Loan Agreement

(Transport Infrastructure Improvement Project)

between

MUNICIPALITY OF IBARRA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated December 22, 2016
LOAN AGREEMENT

Agreement dated December 22, 2016, between the MUNICIPALITY OF IBARRA ("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 fifty two million five hundred thousand Dollars ($52,500,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Borrower 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead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 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 — EFFECTIVENESS; TERMINATION

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

(a) The Borrower has established the PMU with functions, staffing and responsibilities as provided in the Project Operational Manual and in a manner satisfactory to the Bank.

(b) The Project Operational Manual satisfactory to the Bank has been adopted by the Borrower.

4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower’s Representative is the Mayor of Ibarra.

5.02. The Borrower’s Address is:
Municipality of Ibarra
Calle García Moreno 6-31
Ibarra
Ecuador

Facsimile:
+(593)06-2950-211

5.03. The Bank’s Address is:
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391

AGREED at Washington, D.C., United States of America as of the day and year first above written.

MUNICIPALITY OF IBARRA

By

Authorized Representative

Name: ALVARO CASTILLO

Title: MAYOR

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: ALFREDO RODRIGUEZ

Title: COUNTRY DIRECTOR
SCHEDULE 1

Project Description

The objective of the Project is to improve mobility in the Borrower’s territory and the use of recreational spaces in the Yahuarcocha Lagoon area.

The Project consists of the following parts:

Part 1: Improve mobility in the city

Provision of support for infrastructure investments in the City of Ibarra, including: (i) the construction of a four lane Ring Boulevard in the City of Ibarra, comprising of: (a) the Northern Segment (approximately 9.5 km), and (b) the Southern Segment (approximately 12.0 km); and (ii) the supervision of any associated work.

Part 2: Improve public and tourist spaces

Provision of support for infrastructure investments in the Yahuarcocha Lagoon area, including: (i) the construction and rehabilitation of sidewalks, footpaths, and cycle infrastructure; (ii) the improvement of streetscapes, urban environment, and green spaces; (iii) the installation of urban community equipment to promote social interactions and potentially increase economic activities; and (iv) the supervision of any associated work.

Part 3: Technical assistance

Provision of technical assistance to the Borrower’s units responsible for mobility, public works, traffic, urban transport and urban planning on, inter alia: (i) strengthening institutional capacity for road asset management; (ii) supporting the reorganization of public transit and the creation of a non-motorized transport and road safety plan; (iii) carrying out an integration, urban planning, densification and mobility study, aimed at promoting urban development.

Part 4: Project management

Provision of support for the activities associated with overall Project management and execution by the Borrower and functioning of the PMU, including, inter alia, Project-related audits, monitoring and evaluation, environmental and social management, beneficiary assessments, feedback mechanisms, procurement, training and staffing.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall entrust DPW with primary responsibility for Project implementation, compliance with fiduciary and safeguards requirements, and monitoring and evaluation. DPW shall coordinate with the relevant departments of the Borrower for the implementation of the Project activities.

2. The Borrower shall maintain throughout implementation of the Project the PMU within DPW with terms of reference, resources and staff in numbers and with experience, qualifications and functions as provided in the Project Operational Manual and satisfactory to the Bank.

3. Not later than sixty (60) days after the Effective Date, the Borrower shall contract a financial management specialist fully dedicated to the Project, under terms of reference satisfactory the Bank.

4. The Borrower shall carry out the Project in accordance with the Project Operational Manual, which shall include the rules, methods, guidelines, standard documents and procedures for the carrying out of the Project, including, inter alia, the following: (a) the detailed description of Project implementation activities and the detailed institutional arrangements of the Project (including the terms of reference, resource and staffing needs of the PMU); (b) the Project administrative, accounting, auditing, reporting, financial, procurement and disbursement procedures; (c) the monitoring and evaluation procedures for the Project; (d) the EIA, the EMP, the IPP and the RAP, and specific mechanisms for their implementation, when applicable; (e) guidelines to follow in case of unexpected findings of objects with possible cultural or archeological value; (f) measures to ensure proper land use in the terrains adjacent to the Ring Boulevard; and (g) measures to ensure the inclusion of new bus routes through the Ring Boulevard. In the event that any provision of the Project 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 Project Operational Manual without the Bank’s prior written consent.

B. Anti-Corruption

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

1. The Borrower shall:

   (a) carry out Parts 1 and 2 of the Project in accordance/compliance with the Ring Boulevard Environmental Impact Assessment, the Yahuarochocha Lagoon Environmental Impact Assessment, the Ring Boulevard Environmental Management Plan, the Yahuarochocha Lagoon Environmental Management Plan (as applicable), the IPP and the RAP; and

   (b) refrain from taking any action which would prevent or interfere with the implementation of the Safeguard Documents, including any amendment, suspension, waiver, 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. Prior to the commencement of the civil works under the Project, the Borrower shall ensure that:

   (a) all necessary governmental permits and clearances for such civil works, shall have been obtained from the competent Guarantor’s authority/ies and submitted to the Bank;

   (b) if applicable, that the Safeguard Documents have been revised, updated and disclosed in a manner satisfactory to the Bank; and

   (c) all resettlement measures under Parts 1 and 2 of the Project set forth in the RAP for such civil works shall have been fully executed.

3. The Borrower shall ensure that the contracts 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.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. 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 the indicators acceptable to the Bank. Each Project Report shall cover the period of one (1) 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 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 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.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Borrower, or any other period required as agreed upon with 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 the terms of reference for the audit for Bank's no objection not later than four (4) months after the Effective Date; and (b) select and contract, by no later than one (1) month before the first audit period or year-end (as applicable), 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); (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 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, consultants’ services and non-consulting services, under Part 1.1(i)(a) of the Project</td>
<td>19,330,873</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, consultants’ services and non-consulting services, under Part 1.1(i)(b) of the Project</td>
<td>28,545,377</td>
<td>60%</td>
</tr>
<tr>
<td>(3) Goods, works, consultants’ services and non-consulting services under Part 2 of the Project</td>
<td>2,242,500</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods, consultants’ services, Incremental Operating Costs and Training under Parts 3 and 4 of the Project</td>
<td>2,381,250</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>52,500,000</td>
<td></td>
</tr>
</tbody>
</table>
For the purposes of this Section:

(a) the term "Incremental Operating Costs" means the reasonable incremental operating costs (which would not have been incurred absent the Project) incurred by the Borrower, related to Project technical and administrative management, monitoring and supervision required under the Project, including \textit{inter alia}, remuneration for operational and technical staff (excluding the Borrower’s civil servants), office equipment, supplies, reasonable bank charges, travel costs (including accommodations, transportation costs and \textit{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 in connection with the carrying out of training, seminars, and workshops, including the reasonable travel costs (e.g. accommodations, transportation costs and \textit{per diem}) of trainees and trainers (if applicable), catering, rental of training facilities and equipment, training registration fees, 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:

(a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; or

(b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed ten million five hundred thousand Dollars ($10,500,000) may be made for payments made prior to this date but on or after March 31, 2015 (but in no case more than one year from the date of this Agreement), for Eligible Expenditures.

2. The Closing Date is June 30, 2021.

Section V. Other Undertakings

A. Debt Service Coverage Ratio

(a) Except as the Bank shall otherwise agree, the Borrower shall not incur any Debt, unless the Net Revenues for the fiscal year immediately preceding the date of such incurrence or for a later twelve-month period ended prior to the date of such incurrence, whichever is the greater, shall be at least one (1) time the estimated maximum debt service requirements of the Borrower for any succeeding fiscal year on all debt of the Borrower, including the debt to be incurred.

(b) For the purposes of this Section:
(i) The term "Debt" means any indebtedness of the Borrower maturing by its terms more than one (1) year after the date on which it is originally incurred.

(ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.

(iii) The term "Net Revenues" means the difference between: (A) the sum of revenues from all sources related to operations and Net Non-Operating Income; and (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

(iv) The term "Net Non-Operating Income" means the difference between: (A) revenues from all sources other than those related to operations; and (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

B. **Counterpart Funds**

Without limitation to the provisions 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 thirty-eight million five hundred twenty thousand Dollars (US$38,520,000), 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>On each February 15 and August 15</td>
<td>2.5%</td>
</tr>
<tr>
<td>Beginning February 15, 2021 through August 15, 2040</td>
<td></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: (i) the exchange rate that reflects the amounts of principal in the
Approved Currency payable by the Bank under the Currency Hedge Transaction relating
to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion
Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one (1) 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

<table>
<thead>
<tr>
<th></th>
<th>Bank (in million USD)</th>
<th>Borrower (in million USD)</th>
<th>Total (in million USD)</th>
<th>Bank %</th>
<th>Borrower %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Improve access in the city</strong></td>
<td>47.88</td>
<td>37.98</td>
<td>85.86</td>
<td>55.8%</td>
<td>44.2%</td>
</tr>
<tr>
<td>Infrastructure investments and supervision of any associated works in the City of Ibarra and supervision.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2. Improve quality and quantity of public space, including outdoor recreational and tourist-friendly space</strong></td>
<td>2.24</td>
<td>0.27</td>
<td>2.51</td>
<td>89.2%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Infrastructure investments and supervision of any associate works in the Yahuarcocha Lagoon area.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>3. Provide Technical Assistance</strong></td>
<td>1.40</td>
<td>0.17</td>
<td>1.57</td>
<td>89.2%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Technical assistance to the Borrower’s units responsible for mobility, public works, traffic, urban transport and urban planning.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>4. Provide Project Management capacity</strong></td>
<td>0.98</td>
<td>0.10</td>
<td>1.08</td>
<td>90.7%</td>
<td>9.3%</td>
</tr>
<tr>
<td>Provision of support for the activities associated with overall Project management and execution by the Borrower and functioning of the PMU.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>52.5</td>
<td>38.52</td>
<td>91.02</td>
<td>57.7%</td>
<td>42.3%</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.


4. “DPW” means the Department of Public Works within the Borrower.

5. “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.

6. “Guarantor” means the Republic of Ecuador.

7. “Indigenous Peoples” means, a social group of people with a distinct social and cultural identity that makes them vulnerable to being disadvantaged in the development process, including the presence in varying degrees of the following characteristics: (i) a collective attachment to geographically distinct habits or ancestral territories and to the natural resources in these areas; (ii) self-identification and identification by others as members of a distinct cultural group; (iii) an indigenous language often different from the official language of the country or region language; and (iv) presence of customary, cultural, economic, social or political institutions that are separate from those of the dominant society and culture.

8. “Indigenous Peoples’ Plan” or “IPP” means the indigenous peoples’ plan prepared by the Borrower, dated September 17, 2015, acceptable to the Bank, and published on the Bank’s InfoShop on September 17, 2015 and the Borrower’s web page http://www.iberreco.mgb.gov.ec/ on October 12, 2015, addressing the indigenous peoples safeguard requirements for activities under the Project, as the same plan may be amended, supplemented or otherwise modified from time to time with the prior written agreement of the Bank.


10. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated October 28, 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.

11. "Project Management Unit" or "PMU" means the project management unit to be established by Borrower pursuant to Section 4.01(a) of this Agreement.

12. "Project Operational Manual" means the Project Operational Manual to be adopted by the Borrower pursuant to Article 4.01(b) of this Agreement, as the same may be amended, from time to time with the prior agreement of the Bank.

13. "Resettlement" means the impact of an involuntary taking of land under the Project, which causes affected persons to have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.

14. "Resettlement Action Plan" of "RAP" means the resettlement action plan prepared by the Borrower for the area adjacent to the Ring Boulevard and where the activities under Part 1 of the Project shall be carried out, acceptable to the Bank, and published on the Borrower's web page http://www.ibarreacuador.gob.ec/ on October 28, 2015, which plan includes, inter alia: a program of actions, measures and policies for compensation of persons, including compensation arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms for each site, as the same plan may be amended, supplemented or otherwise modified from time to time with the prior written agreement of the Bank.

15. "Ring Boulevard" means the two lane boulevard to be constructed under Part 1 of the Project.

16. "Ring Boulevard Environmental Impact Assessment" or "Ring Boulevard EIA" means the environmental impact assessment prepared by the Borrower in connection with the activities under Part 1 of the Project, dated October 19, 2015, acceptable to the Bank, and published on the Bank's InfoShop on October 19, 2015 and the Borrower's web page http://www.ibarreacuador.gob.ec/ on October 12, 2015, which assessment evaluates the likely positive and negative environmental impact of said Project activities, as the same may be amended, supplemented or otherwise modified from time to time with the prior written agreement of the Bank.

17. "Ring Boulevard Environmental Management Plan" means the environmental management plan prepared by the Borrower in connection with the activities under Part 1 of the Project, dated October 19, 2015, acceptable to the Bank, and published on the Bank's InfoShop on October 19, 2015 and the Borrower's web page http://www.ibarreacuador.gob.ec/ on October 12, 2015, which plan includes, inter alia: (a) specific activities, budget and responsibilities to ensure the implementation of measures to avoid, minimize and/or mitigate potential direct and indirect environmental impacts.
associated with said Part of the Project; (b) measures for the protection of natural habitats; and (c) procedures for the screening of any physical cultural resources in the Project area and incorporating “chance find” procedures in the event that culturally significant resources are discovered during Project implementation, as the same may be amended, supplemented or otherwise modified from time to time with the prior written agreement of the Bank.

18. “Safeguards Documents” means the Ring Boulevard EIA, the Yahuarcocha Lagoon EIA, the Ring Boulevard Environmental Management Plan, the Yahuarcocha Lagoon Environmental Management Plan, the IPP and the RAP.

19. “VAT” means the Borrower’s value added tax.

20. “Yahuarcocha Lagoon Environmental Impact Assessment” or “Yahuarcocha Lagoon EIA” means the environmental impact assessment prepared by the Borrower in connection with the activities under Part 2 of the Project, dated October 8, 2015, acceptable to the Bank, and published on the Bank’s InfoShop on October 8, 2015 and the Borrower’s web page http://www.ibarreacuador.gob.ec/ on October 12, 2015, which assessment evaluates the likely positive and negative environmental impact of said Project activities, as the same may be amended, supplemented or otherwise modified from time to time with the prior written agreement of the Bank.

21. “Yahuarcocha Lagoon Environmental Management Plan” means the environmental management plan prepared by the Borrower in connection with the activities under Part 1 of the Project, dated October 8, 2015, acceptable to the Bank, and published on the Bank’s InfoShop on October 8, 2015 and the Borrower’s web page http://www.ibarreacuador.gob.ec/ on October 12, 2015, which plan includes, inter alia: (a) specific activities, budget and responsibilities to ensure the implementation of measures to avoid, minimize and/or mitigate potential direct and indirect environmental impacts associated with said Part of the Project; (b) measures for the protection of natural habitats; and (c) procedures for the screening of any physical cultural resources in the Project area and incorporating “chance find” procedures in the event that culturally significant resources are discovered during Project implementation, as the same may be amended, supplemented or otherwise modified from time to time with the prior written agreement of the Bank.

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).”