His Excellency  
Mr. Richard Martinez 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. 8591-EC  
Risk Mitigation and Emergency Recovery Project  
Amendment Letter

Excellency:

We refer to the Loan Agreement for the above-referenced Project between the Republic of Ecuador ("Borrower") and the International Bank for Reconstruction and Development ("Bank") dated April 22, 2016 ("Loan Agreement") on the Risk Mitigation and Emergency Recovery Project ("Project"). We also refer to the following letters from the Ministry of Economy and Finance: Reference: MEF-MINFIN-2018-0795-O dated September 26, 2018; and MEF-VGF-2018-0699-O dated December 14, 2018 requesting certain amendments to the Loan Agreement.

I am pleased to inform you that after careful consideration of the Borrower’s requests and follow-up discussions between the parties to the Loan Agreement, the Bank has acceded to the said requests to: (i) adjust the scope and update the Project design to include technical assistance on building capacity in the MEF for post-disaster recovery and reconstruction activities; (ii) cancel a portion of the Loan amount, reallocate funds between Project components and revise disbursement estimates; (iii) modify the list of Co-Executing agencies; and (iv) update the objective of the Project and its indicators in the Operational Manual.

Consequently, the Loan Agreement shall be amended as follows:

1. All occurrences of “MF”, “Ministerio de Finanzas” or “Ministry of Finance” throughout the Loan Agreement will be replaced with “MEF”, “Ministerio de Economía y Finanzas” or “Ministry of Economy and Finance”, respectively.

Av. Alvarez Calderón 185, Piso 7, San Isidro, Lima 27, Perú  
Telf. (511) 622-2300
2. Section 3.01 of the Loan Agreement is hereby amended to read as follows:

"3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project with the assistance of: (i) EPA with respect to Part 1 of the Project; and (ii) MSP, MTOP, MINEDUC, SECOb, and any other selected agency acceptable to the Bank with respect to Part 2 of the Project, all in accordance with the provisions of Article V of the General Conditions."

3. Schedule 1 to the Loan Agreement is hereby replaced in its entirety as set forth in Attachment 1 to this Amendment Letter.

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

"The Borrower, through MEF shall:

(a) prepare, in accordance with terms of reference acceptable to the Bank, an Operational Manual and thereafter implement, and cause EPA to implement its Respective Part of the Project in accordance with its terms, and shall include the rules, methods, guidelines, standard documents and procedures for the carrying out of the Project, including the following: (i) the detailed description of Project implementation activities and the detailed institutional arrangements of the Project; (ii) the Project administrative, accounting, auditing, reporting, financial, procurement and financial management procedures; (iii) the emergency response procedures for approval of investments under Part 2 of the Project; (iv) the establishment and implementation of a grievance redress mechanism for the Project; (v) the monitoring indicators of the Project, which may be revised from time to time, as acceptable to the Bank; (vi) detailed implementation arrangements for Part 2 of the Project, including: (A) specific activities which may be financed under Part 2 of the Project; (B) Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (C) financial management arrangements for Part 2 of the Project; (D) Procurement of Emergency Expenditures under Part 2 of the Project; (E) documentation required for withdrawals of Emergency Expenditures; (F) mechanisms of selection of sectors and other eligible agencies that may participate in the execution of Part 2 of the Project; and (G) any other arrangements necessary to ensure proper coordination and implementation of Part 2 of the Project;

(b) facilitate the signing of an inter-institutional cooperation agreement between SECOb and MINEDUC for carrying out their Respective Parts of the Project, and the preparation of a separate operational manual on this specific activity; and

(c) furnish to the Bank for its prior approval, any proposed amendment to the provisions of the Operational Manual and, thereafter, put into effect such amendment as shall have been agreed with the Bank. In the event that any provision of the Operational Manual shall conflict with this Agreement, the terms of this Agreement shall prevail."

5. The table 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 (exclusive of VAT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants’ services and Training for Part 1 of the Project</td>
<td>3,776,367.31</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Emergency Expenditures for Part 2 of the Project</td>
<td>82,238,762.80</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, non-consulting services, Training, and consultants’ services (including audits) for Part 3 of the Project</td>
<td>5,774,869.89</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>91,790,000.00</strong></td>
<td></td>
</tr>
<tr>
<td>Cancelled amount effective September 27, 2018</td>
<td>58,210,000.00</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>150,000,000.00</strong></td>
<td></td>
</tr>
</tbody>
</table>

6. The Annex to the Loan Agreement is hereby replaced in its entirety as set forth in Attachment 2 to this Amendment Letter.

7. The Appendix to the Loan Agreement is hereby amended as follows:

(a) The definitions of “Cotopaxi”, “MAGAP” and “MF” are hereby deleted (as a result, the remaining definitions are renumbered to maintain alphabetical order).

(b) The following definitions are hereby amended to read in their entirety as follows:

   """Co-Executing Agencies” means MTOP, MINEDUC, MSP, SECOB and any other eligible agency acceptable to the Bank with respect to Part 2 of the Project."

   """MINEDUC” means Ministerio de Educación, the Borrower’s Ministry of Education, or any legal successor thereof.”

   """MSP” means Ministerio de Salud Pública, the Borrower’s Ministry of Public Health, or any legal successor thereof.”

   """MTOP” means Ministerio de Transporte y Obras Públicas, the Borrower’s Ministry of Transport and Public Works, or any legal successor thereof.”

   """SGR” means Secretaría de Gestión de Riesgos, the Borrower’s National Disaster Risk Management Secretariat, the agency of the Borrower in risk management affairs, designated as a State Ministry (Ministerio de Estado) pursuant Executive Decree No. 62 of August 5, 2013, or any legal successor thereof.”

(c) The following definitions are hereby added and placed in alphabetical order (as a result, the remaining definitions are renumbered to maintain alphabetical order).

   """MEF” means Ministerio de Economía y Finanzas, the Borrower’s Ministry of Economy and Finance, or any legal successor thereof.”
"SECOB" means Servicio de Contratación de Obras, the Borrower’s agency for work contracting services, or any legal successor thereof.

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

Alberto Rodríguez
Director
Bolivia, Chile, Ecuador and Perú

REPUBLIC OF ECUADOR

By: Mr. Richard Iván Martínez Alvarado
Title: Minister of Economy and Finance
Date: 26 AGO 2019

cc: H.E. María Verónica Espinosa Serrano, Minister of Public Health
    H.E. Fander Falconi Benitez, Minister of Education
    H.E. Víctor Paul Granda López, Minister of Transport and Public Works
    Ms. Paula Suarez, Advisor to Executive Director, The World Bank
    Mr. Juan Carlos Alvarez, Resident Representative of Ecuador to The World Bank
SCHEDULE 1
Project Description

The objective of the Project is to support the recovery of basic and productive services in selected sectors in affected areas in case of an Eligible Disaster and strengthen resilience to natural disasters and macroeconomic shocks.

The Project consists of the following parts:

Part 1: Disaster Preparedness and Risk Mitigation

Provision of support for disaster preparedness and risk mitigation measures in the water and flood protection sector, through the carrying out of activities aimed at mitigating the risk of flooding by ensuring river beds are cleared of sediments and riverbanks are protected, including: (i) mechanical dredging activities in select rivers and waterways; and (ii) rehabilitation or construction of retaining and protection walls and flood control infrastructure along select rivers.

Part 2: Post-Disaster Recovery and Reconstruction

(i) Provision of support for the recovery and reconstruction of selected sectors, should an Eligible Disaster occur.

(ii) Provision of support for:

(a) civil works for the construction of, and purchase of equipment for, one school.

(b) rehabilitation of one provincial road affected by the El Niño phenomenon and earthquake, and the reconstruction of fishing and cabotage terminal of the Port of Manta, including: (A) construction of two fishing docks; (B) provision of potable water supply for the fishing and cabotage terminal; and (C) reconstruction of the artisanal fishing docks.

(c) improving of MSP’s capacity to respond to disasters in general and prepare for an emergency by providing resources to the sector through the: (A) acquisition of forty (40) ambulances; and (B) purchase of various types of medical supplies and equipment.

Part 3: Technical Assistance to MEF and Project Implementation, Monitoring and Evaluation

Provision of support to MEF for the capacity to advance macroeconomic and structural reforms to increase the Borrower’s macroeconomic resilience, and provision of support to MEF, EPA, MTOP, MSP, MINEDUC, SECOB and selected sectors for the administrative management of the Project, for, inter alia: (i) the hiring of specialists to support the MEF’s capacity to advance macroeconomic reforms; (ii) the hiring of a Project coordinator, specialists in financial management, procurement, monitoring and evaluation for the PCU; (iii) the hiring of, other technical temporary staff (including, but not limited to, environmental and social specialists), needed during Project implementation; (iv) the carrying out of Project audits; and (v) the financing of the necessary goods and equipment.
ANNEX

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

<table>
<thead>
<tr>
<th>Component</th>
<th>Bank (Million)</th>
<th>Local Contribution (Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 1. Disaster Preparedness and Risk Mitigation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disaster Preparedness and Risk Mitigation</td>
<td>3,776,367.31</td>
<td>453,164.10</td>
</tr>
<tr>
<td>Emergency Measures in the Water and Flood Protection Sector under EPA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Component 2. Post-Disaster Recovery and Reconstruction</td>
<td>82,238,762.80</td>
<td>9,868,651.60</td>
</tr>
<tr>
<td>(a) Recovery and reconstruction in the education sector under MINEDUC and SECOB</td>
<td>38,037,809.45</td>
<td>4,564,537.10</td>
</tr>
<tr>
<td>(b) Recovery and reconstruction in the transport sector under MTOP</td>
<td>35,457,038.46</td>
<td>4,254,844.60</td>
</tr>
<tr>
<td>(c) Recovery and reconstruction in the health sector under MSP</td>
<td>8,743,914.89</td>
<td>1,049,269.90</td>
</tr>
<tr>
<td>Component 3. Technical Assistance to MEF and Project Implementation, Monitoring and Evaluation</td>
<td>5,774,869.89</td>
<td>692,984.30</td>
</tr>
<tr>
<td>Hiring project coordinator and specialists in financial management, procurement, monitoring and evaluation and other technical temporary staff. The carrying out of project audits. The financing of the necessary goods and equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td>91,790,000.00</td>
<td>11,014,800.00</td>
</tr>
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