

Public Disclosure Authorized

# OFFICIAL DOCUMENTS

LOAN NUMBER 8667-EC

## Loan Agreement

(Transformation of the Tertiary Technical and Technological Institutes Project – *Proyecto de Reconversión de la Educación Técnica y Tecnológica Superior Pública*)

between

REPUBLIC OF ECUADOR

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated December 22, 2016

Public Disclosure Authorized

## LOAN AGREEMENT

Agreement dated December 22, 2016 between the REPUBLIC OF ECUADOR ("Borrower"), through its Ministry of Finance, 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 Ministry of Finance, on the terms and conditions set forth or referred to in this Agreement, the amount of ninety million and five hundred thousand Dollars (\$90,500,000), 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 Ministry 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 Ministry 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 Ministry 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 Ministry 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 Ministry 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 May 15 and November 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 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: (i) cause SECOB to carry out Part 1 (a) of the Project with the assistance of SENESCYT; (ii) cause INEC to carry out Part 3 (b) (ii) of the Project; (iii) carry out Parts 1 (b), 2 and 3 (a), (b) (i), (c) and (d) of the Project through SENESCYT, 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 SENESCYT, and SECOB in a manner acceptable to the Bank.

- (b) The INEC Agreement has been executed on behalf of the Borrower, through SENESCYT, and INEC, in a manner acceptable to the Bank.
  - (c) The pertinent administrative act (*Acuerdo Ministerial*) approving the Operational Manual has been issued.
- 4.02. The Additional Legal Matters consist of the following:
- (a) The SECOB Agreement has been duly authorized or ratified by the Borrower and SECOB and is legally binding upon the Borrower and SECOB in accordance with its terms.
  - (b) The INEC Agreement has been duly authorized or ratified by the Borrower and INEC and is legally binding upon the Borrower and INEC in accordance with its terms.
- 4.03. 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 Minister 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

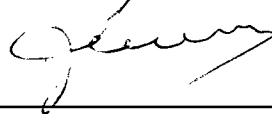
5.03. The Bank's Address is:

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.

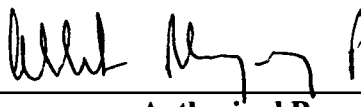
**REPUBLIC OF ECUADOR**

By   
**Authorized Representative**

Name: FRANCISCO BORTA CEVALLOS

Title: AMBASSADOR

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

By   
**Authorized Representative**

Name: ALBERTO RODRIGUEZ

Title: COUNTRY DIRECTOR

## **SCHEDULE 1**

### **Project Description**

The objectives of the Project are: to increase enrollment and persistence in public technical and technological programs designed and implemented in collaboration with Employers, and to strengthen the institutional management of Tertiary Technical and Technological Education.

The Project consists of the following parts:

#### **Part 1. Optimizing and upgrading the supply in Targeted Provinces.**

- (a) Provisions of support to the Targeted Provinces for: (i) the construction of new ISTs; (ii) the rehabilitation, expansion and/or completion of existing ISTs; (iii) the supervision of civil works under (i) and (ii) herein; (iv) the acquisition of laboratories and information and communication technologies equipment and furniture; and (v) the carry out of technical and feasibility studies for the works mentioned in (i) and (ii) herein (other than for the works located in the provinces of Bolivar, El Oro and Sucumbios).
- (b) Preparation and consolidation of individual IST Transformation Plans for all Targeted Provinces.

#### **Part 2. Improving program relevance, quality of teaching and IST management capacity.**

- (a) Provision of support to SENESCYT for: (i) the design of new TTTE programs according to labor market demand; and (ii) the review of the process of collaboration with the Employers in designing the programs mentioned in (i) herein.
- (b) Provision of support for: (i) the design and carrying out of training programs, including training programs for management staff (rectors, vice-rectors, academic coordinators), teachers and tutors of dual programs of ISTs; and (ii) the design of the selection process and teacher career pathway.
- (c) Provision of support for the development of the administrative and academic management system of ISTs.

#### **Part 3. Strengthening mechanisms for institutional coordination, boosting demand and management, monitoring and evaluation of the Project.**

- (a) Provision of support to SENESCYT for: (i) strengthening of institutional arrangements for public-private association, namely between SENESCYT and Employers' Associations; and (ii) strengthening engagement between public and private ISTs.
- (b) Provision of support for upgrading the methodology to estimate the Employers' demand by types of skills and TTTE's programs, through: (i) the design of a methodology for estimating the demand by SENESCYT through surveys carried

out in collaboration with Employers; and (ii) the evaluation of existing administrative data to estimate future Employer's demand, and if necessary, include a module for TTTE in INEC's surveys of employment to complement the existing data.

- (c) Provision of support for: (i) boosting the demand of TTTE through the design and carrying out of media campaigns among students of secondary education on the advantages of TTTE, in collaboration with MINEDUC; and (ii) the design and carrying out of a program for raising awareness among students from the most vulnerable part of the population on scholarships to finance TTTE studies.
- (d) Provision of support for: (i) the technical and administrative management of the Project, including the hiring of financial management, procurement, monitoring and evaluation, and social management specialist and other technical temporary staff needed during Project implementation; (ii) the carrying out of Project external audits; (iii) 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 (iv) the carrying out of research studies on the impact of institutional improvement of educational outcomes.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

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

- (i) operate and maintain, until the completion of the Project, the Project Management Unit (PMU), 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 SECOB and INEC to operate 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 an infrastructure specialist for SECOB and a technical coordinator, and procurement and financial management specialists for INEC, and responsible for the management, coordination, supervision, monitoring and evaluation of the Project activities under their responsibility;
- (iii) not later than thirty (30) days after the Effective Date, ensure that the Project coordinator, procurement and financial management specialists mentioned in (i) above, and the technical coordinator and, procurement and financial management specialists mentioned in (ii) above, in respect of within SECOB and INEC, respectively, have been assigned to work full time in said entities;
- (iv) not later than sixty (60) days after the Effective Date, ensure that the monitoring and evaluation, social, environmental and infrastructure specialists mentioned in (i) above, are assigned to work full time within the PMU; and
- (v) not later than sixty (60) days after the Effective Date, ensure that a complementary financial management system has been established in SENESCYT and is operational, all in a manner acceptable to the Bank.

##### B. SECOB Agreement

1. To facilitate the carrying out Part 1 (a) of the Project, the Borrower, through SENESCYT 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 non-reimbursable basis, part of the proceeds of the Loan to SECOB ; and (b) SECOB's obligations to carry out the activities of Part 1 (a) of the Project in accordance with the relevant provisions of this Schedule, including the provisions of Sections I.D, I.E, I.F and III of this Agreement.



2. The Borrower, through SENESCYT, shall exercise its rights and carry out its obligations 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, terminate, waive or fail to enforce the SECOB Agreement or any of its provisions.

**C. INEC Agreement**

1. To facilitate the carrying out Part 3 (b) of the Project, the Borrower, through SENESCYT shall enter into an agreement with INEC (the INEC Agreement) under terms and conditions acceptable to the Bank including, *inter alia*: (a) the Borrower's obligation to transfer, on a non-reimbursable basis, part of the proceeds of the Loan to INEC; and (b) INEC's obligations to carry out the activities of Part 3 (b) (ii) of the Project in accordance with the relevant provisions of this Schedule, including the provisions of Sections I.D, I.E, I.F and Section III of this Agreement.
2. The Borrower, through SENESCYT, shall exercise its rights and carry out its obligations under the INEC 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, terminate, waive or fail to enforce the INEC Agreement or any of its provisions.

**D. Operational Manual**

1. The Borrower shall adopt and carry out the Project in accordance with the provisions of a manual (the Operational Manual), acceptable to the Bank, 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 IST consolidation; (f) the Gender Plan; and (g) the ESMF, the IPPF and the RPF, the Existing EMPs, the Existing IPPs and the Existing SMPs.
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.

**E. Anti-Corruption**

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

**F. Safeguards**

1. The Borrower, through SENESCYT, shall, and shall cause SECOB and INEC to, implement the respective Parts of the Project under their responsibility in accordance with the Existing EMPs, the Existing SMPs, the Existing IPPs, the ESMF, the IPPF, the Gender Plan and the RPF, as applicable.
2. The Borrower shall ensure, and/or cause the SECOB and INEC to ensure, that the terms of reference for any consultancy in respect of any Project activity shall be satisfactory to the Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the applicable Bank Safeguards Policies, as applied to the advice conveyed through such technical assistance.

**Environmental and Social Management**

3. Without limitation to the provisions in paragraph 1 of this Section, the Borrower, through SENESCYT, shall cause SECOB to, prior to carrying out any works under Part 1 (a) of the Project (other than for those works located in the Targeted Provinces of Bolivar, El Oro and Sucumbíos):
  - (i) carry out a site-specific environmental impact and social assessments in respect of each said works, under terms of reference acceptable to the Bank;
  - (ii) prepare, consult and disclose respective site-specific EMP and, if applicable the SMP, all in a manner acceptable to the Bank and in accordance with the provisions 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 EMP, and if applicable, the SMP, all in form and substance satisfactory to the Bank; and (b) the draft contract for such works to ensure that the provisions of the relevant EMP, and if applicable, the relevant SMP, are adequately included in the related contract; and
  - (iv) thereafter, implement the relevant EMP and SMP 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)**

4. If required by the IPPF, the Borrower, through SENESCYT, shall:
  - (i) prior to carrying out any particular works under Part 1 (a) of the Project (other than for those works located in the Targeted Provinces of Bolivar, Tungurahua and Sucumbíos), prepare, consult and disclose the relevant IPP in a manner acceptable to the Bank and in accordance with the provisions set forth in the IPPF; and
  - (ii) immediately thereafter, implement the relevant IPP in accordance with its terms, and in a manner acceptable to the Bank.

**Resettlement Policy Framework (RPF)**

5. If any works under Part 1 (a) of the Project involve Involuntary Resettlement, the Borrower shall, prior to the carrying out of the pertinent works:
  - (i) prepare a RAP for the site where pre-screening has identified resettlement impacts, as defined by the RPF;
  - (ii) consult and disclose the relevant RAPs, including publicizing the availability of the grievance redress mechanism referred to in paragraph 6 of this Section, and take all measures necessary to implement the determinations made under the grievance redress mechanism, in a manner acceptable to the Bank; and
  - (iii) implement the relevant RAP in accordance with its terms, and in a manner acceptable to the Bank.

**Grievance Redress Mechanism**

6. The Borrower, through SENESCYT 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 Operational Manual, a grievance redress mechanism that encompasses transparent, timely and fair procedures, for the purposes of ensuring that all complaints received from Project beneficiaries and other interested stakeholders related to any activity under the Project are properly and timely addressed to the satisfaction of the Bank.

**Section II. Project Monitoring Reporting and Evaluation**

**A. Project Reports**

The Borrower, through SENESCYT, 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 forty-five (45) days after the end of the period covered by such report.

**B. Financial Management, Financial Reports and Audits**

1. The Borrower, through SENESCYT, shall, and shall cause SECOB and INEC to 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 SENESCYT, shall 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 pertinent calendar semester, in form and substance satisfactory to the Bank.
3. The Borrower, through SENESCYT, shall have the 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. of this Schedule, the Borrower, through SENESCYT, shall, not later than 120 days before the end of: (i) the first calendar year of Project implementation or (ii) the period subject to audits referred to in said Section, (whichever occurs first), submit to the Bank for its no-objection the terms of reference for the hiring of an independent auditor for the duration of the Project.

**Section III. Procurement**

All goods, works, non-consulting services and 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 the Procurement Regulations and the provisions of the Procurement Plan.

**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.

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be financed (exclusive of Taxes)</b>
(1) Goods, works and consulting services under Part 1 in respect of SENESCYT and SECOB	76,400,000	100%
(2) Goods, consulting services and training under Parts 2 and 3 (a), (b) (i); (c) and (d) of the Project in respect of SENESCYT	11,200,000	100%
(3) Goods, consulting services, Survey Costs and Training under Part 3 (b) (ii) of the Project in respect of INEC	2,900,000	100%
<b>TOTAL AMOUNT</b>	<b>90,500,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) from the Loan Account 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, except that withdrawals up to an aggregate amount not to exceed \$18,000,000 may be made for payments made prior to this date but on or after October 28, 2016, for Eligible Expenditures, under all Categories.
2. The Closing Date is December 31, 2021.

**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 twelve million Dollars (US\$12,000,000), 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, through SENESCYT, shall, not later than eighteen (18) months after the Effective Date, select and contract, pursuant to the provisions of Section III of this Schedule, an entity, independent from the Borrower with experience and qualifications acceptable to the Bank, and in accordance with terms of reference satisfactory to the Bank, for purposes of carrying out the technical reviews referred to in Part 2 (a) (ii) of the Project.

ANNEX

**Project Cost Composition by Parts of the Project (Component/Sub-component) and by Source of Financing**

<b>Part of the Project (including Project expenditures)</b>	<b>Bank Loan</b>	<b>Borrower's counterpart funds</b>	<b>Total cost</b>	<b>% Bank</b>	<b>% Borrower</b>
<b>Part 1. Optimizing and upgrading the supply in targeted Provinces:</b> Consulting services (feasibility and technical studies, and supervision); works and goods (equipment and furniture).	<b>76,400,000</b>	<b>9,932,000</b>	<b>86,332,000</b>	<b>88%</b>	<b>12%</b>
<b>Part 2. Improving program relevance, quality of teaching and IST management capacity</b>	<b>4,985,000</b>	<b>683,050</b>	<b>5,668,050</b>	<b>88%</b>	<b>12%</b>
2.(a) Consulting services (design of TTTE programs and review process of collaboration with Employers)	1,685,000	230,880	1,915,880	88%	12%
2.(b) Consulting services (design of training programs and training for teachers and management staff, and design selection process and teacher career pathway)	1,850,000	253,489	2,103,489	88%	12%
2.(c) Consulting services (design and implementation of an academic and administrative management system)	1,450,000	198,681	1,648,681	88%	12%
<b>Part 3. Strengthening Mechanisms for Institutional Coordination, Boosting Demand and Management, Monitoring and Evaluation of the Project</b>	<b>9,115,000</b>	<b>1,349,950</b>	<b>10,464,950</b>	<b>87%</b>	<b>13%</b>
3.(a) Consulting services (strengthening institutional partnerships with Employers' Associations and private and public ISTs)	730,000	108,114	838,114	87%	13%
3.(b) Consulting services, Survey Costs, goods, and Training (upgrading the methodology for estimation of the labor market demand)	2,925,000	433,198	3,358,198	87%	13%
3.(c) Consulting Services and Training (communication campaigns to boost the demand for TTTE) and design and implementation raising awareness program	2,930,000	433,939	3,369,939	87%	13%
3.(d) Consulting services, goods, Operating Costs and Training (management, monitoring, Project audits, research studies and impact evaluation for the Project)	2,530,000	374,698	2,904,698	87%	13%
<b>TOTAL</b>	<b>90,500,000</b>	<b>11,965,000</b>	<b>102,465,000</b>	<b>88%</b>	<b>12%</b>

### SCHEDULE 3

#### Amortization Schedule

1. 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.

<b>Repayment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
May15, 2034	16.9802%
November 15, 2034	14.1005%
May 15, 2035	11.7092%
November 15, 2035	9.7234%
May 15, 2036	8.0744%
November 15, 2036	6.7051%
May 15, 2037	5.5679%
November 15, 2037	4.6237%
May 15, 2038	3.8395%
November 15, 2038	3.1884%
May 15, 2039	2.6477%
November 15, 2039	2.1986%
May 15, 2040	1.8258%
November 15, 2040	1.5161%
May 15, 2041	1.2590%
November 15, 2041	1.0455%
May 15, 2042	0.8682%
November 15, 2042	0.7210%
May 15, 2043	0.5987%
November 15, 2043	0.4972%
May 15, 2044	0.4128%
November 15, 2044	0.3428%
May 15, 2045	0.2847%
November 15, 2045	0.2364%
May 15, 2046	0.1963%
November 15, 2046	0.1630%

<b>Repayment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
May 15, 2047	0.1354%
November 15, 2047	0.1124%
May 15, 2048	0.0934%
November 15, 2048	0.0775%
May 15, 2049	0.0644%
November 15, 2049	0.0535%
May 15, 2050	0.0444%
November 15, 2050	0.0369%
May 15, 2051	0.0306%
November 15, 2051	0.0254%

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: (i) 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 (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

## 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 and as of July 1, 2016.
2. “Bank Safeguards Policies” means the Bank’s operational policies and procedures set forth in the Bank’s Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 as said manual is published under.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Employers” means any private or public sector entity that is engaged in activities, acceptable to the Bank that would be able to employ graduates from ISTs.
5. “Employers’ Associations” means a group of private employers that represent the interests of a specific economic sector.
6. “Environmental and Social Management Framework” or “ESMF” means the Borrower’s framework dated September 12, 2016, acceptable to the Bank, published and available to the public on the website [www.educacionsuperior.gob.ec](http://www.educacionsuperior.gob.ec), and on the Bank’s external website on September 14, 2016, 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 and social assessments and the preparation and implementation of the corresponding EMP and SMPs when applicable; (d) the recommendation of mitigation measures for each negative impact identified; (e) measures for enhancing each identified positive impact, as said framework may be amended from time to time with the Bank’s prior approval.
7. “Environmental Management Plan” or “EMP” means any site-specific environmental and social management plan (other than the Existing EMPs) prepared by the Borrower and approved by the Bank, for activities under Part 1(a) of the Project, and collectively referred to as “Environmental Management Plans or EMPs”.
8. “Existing EMPs” means the environmental management plans, acceptable to the Bank, for the works under Part 1 (a) of the Project which are located in the Targeted Provinces of Sucumbíos (Lago Agrio), Bolívar (Chimbo), El Oro (Machala), all disclosed by the Borrower on October 3, 2016 and made available by the Bank on October 3, 2016 (Sucumbíos) and October 4, 2016 (El Oro and Bolivar), as said plans may be amended from time to time with the agreement of the Bank.
9. “Existing IPPs” means the indigenous peoples plans, acceptable to the Bank, for the works under Part 1 (a) of the Project located in the Targeted Provinces of Sucumbíos, Tungurahua and Bolivar, all disclosed by the Borrower on August 30, 2016 and made available by the

Bank on September 2, 2016 (Tungurahua) and on September 6, 2016 (Sucumbíos and Bolívar), as said plans may be amended from time to time with the agreement of the Bank.

10. “Existing SMPs” means the social management plans, acceptable to the Bank, for the works under Part 1 (a) of the Project located in the Targeted Province of El Oro, Guayas, Manabí and Pichincha, all disclosed by the Borrower on August 30, 2016 and made available by the Bank on September 2, 2016 (El Oro, Guayas and Manabí) and on September 6, 2016 (Pichincha).
11. “Gender Plan” means the Borrower’s gender plan dated September 2, 2016, acceptable to the Bank, annexed to the Operational Manual to ensure equality of opportunities for both women and men under the Project.
12. “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.
13. “Indigenous Peoples’ Plan” or “IPP” means any site-specific indigenous peoples’ plan prepared or 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, and collectively referred to as “Indigenous Peoples’ Plans or IPPs”, as said plan may be amended from time to time with the agreement of the Bank.
14. “Indigenous Peoples’ Planning Framework” or “IPPF” means the Borrower’s framework, dated August 30, 2016, acceptable to the Bank, published and available to the public on the website [www.educacionsuperior.gob.ec](http://www.educacionsuperior.gob.ec) and the Bank’s external website on September 6, 2016, 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, as said framework may be amended from time to time with the Bank’s prior approval.
15. “INEC” means *Instituto Nacional de Estadística y Censos*, the Borrower’s National Institute of Statistics, created by the Borrower’s Decree No. 323, of April 27, 2076 and regulated by the Borrower’s Decree No. 141, of July 20, 2007.
16. “INEC Agreement” means the agreement referred to in Section I.C.1. of Schedule 2 to this Agreement.
17. “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.
18. “IST” means *Instituto Superior Técnico y Tecnológico*, the Borrower’s technical and technological training institute, a higher education non-profit institution which purpose is

to: (i) provide TTTE in arts and/or other fields of knowledge; and (ii) carry out research aimed at technical or technological innovation.

19. "IST Transformation Plan" means a comprehensive document prepared by the Borrower for a particular Targeted Province, which shall include: (i) a description of the current state of public TTTE in said Targeted Province; (ii) the expected demand for TTTE up to the year 2022; (iii) a plan for the provincial consolidation of the supply of TTTE, including the expected mergers and closures of ISTs; (iv) the infrastructure dimensioning of the new ISTs; (v) the labor demand projections; (vi) the quota allocations by TTTE programs and (vii) if applicable, the Social Management Plans, the Existing Social Management Plan, the Existing IPPs and/or the IPPs.
20. "MINEDUC" means *Ministerio de Educación*, the Borrower's Ministry of Education, or any successor acceptable to the Bank.
21. "Operating Costs" means the reasonable incremental operational costs (which would not have been incurred absent the Project) incurred by the Borrower, through SENESCYT, 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 service.
22. "Operational Manual" means the manual referred to in Section I.D of Schedule 2 to this Agreement, as said manual may be amended from time to time with the agreement of the Bank.
23. "PMU" means the PRETyT unit within the Borrower's Subsecretary of Technical and Technological Training, referred to in Section I.A (i) of Schedule 2 to this Agreement.
24. "PRETyT" means *Programa de Reconversión de la Educación Técnica y Tecnológica Superior Pública del Ecuador*, the Borrower's Program of Transformation of Tertiary Technical and Technological Public Education in Ecuador, established pursuant to the *Acuerdo Ministerial No 2013-020* dated March 27, 2013--
25. "Procurement Plan" means the Borrower's procurement plan for the Project, dated October 13, 2016 and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the Bank.
26. "Procurement Regulations" means the "World Bank Procurement Regulations for Borrowers under Investment Project Financing", dated July 1, 2016.
27. "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", as said plan may be amended from time to time with the agreement of the Bank..

28. “Resettlement Policy Framework” or “RPF” means the document prepared by the Borrower dated August 30, 2016, published and available to the public on the website [www.educacionsuperior.gob.ec](http://www.educacionsuperior.gob.ec) and on the Bank’s external website on September 2, 2016 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.
29. “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.
30. “SECOB Agreement” means *Convenio de Cooperación Inter-Institucional entre SENESCYT and SECOB*, the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement.
31. “SENESCYT” means *Secretaría de Educación Superior, Ciencia y Tecnología*, the Borrower’s Secretary of Higher Education, Science and Technology or any successor acceptable to the Bank.
32. “Social Management Plan” means a specific-site social management plan (other than the Existing EMP), acceptable to the Bank, to address any social impact in respect of any works under Part 1 (a) of the Project not involving the presence of indigenous population, as said plan may be amended from time to time with the agreement of the Bank.
33. “Survey Costs” means the costs incurred by the Borrower in contracting surveyors for purposes of carrying out the surveys under Part 3 (b) (ii) of the Project, including surveyors transportation and printing services.
34. “Targeted Provinces” means the following provinces of the Borrower: Sucumbíos, Bolívar, El Oro, Guayas, Manabí, Pichincha, y Tungurahua.
35. “Tertiary Technical and Technological Education” or “TTTE” means the tertiary (post-secondary) education provided by ISTs on technical or technological programs in a specific field of knowledge.
36. “Training” means expenditures (other than those for consulting services) incurred by the Borrower, through SENESCYT, 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), all under the Project.

**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).”
5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01 (a).
6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term “Loan Payment” is modified to read as follows:  
  
“68. “Loan Payment” means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”
7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”.