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Report No: PAD3911

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$40 MILLION

TO THE

REPUBLIC OF ECUADOR

FOR A

TERRITORIAL ECONOMIC EMPOWERMENT FOR THE INDIGENOUS, AFRO-
ECUADORIANS AND MONTUBIAN PEOPLES AND NATIONALITIES (TEEIPAM) PROJECT

September 14, 2020

Social Global Practice
Latin America And Caribbean Region

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CURRENCY EQUIVALENTS

(The U.S. dollar is the official currency of Ecuador, effective January 2000)

Currency Unit = US Dollar

FISCAL YEAR
January 1 - December 31

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ABBREVIATIONS AND ACRONYMS

AD	Afro-descendant
AE	Afro-Ecuadorian
AME	Association of Ecuadorian Municipalities (<i>Asociación de Municipios Ecuatorianos</i>)
CDD	Community Driven Development
CES	Council for Higher Education (<i>Consejo de Educacion Superior</i>)
CNIPN	National Council for the Equality of Peoples and Nationalities (<i>Consejo Nacional para la Igualdad de Pueblos y Nacionalidades</i>)
CODENPE	Council for the Development of the Indigenous Peoples and Nationalities of Ecuador
CONAIE	Confederation of Indigenous Nationalities of Ecuador
CONGOPE	Consortium of Provincial Autonomous Governments of Ecuador (<i>Consortio de Gobiernos Provinciales Autónomos del Ecuador</i>)
COVID-19	Novel Coronavirus 2019
CPF	Country Partnership Framework
E&S	Environment and Social
EIRR	Economic Internal Rate of Return
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
ESMF	Environment and Social Management Framework
ESMP	Environmental and Social Management Plan
ESRS	Environmental and Social Review Summary
ESS	Environment and Social Standards
FECONIC	Federation of Black Communities and Organizations of Imbabura and Carchi (<i>Federación de Comunidades y Organizaciones Negras de Imbabura y Carchi</i>)
FM	Financial Management
GAD	Decentralized Governments (<i>Gobiernos Autonomos Decentralizados</i>)
GBV	Gender-based violence
GDP	Gross Domestic Product
GoE	Government of Ecuador
GRM	Grievance redress mechanism
IADB	Inter-American Development Bank
IBE	Intercultural Bilingual Education
ICT	Information and Communications Technologies
IFAD	International Fund for Agricultural Development
IFR	Interim Financial Report
INEC	National Institute of Statistics and Censuses
IP	Indigenous Peoples
IPAM	Indigenous Peoples, Afro-Ecuadorians, and Montubians
IPP	Indigenous Peoples Plans
IPPF	Indigenous Peoples Planning Framework
LCR	Latin America and Caribbean Region

LMP	Labor Management Plan
M&E	Monitoring and evaluation
MAG	Ministry of Agriculture and Livestock (<i>Ministerio de Agricultura y Ganadería</i>)
MIES	Ministry of Economic and Social Inclusion (<i>Ministerio de Inclusión Económica y Social</i>)
NCEPN	National Council for the Equality of Peoples and Nationalities
NPV	Net Present Value
OM	Operations Manual
P/N	Peoples and Nationalities
PAD	Project Appraisal Document
PDO	Project Development Objective
PF	Process Framework
PIU	Project implementing unit
POM	Project's Operations Manual
PPSD	Project Procurement Strategy for Development
PRODEPINE	The Indigenous and Afro-Ecuadorian Development Project
RAP	Resettlement Action Plan
RPF	Resettlement Policy Framework
SEC	Subproject Evaluation Committee
SENESCYT	National Secretariat for Higher Education, Science and Technology (<i>Secretaría Nacional de Educación Superior, Ciencia y Tecnología</i>)
SEP	Stakeholder Engagement Plan
SEPS	Popular and Solidarity Economies Superintendence (<i>Superintendencia de Economía Popular y Solidaria</i>)
SHR	Secretariat for Human Rights
SP	Subproject
SSNPSM	Sub-Secretariat for Nationalities, Peoples and Social Movements
STEP	Systematic Tracking and Exchanges in Procurement
TA	Technical Assistance
TEEIPAM	Territorial Economic Empowerment for Indigenous Peoples, Afro-Ecuadorians and Montubians
TIS	Territorial Intervention Strategy
ToC	Theory of change
UBN	Unsatisfied Basic Needs
VAWG	Violence against women and girls
WB	World Bank

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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name		
Ecuador	Territorial Economic Empowerment for the Indigenous, Afro-Ecuadorians and Montubian Peoples and Nationalities (TEEIPAM)		
Project ID	Financing Instrument	Environmental and Social Risk Classification	Process
P173283	Investment Project Financing	Substantial	Urgent Need or Capacity Constraints (FCC)

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 type="checkbox"/> Performance-Based Conditions (PBCs)	<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 checked="" type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
25-Sep-2020	31-Dec-2025

Bank/IFC Collaboration

No

Proposed Development Objective(s)

The Project Development Objective (PDO) is to improve livelihoods and support COVID-19 relief for targeted Indigenous Peoples and Nationalities, Afro-Ecuadorians, and Montubians, in accordance with their vision and priorities for development.



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Territorial Economic Empowerment for the Indigenous, Afro-Ecuadorians and Montubian Peoples and Nationalities (TEEIPAM) (P173283)

Components

Component Name	Cost (US\$, millions)
Component 1: Strengthening Governance and Investment Planning for IPAM Development	2,500,000.00
Component 2: Preparation and Implementation of Territorial subprojects	25,500,000.00
Component 3: Promotion of Higher Education and Employment Generation for IPAMs	5,000,000.00
Component 4: Project Administration, Communication, and Monitoring and Evaluation	7,000,000.00

Organizations

Borrower:	Republic of Ecuador
Implementing Agency:	Secretariat of Human Rights (Secretaria de Derechos Humanos)

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	40.00
Total Financing	40.00
of which IBRD/IDA	40.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	40.00
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Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2020	2021	2022	2023	2024	2025	2026
Annual	0.00	2.64	5.08	8.11	8.00	7.66	8.51
Cumulative	0.00	2.64	7.72	15.83	23.83	31.49	40.00



INSTITUTIONAL DATA

Practice Area (Lead)

Social Sustainability & Inclusion

Contributing Practice Areas

Agriculture and Food, Education, Finance, Competitiveness and Innovation

Climate Change and Disaster Screening

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

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

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



Have these been approved by Bank management?

Yes No

Is approval for any policy waiver sought from the Board?

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	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
Cultural Heritage	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

Not later than thirty (30) days after the Effective Date, establish, and thereafter maintain, at all times during Project implementation, a Project Implementing Unit (“PIU”) within SHR, with functions and responsibilities acceptable to the Bank as set forth in the Operational Manual, including, inter alia, the responsibility to coordinate, manage, implement, monitor and supervise the carrying out of the Project;



Sections and Description

Not later than one hundred and twenty (120) days after the Effective Date, ensure that a Project manager, technical/operations coordinator, financial management, procurement, social and environmental specialists are assigned to work full time within the PIU under terms of reference acceptable to the Bank;

Sections and Description

Create at least five (5) territorial teams (PIU Territorial Teams) to be housed in SHR’s existing zonal and district offices, with functions and responsibilities acceptable to the Bank as set forth in the Operational Manual, during the first year of Project implementation, all responsible for the coordination of Project activities within their respective Prioritized Territories.

Sections and Description

If applicable, prior to carrying out any activities under Part 2.2, 2.3. and 3 of the Project, the Borrower shall ensure that, an inter-institutional agreement is signed between SHR and the relevant ministry or entity, under terms and conditions satisfactory to the Bank, including, inter alia, the roles and responsibilities for implementing the respective part of the Project.

Sections and Description

Prior to carrying out any activities under Part 2.4 of the Project, the Borrower shall ensure that an inter-institutional agreement is signed between SHR and MPH, under terms and conditions satisfactory to the Bank, including, inter alia, the roles and responsibilities for Part 2.4 of the Project, and coordination mechanisms with autonomous governments (Gobiernos Autónomos Descentralizados, GADs), and the Consortium of Provincial Autonomous Governments of Ecuador (Consortio de Gobiernos Provinciales Autónomos de Ecuador, CONGOPE).

Conditions

Type	Description
Effectiveness	Article IV (4.01) of the LA: The Project’s Operational Manual has been adopted by the Borrower, in form and substance satisfactory to the Bank.
Disbursement	Description For payments for Eligible Expenditures under Categories (2), (3), and (5) unless the applicable Environmental and Social Management Instruments for Parts 2.1, 2.2, 2.3 and 3 of the Project have been adopted by the Borrower, as set forth in the ESCP, in a manner acceptable to the Bank;
Disbursement	Description For payments for Eligible Expenditures under Category (4) unless the applicable COVID–ESMF for Part 2.4 of the Project have been adopted by the Borrower, as set forth in the ESCP, in a manner acceptable to the Bank.
Disbursement	Description Provision for retroactive financing, as described in Schedule 2, Section III (B)(1) of the LA.



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Territorial Economic Empowerment for the Indigenous, Afro-Ecuadorians and Montubian Peoples and Nationalities (TEEIPAM) (P173283)

I. STRATEGIC CONTEXT

A. Country Context

1. Ecuador is an upper-middle income country with diverse geography, abundant natural endowments, and a heterogeneous population. The country is divided into 24 administrative provinces, 221 cantons, and 1,500 parishes and boasts the largest Indigenous population¹ and fifth largest Afro-descendant² (AD) population in the Latin America and the Caribbean Region (LCR). According to the latest national census (2010), more than three million Ecuadorians (more than 21 percent of the population) self-identify as either Indigenous (7 percent), Afro-Ecuadorian³ (7.1 percent) or Montubian⁴ (7.4 percent), with the remainder identifying as Mestizo (72 percent), White (6.1 percent) or Other (0.4 percent). Continental Ecuador is comprised of three distinct landscapes (the coastal region in the west, the central highlands known as the Sierra, and the Amazon rainforest in the east⁵) and Indigenous Peoples (IPs), Montubians, and Afro-Ecuadorians (AEs) tend to cluster demographically within these geographic areas⁶ (see Annex 4). The country also has one of the largest proportions of rural populations (36 percent) in South America, with agricultural land comprising nearly 25 percent⁷ of the country's land area.

2. Ecuador's Constitution recognizes the plurinational and multicultural nature of its population and promotes inclusive development, protection of the environment and cultural diversity through the principle of "Buen Vivir" or Sumak Kawsay (well-being). This concept recognizes the importance of strengthening social cohesion and community values, the rights of all Peoples and Nationalities⁸ to achieve a dignified quality of life, and the value of harmony between oneself, the community and nature. Chapter Four of Ecuador's Constitution enshrines the rights of IPAMs to live free of discrimination and racism, own community lands, and freely uphold their identity, ancestral traditions and forms of social organization. This includes the acknowledgement of, and respect for, traditional medicinal practitioners and the role they play in promoting health in IP, AE, and Montubian (collectively referred to as IPAM) communities.

3. The prevailing situation of IPAMs in Ecuador, however, is one marked by social disadvantage and dissatisfaction with the implementation and enjoyment of civil, economic, social and cultural constitutional rights. Despite strides made over the last 15 years towards reducing poverty and inequality in Ecuador, social

¹ World Bank (2015). Indigenous Latin America in the Twenty First Century: The First Decade.

² World Bank (2018). Afro-descendants in Latin America: Toward a Framework of Inclusion.

³ "Afro-Ecuadorian" refers to those descendants of enslaved Africans who were born in Ecuador since the slave trade.

⁴ Montubians are an ethnic minority of rural Mestizos known for their ranching and farming activities, rodeos, rites, music and distinctive attire. They are legally recognized as an "Indigenous People" in Ecuador's 2008 Constitution.

⁵ Among these regions, poverty rates are higher in the Amazon and in the rural Sierra.

⁶ 80 percent of IPs live in rural areas in the Sierra and Amazon, 75 percent of AEs live in Guayaquil, and Montubians predominantly live along the coast.

⁷ World Bank (2016). World Bank Data Bank.

⁸ According to the National Council for the Equality of Peoples and Nationalities, there are 15 Indigenous nationalities and 18 Indigenous peoples in Ecuador. Afro-Ecuadorians and Montubians also self-identify as "Peoples". "Nationalities" are a grouping of several peoples that share a common history or cultural roots and self-identify as one nationality. The NCEPN has a directory of the many organizations registered as Ecuador's Peoples and Nationalities: <http://www.pueblosynacionalidades.gob.ec/directorio-de-pueblos-y-nacionalidades/>

advances have not been shared equitably and notable gaps in measures of well-being between IPAMs and those of the White and Mestizo population persist. In both rural and urban areas, indicators of well-being and ethnicity are closely related: IPAMs are subject to disproportionately lower access to basic services and suffer from much higher levels of poverty. Whereas the national poverty rate (2019) is 21 percent, poverty levels for IPs, AEs, and Montubians are 43.4 percent, 30 percent and 36 percent respectively.⁹ The 2013 Unsatisfied Basic Needs (UBN) Index¹⁰ indicates that levels of multidimensional poverty are even higher: 63.41 percent for IPs, 43.68 percent for AEs, and 58.83 percent for Montubians.

4. The 2019 Novel Coronavirus (COVID-19) pandemic has exposed and further exacerbated these longstanding inequalities. Ecuador has been one of the hardest hit by the pandemic: nearly 113,648 positive cases and 6,555 deaths have been reported as of August 31, 2020. IPAMs are particularly vulnerable to the impacts of COVID-19 as lack of health care, water and sanitation, and pre-existing co-morbidities increase their risk. Reliance on informal economies with minimal if any savings or safety nets and the COVID-19 response and relief efforts also disadvantage IPAMs. Containment measures taken by the Government of Ecuador (GoE) to fight the spread of COVID-19 include the closure of international borders, instituting a curfew and mandatory quarantine, and limiting in-country transportation have meant that IPAMs are not able to purchase basic products (e.g. soap, matches, and salt), produce basic crops, nor do activities upon which they depend for their subsistence and livelihoods.

5. While some IPAMs have demonstrated resourcefulness and proactivity in responding to the COVID-19 crisis (see Box 1), support to IPAM economies is urgently needed to rebuild. A 2020 World Bank study¹¹ indicates that, as a result of the sharp decline in oil prices, COVID-19, and the limitations in accessing international finance, welfare gains in Ecuador might be completely eroded or worse. The number of individuals living in poverty will increase by approximately 34 percent with those in the informal sector most affected. As demonstrated by the civil unrest that took hold in Ecuador in October 2019¹², not attending now to the growing IPAM needs under COVID-19 could lead to new civil unrest and further economic destabilization.

⁹ ENEMDU National Survey of Employment, Unemployment and Underemployment (2019).

¹⁰ The UBN is a multidimensional poverty indicator that measures structural deprivations correlated with other indicators of wellbeing, including those related to education, water and sewerage, income, and housing.

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

¹² In early October 2019, the Government of Ecuador (GoE) announced a sharp overnight rise in fuel prices leading to a declared state of emergency after IP organizations, as well as unemployed youth, low- and middle-class workers, leveraged massive and sometimes violent protests to address a culmination of discontent and unrest resulting from growing inequality, unemployment, and the rupture between Government and Civil Society.

Box 1: Innovative Responses to COVID-19 by IPAM Producers

The COVID-19 pandemic has highlighted the critical contributions that small producers make to food security and has generated a greater interest and broader demand for their products. Rural IPAM producers, who generally made sales through intermediaries or at fairs and street-side markets, have accelerated harvesting practices to maintain food supplies and are finding innovative ways to reach clients despite the containment measures introduced by the GoE on March 12. One example, in the Azuay department (in the south of the country) is the small producers' organization, Pamar Chacri, which has become a small enterprise due to the increasing demand for their products. In order to reach their urban clients, Pamar Chacri transitioned to direct sales by delivering agroecological baskets to the doorsteps of their end consumers. Success was immediate. Within the first 15 days, 200 baskets were being delivered per week and, by the third week, delivery had reached 300 baskets, with demand exceeding delivery capacity. Their Internet sales and no-contact delivery to Quito residents has generated an average income of US\$200 per week for each of the 20 member families, fostering income stability amid the crisis.

B. Sectoral and Institutional Context

6. Through the years, IPAMs have become increasingly mobilized and active, calling for attention to the structural barriers they face in the practical realization of their rights and enjoyment of equal opportunities. As in other countries, IPAMs organize and most often identify more closely with their own traditional leaders and forms of decision making. IPAMs are represented through both territorial and non-territorial based networks and organizations that are classified into four distinct tiers¹³, ranging from first-tier organizations that represent a community comprised of individuals and families to fourth-tier organizations that are made up of community-level organizations at the national and/or regional level. Many of these fourth-tier organizations have played a critical role in promoting national IPAM policies and rights. For example, Ecuador's largest IP organization (Confederation of Indigenous Nationalities of Ecuador, CONAIE) led the creation of the Council for the Development of the Indigenous Peoples and Nationalities of Ecuador (CODENPE), comprised of IPAM organizations and representatives to support policy formation, resource mobilization and the establishment of a permanent consultative body between IPAMs and the State. In 2014, CODENPE was replaced by the National Council for the Equality of Peoples and Nationalities (NCEPN) with 10 members: five representing relevant State actors and five representing civil society.

7. IPAM organizations serve as important partners in supporting IPAM development but are subject to financing and capacity limitations that hinder the full realization of their potential. At all tiers, IPAM organizations face funding shortages and rely almost exclusively on volunteer work by their members. Often their political and technical roles are blurred and their teams lack access to professional and technical development opportunities and institutional strengthening. The varied level of recognition by external actors and internal conflicts also present challenges for clarity on their roles and mandates. Although there are some

¹³ Second-tier organizations normally represent several first-tier or community-level organizations and third-tier organizations are networks of second-degree organizations at the provincial level. IPAMs are also organized in thematic, non-territorial entities, such as unions and faith-based organizations.

important exceptions¹⁴, IPAM women have been historically marginalized from recognized leadership roles and have rarely achieved representative positions within these organizations.¹⁵

8. In rural areas, IPs and Montubians primarily engage in informal agriculture based on a family production model¹⁶, characterized by small or family-operated farms on plots of less than five hectares with limited or no hired labor. The different forms of family farming generate around 4 percent of GDP and employ one in three rural inhabitants.¹⁷ These rural family farmers produce a significant portion of the food consumed daily by the entire Ecuadorian population, a fact often referred to as the unrecognized “rural subsidy” of IPAMs to urban areas. These farmers are crucial for many value chains and staple foods such as rice (49 percent of national production), potatoes (64 percent), maize (76 percent) and onions (80 percent).

9. The majority of rural IPAMs lose a high proportion of the value of sales to intermediaries and generate an income that is insufficient to meet their basic needs. Malnutrition rates among IPAMs reach a staggering 47 percent¹⁸. Common challenges faced by IPAMs in rural areas include: (i) weak levels of association among producers; (ii) low productivity and limited access to technological innovations; (iii) weak direct access to markets and buyers, resulting in significant income loss to intermediaries; and (iv) lack of access to critical production factors, including information and communication technologies (ICT), exacerbated by external threats to land, water and natural resources. The common intermediary arrangement, combined with increased erosion and soil quality¹⁹ and limited access to financial services²⁰, has left rural IPAM producers in an extremely precarious situation, as demonstrated by the exponential rise in the share of IPAMs migrating from rural to urban settings²¹. IPAM producers continue, however, to identify unique ways to overcome these challenges (see Box 2).

¹⁴ These include: Nina Pacari, PhD (first indigenous woman MP, Minister of External Affairs during the Pachakutik alliance with President Lucio Gutierrez, and judge on the Constitutional Court); Lourdes Tibán, Doctor in Law (former Executive Secretary of CODENPE, MP and presidential pre-candidate for Pachakutik), and Diana Atamaint (MP for the Pachakutik party and head of the National Electoral Council).

¹⁵ The main obstacles to female participation include economic dependency on their husband and time constraints due to their role as caregivers. (World Bank, 2018).

¹⁶ Family agriculture. Ecuador has 1.1 million agricultural households with land size between 1 ha and 20 ha, regarded as small and medium producers, who own about 1.6 million hectares (25 percent of total area at national level). They often practice what they refer to as *minga*, an Indigenous term for a communal labor project. This type of production model is most common in the Highlands (64 percent) and Coast (26 percent).

¹⁷ Manifesto by the AFCC, Quito, December 2019

¹⁸ Larrea, Carlos and Wilma Freire (2017). "Social Inequality and Child Malnutrition in Four Andean Countries." *Revista Panamericana De Salud Publica* 11.5-6 (2002): 356-64.

¹⁹ Increased erosion and a reduction in soil quality is the result of an overuse of pesticides and other chemicals; it is often due to the promotion of less sustainable agro-industrial production models such as single-crop farming.

²⁰ IPAMs in rural areas are concentrated in municipalities with less financial infrastructure (i.e. fewer bank branches and financial cooperatives), operate in sectors that are often not well-served by financial institutions (e.g., smallholder farming, forestry, retail trade), may be less likely to have fixed assets to use as collateral, and may face discrimination and unfair business practices by financial institutions. Though a very low 6.3 percent of farmers have access to credit in Ecuador, the share coming from public or private banks is only around 5 percent.

²¹ ENEMDU, 2019.

Box 2: Innovative IPAM Producer Groups

The Corporation of Afro-Ecuadorian producers of the Mira River Basin (affiliated to the Federation of Black Communities and Organizations of Imbabura and Carchi-FECONIC) is a group of 38 Afro-Ecuadorians that has been producing mango, avocado and other fruits for sale in the local market and to processing companies in the area. Although their diversified production flourished, the group was unable to access formal financial services, and in turn created their own informal saving and credit facility that manages approximately US\$60,000. This facility provided working capital to pay producers, bridging the gap between agro-processors' payments and their families' economic short-term needs.

The Indigenous Imbabura group of producers has developed experience in the production of *uvilla*, a high value and cost-effective fruit, in order to supplement their current production of maize, potato, and beans, which alone do not cover the basic economic needs of most families. The production and post-harvest processing of *uvilla* has created temporary rural jobs and serves as an alternative to other sources of employment in the local agribusiness sector that are deemed less desirable. This includes the production of flowers - an industry that, despite having high job creation, leads to the abandonment of productive parcels and generates adverse impacts to health for the flower sprayers and pickers due to the heavy use of pesticides. Although initially a small-scale effort, the success of *uvilla* has led the group to expand to include producers of five provinces. This regional initiative produces and sells to different processing plants, generating know-how on productive and commercial management capacities that are transmitted to other producers in the North-Central region of the Andes.

10. Rural IPAMs have highlighted the need to strengthen the capacity of their traditional leaders to organize producers and revitalize collective production and traditional systems, knowledge and practices to promote food sovereignty²², a fundamental building block for achieving *Sumak Kausay*. These include, among others, the adoption of the Ayllu (community clans) collective community production models, systems of reciprocity and complementarity among and between communities, and the application of ancestral concepts around energy balance, temperatures, the lunar calendar and the need for crop diversity and agrobiodiversity for farming and irrigation. An example of a successful practice of family agro-ecological production can be seen in the Kindi-Chuma family's farm, where ancestral knowledge regarding the flow of energy, protection of soil and water, and the association and rotation of crops are applied to foster both sustainable production and a healthy ecosystem. With this approach, the one-hectare farm facilitates sustainable intensive use land which, in addition to the production of various fruits and vegetables, allows the family to provide capacity training and food services, cultivate traditional medicinal plants, and offer ancestral healing services²³.

11. IPAMs in urban areas face distinct challenges from those in rural areas and are primarily AEs, as well as some IPs and Montubians who migrated to cities in search of better economic opportunities. The majority of urban AEs work in menial jobs as day laborers (construction, gardening, security, domestic services), informal street sellers, or small entrepreneurs (as micro-taxi drivers, cocoa cultivators, grocery store

²² Article 281 of Ecuador's constitution reads: "Food sovereignty is a strategic objective and an obligation of the State to guarantee that individuals, communities, towns and nationalities achieve permanent self-sufficiency with foods that are healthy and culturally appropriate."

²³ Temescal, pachamanca, ritual baths, etc.

clerks, or preparers of fish cakes and other meals). Similar to IPs, AEs have a strong kinship system characterized by the reciprocity of exchange in goods and work. Common challenges faced by urban AEs include: (i) high levels of socio-economic discrimination that lead to market exclusion; (ii) labor segmentation; (iii) lower income/wages received; and (iv) low levels of professionalization of the workforce. As a result, AEs are subject to disproportionately high levels of unemployment (12.5 percent compared to 5.2 percent for non-IPAMs in urban areas)²⁴, higher rates of underemployment²⁵ (25.5 percent, compared to 17.2 percent for non-IPAMs)²⁶ and a lower average monthly salary (\$444.50 for AEs, as compared to \$552.25 for non-IPAMs).²⁷ Over 95 percent of AEs in Guayaquil live in inadequate dwelling structures and are more exposed to crime and violence than non-IPAMs.

12. In urban and rural areas alike, IPAMs suffer from high levels of informality, limited access to financial services, and limited access to, and retention in, higher education, further limiting adequate career opportunities. Despite the GoE’s recognition of the importance of education for IPAMs, Ecuador continues to lag in education outcomes and levels of education attainment vary widely among its citizens. IPAMs, on average, attend only ¾ of the years of schooling completed by non-IPAMs²⁸, and are also up to three times more likely to be illiterate²⁹. Overall IPAM participation (ages 20-24) in higher education substantially lags behind non-IPAMs, especially when taking into account their overall proportion of Ecuador’s population (see Table 1). These differences widen in higher levels of education, often because of discrimination and economic difficulties. Discrimination can be seen in the failure of educational programs to incorporate different cultures and languages, leading to a loss of culture, higher dropout rates and poorer outcomes for IPAMs.

Table 1: University and Technical Training Institute Representation in Ecuador

Population (age 20-24)			University representation (2012-2018)			Technical Training Institutes representation (2017)	
Ethnicity (Self-Identified)	Total #	%	Taken entry exam (%)	Applied (%)	Enrolled (%)	Enrolled (#)	Enrolled (%)
Indigenous	91,072	7.05	3.89	3.05	3.47	2,898	3.88
Afro-Ecuadorians	103,849	8.04	3.72	3.18	3.32	1,460	1.95
Montubians	83,866	6.49	2.89	2.61	3.21	1,969	2.64
Whites/Mestizos	1,008,019	78.00	86.33	81.29	90.00	65,516	87.77
Other/Not-disclosed	5,320	0.41	3.27	9.87	0.00	2,804	3.76
Total	1,292,126	100.00	100.00	100.00	100.00	74,647	100.00

Source: Most recent INEC Census (2010) and SENESCYT data (2012-2018), as elaborated by John Anton (2018)

13. IPAMs in Ecuador have founded some higher education initiatives that aim to promote knowledge based on their worldview and ancestral knowledge and systems. These initiatives and institutions are critical

²⁴ INEC Survey (2019)

²⁵ Insufficient working hours

²⁶ The June 2019 ENEMDU National Employment Survey.

²⁷ Ibid.

²⁸ Per INEC, Whites complete an average of 10.7 years of schooling, whereas IPs, AEs and Montubians only complete an average of 6.4 years, 8.4 years, and 7.4 years respectively. The national average is 10.2 years.

²⁹ Ecuador’s national illiteracy rate is 6.8 percent, and yet among IPAMs, illiteracy levels rise to 20 percent for IPs, 7.6 percent for AEs, and 12.9 percent for Montubians (Anton, Jhon. 2013).

to promote the systematization, strengthening, and sustained use of traditional knowledge and way of life, including language, medicine, agroecology, forest and territory management, forms of governance, and climate mitigation and adaptation. Despite the implementation of several ad hoc higher education initiatives, including through intercultural bilingual education (IBE), a system-wide approach to promote access, retention and cultural pertinence of IPAMs is yet to be adopted.

14. Ecuador’s ability to sustainably reduce extreme poverty and boost shared prosperity relies on directly addressing the development constraints and priorities of the poorest segments of Ecuadorian society. IPAM representatives and the national Secretariat for Human Rights (SHR) have emphasized the need to work in ways and places that most public investment projects do not, namely by providing affected IPAM communities with emergency COVID-19 support and improving income generation opportunities for IPAMs in ways that recognize and harness their cultural values and world vision. The proposed Project utilizes successful design features and participatory approaches from the Bank-financed PRODEPINE project³⁰, including a strong emphasis on building the capacity of participating IPAMs so that they can fully engage as partners, rather than mere beneficiaries, in both the definition and achievement of *Sumak Kawsay*³¹.

C. Relevance to Higher Level Objectives

15. The proposed Project would contribute to Ecuador’s 2017-2021 National Development Plan³² and is aligned with the Bank’s FY19-23 Country Partnership Framework (CPF) for Ecuador³³. By addressing the structural inequalities that hamper the ability of IPAMs to experience full enjoyment of the rights – economic, social, cultural, civil and political – afforded to them under the 2008 Constitution, Project investments would contribute to the achievement of *Pilar 1 “Rights for All, Lifelong”* of the National Development Plan and *Objective 1: Supporting Fundamentals for Inclusive Growth* and *Objective 2: Boosting Human Capital and Protecting the Vulnerable* of the CPF. Furthermore, the proposed Project would also contribute to the achievement of the GoE’s objectives³⁴ to increase both: (i) the net enrollment of self-identifying IPAMs in higher education and (ii) the percentage of IPAMs with adequate employment. Additionally, the Project’s design recognizes the vulnerabilities of IPAMs to climate change and incorporates subproject selection criteria to promote productive investments that will promote climate mitigation and adaptation measures, including the integration of climate resilient and green building designs, standards, and construction techniques for investments in both infrastructure and sustainable production models and products. Given the CDD approach of the Project, climate change co-benefits will be more accurately calculated during implementation once subprojects are identified and prepared but are expected to surpass the initial commitment included here.

³⁰ PRODEPINE, as it is commonly referred to, is the World Bank-financed Indigenous and Afro-Ecuadorian Development Project (P040086) operation, that was satisfactorily implemented between 1998 and 2003. PRODEPINE was structured in a way that allowed for local IPAM communities to plan and implement investments and sub-projects aimed at improving their quality of life.

³¹ These include the unique ways of living, self-governing, attachment to land and natural resources, traditional knowledge and specific IPAM rights that are protected by various laws and policies (i.e. the country’s constitution, ILO 169, UN Declaration for IP Rights, the International Convention to Eliminate All Forms of Racial Discrimination, and the Durban Action Plan).

³² The Ecuadorian Technical Planning Secretariat (2017)

³³ Report number 135374, discussed by the Bank’s Board of Executive Directors on June 11, 2019.

³⁴ As stated in the 2017-2021 National Development Plan

16. In the context of the pandemic, the World Bank has adjusted its program and introduced flexibility to be able to respond to the COVID emergency including through the proposed operation. This adjustment is in full alignment with the World Bank COVID-19 Crisis Response, Pillar 2: “Protecting the Poor and the Vulnerable” during the relief and the restructuring phases. In the absence of monetary policy and without fiscal space, Ecuador has been one of the countries hit hardest by the COVID-19 pandemic in the world; poverty rate is expected to increase to more than 30 percent. In response, the GoE launched a series of emergency cash transfers targeting 950,000 poor and vulnerable households, and prioritized economic inclusion services for non-poor and poor households with young adults (18-29 years old). Sustainability remains a challenge: 62% of poor families are not benefiting from any regular cash transfer program or social safety net. The World Bank management has approved the application of Paragraph 12, Section III of the Investment Project Financing Policy which allows for project processing under condensed procedures, pursuant to the Bank’s procedure *Preparation of Investment Project Financing – Situations of Urgent Need of Assistance or Capacity Constraints*.

17. The World Bank’s lending portfolio has been restructured in response to the COVID-19 crisis. Rapid financing relief has been delivered through disbursements from active loans (almost US\$80m) to finance the delivery of social services and increase the coverage of social safety nets. A health emergency response (US\$20m) was processed as part of the first batch of the WBG Covid-19 Response Fast Track Facility (P173773). New operations in the amount of US\$786m were approved between April and June 2020, large part of which was channeled through a second budget support operation (DPL II) which included a pillar for protecting the vulnerable. The WB is continuing to support the GoE’s efforts to reduce the financing gap, with a third budget support operation (DPL III) expected to be approved and disbursed late in 2020. The proposed Project is uniquely placed to, in the short term, to respond to IPAMs who are particularly vulnerable to the impacts of the COVID-19 due to poverty and poor access to services, worsened by the GoE’s related containment measures.

II. PROJECT DESCRIPTION

18. The proposed Project aims to address long-standing issues of economic and social exclusion of IPAMs, as the most historically marginalized people in Ecuador, while at the same time contributing to the GoE’s COVID-19 emergency response for IPAMs, per the priorities expressed by their leaders and authorities. To this end, the Project would finance: (i) the establishment and operationalization (stakeholder identification, logistical costs, and secretariat) of national and territorial platforms for dialogue between IPAM leaders and government officials at both levels, as well as their joint capacity to plan and implement investments aligned with IPAM priorities; (ii) governance and livelihood sub-projects for IPAMs; (iii) promotion of access to finance, higher education, and employment opportunities for IPAMs through connecting IPAM businesses to financing institutions and supporting them to meet requirements, tutoring programs and scholarships, supporting admissions processes within IPAM territories, internships, job fairs, etc.; and (iv) procurement and distribution of sanitary kits and support to health centers and traditional healers in COVID-19 affected IPAM communities. The proposed Project has been prepared almost entirely during the pandemic with both the Government and Bank teams under quarantine conditions, limiting the capacity for Bank

missions to the country or fieldwork and requiring all technical preparation and consultation to be carried out virtually or on the phone. Given its Community Driven Development (CDD) approach, details on subprojects, beneficiaries and results framework intermediate targets will be known once the territorial planning to be supported under Component 1 is completed and subprojects identified and prepared.

19. The Project supports a territorial approach³⁵ to development. Project-financed interventions would take place at the territorial level according to the spatial presence of IPAM Peoples and Nationalities (P/N) which, will often encompass several different parishes (see Annex 4). Fifteen territories, covering approximately 300 parishes, have been prioritized for Project investments according to the following criteria: (i) IPAMs comprise either a large absolute number or high concentration of the total inhabitants (to be measured by specific IPAM population density); and (ii) levels of multidimensional poverty are high (as evidenced by a UBN Index \geq 70 percent). Consideration would also be given to those areas (i) highly impacted by COVID-19 and related containment measures; and/or (ii) demonstrating high readiness³⁶ for subprojects.

A. Project Development Objective

PDO Statement

20. The Project Development Objective (PDO) is to improve the livelihoods and support COVID-19 relief of Indigenous Peoples and Nationalities, Afro-Ecuadorians, and Montubians (IPAMs) in prioritized territories of Ecuador, in accordance with their vision and priorities for development.

PDO Level Indicators

21. To measure achievement towards the PDO, the Project's results framework includes the following PDO-level indicators: (i) share of IPAMs in beneficiary territories that feel project investments reflect their development priorities/needs, as articulated during the planning process; (ii) the establishment and operationalization of a national platform for structured dialogue between IPAM representatives and Government officials; (iii) number of IPAM households that benefit from livelihood subprojects and investments; (iv) number of IPAM beneficiaries that secure, for the first time, formal financial services from participating financial institutions; (v) increase in attendance of IPAMs participating in higher education programs; (vi) the number of new internships and jobs for IPAMs facilitated by Project-financed activities; and (vii) direct number of IPAM beneficiaries. Where possible, indicators will be disaggregated by P/N and gender.

³⁵ A territorial approach refers to specific geographical parts of the country that have been selected based on the prevalence of IPAM groups and other eligibility criteria described. Strategic opportunities will be identified for economic development and a menu of investments and services will be offered and tailored to the space and peoples based on their priorities and vision for development.

³⁶ As indicated by the existing organization or agency of IPAM actors to serve as partners.

B. Project Components

22. Component 1: Strengthening governance and investment planning for IPAM development [US\$ 2.5 million]. This Component would finance the establishment and operationalization of national and territorial dialogue and planning platforms between IPAM representatives and different levels of the State. These platforms would be the primary mechanism to ensure ongoing participation and ownership of IPAM representatives and leadership in Project decision-making and management. Eligible expenditures under this Component would include logistical, administrative and input costs for meetings; operational expenses to mobilize stakeholders for planning processes; and hiring consultants to carry out stakeholder identification or technical assessments, conduct trainings, and/or facilitate the planning and decision-making processes.

(a) Sub-component 1.1. Territorial governance and investment planning (US\$ 1.5 million). In each of the 15 prioritized territories, this Sub-component would finance the establishment and operationalization of a territorial-level dialogue platform that includes representation from first- and second-tier IPAM organizations and relevant government actors (at the parish, municipal and provincial level), guaranteeing at least 30 percent female participation. Each territorial platform would be tasked with preparing a Territorial Intervention Strategy (TIS) that includes: (i) a mapping of key IPAM stakeholders; (ii) assessments of the key barriers faced for financial inclusion, and access to professionalization and employment opportunities; (iii) stocktaking, updating and validating of existing territorial development planning tools and instruments; (iv) articulation of a territorial vision for well-being and priority principles to be advanced through subproject financing; (v) identification of a long list of priority subprojects for financing under Component 2 and/or, as feasible, by other sources, that aim to support COVID-19 relief and recovery, food sovereignty, increased income generation for IPAMs, and financial inclusion; and (vi) definition of incentive criteria³⁷ by which to evaluate and select these subprojects. Technical assistance would be provided by Territorial Teams and consultants to prepare preliminary project profiles for those included in the longlist of priority subprojects and the activities listed. This Sub-component would also finance the implementation of a gender-based violence (GBV) reduction program over several weeks in three to four of the selected territories³⁸, consisting of multiple training sessions involving both men and women in participatory and active learning spaces to discuss gender equality, healthy relationships, effective communication, and livelihoods strengthening, among others.

(b) Sub-component 1.2. National dialogue and development planning (US\$ 1 million). This Sub-component would finance: (i) the establishment and operationalization of a national platform for development planning, consultation and dialogue between third-tier IPAM organizations and national government actors, guaranteeing at least 30 percent of women representatives; (ii) the strengthening of national information systems and adoption of technologies to map and track what infrastructure and services are there, in order to identify gaps and inform government service delivery and investments in IPAM

³⁷ Potential incentives would vary by territory and might include: the promotion of community production models and use of ancestral knowledge and systems, activities that link the rural-urban nexus, the participation and leadership of women and youth, strengthening climate resilience, the use of ecologically-friendly technologies including conversion to more sustainable crops.

³⁸ The GBV Reduction Program would be implemented in at least one IP, one AE, and 1 Montubian territory and would leverage the existing knowledge and networks of the SHR territorial office staff who are dedicated to fighting GBV in the territories.

territories; and (iii) technical assistance to improve the capacity of key government institutions to fulfill their IPAM inclusion and empowerment mandates (such as intercultural bilingual education, intercultural health, provision of basic services and economic support, etc.). The national platform would be tasked with supporting ongoing national-level project planning and consultation with IPAM leaders and facilitating the Project's engagements at a territorial level, including by (i) providing inputs to inform the preparation of a public policy for income generation and empowerment of IPAMs; and (ii) informing the short and medium term COVID-19 relief and recovery needs for IPAMs, differentiated by gender.

23. Component 2: Preparation and implementation of territorial subprojects [US\$ 25.5 million]. This Component would finance the selection, preparation and implementation of eligible subprojects, as identified through the territorial platforms. The short list will conform the Strategic Development and Investment Plan (SDIP) for the territory. The majority of resources are expected to be assigned to subprojects during the first year of planning processes; however each territory will be expected to set aside 10 percent of the resources for opportunities emerging prior to mid-term that are deemed innovative, of high need, or that promote well-performing subprojects. Eligible expenditures would include: (i) consulting services³⁹; (ii) operational costs to support productive alliances among producers and within value chains; (iii) the contracting of small-scale works aligned with the Project's Environmental and Social Management Framework (Project-ESMF); (iv) the purchase of equipment, supplies, inputs (seeds, animals, tools, etc.) and information and communication technologies (ICT); and (v) small-scale (up to approximately US\$ 3,000) matching grants for community banks.

(a) Sub-Component 2.1: Subproject preparation (US\$ 1.5 million). This Sub-component would finance the selection and preparation of subprojects to be financed under Sub-components 2.2, 2.3, and 2.4. Based on a diagnostic of a sample of IPAM territories, it is estimated that the Project could finance approximately 100 subprojects within the 15 territories, including five to ten subprojects, each ranging from US\$15,000-US\$800,000⁴⁰, per territory. A Subproject Evaluation Committee (SEC)⁴¹, comprised of local leaders and experts nominated by each territorial dialogue platform with the support of the PIU and further detailed in Project Operations Manual (OM), would be responsible for reviewing the longlist of priority subprojects. The logistical costs of the SECs will be financed by the Project. The SEC in each territory would then select subprojects to be shortlisted for Project financing according to: (i) their assessed technical, financial, social (including women's participation and leadership) and environmental feasibility; (ii) the standard subproject selection criteria, as outlined in the OM; and (iii) demonstrated alignment with the territorial priorities as established in the TIS. The provision of TA would also be financed under this Sub-component

³⁹ These could include to assess and prepare subproject proposals, provide TA, or conduct research, trainings or other needed services. The Central PIU, in coordination with Territorial teams, would hire consultants but would rely on community sign-off for their payment.

⁴⁰ While this range is large, it is anticipated that subprojects on the higher end of this scale would be very limited in number and either market-oriented or encompass a cluster of several smaller subprojects for one P/N. The subprojects on the lower end of the scale are likely to support small-scale initiatives for food sovereignty or critical governance needs (like communications equipment). Given the range in subproject amounts and types, the number and size of subprojects are likely to vary by territory.

⁴¹ To avoid elite capture and ensure legitimacy and fairness in the subproject evaluation and shortlisting process, each SEC will receive standard project profiles prepared by the proponents with the support of the PIU's Territorial Teams and would follow standard operating procedures to carry-out the evaluation and shortlisting process. Based on the size and number of the subprojects, the most highly evaluated subprojects would go forward for preparation under Sub-component 2.1. If during preparation a subproject is deemed unviable, the subproject would be dropped and the next on the list added to the pool of subprojects to be prepared and financed.

to assist in the design and preparation of subproject profiles and related plans⁴². Subproject proposals would include: (i) a description of the investments and activities, including their costs and timeframe; (ii) the results framework with relevant baseline data; (iii) the technical, financial, environmental and social (E&S) appraisal and risk assessment; (iv) an assessment of the beneficiary organization's capacity, including the technical assistance/training plan and accompaniment needed during implementation; (v) a procurement plan; (vi) a signed subproject subsidiary grant agreement between the PIU and recipient organizations; and (vii) any required E&S safeguard instruments⁴³. Subproject proposals would be required to include capacity building and/or TA needs to ensure successful sub-project implementation.

(b) Subcomponent 2.2: Territorial Governance and Livelihood Subproject Investments (US\$ 20 million). This Sub-component would finance the implementation of the subprojects selected and prepared under Sub-component 2.1 in accordance with the eligibility and selection criteria outlined in the OM and ESF instruments, based on the short list provided by the SEC and the final feasibility and decision of the PIU.⁴⁴ Subprojects would fall into one of the following four category types: (i) Territorial Governance; (ii) Food Sovereignty; (iii) Community Economies; or (iv) Market Economies. A table detailing these subproject types (description, intended beneficiaries, and indicative types of activities to be financed) can be found in Annex 3.

(c) Subcomponent 2.3: Support for financial inclusion (US\$ 2 million). In accordance with the assessment of barriers to financial inclusion undertaken under Subcomponent 1.1 and the financing needs identified for subprojects to promote financial inclusion, the Project would finance, with a gender perspective, support for: (i) community banks⁴⁵ to serve as a first resource for household-level savings and loans, as well as a space to provide basic financial literacy trainings and workshops; (ii) project beneficiaries to identify, connect, and access formal sector financing; and (iii) financial institutions (cooperatives and banks) within each territory to improve the accessibility of IPAMs to financial services⁴⁶. These planned activities are complementary to the objectives of the recently approved⁴⁷ Bank-financed Project, *Promoting Access for Productive Purposes for MSMEs (P172899)*, which will be implemented in tandem. The MSME Project will provide credits to small and medium enterprises and look for opportunities to target IPAM populations in their outreach and service provision. This Sub-component would not involve transfers to financial intermediaries.

(d) Subcomponent 2.4: COVID-19 Relief and Recovery (US\$ 2 million): In order to respond to the COVID-19 pandemic and to concerns raised by IPAMs during consultations, this Sub-component would finance

⁴² These would include, for example, procurement and environment and social plans.

⁴³ These will be determined according to the subproject's assessed E&S risks and impacts, and in accordance with the Project-ESMF, Indigenous Peoples Planning Framework (IPPF), Resettlement Policy Framework (RPF), possible Process Framework (PF), Labor Management Plan (LMP), and relevant E&S site-specific management plans (ESMPs and specific social management plans), which would be costed into the subproject's budget and supervised by the Project's PIU regional offices.

⁴⁴ The OM would outline the criteria that would require the World Bank to provide No Objection to a subproject, but it is expected that most subprojects would receive final approval by the PIU.

⁴⁵ via their expansion, strengthening and/or registration.

⁴⁶ For example, by tailoring the outreach of financial intermediaries, including their approach (e.g., expand retail agent networks), requirements (e.g. documentation and guarantee options) and, to some extent, financial products (repayment schedule) to better meet the needs of IPAM communities.

⁴⁷ July 2020.

activities that promote IPAM access to culturally pertinent and quality COVID-19 health service provision in affected and prioritized IPAM territories. Types of goods and services to be financed under this Sub-component include: (i) procurement and delivery of basic sanitary kits to affected IPAM communities; (ii) provision of training, supplies (e.g. thermometers and basic protective equipment), and other equipment for traditional healers and community health workers to support their prevention, detection and treatment of COVID-19 patients; and (iii) provision of training for community health workers in protocols to protect women and children against harassment/violence during isolation. To respond to the urgent need for assistance, a pre-defined list of TA and supplies would be agreed between the SHR and the Ministry of Public Health (MPH), contracted immediately after establishment of the Project Implementing Unit (PIU), and delivered to prioritized IPAM communities after validation from the Territorial Teams⁴⁸. Given the MPH's mandate to respond to COVID-19, an inter-institutional agreement would be prepared between SHR and MPH that details the roles and responsibilities and coordination mechanisms with autonomous governments (*Gobiernos Autonomos Decentralizados*, GADs), the Consortium of Autonomous Provincial Governments (*Consortio de Gobiernos Autonomos Provinciales del Ecuador*, CONCOPE) and the Ministry of Economic and Social Inclusion.

24. Component 3: Promotion of higher education and employment generation for IPAMs [US\$ 5 million]. This Component would finance subprojects and activities to improve opportunities for technical, educational and professional development and employment for IPAMs mostly focused in the Project's prioritized territories with some interventions national in scope. Eligible expenditures would include: scholarships, and funding for internships and on-the-job trainings, the hiring and related costs of consultants and human resources, operational costs, logistics and mobilization costs, the purchase of equipment, improvements and construction of small infrastructure, rental/lease of spaces, workshops, the creation and dissemination of communication materials, curriculum design, materials, and training of professors.

(a) Sub-component 3.1: Promotion of higher education (US\$3 million). This Sub-component would finance 20-25 subprojects, each with an allocation ranging from \$50,000-\$150,000, to provide opportunities for improving technical, educational, and professional development for IPAMs in prioritized territories. This will include: (i) support for actions within existing Universities and technical schools to promote access, retention, and cultural pertinence of the higher education system in general for IPAMs, including women and girls⁴⁹; and/or (ii) promote IPAM specific higher education or professionalization initiatives critical for promoting research and practical application and transmission of traditional IPM knowledge, practice and economies. A call for proposals would be carried out by the PIU, through which universities and technical/professional institutions would compete for subproject funds. The types of subprojects could include some or a combination of the following: (i) social, psychological, financial and academic support for IPAM students to improve access, permanence and cultural pertinency of higher education; (ii) curriculum design and development; (iii) training for IPAM professionals (such as Intercultural Bilingual Education (IBE) teachers, IPAM leaders, or business professionals); (iv) convening of IPAM trainings and learning fairs at the territorial level; (v) support to existing intercultural student centers located in cities such as Quito and Guayaquil to serve as residential reception spaces for IPAM students; and (vi) information and monitoring systems for the adequate accompaniment of program enrollees, among

⁴⁸ As established during the territorial planning processes under SC1.1.

⁴⁹ At least 30 percent of the beneficiaries of these interventions will be IPAM women or girls.

others.

(b) Subcomponent 3.2: Employment opportunities (US\$2 million). In partnership with employment associations, corporations, and firms, this Sub-component would finance affirmative actions aimed at promoting greater employment diversity and opportunities for IPAMs, at least 30 percent of whom would be females. Eligible activities include: (i) outreach to professional associations and chambers of commerce to broaden IPAM participation and employment opportunities through exploring opportunities for internships, affirmative actions, and other behavioral changes among their members to reduce labor segmentation and discriminatory or racist employment practices ⁵⁰; (ii) training, advisory and support activities for IPAMs to improve their competitiveness in labor access based on competitive processes for selection detailed in the OM; (iii) job fairs and targeted skills development programs; (iv) internships to promote the hiring of IPAM employees; (v) communication campaigns, advocacy work and awareness activities aimed at eradicating racial discrimination at work. Sub-component financing would support activities to be directly implemented by the PIU as well as a competitive subproject grant scheme open to the private sector, of which approximately 50 percent would go towards firms for internships.

25. Component 4: Project Administration, Communication and Monitoring and Evaluation [US\$ 7 million]: This Component would finance the PIU team at both the central and territorial levels, and operational costs associated with the planning, coordinating, contracting, supervising, monitoring, and reporting of project-financed activities. This Component would also finance the development of the Project ESMF and other specific social framework instruments, as well as proper implementation of fiduciary and Environmental and Social Framework (ESF) requirements. It would support all costs related to the Project's communications and monitoring and evaluation (M&E). The financing assigned to this Component is relatively large with respect to overall project costs due to the need to support significant institutional capacity and material strengthening of the SHR to assure satisfactory project implementation.

C. Project Beneficiaries

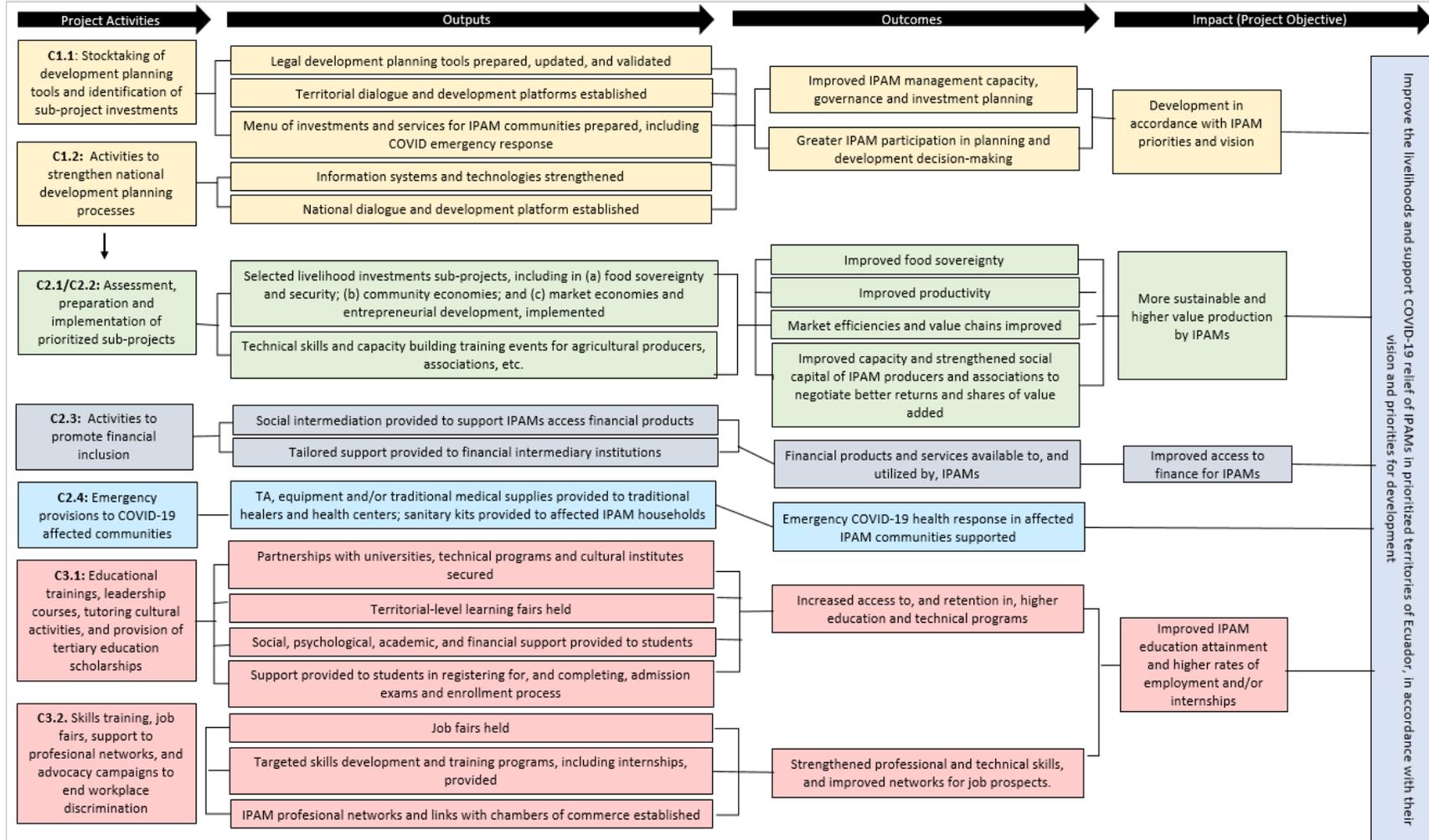
26. The proposed Project would benefit IPAMs, as defined in the Constitution of the Republic of Ecuador, including IPAM women and youth, in 15 prioritized territorial areas. Based on the estimated cost of delivering project investments and services, approximately one million of Ecuador's 3,360,000 IPAM population are expected to benefit from increased educational opportunities, improved economic livelihoods, a tailored COVID-19 response, and a greater recognition of, and respect for, their own development vision and priorities as a result of Project investments. Given the CDD nature of the proposed project a desegregation of beneficiaries by gender is not possible at this stage, but that will be incorporated into the Project's monitoring and evaluation framework once subprojects are identified and prepared under Subcomponent 1.2 and 2.1.

⁵⁰ Through, for example, funding for on-the-job training.



D. Results Chain

Figure 1: TEEIPAM Theory of Change



27. The theory of change for the proposed Project is in Figure 1. The following assumptions have been made: (i) the change in the government administration following the February 2021 Presidential and Parliamentary elections will not significantly change the design of the Project nor delay its implementation; (ii) the COVID-19 pandemic and/or other external events will not completely deter or hinder IPAMs from attending meetings or training events, nor place significant constraints on hiring or consultant work (as these activities are not envisioned to commence for at least 4-6 months); (iii) there will be no natural disasters or climatic events that hamper the production of IPAM associations and producers; (iv) internet will be available at all the territorial PIU offices for proper functioning; and (v) in-country demand will continue for the food staples produced predominantly by small-scale family farmers.

E. Rationale for Bank Involvement and Role of Partners

28. The World Bank is uniquely positioned to support the participatory approach proposed under this Project. The World Bank has considerable experience supporting multi-sectoral approaches, leveraging external support, and working in innovative ways with IPs and ADs globally and across the Latin America and Caribbean (LCR) Region. The proposed Project leverages the Bank's operational expertise⁵¹ in rural and local productive development, community-driven development (CDD), and higher education. The proposed Project also brings to bear the Bank's strong IP and AD engagement in LCR including through: (i) standalone IP and AD lending operations such as PRODEPINE and the Panama Support for the National Indigenous Peoples Development Plan Project⁵²; (ii) the Bank's Inclusive Forum of IPs; and (iii) recent analytical work conducted by the Bank including the LCR Flagship studies "Indigenous Latin America in the 21st Century" (2016, Report #98544) and "Afro-Descendants in Latin America: Toward a Framework of Inclusion" (2018, Report #129298).

F. Lessons Learned and Reflected in the Project Design

29. The proposed Project incorporates successful design features and builds on lessons learned from these engagements, which have underscored the need to:

- (a) **Promote participatory planning** to: (i) strengthen capacity of beneficiaries to define and implement their own vision of development; (ii) increase ownership by the beneficiary communities and IPAM organizations that represent them, and thus sustainability of results; and (iii) respect ethnic-cultural vision and ancestral values.
- (b) **Develop local and organizational capacities, ensuring that trainings and TA are timely and value the knowledge of participants.** To empower IPAM communities and ensure successful implementation of subprojects, it is necessary to promote IPAM participation based on their own knowledge and experience

⁵¹ Relevant projects include, among others, the *Indigenous and Afro-Ecuadorian Development Project* (PRODEPINE, P040086), the preparation of *PRODEPINE II* (P077257), the *Poverty Reduction and Local Rural Development Project* (PROLOCAL, P039437), the *Ecuador Supporting Education Reform in Targeted Circuits Project* (P152096), the *Costa Rica Higher Education Project* (P123146), the *Colombia Productive Partnerships Support Project* (P041642), the *Bolivia Rural Alliance Project* (P165701), the *Peru Sierra Rural Development Project* (P165702), the *Honduras Rural Competitiveness Project* (P101209), the *National Sustainable Rural Development Program* (PRONADER, P007115), the *Rural and Small Towns Water Supply and Sanitation Project* (PRAGUAS, P049924), and the *Nicaragua Food Security Project*.

⁵² P157575, approved by the Bank's Executive Directors on March 15, 2018.

and to develop their capacities in a coherent manner. Trainings and any TA should be periodically implemented, taking into account competing demands and mobilization constraints at various levels and with different actors, with content tailored to the respective audience.

- (c) **Promote participation and social accountability to mitigate the misuse of funds and/or elite capture.** When defining local priorities or administering scholarship programs, care in the selection processes is needed to avoid favoritism and co-optation by the elite.
- (d) **Strengthen the social capital of IPAM producer associations at the local level,** to enable IPAM producers to negotiate higher, more stable returns with intermediaries or even final buyers. Strengthened associations could also lead to opportunities for improved access to finance.
- (e) **Avoid extensive lapses of time between planning and implementation of subprojects** to avoid the creation of expectations, lags in benefit delivery, and potential volatility in government commitments.
- (f) **Provide a flexible project design that allows for adaptation during project implementation** to reflect the various and changing needs and requests of targeted communities, to ensure that the investments reflect diverse beneficiary communities, avoiding uniform development solutions and plans.
- (g) **Ensuring clear and transparent application of Project operating rules for investment planning and allocation to avoid conflict between IPAM organizations and the GoE and among IPAM organizations.** Given the low levels of trust, multiple demands and needs, and potential for internal competition over resources among IPAM organizations and communities, it is important to both establish upfront rules and procedures for decision making with IPAM leaders and ensure adequate documentation of decisions made. This will also help strengthen the links between IPAM organizations at the territorial level with their national level organizations.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

30. The Project would be implemented by the Secretariat of Human Rights (SHR)⁵³, which reports directly to the Presidency of the Republic of Ecuador and has territorial presence throughout the country. The SHR would establish a dedicated Project Implementation Unit (PIU) within the Sub-Secretariat for Nationalities, Peoples and Social Movements (SSNPSM), given that SSNPSM has the institutional mandate to promote citizen participation, interculturality, and the rights of P/N, organizations and citizens to achieve well-being. The PIU would be responsible for project management, including all reporting, coordination, budget planning, legal, fiduciary, environmental and social management, communications and monitoring and evaluation.

31. The PIU would be led by a Project Manager who would report to the Subsecretary for SSNPSM. The PIU would coordinate closely with the National Council for Equality for Peoples and Nations, members of the National Dialogue and Development Planning Platform (to be created under Sub-component 1.2), the Bank, and all other institutional partners and external stakeholders. The Central PIU in Quito and would be

⁵³ The SHR was established in 2017 during the Correa administration and has absorbed the functions of the previous Ministry of Justice. Its mandate has remained with the current administration and is considered to be a key entity to ensuring human rights in eradication of violence against women, indigenous peoples, and youth.

supported by five Territorial Teams that would work within five of the SHR's existing territorial offices⁵⁴. To facilitate agile Project implementation, the Central PIU team would also coordinate with the MSP for the definition of services and goods to be supported under the COVID-19 Sub-component.

32. The Central PIU would be responsible for overall Project implementation and coordination. This would include the staffing and supervision of the Territorial Teams, all technical, safeguards, and operational aspects related to the implementation of Sub-component 1.2 and Component 3, the signing of subproject agreements with beneficiary organizations for all subprojects, and, unless otherwise agreed, the fiduciary management responsibility for all Project-financed activities.

33. The Central PIU would be supported by Territorial Teams⁵⁵ that would be located in (i) Ibarra, (ii) Guayaquil, (iii) Cuenca, (iv) Portoviejo, and (v) Ambato. These Territorial Teams would be tasked with leading the development of the 15 TISs, establishment of the territorial platforms, and leading territorial planning processes under Sub-Component 1.1, as well as providing ongoing accompaniment for the preparation and implementation of the resulting priority subprojects to be financed by Components 2 and 3. For the COVID-19 Sub-component, the Territorial Teams, through the respective territorial planning processes, would: (i) identify the beneficiary communities, traditional health agents and health centers; (ii) support the agile preparation of COVID-19 subprojects based on the pre-established list of COVID-19 eligible expenditures agreed between the SHR and the MSP; and (iii) supervise the effective implementation or delivery of these goods and services. Detailed responsibilities of the Territorial Teams are provided in Annex 1.

34. Recipients may request to implement the technical, administrative or fiduciary aspects of their subproject. In these cases, the Territorial Teams would use standard instruments in the POM to assess the subproject complexity and risks, as well as the beneficiary's legal status and capacity. Responsibility for fiduciary management of subprojects would be transferred to subproject recipients only when the recipient's capacity is evaluated and deemed adequate to meet all World Bank requirements and standards (including safeguards) and the Territorial Team would continue to provide fiduciary oversight. If any technical, administrative or fiduciary responsibilities are transferred to the recipient, specific provisions would be added to the subsidiary agreements that outline roles, responsibilities, and procedures for procurement, financial management, and reporting to the Territorial Team.

35. IPAM National Platform. The National Dialogue and Development Planning Platform, to be established under Sub-Component 1.2, would be comprised of IPAM representatives from national organizations who have been nominated by their membership to serve on the Platform, and would guarantee, at minimum, 30 percent female representation. The National Platform would define the operating guidelines (objectives, scope, procedures and process for decision making and accountability/reporting back to their base organizations) and develop an annual workplan. This Platform would be primarily focused on developing proposals for public policy and regulation for strengthening IPAM community economies, COVID-19 response and recovery in affected IPAM territories, and gathering data on overall Project implementation. It is also envisioned that the Platform would serve as a consultative mechanism for the GoE and international donors

⁵⁴ Existing staff in these territorial offices are primarily focused on delivering on their GBV prevention/mitigation agenda.

⁵⁵ The Territorial Teams will be staffed with a Coordinator, Administrative Assistant, Project Planner, Governance Specialist, Economic Development Specialist, Environmental Specialist and a Social Specialist. For details see Organigram in Annex 1.

regarding investments and policies relevant for IPAMs. The National Platform would annually nominate three technical advisors to support the PIU and would meet at least three times per year.

36. IPAM Territorial Platforms. The 15 Territorial Dialogue and Development Planning Platforms, to be established through Sub-component (SC) 1.1, would play similar roles at the territorial level. They would be tasked with the territorial governance and investment planning (SC1.1.), for the identification, prioritization and shortlisting (through the SEC evaluation process) of subprojects to be financed under SC2.2. The Territorial Platforms would be comprised of IPAM leaders and representatives and other critical territorial stakeholders, as identified in the stakeholder mapping to be financed under SC1.1. The Territorial Platforms should meet frequently during Year 1 of project implementation and six times per year in subsequent years.

37. Inter-institutional Agreements. If other public entities hold formal technical mandates relevant to the investments to be supported, the SHR could enter into inter-institutional agreements to establish partnerships that support implementation. These agreements would outline the roles and responsibilities of SHR vis a vis the partner agency, including technical, fiduciary and safeguards roles. If any implementation responsibilities fall under the partner agency, Bank assessments of capacity and arrangements would need to be carried out and the Bank's No-Objection provided to the arrangements to be outlined in the POM.

B. Results Monitoring and Evaluation Arrangements

38. The Monitoring and Evaluation (M&E) of the Project will be carried out by the Central PIU, with a full-time M&E specialist. The establishment of baseline data and tracking of results indicators will draw from existing data sources, project preparation documents and progress reports, baseline and data collection in the activities where required, and/or from surveys or data analysis. Intermediate targets will be established once subprojects are identified and prepared under Subcomponent 1.2 and 2.1. The systems with reliable information are those associated with SC3.1 (Access to Higher Education), including SENESCYT's information system on students who access and remain in universities, as well as potential partner institutes. The M&E specialist will work with the Territorial Teams to track the planning and governance PDO indicator and commission the baseline survey on beneficiary perceptions. In addition, the M&E specialist will work with the Territorial Teams to ensure that subproject progress reports financed under Component 2 include indicator tracking. To track progress on gender, the Results Framework includes four PDO indicators and a gender-specific Intermediate Results Indicator.

39. Beyond the Results Framework, Project M&E will assess the effect of interventions, broader systemic changes to which the Project may be contributing, and the creation of local feedback mechanisms. The M&E system will monitor evolutions toward which the Project may contribute, such as increased access to higher education, employment opportunities, improvements in livelihoods, as well as inform and track public investment planning and the capacity of the GoE to respond to IPAM's development deficits. To enable and support real-time information collection to inform the PIU of works progress, grievances, or other issues, training and any necessary equipment would be provided to IPAMs. If mobilization is limited due to COVID-19, territorial teams will employ cellular, community radio, and virtual means with community leaders and local officials to carry out project M&E until mobilizations is deemed safe.

C. Sustainability

40. The approach of the proposed Project supports short to medium-term results in COVID-19 relief while building the capacity, enabling environment and necessary investments to contribute to strengthening IPAM governance, economic empowerment and food sovereignty over the long-term. The proposed design of the Project has greatly benefited from the continued engagement with, and guidance from, IPAM authorities, and builds on the Bank's on-going Regional Dialogue with IPs, which seeks to bolster the upstream participation and inclusion of IPs in policy dialogue, national level planning, and prioritization of investments in the Region. The sustainability of the proposed Project is rooted in the following:

- (a) Continued ownership via subproject investments.** Awarded subproject grants can be an effective instrument for directing resources to specific, well-defined needs. To promote sustainability, all subproject proposals must first originate with IPAM communities and be aligned with the priorities outlined in TISs, thereby ensuring that the activities to be supported under the subprojects respond to real demand. Second, the subproject proposals will include a cost-benefit analysis to show that the innovations being sought are likely to be economically viable.
- (b) GoE's commitment.** This operation is seen by the GoE and IPAM representatives as the initial phase of what is expected to be a broader intervention aimed at improving the livelihoods of all IPAMs. The GoE, through both the Ministry of Economy and Finance and the SHR, is committed to providing additional resources to deepen the governance and development planning and scale the sub-projects investments, for which the current operation is expected to lay the foundation.
- (c) Increased capacity of IPAM representatives:** Component 1 will support institutional strengthening for IPAM communities and the strengthened capacity of their representatives to inform territorial and state-level policy and investment decisions, via the establishment and operationalization of the National and Territorial Platforms, as well as the validation of the TISs.

IV. PROJECT APPRAISAL SUMMARY

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

Technical Appraisal

41. The design of the proposed Project was refined after assessing the potential of alternative approaches. Alternative options considered included implementation through multiple line agencies, limiting project investments to one of the Project's thematic areas (i.e., governance, agriculture, access to higher education), or employing a pure CDD approach whereby the communities would manage Project resources. Whereas the Project's investments will be prioritized and validated by beneficiaries using a CDD approach under the Territorial Platforms, the direct transfer of resources will be managed by the Central PIU. The option of implementing through multiple line agencies was overly complex from a fiduciary perspective and would not easily allow for an integral response to the priority areas identified by the beneficiaries. An approach that

only strengthened governance capacity was not feasible as it did not respond to the common request by IPAM communities for productive investments to improve their livelihoods. Understanding that opportunities outside the thematic areas may emerge during Project implementation, flexibility will be provided for financing proposals that are aligned with the Project's objectives. Such proposals would be strictly managed in accordance to all the relevant sub-project guidelines established in the POM.

42. While the SHR is the only agency with the appropriate government mandate to implement a multi-sector project for IPAMs, its capacity to do so requires substantial strengthening. The SSNPSM would benefit from housing the PIU and receiving institutional capacity building so that, over time, it can be better equipped to operationally respond to IPAM priorities. Establishing a well-staffed PIU provides an interim solution to overcome limited public-sector implementation capacity and slow administrative procedures in a highly fluid political context.

Economic Appraisal

43. The Project is expected to have a healthy economic rate of return, but precise modelling and forecasting has not been possible. The demand-driven nature of the Project does not allow for pre-determination of specific investments. Mobility constraints resulting from COVID-19 have made field studies and data-gathering in sample communities temporarily impossible. Nevertheless, close examination of similar projects in Ecuador and other countries shows the high likelihood of good social returns, in particular for Sub-Components 2.2 and 3.1, which together represent over 50 percent of total project costs. Economic analysis on individual sub-projects will inform their selection for Project financing and subsequent evaluation.

44. The main benefits from productive subprojects under Sub-Component 2.2 will be increased family and community incomes resulting from an array of support such as the provision of technical assistance, inputs and capital equipment for production, entrepreneurship training and activities, strengthening of productive value-chains, market research to find viable diversification of productive activities, and improving production processes, in both rural and urban settings. A sample of potential subproject ideas was generated during project preparation reflecting needs for empowerment and well-being and offer mechanisms to contribute to improved livelihoods, however, have not been through the final investment selection process. Once a more representative sample of approved subprojects is available, more information can be collected to establish a proper baseline—potentially with field visits— and the economic analysis can be updated. Findings from a review⁵⁶ of recent Bank-financed projects in in ten countries, including Ecuador demonstrate robust net present value (NPV) and economic rate of return (ERR) that exceeds 15 percent for livelihood investments with comparable beneficiaries. It is reasonable to expect that productive investments financed under Sub-Component will have corresponding economic and social benefits for IPAM population and the country. In addition, economic modeling of a few of the sample subproject ideas yielded profitability indexes ranging from 1.31 (cattle breeding) to 3.12 (guinea pig production), with internal rates of return (IRR) ranging from 18.1 percent (ecotourism) to 50.0 percent (for guinea pig production). More examples are found in Annex 2.

⁵⁶ Conducted at appraisal (June 2020).

45. Sub-component 3.1 is aimed at facilitating technical, educational and professional development of IPAM populations, with the main quantifiable benefit of increased lifelong earnings. For economic analysis purposes, activities are translated into three stages: (i) access to higher education, (ii) retention and completion of studies, and (iii) job placement as graduates enter the labor market. Although educational institutions may propose a variety of innovative approaches to enrolling and retaining IPAM students, these are not yet definite. For the analysis, the costs considered were those of tutoring and leveling courses to prepare high school students for college admission and scholarships covering all costs for the additional IPAM students in higher education. Economic benefits for IPAM undergraduate students are estimated as savings from lower drop-out rates, measured as the average unit costs of higher education per year. For graduate IPAMs, benefits are measured as increased future labor income compared to income without the project (earnings with high-school education only). Results show positive figures for NPV (USD 2.45 million) and EIRR (17.6 percent), with a 5 percent discount rate and a 15-year lifespan, which suggest that Sub-component 3.1 is economically viable and will likely bring social benefits. A sensitivity analysis is presented in Annex 2.

B. Fiduciary

Financial Management

46. A Financial Management (FM) assessment was performed to assess the capacity of SHR as project implementing entity for the project. SHR will set up a PIU including the hiring of an experienced FM Specialist and accountant, both responsible for carrying out financial management tasks under the project to ensure that there are adequate FM systems in place throughout implementation that allows for strong reporting on the use of project funds (at central and subproject level), financial reporting, maintaining internal controls over project expenditures, and engaging external auditors.

47. Key conclusions on the FM risks indicate: (i) the country's weak transparency of public finances and the budget management may impact this project and may reflect in delays in getting the budget approved or in processing payments; (ii) SHR's lack of previous experience implementing WB-financed projects, may affect their ability to efficiently carry out some project activities; (iii) the project's implementation design⁵⁷ involves subprojects to be implemented at central level, yet also with the possibility to have some subprojects implemented at decentralized level, which may become cumbersome due to different capacities of subproject beneficiaries and required interaction with several actors; and (iv) the lack of mechanisms for controlling, reporting and effectively monitoring the flow of funds and the implementation of subprojects.

48. To mitigate these risks: (i) SHR will continuously monitor budget allocation processes and needs to ensure the project budget is approved on time; (ii) project implementation will be supported by experienced SHR Administrative and Finance Directorate staff and the PIU FM team recruited by the project; (iii) the PIU FM team will assess the FM capacity of subproject executors and determine whether it is feasible to decentralize subproject implementation; (iv) SHR will standardize the flow of funds and disbursement arrangements. This would include record keeping and control of expenditures, including a complementary

⁵⁷ To have subprojects implemented at central level, but with the possibility to have some implemented at a decentralized level.

financial information system that provides standardized detailed financial information on the subprojects and overall project; and (v) the subproject grant agreement to be included in the POM will reflect FM roles and responsibilities of subproject beneficiaries

On the basis of the above, the proposed financial management arrangements are considered acceptable to the Bank subject to compliance of the following mitigation actions: (i) *the* final version of the project operations manual has been adopted by SHR (effectiveness condition); and (ii) per the LA covenants, the SHR has in place a fiduciary unit acceptable to the Bank, comprising qualified and experienced FM staff, hired under TORs agreed with the Bank (within three months of effectiveness).

Procurement

49. The key procurement concerns for the Project are related to SHR’s lack of previous experience managing Bank-financed projects, and the potential weaknesses in the governance and fiduciary capacity of recipient organizations for subproject implementation. The PIU would be staffed with qualified procurement experts according to the complexity of the procurement activities. A procurement plan covering the first 18 months of project implementation was developed by the Borrower based on the Project Procurement Strategy for Development (PPSD) and has been reviewed and deemed acceptable by the Bank.

50. SHR through the PIU (to be created) will be responsible for the implementation of the Project. The SHR has no experience in World Bank-financed projects and will compose a PIU with qualified procurement experts according to the complexity of the procurement activities. The key issues and risks concerning procurement on the Project implementation are mainly related to SHR’s lack of experience in Bank-financed projects, and the potential weaknesses of the Beneficiary organizations in terms of their governance and fiduciary capacity for the implementation of subprojects. A procurement plan covering at least the first 18 months of project implementation will be elaborated by the Borrower based on the Project Procurement Strategy for Development (PPSD), which will be agreed with the Bank at Negotiations.

C. Legal Operational Policies

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

Environmental and Social

51. Environment. The proposed environmental risk classification for the project is Moderate under the World Bank’s Environmental and Social Framework (ESF). Key anticipated potential adverse environmental risks and impacts include: (A) During implementation and operation of small scale infrastructure works: (i) overall nuisances to communities due to noise and vibration, dust, waste, and visual disturbances; (ii) poor working conditions and risk of occupational & third-party accidents; (iii) inadequate handling and disposal of wastes; (iv) impacts on



chance findings during earthworks; and, (v) limited and/or temporary degradation of water bodies due to construction/rehabilitation and operation of small scale aquaculture ponds and docks. (B) During technical assistance activities: community and occupational health and safety issues due to inadequate handling and disposal of agrochemicals and pesticides, and accidents due to unsafe use of equipment/technology. Risks related to the conversion and degradation of natural/critical natural habitats are not expected as subprojects (SPs) will be subject to a robust Exclusion List through which those with the potential of generating such adverse impacts will be screened out. (C) During the procurement and delivery of sanitary supplies and EPPs to IPAMs: inadequate use/removal and final disposal of used EPPs, as well as inadequate use of sanitary supplies and the final disposal of related waste.

52. Climate Change. Ecuador is vulnerable to several natural and climate induced hazards. Over the last twenty years, the country has seen rising temperatures in the rural highland zone, water basins and the urban coastal zone, and increasing the volume of rainfall on the western coast. Climate change is expected to continue to increase the variability and incidence of extreme weather events, such as droughts, floods, and intense rainfall events. This variability, on average, can be expected to impact agriculture (e.g. by reducing crop yields and production), upon which many IPAMs depend for their livelihood. Vulnerability to climate across ethnic and demographic groups differs considerably within Ecuador. Older age groups and those with pre-existing conditions and co-morbidities, who are at particular risk from COVID-19, are often also key climate-vulnerable groups. High migration flows have increased the vulnerability and poverty of urban areas that are now home to around 64 percent of the population.⁵⁸ The Project would contribute to national climate change objectives by employing climate resilient and green building designs, standards, and construction techniques for infrastructure investments. It would also be achieved through strengthening of territorial governance of relevant aspects of disaster risk management and climate change mitigation and adaptation, to be integrated into the technical assistance and design of targeted training programs. Furthermore, the menu of investments and technical assistance will take into account eco-friendly approaches and will include eligibility criteria that are aligned with climate resilient activities. Given the CDD approach of the Project, climate change co-benefits will be more accurately calculated during implementation once subprojects are identified and prepared, but are expected to surpass the initial commitment included here.

53. Social. The project will benefit IPAMs, which are among the most vulnerable and marginalized people in the country. While the project is expected to have overall positive social impacts, based on preliminary screening, the social risk classification of the project is Substantial, due to: (i) heightened expectations created by IPAMs to participate in project benefits when project resources are limited to only intervene in some areas;⁵⁹ (ii) IPAM organizations' expectations to manage funds directly for SPs, as per previous projects, when the relevant capacity is not deemed sufficient; (iii) the government's weak implementation capacity and uncertainty due to the upcoming change in government, which could be perceived as a rupture on the social contract around the project with IPAM organizations; (iv) exacerbation of existing conflicts regarding IPAM land or natural resources, especially when these are proposed for use; (v) risks related to contextual violence in northern border area fueled

⁵⁸ World Bank Data, [https:// data.worldbank.org/country/ecuador?view=chart](https://data.worldbank.org/country/ecuador?view=chart)

⁵⁹ The Project was originally designed for US\$150 million but was reduced to the currently proposed US\$40 million lending amount because of the GOE's financing constraints and changing priorities.



by cross-border activities of illegal groups; (vi) the potential of the project to cause tension within and between IPAM organizations and with subnational government entities in relation to territorial planning and community production models⁶⁰; (vii) the presence of non-IPAM populations and international migrants and refugees in potential project areas and the potential for project activities to cause tension with these groups in relation to access to jobs, financial services, or means of production; (viii) the potential need to enforce legally designated protected areas where IPs or AEs use natural resources; (ix) tensions with potentially affected groups such as intermediaries; (x) the participation of children in productive activities, as well as inconsistent implementation of local labor laws; (xi) potential barriers -- including elite capture, contextual crime and violence, gender based violence and domestic violence -- for the elderly, people with disabilities, and LGBTI individuals within IPAM communities to access project benefits; and (xii) minor physical or economic displacement. The Project is also being implemented in a complex political and social environment due to recent social unrest and exacerbated by the current emergency caused by the COVID-19 pandemic. In addition, SDH, which will host the PIU has not implemented a World Bank project before making complying with the ESF challenging.

54. To adequately address and mitigate project environmental and social risks and impacts, the Borrower has prepared specific environmental and social analyses and instruments aligned with ESF requirements and the relevant environment and social standards (ESS). These include: (i) a draft Stakeholder Engagement Plan (SEP) including a stakeholder mapping, plan for information disclosure and consultation including with IPAM organizations and communities at all stages of the project cycle, resources and implementation arrangements, and the description of the Project's grievance redress mechanism⁶¹; (ii) an Environmental and Social Commitment Plan (ESCP) describing the commitments for preparation and implementation of the Project's E&S instruments and timelines, training and capacity building, staffing and implementation arrangements, and, (iii) a preliminary assessment of the Project's key potential E&S risks, impacts, and opportunities, to inform stakeholder engagement and Bank decision making (refer to the Appraisal Stage Environmental and Social Review Summary (ESRS)).

55. During Project implementation, the Borrower will prepare, consult, and disclose a COVID-ESMF to cover SC2.4, as well as a separate Project-ESMF, Indigenous Peoples Planning Framework (IPPF), Resettlement Policy Framework (RPF), and Labor Management Procedures (LMP) to cover C1, SC2.1, 2.2, 2.3, and C3. The Borrower will also update, consult and disclose the SEP. The preparation of these instruments is budgeted under project's C4. The Project-ESMF will validate the main expected Project E&S risks and impacts identified during preparation, and confirm and develop, guidelines and procedures for their adequate management. It will also set out screening procedures to determine whether individual SPs need to prepare Resettlement Action Plans (RAP), and/or Indigenous Peoples Plans (IPP). The IPPF will describe how the Project will carry out meaningful consultation to

⁶⁰ The preliminary risk assessment for the project identified the potential for territorial dialogue and investment planning processes financed by the project to cause tensions in situations where there may be differing opinions about economic models, policy priorities, or specific investments, between IPAM stakeholders, or between subnational state entities such as GADs and IPAM stakeholders. Such tensions may delay investment planning processes or other activities under the project.

⁶¹ The draft SEP was disclosed by the Borrower on June 10, 2020 and can be found in the following link:

<http://www.pueblosynacionalidades.gob.ec/wp-content/uploads/2020/06/Plan-de-Participaci%C3%B3n-de-las-Partes-Interesadas-%E2%80%93-PPPI.pdf>. The SEP was disclosed by the Bank on June 11, 2020, and can be found on the following link:

<https://documents.worldbank.org/en/publication/documents-reports/documentdetail/118621599691332777/stakeholder-engagement-plan-sep-territorial-economic-empowerment-for-the-indigenous-afro-ecuadorians-and-montubian-peoples-and-nationalities-teeipam-p173283>



ensure ownership, participation, and free, prior, and informed consent of indigenous peoples, where relevant, in SPs, as well as how IPPs will be prepared for SPs where IPs may be affected but are not the only beneficiaries. The RPF will outline the requirements and institutional arrangements for the preparation of RAPs in cases where SPs may have impacts covered by ESS5, Land Acquisition, Restrictions on Land Use and Involuntary Resettlement. If necessary, based on a more detailed assessment of prioritized territories in the Project-ESMF, a Process Framework may be prepared describing the measures through which members of communities potentially affected by such restrictions will participate in SP design to achieve ESS5 objectives, and implementation and monitoring of such measures in relevant SPs. The LMP will describe the Project's labor needs and how the distinct types of workers will be managed, including the necessary occupational health and safety measures and a standard code of conduct for project workers. The LMP will describe the specific strategies the project will use in the design, selection, and implementation of productive subprojects to ensure no child labor is present in the project. The updated SEP will include detail about territorial stakeholders, consultation and participation activities in prioritized territories in the context of subproject design and implementation, including specific protocols for consultations with indigenous peoples at the community level. The adoption and disclosure of the COVID-ESMF will be a disbursement condition under SC2.4 of the Project. The adoption and public disclosure of the Project-ESMF, IPPF, RPF and LMP, as well as update and disclosure of the SEP, will be a disbursement condition under SC2.1, 2.2, 2.3 and C3 of the Project. Mentioned instruments will be implemented throughout project implementation.

56. The PIU at the central level will include a full-time environmental specialist and a full-time social specialist who will be well-experienced in working within IPAM territories in the sectoral areas supported by the Project as well as in gender and intergenerational issues. These specialists will be either designated or hired no later than 30 days after the project's effectiveness date, as stated in the project's ESCP. At the territory level, one environmental and one social specialist will be hired or designated at each of the regional offices to be established by the project. These specialists will develop the subproject specific E&S instruments and supervise their implementation in coordination with the central level E&S specialists throughout project implementation. E&S technical assistance specialists in the Territorial Teams will provide ad-hoc technical assistance and support to beneficiaries during implementation of subproject-specific E&S instruments. The specialists will be supported by the three IPAM advisors nominated by the national platform with facilitating consultations and grievance redress at the national and territorial levels.

57. The project has been designed in a fully participatory manner. Stakeholder engagement during preparation included the following activities: (i) virtual meetings with IPAM organizations and leaders to introduce the project's concept and hear their priorities and preferences; (ii) workshops with representatives of IPAM organizations at the national level separately, and then collectively in late January of 2020, with the objective of carrying out a preliminary mapping of the national-level representative IPAM organizations, generating an outline of the IPAM development priorities, an initial overview of consultation mechanisms, and the appointment of a group of technical delegates from the organizations to support project preparation, who have been engaged in the project's design and preparation; (iii) a series of interviews with key representative informants from a sample of territories with the objective of mapping key actors in those territories and understanding the social context and potential social risks associated with activities the project is likely to finance; and (iv) 33 interviews with national, regional, and community IPAM organization authorities, leaders, and individuals engaged in project



sectors on May 18 and 19, 2020, to gather feedback. Feedback was sought on: project objectives and components; subproject types and criteria for the selection of territories; methods to hold dialogue with organizations and communities during project implementation; potential social and environmental risks of the project; and the proposed grievance redress mechanism. The draft SEP incorporates the main feedback obtained from these consultations and describes how it has been incorporated in the project's design.

58. Gender. Ecuador has made progress in the development of an adequate legal and institutional framework for gender equality, but social norms and weak mechanisms of enforcement remain a significant challenge. While political representation by women and indices reflect a comparatively low level of institutional gender inequality⁶², disparities between men and women still exist in rural areas and predominantly among IPs⁶³. The proposed Project presents an opportunity to not only increase the skills, opportunities and agency of women through capacity building, education initiatives and financial support, but also to address and shape community attitudes towards GBV by utilizing the community spaces to host sensitization events and safe spaces for women. The project will ensure that IPAM women will be beneficiaries of the increase of income generation opportunities in accordance with their vision and priorities for development. The project has set quotas to ensure IPAM women's participation in the national and territorial-level dialogue and participation platforms to contribute to strengthening women's voice and agency and to guarantee their full participation. The project will support IPAM women's representative organizations in their role as territorial development facilitators, through facilitating gender-based policy tools⁶⁴ for income generation and empowerment of IPAM P/N, strengthening information systems and adopting adequate technologies. For selecting territorial subprojects, one important criterion will be women's participation, which will be supported by capacity-building activities to ensure that they are beneficiaries of all project interventions. The project will finance an assessment of specific barriers for IPAM women's financial inclusion and will ensure women's access to higher education and employment opportunities. (See Annex 5).

59. Gender Based Violence. Gender-based violence (GBV) is widespread in Ecuador. Sixty percent of all women in the country have experienced some type of GBV⁶⁵, with IPAMs citing higher incidence levels (67.8 percent for IPs, 66.7 percent for AEs and 62.9 percent for Montubians respectively)⁶⁶, aggravated by discrimination in the labor market and accessing health services based on ethnic, cultural, economic, social or age status. Persistent and traditional social norms can often fuel and/or mask this pervasive violence (a quarter of all women surveyed justified domestic violence)⁶⁷ and evidence shows that the relationship between poverty and Violence Against Women and Girls (VAWG) is bidirectional: poverty is a key risk factor for VAWG, and VAWG increases women's and girls' poverty. Women and girls who are poorer typically have greater dependency on relationships with men and less decision-making power in households, exacerbating their risk of Intimate Partner Violence (IPV) and making it harder for them to leave abusive relationships. Poverty also increases other risk factors for IPV including ill-health and reduced educational opportunities and worsens household stress. As a result of the

⁶² The OECD Social Institutions and Gender Index ranks Ecuador 17 of 108 countries.

⁶³ Sexual and reproductive health indicators, political representation, educational attainment, and quality of jobs are much poorer among IPAM women than among their White or Mestizo counterparts.

⁶⁴ Policy tools consist of information, education, legislation, regulation, guidelines, standards, procedures, programs, grants, subsidies and expenditures, among others. These tools will consider the specific needs of women.

⁶⁵ INEC Encuesta Nacional de Relaciones Familiares y Violencia de Genero contra las Mujeres.

⁶⁶ IBID.

⁶⁷ OECD (2019), Gender, Institutions and Development Database, <https://oe.cd/ds/GIDDB2019>.



emotional stress arising from income insecurity and confinement related to COVID-19, there has been a significant rise in reported GBV cases⁶⁸. Interventions financed by the Project are expected to increase IPAM women's livelihoods and would be complemented with gender transformative interventions to reduce GBV/IPV among project beneficiaries. Indicators are included in the results framework to measure the success of these interventions.

60. Citizen Engagement (CE). The design of the proposed Project incorporates elements of various CE approaches, including consultation, grievance redress, community collaboration on investment planning and execution, and capacity building of IPAM organizations for citizen engagement. The Project's objective, components, territorial focus and indicative types of activities to be financed are based fully on the inputs and preferences expressed during close consultations with representative IPAM organizations⁶⁹, including women-led IPAM organizations. Furthermore, activities to be financed under the Project, namely the National Dialogue Platform, will provide an ongoing platform for consultations and engagement with national-level IPAM organizations and will facilitate work at the territorial level. In addition, the Project will have three IPAM technical advisors, nominated by members of the National Dialogue Platform, to work on a full-time basis for the PIU to ensure ongoing and two-way communication and coordination between the Project and IPAM organizational representatives and leadership. The Project's results framework includes indicators designed to measure CE, including PDO indicators on beneficiary feedback and the establishment of the National Dialogue Platform, as well as intermediate indicators on the development of SDIPs using territorial platforms, the participation of women in dialogue platforms at the national and territorial levels, and the grievance redress mechanism (GRM). See Annex 5 for details.

61. Grievance Redress Mechanism. The Project's GRM will be managed by the National Council of Indigenous Peoples and Nationalities (NCIPN, in Spanish CNIPN) and will use the Citizen Contact System (*Sistema Contacto Ciudadano*) currently in place for government offices in Ecuador. CNIPN has been chosen by the SHR to manage the GRM given its institutional mandate to monitor public policies benefiting IPAMs, its capacity and processes currently in place to manage grievances, its participation in this Project's preparation, and many of its member's experience in the implementation of PRODEPINE and other IPAM development initiatives. The CNIPN will coordinate closely with the PIU social specialist and other project staff to ensure proper management and response to complaints. Beneficiaries and any affected parties will be able to submit complaints online, through the phone, and in person at the PIU's central and territorial teams. The project will receive and respond to complaints both in Spanish and in indigenous languages. The draft SEP describes the GRM in further detail.

⁶⁸ World Bank (2020), Gender Dimensions of the COVID-19 Pandemic

⁶⁹ Indigenous organizations involved in project preparation have included: Confederación de Nacionalidades Indígenas (CONAIE), Confederación Nacional de Organizaciones Campesinas, Indígenas y Negras del Ecuador (FENOCIN), Consejo de Pueblos y Organizaciones Indígenas Evangélicas del Ecuador (FEINE) and Confederación de Pueblos, Organizaciones Indígenas Campesinas del Ecuador (FEI). Afrodescendant organizations include: Fundación de Desarrollo Social, Educativo y Cultural Afroecuatoriana (Fundación Azúcar), Federación de Comunidades y Organizaciones Negras de Imbabura y Carchi (FECONCI), Confederación de Comarcas del Norte de Esmeraldas (CANE), Federación de Organizaciones y Grupos Negros de Pichincha (FOGNEP), and Coordinadora Nacional de Mujeres Negras del Ecuador (CONAMUNE). Montubian organizations include: Coordinadora Ecuatoriana de Organizaciones Sociales con Identidad Montubia (CEOSIM), Corporación Montubia del Litoral (CORMONUT), Pueblo Montubia del Litoral (PME), and Conferencia Plurinacional de Soberanía Alimentaria (COIPSA).



V. GRIEVANCE REDRESS SERVICES

62. 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 in order 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, as a result 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.

VI. KEY RISKS

63. **The overall risk rating for the project is assessed as Substantial.** The key risks to the Project's ability to achieve its development objectives, and their corresponding risk mitigation measures, are summarized below.

Macroeconomic

64. **The Macroeconomic risk is assessed as High given the potential for Ecuador's fragile macroeconomic situation negatively impacting the project's ability to achieve its intended outcomes.** Ecuador is experiencing significant macroeconomic pressures due to the COVID-19 pandemic and a sharp decline in oil prices. This context is expected to continue to affect the country's economy, disproportionately affecting the poor and creating greater inequalities and loss of opportunities for IPAMs⁷⁰. There is strong commitment by the current administration respond to IPAM demands and to support policies that foster shared prosperity. The Humanitarian Law (*Ley Humanitaria*) combined with social assistance decrees provided support for households not previously covered by social safety nets and made relevant labor market adjustments such as facilitating access to unemployment benefits and making home-based work easier. These, combined with other efforts, can help to soften the economic blow of the crisis. However, these constrained fiscal circumstances pose a risk that the National Assembly doesn't approve the inclusion in the 2021 National Budget of a line item in the SHR budget to allow disbursements under the project, or that agencies involved in the project's implementation could find their regular budgets reduced. Given the possibility of civil conflicts if the IPAM population's needs are not responded to, it is anticipated that the National Assembly will be supportive of the Project. Nevertheless, this risk is also mitigated by: (i) active liaising between SHR, MEF and Planifica officials to ensure that all requisite project documentation for national approval is submitted in a timely fashion; and, (ii) maintaining continued engagement with a diverse set of government and IPAM stakeholders throughout project preparation to ensure high commitment and ownership of the Project.

⁷⁰ Olivieri, Sergio (2020). "The perfect storm: the welfare and distributional impacts of the triplet crises in Ecuador 2020" World Bank.



Political and Governance

65. Political and Governance Risk is rated High. With parliamentary and presidential elections planned for February 2021, a risk exists that delay in loan effectiveness during the expected post-election institutional and senior-level staffing changes within SHR or partner agencies, may lead to implementation delays. These risks will be partially mitigated through intensive dialogue and close collaboration with political candidates and government entities (including SHR, MEF, and Planifica) to assure the Project can be signed and declared effective promptly after Board approval, proactive engagement by the World Bank as issues arise, and by having strong technical staff appointed within SHR to ensure continuity in project implementation. Independent staff performance-based evaluations will be included in the POM to prevent unjustified firings when there are changes in either the government's or IPAM's leadership.

Institutional Capacity for Implementation and Sustainability

66. The institutional capacity risk is rated High. SHR's limited implementation capacity and lack of previous experience in managing comparable projects may be further constrained by broad government budget cuts. Due to the COVID-19 pandemic, salary ceilings have been instituted affecting all government employees, which could hamper the Project's ability to attract and hire competitive candidates within the PIU. Additionally, the PIU will need to coordinate with multiple actors including the Decentralized Autonomous Governments (GADs for name in Spanish) and partner agencies (such as the Ministry of Public Health or SENESCYT), which do not share the same administrative demarcation of their territories as the IPAMs have varying levels of capacity. To mitigate coordination and capacity risks associated with the proposed implementation arrangements, (i) inter-institutional agreements with government partners will be signed in order to delineate roles and responsibilities between SHR, the PIU and other sectoral ministries; and (ii) TA will strengthen the institutional capacity of IPAM organizations at the territorial level, fostering partnerships and stronger associations with local partners (including GADs). SHR's limited capacity will be partially mitigated by the collaboration with these other government partner agencies, as well as by dedicated financing for TA and tailored trainings to improve the PIU's project management and supervision capacities.

Technical Design of Project

67. Due to the scope and complexity of the project, the Technical Design risk is rated Substantial. The Project will finance rural/urban investments in the Amazon, Sierra and Coastal areas of the country, some of which will be difficult to access. Strong territorial institutional arrangements will be designed and the PIU staff will be competitively selected in order to ensure robust project management. Project preparation has counted on a highly participatory process which has resulted in strong ownership and validation from IPAM stakeholders. The investment menu will reflect the priority areas derived from the outcomes of SC1.1 (territorial governance and investment planning) which will integrate robust processes to support participation, transparency and accountability. The establishment of National and territorial platforms will provide a structured space to strengthen institutional capacity of IPAM leaders and stakeholders to identify priorities and investment planning. These platforms will also enable information and recovery priorities to flow directly from IPAM community representatives to leaders at both territorial and state levels.



Fiduciary

68. Fiduciary residual risk is rated Substantial for both FM and Procurement. Key financial management risks include: (i) deficiencies identified during the 2019 PEFA report, including *inter alia* weak transparency of public finances and on the budget management and control framework of the public sector that may reflect in delays in getting the budget approved and the process of payments with an overall impact in project implementation; (ii) SHR has no previous experience implementing WB-financed projects, which may affect their ability to efficiently carry out some project activities; (iii) the project design involves subprojects to be implemented at central level, yet also with the possibility to have some subprojects implemented at decentralized level, some of which may have weak FM capacities and thus impact negatively on the implementation process; and, (iv) the implementation of subprojects could be challenging considering SHR's limited experience in the implementation of decentralized subprojects. Key procurement risks include: (i) lack of SHR's experience in World Bank-financed projects, and (ii) governance weaknesses/limited fiduciary capacity of the beneficiary organizations for the implementation of subprojects.

69. FM risks will be mitigated through: (i) SHR will monitor that the Project budget is timely approved; (ii) experienced SHR Administrative and Finance Directorate staff and FM team to be hired for Project implementation; (iii) fiduciary training will be provided to project staff by the Bank; (iv) the PIU technical and administrative team will assess the fiduciary capacity of subproject executors and determine whether it is feasible to decentralize subproject implementation; (v) SHR will implement standardized fund flow and disbursement arrangements for overall project including a complementary financial information system that provides automatized detailed financial information on the Project, (vi) PIU staffing to be complemented with fiduciary consultants experienced in fiduciary activities funded by multilateral organizations; and, (vii) the POM will adequately establish the functions and responsibilities of the technical and fiduciary units, and Territorial Teams, and their relationship with the subprojects in fiduciary matters.

70. Procurement risk mitigation measures include: (i) staffing the PIU and the procurement unit with experienced procurement staff that have worked on projects financed by multilateral organizations, (ii) designing and implementing an appropriate mechanism to assess the capacities of the beneficiaries who will carry out procurement in the subprojects, and (iii) adequately establishing the functions and responsibilities of the technical and procurement units, Territorial Teams, and their relationship with the subprojects in procurement matters in the POM.

Environment and Social

71. The Environmental risk is considered Moderate and Social risk is rated Substantial. The primary social risks related to this Project include: (i) exacerbation of land conflicts; (ii) participation of children in productive activities at the community level; (iii) contextual violence in the northern border area; (iv) potential tensions within and between IPAM organizations, subnational government entities and other stakeholders over territorial planning and production models; (v) potential barriers to access to project benefits for vulnerable groups and individuals; (vi) management of expectations of IPAM organizations in relation to the allocation and management mechanisms for the limited amount of project resources; and (viii) weak government implementation capacity resulting in implementation delays, which may be perceived as a rupture of the social contract around the project



with IPAM organizations and leadership. These and other social risks are presented in more detail in Section D and in the Appraisal Stage ESRS. These risks are mitigated through: (i) further assessment and validation in the ESMF of the presence of the potential risks identified during preparation at the territorial level, and development of tailored guidance for subproject-specific assessments and measures, to be included in the ESMPs, RAPs, and IPPs, as relevant; (ii) the project's Communications Strategy and GRM, which will contribute to managing expectations and responding to concerns; (iii) the establishment of advisory and decision-making structures that permanently involve key representative IPAM organizations at the national and regional levels, which will ensure they are involved in project decisions and remain engaged and abreast of project development; and (iv) maintaining a fluid dialogue with the various associations representing the IPAMs, and communicating clearly in the territories about eligibility criteria and project implementation arrangements.

Stakeholders

72. The Stakeholder risk is rated Substantial. The key stakeholder risks involve (i) potential concerns by IPAMs about selection and eligibility criteria to access investments; and (ii) delivering on the expectations generated among IPAMs during preparation, particularly given the upcoming presidential and parliamentary elections. These risks will be mitigated through: (i) maintaining a fluid dialogue with the various associations representing the IPAMs and communicating clearly in the territories about eligibility criteria and (ii) identifying strategies to start implementing tangible works and services in IPAM communities as quickly as possible upon Project Effectiveness. The Project-ESMF, Grievance Redress Mechanism (GRM), and Communications Strategy also serve to mitigate these risks.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Ecuador

Territorial Economic Empowerment for the Indigenous, Afro-Ecuadorians and Montubian Peoples and Nationalities (TEEIPAM)

Project Development Objectives(s)

The Project Development Objective (PDO) is to improve livelihoods and support COVID-19 relief for targeted Indigenous Peoples and Nationalities, Afro-Ecuadorians, and Montubians, in accordance with their vision and priorities for development.

Project Development Objective Indicators

Indicator Name	PBC	Baseline	End Target
Development in accordance with IPAM values/vision for development			
IPAMs in beneficiary territories that feel project investments reflect development priorities/needs established during planning process (disaggregated by P/N and gender) (Percentage)		0.00	70.00
Improved IPAM management capacity, governance, and investment planning			
National Platform for structured dialogue between IPAM representatives and the State is established and operational (Yes/No)		No	Yes
More sustainable and higher value production by IPAMs			
IPAM households benefiting from livelihood subprojects and investments (Number)		0.00	50,000.00
Improve access to finance for IPAMs			



Indicator Name	PBC	Baseline	End Target
IPAM beneficiaries in selected territories that have secured, for the first time, formal financial services from FIs supported by the Project (disaggregated by gender) (Number)		0.00	1,000.00
IPAM women in prioritized territories that have secured, for the first time, formal financial services from FIs supported by the Project (Number)		0.00	300.00
Increased access to, and retention in, higher education and technical programs			
Increase in attendance of IPAMs in participating in higher education programs (disaggregated by P/N and gender) (Number)		0.00	500.00
Greater employability of IPAMs			
New internships or jobs for IPAMs facilitated by Project-financed activities (disaggregated by P/N and gender) (Number)		0.00	200.00
New internships or jobs for female IPAMs facilitated by Project-financed activities (disaggregated by P/N) (Number)		0.00	60.00
Direct IPAM project beneficiaries (disaggregated by gender) (Number)		0.00	1,000,000.00

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	End Target
Component 1: Strengthening governance and investment planning for IPAM development			
IPAMs Strategic Development Investment Plans (SDIPs) are		0.00	10.00



Indicator Name	PBC	Baseline	End Target
developed and validated using territorial platforms (Number)			
IPAM women's active participation in structured dialogue platforms at the national and territorial levels (Percentage)		0.00	30.00
Component 2: Preparation and implementation of territorial subprojects			
Subproject investments financed under the Project that are operational/completed and assessed as good quality in technical audit (Percentage)		0.00	80.00
New IPAM associations/companies led by IPAMs established under the Project (disaggregated by gender) (Number)		0.00	5.00
IPAM community banks formed and strengthened (Number)		0.00	20.00
COVID-19 affected IPAM households benefiting from delivery of emergency sanitary kits (Number)		0.00	27,000.00
Traditional medicine health centers supported with TA, equipment and/or traditional medical supplies (Number)		0.00	90.00
Component 3: Promotion of higher education and employment generation for IPAMs			
Partnership agreements signed with universities, cultural institutes and technical programs for strengthening IPAM attendance (Number)		0.00	7.00
Improved employability and competitiveness (Percentage)		0.00	75.00
Component 4: Project Administration, Communication and Monitoring and Evaluation			
Grievances responded and/or resolved within the stipulated service standards for response times (Percentage)		0.00	85.00



Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
IPAMs in beneficiary territories that feel project investments reflect development priorities/needs established during planning process (disaggregated by P/N and gender)	As the primary measure of citizen engagement in the project, this will measure the extent to which decisions about Strategic Development and Investment Plans reflect community preferences, vision, and priorities, as elicited through a participatory-needs assessment process.	Baseline, at Strategic Development Plan formulation	Perception surveys	Surveys	Central PIU hired M&E consultant
National Platform for structured dialogue between IPAM representatives and the State is established and operational	Measures the establishment and operationalization of a structured dialogue platform between IPAM representatives and relevant local government actors by the number of meetings held throughout the year, where 0 meetings = not established/functional, and 3+ meetings = established/functional	Annually	Meeting Minutes	Meeting Minutes	Central PIU
IPAM households benefiting from livelihood subprojects and investments	Measures changes in welfare due to productive activities by beneficiaries	Annually	Subproject reports	Review of subproject implementation progress reports	Territorial Offices



IPAM beneficiaries in selected territories that have secured, for the first time, formal financial services from FIs supported by the Project (disaggregated by gender)	Number of IPAMs in selected territories that access financial services for the first time, disaggregated by gender	Bi-Annually	Territorial Office Reports	Data collection through surveys in the field, Community Bank Meeting Minutes	Territorial Offices and Central PIU
IPAM women in prioritized territories that have secured, for the first time, formal financial services from FIs supported by the Project	Measures number of IPAM women who gain access to financial services in selected territories for the first time	Bi-annually	Territorial Office reports produced based on TA provided; Community Bank minutes	Territorial Office Reports	Territorial Offices, Central PIU
Increase in attendance of IPAMs in participating in higher education programs (disaggregated by P/N and gender)	Measures change in access to higher education and technical training by IPAMs in prioritized territories; measures changes in retention and permanence in programs.	Bi-Annually	Subproject Reports provided by technical and/or higher education programs	Territorial Office and Central PIU Reports	Territorial Offices and Central PIU
New internships or jobs for IPAMs facilitated by Project-financed activities (disaggregated by P/N and gender)	IPAM employability enhanced through targeted activities which may include internships, skills attainment, and jobs generation.	Project completion	M&E reports	Project reporting	Central PIU



New internships or jobs for female IPAMs facilitated by Project-financed activities (disaggregated by P/N)	Measures internships and/or jobs secured by IPAM women supported by the project.	Bi-annually, starting Year 2 of implementation.	Central PIU Reporting	Central PIU and Territorial Office Reports on project implementation	Central PIU and Territorial Offices
Direct IPAM project beneficiaries (disaggregated by gender)	IPAMs who directly benefit from project activities including those in C2, C3	Annually	Central PIU and Territorial Office Reports	Subproject reports for Subcomponent 2.2, 2.3, 2.4, Component 3 (SC 3.1 and 3.2)	Central PIU and Territorial PIU

Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
IPAMs Strategic Development Investment Plans (SDIPs) are developed and validated using territorial platforms	Measures that the process applied for the development of the SDIPs was participatory, transparent, and that ownership was built.	Annually	Platform Statutes, Meeting Agendas & Memoires, Annual work plans	Project reporting	Territorial Offices
IPAM women's active participation in structured dialogue platforms at the national and territorial levels	This indicator measures the % of women participating with assigned roles at the decision-making level of each IPAM delegation	Annually	Reports on meeting attendance & Statutes	Platform Statutes and documentation from platform meetings in regards to participation	PIU



	participating within the national platform.				
Subproject investments financed under the Project that are operational/completed and assessed as good quality in technical audit	This indicator will measure the successful implementation and completion of subprojects supporting governance and productive investments among beneficiary producers and community members.	Annually	Baseline will be established as part of subproject preparation and then reported upon for semi-annual reports	Project reporting	Territorial Offices
New IPAM associations/companies led by IPAMs established under the Project (disaggregated by gender)	This indicator measures the number of associations/people that benefit from joining a new or strengthened producer or entrepreneurial association as part of a financed subproject. Data will be disaggregated by gender.	Annually	Subproject reports	Project reporting	Territorial Offices
IPAM community banks formed and strengthened	IPAM community banks formed and strengthened in selected territories, (approximately 2-3 in each selected territory, depending on population size)	Annually	Report hired out by PIU	Project reporting	PIU



<p>COVID-19 affected IPAM households benefiting from delivery of emergency sanitary kits</p>	<p>This indicator measures the cumulative number of households that receive sanitation kits under Component 4 – COVID Response and Recovery.</p>	<p>Annually</p>	<p>Reception letters from community leaders, Registries and reports from Ministry of Public Health (<i>Ministerio de Salud Publica</i>), and Ministry of Economico y Social and Inclusion (<i>Ministerio de Inclusion Economica y Social</i>).</p>	<p>Project reporting</p>	<p>Central PIU, Ministry of Public Health (<i>Ministerio de Salud Publica</i>), and Ministry of Economico y Social and Inclusion (<i>Ministerio de Inclusion Economica y Social</i>).</p>
<p>Traditional medicine health centers supported with TA, equipment and/or traditional medical supplies</p>	<p>Measures number of traditional medical centers (IP, AE, or Montubian) that will benefit from TA, to facilitate their access to medicinal herbs, supplies to implement their ancestral practices and knowledge to respond to the COVID-19 pandemic.</p>	<p>Semi-Annually</p>	<p>Ministry of Public Health, National IPAM Platform, Territorial Platforms, and GADs, and local</p>	<p>Ministry of Public Health and Ministry of Economic and Social Inclusion Ministry Registries.</p>	<p>Central PIU, Ministry of Public Health (Department of Intercultural Health) and Ministry of Economic and Social Inclusion.</p>



			leaders.		
Partnership agreements signed with universities, cultural institutes and technical programs for strengthening IPAM attendance	Measures the number of subproject partnership agreements signed with higher education programs and cultural institutes	Annually	Partnership agreements	Project reporting for C3.1	Central PIU
Improved employability and competitiveness	Measures percentage of participants who attend Project-financed employment training activities and events who express that they gained new skills as a result of their participation	Bi-annually (once Component 3 begins implementation)	Territorial Offices, Central PIU, firms/employment organizations	Territorial Offices and Post-event surveys	Central PIU
Grievances responded and/or resolved within the stipulated service standards for response times	Measures complaints and/or queries about the project will be received, acknowledged, responded to and resolved in a timely manner.	Annually	GRM records	Review of GRM registry records	SHR's CNPIN Office



ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Ecuador

Territorial Economic Empowerment for the Indigenous, Afro-Ecuadorians and Montubian Peoples and Nationalities (TEEIPAM)

1. **The project will require intensive implementation support and a continuous dialogue with the client.** The WB's implementation support strategy combines periodic supervision with timely technical support and policy advice as necessary. Implementation support will include: (i) a Bank supervision mission every three months, which could be carried out virtually in case the Bank team is unable to travel; (ii) WB interim technical discussions and field or virtual visits; (iii) technical reviews by the PIU and/or Subproject Evaluation Committee of all subprojects and other key activities/processes to be financed; (iv) monitoring and reporting by the PIU on implementation progress and achievement of results; (v) financial audits and FM reporting, and (v) periodic procurement post reviews. Bank missions will visit randomly selected participating territories, to assess and physically verify the implementation progress of the sub-projects. These site visits will include interaction with project beneficiaries, IPAM producers or associations, and so on. In case the Bank team is unable to travel, local consultants will be hired to perform supervision activities.
2. **It is expected that the early implementation phase could face challenges,** which will be addressed through the following actions:
 - (a) **Implementation support strategy.** The Bank task team will maintain regular communication with all project stakeholders, requiring consistency in the composition of the core Bank task team, technical expertise, and familiarity with country/local situations. The Bank task team will also provide hands-on support in the preparation of the Operations Manual.
 - (b) **Capacity building of the implementation agencies.** Extensive training and assistance will be required on a technical level to support the PIU in: (i) task planning, financial planning and supervision; (ii) the review of, and inputs to, important TORs; and (iii) active participation in engagement with IPAM representatives or other development partners.
 - (c) **M&E and learning.** The Project will rely primarily on the country's existing monitoring and evaluation systems. In particular, the Project will use primarily data from Ecuador's statistics agency (INEC), FAO, and SENESCYT and/or relevant higher education partners to gather information on food security and tertiary education program indicators respectively. However, some monitoring systems within the PIU will need to be established, including the ability to track the progress and impacts of sub-project financing, levels of participation within the two dialogue platforms, and a beneficiary satisfaction survey to ensure that stakeholders feel the strategic development and investment plans and project financing are reflective of their development priorities and needs. The Bank supervision team will review the data, discuss quality issues and include any consultants as necessary to assist in the assessment of Project implementation.
 - (d) **Fiduciary assurance support.** Because of the condensed preparation procedures under this Project, fiduciary implementation support will become a critical risk mitigation measure. FM staff will make extensive on-site and off-site efforts to monitor the effectiveness of the FM and disbursement arrangements, track key progress areas, and identify any gaps to determine whether changes in the FM and/or disbursement arrangements are needed. On site or virtual fiduciary missions will initially be carried out at least twice a year and later calibrated following assessed risk and Project performance. In case of the lack of physical access once implementation begins, virtual FM implementation support monitoring will be conducted using ICT



tools. Off-site implementation support will comprise desk reviews of the interim financial reports (IFRs) and the single audited Project Financial Statements. Similarly, procurement activities will be spread by types of procurement, and size of contracts, requiring intensive supervision support.

- (e) **Environmental and Social Framework.** The monitoring and mitigation of social risks will require a Bank task team with a good understanding of the political economy, culture and business processes in Ecuador. Adequate staff time and resources will be provided to supervise implementation of the ESCP, including reviewing site-specific environmental management measures during the project execution process. Special emphasis will be placed on (i) monitoring the scope and impact of the project on selected IPAMs, (ii) establishment and implementation of a robust GRM, and (iii) monitoring the adequate implementation and documentation of consultation and participation processes.
- (f) **Operation.** The Bank task team will provide day-to-day support and supervision of all operational aspects, as well as coordination with the clients and among WB team members.

3. Implementation support plan. The following implementation support plan reflects the preliminary estimates of skill and resource requirements and timing over the life of the project but will be reviewed periodically to ensure that it continues to meet the Project’s implementation support needs. Table 1.1 indicates the WB team’s implementation support plan and the required skill mix.

Table 1.1. Implementation Support Plan and Skill Mix

Time Frame	Focus	Skills
Year 1	<ul style="list-style-type: none"> • Work-planning, setting up implementation architecture at all levels; Implementation progress review, Operation Manual, training materials, RF tracking and project roll-out. • Building partnerships between the PIU and educational cultural institutes, other tertiary education programs, employers, financial institutions, and government agencies • Establishment of dialogue platforms • Documentation and scaling up of best practices • Capacity building and mentoring of staff at all levels on procurement, FM, M&E, and safeguards • Review and clearance of documents • Review FM and disbursements • Prior and post review of procurement 	<ul style="list-style-type: none"> • Core team, particularly operations, technical, FM, procurement, environment, social, M&E.
Years 2-4	<ul style="list-style-type: none"> • Sub-project planning and implementation • Capacity building for beneficiaries of sub-projects • Monitoring and evaluation • Review and clearance of documents • Review FM and disbursements • Prior and post review of procurement 	<ul style="list-style-type: none"> • Task Team, external staff and experts



	<ul style="list-style-type: none"> • Mid-term review 	
Completion in Year 5	<ul style="list-style-type: none"> • Implementation Completion Report 	<ul style="list-style-type: none"> • External team with support from Task Team

4. **Skill mix.** The task team composition for supporting project implementation is included in Table 1.2.

Table 1.2. Team Composition

Skills Needed	No. of Staff Weeks	Number of Missions	Comments
Task team leader(s)	10	Two per year	Staff in Washington, D.C.
Procurement specialist	3	Two per year	Staff in Quito, Ecuador
FM specialist	3	Two per year	Staff in Quito, Ecuador
M&E specialist	2	One per year	TBD
Education specialist	2	Two per year	TBD
Social specialist	3	Two per year	Staff in Washington, D.C.
Environmental specialist	2	Two per year	Staff in Washington, D.C.
Gender specialist	2	One per year	TBD
Rural Development / Sr. Agriculture Specialist	3	Two per year (occasional travel)	Staff in Washington, D.C.
Financial Intermediation Specialist	3	Two per year (occasional travel)	Staff in Washington, D.C.
Operations Analyst	5	Two per year (occasional travel)	Staff in Washington, D.C.



Implementation Arrangements

5. The Project would be implemented by the Secretariat of Human Rights (SHR)^[1], which reports directly to the Presidency of the Republic of Ecuador and has territorial presence throughout the country. The SHR would establish a dedicated Project Implementation Unit (PIU) within the Sub-Secretariat for Nationalities, Peoples and Social Movements (SSNPSM), given that the Sub-Secretariat has the institutional mandate to promote citizen participation, interculturality, and the rights of nationalities, peoples, organizations and citizens to achieve well-being.

6. The PIU⁷¹ would be financed through Component 4 and will be comprised of a central office in Quito supported by territorial teams that will be hired for project implementation and located in five existing SHR regional offices. It will be responsible for project management, including all reporting, coordination, legal, fiduciary, environmental and social management, communications and monitoring and evaluation. The territorial teams will attend to IPAM populations in the Coast, Highlands, and Amazonian regions and will be located in: (i) Ibarra, (ii) Guayaquil, (iii) Cuenca, (iv) Portoviejo, and (v) Ambato.

7. The PIU's central office would be led by a Project Manager, who will be responsible for overall Project implementation, reporting to the Subsecretary for SSNPSM, and coordinating closely with the National Council for Equality for Peoples and Nations (*Consejo Nacional para la Igualdad de Pueblos y Nacionalidades, CNIPN*), the IPAM National Platform (to be created under Subcomponent 1.2), the Bank, and all other external stakeholders. The PIU Project Manager would be supported by a legal advisor (part-time), an administrative assistant (full-time), three technical IPAM representatives nominated by the IPAM National Platform (part-time), and a technical/operational team. The technical/operational team will be managed by a Coordinator (full-time) and will be made up of both full-time core staff, including specialists in procurement, financial management, monitoring and evaluation, communications, social/gender, and environmental, as well as technical specialists that would be hired at different stages of project implementation based on the work load and specific skill-set needs established within the annual work plans.

8. The Central PIU will be responsible for the preparation and consultation (with National and Territorials IPAM Platforms and other stakeholders per Project's SEP) of the Project Annual Operation Plans (POA) and to ensure adequate budget allocation. It would also be tasked with preparing each year's procurement plan, and preparing and coordinating all project reports, audits, and requests for no-objection from the Bank. The Central PIU would be responsible for overall Project implementation and coordination, hiring and supervision of the Territorial Team, and all technical and other aspects related to the implementation of Sub-Component 1.2 (*national dialogue and development planning*) and Component 3 (*promotion of higher education and employment generation for IPAMs*). For Component 2, the Central PIU would be charged with supervising, and

^[1] The SHR was established in 2017 during the Correa administration and has absorbed the functions of the previous Ministry of Justice. Its mandate has remained with the current administration and is considered to be a key entity to ensuring human rights in eradication of violence against women, indigenous peoples, and youth.

⁷¹ As soon as project proceeds are available, the SHR will be responsible for hiring the PIU core staff comprising of: Project Manager, Technical/Operations Coordinator, Financial Management, Procurement, Social, and Environmental Specialists. Once hired, the PIU would be responsible for hiring the other PIU staff.

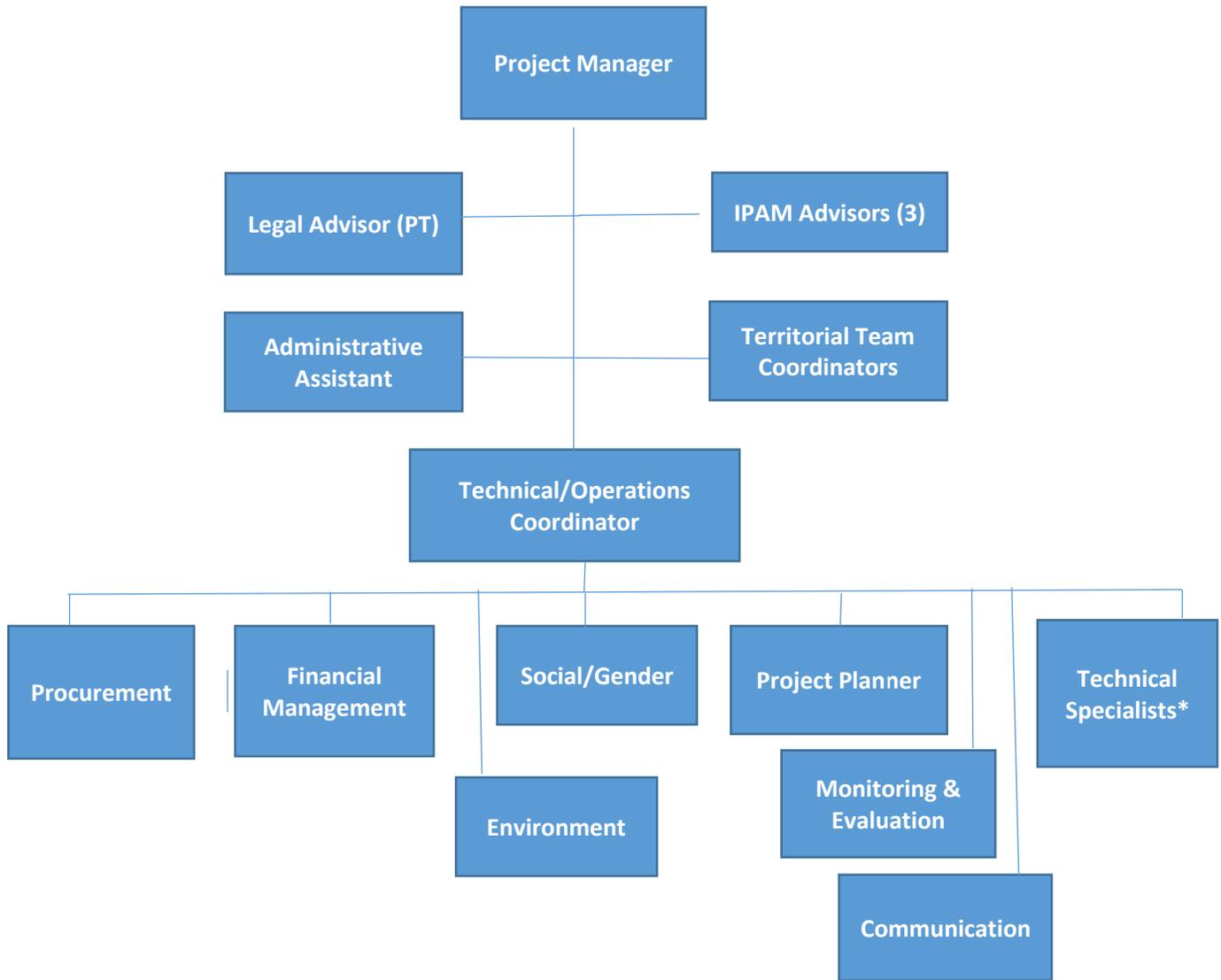


supporting as necessary, the Territorial teams with the technical aspects related to subproject preparation (supported under subcomponent 2.1), including the preparation of TORs, selection of consultants, review and approval of products. For subprojects under Sub-Components 2.2, 2.4 and Component 3, subproject agreements will be signed with the PIU, and when the capacity of recipients is evaluated and meets all World Bank requirements and standards, fiduciary management could be transferred to the subproject recipients. In these cases, the central PIU will be responsible for fiduciary oversight. The Central PIU team would coordinate with the Ministry of Health for the definition of services and goods to support under Sub-component 2.4 for COVID-19 and all other relevant agencies and actors at a national level to facilitate an agile implementation of territorial planning and subprojects at the territorial levels. The Central PIU team would also coordinate with all other relevant agencies and actors at a national level to facilitate agile Project implementation and be tasked with all planning, coordination and requests for Project related budget allocation, disbursements and Bank no objections and reporting. The Central PIU's environmental and social specialists, together with the technical representatives of IPAM organizations, would be charged with preparing and consulting the environmental and social instruments (E&S instruments) required for the Project within 30 days of Project effectiveness.

9. The Territorial teams would be staffed with a core team including a Coordinator, Project Planner, Governance Specialist, Economic Development Specialist, Environmental Specialist, Social Specialist, and an Administrative Assistant. The Territorial Team Coordinator will report to the Central PIU Project Manager and the Territorial team would report to the Territorial Project Coordinator, liaise with relevant technical specialists within the Central PIU, and hire, as necessary, specialized consultants to support specific operational or technical needs for territorial planning or subproject preparation (to be financed under Sub-component 2.1) and implementation.



Figure 1.2: Central PIU Organigram



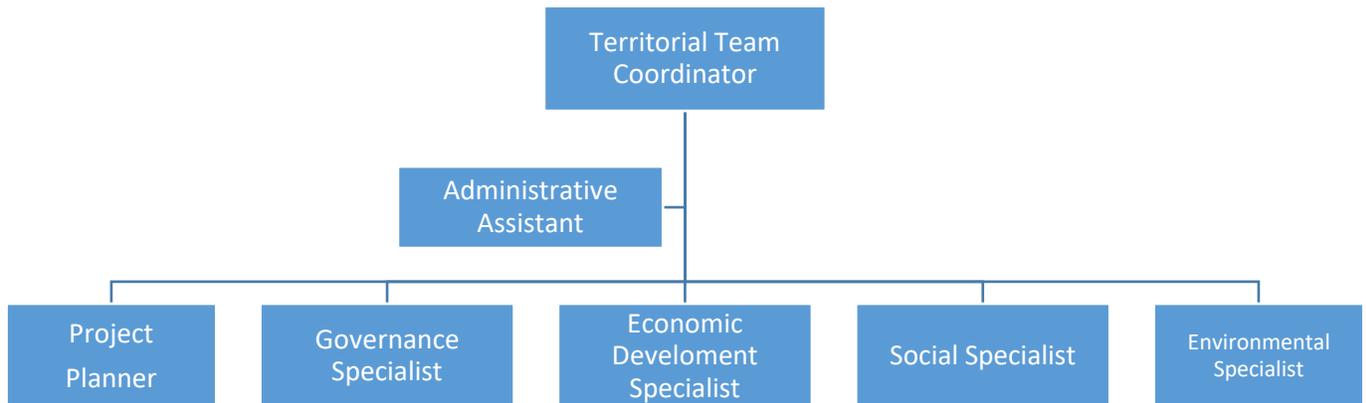
10. The Territorial teams would be tasked with leading the technical and operational implementation for the territorial planning processes assigned to their region under Sub-Component 1.1, including the implementation of the steps established in the Project Operations Manual, serve as the technical secretariat of each territorial platform, and identify and supervise the studies to feed each planning process. For Component 2, they will be charged with the technical and operational aspects of subproject preparation and supervision of implementation under Component 2, including ensuring that subprojects have the necessary ongoing support to be adequately implemented. For the COVID-19 Subcomponent 2.4, the Territorial teams, through the respective territorial planning processes, will identify the beneficiary communities or traditional health agents and support the agile preparation of COVID-19 subprojects based on the pre-established list of COVID-19 eligible expenditures



agreed between the SHR and the Ministry of Health. The Territorial teams will supervise the effective implementation or delivery of these services or goods.

11. The Territorial teams would be supported by the Central PIU for all procurement and financial management (or oversight in cases where subproject recipients assume fiduciary responsibilities- see below) and to ensure technical consistency across regions and the Project on key areas of intervention. Overall, the responsibilities of the Territorial teams would include: (i) the preparation of TORs, technical specifications and logistics for all territorial level contracting and activities; (ii) the selection and technical supervision of consultants, including the review and approval of products; (iii) the assessment, preparation of subproject profiles, and selection and supervision of subprojects, (iv) the analysis of recipients’ technical and fiduciary capacity for subproject management and oversight when fiduciary responsibilities are transferred (to be carried out by a consultant or firm); (v) the requests for payments, approvals, procurements and preparation of reports on territorial level implementation for the Central PIU; and (vi) the adequate implementation of the Project-ESMF, COVID-ESMF, RPF, IPPF, SEP and LMP, including preparation and supervision of site-specific E&S management plans and reporting to the Central PIU on compliance and results.

Territorial Team Organigram (5)



12. For some subprojects, beneficiaries may request to implement directly the technical, administrative or fiduciary aspects of their subproject. In these cases, the regional PIUs would be tasked to assess the subproject complexity and risks as well as the beneficiary’s legal status and capacity based on standard instruments included within the Project’s Operations Manual (OM). For all subprojects, subsidiary agreements will be signed between the PIU and beneficiaries, but in the case that beneficiaries take on technical, administrative or fiduciary responsibilities, specific provisions will be added to the subsidiary agreements to outline roles, responsibilities, and procedures for procurement, financial management, and reporting to the regional PIU office. Table 1.3 summarizes the key roles and responsibilities of the primary stakeholders involved in implementation.



Table 1.3: Summary of Implementation Roles & Responsibilities

Responsible Party	Roles and Responsibilities
Minister SDH & Subsecretary for SSNPSM	<ol style="list-style-type: none"> 1. Ultimate legal responsibility for Project 2. Coordination and promotion of Project needs with President and relevant decision-making Cabinets
PIU Central Office	<ol style="list-style-type: none"> 1. Report to Subsecretary for SSNPSM 2. Coordination, consultation, request for No Objections, and reporting with all external actors (SDH, Bank, National IPAM Dialogue Platform, Ministry of Health, Other Ministries/Agencies) 3. Operational planning, consultation and coordination of project activities, budget, reporting and administration on an annual basis 4. Full implementation (technical, operational, E&S, fiduciary) of Sub-component 1.2, Component 3, and Component 4 5. Project procurement and financial management for all activities where fiduciary responsibilities are not transferred via subprojects 6. Technical and operational oversight of Territorial teams for Sub-component 1.1 and Component 2. 7. Fiduciary and E&S oversight for all subprojects based on reports sent from Territorial teams 8. Project communications 9. Project M&E 10. Supervision of Territorial teams
PIU Territorial teams	<ol style="list-style-type: none"> 1. Subcomponent 1.1: plan & facilitate territorial level planning processes and draft TORs and identify/select consultants or any inputs; serve as territorial platform secretariat, coordinate and provide quality assurance to Subproject Evaluation Committees (SEC), and support preparation of subproject profiles 2. Subcomponent 2.1: Draft TORs, nominate and facilitate evaluation committees, review and approve products, assess risk and capacity of beneficiary groups for subproject implementation, carry out E&S assessment/prepare E&S plans (or hire consultants to do so), and coordinate all procurement, FM, and administrative needs with PIU Central Office 3. Subcomponent 2.2: Supervise all aspects of subproject implementation, including coordination with PIU Central Office of all necessary procurement, FM, and administrative needs 4. Subcomponent 2.3: Provide technical support for implementation and coordination between territorial beneficiaries and financial intermediaries. 5. Subcomponent 2.4: Provide technical support in the preparation of subproject profiles based on pre-established list of services and goods and coordinate delivery.



IPAM National Platform	<ol style="list-style-type: none"> 1. Serve as the principle platform for Project consultations and planning for national or project-wide issues, including consultation of Annual Operation Plans and E&S instruments. 2. Facilitate coordination with territorial IPAM authorities. 3. Implementation partner of Subcomponent 1.2 4. Support the Project Grievance Redress Mechanism (GRM)
IPAM Territorial Platforms	<ol style="list-style-type: none"> 1. Serve as the principle platform for Project consultations and planning at the territorial level, including identification, prioritization and selection of investments to be supported under Component 2. 2. Implementation partner of Subcomponent 1.1. 3. Identification of beneficiary communities and facilitate delivery of COVID-19 support under Subcomponent 2.4. 4. Support the Project Grievance Redress Mechanism (GRM) in the CPNIN of the SDH.

13. National and Territorial IPAM Platforms. The National and territorial IPAM platforms would be the primary mechanism to ensure ongoing participation and ownership of IPAM representatives and leadership in Project decision-making and management. The *National Platform* would be comprised of IPAM representatives from national organizations who have been nominated by their membership to serve on the Platform, and should include, at a minimum, 30 percent **women**. The National Platform would: (i) define the operating guidelines for its operation (objectives, scope, decision making and accountability processes internally and, in the territories, meeting procedures) and develop an annual workplan; (ii) ensure consistency of project activities with the objectives, policies, and strategies of the government of Ecuador; (iii) provide feedback and validate annual operational plans and E&S framework instruments; and (iv) support timely and effective dissemination of information to key project stakeholders and partners. This Platform would prioritize developing a public policy and regulation for strengthening IPAM community economies, serve as a source for proposals and feedback on effectiveness of COVID-19 response and recovery in IPAM regions, and provide inputs for the monitoring the implementation of project activities. It could serve as a consultative platform for the Government and international donors regarding investments and policies relevant for IPAMs. The National Platform would nominate on an annual basis, three technical advisors to work within the PIU and serve as an ongoing source of project information and coordination with IPAM organizations and leadership. Resources would be allocated under Sub-component 1.2 for the Platform to meet three times per year.

14. The Territorial Platforms (currently proposed as 15), would be established through subcomponent 1.1 and play a convening role of key stakeholders linked to the implementation of the Project at the territorial level. It would be responsible for: (i) developing platform operating guidelines that are tailored to the territory, (ii) conceptualizing and articulating the Territorial Intervention Strategy (TIS) with the facilitation of the Territorial teams, (iii) establishing a Subproject Evaluation Committee (SEC) to review and assess longlist of subproject template proposals which will produce the Strategic Development and Investment Plan (SDIP) for the territory, (iv) confirming the effective application of the established selection criteria (set forth in the OM and TIS); (v) promoting the effective targeting and equitable distribution of project investments, and (vi) supporting Territorial Office efforts to communicate on subproject implementation progress to strengthen accountability with stakeholders. The territorial platforms will be comprised of IPAM leaders and representatives and other critical



territorial stakeholders as identified in the stakeholder mapping to be financed under Sub-component 1.1. The territorial platforms should meet frequently during Year 1 of project implementation and subsequently six (6) times per year.

15. If, as necessary, other public entities hold formal technical mandates relevant to the investments to be supported, the SHR could enter into Inter-Institutional Agreements to establish partnerships to support implementation. These agreements would outline the roles and responsibilities of SHR vis a vis the partner agency, including technical, fiduciary and safeguards roles, and if any implementation responsibilities would fall within the partner agency, the relevant Bank assessments of capacity and arrangements would need to be carried out and the Bank would need to provide the No-Objection to the arrangements to be outlined in the POM. These agencies and private entities could include: The National Council for the Equality of Peoples and Nationalities (CNIPN); Ministry of Economy and Finance, Ministry of Health, Ministry of Economic and Social Inclusion (MIES), National Secretariat for Higher Education, Science and Technology (*Secretaría Nacional de Educación Superior, Ciencia y Tecnología*, SENESCYT), Ministry of Agriculture and Livestock (*Ministerio de Agricultura y Ganadería*, MAG), Ministry of the Environment and Water (*Ministerio de Agua y Ambiente – MAA*), Plurinational and Intercultural Conference of Food Sovereignty (*Conferencia Plurinacional de Soberanía Alimentaria*, COPISA), Planifica Ecuador; National Institute of Statistics and Censuses (INEC); Consortium of Provincial Autonomous Governments of Ecuador (*Consortio de Gobiernos Provinciales Autónomos del Ecuador*, CONGOPE); Association of Ecuadorian Municipalities (AME); National Council of Rural Parish Governments of Ecuador (*Consejo Nacional de Gobiernos Parroquiales Rurales del Ecuador*, CONAGOPARE); and, other public and private institutions) when specific expertise is needed for the implementation of the Project. Where relevant, institutional and/or cooperation agreements with these entities will be established.

Financial Management

16. The Financial Management (FM) team conducted a FM assessment to the Secretariat of Human Rights (SHR) in its capacity of proposed project implementing entity for the project. The FMA was conducted following Investment Project Financing (IPF) Policy and Financial Management Manual which requires the borrower maintains FM arrangements that are acceptable to the Bank and that as part of the overall implementation arrangements, the operation provides reasonable assurance that the proceeds of the loan are used for the intended purposes.

17. The FM residual risk for the Project is rated Substantial based on the following considerations: (i) various deficiencies identified during the 2019 PEFA⁷² report, including *inter alia* weak transparency of public finances, the budget management and control framework, and limited internal control and external oversight of the public sector. Such deficiencies may impact this project and may reflect in delays in getting the budget approved and the process of payments with an overall impact in project implementation; (ii) SHR has no previous experience implementing WB-financed projects, which may affect their ability to efficiently carry out some project activities including budget planning and control, and disbursement requests and preparation of financial reports; (iii) the

⁷² Public Expenditures and Financial Accountability.



project design involves subprojects to be implemented at central level, yet also with the possibility to have some subprojects implemented at decentralized level (including procurement, contract management and processing of payments), some of which may have weak FM capacities and thus impact negatively on the implementation process; and (iv) the implementation of subprojects could be challenging considering SHR's limited experience and lack of mechanisms for controlling, reporting and effectively monitoring the flow of funds and the implementation of decentralized subprojects.

18. The following mitigation measures have been discussed and agreed: (i) SHR will continuously monitor the project budget is approved on time and flag any potential delays to the corresponding authorities, in order to identify potential solutions; (ii) project implementation will be supported by experienced SHR Administrative and Finance Directorate staff and experienced FM team to be hired under the project to ensure there exist adequate reporting on the use of project funds, maintaining internal controls over project expenditure, and engaging external auditors; (iii) the Bank, will provide fiduciary training to project staff to ensure their acquaintance with WB requirements; iv) as part of the evaluation of subproject proposals, the PIU technical and administrative team will assess the FM capacity of subproject executors⁷³ and determine besides other aspects whether it is feasible to decentralize subproject implementation. The Bank will also carry out ex-post reviews of some of these assessments during implementation; v) SHR will implement standardize funds flow and disbursement arrangements for overall project including record keeping and control of expenditures and simplified financial reporting. SHR will install a complementary financial information system to obtain detailed financial information on the project implementation and in accordance with project components and disbursement categories; and (vi) and vi) the subproject grant agreement to be included in the POM will reflect FM roles and responsibilities of subproject beneficiaries.

19. On the basis of the above mentioned, the proposed financial management arrangements are considered acceptable to the Bank; subject to compliance of these however, there are some mitigation actions still pending to be implemented: (i) *the* final version of the project operations manual has been adopted by SHR (effectiveness condition); and (ii) per the LA covenants, the SHR has in place a fiduciary unit acceptable to the Bank, comprising qualified and experienced FM staff, hired under TORs agreed with the Bank (within three months of effectiveness).

20. Organizational Arrangements and Staffing. According to the implementation arrangements, SHR will recruit key FM staff to set up the Project Implementation Unit (PIU), including an experienced FM Specialist and experienced accountant for the implementation of the loan, both hired under Terms of Reference agreed with the Bank, applying Bank's selection and contracting procedures, and dedicated full-time to project implementation. The PIU's FM team, in coordination with SHR's Financial Directorate, will be responsible for carrying out FM tasks under the project. The main responsibilities will consist of: (i) preparing annual Project budgets; (ii) monitoring budget implementation in accordance with forecasts; (iii) reconciling advances to the Designated Account (DA) for the whole Project; (iv) preparing financial information including project financial



statements and disbursement applications on the basis of e-Sigef⁷⁴, and monitoring of information on subprojects; (v) carrying out preliminary review of supporting documentation (ex- ante control) of payments carried out directly by the PIU; and (vi) maintaining adequate files of the whole Project. For decentralized subprojects, the Territorial teams could include contracting financial professional to support oversight of subproject as required otherwise, the PIU central office financial management team will be responsible for this supervision. Detailed FM roles and responsibilities of the PIU and PIU FM staff will be included in the POM.

21. Budgeting. The PIU will prepare the project annual operating plan (POA) and project budget to be incorporated into SHR's institutional budget. SHR's annual budget, including for the project, will be submitted to the National Assembly for approval by the legislature. Project budget execution will be processed and monitored through the e-Sigef information management system. The programmatic structure used by e-Sigef allows the recording of project transactions classified by source of financing, and type of expenditure. Timely recording of approved budget, commitments, accruals and payments will be carried out through the information systems e-Sigef. Those general procedures will be complemented by specific guidelines included in the operational manual, for the preparation of an annual operating plan by project component/subcomponent and a matrix associating them with budgeting items according to local regulations.

For decentralized subprojects implementation to producer organizations (Component 2) and universities (Component 3), the PIU must have in place arrangements and mechanisms to adequately support the preparation and monitoring of budgets for each subproject and respective tranches within a subproject. According to budget practices, transfer of funds to third parties such as subprojects will be considered as expenditures, thus complementary information on subproject execution will be critical for effective project monitoring.

22. Internal Control. SHR has to comply with local requirements related to administrative and control process based on the internal control standards issued by the CGE and those integrated into the operation of e-Sigef as they relate to budget preparation and execution. However, considering project features and identified risks, mechanisms and controls, to be detailed in the POM and subproject grant agreement, will be needed to ensure the effective implementation of subprojects and timeliness of information. To this end, the Bank is working with the SHR to design mechanisms for subproject implementation to ensure: the adequate use of funds, timely and reliable financial information at subproject level, and the PIU's effective monitoring of subproject implementation. These include: (a) standardized funds flow and disbursement arrangements record keeping and control of expenditures, simplified financial reporting at project level and subproject decentralized level; (b) Sub-project grant agreement will include FM roles and responsibilities; costs of investment plans and financing sources; (c) SHR will evaluate FM capacity based on the questionnaire reviewed during preparation to evaluate capacity of subproject beneficiaries and if required, determine the need to strengthen their capacity and the level of assistance required; (d) PIU staff will provide trainings and assistance to subproject beneficiaries on FM processes, while also maintaining an active participation in the subproject's implementation.

⁷⁴ Sistema de Gestión Financiera del Estado.



23. Accounting and Information System. The regulatory FM framework in Ecuador for central government entities consists of: (i) COPLAFIP; (ii) Accounting Technical Norms; and (iii) the mandatory use of e-Sigef⁷⁵. SHR will record project transactions in the e-Sigef, using the accrual basis and will apply the budgeting structure and chart of accounts utilized by the government.

24. For project purposes, including subprojects implemented at centralized level, e-Sigef can identify programs, specific transactions by component, type of expenditure and financing source.

25. For subprojects to be implemented at decentralized level, transfers of funds to subproject beneficiaries are considered expenditures in the e-Sigef and does not provide further detailed information on the use of funds by these beneficiaries. Thus, e-Sigef information will need to be complemented by subproject reports to monitor and control advances to subprojects, information on the use of the funds at subproject level and subproject bank account balances. Moreover, monitoring of a large number of subprojects in Excel spreadsheets may become cumbersome and could hinder the timeliness and integrity of the information. Hence, it will be necessary to install a complementary information system that would contribute to timely monitoring and consolidation of subproject information and overall project implementation. In addition to this, the Bank will analyze the use of best practices in technologies, including the use of blockchain, in order to ensure the reliability of information, as well as the use of mobile technology to report the expenses incurred by subprojects.

26. Financial Reporting. For project purposes, the SHR will prepare project interim and annual financial statements based on the e-Sigef information, including:

a. At Project level. *On a semiannual basis*, SHR's PIU would prepare interim financial statements (IFRs), issued no later than 45 days after the end of each calendar semester. The IFRs would include: i) sources and uses of funds and cash balances; ii) a statement of investments; iii) a subproject Statement; iv) explanatory notes to the financial statements; and (v) DA reconciled with bank statement. *On an annual basis*, SHR's PIU will also prepare project financial statements, including cumulative figures, for the year end. The final form of the project financial statements are being included in the POM.

b. Subprojects at Decentralized level. Subproject executors will prepare simplified financial reports reflecting the funds received, eligible expenditures incurred by main activity in accordance with financing plan and cash balance reconciled with bank account statement. This information will be prepared at least quarterly, including when documenting expenditures and requesting new disbursement of funds.

27. Auditing Arrangements

External Audit. SHR will be responsible for selection and appointment of an independent private auditor acceptable to the Bank. SHR will prepare audit terms of reference (TORs) for the Banks' no objection. The audit of

⁷⁵ Ecuadorian Governmental Financial Management Information System.



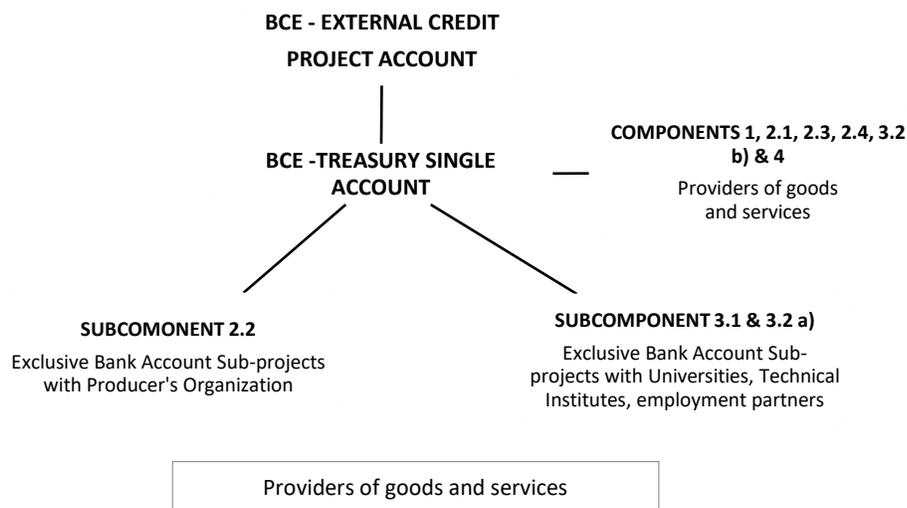
the Project will be performed in accordance with International Standards on Auditing (ISAs) issued by the International Federation of Accountants (IFAC). The scope of the audit would be defined by TORs and based on project specific requirements and responding, as appropriate to identified risks and compliance with agreed process and procedures, executors of sub-projects’ responsibilities and a sample of sub-projects. In accordance with the WB’s Access to Information policy, the audited financial statements of the project will be made publicly available. Audit costs would be financed out of loan proceeds. Audit requirements will include the following:

Audit Report	Due date
Opinion on project financial statements	June 30
Management Letter	June 30

28. In addition to the external audit, the public sector in Ecuador is subject to the oversight of the General Controller of the State (CGE by its acronym in Spanish). The CGE has the legal authority to conduct audits as it sees fit. The funds executed under the project may be also subject to the audit of the CGE.

29. Funds Flow and Disbursement Arrangements. The Bank will disburse loan proceeds using the disbursement method of advance, reimbursement and direct payment. Under advance method, a segregated Designated Account (DA) in US Dollars will be opened and maintained by MEF in the Central Bank of Ecuador (BCE). Advances to the DA will be immediately transferred to the Treasury Single Account (TSA), where loan proceeds will be linked to specific classification to identify the project (financier & correlative) through the report of Organismo and Correlativo. Funds deposited into the DA as advances, will follow WB’s disbursement policies and procedures -as described in the Disbursement and Financial Information Letter (DFIL). The project plans to have counterpart funding from communities as matching grants up to US\$3,000 under subcomponent 2.3. See Figure 1.2 for details.

Figure 1.2: Summary of Flow of Funds





30. Disbursement of funds from WB to SHR’s PIU. The ceiling of the Designated Account will be variable, where advances to the DA will be made on the basis of quarterly forecasts of planned project expenditures prepared by SHR. Expenditures will be documented through interim financial reports (IFR) summarizing the sources and uses of funds, and advances to decentralized subprojects, including a reconciliation of the DA account. Specific supporting documentation and the IFR form will be established in the DFIL. Documentation of eligible expenditures paid out from DA is expected to be submitted on at least a quarterly basis.

31. Subprojects (Component 2.2, 3.1 and 3.2 a). The Project involves preparation and implementation of subprojects selected on the basis of criteria described in the POM. Eligible expenditures under subprojects will mainly include goods, consulting services, non-consulting services, supplies (seeds, animals, tools, etc.), sanitary supplies and information and communication technologies, scholarships, operating costs. Subprojects are expected to be implemented at SHR central level and exceptionally some subprojects (low risk, which proved to have capacity) could follow a decentralized approach (including procurement, contract management and processing of payments). While an indicative listing of potential subprojects has been established, the refined activities including the expected cost ranges will not be defined until project implementation. The following types of subprojects follows:

SUBCOMPONENT	SUB-PROJECT TYPE	SUB-PROJECT EXECUTORS
Subcomponent 2.2	Territorial governance	Producer organizations and associations
	Livelihood investments	
Subcomponent 3.1	Higher education	Universities, Professional Institutes,
Subcomponent 3.2 a)	Employment opportunities	Employment Associations

32. Regardless subprojects are implemented at central or decentralized level, it is expected that each subproject representative will sign a subproject grant agreement with SHR’s PIU, including a financing plan that identifies the activities to be financed and their respective implementation schedule.

33. For decentralized subprojects, beneficiary will open an exclusive bank account to receive subproject financing from the loan proceeds. Disbursement schedule to subproject will be performed on tranches; first disbursement will be based on the financing plan and next disbursement will require first subproject executor has justified expenditures incurred against previous advance. Detailed process will be described under the POM.

34. Payments and supporting documentation. Payments for suppliers of goods and services and decentralized subproject beneficiaries will be made from the DA bank account opened exclusively for project purposes. SHR 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 suppliers’ private bank accounts. All supporting documentation of the Project (original records evidencing eligible expenditures, receipts and supplier invoices, etc.) will remain at the central unit of the PIU. Supporting documentation of decentralized subprojects expenditures will remain at the beneficiary organization and copies of the payment will be sent to the PIU for ex-post reviews from the Bank and external auditors.



The following table specifies the disbursement categories under the Project.

Category	Amount of the Loan Allocated (expressed in US\$)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, non-consulting services, consulting services and Operating Costs under Part 1 and Part 4 of the Project (including audits)	9,500,000	100%
(2) Goods, non-consulting services, consulting services and Operating Costs under Parts 2.1, 2.3, and 3.2 (b) of the Project	4,500,000	100%
(3) Territorial Governance Subprojects and Livelihood Subprojects under Part 2.2. of the Project	20,000,000	100% of amounts disbursed under Subproject Agreement
(4) Goods, non-consulting services, consulting services, and Operating Costs under Part 2.4 of the Project	2,000,000	100%
(5) Promotion of Higher Education Subprojects and Promotion of Employment Subprojects under Parts 3.1 and 3.2 (a) of the Project	4,000,000	100% of amounts disbursed under Subproject Agreement
TOTAL AMOUNT	40,000,000	

35. Retroactive financing. SHR plans 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 category 1 for contracting of PIU staff. The IFR will be prepared with all this information, confirm eligibility of expenditures and submit them for Bank’s reimbursement once the project is declared effective. The amount eligible for retroactive financing is still under definition but in case will not exceed the maximum of 20 percent of the loan amount.

36. Financial Management Supervision Plan. Considering the associated risks, FM supervision would include on-site visits (twice a year)⁷⁶, and desk review of interim financial reports and audited financial statements.

Procurement

37. Procurement will be carried out in accordance with the "World Bank Procurement Regulations for IPF Borrowers" (July 2016, revised in November 2017 and August 2018) ("Procurement Regulations"). The Borrower

⁷⁶ This assumes traveling once again resumes to allow for on-site access. If not, virtual supervision missions would be conducted, and desk reviews enhanced accordingly.



shall prepare the Project Procurement Strategy for Development (PPSD), which will describe how the procurement will be made in this operation aligned to the PDO and offer good value for money under a risk-based approach. PPSD will provide an adequate support market analysis for the selection methods detailed in the Procurement Plan. The mandatory thresholds for prior procurement reviews detailed in Annex I of the Bank's Procurement Procedure will be observed. All procurement procedures, including the roles and responsibilities of the different SDH's units, Regional offices and PIU, will be defined in the POM.

38. Procurement Plan. In accordance with paragraph 5.9 of the Procurement Regulations, the Bank's Systematic Tracking and Exchanges in Procurement (STEP) system will be used to prepare, clear and update Procurement Plans and conduct all procurement transactions for the Project. The Procurement Plan will be prepared by the Borrower in accordance with the results provided by the PPSD and will be agreed with the World Bank as part of the Negotiations. A summary of PPSD, will include recommended procurement approach for higher risk/value contracts.

39. Consulting services to be financed under the Project will focus on evaluating and preparing subprojects and providing technical assistance for designs, environmental and social management plans, market studies, business plans, and training.

40. Goods to be financed under this Project will include IT equipment, software, office furniture, etc.

41. Non-consulting services to be financed under this Project would include surveys, the organization of events, etc.

42. Civil Works such as small-scale infrastructure works, rehabilitation works, aquaculture ponds and docks, etc.

43. Subprojects. The Project contemplates the preparation and implementation of Subprojects, which will be identified through a territorial planning processes and awarded based on the eligibility criteria described in the POM. Procurement activities under subprojects would include consulting services, contracting of minor and low complexity works, equipment, supplies (seeds, animals, tools, etc.), food kits and sanitary supplies, and information and communication technologies (ICT). Subprojects' procurement activities will be subject to the External Audit aforementioned in paragraph 23 under TORs acceptable to the World Bank.

44. Major subprojects procurement will be carried out by the PIU/SHR. In the case where subprojects include procurement activities of low risk and amount, procurement will be performed by the Beneficiary organizations. Their appropriate capacity to carry out the procurement activities included in subprojects will be assessed and verified by the PIU. Procurement procedures for subprojects will be set forth in the POM. These arrangements will be reassessed and adjusted during appraisal stage, as required, in order to reflect possible changes in the subproject approaches.



45. Bidding Procurement Documents. Standard Procurement Documents (SPDs) shall be used for all contracts subject to international competitive procurement and those contracts as specified in the Procurement Plan tables in STEP. For bidding processes with national market approach, bidding and request of quotations documents will be agreed with the Bank.

46. Capacity assessment. The World Bank carried out the procurement capacity assessment to evaluate the adequacy of procurement arrangements of SHR. The assessment focused on how SHR will be organized to procure using the loan's funds, in terms of staffing structure, procurement record system, internal controls, roles and responsibilities, etc. The procurement with local funds is carried out by the "Coordinación administrativa-Financiera" of SHR, which does not have prior experience in procurement under the Bank Procurement Regulations; however, it has qualified staff with significant experience in national procurement procedures. In terms of procurement record system, internal controls and roles/responsibilities, were found acceptable by the World Bank. The procurement to be financed by the loan will be carry out by a PIU that would be established within the SSNPSM, which will be composed by qualified procurement staff according to the features/complexity of procurement activities to be financed by the loan.

47. Key issues and risks concerning procurement for Project implementation include: (i) lack of SHR's experience in World Bank-financed projects, and (ii) governance weaknesses/limited fiduciary capacity of the beneficiary organizations for the implementation of subprojects.

48. The corrective measures, which would be agreed are: (i) staffing the PIU and the procurement unit with experienced procurement consultants that have worked on projects financed by multilateral organizations, (ii) designing and implementing an appropriate mechanism to assess the capacities of the beneficiaries who will carry out procurement in the subprojects, and (iii) adequately establishing the functions and responsibilities of the technical and procurement units, and Regional offices, and their relationship with the subprojects in procurement matters in the POM.

49. Frequency of Procurement Supervision. In addition to prior review supervision to be carried out by the World Bank, the capacity assessment of the PIU will recommend the periodicity of supervision missions and the percentage of the post review processes to be reviewed. An annual supervision mission will be carried out and the procurement post review will cover at least 10 percent of contracts not prior reviewed by the Bank. The ratio will be reviewed an adjusted as required, based on performance of the PIU.



ANNEX 2: Economic Analysis

COUNTRY: Ecuador

Territorial Economic Empowerment for the Indigenous, Afro-Ecuadorians and Montubian Peoples and Nationalities (TEEIPAM)

Economic analysis for this project focuses on Components 2 (SC2.2) and 3 (SC3.1), which represent 53.8 percent of total project costs.

1. Component 2 will support territorial governance, food sovereignty and security, productive and community economy development of IPAM territories, financial inclusion and COVID-19 relief by executing demand-driven subprojects of diverse nature and sizes, considered eligible according to the territorial planning processes under Component 1. The following analysis focuses on SC2.2, particularly on livelihood subproject investments⁷⁷. For a more organized implementation, livelihood subprojects have been classified into three groups according to primary objective and beneficiaries: (i) food sovereignty and security investments, (ii) community economy investments and (iii) market-oriented productive or entrepreneurial investments. The first two types are aimed at sustainable food production and self-sufficiency, for own consumption and income generation at the family and community levels, while the third type involves income generation (profit maximization) through productive activities of groups of IPAM producers or entrepreneurs (who have been working together for at least one year).

2. Livelihood subprojects will increase family, community and territorial incomes through the provision of technical assistance, inputs and capital equipment for production, entrepreneurship training and activities, strengthening of productive value-chains, market research for viable diversification of productive activities, and improving production processes, in both rural and urban settings. Investments should have a sustainable, integral approach at the territorial level that will improve food security for families and improve income generation for communities or territories for the long run. An integral territorial approach is also important to enhance the benefits of association—greater volumes of production, larger negotiation power, risk mitigation, higher prices—to promote productive linkages and IPAM integration in other stages of value chains, generate products with higher added value, and improve direct market access, reducing intermediation costs. This integral territorial approach would necessarily strengthen the rural-urban nexus, creating opportunities and benefits for IPAMs located in both areas.

3. To produce a sample of potential subprojects, interviews with Afro-Ecuadorian, IP and Montubian leaders were held during Project preparation. Geographic areas considered by the interviewed leaders were as follows: Montubios' potential subprojects cover territories in 8 provinces (Manabí, Guayas, Los Ríos, El Oro, Santa Elena, Bolívar, Cotopaxi, Loja), while Afro-Ecuadorian subprojects are limited to one province (Esmeraldas) and one "canton" (Guayaquil), and Indigenous Puruha subprojects are only limited to one "canton" (Guamote)⁷⁸.

⁷⁷ Territorial governance subprojects, which are also to be financed under subcomponent 2.2, are not considered in this analysis.

⁷⁸ The territorial information for Ashuar IP subprojects is not specified, but we assume that most of the Amazonian provinces they inhabit are considered.



These ideas reflect IPAM’s needs for empowerment and well-being and offer mechanisms to contribute to improved livelihoods but have not been through the final investment selection process.

Table 2.1. Sample of potential livelihood subprojects – Summary

	Subproject type	% of subproj ects	Average total cost	Avg. cost by benefic iary*	Avg. number of beneficiaries *
1	Food sovereignty and security	14.0%	\$311,457	\$198	1,500 families
2	Community economies	22.0%	\$198,542	\$16,144	50 communities
3	Market economies & entrepreneurial development	64.0%	\$368,447	\$2,351	2,700 families

*Beneficiaries are mostly expressed in number of families or communities, but there are also businesses, farms, and subprojects with an undetermined number of beneficiaries. Averages have been estimated for SPs with relevant information.

4. Most type 1 subprojects refer to the provision of a stock of poultry (hens and roosters), pigs, guinea pigs (a traditional source of meat) and fish fry for families to start farming activities that will improve their own protein consumption and increase their income through the sale of surpluses. There is also a request for training for breeding and organic compost production. Suggested type 2 subprojects include a wide variety of ideas: as infrastructure for nonmonetary exchange and trade between communities, mangrove restoration, provision of greenhouses and other inputs for community agriculture and fish farming activities, as well as ancestral knowledge transfer. Type 3 subproject ideas are the most diverse: business, quality control and other related trainings; technical assistance for product certifications (organic, fair trade, carbon footprint); construction of stocking centers and processing plants; ecotourism investments (lodges); and asset acquisition for an existing NAE aviation company (small aircraft). Urban subproject ideas, from AE organizations in Guayaquil, are mostly similar to subprojects from rural areas—family or community farming, small factories to process agricultural products, and support for family microbusinesses. The difference is in subprojects related to services and retail trade, such as community convenience stores, a multi-purpose center (with shops, training rooms, museum and outdoor theater), and a community kitchen for traditional flavors; however, the scope of these activities is limited to their own communities or neighborhoods.

5. While submitted subproject ideas reflect the needs of IPAMs and offer mechanisms to contribute to improved livelihoods, they have yet to be prioritized and planned at a territorial level. Given the demand-driven nature of the Project, the economic analysis considers only a subset of subprojects ideas. Once a more representative sample of approved subprojects is available, more relevant information can be collected to establish a proper baseline—potentially with field visits—and the economic analysis can be updated.



6. Project appraisal documents for Bank-financed projects in ten different countries were reviewed (mid-term and ex-post evaluations were also reviewed when available). Projects similar in objectives and beneficiaries to those of subcomponent 2.2 of TEEIPAM project show robust NPV and ERR indicators, which suggest that social benefits exceed the cost of the investments. For example, the economic analysis (EA) of the ongoing Honduras' Corredor Seco Food Security Project⁷⁹, the PDO of which is to improve food security and nutrition of households in selected areas of the Corredor Seco, estimates a 17.8 percent economic rate of return (ERR) and a US\$9.7 million net present value (NPV) using a 12 percent discount rate. Although the productivity component is aimed only at rural areas, there are both agricultural and non-agricultural income generation activities that would be comparable to type-1 investments under Subcomponent 2.2 of the TEEIMPAM project. Additionally, the EA of the Market Access for Agricultural Products Project in Paraguay⁸⁰, the PDO of which is to improve market access for agricultural producer organizations and indigenous communities, measures the net incremental economic benefits derived from the financial streams of the investment subprojects and uses this to determine the viability of the entire project. The EA results show an NPV of US\$21.6 million and a 15 percent ERR. Moreover, the general EA of Peru's Sierra Rural Development Project⁸¹, which financed small demand-driven subprojects from organized producer groups (rural businesses) and from communities or groups of families, used primary and secondary information on potential initiatives and results of the EA showed an aggregate EIRR of 29 percent and an NPV of US\$11.7 million.

7. Similar Bank-financed projects for Ecuador, in terms of PDOs, target population and CDD approach, are the Indigenous and Afro-Ecuadorian Peoples Development Project (PRODEPINE)⁸² and Poverty Reduction and Local Rural Development Project (PROLOCAL)⁸³. The ICR for the PRODEPINE Project undertook an economic evaluation for a representative sample of 50 subprojects implemented during the project and, by applying the direct and indirect benefits of this sample to the US\$16.6 million actually invested in the component, calculated an ERR of 33 percent and an NPV of US\$23.4 million. Finally, for the PROLOCAL Project, the ICR evaluated a random sample of 40 subprojects taken from a universe of around 100 subprojects that had completed execution of subproject investments and had at least one year of operation at the time. Using a 12 percent annual discount rate and a 10-year evaluation period, the average economic NPV is US\$510 per family and the EIRR is 30 percent considering only subproject investments (US\$ 37.2 million). When other costs of other components are considered (about US\$19 million) and average results of the sample are extrapolated to actual beneficiary population, the overall economic NPV is US\$5 million or US\$130/family and EIRR is 15 percent. It could be

⁷⁹ P148737, financed by a US\$ 30 million trust fund grant and US\$ 7.8 million in counterpart funds, and approved in 2015 with a scheduled closing date in 2021.

⁸⁰ P168153, financed by a US\$ 100 million loan from IBRD and US\$ 10 million in counterpart funds, and approved on March 19, 2020 with a scheduled closing date in 2026.

⁸¹ P079165, financed by a US\$ 20 million IBRD loan, US\$ 7.10 million in matching funds from local communities and US\$ 7.83 million from the Borrower, approved in 2007 and closed in 2017. The PDO was to improve economic conditions of rural families in selected areas and to strengthen government capacity to implement a Sierra development strategy.

⁸² P040086, financed by a US\$ 25 million IBRD loan and US\$ 25 million from government, IFAD and beneficiary communities, was approved in 1998 and closed in December 2002. Its PDO was to improve the quality of life of poor rural indigenous and Afro-Ecuadorian communities by providing improved access to land resources and financing for investment subprojects, in accordance with existing cultural values, vision of development and capacity for self-management.

⁸³ P039437, financed by a US\$ 25.2 million IBRD loan and US\$ 25 million from government, IFAD and beneficiary communities, was approved in 2001 and closed in 2007. Its PDO was to promote the empowerment and improved access to natural and financial resources for indigenous and Afro-Ecuadorian communities and organizations within the framework of their own development and interculturalism.



expected that productive investments in Sub-component 2.2 will have corresponding economic and social benefits for IPAM population and the country.

8. Additionally, economic models of productive projects have been considered in order to estimate the profitability of a likely sample of subproject ideas⁸⁴: cocoa production and processing, guinea pig production, raising and breeding of cattle, agroecological farm, organic vegetable crops and ecotourism services, which comprise 30 percent of the sample of livelihood subprojects. The profitability index estimated at appraisal ranges from 1.31 (for cattle breeding) to 3.12 (for guinea pig production), and the IRR goes from 18.1 percent (for ecotourism projects) to 50.0 percent (for guinea pig production) (see **Error! Reference source not found..2**). The (weighted) average PI and IRR for these subprojects are estimated at 2.11 and 34.6 percent, respectively. Although this is a partial analysis, it provides a preliminary estimate of what livelihood investments under SC2.2 might yield.

Table 2. Estimated returns of most likely subprojects in the sample

Subproject family	Profitability index	IRR	% of total cost (weight)
Cocoa production and processing	2.58	24.6%	13.3%
Guinea pig production	3.12	50.0%	26.7%
Raising and breeding of cattle	1.31	23.4%	6.7%
Ecotourism	1.46	18.1%	20.0%
Agro-ecological farm	1.70	34.7%	20.0%
Organic crops	1.64	43.8%	13.3%
Weighted average	2.11	34.6%	

9. The actual investments will be determined via participatory processes during implementation, but the previous analysis of past operations of similar nature to livelihood subprojects under SC2.2 reflect that the EIRR is expected to be no less than 15 percent, which suggests that social benefits could exceed the investments.

10. Component 3 of the Project is aimed at facilitating technical, educational and professional development of IPAM populations to increase their level of education attainment and improve their access to better jobs. The EA focuses on activities financed under SC3.1 that can be grouped into three stages: (i) access to higher education, (ii) retention and completion of studies, and (iii) job placement as graduates enter the labor market. For each stage, we determine objective population, costs and economic benefits.

11. Beneficiaries for the purpose of economic analysis of SC3.1 are classified into: (i) IPAM high school students in the last year that want to continue to higher education and will benefit from tutoring and leveling courses; and (ii) IPAM students successfully enrolled in college, universities or other type of higher education institutions (technical/technological institutes) due to the project. In the base scenario, it is assumed that 80 percent of graduates find a paid job (which implies a 5-point increase in the official rate for IPAM population).

⁸⁴These models were provided by the PROLOCAL Project at appraisal stage and updated. The profitability index (PI) – NPV/initial investment – is used as a measure of the present value of estimated revenues for each monetary unit invested in the project.



12. Costs are associated to tutoring and leveling courses to prepare high school students for higher education admission processes and reduce access barriers. To promote enrollment and retention, a scholarship program is considered. This program would cover tuition, costs of transportation, books and other materials, and living expenses⁸⁵ throughout the duration of the academic programs. The average duration of third-level education programs is assumed to be 4 years.

13. Economic benefits for IPAM undergraduate students are estimated as savings from lower repetition rates measured as the average unit costs of higher education per year. For graduate IPAMs, benefits are measured as increased future labor income compared to income without the project (earnings with high-school education only). Returns to superior education are estimated at a 15 percent average salary increase for each additional year of education^{86,87}. Other positive externalities of higher education have not been accounted for.

14. The analysis considers a time horizon of 15 years for SC3.1 and discount rate of 5%⁸⁸. The estimated grant value is US\$3.0 million. With these parameters, positive figures for NPV (US\$2.45 million) and EIRR (17.6 percent), which suggest this sub-component is economically viable and will likely bring social and community benefits.

15. A sensitivity analysis is performed by considering changes in three parameters: (i) The employment rate of potential beneficiaries remains unchanged with and without the project, instead of increasing 5 percentage points as in the base scenario. Under this scenario, EIRR decreases to 12.8 percent while maintaining a positive NPV (US\$1.35 million). (ii) The private returns to higher education change +/- 5 percentage points to consider differences in returns across careers or programs, as well as the changing economic dynamics of the local labor market. For this scenario, results show a 9.9 percent EIRR and a positive NPV of US\$ 0.79 million when private returns to education drop to 10 percent, and a 24.3 percent EIRR with an NPV of US\$ 4.41 million when private returns increase to 20 percent. (iii) Subcomponent lifespan is reduced from 15 to 10 years, which produces a 4.9 percent EIRR and a negative NPV (US\$ -13,663).

⁸⁵ Living expenses are estimated as an alternative to the establishment of intercultural student centers in big cities to serve as residential reception spaces for IPAM students.

⁸⁶ Gutiérrez et al. 2015. "Formación Técnica: ¿Qué espera el mercado?" In: World Bank. 2016. Ecuador - Transformation of the Tertiary Technical and Technological Institutes Project. Washington, D.C.: World Bank Group. <https://hubs.worldbank.org/docs/imagebank/Pages/docProfile.aspx?nodeid=26917127>

⁸⁷ World Bank. 2020. Ecuador Jobs Diagnostic. (Forthcoming.)

⁸⁸ Discount rate and evaluation period were chosen following the economic analysis of the Ecuador - Transformation of the Tertiary Technical and Technological Institutes Project, which was approved on November 2016.



ANNEX 3: Livelihood Subproject Overview and Selection Criteria

COUNTRY: Ecuador

Territorial Economic Empowerment for the Indigenous, Afro-Ecuadorians and Montubian Peoples and Nationalities (TEEIPAM)

- 1. Subprojects** supported under Sub-components 2.1 and 2.2 will contribute to good governance, income generation, food sovereignty, improved livelihoods, and/or financial inclusion.
- 2. Territorial Governance:** Subprojects in this area will support: (i) legal and technical support and priority studies to complement or revise planning instruments or facilitate improved resource access and management (land, water, etc.); (ii) the purchase and application of technologies for planning, coordination and communication among actors, management and administration of public investment and service provision (information systems for planning, monitoring and management of investment and provision of public services, GIS, internet access, radio programs, among others); (iii) administration, management and leadership training and strengthening programs for IPAM and local government and organizational leaders and representatives, including women; (iv) basic infrastructure and critical equipment for governance, and organizational support; and (v) strengthening of key State institutions (parish, county, and provincial GADs or other decentralized State agencies) to deliver on legally established mandates with IPAM populations. In the context of COVID-19, these subprojects are especially pertinent as improved governance and strengthened communication channels would enable IPAM leadership to better monitor and more directly communicate and coordinate with health officials regarding the current territorial situation of their communities and any response/recovery needs as they arise. This sub-component would also support the empowerment of women in the leadership, planning and management of territories. Training provided would include awareness raising of climate vulnerabilities and adaptation and mitigation options, including climate friendly technologies and practices e.g. in agriculture, to reduce existing and future climate and natural disaster risks for IPAMs.
- 3. Livelihood investments:** Subprojects in this area will support food sovereignty and security, community economies; and/or market-oriented productive or entrepreneurial activities. Community and market economy investments could include some or all of these types activities: (i) *association and collective production*, by strengthening the association and organization of producers in rural and urban areas in order to meet communal or market demands; (ii) *production*, by providing infrastructure, capital, and TA to improve the design, quality, quantity, transformation, use of ancestral knowledge and traditional systems (when relevant), sustainability, and climate resilience; (iii) *diversification of economic areas in which IPAMs participate*, by promoting income-generating activities in non-traditional productive or service areas that are demanded by communities and markets; (iv) *commercialization*, by securing market partners and purchasers, improving pricing negotiations and capacity to deliver directly to markets, among others. A further description of these subproject types is provided in Table 2: *Overview of Potential Types of Livelihood Subprojects*.

The following tables provide an overview of an indicative sample of the types of livelihood investments (Table 3.1) and selection criteria (Table 3.2).



Table 3.1: Livelihood Investments Overview

Subproject Type	Beneficiaries	Description	Indicative examples of investments
Territorial Governance	IPAM organizations, leaders, decentralized governments ⁸⁹ and other relevant stakeholders, as identified in the TIS.	These subprojects aim at strengthening the governance of IPAM institutions and associations at the territorial level.	Legal and technical support to improve resource access and management (land, water, etc.); capacity building for producer associations; technologies for planning (web-based tools), coordination and communication among actors, management and administration of public investment and service provision; administration, management and leadership training ⁹⁰ ; and small infrastructure to enable the implementation of subprojects and critical equipment.
Type 1 Livelihood Investments: Food Sovereignty	Individual IPAM producers or families	These subprojects aim at sustainable food production and self-sufficiency. Often led by women, these self-sufficiency efforts aim to produce basic grains, vegetables, greens, tubers, fruits, fish, chicken, eggs, guinea pigs, among other basic food sources for family consumption, or sale of small surpluses.	Purchase of small animals, inputs, equipment, construction of aquaculture pools and traditional plant nurseries, and provision of training; support to local seed production and improvement; promotion of seed banks, identification and promotion of local nutritious varieties of food.
Type 2 Livelihood Investments: Community economies	IPAM producers in rural and urban areas	These subprojects aim at strengthening (i) the association and organization of producers through trainings (ii) production, by providing infrastructure, capital, and TA; (iii) diversification of economic areas in which IPAMs participate, by promoting income-generating activities in non-traditional productive or	Construction of a community nursery of endemic seeds and fruit trees; development of the curriculum and related materials for tailored workshops promoting traditional agricultural knowledge and practices.

⁸⁹ at the parish, municipal, and provincial level.

⁹⁰ Training provided would include awareness raising of climate vulnerabilities and adaptation and mitigation options, including climate friendly technologies and practices e.g. in agriculture, to reduce existing and future climate and natural disaster risks for IPAMs.



		service areas that are demanded by communities and markets	
Type 3 Livelihood Investments: Market economies & Entrepreneurial Development	Groups of IPAM producers or entrepreneurs that are (formally or informally) organized around a common interest and have at least one year of working together on that productive activity.	These subprojects would be market/entrepreneurial in nature, aiming to generate income through greater commercialization and connections with productive partners such as purchasers, improved pricing negotiations and capacity to deliver directly to markets, and, depending on the scale of investment, to promote the crowd-in of additional financing.	Support for an eco-tourism destination in the Amazon, support for improved commercialization of cacao.

Table 3.2: Livelihood Investments Subproject Criteria (Working Draft)

Subproject Type	Common Criteria for all Subprojects	Subproject Eligibility Criteria
Territorial Governance Window: subprojects aimed at institutional, associative and governance strengthening at the territorial level	<ul style="list-style-type: none"> • They must originate in one of the territories prioritized by the project • Beneficiaries live below the poverty line, as measured by Ecuador • At least 90% of the producer or entrepreneur group identifies itself as IPAMs • At least 25% participation of women in the group of producers or entrepreneurs • Selection through participatory mechanisms at the parish level 	<ul style="list-style-type: none"> • End of financed activities will increase the management capacity of organizations, associations and communities at the territorial level • Demonstrated Social cohesion by group proposing subproject (i.e., basic statutes, regular meetings, a small budget, agreed planning instruments, overall recognition by members, etc.)
Livelihoods Window (3 types of subprojects)		<ul style="list-style-type: none"> • Associations or groups of people recently organized to produce healthier food with higher nutritional content, or to undertake a small economic activity that improves family income • End of production is for family consumption and for the sale of surplus • Boosts the local economy, conserves and maintains agro-biodiversity, water sources, and the rural landscape • Uses ancestral knowledge, knowledge and technologies, especially those related to the conservation of valuable genetic material for community food resilience, rescue of local varieties with high nutritional value, soil and water management, good food preparation practices. • Potential to apply adaptation technologies and practices to climate variability at the community level • Potential to apply nutrition sensitive agriculture practices, according to the nutritional reality of the
Type 1: Food Sovereignty: Small community production projects for food sovereignty, generation of family income, creation of rural savings banks, etc.		



	<ul style="list-style-type: none"> • Proposal does not include activities on the exclusion list in the Project Operations Manual (POM) 	<p>community, including food diversification, food production with higher nutritional content, post-harvest techniques and preservation of the nutritional quality of food</p> <p>Improves the efficient use of water for productive purposes and contributes to the efficient management of water as a community resource</p> <p>Includes young women and men (under 30 years old) as an active part of the activities and expected benefits</p> <ul style="list-style-type: none"> • Potential to collaborate with, leverage synergies from, other projects and programs operating in the community
<p>Type 2: Community economies for the purposes of production and food sovereignty, reciprocity systems, sales-local exchange</p>		<ul style="list-style-type: none"> • Group of producers or entrepreneurs representing a community, who are organized (formally or informally) around an economic-productive interest of a community nature, with at least one year of experience working together in that productive activity. • Level of use of traditional knowledge and production systems / added value and potential to revitalize or rescue them in order to put them back at the service of communal well-being • Community services that generate income or assets to the community and that promote food security and sovereignty of families in the community (e.g. community seed and tuber banks, protein banks for animal feed and use in the community, marketing of farming products to collectively benefit the community) • Potential to apply productive innovations or community services that generate income or goods for the community and that preserve and promote the natural resources of the community • Marketing of products and services of community importance (nexus with markets, and / or urban rural) • Community participation in agrotourism services, local cultural circuits, natural medicine services, and others aimed at positioning the community and generating income • Potential to add value to products sold by the community • Potential to foster alliances with other communities for the same productive purpose or reciprocal exchange of goods and services. • Potential to help improve community resilience and adaptation to climate variability • Potential to contribute to the improvement of the nutritional security of the community • Potential to promote the participation of young women and men (under 30 years of age) in community-based ventures

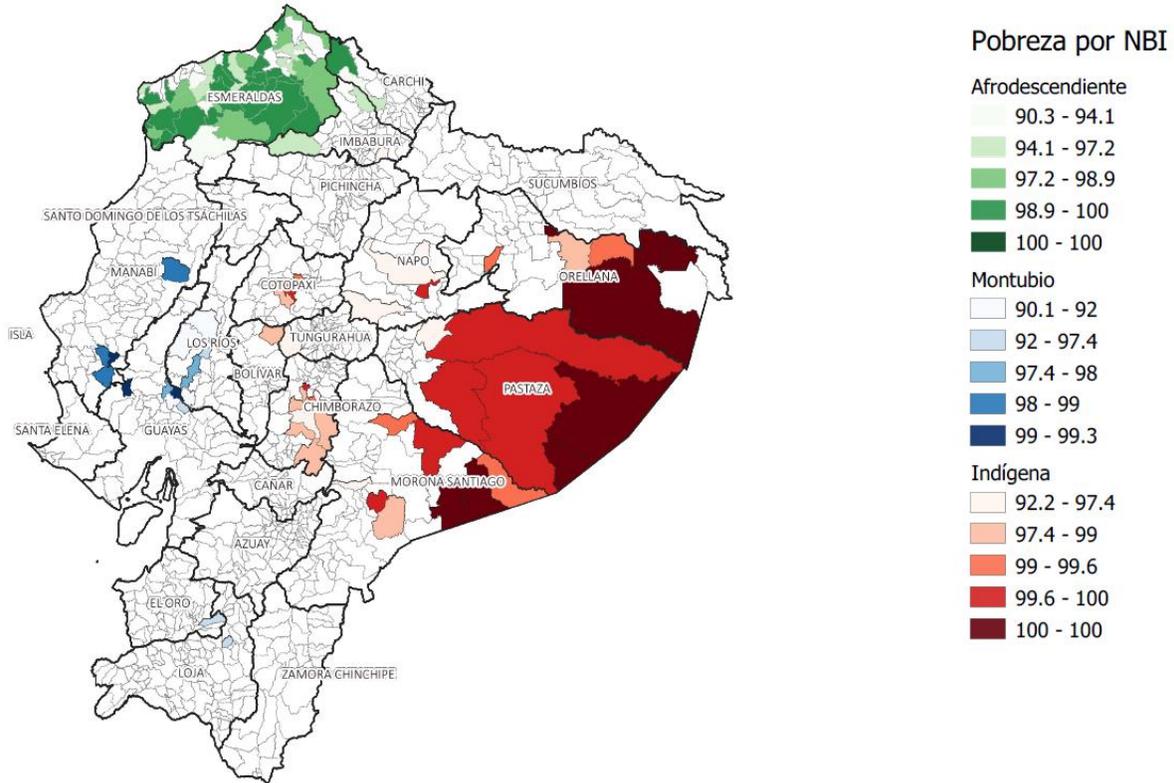


		<ul style="list-style-type: none"> • Potential to benefit from economic inclusion activities for the most vulnerable people in the community • Includes actions / activities / mechanisms to strengthen the governance of the producer / entrepreneur group and the consolidation of its organization • Potential to collaborate with, leverage synergies from, other projects and programs operating in the community
<p>Type 3: Rural productive projects / urban pre-investment and leverage ventures</p>		<ul style="list-style-type: none"> • Group of producers or entrepreneurs that are organized (formally or informally) around a common economic-productive interest, with at least one year of experience working together in that productive activity and with proven market orientation. • Includes actions / activities / mechanisms to strengthen the governance of the producer / entrepreneur group and the consolidation of its organization • Product / entrepreneurship proposal is viable (based on feasibility study) and has a business plan • Proposal has potential to attract external co-financing • Proposal has significant counterpart contribution from beneficiaries • Proposal has key elements to achieve commercialization including potential markets, buyers and value chain partners • Proposal includes productive, processing, value-adding and marketing innovations • Feasibility to respond to demands regarding quality, quantity and delivery times • Identification of gaps in institutional and regulatory service requirements for production and marketing (e.g. registration, legalization, permits, licenses, certifications, financial, contractual and planning administration) <p>No other current financing purpose in the form of a donation by the Government of Ecuador, international organization, (bilateral agency, IFI, international NGO or UN)</p>



ANNEX 4: IPAM Poverty Levels by Parishes

COUNTRY: Ecuador
Territorial Economic Empowerment for the Indigenous, Afro-Ecuadorians and Montubian Peoples and Nationalities (TEEIPAM)





ANNEX 5: Citizen Engagement and Gender

COUNTRY: Ecuador

Territorial Economic Empowerment for the Indigenous, Afro-Ecuadorians and Montubian Peoples and Nationalities (TEEIPAM)

Gender

1. IPAM women lag behind men in most economic and social indicators, including poverty levels, education attainment, and access to financial services. IPAM women face a lower average income than men⁹¹, often because they spend more time in unpaid care and domestic work than their male and/or White and Mestizo female counterparts (IP women spend 36 hours a week in unpaid care and domestic work, AE women spend 29 hours and Montubian women 34 hours, whereas men dedicate 25 (IPs), 20 (AEs), and 25 hours (Montubians) respectively⁹². The economic reliance of women on their husbands, combined with their care duties, also constrains women from fully participating in governance and leadership roles. With regard to education, 67 percent of indigenous women do not have any level of education (the rate for men is 33 percent)⁹³, leading to a high proportion (62%) of female illiteracy in IP communities. Although there is no specific data available on IPAM women's access to finance in Ecuador, the global data shows that women are 7.5 percent less likely than men to have an account with a financial institution or mobile banking and that more than 70 percent of women-owned small and medium enterprises have inadequate or no access to financial services⁹⁴.

2. GBV is widespread in Ecuador and IPAM women face disproportionately higher incidence levels. Sixty percent of all women in Ecuador have experienced some type of GBV, with IPAMs citing higher incidence levels (67.8 percent for IPs, 66.7 percent for AEs and 62.9 percent for Montubians respectively)⁹⁵, aggravated by discrimination in the labor market and access to health services based on ethnic, cultural, economic, social or age status. Persistent and traditional social norms can often fuel and/or mask this pervasive violence (a quarter of all women surveyed justified domestic violence)⁹⁶. The COVID-19 crisis has also induced a significant rise in gender-based violence due to the emotional stress arising from income insecurity and confinement (GBV)⁹⁷.

3. International evidence shows that combining economic interventions with gender-transformative programming for women is effective in preventing their experience of Intimate Partner Violence (IPV)⁹⁸ and the Project will accordingly finance the implementation of evidence-based gender-transformative interventions to reduce GBV and increase women's income. The GBV-reduction Program, to be implemented in SC 1.1 in 3-4

⁹¹ The World Bank (2018)

⁹² INEC (2010)

⁹³ INEC (2007). Indigenous Women in Ecuador.

⁹⁴ IFC (2020). Bridging the Gender Gap in Access to Finance.

⁹⁵ INEC Encuesta Nacional de Relaciones Familiares y Violencia de Genero contra las Mujeres.

⁹⁶ OECD (2019), Gender, Institutions and Development Database.

⁹⁷ World Bank (2020), Gender Dimensions of the COVID-19 Pandemic

⁹⁸ Kerr-Wilson, A et al (2020). A rigorous global evidence review of interventions to prevent violence against women and girls, What Works to prevent violence among women and girls global Programme, Pretoria, South Africa.



territories, will consist of multiple training sessions implemented over several weeks that include participatory and active learning spaces to discuss gender equality, healthy relationships, effective communication, and livelihoods strengthening, among others. The program will leverage the expertise in the existing territorial office addressing GBV in the territories to identify local liaisons, etc. It will implement role-playing and role-modeling approaches for both men and women aimed at addressing underlying expectations about male and female roles and behavior through a process of critical reflection, discussion, and practice. These approaches have been applied by international programs such as Stepping Stones and Creating Futures and rigorously evaluated. Findings from these evaluations show that after one year of the program implementation, all participants report higher earnings and improvements in their life conditions and gender-equitable attitudes. In addition, women report experiencing less violence from their intimate partner⁹⁹. In addition to the GBV-specific program financed by the Project, financing would also be provided under SC 2.4 to train community health workers in clear protocols to protect women and children against harassment/violence as part of the COVID-19 response efforts.

4. The proposed project incorporates a gender lens throughout all Project-financed activities that aim to close the relevant gender gaps in these areas. For example, the Territorial Intervention Strategy to be financed under SC 1.1 would include an assessment of the main barriers for women's participation in leadership positions, planning and management in the territories. In addition, it will build a work plan with IPAM women to address these barriers, including the sensitization, design and implementation of tools to support them, training, exchange of experiences with IPAM women in Ecuador and other countries. These activities will be planned carefully in order to facilitate their participation in leadership spaces through the provision of childcare and establishing adequate schedules for attending meetings. To guarantee women's participation in the National and Territorial IPAM dialogue and development planning platforms (SC 1.1 and 1.2), a quota has been set to require a minimum 30 percent of female participation among the platform representatives.

5. A focus on improving women's livelihoods, access to finance, and participation in professionalization and higher education initiatives has also been embedded in the design of activities to be financed under Components 2 and 3 of the Project. One of the incentive criteria in the selection of livelihood subprojects for project financing is that at least 25 percent of the recipient entrepreneurs or producer group must be women. It is also expected that many of the selected subprojects related to food sovereignty¹⁰⁰ will be primarily run by women. Additionally, the Project would finance an assessment of the specific barriers that IPAM women face in accessing financial services with the aim of identifying the critical sociocultural norms and gender roles, education, financial literacy and access to information obstacles that hamper the access of IPAM women to formal financial services. Finally, in recognition of the challenges that women face in accessing employment opportunities (including social norms, lack of time, education, skills, and discrimination, among others), the Project includes quotas to guarantee that at least 25 percent of the beneficiaries of higher education interventions, and at least 30 percent of the employment interventions, are women or girls.

⁹⁹ What Works (2016). Stepping Stones and Creating Futures: Supporting women and men to create a world free from violence.

¹⁰⁰ Aim to produce basic grains, vegetables, greens, tubers, fruits, fish, chicken, eggs, guinea pigs, among other basic food sources for family consumption, or sale of small surpluses.



6. The project will monitor how gender gaps will be closed through the following indicators: i) number of IPAM women in prioritized territories that have secured, for the first time, formal financial services from FIs supported by the Project; ii) new internships or jobs for female IPAMs facilitated by Project-financed activities, and iii) the percentage of active female participation in structured dialogue platforms at the national and territorial levels. Other indicators will be disaggregated by sex: i) IPAMs in beneficiary territories that feel project investments reflect development priorities/needs established during planning process; ii) increase in attendance of IPAMs in participating in higher education programs; iii) direct IPAM project beneficiaries; iv) new IPAM associations/companies led by IPAMs established under the Project. The PIU would be staffed centrally with, among others, a full time environmental and a full-time social specialist, the latter of which will be required to have previous experience integrating gender and intergenerational dimensions into project activities.

Citizen Engagement

7. The Project's participatory approach incorporates successful design features from previous Bank-financed projects in the LCR Region and various citizen engagement elements. The use of a participatory planning approach has been important in strengthening the capacity of beneficiaries to define and implement their own vision of development, as well as increase ownership and thus sustainability of results. The definition of local priorities through a broad participatory approach and promotion of social accountability have been important in mitigating the risks of misuse of funds and elite capture. The project also incorporates elements of various citizen engagement approaches, including consultation, grievance redress, community collaboration on investment planning and execution, empowering citizens and communities with resources and decisions and capacity building for citizen engagement.

8. The Project's SEP includes an identification and characterization of potential beneficiaries, as well as affected parties, vulnerable groups, and other interested parties. The development of the SEP was informed by (i) a series of interviews with key informants and producer organizations; (ii) an analysis of secondary sources from a sample of territories used to map key actors and investment opportunities in those territories; and (iii) a preliminary analysis of 584 first, second, and third-tier IPAM organizations registered with the MAG and MIES to understand the potential types of stakeholder groups at the territorial level relevant for project implementation. The SEP will be updated during project implementation with the results of stakeholder mapping financed under SC 1.1 and 1.2.

9. The design of the Project has been informed by the inputs from nationally representative IPAM organizations. Leaders and technical representatives of IPAM organizations¹⁰¹ were involved from the earliest stages of project preparation and contributed closely to the development of the Project's objective, components, subproject types and eligibility criteria, and selection of priority territories. Specific engagement activities included

¹⁰¹ These include Indigenous (CONAIE, FENOCIN, FEINE and FEI), Afro-Ecuadorian (Fundación Azucar, FECONCI, CANE, FOGNEP, and CONAMUNE) and Montubian (CEOSIM, CORMONUT, PME, and COIPSA) organizations.



i) virtual meetings with IPAM organizations and leaders to introduce the project's concept and hear their priorities and preferences; ii) workshops with representatives of IPAM organizations at the national level separately and then collectively in late January of 2020 with the objective of carrying out a preliminary mapping of the national-level representative IPAM organizations, an outline of the development priorities of IPAMs, and an initial overview of consultation mechanisms; iii) the appointment of a group of technical delegates from the organizations to support project preparation; iv) a series of 33 interviews with national, regional, and community IPAM organization authorities, leaders, and individuals engaged in project priority sectors were carried out on May 18 and 19, 2020. Important feedback about project objectives and components, subproject types to be financed and criteria for the selection of territories, how dialogue with organizations and communities will be carried out during project implementation, the potential social and environmental risks of the project, and the proposed grievance redress mechanism were gathered during these interviews and informed into the Project's design (as described in the SEP).

10. Participation mechanisms and capacity strengthening are embedded in the Project's implementation arrangements. The Project will ensure the participation of key IPAM stakeholders at the national level in policy dialogue and project decision-making through the National and Territorial Dialogue Platforms. The National Platform will be the main space for project consultation and planning for national and project-wide issues, including the development of a public policy and regulation for strengthening IPAM community economies, the development of proposals for COVID-19 response and recovery in IPAM regions, and the consultation of Annual Operation Plans and E&S framework instruments. The Platform could also serve as a consultative space for the Government and international donors regarding investments and policies relevant for IPAMs. The Territorial Platforms in each prioritized territory will serve as the main space for project consultations and planning at the territorial level, including the identification, prioritization and selection of investments to be supported under Component 2, and the identification of beneficiary communities for COVID-19 support under Subcomponent 2.4. Additionally, through the Territorial Governance subproject investments, the project will strengthen the capacities of IPAM organizations to plan and organize with relevant State actors and other stakeholders at the parish, municipal, and provincial level.

11. The project has established a GRM, with multiple access points in Spanish and indigenous languages, that will operate throughout project implementation. The GRM will be managed by the CNIPN and will use the Citizen Contact System (Sistema Contacto Ciudadano) currently in place for government offices in Ecuador. CNIPN has been chosen by the SHR to manage the GRM given its institutional mandate to monitor public policies benefiting IPAMS, its capacity and processes currently in place to manage grievances, and its participation in project preparation and implementation. The CNIPN will coordinate closely with the PIU's Social Specialist and other project staff, including social specialists in territorial teams, to ensure proper management and response to complaints. Where necessary, the GRM will also be supported by the territorial and national platforms. Beneficiaries will be able to submit complaints online, through the phone, and in person at the PIU's central and territorial offices.

12. A set of project results indicators are designed to measure citizen engagement. The primary PDO level indicator for citizen engagement in the project is the percentage of beneficiaries in selected territories that feel



the Strategic Development and Investment Plans reflect development priorities/needs established during the planning process (disaggregated by gender). A second PDO indicator will measure the establishment and operationalization of a National Platform for structured dialogue between IPAM representatives and the State. Furthermore, intermediate results indicators related to citizen engagement include the development of IPAMs Territorial Intervention Strategies (which would include Strategic Development Investment Plans - SDIPs) using territorial platforms (number); IPAM women's active participation in structured dialogue platforms at the national and territorial levels (Percentage); and grievances responded and/or resolved within the stipulated service standards for response times (Percentage).