

MARIANNE FAY
Director
Bolivia, Chile, Ecuador and Peru

31-Aug-2020

His Excellency
Mr. Richard Iván Martínez Alvarado
Minister of Economy and Finance
Ministry 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. 8542-EC**
Supporting Education Reform in Targeted Circuits Project
Third Amendment to the Loan Agreement

Excellency:

We refer to the Loan Agreement between the Republic of Ecuador (“Borrower”) and the International Bank for Reconstruction and Development (“Bank”) for Supporting Education Reform in Targeted Circuits Project (“Project”) dated January 28, 2016 (“Loan Agreement”), as amended. The capitalized terms used in this letter (“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 restructuring to support the Borrower’s response to the effects of the COVID-19 outbreak dated June 10, 2020 (Reference: MEF-SFP-2020-0597). The restructuring mainly involves an adjustment in the Project’s implementation timeline, factoring in delays caused by the pandemic; and reallocating resources to strengthen the distance learning program, boost its content to adapt to the current learning environment, as well as increase its accessibility to the most disadvantaged students.

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

1. Items (a) and (b) under Section 3.01. of the Loan Agreement are hereby amended to read as follows:

“3.01 The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall:

- (a) carry out a portion of Part 1(a)(i) of the Project through MINEDUC with the assistance of SECOB; and
 - (b) carry out a portion of Part 1(a)(i), Parts 1(a)(ii), 1(a)(iii), 1(b), 1(c), 1(d), 2(a), 2(b)(i), 2(b)(ii), 2(b)(iii) and 2(b)(iv) of the Project through MINEDUC; and”
- 2. Part 1(d) of Schedule 1 to the Loan Agreement is hereby amended to read as follows:
 - “(d) Provision of support for strengthening government capacity to provide more inclusive education contents through: (i) the provision of technical, didactic and disability-specific education materials to educational facilities in the Borrower’s territory; (ii) the purchase of equipment, development and broadcasting of educational content for television and radio through *Teleducación*.”
- 3. Part 2(b) of Schedule 1 to the Loan Agreement is hereby amended to read as follows:
 - “(b) Provision of support for the: (i) technical and administrative management of the Project, including the hiring of specialists in financial management, procurement, monitoring and evaluation, social and environmental specialists, infrastructure technicians and other temporary staff needed during Project implementation; (ii) carrying out of Project audits and Transportation Reviews; (iii) financing of Operating Costs; (iv) carrying out of evaluations about: (A) in-service teacher training, (B) the benefits of School Hubs on students who attend them and potential externalities on neighboring schools, (C) the impact of using adaptative computer-assisted learning in a sample of low performing schools, and (D) the impact of providing technical assistance for the development of school-based development plans in a sample of schools; and (v) carrying out of standardized assessments and research to measure the skills and competencies of teachers, principals and students in the national education system.”
- 4. Item (c) under Institutional Arrangements, Section I.A. of Schedule 2 to the Loan Agreement is hereby amended to read as follows:
 - “(c) ensure that seven (7) key staff working full time in the Project team: (i) within GUEM (coordinator/monitoring and evaluation specialist, procurement specialist, financial management specialist, and social and environmental specialists, and infrastructure technician); and (ii) within INEVAL (procurement specialist and financial management specialist) as described in the OM, are assigned to work full time no later than starting thirty (30) days after the effectiveness date of this Amendment; and”
- 5. Section I.B.1 on the SECOB Agreement in Schedule 2 to the Loan Agreement is hereby amended to read as follows:
 - “B. SECOB Agreement
 - 1. To facilitate the carrying out a portion of Part 1(a)(i) of the Project, the Borrower, through MINEDUC, shall enter into an agreement with SECOB (“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 a portion of 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.E., Section I.F. and Section III."

6. Item 3 is hereby added to Section I.C on the INEVAL Agreement in Schedule 2 to the Loan Agreement to read as follows:

"3. No later than sixty (60) days after the effectiveness date of this Amendment, the Borrower, through MINEDUC, shall cause INEVAL to amend the closing date of the INEVAL Agreement in line with the revised closing date of the Loan Agreement."

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

" Environmental and Social Management

2. The Borrower, through MINEDUC shall, or shall 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 ESMPs 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: (A) the proposed design and site for the works and the relevant ESMPs in form and substance satisfactory to the Bank; and (B) the draft contract for such works to ensure that the provisions of the relevant ESMPs 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."

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

“Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed
(1) Goods, works, consultants’ services, and Training for Part 1(a)(i) of the Project (in respect of MINEDUC).	88,426,807	100% (inclusive of value added tax)
(2) Goods, consultants’ services, non-consulting services, Operating Costs and Training for Part 1 (except Part 1(a)(i) of the Project) and Part 2 (except Part 2(b)(v) of the Project) (in respect of MINEDUC).	27,662,910	100% (inclusive of value added tax)
(3) Goods, consultants’ services, non-consulting services, Operating Costs and SAC under Part 2(b)(v) of the Project (MINEDUC and INEVAL).	9,210,283	100% (inclusive of value added tax)
Subtotal	125,300,000	100%
Cancellation amount effective September 27, 2018	40,000,000	
Cancellation amount effective March 10, 2020	12,700,000	
TOTAL AMOUNT	178,000,000”	

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

“2. The Closing Date is December 31, 2021.”

10. Item 3(a) under Section V.3. of Schedule 2 to the Loan Agreement is hereby amended to read as follows:

“3. The Borrower, through MINEDUC, shall:

- (a) not later than three (3) months after the effectiveness date of this Amendment, select and contract an entity, independent from the Borrower with experience and qualifications acceptable 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);”

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

- “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 four million two thousand six hundred and fifty-four United States Dollars (US\$4,002,654), distributed in accordance with the relevant table set forth in the Operational Manual, 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.”

12. The Annex to the Loan Agreement is hereby deleted and replaced in its entirety in the Operational Manual.

13. The following definitions in Section I of the Appendix to the Loan Agreement are hereby added and placed in alphabetical order (as a result, the remaining definitions are renumbered to maintain alphabetical order).

- “5. “COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).”
- “6. “COVID Educational Plan-19” means the Borrower’s digital portal where students in the last grade of upper secondary can access virtual classrooms, learning activities for all grade levels, 840 online resources, content for emotional containment and violence prevention, resources for teachers, and guidelines for students and families.”
- “36. “*Teleducación*” means television and radio broadcasting of educational content that includes learning activities for students from 2nd grade of basic education to 3rd grade of general Baccalaureate. *Teleducación* also includes content for emotional containment and violence prevention, and is complementary to the Borrower’s digital portal ‘COVID Educational Plan-19’.”

14. The following definition number 9 on EMP in the Appendix to the Loan Agreement is hereby modified to read as follows, and any reference to the “Environmental Management Plan” or “EMP” in the Loan Agreement and related documents should be read as “Environmental and Social Management Plan” or “ESMP”:

- “9. “Environmental and Social Management Plan” or “ESMP” means a site-specific environmental management plan to be prepared for specific investment activities under the Project and in accordance with the requirements of the ESMF.”

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

- “28. “Standardized Assessment Cost” or “SAC” means a set of costs of consultants’ services and non-consulting services related to the implementation of standardized assessment tests to measure the skills and competencies of teachers, principals and students, which entail among others, the following processes: (a) design and piloting of the assessment model; (b) formulation and validation of knowledge items; (c) calibration and assembly of the questionnaires; (d) training of MINEDUC staff on the administration of the tests; (e) application of the

assessments; (f) data processing; (g) quality control of data obtained; and (h) delivery and dissemination of results to the education system.”

In light of the above changes to the Loan Agreement, the Borrower and the Bank have also mutually agreed that relevant adjustments be made to the Project’s allocation per Category, monitoring indicators, disbursement and cost estimates, and implementation schedule, and will be reflected accordingly in the Operational Manual, pursuant to Section I.D.1 of Schedule 2 to the Loan Agreement.

Please confirm your agreement with the foregoing, on behalf of the Borrower, by signing and dating this Amendment Letter in the spaces provided below. The provisions set forth in this Amendment Letter shall become effective upon receipt by the Bank of a fully executed Amendment Letter.

Please also note that the Restructuring Paper dated August 28, 2020 that reflects the above changes will be disclosed on the Bank’s external website.

Sincerely,


**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

Marianne Fay

Marianne Fay
Director
Bolivia, Chile, Ecuador and Perú

CONFIRMED AND AGREED:

REPUBLIC OF ECUADOR


By: _____
Undersecretary of Public Finance
Title: _____
Date: 05-sep.-2020

cc: Mrs. Monserrat Creamer, Minister of Education
Mr. Juan Hidalgo, Subsecretary of Public Financing
Econ. Fabián Aníbal Carrillo Jaramillo, Vice Minister of Finance
Mr. Eduardo Salgado, Executive Director, INEVAL
Mrs. Fanny Yanza, General Planning Coordinator
Mrs. Carolina Merizalde, Project Coordinator
Mr. Juan Carlos Alvarez, Resident Representative of Ecuador to The World Bank