of instruments for the CDH, including: a) savings accounts; b) productive credit card; and c) disbursements based on compliance of achieved milestones.
	Development of IT platform for the registration of economic and productive inclusion services.
	Development of social technology component within the framework of economic inclusion programs.
	Design and implementation of a pilot for strengthening micro-networks of micro entrepreneurs.
	Design and implementation of a pilot for strengthening productive capacities



### Sub-component 2.4

Lines of Action	Technical Assistance Activities
1. Improving SENPLADES institutional capacity	i. Hiring a firm to perform the RS technical audit
	ii. Hiring a firm to perform the RS financial audit
	iii. Performance Evaluation for Social Registry
	iv. Hiring personnel support for the Project Implementation Unit SENPLADES
2. Improving MIES institutional capacity	v. Technical support for the development of Multipurpose/ ENEMDU surveys for monitoring the results of the project
	vi. Hiring a firm to perform the MIES technical audit
	vii. Hiring a firm to perform the RS financial audit
	viii. Output Evaluation of the MIES services
	ix. Impact Evaluation for the modalities of CDH
	x. Hiring personnel support for the Project Implementation Unit MIES

- a. Within the update of the information of the Investment Project “Social Registry,” currently executed by SENPLADES, a technical assistance component will be included, for an amount of US\$4,75 million, to be executed in the period of 2019 – 2022. It is expected that one of the co executing agencies of this component is DINARDAP (National Public Data Registry Unit).
  - b. Within the CDH Investment Project, a technical assistance component will be included, for an amount of US\$17.05 million to be executed in the period of 2019 – 2022.
  - c. It is expected that expenses will be incurred for hiring of individual and firms’ consultants and publicity agencies, and the acquisition of computer equipment as well as for hiring verification firms for DLI compliance, auditing firms, and staff for the PIUs in MIES and SENPLADES. These expenses will be executed through the budgetary group of the investment project: 73 (goods and services for investment) and 84 (long-lived assets).
16. The two PIUs will elaborate disbursement requests and will prepare the documentation regarding the hiring process as well as payments carried out in the period July – December 2018, for the Bank’s review. The Bank will disburse the resources to the loan’s specific account, established by MEF, not only for MIES but also for SENPLADES, according to the programmed amounts.



## ANNEX 2: Implementation Support Plan

**COUNTRY: Ecuador**  
**Social Safety Net Project**

### Strategy and Approach for Implementation Support

1. Although this is not the first Bank project in Ecuador, it will be carried out in a challenging context where the implementing agencies are unfamiliar with the World Bank's processes and guidelines. Furthermore, there are two executing agencies --MIES and SENPLADES – and two PIUs which have no experience working with DLIs or with the new Bank procurement and Environmental and Social policies. Therefore, continuous, timely, and flexible implementation support will be critical to successful project execution.
2. Given the constraints in institutional capacity, the purpose of the Implementation Support Plan (ISP) is to ensure that there is adequate and efficient technical implementation support to the Government to support the achievement of the PDO. The ISP focuses on implementing the risk mitigation measures described in the SORT. Therefore, the ISP emphasizes the need for: (i) open and continuous communication with all key counterparts, including the MIES, SENPLADES, MEF, INEC, Social Registry, and DINARDAP; (ii) continuous technical and fiduciary support, including the need to bring in international expertise if necessary; and (iii) adequate resources to support capacity building. The following key areas and actions have been defined as part of the plan:
  - (a) Coordination: The task team will closely monitor Project implementation to promote coordination, and identify possible lack of communication, duplication of efforts, delays in implementation, and delays in achievement of DLIs.
  - (b) Procurement: Given that Component 2 will finance some procurable expenditures including consultancies, hardware, software and equipment, the World Bank's procurement specialist will work closely with the technical specialists in the newly established PIUs to ensure that procurement processes are well implemented and follow Bank's procurement regulations. In addition, the Bank's procurement specialist will provide training before Project effectiveness and during Project implementation.
  - (c) Financial Management: During implementation, the Bank's financial management specialist will routinely review the Project's accounting, reporting, and internal controls to ensure they are satisfactory to the Bank. In addition, the FM Specialist and the TTL will review the DLI supporting evidence and, jointly with Disbursement Specialist, will ensure eligibility of expenditures.
  - (d) Compliance with social/environmental aspects of the project: The Bank's Social and/or Environmental Specialists will work jointly with the counterpart to ensure agreements on the Environmental and Social Commitment Plan (ESCP) are complied with in a timely manner.
  - (e) The Bank team will support the development of a timely and comprehensive communication plan to inform beneficiaries about their BDH-V rights and responsibilities and on the exit strategies.

### Implementation Support Plan and Resource Requirements

3. Due to the complexity of the project design and the fact that the Government is unfamiliar with Bank fiduciary processes, the World Bank implementation support team will comprise staff from Social Protection and Jobs, Financial Management, Procurement, and Social departments. As a result, supervision costs are likely to exceed current norms. The ISP will be reviewed regularly, to consider evolving circumstances and adjust as necessary, which will be reflected in Implementation Status and Results Reports (ISRs).
  - (a) Tools. The ISP will make use of the following tools for review and technical capacity building: (i) regular implementation support missions, at least twice a year, that will include field visits; (ii) use of monitoring and evaluation data for performance adjustment; and (iii) securing the necessary resources to supplement delivery of capacity building as applicable.
  - (b) Technical Inputs: Sectoral experts will provide technical assistance to the Borrower, organize workshops on best practices, participate in supervision missions, review and provide guidance on TORs, and assist in establishing sound monitoring and evaluation tools.
  - (c) Fiduciary Inputs: Supervision of FM and Procurement would be carried out as part of Project implementation support and would also be provided on a just in time basis to respond to Project needs.
  - (d) Environmental/Social inputs: Supervision of the corresponding specialists to ensure compliance with agreements on ESCP.
4. The implementation support plan emphasizes fiduciary and procurement capacity building during the first year of the project and technical follow up throughout project implementation.

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First twelve months	Technical Assistance, Sectoral, Procurement, Communication, Social and Financial Management including training to MIES/SENPLADES/INEC /DINARDAP	Sectoral, FM and Procurement expertise	38 SW	MIES/SENPLADES and others to provide staff, space and equipment
12-24 months	Establishing capacity for institutional strengthening	Sectoral, FM and Procurement expertise	29 SW	MIES/SENPLADES facilitate space and staff during supervision
Skills Mix Required				



Skills Needed	Number of Staff Weeks	Number of Trips	Comments
FM institutional capacity strengthening	3 SW per FY19; 4SW per FY20. 7SW in total	Three trips per FY	
Procurement institutional capacity strengthening	3 SW per FY19; 2 SW per FY 2020. 5 SW in total	Three trips per FY	
Social and Communication capacity	3 SW per FY19; 2 SW per FY 2020. 5 SW in total	Three trips per FY	



### ANNEX 3: Detailed Project Description of the Programs and Services included in the Project

#### COUNTRY: Ecuador Social Safety Net Project

1. **The Government of Ecuador is committed to guaranteeing social rights and integral protection of its citizens along their life cycle.** Therefore, the main role of the Social Inclusion and Equity National System (that is, the country's social protection system), is to design and implement policies, regulations, and programs that enable citizens to exercise their social rights granted by the National Constitution. In fact, article 341 of the National Constitution highlights the Government's responsibility to provide citizens with social protection along their life cycle, particularly to those groups who may face additional vulnerabilities due to inequalities, exclusion, discrimination, violence or due to their age, illness, or disabilities. **In this context, the National Development Plan 2017-2021, "Toda una Vida" (PTUV),** seeks to strengthen the Social Inclusion and Equity National System and includes objectives, policies, and strategies aimed at eradicating poverty and malnutrition. The PTUV's main goal is to guarantee dignity and equal opportunities for all Ecuadorian citizens.
2. **Presidential Executive Decree No. 11/2017 launched the "Plan Toda una Vida" (PTUV) and the mission "Las Manueles," which are the Government's strategies to support groups traditionally excluded,** such as low income and vulnerable individuals and households, and persons with disabilities. The same decree established an inter-institutional committee and technical secretariat to coordinate and harmonize policies and strategies for both strategies.
3. **The PTUV prioritizes a variety of social protection benefits and services (also called *misiones* - 'missions') designed to address needs during different stages in the life cycle,** including: early childhood (*Misión Ternura*), youth (*Impulso Joven*), old age (*Mis Mejores años*), extreme poverty (*Menos pobreza más desarrollo*), lack of adequate housing (*Casa para todos*), disability -that includes benefits for both disabled people and care takers- (*Las Manueles* and *Las Joaquinas*, respectively), and gender (*Plan Mujer*). The missions have the two-fold objective of promoting institutional coordination of public policies targeted to vulnerable groups and encouraging recipients to be co-responsible for their own social mobility.
4. **The lion-share of these missions is responsibility of the Social and Economic Inclusion Ministry (MIES) that designs and implements benefits (mainly cash transfers) and services targeted to low income and vulnerable groups.** Implementation is done either directly or through agreements with a range of 'cooperants,' namely decentralized autonomous governments (GADs), civil society organizations (CSOs), and religious institutions. However, other ministries and government institutions (health, education, water and sanitation, agriculture, labor and the civil registry, among others), are responsible for coordinating activities jointly with MIES.<sup>44</sup>
5. **Tender Mission (*Misión Ternura*) is implemented through a series of services provided mainly by MIES and the Ministry of Health for the integral protection of children under 3 years of age and pregnant**

<sup>44</sup> Ecuador's Social Protection System consists of contributory and non-contributory schemes. The contributory scheme is composed by three social insurance programs that cover formal labor market workers reaching 40 percent of the country's population (Apella, 2016). Most of the vulnerable and poor are therefore covered by non-contributory programs and benefits implemented by MIES. In addition, the non-contributory programs include in-kind transfers, such as school feeding (*Programa de Alimentación Escolar*), school uniforms, and textbooks implemented by the Ministry of Education (MINEDUC).



**mothers.** Other ministries and agencies (education, water and sanitation, agriculture, labor and civil registry) contribute with the provision of services to this group of children and pregnant mothers. This mission objective responds to the Government's constitutional responsibility to promote the integral development of children and adolescents and guarantee full enjoyment of their rights. It also, responds to the mandate issued by the Organic Code of Childhood and Adolescence (CONA) and the goals of the National Development Plan to reduce chronic malnutrition, improve maternal breastfeeding and increase access to early childhood education.

6. **The main programs *Misión Ternura* are the Child Development Centers program (CDIs) and the program of parental education "Growing with our children" (CNH).** A new modality has been added to support an integrated approach to children's attention, the "Care, Recreation and Learning Circles" (CCRA), which involves care givers in children's development through group activities to discuss early childhood development topics. The three programs serve children from 0 up to 3 years of age, across the nine zones and forty districts of the country. While the CDIs provide institutional early childhood education to 91,605 children from 12 months up to 3 years of age, the CNH program provides home-parental education and family and community counseling to pregnant mothers and families with children 0-3 years old (196,319 households) (Mideros, 2018). The three services are implemented either directly in centers operated by MIES or through agreements with and the GADS or other specialized child development agencies.
7. **The goal of the mission "My best years" *Pensión Adulto Mayor en Extrema Pobreza - Mis Mejores Años*, is to improve living standards for vulnerable and extreme poor people over 65 years old.** This mission offers a combination of non-contributory pensions (*Pensión Adulto Mayor* and *Pensión Mis Mejores Años*) and gerontological services that are provided both in institutions (care centers) and seniors' households. Institutional gerontological services are offered by MIES in two modalities: residential care centers that provide care services to 2,055 seniors who need temporal or permanent protection and who do not have family members who can take care of them; and 'day care' centers that offer gerontological services to 5,525 seniors with lower levels of dependency. The mission includes home visits to 25,897 seniors, offering families education on how care for seniors and facilitate their social integration.
8. **The mission "Less poverty, more development" *Menos Pobreza, Más Desarrollo* seeks to reduce extreme poverty by means of improving households' income and capacities, while encouraging co-responsibility of users for their social mobility.** This mission also aims to strengthen capacities of new generations to break the intergenerational transmission of poverty.
9. **To protect consumption and enable social mobility, the GOE is providing regular cash transfers to different groups:** *Bono de Desarrollo Humano* (BDH), targeted to low-income households with children under 18 years old; *Crédito de Desarrollo Humano* (CDH) for poor households with the potential to carry out productive and income-generating activities; *Pensión Adulto Mayor*, a non-contributory old age pension targeted to low income seniors over 65; and non-contributory pensions for vulnerable people with disabilities (*Pensión para personas con discapacidad* and *Bono Joaquin Gallegos Lara*).
10. **The GoE has recently introduced the variable component of cash transfers targeting families and seniors in extreme poverty (*Bono de Desarrollo Humano Variable* and *Pensión para Adultos Mayores en Extrema Pobreza - Mis Mejores Años*) that goes together with specialized family counseling/accompaniment services (*acompañamiento familiar*).** Through the adoption of this complementary benefit, the GOE aims to have a more coherent social protection system that will be more effective in addressing the needs of the poorest and most vulnerable, who need more holistic support. The aim of this variable component is to address not only the needs of households with different poverty profiles (for example, with and without

children) but also the differing needs of people throughout the lifecycle (for example, children and adolescents as compared to adults) (See Table 1.1).

11. Finally, the missions for people with disabilities (*Las Manueles* and *Las Joaquinas*) seek to guarantee comprehensive care for people with disabilities and their families. *Las Manueles* aims to facilitate greater autonomy to those with disabilities by providing health care services, and strengthening beneficiaries' abilities, skills and competencies. *Las Joaquinas* aims to strengthen the skills of care givers, favoring in this way the autonomy and social inclusion of the person with disability (MIES, 2018). These missions combine the cash transfers with care services. Care services are provided by MIES in day care centers and reception homes, and through home visits to families.

**Table 3.1: GOE main social protection cash transfer programs**

Transfers	Target population	RS cutoff score	Size of benefit	Conditionalities	No. of users
BDH	Vulnerable families	28.20	US\$50/month	Health, education, housing, eradication of child labor.	280,535
BDH-Variable	Extreme poor families with children under 18YO	18.00	US\$30/month for each child (0-5 YO) – for up to 3 children; US\$/month for each child (5-18 YO) – for up to 3 children. The value of variable benefit is reduced for each additional child in 10% and families may get up to US\$150 in total.	Health, education, housing, eradication of child labor.	106,404
<i>Crédito de Desarrollo Humano (CDH)</i>	Users of BDH, BDH-V, and non-contributory pensions	28.20	Advanced payment of BDH for up to 1 year (individual: US\$600) or for up to 2 years (associative:US\$1,200)	Attendance to training on financial education and business development services	78,633 (between January and December 2018)
<i>Pensión Adulto Mayor</i>	Vulnerable people 65+ who are not affiliated to social security	n/a	US\$50/month	No conditionalities	289,609
<i>Pensión Mis Mejores Años</i>	Extreme poor people 65+ who are not affiliated	24.08	US\$100/month	No conditionalities	106,155



	to social security				
Pension for people with disabilities	Vulnerable people with 40+% disability	34.67	US\$50/month	No conditionalities	113,146
Pension Joaquin Gallegos Lara	Vulnerable people with catastrophic or orphan diseases	50.00	US\$240/month	Attendance of home visits	30,449

12. The Government of Ecuador, through the "Plan Toda Una Vida" is committed to closing coverage gaps of extreme poor people on comprehensive safety nets services. Table 1.2 describes the current coverage gaps to be filled by the "cash plus" package. However, when the update of the Social Registry provided for in sub component 1.1. is completed, additional information will be available to better target and therefore more effectively close gaps, ensuring the inclusion of extreme poor people and monitoring their access to the package of cash transfers and services.

**Table 3.2: Targeted Population and Coverage Gaps to be covered for 'cash plus package' for the integration of transfer and services**

Missions	Selected Programs and Services	Target population**		
		# Eligible Individuals *	Coverage	Gaps
Tender mission Less Poverty More Development	<b>ECD + BDH-V</b>	79,684	4,306 (5.4%)	75,378
My Best Years	<b>Care Service + PMMA</b>	48,587	397(0.8%)	48,190

\* Estimates based on consumption poverty levels, ECV 2014

\*\* Target population are extreme poor

13. For this purpose, the following packages of cash transfer, care and family accompaniment services, and economic inclusion programs have been selected for different target groups of households:

- **Group 1 (subcomponent 1.2. - integration)**, extreme poor households with children under 3 years old:
  - **Bono de Desarrollo Humano Variable (BDH-V)** targets families with family members under 17 years of age that are extreme poor. The BDH-V involves a monthly fixed transfer of US\$50, and an additional transfer based on the number of children for up to a maximum of additional US\$100. The variable value is established according to the composition of the household: an additional US\$30 for the first child under 5 years within the household, US\$ 27 for the second, and US\$24.30 for the third; and an additional of US\$10 for the first child between 5 and 17 years of age within the household, US\$ 9 for the second, and USD 8.10 for the third.





- **Early Childhood Services** includes three types of services:
  - i. **Children Development Center (*Centros de Desarrollo Infantil- CDI*)**, is a center where parents bring the children under three years old to receive care services (including, daily feeding, early stimulation and nutrition counseling -in monthly meetings with parents). This is one of the services provided by MIES to implement and promote the public policy of integral child development aimed at girls and boys from 12 months to 3 years. It is based on educational actions for children, carried out directly by the Integral Child Development Educators with the guidance and support of the Center Coordinator. This service can be provided directly by MIES or through cooperation agreements between MIES and the GADs or other specialized child development agencies that can guarantee co-responsibility on the provision of quality services.
  - ii. **Growing with our Children (*Creciendo con Nuestros Hijos -CNH*)**, is a weekly visit to parents at homes for parents counseling modality of integral attention for girls and boys, mothers and families from the beginning of the pregnancy and up to the third year of age. It promotes full compliance of the achievements of these periods, through the benefit of receiving all the prioritized attention required. It is carried out with the direct weekly visits to the family, through strategies of family counseling for integral protection, family and community participation, and intersectoral coordination actions. It develops its action plans considering the good practices, knowledge and values of families and communities regarding the requirements of raising and caring for girls, boys and pregnant women. The modality considers the diversity of people and nationalities, for which consensus processes will be carried out that consider the conditions and circumstances of families and communities, respecting and valuing their cultural practices.
  - iii. **Circles of Care, Recreation and Learning (*Círculos de Cuidado, Recreación y Aprendizaje - CCRAs*)**, consists of group activities for families to generate care, recreation and learning circles in neighborhoods and communities. These group sessions include demonstrations on nutrition, food preparation, care, health, safe environment, learning and games aligned with each stage of the life cycle and are complemented with preparation and food provision. This service can be provided directly by MIES or through cooperation agreements between MIES and the GADs or other specialized child development agencies that can guarantee co-responsibility on the provision of quality services.
- The **family accompaniment service** provides counseling and psychosocial support to families who receive the BDH-V and seeks to reduce poverty through specialized support to families. It is a strategy that seeks to improve the living conditions of families in extreme poverty, who are BDH beneficiaries, through home visits (personalized psychosocial support) and community meetings (to promote community organization and participation), enabling their access to state services and promoting social mobility. In addition, it aims to generate internal changes in families to contribute to the elimination of economic, social and psychological barriers that impede their social mobility.
- **Group 2 (Sub-component 1.2. - integration)**, extreme poor households with adults over 65 years old:
  - **Pensión para Adultos Mayores en Extrema Pobreza - Mis Mejores Años (PMMA)** provides a non-



contributive pension of US\$100 to elderly in extreme poverty.

- **Care services for the elderly**, includes four types of services:
  - i. **Home care** aims to promote the care of elderly population without autonomy, i.e., those who depend on other people to mobilize and to perform their basic and instrumental daily life activities. It includes family care, social and recreational activities, designed to foster autonomy, training of family members and people in charge of care, entertainment, promoting coexistence, participation, solidarity and their relationship with the social environment.
  - ii. **Daily gerontological centers**, are care services for the elderly with mild, intermediate or moderate dependence, focused on the promotion of positive aging and active citizenship. They are executed during the day as a complement to family, social and community life to avoid institutionalization, discrimination, segregation and isolation of older adults. Activities are carried out for the maintenance of the physical and mental faculties of the elderly to prevent their deterioration, and tasks of their age to promote coexistence, participation, solidarity and relationship with the social environment. Within the day mode, additional services of alternative spaces for revitalization, recreation, socialization and meeting, as well as home care, are offered.
  - iii. **Residential gerontological centers**, are services that seek to improve the quality of life of older adults through comprehensive care that includes physical, social and mental components. They are reception services for the care and attention offered to adults over 65 who require temporary or permanent special protection and who cannot be cared for by their relatives. Also, older adults who do not have a place to live permanently, who are in a situation of abandonment, lack of family references, poverty and extreme poverty, in high risk conditions and who express their willingness to enter can benefit of this service
  - iv. **Alternative spaces for revitalization, recreation, socialization and meeting**, are spaces for the promotion of active and healthy aging through the meeting and socialization among older adults. Recreational, cultural, social and educational activities are carried out, tending towards coexistence, participation, solidarity and relationship with the social environment. They were conceived for the meeting and socialization of healthy and self-validated older adults, who can move by their own means.
- **Groups 3 and 4 (Sub-component 1.3. - sustainability)**, exit strategies for non-extreme poor households currently receiving BDH or BDH-V:
  - **Human Development Credit Program (CDH)**, which is an advance payment from the BDH or BDH-V for micro economic entrepreneurship. The transfer currently covers 12 months for individual activities, or 24 months for associativity entrepreneurship. The latest includes training, accompaniment and technical assistance. The CDH is meant to promote livelihoods and economic autonomy of poor households.
  - **Socio Empleo**, provides an online platform for job searching, recruitment and selection. It also offers training for poor persons. Currently, the GoE has launched the programs “*Empleo Joven*” and “*Mi primer empleo*” providing tax incentives for internships and for employers hiring young persons.



- ***Servicio Ecuatoriano de Capacitación Profesional (SECAP)***, provides certified vocational training under two modalities: i) short duration (30 hours) and mid duration (150 hours). Moreover, SECAP also certifies labor competencies giving formal recognition of skills which are valuable in the labor market.
- ***Instituto de Economía Popular y Solidaria (IEPS)***, provides accompaniment and technical assistance to vulnerable households and organizations promoting associative entrepreneurship. IEPS provides four services: i) enhancement of associative economic organizations, ii) productive development and co-financing of business plans, iii) access to markets, and iv) research.



ANNEX 4: Matrix of Disbursement Linked Indicators

<b>Objective: Supporting improved equity within selected Social Safety Net programs in the Social Registry</b>			
<b>Baseline</b>	<b>Results</b>		
	<b>Year 1 2019</b>	<b>Year 2 2020</b>	<b>Year 3 2021</b>
N/A	<b>DLI 1.</b> Executive Decree creating the institutional framework of the <i>Social Registry-SR</i> , approved. (US\$20.4 million)		
• 224,753 households classified d1 to d3 registered in 2014 Social Registry Database	<b>DLI 2.</b> At least 1.2 million households, of which 360,000 are classified d1 to d3 by the 2018 Social Registry Index, included in a validated database. (US\$24.55 million)	<b>DLI 8.</b> At least 2.4 million households, of which 720,000 are classified d1 to d3 by the 2018 Social Registry Index, included in a validated database. (US\$ 16.25 million)	
<b>Disbursement amounts:</b> (Total: US\$61.2 millions)	US\$ 44.95 million	US\$ 16.25 million	
<b>Eligible expenditures:</b>	Social Registry project expenditures are found under national budget line groups 71 (staff that work for the RS project), 73 (non-consulting services and operating costs), 77 (insurance), 78 (investment transfers and donations), and 84 (equipment and software licenses). Disbursements will be made according to the accomplishment level of DLI target values (see section VII “results framework and monitoring”) and up to the disbursement amounts indicated above. In Year 1, disbursements include the recognized expenditures made between June 2018 and June 2019 within the budget lines mentioned above (retroactive financing).		



***Definitions, evidence and verification protocol:***

**Definitions:**

- 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, and articulation of the purpose and use of the Social Registry, and (ii) roles and responsibilities of the different actors, including rules governing information, related to the SR.
- A validated<sup>45</sup> SR database means a report of all existing records validated and not validated at the level of individuals and households, based on agreed protocol described in the Operational Manual, covering at least 60 percent of decile1 to decile 3 households as classified through the application of the 2018 Social Registry Index (SRI2018) and matching with the ENEMDU survey based on methodology to be included in POM.

**Evidence:**

- Legal and Administrative registers to come from: (i) Official National Registry of Laws and Norms- *Registro Oficial*-, (ii) *Social Registry data base* under SENPLADES; and (iii) ENEMDU annual household survey under INEC.

**Verification protocol:**

- Non-scalable DLIs will be subject to Task Team verification of compliance.
- 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.

---

<sup>45</sup> 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.



Objective: Supporting the Integration within Selected Social Programs through increased access to cash transfers and care services for poorest children under three years old			
Baseline	Results		
	Year 1 2019	Year 2 2020	Year 3 2021
N/A	DLI 3. Operational Manual of 'Mision Ternura' approved (US\$6.10 million)		
• 4,306 children under 3 years old from extreme poor households' access BDH-V and early childhood services.	DLI 4. 4,589 children under 3 years old from extreme poor households have access to BDH-V and early childhood services. (US\$20.0 million)	<b>DLI 9.</b> 36,806 children under 3 years old from extreme poor households have access to BDH-V and early childhood services. (US\$36.05 million)	<b>DLI 12.</b> 61,805 children under 3 years old from extreme poor households have access to BDH-V and early childhood services. (US\$64.46 million)
<b>Disbursement amounts:</b> (Total: US\$126.61 million)	US\$26.1 million	US\$36.05 million	US\$64.46 million
<b>Eligible expenditures:</b>	MIES expenditures under early childhood projects are found in national budget line items 780104 (transfers and donations for investment to decentralized autonomous governments) and 780204 (transfers and donations for investment to the non-financial private sector). Disbursements will be made according to the accomplishment level of DLI target values (see section VII 'results framework and monitoring') and up to the disbursement amounts indicated above (see Annex 5 'Capitation Cost Methodology for selected Social Safety Net Programs'). In Year 1, disbursements include the recognized expenditures made between January and June 2019 in budget line items mentioned above (retroactive financing).		



***Definitions, evidence and verification protocol:***

**Definitions:**

- Extreme poor refers to those households that hold a 2018 social registry index below 5.7/100.
- 'Early childhood services' includes three modalities of services provided by MIES or its implementation partners: *Centro de Desarrollo Infantil (CDI)*, *Creciendo con Nuestros Hijos (CNH)* and *Circuitos de Cuidado, Recreacion y Aprendizaje (CCRA)*.
- 'BDH-V' means the conditional cash transfer program *Bono de Desarrollo Humano Variable*.
- 'Integrated packages of services' include early childhood and family accompaniment services, plus BDH-V cash transfers.
- Registry Index (SRI2018) that will be approved by executive decree (as per DLI1).
- 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 target value.

**Evidence:**

- Executive Decree and Ministerial Agreements, including operational manuals and protocols.
- Early childhood services supply capacity dashboard reports (this refers to online monitoring of coverage of CNH, CDI, and CCRA in providing ECD services to new extreme poor children under three years old identified by the SRI2018 that request their services).
- Legal and Administrative data to come from: (i) the Official National Registry of Laws and Norms-*Registro Oficial*-, (ii) Social Registry data base under SENPLADES; and (iii) CNH/CDI/CCRA users in e and BDH Payments data base.

**Verification protocol:**

- Non-scalable DLIs will be subject to Task Team verification of compliance.
- 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 its contract with MIES, prior to each disbursement request.



<b>Objective: Supporting the Integration within Selected Social Programs through increased access to cash transfers and care services for extreme poor seniors over 65</b>			
<b>Baseline</b>	<b>Results</b>		
	<b>Year 1 2019</b>	<b>Year 2 2020</b>	<b>Year 3 2021</b>
• N/A	DLI 5. Operational manual of “ <i>Mis Mejores Años</i> ” approved (US\$ 0.83 million)		
• 397 elderly persons from extreme poor households receive PMMA and have access to care services.		<b>DLI 10.</b> 12,279 elderly persons from extreme poor households receive PMMA and have access to care services. (US\$ 3.81 million)	<b>DLI 13.</b> 20,279 elderly persons from extreme poor households receive PMMA and have access to care services. (US\$ 6.43 million)
<b>Disbursement amounts:</b> (Total: US\$11.07 millions)	US\$ 0.83 million	US\$ 3.81 million	US\$ 6.43 million
<b>Eligible expenditures:</b>	MIES expenditures for the elderly can be found in national budget line items 780104 (transfers and donations for investment to Decentralized Autonomous Governments) and 780204 (transfers and donations to the non-financial private sector). Disbursements will be made according to the accomplishment level of DLI target values (see section VII ‘results framework and monitoring’) and up to the disbursement amounts indicated above (see Annex 5 ‘Capitation Cost Methodology for selected Social Safety Net Programs’). In Year 1, disbursements include the recognized expenditures made 12 months before effectiveness in budget line items mentioned above (retroactive financing).		





***Definitions, evidence and verification protocol:***

**Definitions:**

- Elderly persons and seniors refer to persons over 65 years old.
- Extreme poor refers to those households that hold a social registry index below 5. 73848/100.
- 'Care services' includes four modalities of services provided by MIES or its implementation partners: Residential gerontological center, Day gerontological center, Home visit, and Active Care Spaces.
- 'PMMA' means the unconditional cash transfer program *Pensión Mis Mejores Años*.
- Operational manual of '*Mision Mis Mejores Años*' approved means a Ministerial Agreement that articulates the norms and regulations to deliver an integrated package of services and cash transfers.
- 'Integrated packages of services' mean cash transfers plus care and family accompaniment services for the elderly, and PMMA.

**Evidence:**

- Executive orders and Ministerial Agreements, including operational manuals and protocols.
- *Elderly care services supply capacity dashboard* refers to online monitoring of capacity to provide elderly care services to the new extreme poor elderly beneficiaries that request their services.
- Legal and Administrative data to come from: (i) the National Official Registry of Laws and Norms- *Registro Oficial*-, (ii) Social Registry data base currently under SENPLADES; and (iii) elderly users (Residential gerontological center, Day gerontological center, Home visit, and Active care spaces) in SIIMIES and payments data base of beneficiaries of PMMA.

**Verification protocol:**

- Non-scalable DLIs will be subject to Task Team verification of compliance.
- 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

<b>Objective: Improving sustainability of the whole SSN through the implementation of BDH exit strategies</b>			
<b>Baseline</b>	<b>Results</b>		
	<b>Year 1 2019</b>	<b>Year 2 2020</b>	<b>Year 3 2021</b>
N/A	<b>DLI 6.</b> Operational manual of BDH and BDH-V's exit strategy is approved. (US\$5 million)		
0	<b>DLI 7.</b> 54,663 of poor households enrolled in a twenty-four-month CDH integrated service package program (US\$60.6 million)		
0		<b>DLI 11.</b> 106,201 non-poor households enrolled in a twelve-months package of CDH program (US\$63.72 million)	
<b>Disbursement amounts:</b> (Total: US\$129.3 millions)	US\$65.6 million	US\$63.72 million	
<b>Eligible expenditures:</b>	MIES expenditures related to economic inclusion are found in national budget line item 780106 (transfers and donations to public financial entities). Disbursements will be made according to the accomplishment level of DLI target values (see section VII 'results framework and monitoring') and up to the disbursement amounts indicated above (see Annex 5 'Capitation Cost Methodology for selected Social Safety Net Programs').		
<b>Definitions, evidence and verification protocol:</b>			
<b>Definitions:</b>			
<ul style="list-style-type: none"> <li>• Poor refers to those households that hold a social registry index 2018 between 5.7 and 25.8/100.</li> <li>• Non-poor means those households that hold a social registry index above 25.8/100.</li> <li>• Operational manual of BDH and BDH-V's exit strategies 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.</li> <li>• Communication strategy is a campaign carried out at the local level to inform beneficiaries of the rules of exit, including that each family signs a statement indicating agreement with the new rules.</li> <li>• 'Integrated packages of economic inclusion services' include training and employment services, and productive credit and cash transfers.</li> <li>• Agreement with BanEcuador to pay lump sum amounts to those exiting the BDH through CDH program.</li> </ul>			
<b>Evidence:</b>			



- Executive orders, Ministerial Agreements, and Interinstitutional Agreements, including operational manuals and protocols.
- Administrative registers (Social Registry, SIIMIES and payments data base of *BanEcuador*).

**Verification protocol:**

- Non-scalable DLIs will be subject to Task Team verification of compliance.
- 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



**ANNEX 5: Capitation Cost Methodology for the selected Social Safety Net Programs  
Sub-Component 1.1**

**COUNTRY: Ecuador  
Social Safety Net Project**

1. To determine the costs of each service, different modalities of service provisions were identified, based on the cost records and technical regulations of the Social Economic and Inclusion Ministry (MIES). For each activity the following costs were identified: unit cost, value added tax (IVA), which generates the frequency of the service, the supply amount, and the number of beneficiaries.
2. Each modality of service includes three components: i) human talent, ii) supplies and materials; and, iii) administrative costs. The total annual cost of each component (2) is based on the multiplication of the beneficiaries' number by the result of the sum of multiplying the unit cost of each activity by the frequency of the required input quantity and frequency (1).

$$(1) C_a = ((cu_a + IVA) * frecuencia * cantidad\ de\ insumos)$$

$C_a$  represents the annual cost of the activity and  $a$ , and  $cu_a$  is the unit cost of activity  $a$ .

$$(2) CC_f = beneficiaries * \sum_{l=1}^L C_{a,l}$$

$CC_f$  represents the annual cost of the components  $f$ , and  $C_{a,l}$  is the annual cost of each one of activities  $L$  of the component  $f$ .

3. The Service cost depends on the modality that is being used to assist the targeted population. The total cost of the service modality is the sum of the cost of each component, and when dividing this amount up to the operational unit capacity the cost per capita is identified. (see Table 5.1)



Table 5.1. Services Modalities annual costs (total and unit) per components

Program	Service	Modality	People Capacity	Amount (by year)			Total	Total (per person)
				Human Talent	Materials and Inputs	Administrative Costs		
Tenderness Mission (Misión Temura)	Childhood Development	Childhood Development Center - Direct	100	\$ 112.015,08	\$ 90.277,16	\$ 35.973,10	\$ 238.265,34	\$ 2.382,65
		Childhood Development Center - Agreement	60	\$ 52.102,44	\$ 54.482,40	\$ 38.774,26	\$ 145.359,10	\$ 2.422,65
		"Growing with our Children" (Creciendo con Nuestros Hijos) - Concentrated Area	45	\$ 9.838,44	\$ 562,48	\$ 1.165,21	\$ 11.566,12	\$ 257,02
		"Growing with our Children" (Creciendo con Nuestros Hijos) - Scattered Area	35	\$ 9.838,44	\$ 477,40	\$ 1.345,21	\$ 11.661,05	\$ 333,17
"Less Poverty, more Development" (Menos Pobreza, Más Desarrollo)	Economic Inclusion	Human Development Bonus Variable (a)	n.a.	n.a.	n.a.	n.a.	\$ 960,00	n.a.
		Family Accompaniment (b)	n.a.	n.d.	n.d.	n.d.	n.d.	n.d.
		Exit Strategy Human Development Credit (c)	n.a.	n.a.	n.a.	n.a.	\$ 600,00	n.a.
		Exit Strategy Human Development Credit (d)	n.a.	n.a.	n.a.	n.a.	\$ 600,00	n.a.
		Employment offers (e)	n.a.	n.d.	n.d.	n.d.	n.d.	n.d.
		Training (f)	n.a.	n.d.	n.d.	n.d.	n.d.	n.d.
"My best years" (Mis Mejores Años)	Care	Non-contributive pension for elderly people	n.a.	n.a.	n.a.	n.a.	\$ 1.200,00	n.a.
		Home Care - Direct	30	\$ 6.384,90	\$ 150,00	\$ -	\$ 6.534,90	\$ 217,83
		Home Care - Agreement	60	\$ 14.422,20	\$ 153,84	\$ -	\$ 14.576,04	\$ 242,93
		Geriatric Center Daytime - Direct	70	\$ 27.771,48	\$ 57.484,84	\$ 7.477,92	\$ 92.734,24	\$ 1.324,77
		Geriatric Center Daytime - Agreement	70	\$ 65.556,60	\$ 47.390,52	\$ 18.273,84	\$ 131.220,96	\$ 1.874,59
		Residential Geriatric Center - Direct	30	\$ 174.584,04	\$ 100.476,42	\$ 43.293,38	\$ 318.353,84	\$ 10.611,79
		Residential Geriatric Center - Agreement	30	\$ 99.539,64	\$ 72.411,42	\$ 44.424,16	\$ 216.375,22	\$ 7.212,51
		Alternative Spaces - Direct	150	\$ 18.514,32	\$ 4.560,00	\$ -	\$ 23.074,32	\$ 153,83
		Alternative Spaces - Agreement	150	\$ 14.104,08	\$ 4.560,00	\$ -	\$ 18.664,08	\$ 124,43

Source: MIES' services unitary costs matrices.

(a) Includes monthly component of US\$50, and an average value of the variable component of US\$ 30 per month.

(b) Amount to be defined by MIES

(c) Transfer equal up to 24 months of the accumulated average value of the BDH or BDH-V, that currently receive poor moderate households.

(d) Transfer equal up to 12 months of the accumulated average value of the BDH or BDH-V, that currently receive poor moderate households.

(e) SOCIO EMPLEO Service from the Labor Ministry. Amount to be defined by GoE.

(f) Training provided by SECAP. Amount to be defined by GoE.

(g) Economic Inclusion Services provided by MIES and IEPS. Amount to be defined by GoE.

- The MIES data base, registers that out of the total of extreme poor children that receive childhood development services, 27.9 percent use the modality of "Childhood Development Centers" (*Centros de Desarrollo Infantil*), and 72.1 percent the modality of "Growing with our Children" (*Creciendo con nuestros hijos*). Regarding the extreme poor elderly, 50.5 percent receive the services under "Home Care Support" (*Atención Domiciliaria*), 4.7 percent through Daily Nursing Homes, 1.4 percent from Residential Nursing Homes, and 43.3 percent use the Alternative Care Spaces (*Espacios Alternativos de cuidado*).
- The program will cover a *capitation cost* subject to the compliance of coverage outcomes combined with care services and cash transfers, for extreme poor children and elderly (subcomponent 1.2). The program will also offer an exit strategy from the *Bono de Desarrollo Humano* program for those households that are not in conditions of extreme poverty, but they do receive the cash transfer (subcomponent 1.3).
- The program establishes two integral packages of cash transfers and services for extreme poor households (subcomponent 1.2): 1) extreme poverty households with children under 3 years old; 2) extreme poverty households with elders, and two packages for non-extreme poor households (subcomponent 1.3): 3) that receive the BDH or BDH-V services; and 4) non-poor households that receive the BDH or BDH-V services.
- The *capitation cost* (3) to increase in one unit the combined coverage of services and cash transfers corresponding to group *i* of households, is being calculated based on the following equations:

$$(3) P_i = S_i + CT_i + AM_i$$



$P_i$  represents the *capitation cost*,  $S_i$  is the service annual value (4) for groups 1 and 2) or the value of economic inclusion programs (to be defined by the GoE) including employment offers, training, and accompaniment and technical assistance for groups 3 and 4,  $CT_i$  the annual value of the cash transfer (5),  $AM_i$  the annual value of the family accompaniment mechanism, (to be defined by the Social Economic Inclusion Ministry), which belongs to the group services package  $i$ ; and,

$$(4) S_i = \sum_{j=1}^J \left( w_j \frac{1}{K} \sum_{k=1}^K \frac{(H_k + M_k + A_k)}{N_k} \right)$$

$J$  represents the number of existing modalities services corresponding to the group  $i$ ;  $w_j$  is the current participation of the modality  $j$  in the service coverage;  $K$  represents the number of service modality operation types (direct provision or through an agreement, scattered provision in different areas, or in targeted areas);  $H_k$ ,  $M_k$  y  $A_k$  are the administrative costs for the type of operation  $k$  of the  $j$  modality of the service; and  $N_k$  represents the potential coverage of the type of operation  $k$  of the modality  $j$  of the service, and

$$(5) CT_i = \begin{cases} BDH - V, & \text{if } i = 1 \\ PMMA, & \text{if } i = 2 \\ CDH - G1, & \text{if } i = 3 \\ CDH - G2, & \text{if } i = 4 \end{cases}$$

Where BDH-V and PMMA refers to the variable of Human Development Bonus, and pension “My best years” (*Pensión para Adultos Mayores en Extrema Pobreza - Mis Mejores Años*), respectively. CDH refers to the Human Development Credit, which is a BDH or BDH-V disbursement modality carried out through accumulated payments to promote a new productive activity or one that is already in place. The program CDH is an accumulated payment for households in the exit strategy, which includes a payment of 24 months (G1) or 12 months (G2).

$J$  represents the number of existing modalities services corresponding to the group  $i$ ;  $w_j$  is the current participation of the modality  $j$  in the service coverage;  $K$  represents the number of service modality operation types (direct provision or through an agreement, scattered provision in different areas, or in targeted areas);  $H_k$ ,  $M_k$  y  $A_k$  are the administrative costs for the type of operation  $k$  of the  $j$  modality of the service; and  $N_k$  represents the potential coverage of the type of operation  $k$  of the modality  $j$  of the service.

8. The eligible expense of the operation to increase the combined coverage of services and cash transfers will be complemented with fiscal resources of the Ecuadorian Government. In the groups of households with extreme poverty, the program will cover the additional value of childhood development services, and elderly care services, while the cash transfers will be covered with fiscal resources of the Ecuadorian Government as a recurrent expense. Regarding the non-extreme poor households, the program will cover the value of the cash transfer, since it is just for one time as CDH, while the economic inclusion services (whose value will be defined by the GoE), will be financed with fiscal resources of the national Government (see Table 5.2).



**Table 5.2. Unit Cost per Household**

Group	Services	Unit Cost (USD per year)		
		Total	Operation	Fiscal
1) Households in extreme poverty with children under three years old	Si = Child Development Services*	\$ 2,048,54	\$ 2,048,54	
	CTi = Variable Human Development Bonus (a)	\$ 960,00		\$ 960,00
	AMi = Family Accompaniment (b)	n.d.		n.d.
	<b>Pi = TOTAL**</b>	<b>\$ 3,008,54</b>	<b>\$ 2,048,54</b>	<b>\$ 960,00</b>
2) Households in extreme poverty with elderly people	Si = Care Services*	\$ 546,02	\$ 546,02	
	CTi = Non-contributive Pension	\$ 1,200,00		\$ 1,200,00
	AMi = Family Accompaniment (b)	n.d.		n.d.
	<b>Pi = TOTAL**</b>	<b>\$ 1,746,02</b>	<b>\$ 546,02</b>	<b>\$ 1,200,00</b>
3) Poor households that currently receive BDH or BDH-V	Si = Employment Offers (e), Training (f), Accompaniment and technical assistance (g)	n.d.		n.d.
	CTi = Graduation Human Development Credit (c)	\$ 600,00	\$ 600,00	\$ 600,00
	AMi = Family Accompaniment (b)	n.d.		n.d.
	<b>Pi = TOTAL**</b>	<b>\$ 600,00</b>	<b>\$ 600,00</b>	<b>\$ 600,00</b>
4) Non-poor households that currently receive BDH or BDH-V	Si = Employment Offers (e), Training (f), Accompaniment and technical assistance (g)	n.d.		n.d.
	CTi = Graduation Human Development Credit (d)	\$ 600,00	\$ 600,00	
	AMi = Family Accompaniment (b)	n.d.		n.d.
	<b>Pi = TOTAL**</b>	<b>\$ 600,00</b>	<b>\$ 600,00</b>	<b>\$ -</b>

\* Weighted average cost of the different service modalities

\*\* The accompaniment family services nor the economic inclusion are included, since they are to be defined by the GoE and cover with fiscal resources.

(a) includes monthly component of US\$50, and an average value of the variable component of US\$ 30 per month.

(b) Amount to be defined by MIES

(c) Transfer equal up to 24 months of the weighted average value of BDH or BDH-V, that currently receive poor moderate households.

(d) Transfer equal up to 12 months of the weighted average value of BDH or BDH-V, that currently receive poor vulnerable households.

(e) SOCIO EMPLEO Service from the Labor Ministry. Amount to be defined by GoE.

(f) Training provided by SECAP. Amount to be defined by GoE.

(g) Economic Inclusion Services provided by MIES and IEPS. Amount to be defined by GoE.

9. Based on the established coverage goals of DLIs (see monitoring framework section), *capitation cost* for each group of households, based on the cash transfer and services are: US\$126.61 million for group 1; US\$ 11.07 million for group 2; US\$ 60.6 million for group 3; and US\$ 63.7 million for group 4 (See Table 5.3).

**Table 5.3. Eligible Expense per each group of households of the project**

Group	Base Line	Goal (DLI)	Pi = Capitation payment (USD millones)	Eligible Expense (%)	Eligible Expense (US\$ millon)
	Households	Households			
1) Households in extreme poverty with children under three years old	4.306	61.805	\$185,94 + MA1	$(\$126,61 / Pi) * 100$	\$126,61
2) Households in extreme poverty with elderly people	397	20.274	\$35,40 + MA2	$(\$11,07 / Pi) * 100$	\$11,07
3) Poor households that currently receive BDH or BDH-V	0	54.663	S4 + \$60,60 + MA4	$(\$28,47 / Pi) * 100$	\$28,47
4) Non-poor Households that currently receive BDH or BDH-V	0	105.201	S5 + \$63,70 + MA5	$(\$63,70 / Pi) * 100$	\$63,70
<b>TOTAL</b>					<b>\$229,85</b>

## ANNEX 6: Financial Management Arrangements

COUNTRY: Ecuador  
Social Safety Net Project

### Financial Management and Disbursement Arrangements

1. A Financial Management Assessment (FMA) has been performed by the Bank in accordance with OP/BP 10.00 and Bank Guidance on Investment Project Financing with Disbursement-linked Indicators, to evaluate the adequacy of MIES<sup>46</sup> and SENPLADES<sup>47</sup> financial management arrangements to support implementation of the SSN Project.
2. According to institutional arrangements, MIES<sup>48</sup> and SENPLADES will be the project implementing entities. Their experience is mainly based on locally and IADB-financed projects; and both lack experience implementing WB-financed operations. Furthermore, it is expected that SENPLADES<sup>49</sup> will be dissolved and this situation may pose some risks to the current institutional and implementation arrangements. As of the date of this report, no decision has been taken with regard to decommissioning SENPLADES of its current functions. The following table summarizes current institutional and implementation arrangements:

Comp	Subcomponent	Eligible Expenditure of the Project (EEP)	Implementing Entity	Co-Implementing Entities	FM responsibility
COMPONENT 1	Subcomponent 1.1(DLIs)	Consist of consulting and non-consulting services, non-procurable and procurable items under the budget groups: 71 (staff), 73 (consulting & non-consulting services and operating costs), 77 (insurance), 78 (transfers to service providers such as universities) and 84 (equipment and software licenses).	SENPLADES	<b>Currently:</b> <ul style="list-style-type: none"> <li>• INEC</li> <li>• MIES</li> </ul>	Responsible for budgeting, managing funds, <i>signing agreements with co-implementing entities, transferring budget space to co-implementing entities, transaction recording, withdrawal applications and disbursement of funds, financial statements; adequate files of the Project and support auditing requirements.</i>
	Subcomponent 1.2 (DLIs)	Consists of non-procurable items and staff hiring under budget items: 71 (staff), 73 (consulting & non-consulting services and operating costs), 780104 (Transfers to GADs) and	MIES (Central and Regional Offices)	<b>Misión Ternura (PMT):</b> GADs; CSO <sup>50</sup>  <b>Mis mejores Años (PMMA):</b> GADs; CSO	Responsible for budgeting, managing funds, <i>transferring funds to GADs, CSOs BanEcuador, coordination and monitoring with GADs and CSOs on the use of funds, transaction recording, withdrawal applications and</i>

<sup>46</sup> Ministerio de Inclusión Económica Social.

<sup>47</sup> National Secretary of Planning and Development

<sup>48</sup> Performs surveys through their own facilities through “ventanilla”

<sup>49</sup> On December 2018, it was announced SENPLADES will be merged with *Secretaría de Administración Pública* of the Presidency.

<sup>50</sup> Civil Social Organizations (CSO).





		780204 (Transfers to CSO).			disbursement of funds, financial statements; adequate files of the Project and support auditing requirements.
	Subcomponent 1.3 (DLIs)	Cash transfers to beneficiaries of CDH through BanEcuador under the budget item: 780106 (Transfers to Public Financial Entities).	MIES	<b>CDH (new investment project):</b> BanEcuador	
COMPONENT 2	(Subcomponent 2.1 and partially 2.4)	Goods, consulting services, non-consulting services, operating costs under Component 2	SENPLADES	<b>Planned:</b> DINARDAP	See above
	(Subcomponent 2.2 and 2.3 and partially 2.4)		MIES	-	See above

3. **Country Issues.** The most recent Public Expenditure and Accountability Assessment (PEFA) of 2015 to 2017, led by the European Union (EU), is in its final stages of completion and expected to be issued in March 2019. Early indications from this work, point to the need for implementing reforms aimed at: (i) strengthening the Government’s capacity to support sustainable economic growth; (ii) maintaining aggregate fiscal discipline; (iii) fostering the strategic allocation of resources; and (iv) improving budget preparation and control. Taken together, these measures are essential to efficient delivery of public goods and services.
4. The 2010 PEFA diagnostic (which covered years 2008 and partially 2009), and the 2013 PEFA diagnostic (which covered years 2011 to 2013) were conducted, during an era of high oil prices and presented a very different picture of the Public Financial Management (PFM) environment than that observed in recent years.
5. PFM in Ecuador has its foundations in several interconnected systems and procedures, supported by a comprehensive regulatory framework and human resources and information technology tools. With the enactment in October 2010 of the *COPLAFIP*,<sup>51</sup> the country intended to modernize the complete cycle of public finances, covering inter-alia implementation of a single treasury account, modernized government accounting, streamlined budget preparation and approval, improved fiscal transparency, and internal control. Nevertheless, the liquidity constraints and the abrupt decrease in fiscal revenue experienced from 2014 onwards exposed several failures in the PFM system, such as poor coordination between key actors in budget preparation and oversight, and the inability to maintain fiscal discipline. According to the Open Budget Survey 2017, Ecuador ranks 49 out of 100 countries, and it is also ranked behind most of the countries in the Latin America region (10th place out of 15 countries).<sup>52</sup>
6. **Summary Risk Assessment.** The FM residual risk is considered “Substantial,” mainly due to: (i) the complexity of the institutional arrangements, having two implementing entities and extensive subnational and co-

<sup>51</sup> Código Orgánico de Planeación de las Finanzas Públicas.

<sup>52</sup> The main weaknesses include: i) failure to produce a pre-budget statement and publish the mid-year review on a timely manner; ii) need to improve the oversight by the legislature on the budget approval process including pre-budget debates and prior approval before implementing a supplemental budget, iii) need to improve participation by establishing credible and effective mechanisms for capturing a range of public perspectives on budget matters.



executing agencies (GADs, CSOs, BanEcuador, INEC) which may pose some challenges to the project operation; (ii) the limited experience implementing WB financed projects; (iii) the fact that, as noted earlier, SENPLADES will be dissolved, affecting placement of the Social Registry and other institutional arrangements; (iv) the lack of experience with projects which disburse based on DLIs; (v) the fact that there are different implementation arrangements under the various social protection programs covered by the project;<sup>53</sup> (vi) the large number of spending units will demand close coordination and strong internal controls; (vii) expected reformulation of the CDH; and (ix) the fact that the project includes retroactive financing.

7. **Overall Conclusion.** The financial management arrangements for the operation will make use of country systems including, the current legal FM framework, the use of the Governmental financial management information system e-Sigef, and the Treasury Single Account (TSA). The project will also benefit from the country efforts to modernize government accounting standards, implementation of the new Financial management information system (FMIS) platform, and plans to streamline the budget preparation process.
8. Consistent with project design (IPF with DLI), the team has identified specific expenditures to be financed under government budget items and has agreed with both implementing entities on the protocols to be followed. In addition, MIES will strengthen current mechanisms to monitor decentralized expenditures incurred by GADs, CSOs and CDH beneficiaries. Furthermore, MIES and SENPLADES current installed capacity will be strengthened by hiring key experienced and qualified FM professionals to support project implementation. Finally, the project operational manual will reflect financial management implementation arrangements.
9. On the basis of the above mentioned, the proposed financial management arrangements are considered satisfactory to the Bank; however, there are some risk factors which have been identified and for which the following mitigation actions have been set out.
  - **Negotiations:** (i) draft project operational manual sent was deemed acceptable to the Bank and reflects financial management arrangements agreed for the project.
  - **Disbursement Condition:** (ii) under Subcomponent 1.3 (official creation as investment project and upon definition of institutional and implementation arrangements and reflected in the POM).
  - **Covenants after effectiveness:**
    - (iii) the operational manual is adopted by MIES and SENPLADES through a ministerial agreement (**one month after effectiveness**);
    - (iv) timely contracting of an independent audit firm which will be responsible for verifying DLI accomplishment under each implementing entity. The technical report issued by such firm should be acceptable to the Bank, and will be a requirement for approving the disbursement of funds under each DLI (**90 days after effectiveness**);
    - (v) the PIUs at MIES and SENPLADES have in place a fiduciary unit acceptable to the Bank, comprising qualified and experienced FM staff, hired under TORs coordinated with the Bank (**three months after effectiveness**).

---

<sup>53</sup> "Misión Ternura (PMT)" and "Misión Mis Mejores Años (PMMA)."



## SUMMARY OF FINANCIAL MANAGEMENT ARRANGEMENTS:

### Implementing Entity and Organizational Structure.

10. MIES. According to institutional arrangements, PIU will be located at the *Viceministerio de Inclusión Económica*. MIES' General Administrative Financial Coordination (UDAF) with the support of Regional Financial Units would be responsible for managing FM operational aspects under Component 1 (Subcomponent 1.2, 1.3) and Component 2 (Subcomponent 2.2, 2.3 and partially under 2.4), with the support of a full time FM Specialist located at the PIU, with TORs acceptable to the Bank, expected to be hired not later than three months after effectiveness and financed with loan proceeds. The main functions of the PIU FM staff will be to ensure project activities are incorporated into MIES' institutional budget; timely recording of approved budget, commitments and accruals; collection and consolidation of financial information on the activities implemented by MIES under the project; maintaining adequate supporting documentation; and assuring timely hiring of a financial auditor. These responsibilities are reflected in the Operational Manual.
11. SENPLADES. According to institutional arrangements, PIU will be located in the *Subsecretaría de Información*. SENPLADES's General Administrative Financial Coordination will be responsible for managing operational FM aspects under Component 1 (Subcomponent 1.1) and Component 2 (Subcomponent 2.1 and partially under 2.4), with the support of a full time FM Specialist located at the PIU, with TORs acceptable to the Bank, financed with loan proceeds and hired not later than three months after effectiveness. The main functions of the PIU FM staff will be to ensure that project activities are incorporated into SENPLADES' institutional budget; timely recording of approved budget, commitments and accruals; collection and consolidation of financial information of the activities implemented by SENPLADES under the project; maintaining adequate supporting documentation; and ensuring the timely hiring of a financial auditor. These responsibilities are reflected in the Operational Manual.
12. **Budgeting and explanation of EEP framework.** Project implementing entities will follow local procedures regulated by COPLAFIP, MEF; and their proper UDAFs' regulations for the programming, formulation and execution of annual budgets.
13. MIES. Budgeted activities will be incorporated into MIES's institutional budget and procurement plan. The formulation of annual budget for each year, will consider: (i) the goals and projections under Component 1 – DLIs; and (ii) eligible activities included in the procurement plan for Component 2. MIES's annual budget (including project eligible activities) will be approved by the Minister. Timely recording of approved budget, commitments, accruals and transfers to Regional Offices, GADs, CSOs and BanEcuador will be carried out through e-Sigef. The Bank will reimburse MEF for the pre-financed expenditures under eligible budget items under the programs PMT and PMMA. Regarding CDH and activities under Component 2, MIES will request advances of loan proceeds.
14. At the *GAD level*, and in accordance with COOTAD,<sup>54</sup> programs will be recorded and executed as part of the GAD's annual budget and as such it will be subject to applicable local regulations. *At the CSO level*, each program will be recorded and executed as part of their annual budget and as such it will subject to applicable private regulations.

---

<sup>54</sup> Código Orgánico de Organización Territorial Autonomía y Descentralización.



15. SENPLADES. Budgeted activities will be incorporated into SENPLADES's institutional budget and procurement plan. During implementation, SENPLADES will transfer annual budgetary space (reduce its budget allocation) to MIES and INEC (they will increase their budget allocations), all of which will be carried out through e-Sigef. Additional budgetary spaces might be necessary and coordinated with SENPLADES. The formulation of annual budgets for each year, will consider: (i) goals and projections under Component 1 – DLIs; and (ii) eligible activities included in the procurement plan for Component 2. The Bank will reimburse MEF for the pre-financed expenditures under the Investment Project Social Registry under Component 1. Regarding activities under Component 2, MIES will request advances of loan proceeds. Timely recording of approved budget, commitments and accruals will be carried out through e-Sigef.
16. **Internal Control**. The project will be subject to the local internal control framework regulated by CGE. Budget allocation, expenditures, accounting, reporting and monitoring are controlled through e-Sigef, which is subject to the control procedures implemented within each implementing entity. These entities are also subject to internal audit reviews as well as the external audits conducted by CGE.
17. MIES has gained experience implementing social protection programs and has established some processes and procedures including: i) GAD/CSO's project evaluation and approval; ii) signing of interinstitutional agreements; iii) requirement to open an exclusive bank account to receive funding from programs; iv) segregation of duties between central and regional offices; and v) quarterly technical and financial information prepared by GAD/CSO before authorizing new transfers of funds and closing of agreements. However, the latter may experience delays since financial reports are manually prepared, the supporting documentation is voluminous, and MIES is not required to prepare consolidated financing reporting on the expenditures and use of funds by GAD/ CSO which may weaken the monitoring mechanism. In this regard, since these expenditures are part of the EEP which considers transfers to GADs / CSO, it is necessary to ensure that MIES strengthens current mechanisms to perform effective monitoring of transfers made to GADs and CSO to ensure timely review and adequate financial monitoring mechanisms of project expenditures, and the possibility of recording expenditures' supporting documentation, expedite new transfers through the development of a consolidated financial report. This will be done initially through excel reports and later prepared through the development of an informatic tool that provides automatized information on transfers. The development of this informatic tool is financed under Component 2."
18. SENPLADES. There is a Management Unit created for the implementation of the project RS, which has gained experience working with INEC and MIES as co-implementing entities and has established some processes and procedures including: i) signature of inter-institutional arrangements with co-implementing entities; ii) budget protocols to provide resources to these entities; iii) close monitoring of activities; and iii) segregation of duties within each entity. The Project will rely on both current staff and the appointment of experienced staff to prepare financial information.
19. **Accounting, Information System and Financial Reporting**. The regulatory FM framework in Ecuador for central government entities consist of: (i) COPLAFIP; and (ii) Accounting Technical Norms, including governmental accounting policies, accounting standards and chart of accounts applicable for the public sector, including the use of the accrual accounting basis, the chart of accounts for public sector and the use of the governmental financial management information system - e-Sigef. For Project purposes, e-Sigef can identify programs, specific transactions by component, type of expenditure and financing source. This information would be complemented by Excel reports as required.



20. MIES. Under PMT and PMMA, e-Sigef provides information on transfers made to GADs and CSOs and BanEcuador; however, MIES’s current accounting policies and procedures are not designed to account for or collect information on the use of the funds at the decentralized level, or to provide basic information for monitoring purposes. To address project information needs, as noted earlier MIES will prepare consolidated financial reporting, procedures and tools for timely recording, control and monitoring of programs implemented at GAD/CSO/BanEcuador level, including specific reporting requirements from them to MIES, on the use of funds, using a format agreed with the Bank.
21. Based on the above, MIES will be responsible for preparing project financial statements for Subcomponent 1.2; 1.3 and for Subcomponents 2.2, 2.3 and partially under Subcomponent 2.4. The MIES PIU will report on the EEP identified under DLIs, if all agreed DLI targets are met. The core content of the reports include:
- a. Interim Financial Report: MIES will prepare IFRs for financial monitoring purposes on the project implementation. IFRs would include loan proceeds and local counterpart funds and would be prepared in local currency and U.S dollars and submitted to the Bank on a semi-annual basis, not later than 45 calendar days after the end of each calendar semester. IFRs would include the following reports:

**Table. IFR under MIES responsibility**

Subcomponents	Reports	Additional content description
Subcomponent 1.2; 1.3 & Subcomponent 2.2; 2.3; and partially 2.4	i) Statement of Sources and Uses of Funds ii) Statement of Cumulative Investments	
Subcomponent 1.2; 1.3	iii) Budgetary Report Subcomponent 1.2  iv) Budgetary Report Subcomponent 1.3	<ul style="list-style-type: none"> <li>• Budgetary report – PMT and PMMA: 71 (staff), 73 (consulting &amp; non-consulting services and operating costs), 780104 &amp; 780204.</li> <li>• Report on monetary transfer and use of funds by GADs/CSO.</li> <li>• Budgetary report – CDH (780106)</li> <li>• Report on monetary transfer to BANEQUADOR and beneficiaries of CDH with transferences received</li> </ul>
Subcomponent 2.2, 2.3 and partially 2.4	v) Statement of contracts and payments vi) Reconciliation of the DA under MIES	

- b. Annual financial statements. MIES will be responsible for preparing annual project financial statements under the subcomponents for which it is responsible, and would include reports (i) and (ii).
22. SENPLADES. SENPLADES in coordination with INEC and MIES will be responsible for preparing project financial statements for Subcomponent 1.1, 2.1 and partially under 2.4. The core content of the reports includes: budgeting and accounting reports on the SR execution.



- c. Interim Financial Report (IFRs): SENPLADES will prepare IFRs for financial monitoring purposes during project implementation. IFRs would include loan proceeds and local counterpart funds and would be prepared in local currency and U.S dollars and submitted to the Bank on a semi-annual basis, not later than 45 calendar days after the end of each calendar semester. IFRs would include the following reports:

**Table. IFR under SENPLADES responsibility**

Subcomponents	Reports	Additional content description
Subcomponent 1.1 & Subcomponent 2.1; and partially 2.4	i) Statement of Sources and Uses of Funds ii) Statement of Cumulative Investments	
Subcomponent 1.1	iii) Budgetary Report Subcomponent 1.1	<ul style="list-style-type: none"> <li>• Budgetary report of SENPLADES, MIES and INEC. Once the SR is reformulated, the report would also include information on co-implementing entities. (71 - staff that work for the SR project; 73 – consulting services, non-consulting services and operating costs, 77 – insurance, 78 – <i>transferencia</i> and 84 - equipment and software licenses).</li> </ul>
Subcomponent 2.1, and partially 2.4	iv) Statement of contracts and payments v) Reconciliation of the DA under MIES	

- d. Annual financial statements. SENPLADES will be responsible for preparing annual project financial statements under Subcomponents agreed under the project and would include reports (i) and (ii).

**Audit Arrangements**

- 23. Internal Audit. MIES, SENPLADES and its co-implementing entities are subject to internal audit reviews carried out by Internal Audit Units of each entity. These units perform review based on annual work plans or complaints. The internal auditor responds directly to CGE. Internal auditors are expected to include Project activities in their annual work plan and would provide and or facilitate any additional information requested by external auditors.
- 24. As project payments of MIES and SENPLADES (or SENPLADES successor) are to be used as the EEPs, the implementing entities as a whole are expected to adhere fully to the financial rules and regulations relating to these expenditures. The internal auditors of MIES and SENPLADES are expected to carry out regular audits on EEP payments. Internal audit arrangements will be specified in the Project Operational Manual.
- 25. External Audit. For WB financed projects in Ecuador, implementing entities are responsible for selection and appointment of an independent private auditor acceptable to the Bank. The MIES PIU will be responsible for preparing audit TORs for the Bank’s no objection and audit costs will be financed out of loan proceeds. Likewise, SENPLADES PIU in coordination with co-implementing entities will be responsible for preparing audit TORs for the Bank’s no objection and audit costs of each audit will be financed out of loan proceeds.

26. To the extent possible, MIES and SENPLADES would appoint the same auditor. The auditor(s) should meet World Bank standards. The project will have to issue two audit reports; that is, one audit report for Subcomponent 1.2, 1.3, 2.2, 2.3 and 2.4 under MIES and for Subcomponent 1.1, 2.1 and 2.4 under SENPLADES.
27. The audit will be carried out in accordance with International Standards on Auditing (ISAs) issued by the International Federation of Accountants (IFAC) and the audit will include visits to all implementing entities. Each audit report, including an audit opinion and management letter, will be prepared accordingly. The financial audit report will contain project expenditures incurred by the MIES under its EEPs and SENPLADES under its EEPs. The audit reports will be due within six months of the end of the government fiscal year. Audit requirements would include the following:

**Table. Audit Reports**

Implementing Agency	Report	Date
MIES	<ul style="list-style-type: none"> <li>• Audit opinion on Project Annual Financial Statements</li> <li>• Management Letter</li> </ul>	June 30 each year
SENPLADES	<ul style="list-style-type: none"> <li>• Audit opinion on Project Annual Financial Statements</li> <li>• Management Letter</li> </ul>	June 30 each year

28. **Funds Flow and Disbursement Arrangements.** The operation will use the following disbursement methods under the project, as follows:

	Component /Subcomponent	Eligible Expenditure of the Project (EEP)	Implementing Entity	Disbursement method & retroactive financing	Supporting Documentation
<b>COMPONENT 1</b>	Subcomponent 1.1 (DLIs)	Consist of consulting and non-consulting services, non-procurable and procurable items under the budget groups/lines: 71 (staff), 73 (consulting & non-consulting services and operating costs), 77 (insurance), 78 (transfer), 84 (equipment and software licenses).	SENPLADES	<ul style="list-style-type: none"> <li>• Reimbursement method.</li> <li>• Retroactive financing according to loan agreement delineations.</li> </ul>	<ul style="list-style-type: none"> <li>• EEP Spending Report (for reimbursements, including retroactive financing)</li> <li>• Verification report issued by independent technical agency acceptable to the Bank</li> </ul>
		Consists of non-procurable	MIES (Central Office and	• Reimbursement method.	• EEP Spending Report (for



<b>COMPONENT 2</b>	Subcomponent 1.2 (DLIs)	items and staff hiring under budget items: 71 (staff), 73 (consulting & non-consulting services and operating costs), 780104 (Transfers to GADs) and 780204 (Transfers to CSO).	Regional Offices)	<ul style="list-style-type: none"> <li>• Retroactive financing according to loan agreement delineations.</li> </ul>	reimbursements including retroactive financing) Verification report issued by independent technical agency acceptable to the Bank
	Subcomponent 1.3 (DLIs)	Cash transfers to beneficiaries of CDH through BanEcuador under the budget item: 780106 (Transfers to Public Financial Entities).	MIES	<ul style="list-style-type: none"> <li>• Advances to the DA</li> </ul>	<ul style="list-style-type: none"> <li>• Six-month forecast of EEP (to request advances to the DA)</li> <li>• EEP Spending Report (to document expenditures)</li> <li>• Verification report issued by independent technical agency acceptable to the Bank</li> <li>• Designated Account reconciliation</li> </ul>
	(Subcomponent 2.1 and partially 2.4) (Subcomponent 2.2 and 2.3 and partially 2.4)	Goods, consulting services, non-consulting services, operating costs under Component 2	SENPLADES  MIES	<ul style="list-style-type: none"> <li>• Advances to the DA.</li> <li>• Retroactive financing according to loan agreement.</li> </ul>	<ul style="list-style-type: none"> <li>• Six-month forecast of EEP (to request advances to the DA)</li> <li>• Statement of Expenditure (SOE) to document expenditures</li> <li>• Designated Account reconciliation</li> </ul>

29. **SENPLADES – Disbursement Category 1.** The EEP will consist of staff that work for the project, consulting services, non-consulting services, operating costs, equipment and software licenses, as reflected in the SR Project under the following budget groups/items and estimates:

- DLI: Budget groups: 71 (includes staff that work for the SR project), 73 (includes consulting services, non-consulting services and operating costs), 77 (includes insurance), 78 (includes transfers to service providers such as universities) and 84 (includes equipment and software licenses). These expenditures have to comply





with Bank procurement principles, and ensure all expenditures must be adequately documented and must comply with any other requirement as requested by the Bank.

30. EEP under DLIs of Category 1 will be funded with fiscal resources and then refunded by the WB, adopting the reimbursement method of disbursements. MEF will open a specific bank account in the Ecuadorian Central Bank (BCE) to receive specifically reimbursement from the loan financing under accomplishment of this DLI. These funds will be immediately withdrawn and transferred to the MEF's Treasury Single Account.
31. Retroactive financing from June 2018 will be permitted under the same budget items described before, which must comply with Bank procurement principles, and which must be adequately documented and comply with any other requirement as requested by the Bank.
32. SENPLADES PIU and its co-implementing entities will report on the EEP expenditure item identified under the DLIs of the disbursement category 1 and loan allocations for each year if all agreed targets are met. Loan funds will be disbursed upon achievement of two conditions: (i) DLI targets at the particular time of disbursement have been met, and this has been certified through the report issued by independent technical agency (for scalable indicators); and (ii) EEP Spending Report has been submitted with information on EEPs for a six-month period. The MIES PIU will prepare and sign the Withdrawal Application containing the request for IBRD funds and reimbursement of expenditures and will submit it to the WB for disbursement.
33. **MIES – Disbursement Category 2.** The EEP will consist of non-procurable items (such as maintenance, drinking water, electric power, telecommunications, office cleaning materials and cleaning services, transportation, security services, food services, acquisition of medicines, diapers, cleaning material, clothing, technical personnel, transportation of users and staff, didactic and ludic material, office supplies, training services for workshops with family, community, and hiring of staff which complies with procurement policies and which is reflected in the following MIES' projects (PMT and PMMA) and budget items and estimates:
  - DLIs related to PMT, budget items: 71 (includes staff that work for the RS project), 73 (includes consulting services, non-consulting services and operating costs), 780104 (Transfers and Donations for Investment to Decentralized Autonomous Governments) and 780204 (Transfers and Donations to the Non-Financial Private Sector).
  - DLIs related to PMMA, budget items: 71 (includes staff that work for the RS project), 73 (includes consulting services, non-consulting services and operating costs), 780104 (Transfers and Donations for Investment to Decentralized Autonomous Governments) and 780204 (Transfers and Donations to the Non-Financial Private Sector).
34. EEP under DLIs of the disbursement category 2 will first be funded with fiscal resources and then refunded by the WB. MEF in coordination with MIES will open a bank account in the BCE to receive reimbursement from the loan financing upon accomplishment of DLIs. These funds will be immediately withdrawn and transferred to the MEF's Treasury Single Account.
35. The MIES PIU will report on the EEP items identified under each DLI and loan allocations for each year if all agreed targets are met. Loan funds will be disbursed upon achievement of two conditions: (i) DLI targets at the particular time of disbursement have been met and this has been certified through the report issued by the independent technical agency (for scalable indicators); and (ii) EEP Spending Report has been submitted



with information on EEPs for a six-month period. The MIES PIU will prepare and sign the Withdrawal Application containing the request for IBRD funds and reimbursement of expenditures and will submit it to the World Bank for disbursement. The EEP Spending Report will be prepared for a six-month period.

36. **MIES - Disbursement Category 3.** EEP under these DLIs will consist entirely of monetary transfers to beneficiaries of the CDH-Economic Productive Inclusion, executed by MIES through an inter-institutional agreement signed with the BanEcuador for the management and administration of said transfers to beneficiaries.
37. Advances to the DA will be disbursed against EEP adopting the advance method of disbursements and complemented with local counterparts. MEF in coordination with MIES will open a Designated Account (DA) in the Central Bank of Ecuador (BCE) to receive loan proceeds, which will be immediately withdrawn to the Treasury Single Account (CCU), where loan proceeds would be identified by project; financier-WB (*Organismo*); and loan number (*Correlativo*). Local counterpart funding can be withdrawn from CCU at any time and on a periodic basis against payment requests. Funds flow arrangements will be centrally managed.
38. The MIES PIU will prepare information of the graduates on BDH graduates and beneficiaries of CDH. Monetary transfers will be executed through MIES Annual Investment Plan (PAI) according to programmed amounts of transfers to beneficiaries and would be reflected in the following MIES' project and budget items and estimates:
  - DLI related to "CDH-Economic Productive Inclusion Investment Project," budget item: 780106 (Transfers and Donations to Public Financial Entities) of the project. Local counterpart financing from MIES would be expected to reach the goals planned under the DLI.
39. Funds deposited in the DA as advances, would follow Bank's disbursement policies and procedures -as described in the Disbursement and Financial Information Letter (DFIL). The ceiling for advances to be made into the DA will be variable, based on a six-month forecast which will need to be approved by TTL, plus compliance with the DLI. Advances to the DA will be based on a six-month forecast (CDH beneficiaries notified by MIES, in accordance with DLI future achievement) approved by the TTL. Reporting of eligible expenditures will be based on EEP Spending Report, achievement of the DLI which should be certified through the report issued by the independent technical agency (for scalable indicators). The frequency for reporting eligible expenditures will be on a quarterly basis or more often as required, based on EEP Spending Report (which will include a list of transfers made to BanEcuador) and DA reconciliation. A disbursement condition will be considered under this Subcomponent – linked to disbursement category 3, until the official formulation of CDH investment project and upon definition of institutional and implementation arrangements as reflected in the Project Operations Manual.
40. **Component 2 – MIES / SENPLADES:** MEF in coordination with MIES and SENPLADES will open a Designated Account in the BCE to receive loan proceeds to carry out activities according to their respective responsibility under Component 2. Funds flow arrangements would be centrally managed.
41. Funds deposited in the DA would be immediately withdrawn to the TSA (CCU), where loan proceeds would be identified by project; financier-WB (*Organismo*); and loan number (*Correlativo*). Local counterpart financing from MIES' and SENPLADES' general account would be also available at CCU to finance Value Added Taxes.



Loan proceeds and local counterpart funding can be withdrawn from CCU at any time and on a periodic basis against payment requests.

42. Funds deposited in the DA as advances, would follow Bank's disbursement policies and procedures -as described in the Disbursement and Financial Information Letter (DFIL). The ceiling of the DA will be based on a six-months forecast approved by TTL. The minimum value of applications for direct payment and reimbursement, will be established in the DFIL. Supporting documentation to document project expenditures under advances and reimbursement will be based on Statement of Expenditure (SOE). Requests for direct payment, will require records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices). The frequency for reporting eligible expenditures will be on a quarterly basis or more often as required. MIES and SENPLADES remains as main responsible for payment processing of project expenditures and ensure supporting documentation of eligible expenditures is adequately maintained.
43. MIES and SENPLADES will request MEF to process payments under the Project. Payments would be processed through the Interbank Payment System (SPI) of the BCE which allows for electronic cash transfers to be deposited on beneficiaries' private bank accounts. Payments with jointly financing would comprise two vouchers, one for the cost and for the VAT. Supporting documentation (original records) will remain at MIES and SENPLADES respectively.
44. ***Retroactive financing.*** MIES and SENPLADES plan to begin implementing some Project activities -before the loan signature- using their proper resources and then requesting a reimbursement once the Project becomes effective. These activities would be under disbursement categories 1, 2, 4, and 5. An EEP Spending Report will be prepared for categories 1 and 2 and SOE will be prepared for categories 4 and 5. MIES and SENPLADES will collect all this information, confirm eligibility of expenditures and submit them for Bank's reimbursement. The amount eligible for retroactive financing will be the maximum of US\$70 million.



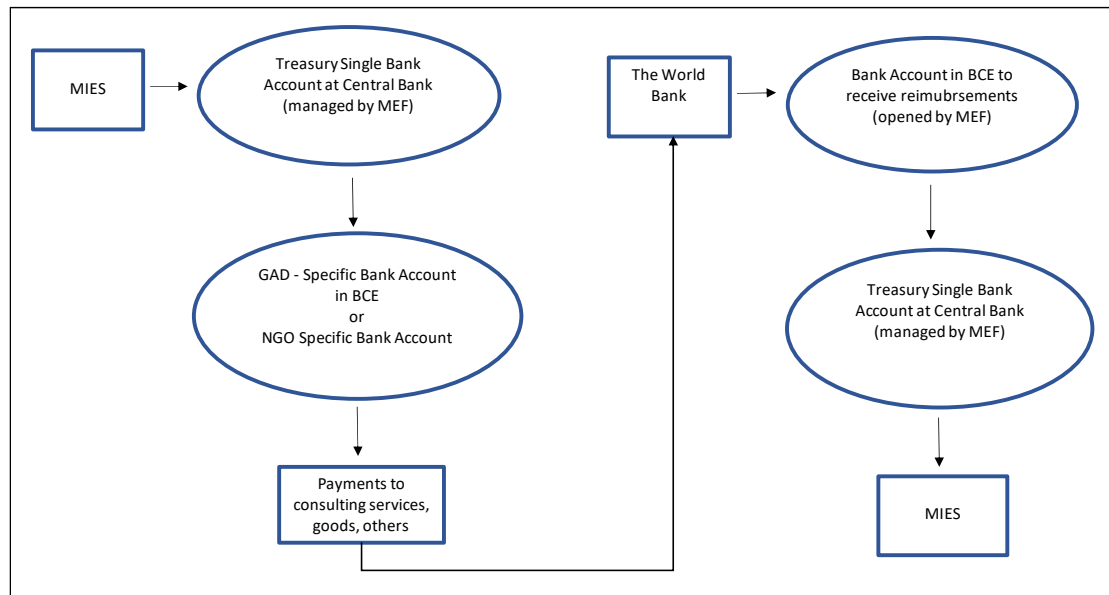
**Table of Loan Proceeds**

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (exclusive of taxes)
(1) Eligible Expenditure Programs under Part 1.1 of the Project*.	61,200,000	100% up to the amount of the Loan allocated to the DLI.
(2) Eligible Expenditure Programs under Part 1.2 of the Project	137,680,000	100% up to the amount of the Loan allocated to the DLI.
(3) Eligible Expenditure Programs under Part 1.3 of the Project	129,320,000	100% up to the amount of the Loan allocated to the DLI. <b>(Disbursement Condition)**</b>
(4) Goods, non-consulting services, consulting services and Operating Costs under Part 2 for MIES	17,050,000	100%
(5) Goods, non-consulting services, consulting services and Operating Costs under Part 2 for SENPLADES	4,750,000	100%
<b>TOTAL AMOUNT</b>	<b>350,000,000</b>	

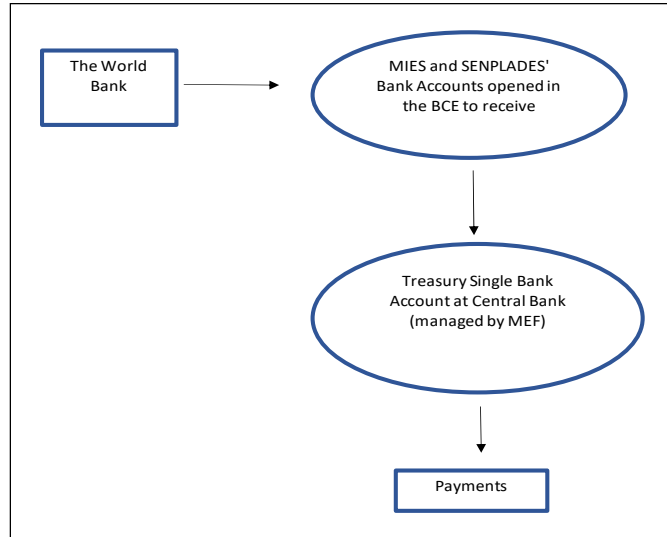
- \*Except those expenditures under category 5 (this will be detailed in the MOP)
- \*\*Subcomponent 1.3, against official creation of CDH investment project and upon definition of institutional and implementation arrangements and reflected in the POM.

45. Fund flow arrangements for the project are described in Figures 6.1, 6.2 and 6.3.

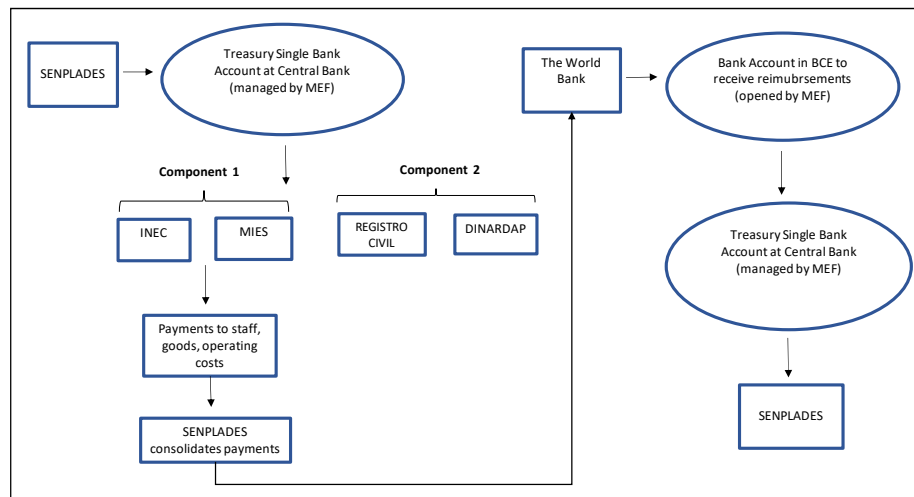
**Figure 6.1. Flow of Funds for Subcomponents 1.2**



**Figure 6.2. Flow of Funds for Components 2 and Subcomponent 1.3**



**Figure 6.3. Flow of Funds for Subcomponents 1.1**





46. If a DLI target is not fully achieved during the year, it may be considered for proportionate disbursement against partial achievement of the target. Additionally, disbursements for each reporting period will compare the amount planned under each DLI and the amount executed under the EEP and the actual amount executed will be taken. If the total expenses in the EEP for the reporting period are less than the total amount of DLI reached for the reporting period, the undisbursed amount will be transferred to the subsequent reporting period. Similarly, any excess of the EEP amount over the amount of DLI reached for any period will be transferred to the subsequent period, during the year. However, at the end of the execution, the last disbursement may not be greater than the total sum of the amount allocated in the disbursement category.
  
47. DLI Verification. Where specified in the DLI verification protocol (and thereafter in the Project Operational Manual), the corresponding implementing entity will verify the results reported by third party verification by an independent consultant (firm or individual) and will provide its recommendations related to the achievements of DLI targets. The verification report will be discussed with the WB team and final agreement on DLI performance will be reached by both parties. The total disbursement release for a given year will be confirmed and funds released.

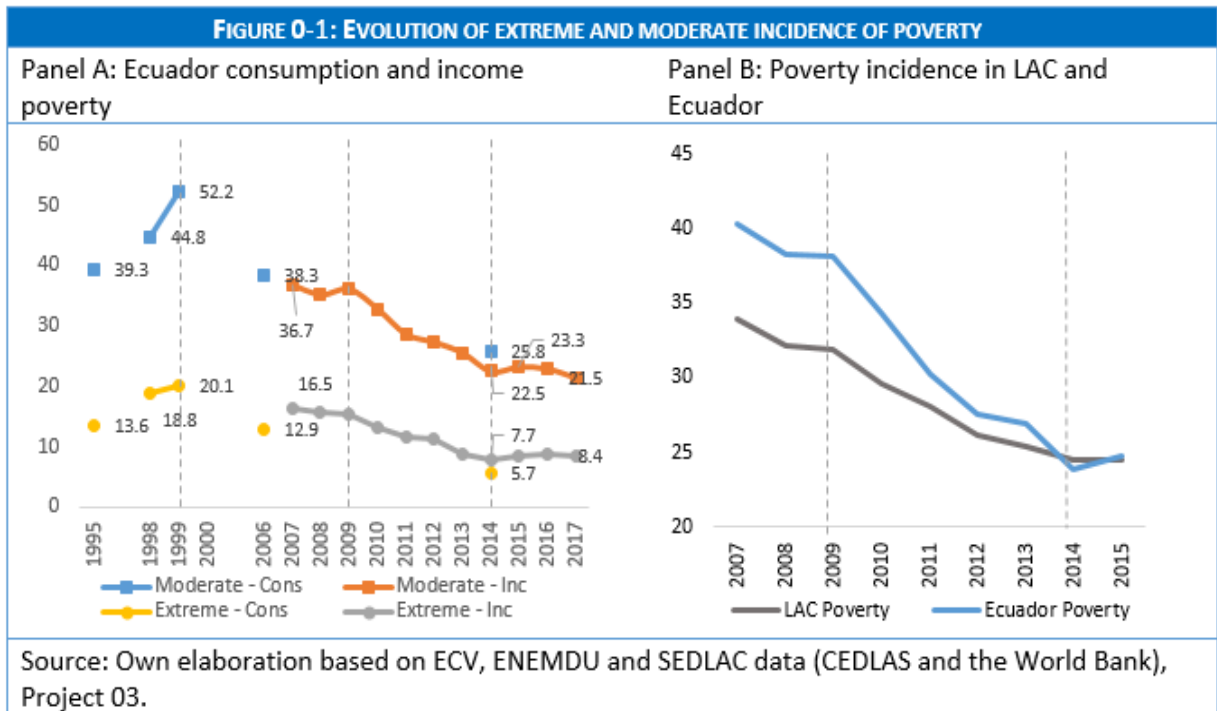


**ANNEX 7: Economic and Financial Analysis**

**COUNTRY: Ecuador**  
**Social Safety Net Project**

**INTRODUCTION**

- Ecuador has made notable improvements in reducing poverty over the last decade.** Income poverty decreased from 36.7 percent in 2007 to 21.5 percent in 2017 (Figure 1).<sup>55</sup> In addition, the share of the population living in extreme poverty fell by more than half, from 16.5 percent in 2007 to 7.9 percent in 2017, representing an average annual drop of 0.9 percentage points. In absolute numbers, these changes represent a total of 1.6 million individuals exiting poverty, and about one million exiting extreme poverty over the last decade. In 2014, oil prices fell, which negatively affected the pace of poverty reduction. Between the years 2014 and 2017, the incidence of both extreme poverty and total poverty did not change much, remaining at around 8 and 20 percent, respectively. As a result, Ecuador’s poverty rates began to diverge from the Latin American average.<sup>56</sup>



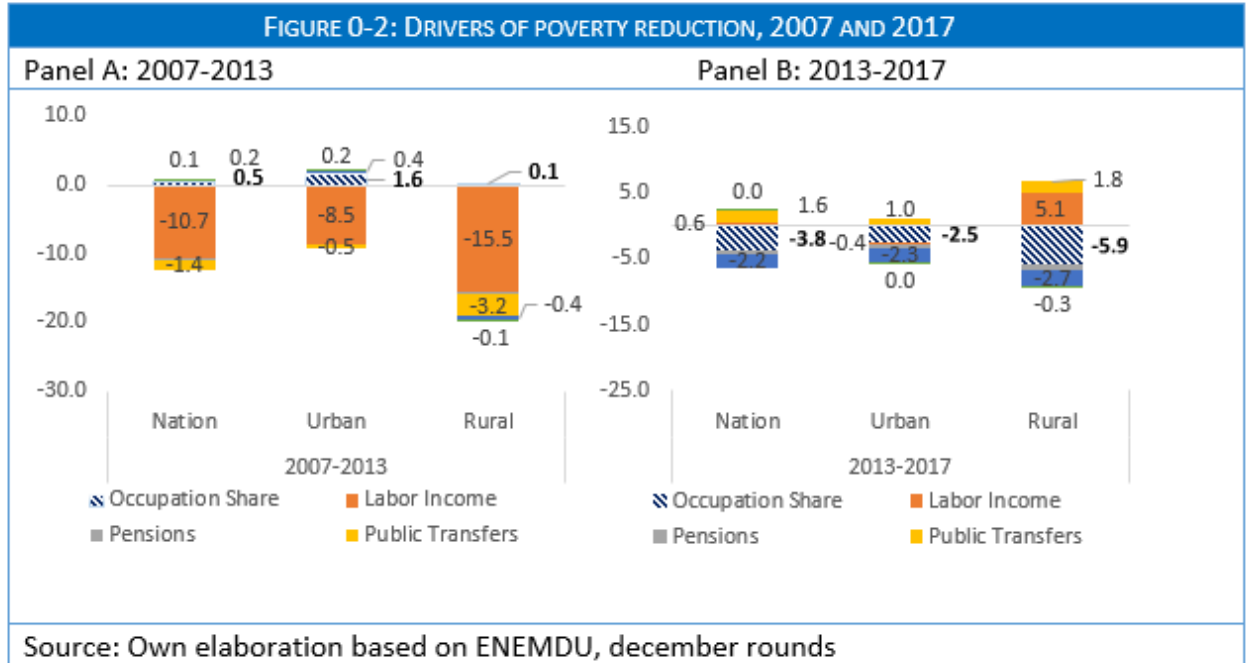
- Together with labor income, the social safety net played a leading role in the social gains obtained throughout the last decade, particularly prior to 2014.** The social assistance programs contributed to 12 percent of poverty reduction, 24 percent to the decline of poverty gaps, and 3.5 percent to the fall in inequality between 2007 and 2014 (Figure 2). Impacts were higher in rural areas, where, for instance, the

Based on official poverty line (INEC, 2017).

<sup>56</sup> Using an international poverty line of U\$5 5.5 a-day (2011-PPP), Ecuador’s poverty headcount increased from 29.4 to 30 percent for 2014 and 2015 respectively while the headcount for the LAC region was constant at 26.9 percentage points in both years. Source: SEDLAC data (CEDLAS and the World Bank), Project 02.

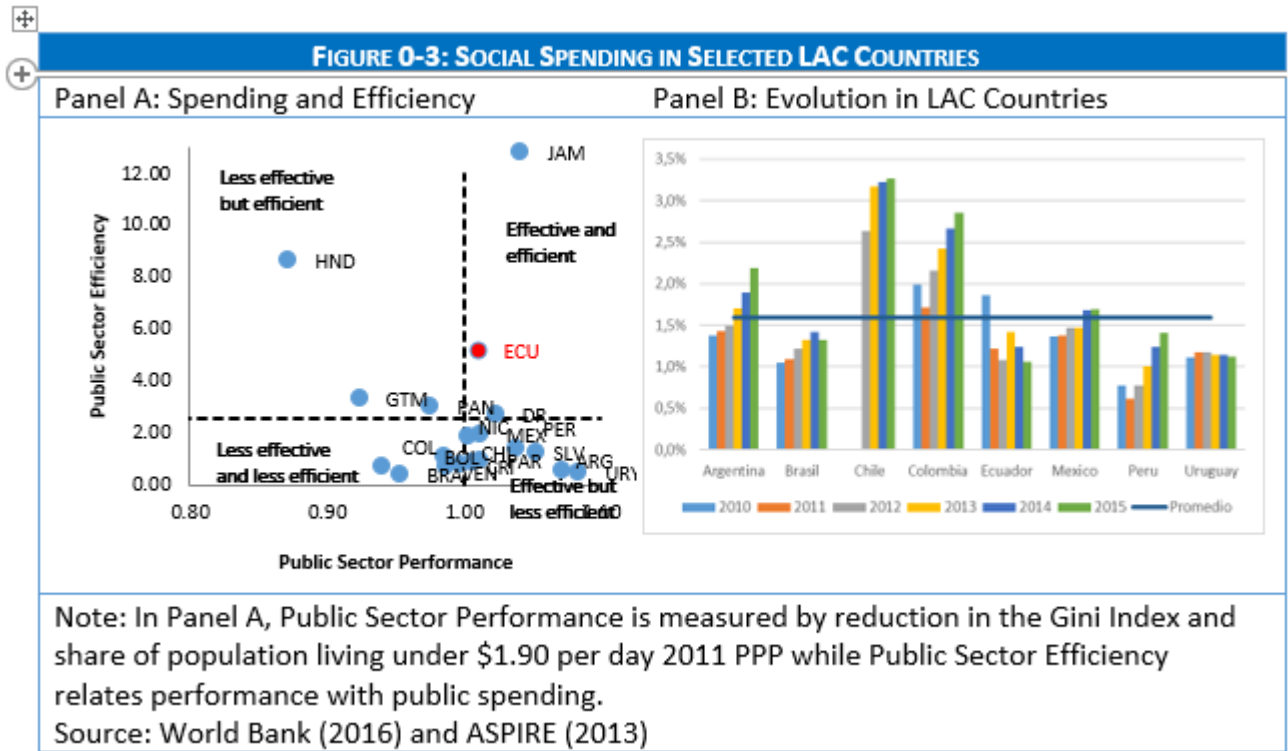


contribution of social assistance programs to poverty reduction increased to 17 percent. This depicts a similar performance to that of Chile, but with slightly less than half the expenditure: only 1.3 percent of GDP in Ecuador. This ranked Ecuador as one of the most efficient social assistance spenders in the region.



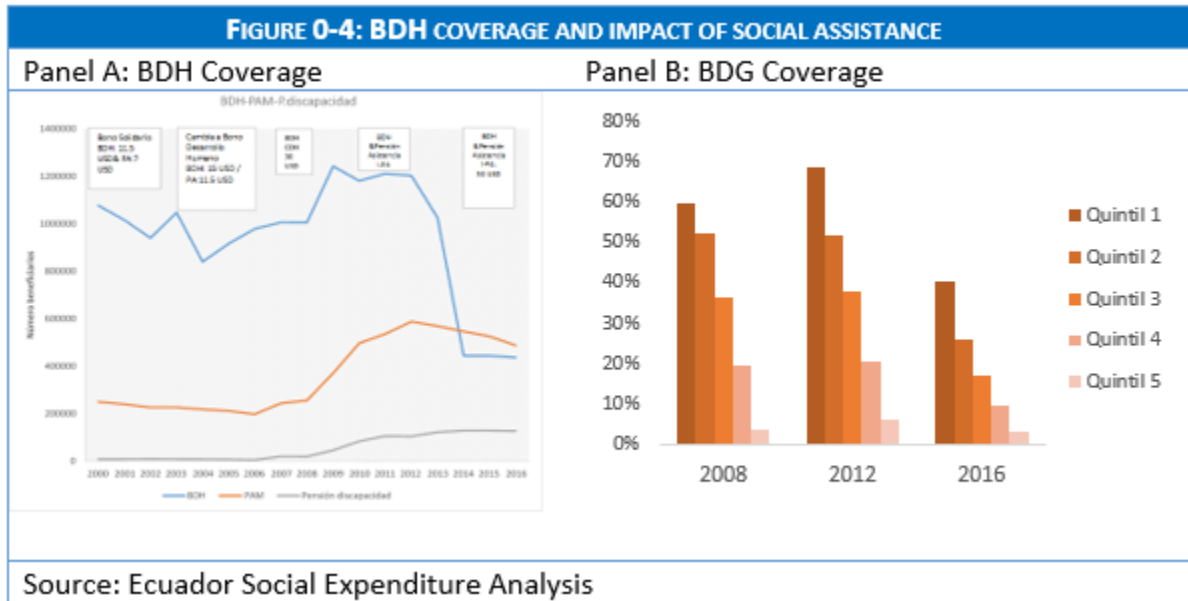
- The two largest public transfer programs, *Bono de Desarrollo Humano (BDH)* and *Bono Joaquin Gallegos Lara*, broadly have accounted for more than 50 percent of spending in social assistance since 2006, although, this share substantially decreased after 2014.** The BDH is a conditional cash transfer (CCT) program that provides monetary funds to poor households contingent upon the fulfillment of education and health co-responsibilities. The *Bono Joaquin Gallegos Lara* provides (unconditional) transfers to vulnerable households and those with disabled members. The spending on the BDH hovered at around 0.55 and 0.67 percent of GDP between 2007 and 2013, but then fell to 0.43 percent in 2014. In 2015, it dropped further, to 0.26 percent of GDP, accounting for only 24 percent of total social spending in that year. In addition, social assistance spending became pro-cyclical, different from other Latin American countries (Figure 3 – Panel A). By the year 2015, while most countries tried to fight back the end of high commodities prices by increasing their social assistance spending, Ecuador reduced it (Figure 3 – Panel B).





4. **Lower fiscal resources triggered by the fall in oil prices together with changes in the eligibility conditions for *Bono de Desarrollo Humano* (BDH) beneficiaries increased the progressivity of social assistance programs, but significantly reduced their coverage.** In 2014, stricter eligibility conditions were introduced to the BDH program to increase its efficiency. This move also had an impact in improving its progressivity. Between 2008 and 2016, coverage among the highest income quintiles was reduced, while the share of beneficiary households belonging to the lowest quintiles was increased. However, the number of beneficiaries was reduced substantially, and coverage was affected. The strategy of changes in eligibility criteria only involved the “graduate” beneficiaries of BDH, but it did not contemplate a process to incorporate potential new beneficiaries (Figure 4 – Panel A).<sup>57</sup> In 2008, coverage of the BDH program in the bottom quintiles, Q1 and Q2, stood at more than 60 and 50 percent, respectively. Yet, by 2016, the share for these two quintiles had dropped to 40 percent and 26 percent, respectively (Figure 4 – Panel B).

<sup>57</sup> The Ministerial Agreement Number 348 (Ministry of Economic and Social Inclusion) March 31, 2014, changed the cutoff point from 36.5 to 28.2 of the Social Registry index.



- Ecuador is currently updating its Social Registry Index, the main tool to define those who are eligible for social assistance programs.** The new Index, which will be applied shortly, would help maximize the positive impact of the proposed project. In addition, the Government has already started to work on initiatives such as the new modality of BDH that will include in its criterion the number of children in the household. Furthermore, the Government is working on a new elderly program “*Mis mejores años*” which is a cash transfer.

**Definition of Change Channels through the project.**

**Channel 1: Equity**

- One of the major concerns of the operation is to guarantee a better targeting of social assistance programs to the most vulnerable population to improve their socioeconomic conditions.** The Ecuador Social Assistance Expenditure Review (World Bank, 2017) shows that the coverage reduction could have a substantial impact on the SSN’s effectiveness in poverty reduction. Therefore, two simulation exercises are proposed, with and without considering behavioral responses from household members, using the criterions of the new Social Registry Index 2018.
- An improved targeting mechanism would produce significant impacts on reducing extreme poverty.**<sup>58</sup> The results of the microsimulation exercises show that the incidence in extreme poverty would be reduced almost by half, reaching a minimum of 4.6 percent without considering behavioral responses. Given that beneficiaries of this operation are mostly in extreme poverty, simulation results are not significant for moderate poverty incidence (i.e., less than 1 percentage point). Yet, the living conditions of the poor would significantly improve because of this project. This is shown by the shrink of around 8 percentage points in

<sup>58</sup> For information regarding the methodology of both microsimulations the document is available upon request.

both poverty gap indexes. Note, these results assume usual trajectories for macroeconomic and external factors and are in a partial equilibrium setting.

8. **The cost-benefit ratio of BDH would more than double irrespective of the poverty status.** The cost-benefit ratio measured as the fall in the poverty gap for each dollar spent in the transfer programs, shows that the efficiency of the program would increase from U\$S 0.4 to U\$S 0.9 cents. This increment in efficiency is explained by two factors: the increase in coverage up to 80 percent of deciles 1 to 3, and the improvement in measuring households' socioeconomic status with the new Social Registry Index.

*Tab 1. Microsimulations*

Type of microsimulation	Poverty headcount		Poverty gap		Cost benefit	
	Extrem	Moderat	Extrem	Moderat	Extrem	Moderat
	e	e	e	e	e	e
<b>Current</b>	8.4%	23.2%	34.9%	36.7%	0.385	0.406
<b>Microsimulation 1</b>	4.6%	22.6%	26.8%	28.7%	0.908	0.902
<b>Microsimulation 2</b>	5.5%	22.7%	28.8%	30.5%	0.908	0.902

*Note: The values show the poverty rates for moderate and extreme poverty, measured by headcount and gap.*

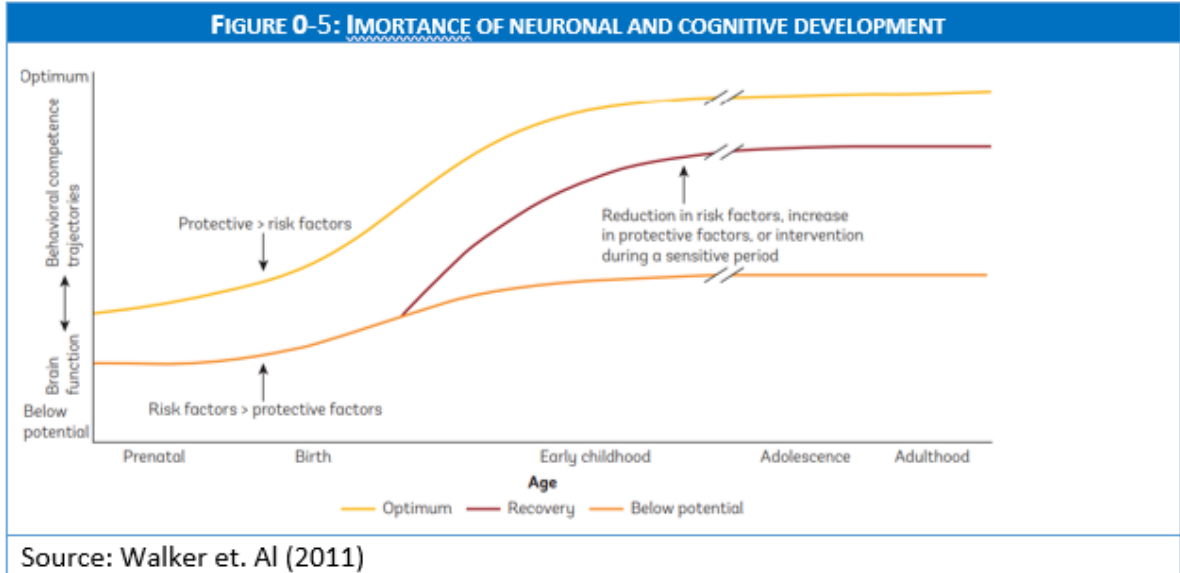
## Channel 2: Integration

9. **Stunting rates in Ecuador continue to be worryingly high.** In 2014, almost one in four children (age 5+) were chronically malnourished. Moreover, the incidence of malnutrition is higher among poor people. In the bottom quintile, for instance, one in three children are stunted. This leaves Ecuador with the second highest stunting rate in LAC, behind Guatemala, and with a rate comparable to that of Sub-Saharan Africa (Botswana at 23 percent, Ghana at 26 percent, and South Africa at 23 percent). Thus, considering this intervention would be crucial for changing Ecuador's trajectory.
10. **Impacts of conditional monetary transfers on early childhood development of extreme and moderate poor populations are key for intergenerational mobility.** The literature shows encouraging results for this kind of interventions which will be observed beyond the timespan of this operation. That said, early childhood development seeks to eliminate gaps between poor and non-poor. Schady et al. (2014) found that cognitive skills are barely noticeable between poor and non-poor children at 3 years of age but these almost double by the age of 6 years. Grantham-McGregor et al. (2007) find that children in a state of chronic malnutrition at 24 months of age have an average income of 10 percent to 20 percent over their productive lives. Heckman (2009) estimates that early childhood programs that are



focused on the poorest present returns between 7 percent and 16 percent on their future earnings. In addition, Shonkoff and Phillips (2000) and Walker et. al. (2011) illustrate that early childhood development interventions help the neuronal development process which occurs in the first 5 years of life.

11. **Benefits of these type of interventions are shown in the long-run.** Nadeau et al. (2011) point out that benefits will show when the child is ready to start its education. She will have better health and physical mobility levels which will reduce her behavioral risks.
12. **The design of the intervention in early childhood development with supervision is relevant.** Despite this, Aboud and Yousafzai in a meta-analysis of 21 interventions find that the stimulation has moderate effects from 0.42 to 0.47 on cognitive and language development. Proper nutrition presented minor effects of 0.09. Gertler et. al (2014) documents that regardless of having early childhood development plus nutrition supplements, two decades later children who received early stimulation have income 25 percent higher than those who received only supplements or had no intervention. When cash transfers are conditioned to care services, the evidence points out that this transfer removes barriers to accessing services by increasing the level of household income-consumption (Horton et al., 2010). In Nicaragua, Schady and Vakis (2012) show that monetary transfer improved cognitive outcomes and the child's socio-emotional development.
13. **This operation will align monetary transfers with services for the first time in Ecuador.** There are several BDH impact evaluations that identify the weakness of providing transfers without services. Ponce and Bendi (2010) find that the BDH has not had any impact on the results of standardized knowledge tests at second-grade level for children who have been beneficiaries of the transfer. The authors suggest that specific nutrition interventions for children aged 0 to 5 years and early childhood development for beneficiaries of the transfer could generate effective changes in the quality of the child's learning. Schady et al. (2011) show that the difference in points reached in the Vocabulary test in Peabody Images for BDH beneficiaries versus the richest quintile is significant, high and almost double in rural areas. These findings reinforce the idea that differences in income appear very early in people's lives, and that social programs focused on the early childhood development for children in extreme poverty and moderate poverty are the key to overcoming this circle. Fernand and Hidrobo (2011) through an evaluation of beneficiary and non-beneficiary children of the BDH find that the transfer does not generate positive impacts on the z-score of height or the levels of hemoglobin in children; a low effect on the vocabulary of children in rural areas receiving the transfer is documented, at urban level no differences are found. Given this local evidence and little success, the operation seeks to close this service gap, aiming at documented medium and long-term results.



### Channel 3: Sustainability

14. International literature has shown the success of “graduation” practices, emphasizing the role of skill generation while the participants are still beneficiaries of the program. Furthermore, it is essential that after graduation, entrepreneurship is encouraged. International and national literature show the benefits of a well-managed program of credits to the poor, so that under the program beneficiaries develop financial skills.
15. **International experience of graduation programs and their long-term impacts are positive.** However, the success of these programs depends on their design and implementation. The main problems are the structural barriers that households in poverty face, such as market failures, absence of capital and assets and vulnerability to external economic and environmental shocks (Browne ,2013). Sabastes-Wheeler and Devereux (2011) point out that graduation needs to be understood as a process of sustaining and continuous escorting of beneficiaries. It is not simply a given cut-off point for a program. The authors point out that the restrictions and drivers of an effective graduation process are: (i) the markets in which households operate properly function and provide opportunities; (ii) initial levels of financial and non-financial resources (individual and community) need to be significant so they will have positive effects on the exit of poverty; (iii) the amount of the transfer must be adequate. Evidence indicates that if this level of transfer is low, it dilutes among members of the households. Transfers from cooperation or communities have a greater probability of a successful graduation process; and (iv) the labor market context and the economic situation of a country make the graduation process non- linear. Hashemi and Umaira (2001) show that the process of graduation in the Building Resources Across Communities, BRAC program in Bangladesh has been successful. The monetary transfer and the graduation package included beneficiaries’ skill-training, health controls and access and inclusion to financial markets. Impact evaluations show that 3 years after graduation, 92 percent of the beneficiaries had exceeded the \$ 0.5 per day goal, 47 percent of the beneficiaries increased their food consumption by \$ 0.93 cents, and access to the credit increased from 22 percent to 77 percent. The authors summarized two key conditions: (i) a monetary transfer of graduation equivalent to 18 months of the monthly transfer; and (ii) training of beneficiaries' skills linked to productive



activities. Misha and Das (2010) complement these findings by noting that the graduation strategy significantly increased entrepreneurship. The authors find that four years after graduation, the income of female entrepreneurs grew by 13 percent compared to a 17 percent drop in women who continued with temporary jobs associated with the agricultural or domestic service sector. In India, Sengupta (2013) reports positive results on the income and financial inclusion of participants who access graduation programs compared to those who do not or stay in the transfers. The author finds that a mobility driver is the configuration of support networks, support pairs and access to non-predatory credits. Jawahar and Segupta (2012) document that the positive effects of graduation in a 3-year trajectory remain positive with respect to income issues, but that at the level of social capital and financial management these concepts disappear in time and arrive at similar levels of households not participating in the process.

**16. The *Crédito of Desarrollo Humano (CDH)* could have a significant role to guarantee a safer exit process.**

The CDH is an advance payment from the BDH or BDH-V for micro economic entrepreneurship. The transfer currently covers 12 months for individual activities, or 24 months for associativity entrepreneurship. The latest includes training, accompaniment and technical assistance. The CDH is meant to promote livelihoods and economic autonomy of poor households. Martinez et al. (2016) studied a marginal exit strategy exercise in the province of Chimborazo in 2014 and 2015. The authors find that the targeted exit strategy plans generated a high participation rate in training and active job search. One of the current modalities of the BDH is to opt for a Human Development Credit (CDH), which is the advanced sum of two years of transfer for productive undertakings. Lozada et al. (2018) in a quasi-experimental evaluation find that beneficiaries who opted for CDH have greater impacts in terms of improving their economic well-being, housing conditions and levels of average schooling. On the other hand, Araujo et al. (2012) finds that the BDH by itself does not constitute a program that contributes to upward social mobility in the long term. However, Mideros (2016) points out that this effect is small and that in the medium term there are positive impacts in labor or business incomes. Given the positive international evidence regarding exit strategies, and the potential at the local level that the CDH would mean in terms of a tool to enhance exit strategy (along with coaching services to households) the operation seeks to support this strategy to allow beneficiaries to graduate, potentially increase their income, reduce the poverty gap, and further social mobility.

**Fiscal Sustainability Analysis**

**17. The new social registry index expects to “graduate” 293,452 beneficiaries in the medium and long term, generating fiscal savings of around US\$192.44 million.<sup>59</sup>** These numbers are simulated based on information of three programs: BDH, variable BDH (conditioned on the number of children in the household), and “*Programa para Adultos Mayores en Extrema Pobreza - Mis Mejores Años.*” In summary, it simulates the potential “graduates” from the program - calculations are shown below. Note, the plan is to monitor beneficiaries that “graduate” during the following next three years. If individuals do not reach acceptable levels of social mobility, they may be reincorporated to the program. This implies a reduction in this potential savings of around US\$21.44 million.

<sup>59</sup> Methodology is available upon request.



*Tab 2. Savings expected from “exit” for the years 2020 to 2022*

<b>Program</b>	<b>Beneficiaries</b>	<b>Annual savings (US\$ Million)</b>	
<b>BDH-V</b>	45,455	\$	43.64
<b>PMMA</b>	35,211	\$	21.13
<b>BDH</b>	212,786	\$	127.67
<b>TOTAL</b>		\$	192.44

Source: Staff calculations

18. **The net present value of the project using a 10 year’ horizon and a 12 percent discount rate is US\$392.56 million, showing the project is feasible.** Net present value uses a 12 percent discount rate as a standard number for SENPLADES investment projects. Using the values calculated as potential expenses and potential savings, the NPV shows a positive number, meaning that the project is feasible.