
LOAN NUMBER 9585-EC

Loan Agreement

(Ecuador Third Green and Resilient Recovery DPF (EGARR DPF3))

between

REPUBLIC OF ECUADOR

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF ECUADOR (“Borrower”) and 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 five hundred million Dollars (\$500,000,000), 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 or exceed five hundred million Dollars (\$500,000,000) 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

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

accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

- 2.06. The Payment Dates are June 15 and December 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with 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; and

(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

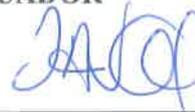
(b) the Bank's Electronic Address is:

Facsimile: 1-202-477-6391

AGREED as of the Signature Date.

REPUBLIC OF ECUADOR

By



Authorized Representative

Name: JOSE VIVARRO

Title: SUBSECRETARIO DE FINANCIAMIENTO *ABUJO*

Date: 22 DE AGOSTO DE 2023

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

Name: ISSAM ABOUSLEIMAN

Title: COUNTRY DIRECTOR

Date: 22 DE AGOSTO DE 2023

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 green growth, inclusion, and climate resilience**
1. To reduce the fiscal impact of fuel subsidies, the Borrower has reduced the fuel subsidy for large shrimp farms, as evidenced by Executive Decree No. 614 issued on December 2, 2022.
 2. To finance green investments to promote a low-carbon economy, the Borrower has issued a framework document for sovereign green bonds, which establishes the processes for evaluating and selecting projects eligible to be financed with green bond proceeds, and for reporting on the allocation and impact of those proceeds, as evidenced by Interministerial Agreement No. MEF-SNP-MAATE-01, made by MEF, the National Planning Secretariat, and MAATE on June 5, 2023.
 3. To better manage fiscal risks due to climate and natural hazards, the Borrower has issued the methodology for quantifying contingent liabilities in public-private partnership projects (PPPs), including those caused by climate-related disasters, as evidenced by Ministerial Agreement No. 028 issued by MEF on June 3, 2023, as published in Official Gazette No. 333 on June 16, 2023.
 4. The Borrower has created the *Bono 1000 días* program for providing conditional grants for expecting mothers and children under two, as evidenced by Executive Decree No. 435 issued on June 1, 2022, as published in Official Gazette (*Tercer Suplemento*) No. 84 on June 15, 2023.
 5. The Borrower has: (a) enacted a law to incentivize women's participation and gender equality in the workplace, as evidenced by *Ley Orgánica para Impulsar la Economía Violeta*, as published in Official Gazette (*Suplemento*) No. 234 on January 20, 2023; and (b) issued guidelines for its implementation in the power sector, as evidenced by Ministerial Agreement No. MEM-VEER-2023-0001-AM, issued by the Ministry of Energy and Mines (MEM) on March 8, 2023, as published in Official Gazette No. 278 on March 28, 2023.
- B. Strengthen low-carbon development**
6. The Borrower has issued a regulation to promote distributed renewable generation for non-regulated customers, as evidenced by Resolution No. ARCERNNR 017/2023, issued by the Agency for Regulation and Control of Energy and Non-Renewable Natural Resources (ARCERNNR) on May 24, 2023.

7. The Borrower has reduced the tariffs on lithium batteries used for storing power generated from variable renewable energy sources, as evidenced by Resolution No. 001-2023, adopted by the Foreign Trade Committee on February 24, 2023, and effective March 1, 2023.
8. The Borrower has mandated that all public and semi-public power companies in the power sector prepare five-year energy efficiency plans, as evidenced by Ministerial Agreement No. MEM-MEM-2023-0010-AM, issued by MEM on May 12, 2023.
9. To encourage public and private entities to reduce greenhouse gas emissions and support achievement in carbon neutrality goals, while enhancing the resilience activities in non-forest areas, the Borrower has issued the Technical Norm Establishing the Ecuador GHG Emissions Offset Scheme under the PECC which governs the design, eligibility, validation, valuation, registration, and monitoring and verification of GHG mitigation initiatives, as evidenced by Ministerial Agreement No. MAATE-2023-053 issued by MAATE on June 11, 2023, as published in Official Gazette (*Tercer Suplemento*) No. 333 on June 16, 2023.
10. To promote deforestation-free and value-added production in rural landscapes, and to promote traceability of forest resources and control their illegal exploitation, the Borrower has issued:
 - (a) the procedure for preparing, approving, registering, and updating integrated forest management plans, as evidenced by: (i) Ministerial Agreement No. MAATE-2022-091, issued by MAATE on September 16, 2022, as published in Official Gazette (*Segundo Suplemento*) No. 175 on October 24, 2022; and (ii) Ministerial Agreement No. MAATE-2023-052, issued by MAATE on June 7, 2023, as published in Official Gazette (*Cuarto Suplemento*) No. 328 on June 9, 2023; and
 - (b) the administrative procedures for obtaining export and import certificates for timber and non-timber forest products, as evidenced by Ministerial Agreement No. MAATE 2023-035, issued by MAATE on April 28, 2023, and published in Official Gazette (*Segundo Suplemento*) No. 325 on June 6, 2023.

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	500,000,000
TOTAL AMOUNT	500,000,000

- 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 accounts referred to in Section 2.03(a) of the General Conditions; (b) the details of the accounts 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. Closing Date.** The Closing Date is December 31, 2024.

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 June 15 and December 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-fourth (34th) Payment Date following the Maturity Fixing Date for the Disbursed Amount. Each installment except for the last one shall be equal to one twenty-fourth (1/24) 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 December 15, 2040, 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. “MAATE” means *Ministerio de Agua, Ambiente y Transición Ecológica*, the Borrower's Ministry of Water, Environment, and Ecological Transition, or any successor thereto.
3. “MEF” means *Ministerio de Economía y Finanzas*, the Borrower's Ministry of Economy and Finance, or any successor thereto.
4. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated June 20, 2023 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.
5. “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.
6. “Single Withdrawal Tranche” means the amount of the Loan allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.