

LOAN NUMBER 7110-EC

Loan Agreement

(Public Sector Financial Management Project)

between

REPUBLIC OF ECUADOR

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated August 27, 2003

LOAN NUMBER 7110-EC

LOAN AGREEMENT

AGREEMENT, dated August 27, 2003, between the REPUBLIC OF ECUADOR (the Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project;

(B) on May 11, 1977, the Borrower's Supreme Council of Government passed the Organic Law of Financial Administration and Control (Supreme Decree No. 1429 of 1977) that provides basic rules for the programming, organization, management, implementation, coordination and supervision of the Borrower's public sector budget, revenue, treasury, accounting and control systems;

(C) on November 26, 1992, the Borrower's Congress passed the Public Sector Budget Law (Law No. 18 of 1992) that provides the general rules for the programming, formulation, approval, implementation, supervision, evaluation and liquidation of the Borrower's public sector budget;

(D) on March 13, 2000, the Borrower's Congress passed an Economic Transformation Law (Law No. 4 of 2000) that provides, *inter alia*, rules on the Borrower's public sector accounting;

(E) on December 29, 2000, the Borrower's Ministry of Economy and Finance (MEF) issued the Financial Management System Standards (Ministerial Resolution No. 182 of 2000) and launched the implementation of the Financial Management System (*Sistema de Gestión Financiera* - SIGEF) for the Borrower's public sector;

(F) MEF has received from: (1) the State Comptroller General (*Contraloría General del Estado* - CGE) a letter dated October 3, 2001; and (2) the Ecuadorian Association of Municipalities (*Asociación de Municipalidades Ecuatorianas* - AME) letters dated October 4, 2001 and January 22, 2002, declaring CGE's and AME's commitment to the objectives of SIGEF and the Project, and requesting assistance from MEF for the implementation of SIGEF and the Project;

(G) On March 15, 2002, MEF and CGE entered into an inter-institutional agreement providing for regular coordination mechanisms to facilitate the implementation of SIGEF and the Project, including a joint interpretation of Supreme

Decree No. 1429 of 1977, Law No. 18 of 1992, Law No. 4 of 2000 and Ministerial Resolution No. 182 of 2000; and

WHEREAS the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement.

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans” of the Bank, dated September 1, 1999 (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Affiliated Agency” means any agency of the Borrower, without legal personality, that operates affiliated to a Ministry of the Borrower;

(b) “AME Participation Agreement” means the agreement referred to in Section 3.03 (c) of this Agreement;

(c) “Annual Work Plan” means any of the Project annual work plans referred to in Section 3.06 (a) (i) of this Agreement;

(d) “Autonomous Body” means any agency of the Borrower with legal personality;

(e) “CGE Participation Agreement” means the agreement referred to in Section 3.03 (b) of this Agreement;

(f) “Eligible Categories” means categories (1) through (4) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(g) “Eligible Expenditures” means the expenditures for goods and services referred to in Section 2.02 (a) of this Agreement;

(h) “Fiscal Year” means the Borrower’s fiscal year which commences on January 1 and ends on December 31 of each calendar year;

(i) “FMR” means each financial monitoring report prepared in accordance with Section 4.02 of this Agreement;

(j) “Implementation Agreement” means any of the agreements referred to in Section 3.03 (a) of this Agreement;

(k) “Implementing Agency” means any agency of the Borrower that under Supreme Decree No. 1429 of 1977, Law No. 18 of 1992, Law No. 4 of 2000 and Ministerial Resolution No. 182 of 2000 must implement SIGEF, including: (i) the Borrower’s Ministries, Presidency and Electoral Tribunal; (ii) Autonomous Bodies; (iii) Affiliated Agencies; (iv) Provincial Councils (as hereinafter defined); and (v) Municipalities (as hereinafter defined);

(l) “Large Municipality” means any Municipality (as hereinafter defined) with a population of 100,000 inhabitants or more;

(m) “Medium and Small Municipality” means any Municipality (as hereinafter defined) with a population of less than 100,000 inhabitants;

(n) “Municipality” means any of the Borrower’s municipalities (*Municipio*) established under Article 234 of the Borrower’s Constitution;

(o) “Operational Manual” means the Borrower’s manual for the implementation of the Project referred to in Section 3.05 (a);

(p) “Performance Indicators” means the Project performance indicators set forth in the letter of even date herewith from the Borrower to the Bank (Supplemental Letter);

(q) “PIU” means the Project implementing unit established pursuant to MEF’s Ministerial Resolution No. 098 of 2001;

(r) “Procurement Strengthening Action Plan” means the Borrower’s plan to strengthen procurement within MEF dated January 18, 2002;

(s) "Project Implementation Plan" means the Borrower's plan for the implementation of the Project dated January 25, 2002;

(t) "Project Preparation Advance" means the Project preparation advance granted by the Bank to the Borrower pursuant to the letter agreement signed on behalf of the Bank on May 11, 2001 and on behalf of the Borrower on May 16, 2001;

(u) "Provincial Council" means any of the Borrower's provincial councils (*Consejo Provincial*) established under Article 233 of the Borrower's Constitution;

(v) "Sectional Government" means any Provincial Council or any Municipality;

(w) "SIGEF-Global" means the SIGEF module used by MEF's Under Secretariat of the Budget to track approved budgets of the Implementing Agencies;

(x) "SIGEF-Institutional" means the SIGEF module used by the Implementing Agencies to control budget execution, perform treasury ledger accounting and cash management; and

(y) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to thirteen million eight hundred and sixty thousand Dollars (\$13,860,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan and in respect of interest and other charges in respect of the Loan, the front-end fee referred to in Section 2.04 of this Agreement and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04 (c) of the General Conditions.

(b) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be March 1, 2007 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on April 15 and October 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (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 all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Variable 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 said Variable 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 Section 2.01 (7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04 (c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through MEF, with the cooperation of CGE (in respect of Part D of the Project) and AME (in respect of Part B.2 of the Project), and with participation of the Implementing Agencies (in respect of Parts A through C of the Project), all with due diligence and efficiency and in conformity with appropriate financial, accounting, administrative and managerial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Pursuant to the CGE Participation Agreement, the AME Participation Agreement and each Implementation Agreement, the Borrower shall:

- (i) take or cause to be taken all action necessary or appropriate to enable MEF, CGE, AME and the Implementing Agencies to carry out the Project; and

- (ii) not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project by MEF, CGE, AME and the Implementing Agencies.

(c) Without limitation or restriction to the provisions of paragraph (a) above, the Borrower (through MEF) shall carry out the Project in accordance with the Project Implementation Plan. If any provision of the Project Implementation Plan is inconsistent with a provision of this Agreement, the provisions of this Agreement shall govern.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. (a) The Borrower (through MEF) shall enter into agreements with each Implementing Agency, under terms and conditions satisfactory to the Bank, such agreements to provide for MEF's overall coordination of the implementation of Parts A through C of the Project, including, inter alia:

- (i) MEF's obligation to take all actions necessary or appropriate to enable each such Implementing Agency to participate in the implementation of the Project; and
- (ii) the obligation of each such Implementing Agency to: (A) operate, maintain, insure and repair, in accordance with appropriate technical and insurance standards, the goods financed out of the proceeds of the Loan; and (B) adequately train the personnel assigned to the implementation of the Project.

(b) The Borrower (through MEF) shall enter into an agreement with CGE, under terms and conditions satisfactory to the Bank, such agreement to provide the rules and procedures for CGE's cooperation in the implementation of Part D of the Project.

(c) The Borrower (through MEF) shall enter into an agreement with AME, under terms and conditions satisfactory to the Bank, such agreement to provide the rules and procedures for AME's cooperation in the implementation of Part B.2 of the Project.

(d) The Borrower (through MEF) shall exercise its rights and carry out its obligations under each Implementation Agreement, the CGE Participation Agreement and the AME Participation Agreement in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive or fail to enforce any Implementation Agreement, the CGE Participation Agreement or the AME Participation Agreement or any provision thereof.

Section 3.04. (a) The Borrower shall maintain, at all times during the execution of the Project, PIU with structure and responsibilities satisfactory to the Bank, including the following responsibilities:

- (i) overall Project financial management, comprising records, accounts, audits and reports;
- (ii) procurement of the goods and services to be financed out of the proceeds of the Loan;
- (iii) monitoring of the performance of the Implementing Agencies pursuant to the Implementation Agreements; and
- (iv) coordinating with CGE and AME the implementation of Parts D and B.2 of the Project, respectively.

(b) The Borrower shall ensure that PIU is staffed at all times during the execution of the Project by professional staff with experience and qualifications satisfactory to the Bank, operating under terms of reference satisfactory to the Bank, selected in accordance with competitive and transparent procedures satisfactory to the Bank, all as prescribed in the Operational Manual.

Section 3.05. (a) The Borrower shall carry out the Project in accordance with an operational manual, satisfactory to the Bank, said manual to provide regulations for the coordination of Project implementation, including:

- (i) detailed disbursement, accounting, auditing and reporting procedures;
- (ii) specific procurement responsibilities, processes and internal controls;
- (iii) precise monitoring and evaluation plans for the Project; and
- (iv) effective mechanisms for dissemination of information related to the Project.

(b) If any provision of the Operational Manual is inconsistent with a provision of this Agreement, the provisions of this Agreement shall govern.

Section 3.06. (a) The Borrower, through MEF, shall:

- (i) not later than October 31 of each year, furnish to the Bank, for its review and approval, an annual work plan for the following calendar year prepared in consultation with CGE (in respect of Part D of the Project) and AME (in respect of Part B.2 of the Project), such plan to specify: (A) the activities to be financed out of the proceeds of the Loan during such calendar year; and (B) the required financial and human resources; and
- (ii) upon the Bank's approval, carry out such Annual Work Plan in accordance with its terms.

(b) The Bank may refrain from approving any Annual Work Plan if, *inter alia*, the Bank has determined that the Borrower is not carrying out the Project as provided in this Agreement and no appropriate remedial actions, satisfactory to the Bank, have been taken therefor.

Section 3.07. With regard to Part D of the Project, the Borrower (through MEF) shall enter into an agreement with a private audit firm, under terms and conditions satisfactory to the Bank, for the provision of on-the-job training on computer-assisted auditing techniques.

Section 3.08. The Borrower, through MEF, shall:

(a) not later than one hundred and twenty (120) days after the Effective Date, complete a baseline survey on the status of SIGEF in the Implementing Agencies (including user satisfaction indicators), such baseline survey to be conducted with the assistance of independent consultants of experience and qualifications satisfactory to the Bank, operating under terms of reference satisfactory to the Bank;

(b) not later than November 30th of each year of Project implementation, starting in 2004, conduct periodic updates of the survey referred to in paragraph (a) above, such updates also to be conducted with the assistance of independent consultants of experience and qualifications satisfactory to the Bank, operating under terms of reference satisfactory to the Bank;

(c) not later than thirty (30) days after the completion of the survey and updates referred to in paragraphs (a) and (b) above, furnish to the Bank, for its review and comments, the findings of such survey and updates; and

(d) not later than sixty (60) days after the completion of the survey and updates referred to in paragraphs (a) and (b) above, discuss the results of such survey and updates with representatives of the Implementing Agencies, taking into account the Bank's comments thereon.

Section 3.09. The Borrower, through MEF, shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Performance Indicators, the carrying out of the Project and the achievement of the objectives thereof; and

(b) not later than July 31 and January 31 of each year of Project implementation, starting in 2004, furnish to the Bank progress reports on the execution of the Project during the preceding calendar semester, of such scope and in such detail as the Bank may reasonably request.

Section 3.10. The Borrower, through MEF, shall:

(a) not later than August 31 and February 28 of each year of Project implementation, starting in 2004, hold a Project semi-annual review with the Bank, such review to be based on the reports referred to in Section 3.08 (b) of this Agreement;

(b) not later than August 31, 2005 hold a Project mid-term review to evaluate overall progress in the implementation of the Project and in the achievement of its objectives; and

(c) if, as a result of any of the above reviews, the Bank shall have reasonably determined that the progress in the implementation of the Project or in the achievement of its objectives is not satisfactory, promptly take or cause to be taken all such remedial action, satisfactory to the Bank, as shall be necessary for the efficient implementation of the Project or the timely achievement of its objectives.

Section 3.11. For the purposes of the sustainability of the Project, the Borrower (through MEF) shall:

(a) not later than one (1) year after the Effective Date, furnish to the Bank, for its review and approval, a proposed overall sustainability plan for Project activities, including the transfer of the goods and consultants' reports financed out of the proceeds of the Loan to the line units of MEF that will assume the functions and responsibilities of the PIU;

(b) not later than two (2) years after the Effective Date, start the implementation of the sustainability plan referred to in paragraph (a) above, as approved by the Bank; and

(c) not later than September 1, 2006, complete the implementation of the sustainability plan referred to in paragraph (a) above, and furnish to the Bank evidence (satisfactory to the Bank) about such completion.

Section 3.12. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower (through MEF) shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the continued achievement of Project objectives; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each Fiscal Year audited, in accordance with auditing standards acceptable to the Bank, consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such Fiscal Year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such Fiscal Year as so audited; and (B) an opinion on such statements, records and accounts and the report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested including as a part of the information to be provided in each such report, a management letter concerning the Borrower's internal controls; and

- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of FMRs or statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the FMRs or statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Section 3.08 of this Agreement, the Borrower shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than forty-five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than forty-five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional event is specified, namely, that Supreme Decree No. 1429 of 1977 or Law No. 18 of 1992 or Law No. 4 of 2000 or Ministerial Resolution No. 182 or any provision thereof shall have been amended, suspended, abrogated, repealed or waived so as to, in the opinion of the Bank, affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement.

Section 5.02. Pursuant to Section 7.01 (k) of the General Conditions, the following additional event is specified, namely, that the event specified in Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

- (a) the Borrower shall have issued the Operational Manual;
- (b) the Bank shall have approved the Annual Work Plan for year 2002;
- (c) the CGE Participation Agreement and the AME Participation Agreement shall have been executed and delivered by the parties thereto; and
- (d) the Borrower shall have furnished evidence, satisfactory to the Bank, of the completion of the Procurement Strengthening Action Plan.

Section 6.02. The date September 26, 2003, is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Economy and Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Facsimile:

(5932) 569-386
558-232

For the Bank:

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

Cable address:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423 (MCI) or
64145 (MCI)

(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF ECUADOR

By /s/ Carlos Játiva

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Daniela Gressani

Acting Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

Part A: General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods	5,450,000	80%
(2) Consultants' Services	4,750,000	For expenditures made on or before December 31, 2003: 95%; for expenditures made after December 31, 2003 but on or before December 31, 2004: 80%; and thereafter: 60%
(3) Training	400,000	60%
(4) Incremental Operating Costs and Services	1,920,000	For expenditures made on or before December 31, 2003:95%; for expenditures made after December 31, 2003 but on or before December 31, 2004:80%; and thereafter: 60%
(5) Refunding of Project Preparation Advance	1,201,400	Amounts due pursuant to section 2.02 (b) of this Agreement
(6) Fee	138,600	Amount due under Section 2.04 of this Agreement
(7) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.09 (d) of this Agreement
TOTAL	<u>13,860,000</u> =====	

2. For the purposes of this Schedule, the terms:

(a) "Incremental Operating Costs and Services" means reasonable costs, which would not have been incurred absent the Project, for: (i) office equipment and computer maintenance; (ii) rental and refurbishment of office space, office utilities and office supplies of PIU; (iii) travel and per diem of personnel of PIU; (iv) salaries of PIU staff, all as provided in the applicable Annual Work Plan; and (v) audit fees; and

(b) "Training" means the reasonable cost of: (i) per diem and travel expenses of trainees; (ii) rental of training facilities and equipment; (iii) training materials; and (iv) training fees.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$1,000,000, may be made in respect of Categories (1) through (4) of the table set forth in Part A.1 of this Schedule, on account of payments made for expenditures made within twelve months before the date of this Agreement; and

(b) payments made for expenditures in respect of Categories (1) through (4) of the table set forth in Part A.1 of this Schedule, in respect of Project activities for the benefit of an Implementing Agency unless such Agency has entered into the respective Implementation Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for:

(a) goods under contracts costing less than \$200,000 equivalent;

(b) consulting firms under contracts costing less than \$100,000 equivalent;

(c) individual consultants under contracts costing less than \$50,000 equivalent; and

(d) Training and Incremental Operating Costs and Services,

all under such terms and conditions as the Bank shall specify by notice to the Borrower.

B. Special Account

1. The Borrower shall open and maintain in Dollars a special deposit account, in its Central Bank or a commercial bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including (in the case of a commercial bank) appropriate protection against set-off, seizure and attachment.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Loan Account of amounts to be deposited into the Special Account shall be made as follows:

(a) until the Bank shall have received: (i) the first FMR referred to in Section 4.02 (b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of FMRs, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Bank of a FMR pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of FMRs, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if the Bank determines at any time that any FMR does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Bank determines at any time that all further withdrawals should be made by the Borrower directly from the Loan Account; or

(c) if the Borrower shall have failed to furnish to the Bank within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts

reflecting expenditures with respect to which withdrawals were made on the basis of FMRs.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment.

(b) If the Bank determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to subparagraphs (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Loan Agreement.

**Annex A
to
SCHEDULE 1**

**Operation of Special Account
When Withdrawals Are Not Made
On the Basis of FMRs**

1. For the purposes of this Annex the term “Authorized Allocation” means an amount of \$1,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equal to \$500,000 until the aggregate amount of withdrawals from the Loan Account, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal or exceed \$4,000,000.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Loan minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of

the Loan shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B
to
SCHEDULE 1**

**Operation of Special Account
When Withdrawals Are Made
On the Basis of FMRs**

1. Except as the Bank may otherwise specify by notice to the Borrower, all withdrawals from the Loan Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.
2. Each application for withdrawal from the Loan Account for deposit into the Special Account shall be supported by a FMR.
3. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the respective Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the FMR accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said FMR to be remaining in the Special Account, shall not exceed \$1,000,000.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to improve the effectiveness and transparency in the Borrower's public sector financial management; and (b) to contribute to enhanced governance through the independent verification of the Borrower's financial reporting.

The Project consists of the following Parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Consolidation of SIGEF

1. Completion of the programming, testing and implementation of SIGEF-Global, including:
 - (a) consolidation of budget and accounting records aggregated at institution, sector and central level; and
 - (b) developing applications and supporting users in the submission of consolidated reports at the different levels of budget and accounting aggregation.
2. Completion of the implementation of SIGEF-Institutional in all the Borrower's Ministries, including user support, and training in the effective use of core and ancillary subsystems.
3. Consolidation of SIGEF, through:
 - (a) dissemination of SIGEF information and provision of training at managerial levels of the Implementing Agencies; and
 - (b) documenting SIGEF developments in terms of: (i) manuals to support the processes implied in SIGEF; and (ii) general SIGEF systems documentation for proper support and maintenance.
4. Strengthening of the administrative capacity of the provincial offices of the Borrower's Ministries to process transactions originating at the provincial level under SIGEF rules.

Part B: Expansion of SIGEF

Implementation of SIGEF at the level of:

1. Autonomous Bodies and Affiliated Agencies, including reengineering of internal processes.
2. Sectional Governments, including:
 - (a) organization and processing, under SIGEF rules, of Sectional Governments' financial data, including the development of standard formats for the submission of budget and accounting reports for consolidation by MEF;
 - (b) full-fledged implementation of SIGEF in Large Municipalities, including: (i) training of users; and (ii) installation and support of required applications;
 - (c) development and implementation of SIGEF-Institutional for Medium and Small Municipalities;
 - (d) development of conversion procedures to permit aggregation and consolidation of SIGEF-Institutional for Medium and Small Municipalities into SIGEF-Global; and
 - (e) provision of technical assistance for Sectional Governments to comply with internal and external financial management needs, including: (i) systems maintenance; (ii) capacity-building in public sector financial management legislation; and (iii) development of procedures for timely monitoring and follow-up compliance with mandatory reporting.

Part C: Upgrade of SIGEF's Technological Base

1. Establishment of a public data network, through:
 - (a) maintenance and support of existing databases by means of real-time connections between the administrative units of the Implementing Agencies and the SIGEF technical support unit;
 - (b) centralization of processing through suitable technical agreements; and

(c) provision of telecommunications capacity to MEF, including a MEF website to facilitate widespread access to the Borrower's public sector financial information.

2. Conversion to web-based technology, through:

(a) processing of SIGEF transactions through a system that ensures data integrity and reliability, and is available to designated users in real-time; and

(b) development of a central web-based SIGEF usable by any Implementing Agency with access to the public data network, through programming of web-based specific applications, conversion tools applied to existing programs or simulators of web-based technology.

Part D: Development of CGE's Auditing Capacity

Development of CGE's auditing capacity under SIGEF, to ensure data integrity and reliability, through the employment of computer-assisted auditing techniques.

Part E: SIGEF Organizational and Functional Support

Provision of technical assistance to MEF for:

1. developing and implementing the appropriate regulatory framework for the Borrower's public sector financial management, including:

(a) measures to ensure that SIGEF is applied in a manner that facilitates appropriate interaction with macroeconomic forecasting and management, budget preparation, and tax administration systems;

(b) coordination of ancillary and linked transaction systems with SIGEF; and

(c) determination of control structures, account classification and reporting requirements; and

2. organizing and performing financial functions, through process reengineering in the Implementing Agencies, and reviewing the distribution of roles and responsibilities of MEF and the Implementing Agencies.

Part F: Administration and Evaluation

Project management, monitoring, supervision and evaluation.

* * *

The Project is expected to be completed by September 1, 2006.

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 shall 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) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Date</u>	<u>Installment Share (Expressed as a %)</u>
April 15, 2007	1.94 %
October 15, 2007	2.00%
April 15, 2008	2.08%
October 15, 2008	2.15%
April 15, 2009	2.22%
October 15, 2009	2.30%
April 15, 2010	2.38%
October 15, 2010	2.46%
April 15, 2011	2.55%
October 15, 2011	2.64%
April 15, 2012	2.73%
October 15, 2012	2.83%
April 15, 2013	2.93%
October 15, 2013	3.03%
April 15, 2014	3.14%
October 15, 2014	3.25%
April 15, 2015	3.36%
October 15, 2015	3.48%
April 15, 2016	3.60%
October 15, 2016	3.72%
April 15, 2017	3.85%
October 15, 2017	3.99%
April 15, 2018	4.13%
October 15, 2018	4.27%
April 15, 2019	4.42%
October 15, 2019	4.58%
April 15, 2020	4.74%

October 15, 2020	4.90%
April 15, 2021	5.08%
October 15, 2021	5.25%

2. If the proceeds of the Loan shall not 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 as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made 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 shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date[, such repayment amounts 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) Withdrawals made 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 subparagraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such subparagraph 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 principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be 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 said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said 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 principal amount of the Loan withdrawn and outstanding from time to time shall be 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.

SCHEDULE 4

Procurement

Section I. Procurement of Goods

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Sections I, III and IV of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.
2. The following provision shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

Preference for Domestically Manufactured Goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$200,000 but more than \$50,000 equivalent per contract, and not exceeding in the aggregate \$600,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Shopping

Goods estimated to cost \$50,000 equivalent or less per contract, and not exceeding in the aggregate \$840,000 equivalent, may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Goods which: (a) should be procured as an extension of an existing contract; (b) must be purchased from the original supplier to be compatible with existing equipment; (c) are of a proprietary nature; or (d) must be procured from a particular supplier as a condition of a performance guarantee, and costing \$200,000 equivalent or less in the aggregate, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to: (i) each contract for goods to be procured in accordance with the procedures referred to in Part B.1 above; and (ii) the first contract to be procured in accordance with the procedure referred to in Part C.1 above, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first contract to be procured in accordance with the procedures referred to in Part C.2 above, the following procedures shall apply:

- (i) prior to the selection of the supplier, the Borrower shall provide to the Bank a report on the comparison and evaluation of quotations received;

- (ii) prior to the execution of the contract, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2 (f), 2 (g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Sections II, III, and IV of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants, estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services of a standard or routine nature estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, and not exceeding in the aggregate \$5,150,000 equivalent, shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost \$100,000 equivalent or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost less than \$100,000 equivalent, the terms of reference, terms of employment and short list of the consulting firms shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

(c) With respect to each contract for the employment of individual consultants estimated to cost \$50,000 equivalent or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

(d) With respect to each contract for the employment of individual consultants estimated to cost less than \$50,000 equivalent, the terms of reference shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

Section III. Special Provisions

A. In addition and without limitation or restriction to any other provisions set forth in this Schedule or the Guidelines, the following provisions shall govern the procurement of goods under Part C.1 of Section I of this Schedule:

1. Each bid shall be evaluated and the corresponding contract awarded to the responsive bidder who 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. If any factor additional to the amount or amounts of each bid is to be considered in bid evaluation, such factor or factors and the quantified manner on which they will be applied for purposes of determining the lowest evaluated bid, shall be precisely 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.

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

3. Foreign bidders shall not be required to authenticate (*legalizar*) their bidding documents or any documentation related to such bidding documents with Ecuadorian authorities as a prerequisite of bidding.

4. The Borrower shall use standard bidding documents satisfactory to the Bank.

B. In addition and without limitation or restriction to any other provisions set forth in this Schedule or the Consultant Guidelines, the following provisions shall govern all employment of consultants:

1. Foreign consultants shall not be required to be locally registered as a condition of participation in the selection process.
2. Foreign consultants shall not be required, either directly or indirectly, to give any participation in or share of any consulting contracts to any local firm or person.
3. Foreign consulting firms shall not be required, as a condition to provide services, to be registered in Ecuador with a minimum capital different from that required for Ecuadorian firms.
4. Foreign consultants, either individuals or firms, shall not be required to pay fees to the Ecuadorian Consultants' Association that are different from those required for Ecuadorian consultants.
5. No consultant financed out of the proceeds of the Loan shall, at the time he or she is carrying out his or her contractual obligations as consultant, hold civil service office or any other position in any agency of the Borrower, nor shall such consultant have any right to re-entry into any such office or position upon the conclusion of his or her consulting services.

Section IV: Internal Approvals

With respect to any procurement of goods, and any employment of consultants to be financed out of the proceeds of the Loan, any approval of bidding documents or requests of proposals or contracts required under the laws of the Borrower shall be given only by MEF.

WB76939
M:\ECUADOR\PUBLIC SECTOR FINANCIAL MANAGEMENT PROJECT\ECUADOR-Public Sector Financial
Management (LA-Signing).doc
August 27, 2003 9:58 AM