

LOAN NUMBER 8542-EC

Loan Agreement

(Supporting Education Reform in Targeted Circuits Project – Proyecto de Apoyo a la Reforma Educativa en los Circuitos Focalizados, como parte del Macro-Proyecto “Nueva Infraestructura Educativa”)

between

REPUBLIC OF ECUADOR

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated January 28, 2016

LOAN AGREEMENT

Agreement dated January 28, 2016 between the REPUBLIC OF ECUADOR, through its Ministry of Finance ("Borrower") and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower, through its Minister of Finance, on the terms and conditions set forth or referred to in this Agreement, the amount of one hundred seventy eight million Dollars (\$178,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Borrower, through its Minister of Finance, may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower, through its Minister of Finance, shall be equal to one quarter of one percent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than sixty (60) days after the Effective Date.
- 2.04. The Commitment Charge payable by the Borrower, through its Minister of Finance, shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest payable by the Borrower, through its Minister of Finance, for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower, through its Minister of Finance, during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

- 2.06. The Payment Dates are April 15 and October 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.08. (a) The Borrower, through its Minister of Finance, may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or *vice versa*; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or *vice versa*; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall:
- (a) cause SECOB to carry out Part 1(a) of the Project with the assistance of MINEDUC;
- (b) carry out Parts 1(b), 1(c), 1(d), 2(a) and 2(b)(i) of the Project through MINEDUC; and
- (c) carry out Part 2(b)(ii) of the Project through MINEDUC with the technical support of INEVAL, all in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV— EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
- (a) the SECOB Agreement has been executed on behalf of the Borrower, through MINEDUC and SECOB in a manner acceptable to the Bank.
 - (b) the pertinent administrative act (*Acuerdo Ministerial*) approving the Operational Manual has been issued.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower's Representative is its Ministry of Finance.
- 5.02. The Borrower's Address is:

Ministry of Finance
Avenida 10 de Agosto y Jorge Washington
Quito, Ecuador

Facsimile: (5932) 2503-111
2558-232

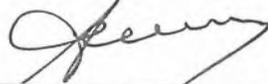
- 5.03. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at The District of Columbia, United States of America as of the day and year first above written.

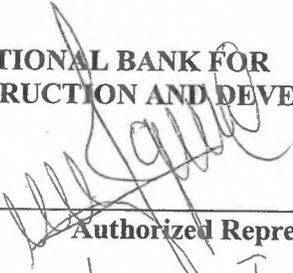
REPUBLIC OF ECUADOR

By 
Authorized Representative

Name: FRANCISCO BORJA

Title: EMBAJADOR DEL ECUADOR

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By 
Authorized Representative

Name: Jorge Familiar

Title: Vice President

SCHEDULE 1

Project Description

The objective of the Project is to increase enrollment in Early Education and improve the persistence rate in Lower Secondary Education and Upper Secondary Education in the Targeted Circuits.

The Project consists of the following parts:

Part 1. Improving School Services in Targeted Circuits

- (a) Provision of support for the: (i) technical design, construction and supervision of School Hubs in the Targeted Circuits, including the construction of new schools, renovations and expansions of existing schools; and (ii) acquisition of equipment and furniture for School Hubs in Targeted Circuits.
- (b) Provision of support for: (i) in-service teacher training in the Targeted Circuits provided by Selected Accredited Institutions; (ii) finance for Targeted Circuit's teachers to enroll in graduate in programs selected pursuant to the criteria set forth in the Operational Manual and provided by Selected Accredited Institutions as set forth in the Operational Manual; and (iii) finance for Targeted Circuit's principals and school authorities to enroll in graduate programs in school management provided by Selected Accredited Institutions.
- (c) Implementation of CEL in the Targeted Circuits, including the provision of computers, internet connectivity and training to public school teachers.
- (d) Provision of support for students with disabilities and Special Education through: (i) the provision of technical, didactic and disability-specific education materials to educational facilities in the Borrower's territory; (ii) the provision of teacher training in pedagogy on educational needs that arise in the course of a student's individual development; and (iii) the implementation of awareness campaigns to promote the enrollment of children with disabilities in educational facilities in the Borrower's territory.

Part 2. Strengthening Planning, Management and Evaluation Capacity at MINEDUC

- (a) Development and implementation of key modules conforming a fully integrated education management information system covering, *inter alia*: (i) institutional school management; (ii) school supply management; (iii) project management; and (iv) business intelligence that supports the decision making process through the analysis of key performance indicators.
- (b) Provision of support for: (i) the technical and administrative management of the Project, including the hiring of specialists in financial management, procurement, monitoring and evaluation, social management and other technical temporary staff needed during Project implementation; (ii) the carrying out of Project audits and Transportation Reviews; (iii) the financing of Operating Costs; and (iv) the carrying out studies and/or impact evaluations

on: (A) the impact of Part 1(b)(i) on student learning; and (B) the development of an analytical model to measure direct and indirect effects of the School Hubs in student outcomes and spillover effects on neighboring schools.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

For purposes of Project implementation the Borrower, through MINEDUC, shall:

- (a) maintain, until the completion of the Project, a dedicated Project team within GUEM responsible for the management, coordination, supervision, monitoring and evaluation of the Project activities under its jurisdiction, with key staff with functions, experience, and qualifications acceptable to the Bank, as described in the Operational Manual, including monitoring and evaluation, procurement, financial management and socio-environmental specialists;
- (b) cause SECOB to maintain, until the completion of the Project, a dedicated Project team, responsible for the management, coordination, supervision, monitoring and evaluation of the Project activities under its jurisdiction, with key staff with functions, experience, and qualifications acceptable to the Bank, as described in the Operational Manual, including a technical coordinator, procurement, and financial management specialists; and
- (c) ensure that the four specialists working in the Project team within GUEM (monitoring and evaluation, procurement, financial management and social specialists), and the technical coordinator, procurement and financial management specialists working in the team within SECOB are assigned to work full time starting sixty (60) days after the Effectiveness Date.

B. SECOB Agreement

1. To facilitate the carrying out Part 1(a)(i) of the Project, the Borrower, through MINEDUC shall enter into an agreement with SECOB (the SECOB Agreement) under terms and conditions acceptable to the Bank including, *inter alia*: (a) the Borrower's obligation to transfer, on a grant basis, part of the proceeds of the Loan to SECOB and; (b) SECOB's obligations to carry out the activities of Part 1(a)(i) of the Project in accordance with the relevant provisions of this Schedule, including the provisions of Section I.D, Section I.E and Section III.
2. The Borrower, through MINEDUC, shall exercise its rights under the SECOB 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 or waive the SECOB Agreement or any of its provisions.

C. Operational Manual

1. The Borrower shall adopt and carry out the Project in accordance with the provisions of a manual (the Operational Manual), 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) the monitoring indicators for the Project; (d) the institutional and administrative mechanisms established to ensure inter-institutional coordination; (e) the regulations concerning the design and micro-planning for school consolidation and transport services under the Project, including the Borrower's school transportation standards "*Modelamiento de Transporte Escolar en función del Ordenamiento de la Oferta Educativa*"; and (f) the ESMF, IPPF and RPF.
2. Except as the Borrower and the Bank may otherwise agree in writing, the Borrower shall not abrogate, amend, suspend, waive or fail to enforce the Operational Manual or any provision thereof.
3. In case of a conflict between the terms of the Operational Manual and those in this Agreement, the terms of this Agreement shall prevail.

D. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

E. Safeguards

1. The Borrower, through MINEDUC, shall and shall cause SECOB to implement the Project in accordance with the ESMF, IPPF and RPF.

Environmental and Social Management

2. The Borrower, through MINEDUC, shall:
 - (a) cause SECOB to:
 - (A) prior to carrying out works under Part 1(a) of the Project:
 - (i) carry out site-specific environmental impact assessments, under terms of reference acceptable to the Bank, for the relevant works;
 - (ii) prepare, consult and disclose respective site-specific EMPs in a manner acceptable to the Bank and as set forth in the ESMF;
 - (iii) before issuing bidding documents for any works contract, prepare and submit to the Bank for its approval: (I) the proposed design and site for the works and the relevant EMPs in form and substance satisfactory to the Bank; and (II) the draft contract for

such works to ensure that the provisions of the relevant EMPs are adequately included in the related contract; and

- (iv) implement the relevant SMPs in accordance with their terms, all in a manner acceptable to the Bank and as set forth in the ESMF.
- (b) If applicable: (A) prior to carrying out works under Part 1(a) of the Project, prepare, disclose and consult the relevant SMPs; and (B) implement the relevant SMPs in accordance with their terms, all in a manner acceptable to the Bank and as set forth in the ESMF.

Indigenous Peoples Planning Framework (IPPF)

- 3. If required by the IPPF, the Borrower, through MINEDUC, shall: (a) prior to carrying out works under Part 1(a) of the Project, prepare, consult and disclose the relevant IPPs; and (b) immediately thereafter, implement the relevant IPPs in accordance with their terms, all in a manner acceptable to the Bank and as set forth in the IPPF.
- 4. The Borrower, through MINEDUC, shall implement the *Surupucyu* IPP in accordance with its terms and in a manner acceptable to the Bank.

Resettlement Policy Framework (RPF)

- 5. If any activity under Part 1(a) of the Project requires Involuntary Resettlement, the Borrower shall, prior to the carrying out of the related works: (a) prepare RAPs according to the RPF for sites where pre-screening has identified resettlement impacts as defined by the RPF; (b) consult and disclose the relevant RAPs, including publicizing the availability of the grievance redress mechanism referred to in paragraph 4 of this Section, and to take all measures necessary to implement the determinations made under the grievance redress mechanism; and (c) implement the relevant RAPs in accordance with their terms, all in a manner acceptable to the Bank and as set forth in the RPF.

Grievance Redress Mechanism

- 6. The Borrower, through MINEDUC shall, not later than ninety (90) days after the Effective Date, develop, in form and substance acceptable to the Bank and following the guidelines set forth in the Project Operational Manual, a grievance redress mechanism that encompasses transparent, timely and fair procedures, for the purposes of ensuring that all complaints received from beneficiaries and other interested stakeholders related to any activity under the Project are properly and timely addressed.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

- 1. The Borrower, through MINEDUC, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators set forth in the Operational Manual. Each

Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through MINEDUC shall, and shall cause SECOB as the case may be, maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. The Borrower through MINEDUC shall, and shall cause SECOB as the case may be, prepare and furnish to the Bank not later than forty five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. The Borrower, through MINEDUC shall, and shall cause SECOB as the case may be, have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower, or any other period acceptable to the Bank. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.
4. For purposes of Section II.B.3 of this Schedule and no later than 120 days after the Effective Date, the Borrower shall submit to the Bank for no-objection the terms of reference for the hiring of an independent auditor.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding (subject to the additional provisions referred to in Section III.E of this Schedule); (b) Shopping; and (c) Direct Contracting.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

E. Special Provisions

1. In addition and without limitation or restriction to any other provisions set forth in this Section or the Procurement Guidelines, the following provisions shall govern the procurement of goods, works and non-consulting services under National Competitive Bidding (NCB) procedures under this Section:
 - (a) Each bid shall be evaluated and the corresponding contract awarded to the responsive bidder which meets appropriate technical and financial standards of capability and whose bid has been determined to be the lowest evaluated bid in a manner satisfactory to the Bank. Such determination shall be made exclusively on the basis of the specifications, conditions and evaluation criteria, stipulated in the bidding documents. For purposes of bid evaluation and comparison, the only bid amount or amounts to be used as a factor shall be the bid amount or amounts as quoted in the corresponding bid, including correction of arithmetic errors.

- (b) No reference value shall be required for publication in the bidding documents or used for the purposes of evaluation.
- (c) There will be no prescribed minimum number of bids submitted for a contract to be subsequently awarded.
- (d) The bidding documents shall be acceptable to the Bank, and include the anticorruption clauses as provided by section 1.16 of the Procurement Guidelines.
- (e) Foreign bidders shall be allowed to participate in NCB without restriction and shall not be subject to any unjustified requirement which will affect their ability to bid such as, but not limited to, the requirement to authenticate (*legalizar*) their bidding documents or any documentation related to such bidding documents with the Borrower's Consulate, the Borrower's Ministry of Foreign Affairs, or any authority as a prerequisite of bidding, or be required to enter into a joint venture agreement with local bidders.
- (f) No margin of preference shall be granted for any particular category of bidders.
- (g) The single envelope procedure shall be used.
- (h) All bids shall be opened at the stipulated time and place in accordance with a procedure acceptable to the Bank.
- (i) A merit point system shall not be used in the pre-qualification and post-qualification of bidders.
- (j) The award of contracts for goods, works and non-consulting services shall be based exclusively on price and, whenever appropriate, shall also take into account factors similar to those referred to in paragraphs 2.52 and 2.53 of the Procurement Guidelines, provided, however, that the bid evaluation shall always be based on factors that can be quantified objectively, and the procedure for such quantification shall be disclosed in the invitation to bid.
- (k) Whenever a discrepancy shall occur between the amounts in figures and the amounts in words of a bid, the amounts in words shall govern.
- (l) In the event that a bidder whose bid was evaluated as the bid with the lowest evaluated price withdraws its bid, the contract may be awarded to the second lowest responsive evaluated bid.
- (m) The Borrower shall, and shall cause SECOB to use standard bidding documents and standard evaluation formats, all satisfactory to the Bank.

2. In addition and without limitation or restriction to any other provisions set forth in this Section or the Consultant Guidelines, the following provisions shall govern the procurement of consultants' services:

- (a) The Borrower shall, and shall cause SECOB to use standard requests for proposals and standard evaluation formats, all satisfactory to the Bank.
- (b) The invitation to submit proposals should be sent to the consulting firms included in a short list only as approved by the Bank. The invitation to submit proposals should not be open to any other consulting firm.
- (c) Foreign consultants shall not be required to take an action that could deter their ability to participate such as, but not limited to, be locally registered, give any participation to or enter into a joint venture with a local firm or individual, authenticate (*legalizar*) any documentation related to their participation in the selection process with Ecuadorian authorities or to be registered in the Borrower's National Registry of Suppliers (*Registro Nacional de Proveedores*).
- (d) Consultants (firms and individuals) shall not be required to present proposals securities as a condition to present proposals.

Section IV. Withdrawal of Loan Proceeds

A. General

- 1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
- 2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (exclusive of Taxes)
(1) Goods, works, consultant's services, and Training for Part 1(a)(i) of the Project.	146,500,000	100%
(2) Goods, consultants' services, Operating Costs and Training for Part 1 (except Part 1(a)(i) of the Project) and Part 2 of the Project.	31,500,000	100%
TOTAL AMOUNT	178,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made from the Loan Account:
 - (a) until the Bank has received payment in full of the Front-end Fee; or
 - (b) for payments made prior to the date of this Agreement.
2. The Closing Date is December 31, 2020.

Section V. Other Undertakings

1. Prior to carrying out any works for each School Hub under Part 1(a)(i) of the Project, the Borrower, through MINEDUC, shall select the site of said School Hub in agreement with the Bank and following the procedures set forth in the Operational Manual, which shall include, *inter alia*, the Borrower's obligations to:
 - (a) furnish to the Bank: (i) a school consolidation proposal including transportation arrangements; (ii) the updated Procurement Plan; (iii) the relevant SMP or IPP, as applicable; and (iv) the relevant RAP, if applicable, all in a manner and with contents acceptable to the Bank.
 - (b) cause SECOB to furnish to the Bank: (i) the final technical design of said School Hub; and (ii) the relevant EMP, all in a manner and with contents acceptable to the Bank.
2. The Borrower, through MINEDUC, for the purposes of carrying out Part 1(a)(i) of the Project, shall prepare a micro-plan for transport arrangements for each School Hub following the criteria and methodology set forth in the MINEDUC's guidelines "*Modelamiento del Transporte Escolar en Función del Reordenamiento de la Oferta Educativa*" included in the Operational Manual.
3. The Borrower, through MINEDUC, shall:
 - (a) not later than eighteen (18) months after the Effective Date, select and contract an entity, independent from the Borrower with experience and qualifications acceptable to the Bank, pursuant to the provisions of Section III of this Schedule and in accordance with terms of reference satisfactory to the Bank, for the carrying out of technical reviews of the implementation of the arrangements for school transportation for each School Hub built under the Project (Transportation Review);
 - (b) cause said independent entity to carry out at least three (3) Transportation Reviews during Project implementation, and thereafter, each time, prepare a report of such scope and in such detail as the Bank shall reasonably request;

- (c) ensure that said review follows the criteria set forth in the Operational Manual, which shall include, *inter alia*: (i) in site verification of operation of transportation arrangements (i.e. verification of bus stops, transportation time, safety conditions; verification of contract compliance in those cases where the service is subcontracted); and (ii) conducting a survey, based on a representative sample, to parents about their satisfaction with the provision of the transportation (time travel, safety, impact on the studies and learning);
 - (d) furnish to the Bank as soon as available, but in any case not later than two (2) months after each review, the Transportation Review report findings, conclusions and recommendations, for the Bank's review and comments; and
 - (e) set out the measures and take any remedial action as a result of such review, as agreed with the Bank.
4. Without limitation to the provision of Section 5.03 of the General Conditions, the Borrower shall provide the counterpart funds required for Project implementation currently estimated in the amount of twenty-three million United States Dollars (US\$23,000,000), distributed in accordance with the table set forth in the Annex to this Agreement, as such amount and table may be revised from time to time by mutual agreement, through an exchange of letters and communicated by the Bank by notice to the Borrower.

SCHEDULE 3

Amortization Schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Repayment Date	Installment Share (Expressed as a Percentage)
April 15, 2034	25.1867%
October 15, 2034	18.8490%
April 15, 2035	14.1061%
October 15, 2035	10.5566%
April 15, 2036	7.9003%
October 15, 2036	5.9124%
April 15, 2037	4.4247%
October 15, 2037	3.3113%
April 15, 2038	2.4781%
October 15, 2038	1.8545%
April 15, 2039	1.3879%
October 15, 2039	1.0387%
April 15, 2040	0.7773%
October 15, 2040	0.5817%
April 15, 2041	0.4353%
October 15, 2041	0.3258%
April 15, 2042	0.2438%
October 15, 2042	0.1825%
April 15, 2043	0.1366%
October 15, 2043	0.1022%
April 15, 2044	0.0765%
October 15, 2044	0.0572%
April 15, 2045	0.0428%
October 15, 2045	0.0320%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
 - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3.
 - (a) Amounts of the Loan withdrawn within two (2) calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
 - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (a) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (b) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

ANNEX

Project Cost Composition by Component/Sub-component and by Source of Financing

Component	World Bank	Borrower	Total cost	% World Bank	% Borrower
Component 1. Improving School Services in Targeted Circuits	174,500,000	22,281,000	196,781,000	89%	11%
1. (a) Infrastructure, Equipment and Furniture for Schools Hubs	159,500,000	21,500,000	181,800,000	88%	12%
1.(a).(i) Technical design, construction and supervision of School Hubs (managed by SECOB)	146,500,000	19,900,000	166,400,000	88%	12%
1.(a).(ii) Acquisition of equipment and furniture for School Hubs	13,000,000	1,600,000	14,600,000	89%	11%
1.(b) Professional Development for Teachers and Principals	8,500,000	-	8,500,000	100%	0%
1.(c) Equipment for Academic Management System at School Level -CEL-	5,500,000	660,000	6,160,000	89%	11%
1.(d) Didactic Materials for Students with disabilities and Special Education	1,000,000	121,000	1,121,000	89%	11%
Component 2. Strengthening Planning, Management and Evaluation Capacity at MINEDUC	3,500,000	650,000	4,150,000	85%	15%
2.(a) Sub-Component 2.1. Management and Information Systems	1,500,000	180,000	1,680,000	89%	11%
2.(b) Management Team and Specific Studies / Impact Evaluation	2,000,000	470,000	2,470,000	80%	20%
TOTAL	178,000,000	22,931,000	200,931,000	89%	11%

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “CEL” means *Comunidad Educativa en Línea*, the Borrower’s Online Educational Community, an online academic management system at school level.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised in July 2014).
5. “Early Education” means the grades of education for children 0 to 4 years old, as provided within the Borrower’s education system.
6. “Environmental and Social Management Framework” or “ESMF” means the Borrower’s framework acceptable to the Bank, published and available to the public on the website www.educacion.gob.ec, and on Bank’s InfoShop on August 12, 2015, which contains the environmental protection measures in respect of the Project, including: (a) measures for chance findings of cultural property; (b) guidelines for the identification of existing environmental conditions and potential direct and indirect environmental impacts resulting from the carrying out of the Project; (c) guidelines for the carrying out of environmental assessments and preparation and implementation of EMPs, and SMPs when applicable; (d) the recommendation of mitigation measures for each negative impact identified; (e) measures for enhancing each identified positive impact.
7. “Environmental Management Plan” or “EMP” means any site-specific environmental management plan to be prepared by the Borrower and approved by the Bank, for activities under Part 1(a) of the Project, as set forth in the ESMF, collectively referred to as “Environmental Management Plans or EMPs”.
8. “Full Education Cycle” means Early Education, General Basic Education and Upper Secondary Education.
9. “General Basic Education” (*Educación General Básica*) means compulsory general basic education for 10 (ten) years which includes: Preschool, Primary School and Lower Secondary Education.
10. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Section II of this Appendix.

11. “GUEM” means *Gerencia Unidades Educativas del Milenio*, the Millennium Schools Management Unit within MINEDUC’s Undersecretariat for School Administration (*Subsecretaría de Administración Escolar*), and referred to in Section I.A of Schedule 2 to this Agreement.
12. “Indigenous Peoples’ Plan” or “IPP” means any site-specific indigenous peoples’ plan to be prepared by the Borrower and approved by the Bank, for activities under Part 1(a) of the Project, as set forth in the IPPF, collectively referred to as “Indigenous Peoples’ Plans or IPPs”.
13. “Indigenous Peoples’ Planning Framework” or “IPPF” means the Borrower’s framework, acceptable to the Bank, published and available to the public on the website www.educacion.gob.ec and InfoShop on August 12, 2015, satisfactory to the Bank, detailing measures to mitigate any adverse impact on indigenous peoples as a result of any activity carried out under the Project and to ensure that they benefit from the Project, including procedures for the preparation and implementation of the pertinent IPPs.
14. “TNEVAL” means *Instituto Nacional de Evaluación Educativa*, the Borrower’s National Institute for Educational Assessment, created pursuant to the Borrower’s Law 449 (“*Ley Orgánica de Educación Intercultural*”) published in the Official Registry on March 31, 2011, or its successor acceptable to the Bank.
15. “Involuntary Resettlement” means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.
16. “Lower Secondary Education” means three years of education for children 12 to 14 years old (grades 8, 9 and 10) within the Borrower’s education system.
17. “MINEDUC” means *Ministerio de Educación*, the Borrower’s Ministry of Education, or its successor acceptable to the Bank.
18. “Operating Costs” means the reasonable incremental operational costs (which would not have been incurred absent the Project) incurred by the Borrower, through MINEDUC, related to Project technical and administrative management, monitoring and supervision required under the Project, including *inter alia*, remuneration for operational and technical staff (excluding the Borrower’s civil servants), office equipment, supplies, travel costs (including accommodations, transportation costs and per diem), printing services, communication costs, utilities, maintenance of office equipment and facilities, vehicle operation and maintenance costs, and logistics service.
19. “Preschool” means one year grade of education for children 5 years old provided in the Borrower’s education system.

20. “Primary School” means the six years of primary level education for children 6 to 11 years old (grades 1-6) *within* the Borrower’s education system.
21. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
22. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated August 17, 2015 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
23. “Resettlement Action Plan” or “RAP” means any site-specific resettlement action plan to be prepared by the Borrower and approved by the Bank, for activities under Part 1(a) of the Project, as set forth in the RPF, and collectively referred to as “Resettlement Action Plan’s or RAPs”.
24. “Resettlement Policy Framework” or “RPF” means the document prepared by the Borrower, published and available to the public on the website www.educacion.gob.ec and on InfoShop on August 12, 2015 and outlining general implementation procedures, mitigation measures and monitoring procedures for Involuntary Resettlement under the Project, including the procedures for the preparation and implementation of RPFs, as said framework may be amended from time to time with the Bank’s prior approval.
25. “School Hubs” means schools which absorb or consolidate existing education institutions from Preschool to Upper Secondary Education and provide education through the Full Education Cycle, as set forth in the Borrower’s Educational Opportunity Reorganization Model (*Modelo de Reordenamiento de la Oferta Educativa, MORE*) launched in 2012.
26. “SECOB” means *Servicio de Contratación de Obras*, the Borrower’s Work Contracting Service created pursuant to the Borrower’s Executive Decree No. 731 of April 19, 2011 as *Instituto de Contratación de Obras* or *ICO*, and renamed through Executive Decree No. 49 of August 13, 2013 as SECOB, or its successor acceptable to the Bank.
27. “SECOB Agreement” means *Convenio de Cooperación Inter-Institucional entre MINEDUC y SECOB para Ejecutar Infraestructura Educativa*, the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement.
28. “Selected Accredited Institutions” means universities located within the Borrower’s territory which are accredited as “A” or “B” by the “*Consejo de Evaluación, Acreditación y Aseguramiento de la Calidad de la Educación Superior –CEAACES*”, and foreign universities accredited by their respective national quality assurance agencies.
29. “Social Management Plan” or “SMP” means a social management plan to be prepared by the Borrower and approved by the Bank for the respective Schools Hub in accordance with the procedures set forth in the ESMF, which plan shall set forth social management measures adopted based on the assessment and consultation process carried out for the

respective School Hub, including budget, timeline and responsible parties for their implementation.

30. “Special Education” means educational services provided to people who have special educational needs associated with physical (i.e visual, hearing, deaf-blind, intellectual disability, multi-challenges, autism) or non-physical disability, such services including early childhood education, basic education and/or training workshops on functional autonomy, with an inclusive, educational and social approach.
31. “*Surupucyu* IPP” means the Indigenous Peoples’ Plan prepared by the Borrower for the *Surupucyu* in the area of *Guaranda* acceptable to the Bank, published and available to the public on the website www.educacion.gob.ec and InfoShop on August 12, 2015, as said plan may be amended from time to time with the Bank’s prior approval.
32. “Targeted Circuits” means the Borrower’s education circuits selected pursuant to the criteria set forth in the Operational Manual, including, *inter alia*, high levels of poverty.
33. “Training” means expenditures (other than those for consultants’ services) incurred by the Borrower, through MINEDUC, in connection with the carrying out of training, seminars, and workshops, including the reasonable travel costs (e.g. accommodations, transportation costs and *per diem*) of trainees and trainers (if applicable), tuition, catering, rental of training facilities and equipment, logistics and printing services, as well as training materials and equipment, and registration fees (up to the amount per registration fee set forth in the Operational Manual) under the Project.
34. “Transportation Review” means the independent review to be carried out about three times during Project implementation of the arrangements for school transportation for each School Hub built under the Project, and referred to in Section V.2 (a) of Schedule 2 to this Agreement.
35. “Upper Secondary Education” means the three years of the Borrower’s secondary education (*bachillerato*) for children 15 to 17 years old (grades 11, 12 and 13) within the Borrower’s education system.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.
2. Section 3.01. (*Front-end Fee*) is modified to read as follows:

“Section 3.01. *Front-end Fee; Commitment Charge*

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the "Commitment Charge"). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date."

3. In the Appendix, **Definitions**, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.
4. The Appendix is modified by inserting a new paragraph 19 with the following definition of "Commitment Charge", and renumbering the subsequent paragraphs accordingly:

"19. "Commitment Charge" means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b)."