

MARIANNE FAY
Director
Bolivia, Chile, Ecuador and Peru

December 30, 2019

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
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”) dated January 28, 2016 (“Loan Agreement”) for the Supporting Education Reform in Targeted Circuits Project (“Project”). We also refer to three letters from the Borrower: one dated September 26, 2018 (Reference: MEF-MINFIN-2018-0795-O) received by the Bank on September 27, 2018 requesting for a partial cancellation of the loan; and two other requests dated May 22, 2018 (Reference: MINEDUC-2018-00374-OF) and December 5, 2019 (Reference: MEF-SFP-2019-1077-O), requesting some new activities and certain changes in the implementation and institutional arrangements.

Further modifications on the results framework/indicators pursuant to Section II.A of Schedule 2 to the Loan Agreement, disbursement estimates, inclusion of an additional disbursement category and a reallocation of proceeds, and implementation arrangements were discussed and agreed upon between the Borrower and the Bank during the four supervision missions held on January 25, April 5, August 16, and October 24, 2019, as well as in recent follow-up meetings, all of which have already been reflected in the Operational Manual.

I am pleased to inform you that after careful consideration of the abovementioned modifications, the Bank has acceded to the said requests. Consequently, the Loan Agreement shall be amended as follows:

1. Section 3.01 of the Loan Agreement is hereby amended to read as follows:
 - “(a) carry out Part 1(a)(i) of the Project through MINEDUC with the assistance of SECOB;
 - (b) carry out 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
 - (c) carry out Part 2(b)(v) of the Project through MINEDUC with the technical support of INEVAL, all in accordance with the provisions of Article V of the General Conditions.”
2. Parts 1(a) and 1(b) of Schedule 1 to the Loan Agreement are hereby amended to read as follows:
 - “(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, and renovation and expansion of existing schools; (ii) acquisition of equipment and furniture for School Hubs in Targeted Circuits; and (iii) construction of laboratories and acquisition of required equipment and furniture for a school that offers technical Upper Secondary Education.
 - (b) Provision of support for: (i) national in-service teacher training, as well as new interventions aiming to promote quality and equity of learning, focusing on schools displaying the highest learning gaps, as well as technical upper secondary schools, to be provided by Selected Accredited Institutions based on data on teachers’ and students’ assessments; (ii) Targeted Circuits’ teachers to enroll in graduate 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) Targeted Circuits’ principals and school authorities to enroll in graduate programs in school management provided by Selected Accredited Institutions.”
3. Parts 2(a) and 2(b) of Schedule 1 to the Loan Agreement are hereby amended to read as follows:
 - “(a) Development and implementation of key modules conforming a more comprehensive and fully integrated education management information system covering, *inter alia*: (i) institutional school management; (ii) school supply management; (iii) project management; (iv) business intelligence that supports the decision-making process through the analysis of key performance indicators; and (v) a system to track students’ academic performance over a period of time.
 - (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 on the: (A) effects of in-service teacher training on teachers, (B) effects of the School Hubs in student outcomes and spillover effects on neighboring schools, (C) impact of using adaptative computer-assisted learning in a sample of low performing schools, (D) impact of

providing technical assistance for the development of school-based development plans in a sample of schools, and (E) impact of implementing CEL, which includes the provision of computers, internet connectivity and training to public school teachers; 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, and a new item (d) is hereby added to the same Section, 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 forty-five (45) days after the effective date of this Amendment; and
- (d) cause INEVAL to maintain, until the completion of the Project, a dedicated Project team, responsible for monitoring the co-execution of the Project activities planned under its jurisdiction, with key staff with functions, experience, and qualifications acceptable to the Bank, as described in the Operational Manual, including a procurement specialist and a financial management specialist.”

5. Section I.B. and I.C. of Schedule 2 to the Loan Agreement are hereby amended to read as follows, and the subsequent sub-sections renumbered accordingly:

“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 (“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.E., Section I.F. 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. INEVAL Agreement

1. To facilitate the carrying out Parts 2(b)(v) of the Project, the Borrower, through MINEDUC, shall enter into an agreement with INEVAL (“INEVAL 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 INEVAL; (b) INEVAL’s obligations to carry out the activities of Parts 2(b)(v) 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; and (c) INEVAL's obligations to: (i) periodically provide MINEDUC with information on progress and co-execution of activities under its jurisdiction, and update(s) on budget utilization; (ii) maintain files and documentation supporting the expenses incurred for purposes of external auditing reviews; and (iii) coordinate with MINEDUC on training INEVAL procurement staff on World Bank procurement rules, as well as their roles and responsibilities as described in the Project's Operational Manual.

2. The Borrower, through MINEDUC, shall exercise its rights under the INEVAL 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 INEVAL Agreement or any of its provisions."

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

"B. Financial Management, Financial Reports and Audits

1. The Borrower, through MINEDUC shall, and shall cause SECOB and INEVAL 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 and INEVAL 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 and INEVAL 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."

7. 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 (MINEDUC with the assistance of SECOB).	99,489,717	100% (exclusive of Taxes)

“Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed
(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).	29,300,000	100% (exclusive of Taxes)
(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 Taxes)
Subtotal	138,000,000	100%
Cancellation amount effective September 27, 2018	40,000,000	
TOTAL AMOUNT	178,000,000”	

8. Section IV.B.1. of Schedule 2 to the Loan Agreement is hereby amended to read as follows:

“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;
- (b) for payments made prior to the date of this Loan Agreement; or
- (c) under Category (3) until the INEVAL Agreement has been fully executed in accordance with Section I.C. of Schedule 2 to the Loan Agreement.”

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

- “(a) not later than five (5) months after the effective 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);”



10. 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 seventeen million United States Dollars (US\$17,000,000), 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.”

11. The Annex to the Loan Agreement is hereby deleted and replaced in its entirety with the Attachment to this Amendment Letter.

12. 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).

- ““INEVAL Agreement” means *Convenio de Cooperación Inter-Institucional entre MINEDUC y INEVAL*, the agreement referred to in Section I.C. of Schedule 2 to this Agreement.”
- ““SAC” or “Standardized Assessment Cost” means a set of costs of consultant services and non-consulting services related to the implementation of standardized assessments under Part 2(b)(v) of the Project, which entail the following processes: (a) design of the assessment model; (b) formulation and validation of knowledge items; (c) calibration and assembly of the questionnaires; (d) application of the assessments; (e) data processing; (f) quality control of data obtained; and (g) delivery of results to the national education system.”
- ““Targeted Circuits” means the Borrower’s education parishes selected by the Borrower pursuant to the criteria set forth in the Operational Manual, including, *inter-alia*, education parishes with high level of poverty.”

13. The definition of “Operating Costs” in Section I of the Appendix to the Loan Agreement is hereby amended to read as follows:

““Operating Costs” refers to the reasonable incremental operating costs (which would not have been incurred absent the Project) incurred by the Borrower, through MINEDUC and/or INEVAL 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.”



Please confirm your agreement to the foregoing amendment by signing and dating the confirmation on the enclosed copy of this Amendment Letter and returning it to us. This amendment will come into force and effect as of the date of your countersignature, upon receipt by the World Bank of one countersigned original of this Amendment Letter.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

P.P.

Marianne Fay

Director

Bolivia, Chile, Ecuador and Perú

CONFIRMED AND AGREED:

REPUBLIC OF ECUADOR

By: Mr. Richard Iván Martínez Alvarado

Title: Minister of Economy and Finance

Date:

02 JAN 2020

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

ANNEX

Component	World Bank	Borrower	Total cost	% World Bank	% Borrower
Component 1. Improving School Services in Targeted Circuits	122,198,125	15,305,250	137,503,376	89%	11%
Subcomponent 1.1 Infrastructure, Equipment and Furniture for School Hubs	108,257,746	14,595,765	122,853,512	88%	12%
1.1 (a) Technical design, construction and supervision of School Hubs	99,489,717	13,543,602	113,033,320	88%	12%
1.1 (b) Acquisition of equipment and furniture for School Hubs	8,768,029	1,052,163	9,820,192	89%	11%
Subcomponent 1.2 Professional Development for Teachers and Principals	8,028,000	0	8,028,000	100%	0%
Subcomponent 1.3 Equipment for Academic Management System at School Level - CEL	5,261,652	631,398	5,893,050	89%	11%
Subcomponent 1.4 Didactic Materials for Students with disabilities and Special Education and Consultancy for the Standards for specialized UE	650,727	78,087	728,814	89%	11%
Component 2. Strengthening Planning, Management and Evaluation Capacity at MINEDUC	15,801,875	1,040,991	16,842,866	94%	6%
Subcomponent 2.1 Management and Information Systems, acquisition of SAP Business Object license, IT Consultancies services	2,484,000	298,080	2,782,080	89%	11%
Subcomponent 2.2 Management, Monitoring and Evaluation and Specific Studies / Impact Evaluation	13,317,875	742,911	14,060,786	95%	5%
2.2 (a) Management and evaluation MINEDUC – activities under (i)(ii)(iii) and (iv)	4,107,592	742,911	4,850,503	85%	15%
2.2 (b) Implementation of standardized assessments to measure the competencies and skills of students, teachers, and principals of the national education system – Co Executor INEVAL – activity under (v)	9,210,283	0	9,210,283	100%	0
Sub-total	138,000,000	16,346,241	154,346,241	89%	11%
Cancellation	40,000,000	5,497,489	45,497,489	88%	12%
TOTAL	178,000,000	21,843,730	199,843,730	89%	11%