

Ex-Ante Evaluation (for Japanese ODA Loan)

**South America Division, Latin America and the Caribbean Department,
Japan International Cooperation Agency (JICA)**

1. Program Name

Country: Republic of Ecuador (Ecuador)

Program: COVID-19 Crisis Response Emergency Support Loan

Loan Agreement: October 27, 2022

2. Background and Necessity of the Program

(1) Current State and Issues of the Social Protection, Health and Child Chronic Malnutrition Sector and the Priority of the Program in Ecuador:

An outbreak of novel Coronavirus disease (Hereinafter referred to as COVID-19) has been spreading rapidly worldwide since December 2019. In Ecuador, COVID-19 started spreading from February 2020, and since then the number has increased (as of June 16, 2022, the cumulative number of infections was 896,483 and the cumulative number of deaths was 35,693). Vaccination has been promoted rapidly since the inauguration of the Lasso administration in May 2021, and as of June 2022, the number of people vaccinated for the second dose reached 84% of the population aged 5 and over.

COVID-19 has a serious impact on society and the economy of the country. The real GDP growth rate in 2020 was -7.8%. Although it recovered to 4.2% in 2021 due to the rebound from the previous year, it is forecasted to be 2.9% in 2022. Therefore, the Ecuadorian government continues to take measures for economic recovery. The fiscal deficit to GDP ratio in 2020 expanded to -6.1% due to the fiscal stimulus related to COVID-19, but the Lasso administration put emphasis on compliance with the highly transparent IMF program and continued the fiscal discipline. In addition, soaring oil prices and the grace period for interest payments due to debt restructuring of the Global Bond in 2020 will be a favorable wind for Ecuador and the deficit is expected to shrink to -1.5% in 2021 (IMF, 2022). The unemployment rate has increased from 3.8% in 2019 to 5.3% in 2020. Accordingly, the poverty rate, which was 25% in 2019, increased to 33% in December 2020. As of December 2021, the poverty rate was 27.7%, gradually returning to the level before the spread of COVID-19 infection, but the proportion of the poor in the total population is still high. In addition, the unemployment rate in 2020 increased by 33.3% for men and 42.5% for women, showing a difference in the impact between men and women. Since most of them are outside the

framework of the contribution-type social security system it is necessary to expand the incorporation of those people into the social security system and to provide regular employment opportunities. The Lasso administration showed its commitment to strengthening of universal, efficient and transparent social security system, and the incorporation of vulnerable groups, including women and people with disabilities, into the labor market through the creation of employment with appropriate working hours and wages in National Development Plan 2021-2025.

Moreover, since the budget for health sector was allocated suddenly to COVID-19 measures, the achievement rate of vaccinations stipulated in the National Immunization Strategy, which aim to guarantee free vaccination of all citizens with quality vaccines such as BCG and Influenza, was lower than the previous year (IDB, 2021).

Furthermore, child malnutrition is an urgent issue in Ecuador. The country has the second highest level in Latin America, with one in four children under the age of five undernourished (UNICEF, 2021). In particular, there are concerns about an increase in undernutrition in prefectures with high poverty rates, where many indigenous people live, and the current administration has set the improvement of malnutrition as one of main policies, including the health of prenatal women, in the National Development Plan 2021-2025. The government aims to reduce child malnutrition through the measures such as implementation of the "Infancia con Futuro" (Children with the Future) project, which aims to identify beneficiaries and provision of support, early childhood education and expansion of childcare programs. As a measure to prevent the spread of COVID-19 infection, early education facilities such as the Centro de Desarrollo Infantil (CDI, Childhood Development Center), which provides guidance and care for pregnant women and infants to improve malnutrition, had been temporarily closed. Since users could not access the face-to-face services provided by those facilities and continuous care became difficult, it is necessary to provide high-quality online services and to create a system that enables such service.

Under these circumstances, the Ecuadorian government needs approximately \$1,600 million to improve the policy regimes needed to address COVID-19, especially in the areas of health and social security, including improving child malnutrition and the government plans to allocate \$200 million by "COVID-19 Crisis Response Emergency Support Loan" (Hereinafter referred to as the Program).

(2) Japan and JICA's Cooperation Policy and Operations in the Social Protection, Health and Child Chronic Malnutrition Sector in Ecuador:

The Japanese Development Cooperation Policy for the Republic of Ecuador (April 2020) sets "contribution to sustainable development" as the basic policy and under the priority area of "correction of disparities and realization of inclusive society", positioning "correction of disparities and social inclusion" as a development issue, Japan is implementing cooperation programs that contributes to the expansion of basic social infrastructure, including the field of health care. It is also consistent with JICA's strategy in the health care and nutrition sector and the policy and analysis of "Strengthening prevention of infectious diseases and mainstreaming health crisis response" of the JICA's Initiative for Global Health and Medicine. In addition, JICA expanded the field of co-financing framework with IDB, "Cooperation for Economic Recovery and Social Inclusion (CORE)" in the Latin America and the Caribbean region, in March 2021 and now it includes the field of health. The Program is positioned as a parallel co-financing program under the CORE framework. Moreover, at the Nutrition for Growth Summit held in Tokyo in December 2021, the Japanese government announced that it would provide 300 billion yen in nutritional support over the next three years to take action to improve child malnutrition. The policy matrix of the Program that includes actions related to reduction of child malnutrition will contribute to the achievement of the Japanese government's commitment.

(3) Other Donors' Activities:

IDB provided in the country's social security sector with "Support for the protection of social spending and job recovery" (\$200 million, policy support loan) in March 2021 and its Phase 2 (\$250 million) was approved in April 2022. In addition, IDB approved the loans as measures for COVID-19 such as "Support to the provision of health and social protection services in the context of the pandemic of the coronavirus COVID-19" (\$250million, May 2020), "Support to the financing of the purchase of COVID-19 vaccines" (\$63million, March 2021) and "Emergency program for macroeconomic sustainability and social protection" (\$500 million, November 2021).

World Bank approved loans such as "Second inclusive and sustainable growth" (\$500million, May 2020), "Third inclusive and sustainable growth"(\$500million, November 2020), and "Ecuador green and resilient recovery" (\$700 million, February 2022). Moreover, the Development Bank of Latin America (CAF) approved a \$ 200 million loan in July 2021 to improve child malnutrition.

3. Program Description

(1) Program Objective

The Program aims to improve the policy system in social security sector and health sector including improvement of child malnutrition by providing financial support in the country where the socio-economic impact of the spread of COVID-19 is serious, thus, contributing to the stability of the country's economy and society and the promotion of development efforts.

(2) Program Site/Target Area

All over Ecuador

(3) Program Component(s)

In order to achieve the objective above, the Program will promote and improve the Ecuadorian government's proactive effort by confirming the achievement status of the policy matrix with the following features. Component 1 to 6 are the same as the policy matrix of IDB's policy based loan "Support for the protection of social spending and job recovery" which are already achieved. Component 7 is the original for the Program which JICA and the Ecuadorian government agreed to add to the policy matrix.

Component 1: Support for vulnerable populations in response to the pandemic and their incorporation into the social protection system

Component 2: Strengthening the social protection system

Component 3: Strengthening effective access to quality early childhood development services

Component 4: Protection of the National Immunization Strategy (ENI)

Component 5: Effort to close gender-based economic gaps

Component 6: Promotion of the recovery of formal employment linked environmental objectives

Component 7: Promote efforts to reduce the rate of child chronic malnutrition

(4) Estimated Program Cost (Loan Amount)

23 billion Japanese yen.

(5) Project Implementation Period

The period will start in October 2022, the month of signing the Loan Agreement, and will be completed in April 2023.

(6) Program Implementation Structure

1) Borrower: Republic of Ecuador

2) Executing Agency:

Ministry of Economy and Finance, the borrower's contact entity, will

administrate the Program and the Ministry of Public Health, Ministry of Economic and Social Inclusion, Ministry of Labor, Ministry of Production, Foreign Commerce, Investments and Fishery, Technical Secretariat Ecuador Grows without Malnutrition and Social Registry Unit would implement the actions of the Policy Matrix.

(7) Collaboration and Sharing of Roles with Other Projects and Other Donors

1) Japan's Activity

It is expected the effective use of medical facilities constructed by the Grant-for "the Chimborazo Medical Facility and Equipment Development Plan" (completed in 2018) for the fulfillment of policy action of Component 4 of the policy matrix. Regarding Component 7, the improvement of child malnutrition, there is an on-going grassroots technical cooperation "the Project for improving children's school life through the implementation of school gardens and school meals in Cayambe County, Pichincha District" (scheduled to be completed in 2022) and currently formulation of a new technical cooperation project which aims at improving child undernutrition is under consideration. The achievement of the policy actions of the Program will strengthen the foundation of social security and health systems and promote social inclusion of the poor and vulnerable groups, which is expected to have synergistic effects with JICA's existing and new cooperation projects.

2) Other Donors' Activity

The Program is co-financing under the CORE framework with the IDB's program, "Support for the protection of social spending and job recovery", and is expected to contribute to promote Ecuadorian government's policy for the realization of inclusive society through early economic recovery after the spread of COVID-19 infection and construction of social infrastructure for vulnerable groups.

(8) Environmental and Social Consideration/Cross-Sectoral Items/Gender Category

1) Environmental and Social Consideration : C

<Reason for Categorization> The Program is judged to have minimal undesired impact on the environment according to the "Japan International Cooperation Agency Environmental and Social Consideration Guidelines" (promulgated in April 2010).

2) Cross-Sectoral Issues: N/A

3) Gender Category:

【Gender Project】 ■ Gender Informed (Significant): GI (S)

<Activity Content/Reason for Categorization> This Program would promote the Ecuadorian Government's efforts to carry out public policies and business programs or practices furthering gender-based economic equality promoted through the Gender Parity Initiative(GPI) in cooperation with the private sector and to support pregnant women and children under 2 years-old through Infancia con Futuro Project.

(9) Other Important Issues: N/A

4. Targeted Outcomes

(1) Quantitative Effects

1) Outcomes (Operation and Effect Indicators) (Note1)

Indicator	Unit of measure	Baseline (Year)	Target
1. Coverage of extraordinary cash transfers to protect the population living in poverty or extreme poverty in response to the economic crisis caused by COVID-19 (Note 2)	%	0 (2020)	90 (2021)
2. Coverage of regular cash transfers from the comprehensive social protection system among the three deciles of the population with the lowest incomes.	%	37 (2020)	80 (2022)
3. Coverage of the early childhood development services of the MIES using the virtual or blended modalities among the population living in poverty or extreme poverty that did not have these services in February 2020 and was identified in the Protocol for Virtual and Blended Care (PAVS).	%	0 (2020)	50 (2024)
4. Coverage of the early childhood development services of the MIES using the virtual or blended modalities among the population that received these services in person in February 2020.	%	0 (2020)	50 (2024)
5. Coverage for the implementation of the National Immunization Strategy mechanism.	%	80 (2020)	95 (2022)
6. Public policies and business programs or practices furthering gender-based economic equality promoted through the GPI action plan	#	0 (2020)	3 (2023)
7. Placement in formal jobs in sectors linked to environmental objectives in	%	0 (2020)	5 (2023)

the Partner Employment Network (RSE)			
8. Number of pregnant women and children under two years of age captured by the Childhood with a Future Project (Note 3)	#	0 (2020)	331,119 (2022)

(Note 1) the Operation and Effect Indicators 1-7 are the same indicators as the co-financer IDB.

Indicator 8 was set by JICA based on the discussion with the Technical Secretariat Ecuador Grows without Malnutrition.

(Note 2) Coverage of cash transfer to target group of nutrition support voucher and emergency family protection program executed by Ministry of Economic and Social Inclusion.

(Note 3) Infancia con Futuro Project aims to guarantee resources and services to improve child malnutrition and started from January 2022.

2) Impact :N/A

(2) Qualitative Effects

Economic and social stability, improvement of child malnutrition and promotion of sustainable development

(3) Internal Rate of Return

The internal rate of return is not calculated because this is a program-based loan.

5. Preconditions and external conditions

(1) Preconditions: N/A

(2) External Conditions: Maintain IMF Program, Disbursement of IDB's program loan "Support for the protection of social spending and job recovery" Phase 2

6. Lessons from Similar Past Projects and Application to this Program

The results of the Ex-Post Evaluation of the Japanese ODA loans for emergency financial support to the three Southeast Asian countries show that using the framework of the program loans of other donors is effective to provide the loan promptly. In the light of above, the Program will ensure prompt provision of the loan using the policy matrix of IDB, co-financer of the program.

7. Evaluation Results

The Program is consistent with the development issues and development policies in Ecuador as well as Japan's and JICA's cooperation policies and it will encourage economic recovery of Ecuador from COVID-19, through financial support provided to the Ecuadorian government, supporting the improvement of policy and system of social protection and health sector. The Program is considered to contribute to SDG 1 (End poverty in all its forms everywhere), SDG 2 (End hunger, achieve food security and improved nutrition and promote sustainable agriculture) and SDG 10 (Reduce inequality within and among

countries), therefore the necessity of supporting the implementation of the Program is high.

8. Plan for Future Evaluation

(1) Indicators to be used

As shown above in 4.

(2) Timing

Ex-Post Evaluation 2 year after project completion

End