

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**  
and  
**ECUADOR**

**Loan Agreement—*Development Finance Companies Project***  
(with annexed General Conditions Applicable to Loan and  
Guarantee Agreements and Project Agreements between the  
Bank and the Comisión de Valores-Corporación Financiera  
Nacional and the Ecuatoriana de Desarrollo S.A. (Compañía  
Financiera)). Signed at Washington on 5 February 1971

*Authentic text : English.*

*Registered by the International Bank for Reconstruction and Development on  
16 December 1971.*

---

**BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT**  
et  
**ÉQUATEUR**

**Contrat d'emprunt — *Projet relatif à des sociétés financières  
de développement*** (avec, en annexe, les Conditions générales  
applicables aux contrats d'emprunt et de garantie et les  
Contrats relatifs au Projet entre la Banque et la Comisión de  
Valores-Corporación Financiera Nacional et la Ecuatoriana de  
Desarrollo S.A. [Compañía Financiera]). Signé à Washington  
le 5 février 1971

*Texte authentique : anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développe-  
ment le 16 décembre 1971.*

## LOAN AGREEMENT<sup>1</sup>

---

AGREEMENT, dated February 5, 1971, between REPUBLIC OF ECUADOR (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS it is the policy of the Borrower to encourage the establishment, expansion and modernization of private industrial enterprises in Ecuador and to increase the financial resources available for this purpose;

WHEREAS the aims of the Ecuadorian development finance companies are, among others, to stimulate the investment of Ecuadorian private capital in productive projects, supplementing it with additional resources; and

WHEREAS the Borrower has requested the Bank to make a loan to the Borrower, the proceeds of which will be used for financing industrial development through development finance companies currently in operation, on the terms and conditions hereinafter set forth, to assist them in their financing of productive projects in Ecuador;

NOW THEREFORE the parties hereto hereby agree as follows :

### *Article I*

#### GENERAL CONDITIONS; DEFINITIONS

*Section 1.01.* The parties to this Loan Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,<sup>2</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Schedule 2 to this Loan Agreement (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions).

*Section 1.02.* Wherever used in this Loan Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings :

*a)* "CFN" means Comisión de Valores-Corporación Financiera Nacional, a development finance company established under Supreme Decree No. 1726 of the Borrower, dated August 21, 1964;

*(b)* "COFIEC" means Ecuatoriana de Desarrollo S.A. Compañía

---

<sup>1</sup> Came into force on 15 October 1971, upon notification by the Bank to the Government of Ecuador.

<sup>2</sup> See p. 214 of this volume.

Financiera, a development finance company incorporated under the provisions of the Borrower's Finance Companies Act, Decree No. 2646 of November 29, 1965, and authorized by Acuerdo No. 908 of the Minister of Industries and Commerce of the Borrower, dated January 7, 1966;

(c) "Project Agreements" means the agreements of even date herewith between the Bank and, respectively, CFN<sup>1</sup> and COFIEC,<sup>2</sup> and shall include any amendments thereto;

(d) "Development Finance Company" means either CFN or COFIEC and the plural means both CFN and COFIEC;

(e) "Subsidiary Loan Agreements" means the loan agreements between the Borrower and the Development Finance Companies to be executed pursuant to Section 5.04 of this Loan Agreement;

(f) "Subsidiary Loans" means the loans to be made by the Borrower to the Development Finance Companies out of the proceeds of the Loan pursuant to the Subsidiary Loan Agreements;

(g) "Sub-loan" means a loan or credit made or proposed to be made by a Development Finance Company out of the proceeds of the Loan to an Investment Enterprise for an Investment Project;

(h) "Investment" means an investment, other than a sub-loan, made or proposed to be made by a Development Finance Company out of the proceeds of the Loan in an Investment Enterprise for an Investment Project;

(i) "Investment Enterprise" means an enterprise to which a Development Finance Company proposes to make or has made a sub-loan or in which it proposes to make or has made an investment, in accordance with and as provided in Section 3.01 of this Loan Agreement;

(j) "Investment Project" means a specific investment project to be carried out by an Investment Enterprise and to be financed out of the proceeds of the Loan by means of a sub-loan or an investment;

(k) "Suces" and the symbol "S/" mean the currency of the Borrower;

(l) "foreign currency" means any currency other than the currency of the Borrower;

(m) "Statement of Policy" means (i) with regard to CFN, the Statement of Policy approved by resolution of CFN's Board of Directors on September 30, 1970, as amended by resolution of CFN's Board of Directors on December 10, 1970, and as the same may be amended from time to time with the prior approval of the Bank; and (ii) with regard to COFIEC, the Statement of Policy

<sup>1</sup> See p. 214 of this volume.

<sup>2</sup> See p. 226 of this volume.

and Operating Procedures approved by resolution of COFIEC's Board of Directors on November 27, 1968, as the same may be amended from time to time with the prior approval of the Bank;

(n) "controlled company" means any company the majority of the outstanding voting stock of which is owned or effectively controlled by a Developing Finance Company, or by a Development Finance Company and one or more controlled companies of a Development Finance Company or by one or more of its controlled companies;

(o) "Banco Central" means Banco Central del Ecuador;

(p) "Statutes" means the statutes of the Development Finance Companies as amended from time to time; and

(q) "Fondo de Inversiones Industriales" means the fund established by CFN on its books pursuant to Regulation No. 16 of CFN's Board of Directors issued on May 11, 1967.

Words importing the singular number include the plural number and *vice versa*.

## Article II

### THE LOAN

*Section 2.01.* The Bank agrees to lend the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, an amount in various currencies equivalent to eight million dollars (\$8,000,000).

*Section 2.02.* The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Agreement.

*Section 2.03.* (a) Subject to the provisions of this Section 2.03 and the limits set forth in Section 3.02 (a) of this Loan Agreement, the Borrower, acting through Banco Central, shall be entitled to withdraw from the Loan Account:

- (i) amounts expended for the reasonable cost of goods and services required for carrying out the Investment Project in respect of which the withdrawal is requested; and
- (ii) if the Bank shall so agree, such amounts as shall be required to meet payments to be made for the reasonable cost of such goods and services.

(b) No amount shall be withdrawn from the Loan Account in respect of an Investment Project unless it shall have been approved by the Bank; provided, however, that such withdrawals may be made in respect of sub-loans for Invest-

ment Projects described to and authorized by the Bank for financing hereunder in accordance with the provisions of Section 2.04 (b) of the applicable Project Agreement, but only up to an amount in respect of each such Investment Project which, together with any amount or amounts previously approved, requested or authorized for such Investment Project under the Loan Agreement, and not repaid, shall not exceed the equivalent of \$100,000, and in respect in all such Investment Projects to be financed by each of the Development Finance Companies, the equivalent of \$1,300,000 in the aggregate for each such Development Finance Company, or, with regard to each Development Finance Company, of such other limit or limits as shall from time to time be determined by the Bank.

(c) Except as the Bank shall otherwise agree, no withdrawals shall be made from the Loan Account pursuant to paragraph (a) of this Section in respect of any portion of the Loan the proceeds of which are to be invested by a Development Finance Company other than by way of a sub-loan, until the Bank and such Development Finance Company shall have agreed upon the terms and conditions of such investment and upon an amortization schedule for repayment of such portion of the Loan by such Development Finance Company to the Borrower.

(d) Except as the Bank shall otherwise agree, no withdrawals shall be made on account of expenditures made by an Investment Enterprise for any Investment Project subject to the Bank's approval more than ninety days prior to the date on which the Bank shall have received in respect of such Investment Project the application required under Section 2.04 (a) of the applicable Project Agreement or, in the case of any other Investment Project, more than ninety days prior to the date on which the Bank shall have received the description thereof pursuant to Section 2.04 (b) of the applicable Project Agreement.

*Section 2.04.* The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

*Section 2.05.* The Borrower shall pay interest at the rate of seven and one-quarter per cent ( $7\frac{1}{4}\%$ ) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

*Section 2.06.* Interest and other charges shall be payable semi-annually on January 1 and July 1 in each year.

*Section 2.07.* (a) The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement as such Schedule shall be amended from time to time as determined by the Bank and as reasonably required to : (i) conform in relevant part

substantially to the aggregate of the amortization schedules applicable to the sub-loans and investments in respect of which withdrawals from the Loan Account shall have been approved or authorized pursuant to this Loan Agreement and (ii) take into account any cancellation pursuant to Article VI of the General Conditions, and any repayments made by the Borrower under Section 2.08 of this Loan Agreement, except that repayments due hereunder shall be made on January 1 and July 1 in each year. Such amendments of said Schedule 1 shall include amendments to the table of premiums on prepayment and redemption, if required.

(b) The amortization schedule applicable to each Investment Project shall provide for an appropriate period of grace, and, unless the Bank and the lending Development Finance Company shall otherwise agree (i) shall not extend beyond fifteen years from the date of approval by the Bank of such Investment Project or of authorization by the Bank to make withdrawals from the Loan Account in respect of such Investment Project, and (ii) shall provide for approximately equal semi-annual, or more frequent, aggregate payments of principal and interest or approximately equal, semi-annual, or more frequent, payments of principal.

*Section 2.08.* Unless the Borrower and the Bank shall otherwise agree :

(a) If a sub-loan or any portion thereof shall be repaid to a Development Finance Company in advance of maturity, or if a sub-loan or an investment or any part thereof shall be sold, transferred, assigned or otherwise disposed of for value, the Borrower shall promptly notify the Bank and shall pay to the Bank, on the next following interest payment date, together with the premium specified in Schedule 1 to this Loan Agreement or in any amendment thereof under Section 2.07 (a) of this Loan Agreement, an amount of the Loan equal to : (i) in the case of a sub-loan, the amount withdrawn from the Loan Account in respect of such sub-loan, or the said part thereof; or (ii) in the case of an investment, the excess, if any, of the amount withdrawn from the Loan Account in respect of such investment, or the said part thereof, over the amount of the Loan theretofore repaid to the Bank in respect of such investment.

(b) Any amount so repaid by the Borrower shall be applied by the Bank as follows : (i) in the case of a sub-loan, to payments of the maturity or maturities of the principal amount of the Loan in amounts corresponding to the amounts of the maturity or maturities of the sub-loan so repaid or disposed of by the Development Finance Company; and (ii) in the case of the disposition of an investment, to the *pro rata* payment of the unpaid amounts of the maturity or maturities of the Loan reflecting the amount of such investment.

(c) The first sentence of Section 3.05 (b) of the General Conditions shall not apply to any repayment made under paragraph (a) of this Section.

### Article III

#### DESCRIPTION OF PROJECT; USE OF PROCEEDS OF THE LOAN

*Section 3.01.* The Project for which the Loan is granted is the financing by CFN and COFIEC of development in Ecuador through loans for productive purposes to enterprises in Ecuador, which are or will be controlled by private investors, and through other productive investments in such enterprises, all for specific development projects, in accordance with the respective Statutes of CFN and COFIEC and their respective Statements of Policies and Procedures.

*Section 3.02.* (a) The Borrower shall use the proceeds of the Loan for relending (i) to CFN an amount equivalent to \$4,000,000, and (ii) to COFIEC an amount equivalent to \$4,000,000, such relending to be made in accordance with the respective Subsidiary Loan Agreements.

(b) The proceeds of the Loan made available to the Borrower hereunder shall be applied exclusively to the financing of Investment Projects in accordance with the provisions of this Loan Agreement, the Project Agreements and the Subsidiary Loan Agreements.

### Article IV

#### BONDS

*Section 4.01.* If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VIII of the General Conditions.

*Section 4.02.* The *Ministro de Finanzas* of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

### Article V

#### PARTICULAR COVENANTS

*Section 5.01.* (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency, and in accordance with sound financial and investment standards and practices.

(b) The Borrower covenants that it will not take or permit any of its political subdivisions or any of its agencies or any agency of any political subdivision to take any action which would prevent or interfere with the performance by the Development Finance Companies of any of the respective covenants, agreements and obligations of each of them contained in the applicable Project Agreements and Subsidiary Loan Agreements, and the carrying out of their

business in accordance with their Statements of Policies and Procedures, and shall take or cause to be taken all reasonable action which shall be necessary in order to enable them to perform such covenants, agreements and obligations, and to carry out their business in accordance with their Statements of Policies and Procedures.

*Section 5.02.* (a) The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Bank shall from time to time at the request of either party, exchange views through their representatives with regard to the progress of the Project and any other matters relating to the purposes of the Loan and the maintenance of the service thereof.

(c) The Borrower and the Bank shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(d) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

*Section 5.03.* (a) The Borrower shall enter into an agreement with Banco Central on terms and conditions satisfactory to the Bank, providing, *inter alia*, for the following :

- (i) Banco Central shall open and maintain on its books a special account (hereinafter called the Financieras Account) and the necessary sub-accounts, to be used exclusively for the purposes of the Project;
- (ii) Banco Central shall, on behalf of the Borrower, withdraw the proceeds of the Loan from the Loan Account, convert said proceeds into Suces, and credit the amounts so withdrawn and converted, to the Financieras Account;
- (iii) Banco Central shall also credit to the Financieras Account all payments made by the Development Finance Companies on account of repayment of principal and payment of interest and other charges on the proceeds of the Loan relented by the Borrower to them in accordance with the Subsidiary Loan Agreements, and shall transfer such payments to the corresponding Borrower's accounts for the service of the Loan;
- (iv) Banco Central shall disburse from the Financieras Account such amounts as the Development Finance Companies shall request and be entitled to receive from the Borrower pursuant to the respective Subsidiary Loan Agreements; and
- (v) Banco Central shall have the Financieras Account audited annually by



auditors acceptable to the Bank and shall transmit to the Bank, promptly after the completion of such audit and not later than three months after the close of the corresponding financial year, certified copies of the financial statements relating to such Account and a signed copy of the auditors' report.

(b) The Borrower shall exercise, and cause Banco Central to exercise, their rights pursuant to the agreement referred to in sub-section (a), in such a manner as to protect the interests of the Borrower, the Bank, and Banco Central.

(c) Except as the Bank shall otherwise agree, the Borrower or Banco Central shall not take or concur in any action which would have the effect of amending, abrogating, assigning, suspending or waiving any provision of such agreement.

*Section 5.04.* In order to comply with the provisions of Section 5.01 (a) of this Loan Agreement, the Borrower shall enter into Subsidiary Loan Agreements, on terms and conditions satisfactory to the Bank, with the Development Finance Companies providing for the relending to them of the proceeds of the Loan, and except as the Bank shall otherwise agree, the Borrower shall not take or concur in any action which would have the effect of amending, abrogating, assigning, suspending or waiving any provision of any Subsidiary Loan Agreement.

*Section 5.05.* (a) The Borrower shall exercise its rights in relation to each Development Finance Company, each Investment Project and each Investment Enterprise in such manner as to protect at all times the interests of the Borrower and the Bank.

(b) The Borrower shall promptly take all such action and exercise all such recourse available to it under the Subsidiary Loan Agreements as the Bank shall request in order to ensure the prompt and full performance by the Development Finance Companies of their obligations thereunder.

(c) The Borrower shall not, without the prior agreement of the Bank, declare the principal amount of the Subsidiary Loan to a Development Finance Company under a Subsidiary Loan Agreement due and payable prior to the agreed maturity unless the Bank shall have declared the principal amount of the Loan relent to such Development Finance Company and then outstanding to be due and payable immediately as in Article VI of this Loan Agreement provided.

*Section 5.06.* It is the mutual intention of the Borrower and the Bank that no external debt shall enjoy any priority over the Loan by way of a lien hereafter created on governmental assets (including any priority in the allocation or realization of foreign exchange). To that end, the Borrower and Banco Central undertake that, except as the Bank shall otherwise agree, if any lien shall be

created on any assets of the Borrower or of Banco Central or any other institution acting as the Central Bank of the Borrower, as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect. Within the limits of its constitutional powers, the Borrower will make the foregoing undertaking effective with respect to liens on assets of any of the Borrower's agencies including agencies granted autonomy by the Constitution of Ecuador (other than Banco Central), of any other institution acting as the Central Bank of the Borrower, or of any of the Borrower's political subdivisions or of any agency of any such political subdivisions, and to the extent that the Borrower is unable within the limits of its constitutional powers to make such undertaking effective, the Borrower will give to the Bank an equivalent lien satisfactory to the Bank. The foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date; or (iii) any lien solely upon revenues or receipts in currency of the Borrower which is given by a political subdivision (*concejo provincial* or *municipalidad*) or by an agency of a political subdivision of the Borrower under arrangements containing no provisions which would result in priority in the allocation or realization of foreign exchange.

*Section 5.07.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

*Section 5.08.* The Loan Agreement, the Bonds, the Project Agreements and the Subsidiary Loan Agreements shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof, or the payment of principal, interest or other charges under the Subsidiary Loan Agreements, and the Borrower shall pay all such taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

*Article VI*

## REMEDIES OF THE BANK

*Section 6.01.* If any event specified in Section 7.01 of the General Conditions or in Section 6.02 of this Loan Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately together with the interest and other charges thereon and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in this Loan Agreement or in the Bonds notwithstanding; provided, however, that if any event giving rise to such declaration is an event specified under Section 6.02 of this Loan Agreement, the Bank may so declare due and payable only that portion of the principal amount of the Loan which shall be equivalent to the principal amount of the Loan then relented by the Borrower to the defaulting Development Finance Company and not repaid to the Borrower. Repayment of such amount shall be applied *pro rata* to the several installments of the principal amount of the Loan.

*Section 6.02.* The following additional events are specified for the purposes of Section 7.01 of the General Conditions :

- (i) a default shall occur in the payment of principal or interest or any other payment required from a Development Finance Company under the applicable Subsidiary Loan Agreement, and such default shall continue for a period of thirty days;
- (ii) a default shall occur in the performance of any other obligation on the part of a Development Finance Company under the applicable Subsidiary Loan Agreement or Project Agreement and such default shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower and such Development Finance Company;
- (iii) a Development Finance Company shall have been unable to pay any of its debts as they mature or any action or proceeding shall have been taken by a Development Finance Company or by others whereby any of the property of such Development Finance Company shall or may be distributed among its creditors;
- (iv) any part of the principal amount of any loan to a Development Finance Company having an original maturity of one year or more shall have become due and payable in advance of maturity by reason of any default on the part of the Development Finance Company or otherwise as provided in the relative contractual instruments, or any security constituted thereunder shall have become enforceable;

- (v) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of a Development Finance Company or for the suspension of its operations;
- (vi) a resolution shall have been passed by the competent authority within a Development Finance Company for the dissolution or liquidation of the Development Finance Company;
- (vii) an amendment to the Statutes of a Development Finance Company, not acceptable to the Bank, shall have been made;
- (viii) a controlled company shall have been created or acquired or taken over by a Development Finance Company, if such creation, acquisition or taking over would adversely and substantially affect the conduct of the Development Finance Company's business or its financial situation or the efficiency of the Development Finance Company's management and personnel;
- (ix) CFN shall, by reason of its borrowing operations outside Ecuador, have suffered a financial loss other than a loss derived exclusively from failure of its clients to meet their obligations to CFN and CFN shall not have been compensated by the Borrower or others for such loss within 180 days; and
- (x) CFN shall use any portion of its resources in the Fondo de Inversiones Industriales to carry out operations other than those for which said fund was established by Regulation No. 16 issued on May 11, 1967 by CFN's Board of Directors.

### *Article VII*

#### EFFECTIVE DATE; TERMINATION

*Section 7.01.* The following events are specified as additional conditions to the effectiveness of this Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions :

- (a) the undertakings by Banco Central in Section 5.06 of this Loan Agreement contained are valid and binding obligations of Banco Central;
- (b) the execution and delivery of the agreement referred to in Section 5.03 of this Loan Agreement have been duly authorized and ratified by all corporate and governmental action;
- (c) the execution and delivery of the Project Agreements on behalf of CFN and COFIEC have been duly authorized and ratified by all corporate action; and
- (d) the execution and delivery of the Subsidiary Loan Agreements on behalf of the Borrower and, respectively, CFN and COFIEC have been duly authorized or ratified by all corporate and governmental action;

provided, however, that this Loan Agreement may become effective in respect of either Development Finance Company, at the option of the Bank, even if the other Development Finance Company shall not have complied with the conditions stipulated in this Section.

*Section 7.02.* The following are specified as additional matters, within the meaning of Section 11.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank :

- (a) that the agreement referred to in Section 5.03 of this Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and Banco Central and constitutes valid and binding obligations of the Borrower and Banco Central in accordance with its terms;
- (b) that the undertakings by Banco Central in Section 5.06 of this Loan Agreement contained constitute valid and binding obligations of Banco Central in accordance with their terms;
- (c) that each of the Project Agreements has been duly authorized or ratified by, and executed and delivered on behalf of, CFN and COFIEC, respectively, and constitutes a valid and binding obligation of CFN and COFIEC, respectively, in accordance with its terms; and
- (d) that each of the Subsidiary Loan Agreements has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower, and of CFN and COFIEC, respectively, and constitutes a valid and binding obligation of the Borrower, and of CFN and COFIEC, respectively, in accordance with its terms.

*Section 7.03.* The date of April 30, 1971, is hereby specified for the purposes of Section 11.04 of the General Conditions.

### *Article VIII*

#### MISCELLANEOUS

*Section 8.01.* The Closing Date shall be June 1, 1974, or such other date or dates as shall be agreed upon between the Bank and the Borrower.

*Section 8.02.* The *Ministro de Finanzas* of the Borrower is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

*Section 8.03.* The following addresses are specified for the purposes of Section 10.01 of the General Conditions :

For the Borrower :

Ministerio de Finanzas

Quito, Ecuador

Cable address :

Minfinanzas

Quito

For the Bank :

International Bank for Reconstruction and Development

1818 H Street, N.W.

Washington, D.C. 20433

United States of America

Cable address :

Intbafrad

Washington, D.C.

IN WITNESS WHEREOF, the Borrower and the Bank, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written, and Banco Central, acting through its duly authorized representative, has evidenced its acceptance of its obligations under Section 5.06 to this Loan Agreement.

Republic of Ecuador :

By CARLOS MANTILLA ORTEGA

Authorized Representative

Banco Central del Ecuador :

By CARLOS MANTILLA ORTEGA

Authorized Representative

International Bank for Reconstruction and Development :

By J. BURKE KNAPP

Vice President

## SCHEDULE 1

### AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
January 1, 1972. . . . .	20,000	January 1, 1975. . . . .	415,000
July 1, 1972 . . . . .	80,000	July 1, 1975 . . . . .	415,000
January 1, 1973. . . . .	140,000	January 1, 1976. . . . .	415,000
July 1, 1973 . . . . .	210,000	July 1, 1976 . . . . .	415,000
January 1, 1974. . . . .	270,000	January 1, 1977. . . . .	385,000
July 1, 1974 . . . . .	305,000	July 1, 1977 . . . . .	385,000

\* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
January 1, 1978. . . . .	385,000	July 1, 1983 . . . . .	190,000
July 1, 1978 . . . . .	385,000	January 1, 1984. . . . .	190,000
January 1, 1979. . . . .	350,000	July 1, 1984 . . . . .	175,000
July 1, 1979 . . . . .	350,000	January 1, 1985. . . . .	175,000
January 1, 1980. . . . .	290,000	July 1, 1985 . . . . .	175,000
July 1, 1980 . . . . .	290,000	January 1, 1986. . . . .	145,000
January 1, 1981. . . . .	255,000	July 1, 1986 . . . . .	110,000
July 1, 1981 . . . . .	240,000	January 1, 1987. . . . .	80,000
January 1, 1982. . . . .	225,000	July 1, 1987 . . . . .	65,000
July 1, 1982 . . . . .	210,000	January 1, 1988. . . . .	50,000
January 1, 1983. . . . .	210,000		

### PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or to Section 2.08 (a) of this Loan Agreement or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity. . . . .	1½%
More than three years but not more than six years before maturity . . . . .	2½%
More than six years but not more than eleven years before maturity. . . . .	4 %
More than eleven years but not more than fifteen years before maturity . . . . .	6 %
More than fifteen years before maturity . . . . .	7½%

## SCHEDULE 2

### MODIFICATIONS OF GENERAL CONDITIONS

For the purposes of this Loan Agreement, the provisions of the General Conditions are modified as follows :

1. By the addition to Section 3.05 of the following new subparagraph (d) :

“(d) The Bank and the Borrower may from time to time agree upon arrangements for prepayment and the application thereof in addition to, or in substitution for, those set forth in the provisions of paragraph (b) of Section 3.05 and Section 8.15.”

2. By the deletion of Section 6.03 and the substitution therefor of the following Section :

“SECTION 6.03. *Cancellation by the Bank.* If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with

respect to any amount of the Loan for a continuous period of thirty days, or (b) by the dates specified in Sections 2.04 (c) of the Project Agreements no applications for approval or requests for authorization to withdraw from the Loan Account in respect of any portion of the Loan shall have been received by the Bank, or having been so received, shall have been denied, or (c) after the Closing Date an amount of the Loan shall remain unwithdrawn from the Loan Account, the Bank may by notice to the Borrower terminate the right of the Development Finance Companies to request such approvals and authorizations or of the Borrower to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice such amount or portion of the Loan shall be cancelled.”

3. By the deletion of paragraph (b) of Section 11.01 and the substitution therefor of the following paragraph :

“(b) That the condition of CFN and COFIEC, as represented or warranted to the Bank at the date of the Loan Agreement, has undergone no material adverse change between such date and the date agreed upon between the Borrower and the Bank for the purposes of this Section.”

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[Not published herein. See *United Nations, Treaty Series, vol. 691, p. 300.*]

PROJECT AGREEMENT

AGREEMENT, dated February 5, 1971, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and COMISIÓN DE VALORES-CORPORACIÓN FINANCIERA NACIONAL (hereinafter called CFN).

WHEREAS by a loan agreement of even date herewith<sup>1</sup> (hereinafter called the Loan Agreement) between the Republic of Ecuador (hereinafter called the Borrower) and the Bank, the Bank has agreed to make available to the Borrower a loan in various currencies equivalent to eight million dollars (\$8,000,000), on the terms and conditions set forth in the Loan Agreement, to be lent to CFN and COFIEC but only on condition, *inter alia*, that CFN agree to undertake certain obligations to the Bank as hereinafter in this Project Agreement set forth; and

WHEREAS CFN, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows :

<sup>1</sup> See p. 186 of this volume.



*Article I*

## DEFINITIONS

*Section 1.01.* Wherever used in this Project Agreement, unless the context shall otherwise require, the several terms defined in the Loan agreement and in the General Conditions<sup>1</sup> (as so defined) shall have the respective meanings therein set forth.

*Article II*

## PARTICULAR COVENANTS OF CFN

*Section 2.01.* CFN shall carry out the Project described in Section 3.01 of the Loan Agreement and conduct its operations and affairs in accordance with sound financial and investment standards and practices, under the supervision of qualified and experienced management, and in accordance with its Statutes and Statement of Policies and Procedures.

*Section 2.02.* CFN shall enter into a Subsidiary Loan Agreement with the Borrower, providing for the relending by the Borrower to CFN of the equivalent in Sucres of part of the proceeds of the Loan. CFN shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Bank, the Borrower and CFN.

*Section 2.03.* (a) CFN shall withdraw the proceeds of the Subsidiary Loan as provided in Section 2.03 of the Subsidiary Loan Agreement.

(b) CFN shall submit to the Bank Investment Projects for approval or for authorization to make withdrawals, all as required to carry out the Project.

*Section 2.04.* (a) When submitting an Investment Project to the Bank for approval, CFN shall furnish to the Bank an application, in form satisfactory to the Bank, together with a description of the Investment Project (including a description of the expenditure proposed to be financed out of the proceeds of the Loan) and the Investment Enterprise, the terms and conditions of the sub-loan or investment, including the schedule of amortization proposed therefor, and such other information as the Bank shall reasonably request.

(b) Each request by CFN for authorization to the Borrower to make withdrawals from the Loan Account in respect to sub-loans for Investment Projects not requiring approval by the Bank shall contain a summary description of the Investment Enterprise and the Investment Project (including a description of the expenditures proposed to be financed out of the proceeds of the Loan) for which such authorization is requested and the terms and conditions of the sub-loan, including the schedule of amortization therefor.

(c) Except as the Bank and CFN shall otherwise agree, applications for approval of Investment Projects pursuant to the provisions of Section 2.04 (a) of this Project Agreement and requests for authorizations to the Borrower to withdraw from the Loan Account pursuant to the provisions of Section 2.04 (b) of this Project Agreement shall be submitted on or before June 1, 1973.

---

<sup>1</sup> See p. 215 of this volume.

*Section 2.05.* (a) CFN shall exercise its rights in relation to each Investment Project financed by it in whole or in part out of the proceeds of the Loan in such manner as to protect the interests of the Borrower, the Bank and CFN.

(b) CFN undertakes that any sub-loan or investment made by it to or in an Investment Enterprise for an Investment Project to be financed out of the proceeds of the Loan will be made on terms whereby CFN shall obtain, by written agreement or other appropriate legal means, rights adequate to protect the interests of the Borrower, the Bank and CFN including, in the case of a sub-loan and, to the extent that it shall be appropriate, in the case of any such investment :

- (i) the right to require the Investment Enterprise to carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound technical, financial and management standards and to maintain adequate records;
- (ii) the right to require that the goods and services to be financed with the proceeds of the Loan shall be used exclusively in the carrying out of the Investment Project;
- (iii) the right of the Bank and CFN to inspect such goods and the sites, works, plants and construction included in the Investment Project, the operation thereof and any relevant records and documents;
- (iv) the right to require that the Investment Enterprise shall take out and maintain such insurance, against such risks and in such amount, as shall be consistent with sound business practice and that, without any limitation upon the foregoing, such insurance shall cover marine, transit and other hazards incident to acquisition, transportation and delivery of the goods financed out of the proceeds of the Loan to the place of use or installation and that any indemnity thereunder shall be payable in a currency freely usable by the Investment Enterprise to replace or repair such goods;
- (v) the right to obtain all such information as the Bank or CFN shall reasonably request relating to the foregoing and to the administration, operations and financial condition of such Investment Enterprise; and
- (vi) the right of CFN to suspend or terminate access by the Investment Enterprise to the use of the proceeds of the Loan upon failure by such Investment Enterprise to perform its obligations under its agreements with CFN.

*Section 2.06.* CFN shall take such steps satisfactory to the Bank as shall be necessary to protect itself against risk of loss resulting from changes in the rates of exchange between the various currencies (including Sucres) used in its operations.

*Section 2.07.* (a) CFN shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the Investment Enterprises, the Investment Projects, the sub-loans and investments, its Fondo de Inversiones Industriales, and the administration, operations and financial condition of CFN (including any proposal to create, acquire or take over a controlled company).

(b) CFN shall maintain records adequate to record the progress of the Project and of each Investment Project financed by it (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting practices, the operations and financial condition of CFN, including the resources and status of its Fondo de Inversiones Industriales, and shall enable the Bank's representatives to examine such records.

(c) CFN shall: (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited by independent auditors acceptable to the Bank in accordance with sound auditing principles consistently applied; (ii) furnish to the Bank, as soon as available but, in any case, not later than three months after the end of each such year, certified copies of its audited financial statements for such year and an audit report by the said auditors of such scope and in such detail as the Bank shall have reasonably requested; and (iii) furnish to the Bank such other information concerning the accounts and financial statements of CFN and the audit thereof as the Bank shall from time to time reasonably request.

*Section 2.08.* (a) The Bank and CFN shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Bank and CFN shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Project, the performance by CFN of its obligations under this Project Agreement and the Subsidiary Loan Agreement, the administration, operations and financial condition of CFN and any other matters relating to the purposes of the Loan.

(b) CFN shall promptly inform the Bank of any condition (including the incurrence of losses by reason of its borrowing operations outside the territories of the Borrower) which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service of the Subsidiary Loan Agreement or the performance by CFN of its obligations under this Project Agreement.

*Section 2.09.* CFN shall, as soon as it shall come to its knowledge, exchange views with the Bank concerning any proposed amendment of its Statutes.

*Section 2.10.* Except as the Bank shall otherwise agree, CFN shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving any provision of the Subsidiary Loan Agreement.

*Section 2.11.* CFN shall obtain the concurrence of the Bank before its Statement of Policies and Procedures in effect on the date of this Project Agreement is amended or suspended.

*Section 2.12.* Except as the Bank shall otherwise agree, CFN shall not sell, lease, transfer, mortgage, or otherwise dispose of or encumber its property and assets, except in the ordinary course of its operations as set forth in the Statement of Policies and Procedures.

*Section 2.13.* Except as the Bank and CFN shall otherwise agree, CFN shall not incur or permit any controlled company to incur any debt maturing more than one year after the date on which it is originally incurred if, after the incurring of any such debt, the consolidated debt of CFN and all its controlled companies then incurred

and outstanding would be greater than four times the consolidated capital and surplus of CFN.

For the purposes of this Section :

(a) " Debt " means any debt incurred by CFN or a controlled company.

(b) Debt shall be deemed to be incurred (i) under a loan contract or agreement, on the date and to the extent it is drawn down and outstanding pursuant to such loan contract or agreement and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee shall have been entered into but shall be counted only to the extent that the underlying debt is outstanding.

(c) " Consolidated capital and surplus of CFN and its controlled companies " means the aggregate of the total unimpaired capital, surplus and free reserves (including reserve provisions for bad debts exceeding 2% of portfolio) of CFN and controlled companies after excluding such items of capital, surplus and free reserves as shall represent equity interest by CFN or any controlled company in CFN or any controlled company.

(d) Whenever in connection with this Section it shall be necessary to value in terms of Sucres debt repayable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable by CFN for the purposes of servicing such debt.

*Section 2.14.* CFN shall at all times take all steps necessary to maintain its corporate existence and right to carry on operations and shall take all steps necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

*Section 2.15.* CFN shall charge each Investment Enterprise to which it makes a sub-loan, in addition to interest and any other charges payable by CFN to the Borrower in accordance with the Subsidiary Loan Agreement, interest and other charges at a rate at least 3% per annum higher than that provided for in the Subsidiary Loan Agreement, said interest and other charges to be calculated in the same manner and on the same amounts as the interest payable under the Subsidiary Loan Agreement.

### *Article III*

#### EFFECTIVE DATE; TERMINATION

*Section 3.01.* This Project Agreement shall enter into force and effect on the Effective Date, but only if CFN shall have complied with the conditions provided in Section 7.01 of the Loan Agreement. If the Loan Agreement shall terminate pursuant to Section 11.04 of the General Conditions, the Bank shall promptly notify CFN of this event and, upon the giving of such notice, this Project Agreement and all obligations of the parties hereunder shall forthwith terminate.

*Section 3.02.* If and when the entire principal amount of the loan under the Subsidiary Loan Agreement and all interest and other charges which shall have accrued on the said loan shall have been paid by CFN, all obligations of the parties under this Project Agreement shall forthwith terminate.

*Article IV*

## MISCELLANEOUS PROVISIONS

*Section 4.01.* No delay in exercising, or omission to exercise any right, power or remedy accruing to any party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

*Section 4.02.* Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cablegram or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are :

For the Bank :

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

For CFN :

Comisión de Valores-Corporación Financiera Nacional  
Apartado N° 2653  
Quito, Ecuador  
Cable address :  
Corfinal  
Quito

*Section 4.03.* Any action required or permitted to be taken and any documents required or permitted to be executed under this Project Agreement on behalf of CFN may be taken or executed by its *Gerente General* and such person or persons as he shall appoint in writing.

*Section 4.04.* This Project Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Project Agreement to be signed in their

respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

By J. BURKE KNAPP  
Vice President

Comisión de Valores-Corporación Financiera Nacional :

By CARLOS MANTILLA ORTEGA  
Authorized Representative

### PROJECT AGREEMENT

AGREEMENT, dated February 5, 1971, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and ECUATORIANA DE DESARROLLO S.A. (COMPAÑÍA FINANCIERA) (hereinafter called COFIEC).

WHEREAS by a loan agreement of even date herewith<sup>1</sup> (hereinafter called the Loan Agreement) between the Republic of Ecuador (hereinafter called the Borrower) and the Bank, the Bank has agreed to make available to the Borrower a loan in various currencies equivalent to eight million dollars (\$8,000,000), on the terms and conditions set forth in the Loan Agreement, to be lent to COFIEC and CFN but only on condition, *inter alia*, that COFIEC agree to undertake certain obligations to the Bank as hereinafter in this Project Agreement set forth; and

WHEREAS COFIEC, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows :

#### *Article I*

##### DEFINITIONS

*Section 1.01.* Wherever used in this Project Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement and in the General Conditions<sup>2</sup> (as so defined) shall have the respective meanings therein set forth.

#### *Article II*

##### PARTICULAR COVENANTS OF COFIEC

*Section 2.01.* COFIEC shall carry out the Project described in Section 3.01 of the Loan Agreement and conduct its operations and affairs in accordance with sound financial and investment standards and practices, under the supervision of qualified and experienced management, and in accordance with its Statutes and Statement of Policies and Procedures.

<sup>1</sup> See p. 186 of this volume.

<sup>2</sup> See p. 214 of this volume.

*Section 2.02.* COFIEC shall enter into a Subsidiary Loan Agreement with the Borrower, providing for the relending by the Borrower to COFIEC of the equivalent in Sucres of part of the proceeds of the Loan. COFIEC shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Bank, the Borrower and COFIEC.

*Section 2.03.* (a) COFIEC shall withdraw the proceeds of the Subsidiary Loan as provided in Section 2.03 of the Subsidiary Loan Agreement.

(b) COFIEC shall submit to the Bank Investment Projects for approval or for authorization to make withdrawals, all as required to carry out the Project.

*Section 2.04.* (a) When submitting an Investment Project to the Bank for approval, COFIEC shall furnish to the Bank an application, in form satisfactory to the Bank, together with a description of the Investment Project (including a description of the expenditure proposed to be financed out of the proceeds of the Loan) and the Investment Enterprise, the terms and conditions of the sub-loan or investment, including the schedule of amortization proposed therefor, and such other information as the Bank shall reasonably request.

(b) Each request by COFIEC for authorization to the Borrower to make withdrawals from the Loan Account in respect of sub-loans for Investment Projects not requiring approval by the Bank shall contain a summary description of the Investment Enterprise and the Investment Project (including a description of the expenditures proposed to be financed out of the proceeds of the Loan) for which such authorization is requested and the terms and conditions of the sub-loan, including the schedule of amortization therefor.

(c) Except as the Bank and COFIEC shall otherwise agree, applications for approval of Investment Projects pursuant to the provisions of Section 2.04 (a) of this Project Agreement and requests for authorizations to the Borrower to withdraw from the Loan Account pursuant to the provisions of Section 2.04 (b) of this Project Agreement shall be submitted on or before June 1, 1973.

*Section 2.05.* (a) COFIEC shall exercise its rights in relation to each Investment Project financed by it in whole or in part out of the proceeds of the Loan in such manner as to protect the interests of the Borrower, the Bank and COFIEC.

(b) COFIEC undertakes that any sub-loan or investment made by it to or in an Investment Enterprise for an Investment Project to be financed out of the proceeds of the Loan will be made on terms whereby COFIEC shall obtain, by written agreement or other appropriate legal means, rights adequate to protect the interests of the Borrower, the Bank and COFIEC including, in the case of a sub-loan and, to the extent that it shall be appropriate, in the case of any such investment :

- (i) the right to require the Investment Enterprise to carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound technical, financial and management standards and to maintain adequate records;
- (ii) the right to require that the goods and services to be financed with the proceeds of the Loan shall be used exclusively in the carrying out of the Investment Project;

- (iii) the right of the Bank and COFIEC to inspect such goods and the sites, works, plants and construction included in the Investment Project, the operation thereof and any relevant records and documents;
- (iv) the right to require that the Investment Enterprise shall take out and maintain such insurance, against such risks and in such amount, as shall be consistent with sound business practice and that, without any limitation upon the foregoing, such insurance shall cover marine, transit and other hazards incident to acquisition, transportation and delivery of the goods financed out of the proceeds of the Loan to the place of use or installation, and that any indemnity thereunder shall be payable in a currency freely usable by the Investment Enterprise to replace or repair such goods;
- (v) the right to obtain all such information as the Bank or COFIEC shall reasonably request relating to the foregoing and to the administration, operations and financial condition of such Investment Enterprise; and
- (vi) the right of COFIEC to suspend or terminate access by the Investment Enterprise to the use of the proceeds of the Loan upon failure by such Investment Enterprise to perform its obligations under its agreements with COFIEC.

*Section 2.06.* COFIEC shall take such steps satisfactory to the Bank as shall be necessary to protect itself against risk of loss resulting from changes in the rates of exchange between the various currencies (including Sucres) used in its operations.

*Section 2.07.* COFIEC shall maintain a provision satisfactory to the Bank in its accounts against losses arising from foreign exchange risks and shall, for the purpose, charge, at the end of each fiscal year, its profit and loss account with amounts for such losses determined on a basis satisfactory to the Bank and COFIEC.

*Section 2.08. (a)* COFIEC shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the Investment Enterprises, the Investment Projects, the sub-loans and investments, and the administration, operations and financial condition of COFIEC (including any proposal to create, acquire or take over a controlled company).

*(b)* COFIEC shall maintain records adequate to record the progress of the Project and of each Investment Project financed by it (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of COFIEC, and shall enable the Bank's representatives to examine such records.

*(c)* COFIEC shall: (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited by independent auditors acceptable to the Bank in accordance with sound auditing principles consistently applied; (ii) furnish to the Bank, as soon as available but, in any case, not later than three months after the end of each such year, certified copies of its audited financial statements for such year and an audit report by the said auditors of such scope and in such detail as the Bank shall have reasonably



requested; and (iii) furnish to the Bank such other information concerning the accounts and financial statements of COFIEC and the audit thereof as the Bank shall from time to time reasonably request.

*Section 2.09.* (a) The Bank and COFIEC shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Bank and COFIEC shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Project, the performance by COFIEC of its obligations under this Project Agreement and the Subsidiary Loan Agreement, the administration, operations and financial condition of COFIEC and any other matters relating to the purposes of the Loan.

(b) COFIEC shall promptly inform the Bank of any condition (including the incurrence of losses by reason of its borrowing operations outside the territories of the Borrower) which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service of the Subsidiary Loan Agreement or the performance by COFIEC of its obligations under this Project Agreement.

*Section 2.10.* COFIEC shall exchange views with the Bank concerning any proposed amendment of its Statutes.

*Section 2.11.* Except as the Bank shall otherwise agree, COFIEC shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving any provision of the Subsidiary Loan Agreement.

*Section 2.12.* COFIEC shall obtain the concurrence of the Bank before its Statement of Policies and Procedures in effect on the date of this Project Agreement is amended or suspended.

*Section 2.13.* Except as the Bank shall otherwise agree, COFIEC shall not sell, lease, transfer, mortgage, or otherwise dispose of or encumber its property and assets, except in the ordinary course of its operations as set forth in the Statement of Policies and Procedures.

*Section 2.14.* Except as the Bank and COFIEC shall otherwise agree, COFIEC shall not incur or permit any controlled company to incur :

- (i) any debt maturing more than one year after the date on which it is originally incurred if, after the incurring of any such debt, the consolidated debt of COFIEC and its controlled companies then incurred and outstanding would be greater than four times the consolidated capital and surplus of COFIEC and its controlled companies; and
- (ii) any debt, if after the incurring of any such debt, the consolidated debt of COFIEC and its controlled companies would be greater than six times the consolidated capital and surplus of COFIEC and its controlled companies.

For the purposes of this Section :

(a) "Debt" means any debt incurred by COFIEC or a controlled company.

(b) Debt shall be deemed to be incurred (i) under a loan contract or agreement, on the date and to the extent it is drawn down and outstanding pursuant to such loan contract or agreement and (ii) under a guarantee agreement, on the date the agree-

ment providing for such guarantee shall have been entered into but shall be counted only to the extent that the underlying debt is outstanding.

(c) “ Consolidated capital and surplus of COFIEC and its controlled companies ” means the aggregate of the total unimpaired capital, surplus and free reserves (including reserve provisions for bad debts exceeding 2% of portfolio) of COFIEC and controlled companies after excluding such items of capital, surplus and free reserves as shall represent equity interest by COFIEC or any controlled company in COFIEC or any controlled company.

(d) Whenever in connection with this Section it shall be necessary to value in terms of Sucres debt repayable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable by COFIEC for the purposes of servicing such debt.

*Section 2.15.* COFIEC shall at all times take all steps necessary to maintain its corporate existence and right to carry on operations and shall take all steps necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

*Section 2.16.* COFIEC shall charge each Investment Enterprise to which it makes a sub-loan, in addition to interest and any other charges payable by COFIEC to the Borrower in accordance with the Subsidiary Loan Agreement, interest and other charges at a rate at least 3% per annum higher than that provided for in the Subsidiary Loan Agreement, said interest and other charges to be calculated in the same manner and on the same amounts as the interest payable under the Subsidiary Loan Agreement.

### *Article III*

#### EFFECTIVE DATE; TERMINATION

*Section 3.01.* This Project Agreement shall enter into force and effect on the Effective Date, but only if COFIEC shall have complied with the conditions provided in Section 7.01 of the Loan Agreement. If the Loan Agreement shall terminate pursuant to Section 11.04 of the General Conditions, the Bank shall promptly notify COFIEC of this event and, upon the giving of such notice, this Project Agreement and all obligations of the parties hereunder shall forthwith terminate.

*Section 3.02.* If and when the entire principal amount of the loan under the Subsidiary Loan Agreement and all interest and other charges which shall have accrued on the said loan shall have been paid by COFIEC, all obligations of the parties under this Project Agreement shall forthwith terminate.

### *Article IV*

#### MISCELLANEOUS PROVISIONS

*Section 4.01.* No delay in exercising, or omission to exercise any right, power or remedy accruing to any party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an

acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

*Section 4.02.* Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cablegram or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are :

For the Bank :

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

For Cofiec :

Ecuadoriana de Desarrollo S.A. (Compañía Financiera)  
Apartado 411  
Quito, Ecuador  
Cable address :  
Cofiec  
Quito

*Section 4.03.* Any action required or permitted to be taken and any documents required or permitted to be executed under this Project Agreement on behalf of COFIEC may be taken or executed by its *Presidente* and such person or persons as he shall appoint in writing.

*Section 4.04.* This Project Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

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

International Bank for Reconstruction and Development :

By J. BURKE KNAPP  
Vice President

Ecuadoriana de Desarrollo S.A. (Compañía Financiera) :

By JOSÉ ANTONIO CORREA  
Authorized Representative