

PUBLIC

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ECUADOR

**HOUSING SOLUTIONS FOR POOR AND VULNERABLE HOUSEHOLD
(EC-L1245)**

**FIRST INDIVIDUAL OPERATION UNDER THE CONDITIONAL CREDIT LINE FOR
INVESTMENT PROJECTS (CCLIP): CASA PARA TODOS SECTOR PROGRAM
(EC-O0004)**

**PROPOSED MODIFICATION OF LOAN CONTRACT
(4788/OC-EC)**

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ABBREVIATIONS

AFD	Agence Française de Développement [French Development Agency]
CCLIP	Conditional Credit Line for Investment Projects
ENEMDU	Encuesta Nacional de Empleo, Desempleo y Subempleo [National Survey of Employment, Unemployment, and Underemployment]
INEC	Instituto Nacional de Estadísticas y Censos [National Statistics and Census Institute]
MEF	Ministry of the Economy and Finance
MIDUVI	Ministry of Urban Development and Housing
SBU	Salario Básico Unificado [Unified basic wage]
SIIDUVI	Sistema Integral de Información de Desarrollo Urbano y Vivienda [Integrated Urban Development and Housing Information System]
SIV	Sistema de Incentivos para Vivienda [Housing incentives system]
SRI	Servicio de Rentas Internas [Internal Revenue Service]
VAT	Value added tax

I. BACKGROUND

A. Document purpose and background

- 1.1 The purpose of this document is to request that the Board of Executive Directors of the Inter-American Development Bank (IDB) approve the contractual modifications requested by the Government of Ecuador to the Loan Contract ([link 2](#)) for the first individual operation: “Housing Solutions for Poor and Vulnerable Households” (EC-L1245; 4788/OC-EC), under the conditional credit line for investment projects (CCLIP): “Casa Para Todos Sector Program” (EC-O0004). These modifications are set forth in paragraphs 1.10 and 1.14.
- 1.2 **Background.** On 22 May 2019, through Resolutions DE-36/19 and DE-37/19, the Board of Executive Directors approved the CCLIP: “Casa Para Todos Sector Program” for up to US\$200 million from the Bank’s Ordinary Capital, together with the first individual operation under the CCLIP for US\$93.9 million ([link 1](#)). To this amount was added parallel cofinancing from the Agence Française de Développement (AFD) of US\$80 million¹ and a US\$708,000 local counterpart contribution, such that the program total came to US\$174.6 million. Loan Contract 4788/OC-EC ([link 2](#)) was signed on 12 July 2019 and declared eligible for disbursements on 5 September 2019.²
- 1.3 The CCLIP’s general objectives 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 (EC-L1245; 4788/OC-EC) are to: (i) reduce the quantitative housing deficit among rural households in the country’s two lowest income quintiles, prioritizing those with specific vulnerability indicators;³ (ii) reduce the quantitative housing deficit among households in urban areas in the first, second, and third quintiles, with household incomes of up to twice the unified basic wage (SBU); and (iii) optimize the MIDUVI’s institutional processes.
- 1.4 The executing agency is the Ministry of Urban Development and Housing (MIDUVI), which has extensive experience implementing a system of housing incentives (SIV) in Ecuador. The SIV involves paying direct cash subsidies to poor

¹ Operation with parallel IDB-AFD cofinancing. Partnership Framework Agreement signed on 11 October 2018 and Parallel Cofinancing Agreement with Services signed on 11 November 2019, agreeing the provision of services regarding funds provided by the AFD for the common components of Component 1 and Component 2, which are governed by the same program Operating Regulations. On 22 November 2019, the AFD signed Loan Contract CEC 1031 01 U, targeting smaller value resources on shared components, going from US\$80 million to US\$54 million. The results matrix (from the original version and the present proposed modification) only considers results stemming from Bank financing, i.e. they do not include the results stemming from the parallel cofinancing with services of the AFD.

² Eligibility declaration issued for the operation, with the exception of Component 2, until the Ministry of the Economy and Finance (MEF) and Ministry of Urban Development and Housing (MIDUVI) define the execution arrangements for the trust managing these resources. IDB communication CAN/CEC-1072/2019 of 5 September 2019.

³ Both the original proposal and the current proposed modification consider households with specific vulnerability indicators to be those with: older adults, three or more minors, headed by women, individuals with disabilities, victims of domestic or sexual violence, afro-Ecuadorians or members of indigenous or Montubio peoples.

households facing a housing deficit to help them gain access to adequate housing. Since its creation in 1997, the SIV has supported housing solutions for over 30,000 low-income households. Since 2012, the MIDUVI's policies have contributed to a reduction of nearly 11 percentage points⁴ in the housing deficit, with the support of the IDB through two successfully executed previous operations (the National Program for Social Housing Infrastructure ([2279/OC-EC](#)) and the National Social Housing Program Stage II ([2797/OC-EC](#))).

- 1.5 The first individual operation comprises three components, together with an item for other expenses:
 - a. **Component 1. Subsidies for the construction of new housing on own land in rural and urban areas (IDB: US\$44 million).** This component will finance direct monetary subsidies to family units living in conditions of extreme and moderate poverty. The amount of the subsidy will be up to 41.12 times the SBU (US\$16,201).⁵ Financing will be provided for the construction of sustainable and universally accessible housing on the beneficiary's own land.
 - b. **Component 2. Partial subsidies for the purchase of urban housing (IDB: US\$44 million).** This component will finance direct monetary subsidies to households living in poverty or moderate poverty. 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 a sustainable, universally accessible home for a value of 57.57 to 101.52 times the SBU (US\$22,680 to US\$40,000).
 - c. **Component 3. MIDUVI strengthening (IDB: US\$3.9 million).** This component will finance technical and technological improvements in the Integrated Urban Development and Housing Information System (SIIDUVI).
 - d. **Other expenses (IDB: US\$2 million).** This includes evaluation and monitoring costs, as well as administration, and contingencies.
- 1.6 The first individual operation prioritizes allocation by specific vulnerability indicators to households with older adults, three or more minors, headed by women, including individuals with disabilities, victims of domestic or sexual violence, afro-Ecuadorians or members of indigenous or Montubio peoples. Additionally, at least 6% of total program subsidies will be awarded to households including individuals with disabilities and at least 22% will benefit women heads of household, under criteria set out in the program Operating Regulations ([link 12](#)).⁶

B. Progress of components

- 1.7 Execution of the first individual operation has so far been satisfactory. Since signing the loan contract on 12 July 2019, the executing agency has met all the conditions precedent. The operation was declared eligible for disbursements on

⁴ IDB sector diagnostic assessment.

⁵ This equivalence is approximate and may vary over time.

⁶ Program Operating Regulations ([link 12](#)) through Ministerial Resolution 010-2019 of 4 September 2019 ([link 15](#)).

5 September 2019, enabling a first disbursement of US\$40 million on 9 September 2019.

- 1.8 The Ministry of Urban Development and Housing (MIDUVI) has now managed to commit US\$34.4 million for Component 1, representing over 78% of the total amount under this component, and 86% of the first disbursement.⁷ This committed value will enable the MIDUVI to serve 2,361 families, 32% of which are households headed by women, and 16.5% of which include an individual with a disability ([link 4](#)). This resource allocation complies with the eligibility guidelines established in the program Operating Regulations and exceeds the program's targeting goals (see paragraph 1.6). Components 2 – Partial subsidies for the purchase of urban housing and 3 – Strengthening of the MIDUVI, will be executed starting 2020 in accordance with the annual work plan ([link 10](#)).

C. Borrower's request

- 1.9 By official letter MIDUVI-MIDUVI-2019-0793-O ([link 5](#)) dated 25 September 2019, the Ministry of Urban Development and Housing (MIDUVI) requested that the Ministry of the Economy and Finance (MEF) process a modification to the scope of Components 1 and 2 of the loan contract with the IDB. On 21 November 2019, by official letter MEF MINFIN-2019-0340-O ([link 6](#)), the MEF, representing the borrower, submitted the formal application to the Bank for the indicated modifications to the first operation. Meanwhile, the MEF requested that the payment of value added tax (VAT) be financed from loan resources ([link 14](#)).
- 1.10 In light of the MEF's request, the purpose of this modification is to: (i) modify the second specific objective of the first individual operation so as to extend the range of eligible quintiles for Component 2 to include households with an income of up to twice the SBU; (ii) transfer US\$30 million from Component 2 to Component 1 in order to continue financing new homes on own land in urban and rural areas for households in income quintiles one and two; and (iii) provide that VAT may be paid from the loan proceeds under Component 3.

D. Rationale for the proposed changes

- 1.11 **Expansion of eligibility in Component 2 to households with income of up to two SBU.** A household with an income of twice the SBU is in the third income quintile, as the second quintile encompasses families with up to 1.10 times the SBU.⁸ The mechanism to facilitate access to mortgage borrowing for low-income households is an innovation in the SIV, as it promotes financial inclusion for low-income households. Ecuador's economic difficulties have affected the ability of households in quintiles one and two to obtain credit. The current value of one SBU is US\$400. According to the National Employment, Unemployment, and Underemployment Survey (ENEMDU, 2019), income in quintiles one and two as of December 2017 came to 0.58 times the SBU (US\$209) and 1.1 x SBU (US\$420),⁹ respectively, while these incomes in the same period of 2018 were 0.57 SBU (US\$230) and 1.08 SBU (US\$432). The household shopping basket in October

⁷ For more details see: First disbursement report [link 3](#).

⁸ As of 1 January 2020, 1 SBU = US\$400.

⁹ The Employment and Unemployment Surveys (ENEMDU) for December 2017 and December 2018 were used to calculate the income quintiles. Employment income as calculated by INEC is considered.

2019 cost 1.82 SBU (US\$718). This means that households in the lowest income quintiles do not have sufficient income to meet their basic needs. Even with the MIDUVI subsidy and a preferential lending rate,¹⁰ these households are unable to obtain mortgages from the financial system, which is a prerequisite for them to benefit from Component 2 of the operation. Consequently, it is being requested that eligibility be expanded to include households with an income of twice the SBU.

- 1.12 **Transfer of additional resources from Component 2 to Component 1.** The proposed modification will enable the allocation of the resources of the first individual operation to be optimized, considering that in just five months of execution, the executing agency managed to commit 36.6% of the loan proceeds and 78% of Component 1. This rapid progress demonstrates the MIDUVI's commitment to implementing the operation, and the interest it has generated among the Ecuadorian population.
- 1.13 The transfer of resources (US\$30 million), equivalent to 31.9% of the total for the first operation, will enable MIDUVI to address the increase in demand in rural areas stemming from rising poverty levels and the rural housing shortage.¹¹ The data at national level show that poverty¹² in June of 2017 stood at 23.1% and, in the same period of 2019, it had reached 25.5%.¹³ However, rural poverty rose from 40.9% to 43.8% over the period. This situation is accompanied by a serious housing shortage. As of June 2017, the national housing shortage was 13.8%, and in the same period of 2019 it had risen to 14.6%.¹⁴ These gaps are even wider in rural areas. Whereas in June 2017 the quantitative housing gap in rural areas was 26.8%, in 2019 it had increased to 29.6% (National Statistics and Census Institute (INEC), 2019).
- 1.14 **Provide for VAT payment from operation proceeds in Component 3 and other costs.** The MEF issued Ministerial Resolution 001 ([link 14](#)), dated 2 January 2020, providing that VAT payments be financed from the proceeds of external borrowing operations and not be considered part of the local counterpart contribution. In the case of this operation, this would affect the US\$708,000 under Component 3 and other costs, linked to the counterpart resources, which would be eliminated and absorbed by the loan proceeds. It is worth noting that the absence of a local counterpart contribution does not significantly affect the scope of Component 3 or its administration costs, as these were considered under other expenses.
- 1.15 **Rationale.** In accordance with Operations Administration Manual OA-430, the change requested by the Ecuadorian authorities entails a modification of one of the

¹⁰ With the IDB's support, Ecuador is implementing the first Sovereign Social Bond. This is an instrument that will enable mortgage finance for social and public-interest housing at a preferential interest rate (4.99%) for Ecuadorian households.

¹¹ The MIDUVI has received a total of 6,977 new applications both at its technical offices across the country and via its website ([link 7](#)).

¹² INEC calculates poverty by determining the poverty line, the income threshold below which people are considered poor. As of June 2019, the poverty line stood at US\$85.03. The income threshold for people under conditions of extreme poverty was US\$47.92.

¹³ For more, see Indicadores de Pobreza INEC, June 2019.

¹⁴ To calculate the quantitative housing deficit between 2017 and 2019, the INEC's ENEMDU survey for June of each year analyzed was used.

specific objectives of the first individual operation under the CCLIP. Accordingly, pursuant to the Update to the Procedures for Processing Sovereign Guaranteed Operations, the changes proposed in this document will be processed as a modification, given that: (i) the design of the operation approved by the Bank's Board of Executive Directors is not extensively altered; and (ii) a significant portion of the approved resources is not used, and no new funds are added (for an amount equal to or greater than 40% of the original loan), to finance new or different activities, or expand the original activities. Moreover, this request is supported by MIDUVI's strong track record of satisfactory performance.

- 1.16 **Cofinancing.** Meanwhile, the AFD, the bilateral development agency with which the IDB signed a parallel cofinancing agreement with services¹⁵ to complement solely the resources of Components 1 and 2 of this operation, has expressed its agreement with the modification proposed by the Ecuadorian authorities regarding the inclusion of households with income of up to twice the SBU. As regards VAT financing ([link 14](#)) the components financed by the AFD (Components 1 and (2) are not affected, as they do not envisage VAT, which is only applicable to Component 3 of this operation.

E. Strategic alignment

- 1.17 The proposed modification remains consistent with the second Update to the Institutional Strategy (document AB-3190-2) and the 2020-2023 Corporate Results Framework (document GN-2727-12); responding to the challenge of social inclusion and equality by promoting access to quality housing for poor households. It is also aligned with the following crosscutting themes: (i) Gender equality and diversity, by prioritizing households headed by women, including individuals with disabilities and other vulnerable groups; and (ii) Climate change and environmental sustainability, by promoting sustainable housing.
- 1.18 The first individual operation is also aligned with the IDB Integrated Strategy for Climate Change Adaptation and Mitigation, and Sustainable and Renewable Energy (document GN-2609-1) by promoting the reduction of carbon dioxide (CO₂) emissions in the construction sector. It is also aligned with the following sector framework documents: (i) Urban Development and Housing (document GN-2732-6) by promoting access to housing for households in the poorest income quintiles; (ii) Climate Change (document GN-2835-8) by promoting housing with bioclimatic adaptations; and (iii) Gender and Diversity (document GN-2800-8) by prioritizing property titling for women and universal-access housing. Lastly, this operation contributes to Goal 11 of the Sustainable Development Goals (SDGs), by promoting adequate, safe, and affordable housing. The proposed modifications will increase climate financing to 76.88%.¹⁶ However, under the multilateral development banks' joint methodology for estimating climate finance, climate finance data is reported according to the year of approval of the operation. The

¹⁵ On 22 November 2019, the AFD signed loan contract CEC-1031-01-U for US\$54 million with the Government of Ecuador.

¹⁶ For information purposes, solely to illustrate this contractual modification's contribution to climate change, the climate change finance is estimated at 76.88%. It should be noted that, for the reasons given, this percentage will not be reflected in the climate financing reports ([link 13](#)).

proceeds of this operation were accounted for in the original year of approval, 2019, and ultimately not accounted for again toward the climate finance target.

II. DESCRIPTION OF THE PROPOSED MODIFICATIONS

A. Objective of the CCLIP

- 2.1 The original general objective of the CCLIP is maintained, namely 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 design and implement long-term housing policies.
- 2.2 As regards the specific objectives of the first individual operation, objectives (i) and (iii) are left unchanged, while objective (ii) will be changed, such that it is expressed as follows: "reduce the quantitative housing deficit among households in urban areas in the first, second, and third quintiles, with household incomes of up to twice the SBU."

B. Components and their modification

- 2.3 This modification maintains the technical scope of Component 1, although the amount of the investment will be increased to US\$74 million due to the transfer of US\$30 million from Component 2. Consequently, the targets and the numbers of households and beneficiaries/subsidies awarded will be adjusted. Also, households living in poverty or moderate poverty with an income of up to twice the SBU will be considered beneficiaries in Component 2, with the corresponding adjustment to the resources invested and the target number of beneficiary households/subsidies awarded. The targets for Component 3 set out in the results matrix remain unchanged, but without a local counterpart contribution.¹⁷ In what follows, a description of each component following the modification is given:
- 2.4 **Component 1. Subsidies for the construction of new housing on own land in rural and urban areas (IDB: US\$74 million, AFD: US\$40 million).** This component will finance direct monetary subsidies to family units living in conditions of extreme and moderate poverty, in quintiles one and two according to their score on the social register. The subsidy will be for up to 41.12 times the unified basic wage (SBU). Financing will be provided for the construction of sustainable and universally accessible housing on the beneficiary's own land, for a value of up to 41.12 times the 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.¹⁸ The 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

¹⁷ According to the modification proposed per Ministerial Resolution 0001 issued by the Ecuadorian Ministry of Finance.

¹⁸ Characterized by reduced energy and water use of 20% and savings in energy and materials compared to conventional construction.

component, it is estimated that about 5,204 subsidies will be granted to an equal number of families.

- 2.5 **Component 2. Partial subsidies for the purchase of urban housing (IDB: US\$14 million; AFD: US\$14 million).** This component will finance direct monetary subsidies to households living in poverty or moderate poverty, in the first, second, and third quintiles, with household incomes of up to twice the SBU, to purchase sustainable housing with universal accessibility in the price range from 57.57 to 101.52 times the SBU. The homes will include mitigation measures to reduce their energy and water consumption. Individual or group applications are submitted to the MIDUVI and may be done directly by the eligible household. All households making up a committee¹⁹ will be prioritized according to the criteria of the program Operating Regulations. The value of the subsidy will be US\$6,000, which, in conjunction with credits from the financial or cooperative sector and/or household savings, will enable the beneficiaries to purchase their home. The Bank's funding for this component is expected to finance 2,333 subsidies awarded to an equal number of family units.
- 2.6 **Component 3. MIDUVI strengthening (IDB: US\$3.9 million).** 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 awarding of subsidies; (ii) the supply module, to register, qualify, award, and evaluate housing developers and builders; and (iii) the optimization of 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 decentralized autonomous municipal governments, and their training in land management.
- C. Costs and sources of financing**
- 2.7 As described in the previous section, it is proposed that the table of costs in the first individual operation under the CCLIP be modified as follows:

¹⁹ A group of households that apply jointly for the housing subsidy.

Table 1. Estimated program costs (US\$ million)

Components	IDB	LOCAL	AFD	Total	%
Component 1. Subsidies for the construction of a new home on own land in rural and urban areas					
Subsidies for housing construction	69	0	35	104	70
Subsidies for water connection	3.6	0	3	6.6	4.4
Subsidy for administrative and legal expenses	1.4	0	2	3.4	2.3
Total Component 1	74	0	40	114	76.7
Component 2. Partial subsidies for the purchase of an urban home					
Subsidies for home purchase	14	0	14	28	18.8
Total Component 2	14	0	14	28	18.8
Component 3. MIDUVI strengthening					
Support for the MIDUVI	3.9	0	0	3.9	2.9
Total Component 3	3.9	0	0	3.9	2.9
Other expenses					
Administration	1.2	0	0	1.2	0.9
Evaluation and monitoring	0.5	0	0	0.5	0.4
Audits	0.3	0	0	0.3	0.2
Total other expenses	2	0	0	2	1.5
Total	93.9	0²⁰	54	147.9	100

Sums rounded to the nearest decimal.

D. Results Matrix

- 2.8 The results matrix will reflect the outcome and output indicators set out in the program monitoring report ([link 17](#)) in order to finance the increase in resources in Component 1 and include households with an income of up to twice the SBU in Component 2, while maintaining Component 3, as described below: Component 1. Subsidies for the construction of a new home on own land in rural and urban areas; Component 2. Partial subsidies for the purchase of an urban home; and Component 3. MIDUVI strengthening. The changes in this modification would lead to an increase in the number of households benefiting from Component 1 from 2,404 to 5,204, and decreasing the number of households benefiting from Component 2 from 7,333 to 2,333.

E. Environmental and social risks

- 2.9 The proposed modification does not entail changes in the environmental and social risks of the operation, as identified at the time of approval, nor in the management measures identified at the relevant time; the operation remains classified under directive "B.13." It is worth noting the fulfillment and satisfactory progress in the management of the program's environmental and social risks, including the hiring of a specialist on social issues to join the executing agency's management team and the incorporation of eligibility and exclusion criteria in the program Operating Regulations. It should be noted that this operation does not envisage resettlement.

²⁰ In accordance with Executive Decree 0001 of 2 January 2020.

F. Fiduciary risks

- 2.10 The proposed modification does not entail changes to the fiduciary risks, such that the operation maintains its medium risk classification. This modification is expected to result in the operation's making more rapid progress, given the executing agency's experience in the execution mechanism under Component 1.

G. Implementation arrangements.

- 2.11 As part of this modification, after the contract modification has come into effect, as a condition precedent to the first disbursement, the executing agency will: (i) submit the updated program Operating Regulations including the eligibility criteria for Component 2 to include households in quintiles one, two, and three with an income of up to twice the SBU; (ii) update the investment plan for the execution of Component 2 ([link 8](#)), definition of beneficiary selection processes, and execution monitoring activities; and (iii) maintain the management team to ensure fulfillment of the stipulations of the loan contract.

H. Program evaluations

- 2.12 Evaluations originally planned are maintained without changes, including a midterm evaluation and a final evaluation.

III. RECOMMENDATION

- 3.1 Considering the request and the documentation submitted by the borrower, in conjunction with the analysis in the preceding sections conducted by the project team, the Bank's Management recommends that, in accordance with the provisions of Operations Administration Manual OA-430 (Substantial and Fundamental Changes to Operations), Section B, points 4 and 6; the provisions of paragraph 3.29(c) of the Regulations of the Board of Executive Directors of the IDB (document DR-398-18); and paragraph 6 of the List of matters to be considered by the Board via Short Procedure (document CS-3953-4); the Board of Executive Directors approve the modifications proposed in this document by short procedure. The corresponding modifications will be reflected, as applicable, in a modification to loan contract 4788/OC-EC.

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	10.0	
3.1 Program Diagnosis	3.0	
3.2 Proposed Interventions or Solutions	4.0	
3.3 Results Matrix Quality	3.0	
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	Low	
Overall risks rate = magnitude of risks*likelihood	Yes	
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) to reduce the quantitative housing deficit among households in urban areas of the quintiles one, two, and three, and with a household income up to 2 SBU; 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

Objective:	The specific objectives of the first individual operation (EC-L1245) are to: (i) reduce the quantitative housing deficit among rural households in the country's two lowest income quintiles, prioritizing those with specific vulnerability indicators; (ii) reduce the quantitative housing deficit among households in urban areas in the first, second, and third quintiles, with household incomes of up to twice the unified basic wage (SBU); and (iii) optimize Ministry of Urban Development and Housing (MIDUVI) institutional processes.
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EXPECTED OUTCOMES

Indicators	Unit of Measure	Baseline	Baseline year	Intermediate target ¹	Final target	Means of verification	Comments ²
Specific objective 1: Reduce the quantitative housing deficit among rural households in the country's two lowest income quintiles, prioritizing those with specific vulnerability indicators							
Outcome 1.1: Reduction of the housing deficit in rural and urban periphery areas							
Number of beneficiary households with new homes built according to the program Operating Regulations	Households	0	2019	-	5,204	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	By vulnerability status.

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	By vulnerability status.
% of property titles in the name of women or jointly with their partner.	Number of property titles in the name of women or jointly 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 electricity.	Monthly consumption in kilowatt hours (kWh)	88.9	2012	50	50	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 outcome is the same as the final outcome because savings are expected in each home delivered.
Specific objective 2: Reduce the quantitative housing deficit among households in urban areas in the first, second, and third quintiles, with household incomes of up to twice the SBU							
Outcome 2.1: Reduction of the housing deficit among low-income households in urban areas							
Number of beneficiary households with new homes built according to the program Operating Regulations	Households	0	2019	--	2,333	Delivery-acceptance certificates	By income level, taking twice the SBU as the threshold.

Indicators	Unit of Measure	Baseline	Baseline year	Intermediate target ¹	Final target	Means of verification	Comments ²
Outcome 2.2: Reduction of the energy consumption of affordable housing							
Efficient use of electricity	Monthly consumption in kWh	155.4	2012	100	100	MIDUVI records	Baseline of the Environmental Information Module of ENEMDU 2012; Monthly electricity consumption-Urban.
Specific objective 3: Optimize MIDUVI institutional processes							
Simplification of the beneficiary registration, eligibility, and prioritization process and the registration process for housing developers and builders (SIIDUVI module 1)	Time taken (hours)	120	2019	80	80	MIDUVI records	
Simplification of the procedure for technical verification of land parcels (SIIDUVI module 2)	idem	120	2019	40	40	MIDUVI records	
Simplification of the procedure for monitoring and control of the delivery of housing and compliance with the rules of civic coexistence (SIIDUVI module 3)	idem	120	2019	80	80	MIDUVI records	

OUTPUTS

Outputs	Unit of Measure	Baseline	Baseline year	2020	2021	2022	2023	2024	Final target	Means of verification	Comments ³
Component 1. Subsidies for the construction of a new home on own land in rural and urban areas											
Number of subsidies delivered	Subsidies	0	2019	1,961	1,821	1,422	-	-	5,204	MIDUVI records	
Number of additional subsidies for connection to piped water delivered on land without services	Subsidies	0	2019	1,961	443	-	-	-	2,404		
Number of additional subsidies for titling processes in households with vulnerability indicators	Subsidies	0	2019	0	100	-	-	-	100	MIDUVI records	
Subindicator: Percentage of subsidies awarded to women heads of household	Number of subsidies awarded to women heads of household / Total number of subsidies awarded	0	2019	431	401	313	-	-	22%	MIDUVI records	Subindicator. 21.6% of households in poverty or extreme poverty are headed by women (Living Conditions Survey, 2014).
Subindicator: Percentage of subsidies awarded to households including individuals with disabilities	Number of subsidies awarded to households including individuals with disabilities / Total number of subsidies awarded	0	2019	118	109	85	-	-	6%	MIDUVI records	Subindicator. The prevalence of disability in Ecuador is 5.64%, with a higher incidence in households living in poverty (INEC 2010).

³ The numbers should be reported by vulnerability status.

Outputs	Unit of Measure	Baseline	Baseline year	2020	2021	2022	2023	2024	Final target	Means of verification	Comments ³
Component 2. Partial subsidies for the purchase of an urban home											
Number of subsidies awarded for home purchase	Subsidies	0	2019	-	1,333	1,000	-	-	2,333	MIDUVI records	
Subindicator: Percentage of subsidies awarded to women heads of household	Number of subsidies awarded to women heads of household / Total number of subsidies awarded	0	2019	-	293	220	-	-	22%	MIDUVI records	Subindicator.
Subindicator: Percentage of subsidies awarded for households including individuals with disabilities	Number of subsidies awarded to households including individuals with disabilities / Total number subsidies awarded	0	2019	-	80	60	-	-	6%	MIDUVI records	Subindicator.

Outputs	Unit of Measure	Baseline	Baseline year	2020	2021	2022	2023	2024	Final target	Means of verification	Comments ³
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, ⁴ registration of builders/ developers, and qualification and registration of low-income housing projects). ⁵	Systems	0	2019	-	1	-	-	-	1	Reports SIIDUVI reports on households registered and subsidies awarded	
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). ⁶	Systems	0	2019	-	-	-	-	1	1	MIDUVI records	
SIIDUVI 3 Habitat formation and monitoring and control modules (monitoring of delivery of homes and compliance with rules of civic coexistence).	Systems	0	2019	-	-	1	-	-	1	MIDUVI records	

⁴ The process considers the management of beneficiary records, MIDUVI analysis of eligibility by contrasting information with the social register, civil register, internal revenue service (SRI), etc. and notification of priority to central MIDUVI plant. Optimization envisages interoperability between various systems and eliminating the current manual checks, as well as replacing notification by the Quipux system by an online report through SIIDUVI.

⁵ The optimization process considers the implementation of system interoperability for the developer register.

⁶ The procedure envisages analysis of information on the land, a field visit, preparation of reports, and sending to MIDUVI head office. The process will be optimized by developing a SIIDUVI module allowing reports, plans, files, etc. to be input, so that information can be transferred online, eliminating the need to send reports via Quipux.