



Board of Executive Directors

For consideration

On or after 22 May 2019

PR-4683
7 May 2019
Original: Spanish
Public
Simultaneous Disclosure

To: The Executive Directors

From: The Secretary

Subject: Ecuador. Proposal for Conditional Credit Line for Investment Projects (CCLIP) for the “Casa para Todos Sector Program” and first individual loan under the line of credit for the project “Housing Solutions for Poor and Vulnerable Households”

Basic Information: Loan type Conditional Credit Line for Investment Projects (CCLIP) and Specific Investment Loan (ESP)

Borrower Republic of Ecuador

Line of Credit

Amount up to US\$200,000,000

Source Ordinary Capital

Individual Loan

Amount up to US\$93,900,000

Source Ordinary Capital

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Remarks: As established in document GN-1838-3, “Report of the Working Group of the Board of Executive Directors of the Inter-American Development Bank on Streamlining Approval Procedures for Sovereign Guaranteed Operations. Revised version”, approved on 21 June 2018, Conditional Credit Lines for Investment Projects and the first operation under the line are considered by the Board of Executive Directors by Standard Procedure.

Reference: GN-1838-3(6/18), DR-398-18(8/18), GN-2246-1(7/03), DE-58/03, GN-2246-4(12/06), DE-10/07, GN-2246-7(11/07), DE-164/07, GN-2246-9(9/16), DE-86/16, GN-2564-3(12/11), DE-225/11

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ECUADOR

**CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP)
CASA PARA TODOS SECTOR PROGRAM
(EC-O0004)**

**FIRST INDIVIDUAL OPERATION UNDER THE CCLIP: HOUSING SOLUTIONS
FOR POOR AND VULNERABLE HOUSEHOLDS
(EC-L1245)**

LOAN PROPOSAL

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REQUIRED LINKS	
1.	Multiyear Execution Plan/Annual Work Plan (AWP)
2.	Monitoring and Evaluation Plan
3.	Environmental and Social Management Report (ESMR)
4.	Procurement Plan

OPTIONAL LINKS	
1.	Economic analysis
2.	Draft program Operating Regulations
3.	Incorporation of the gender approach for operation EC-L1245
4.	Analysis of access to housing for persons with a disability
5.	Impact assessment of the National Low-income Housing Program (operation EC-L1113; loan 2797/OC-EC)
6.	Program completion report (operation EC-L1113; loan 2797/OC-EC)
7.	Sector note on the urban development and housing sector in Ecuador
8.	AFD-IDB Framework Partnership Agreement
9.	Bibliography
10.	Technical note on climate change for operation EC-L1245
11.	Analysis of housing costs
12.	Safeguard Policy Filter (SPF)

ABBREVIATIONS

ADD	Acute diarrheal disease
AFD	Agence Française de Développement [French Development Agency]
AWP	Annual work plan
BCE	Central Bank of Ecuador
CCLIP	Conditional Credit Line for Investment Projects
CGE	Office of the State Comptroller General
CONADIS	Consejo Nacional para la Igualdad de Discapacidades [National Disability Equality Board]
CPT	Casa para Todos [Housing for all]
CUT	Cuenta Única del Tesoro [Single Treasury Account]
DEM	Development effectiveness matrix
ENEMDU	Encuesta Nacional de Empleo, Desempleo y Subempleo [National Survey of Employment, Unemployment, and Underemployment]
e-SIGEF	Sistema de Administración Financiera [Integrated financial management system]
ESMR	Environmental and Social Management Report
ICB	International competitive bidding
IMF	International Monetary Fund
INEC	National Institute of Statistics of Ecuador
MEF	Ministry of Economy and Finance
MIDUVI	Ministry of Urban Development and Housing
MIES	Ministry of Economic and Social Inclusion
MPI	Multidimensional poverty index
NCB	National competitive bidding
NICQ	National individual consultant selection based on qualifications
PBME	Programa Bono Manuela Espejo [Manuela Espejo subsidy program]
PEV	Promotores o Ejecutores de Vivienda [Housing developers or builders]
QCBS	Quality- and cost-based selection
SBU	Salario Básico Unificado [Unified basic wage]
SDG	Sustainable Development Goal
SENPLADES	National Planning and Development Department
SIIDUVI	Sistema Integrado de Información de Desarrollo Urbano y Vivienda [Integrated Urban Development and Housing Information System]
SIV	Sistema de Incentivos de Vivienda [Housing incentives system]
SNCP	Sistema Nacional de Contratación Pública [National Public Procurement System]
SOE	State-owned enterprise

PROJECT SUMMARY
ECUADOR
CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP)
CASA PARA TODOS SECTOR PROGRAM
(EC-00004)

FIRST INDIVIDUAL OPERATION: HOUSING SOLUTIONS FOR POOR AND VULNERABLE HOUSEHOLDS
(EC-L1245)

Financial Terms and Conditions					
Borrower: Republic of Ecuador			Flexible Financing Facility^(a)		
			Amortization period:	25 years	
			Disbursement period:	5 years	
Executing agency: Ministry of Urban Development and Housing (MIDUVI)			Grace period:	6 years ^(b)	
			Interest rate:	LIBOR-based	
			Credit fee:	^(c)	
Source	Amount CCLIP (US\$ million)	First operation (US\$ million)	First operation (%)	Inspection and supervision fee:	^(c)
IDB (Ordinary Capital):	200	93.9	53.8	Weighted average life:	15.18 years
Agence Française de Développement (AFD):^(d)	0	80.0	45.8	Currency of approval:	U.S. dollar
Local:^(e)	0	0.708	0.4		
Total:	200	174,608	100		
Project at a glance					
Project objectives: The general objectives of the sector CCLIP are to: (i) improve access for Ecuadorian households living in a situation of poverty or vulnerability and without adequate housing, to affordable, sustainable, and universally accessible housing; and (ii) strengthen the capacity of the Government of Ecuador to generate and implement long-term housing policies. The specific objectives of the first operation are to: (i) reduce the quantitative housing deficit among households belonging to the country's two lowest income quintiles, living in rural areas, prioritizing those with specific vulnerability indicators; (ii) idem, but targeted on urban households; and (iii) optimize MIDUVI institutional processes.					
Special contractual conditions precedent to the first loan disbursement: The executing agency will present evidence, to the Bank's satisfaction, that: (i) the management team that will operate from its headquarters has been appointed, in accordance with the profiles and terms of reference contained in the program Operating Regulations; (ii) the program Operating Regulations have been approved and entered into force, under the terms previously agreed upon with the Bank (paragraph 3.2).					
Exceptions to Bank policies: None.					
Strategic alignment					
Challenges:^(f)	SI <input checked="" type="checkbox"/>	PI <input type="checkbox"/>	EI <input type="checkbox"/>		
Crosscutting themes:^(g)	GD <input checked="" type="checkbox"/>	CC <input checked="" type="checkbox"/>	IC <input type="checkbox"/>		

^(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, and commodity conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

^(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

^(c) The credit fee and the inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with applicable policies.

^(d) AFD and the Bank will sign an agreement for parallel cofinancing with services, which will specify the terms and conditions of the cofinancing (see Framework Partnership Agreement signed on 11 October 2018 between AFD and the Bank).

^(e) Amount equivalent to value-added tax.

^(f) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(g) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, rationale

- 1.1 **Background.** Ecuador faces a complex macroeconomic situation. An ambitious program of fiscal consolidation and structural reform cut the total deficit of the nonfinancial public sector from 4.5% of GDP in 2017 to 0.9% in 2018. However, the country's substantial financing needs in an adverse international context have led the government to negotiate an agreement with the International Monetary Fund (IMF). On 11 March, the IMF approved an arrangement under the Extended Fund Facility for US\$4.2 billion, to be disbursed over a three-year period. This will be supplemented by approximately US\$6 billion from other multilateral organizations, including the Bank. The IMF is forecasting an economic contraction of 0.5% in Ecuador's GDP in the short term, followed by 3% growth over the medium term. The IDB recently approved the Emergency Program for Macroeconomic Sustainability and Prosperity (operation EC-L1255; loan 4771/OC-EC), which is aligned with the IMF's Extended Fund Facility.
- 1.2 In this context, the Ecuadorian government requested support from the Bank to implement its new [Casa para Todos](#) (CPT) ("A house for everyone") low-income housing program, in order to increase tenure of decent housing to 95% of Ecuadorian households living in situations of poverty or vulnerability.¹ The main target of the CPT² is to improve access to housing for lower-income households. The CPT is an integral part of the [2017-2021 National Development Plan](#) (subtitled *Toda una Vida* (Lifelong)), which articulates and coordinates the country's social policy. The CPT program promotes the construction of homes priced at US\$70,000 or less to meet the housing deficit faced by 230,000 low-income households. In this price range, the CPT program distinguishes two segments according to household payment capacity, giving greater support to the poorest households with the lowest incomes: (i) it provides direct monetary subsidies to finance the construction of a new home or to complete the downpayment on a mortgage loan at a subsidized rate to acquire housing priced at up to US\$40,000; and (ii) it provides broader access to credit for house purchases, or it subsidizes the interest rate on home loans to buy a home in the US\$40,000 to US\$70,000 range.
- 1.3 The implementation of the CPT deepens and improves the country's housing incentives system (SIV). The SIV involves paying direct cash subsidies to households facing a housing deficit to help them gain access to adequate housing. The Ministry of Urban Development and Housing (MIDUVI) manages and regulates the SIV, which is national in scope and has specific mechanisms for

¹ The legal basis for the CPT program is found in Articles 30, 31, 37/7, 47/6, and 375 of the [Constitution of the Republic of Ecuador](#) and Article 85 of the [Organic Law on Territorial Planning, Land Use and Management](#).

² See the [Government Housing Plan of Spain 2018-2021](#), [Ontario's Poverty Reduction Strategy](#), and the [European Union's Erasmus Inclusion and Diversity Strategy](#).

urban and rural areas,³ as well as being progressive.⁴ Since its creation in 1997, the SIV has generated housing solutions for over 30,000 low-income households. Since 2012 it has contributed to a reduction of nearly 11 percentage points in the housing deficit [1].⁵

- 1.4 The program will address poor and vulnerable households in the context of the first segment of the CPT program and through the SIV. Thus, it will supplement the guarantee under operation EC-U0001 (loan 4699/OC-EC, approved in 2018), which secures up to US\$300 million in a Social Bond issue to originate mortgage loans for the second segment.
- 1.5 **Problem: the housing deficit in Ecuador.** Over 2 million Ecuadorian households do not have adequate housing. Of these, 1.2 million are located in urban areas (21% with a quantitative housing deficit) and 850,000 live in rural areas (38% with a quantitative deficit).⁶ Moreover, given the combination of rapid population growth, a small average household size, and low rates of house building, the deficit continues to grow. An additional 40,000 affordable homes⁷ would be needed each year just to maintain the deficit at its current level. In urban areas, the deficit is characterized by the absence of basic sanitation infrastructure and overcrowding. In rural areas, there are also coverage and quality shortfalls in the provision of drinking water and in basic house building standards.⁸ Both areas lack environmental-sustainability⁹ and universal-access¹⁰ criteria in the design of homes.
- 1.6 Households in situations of housing deficit in Ecuador are generally low-income.¹¹ The deficit affects 60% of households in the lowest income quintile but fewer than 20% of those in the top quintile. A full 76% of the housing supply is sold in a price range that is above the payment capacity of the first four income deciles [1],¹² while only households in the highest income decile show a positive savings rate [2]. To make matters worse, the recurrent informality and irregularity of work¹³ restrict

³ The National Institute of Statistics of Ecuador (INEC) classifies areas as follows: (i) *urban*: provincial, cantonal capitals, or municipios; (ii) *rural*: scattered population, parish centers, and other population clusters ([Social Indicators System of Ecuador \(SIISE\) definition](#)).

⁴ Ecuador identifies [multidimensional poverty](#) on the basis of 12 indicators in the following dimensions: education; labor and social security; health, water, and food; and habitat, housing, and healthy environment.

⁵ Sector diagnostic performed by the Bank.

⁶ The INEC considers a household to be in a qualitative housing deficit situation if its dwelling has deficiencies in terms of structure, space, and public utilities; and in a quantitative deficit situation if it is living in improvised housing or in a dwelling shared with another household.

⁷ Affordable housing considers the needs of households with incomes below the median.

⁸ INEC, 2015.

⁹ Sustainable housing takes advantage of bioclimatic conditions to reduce consumption of energy, water, and construction materials.

¹⁰ [Universal access](#) allows the entire population, including pregnant women, children under five, the elderly, and the disabled to access the constructed area and participate in society as equals.

¹¹ [Un espacio para el desarrollo](#).

¹² [Optional link 9](#) contains the bibliography.

¹³ For an [analysis](#) of the mortgage credit market, see the background information on the guarantee approved by the Bank in the project “Financing Low-income Housing in Ecuador” (operation EC-U0001; loan 4699/OC-EC).

- access to the mortgage markets for the lowest income quintiles. Income poverty affects 24.5% of Ecuadorians, with rates of 43%¹⁴ in rural areas and 15.9% in urban zones—a similar distribution to that of the housing deficit.
- 1.7 Households in situations of housing deficit display worse health indicators owing to their exposure to environmental hazards, accidents, and disasters. They also generally have limited access to education, health, and transportation services, which restricts their chances of obtaining quality employment [3-5]. This situation is reflected in the level of the Multidimensional Poverty Index (MPI),¹⁵ which averages 3.5% nationwide, 1.5% in the urban zones and 7.7% in rural areas. Among households subject to multidimensional poverty, indicators associated with the housing deficit explain 11.7% of deficits in urban zones and 37.6% in rural areas.¹⁶
- 1.8 The affordable housing market has also been impacted by the magnitude and speed of recent migratory flows.¹⁷ Between 2015 and 2018 the number of immigrants grew to represent 3.73% of the total population, concentrated in just a few areas of the country. This reduces access to affordable housing in the receiving localities [6] and increases the demand for temporary rentals.
- 1.9 **Rationale.** This operation's support for building homes for low-income and highly vulnerable households is explained by the lack of affordable housing stock for this population. For a given level of income, vulnerable households suffer most from the housing deficit. At the national level, this is reflected in an additional two percentage points on the deficit faced by households headed by women; six extra points in households containing persons with disabilities; and eight in those with three or more minors or older adults in their charge. In all cases, shortfalls are even more pronounced in rural areas, where the housing deficit in the two lowest quintiles is one point higher for households headed by a woman and 16 points higher if a family member has a disability. Currently, six out of ten persons with a disability¹⁸ in Ecuador live in extreme poverty.¹⁹ Households containing persons with disabilities, and those headed by women, along with single parents, and those with minors or older dependents, devote a large proportion of their resources to caring for their family members; but this means they have little chance of participating in the labor market, increasing their level of vulnerability.²⁰
- 1.10 Tenant households headed by women spend a larger proportion of their income on housing than those headed by men: in the lowest income quintile, their annual rental expenditure absorbs 56.8% of their income compared to 40.8% in those

¹⁴ [Poverty and inequality report](#), INEC, June 2018.

¹⁵ The MPI identifies the percentage of households with multiple deficiencies in health, education, and standard of living.

¹⁶ The housing indicators in the MPI for Ecuador are: cement flooring, drinking water, sanitation, electricity, and access to cooking fuel. [Oxford Poverty and Human Development Initiative, 2017](#).

¹⁷ The Ministry of Foreign Relations and Human Mobility estimates that adequately addressing the situation of migrants will require an investment of US\$550 million between 2019 and 2021.

¹⁸ Includes people with catastrophic or rare diseases, and orphans, according to Ecuadorian regulations.

¹⁹ [Disability Policies in Ecuador](#).

²⁰ A vulnerable household is one that is highly likely to suffer a negative income shock in the next year. Hoogeveen et al. *A Guide to the Analysis of Risk* (2004) World Bank.

headed by men. In the second quintile, rent absorbs 21.9% of their income versus 17.9% in male-headed households. Moreover, households headed by women and those containing persons with disabilities tend to be larger than male headed households with similar characteristics, which decreases the household's per capita income and its saving capacity.²¹ It is also estimated that half of women over 15 years of age are victims of violence perpetrated by their partner or ex-partner; and that 9.7% of married women or those living in informal relationships who are victims of gender violence want to separate, but their income is insufficient to access a home of their own.²² Therefore, low-income women who are victims of gender-based violence are given preference in access to housing.²³

- 1.11 The empirical evidence suggests that low-income, highly vulnerable households that access adequate housing experience improvements in their levels of health, particularly in rural areas; a reduction in the time devoted to unpaid work, especially in households that include minors, older adults, and persons with disabilities. In addition, when the housing is sustainable, the households spend less on electricity and water.
- 1.12 The use of adequate materials and access to water and sanitation in the home improves household health. Several impact assessments in Latin America have found that replacing an earth floor in a home with cement reduces the incidence of parasitic and acute diarrheal diseases (ADD) in children under five years of age [7,12]. Accordingly, ADD risks are likely to be higher in the 17% of Ecuadorian homes that lack adequate flooring.²⁴ In addition, the consumption of contaminated food or water increases ADD incidence,²⁵ while access to piped water reduces it [8,16]. Approximately 20% of Ecuadorian children under the age of five in the poorest consumption quintile suffer from ADD. Therefore, improving the quality of the floor in their home and providing access to clean water helps to reduce the incidence of ADD among children.
- 1.13 The quality of the home also affects the way a household distributes its time between paid and unpaid work. A well-designed home improves the autonomy and mobility of minors, the elderly, and persons with disabilities, and it also reduces the risks of falls and accidents [11,15].²⁶ This increases the time that caregivers have available for paid work [13,17]. Eighty-nine percent of Ecuador's senior citizens live with a close relative;²⁷ and women spend more time than men caring for household members (nearly nine hours a week).²⁸ For this reason, a universally accessible home could be expected to increase the autonomy of all household members and free up time for caregivers to engage in other activities.

²¹ *Encuesta de Condiciones de Vida* (2014). Urban Economics Calculations.

²² Survey of family relations and gender violence against women (2011).

²³ National law to prevent, punish, and eradicate violence against women (2018).

²⁴ Flooring is inadequate if it is made of earth, cane, or other materials in poor condition. National Survey on Employment, Unemployment, and Underemployment (ENEMDU, 2017).

²⁵ [Data and figures](#), World Health Organization (WHO).

²⁶ [Important Facts about Falls](#), Centers for Disease Control and Prevention (CDC).

²⁷ [Health, Welfare, and Aging 2009](#), INEC.

²⁸ [Specific Survey of the Use of Time 2012](#), INEC.

- 1.14 In turn, the homes delivered through the program will include measures to improve their energy efficiency, which should reduce the corresponding bills. Bioclimatic designs, improvements in construction materials and lighting sources enhance the energy efficiency of the home [13]. In Ecuador, a home that replaces incandescent bulbs with energy saving bulbs could reduce its electricity bill by 40% [14].²⁹ Another possible source of savings for households comes from having direct access to drinking water [18]. According to the INEC, 13% of homes in urban zones and 63% in rural areas do not receive water through a domestic plumbing system. These households have to use other less safe or more expensive sources, for example, buying water from delivery trucks costs three to five times more than paying the public network.³⁰
- 1.15 In addition, in order to implement this operation in the context of the CPT, it is important to strengthen the implementation, monitoring, and evaluations processes of the Ministry of Urban Development and Housing (MIDUVI). To this end, MIDUVI will enhance the functionality of the Integrated Urban Development and Housing Information System (SIIDUVI). The SIIDUVI will make it possible to optimize the management of housing demand and beneficiary allocation; manage supply, by promoting technical innovations among the housing developers or builders (PEVs); and integrate land management and cadasters. Lastly, MIDUVI needs to institutionalize collaboration with the Ministry of Economic and Social Inclusion (MIES) in serving households living in poverty and extreme poverty, and also with the National Disability Equality Board (CONADIS) in serving households containing persons with disabilities, thus enhancing the outcomes of housing and social inclusion policies.
- 1.16 **Lessons learned.** For more than two decades, the Bank has been the Ecuadorian government's main multilateral partner in structuring and financing low-income housing programs.³¹ These programs have made continuous progress in their design and effectiveness. Thus far, MIDUVI has executed six consecutive operations, which, in addition to contributing to the creation and financing of the SIV, have also promoted private-sector participation in the supply of low-income housing and helped strengthen its management capacity. The Bank has also supported the [Manuela Espejo subsidy program \(PBME\)](#), which has pioneered subsidies to adapt housing to the needs of persons with disabilities.
- 1.17 The results of the final evaluation of the most recent sector operation, National Social Housing Program – Stage II (PNV-II) (operation EC-L1113; loan 2797/OC-EC) are satisfactory. The PNV-II, executed by MIDUVI during 2013-2018, achieved its main objective of improving housing conditions for Ecuadorian households in the two lowest income quintiles, benefiting a total of 16,320 households. The PNV-II granted a subsidy of US\$6,000 per household

²⁹ This assumes a monthly payment of US\$40, half of which is for lighting, and the replacement of 200W incandescent bulbs for 20W energy savers, at US\$0.10 per kWh.

³⁰ Newspaper [El Comercio](#) (Ecuador).

³¹ Since 1997, the IDB has supported the sector through the following operations: (i) Housing Sector Support Program (loan 1002/SF-EC); (ii) Housing Sector Support Program II (loan 1416/OC-EC); (iii) Global Credit Program for Municipal Development (loan 596/OC-EC); (iv) National Program for Social Housing Infrastructure (loan 2279/OC-EC); (v) National Urban Development Program (loan 2679/OC-EC); and (vi) National Social Housing Program – Stage II (loan 2797/OC-EC).

through the SIV, to be complemented with the beneficiaries' savings—in money or in land—to buy a new home built by the private sector, mostly local microentrepreneurs. The program Operating Regulations established a system for prioritizing households headed by women, with three or more minors in their charge, or with persons with disabilities. According to the PNV-II project completion report submitted by MIDUVI to the Bank in January 2019 ([optional link 6](#)), US\$94.99 million of the US\$104 million approved by the Bank were used. Of these funds, 77.5% were allocated to rural areas and the remaining 22.5% to urban areas.³²

- 1.18 The recent PNV-II impact assessment ([optional link 5](#)) applauds the targeting of the subsidies and the effective contribution made to reducing the quantitative housing deficit at the national level. It also finds statistically significant evidence of the program's contribution to improving the habitability of housing and reducing the overcrowding of beneficiary households in the 2015-2016³³ period. In terms of PNV-II targeting, 30% of female heads of households held title to their home³⁴ and 4% of the program amount was channeled to households containing persons with disabilities, together with the PBME. The qualitative evidence also indicates that the beneficiaries are satisfied with the quality of their home. The evaluation also shows the need to reduce the inconvenience caused to households by MIDUVI processes and shorten the time taken to fulfill the necessary procedures, and to improve the monitoring of beneficiary households. Lastly, the homes lack environmental sustainability criteria. This assessment also provides three lessons that are useful for this operation: (i) put a communication plan in place that reinforces and simplifies the links between the target population and MIDUVI; (ii) strengthen MIDUVI's capacity to monitor and evaluate the results and impact of the program actions, especially in rural areas; and (iii) encourage the use of technologies that improve the homes' environmental behavior.
- 1.19 Lastly, the IDB's experience shows that programs have a greater impact when they use a comprehensive approach. For this reason, this operation is coordinated with work on other sectors in Ecuador: (i) with the financial markets sector by complementing the guarantee under operation EC-U0001 (loan 4699/OC-EC); (ii) with the social investment sector in coordination with loans 4614/OC-EC and 4634/OC-EC to support households containing persons with disabilities; with technical cooperation operation RG-T3156 through a pilot study on the complementarity of providing information on rights together with subsidies; and (iii) with the transportation sector through technical cooperation operation RG-T2864 (ATN/OC-15847-RG) to document accessibility barriers facing housing beneficiaries.

³² These figures differ from those reported in impact evaluation of loan 2797/OC-EC because the latter only included the databases audited up to December 2017.

³³ As 95% of the subsidies financed the construction of a new home on own land, this evaluation has external validity mainly for Component 1 of this operation ([optional link 5](#)).

³⁴ Estimation based on the surveys conducted during the program's midterm evaluation (2016).

- 1.20 **Strategic alignment.** The area of intervention of the sector Conditional Credit Line for Investment Projects (CCLIP), and of this first operation, is aligned with the Country Strategy with Ecuador (document GN-2924), which promotes access to housing to further the social progress made in the last decade; and it is included in the 2019 Operations Programming Report (document GN-2948). The CCLIP is also consistent with the Update to the Institutional Strategy (document AB-3008) and the 2016-2019 Corporate Results Framework (document GN-2727-6); responding to the challenge of social inclusion and equality by promoting access to quality housing for poor households. It is also aligned with the cross-cutting themes of: (i) Gender equality and diversity, by prioritizing households headed by women, persons with disabilities and other vulnerable groups; and (ii) Climate change and environmental sustainability, by promoting sustainable housing. The operation will invest 51.32% of its funds in climate change mitigation and adaptation, as defined by the [multilateral development banks' joint methodology](#). The resources in question will contribute to the IDB Group's goal of increasing the proportion of lending for projects related to climate change to 30% of all operations by the end of 2020. The operation is also aligned with the Integrated Strategy for Climate Change Adaptation and Mitigation, and Sustainable and Renewable Energy (document GN-2609-1) by promoting the reduction of CO₂ emissions in the construction sector. It is also aligned with the following sector framework documents: Urban Development and Housing (document GN-2732-6) by promoting access to housing for households in the two poorest income quintiles; Climate Change (document GN-2835-8) by promoting housing with bioclimatic adaptations; Gender and Diversity (document GN-2800-8) by prioritizing property titling for women and universal-access housing. It is also coordinated with Bank-led efforts to improve living conditions among migrant-receiving communities in its territorial criteria.³⁵ Lastly, this operation contributes to Goal 11 of the Sustainable Development Goals (SDGs), by promoting adequate, safe and affordable housing.
- 1.21 **Gender and diversity approach.** For this operation, vulnerable households are considered those with low incomes, with older adults or minors, headed by women, with persons with disabilities, victims of domestic or sexual violence, or belonging to indigenous peoples, afro-Ecuadorians, or Montubios. In line with IDB policy, the program will explicitly require women to be included in housing property titles when they are heads of household, or jointly with their partner if they are married or in informal unions. This is necessary since legal certainty is fundamental for accessing the economic and social benefits that come from property tenure. In turn, access to housing makes it easier for victims of gender-based violence to get out of abusive relationships and domestic violence [18] ([optional link 3](#)). As part of the exceptions defined in the legal regulation,³⁶ the program will prioritize persons with severe and very severe disabilities, allowing them to receive subsidies and/or mortgage loans to adapt their homes. This promotes their autonomy and guarantees their rights under the International Convention on the Rights of Persons with Disabilities, to which Ecuador is a party³⁷ ([optional link 4](#)). The IDB

³⁵ The reference to the relevant regulation will be added once approved by the IDB.

³⁶ Ministerial Decision 029-18-Article 7.5- dated 28 November 2018.

³⁷ Decree 681 of 25 February 2019 and Ministerial Decision MIDUVI 002-2018-05-16, Article 7.

will work with MIDUVI to raise awareness and train civil servants on issues of gender and diversity and to develop a communication plan with beneficiaries.

- 1.22 **Alignment with the country's regulations.** This operation is consistent with national regulations on addressing the needs of vulnerable populations. The Constitution of Ecuador provides that the elderly, minors, pregnant women, persons with disabilities, victims of domestic and sexual violence, indigenous peoples, Afro-Ecuadorians and Montubios, among others, shall receive priority attention in social and economic inclusion actions. The [Organic Law on Territorial Organization, Land Use and Management \(LOOTUGS\)](#) defines social interest housing as adequate, decent housing provided for population groups living in situations of poverty or vulnerability.

B. Objectives, components, and cost

- 1.23 **Objectives.** The general objectives of the sector CCLIP are to: (i) expand access for Ecuadorian households living in a situation of poverty or vulnerability and without adequate housing, to affordable, sustainable and universally accessible housing; and (ii) strengthen the Ecuadorian government's capacity to generate and implement long-term housing policies. Investment programs will be financed under the CCLIP in the following areas: (1) **Management of the supply of and demand for housing for low-income households.** The objective is to help reduce the housing deficit among low-income households in Ecuador. Financing will be provided for activities to encourage private-sector production of affordable, sustainable, and universally accessible housing in urban and rural areas. The direct demand subsidy systems will be maintained, prioritizing households displaying high levels of vulnerability; (2) **Strengthening of MIDUVI management capacities.** The objective is to finance activities that improve MIDUVI capacities to design and manage the country's housing policy, including: monitoring of beneficiary households, regulation and promotion of technologies for environmental sustainability, universal accessibility in low-income housing and inclusive habitat, and strengthening of MIDUVI's provincial directorates and their coordination with the decentralized autonomous governments.
- 1.24 The specific objectives of this operation are to: (i) reduce the quantitative housing deficit among households belonging to the country's two lowest income quintiles, living in rural areas, prioritizing those with specific vulnerability indicators;³⁸ (ii) idem, but targeted on urban households; and (iii) optimize MIDUVI institutional processes.
- 1.25 **Coordination with other development agencies.** One of the priority areas under the framework agreement for collaboration between the French development agency (AFD) and the Bank is the area of sustainable cities and urban development. In this context, AFD will contribute US\$80 million in the form of parallel cofinancing³⁹ to achieve the objectives of this operation. It will also provide nonreimbursable technical support to improve energy efficiency in low-income housing construction.

³⁸ For this operation, households with specific vulnerability indicators are considered those that include the elderly, minors, are headed by women, include persons with disabilities, victims of domestic or sexual violence, or those belonging to indigenous peoples, Afro-Ecuadorians, and Montubios.

³⁹ Under a loan contract between AFD and Ecuador.

- 1.26 **Program strategy.** The program will continue with MIDUVI as executing agency and with the housing incentives system (SIV). It is proposed to supplement the beneficiary households' contributions with a single, nonreimbursable monetary subsidy for the construction or purchase of adequate housing developed by PEV. This encourages private sector participation in the low-income housing market, improves the characteristics of the stock of affordable housing, and supports job creation in the construction industry. To facilitate execution, especially in rural areas, eligible households will be organized into groups of up to 50 family units and prioritized according to the percentage of vulnerable households they contain. This approach achieves economies of scale in transportation and materials; and it promotes inclusive community groups. The program consists of three components:
- 1.27 **Component 1. Subsidies for the construction of new housing on own land in rural and urban areas (IDB: US\$44 million, AFD: US\$40 million).** This component will finance direct monetary subsidies to family units living in conditions of extreme and moderate poverty, according to their score on the social register.⁴⁰ The amount of the subsidy will be up to 41.12 times the unified basic wage (SBU). Financing will be provided for the construction of sustainable and universally accessible home on the beneficiary's own land, for a value of up to 41.12 SBU. The home will have two or three bedrooms (depending on the family structure); and it will observe architectural criteria adapted to the bioclimatic zone.⁴¹ MIDUVI will organize and prioritize demand by groups, pursuant to the program Operating Regulations. The beneficiaries of this program may request an additional subsidy of US\$1,500 to finance works or equipment for the provision of services (water, wastewater disposal, and electricity) when these are lacking; and US\$600 for titling processes. With the Bank funding for this component, it is estimated that about 2,404 subsidies will be granted to an equal number of families.
- 1.28 **Component 2. Partial subsidies for the purchase of urban housing (IDB: US\$44 million, AFD: US\$40 million).** This component will finance direct monetary subsidies to households living in poverty or moderate poverty, according to their social register score, to purchase sustainable housing of universal accessibility in the price range from 57.57 to 101.52 SBU. The homes will include mitigation measures to reduce their energy and water consumption. Individual or group applications are submitted to MIDUVI and may be done directly by the eligible household. All households making up a committee⁴² will be prioritized according to the criteria of the program Operating Regulations. The value of the subsidy will be US\$6,000, and in conjunction with credits from the financial or cooperative sector and/or household savings, this will enable the beneficiaries to purchase their home. The Bank's funding for this component is expected to finance 7,333 subsidies awarded to an equal number of family units.

⁴⁰ The Social Register is a social, economic, and demographic cadaster of families, which aims to identify populations living in poverty.

⁴¹ These have demonstrated savings of 20% in energy use, 20% in water use and 20% in materials energy, relative to conventional construction.

⁴² A group of households that apply jointly for the housing subsidy.

Table 1. Housing Finance (Components 1 and 2)

Component	Financing		Amount (US\$)		Investment modality	Number of households benefited
	Subsidy	Household contribution	Minimum	Maximum		
Component 1. Subsidies for the construction of new housing on own land in rural and urban areas	Up to 41.12 SBU	Own land	-	22,680	Group	2,404
	US\$1,500*					
	US\$600**					
Component 2. Partial subsidies for the purchase of urban housing	US\$6,000	Mortgage credit note and/or savings	22,680	40,000	Individual or group	7,333
Total						9,737

* Additional subsidy for the provision of utilities.

** Additional subsidy for home titling processes.

- 1.29 **Component 3. MIDUVI strengthening (IDB: US\$3.9 million, Local: US\$470,000).** This component will finance technical and technological improvements in the SIIDUVI, in: (i) the access module, for the registration, eligibility, and prioritization of beneficiaries, and delivery of subsidies; (ii) the supply module, to register, qualify, award, and evaluate the PEVs; and (iii) to optimize the property database (identification and selection of available land parcels, based on criteria of accessibility and vulnerability to risks). The activities are based on an initial plan of improvements that include programming, systems, equipment, and human talent. An algorithm will be designed to improve beneficiary selection and enhance coordination with the autonomous governments, and their training in land management.
- 1.30 **Other costs (IDB: US\$2 million, Local: US\$230,000).** Project resources will be used to finance evaluation and monitoring costs, as well as audits, administration, and contingencies.
- 1.31 **Subsidy award system.** The homes will fulfill MIDUVI technical specifications and those of the program Operating Regulations, including maximum prices and architectural, urban, energy efficiency and universal accessibility standards ([required link 3](#)). The subsidies will be awarded once the required contracts have been signed and the guarantees corresponding to MIDUVI have been delivered. MIDUVI will return the guarantees once the beneficiaries have ownership of the house and are in possession of the corresponding title deed. Current national regulations govern all contracting and supervision processes in the production of housing. The program will also use official and updated data from the Ministry of Economy and Finance (MEF), MIDUVI, MIES,⁴³ and the Social Register of the National Planning and Development Department (SENPLADES).⁴⁴

⁴³ The MIES contains about 30,000 records of the current beneficiaries of the [Joaquín Gallegos Lara Subsidy](#) program, which pays US\$240 to a family member who cares for a person with a severe disability or catastrophic disease, or for someone under 14 years of age suffering from HIV/AIDS.

⁴⁴ Operation EC-L1238; loan 4614/OC-EC strengthens the Social Register.

- 1.32 **Household eligibility.** Households living in poverty (as classified in the Social Register)⁴⁵ and subject to housing deficit are eligible, unless they are beneficiaries of other MIDUVI housing programs. Homes lacking basic services (water, sanitation, and electricity), built with deficient materials, precarious construction, overcrowding (more than three people per room), without formal title, or occupied jointly by more than one household, are considered to be in a housing deficit situation. For Component 1, eligible households will present evidence of owning the land on which the home will be built, pursuant to local legislation. For Component 2, eligible households will provide evidence of a mortgage credit access note and/or sufficient savings. Eligibility is determined individually per household, and the subsidy is awarded in accordance with the mode of presentation of the application.
- 1.33 **Household prioritization.** With more eligible households than subsidies, the provincial directorates will prioritize households on the basis of specific vulnerability indicators: the presence of elderly persons, minors, female heads of household, persons with disabilities, victims of domestic or sexual violence, and/or persons belonging to indigenous, Afro-Ecuadorian or Montubio ethnic groups, according to the program Operating Regulations. Moreover, no less than 6% of total of program subsidies will be awarded to households with persons with disabilities,⁴⁶ considering that the prevalence of disability in Ecuador is 5.64%.⁴⁷ Similarly, no less than 22% will benefit women heads of household, given that 21.6% of all households in poverty or extreme poverty are headed by women.⁴⁸ In all cases, women will be included on the homes' titles of ownership.
- 1.34 **Territorial eligibility and prioritization.** All of Ecuador's provinces and cantons will be eligible to participate in the program. Priority will be given to the territories with the greatest needs according to the level of poverty and vulnerability of their population.

C. Key results indicators

- 1.35 At the impact level, achievement of the first operation's objectives will be measured by indicators attributed to: (i) improvements in the levels of health in the rural areas; (ii) reduction in the time devoted to unpaid work in vulnerable households; (iii) reduction in household spending on electricity and water; and (iv) saving on water and construction material energy.
- 1.36 At the outcome level, achievement of this operation's objectives will be measured through the following: (i) a reduction in the housing deficit⁴⁹ for the rural population within the corresponding social register, especially in households with specific vulnerability indicators; (ii) a reduction in the housing deficit for the urban

⁴⁵ The first income quintile corresponds to household income of US\$257 per month and the second to US\$460 (National Survey of Employment, Unemployment and Underemployment, latest edition 2017).

⁴⁶ In loan 2797/OC-EC, 4% of the total amount (roughly US\$3.3 million) was used to support households containing persons with disabilities ([optional link 5](#)).

⁴⁷ INEC (2010).

⁴⁸ SENPLADES, March 2019.

⁴⁹ This indicator checks that the subsidies received have been used to build a house in accordance with the program specifications.

population within the corresponding social register; and (iii) improvement of MIDUVI institutional processes.

- 1.37 The program's economic analysis was undertaken by means of an analysis of the costs and benefit expected under Components 1 and 2. Considering a period of 20 years and a discount rate of 12%, the net present value of program benefits is almost US\$133 million, with an internal rate of return of 22.4%, and a benefit-cost ratio of 1.63 ([optional link 1](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Rationale for the CCLIP.** A sector CCLIP is proposed for an amount of up to US\$200 million, with a term of five years, through two individual operations. The Ecuadorian government has requested that MIDUVI serve as executing agency of the CCLIP and of each of the individual operations. MIDUVI satisfies all the eligibility requirements established for the CCLIP (document GN-2246-9) and the Operational Guidelines (paragraph 3.6 of document GN-2246-11), since: (i) MIDUVI has solid experience executing IDB-financed projects (paragraph 1.16), and it has successfully executed at least two similar projects with the Bank in the housing and social sector over the last five years (loans 2279/OC-EC and 2797/OC-EC); (ii) in both projects: (a) the overall performance of execution and progress in achieving the expected outcomes were satisfactory; (b) the borrower and the executing agency fulfilled the terms of the loan contract; (c) the financial and operating reports, including the audited financial statements, and reports on accounts, budget execution, and operational management, were prepared and submitted on time and have an acceptable level of quality in terms of financial management and operational control of the projects; and (d) the operation and maintenance of the investments made and completed with project funding are adequate; (iii) the Bank has verified MIDUVI's institutional soundness, which makes it possible to assume that this satisfactory performance will be maintained during execution of the first operation under the CCLIP; and (iv) the areas of action of the CCLIP are aligned with the Country Strategy and its objective of consolidating social progress.
- 2.2 The sector CCLIP is a strategic instrument for providing sustained financial and technical support to the national housing policy. It will thus make it possible to consolidate over two decades of Bank support to the housing sector and to MIDUVI, its lead agency. The CCLIP will also streamline the process of preparing subsequent operations, thus decreasing their transaction costs. It will also help mitigate the risk of an increase in the poverty rate, which was an issue identified in the country strategy.
- 2.3 The Bank has agreed with the Government of Ecuador that the first operation under the sector CCLIP will be a Specific Investment Loan (ESP) for up to US\$174,608,000, of which US\$93.9 million will come from a loan financed from the Bank's Ordinary Capital resources; US\$80 million will come from AFD under a Parallel Cofinancing with Services agreement, and US\$708,000 will be a local contribution (paragraph 1.25). The funds contributed by AFD to this operation will also be governed by the program Operating Regulations. The Bank will charge

AFD a fee of US\$376,185 for the services it would be providing in its capacity as lead cofinancier. The Bank's Board of Executive Directors has been asked that this service fee be distributed among the divisions that will execute the operation in order to cover implementation costs. A cost center will be set up for this purpose.

Table 2. Estimated program costs (US\$ million)

Components	IDB	Local	AFD parallel cofinancing	Total	%
Component 1. Subsidies for the construction of a new home on own land in rural and urban areas					
Subsidies for housing construction	39.0	0.0	35.0	74.0	42.2
Subsidies for water connection	3.6	0.0	3.0	6.6	3.9
Subsidy for administrative and legal expenses	1.4	0.0	2.0	3.4	2.0
Total Component 1	44.0	0.0	40.0	84.0	48.1
Component 2. Partial subsidies for the purchase of an urban home					
Subsidies for home purchase	44.0	0.0	40.0	84.0	48.1
Component 3. MIDUVI strengthening					
Support for MIDUVI	3.9	0.47	0.0	4.37	2.5
Total Component 3	3.9	0.47	0.0	4.37	2.5
Other costs					
Administration	1.2	0.14	0.0	1.34	0.8
Evaluation and monitoring	0.5	0.06	0.0	0.56	0.3
Audits	0.3	0.04	0.0	0.33	0.3
Total other costs	2.0	0.23	0.0	2.23	1.3
Total	93.9	0.708	80.0	174.608	100.0

Sums rounded to the nearest decimal.

- 2.4 **Deadline and disbursement schedule.** The disbursement period will be five years from the signing of the loan contract, according to the following schedule:

Table 3. Disbursement schedule (US\$ million)

Financing source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB	26,597,628	37,604,226	24,447,346	4,781,000	469,800	93,900,000
Local	23,715	288,507	293,682	45,720	56,376	708,000
AFD cofinancing	24,000,000	24,000,000	16,000,000	16,000,000	-	80,000,000
Total	50,621,343	61,892,733	40,741,027	20,826,720	526,176	174,608,000
% IDB	28.3%	40.0%	26.0%	5.1%	0.5%	100%
% Local	3.3%	40.7%	41.5%	6.5%	8.0%	100%
% AFD cofinancing	30.0%	30.0%	20.0%	20.0%	-	100%

B. Environmental and social risks

- 2.5 In accordance with the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703), the first operation is classified as a "B.13" operation, which means that neither environmental and social analyses nor consultations are required. Potential environmental, social, health, and safety impacts associated with the program are considered to be minor. Effective mitigation measures already exist, mainly through compliance with applicable local regulations and with a long list of exclusions ([required link 3](#)). The operation does not involve household resettlement.

C. Fiduciary risks

- 2.6 A medium risk is identified in the potential for delays in program disbursements owing to insufficient budget appropriation and/or the lack of an audit firm to verify compliance with the criteria governing the award and use of subsidies. As a mitigation measure, MIDUVI will: (i) take steps with the MEF to ensure budgetary appropriations are received on a timely basis; and (ii) contract an audit firm to perform the annual financial audits and the periodic verifications on subsidies, from the start of the program and throughout its execution.

D. Other risks and key issues

- 2.7 There are two public management risks: (i) a medium risk associated with inadequate targeting of the subsidies; to mitigate this risk, the program will include all the eligibility criteria in the program Operating Regulations and work with the MIES to identify vulnerable households; and (ii) a high risk associated with MIDUVI's limited capacity to monitor and evaluate the outcomes of the interventions; to mitigate this monitoring risk and strengthen MIDUVI monitoring and evaluation capacity, the following measures will be adopted: (a) independent audits under previously agreed-upon procedures, including the delivery of guarantees by the executing agencies; (b) financial audits of the program; and (c) sample-based inspections of the quality of the homes built. In addition, a fiduciary specialist will be included on the MIDUVI management team. The project team also identified a medium macroeconomic risk in Component 2, relating to the potential lack of interest among financial institutions in granting credits if resource availability is uncertain. To mitigate this, the program Operating Regulations will include legal mechanisms to guarantee the availability of resources, such as setting up a trust to manage them (for further details, see Annex III, 7.7).
- 2.8 **Technical analysis of the projects.** The homes built with the program's subsidies will meet the SDG criteria: adequate materials and construction; access to drinking water, electricity, and sanitation services; fewer than three people per room; and a kitchen separated from bedrooms. The homes will also be universally accessible and adapted to the bioclimatic conditions of each region (coast, highlands, Amazon region, and Galápagos). They will also fulfill construction specifications that demonstrate savings in terms of energy and water consumption, and also energy savings in the materials used; and they can only be located on land that satisfies the criteria specified in the environmental and social management report (ESMR) ([required link 3](#)). MIDUVI will issue regulations governing the project qualification process and the validation of housing typologies and generic plans. All these requirements will be included in the program Operating Regulations.
- 2.9 **Analysis of housing costs.** An analysis of minimum construction costs in rural and urban areas, for single-family and multi-family housing typologies, has verified the viability of producing a home according to the program's costs; below which it would be impossible to build a home with the required specifications ([optional link 11](#)).

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Execution.** MIDUVI will serve as executing agency and will appoint a full-time management team for the program, based at its headquarters. The team will consist of six people: a general coordinator and specialists in management and finance, housing construction, data management and procurement, low-income housing, and inclusion of persons with disabilities. Pursuant to Executive Decree 681, MIDUVI may use public firms to build the homes planned under Component 1. The program Operating Regulations will specify the conditions required for such firms to participate.
- 3.2 **Special contractual conditions precedent to the first loan disbursement: The executing agency will present evidence, to the Bank's satisfaction, that: (i) the management team that will operate out of the executing agency's headquarters has been appointed, in accordance with the profiles and terms of reference contained in the program Operating Regulations; and (ii) the Operating Regulations have been approved and entered into force, under the terms previously agreed upon with the Bank.** The first condition ensures an efficient start of program execution; and the second is critical because the program Operating Regulations will contain the technical and operational guidelines needed to ensure proper project execution.
- 3.3 MIDUVI headquarters will be responsible for: (i) administering the loan proceeds and supervising fiduciary issues; (ii) planning execution of the loan, preparing the annual work plans (AWPs), and updating the procurement plan; (iii) procuring and supervising consulting and nonconsulting services, goods, and works; (iv) supervising and monitoring the progress of program execution; (v) preparing and processing payments; (vi) preparing financial statements and disbursement requests; (vii) maintaining and monitoring the data system; (viii) evaluating the program's impact; and (ix) supervising compliance with the program Operating Regulations, etc. The provincial directorates will be responsible for: (i) managing the subsidies using the SIIDUVI and registering potential beneficiaries; (ii) supervising compliance with the program Operating Regulations in coordination with MIDUVI headquarters; and (iii) monitoring the quality of the homes built.
- 3.4 **Procurement.** The procurement processes under Component 3 will follow the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9).
- 3.5 **Annual work plan.** The program components will be implemented according to the AWP. This will contain the program's physical and financial targets and will form the basis for periodic program status reviews.
- 3.6 **Program Operating Regulations.** Everything related to program implementation will be guided by the program Operating Regulations, which will include the following: (i) institutional capacities required of the executing agency; (ii) process of awarding and delivering subsidies, including beneficiary eligibility and prioritization; (iii) PEV selection and qualification processes; (iv) minimum

construction and urban standards; (v) procurement and supervision processes; (vi) specific implementation arrangements for each component; (vii) fiduciary agreements and requirements (Annex III); and (viii) environmental and social requirements ([required link 3](#)).

- 3.7 **Retroactive financing and recognition of expenditures.** The Bank may retroactively finance up to US\$18.78 million (20% of the proposed loan amount), from the loan proceeds, and recognize up to US\$141,600 from the local contribution (20% of the estimated counterpart contribution), for eligible expenses incurred by the borrower prior to the loan approval date. To be eligible, such expenses will relate to subsidies awarded to eligible households, as defined in the program Operating Regulations, and will satisfy requirements substantially similar to those specified in the loan contract. The expenses in question will have been incurred on or after 28 January 2019 (the project profile approval date), but will under no circumstances include expenditures incurred more than 18 months prior to the loan approval date.
- 3.8 **Delivery of homes.** To deliver the home, a delivery and occupancy document will be drawn up and signed by MIDUVI, the PEV, and the beneficiary, pursuant to the program Operating Regulations. This will contain the certificate of habitability, the obligations of the beneficiary to occupy and not sell or assign the house for five years, the policy that guarantees the quality of the works and protection of the beneficiary for ten years, the grounds on which the home can be returned, the deed of ownership and the certification of constitution of unattachable family patrimony, as established in the Ecuadorian Civil Code. MIDUVI will be responsible for overseeing proper use of the homes.
- 3.9 **Financial management and audits.** Financial management will adhere to the Financial Management Guidelines for IDB-financed Projects (document OP-273-6). Annual audited financial statements will be requested, within 120 days following the close of each fiscal year, or 120 days from the date of the last disbursement in the case of the final audit. The terms of reference will also include independent and concurrent validation of compliance with the requirements for awarding subsidies and the delivery of the homes, as specified in the program Operating Regulations. The audits will include the payments financed by AFD⁵⁰ under Components 1 and 2, as provided for in the parallel cofinancing with services agreement between AFD and the Bank. Greater flexibility will be permitted in the percentage to be justified in order to request new disbursements, and this percentage will be 70%⁵¹ (permanent flexibility) rather than 80%, pursuant to document OP-273-6 (Annex I, 2.4 and 3.3).

B. Summary of arrangements for monitoring results

- 3.10 **Monitoring arrangements.** Program progress will be monitored through six instruments: (i) semiannual execution status reports for each output, prepared by MIDUVI and analyzed jointly with the Bank within 60 days following the end of the

⁵⁰ The contribution of funds by AFD increases the number of households benefitted under Components 1 and 2 of this operation. However, the achievement of the operation's objectives is not dependent on these funds, since Components 1 and 2 can be scaled, and Component 3 is financed in its entirety by the IDB.

⁵¹ AFD will also establish this percentage for accountability of advances in order to make a new disbursement.

- six-month period, according to the schedule agreed upon between the Bank and MIDUVI; (ii) financial audits using agreed-upon procedures, performed by an independent firm acceptable to the Bank; (iii) sample-based inspection of the works executed, by MIDUVI; (iv) technical audits by the Bank, which will include inspections of the quality of the homes built (in addition, MIDUVI will present an updated AWP and procurement plan every year, 30 days prior to the end of the Bank's fiscal year); (v) quarterly execution reports; and (vi) a final report prepared by MIDUVI, which will be submitted to the Bank within 90 days following the last justification of funds for the program's first operation.
- 3.11 The monitoring of the outputs of Components 1 and 2 will be broken down by component, location, gender of the head of household, and vulnerability indicators. The progress of the actions to strengthen MIDUVI will be measured with a binary indicator for each action implemented.
- 3.12 **Arrangements for evaluation of results.** A midterm evaluation will be performed to verify that the program is proceeding properly and to make improvements if necessary. Given the mismatch that exists between the subsidy disbursement and housebuilding periods; the evaluation will start when 25% of the subsidies have been delivered, and it will conclude before 50% of them have been disbursed.
- 3.13 In addition, a quasi-experimental final evaluation will be undertaken to measure the program's impact. The evaluation's strategy will include a difference-in-differences methodology with matching, in which the variation is measured with respect to beneficiary households living in a new home, versus beneficiary households still living in deficient housing. This evaluation will be done by an independent consultant, financed by the IDB. This evaluation will be presented 180 days after the last program disbursement. The evaluation will include lessons learned and specific recommendations for the design of future operations (supplementing that of operation EC-L1113) and will specify impacts on environmental sustainability and outcomes in the women-headed households and those including persons with disabilities.

Development Effectiveness Matrix		
Summary		
I. Corporate and Country Priorities		
1. IDB Development Objectives	Yes	
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Gender Equality and Diversity -Climate Change and Environmental Sustainability	
Country Development Results Indicators	-Reduction of emissions with support of IDBG financing (annual million tons CO2 e)* -Beneficiaries of targeted anti-poverty programs (#)* -Households benefitting from housing solutions (#)* -Jobs created by supported firms (#)* -Women beneficiaries of economic empowerment initiatives (#)* -Households with new or upgraded access to drinking water (#)* -Households with new or upgraded access to sanitation (#)* -Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)* -Households with wastewater treatment (#)* -Households with solid waste disposed in a sanitary landfill (#)* -Households protected from flood risk (#)* -Households with new or improved access to electricity supply (#)* -Urban rail and bus mass transit systems built or upgraded (km)*	
2. Country Development Objectives	Yes	
Country Strategy Results Matrix	GN-2924	Financing for low-income housing
Country Program Results Matrix	GN-2948	The intervention is included in the 2019 Operational Program
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.5
3.1 Program Diagnosis		3.0
3.2 Proposed Interventions or Solutions		4.0
3.3 Results Matrix Quality		2.5
4. Ex ante Economic Analysis		9.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		3.0
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		1.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		0.0
5. Monitoring and Evaluation		10.0
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		7.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Low
Identified risks have been rated for magnitude and likelihood		Yes
Mitigation measures have been identified for major risks		
Mitigation measures have indicators for tracking their implementation		
Environmental & social risk classification		B.13
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control, Internal Audit. Procurement: Information System, Price Comparison, Contracting Individual Consultant, National Public Bidding.
Non-Fiduciary	Yes	Strategic Planning National System, Monitoring and Evaluation National System.
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	0

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The objectives of the CCLIP are: (i) to expand the access to affordable, sustainable and universally accessible housing of Ecuadorian households in housing deficit and in a situation of poverty or vulnerability, and (ii) strengthen the capacity of the Government of Ecuador to generate and implement long-term housing policies. The specific objectives of the First Individual Operation of the CCLIP "Solutions for Poor and Vulnerable Households" are: (i) to reduce the quantitative housing deficit among households in rural and urban-marginal areas of the two bottom quintiles of income in the country, prioritizing specific vulnerability indicators; (ii) same as the first, but focused on households in urban areas; and (iii) optimize the institutional processes of MIDUVI.

The project presents a complete diagnosis; with an accurate description of the current situation of the housing deficit in Ecuador. The results indicators included in the results matrix are SMART and have means of verification.

The economic analysis of the project was carried out through a cost-benefit analysis (CBA) and focused on expected benefits related to the valuation of real estate assets and the profitability of the housing market. The CBA has reasonable assumptions, uses a rigorous methodology and has an adequate sensitivity analysis. The analysis concludes that the project is economically viable, with an IRR of 22.4%, using a discount rate of 12%.

The project includes a monitoring and evaluation plan that is in line with the Bank's standards. The effectiveness of the proposed intervention will be measured according to several approaches: an experimental evaluation, a difference-in-differences analysis, and matching.

RESULTS MATRIX

Project objectives:	The general objectives of the sector CCLIP are to: (i) improve access for Ecuadorian households living in a situation of poverty or vulnerability and without adequate housing, to affordable, sustainable, and universally accessible housing; and (ii) strengthen the capacity of the Government of Ecuador to generate and implement long-term housing policies. The specific objectives of the first operation are to: (i) reduce the quantitative housing deficit among households belonging to the country's two lowest income quintiles, living in rural areas, prioritizing those with specific vulnerability indicators; (ii) idem, but targeted on urban households; and (iii) optimize the institutional processes of the Ministry of Urban Development and Housing (MIDUVI).
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EXPECTED IMPACT

Indicators	Unit of measure	Baseline	Baseline year	Final target	Means of verification	Comments
Impact 1: Health improvement among the beneficiary rural households						
Presence of acute diarrheal disease (ADD)	Children under five years of age with ADD / Total children under five years of age (annual)	19.5%	2020	To be defined	Impact evaluation survey applied to treatment and control group	19.5% of children under in the poorest quintile suffered from ADD, (Survey of Living Conditions 2013-2014). Access to a cement floor and drinking water service are the key factors in reducing childhood ADD.
Impact 2: Reduction in time spent on unpaid work in the beneficiary vulnerable households						
Time spent on unpaid work by the head of household	Hours per week	9 hours	2020	To be defined	Impact evaluation survey applied to treatment and control group	The universal-access design improves the autonomy and mobility of minors, the elderly, and persons with disabilities; and it also reduces the risks of falls and accidents. This means that their caregivers have time for other activities. Unpaid work in the home includes caring for relatives and domestic chores. Caring for dependents in the home takes nine hours per week (Survey of the Use of Time 2012).
Impact 3: Reduction in housing expenses among the beneficiary households						
Savings on water and electricity bills	US\$ per month	Standardized average household expenditure within the social register corresponding to the component	2020	20% reduction	Impact evaluation survey applied to treatment and control group	A 55 gallon tank of water (US\$0.80 and US\$2) costs 3 to 6 times more than obtaining water from the public network. A house with electricity bill of US\$40 per month (50% for lighting), could be reduced by 40% by replacing 200W incandescent bulbs with 20W energy savers, at US\$0.1 per kWh. The target reduction of 20% reflects the fact that improving access to water and electricity also tends to increase their use.

Indicators	Unit of measure	Baseline	Baseline year	Final target	Means of verification	Comments
Impact 4: Energy, water, and energy savings in construction materials						
Energy savings incorporated into the construction materials	MJ/m ²	EDGE (Excellence in design for greater efficiencies) data**	2020	20% reduction	EDGE data	Energy “incorporated” into construction materials: the buildings will use materials that have consumed less energy in their manufacture and transportation. Thus, once built, there will be 20% saving on energy expenditure associated with the manufacture and transportation of the materials used. This is associated with the use of local materials in rural housing. The 20% energy savings in the materials will be measured relative to the baseline.

EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline	Baseline year	Intermediate target ¹	Final target	Means of verification	Comments ²
Specific objective 1: Reduction of the quantitative housing deficit among the rural population of the country's two lowest income quintiles, prioritizing those with specific vulnerability indicators							
Outcome 1.1: Reduction of the housing deficit in rural areas							
Number of beneficiary households with new homes built according to the program Operating Regulations	Number of households	0	2019	--	2,404	Delivery-acceptance certificates	By vulnerability status.
Outcome 1.2: Better access to water services							
Percentage of homes delivered that are connected to domestic drinking water service	Number of homes delivered that are connected to domestic drinking water service / Total number of homes delivered	0%	2019	100%	100%	Delivery-acceptance certificates	Idem.

¹ Intermediate target measured when 50% of program funds have been disbursed.

² The numbers should be reported by vulnerability status.

Indicators	Unit of measure	Baseline	Baseline year	Intermediate target ¹	Final target	Means of verification	Comments ²
Outcome 1.3: Increase in property titling							
% of homes delivered, with full property titles	Number of new homes titled / Total number of new homes	0%	2019	100%	100%	Municipal records	Idem.
% of property titles in the name of women or shared with their partner	Number of property titles in the name of women or shared with their partner / Total number of property titles delivered	0%	2019	57%	57%	Municipal records	57% of households that are eligible under the social register are headed by women, or by women jointly with their partners.
Outcome 1.4: Reduction of household energy consumption							
Efficient use of electric energy	kWh consumed (monthly)	88.9	2012	50	50	Ministry of Urban Development and Housing (MIDUVI) records (through the Energy Ministry)	Baseline of the Environmental Information Module of the National Survey of Employment, Unemployment, and Underemployment (ENEMDU 2012); Monthly electricity consumption – Rural. The intermediate result is the same as the final outcome because savings are expected in each home delivered.
Specific objective 2: Reduction in the quantitative housing deficit among the urban population of the country's two lowest income quintiles							
Outcome 2.1: Reduction of the housing deficit among low-income households in the urban area							
Number of beneficiary households with new homes built according to the program Operating Regulations	Number of homes	0	2019	--	7,333	Delivery-acceptance certificates	
Outcome 2.2: Reduction of the energy consumption of affordable housing							
Efficient use of electric energy	Monthly consumption in kWh	155.4	2012	100	100	MIDUVI records	Baseline of the Environmental Information Module of ENEMDU 2012; Monthly electricity consumption-Urban.

Indicators	Unit of measure	Baseline	Baseline year	Intermediate target ¹	Final target	Means of verification	Comments ²
Specific objective 3: Optimize MIDUVI institutional processes							
Simplification of the beneficiary registration process	Time taken (minutes)	To be defined	2019	To be defined	To be defined	MIDUVI records	
Simplification of the registration process for housing developers and builders (PEVs)	idem	idem	2019	idem	idem	idem	
Simplification of the procedure for technical verification of land parcels	idem	idem	2019	idem	idem	idem	

OUTPUTS

Outputs	Unit of measure	Baseline	Baseline year	2020	2021	2022	2023	2024 Final target	Means of verification	Comments
Component 1. Subsidies for new house building on own land in rural and urban areas										
Number of subsidies awarded.	Subsidies	0	2019	962	721	962	-	2,404	MIDUVI records	
Number of additional subsidies for connection to piped water delivered on land without services.	Subsidies	0	2019	962	721	962	-	2,404	MIDUVI records	
Number of additional subsidies for titling processes in households with vulnerability indicators.	Subsidies	0	2019	962	721	962	-	2,404	MIDUVI records	
Subindicator: Percentage of subsidies awarded to female heads of household.	Number of subsidies awarded to women heads of household / Total number of subsidies awarded	0	2019	159	212	159		22%	MIDUVI records	Subindicator. 21.6% of households in poverty or extreme poverty are headed by women (Living Conditions Survey, 2014).

Outputs	Unit of measure	Baseline	Baseline year	2020	2021	2022	2023	2024 Final target	Means of verification	Comments
Subindicator: Percentage of subsidies awarded to households containing persons with disabilities.	Number of subsidies awarded to households containing persons with disabilities / Total number of subsidies awarded	0	2019	43	58	43		6%	MIDUVI records	Subindicator. The prevalence of disability in Ecuador is 5.64%; the rate is higher among households living in poverty (National Institute of Statistics of Ecuador – INEC 2010).
Component 2. Partial subsidies for urban home purchases										
Number of subsidies awarded for home purchase.	Number of subsidies	0	2019	2,200	2,933	1,467	733	7,333	idem	
Subindicator: Percentage of subsidies awarded to female heads of household.	Number of subsidies awarded to women heads of household / Total number of subsidies awarded	0	2019	484	645	323	161	22%	MIDUVI records	Subindicator
Subindicator: Percentage of subsidies awarded for households with people with disabilities.	Number of subsidies awarded to households with people with disabilities / Total number subsidies awarded	0	2019	132	176	88	44	6%	MIDUVI records	Subindicator.

Outputs	Unit of measure	Baseline	Baseline year	2020	2021	2022	2023	2024 Final target	Means of verification	Comments
Component 3: MIDUVI strengthening										
Integrated Urban Development and Housing Information System (SIIDUVI 1) modules: Access to housing; and feasibility and viability analysis (access, registration, eligibility, qualification, prioritization, allocation, and award of subsidies to beneficiaries, registration of builders/ developers, and qualification and registration of low-income housing projects).	Systems	0	2019	1					SIIDUVI reports on households registered and subsidies awarded	To be implemented in year 1.
SIIDUVI 2 Land bank modules: Construction issues and financing models (land bank, cartographic data, accessibility, and environmental risks. Monitoring of house construction and inspection, types of subsidies).	Systems	0	2019	1					SIIDUVI reports on PEVs	idem
SIIDUVI 3 Habitat formation and monitoring and control modules. (Monitoring of the delivery of homes and observance of norms of coexistence).	Systems	0	2019	1					SIIDUVI reports on land parcels	idem

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country:	Ecuador
Project number:	EC-L1245
Project name:	Housing Solutions for Poor and Vulnerable Households
Executing agency:	Ministry of Urban Development and Housing (MIDUVI)
Prepared by:	Carolina Escudero and Juan Carlos Dugand (FMP/CEC)

I. EXECUTIVE SUMMARY

- 1.1 The fiduciary agreements for the program's procurement and financial management take account of: (i) the country's fiduciary context; (ii) an evaluation of fiduciary risks; (iii) supervision activities for the loans executed by MIDUVI; (iv) an analysis of MIDUVI's institutional capacity; and (v) inputs from meetings held with the teams and entities involved in project execution.

II. THE COUNTRY'S FIDUCIARY CONTEXT

- 2.1 **Country procurement system.** On 13 May 2014 the Ministry of Economy and Finance (MEF), the National Public Procurement Service (SERCOP – the governing body), and the Bank signed the Agreement on the Use of the National Public Procurement System of the Republic of Ecuador (SNCP) in IDB-financed projects. Section 3.2 of this agreement provides for the SNCP to be used in seven projects, and for its use to be gradually expanded. The agreement is based on document GN-2680-2, approved by the Bank's Board of Executive Directors.
- 2.2 **Financial management system.** Central government agencies use the online Integrated Financial Management System (e-SIGEF), which integrates budget, accounting, and cash management processes. Government entities are subject to control and supervision by the Office of the Comptroller General (CGE). In general, the national financial management systems display an adequate level of development, but they need to be complemented for the execution Bank-financed projects, with respect to financial reports with nonaccounting records and external auditing by audit firms acceptable to the Bank. The government plans to replace e-SIGEF with a new system in 2020.

III. THE EXECUTING AGENCY'S FIDUCIARY CONTEXT

- 3.1 MIDUVI will serve as executing agency; and, in some housing segments, it may be supported by state-owned enterprises (SOEs), the *Casa para Todos* program (CPT) and Ecuador Estratégico, which are attached to MIDUVI.
- 3.2 MIDUVI has served as executing agency in IDB-financed programs since 1997. The National Urban Development Program (loan 2679/OC-EC) and the National Social Housing Program – Stage II (loan 2797/OC-EC) have both recently

completed execution. The Ministry is also responsible for a component of the Support Program for the Social Inclusion of People with Disabilities in Ecuador (loan 4634/OC-EC), which is currently in execution.

- 3.3 MIDUVI executes Bank-financed programs through its internal administrative structure; but, it requires staff to support procurement, financial management, and planning and monitoring tasks.
- 3.4 MIDUVI uses the country procurement systems and records in the public procurement portal; and it uses the national e-SIGEF system for financial management. It has an internal control unit and is subject to CGE external oversight.
- 3.5 The IDB-funded programs have mainly financed demand subsidies for low-income housing; and they have included provisions for external auditing firms to verify the fulfillment of subsidy award criteria and compliance with the program Operating Regulations.
- 3.6 This operation has parallel financing from the French Development Agency (AFD), under a framework agreement signed between AFD and the Bank. Under the parallel cofinancing with services agreement, the Bank will provide services to AFD for the housing segments that it will finance jointly with AFD. As parallel financing is involved, each institution will apply its own procurement policies.

IV. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 4.1 A medium risk is identified in the potential for delays in program disbursements owing to insufficient budget appropriation and/or the lack of an audit firm to verify compliance with the criteria governing the award and use of the subsidies. As a mitigation measure: (i) MIDUVI will take the necessary steps with the MEF to ensure budgetary appropriations are received on a timely basis; and (ii) it will contract an audit firm to perform the annual financial audits and the periodic verifications on subsidies, from the start of program execution until loan closure.

V. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF CONTRACTS OR THE PROGRAM OPERATING REGULATIONS

- 5.1 There are no specific considerations to be included in the special provisions of the loan contract.
- 5.2 The program Operating Regulations will specify the following: (i) Advances of funds will be made to cover a period of up to 12 months, instead of six; and the percentage justification needed to request a new disbursement will be 70%¹ (permanent flexibility), instead of 80%, pursuant to Annex I, 2.4 and 3.3 of document OP-273-6; and (ii) the audit firm that will conduct the annual financial audits and the periodic verifications on the subsidies will be contracted from the start of the program and throughout execution, including the loan closure period.

¹ AFD would also require the same percentage of previous fund advances to be justified before making a new disbursement.

VI. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 6.1 **Execution of Component 3 procurement.** The procurement plan will be updated at least once a year, through the Procurement Plan Execution System (SEPA). The main program procurement items are shown in Table 2.
- a. **Procurement of works, goods, and nonconsulting services:**² These contracts will require international competitive bidding (ICB),³ as per Table 1, and will use the Bank's Standard Bidding Documents.
 - b. **Selection and contracting of consulting services (firms):** These will be executed using the Bank's Standard Request for Proposals, and any of the methods described in the policies for selecting and contracting consultants may be used. Table 1 indicates the threshold for including international consultants on the shortlist.⁴
 - c. **Selection of individual consultants:** These will abide by the provisions of the policies for selecting and contracting consultants, Section V (paragraphs 5.1-5.4).
 - d. **Selection of service providers (individuals):** Some professionals will be hired on a contract basis for systems development and technical services; cadaster and management of land banks; beneficiary registration and monitoring, onsite works supervision; and business analytics. In view of the number of professionals needed, in conjunction with the characteristics and geographic dispersion of the services in question, the national "Service Delivery Contractors" method is applicable, pursuant to paragraph 3.21 of the policies for selecting and contracting consultants (document GN-2350-9). The corresponding verification and control procedure and mechanisms will be included in the program Operating Regulations.
 - e. **Use of country procurement system:** Application of the SNCP⁵ will be included as an addendum to the agreement mentioned in paragraph 2.1.
 - f. **Retroactive financing and recognition of expenditures:** The Bank may retroactively finance up to US\$18.78 million (20% of the proposed loan amount), from the loan proceeds, and recognize up to US\$141,600 from the local contribution (20% of the estimated counterpart contribution), for eligible expenses incurred by the borrower prior to the loan approval date. To be eligible, such expenses will relate to subsidies awarded to eligible households, as defined in the program Operating Regulations, and will satisfy requirements substantially similar to those specified in the loan contract. The expenses in question will have been incurred on or after 28 January 2019 (the project profile approval date), but will under no circumstances include expenditures incurred more than 18 months prior to the loan approval date.

² According to document [GN-2349-9](#), paragraph 1.1, nonconsulting services are treated as goods.

³ The ICB threshold is US\$3 million or more for works and US\$250,000 or more for goods.

⁴ When contracting consulting firms, the threshold is US\$200,000 or more; for smaller amounts the shortlist may consist entirely of national consulting firms.

⁵ Should the Bank validate another system or subsystem, this will be applicable to the operation, as established in the loan agreement and in the agreement for the use of the country procurement system.

- g. **Advance procurement eligible for financing.** None foreseen.
- h. **National preference:** Bids for goods originating in the borrower's country will have a 15% price preference⁶ in contracts subject to ICB.

Table 1. Thresholds (US\$)

Works			Goods			Consulting services	
ICB	National competitive bidding (NCB)	Shopping	ICB	NCB	Shopping	International publicity	100% national shortlist
>3,000,000	<3,000,000 >250,000	< 250,000	>250,000	< 250,000 >50,000	< 50,000	>200,000	<200,000

Table 2. Main procurement items

Activity	Selection method	Estimated date of tender	Estimated amount (US\$ thousand)
Consulting services (firms)			
Maintenance and improvements of the existing Integrated Urban Development and Housing Information System (SIIDUVI)	Quality and cost-based selection (QCBS)	To be defined	231
Development of new SIIDUVI and support	QCBS	To be defined	934
Implementation of the National Land Bank in the SIIDUVI	QCBS	To be defined	313
Migration of the current SIIDUVI information system to the new system	QCBS	To be defined	262
External training and tutorials to ensure adequate implementation of the program	QCBS	To be defined	217
Strengthening of technical capacities for social monitoring and field work	QCBS	To be defined	978
Financial audits	QCBS	To be defined	560
Goods and nonconsulting services			
Training of internal staff in the new program management model	Shopping	To be defined	112
Individual consulting services			
Six professionals to join the program management team	National individual consultant selection based on qualifications (NICQ)	To be defined	672
Technical support for implementation and management of cadastral systems and databases	National method: Occasional service contract	To be defined	952
Four consultants to conduct the evaluation of the National Land Management System (SINAT), midterm, final and impact evaluation	NICQ	To be defined	700

⁶ Document [GN-2349-9](#), Appendix II, and loan contract.

- 6.2 **Procurement supervision.** The procurement plan will specify the supervision method to be used by the Bank. Ex post reviews will be performed annually as established in Appendix 1 of the Policies, and will include physical inspections if the Bank considered such action warranted.

Table 3. Threshold for ex post review (US\$)

Works	Goods	Consulting services	Individual consultant
< 3,000,000	<250,000	< 200,000	< 50,000

Note: Defined in light of the executing agency's fiduciary execution capacity. Thresholds may be altered if said capacity changes.

- 6.3 **Records and files.** The executing agency will maintain the integrity and order of all files, organized independently by process and funding source.

VII. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

- 7.1 **Programming and budget.** The Organic Code of Planning and Public Finance (COPYFP) provides rules governing budgetary programming, formulation, approval, execution, control, evaluation, and reporting. These rules are applied to the execution of Bank-financed programs in Ecuador. The online integrated financial management system (e-SIGEF) and the new one being developed by the government, instrumentalize and standardize the application of these rules throughout national public administration. MIDUVI will incorporate and/or update the investment program if necessary⁷ to secure the respective budgetary appropriations.
- 7.2 For the funds to be transferred by MIDUVI to the state-owned enterprises (SOEs) under Component 1, the budgets of the enterprises in question will include the income received and the payments to be made to housing developers or builders (PEVs), with authorization from their Boards of Directors.
- 7.3 **Accounting and information systems.** Project accounts will be kept in e-SIGEF, or the system replacing it; and all program commitments and payments will be recorded therein. Nonaccounting records will be needed to generate the program's financial reports. The nonaccounting records will include the payments made to the SOEs.
- 7.4 **Disbursements and cash flow.** Since 2008, the Government of Ecuador has operated the National Single Treasury Account (CUT) as a way of unifying cash management across all central government entities. SOEs are not included in the CUT.
- 7.5 The implementation of this mechanism did not eliminate the system of special or specific-purpose accounts, which are managed by the Central Bank of Ecuador (BCE) to receive financing from multilateral loans. The program will maintain an

⁷ The program is included in the *Casa para Todos* (CPT) program. The CPT has a ceiling of US\$535 million for 2019, including all segments and funding sources (such as AFD and the bond issue under operation EC-U0001).

- exclusive account at the BCE, into which the loan proceeds will be disbursed, as well as several additional accounts, based on the needs of each component.
- 7.6 In Component 1, MIDUVI will order fund transfers from the CUT to its participating SOEs. Each of these will have an exclusive bank account, separate from the accounts used for the firm's ordinary business, from which they will pay 70% of the subsidy amount as an advance to the PEVs, with the remaining 30% payable upon delivery of the home to the beneficiary. MIDUVI will also be able to pay subsidies directly to the PEVs.
- 7.7 In Component 2, if MIDUVI chooses to use a trust, it will order transfers from the CUT to a bank account held by the subsidy trust, in which the funds in question will be held while the subsidy payments are made to the financial institutions that make the mortgage loans to the beneficiaries. Should it not opt for a trust, MIDUVI will order the transfer of subsidies from the CUT directly to the accounts held by the financial institutions in question.
- 7.8 Program payments in Component 3 will be executed through the e-SIGEF, or the new system, by debiting the CUT.
- 7.9 The Bank will advance funds to satisfy the project's actual liquidity needs, including the payment commitments of MIDUVI, the SOEs, and/or the Trust, pursuant to the financial plan. Considering the timeframes involved in the execution of Component 1, while MIDUVI (and/or the SOEs) hire the PEVs, the houses are built and delivered to the beneficiaries; the period for which the amount of the advance is estimated will be extended to 12 months, pursuant to document OP-273-6 (Annex I, 2.4). If so requested by the borrower, the Bank may also make direct payments to suppliers or reimburse expenses. MIDUVI will manage program disbursements.
- 7.10 For the reason indicated in the foregoing paragraph and to standardize procedures with AFD in its parallel financing, 70% of the amount of previous advances of funds will need to be justified before a new disbursement can be made (Permanent flexibility, pursuant to document OP-273-6, Annex I, 3.3, i).
- 7.11 For Components 1 and 2, subsidies that have been awarded for the construction or purchase of homes that have already been delivered to the beneficiaries may be justified as program expenses, in accordance with the program Operating Regulations. The subsidies in question will be reviewed by the external auditors contracted by MIDUVI, through the completion of pre-agreed procedures that will accompany each expense justification.
- 7.12 Supporting documentation for payments will be reviewed on an ex post basis after the funds have been disbursed by the Bank and/or the external auditors.
- 7.13 **Internal control and internal auditing.** The Constitution of the Republic of Ecuador appoints the CGE as director of the public sector control system. As part of this sector, the executing agency has its own internal audit area that reports directly to the CGE.
- 7.14 **External control and reporting.** Although the CGE has the authority to audit public sector entities, projects are not necessarily included in the annual audit plan. In this case, the project will be audited by an external firm of independent auditors

acceptable to the Bank, pursuant to document OP-273-6. The firm will be contracted by MIDUVI to audit the entire program, including the subsidies that AFD finances under the same components that the Bank is financing, based on previously agreed terms of reference; and it will be financed out of program funds. During execution, annual audited financial statements will be submitted within 120 days following the closing date of each fiscal year or the date of the last disbursement in the case of the final audit. As noted in paragraph 7.11, the external audit firm will also verify compliance with the requirements for awarding subsidies and delivering the homes that will accompany the expense justifications. The Bank may also request additional unaudited financial statements or other reports related to the project, whenever it deems necessary.

- 7.15 There is no national policy mandating the publication of audit reports. Nonetheless, under the Bank's current access to information policy, audited project reports will be published in the Bank's systems.
- 7.16 **Cofinancing with the French Development Agency (AFD).** The Bank will provide the services to AFD pursuant to the parallel cofinancing with services agreement to be entered into between the parties. This means that the annual financial audits will also cover the program expenses financed by AFD in Components 1 and 2. Similarly, the reviews of subsidy awards will also include the program expenses financed by AFD, as explained in paragraph 7.11.

Table 4. Supervision plan

Supervision activity	Supervision plan			
	Nature and scope	Frequency	Responsible entity	
			Bank	Third party
Operational	Review of status report	Semiannual	Project team	
	Review of portfolio with executing agencies and MEF	According to MEF requirements	Project team	MIDUVI
Financial	Review of cash flow programming and disbursement execution	At the Bank's request, with each request for advance of funds, in portfolio reviews, or supervision visits	Project Team	MIDUVI
	Supervision visits	Annual	Fiduciary specialist	MIDUVI
	Review of audited and unaudited financial statements	Annual	Fiduciary Specialist and Project Team Leader	MIDUVI
	Review of disbursement requests	Periodic	Fiduciary and sector team	MIDUVI / Auditors
Procurement	Ex post review of procurement	According to supervision plan	Project Team Leader and Trust Specialist	MIDUVI
	Ex ante review of procurement	According to the procurement plan	Project Team Leader with support from procurement specialist	MIDUVI

Supervision activity	Supervision plan			
	Nature and scope	Frequency	Responsible entity	
			Bank	Third party
	Update of procurement plan	Annual	Project Team Leader with support from procurement specialist	MIDUVI
Compliance	Fulfillment of conditions precedent	Once only	Project team	MIDUVI
	Budgetary appropriation review	Annual	Project team	MIDUVI
	Submission of audited financial statements	Annual	Project Team Leader and Fiduciary Specialist	MIDUVI / Auditors

7.17 Execution arrangements. All items related to program implementation will be guided by the program Operating Regulations, including the following: (i) institutional capacities required of the executing agency; (ii) process of awarding and delivering subsidies, including beneficiary eligibility and prioritization; (iii) PEV selection and qualification processes; (iv) minimum construction and urban development standards; (v) contracting and supervision processes; (vi) specific execution arrangements for each component; (vii) fiduciary requirements; and (viii) environmental and social requirements.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/19

Ecuador. Conditional Credit Line for Investment Projects (CCLIP) EC-O0004
Casa Para Todos Sector Program

The Board of Executive Directors

RESOLVES:

1. To authorize the President of the Bank, or such representative as he shall designate, to enter into such agreement or agreements as may be necessary with the Republic of Ecuador to establish the Conditional Credit Line for Investment Projects (CCLIP) EC-O0004, for an amount of up to US\$200,000,000 chargeable to the resources of the Bank's Ordinary Capital, to cooperate in the execution of the Casa Para Todos Sector Program.

2. To determine that the resources allocated to the above-mentioned Conditional Credit Line (CCLIP) EC-O0004 shall be used to finance individual loan operations in accordance with: (a) the objectives and regulations of the Conditional Credit Line for Investment Projects approved by Resolution DE-58/03, as amended by Resolutions DE-10/07, DE-164/07, and DE-86/16; (b) the provisions set forth in documents GN-2246-9 and GN-2564-3; and (c) the terms and conditions included in the Loan Proposal for the corresponding individual operation.

(Adopted on ____ 2019)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/19

Ecuador. Loan ____/OC-EC to the Republic of Ecuador. Housing Solutions for Poor and Vulnerable Households. First Individual Operation under the Conditional Credit Line for Investment Projects (CCLIP) EC-O0004

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Ecuador, as borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the project "Housing Solutions for Poor and Vulnerable Households", which constitutes the first individual operation under the Conditional Credit Line for Investment Projects (CCLIP) EC-O0004 approved on ____ 2019 by Resolution DE-___/19. Such financing will be in the amount of up to US\$93,900,000, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2019)