

LOAN NUMBER 9333-EC

Loan Agreement

(First Green and Resilient Recovery (GARR) Development Policy Loan)

between

REPUBLIC OF ECUADOR

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between the REPUBLIC OF ECUADOR (“Borrower”) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing, without a direct link to specific expenditures or investments, on the basis, *inter alia*, of: (i) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (ii) the Borrower’s maintenance of an adequate macroeconomic policy framework. The Borrower and the Bank therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 the amount of seven hundred million Dollars (\$700,000,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”).
- 2.02. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.03. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.04. The interest rate is the Reference Rate plus the Variable Spread¹ or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.05. The Borrower elects to apply the Automatic Rate Fixing Conversion to the Loan. Accordingly, without limitation upon the provisions of Article IV of the General Conditions and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to consecutive withdrawals from the Loan Account which in the aggregate equal seven

¹ Only Variable Spread is available for regular DPLs (including DPLs with DDO features) due to FSL suspension effective April 1, 2021.

hundred million Dollars (\$700,000,000) shall be converted from the initial 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 for the full maturity of such amount in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

- 2.06. The Payment Dates are May 15 and November 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.
- 2.08. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
 - (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower's macroeconomic policy framework and the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and
 - (c) without limitation upon paragraph (a) and (b) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following: a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following: the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is the Borrower's Minister of Economy and Finance.

6.02. For purposes of Section 10.01 of the General Conditions:

(a) the Borrower's address is:

Ministry of Economy and Finance
Av. Amazonas y Pereira, Plataforma Financiera
Quito, Ecuador

(b) the Borrower's Electronic Address is:

E-mail:
documentosmef@finanzas.gob.ec

6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank's address is:

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

(b) the Bank's Electronic Address is:

Facsimile:
1-202-477-6391

AGREED as of the Signature Date.

REPUBLIC OF ECUADOR

By



Authorized Representative

Name: _____
Carlos Iván Carrera

Title: _____
Subsecretary of Public Financing

Date: _____
24-feb.-2022

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: _____
Marianne Fay

Title: _____
Country Director

Date: _____
23-Feb-2022

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

The actions taken by the Borrower under the Program include the following:

A. **Tackle selected structural challenges to foster growth, inclusion, job creation, and climate resilience**

1. To facilitate the mobilization, access and monitoring of public financing flows for climate change mitigation and adaptation programs, the Borrower has established the Institutional Committee for Financing and Thematic Monitoring (*Comité Institucional de Financiamiento y Seguimiento Temático*) with the mandate of supporting the development, consolidation, coordination and implementation of national strategies for accessing financing, and implementing economic and financial policies, for climate change and sustainable development, as evidenced by Ministerial Agreement No. 0097 issued by the Minister of Economy and Finance on October 15, 2021.
2. To reduce trade barriers, the Borrower has:
 - (i) reduced the tariffs of 796 tariff lines, as evidenced by the following resolutions of the Foreign Trade Committee (*Comité de Comercio Exterior*) (COMEX): Resolution No. 007-2021 adopted on May 20, 2021 and effective May 31, 2021; and Resolution No. 009-2021 adopted on July 9, 2021 and fully effective as of October 1, 2021; and
 - (ii) in accordance with the recommendation of *Informe Técnico* No. MPCEIP-CTCE-008-2021 approved by the COMEX on July 22, 2021, eliminated one or more pre-import control documentation requirements with respect to 1,466 tariff subheadings, as evidenced by COMEX Resolution No. 010-2021 adopted on July 22, 2021, as published in the Official Register (*Suplemento*) No. 527 on August 31, 2021.
3. To protect vulnerable populations, the Borrower has:
 - (i) modified Executive Decree No. 712 of April 11, 2019, which established the Social Registry and its related administrative units, by enhancing the management of the Social Registry by targeting and including households and individuals (in addition to families) as well as the most vulnerable groups including those without administrative data, the future establishment of a model for permanent updating of the Social Registry, and mandating public executive agencies to provide their registers of data requested by the Social Registry Unit (e.g., on identity, tax, social security, socioeconomic status) to help keep the Social Registry updated and generate inputs for social protection policies and programs, and raising the profile of the Social Registry Unit by attaching it to the Presidency, as evidenced by

Executive Decree No. 228 issued on October 20, 2021, as published in the Official Register (*Suplemento*) No. 575 on November 11, 2021; and

- (ii) (A) approved the implementation of a prioritized package of goods and services for pregnant women and children under 24 months of age to combat child and maternal malnutrition; and (B) mandated an annual statistical survey of chronic child malnutrition rates, as evidenced by Executive Decree No. 1211 issued on December 15, 2020, as published in the Official Register (*Suplemento*) No. 356 on December 23, 2020.

B. Strengthen low carbon development

4. To facilitate private investment in energy generation (including from non-conventional renewable sources) and electromobility, the Borrower has enacted the Organic Law Reforming the Law of the Public Electric Energy Service (*Ley Orgánica Reformatoria a la Ley Orgánica del Servicio Público de Energía Eléctrica*) which removes certain obstacles to private financing of non-conventional renewable electric generation and electric vehicle charging projects (e.g., clarifies operation license and concession termination events, lowers barriers to transfers of minority interests, provides for the authorization and regulation of commercial electric vehicle charging, and allows security interests in immovable project assets and transferability of license rights in favor of financiers), as published in the Official Register (*Suplemento*) No. 452 on May 14, 2021.
5. To reduce energy costs, increase productivity and create jobs, the Borrower, through the Agency for Regulation and Control of Energy and Non-Renewable Natural Resources, has issued the regulatory framework for the qualification, connection, installation and operation of small (less than 1 MW) renewable distributed generation systems for self-supply, as evidenced by Resolution No. ARCERNNR-013/2021 (containing Regulation No. ARCERNNR-001/2021) (April 5, 2021).
6. To promote consumer-side energy efficiency and reduction of greenhouse gas (GHG) emissions, the Borrower has issued the General Regulations of the Organic Law on Energy Efficiency (*Reglamento General de la Ley Orgánica De Eficiencia Energética*), establishing the roles and responsibilities of the National Committee on Energy Efficiency (CNEE); the selection criteria, functions and governance for the CNEE's Advisory Council consisting of representatives from interested energy consumers, academia, professional unions, productive sectors, and civil society; the classification of energy consumers by sector and energy use (large, medium and small); obligations of large energy consumers to report periodically on their energy use, energy efficiency measures implemented and the results thereof, and to implement in their operations and (starting 2025) obtain certification under ISO 50001 (Energy Management) standards; requirements for entities to register as Energy Auditors, Energy Managers (under ISO 50001), or Energy Service Companies in the national Catalog of Energy Services Providers; mechanisms for the promotion of energy efficiency projects and the methodology for prioritizing and evaluating them; and policy mechanisms for meeting the targets in the national energy efficiency plan (such as "energy efficient" labeling of products and buildings, and issuing "energy savings" certificates to projects that demonstrate energy savings or carbon emissions avoided, entitling them to benefits such as lower tariffs), as evidenced by Executive Decree No. 229

issued on October 20, 2021, as published in the Official Register (*Suplemento*) No. 575 on November 11, 2021.

7. To promote a more efficient, greener and safer road transport sector, the Borrower has enacted the Organic Law Reforming the Organic Law on Land Transportation, Transit and Road Safety (*Ley Orgánica Reformativa de la Ley Orgánica de Transporte Terrestre, Tránsito y Seguridad Vial*) that establishes incentives for the use of sustainable, environmentally-friendly means of transportation (including walking, bicycle use, and zero emissions vehicles), “green” labeling of license plates of electric/zero-emission vehicles to give effect to the applicable incentives, and enhanced measures for road safety, as published in the Official Register (*Suplemento*) No. 512 on August 10, 2021.
8. To strengthen the ability of different sectors to collect and report information on GHG emissions, and of the Borrower to prepare national GHG inventories and monitor progress on its nationally determined contributions in relation to GHG reduction in the context of the Enhanced Transparency Framework of the Paris Agreement, the Borrower, through the Ministry of Environment, Water and Ecological Transition (MAATE) and with participation and input from relevant sector stakeholders, has issued and made public on its website four new technical guides containing updated procedures and methodologies for the collection, assessment and management of data required for the preparation of national GHG inventories, for the following sectors: (i) agriculture; (ii) waste; (iii) industrial processes and product use (mineral products category); and (iv) energy (fuel combustion in manufacturing and construction subcategory), as confirmed by Circular No. MAAE-MAAE-2021-0228-C dated October 20, 2021 from the Minister of Environment, Water and Ecological Transition to the Minister of Agriculture and Livestock, the Minister of Energy and Non-Renewable Natural Resources, the Minister of Production, Foreign Trade, Investment and Fisheries, and the Undersecretary of Environmental Quality of MAATE.
9. To foster GHG emission reductions in all productive sectors of the economy, the Borrower has created the Ecuador Carbon Zero Program (*Programa Ecuador Carbono Cero*), which establishes the processes and requirements for private and public institutions to quantify, reduce and offset/compensate their carbon emissions, and obtain one of three different “green” certifications for their climate change mitigation and adaptation actions (*i.e.*, carbon footprint quantification; carbon reduction; or carbon neutrality) and its associated benefits, as evidenced by Ministerial Agreement No. MAAE-2021-18 issued by the Ministry of Environment and Water on May 6, 2021.

Section II. Availability of Loan Proceeds

- A. **General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.
- B. **Allocation of Loan Amounts.** The Loan is allocated in a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

Allocations	Amount of the Loan Allocated (expressed in USD)
(1) Single Withdrawal Tranche	700,000,000
TOTAL AMOUNT	700,000,000

- C. Withdrawal Tranche Release Conditions.** No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied: (a) with the Program being carried out by the Borrower; and (b) with the adequacy of the Borrower’s macroeconomic policy framework.
- D. Deposit of Loan Amounts.** The Borrower, within thirty (30) days after the withdrawal of the Loan from the Loan Account, shall report to the Bank: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; (b) the details of the account to which the equivalent of the Loan proceeds will be credited; and (c) the record that an equivalent amount has been accounted for in the Borrower’s budget management systems.
- E. Audit.** Upon the Bank’s request, the Borrower shall:
1. have the account referred to in Section 2.03 (a) of the General Conditions audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank;
 2. furnish to the Bank as soon as available, but in any case not later than four (4) months after the date of the Bank’s request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Bank shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Bank; and
 3. furnish to the Bank such other information concerning the account referred to in Section 2.03 (a) of the General Conditions and their audit as the Bank shall reasonably request.
- D. Closing Date.** The Closing Date is January 31, 2023.

SCHEDULE 2

Disbursement-Linked Amortization Repayment Schedule – Level Repayment

1. Subject to the provisions of Section 3.03 of the General Conditions, the Borrower shall repay each Disbursed Amount in semiannual installments payable on each May 15 and November 15, the first installment to be payable on the eleventh (11th) Payment Date following the Maturity Fixing Date for the Disbursed Amount and the last installment to be payable on the thirty-third (33rd) Payment Date following the Maturity Fixing Date for the Disbursed Amount. Each installment except for the last one shall be equal to one twenty-third (1/23) of the Disbursed Amount. The last installment shall be equal to the remaining outstanding amount of the Disbursed Amount.
2. If any one or more installments of principal of the Disbursed Amount would, pursuant to the provisions of paragraph 1 of this Schedule, be payable after May 15, 2039, the Borrower shall also pay on such date the aggregate amount of all such installments.
3. The Bank shall notify the Loan Parties of the amortization schedule for each Disbursed Amount promptly after the Maturity Fixing Date for the Disbursed Amount.

APPENDIX

Section I. Definitions

1. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020, December 21, 2020, April 1, 2021 and January 1, 2022).
2. “Program” means: the program of objectives, policies, and actions designed by the Borrower and set forth or referred to in the letter dated December 21, 2021, from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
3. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.