Loan Agreement

(Risk Mitigation and Emergency Recovery Project)

between

REPUBLIC OF ECUADOR

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated April 22, 2016
LOAN AGREEMENT

Agreement dated April 92, 2016 between the REPUBLIC OF ECUADOR ("Borrower") 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, on the terms and conditions set forth or referred to in this Agreement, the amount of one hundred and fifty million Dollars ($150,000,000), 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 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 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 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 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 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead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 February 15 and August 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 objective of the Project. To this end, the Borrower shall: (a) carry out the Project with the assistance of: (i) MTOP, MAGAP, and MSP with respect to Part 1 of the Project; and (ii) MTOP, MAGAP and any other selected agency acceptable to the Bank with respect to Part 2 of the Project; and (b) shall cause EPA to carry out specific activities in the water sector under Parts 1 and 2 of the Project 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 — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consist of the following, namely that EPA shall have failed to comply with any of its obligations under the EPA Subsidiary Agreement.

4.02. The Additional Event of Acceleration consist of the following, namely that the event specified in Article 4.01 of this Agreement occurs and is continuing for a period of hundred and twenty days (120) days after notice of the event has been given by the Bank to the Borrower.
ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The EPA Subsidiary Agreement between the Borrower and EPA and the Co-Execution Subsidiary Agreements between the Borrower and the respective Co-Executing Agencies have been duly executed by all parties.

(b) The Borrower has adopted and disclosed, in form and substance satisfactory to the Bank, the ESSAF, the RPF and the IPPF.

(c) The Operation Manual has been approved by the Bank and adopted by the Borrower.

(d) The PCU has been established in a manner satisfactory to the Bank.

5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Ministry of Finance.

6.02. The Borrower’s Address is:

Ministry of Finance
Avenida 10 de Agosto y Jorge Washington
Quito, Ecuador

Facsimile: (5932) 2503-111
2558-232

6.03. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Telex: Facsimile:
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 BORJA

Title: AMBASSADOR OF THE REPUBLIC OF ECUADOR TO THE UNITED STATES OF AMERICA

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By __________________________
Authorized Representative

Name: JORGE FAMILIAR

Title: VICE PRESIDENT LATIN AMERICA AND THE CARIBBEAN REGION
SCHEDULE 1

Project Description

The objective of the Project is to reduce the potential effects of the El Niño phenomenon and the Cotopaxi volcano, and support the recovery of basic and production services in affected areas in case of an Eligible Disaster, in selected sectors.

The Project consists of the following parts:

Part 1: Disaster Preparation and Risk Mitigation

(a) 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.

(b) Provision of support for disaster preparedness and risk mitigation measures in the agriculture, livestock, aquaculture and fisheries sector, through the carrying out of activities aimed at mitigating the risk of: (i) flooding by ensuring the drainage systems can accommodate excess rainfall through cleaning and desilting of select drainage channels in public irrigation and drainage systems in critical areas; and (ii) loss of dairy production by ensuring the cattle at highest risk around the Cotopaxi are evacuated and provided basic care through the construction and equipment of temporary shelters for animals.

(c) Provision of support for disaster preparedness and risk mitigation measures in the transport sector, through the carrying out of activities aimed at mitigating the risk of damage to the Borrower’s road network in critical areas by reducing its vulnerability and improving its climate resilience against the potential El Niño effects and its robustness against the potential effects from the Cotopaxi volcano, including: (i) protection and stabilization works on select sections of the Borrower’s road network; (ii) emergency maintenance works on select sections of the Borrower’s road network and select bridges; (iii) emergency maintenance works on machinery and equipment; and (iv) the acquisition and held of bailey bridge components, as well as the provision of services for the overhaul of the bailey bridges.

(d) Provision of support for disaster preparedness and risk mitigation measures in the health sector, through the carrying out of activities aimed at improving MSP’s capacity to respond to the effects of El Niño and/or Cotopaxi eruption, in particular the occurrence of diseases, and to prepare in general for an emergency by providing resources and training to the sector, through: (i) the purchase of protective equipment, reagents, drugs and other medical supplies; (ii) the provision of training to health centers; and (iii) the purchase of ambulant hospital modules.
Part 2: **Post-Disaster Recovery and Reconstruction**

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

Part 3: **Project Implementation, Monitoring and Evaluation**

Provision of support to MF, EPA, MTOP, MSP, MAGAP and other selected sectors for the administrative management of the Project, including: (i) the hiring of a Project coordinator, specialists in financial management, procurement, monitoring and evaluation for the PCU; (ii) the hiring of, other technical temporary staff (including, but not limited to, environmental and social specialists), needed during Project implementation; (iii) the carrying out of Project audits; and (iv) the financing of the necessary goods and equipment.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower, through MF, shall have the responsibility of the high level coordination and policy support of the Project.

2. The Borrower, through MF, shall establish and thereafter operate and maintain throughout the implementation of the Project, a Project coordination unit (the "PCU") responsible for the overall management, coordination, supervision and monitoring and evaluation of the Project and with a structure, responsibilities and key staff with functions, experience, responsibilities, and qualifications acceptable to the Bank as described in the Operational Manual, including a Project coordinator and procurement, financial management and monitoring and evaluation specialists.

3. The Borrower, through MF, shall carry out Project activities (except for Part 1(a) and water investment activities under Part 2 which shall be carried out by EPA) in cooperation with the Co-Executing Agencies pursuant to the Co-Execution Subsidiary Agreements and shall exercise its rights under each Co-Execution Subsidiary 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 any of the Co-Execution Subsidiary Agreements or any of its provisions.

4. The Borrower, through MF shall:

   (a) prepare, in accordance with terms of reference acceptable to the Bank, an Operational Manual and thereafter implement, and cause EPA to implement 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; (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) furnish to the Bank for its prior approval, any proposed amendment to the provision 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.

B. EPA Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Borrower, through MF shall, make part of the proceeds of the Loan available to EPA, on a grant basis, for carrying out Part 1(a) and selected activities in the water sector under Part 2 of the Project if an Eligible Disaster occurs, pursuant to a subsidiary agreement between the Borrower and EPA, under terms and conditions approved by the Bank, including, without limitation, provisions of Section I.E of this Schedule ("EPA Subsidiary Agreement"); and

2. The Borrower shall exercise its rights under the EPA Subsidiary 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 EPA Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

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

D. Progress Review

The Borrower, through MF shall:

(a) Starting twelve (12) months after the Effective Date, any time during Project implementation, carry out jointly with the Bank, a review of the progress made in carrying out the Project ("Progress Review"), said Progress Review shall cover, inter alia: (i) progress made in meeting the Project’s objective; and (ii) overall Project performance against the Project indicators.

(b) prepare, and at least four (4) weeks prior to the Progress Review, furnish to the Bank, a separate report describing the status of implementation of each component of the Project and a summary report of Project implementation generally.

(c) not later than four (4) weeks after the Progress Review, prepare and submit to the Bank an action plan, acceptable to the Bank, for the further implementation of the Project taking into consideration the findings of the Progress Review and, thereafter, implement such action plan in accordance with its terms and in a manner acceptable to the Bank.
E. Safeguards

1. The Borrower shall, and shall cause EPA to: (a) implement the Project in accordance with the ESSAF, IPPF, RPF and the respective EMPs, RAPs and IPPs prepared or to be prepared pursuant to this Section, in accordance with the objectives, policies, procedures, compensation arrangements and other provisions set forth in the ESSAF (together, the “Safeguard Documents”), in each case as agreed with the Bank; and (b) refrain from taking any action which would prevent or interfere with the implementation of the Safeguard Documents, including any amendment, suspension, waiver, annulment and/or voidance of any provision of the Safeguard Documents, whether in whole or in part, without the prior written concurrence of the Bank.

2. Notwithstanding the generalities of paragraph 1 above, the Borrower shall and shall cause EPA to refrain from carrying out any activities under the Project that may: (a) have a significant, irreversible and long term environmental and/or social impact; or (b) involve works in protected areas; or (c) cause any significant degradation to forest land.

3. With respect to any activities under Parts 1 and 2 of the Project, the Borrower shall and shall cause EPA to refrain from awarding any contract to contractors/consultants until and unless:

   (a) the proposed activities have been screened in accordance with the guidelines, standards and procedures set forth in the ESSAF;
   
   (b) the respective EMP, RAP and/or IPP required for such activities pursuant to the ESSAF, RPF or IPPF, respectively, has/have been prepared and agreed with the Bank; and
   
   (c) the foregoing Safeguard Documents have been publicly disclosed by the Borrower and/or EPA.

4. The Borrower shall ensure, prior to commencing any civil works under the Project that: (a) all necessary governmental permits and/or clearances for such civil works shall have been obtained from the competent governmental authority/ies, except for those cases when the competent government authority authorizes the initiation of civil works before the final issuance of said permit and/or clearances; (b) all pre-construction conditions imposed by the governmental authority/ies under such permit(s) or clearance(s) shall have been complied with/fulfilled, except in those cases mentioned in paragraph (a) above; and (c) all resettlement measures for the respective civil works set forth in the applicable RAP shall have been fully executed, including the full payment of compensation prior to displacement and/or the provision of relocation assistance to all Displaced Persons, as per the entitlements provided in the ESSAF and/or the applicable RAP.

5. The Borrower shall ensure that each contract for civil works under the Project includes the obligation of the relevant contractor to comply with the relevant Safeguard Documents applicable to such civil works commissioned/awarded pursuant to said contract.
6. The Borrower shall create and maintain and operate throughout the period of Project implementation, a grievance redress mechanism (the "GRM") for the handling of any stakeholder complaints arising out of the implementation of Project activities. The operation and procedures of the GRM shall be subject to guidelines agreed between the Borrower and the Bank.

7. The Borrower shall ensure that the following Project expenditures are financed exclusively out of the Borrower's own resources, and, to this end, shall provide, as promptly as needed, the resources required therefor, namely: (a) all land acquisition required for the purpose of the Project; and (b) any compensation, resettlement and rehabilitation payment to Displaced Persons in accordance with the provision of the RAPs.

8. The Borrower shall and shall cause EPA to ensure that no activities shall be carried out on International Waterways.

F. Implementation Arrangements for Part 2 of the Project

After the occurrence of an Eligible Disaster, the Borrower shall take the following measures, all under terms and in a manner acceptable to the Bank:

(a) determine that an Eligible Disaster has occurred and the Bank has agreed with said determination;

(b) issue a Declaration of Red Alert or a Declaration of Orange Alert, as the case may be, upon the occurrence of said Eligible Disaster;

(c) furnish to the Bank a list of proposed investments and a request to finance the Emergency Expenditures under Category (2) in order to respond to said Eligible Disaster following the guidelines included in the Operational Manual; and

(d) prepare, update and disclose, as the case may be, the environmental and social safeguard instruments referred to in Section E of this Schedule.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower 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 acceptable to the Bank. 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 MF, shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower 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 semester, in form and substance satisfactory to the Bank.

3. The Borrower shall have the Financial Statements of the Project 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 period agreed between the Borrower and 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 paragraph 3 above, the Borrower shall: (a) send audit TORs for the Bank’s no objection not later than four (4) months after the Effective Date; and (b) select and contract, by no later than six (6) months after the Effective Date, and thereafter maintain, throughout the implementation of the Project, the services of a qualified and experienced auditor, acceptable to the Bank, under terms of reference satisfactory to the Bank, to serve as independent external auditor for a period of at least three (3) consecutive years.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-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 Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ 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 Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding; (c) Shopping; (d) Procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Bank; (e) Direct Contracting; (f) Force Account; and (g) Procurement from WHO, PAHO, UNDP, UNOPS and UNICEF.

C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Selection of WHO, PAHO, UNDP, UNOPS and UNICEF; (g) Selection of consultants under Indefinite Delivery Contract or Price Agreement; (h) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (i) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.

E. Procurement of Emergency Expenditures under Part 2 of the Project

Notwithstanding any provision to the contrary in this Section, Emergency Expenditures required for Part 2 of the Project shall be procured in accordance with the procurement methods and procedures set forth in the Operational Manual.

F. Special Provisions

1. In addition and without limitation or restriction to any other provisions set forth in this Section or the Procurement Guidelines, the following provisions shall govern the procurement of goods, works and non-consulting services under National Competitive Bidding (NCB) procedures under this Section:
(a) Each bid shall be evaluated and the corresponding contract awarded to the responsive bidder which meets appropriate technical and financial standards of capability and whose bid has been determined to be the lowest evaluated bid in a manner satisfactory to the Bank. Such determination shall be made exclusively on the basis of the specifications, conditions and evaluation criteria, stipulated in the bidding documents. For purposes of bid evaluation and comparison, the only bid amount or amounts to be used as a factor shall be the bid amount or amounts as quoted in the corresponding bid, including correction of arithmetic errors.

(b) No reference value shall be required for publication in the bidding documents or used for the purposes of evaluation.

(c) There will be no prescribed minimum number of bids submitted for a contract to be subsequently awarded.

(d) The bidding documents shall be acceptable to the Bank, and include the anticorruption clauses as provided by section 1.16 of the Procurement Guidelines.

(e) Foreign bidders shall be allowed to participate in NCB without restriction and shall not be subject to any unjustified requirement which will affect their ability to bid such as, but not limited to, the requirement to authenticate (legalizar) their bidding documents or any documentation related to such bidding documents with the Borrower’s Consulate, the Borrower’s Ministry of Foreign Affairs, or any authority as a prerequisite of bidding, or be required to enter into a joint venture agreement with local bidders.

(f) No margin of preference shall be granted for any particular category of bidders.

(g) The single envelope procedure shall be used.

(h) All bids shall be opened at the stipulated time and place in accordance with a procedure acceptable to the Bank.

(i) A merit point system shall not be used in the pre-qualification and post-qualification of bidders.

(j) The award of contracts for goods, works and non-consulting services shall be based exclusively on price and, whenever appropriate, shall also take into account factors similar to those referred to in paragraphs 2.52 and 2.53 of the Procurement Guidelines, provided, however, that the bid evaluation shall always be based on factors that can be quantified objectively, and the procedure for such quantification shall be disclosed in the invitation to bid.

(k) Whenever a discrepancy shall occur between the amounts in figures and the amounts in words of a bid, the amounts in words shall govern.
(l) In the event that a bidder whose bid was evaluated as the bid with the lowest evaluated price withdraws its bid, the contract may be awarded to the second lowest responsive evaluated bid.

(m) The Borrower shall use standard bidding documents and standard evaluation formats, all satisfactory to the Bank.

2. In addition and without limitation or restriction to any other provisions set forth in this Section or the Consultant Guidelines, the following provisions shall govern the procurement of consultants’ services:

(a) The Borrower shall use standard requests for proposals and standard evaluation formats, all satisfactory to the Bank.

(b) The invitation to submit proposals should be sent to the consulting firms included in a short list only as approved by the Bank. The invitation to submit proposals should not be open to any other consulting firm.

(c) Foreign consultants shall not be required to take an action that could deter their ability to participate such as, but not limited to, be locally registered, give any participation to or enter into a joint venture with a local firm or individual, authenticate (legalizar) any documentation related to their participation in the selection process with Ecuadorian authorities or to be registered in the Borrower’s National Registry of Suppliers (Registro Nacional de Proveedores).

(d) Consultants (firms and individuals) shall not be required to present proposals securities as a condition to present proposals.

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.
<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>43,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Emergency Expenditures for Part 2 of the Project</td>
<td>105,000,000</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>1,200,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>150,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

### 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;

   (b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $60,000,000 may be made for payments made prior to this date but on or after December 18, 2015; or

   (c) under Category (2) until the Borrower has furnished evidence, satisfactory to the Bank, that the measures referred to in Section I.F of this Schedule have been taken by the Borrower.

2. The Closing Date is September 7, 2020.

### Section V. Other Undertakings

1. 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 $18,000,000, and 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.
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.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 15, 2034</td>
<td>26.1002%</td>
</tr>
<tr>
<td>February 15, 2035</td>
<td>19.2882%</td>
</tr>
<tr>
<td>August 15, 2035</td>
<td>14.2541%</td>
</tr>
<tr>
<td>February 15, 2036</td>
<td>10.5339%</td>
</tr>
<tr>
<td>August 15, 2036</td>
<td>7.7846%</td>
</tr>
<tr>
<td>February 15, 2037</td>
<td>5.7529%</td>
</tr>
<tr>
<td>August 15, 2037</td>
<td>4.2514%</td>
</tr>
<tr>
<td>February 15, 2038</td>
<td>3.1418%</td>
</tr>
<tr>
<td>August 15, 2038</td>
<td>2.3218%</td>
</tr>
<tr>
<td>February 15, 2039</td>
<td>1.7159%</td>
</tr>
<tr>
<td>August 15, 2039</td>
<td>1.2680%</td>
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</tr>
<tr>
<td>August 15, 2041</td>
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<tr>
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<tr>
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<td>February 15, 2044</td>
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<td>August 15, 2046</td>
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<tr>
<td>February 15, 2047</td>
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<tr>
<td>August 15, 2047</td>
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<td>February 15, 2048</td>
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</tr>
<tr>
<td>August 15, 2048</td>
<td>0.0055%</td>
</tr>
</tbody>
</table>
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: (a) 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 (b) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
## ANNEX

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

<table>
<thead>
<tr>
<th>Component</th>
<th>Bank Contribution (Million)</th>
<th>Local Contribution (Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Component 1. Disaster Preparedness and Risk Mitigation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 Disaster Preparedness and Risk Mitigation Emergency Measures in the Water and Flood Protection Sector under EPA</td>
<td>10.00</td>
<td>1.20</td>
</tr>
<tr>
<td>1.2 Disaster Preparedness and Risk Mitigation Emergency Measures in the Agriculture, Livestock, Aquaculture and Fisheries Sector under MAGAP</td>
<td>2.00</td>
<td>0.24</td>
</tr>
<tr>
<td>1.3 Disaster Preparedness and Risk Mitigation Emergency Measures in the Transport Sector under MTOP</td>
<td>21.80</td>
<td>2.62</td>
</tr>
<tr>
<td>1.4 Disaster Preparedness and Risk Mitigation Emergency Measures in the Health Sector under MSP</td>
<td>10.00</td>
<td>1.20</td>
</tr>
<tr>
<td><strong>Component 2. Post-Disaster Recovery and Reconstruction</strong></td>
<td>105.00</td>
<td>12.60</td>
</tr>
<tr>
<td>2.1 Recovery and reconstruction in the transport and water sectors, and restoring crop and livestock production</td>
<td>105.00</td>
<td>12.60</td>
</tr>
<tr>
<td><strong>Component 3. Project Implementation, Monitoring and Evaluation</strong></td>
<td>1.20</td>
<td>0.14</td>
</tr>
<tr>
<td>3.1 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>1.20</td>
<td>0.14</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>150.00</td>
<td>18.00</td>
</tr>
</tbody>
</table>
APPENDIX

Section I. Definitions


2. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

3. "Co-Executing Agencies" means MTOP, MAGAP, MSP, with respect to Part 1 of the Project, and MTOP, MAGAP and any other eligible agency acceptable to the Bank with respect to Part 2 of the Project.

4. "Co-Execution Subsidiary Agreements" means the agreements entered into between the Borrower and each Co-Executing Agency referred to in Section I.A.3 of Schedule 2 to this Agreement.


6. "Cotopaxi" means an active volcano in the Andes Mountains, located in the Borrower’s Latacunga canton of the Cotopaxi Province, about 50 km south of the city capital of Quito, and about 33 km northeast of the city of Latacunga.

7. "Declaration of Orange Alert" means Declaración de Alerta Naranja, a declaration of emergency issued by SGR at a local, municipal, provincial, regional or national level, through a Ministerial Resolution (Resolución Ministerial), with the purposes of: (i) warning the population of an imminent event such as earthquakes, floods, droughts, or other natural disasters; and (ii) initiating preparation activities to prevent and/or mitigate the threat caused by such event and preparation and coordination for a possible evacuation of the affected area, as set forth in paragraph 6.1 of Ministerial Resolution No. SGR-038-2014 of June 4, 2014.

8. "Declaration of Red Alert" means Declaración de Alerta Roja, a declaration of emergency issued by SGR at a local, municipal, provincial, regional or national level, through a Ministerial Resolution (Resolución Ministerial) with the purposes of: (i) inform the general population that the emergency or disaster is occurring; (ii) initiate actions and protocols to safeguard human life, goods and ensure continuity of key services; and (iii) initiate rebuilding key infrastructure and restoring of basic services interrupted by the event, following an event such as earthquakes, floods, droughts, and other natural disasters, as set forth in paragraph 6.1 of Ministerial Resolution No. SGR-038-2014 of June 4, 2014.

9. "Displaced Persons" means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the
involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impact on the livelihoods of such persons.


11. "Eligible Disaster" means any natural disaster, national or localized in scope, that poses or is likely to imminently pose a threat to life, assets, or productive capacity of the Borrower, which can be originated by: (a) geological hazards, an extreme natural event originated in the crust of the earth such as earthquakes, volcanic eruptions, tsunamis (tidal waves), and landslides (as a secondary event after an earthquake); (b) hydro-meteorological hazards, events produced by the climate variability as heavy rains, flooding, and landslides; and (iii) intensified El Niño phenomenon causing heavy rains, floods, storms surge or landslides.

12. "Emergency Expenditures" means any of the Eligible Expenditures set forth in the list referred to in Section I.F of Schedule 2 to this Agreement, and required for the activities included in Part 2 of the Project.

13. "Environmental and Social Screening and Assessment Framework" or "ESSAF" means the Borrower’s framework acceptable to the Bank to be published on the website of each of the Co-Executing Agencies, and on Bank’s InfoShop before the Effective Date, 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 assessments and preparation and implementation of EMPs required under Parts 1 and 2 of the Project, when applicable; (d) the recommendation of mitigation measures for each negative impact identified; and (e) measures for enhancing each identified positive impact.

14. "Environmental Management Plan" or "EMP" means any site-specific EMP prepared or to be prepared by the Borrower, satisfactory to the Bank, and updated as necessary during Project implementation, in respect of activities to be undertaken by the Borrower and/or EPA under Parts 1 and 2 the Project, defining details of measures to manage potential environmental risks and mitigate, reduce and/or offset adverse environmental impacts associated with the implementation of activities under Parts 1 and 2 of the Project, as set forth in the ESSAF, collectively referred to as "Environmental Management Plans or EMPs".

15. "EPA" means Empresa Pública del Agua, the Borrower’s Public Water Company, created pursuant to Presidential Decree No. 310 of April 17, 2014.

16. "EPA Subsidiary Agreement" means the agreement between the Borrower and EPA referred to in Section I.B of Schedule 2 to this Agreement.
17. “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.

18. “Indigenous Peoples” means any distinct, vulnerable, social and cultural group within the territory of the Borrower, that: (a) self-identifies as such and claims, and is recognized by others as, having a distinguishable cultural identity; (b) has collective attachment to geographically distinct habitats or ancestral territories in the Project area and to the natural resources in these habitats and territories; (c) has customary cultural, economic social and political institutions that are separate from those of the dominant society and culture; and (d) has an indigenous language, often different from the official language of the Borrower or region.

19. “Indigenous Peoples’ Plan” or “IPPs” means any site-specific indigenous peoples’ plan to be prepared by the Borrower and approved by the Bank, for activities under Parts 1 and 2 of the Project, as set forth in the IPPF, to be prepared by the Borrower which set forth the principles and procedures, including mitigation and adaptive measures to offset, reduce to acceptable levels, or eliminate, any adverse social impact under the Project, including measures designed to ensure meaningful consultation with, and informed participation of, Indigenous Peoples and their communities in the design and implementation of the Project activities, as well as their participation in the envisioned culturally appropriate and socially inclusive benefits thereof; as such plan(s) may be amended from time to time with the prior written concurrence of the Bank, collectively referred to as “Indigenous Peoples’ Plans or IPPs”.

20. “Indigenous Peoples’ Planning Framework” or “IPPF” means the Borrower’s framework, acceptable to the Bank, to be published and available to the public on the website of each of the Co-Executing Agencies and InfoShop before the Effective Date, satisfactory to the Bank, 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.

21. “International Waterway” means: (a) any river, canal lake, or similar body of water that forms a boundary between, or any river or body of surface water that flows through, two or more international states; (b) any tributary or other body of surface water that is a component of any waterway described in (a) above; and (c) any bay, gulf, strait, or channel bounded by two or more international states or, if within one state, recognized as a necessary channel of communication between the open sea and other states, and any river flowing into such waters.

22. “Involuntary Resettlement” means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (a) standard of living adversely affected; or (b) 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 (c) access to productive assets adversely affected, temporarily or permanently; or (d) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.

24. “MF” means Ministerio de Finanzas, the Borrower’s Ministry of Finance.


27. “Non-consulting Services” means the services which are of non-intellectual nature and that can be procured on the basis of performance of measurable physical outputs, including unskilled-labor, communications campaigns, production of videos, and installation of equipment.

28. “Operational Manual” means the Borrower’s manual referred to in Section I.A.4 (a) of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Bank.


30. “PCU” means the unit referred to in Section I.A.2 of Schedule 2 to this Agreement.


32. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated December 18, 2015 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

33. “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 Parts 1 and 2 of the Project, as set forth in the RPF, setting forth any compensation, rehabilitation and resettlement assistance to Displaced Persons, in a manner and substance satisfactory to the Bank, as such plan(s) may be revised, updated or supplemented from time to time with the prior written concurrence of the Bank, and collectively referred to as “Resettlement Action Plans or RAPs”

34. “Resettlement Policy Framework” or “RPF” means the document prepared by the Borrower and to be published on the website of each of the Co-Executing Agencies and on InfoShop before the Effective Date 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.
35. "Safeguards Documents" means collectively the ESSAF, the RPF, IPPF, the EMPs, RAPs and IPs.

36. "SGR" means Secretaria 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.

37. "Training" means expenditures (other than those for consultants' services) incurred by the Borrower 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) under the Project.


40. "UNOPS" means the United Nations Office for Project Services.

41. "VAT" means value added tax.

42. "WHO" means World Health Organization.

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”.