Loan Agreement

(Sustainable Family Farming Modernization Project - Proyecto de Irrigación Tecnificada para Pequeños y Medianos Productores y Productoras, como parte del Macro-Proyecto “Fomento a la Producción Agrícola a través de la Implementación de Sistemas de Uso y Aprovechamiento del Recurso Hídrico para el Desarrollo Rural y la Soberanía Alimentaria”)

between

REPUBLIC OF ECUADOR

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
Loan Agreement

(Sustainable Family Farming Modernization Project - Proyecto de Irrigación Tecnificada para Pequeños y Medianos Productores y Productoras, como parte del Macro-Proyecto “Fomento a la Producción Agrícola a través de la Implementación de Sistemas de Uso y Aprovechamiento del Recurso Hídrico para el Desarrollo Rural y la Soberanía Alimentaria”)

between

REPUBLIC OF ECUADOR

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated October 9, 2015
LOAN AGREEMENT

Agreement dated 1961 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.

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 eighty million United States Dollars ($80,000,000), 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 I 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 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 June 15 and December 15 in each year.
2.07. The principal amount of the Loan shall be repaid in accordance with 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, through MAGAP, declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project 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 Co-financing Deadline for the effectiveness of the Co-financing Agreement is June 1, 2016, or such later date as the Bank shall establish by notice to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

(a) The Operational Manual has been approved by the Bank.
(b) The central unit of the PIU 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

Cable address: Telex: Facsimile:
INTBAFRAD 248423(MCI) or 1-202-477-6391
Washington, D.C. 64145(MCI)
AGREED at Lima, Peru, as of the day and year first above written.

REPUBLIC OF ECUADOR

By

Name: FAUSTO HERZBERG
Title: MINISTER OF FINANCE

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Name: JORGE FAMILIAR
Title: REGIONAL VICE PRESIDENT
SCHEDULE I

Project Description

The objective of the Project is to enhance incomes of small and medium sized farm households by supporting more productive and climate-smart use for land and water.

The Project consists of the following parts:

Part 1 Investments for Climate-Smart Subprojects

Provision of support (including pre-investment studies, investment and supervision) for the carrying out of Climate-Smart Subprojects that shall comprise:

(a) Irrigation modernization, including: (i) individual and/or collective small water storages (ponds); (ii) on-farm investments for modernization of irrigation techniques (drip, sprinkler or modern gravity techniques) and; (iii) complementary works aiming at improving off-farm irrigation and drainage networks; and

(b) Complementary investments supporting sustainable management of natural resources.

Part 2 Capacity Building for Institutional Stakeholders and Beneficiaries' Organizations

(a) Provision of technical assistance and training to Water Users Organizations and Farmers Organizations on: (i) management and optimization of off- and on-farm irrigation systems and water ponds; (ii) adoption of good agricultural practices to improve production and productivity, value-addition and post-harvest management; (iii) improvement of market linkages and access of small-size producers to agricultural value chains; and (iv) environmental management at community or farm levels.

(b) Provision of support for the institutional strengthening of the main institutional stakeholders, including MAGAP’s central and regional offices and GADs.

(c) Provision of support for, inter alia: (i) the preparation of studies on relevant productive systems, agricultural technologies and climate-smart innovations; (ii) the analysis and mapping of agricultural value chains; and (iii) the characterization of commercial opportunities to improve access to markets for Beneficiaries.

Part 3 Project Management

Provision of support for the activities associated with overall Project management by the Borrower and functioning of the PIU and its seven Zonal Zones, including, inter alia, Project-related audits, monitoring and evaluation, equipment, small works for the refurbishing of Zonal Offices, technical assistance, training and staffing.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower, through MAGAP, shall:

   (a) create and maintain, until completion of the Project a central unit within MAGAP, responsible for the management, coordination, supervision, monitoring and evaluation of the Project;

   (b) not later than twelve (12) months after Effectiveness Date, create and maintain until completion of Project activities, as part of the PIU, seven Zonal Offices covering the Borrower's territory, responsible for the coordination and implementation of Project's activities in Selected Provinces; and

   (c) cause the central unit and its seven Zonal Offices referred to in (a) and (b) above to maintain, until completion of the Project, a structure, responsibilities and key staff with functions, experience, and qualifications acceptable to the Bank, as described in the Operational Manual, including: procurement, financial management, technical (hydraulics and agronomy), environmental and social specialists.

2. The Borrower shall carry out the Project in accordance with a manual (the Operational Manual), satisfactory to the Bank, which shall include the rules, methods, guidelines, standard documents and procedures for the carrying out the Project, including the following, inter alia: (a) the detailed description of Project implementation activities and the detailed institutional arrangements of the Project; (b) criteria and methods for the selection of Beneficiaries; (c) detailed social, economic, financial, technical and environmental criteria for the evaluation and ranking for selecting Subprojects, including a negative list of environmentally sensitive investments (including those that may potentially affect International Waterways) ineligible for financing under a Subproject; (d) guidelines for the adoption of an integrated pest management approach in all applicable activities to be developed under the Project; (e) guidelines to follow in case of unexpected findings of objects with possible cultural or archeological value; (f) a model form of the Subproject Agreement; (g) procedures for confirming land ownership of eligible Beneficiaries; (h) the Project administrative, accounting, auditing, reporting, financial (including cash flow aspects in relation thereto), procurement and disbursement procedures; (i) the monitoring indicators for the Project; and (j) the ESMF, IPPF and the RPF. In the event that any provision of the Operational Manual shall conflict with this Agreement, the terms of this Agreement shall prevail. The Borrower shall not amend, terminate or waive any of the provisions of the Operational Manual without the Bank's prior consent.
3. The Borrower, through MAGAP, and following the guidelines set forth in the Operational Manual, shall establish and thereafter operate and maintain throughout the period of implementation of the pertinent Subproject activities, Provincial Articulation Roundtables (PARs); said PARs shall have membership (including, *inter alia*, GADs, NGOs, representative of other MAGAP’s Programs), functions, powers, resources and competencies acceptable to the Bank as defined in the Operational Manual, as to ensure overall participation of GADs and other stakeholders in Project implementation, inter-institutional coordination and establishment of strategic alliances with other stakeholders, and participation in the evaluation and selection of Subprojects.

4. The Borrower, through MAGAP, not later than six (6) months after the Effectiveness Date, shall issue a Ministerial Accord in a manner acceptable to the Bank, for the purposes of articulating and complementing actions among the different MAGAP’s Agricultural Programs and the Project, and maximizing the impacts and sustainability of the different activities derived from said Programs.

5. The Borrower, through MAGAP, not later than six (6) months after the Effectiveness Date, shall, either, enter into an agreement (“Cooperation Agreement”), between the ST and the SRD, or issue a Ministerial Accord, all acceptable to the Bank, for the purposes of coordinating the land regularization process, as described in the Operational Manual.

6. The Borrower, through MAGAP, shall on a date to be agreed with the Bank, but in no case later than twenty-four (24) months after the Effective Date, carry out a review with the Bank on the overall progress and implementation arrangements in the execution of the Project and set out the measures and take any remedial action as a result of such review, as agreed with the Bank.

B. Anti-Corruption

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

C. Subprojects

1. To facilitate the carrying out of Part I of the Project, the Borrower, through MAGAP, shall:

   (a) After having selected a Subproject in accordance with the guidelines and procedures set forth in the Operational Manual, enter into an agreement with the eligible Beneficiary, and, as the case may be, with Participating Entities (“Subproject Agreement”), under terms and conditions approved by the Bank and included in the Operational Manual, including the Beneficiary’s obligations to carry out the operation, management and maintenance of the selected Subproject and to contribute to the cost of the Sub-project, the Borrower’s obligation to procure the goods, works and services for the execution of the selected Subproject, in accordance with the provisions of this Agreement, and as the case may be, the Participating Entities’ obligation to co-finance or co-implement the Subproject, as the case may be.
Exercise its rights and carry out its obligations under the Subproject Agreements 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, waive, terminate or fail to enforce any Subproject Agreement or any provisions thereof.

Submit to the Bank for its non-objection, all selected and prioritized Subproject profiles, accompanied by a technical report based on the evaluations performed by the Project’s evaluation and coordination committee. After the first year of Project implementation, and only for those profiles with similar technical designs to the previously approved profiles, only a sample of profiles will be sent for the Bank’s non-objection.

D. Safeguards

1. Environmental and Social Management Framework (ESMF)

The Borrower, through MAGAP, shall and shall cause, as the case may be to: (a) implement the Project in accordance with the ESMF (including provisions for natural habitats and pest management); (b) adopt the procedures detailed in said ESMF for environmental screening, evaluation, implementation and monitoring of Subprojects, including the procedures for the preparation of environmental management plans, if applicable; and (c) implement and/or cause to be implemented, the pertinent environmental management plan, in accordance with its terms and in a manner acceptable to the Bank.

2. Indigenous Peoples Planning Framework (IPPF)

The Borrower, through MAGAP, shall and shall cause, as the case may be to: (a) implement the Project in accordance with the IPPF; (b) adopt the procedures detailed in said IPPF for screening, evaluation, implementation, and monitoring of Subprojects; (c) implement and/or cause to be implemented, the pertinent Indigenous Peoples Plan, in accordance with its terms and in a manner acceptable to the Bank.

3. Resettlement Policy Framework (RPF)

The Borrower, through MAGAP, shall and shall cause, as the case may be to: (a) implement the Project in accordance with the Resettlement Policy Framework; (b) adopt the procedures detailed in said Resettlement Framework for screening, evaluation, implementation and monitoring of Subprojects; and (c) implement and/or cause to be implemented, the pertinent resettlement action plan or abbreviated plan, as the case may be, all in accordance with its terms and in a manner acceptable to the Bank.

4. International Waterways

The Borrower, through MAGAP, shall ensure that any Subproject that may use or potentially pollute the waters of an International Waterway, or the tributaries of such an International Waterway, will be excluded following a process of environmental screening included in the Operational Manual, and will therefore not be supported under the Project.
Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower, through MAGAP, 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 the 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 MAGAP, 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, through MAGAP, shall prepare and furnish to the Bank as part of the Project Report 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, as set forth in the Operational Manual.

3. The Borrower, through MAGAP, 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, through MAGAP, shall: (a) send audit TORs for the Bank's no objection not later than four (4) months after the Effective Date; (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) National Competitive Bidding (subject to the additional provisions referred to in Section III.E of this Schedule 2 to this Agreement); (b) Shopping; and (c) Direct Contracting.

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) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) 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. **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 Ecuadorian 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.
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.

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

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 shall 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 Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Works, Non-consulting Services and Consultant's Services required for Climate-Smart Subprojects under Part 1 of the Project.</td>
<td>67,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, Non-consulting Services, Consultant's Services, and Training required under Part 2 of the Project.</td>
<td>5,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Small works, Goods, Non-consulting Services, Consultants' Services, Operating Costs and Training under Part 3 of the Project.</td>
<td>6,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>80,000,000</td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this Section:

(a) the term “Operating Costs” means the reasonable incremental operational costs (which would not have been incurred absent the Project) incurred by the Borrower, through MAGAP, related to Project technical and administrative management, monitoring and supervision required under the Project, including *inter alia*, remuneration for operational and technical staff (excluding the Borrower’s civil servants), office equipment, supplies, travel costs (including accommodations, transportation costs and *per diem*), printing services, communication costs, utilities, maintenance of office equipment and facilities, vehicle operation and maintenance costs, and logistics services; and

(b) the term “Training” means expenditures (other than those for consultants’ services) incurred by the Borrower, through MAGAP, 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), catering, rental of training facilities and equipment, logistics and printing services, as well as training materials and equipment under the Project.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made from the Loan Account: (a) prior to the date of this Agreement; and (b) until the Bank has received payment in full of the Front-end Fee.

2. The Closing Date is June 30, 2021.
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>Repayment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 15, 2033</td>
<td>32.1037%</td>
</tr>
<tr>
<td>June 15, 2034</td>
<td>21.7972%</td>
</tr>
<tr>
<td>December 15, 2034</td>
<td>14.7995%</td>
</tr>
<tr>
<td>June 15, 2035</td>
<td>10.0484%</td>
</tr>
<tr>
<td>December 15, 2035</td>
<td>6.8225%</td>
</tr>
<tr>
<td>June 15, 2036</td>
<td>4.6322%</td>
</tr>
<tr>
<td>December 15, 2036</td>
<td>3.1451%</td>
</tr>
<tr>
<td>June 15, 2037</td>
<td>2.1354%</td>
</tr>
<tr>
<td>December 15, 2037</td>
<td>1.4499%</td>
</tr>
<tr>
<td>June 15, 2038</td>
<td>0.9844%</td>
</tr>
<tr>
<td>December 15, 2038</td>
<td>0.6684%</td>
</tr>
<tr>
<td>June 15, 2039</td>
<td>0.4538%</td>
</tr>
<tr>
<td>December 15, 2039</td>
<td>0.3081%</td>
</tr>
<tr>
<td>June 15, 2040</td>
<td>0.2092%</td>
</tr>
<tr>
<td>December 15, 2040</td>
<td>0.1420%</td>
</tr>
<tr>
<td>June 15, 2041</td>
<td>0.0964%</td>
</tr>
<tr>
<td>December 15, 2041</td>
<td>0.0655%</td>
</tr>
<tr>
<td>June 15, 2042</td>
<td>0.0445%</td>
</tr>
<tr>
<td>December 15, 2042</td>
<td>0.0302%</td>
</tr>
<tr>
<td>June 15, 2043</td>
<td>0.0205%</td>
</tr>
<tr>
<td>December 15, 2043</td>
<td>0.0139%</td>
</tr>
<tr>
<td>June 15, 2044</td>
<td>0.0094%</td>
</tr>
<tr>
<td>December 15, 2044</td>
<td>0.0064%</td>
</tr>
<tr>
<td>June 15, 2045</td>
<td>0.0044%</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 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.
APPENDIX

Section I. Definitions


2. “Beneficiary” means small and medium-sized family farmers (including indigenous peoples) organized into a legally established private association, including Water Users Association and/or Farmers’ Organizations, all of which, upon meeting the criteria set forth in the Operational Manual, are eligible to receive support, on behalf of its members, for the carrying out of the respective Sub-Project.

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

4. “Climate-Smart Subproject” means subproject aimed at rehabilitating and modernizing irrigation systems, eligible for financing under Part 1 of the Project, in accordance with the criteria set forth in the Operational Manual.

5. “Co-financier” means the Agencia Española de Desarrollo y Cooperación Internacional (AECID).

6. “Co-financing” means, for purposes of paragraph 16 of the Appendix to the General Conditions, an amount of $20,000,000 to be provided by the Co-financier to assist in financing Parts 1 and 3 of the Project.

7. “Co-financing Agreement” means the agreement to be entered into between the Borrower and the Co-financier providing for the Co-financing.


9. “Cooperation Agreement” means the agreement referred to in Section 1.A.5 of Schedule 2 to this Agreement.

10. “Environmental and Social Management Framework or ESMF” means the Borrower’s framework dated May 2015, acceptable to the Bank, published and available to the public on the website www.agricultura.gob.ec, and on Bank’s InfoShop on May 31, 2015, which contains the environmental protection measures in respect of the Project, including: (a) measures for chance findings of cultural property; (b) protection of natural habitats and pest management; (c) guidelines for the identification of existing environmental conditions and potential direct and indirect environmental impacts resulting from the carrying out of the Project (including Subprojects); (d) guidelines for the carrying out of environmental assessments and the preparation of environmental management plans, when applicable; (e)
the recommendation of mitigation measures for each negative impact identified; and (f) measures for enhancing each identified positive impact.

11. “Farmers Organizations or FO” means farmer-based organizations vested with legal personality and/or a group of farmers organized into a legally established private association.

12. “GAD” means Gobiernos Autónomos Decentralizados, any of the Borrower’s autonomous decentralized governments as per the Borrower’s constitution.


14. “Indigenous Peoples’ Planning Framework or IPPF” means the Borrower’s framework, acceptable to the Bank, published and available to the public on the website www.agricultura.gob.ec and InfoShop on May 31, 2015, 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 (including Subprojects) and to ensure that they benefit from the Project, including procedures for the preparation and implementation of the pertinent Indigenous Peoples development plans.

15. “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.

16. “MAGAP” means Ministerio de Agricultura, Ganadería, Acuacultura y Pesca, the Borrower’s Ministry of Agriculture, Livestock, Aqua-Culture and Fisheries or any successor thereto.

17. “MAGAP’s Agricultural Programs” means the following programs in agriculture development managed by MAGAP: (a) Hombro a Hombro Program (national extension program for family farming); (b) the agricultural component of the Plan Nacional Buen Vivir 2013-2017; and (c) the program on participative technological innovation and production in agriculture (Proyecto de Innovación Tecnológica Participativa y Producción Agrícola).

18. “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.
19. "Operational Manual" means the manual prepared by the Borrower for the operation of the Project referred to in Section I.A.2 of Schedule 2 to this Agreement.

20. "Participating Entities" means the entities referred to in Section I.C (a) of Schedule 2 to this Agreement that may participate as co-financiers and/or co-implementing entities with respect to the Subprojects, and may include, *inter alia:* GADs, NGOs, bilateral and multilateral cooperating agencies, as well as implementing agencies of MAGAP’s Agricultural Programs.

21. "PIU" means the central unit within MAGAP and the seven Zonal Offices referred to in Section I.A.1(a) and (b) of Schedule 2 of this Agreement and to be created under the responsibility of its Sub-secretary of Irrigation and Drainage.


23. "Procurement Plan" means the Borrower’s procurement plan for the Project, dated March 25, 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.

24. "Provincial Articulation Roundtables or PARs” means the roundtables referred to in Section I.A.3 of Schedule 2 to this Agreement of Schedule 2 to this Agreement.

25. "Resettlement Policy Framework or RPF" means the document prepared by the Borrower, published and available to the public on the website www.agricultura.gob.ec and on InfoShop on May 31, 2015 and outlining general implementation procedures, mitigation measures and monitoring procedures for involuntary resettlement and/or land acquisition under the Project, including the procedures for the preparation and implementation of resettlement plans, as said framework may be amended from time to time with the Bank’s prior approval.

26. "Selected Provinces“ means the following provinces within the Borrower’s territory: (a) Provinces of Sierra region: Carchi, Imbabura, Pichincha, Cotopaxi, Tungurahua, Chimborazo, Bolivar, Coñar, Azuay and Loja; and (b) Provinces of Costa region Esmeraldas, Manabi, Guayas, Santo Domingo de las Tsáchilas, Los Ríos, Santa Elena and El Oro.

27. "SRD" means *Sub-Secretaría de Riego y Drenaje*, MAGAP’s Under-Secretariat of Irrigation and Drainage or any successor thereof.


29. "Subproject Agreement" means “Convenio de Ejecución”, each of the agreements to be entered into between the Borrower and an eligible Beneficiary for Climate-Smart Subprojects as specified in Section I.C of Schedule 2 to this Agreement.
30. "USL" means Subsecretaría de Tierras, MAGAP's Under-Secretariat of Land or any successor thereof.

31. "Water Users Associations" means the associations formed by irrigation water users operating at the irrigation scheme level, vested with legal personality, in charge of irrigation system administration, operation and management, water distribution and the collection of fees.

32. "Zonal Offices" means the PIU zonal offices referred to in Section I.A.1(b) of Schedule 2 to this Agreement, covering the following provinces: (a) Zone 1: Esmeraldas, Carchi, Imbabura and Sucumbíos; (b) Zone 2: Pichincha, Napo and Orellana; (c) Zone 3: Pastaza, Cotopaxi, Tungurahua and Chimborazo; (d) Zone 4: Manabí and Santo Domingo de los Tsáchilas; (e) Zone 5: Guayas, Los Ríos, Santa Elena and Bolívar; (f) Zona 6: Azuay, Cañar and Morona Santiago; and (g) Zone 7: El Oro, Loja and Zamora Chinchipe.

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”.

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