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

Excellency:

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

We refer to the Loan Agreement between the Republic of Ecuador (“Borrower”) and the International Bank for Reconstruction and Development (“Bank”) dated December 22, 2016 (“Loan Agreement”) for the Transformation of the Tertiary Technical and Technological Institutes Project (“Project”). We also refer to two 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 another dated August 6, 2018 (Reference: MEF-SFP-2018-0391-O), requesting changes in the main implementing entity and certain institutional arrangements. Further modifications on the results framework/indicators pursuant to Section II.A of Schedule 2 to the Loan Agreement, disbursement estimates, and implementation arrangements were discussed and agreed upon between the Borrower and the Bank during the supervision mission last September 24-October 4, 2018, and have already been reflected in the Operational Manual.

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

1. All occurrences of “SECOB” and “PMU” throughout the Loan Agreement will be replaced with “EOD-PRETT”.

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

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

3. Sections 4.01 (a) and 4.02 (a) of the Loan Agreement are hereby deleted and the respective Sections are renumbered accordingly.

4. Part 3 (d) of Schedule 1 to the Loan Agreement is hereby amended to read as follows:

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

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

“A. Institutional Arrangements

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

(i) operate and maintain the EOD-PRETT until the completion of the Project, comprised of key staff with functions, experience, and qualifications acceptable to the Bank, as described in the Operational Manual including: a Project coordinator and specialists for the monitoring and evaluation, procurement, financial management, social, environmental and infrastructure aspects under the Project, and responsible for the management, coordination, supervision, monitoring and evaluation of the Project activities;

(ii) cause INEC to operate and maintain, until the completion of the Project, a separate Project team comprised of key staff with functions, experience, and qualifications acceptable to the Bank, as described in the Operational Manual, including a technical coordinator, a financial management specialist, and a labor market and statistical specialist;

(iii) not later than thirty (30) days after the effective date of this Amendment Letter, ensure that the Project coordinator and specialists for the monitoring and evaluation, procurement, financial management, social, environmental and infrastructure aspects under the Project mentioned in (i) above in respect of EOD-PRETT have been assigned to work full time;
(iv) not later than ninety (90) days after the effective date of this Amendment Letter, ensure that the technical coordinator, financial management specialist, and a labor market and statistical specialist mentioned in (ii) above in respect of INEC have been assigned to work full time;

(v) not later than one hundred twenty (120) days after the effective date of this Amendment Letter, ensure that a complementary financial management system has been established in SENESCYT and is operational, all in a manner acceptable to the Bank; and

(vi) not later than sixty (60) days after the effective date of this Amendment Letter, ensure that only ISTs that have a legalized land title will be included in the Project.”

6. Section I.B. of Schedule 2 to the Loan Agreement is hereby deleted and the said Section is renumbered accordingly.

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works and consulting services under Part 1 in respect of SENESCYT</td>
<td>58,400,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, consulting services, non-consulting services, Operating Costs and Training under Parts 2 and 3(a), 3(b)(i); 3(c) and 3(d)(ii)-3(d)(v) of the Project in respect of SENESCYT</td>
<td>11,958,874</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, consulting services, Survey Costs, and Training under Part 3(b)(ii) and 3(d)(i) of the Project in respect of INEC</td>
<td>2,141,126</td>
<td>100%</td>
</tr>
<tr>
<td>Subtotal</td>
<td>72,500,000</td>
<td></td>
</tr>
<tr>
<td>Cancelled amount effective September 27, 2018</td>
<td>18,000,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>90,500,000</td>
<td></td>
</tr>
</tbody>
</table>

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

“Section V. Other Undertakings

1. Without limitation to the provision of Section 5.03 of the General Conditions, the Borrower shall provide, promptly, as needed, the counterpart funds required for Project implementation estimated in the amount of approximately nine million six hundred thousand Dollars (USD9,600,000), as further detailed in the Operational Manual and distributed in accordance with the table set forth in the Annex to this Agreement, as such counterpart fund amounts reflected in said table may be
revised from time to time by mutual agreement between the Borrower and the Bank, and reflected in a written notice from the Bank to the Borrower, which notice shall constitute an amendment to this Agreement.

2. The Borrower shall, through EOD-PRET, not later than sixteen (16) months after the effective date of this Amendment Letter, select and contract an entity, independent from the Borrower, with experience and qualifications acceptable to the Bank, in accordance with terms of reference satisfactory to the Bank, to carry out the technical reviews referred to in Part 2(a)(ii) of the Project, as set forth in Schedule 1 to this Loan Agreement.”

9. Section I of the Appendix to the Loan Agreement is hereby amended to read as follows:

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

“EOD-PRET” means Entidad Operativa Desconcentrada Proyecto de Reconversión de la Educación Técnica y Tecnológica Superior Pública del Ecuador, the Borrower’s operating entity for the Transformation of Tertiary Technical and Technological Public Education in Ecuador Project, established under SENESCYT, pursuant to the Borrower’s Decree No. 364 dated April 9, 2018, or any successor acceptable to the Bank.”

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

“INEC Agreement” means the agreement referred to in Section I.B.1. of Schedule 2 to this Agreement.”

“Operating Costs” means the reasonable incremental operational costs (which would not have been incurred absent the Project) incurred by the Borrower, through EOD-PRET, related to Project technical and administrative management, monitoring and supervision required under the Project, including inter alia, remuneration for non-operational and non-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 services.”

(c) The definitions of “PMU”, “SECOB” and “SECOB Agreement” are hereby deleted (as a result, the remaining definitions are renumbered to maintain alphabetical order).

10. The Annex to the Loan Agreement is hereby deleted and replaced in its entirety with the Attachment to this Amendment Letter.
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 Rodriguez
Director
Bolivia, Chile, Ecuador and Peru

CONFIRMED AND AGREED:

REPUBLIC OF ECUADOR

By: Mr. Richard Iván Martínez Alvarado
Title: Minister of Economy and Finance
Date: 29 ABR 2019

cc: Econ. Gonzalo Francisco Maldonado Alfán, Subsecretary of Public Financing
Mgs. Fabián Aníbal Carillo Jaramillo, Ministry of Economy and Finance, Subrogate
Mr. Juan Carlos Alvarez, Resident Representative of Ecuador to The World Bank
ANNEX
Project Cost Composition by Parts of the Project (Component/Sub-component)
and by Source of Financing

<table>
<thead>
<tr>
<th>Part of the Project (including Project expenditures)</th>
<th>Bank Loan (US$ million)</th>
<th>Borrower’s counterpart funds</th>
<th>Total cost</th>
<th>% Bank</th>
<th>% Borrower</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part 1. Optimizing and upgrading the supply in targeted Provinces: Consulting services (feasibility and technical studies, and supervision); works and goods (equipment and furniture)</td>
<td>58,400,000</td>
<td>7,592,000</td>
<td>65,992,000</td>
<td>88%</td>
<td>12%</td>
</tr>
<tr>
<td>Part 2. Improving program relevance, quality of teaching and IST management capacity</td>
<td>8,610,429</td>
<td>1,179,810</td>
<td>9,790,240</td>
<td>88%</td>
<td>12%</td>
</tr>
<tr>
<td>2.(a): Consulting services: design and review of TTE programs and the review process in collaboration with employers</td>
<td>1,519,791</td>
<td>208,243</td>
<td>1,728,034</td>
<td>88%</td>
<td>12%</td>
</tr>
<tr>
<td>2.(b): Consulting services; non-consulting services and Training (design of training programs and training for teachers and administrative staff, and design of the selection process and the careers of teachers)</td>
<td>5,050,638</td>
<td>692,044</td>
<td>5,742,682</td>
<td>88%</td>
<td>12%</td>
</tr>
<tr>
<td>2.(c): Goods, Consulting services, non-consulting services (design and implementation of the academic and administrative management system)</td>
<td>2,040,000</td>
<td>279,524</td>
<td>2,319,524</td>
<td>88%</td>
<td>12%</td>
</tr>
<tr>
<td>Part 3. Strengthening Mechanisms for Institutional Coordination, Boosting Demand and Management, Monitoring and Evaluation of the Project</td>
<td>5,489,571</td>
<td>813,016</td>
<td>6,302,586</td>
<td>87%</td>
<td>13%</td>
</tr>
<tr>
<td>3.(a) Consulting services and non-consulting services (institutional strengthening with the Association of Employers and private ISTs)</td>
<td>303,174</td>
<td>44,901</td>
<td>348,075</td>
<td>87%</td>
<td>13%</td>
</tr>
<tr>
<td>3.(b) Consulting services, Survey Costs, goods and Training (update of the methodology for estimating labor market demand)</td>
<td>2,900,000</td>
<td>429,495</td>
<td>3,329,495</td>
<td>87%</td>
<td>13%</td>
</tr>
<tr>
<td>3.(c) Consulting services, non-consulting services and Training (communication campaigns to boost the demand for higher technical education) and design and implementation of the awareness program</td>
<td>887,882</td>
<td>131,497</td>
<td>1,019,379</td>
<td>87%</td>
<td>13%</td>
</tr>
<tr>
<td>3.(d) Consulting services, goods, non-consulting services, Operating Costs and Training (administration, monitoring, audits and studies and impact evaluation of the Project)</td>
<td>1,398,514</td>
<td>207,123</td>
<td>1,605,637</td>
<td>87%</td>
<td>13%</td>
</tr>
<tr>
<td>Subtotal</td>
<td>72,500,000</td>
<td>9,584,826</td>
<td>82,084,826</td>
<td>88%</td>
<td>12%</td>
</tr>
<tr>
<td>Cancelled amount effective September 27, 2018</td>
<td>18,000,000</td>
<td>2,380,174</td>
<td>20,380,174</td>
<td>88%</td>
<td>12%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>90,500,000</td>
<td>11,965,000</td>
<td>102,465,000</td>
<td>88%</td>
<td>12%</td>
</tr>
</tbody>
</table>