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REPORT NO.: RES40831

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

TRANSFORMATION OF THE TERTIARY TECHNICAL AND TECHNOLOGICAL INSTITUTES PROJECT

APPROVED ON NOVEMBER 23, 2016

TO

MINISTRY OF ECONOMY AND FINANCE

Public Disclosure Authorized

EDUCATION

LATIN AMERICA AND CARIBBEAN

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ABBREVIATIONS AND ACRONYMS

EOD	Deconcentrated Operating Entity
EOD-PRETT	Recipient's Deconcentrated Operating Entity for the Program of Transformation of Tertiary Technical and Technological Public Education in Ecuador (*Entidad Operativa Desconcentrada Proyecto de Reconversión de la Educación Técnica y Tecnológica Superior Pública del Ecuador)*
INEC	National Institute of Statistics (*Instituto Nacional de Estadísticas y Censo*)
IST	Tertiary Technical and Technological Institutes (*Institutos de Educación Terciaria Técnica y Tecnología)*
MEF	Ministry of Economy and Finance (*Ministerio de Economía y Finanzas*)
PRETT	Program of Transformation of Tertiary Technical and Technological Public Education in Ecuador. Also called PRETT (*Programa de Reconversión de la Educación Técnica y Tecnológica Superior Pública del Ecuador*)
SECOB	Works Contracting Service (*Servicio de Contratación de Obras*)
SENESCYT	Secretariat of Higher Education, Science and Technology (*Secretaría de Educación Superior, Ciencia y Tecnología*)
SENPLADES	National Secretariat for Planning and Development (*Secretaría Nacional de Planificación y Desarrollo*)

BASIC DATA

Product Information

Project ID P157425	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 23-Nov-2016	Current Closing Date 31-Dec-2021

Organizations

Borrower Ministry of Economy and Finance	Responsible Agency SENESCYT,Deconcentrated Operating Entity (EOD) - PRETT SENESCYT

Project Development Objective (PDO)

Original PDO

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.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IBRD-86670	23-Nov-2016	22-Dec-2016	22-Mar-2017	31-Dec-2021	72.50	3.92	68.58

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Project Status

1. **Overall Project Implementation is Moderately Unsatisfactory**. The Project was approved by the Board on November 23, 2016 and became effective on March 22, 2017. A project restructure was completed on April 10, 2019. The restructure comprised: (i) a partial loan cancellation of US$18 million; (ii) a revision of the Project's institutional arrangements; (iii) a revision of Eligible Expenditure categories; (iv) changes in budget allocation across Eligible Expenditure categories; and (v) changes in the results framework.

2. There have been significant delays in the implementation of all components and disbursement rates remain critically low, having disbursed only US$3.92 million as of March 2020 (a disbursement rate of 5.4%). The ratings for Progress Towards Achievement of PDO and Overall Implementation Progress were downgraded to Moderately Unsatisfactory on the Implementation Status and Results Report (ISR) issued in May 2018. These delays are a result of several factors. At the more structural level, projects managed by the central government have complex budget allocation procedures that require interactions with other ministries, including Planifica Ecuador (former SENPLADES, Planification Secretariat) and the Ministry of Economy and Finance (MEF). Moreover, counterparts in the Secretariat of Higher Education, Science and Technology (SENESCYT), including Ministers, Vice-Ministers, Under-Secretaries, Project Coordinators and Specialists have changed four times during project implementation. These changes have contributed to important shifts in policy/technical views related to "how" to implement project activities and delays while new teams learn about the program and about Bank processes and procedures.

3. Since early 2019, the EOD has been preparing the documents for the bids of three ISTs (Machala, Lago Agrio and Manta). It is expected that all the processes will be finished and the contracts signed by June 30th, 2020 for the ISTs in Lago Agrio and Manta and by July 31st, 2020 for the IST in Machala.

B. Rationale for Restructuring

1. **The Government of Ecuador (GoE) is facing a difficult economic situation due to several factors, most importantly the dramatic fall in oil prices.** In an effort to optimize the use of financial resources and avoid further implementation delays due to the lack of liquidity and fiscal resources to finance VAT fees, the Government of Ecuador requested the amendment of their full portfolio of Loan Agreements, in order to allow for the financing of VAT with loan proceeds (Oficio Nro.MEF-SFP-2020-0171-O, dated February 18, 2020).

Loan No.	Project Name
8591	Risk Mitigation and Emergency Recovery Project
8542	Supporting Education Reform in Targeted Circuits Project
8515	Sustainable Family Farming Modernization Project
8946	Social Safety Net Project
8667	**Transformation of the Tertiary Technical and Technological Institutes Project**

2. **The involved World Bank Project Managers have worked with the respective implementation units and the Ministry of Economy and Finance to define the changes in each project's scope associated with the said request.** Consequently, project documents and implementation plans have been updated accordingly.

3. **An umbrella amendment to the Loan Agreements has been prepared and is attached to this Restructuring Paper.** The proposed effectiveness date for this restructuring will be January 2nd, 2020, which is the date when the Government of Ecuador issued the Executive Decree 001 enabling the VAT to be financed with resources from loans signed with multilateral development banks.

II. DESCRIPTION OF PROPOSED CHANGES

A. Inclusion of VAT within the Expenditure to be financed

Originally, the loan agreement stated that VAT should be paid with resources from the Government of Ecuador. However, as per requested, VAT will be financed with resources from the loan and the Loan Agreement will be amended to reflect this change. This restructuring is requesting approval to include VAT as an eligible expenditure in the Loan Agreement.

Actual allocated amounts to categories

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of expenditures to be financed (exclusive of Taxes)
(1) Goods, works and consulting services under Part 1 in respect of SENESCYT	58,400,000	100%
(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	11,958,874	100%
(3) Goods, consulting services, Survey Costs, and Training under Part 3(b)(ii) and 3(d) (i) of the Project in respect of INEC	2,141,126	100%
Subtotal	**72,500,000**	
Cancelled amount effective September 27, 2018	18,000,000	
TOTAL AMOUNT	**90,500,000**	

Proposed allocated amounts

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (including VAT)
(1) Goods, works and consulting services under Part 1 in respect of SENESCYT	58,400,000	100%
(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	11,958,874	100%
(3) Goods, consulting services, Survey Costs, and Training under Part 3(b)(ii) and 3(d) (i) of the Project in respect of INEC	2,141,126	100%
Subtotal	**72,500,000**	
Cancelled amount effective September 27, 2018	18,000,000	
TOTAL AMOUNT	**90,500,000**	

III. SUMMARY OF CHANGES

	Changed	Not Changed
Other Change(s)	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Results Framework		✓
Components and Cost		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓

Disbursement Estimates		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)

The proposed change is that, in all categories, the VAT will be covered with resources from the Loan.