Subject: Republic of Ecuador: Loan No. 8591-EC
Risk Mitigation and Emergency Recovery Project
Fourth Amendment to the Loan Agreement

Dear Mr. Minister:


I am pleased to inform you that after careful consideration of the Borrower’s requests and follow-up discussions between the parties to the Loan Agreement, the Bank has acceded to the said requests to: (i) revise the Project activities under Part 2 of the Project and the Project social risk management arrangements and instruments to allow using Loan funds to respond to COVID-19 pandemic, namely through the financing of emergency cash-transfers; (ii) reallocate funds between Disbursement Categories; (iii) update the institutional and implementation arrangements to include the Ministry of Economic and Social Inclusion (MIES); (iv) extend the Closing Date; and (v) update the Results Framework.

Consequently, the Loan Agreement shall be amended as follows:
1. Section 3.01 of the Loan Agreement is hereby amended to read as follows:

“3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project with the assistance of: (i) EPA with respect to Part 1 of the Project; and (ii) MSP, MIES and any other selected agency acceptable to the Bank with respect to Part 2 of the Project, all in accordance with the provisions of Article V of the General Conditions.”

2. Schedule 1 to the Loan Agreement is hereby replaced in its entirety as set forth in Attachment 1 to this Amendment Letter.

3. Item I.A.4(a) of Schedule 2 to the Loan Agreement is hereby amended to read as follows:

“The Borrower, through MEF shall:

(a) prepare, in accordance with terms of reference acceptable to the Bank, an Operational Manual and thereafter implement, and cause EPA to implement its Respective Part of the Project in accordance with its terms, and shall include the rules, methods, guidelines, standard documents and procedures for the carrying out of the Project, including the following: (i) the detailed description of Project implementation activities and the detailed institutional arrangements of the Project; (ii) the Project administrative, accounting, auditing, reporting, financial, procurement and financial management procedures; (iii) the emergency response procedures for approval of investments under Part 2 of the Project, including the criteria to select Eligible Beneficiaries and for the provision of Cash-Transfers; (iv) the establishment and implementation of a grievance redress mechanism for the Project; (v) the monitoring indicators of the Project, which may be revised from time to time, as acceptable to the Bank; (vi) detailed implementation arrangements for Part 2 of the Project, including: (A) specific activities which may be financed under Part 2 of the Project; (B) Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (C) financial management arrangements for Part 2 of the Project; (D) Procurement of Emergency Expenditures under Part 2 of the Project; (E) documentation required for withdrawals of Emergency Expenditures; (F) mechanisms of selection of sectors and other eligible agencies that may participate in the execution of Part 2 of the Project; and (G) any other arrangements necessary to ensure proper coordination and implementation of Part 2 of the Project.”

4. Section I.C of Schedule 2 to the Loan Agreement is hereby amended to read as follows:

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

2. Without limitation upon the provisions of Section I.C.1 of Schedule 2 to this Agreement, and Section 9.03(b) of the General Conditions, the Borrower, through MIES, shall issue a notice to the Concentradores (the ACG Notice) in a manner acceptable to the Bank, including:

(a) a copy of the Anti-Corruption Guidelines; and
exhorting the Concentradores to comply with the Anti-Corruption Guidelines when managing Loan proceeds (as disbursed in accordance with the provisions set forth in this Agreement).”

5. Section I.E of Schedule 2 to the Loan Agreement is hereby amended to read as follows:

“E. Safeguards

1. The Borrower shall, and shall cause EPA to implement Part 1 and Part 2 (i) of the Project in accordance with the ESSAF, IPPF, RPF and the respective EMPs, RAPs and IPPs prepared or to be prepared pursuant, in accordance with the objectives, policies, procedures, compensation arrangements and other provisions set forth in the ESSAF, IPPF and RPF, in each case as agreed with the Bank. With respect to any activities under Parts 1 and 2 (i) of the Project, the Borrower shall and shall cause EPA to refrain from awarding any contract to contractors/consultants until and unless:

(a) the proposed activities have been screened in accordance with the guidelines, standards and procedures set forth in the ESSAF;

(b) the respective EMP, RAP and/or IPP required for such activities pursuant to the ESSAF, RPF or IPPF, respectively, has/have been prepared and agreed with the Bank; and

(c) the foregoing Safeguard Documents have been publicly disclosed by the Borrower and/or EPA.

2. The Borrower shall ensure, and cause to ensure, prior to commencing any civil works under Parts 1 and 2 (i) of the Project that all resettlement measures for the respective civil works set forth in the applicable RAP shall have been fully executed, including the full payment of compensation prior to displacement and/or the provision of relocation assistance to all Displaced Persons, as per the entitlements provided in the ESSAF, RPF and/or the applicable RAP.

3. The Borrower shall ensure, and cause to ensure, that each contract for civil works under the Part 1 and 2 (i) of Project includes the obligation of the relevant contractor to comply with the relevant Safeguard Documents applicable to such civil works commissioned/awarded pursuant to said contract.

4. The Borrower shall ensure or cause to ensure that Part 2 (ii) of the Project is carried out in accordance with the SA, the IPPF-2 (including any IPPs) and the SEP.

5. Without limitation upon paragraph 4 above, the Borrower shall and shall cause to refrain from carrying out any activities under Part 2 (ii) of the Project that: (a) involve civil works; (b) have a significant, irreversible and long term environmental and/or social impact; or (c) cause any Involuntary Resettlement.

6. The Borrower shall ensure and cause to ensure that no action is taken which would prevent or interfere with the implementation of the Safeguard Documents, including any amendment, suspension, waiver, annulment and/or voidance of any provision of the
Safeguard Documents, whether in whole or in part, unless as otherwise agreed in writing by the Bank.

7. Without limitation upon its other reporting obligations under this Agreement, the Borrower shall ensure, and cause to ensure, that: (i) all measures are taken to regularly collect, compile, and submit to the Bank, as part of the Project Reports, and promptly in a separate report whenever the Bank may require, information on the status of compliance with the Safeguard Documents, all such reports in form and substance acceptable to the Bank; (ii) the Bank is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers.

8. The Borrower shall and shall cause to establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Bank.

9. The Borrower shall and shall cause EPA to ensure that no activities under the Project shall be carried out on International Waterways.”

6. The table under Section IV.A.2. of Schedule 2 to the Loan Agreement is hereby amended to read as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of VAT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants’ services and Training for Part 1 of the Project</td>
<td>3,776,367.31</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Emergency Expenditures for Part 2 of the Project, including Cash-Transfers</td>
<td>52,534,576.96</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, non-consulting services, Training, and consultants’ services (including audits) for Part 3 of the Project</td>
<td>3,274,607.32</td>
<td>100%</td>
</tr>
<tr>
<td>Subtotal</td>
<td>59,585,551.59</td>
<td></td>
</tr>
</tbody>
</table>

Cancelled amount effective September 27, 2018 58,210,000.00

Cancelled amount effective February 7, 2019 32,204,448.41

TOTAL AMOUNT 150,000,000.00
7. Section IV.B.2 of Schedule 2 to the Loan Agreement is hereby amended to read as follows:

“The Closing Date is September 7, 2021.”

8. The Annex to the Loan Agreement is hereby replaced in its entirety as set forth in Attachment 2 to this Amendment Letter.

The Appendix to the Loan Agreement is hereby amended as follows:

(a) The definitions of “MTOP”, “MINEDUC” and “SECOB” are hereby deleted (as a result, the remaining definitions are renumbered to maintain alphabetical order).

(b) The following definitions are hereby amended to read in their entirety as follows:

“Co-Executing Agencies” means MSP, MIES and any other eligible agency acceptable to the Bank with respect to Part 2 of the Project.”

"Indigenous Peoples' Plan" or "IPPs" means any indigenous peoples' plans to be prepared or cause to be prepared by the Borrower and approved by the Bank, for activities under Parts 1 and 2 of the Project, as set forth in the IPPF or the IPPF-2, as appropriate, which set forth the principles and procedures, including mitigation and adaptive measures to offset, reduce to acceptable levels, or eliminate, any adverse social impact under the Project, including measures designed to ensure meaningful consultation with, and informed participation of, Indigenous Peoples and their communities in the design and implementation of the Project activities, as well as their participation in the envisioned culturally appropriate and socially inclusive benefits thereof; as such plan(s) may be amended from time to time with the prior written concurrence of the Bank, collectively referred to as "Indigenous Peoples' Plans or IPPs."

"Indigenous Peoples' Planning Framework" or "IPPF" means the Borrower's framework for Part 1 and 2 (i) of the Project, dated April 21 2016, acceptable to the Bank, detailing measures to mitigate any adverse risks and impact on indigenous peoples as a result of any activity carried out under Part 1 and 2 (i) of the Project and to ensure that they benefit from activities under Part 1 and 2 (i) of the Project, including procedures for the preparation and implementation of the pertinent IPPs, as such framework may be amended from time to time with the prior written concurrence of the Bank.”

“Safeguard Documents” means collectively the ESSAF, the RPF, the IPPF, the EMPs, the RAPs and IPPs, the SA, the IPPF-2 and the SEP”.

(c) The following definitions are hereby added and placed in alphabetical order (as a result, the remaining definitions are renumbered to maintain alphabetical order).

“ACG Notice” means the notice issued by the Borrower, through MIES, referred to in section I.C.2 of Schedule 2 to this Agreement.”
“Cash-Transfers” means an amount made out of the proceeds of the Loan to pay an Eligible Beneficiary for a total of US$120 per Eligible Beneficiary to be paid in two transfers in accordance with the provisions set forth in the Operations Manual.”

“Concentradores” means an entity empowered to interconnect with the MIES transactional platform in order to make the payment of Cash-Transfers to the Eligible Beneficiaries.”

“Eligible Beneficiary” means low-income persons affected by an Eligible Disaster that meet the criteria to receive a Cash-Transfer set forth in the Operational Manual.”

“MIES” means Ministerio de Inclusión Económica y Social, the Borrower’s Ministry of Economic and Social Inclusion, or any legal successor thereof.”

“Social Assessment” or “SA” means the social assessment for Part 2 (ii) of the Project, disclosed on April 1, 2020, acceptable to the Bank, setting out details of potential social risks and adverse impacts associated with Part 2 (ii) Project activities, together with the measures to manage such risks and impacts, procedural, budget and institutional arrangements and actions needed to implement these measures and including any schedules to such assessment, as such assessment may be amended by the Borrower from time to time, with the prior written approval of the Bank.”

“Indigenous Peoples’ Planning Framework-2” or “IPPF-2” means the Borrower's framework for Part 2 (ii) of the Project, disclosed on April 1, 2020, acceptable to the Bank, detailing measures to mitigate any adverse risks and impact on indigenous peoples as a result of any activity carried out under Part 2 (ii) of the Project and to ensure that they benefit from activities under 2 (ii) of the Project, including procedures for the preparation and implementation of the pertinent IPPs, as such framework may be amended from time to time with the prior written concurrence of the Bank.”

“Stakeholder Engagement Plan” or SEP” means the plan for Part 2 (ii) of the Project, disclosed on April 1, 2020, acceptable to the Bank, detailing measures to ensure stakeholder engagement and participation throughout the carrying out of activities under for Part 2 (ii) of the Project, including a social communication strategy that includes, inter alia, measures to address risks of gender-based violence and violence against children; as such framework may be amended from time to time with the prior written concurrence of the Bank.

Not later than fifteen (15) days after the date of this Amendment Letter, the Borrow shall: (i) update and disclose the Operational Manual to include the modifications under Part 2 of the Project; (ii) update and disclose the SA, the IPPF-2 and the SEP in a manner acceptable to the Bank; and (iii) issue the ACG Notice.
Please confirm your agreement to the foregoing amendment by signing and dating the confirmation on the enclosed copy of this Amendment Letter and returning it to us. This amendment will come into force and effect as of the date of your countersignature, upon receipt by the World bank of one countersigned original of this amendment letter.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Marianne Fay

Marianne Fay
Director
Bolivia, Chile, Ecuador and Peru
Latin America and the Caribbean

REPUBLIC OF ECUADOR

By: Mr. Juan Hidalgo
Title: Undersecretary of Public Financing
Date: 04-Apr-2020

cc: Mr. Fabian Carrillo, Viceminister of Finance, Ministry of Economy and Finance
Mr. Mauricio Ullrich, Coordinator, Ministry of Economy and Finance
Mrs. Paula Suárez, Adviser to the Executive Director, World Bank
SCHEDULE 1
Project Description

The objective of the Project is to reduce the potential effects of the *El Niño* phenomenon, and support the recovery of basic and productive services in selected sectors in affected areas in case of an Eligible Disaster, and strengthen resilience to natural disasters and macroeconomic shocks.

The Project consists of the following parts:

Part 1: *Disaster Preparedness and Risk Mitigation*

Provision of support for disaster preparedness and risk mitigation measures in the water and flood protection sector, through the carrying out of activities aimed at mitigating the risk of flooding by ensuring river beds are cleared of sediments and riverbanks are protected, including: (i) mechanical dredging activities in select rivers and waterways; and (ii) rehabilitation or construction of retaining and protection walls and flood control infrastructure along select rivers.

Part 2: *Post-Disaster Recovery and Reconstruction*

(i) Provision of support for the recovery and reconstruction of selected sectors, should an Eligible Disaster occur.

(ii) Provision of support for:

(a) Provision of Cash Transfers to Eligible Beneficiaries.

(b) Improving of MSP’s capacity to respond to disasters in general and prepare for an emergency by providing resources to the sector through the purchase of various types of medical supplies and equipment.

Part 3: *Technical Assistance to MEF and Project Implementation, Monitoring and Evaluation*

Provision of support to MEF for the capacity to advance macroeconomic and structural reforms to increase the Borrower’s macroeconomic resilience, and provision of support to MEF, MIES, MSP and selected sectors for the administrative management of the Project, for, *inter alia*: (i) the hiring of specialists to support the MEF’s capacity to advance macroeconomic reforms; (ii) the hiring of a Project coordinator, specialists in financial management, procurement, monitoring and evaluation for the PCU; (iii) the hiring of other technical temporary staff (including, but not limited to, environmental and social specialists), needed during Project implementation; (iv) the carrying out of Project audits; and (v) the financing of the necessary goods and equipment.
ANNEX

Project Cost Composition by Component/Sub-component and by Source of Financing

<table>
<thead>
<tr>
<th>Component</th>
<th>Bank</th>
<th>Local Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 1. Disaster Preparedness and Risk Mitigation</td>
<td>3,776,367.31</td>
<td>481,093.27</td>
</tr>
<tr>
<td>Disaster Preparedness and Risk Mitigation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emergency Measures in the Water and Flood Protection Sector under EPA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Component 2. Post-Disaster Recovery and Reconstruction</td>
<td>52,534,576.96</td>
<td>260,093.37</td>
</tr>
<tr>
<td>(a) Emergency Expenditures for Emergency Recovery, including Cash Transfers</td>
<td>50,000,000.00</td>
<td>-</td>
</tr>
<tr>
<td>(c) Recovery and reconstruction in the health sector under MSP</td>
<td>2,534,576.96</td>
<td>260,093.37</td>
</tr>
<tr>
<td>Component 3. Technical Assistance to MEF and Project Implementation, Monitoring and Evaluation</td>
<td>3,274,607.32</td>
<td>183,683.60</td>
</tr>
<tr>
<td>Hiring project coordinator and specialists in financial management, procurement, monitoring and evaluation and other technical temporary staff. The carrying out of project audits. The financing of the necessary goods and equipment.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td>59,585,551.59</td>
<td>924,870.24</td>
</tr>
<tr>
<td>TOTAL</td>
<td>59,585,551.59</td>
<td>924,870.24</td>
</tr>
</tbody>
</table>