

LOAN NUMBER 9131-EC

Loan Agreement

(Promoting Access to Finance for Productive Purposes for Micro, Small and Medium Enterprises Project)

between

CORPORACIÓN FINANCIERA NACIONAL B.P.

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between the CORPORACIÓN FINANCIERA NACIONAL B.P. (“Borrower”) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) 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 two hundred and sixty million Dollars (USD260,000,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest rate is the Reference Rate plus the Fixed Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are February 15 and August 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower's Representative is its General Manager (*Gerente General*).
- 5.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower's address is:

Corporación Financiera Nacional B.P.
Av. Nueve de Octubre 200 y Pichincha
Guayaquil, Ecuador

Telephone: +593 4-259-1800 ext. 1648; and

(b) the Borrower's Electronic Address is: wgonzalez@cfn.fin.ec

- 5.03. 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:

Telex:

Facsimile:

248423(MCI) or
64145(MCI)

1-202-477-6391

AGREED as of the Signature Date.

CORPORACIÓN FINANCIERA NACIONAL B.P.

By Eduardo Gonzalez
Authorized Representative
Eduardo Gonzalez
Name: _____
Title: CEO
Date: 28-Jul-2020

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By Marianne Fay
Authorized Representative
Marianne Fay
Name: _____
Title: Country Director
Date: 28-Jul-2020

SCHEDULE 1

Project Description

The objective of the Project is to promote access to finance for productive purposes for micro, small and medium enterprises (MSMEs) in the context of the COVID-19 crisis.

The Project consists of the following parts:

Part 1. Strengthening the Institutional Capacity of CFN

- (a) Provision of technical assistance and capacity building to the Borrower for, *inter alia*:
 - (i) design of a corporate governance strengthening; (ii) carry out an assessment of its financial viability, including the design of a non-performing loan resolution strategy; (iii) carry out an assessment of the current strategy and development of a new business plan to align with the results of the corporate governance reform and the financial viability assessment; (iv) design and implementation of a monitoring and evaluation strategy to measure the effect of access to credit within final borrowers; and (v) design and implementation of an environmental and social management system and standards for second-tier lending; and
- (b) Provision of technical assistance to financial intermediaries to strengthen their capacity for accessing the second-tier financial products.

Part 2. Development and Improvement of Financial Products to Promote Access to Finance for MSMEs

Provision of support to the Borrower to improve existing, or if applicable, new financial products to promote access to finance for productive purposes, especially for MSMEs, including:

- (a) Provision of technical assistance to: (i) prepare a plan to strengthen the National Guarantee Fund (the NGF Strengthening Plan), especially its risk management systems and pricing policy; and (ii) design, test and evaluate new financial products for MSMEs with potential to be scaled up;
- (b) Capitalization of the National Guarantee Fund for the Special COVID-19 Program for the provision of Partial Credit Guarantees to MSMEs; and
- (c) Capitalization of the National Guarantee Fund for the Standard Programs for the provision of Partial Credit Guarantees to MSMEs.

Part 3. Credit Line Intermediated by the Borrower to Participating Financial Intermediaries (PFIs) for On-Lending to MSMEs

Provision of support to the Borrower for establishing and expanding second-tier lending operations through the provision of lines of credit to Eligible PFIs for purposes of providing Sub-loans to Eligible MSMEs.

Part 4. Project Management

Provision of support to the Borrower for Project implementation and monitoring, including, *inter alia*: (a) recruitment and training of the Project Coordination Team (PCT) members including, if necessary, procurement, financial management and environmental and social management specialists; (b) acquisition of equipment and furniture for the PCT; (c) monitoring and evaluation activities; (d) carrying out of study tours for relevant staff; (e) design and implementation of the Stakeholder Engagement Plan, including implementation of a grievance redress mechanism; (f) design and carrying out of a communication strategy; and (g) carrying out of Project's financial audits.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall establish, and thereafter maintain, at all times during Project implementation, a Project Coordination Team (“PCT”), with functions and responsibilities acceptable to the Bank as set forth in the Operational Manual, including, *inter alia*, the responsibility to coordinate, manage, implement, monitor and supervise the carrying out of the Project.

B. Operational Manual

1. The Borrower shall implement the Project in accordance with a manual (“Operational Manual”) which shall include, *inter alia*:
 - (a) a description of Project activities;
 - (b) institutional arrangements for Project implementation (including, *inter alia*, PCT staff composition and their roles and responsibilities in Project implementation);
 - (c) a dedicated section for the implementation of Parts 2(b), 2(c) and 3 of the Project, including, *inter alia*:
 - (i) procedures for the preparation, implementation, monitoring and evaluation of all the activities under Parts 2(b), 2(c) and 3 of the Project, including financial management and audit procedures for Eligible PFIs and Eligible MSMEs, and mechanisms and procedures for the operation and control of funds under the Special COVID Program and the Standard Programs;
 - (ii) criteria and procedures for the selection of Eligible PFIs, Eligible MSMEs, MSME Sub-loans, and Sub-projects; and
 - (iii) Excluded Activities; and
 - (d) monitoring, reporting requirements and financial management procedures.
2. The Borrower shall not amend, delete, suspend, or waive any part of the Operational Manual, without the prior written agreement of the Bank. In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

3. The Borrower shall, no later than thirty (30) days after the Effective Date, and in any event prior to carrying out any activity under Parts 2(b), (c) and 3 of the Project, adopt the Operational Manual in a form and substance acceptable to the Bank.

C. PFI Financing

1. For purposes of carrying out Part 3 of the Project, the Borrower shall on-lend the proceeds of the Loan allocated from time to time to Category (4) to Eligible PFIs (the PFI Financing) pursuant to an agreement (the relevant PFI Financing Agreement), under terms and conditions approved by the Bank and set forth in the Operational Manual, including, *inter alia*, the PFI's obligations to: (a) provide Sub-loans to Eligible MSMEs to carry out Sub-projects; and (b) comply with the obligations set forth in Section C.2 of this Agreement.
2. Each PFI Financing Agreement shall contain provisions pursuant to which the Borrower undertakes to:
 - (a) suspend or terminate the right of the Eligible PFI to use the proceeds of the PFI Financing, or obtain a refund of all or any part of the amount of the same then withdrawn, upon the Eligible PFI's failure to perform any of its obligations under the PFI Financing Agreement; and
 - (b) require each Eligible PFI to:
 - (i) select Eligible MSMEs in accordance with the criteria and procedures set forth in the Operational Manual;
 - (ii) upon selection of any given Eligible MSME and approval of the corresponding Sub-loan, enter into a Sub-loan agreement ("the MSME Sub-loan Agreement") with said Eligible MSME for the purposes of providing a loan (the MSME Sub-loan) to such Eligible MSME, all in accordance with terms and conditions satisfactory to the Bank, including those set forth in the Operational Manual;
 - (iii) carry out its Project activities and conduct its operations and affairs in accordance with appropriate financial standards and practices, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower, with qualified management and staff in adequate numbers;
 - (iv) select, appraise and approve Sub-projects, and thereafter supervise, monitor and report on the carrying out of said Sub-projects by the corresponding Eligible MSME, all in accordance with the Operational Manual;
 - (v) (A) establish or update, as appropriate, a PFI ESMS before the selection of any Sub-project, in accordance with the Environmental and Social Standards, the ESCP and the ESMS; (B) maintain and apply the PFI ESMS to the Sub-projects; (C) require Eligible MSMEs to identify, assess,

manage and monitor the environmental and social risks and impacts of Sub-projects, as set forth in the PFI ESMS; (D) ensure that no Excluded Activities are included in any Sub-project; and (E) comply with all other relevant material measures and action set out in the ESCPs, as applicable, in accordance with the Environmental and Social Standards;

- (vi) ensure that the proceeds of the MSME Sub-loan shall be used exclusively in the carrying out of the Sub-project;
- (vii)
 - (A) Exchange views with, and furnish all such information to, the Borrower and the Bank, as may be reasonably requested by the Borrower or the Bank, with regard to the progress of its activities under Part 3 of the Project, the performance of its obligations under its respective PFI Financing Agreement, and other matters relating to the purposes of said Part of the Project;
 - (B) prepare and submit to the Borrower, semiannual reports on MSMEs Sub-loan disbursements, repayments and reports on Sub-projects characteristics as set forth in the Operational Manual and the ESCP; and
 - (C) promptly inform the Borrower and the Bank of any condition that interferes or threatens to interfere with the progress of its activities under its respective PFI Financing Agreement;
- (viii)
 - (A) maintain records and accounts adequate to reflect, in accordance with sound accounting practices, its operations and financial condition; and
 - (B) furnish to the Borrower and the Bank such information concerning said records and accounts as the Borrower or the Bank shall from time to time reasonably request;
- (ix) maintain a financial management system and prepare financial statements in accordance with consistently applied auditing standards acceptable to the Bank; and
- (x) at the Borrower's or the Bank's request, have such financial statement audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements so audited to the Borrower and the Bank.

3. The Borrower shall: (a) take or cause to be taken all action necessary or appropriate on its part to enable Eligible PFIs to perform, in accordance with the provisions of their respective PFI Financing Agreements, all the obligations of the Eligible PFIs therein set forth; and (b) not to take or permit to be taken any action that would prevent or interfere with such performance.

4. The Borrower shall exercise its rights and carry out its obligations under each PFI Financing Agreement in such a manner as to protect the interests of the Bank and the Borrower 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 of the provisions of the PFI Agreement which are listed in the Operational Manual.
5. **PFI Eligibility Criteria.** Except as the Bank shall otherwise agree, the Borrower shall select PFIs in accordance with the criteria and procedures set forth in the Operational Manual.

D. MSMEs Sub-loans

1. Upon approval of any given Sub-project, the Borrower shall cause each Eligible PFI to provide an MSME Sub-loan to the pertinent Eligible MSME pursuant to the relevant MSME Sub-loan Agreement, under terms and conditions set forth in the Operational Manual and satisfactory to the Bank, including, *inter alia*, the following:
 - (a) Each Eligible PFI shall obtain rights adequate to protect its interests and those of the Bank, including:
 - (i) suspend or terminate the right of the Eligible MSME to use the proceeds of the MSME Sub-loan, or obtain a refund of all or any part of the amount of the MSME Sub-loan then withdrawn, upon the Eligible MSME's failure to perform any of its obligations under the MSMEs Sub-loan Agreement; and
 - (ii) require each Eligible MSME to: (A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank including in accordance with the provisions of the Operational Manual, the ESCP, the ESMS, the PFI ESMS, and the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower; (B) provide the facilities, services and other resources, necessary or appropriate to carry out the corresponding Sub-project; (C) maintain mechanisms adequate to enable it to monitor and evaluate the progress of the Sub-project; (D) if necessary, enable the Borrower, the Eligible PFI and the Bank to inspect the Sub-project, its operation and any relevant records and documents; (E) prepare and furnish to the Borrower, the Eligible PFI, and the Bank all such information as the Borrower, the Eligible PFI, or the Bank shall reasonably request relating to the foregoing; (F) except as the Eligible PFI, the Borrower and the Bank shall otherwise agree, not to assign, amend, abrogate, waive or fail to enforce any of the MSMEs Sub-loan Agreement's provisions listed in the Operational Manual; and (G) (i) take or cause to be taken all action necessary or appropriate on its part to enable Eligible PFIs to perform its obligations under the pertinent PFI Financing Agreements, all the obligations of the Eligible PFIs therein set forth; and (ii) not to take or permit to be taken any action that would prevent or interfere with such performance.

2. **MSME Eligibility Criteria.** Except as the Bank shall otherwise agree, the Borrower shall ensure that each MSMEs Sub-loan shall be provided to an Eligible MSME in accordance with the procedures acceptable to the Bank, as further described in the Operational Manual.
3. **Sub-project Eligibility Criteria.** Except as the Bank shall otherwise agree, the Borrower shall verify that each MSMEs Sub-loan shall be provided for a Sub-project which is determined on the basis of an appraisal carried out in accordance with procedures acceptable to the Bank, as further described in the Operational Manual, and which is not supporting or include any of the Excluded Activities.

E. National Guarantee Fund

1. For the implementation of Part 2(b) of the Project, the Borrower shall:
 - (a) make available the Loan proceeds allocated to Category (2) to the NGF, into a new account opened specifically for the purpose, to provide Partial Credit Guarantees to Eligible PFIs, pursuant to the relevant Participation Agreement, on terms and conditions acceptable to the Bank and further detailed in the Operational Manual.
2. For the implementation of Part 2(c) of the Project, the Borrower shall:
 - (a) make available the Loan proceeds allocated to Category (3) to the NGF, into a new account opened specifically for the purpose, to provide Partial Credit Guarantees to Eligible PFIs, pursuant to the relevant Participation Agreement, on terms and conditions acceptable to the Bank and further detailed in the Operational Manual.
3. For the implementation of Part 2(b) and (c) of the Project the Borrower shall ensure that:
 - (a) prior to providing a Partial Credit Guarantee, the NGF shall have entered into an agreement (“Participation Agreement”) with the relevant Eligible PFI on terms and conditions acceptable to the Bank, including, *inter alia*: (i) the obligation of the Eligible PFI to comply with the pertinent provisions of the Operations Manual and the Anti-Corruption Guidelines applicable to recipients of Loan proceeds other than the Borrower; (ii) the obligation of the Eligible PFI to (A) establish or update, as appropriate, a PFI ESMS before the selection of any Sub-project for a Partial Credit Guarantee, in accordance with the Environmental and Social Standards, the ESCP and the ESMS; (B) maintain and apply the PFI ESMS to each Sub-project; (C) require the Eligible MSME to identify, assess, manage and monitor the environmental and social risks and impacts of the relevant Sub-project, as set forth in the PFI ESMS; (D) ensure that no Excluded Activities are included in any Sub-project; and (E) comply with all other relevant material measures and action set out in the ESCPs, as applicable, in accordance with the Environmental and Social Standards; and (iii) the right of the NGF to terminate the right of the Eligible PFI to use the proceeds of the Partial Credit Guarantee, or obtain a refund of all or any part of the amount of the Partial Credit Guarantee received, upon the Eligible PFI failure to perform any of its obligations under the Participation Agreement, and/or Operational Manual;

- (b) prior to providing a Partial Credit Guarantee, the NGF, the relevant PFI and the respective Eligible MSME enter into an agreement (“Partial Credit Guarantee Agreement”) on terms and conditions acceptable to the Bank, including, *inter alia*: (i) the obligation of the PFI to provide the MSME Sub-loan to the Selected MSME to carry out MSME Sub-projects; (ii) the obligation of the Eligible ESMS to comply with the requirements set out in Section I.D.1 (a) (ii) of Schedule 2 to this Agreement; and (iii) the right of the PFI to terminate the right of the Selected MSME to use the proceeds of the MSME Sub-loan, or obtain a refund of all or any part of the amount of the MSME Sub-loan received, upon the Selected MSME failure to perform any of its obligations under the Partial Credit Guarantee Agreement, and/or Operational Manual, including compliance with the PFI ESMS.
- 4. Except as the Bank shall otherwise agree, the Borrower shall ensure that the NGF shall not assign, amend, abrogate, terminate, waive or fail to enforce or permit to be assigned, amended, abrogated, terminated, waived or failed to be enforced, any Participation Agreement or Partial Credit Guarantee Agreement, or any provisions included or referred therein.

F. Environmental and Social Standards

- 1. The Borrower shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.
- 2. Without limitation upon paragraph 1 above, the Borrower shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Bank. To this end, the Borrower shall ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP or any provision thereof, is not amended, repealed, suspended or waived, except as the Bank shall otherwise agree in writing, as specified in the ESCP, and ensure that revised ESCP is disclosed promptly thereafter.
- 3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
- 4. Without limitation upon paragraphs 1-2 above, the Borrower shall: (a) establish the ESMS no later than ninety (90) days after the Effective Date, and in any event prior to carrying out any activity under Parts 2(b), (c) and 3 of the Project; (b) thereafter maintain and apply the ESMS to the activities under Parts 2(b), (c) and 3 of the Project, including to all Eligible

PFI; and (c) ensure that no Excluded Activities are supported under the Project; all in a manner acceptable to the Bank.

5. The Borrower shall ensure that:
 - (a) All measures necessary are taken to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP, the ESMS and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Bank, setting out, *inter alia*: (i) the status of implementation of the ESCP and the ESMS; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP and the ESMS; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) 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, in accordance with the ESCP, the instruments referenced therein, the ESMS and the Environmental and Social Standards.
6. The Borrower shall 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.

Section II. Project Monitoring Reporting and Evaluation

The Borrower shall furnish to the Bank each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of Loan Proceeds

A. General.

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to: (a) finance Eligible Expenditures; and (b) pay each Interest Rate Cap or Interest Rate Collar premium in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, non-consulting services, consulting services, and Training for Part 1 and Part 2(a) of the Project	5,000,000	100%
(2) Capitalization of the Guarantee Fund under Part 2(b) of the Project	20,000,000	100%
(3) Capitalization of the National Guarantee Fund under Part 2(c) of the Project	20,000,000	100%
(4) MSME Sub-loans under Part 3 of the Project	213,000,000	100%
(5) Goods, non-consulting services, consulting services, Training and Operating Costs under Part 4 of the Project	2,000,000	100%
(6) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 4.05 (c) of the General Conditions
TOTAL AMOUNT	260,000,000	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed \$26,000,000 may be made for payments made prior to this date but on or after May 20, 2020, for Eligible Expenditures under Categories (1), (4) and (5); or
 - (b) under Category (3) for transfers to the National Guarantee Fund unless the National Guarantee Funds adopts the NGF Strengthening Plan in a manner satisfactory to the Bank.
2. The Closing Date is December 31, 2025.

SCHEDULE 3

Commitment-Linked Amortization Repayment Schedule

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”).

Level Principal Repayments

Principal Payment Date	Installment Share
On each February 15 and August 15 Beginning August 15, 2025, through August 15, 2043	2.63 %
On February 15, 2044	2.69 %

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
2. “Capitalization” means periodic transfers of Loan proceeds to the NGF for the purposes of providing Partial Credit Guarantees to an Eligible PFI for MSME Sub-loans under the Special COVID Program or the Standard Programs, as such transfers shall be made in accordance with the provisions of this Agreement and on the basis of the criteria set forth in the Operational Manual, which transfer are deemed to be an eligible expenditure for purposes of the General Conditions.
3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. “*Corporación Financiera Nacional B.P.* or CFN” means the National Finance Corporation, a public bank in Ecuador with an institutional focus on the productive sector, including MSMEs, established and operating pursuant to Executive Decree (*Decreto Ejecutivo*) No. 868, dated December 30, 2015 and published in the Borrower’s Official Gazette on January 25, 2016, as further amended.
5. “COVID 19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
6. “Eligible MSME” means a micro, small or medium enterprise that meets the appropriate criteria as set forth in the Operational Manual to receive a MSME Sub-loan.
7. “Eligible PFI” means any financial institution incorporated in accordance with the Ecuadorian laws and regulations which meets the criteria set forth in the Operational Manual to receive a PFI Financing or a Partial Credit Guarantee.
8. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated May 14, 2020, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Borrower shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
9. “Environmental and Social Standards” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and

- Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Bank.
10. “ESMS” means the Borrower’s environmental and social management system, referred to in Section I.F.4 of Schedule 2 to this Agreement, for identifying, assessing, managing and monitoring the environmental and social risks and impacts of the activities under Parts 2 (b), (c) and 3 of the Project, in accordance with the Environmental and Social Standards, and the ESCP, as said ESMS may be revised from time to time, with prior written agreement of the Bank.
 11. “Excluded Activities” means any of the activities or investments which are excluded activities as set out in the Operations Manual.
 12. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018.
 13. “MSME” means a micro, small and medium enterprises, defined as such in the Operational Manual and collectively referred to as “MSMEs”.
 14. “MSME Sub-loan” means a loan made or proposed to be made (out of the proceeds of a PFI Financing) by an Eligible PFI to an Eligible MSME, under Part 3 of the Project, for purposes of financing all or a portion of the Working Capital and/or works, goods, and/or services under any given Sub-project.
 15. “MSME Sub-loan Agreement” means any agreement referred to in Section I.D.1. of Schedule 2 to this Agreement.
 16. “National Guarantee Fund or NGF” means *Fideicomiso Fondo Nacional de Garantías*, a credit guarantee fund managed by the Borrower and represented by *Fiduciaria Ecuador Fiduecuador, SA*, established and operating according to Public Deed (*escritura pública*) dated December 4, 2013, further amended on April 19, 2018, and the Monetary and Finance Organic Code (*Libro II*) of Ecuador and *Norma que Regula el Sistema de Garantía Crediticia*, or any other legal successor thereto.
 17. “NGF Strengthening Plan” means the strengthening key actions acceptable to the Bank to be taken by the NGF identified as part of the technical assistance supported under Part 2 (a) of the Project, in issues related to, *inter alia*, risk management systems and pricing policy.

18. “Operating Costs” means reasonable incremental recurrent expenditures incurred by: (a) the Borrower for Project management purposes, including, *inter alia*, printing services, website maintenance, communication services, logistics for workshops, travel expenses, office supplies, maintenance of office and furniture equipment; and (b) an Eligible MSME for, *inter alia*, salaries, office rent and utilities costs.
19. “Operational Manual” means the Borrower’s manual, acceptable to the Bank, set forth in Section I.B.1 of Schedule 2 to this Agreement, as the same may be amended and supplemented from time to time with the agreement of the Bank.
20. “Partial Credit Guarantee” means a partial credit guarantee granted by NFG to an Eligible PFI under Parts 2(b) and 2(c) of the Project to guarantee a selected MSME Sub-loan (in accordance with the criteria defined on the Operational Manual), under the terms and conditions of the pertinent Partial Credit Guarantee Agreement.
21. “Partial Credit Guarantee Agreement” means any agreement referred to in Section I.E.3 (b) Schedule 2 to this Agreement to be entered into between the NGF, an Eligible PFI and an Eligible MSMEs.
22. “Participation Agreement” means any agreement referred to in Section I. E. 3. (a) Schedule 2 to this Agreement to be entered into between the NGF and an Eligible PFI to provide access to a Partial Credit Guarantee.
23. “PFI” means participating financial intermediaries.
24. “PFI ESMS” means a PFI’s environmental and social management system, referred to in Section I.C.2.(b)(v) of Schedule 2 to this Agreement, for identifying, assessing, managing and monitoring the environmental and social risks and impacts at all times during the preparation and implementation of Sub-projects, in accordance with the Environmental and Social Standards, the ESCP and the ESMS.
25. “PFI Financing” means any financing made or proposed to be made out of the proceeds of the Loan under Part 3 of the Project, by the Borrower to an Eligible PFI to finance an MSME Sub-loan pursuant to the pertinent PFI Financing Agreement.
26. “PFI Financing Agreement” means any agreement referred to Section I.C.2 of Schedule 2 to this Agreement.
27. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.
28. “Special COVID 19 Program” means a special emergency guarantee program of the NGF aimed to alleviate the economic effects of the COVID-19 crisis on MSMEs, guaranteeing liquidity and covering their Working Capital and investment needs to maintain productive activity and employment, as further described in the Operational Manual.

29. “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.
30. “Stakeholder Engagement Plan” means the Borrower’s plan to be developed, disclosed, consulted, updated, adopted and thereafter implemented, in a manner acceptable to the Bank, as set forth in the ESCP, to ensure that stakeholder engagement and information disclosure activities under the Project are carried out in accordance with Environmental and Social Standards, as said Stakeholder Engagement Plan may be revised from time to time, with prior written agreement of the Bank.
31. “Standard Programs” means the existing guarantee programs under the NGF aimed at facilitating access to finance for MSMEs for productive purposes, as further described in the Operations Manual.
32. “Sub-project” means any activity or investment for productive purposes which is listed in the Operational Manual and meets the criteria set forth in said manual.
33. “Training” means expenditures (other than those for consultant’s services) incurred by the Borrower, to finance reasonable transportation costs and per-diem of trainees and trainers (if applicable), training registration fees and rental of training facilities and equipment under the Project.
34. “Working Capital” means Operating Costs incurred by an Eligible MSME under a Subproject to, at least, maintain the existing levels of production of said Eligible MSME.