His Excellency
Mr. Richard Iván Martínez Alvarado
Minister of Economy and Finance
Av. Amazonas entre Pereira y
Unión Nacional de Periodistas
Plataforma Gubernamental de Gestión Financiera
Pisos 10 y 11, Quito 170507
Ecuador

Subject: Republic of Ecuador: Loan No. 8667-EC
Transformation of the Tertiary Technical and Technological Institutes
Project
Third Amendment to the Loan Agreement

Excellency:

We refer to the Loan Agreement between the Republic of Ecuador (“Borrower”) and the
(“Loan Agreement”) for the Transformation of the Tertiary Technical and Technological Institutes
Project (“Project”). The capitalized terms used in this letter (the “Amendment Letter”) and not
defined herein have the meaning ascribed to them in the Loan Agreement.

We also refer to letters from the Borrower requesting for: (i) a partial cancellation of the
loan proceeds dated March 10, 2020 (Reference: MEF-SFP-2020-0021) received by the Bank on
March 10, 2020; and (ii) a budget reallocation between categories dated May 8, 2020 (Reference:
MEF-SFP-2020-0461-O) in light of new rapid response activities related to the COVID-19
outbreak. During subsequent discussions, the Borrower and the Bank also agreed to revise the
disbursement estimates, implementation schedules and monitoring indicators, all of which will be
reflected accordingly in the Operational Manual, pursuant to Section II.A of Schedule 2 to the Loan
Agreement.

That being said, I am pleased to inform you that after careful consideration of the above
modifications, the Bank has acceded to the said requests and proposes to amend the Loan
Agreement as follows:

1. Section 3.01 of the Loan Agreement is hereby amended to read as follows:

"3.01. The Borrower declares its commitment to the objectives of the Project. To this
end, the Borrower, through SENESCYT, shall: (i) through EOD-PRETT carry out
Parts 1, 2, 3(a), 3(b)(i), partially 3(b)(ii)-3(b)(iv), 3(c) and 3(d)(ii)-3(d)(v) of the
Project; and (ii) cause INEC to carry out Parts 3(b)(ii), partially 3(b)(ii)-3(b)(iv)
and 3(d)(i) of the Project, all in accordance with the provisions of Article V of the General Conditions.”

2. The Project Description in Schedule 1 to the Loan Agreement is hereby amended to read as follows:

**“Part 1. Optimizing and upgrading the supply in Targeted Provinces.”**

(a) Provisions of support to the Targeted Provinces for: (i) the construction of a new IST; (ii) the rehabilitation, expansion and/or completion of existing ISTs; (iii) the supervision of civil works under (i) and (ii) herein; (iv) the acquisition of laboratories and information and communication technologies equipment and furniture; and (v) the carry out of technical and feasibility studies for the works mentioned in (i) and (ii) herein.

(b) Preparation and consolidation of individual IST Transformation Plans for selected Targeted Provinces.

**Part 2. Improving program relevance, quality of teaching and IST management capacity.**

(a) Provision of support to SENESCYT for: (i) the design of new TTTE programs according to labor market demand; and (ii) the review of the process of collaboration with the Employers in designing the programs mentioned in (i) herein.

(b) Provision of support for the evaluation and design of teacher training interventions including the application of skills tests to students, teachers’ selection processes and teacher career pathways.

(c) Provision of support for the design of a more effective and transparent financing mechanisms for ISTs.

(d) Provision of support for: (i) carrying out computer-assisted student remedial programs and other nudging strategies to prevent student dropout; (ii) developing additional virtual content and laboratories (hardware and software) for students’ distance or in-person learning; and (iii) upgrading internet connectivity capabilities to relevant institutes and students as needed.

(e) Provision of support for evaluating skills and competences of all new students entering the education system to identify, target, and support those with the most significant skills gaps that are likely to drop out of school.

**Part 3. Strengthening mechanisms for institutional coordination, boosting demand and management, monitoring and evaluation of the Project.**

(a) Provision of support to SENESCYT for: (i) strengthening of institutional arrangements for public-private association, namely between SENESCYT and Employers’ Associations; and (ii) strengthening engagement between public and private ISTs.

(b) Provision of support for upgrading the methodology to estimate the Employers’ demand by types of skills and TTTE’s programs, through: (i) the design of a methodology for estimating the demand by SENESCYT through surveys carried out in collaboration with Employers; (ii) the evaluation of existing administrative
data to estimate future Employer’s demand, and if necessary, include a module for TTTE in INEC’s surveys of employment to complement the existing data; (iii) the analysis, utilization and transfer of administrative data from SENESCYT and INEC, into an information system managed by SENESCYT for the design and implementation of a graduate tracer system to track their transition into the labor market; and (iv) making recommendations on scale-up efforts to monitor labor demand at the provincial level.

(c) Provision of support for boosting the demand of TTTE through the design and carrying out of a program for raising awareness among students from the most vulnerable part of the population on scholarships to finance TTTE studies.

(d) Provision of support for: (i) the technical and administrative management of activities carried out by INEC under the Project, including the hiring of a technical coordinator, financial management specialist, a labor market and statistical specialist and other technical temporary staff needed during Project implementation; (ii) the technical and administrative management of activities carried out by EOD-PRETT under the Project, including the hiring of a financial management specialist, procurement specialist, monitoring and evaluation specialist, and social, environmental and infrastructure management specialist(s); (iii) the carrying out of Project external audits; (iv) the carrying out of TTTE research studies on: (A) the composition of the existing offer of TTTE by type of program; (B) the academic curriculum; (C) teachers’ recruitment, incentives and skills; (D) students’ education profile, socio-economic background, and financial assistance and scholarships, with a particular emphasis on gender disparities and students from the most vulnerable part of the population; (E) institutional management practices; and (F) engagement with the Employers; and (v) the carrying out of research studies on the impact of institutional improvement of educational outcomes.

3. Section I.A(iv) of Schedule 2 to the Loan Agreement is hereby amended to read as follows:

“For purposes of Project implementation, the Borrower, through SENESCYT, shall:

[…] 

(iv) not later than sixty (60) days after the effective date of this Amendment Letter, ensure that the technical coordinator, financial management specialist, and a labor market and statistical specialist mentioned in (ii) above in respect of INEC have been assigned to work full time;”

4. Section I.B of Schedule 2 to the Loan Agreement is hereby amended to read as follows:

“B. INEC Agreement

1. To facilitate the carrying out of Part 3(b) of the Project, the Borrower, through SENESCYT, shall enter into an agreement with INEC (the INEC Agreement) under terms and conditions acceptable to the Bank including, inter alia: (a) the Borrower’s obligation to transfer, on a non-reimbursable basis, part of the proceeds of the Loan to INEC; and (b) INEC’s obligations to carry out the activities of Part 3(b)(ii), partially 3(b)(iii)-3(b)(iv) and 3(d)(i) of the Project in accordance with the relevant provisions of this Schedule, including the provisions of Sections I.C, I.D, I.E and Section III of Schedule 2 to this Agreement.

2. The Borrower, through SENESCYT, shall exercise its rights and carry out its obligations under the INEC Agreement in such manner as to protect the interests
of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, terminate, waive or fail to enforce the INEC Agreement or any of its provisions.”

5. Section I.C of Schedule 2 to the Loan Agreement is hereby amended to read as follows:

“C. Operational Manual

1. The Borrower shall adopt and carry out the Project in accordance with the provisions of a manual (the Operational Manual), acceptable to the Bank, which shall include, inter alia: (a) a detailed description of Project activities and institutional arrangements for the Project; (b) the Project administrative, budgeting, accounting, auditing, reporting, financial (including cash flow aspects), procurement and disbursement procedures; (c) Project cost composition by Project Parts (component/sub-component) and by source of financing; (d) the monitoring indicators for the Project; (e) the institutional and administrative mechanisms established to ensure inter-institutional coordination; (f) the regulations concerning the design and micro-planning for IST consolidation; (g) the Gender Plan; and (h) the ESMF, the IPPF and the RPF, the Existing EMPs, the Existing IPPs and the Existing SMPs.”

6. Paragraph 3 under Section I.E of Schedule 2 to the Loan Agreement is hereby amended to read as follows:

“3. Without limitation to the provisions in paragraph 1 of this Section, the Borrower, through SENESCYT, shall cause EOD-PRETT to, prior to carrying out any works under Part 1 (a) of the Project:

7. Paragraph 4(i) under Section I.E of Schedule 2 to the Loan Agreement is hereby amended to read as follows:

“4. If required by the IPPF, the Borrower, through SENESCYT, shall:

(i) prior to carrying out any particular works under Part 1 (a) of the Project, prepare, consult and disclose the relevant IPP in a manner acceptable to the Bank and in accordance with the provisions set forth in the IPPF; and”

8. The table set forth under Section IV.A.2. of Schedule 2 to the Loan Agreement is hereby amended to read as follows:

<table>
<thead>
<tr>
<th>“Category”</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works and consulting services under Part 1 in respect of SENESCYT</td>
<td>37,374,855</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, consulting services, non-consulting services, Operating Costs and Training under Parts 2 and 3(a), 3(b)(i), 3(b)(iii)-3(b)(iv), 3(c), 3(d)(ii)-3(d)(v) of the Project in respect of SENESCYT</td>
<td>9,660,698</td>
<td>100%</td>
</tr>
<tr>
<td>“Category”</td>
<td>Amount of the Loan Allocated (expressed in USD)</td>
<td>Percentage of Expenditures to be financed (inclusive of Taxes)</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>-----------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>(3) Goods, consulting services, Survey Costs, and Training under Part 3(b)(ii)-3(b)(iv) and 3(d)(i) of the Project in respect of INEC</td>
<td>5,064,447</td>
<td>100%</td>
</tr>
</tbody>
</table>

Subtotal                                                                 | 52,100,000                                      |

Cancelled amount effective September 27, 2018                              | 18,000,000                                      |

Cancelled amount effective March 10, 2020                                   | 20,400,000                                      |

TOTAL AMOUNT                                                               | 90,500,000”                                    |

9. Section IV.B.1 is hereby modified to include an additional withdrawal condition under item (c) to read as follows:

**“B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee;

   (b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $18,000,000 may be made for payments made prior to this date but on or after October 28, 2016, for Eligible Expenditures, under all Categories; or

   (c) for payments made under Category (3) until an amendment to the INEC Agreement has been fully executed in accordance with Section I.B of Schedule 2 to the Loan Agreement.”

10. Section V of Schedule 2 to the Loan Agreement is hereby amended to read as follows:

**“Section V. Other Undertakings**

1. Without limitation to the provision of Section 5.03 of the General Conditions, the Borrower shall provide, promptly, as needed, the counterpart funds required for Project implementation estimated at two hundred ninety-six thousand two hundred twenty-four United States Dollars (US$296,224), as further detailed and distributed in accordance with the Operational Manual.

2. The Borrower shall, through EOD-PRETT, not later than twelve (12) months after the effective date of this Amendment Letter, select and contract an entity, independent from the Borrower, with experience and qualifications acceptable to
the Bank, in accordance with terms of reference satisfactory to the Bank, to carry out the technical reviews referred to in Part 2(a)(ii) of the Project, as set forth in Schedule 1 to this Loan Agreement.”

11. The following definition under Section I of the Appendix to the Loan Agreement is hereby amended to read as follows:

“32. “Targeted Provinces” means the following provinces of the Borrower: Bolivar, El Oro, Manabí, Pichincha and Sucumbíos.”

12. The Annex to the Loan Agreement is hereby deleted in its entirety, and will henceforth be included in the Operational Manual, as may from time to time be amended with the agreement of the Bank.

Please confirm the Borrower’s agreement to the amendment by signing and dating this Amendment Letter in the spaces provided below. All other provisions of the Loan Agreement, except as amended through this Amendment Letter, shall remain in full force and effect.

The provisions set forth in this Amendment Letter shall become effective upon the date of the countersignature and receipt by the World Bank of one fully executed Amendment Letter.

The Restructuring Paper dated May 29, 2020 will be disclosed on the World Bank’s external website.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

____________________________________
Marianne Fay
Director
Bolivia, Chile, Ecuador and Peru

CONFIRMED AND AGREED:

REPUBLIC OF ECUADOR

By: ________________________________

Title: Undersecretary of Public Finance

Date: 02–Jun–2020

cc: Econ. Fabián Anibal Carrillo Jaramillo, Vice Minister, Ministry of Economy and Finance
    Mr. Agustín Albán Maldonado, Secretary of Higher Education, Science, Technology and Innovation, SENESCYT
    Mr. Juan Carlos Alvarez, Resident Representative of Ecuador, The World Bank