



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF THE
EC MANTA PUBLIC SERVICES IMPROVEMENT PROJECT
APPROVED ON AUGUST 8, 2013
TO THE
MUNICIPALITY OF MANTA

WATER GLOBAL PRACTICE

LATIN AMERICA AND CARIBBEAN REGION

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ABBREVIATIONS AND ACRONYMS

EPAM	<i>Empresa Pública Municipal de Agua de Manta, Manta Municipal Water Utility</i>
ERP	Enterprise Resource Planning
GAD	<i>Gobierno Autónomo Descentralizado, Local Municipality</i>
IBRD	International Bank for Reconstruction and Development
Km	Kilometer
KPI	Key Performance Indicator
MWC	Meters of Water Column
PDO	Project Development Objective
PIU	Project Implementation Unit
RP	Restructuring Paper
WSS	Water Supply and Sanitation



BASIC DATA

Product Information

Project ID P143996	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 08-Aug-2013	Current Closing Date 30-Jun-2019

Organizations

Borrower Municipality of Manta	Responsible Agency Municipality of Manta
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Project Development Objective (PDO)

Original PDO

The Project Development Objective (PDO) is to support the Municipality of Manta in increasing the quality and sustainability of public services for water, sanitation and urban mobility.

The objective will be achieved by (i) increasing availability of water supply and efficiency of water and sewerage services; (ii) improving urban mobility and accessibility through improvements to the street network, including sidewalks; and (iii) enhancing the capacity of the municipal government in planning and managing the provision of water and sanitation and urban transport services.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IBRD-82890	08-Aug-2013	20-Nov-2013	18-Jul-2014	30-Jun-2019	100.00	93.76	6.24

Policy Waiver(s)

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

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. **This Restructuring Paper (RP) seeks the Country Director's approval of a Second Order Restructuring of Loan 8289-EC for the Manta Public Services Improvement Project (P143996).** The proposed restructuring entails the following changes to the Finance Agreement: (i) extending the Closing Date of the Project by six months from June 30, 2019 to December 31, 2019; (ii) changing the disbursement estimates; and (iii) updating the implementation schedule to reflect actual progress on the ground and the extended closing date.

A. Project Background

2. **The loan in the amount of US\$100 million was approved on August 8, 2013 and became effective on July 18, 2014.** Between loan approval and effectiveness, there was a change in municipal administration, with change in roles and staff within municipal units, including the Project Implementation Unit (PIU). The change of municipal authorities also resulted in shifting priorities and in the envisaged municipal development model. As a result, certain works that had been ready to be launched at project initiation were dropped from the scope of the Project, and other infrastructure investments, for which designs were yet to be prepared, were prioritized. In addition, the new team in both the PIU and municipality lacked experience managing World Bank financed projects, so faced a stiff learning curve. These implementation issues were ameliorated with efforts of both the new administration and the World Bank team, including a series of training events and capacity building support provided by the World Bank, particularly on fiduciary aspects which resulted in notable improvements in project management, coordination at the local level, an increased focus on results and overall Project performance. The project team is working to ensure that the same implementation issues are minimized as the GAD transitions to its third mayor and administration in the life of this project.

3. **However, the effects of the 7.8 magnitude earthquake that hit the city of Manta in April 2016 resulted in the need for two restructurings to help the city recover.** In June 2016 a Second Order Restructuring was approved to finance emergency response and reconstruction efforts primarily aimed at restoring water supply and sanitation services disrupted by the earthquake in Manta. To this end, US\$5.3 million and US\$5 million were reallocated to a newly created Component 5 from Component 1 (WSS investments) and Component 2 (*Road improvement*), respectively, which required the scale down of planned activities under the associated components. A subsequent Second Order restructuring was approved in May 2018 which provided for, inter alia, (i) a reallocation of loan proceeds between disbursement categories to allow for financing of incremental street upgrading costs derived from changes in applicable legislation; (ii) a one year extension of the closing date to June 30, 2018 to make up for delays in the launch of such works given the need to adapt designs to the new regulations; (iii) changes in the associated disbursement estimates and implementation schedule; and (iv) modifications to the results framework and the economic analysis employed at Appraisal to better capture advancements and impacts of street upgrading interventions. In March 2019 the Project underwent a third restructuring to cover the costs under Component 4, of resettlement expenditures of landowners of impacted properties along the *Via Barbasquillo* as called for in the Corrective Resettlement Action Plan (C-RAP). More specifically, the Second Order Restructuring (i) allowed for the financing of resettlement and land expenditures including compensation for land acquisition under the loan; and (ii) the reallocation of funds from Components 3 (*Institutional Strengthening*) and 4 (*Program Management*) to a new expenditure Category 7 (*Land Acquisition Compensation and Corrective Resettlement*) to cover said costs.



B. Overall Project Status

4. **As of May 2019, US\$93.76 million (93.76 percent of loan proceeds) have been disbursed and 100 percent have been committed.** All main procurement processes have been finalized. However, some remaining works that are critical to achieving PDO-level indicators are facing delays and will not be completed by the current closing date. These refer specifically to: (i) repowering of the pumping stations of the catchment of water for the water treatment plan – expected to be completed by end-August 2019; (ii) drainage of the pumping station Umiña, expected to be completed by end-August 2019; (iii) rehabilitation of water and sewerage networks in Manta, for which a number of challenges, including obtaining easements, are preventing completion of works until October 2019; (iv) Manta Urban Transport Master Plan, expected to be completed by September 2019; and (v) implementation of the Corrective Resettlement Action Plan (C-RAP) for the payment of compensation for the *Via Barbasquillo*.

C. Status by Component

Following is a detailed description of the implementation status of each of the five Project components.

5. **Component 1: Investments in Water Supply and Sewerage (IBRD financing US\$41 million, 60 percent disbursed and documented, 100 percent committed).** Main activities under this component include: (i) the construction of *Los Geranios* sewer main (US\$1.3 million); (ii) the construction of the *Santa Martha* and *Colorado* drinking water reservoirs (US\$2.99 million); (iii) WSS network rehabilitation activities performed as part of the *Barbasquillo*, *Flavio Reyes*, *Calle 13* and *24 Avenue* street upgrading contracts (US\$3.24 million); (iv) WSS rehabilitation activities performed as part of the *Par Vial* Urban Upgrading contract (US\$ 10.37 million); and (v) the Manta District WSS networks' rehabilitation contract (US\$19.72 million). Activities (i), (ii), (iii) and (iv) listed above have been completed. Works under (v) include the construction of main water lines and sewer collectors, which are at over 83 and 93 percent complete respectively. However, progress on the tertiary networks and sewer collectors is delayed and just over 46 and 43 percent complete. The slow progress on this front is attributable to a combination of: (i) the March rainy season which slowed down progress ; (ii) unforeseen need to relocate other public services discovered during excavations in the subsoil; (iii) the resulting need for unanticipated modifications to the networks and sewers designs; (iv) delays in obtaining permissions for easements; (v) reduction of work fronts during the municipal elections campaign, due to coexistence of multiple public works and to avoid disrupting citizens due to street closures; (vi) delays in payments of value added tax with Municipal resources; and (vii) delays in processing addendum 3 necessary for incorporating new items already executed into the contract. The current closing date would not allow sufficient time to complete the above-mentioned pending works, which would require an additional 6 months to make up for implementation delays and ensure completion of activities, full disbursement and attainment of PDO-level indicators.

6. **Component 2: Investments in Road Improvement (IBRD financing US\$45.2 million; 74 percent disbursed and documented, 100 percent committed).** Main activities under this component include: (i) paving of 9.3 km. of dirt streets in the "*15 de Septiembre*" neighborhood (US\$3.65 million); (ii) works prioritized by citizens in the area as part of the participatory municipal planning and budgeting process including the construction of 3 stairways (192 meters), 4.6 km paved streets and 5.3 km of sidewalks in other poor peri-urban areas of the city; (iii) street upgrading activities along *Barbasquillo Avenue*, *Flavio Reyes Avenue*, *Calle 13* and *24th Avenue*; and (iv) urban upgrading activities along *Par Vial*. Activities listed under points (i), (ii) and (iii) above have been completed. The *Par Vial* works are well advanced, and over 88 percent complete according to the certificates of execution and expected to be completed by May 2019 . A total US\$1.4 million in savings is expected. Use of these savings to procure traffic lights in additional intersections, is being considered given their critical importance to road safety. An extension of this contract for a period of 2 months, would allow an addendum to include this item.



7. **Component 3: Institutional Strengthening (IBRD financing US\$3.69 million; 53 percent disbursed and documented, 100 percent committed).** This component financed the development of an Enterprise Resources Planning (ERP) system and a client database for the Manta Municipal Water Utility (*Empresa Pública Municipal de Agua de Manta*, EPAM), which have been completed. This component also includes the procurement and installation of laboratory equipment and the construction of the building to host said laboratory, both of which have been finalized. Staff have likewise been trained. In addition, this component envisaged the hiring of consulting services to structure a strategic alliance between EPAM and a private operator aimed at improving the utility's performance, which was signed in November 2017. The Project is also financing the development of an urban mobility plan which is critical for the City of Manta and is currently underway. While the technical work for this plan will be completed in June, a series of public workshops with stakeholders, will need to be conducted to ensure successful buy-in and rollout of the plan. Successful completion of the socialization and rollout of the urban mobility plan is expected by September 2019.

8. **Component 4: Project Management (IBRD financing US\$0.91 million, 63 percent disbursed and documented).** This component covers consultants who support the PIU, and, with the last restructuring, also includes compensation for land acquisition to landowners and the implementation of the C-RAP for *Via Barsbaquillo*. The completion of the C-RAP compensation requirement could remain incomplete if the Project maintains the current closing date leaving the Bank no recourse to ensure that the compensation requirements are duly met following Project close.

9. **Component 5: Emergency response (IBRD financing US\$9.2 million, 84 percent disbursed, 100 percent committed).** Activities financed under this component include: (i) temporary bridge-financing of EPAM's operational expenses (US\$2.5 million); (ii) the rehabilitation of the main raw water pumping stations feeding Manta's distribution system (*El Ceibal*, *Caza Lagarto* and *El Oro* pumping stations, totaling US\$5.9 million); (iii) critical repairs and isolation of the water distribution system in "ground zero" (US\$0.35 million); and (iv) studies and technical assistance to EPAM to recuperate normal operations (US\$0.46 million). Activities (i), (iii) and (iv) have been finalized. The rehabilitation of *Caza Lagarto* and *El Oro* pumping stations is expected to be completed by August 2019. *Caza Lagarto* and *El Oro* revamping reached 99 percent and pumps have been installed and tested. *El Ceibal* requires additional works (special foundations) for the installation of pumps, thus completion is not expected until August 2019. The PIU is considering a new addendum to cover incremental costs related to the aforementioned works, additional electrical works for the installation of pumps and the purchasing of a desander for *Caza Lagarto* (totaling around US\$ 800,000).

D. Rationale for extending closing date.

10. The Borrower's request to extend the closing is based on the following four factors that will impact prospects for attaining the PDO and resulting ratings come Project close.

- (a) **Conclusion of the rehabilitation of a wastewater pumping station that is critical to the functioning of the Municipality of Manta's wastewater collection system.** The existing *Umíña* pumping station is operating at overcapacity, resulting in the discharge of raw wastewater into Manta's coastline. As sewerage rehabilitation works under the Project progress, the wastewater flows to the station will increase and exacerbate this situation. The rehabilitation and completion of this pumping station is, therefore, important to rectify the adverse environmental contamination that is currently occurring. The Borrower estimates that the works will be completed in August 2019. The installation, testing and commissioning of the pumping station, would, therefore, be completed after the current closing date. The latter would not only undermine the Bank's ability to adequately supervise the installation and functioning of the station, but to measure attainment of indicators. Allowing the Project to close without



assuring proper installation and functioning of these pumps would likewise expose the Bank to significant reputational risks.

- (b) **Ensure Project compliance with OP 4.12.** Under the current closing date of June 2019, it is unlikely that the project will be able to be in compliance with OP 4.12 at project close, because of the amount of time needed to make payments and properly document the process of compensation for the 21 landowners in *Via Barbasquillo*. Consequently, the Borrower would be at risk of being out of compliance with OP 4.12 at project close, jeopardizing the rating of the project. The changes in municipal administration suggests further need for prudence in allowing for time for this process.
- (c) **Completion of an urban mobility plan with effective stakeholder engagement.** The consultancy for the development of this plan is advancing as expected. Successful implementation of the plan, however, hinges on effective stakeholder engagement activities to ensure municipal and stakeholder buy-in, and ultimately, a successful outcome. Absent an extension, the consultant's contract would need to be terminated without such activities, putting at stake its final rollout. An extension of the closing date will substantially increase the probability that the resulting product will have a successful outcome, particularly at this moment of change in mayoral administration.
- (d) **Completion of civil works contracts underway in both Component 1 (water supply and sewerage) and Component 2 (road improvements).** The current closing date of June 30 will likely not allow enough time to complete these works and adequately measure progress toward the PDO and intermediate-level indicators.

11. **In sum, the negative anticipated impacts were the Project not to be extended include:** (i) non-completion of the implementation of the C-RAP for the payment of compensations of the *Via Barbasquillo*; (ii) high reputational risks to the Bank associated with leaving key works for the proper functioning of drinking water and sewerage systems unfinished; and (iii) incomplete measurement of key project indicators, resulting in lack of evidence of attainment of the PDO. Accordingly, failure to extend the closing date is expected in an Unsatisfactory rating come Project close.

II. DESCRIPTION OF PROPOSED CHANGES

A. Change in the Project Closing Date

12. The proposed Second Order Restructuring would include a 6-month extension of the current closing date, from June 30, 2019 to December 31, 2019 to allow the Borrower to complete: (i) the rehabilitation of the wastewater pumping station, which is key to the functioning of Manta's wastewater collection system; (ii) payment of compensation to affected land owners in *Via Barbasquillo*; (iii) the urban mobility plan (Manta Urban Transport Master Plan) with ample stakeholder engagement, which is critical for the city and for attaining the PDO; and (iv) completion of contracts underway in both Component 1 (water supply and sewerage networks) and Component 2 (road improvements). Completion of the foregoing activities would ensure achievement of the PDO and attainment of a Moderately Satisfactory (MS) rating at Project close.

B. Change in the Project Disbursement Estimates

13. The proposed restructuring would include adjustments to disbursement estimates to reflect historic and projected disbursements in line with the proposed extension of project closing date



I. SUMMARY OF CHANGES

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

IV. DETAILED CHANGE(S)



LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IBRD-82890	Effective	30-Jun-2018	30-Jun-2019	31-Dec-2019	30-Apr-2020

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2014	0.00	0.00
2015	5,000,000.00	5,000,000.00
2016	0.00	0.00
2017	27,000,000.00	27,219,415.00
2018	40,000,000.00	33,249,887.00
2019	28,000,000.00	28,286,232.00
2020	0.00	6,244,466.00



Results framework

COUNTRY: Ecuador

EC Manta Public Services Improvement Project

Project Development Objectives(s)

The Project Development Objective (PDO) is to support the Municipality of Manta in increasing the quality and sustainability of public services for water, sanitation and urban mobility.

The objective will be achieved by (i) increasing availability of water supply and efficiency of water and sewerage services; (ii) improving urban mobility and accessibility through improvements to the street network, including sidewalks; and (iii) enhancing the capacity of the municipal government in planning and managing the provision of water and sanitation and urban transport services.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Support the Municipality of Manta in increasing the quality and sustainability of public services							
Working ratio (Percentage)		88.00	85.00	77.00	70.00	65.00	70.00
Continuity of water supply service (Hours)		14.00	14.00	14.00	16.00	18.00	24.00
Travel time in public transport along Par Vial (Minutes)		15.00					10.00
Walkability of upgraded streets (Percentage)		4.80					6.00
Number of people provided with paved access to their		0.00					22,100.00



Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
houses in lower-income neighborhoods (Number)							
Household sewerage connections that are benefiting from rehabilitation works undertaken by the project (Amount(USD))		0.00					15,500.00
Implementation and adoption of a road data management system (Yes/No)		No					Yes

Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Component 1: Investments in Water Supply and Sewerage							
New piped household water connections that are resulting from the project intervention (Number)		0.00	0.00	0.00	1,450.00	2,500.00	1,500.00
Action: This indicator has been Revised							
Piped household water connections that are benefiting from rehabilitation works		0.00	0.00	0.00	6,000.00	10,000.00	15,000.00



Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
undertaken by the project (Number)							
<i>Action: This indicator has been Revised</i>							
New household sewer connections constructed under the project (Number)	0.00	0.00	0.00	0.00	1,450.00	2,500.00	1,500.00
<i>Action: This indicator has been Revised</i>							
Water production macro-metering (Percentage)	0.00	0.00	0.00	50.00	100.00	100.00	100.00
<i>Action: This indicator has been Revised</i>							
Number of water connections activated under the Project (Number)	0.00	0.00	0.00	500.00	2,500.00	4,200.00	2,000.00
<i>Action: This indicator has been Revised</i>							
Component 2: Investments in Road Improvement							
Number of km of quality cycle infrastructure implemented (Kilometers)	0.00	0.00	0.00	3.00	6.00	9.00	11.20
<i>Action: This indicator has been Revised</i>							
Km streets paved and repaved (Kilometers)	0.00						15.00



Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Action: This indicator has been Revised							
Km of upgraded streets (Kilometers)		0.00					13.00
Action: This indicator has been Revised							
Component 3: Institutional Strengthening							
Commercial system in EPAM updated and operational (Yes/No)		No					Yes
Action: This indicator has been Revised							
Preparation of an Urban Mobility Plan (Yes/No)		No					Yes
Action: This indicator has been Revised							
EPAM's Billing collection efficiency (Percentage)		68.00					80.00
Action: This indicator has been Revised							
Component 4: Project Management							
Number of water utilities that the project is supporting (Number)		0.00	1.00	1.00	1.00	1.00	1.00
Action: This indicator has been Revised							



Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Component 5: Emergency							
Emergency repair works, including the hydraulic isolation of Tarqui Zone carried out (Yes/No)		No					Yes
Action: This indicator has been Revised							
Two replaced pumping systems for the Caza Lagarto and Ceibal water treatment plants operational (Yes/No)		No					Yes
Action: This indicator has been Revised							



The World Bank

EC Manta Public Services Improvement Project (P143996)
