EXECUTION VERSION

DATED 25 APRIL 2023

THE MINISTRY OF ECONOMY AND FINANCE
ACTING FOR AND ON BEHALF OF
THE REPUBLIC OF ECUADOR

as Borrower

and

THE BANK OF NEW YORK MELLON

as Facility Agent

and

GPS BLUE FINANCING DESIGNATED ACTIVITY COMPANY

as Original Lender

FACILITY AGREEMENT

CONTENTS

Clause Page

1. Definitions and Interpretation 2
2. The Facility....20
3. Purpose 20
4. Conditions of Utilization 20
5. Utilization....22
6. Repayment....23
7. Prepayment....28
8. Interest 32
9. Interest Periods 32
10. Debt Exchange Linked Conservation Fees 33
11. Tax Gross Up and Indemnities....33
12. Increased Costs....37
13. Other Indemnities 40
14. Mitigation by the Lenders 41
15. Costs and Expenses 42
16. Representations 43
17. Information Undertakings 48
18. General Undertakings....50
19. Events of Default....54
20. Successors and Assigns 60
21. Role of the Facility Agent 66
22. Conduct of Business by the Finance Parties 80
23. Sharing among the Finance Parties 81
24. Payment Mechanics....83
25. Set-Off....87
26. Notices....87
27. Calculations and Certificates....90
28. Partial Invalidity....90
29. Remedies and Waivers 91
30. Amendments and Waivers....91
31. Confidentiality....92
32. Counterparts 96
33. Patriot Act....96

34. Limited Recourse and Non-Petition 96
35. Third Party Beneficiary 97
36. Governing Law 98
37. Dispute Resolution 98
38. Immunity 100
39. Service of process 101
40. Entire Agreement 103
Schedule 1 Conditions Precedent 104
Schedule 2 Utilization Request 108
Schedule 3 Form of Assignment and Assumption 110
Schedule 4 Sustainability Commitments 115
Schedule 5 Form of Acceleration Notice 120
Schedule 6 Quito Public Holidays 121
Schedule 7 Ecuador Disclosure 122
Schedule 8 Statutory and Policy Requirements 123

THIS AGREEMENT (this "**Agreement**") is dated 25 April 2023 and made by and among:

(1) **THE MINISTRY OF ECONOMY AND FINANCE ACTING FOR AND ON BEHALF OF THE REPUBLIC OF ECUADOR**, as borrower (the "**Borrower**");

(2) **THE BANK OF NEW YORK MELLON**, a banking corporation organized and existing under the laws of the State of New York, not in its individual capacity, but solely as facility agent of the other Finance Parties (as defined below) (the "**Facility Agent**"); and

(3) **GPS BLUE FINANCING DESIGNATED ACTIVITY COMPANY**, a designated activity company (limited by shares) incorporated under the laws of Ireland, under register number 728558, as original lender (the "**Original Lender**").

RECITALS

(A) The Borrower wishes to have a loan facility upon the terms and subject to the conditions set out in this Agreement.

(B) IADB (as defined below) is prepared to provide a guarantee in respect of certain payment obligations of the Borrower under this Agreement upon the terms and subject to the conditions set out in the IADB Guarantee (as defined below). The provision of the IADB Guarantee by IADB is conditioned on, among other things, the entry by the Borrower into the Counter-Guarantee Agreement (as defined below) and the performance by the Republic (as defined below) of certain policy conditions provided therein.

(C) DFC (as defined below) is prepared to provide a political risk insurance policy in respect of certain payment obligations of the Borrower under this Agreement upon the terms and subject to the conditions set out in the PRI Policy (as defined below). The provision of the PRI Policy is connected to, among other things, the performance of the Conservation Arrangements (as defined below).

(D) The Borrower and the Original Lender have agreed to proceed with the transactions set out in this Agreement (which are connected to the performance of the Conservation Arrangements) to facilitate the following objectives: (a) strengthening the institutional framework to support sustainable finance and adequate natural resource management; (b) improving the Borrower's debt management capacity with a focus on environmental and financial sustainability; and (c) enhancing the management and conservation of the recently created marine reserve in the exclusive economic zone of Ecuador surrounding the Galápagos known as "Hermandad Marine Reserve" (*Reserva Marina Hermandad*) and the growth of the natural capital of the Galápagos Islands and their marine ecosystems. In furtherance of these objectives, the Borrower has also agreed to pay certain Debt Exchange Linked Conservation Fees (as defined below).

IT IS AGREED as follows:

SECTION 1
INTERPRETATION

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

"**Additional Conservation Payment**" means any payment due from the Borrower in accordance with Clause 6.4 (*Additional Conservation Payments*) for a failure to comply with, achieve or maintain compliance with (as applicable) a Sustainability Commitment, the amount of which is determined in accordance with the Sustainability Commitments Agreement.

"**Additional Conservation Payment Account**" means the account of the Original Lender with account name: GPS BLUE FINANCING DAC ADD CONS PAY; account number: 4381488400; opened with: The Bank of New York Mellon; ABA number: 021-000-018; and SWIFT: IRVTUS3NAMS.

"**Additional Reserve Payment**" has the meaning as that term is defined in Clause 6.3 (*Additional Reserve Payments*).

"**Additional Reserve Payment Trigger Date**" has the meaning as that term is defined in Clause 6.3 (*Additional Reserve Payments*).

"**Affiliate**" means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

"**Anti-Money Laundering Framework**" has the meaning given in Clause 16.18 (*Anti-Terrorism; Anti-Money laundering*).

"**Applicable Discount Rate**" means the yield to maturity implied by the yields reported as of 10:00 A.M. (New York City time) on the date of determination of the Make-Whole Payment on the display designated as "Page PX1" of the Bloomberg Financial Markets Services Screen (or such other display as may replace Page PX1 on the Bloomberg Financial Markets Services Screen) for actively traded U.S. Treasury securities having a maturity equal to the Weighted Average Life of the remaining Repayment Instalments if they were paid on their scheduled Repayment Dates. Such implied yield will be determined, if necessary, by (a) converting U.S. Treasury quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (i) the actively traded U.S. Treasury security with the maturity closest to and greater than the Weighted Average Life and (ii) the actively traded U.S. Treasury security with the maturity closest to and less than the Weighted Average Life.

"**Arbitral Award Amount**" has the meaning as that term is defined in Clause 37.1(g) (*Arbitration*).

"**Assignee**" has the meaning given in Schedule 3 (*Form of Assignment and Assumption*).

"**Assignment and Assumption**" means an assignment and assumption entered into by a Lender and an eligible assignee (with the consent of any party whose consent is required by Clause 20 (*Successors and Assigns*)), and acknowledged and accepted by the Facility Agent, in substantially the form of Schedule 3 (*Form of Assignment and Assumption*) or any other form acceptable to the Facility Agent (acting at the direction of the relevant Lender).

"**Assignor**" has the meaning given in Schedule 3 (*Form of Assignment and Assumption*).

"**Authorization**" means an authorization, consent, approval, resolution, permit, license, exemption, filing, notarization or registration.

"**Availability Period**" means the period from and including the date of this Agreement to and including the date falling ninety (90) calendar days after the date of this Agreement.

"**Borrower**" has the meaning as that term is defined in the preamble.

"**Business Day**" means:

(a) in relation to payments, a day (other than a Saturday or Sunday) on which banks are open for general business in New York and which is a Quito Business Day; and

(b) in relation to notifications and determinations, a day (other than a Saturday or Sunday) on which banks are open for general business in London and New York and which is a Quito Business Day.

"**Central Bank**" means the Central Bank of Ecuador (*Banco Central del Ecuador*).

"**Code**" means the US Internal Revenue Code of 1986.

"**Commitment**" means:

(a) in relation to the Original Lender, the amount determined in accordance with Clause 2.2 (*Loan Economic Terms determination*), *provided that* the amount of the Commitment so determined shall not exceed USD 800,000,000; and

(b) in relation to any other Lender, the amount of any Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

"**Confidential Information**" means all information relating to the Borrower, the Finance Documents or the Facility of which any Party becomes aware in its capacity as, or for the purpose of becoming, a Party or which is received by a Party in relation to, or for the purpose of becoming a Party under, the Finance Documents from any other Party or any of its advisors, in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that:

(a) is or becomes public information other than as a direct or indirect result of any breach by that Party of Clause 31 (*Confidentiality*); or

(b) is identified in writing at the time of delivery as non-confidential by the sending Party or any of its advisors; or

(c) is known by that Party before the date the information is disclosed to it in accordance with paragraphs (a) or (b) above or is lawfully obtained by that Party after that date, from a source which is, as far as that Party is aware, unconnected with any other Party and which, in either case, as far as that Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality.

"**Confidentiality Undertaking**" means a confidentiality undertaking substantially in the relevant recommended form of the LSTA confidentiality undertaking, as recommended from time to time, or any other confidentiality undertaking under substantially similar terms customary for access to investor data sites.

"**Conservation Arrangements**" means the Sustainability Commitments to be complied with, achieved or maintained (as applicable) by the Relevant Ministries on behalf of the Republic, and the information undertaking and other obligations of the Relevant Ministries on behalf of the Republic set out in the Sustainability Commitments Agreement.

"**Conservation Funding Agreement**" means the conservation funding agreement dated on or about the date hereof between the Original Lender as issuer, the Project Manager, The Bank of New York Mellon, as securities intermediary and, following its accession in accordance with the terms thereof, GLF.

"**Counter-Guarantee Agreement**" means the contingency reimbursement contract (*Contrato de Reembolso por Contingencia*) dated on or about the date hereof between the Borrower and IADB.

"**Day Count Fraction**" means 30/360.

"**Debt Conversion Agreement**" means the agreement for the conversion of public debt for non-refundable international co-operation funds (*Acuerdo para la Conversión de Deuda Pública por Cooperación Internacional No Reembolsable*) dated on or about the date hereof among the Ministry of Foreign Affairs and Human Mobility, acting for and on behalf of the Republic, and the other parties thereto.

"**Debt Exchange**" means the sovereign debt swap transaction whereby, on the Settlement Date, pursuant to and in accordance with the Exchange and Settlement Agreement, the Borrower and the Original Lender shall agree that the Relevant Tendered Debt shall be exchanged for the Facility, such that the obligation of the Original Lender to disburse the Facility to the Borrower shall be satisfied, discharged and deemed performed by delivery by the Original Lender of the Relevant Tendered Debt to the Borrower.

"**Debt Exchange Linked Conservation Fees**" means the amounts determined in accordance with Clause 2.2 (*Loan Economic Terms determination*) payable by the

Borrower on each Interest Payment Date in accordance with Clause 10 (*Debt Exchange Linked Conservation Fees*) *provided that* if (i) the value of the capital contributed by way of endowment across all endowment accounts (including the Endowment Account) exceeds USD250,000,000 and (ii) the value of the capital contributed to the Endowment Account exceeds USD50,000,000, then, from the date on which both (i) and (ii) apply, the amount payable on each Interest Payment Date shall be reduced to an amount as determined in accordance with Clause 2.2 (*Loan Economic Terms determination*).

"**Default**" means an Event of Default or any event or circumstance specified in Clause 19 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

"**DFC**" means the U.S. International Development Finance Corporation, an agency of the United States of America.

"**Disclosure Side Agreement**" means the disclosure side agreement dated on or about the date hereof between the Borrower, Credit Suisse International and the Original Lender, regarding the Ecuador Disclosure.

"**Dispute**" has the meaning as that term is defined in Clause 37.1 (*Arbitration*).

"**Disruption Event**" means either or both of:

(a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Facility (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or

(b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:

(i) from performing its payment obligations under the Finance Documents; or

(ii) from communicating with other Parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

"**Early Disbursement Event**" means, as determined by IADB under the IADB Guarantee:

(a) the occurrence of any of the following circumstances, if the same has occurred and is continuing for more than sixty (60) days from the date of the payment of sums by IADB or the breach or the withdrawal or suspension (after any grace period, remediation period or extension, if any is applicable, has lapsed), and while the same is continuing:

(i) the delay in payment of the sums that the Borrower owes to IADB: (A) for any sums paid by IADB in accordance with the terms of the IADB Guarantee or paid by IADB or on behalf of the Borrower with respect to the IADB Guarantee, including any payment made by IADB to a trust, escrow or any other kind of account or administration fund as stipulated in the Counter-Guarantee Agreement and regulated in the IADB Guarantee, or (B) for any commissions, interest or any other concept; in both cases as per the Counter-Guarantee Agreement or any other agreement entered into between IADB and the Borrower, including a loan agreement or an agreement documenting and/or confirming one or more transactions involving derivatives (including its annexes and supplementary agreements), as the same may be amended or supplemented from time to time;

(ii) the breach by the Borrower of the Program or of any other obligation set forth in the Counter-Guarantee Agreement or in an agreement entered into between IADB and the Borrower documenting and/or confirming one or more transactions involving derivatives (including its annexes and supplementary agreements); or

(iii) the withdrawal or suspension of Ecuador as a member of IADB;

(b) it is found that the Borrower or an employee, agent or representative of the Borrower committed a Prohibited Practice in respect of the performance of the Program and the Borrower failed to take corrective measures (including the appropriate notification to IADB upon becoming aware that the respective Prohibited Practice was committed) within a time period deemed reasonable by IADB; or

(c) the Program is affected by any restriction to the statutory powers or any amendment to the powers or patrimony of the Borrower, in which case IADB shall have the right to request reasoned and detailed information from the Borrower in order to determine if the change or changes have or could have an adverse impact in the performance of the Program. IADB shall only be entitled to claim or act on this circumstance (c), after hearing the Borrower and reviewing the information and clarifications provided by the Borrower or the lack of response from the Borrower, if the changes materially adversely affect the Program and the information and clarifications provided by the Borrower, if any are provided, are not satisfactory to IADB.

"**Ecuador**" means the Republic of Ecuador.

"**Ecuador Disclosure**" means the information set out in Schedule 7 (*Ecuador Disclosure*) hereto, as amended or supplemented at the Settlement Date.

"**Eligible Debt**" means the following issued and outstanding USD-denominated international debt securities issued by Ecuador:

(a) USD3,701,423,865 Step-Up Coupon Notes due 2030 (QIB Restricted Global Notes ISIN: XS2214238102 / Common Code: 221423810; Regulation S Global

Notes ISIN: XS2214237807 / Common Code: 221423780; and IAI Restricted Global Notes ISIN: XS2214238284 / Common Code: 221423828);

(b) USD8,458,864,776 Step-Up Coupon Notes due 2035 (QIB Restricted Global Notes ISIN: XS2214238524 / Common Code: 221423852; Regulation S Global Notes ISIN: XS2214238441 / Common Code: 221423844; and IAI Restricted Global Notes ISIN: XS2214238953 / Common Code: 221423895); and

(c) USD3,403,135,207 Step-Up Coupon Notes due 2040 (QIB Restricted Global Notes ISIN: XS2214239258 / Common Code: 221423925; Regulation S Global Notes ISIN: XS2214239175 / Common Code: 221423917; and IAI Restricted Global Notes ISIN: XS2214239332 / Common Code: 221423933).

"**Endowment Account**" means the investment management account to be opened and maintained with a banking institution duly licensed to conduct banking business in an OECD member country and in accordance with applicable laws and regulations, in the name of GLF and funded by any proceeds received by GLF pursuant to the Conservation Funding Agreement.

"**Event of Default**" means any event or circumstance specified as such in Clause 19 (*Events of Default*).

"**Exchange and Settlement Agreement**" means the exchange and settlement agreement dated on or about the date hereof between the Borrower, Credit Suisse International, the Facility Agent and the Original Lender, for the purpose of implementing the Debt Exchange.

"**Excluded Indebtedness**" means the following series of securities issued by Ecuador:

(a) the 12 per cent. U.S. Dollar Denominated Global Bonds due 2012; and

(b) the U.S. Dollar Denominated Step-up Global Bonds due 2030.

"**Extended Deadline for Compliance**" means, in respect of a Sustainability Commitment, the applicable date determined pursuant to the Sustainability Commitments Agreement (such date being the Original Deadline for Compliance in respect of such Sustainability Commitment as extended by one or more Grace Periods in accordance with the Sustainability Commitments Agreement but excluding, for the avoidance of doubt, any Remedy Period in respect of such Sustainability Commitment).

"**External Indebtedness**" means all Indebtedness (other than the indebtedness under this Agreement) that is not (a) issued pursuant to agreements or evidenced by instruments that expressly submit the resolution of all disputes to the exclusive jurisdiction of the courts of Ecuador or (b) governed by Ecuadorian law.

"**Facility**" means the term loan facility made available under this Agreement as described in Clause 2 (*The Facility*).

"**Facility Agent**" has the meaning as that term is defined in the preamble.

"**FATCA**" means:

(a) sections 1471 to 1474 of the Code or any associated regulations;

(b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or

(c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

"**FATCA Deduction**" means a deduction or withholding from a payment under a Finance Document required by FATCA.

"**FATCA Exempt Party**" means a Party that is entitled to receive payments free from any FATCA Deduction.

"**FATF**" has the meaning given in Clause 16.18 (*Anti-Terrorism; Anti-Money laundering*).

"**Final Deadline for Compliance**" means, in respect of a Sustainability Commitment, the applicable date determined pursuant to the Sustainability Commitments Agreement (such date being the Extended Deadline for Compliance in respect of such Sustainability Commitment following the application, in accordance with the Sustainability Commitments Agreement, of any Remedy Period in respect of such Sustainability Commitment).

"**Finance Document**" means each of this Agreement, the Exchange and Settlement Agreement, the Debt Conversion Agreement, the IADB Guarantee, the Sustainability Commitments Agreement, the Disclosure Side Agreement and any other document designated as such by the Facility Agent (acting at the direction of the Majority Lenders) and the Borrower (but not including, for the avoidance of doubt, the Counter-Guarantee Agreement).

"**Finance Party**" means the Facility Agent (not in its individual capacity, but solely as agent for the Lenders) or a Lender.

"**First Interest Payment Date**" means the first interest payment date determined in accordance with Clause 2.2 (*Loan Economic Terms determination*).

"**Fixed Rate**" means the fixed interest rate determined in accordance with Clause 2.2 (*Loan Economic Terms determination*).

"**Galápagos Marine Conservation Linked Bonds**" means the debt securities to be issued by GPS Blue on or around the Settlement Date under which payments are made by reference to payments under this Agreement.

"**GLF**" means Galápagos Life Fund, a Delaware not-for-profit corporation.

"**Governmental Authority**" means (a) any national, state, county, city, town, village, municipal or local government, or any political subdivision thereof, (b) any agency, authority, instrumentality, regulatory body, court, central bank, department, commission, board, or bureau, whether civilian or military, or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank), or (c) a government-owned, government-run or government-controlled association, organization, business, or enterprise.

"**GPS Blue**" means GPS Blue Financing Designated Activity Company, a designated activity company (limited by shares) incorporated under the laws of Ireland under register number 728558.

"**Grace Period**" means, in respect of a Sustainability Commitment, a grace period extending any Original Deadline for Compliance as requested by a Relevant Ministry and approved by the Project Manager pursuant to and in accordance with the Sustainability Commitments Agreement.

"**Guarantee Demand Notice**" means notice in writing from the Facility Agent (or, if applicable, the Original Lender) to IADB (a) notifying IADB of any failure of the Borrower to pay, or cause to be paid, in full the Borrower's obligation arising under Clause 6.3 (*Additional Reserve Payments*) to make an Additional Reserve Payment by the Additional Reserve Payment Trigger Date or the relevant date specified in Clause 6.3(d) (*Additional Reserve Payments*) (as applicable) (up to, in aggregate with any amounts previously demanded and paid, the Maximum Guaranteed Amount) and (b) constituting a demand by the Facility Agent (or, if applicable, the Original Lender) on IADB for payment pursuant to the IADB Guarantee, in the form set forth in Exhibit A to the IADB Guarantee.

"**Guarantee Payment Account**" means the account of the Original Lender with account name: GPS BLUE FINANCING DAC GUAR RES; account number: 4381288400; opened with: The Bank of New York Mellon; ABA number: 021-000-018; and SWIFT: IRVTUS3NAMS.

"**Holding Company**" means, in relation to a person, any other person in respect of which it is a Subsidiary.

"**IADB**" means the Inter-American Development Bank.

"**IADB Guarantee**" means the Partial Credit Guarantee dated on or about the date hereof among IADB, the Facility Agent and the Original Lender with respect to certain payment obligations of the Borrower under this Agreement, up to the Maximum Guaranteed Amount.

"**ICC Court**" has the meaning as that term is defined in Clause 37.1 (*Arbitration*).

"**IMF**" means the International Monetary Fund.

"**Immune Property**", in accordance with the provisions of the laws of Ecuador, means:

(a) any property which is used or designated for use in the performance of the functions of the diplomatic missions of Ecuador or its consular posts;

(b) aircraft, naval vessels and other property of a military character or used or designated for use in the performance of military functions;

(c) property forming part of the cultural heritage of Ecuador or part of its archives;

(d) unexploited natural non-renewable resources in Ecuador;

(e) funds managed in the national Treasury Account;

(f) assets and resources comprising available monetary reserves of Ecuador;

(g) public domain assets used for providing public services in Ecuador;

(h) national assets located in the territory of Ecuador and belonging to Ecuador, such as streets, bridges, roads, squares, beaches, sea and land located over 4,500 meters above sea level;

(i) accounts of the Central Bank, whether they are held abroad or locally; and

(j) public entities' deposits with the Central Bank, whether they are maintained abroad or locally.

"**Indebtedness**" means for any person (a) all indebtedness of or guaranteed by such person for or in connection with borrowed money, and (b) all obligations of or guaranteed by such person (other than those specified in (a)) evidenced by debt securities, debentures, notes or other similar instruments; *provided that* Indebtedness shall not include commercial agreements not having the commercial effect of a borrowing.

"**Interest Payment Date**" means each interest payment date determined in accordance with Clause 2.2 (*Loan Economic Terms determination*).

"**Interest Period**" means, in relation to the Loan, each period determined in accordance with Clause 2.2 (*Loan Economic Terms determination*) and Clause 9 (*Interest Periods*).

"**Interim Process Agent**" has the meaning as that term is defined in Clause 39 (*Service of Process*).

"**Lender**" means:

(a) the Original Lender;

(b) any bank, financial institution, trust, fund or other entity which has become a Party in accordance with Clause 20.2 (*Assignments by Lenders*); and

(c) in relation to the rights and benefits of a Lender (including with regards to reimbursement or indemnification) only, and not to any obligation, DFC, to the extent that DFC has become a Party in accordance with Clause 20.6 (*Assignment to DFC*),

which in each case has not ceased to be a Party in accordance with the terms of this Agreement. For the avoidance of doubt, a "Lender" does not include the Facility Agent in its role as facility agent under this Agreement.

"**Lender Substitution Event**" means an assignment by the Original Lender (or any other substitute issuer) in its role as issuer of the Galápagos Marine Conservation Linked Bonds to a substitute issuer pursuant to and in accordance with the terms and conditions of the documents constituting the Galápagos Marine Conservation Linked Bonds, including where (a) it would suffer material and quantifiable adverse tax consequences if it was not substituted, (b) it becomes illegal for it to perform its obligations under the Galápagos Marine Conservation Linked Bonds, (c) it becomes subject to sanctions or (d) an event of default has occurred and is continuing (and such event of default has not been waived) in respect of itself under the Galápagos Marine Conservation Linked Bonds, each of (a) to (d) above as set out in the terms and conditions of the documents constituting the Galápagos Marine Conservation Linked Bonds.

"**Loan**" means the loan made or to be made under the Facility or the principal amount outstanding for the time being of the loan.

"**Loan Economic Terms**" means the following terms, which shall be determined on the Pricing Date in accordance with Clause 2.2 (*Loan Economic Terms determination*):

(a) the initial Commitment of the Original Lender;

(b) each Interest Period;

(c) each Interest Payment Date;

(d) the First Interest Payment Date;

(e) the Fixed Rate;

(f) the Repayment Schedule, setting out each Repayment Date, each Repayment Instalment and the Maturity Date;

(g) the Settlement Date;

(h) the Upfront Payment; and

(i) the Debt Exchange Linked Conservation Fee.

"**LSTA**" means the Loan Syndications & Trading Association.

"**Majority Lenders**" means (i) in respect of the matters specified in Clause 30.2 (*Exceptions*) only, a Lender or Lenders whose Commitments aggregate more than 75% of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than 75% of the Total Commitments immediately prior to the reduction) and (ii) in respect of all other matters, a Lender or Lenders whose Commitments aggregate more than 66⅔% of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than 66⅔% of the Total Commitments immediately prior to the reduction).

"**Make-Whole Payment**" means an amount equal to the sum of (a) (x) the present value (calculated by the agent appointed at such time by a Lender or the Pricing Agent, applying a discount rate equal to the Applicable Discount Rate) of the aggregate amount of principal, interest and Debt Exchange Linked Conservation Fees that would have accrued hereunder on the portion of the Loan being prepaid (if that portion had not been prepaid) from the date of prepayment to the applicable originally scheduled repayment date *minus* (y) the principal amount of the portion of the Loan being prepaid, and (b) any cost, loss or liability incurred by a Lender (as determined by such Lender) as a result of a prepayment and/or the related termination, settlement or reestablishment of any hedge arrangement or related trading position (irrespective of the currency thereof), *provided that* the Make-Whole Payment shall not be less than zero.

"**Material Adverse Effect**" means a material adverse effect on:

(a) the financial or economic condition of the Borrower;

(b) the ability of the Borrower to perform its payment obligations under this Agreement; or

(c) the validity or enforceability of this Agreement against the Borrower or the rights or remedies of any Finance Party hereunder.

"**Maturity Date**" means the final Repayment Date for the Loan, determined in accordance with Clause 2.2 (*Loan Economic Terms determination*), *provided that* in no circumstances shall the Maturity Date be less than the date falling seventeen (17) years or extend beyond the date falling twenty (20) years and six (6) months after the date of this Agreement.

"**Maximum Guaranteed Amount**" means, as of any date of determination, an amount equal to the lesser of: (a) USD85,000,000, *minus* the aggregate amount of any payments made by IADB under the IADB Guarantee previously paid as of such date of determination, and (b) the Maximum Guaranteed Impact Loan Amounts.

"**Maximum Guaranteed Impact Loan Amounts**" means, as of any date of determination, the amount set forth in the column titled "Maximum Guaranteed Impact Loan Amount" of the table included in Schedule I to the IADB Guarantee, which is determined by reference to the period ending on (but excluding) the period end date occurring on or immediately preceding the date of calculation, as such table included in Schedule I to the IADB Guarantee is provided (by electronic mail or otherwise in writing) by any of IADB, the Facility Agent or the Original Lender to the Borrower.

"**New York Convention**" means the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958.

"**OECD**" means The Organisation for Economic Co-operation and Development.

"**Ongoing Sustainability Commitment**" means each of Sustainability Commitments 1, 2, 3, 4, 5, 6, 10, 11 and 18.

"**Original Deadline for Compliance**" means, in respect of a Sustainability Commitment, the applicable deadline(s) for compliance specified in Schedule 1 (*Sustainability Commitments*) of the Sustainability Commitments Agreement in respect

of such Sustainability Commitment (as replicated, as at the date of this Agreement, in Schedule 4 (*Sustainability Commitments*)) excluding, for the avoidance of doubt, any Grace Periods or Remedy Period as may be approved pursuant to the Sustainability Commitments Agreement in respect thereof.

"**Original Lender**" has the meaning as that term is defined in the preamble.

"**Participant**" has the meaning as that term is defined in Clause 20.4 (*Participations*).

"**Party**" means a party to this Agreement.

"**PATRIOT Act**" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. No. 107-56 (signed into law October 26, 2001, as amended)).

"**Permanent Process Agent**" has the meaning as that term is defined in Clause 39 (*Service of Process*).

"**Permitted Security**" has the meaning given to that term in Clause 18.4 (*Negative pledge*).

"**PRI Policy**" means the political risk insurance policy from DFC with respect to certain payment obligations of the Borrower under this Agreement.

"**Pricing Agent**" means Credit Suisse International acting as agent on behalf of the Original Lender to assist with the determination of the Loan Economic Terms pursuant to and in accordance with the Exchange and Settlement Agreement.

"**Pricing Date**" means the date falling one (1) Business Day after the date on which the Tender Offer expires, or such other date as agreed to by the Borrower in accordance with the Exchange and Settlement Agreement.

"**Program**" has the meaning given to that term (in Spanish, *Programa*) in the Counter-Guarantee Agreement.

"**Prohibited Practice**" means any practice prohibited by IADB in connection with the activities financed by it, determined by the Board of Executive Directors of IADB or to be determined in the future and notified to the Borrower, including corrupt practices, fraudulent practices, coercive practice, collusive practices, obstructive practices and misappropriation.

"**Project Financing**" means any financing of all or part of the costs of the acquisition, construction or development of any properties in connection with a project if the person or persons providing such financing expressly agree to look to the properties financed and the revenues to be generated by the operation of, or loss of or damage to, such properties as the principal source of repayment for the moneys advanced.

"**Project Manager**" means the party specified as project manager in the Sustainability Commitments Agreement.

"**Public Planning and Finance Code**" means the *Código Orgánico de Planificación y Finanzas Públicas*.

"**Quito Business Day**" means a day other than:

(a) Saturday or Sunday; or

(b) any day which is a public holiday in Ecuador and is listed in Schedule 6 (*Quito Public Holidays*).

"**Related Fund**" in relation to a fund (the "**first fund**"), means:

(a) a fund which is managed or advised by the same investment manager or investment adviser as the first fund; or

(b) if it is managed by a different investment manager or investment adviser, a fund whose investment manager or investment adviser is an Affiliate of the investment manager or investment adviser of the first fund.

"**Relevant Ministry**" means, as applicable, any of the Ministry of Environment, Water and Ecological Transition of Ecuador and the Ministry of Production, Foreign Trade, Investments and Fisheries of Ecuador, in each case acting for and on behalf of the Republic.

"**Relevant Tendered Debt**" means all of the Eligible Debt that is tendered for purchase, and is actually purchased, in connection with the Tender Offer, that will be delivered to the Borrower by the Original Lender (who will in turn receive such Eligible Debt from the offeror of the Tender Offer) in accordance with the terms of, and as further described in, the Exchange and Settlement Agreement.

"**Remedy Period**" means, in respect of a Sustainability Commitment, a remedy period in which to comply with, achieve or maintain compliance with (as applicable) such Sustainability Commitment as requested by a Relevant Ministry and approved by the Project Manager pursuant to and in accordance with the Sustainability Commitments Agreement.

"**Repayment Date**" means each repayment date set out in the Repayment Schedule, determined in accordance with Clause 2.2 (*Loan Economic Terms determination*).

"**Repayment Instalment**" means the applicable instalment for repayment of the Loan on the corresponding Repayment Date, in accordance with the Repayment Schedule, determined in accordance with Clause 2.2 (*Loan Economic Terms determination*).

"**Repayment Schedule**" means the repayment schedule setting out each Repayment Date, each Repayment Instalment and the Maturity Date, determined in accordance with Clause 2.2 (*Loan Economic Terms determination*).

"**Repeating Representations**" means each of the representations set out in Clauses 16.1 (*Status*) to 16.5 (*Governing law, arbitral awards and scope of immunity*), paragraph (a) of Clause 16.8 (*No material defaults*), and Clause 16.11 (*Acts of commercial public credit*).

"**Replacement Agent**" has the meaning as that term is defined in Clause 39 (*Service of Process*).

"**Representative**" means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian.

"**Republic**" means the Republic of Ecuador.

"**Sanctioned Jurisdiction**" has the meaning assigned to such term in the definition of Sanctioned Person.

"**Sanctioned Person**" means (a) any person that is the subject or target of any Sanctions administered by a Sanctions Authority, or the equivalent Governmental Authorities in the Republic or any jurisdiction in which amounts deriving from the Facility will be used or from which repayments of the obligations will be derived (hereinafter, the "**Sanctions Programs**"), (b) any person domiciled, resident, or located in Iran, Syria, Cuba, North Korea or the Crimea, Donetsk, and Luhansk regions of Ukraine and the non-government controlled areas of Ukraine in the oblasts of Kherson, the non-government controlled areas of Ukraine in the oblasts of Zaporizhzhia (hereinafter, "**Sanctioned Jurisdiction**") or (c) any other person, organization or vessel with whom a U.S. Person may not engage under any Prohibited Nations Act in the absence of specific governmental authorization or (d) any person, organization or vessel owned or controlled by, or acting on behalf of, persons, entities or other parties referred to in (a) to (c), or (e) located within or operating from a Sanctioned Territory, or otherwise subject to or the target of any Sanctions.

"**Sanctioned Territory**" means any country or territory that is the subject or target of a general export, import, financial or investment embargo under Sanctions.

"**Sanctions**" means all economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by a relevant Sanctions Authority.

"**Sanctions Authority**" means any agency or person which is duly appointed, empowered or authorized to enact, administer, implement and/or enforce Sanctions, including (without limitation):

(a) the Department of the Treasury's Office of Foreign Assets Control of the United States of America (OFAC);

(b) the U.S. Department of State;

(c) the U.S. Department of Commerce;

(d) the United Nations Security Council;

(e) the European Union (EU) or any of its member states;

(f) His Majesty's Treasury in the United Kingdom (UK HMT);

(g) the Swiss Secretariat of Economic Affairs (SECO);

(h) the Hong Kong Monetary Authority (HKMA);

(i) the Monetary Authority of Singapore (MAS);

(j) the Ministry of Foreign Affairs of Japan;

(k) Global Affairs Canada of Canada; and

(l) the Department of Foreign Affairs and Trade of Australia.

"**Sanctions Programs**" has the meaning assigned to such term in the definition of Sanctioned Person.

"**Security**" means any mortgage, lien, pledge, security interest, deed of trust to secure indebtedness, charge, or other encumbrance or preferential arrangement having the practical effect of constituting a security interest.

"**Settlement Date**" means the settlement date determined in accordance with Clause 2.2 (*Loan Economic Terms determination*).

"**Specified Date**" has the meaning given to that term in paragraph (c) of Clause 21.13 (*Resignation of the Facility Agent*).

"**Specified Time**" means 12:00 noon on the proposed Settlement Date, or such other time as agreed between the Borrower and the Facility Agent (acting on the instructions of the Original Lender).

"**Subsidiary**" means, in relation to any company or corporation, a company or corporation:

(a) which is controlled, directly or indirectly, by the first mentioned company or corporation;

(b) more than half the issued share capital of which is beneficially owned, directly or indirectly by the first mentioned company or corporation; or

(c) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation,

and for this purpose, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body.

"**Sustainability Commitment**" means each of the sustainability commitments set out in Schedule 1 (*Sustainability Commitments*) of the Sustainability Commitments Agreement which, as of the date of this Agreement, are replicated in Schedule 4 (*Sustainability Commitments*). Any reference in this Agreement to a numbered Sustainability Commitment, such as "Sustainability Commitment 1", shall be a reference to the corresponding numbered Sustainability Commitment as set out in Schedule 1 (*Sustainability Commitments*) of the Sustainability Commitments Agreement and as replicated in Schedule 4 (*Sustainability Commitments*).

"**Sustainability Commitments Agreement**" means the agreement dated on or about the date hereof between each Relevant Ministry, the Facility Agent, the Original Lender, the Verification Agent and the Project Manager.

"**Tax**" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

"**Tender Offer**" means the third-party cash tender offer of the applicable Eligible Debt to be announced and conducted by Credit Suisse International (or any of its Affiliates) acting as the offeror.

"**Total Commitment**" means the aggregate of the Commitments.

"**U.S.**" means the United States of America.

"**Upfront Payment**" means the upfront payment determined in accordance with Clause 2.2 (*Loan Economic Terms determination*) and payable by the Borrower on or prior to the Settlement Date to the Original Lender in respect of costs, expenses and reserves incurred or established by the Original Lender to implement the transactions contemplated under the Finance Documents which shall not exceed USD 14,500,000 *provided that* if the Tender Offer is not announced on or before April 15, 2023, such amount shall be increased to USD 14,750,000 and further increased by USD 250,000 on the fifteenth (15th) day of each calendar month thereafter until the date on which the Tender Offer is announced.

"**Utilization**" means the utilization of the Facility.

"**Utilization Request**" means the notice substantially in the form set out in Schedule 2 (*Utilization Request*).

"**VAT**" means:

(a) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and

(b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in paragraph (a) above, or imposed elsewhere.

"**Verification Agent**" means the party appointed as verification agent under the Sustainability Commitments Agreement.

"**Weighted Average Life**" means, as of any date, the number of years obtained by dividing (i) the sum of all remaining Repayment Instalments into (ii) the sum of the products obtained by multiplying (a) each Repayment Instalment remaining by (b) the Day Count Fraction from such date to the scheduled Repayment Date or such Repayment Instalment.

1.2 **Construction**

(a) Unless a contrary indication appears, any reference in this Agreement to:

(i) the "**Facility Agent**", any "**Finance Party**", any "**Lender**", or any "**Party**" shall be construed so as to include its successors in title, permitted assigns and permitted transferees;

(ii) "**assets**" includes present and future properties, revenues and rights of every description;

(iii) an "**agency**" of a state shall be construed as a reference to any political sub division, regional or municipal government, ministry, department, authority or statutory corporation (whether autonomous or not) of or any corporation or other entity which is controlled or (as to fifty percent (50%) or more of its issued share capital or the equivalent thereof) owned, directly or indirectly, by such state or its government and/or one or more such agencies;

(iv) a "**Finance Document**" or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended, novated, supplemented or otherwise modified from time to time in accordance with the terms hereof and thereof;

(v) "**guarantee**" means (other than where the defined term "**IADB Guarantee**" is used) any guarantee, letter of credit, bond, indemnity or similar assurance against loss, or any obligation, direct or indirect, actual or contingent, to purchase or assume any indebtedness of any person or to make an investment in or loan to any person or to purchase assets of any person where, in each case, such obligation is assumed in order to maintain or assist the ability of such person to meet its indebtedness;

(vi) "**indebtedness**" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

(vii) a "**person**" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);

(viii) a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law), as may be amended from time to time, of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organization;

(ix) a provision of law is a reference to that provision as amended or re-enacted from time to time;

(x) a time of day is a reference to New York time;

(xi) words importing the singular include the plural and vice versa; and

(xii) a Section, Clause or Schedule is, unless otherwise stated, to a section, clause or schedule of this Agreement.

(b) Section, Clause and Schedule headings are for ease of reference only.

(c) The Schedules to this Agreement form an integral part thereof.

(d) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.

(e) A Default (other than an Event of Default) is "**continuing**" if it has not been remedied or waived, and an Event of Default is "**continuing**" if it has not been (i) in the case of payment Events of Default, remedied or (ii) in the case of non-payment Events of Default, waived.

(f) The words "**include**" and "**including**" shall be construed as "**including without limitation**" (and cognate expressions shall be construed accordingly).

1.3 **Currency symbols and definitions**

"**$**", "**USD**", "**US Dollars**" and "**dollars**" denote the lawful currency of the United States of America.

SECTION 2
THE FACILITY

2. THE FACILITY

2.1 The Facility

Subject to the terms of this Agreement, the Lenders make available to the Borrower a dollar term loan facility in an aggregate amount equal to the Total Commitments.

2.2 Loan Economic Terms determination

On the Pricing Date, the Loan Economic Terms will be determined by the Pricing Agent in accordance with the Exchange and Settlement Agreement, and acknowledged and agreed to by the Original Lender and the Borrower. The Pricing Agent shall thereafter give written notice of such Loan Economic Terms to each of the Finance Parties and the Borrower, with a copy to DFC and IADB.

2.3 Finance Parties' rights and obligations

(a) The obligations of each Finance Party under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.

(b) The rights of each Finance Party under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from the Borrower shall be a separate and independent debt.

(c) A Finance Party may, except as otherwise stated in the Finance Documents, separately enforce its rights under the Finance Documents.

3. PURPOSE

3.1 Purpose

The Borrower shall apply all amounts borrowed by it under this Agreement to implement the settlement of the Debt Exchange.

3.2 Monitoring

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4. CONDITIONS OF UTILIZATION

4.1 Initial conditions precedent

The Borrower may only deliver the Utilization Request if the Original Lender and the Facility Agent have received (or waived (in the case of the Facility Agent, on

instructions of the Original Lender) receipt of) all of the documents and other evidence listed in Schedule 1 (*Conditions precedent*) in form and substance satisfactory to the Original Lender. Promptly upon receipt by the Facility Agent of notice from the Original Lender confirming the satisfaction of the conditions precedent set forth in Schedule 1 (*Conditions precedent*) the Facility Agent shall notify the Borrower of such satisfaction.

4.2 **Further conditions precedent**

The Original Lender will only be obliged to comply with Clause 5.3 (*Lenders' participation*) if on the date of the Utilization Request and on the Settlement Date:

(a) no Default is continuing or would result from the proposed Loan; and

(b) the representations in Clause 16 (*Representations*) made by the Borrower are true in all material respects as of such date.

4.3 **Maximum number of Loans**

The Borrower may only deliver one Utilization Request and only one Loan may be outstanding.

SECTION 3
UTILIZATION

5. UTILIZATION

5.1 Delivery of the Utilization Request

The Borrower may utilize the Facility by delivery to the Facility Agent and the Original Lender of the duly completed Utilization Request not later than the Specified Time.

5.2 Completion of the Utilization Request

(a) The Utilization Request is irrevocable and shall specify the terms on which the Borrower wishes to borrow the Loan.

(b) Only one (1) Utilization Request may be submitted under this Agreement, pursuant to which the Facility shall be utilized in full (and not in part).

5.3 Lenders' participation

(a) If the conditions set out in Clause 4 (*Conditions of Utilization*) Clause 5.1 (*Delivery of the Utilization Request*) and Clause 5.2 (*Completion of the Utilization Request*) have been met, the Original Lender shall make the Loan available by the Settlement Date set out in the Utilization Request.

(b) The amount of each Lender's participation in the Loan will be equal to the proportion borne by its respective Commitment to the Total Commitments.

5.4 Cancellation of Commitment

The Total Commitments which, at that time, are unutilized shall be immediately cancelled at the end of the Availability Period.

SECTION 4
REPAYMENT, PREPAYMENT AND CANCELLATION

6. REPAYMENT

6.1 Repayment of the Loan

(a) Subject to Clause 24.1(b) (*Payments to the Facility Agent*), the Borrower shall repay the Loan in instalments by repaying on each Repayment Date an amount which reduces the amount of the outstanding aggregate Loan in an amount equal to the applicable Repayment Instalment, in each case as set out in the Repayment Schedule, to the Facility Agent.

(b) Any repayment or prepayment of the Loan shall be made in the currency in which the Loan is denominated pursuant to this Agreement.

6.2 Reborrowing

The Borrower may not reborrow any part of the Facility which is repaid.

6.3 Additional Reserve Payments

(a) If the Borrower fails to pay any amount of principal under Clause 6 (*Repayment*), any amount of interest under Clause 8 (*Interest*) or any Debt Exchange Linked Conservation Fees under Clause 10 (*Debt Exchange Linked Conservation Fees*) on or prior to the date which is the last Business Day falling within the eight (8) calendar day period following the applicable Repayment Date (an "**Additional Reserve Payment Trigger Date**"), then the Borrower shall pay an amount to the Facility Agent, acting on behalf and for the benefit of the Lenders, equal to the lower of (A) the amount of principal and/or interest and/or Debt Exchange Linked Conservation Fees payable by the Borrower on that Additional Reserve Payment Trigger Date but not paid by the Borrower on that Additional Reserve Payment Trigger Date and (B) the Maximum Guaranteed Amount (an "**Additional Reserve Payment**"). Such Additional Reserve Payment shall be due from the Borrower on the relevant Additional Reserve Payment Trigger Date, *provided that* the Borrower shall have a ten (10) Business Day grace period to make such payment.

(b) If the Borrower fails to pay such Additional Reserve Payment on the relevant Additional Reserve Payment Trigger Date (and the relevant non-payment of principal, interest or Debt Exchange Linked Conservation Fees has not been cured):

(i) the Facility Agent (on behalf of the Lenders) shall, pursuant to Clause 21.5(c) (*Duties of the Facility Agent in connection with the IADB Guarantee*), on the Business Day after such Additional Reserve Payment Trigger Date, submit a Guarantee Demand Notice to IADB under the IADB Guarantee and provide copies of such Guarantee Demand Notice as required under Clause 21.5(c) (*Duties of the Facility Agent in connection with the IADB Guarantee*);

(ii) upon receipt of a duly completed Guarantee Demand Notice, IADB shall, in accordance with the IADB Guarantee, be obligated on the terms and conditions thereof to make payment of the amount requested in such Guarantee Demand Notice (up to the Maximum Guaranteed Amount), by paying the relevant amount to the Facility Agent no later than ten (10) Business Days (as defined in the IADB Guarantee) from receipt of the Guarantee Demand Notice, and the Facility Agent shall notify the Borrower of receipt of such payment by IADB pursuant to Clause 21.5(f) (*Duties of the Facility Agent in connection with the IADB Guarantee*);

(iii) if the Borrower remedies the relevant failure to pay the amount of principal, interest and/or Debt Exchange Linked Conservation Fees, as applicable, set forth in this Clause 6.3, within the grace period specified in Clause 19.1 (*Failure to pay*), or remedies the failure to pay such Additional Reserve Payment, then:

(A) if IADB has not made a corresponding payment under the IADB Guarantee and any Guarantee Demand Notice submitted in connection therewith has been revoked, such Additional Reserve Payment shall be deemed discharged; and

(B) if IADB has made a corresponding payment under the IADB Guarantee (or will make such a corresponding payment and the relevant Guarantee Demand Notice submitted in connection therewith cannot be revoked (as determined by IADB under the IADB Guarantee in its sole discretion)), then such payment by IADB shall, following receipt of such payment by the Facility Agent, be deposited in the Guarantee Payment Account and shall be applied by the Lenders on each Repayment Date in respect of the Repayment Instalments by an amount equal to the greater of (x) zero and (y) the balance of the Guarantee Payment Account on such Repayment Date minus the sum of all future unpaid Repayment Instalments. If, after application of the amounts deposited in the Guarantee Payment Account pursuant to this paragraph (iii)(B), there remains an unapplied balance in the Guarantee Payment Account, such unapplied balance shall be promptly returned to the Borrower by the Lenders. The Facility Agent shall notify the Borrower upon receipt of any such payment by IADB in accordance with Clause 21.5(f) (*Duties of the Facility Agent in connection with the IADB Guarantee*).

(c) For the avoidance of doubt, any Additional Reserve Payment payable by the Borrower pursuant to this Clause 6.3 shall be in addition to any corresponding amount of principal payable under Clause 6 (*Repayment*) and/or interest payable under Clause 8 (*Interest*) and/or Debt Exchange Linked Conservation Fees payable under Clause 10 (*Debt Exchange Linked Conservation Fees*), as applicable, that is not paid by the Borrower.

(d) If an acceleration notice has been delivered to the Borrower pursuant to Clause 19.19 (*Acceleration*) and has not been revoked, then the Facility Agent on behalf of the Lenders shall demand that the Borrower, within five (5) Business

Days of such demand, pay an Additional Reserve Payment in an amount equal to the Maximum Guaranteed Amount (or such lower amount as directed by the Majority Lenders). If the Borrower fails to pay such Additional Reserve Payment on the date it falls due:

(i) the Facility Agent on behalf of the Lenders shall submit a Guarantee Demand Notice to IADB under the IADB Guarantee, and provide copies of such Guarantee Demand Notice as required under Clause 21.5(c) (*Duties of the Facility Agent in connection with the IADB Guarantee*); and

(ii) any corresponding payment by IADB under the IADB Guarantee shall discharge such Additional Reserve Payment (to the extent of the corresponding payment). The Facility Agent shall notify the Borrower upon receipt of any such payment by IADB in accordance with Clause 21.5(f) (*Duties of the Facility Agent in connection with the IADB Guarantee*).

6.4 **Additional Conservation Payments**

(a) If the Facility Agent is notified by the Project Manager of a failure by a Relevant Ministry to comply with or achieve (as applicable) any Sustainability Commitment by the Final Deadline for Compliance or, thereafter, any failure to maintain compliance with any Ongoing Sustainability Commitment pursuant to the Sustainability Commitments Agreement, the Facility Agent shall provide a notice to the Borrower (the "**Original Notice**") requiring payment of the Additional Conservation Payment, as specified therein, by the Borrower to the Facility Agent, acting on behalf and for the benefit of the Lenders, within sixty (60) days of the date of receipt by the Borrower of the Original Notice.

(b) If, following the delivery of the Original Notice, the Project Manager notifies the Facility Agent that it has been determined pursuant to the Sustainability Commitments Agreement that (i) the relevant Sustainability Commitment referred to in the Original Notice has not been complied with or achieved (as applicable) or (ii) compliance with the relevant Ongoing Sustainability Commitment referred to in the Original Notice has not been maintained (as applicable) since the date of the Original Notice or the date of the immediately preceding Additional Notice (as applicable), the Facility Agent shall provide a further notice to the Borrower (an "**Additional Notice**") requiring payment of the further Additional Conservation Payment specified therein by the Borrower to the Facility Agent, acting on behalf and for the benefit of the Lenders, within sixty (60) days of the date of receipt by the Borrower of the Additional Notice.

(c) Following receipt of the Additional Conservation Payment specified in paragraph (a) or paragraph (b), the Facility Agent shall, acting on behalf and for the benefit of the Lenders, deposit the Additional Conservation Payment amount in the Additional Conservation Payment Account until it is to be applied in accordance with paragraph (d) or paragraph (e) (as applicable).

(d) If, following the delivery of the Original Notice (and, as applicable, any Additional Notice) the Facility Agent is notified by the Project Manager that (i)

the relevant Sustainability Commitment referred to in the Original Notice (and, as applicable, any Additional Notice) has been complied with or achieved (as applicable) or (ii) compliance with the relevant Ongoing Sustainability Commitment referred to in the Original Notice (and, as applicable, any Additional Notice) has been maintained (as applicable), pursuant to the Sustainability Commitments Agreement, then the Facility Agent shall promptly notify the Borrower of such notification from the Project Manager and if such Sustainability Commitment has been complied with or achieved (as applicable) pursuant to the Sustainability Commitments Agreement within three (3) years of receipt of the Original Notice by the Borrower, then the Facility Agent shall notify the Lenders and the relevant Additional Conservation Payments paid by the Borrower in respect of such Sustainability Commitment (as of the date of such notice from the Project Manager) shall be promptly returned to the Borrower by the Lenders and the Facility Agent shall promptly notify the Borrower of the return of such Additional Conservation Payments.

(e) If the Facility Agent is notified by the Project Manager that (i) the relevant Sustainability Commitment referred to in the Original Notice (and, if applicable, any Additional Notice) has not been complied with or achieved (as applicable) or (ii) compliance with the relevant Ongoing Sustainability Commitment referred to in the Original Notice (and, as applicable, any Additional Notice) has not been maintained (as applicable), pursuant to the Sustainability Commitments Agreement by the date falling three (3) years after receipt of the Original Notice by the Borrower, then the Facility Agent shall promptly notify the Borrower and the Lenders of such notification from the Project Manager and the relevant Additional Conservation Payments paid by the Borrower in respect of such Sustainability Commitment (as of the date of such notice from the Project Manager) shall be promptly transferred by the Lenders to GLF under the Conservation Funding Agreement and shall not be returned to the Borrower and the Facility Agent shall promptly notify the Borrower of the transfer of such Additional Conservation Payments to GLF.

(f) For the avoidance of doubt, notwithstanding paragraphs (d) and (e) above, any obligations of the Borrower to pay Additional Conservation Payments in accordance with this Clause 6.4 shall continue.

(g) Failure by a Relevant Ministry to comply with or achieve (as applicable) Sustainability Commitments or, in respect of the Ongoing Sustainability Commitments, maintain compliance with them, pursuant to the Sustainability Commitments Agreement, may result in an Event of Default pursuant to Clause 19.15 (*Sustainability Commitments*).

(h) Any failure by the Borrower to pay any Additional Conservation Payment required under this Clause 6.4 within the applicable grace period shall constitute an Event of Default under Clause 19.16 (*Failure to pay Additional Conservation Payments*) (and will not, for the avoidance of doubt, constitute an Event of Default under Clause 19.1 (*Failure to pay*)).

(i) The Borrower acknowledges that any notices provided by the Facility Agent in accordance with this Clause 6.4 are final and may not be disputed, absent manifest error.

(j) The amount payable in respect of any Additional Conservation Payment shall be determined in accordance with the Sustainability Commitments Agreement and specified in the Original Notice and any Additional Notice, if applicable, provided to the Borrower by the Facility Agent.

(k) The aggregate amount of Additional Conservation Payments paid by the Borrower (not including any Additional Conservation Payments returned to the Borrower) under this Agreement shall not exceed the amount equal to the aggregate principal amount of the Relevant Tendered Debt *minus* the principal amount of the Facility *minus* the Upfront Payment (and the Borrower shall not be required to pay any Additional Conservation Payment, or any portion thereof, that would result in the aggregate amount of Additional Conservation Payments exceeding such amount).

(l) For the avoidance of doubt, failure to pay any Additional Conservation Payment will not result in a claim under the IADB Guarantee.

(m) In delivering any notice to the Borrower pursuant to this Clause 6.4, the Facility Agent shall only act on the basis of the information provided to it by the Project Manager pursuant to the Sustainability Commitments Agreement.

(n) Any Original Notice or Additional Notice provided by the Facility Agent pursuant to this Clause 6.4 shall specify (A) the relevant Sustainability Commitment; (B) the Relevant Ministry within whose competencies the relevant Sustainability Commitment falls; (C) the Final Deadline for Compliance; (D) the applicable Additional Conservation Payment amount; and (E) in respect of any Additional Notice only, the aggregate amount of Additional Conservation Payments paid by the Borrower in respect of such Sustainability Commitment as of the date of such Additional Notice.

(o) Any notice provided by the Facility Agent pursuant to paragraph (d) or paragraph (e) above shall specify:

(i) in respect of paragraph (d), (A) the relevant Sustainability Commitment; (B) the Relevant Ministry within whose competencies the relevant Sustainability Commitment falls; and (C) the amount of Additional Conservation Payment(s) to be returned to the Borrower; or

(ii) in respect of paragraph (e), (A) the relevant Sustainability Commitment; (B) the Relevant Ministry within whose competencies the relevant Sustainability Commitment falls; and (C) the amount of Additional Conservation Payment(s) to be transferred to GLF.

(p) For the internal budgeting purposes of the Relevant Ministries and the Borrower, it is acknowledged and agreed that the payment obligations of any Additional Conservation Payments payable pursuant to this Clause 6.4 will be allocated, within the general budget of the Republic, to the budget of the Relevant Ministry within whose competencies the relevant Sustainability Commitment that has triggered the respective Additional Conservation Payment falls. For the avoidance of doubt, notwithstanding this paragraph (p), for the purposes of this Agreement, any obligation to pay an Additional Conservation Payment pursuant

to this Clause 6.4 shall be an obligation of the Borrower and such payment shall be made in accordance with this Clause 6.4.

7. PREPAYMENT

7.1 Illegality

If, in any applicable jurisdiction, it becomes or will become unlawful for any Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in the Loan:

(a) that Lender may promptly notify the Facility Agent who will in turn notify the Borrower; and

(b) the Borrower shall either exercise its rights pursuant to Clause 7.2 (*Right of replacement or repayment in relation to a single Lender*) or repay that Lender's participation in the Loan made to the Borrower on the last day of the Interest Period for the Loan occurring after the Facility Agent, acting at the direction of such Lender, has notified the Borrower or, if earlier, the date specified by the Lender in the notice delivered to the Facility Agent (being no earlier than the last day of any applicable grace period permitted by law) and that Lender's Commitment shall be cancelled in the amount of the participation repaid.

7.2 Right of replacement or repayment in relation to a single Lender

(a) If:

(i) any Lender claims indemnification from the Borrower under Clause 12.1 (*Increased costs*); or

(ii) any Lender claims prepayment of its share of the Loan under Clause 7.1 (*Illegality*),

the Borrower may, whilst the circumstance giving rise to the requirement for that prepayment or indemnification continues, give the Facility Agent notice of its intention to procure the repayment of that Lender's participation in the Loan or give the Facility Agent notice of its intention to replace that Lender in accordance with paragraph (c) below.

(b) On the last day of the Interest Period on which the Borrower has given notice of its intention to procure the repayment of a Lender's participation in the Loan under paragraph (a) above (or, if earlier, the date specified by the Borrower in that notice), the Borrower shall repay that Lender's participation in the Loan.

(c) The Borrower may, in the circumstances set out in paragraph (a) above, not less than ten (10) Business Days' prior notice to the Facility Agent and that Lender, replace that Lender by requiring that Lender to (and, to the extent permitted by law, that Lender shall) assign pursuant to Clause 20.2 (*Assignments by Lenders*) all (and not part only) of its rights and obligations under this Agreement to another Lender or to a bank, financial institution, trust, fund or other entity selected by the Borrower which confirms its willingness to assume and does assume all the obligations of the transferring Lender in accordance with Clause

20.2 (*Assignments by Lenders*) for a purchase price in cash or other cash payment payable at the time of the transfer equal to the outstanding principal amount of such Lender's participation in the outstanding Loan and all accrued interest and other amounts payable in relation thereto under the Finance Documents.

(d) The replacement of a Lender pursuant to paragraph (c) above shall be subject to the following conditions:

(i) the Borrower shall have no right to replace the Facility Agent;

(ii) neither the Facility Agent nor any Lender shall have any obligation to find a replacement Lender;

(iii) in no event shall the Lender replaced under paragraph (c) above be required to pay or surrender any of the fees received by such Lender pursuant to the Finance Documents;

(iv) the Lender shall only be obliged to assign its rights and obligations pursuant to paragraph (c) above once it is satisfied that it has complied with all necessary "know your customer", anti-money laundering, onboarding and/or other similar checks as required under all applicable laws and regulations and/or pursuant to such Lender's internal requirements in relation to that transfer;

(v) following any payment of compensation by DFC in accordance with the PRI Policy, or so long as the PRI Policy is in full force and effect as of the effective date of such replacement of a Lender, the consent of DFC in accordance with Clause 20.2 (*Assignments by Lenders*) shall be required for any replacement of a Lender pursuant to paragraph (c) above, together with confirmation from DFC (in the sole discretion of DFC) that the PRI Policy will remain in full force and effect following such replacement; and

(vi) so long as the IADB Guarantee remains in full force and effect, the consent of IADB in accordance with Clause 20.2 (*Assignments by Lenders*) shall be required for any replacement of a Lender pursuant to paragraph (c) above, together with confirmation from IADB that the IADB Guarantee will remain in full force and effect following such replacement.

(e) A Lender shall perform the checks described in paragraph (d)(iv) above as soon as reasonably practicable following delivery of a notice referred to in paragraph (c) above and shall notify the Facility Agent and the Borrower when it is satisfied that it has complied with those checks.

7.3 **Loss of the IADB Guarantee cover**

If at any time the IADB Guarantee is terminated or otherwise ceases to be in full force and effect for any reason, other than (i) the Maximum Guaranteed Amount being reduced to zero or (ii) an Early Disbursement Event occurring leading to IADB

depositing all required amounts into an escrow account in connection therewith in accordance with the terms of the IADB Guarantee, then:

(a) the Facility Agent may, if directed by the Majority Lenders and if the prior written consent of DFC has been obtained, notify the Borrower; and

(b) the Borrower shall repay each Lender's participation in the Loan on the later to occur of: (i) the date falling thirty (30) days from the date on which the Facility Agent notifies the Borrower; and (ii) the next Interest Payment Date.

7.4 **Restrictions**

(a) Any notice of prepayment given by any Party under this Clause 7 shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant prepayment is to be made and the amount of that prepayment.

(b) Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any applicable Make-Whole Payment, without premium or penalty. The Lender shall appoint the Pricing Agent or another agent to calculate the Make-Whole Payment.

The Make-Whole Payment shall only be due and payable by the Borrower with respect to any amount (i) prepaid under Clause 7.1 (*Illegality*) or (ii) repaid or transferred upon the exercise by the Borrower of its right of repayment or replacement pursuant to Clause 7.2 (*Right of replacement or repayment in relation to a single Lender*) in connection with the Lender's claim for prepayment under Clause 7.1 (*Illegality*); in each case on the date of such prepayment, repayment or the date on which the Lender's rights and obligations are assigned in accordance with Clause 7.2 (*Right of replacement or repayment in relation to a single Lender*), but only if the illegality giving rise to such Lender's claim for prepayment arises under the laws, regulations or decrees of Ecuador, or otherwise arises directly or indirectly from actions of the Borrower *provided that*, in each case, the Lender claiming the Make-Whole Payment shall deliver to the Borrower reasonably detailed supporting documentation, as provided to such Lender by the party appointed to calculate the Make-Whole Payment, evidencing the amount of the Make-Whole Payment.

(c) The Borrower may not reborrow any part of the Facility which is prepaid.

(d) The Borrower shall not repay or prepay any part of the Loan except at the times and in the manner expressly provided for in this Agreement.

(e) No amount of the Total Commitments cancelled under this Agreement may be subsequently reinstated.

(f) If the Facility Agent receives a notice under this Clause 7, it shall promptly forward a copy of that notice to either the Borrower or the affected Lender, as appropriate.

(g) If the Loan is repaid or prepaid, then an amount of the Commitments (equal to the amount of the Loan which is repaid or prepaid) will be deemed to be cancelled on the date of repayment or prepayment.

SECTION 5
COSTS OF UTILIZATION

8. INTEREST

8.1 Calculation of interest

The rate of interest on the Loan for each Interest Period is the percentage rate per annum which is equal to the Fixed Rate.

8.2 Payment of interest

Subject to Clause 24.1(b) (*Payments to the Facility Agent*), on each Interest Payment Date, the Borrower shall pay accrued interest on the Loan at the Fixed Rate for the Interest Period to which that Interest Payment Date relates.

9. INTEREST PERIODS

9.1 Interest Periods

(a) Each Interest Period in respect of the Loan shall be a period as determined in accordance with Clause 2.2 (*Loan Economic Terms determination*).

(b) No Interest Period for the Loan shall extend beyond the Maturity Date for the Loan.

(c) For the purpose of determining any Interest Period, any adjustment to any Interest Payment Date on account of such date not being a Business Day shall not be taken into account.

SECTION 6
ADDITIONAL PAYMENT OBLIGATIONS

10. DEBT EXCHANGE LINKED CONSERVATION FEES

10.1 Subject to Clause 24.1(b) (*Payments to the Facility Agent*), on each Interest Payment Date, in addition to any interest payable under Clause 8 (*Interest*), the Borrower shall pay an amount equal to the Debt Exchange Linked Conservation Fees to the Original Lender.

11. TAX GROSS UP AND INDEMNITIES

11.1 **Definitions**

In this Agreement:

"**Protected Party**" means a Finance Party that is or will be subject to any liability, or required to make any payment, for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document.

"**Tax Credit**" means a credit against, relief or remission for, or repayment of any Tax.

"**Tax Deduction**" means a deduction or withholding for or on account of Tax from a payment under a Finance Document, other than a FATCA Deduction.

"**Tax Payment**" means either the increase in a payment made by the Borrower to a Finance Party under Clause 11.2 (*Tax gross-up*) or a payment under Clause 11.3 (*Tax indemnity*).

Unless a contrary indication appears, in this Clause 11 a reference to "**determines**" or "**determined**" means a determination made in the absolute discretion of the person making the determination.

11.2 **Tax gross-up**

(a) The Borrower shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.

(b) The Borrower shall promptly upon becoming aware that the Borrower must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Facility Agent accordingly. Similarly, a Lender shall notify the Facility Agent on becoming so aware in respect of a payment payable to that Lender. If the Facility Agent receives such notification from a Lender it shall notify the Borrower.

(c) If a Tax Deduction is required by law to be made by the Borrower, the amount of the payment due from the Borrower shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

(d) If the Borrower is required to make a Tax Deduction, the Borrower shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.

(e) Within thirty (30) days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Borrower shall deliver to the Facility Agent, for the Lenders entitled to the payment, evidence reasonably satisfactory to such Lenders that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

11.3 **Tax indemnity**

(a) Except as provided below, the Borrower shall (within three (3) Business Days of demand by the Facility Agent (acting at the direction of the Protected Party)) pay to a Protected Party an amount equal to the loss, liability or cost which that Protected Party determines will be or has been (directly or indirectly) suffered for or on account of Tax by that Protected Party in respect of a payment received or receivable (or any payment deemed to be received or receivable) under a Finance Document.

(b) Paragraph (a) above shall not apply:

(i) with respect to any Tax assessed on a Lender:

(A) under the law of the jurisdiction in which that Lender is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Lender is treated as resident for tax purposes; or

(B) under the law of the jurisdiction in which that Lender's facility office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Lender; or

(ii) to the extent a loss, liability or cost:

(A) is compensated for by an increased payment under Clause 11.2 (*Tax gross-up*); or

(B) relates to a FATCA Deduction required to be made by a Party.

(c) A Protected Party making, or intending to make a claim under paragraph (a) above shall promptly notify the Facility Agent (with a copy of such notice to the Borrower) of the event which will give, or has given, rise to the claim, following which the Facility Agent shall notify the Borrower.

(d) A Protected Party shall, on receiving a payment from the Borrower under this Clause 11.3, notify the Facility Agent.

11.4 **Tax Credit**

If the Borrower makes a Tax Payment and the relevant Finance Party determines that:

(a) a Tax Credit is attributable to an increased payment of which that Tax Payment forms part, to that Tax Payment or to a Tax Deduction in consequence of which that Tax Payment was required; and

(b) that Finance Party has obtained and utilized that Tax Credit,

the Finance Party shall pay an amount to the Borrower which that Finance Party determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been required to be made by the Borrower.

11.5 **Stamp taxes**

The Borrower shall pay and, within three (3) Business Days of demand, indemnify each Finance Party against any cost, loss or liability that Finance Party incurs in relation to all stamp duty, registration or other similar Taxes payable in respect of any Finance Document, except for any such Tax payable in the jurisdiction of establishment of a Finance Party, or in connection with entering into an Assignment and Assumption (other than an Assignment and Assumption entered into pursuant to Clause 7.2 (*Right of replacement or repayment in relation to a single Lender*) or Clause 14.1 (*Mitigation*)) or similar document or documents entered into pursuant to Clause 20.6 (*Assignment to DFC)*.

11.6 **VAT**

(a) Any amounts expressed to be payable by the Borrower to a Finance Party under a Finance Document which constitute the consideration for any supply for VAT purposes are deemed to be exclusive of any VAT payable pursuant to the laws of Ecuador which is chargeable on that supply. If such VAT is or becomes chargeable on any supply made by any Finance Party to the Borrower pursuant to the laws of Ecuador, then the Borrower must pay such Finance Party (in addition to and at the same time as paying any other consideration for such supply) an amount equal to the amount of the VAT. Notwithstanding the foregoing, if a Default has occurred, then the Borrower must pay such Finance Party any VAT payable pursuant to the laws of any applicable jurisdiction.

(b) If VAT is or becomes chargeable on any supply made by any Finance Party (the "**Supplier**") to any other Finance Party (the "**Recipient**") under a Finance Document, and any Party other than the Recipient (the "**Relevant Party**") is required by the terms of any Finance Document to pay an amount equal to the consideration for that supply to the Supplier (rather than being required to reimburse or indemnify the Recipient in respect of that consideration):

(i) (where the Supplier is the person required to account to the relevant tax authority for the VAT) the Relevant Party must also pay to the Supplier (at the same time as paying that amount) an additional amount equal to the amount of the VAT. The Recipient must (where this paragraph (i) applies) promptly pay to the Relevant Party an amount equal to any

credit or repayment the Recipient receives from the relevant tax authority which the Recipient reasonably determines relates to the VAT chargeable on that supply; and

(ii) (where the Recipient is the person required to account to the relevant tax authority for the VAT) the Relevant Party must promptly, following demand from the Recipient, pay to the Recipient an amount equal to the VAT chargeable on that supply but only to the extent that the Recipient reasonably determines that it is not entitled to credit or repayment from the relevant tax authority in respect of that VAT.

(c) Where a Finance Document requires any Party to reimburse or indemnify a Finance Party for any cost or expense, that Party shall reimburse or indemnify (as the case may be) such Finance Party for the full amount of such cost or expense, including such part thereof as represents VAT, save to the extent that such Finance Party reasonably determines that it is entitled to credit or repayment in respect of such VAT from the relevant tax authority.

(d) Any reference in this Clause 11.6 to any Party shall, at any time when such Party is treated as a member of a group or unity (or fiscal unity) for VAT purposes, include (where appropriate and unless the context otherwise requires) a reference to the person who is treated at that time as making the supply, or (as appropriate) receiving the supply, under the grouping rules (provided for in Article 11 of Council Directive 2006/112/EC (or as implemented by the relevant member state of the European Union) or any other similar provision in any jurisdiction which is not a member state of the European Union) so that a reference to a Party shall be construed as a reference to that Party or the relevant group or unity (or fiscal unity) of which that Party is a member for VAT purposes at the relevant time or the relevant representative member (or head) of that group or unity (or fiscal unity) at the relevant time (as the case may be).

(e) In relation to any supply made by a Finance Party to any Party under a Finance Document, if reasonably requested by such Finance Party, that Party must promptly provide such Finance Party with details of that Party's VAT registration and such other information as is reasonably requested in connection with such Finance Party's VAT reporting requirements in relation to such supply.

11.7 **FATCA information**

(a) Subject to paragraph (c) below, each Party shall, within ten (10) Business Days of a reasonable request by another Party:

(i) confirm to that other Party whether it is:

(A) a FATCA Exempt Party; or

(B) not a FATCA Exempt Party;

(ii) supply to that other Party such forms, documentation and other information relating to its status under FATCA as that other Party

reasonably requests for the purposes of that other Party's compliance with FATCA; and

(iii) supply to that other Party such forms, documentation and other information relating to its status as that other Party reasonably requests for the purposes of that other Party's compliance with any other law, regulation, or exchange of information regime.

(b) If a Party confirms to another Party pursuant to paragraph (a)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not or has ceased to be a FATCA Exempt Party, that Party shall notify that other Party reasonably promptly.

(c) Paragraph (a) above shall not oblige any Finance Party to do anything, and paragraph (a)(iii) above shall not oblige any other Party to do anything, which would or might in its reasonable opinion constitute a breach of:

(i) any law or regulation;

(ii) any fiduciary duty; or

(iii) any duty of confidentiality.

(d) If a Party fails to confirm whether or not it is a FATCA Exempt Party or to supply forms, documentation or other information requested in accordance with paragraph (a)(i) or (ii) above (including, for the avoidance of doubt, where paragraph (c) above applies), then such Party shall be treated for the purposes of the Finance Documents (and payments under them) as if it is not a FATCA Exempt Party until such time as the Party in question provides the requested confirmation, forms, documentation or other information.

11.8 **FATCA Deduction**

(a) Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.

(b) Each Party shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction), notify the Party to whom it is making the payment and, in addition, shall notify the Borrower and the Facility Agent and the Facility Agent shall notify the other Finance Parties.

12. INCREASED COSTS

12.1 Increased costs

(a) Subject to Clause 12.3 (*Exceptions*) the Borrower shall, within three (3) Business Days of a demand by the Facility Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party

as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation; or (ii) compliance with any law or regulation made after the date of this Agreement.

(b) The Original Lender acknowledges that as of the date of this Agreement it does not expect to be subject to BASEL III or CRD IV, and consequently the Original Lender acknowledges that it would not be entitled to claim or receive payment under this Clause 12 as a result of the implementation or application of, or compliance with, Basel III or CRD IV or any law or regulation that implements or applies Basel III or CRD IV.

If and to the extent that the Original Lender subsequently becomes, or any Lender becomes or is, subject to BASEL III or CRD IV, then subject to Clause 12.3 (*Exceptions*) the Borrower shall, within three (3) Business Days of a demand by the Facility Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party as a result of the implementation or application of, or compliance with, Basel III or CRD IV or any law or regulation that implements or applies Basel III or CRD IV.

(c) In this Agreement

"**Increased Costs**" means:

(i) a reduction in the rate of return from the Facility or on a Finance Party's overall capital;

(ii) an additional or increased cost; or

(iii) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by a Finance Party to the extent that it is attributable to that Finance Party funding or performing its obligations under any Finance Document.

"**Basel III**" means:

(i) the agreements on capital requirements, a leverage ratio and liquidity standards contained in "Basel III: A global regulatory framework for more resilient banks and banking systems", "Basel III: International framework for liquidity risk measurement, standards and monitoring" and "Guidance for national authorities operating the countercyclical capital buffer" published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated;

(ii) the rules for global systemically important banks contained in "Global systemically important banks: assessment methodology and the additional loss absorbency requirement – Rules text" published by the Basel Committee on Banking Supervision in November 2011, as amended, supplemented or restated; and

(iii) any further guidance or standards published by the Basel Committee on Banking Supervision relating to "Basel III."

"**CRD IV**" means EU CRD IV and UK CRD IV.

"**EU CRD IV**" means:

(i) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms; and

(ii) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

"**UK CRD IV**" means:

(i) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**Withdrawal Act**");

(ii) the law of the United Kingdom or any part of it, which immediately before IP completion day (as defined in the European Union Withdrawal Agreement Act 2020) implemented Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC and its implementing measures; and

(iii) direct EU legislation (as defined in the Withdrawal Act), which immediately before IP completion day (as defined in the European Union Withdrawal Agreement Act 2020) implemented EU CRD IV as it forms part of domestic law of the United Kingdom by virtue of the Withdrawal Act.

12.2 **Increased cost claims**

(a) A Finance Party intending to make a claim pursuant to Clause 12.1 (*Increased costs*) shall notify the Facility Agent of the event giving rise to the claim, following which the Facility Agent shall promptly provide such notification to the Borrower.

(b) Each Finance Party shall, as soon as practicable after the Facility Agent provided notice to the Borrower under paragraph (a) above, provide a certificate confirming the amount of its Increased Costs to the Facility Agent and the Borrower.

12.3 **Exceptions**

(a) Clause 12.1 (*Increased costs*) does not apply to the extent any Increased Cost is:

(i) attributable to a Tax Deduction required by law to be made by the Borrower;

(ii) attributable to a FATCA Deduction required to be made by a Party;

(iii) compensated for by Clause 11.3 (*Tax indemnity*) (or would have been compensated for under Clause 11.3 (*Tax indemnity*) but was not so compensated solely because any of the exclusions in paragraph (b) of Clause 11.3 (*Tax indemnity*) applied); or

(iv) attributable to the wilful breach by the relevant Finance Party of any law or regulation (including wilful breach by the relevant Finance Party to make a timely filing with the competent authority).

13. **OTHER INDEMNITIES**

13.1 **Currency indemnity**

(a) If any sum due from the Borrower under the Finance Documents (a "**Sum**"), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the "**First Currency**") in which that Sum is payable into another currency (the "**Second Currency**") for the purpose of:

(i) making or filing a claim or proof against the Borrower; or

(ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

the Borrower shall as an independent obligation, within three (3) Business Days of demand, indemnify each Finance Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

(b) To the extent permitted by law, the Borrower undertakes not to invoke any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

13.2 **Other indemnities**

The Borrower shall indemnify each Finance Party against any cost, loss or liability incurred by that Finance Party as a result of:

(a) the occurrence of any Event of Default;

(b) a failure by the Borrower to pay any amount due under a Finance Document on its due date, including without limitation, any cost, loss or liability arising as a result of Clause 23 (*Sharing among the Finance Parties*);

(c) funding, or making arrangements to fund, its participation in the Loan requested by the Borrower in the Utilization Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone); or

(d) the Loan not being prepaid in accordance with a notice of prepayment given by the Borrower.

13.3 **Indemnity to the Facility Agent**

The Borrower shall promptly indemnify the Facility Agent and its agents engaged pursuant to Clause 21.8(c) (*Rights of the Facility Agent*) against any cost, loss, expense or liability reasonably incurred by the Facility Agent as a result of:

(a) any action it may take or refrain from taking in connection with a Default;

(b) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorized; or

(c) any other cost, loss, expense or liability reasonably incurred by the Facility Agent (including duly documented attorney's fees and expenses) in connection with the services provided by the Facility Agent hereunder or under the Finance Documents (including any expense in enforcing its indemnity rights hereunder),

in each case except for any cost, loss, expense or liability that results from the gross negligence or wilful misconduct of the Facility Agent.

This Clause 13.3 (*Indemnity to the Facility Agent*) shall survive notwithstanding any termination of this Agreement or any other Finance Document to which the Facility Agent is a party or the resignation or replacement of the Facility Agent.

14. **MITIGATION BY THE LENDERS**

14.1 **Mitigation**

(a) Each Lender shall (to the extent practicable) in consultation with the Borrower, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to any of Clause 7.1 (*Illegality*), Clause 11 (*Tax gross-up and indemnities*) or Clause 12 (*Increased costs*) including assigning its rights and obligations under the Finance Documents to a bank, financial institution, trust, fund or other entity.

(b) Paragraph (a) above does not in any way limit the obligations of the Borrower under the Finance Documents and in each case any such assignment will be subject to: (i) following any payment of compensation by DFC in accordance with the PRI Policy or, so long as the PRI Policy is in full force and effect as of the effective date of any such assignment, the consent of DFC in accordance with Clause 20.2 (*Assignments by Lenders*), and (ii) so long as the IADB

Guarantee remains in full force and effect, the consent of IADB in accordance with Clause 20.2 (*Assignments by Lenders*).

14.2 **Limitation of liability**

(a) The Borrower shall promptly indemnify each Lender for all costs and expenses reasonably incurred by that Lender as a result of steps taken by it under Clause 14.1 (*Mitigation*).

(b) A Lender is not obliged to take any steps under Clause 14.1 (*Mitigation*) if, in the opinion of that Lender (acting reasonably), to do so might be prejudicial to it.

15. COSTS AND EXPENSES

15.1 Transaction expenses

Unless otherwise provided in a Finance Document, each Party shall be responsible for its own costs and expenses in connection with the negotiation, preparation, printing, and execution of this Agreement and any other Finance Document.

15.2 Amendment costs

If (a) the Borrower requests an amendment, waiver or consent or (b) an amendment is required pursuant to Clause 24.9 (*Change of currency*), the Borrower shall, within ten (10) Business Days of demand, reimburse the Facility Agent for the amount of all documented costs and expenses (including legal fees) reasonably incurred by each Finance Party (including under any separate transaction under which payments may be made by reference to this Agreement) in responding to, evaluating, negotiating or complying with that request or requirement.

15.3 Enforcement costs

The Borrower shall, within ten (10) Business Days of demand, pay to each Finance Party the amount of all documented costs and expenses reasonably incurred (including legal fees) by that Finance Party (including under any separate transaction under which payments may be made by reference to this Agreement) in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

SECTION 7
REPRESENTATIONS, UNDERTAKINGS AND EVENTS OF DEFAULT

16. REPRESENTATIONS

The Borrower makes the representations and warranties set out in this Clause 16 to each Finance Party on the dates set out in Clause 16.20 (*Times for making representations*).

16.1 Status

It is a sovereign state and is not (and cannot be) subject to any insolvency procedure under the laws of Ecuador.

16.2 Binding obligations

The obligations expressed to be assumed by it in each Finance Document to which it is a party are legal and valid obligations of Ecuador, binding on it and enforceable in accordance with the terms thereof.

16.3 Execution of this Agreement

(a) Its execution and delivery of this Agreement and its exercise of its rights and performance of its obligations under the Finance Documents to which it is a party do not and will not conflict with:

(i) any law or regulation applicable to it including the Constitution and the Public Planning and Finance Code; or

(ii) any agreement, bond or other instrument or treaty to which it is a party or which is binding upon it or any of its assets.

(b) It has the power to enter into and perform, and has taken all necessary action to authorize its entry into and performance of, the Finance Documents to which it is a party and the transactions contemplated by the Finance Documents to which it is a party (including the payment of all amounts payable by it thereunder, such as any principal, interest, Debt Exchange Linked Conservation Fees, Additional Reserve Payments and Additional Conservation Payments).

16.4 Validity and admissibility in evidence

All Authorizations required under the laws of Ecuador:

(a) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party;

(b) to make the Finance Documents to which it is a party admissible in evidence in the courts of Ecuador; and

(c) to waive sovereign immunity to the extent waived herein,

have been obtained and are in full force and effect.

16.5 **Governing law, arbitral awards and scope of immunity**

(a) In any proceedings taken in Ecuador in relation to this Agreement, the choice of New York law as the governing law of this Agreement and the choice of English law as the governing law of Clause 37.1 (*Arbitration*), will be recognized and enforced in Ecuador, and any arbitral award obtained in accordance with Clause 37.1 (*Arbitration*) will be recognized and enforced in Ecuador in accordance with the New York Convention.

(b) The scope of immunity by the Borrower contained in this Agreement, the appointment of any Interim Process Agent, Permanent Process Agent or Replacement Agent referred to in Clause 39 (*Service of process*), the consent by the Borrower to submission of Disputes to the ICC Court as specified in Clause 37.1 (*Arbitration*), the provision that the laws of New York govern this Agreement as specified in Clause 36 (*Governing Law*) and the provision that English law shall be the governing law of Clause 37.1 (*Arbitration*) are irrevocably binding on the Borrower.

16.6 **No deductions or withholding**

Under the laws of Ecuador in force at the date of this Agreement, it is not required to make any deduction or withholding for or on account of Tax from any payment it may make under the Finance Documents to which it is a party.

16.7 **No filing or stamp taxes**

Other than registration of this Agreement with the Public Debt Registry of the Ministry of Economy and Finance, as at the date of this Agreement, under the laws of Ecuador it is not necessary that the Finance Documents to which the Borrower is a party (other than an Assignment and Assumption) be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents to which the Borrower is a party (other than an Assignment and Assumption) or the transactions contemplated by the Finance Documents to which the Borrower is a party (other than an Assignment and Assumption).

16.8 **No material defaults**

(a) It is not in default of External Indebtedness (other than Excluded Indebtedness) in excess of USD50,000,000 (or its equivalent in any other currency or currencies).

(b) It is not in breach of or in default under any agreement to which it is a party or which is binding on it or any of its assets to an extent or in a manner which could reasonably be expected to have a Material Adverse Effect.

16.9 **Pari passu**

Under the laws of Ecuador in force at the date of this Agreement, the Borrower's obligations under the Finance Documents to which it is a party are general, direct, unsecured, unsubordinated and unconditional obligations of the Borrower which are backed by the full faith and credit of the Borrower, and the claims of the Finance Parties

against it under the Finance Documents to which it is a party rank equally in terms of priority with the Borrower's External Indebtedness (other than Excluded Indebtedness), *provided that*, such ranking is in terms of priority only and does not require that the Borrower make rateable payments under the Finance Documents to which it is a party with payments made on its other External Indebtedness.

16.10 **No material proceedings**

Except as disclosed to the Original Lender prior to the date of this Agreement, no action or administrative proceeding of or before any court or agency which could reasonably be expected to have a Material Adverse Effect has (to the best of its knowledge and belief having made due enquiry) been started or threatened against it.

16.11 **Acts of commercial public credit**

The execution of the Finance Documents to which it is a party by the Borrower constitutes, and the exercise of its rights and performance of its obligations under the Finance Documents to which it is a party will constitute, acts of commercial public credit under the laws of Ecuador.

16.12 **Anti-Bribery and anti-corruption laws**

Neither the Borrower nor, to the knowledge of the Borrower, any representative, public officer, public servant, employee or agent (where such employee or agent is acting in an official capacity) or affiliated entity of the Borrower:

(a) is aware of or has taken any action, directly or indirectly, that could result in a violation by such persons of any applicable provision of any anti-corruption law (including, but not limited to, the Foreign Corrupt Practices Act of 1977, as amended, the rules and regulations thereunder or the U.K. Bribery Act 2010, in each case, whether in connection with or arising from the OECD Convention Combating Bribery of Foreign Public Officials in International Business Transactions or otherwise); and neither the Borrower nor any of its affiliated entities was, to the knowledge of the Borrower, or any representative, public officer, public servant, agent or employee is aware of or has taken any action, directly or indirectly that could result in a sanction for violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, the rules and regulations thereunder or the U.K. Bribery Act 2010; and prohibition of non-compliance with any applicable provisions of any anti-corruption law is covered by the codes of conduct or other procedures instituted and maintained by the Borrower and its affiliated entities;

(b) has made, offered to make, promised to make or authorized the payment or giving of, directly or indirectly, any bribe, rebate, payoff, influence payment, kickback or other payment or gift of money or anything of value (including meals or entertainment) to any officer, employee or ceremonial office holder of any government or instrumentality thereof, any political party or supra-national organization (such as the United Nations), any political candidate, any royal family member or any other person who is connected or associated personally with any of the foregoing that is prohibited under any applicable law or otherwise for the purpose of influencing any act or decision of such payee in

their official capacity, inducing such payee to do or omit to do any act in violation of their lawful duty, securing any improper advantage or inducing such payee to use their influence with a government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality ("**Prohibited Payments**"); or

(c) has been subject to any written claim, action, proceeding, investigation, notice or demand with regard to any actual or alleged Prohibited Payment.

16.13 **Sanctioned Person**

(a) Neither the Borrower nor, to the knowledge of the Borrower, any representative, public officer, public servant, agent, employee or affiliated entity of the Borrower or, when acting in connection with this Agreement, the Finance Documents to which the Borrower is a party, and/or the transactions contemplated thereby, any official representatives of the Borrower, is a Sanctioned Person.

(b) The Facility will not be used, contributed or made available, directly or indirectly,

(i) to fund any activities, business, trade or transactions (A) involving or for the benefit of a Sanctioned Person or Sanctioned Jurisdictions, (B) in a country or territory that is a Sanctioned Territory, or (C) that could result in any person (including DFC) being in breach of Sanctions or becoming a Sanctioned Person; or

(ii) in a manner that would, directly or indirectly, result in acting in a manner prohibited by any Sanctions Programs.

16.14 **Other requirements**

Without prejudice to Clauses 16.12 (*Anti-bribery and anti-corruption laws*) and 16.13 (*Sanctioned Person*), to the knowledge of the Borrower, no investigation, action, suit, proceeding or other inquiry by or before any national or international court, governmental agency, authority or body or any arbitrator involving senior public officials (persons being currently entrusted with a prominent public function, including members of government and members of legislative bodies) of the Borrower with respect to the anti-money laundering laws and regulations of Ecuador, or any other jurisdiction is currently pending or threatened.

16.15 **Outstanding External Indebtedness**

In the last twelve (12) months prior to the date of this Agreement, no outstanding External Indebtedness of the Borrower, other than Excluded Indebtedness, has become repayable before its stated maturity by reason of default, nor has any security in respect of such External Indebtedness become enforceable by reason of default by the Borrower and no event has occurred or is, so far as the Borrower is aware, impending which (with the lapse of time or the making of any determination or the giving of notice or the compliance with any other formality) will be expected to result in any such External Indebtedness becoming so repayable or any such security becoming enforceable by

reason of default and no person to whom any such External Indebtedness of the Borrower is owed, has demanded or threatened to demand repayment of, or to take any steps to enforce any security for, the same.

16.16 **No license or qualification**

It is not necessary under the laws of Ecuador:

(a) in order to enable any Finance Party to enforce its rights under any Finance Document to which the Borrower is a party; or

(b) by reason of the execution of any Finance Document to which the Borrower is a party or the performance by it of its obligations under any Finance Document to which the Borrower is a party,

that any Finance Party should be licensed, qualified or otherwise entitled to carry on business in Ecuador.

16.17 **Choice of law**

The choice of New York law in this Agreement is a valid choice of law under the laws of Ecuador and, accordingly, would be recognized and applied by the courts of Ecuador if this Agreement or any claim hereunder is brought before any such court; *provided that* in any proceedings in Ecuador for the enforcement of this Agreement, a court in Ecuador would apply the procedural law of Ecuador.

16.18 **Anti-Terrorism; Anti-Money laundering**

(a) Ecuador is not designated by the Secretary of State of the United States as a State Sponsor of Terrorism pursuant to section 104(c) of the Export Control Reform Act (50 U.S.C. § 4813(c)), section 40 of the Arms Export Control Act (22 U.S.C. § 2780), or section 620A of the Foreign Assistance Act of 1961 (22 U.S.C. § 2371).

(b) Ecuador has implemented, through measures adapted to its particular circumstances, the necessary laws, regulations, and regulatory and enforcement structures to implement the framework of measures recommended by the Financial Action Task Force ("**FATF**") in order to combat money laundering and terrorist financing, as well as the financing of proliferation of weapons of mass destruction as set forth in the International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation as promulgated by the FATF (the "**Anti-Money Laundering Framework**") and has not been identified by the FATF as a jurisdiction with strategic deficiencies in its Anti-Money Laundering Framework.

16.19 **Statutory and policy requirements**

The representations and warranties contained in Clause 2 (*Representations and Warranties*) of Schedule 8 (*Statutory and Policy Requirements*) are true and correct.

16.20 **Times for making representations**

(a) Each of the representations and warranties set out in this Clause 16 are made by the Borrower on the date of this Agreement, the date of the Utilization Request and the Settlement Date.

(b) The Repeating Representations are deemed to be made by the Borrower by reference to the facts and circumstances then existing on the first day of each Interest Period.

17. INFORMATION UNDERTAKINGS

The undertakings in this Clause 17 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents to which the Borrower is a party or any Commitment is in force.

17.1 **Financial information**

(a) The Borrower must promptly supply the following financial information to the Facility Agent as soon as it becomes available:

(i) the annual financial information issued by the Central Bank for each calendar year;

(ii) data on the international balance of payments on an annual basis; and

(iii) each quarterly report issued by the Central Bank.

(b) The Borrower must promptly supply to the Facility Agent such information in relation to the economy of Ecuador and the financial condition or operations of the Borrower as the Facility Agent (on behalf of any Lender) may reasonably request (acting at the direction of such Lender) *provided that* such information is of a type that is provided by the Borrower from time to time to the general public and/or its creditors generally.

(c) The Borrower must promptly inform the Facility Agent of:

(i) the imposition of any law, decree or regulation materially and adversely affecting the Borrower's ability to perform its obligations under the Finance Documents to which it is a party; or

(ii) the occurrence of any situation or event which would prevent or materially and adversely interfere with the performance by the Borrower of its obligations under the Finance Documents to which it is a party.

17.2 **Other information**

The Borrower shall, from time to time upon written request of the Facility Agent (acting at the direction of the Lenders) furnish the Facility Agent with such other financial, statistical and general information about the Borrower and its agencies as the Facility Agent may reasonably require, *provided that* such information (i) is not subject to disclosure restrictions under applicable law, (ii) has already been produced or made available by the Borrower and (iii) is not required to be provided to the Facility Agent in any language other than the language in which it is available.

17.3 **Notification of material events**

(a) The Borrower shall notify the Facility Agent of:

(i) any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence;

(ii) any failure to pay, or material non-compliance which qualifies as an event of default under the terms of any External Indebtedness of the Borrower; and

(iii) filing or commencement of any action, suit or proceeding by or before any arbitrator, governmental or quasi-governmental body, agency, authority, court, tribunal, or other entity exercising executive, legislature, judicial, taxing, regulatory or administrative power or functions against or affecting the Borrower or its properties or assets relating to any External Indebtedness and involving actions or claims in excess of USD50,000,000.

(b) Each notice delivered pursuant to paragraph (a) of this Clause 17.3 shall (i) be accompanied by a certificate signed by the Undersecretary of Public Finance of the Ministry of Economy and Finance of Ecuador, on its behalf, setting forth (x) the details of the event or development requiring such notice under this Clause 17.3 and (y) any action taken or proposed to be taken by the Borrower with respect thereto, and (ii) contain a heading or reference line that reads "Notice under Clause 17.3 (*Notification of material events*) of the Facility Agreement dated as of 25 April 2023 by and among the Ministry of Economy and Finance acting for and on behalf of the Republic of Ecuador, as Borrower, The Bank of New York Mellon, as Facility Agent, and GPS Blue Financing Designated Activity Company, as Original Lender".

(c) The Facility Agent must promptly forward to each Finance Party all information and notifications by the Borrower under paragraph (b) of this Clause 17.3.

17.4 **"Know your customer" checks**

(a) The Borrower must promptly on the request of any Finance Party supply to that Finance Party any documentation or other evidence which is reasonably requested by that Finance Party (whether for itself, on behalf of any Finance Party or any prospective new Lender) to enable a Finance Party or prospective new Lender to carry out and be satisfied with the results of any "know your

customer" checks or other similar checks required under any applicable law or regulation.

(b) Each Lender must promptly upon the request of the Facility Agent supply to, or procure the supply of, such documentation or other evidence as is reasonably requested by the Facility Agent (for itself) in order for the Facility Agent to carry out and be satisfied it has complied with all necessary "know your customer" checks or other similar checks under any applicable law or regulation pursuant to the transactions contemplated in the Finance Documents.

17.5 **Access**

(a) If no Default is outstanding, the Borrower shall permit the representatives of DFC, at DFC's own expense, and upon reasonable prior notice to the Borrower, to visit the principal executive office of the government of Ecuador, in order to discuss with the government of Ecuador's ministers or officials the affairs, finances and accounts of the Borrower (including its relevant ministries and agencies) that are related to this Agreement, with at least a twenty (20) calendar days' advance notice, which request shall specify the purpose of the visit.

(b) If a Default is outstanding, the Borrower shall permit the representatives of the Lenders and of DFC, at the Borrower's expense (such expense to be reasonably incurred by the Lenders and DFC, as applicable), and upon five (5) Business Days' advance notice to the Borrower, to visit the offices of the government of Ecuador to examine such non-confidential and non-privileged records, reports and other papers, to make copies and extracts therefrom, as are relevant to this Agreement and to discuss the affairs, finances and accounts of the Borrower with its relevant ministers and officials, all at such reasonable times and as often as may be reasonably requested.

18. GENERAL UNDERTAKINGS

The undertakings in this Clause 18 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents to which the Borrower is a party or any Commitment is in force.

18.1 Maintenance of legal validity

The Borrower shall obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorizations, approvals, licenses and consents required in or by the laws of Ecuador to enable it lawfully to enter into and perform its obligations under the Finance Documents to which it is a party and to ensure the legality, validity, enforceability or admissibility in evidence in Ecuador of the Finance Documents to which it is a party.

18.2 Use of Facility

The Borrower shall use the Facility solely for the purposes set out in Clause 3.1 (*Purpose*).

18.3 **Compliance with laws**

The Borrower shall comply with all laws to which it is subject, if failure so to comply would materially impair its ability to perform its obligations under the Finance Documents to which it is a party.

18.4 **Negative pledge**

The Borrower shall not create or suffer to exist, or permit the Central Bank to create or suffer to exist, any Security upon any of its present or future assets or revenues to secure or otherwise provide for the payment of any External Indebtedness of the Borrower or the Central Bank unless, on or prior to the date such Security is created or comes into existence, the obligations of the Borrower under this Agreement are secured equally and rateably with such External Indebtedness.

The Borrower may, however, create or permit to subsist the following Security ("**Permitted Security**"):

(a) any Security on property to secure External Indebtedness arising in the ordinary course of business to finance export, import or other trade transactions, which matures (after giving effect to renewals and refinancings) no more than one year after it was originally incurred;

(b) any Security upon property to secure the purchase price of such property or to secure any External Indebtedness incurred solely for the purpose of financing the acquisition of such property;

(c) any Security on property arising by operation of law (or pursuant to any agreement establishing a Security equivalent to one which would otherwise exist under relevant local law), including any right of set-off with respect to demand or time deposits with financial institutions and bankers' liens with respect to property held by financial institutions (in each case deposited with or delivered to such financial institutions in the ordinary course of the depositor's activities);

(d) any Security existing on such property at the time of its acquisition;

(e) any Security in existence as of the date of this Agreement;

(f) any Security securing External Indebtedness issued upon surrender or cancellation of the principal amount of any of the Excluded Indebtedness, to the extent the Security is created to secure that External Indebtedness;

(g) any Security created in connection with any Project Financing, *provided that* the properties to which any such Security applies are solely with respect to (A) properties which are the subject of such Project Financing or (B) revenues or claims which arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such properties;

(h) additional Security created in any calendar year upon assets, revenues or receivables of the Borrower having, when encumbered, a fair market value not exceeding an aggregate amount equal to USD50,000,000 (or its equivalent in

other currency or currencies) to collateralize, or to purchase collateral, guarantees or other credit support in respect of, new borrowings by the Borrower, *provided that,* to the extent that in any calendar year USD50,000,000 (or its equivalent in other currency or currencies) exceeds such aggregate fair market value of the assets, revenues or receivables so encumbered during that year, the aggregate fair market value of assets, revenues and receivables which may be encumbered in subsequent calendar years shall be increased by the amount of such excess; *provided, however, that* the fair market value of the assets, revenues or receivables so encumbered in any calendar year will in no event exceed USD150,000,000 (or its equivalent in other currency or currencies); and

(i) any renewal or extension of any of the Security described above; *provided that* no renewal or extension of any permitted Security shall (A) extend to or cover any property other than the property then subject to the Security being extended or renewed or (B) increase the amount of financing secured by that Security.

18.5 **Sanctions**

The Borrower shall (and shall procure that any representative, public officer, public servant, agent, employee or affiliated entity of the Borrower shall):

(a) not directly or indirectly use or permit to be used all or any part of the Facility, or lend, contribute or otherwise make available all or any part of the Facility directly or indirectly to any person or entity (whether or not related to any representative, public officer, public servant, agent, employee or affiliated entity of the Borrower) for the purpose or with the effect of breaching any applicable anti-bribery or anti-corruption laws or involving, for the benefit of, or financing the activities of any person or entity which is subject to Sanctions or located in a Sanctioned Jurisdiction or Sanctioned Territory to the extent prohibited by applicable Sanctions or in any manner that would contribute to a violation of applicable Sanctions by any Finance Party or any other person;

(b) not fund all or part of any payment under the Facility out of proceeds directly or indirectly derived from transactions which would be prohibited by applicable Sanctions or would otherwise cause any Finance Party to be in breach of any Sanctions:

(c) not become a Sanctioned Person; and

(d) to the extent permitted by law, promptly upon becoming aware thereof, supply to the Finance Parties details of any claim, action, suit, proceedings or investigation against it with respect to applicable Sanctions by any Sanctions Authority.

18.6 **Improper payment**

The Borrower shall not offer, give, insist on, receive or solicit any illegal payment or improper advantage to influence the action of any person with respect to any transaction contemplated by the Finance Documents and the Borrower will ensure that any

representative, public officer, public servant, agent, employee or affiliated entity of the Borrower comply with the foregoing.

18.7 **Specific undertakings required under the PRI Policy**

In the event that any Finance Party commences arbitral proceedings in connection with a Dispute against the Borrower hereunder, the Borrower shall, without prejudice to its defense of such arbitral proceedings, include the potential amount of the arbitral award as a contingent or express liability, as appropriate, in each relevant annual budget of the Republic until the arbitral award is satisfied.

18.8 **Claims pari passu**

The Borrower shall ensure that at all times its obligations under the Finance Documents to which it is a party are general, direct, unsecured, unsubordinated and unconditional obligations of the Borrower and will be backed by the full faith and credit of the Borrower and ensure that the Finance Documents to which it is a party will rank equally in terms of priority with the Borrower's External Indebtedness (other than Excluded Indebtedness), *provided that*, such ranking is in terms of priority only and does not require that the Borrower make rateable payments under the Finance Documents to which it is a party with payments made on its other External Indebtedness.

18.9 **Sustainability Commitments**

(a) The Parties acknowledge that each Relevant Ministry has undertaken in the Sustainability Commitments Agreement to comply with or achieve (as applicable) the Sustainability Commitments falling within its respective competencies as set out in the Sustainability Commitments Agreement by the relevant Original Deadline for Compliance as the same may be extended to the relevant Extended Deadline for Compliance and, in respect of the Ongoing Sustainability Commitments falling within its respective competencies, maintain compliance thereafter for the applicable period specified in the Sustainability Commitments Agreement.

(b) The Parties agree that, in the event a Grace Period or a Remedy Period is approved by the Project Manager in relation to an Original Deadline for Compliance or an Extended Deadline for Compliance (as applicable) for a Sustainability Commitment under the Sustainability Commitments Agreement in accordance with its terms, upon the Facility Agent being notified of any such Grace Period or Remedy Period and forwarding such notice to the Parties, DFC and IADB, each such Grace Period or Remedy Period (as applicable) shall apply without any further consent required.

(c) The Borrower agrees that any failure by a Relevant Ministry to comply with or achieve (as applicable) any Sustainability Commitment falling within its respective competencies or, in respect of the Ongoing Sustainability Commitments falling within its respective competencies, maintain compliance with them, pursuant to the Sustainability Commitments Agreement, will:

(i) if applicable, trigger Additional Conservation Payments in accordance with Clause 6.4 (*Additional Conservation Payments*); and

(ii) potentially trigger an Event of Default under this Agreement (but only in accordance with Clause 19.15(a) and Clause 19.15(b) (*Sustainability Commitments*)).

18.10 **Statutory and policy requirements**

The Borrower shall comply with the covenants set out in Clause 3 (*Covenants*) of Schedule 8 (*Statutory and policy requirements*).

19. EVENTS OF DEFAULT

Each of the events or circumstances set out in this Clause 19 is an Event of Default (save for Clause 19.19 (*Acceleration*)).

19.1 **Failure to pay**

The Borrower fails to pay any amount due and payable by it under the Finance Documents to which it is a party (including any principal pursuant to Clause 6 (*Repayment*), interest pursuant to Clause 8 (*Interest*), Debt Exchange Linked Conservation Fees pursuant to Clause 10 (*Debt Exchange Linked Conservation Fees*), Additional Reserve Payments pursuant to Clause 6.3 (*Additional Reserve Payments*) and any other amount, but excluding any Additional Conservation Payment pursuant to Clause 6.4 (*Additional Conservation Payments*)) on the date and in the currency and in the manner specified therein unless such failure to pay is remedied within thirty (30) calendar days after the due date.

19.2 **Misrepresentation**

Any representation, warranty or statement made or deemed to be made by the Borrower in the Finance Documents to which it is a party or in any notice or other document, certificate or statement delivered by it pursuant thereto or in connection therewith is or proves to have been incorrect or misleading in any material respect when made or deemed to be made unless the circumstances giving rise to the misrepresentation or breach of warranty are:

(a) capable of remedy; and

(b) remedied within ten (10) Business Days of the earlier of:

(i) the Facility Agent (acting at the direction of the Majority Lenders) giving notice of the misrepresentation or breach of warranty to the Borrower; and

(ii) the Borrower becoming aware of the misrepresentation or breach of warranty.

19.3 **Other obligations**

The Borrower fails to perform or comply with any other obligation, other than the obligations set forth in Clause 6.4 (*Additional Conservation Payments*), Clause 19.1 (*Failure to pay*) or Clause 19.16 (*Failure to pay Additional Conservation Payments*), expressed to be assumed by it in the Finance Documents to which it is a party and such

failure, if capable of remedy, is not remedied within thirty (30) days (except in relation to Clause 17.1 (*Financial information*) where the period for remedy shall be ninety (90) days) after the Facility Agent (acting at the direction of the Majority Lenders) has given notice thereof to the Borrower.

19.4 **Cross default**

(a) Any External Indebtedness (other than Excluded Indebtedness) of the Borrower is not paid when due nor within any originally applicable grace period.

(b) Any External Indebtedness (other than Excluded Indebtedness) of the Borrower is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).

(c) Any commitment for any External Indebtedness (other than Excluded Indebtedness) of the Borrower is cancelled or suspended by a creditor of the Borrower as a result of an event of default (however described).

(d) No Event of Default will occur under this Clause 19.4 if the aggregate amount of External Indebtedness of the Borrower or commitment for External Indebtedness of the Borrower falling within paragraphs (a) to (c) above is less than USD50,000,000 (or its equivalent in any other currency or currencies).

19.5 **Moratorium**

Ecuador and/or a court of proper jurisdiction, declares a formal and official suspension of payments or a moratorium with respect to payments on Ecuador's External Indebtedness (other than Excluded Indebtedness).

19.6 **Insolvency**

Ecuador is unable or admits an inability to pay its External Indebtedness (other than Excluded Indebtedness) as such indebtedness falls due or, by reason of actual or anticipated financial difficulties, suspends or announces its intention to suspend making payments on any of its External Indebtedness (other than Excluded Indebtedness).

19.7 **Restructuring**

By reason of financial difficulties of the Borrower, the Borrower is mandated or otherwise required as a condition to its financing, by the IMF or any other international financial institution that Ecuador is a member of, to enter into negotiations with any one or more creditors, in respect of External Indebtedness of the Borrower (other than Excluded Indebtedness) in an aggregate principal amount in excess of USD50,000,000 (or its equivalent in any other currency or currencies), with a view to the re-profiling, rescheduling, reorganization and/or conversion of such External Indebtedness or similar actions; *provided that*, for the avoidance of doubt, the following shall not be considered re-profiling, rescheduling, reorganization and/or conversion of External Indebtedness subject to this Clause 19.7:

(a) the refinancing of existing External Indebtedness on a voluntary basis with the proceeds of newly incurred External Indebtedness; and

(b) any re-profiling, rescheduling, reorganization and/or conversion of External Indebtedness undertaken in the course of prudent fiscal management to improve the financial condition of the Borrower.

19.8 **Judgment**

There shall have been entered against Ecuador or the Central Bank in a matter related to External Indebtedness (other than Excluded Indebtedness) a final judgment, decree or order by a court of competent jurisdiction from which no appeal may be made, or is made within the time limit for doing so, for the payment of money in excess of USD50,000,000 (or its equivalent in any other currency or currencies) and one hundred twenty (120) days shall have passed since the entry of any such order without Ecuador having satisfied the judgment.

19.9 **Arbitral award**

There shall be made against Ecuador or the Central Bank in a matter related to External Indebtedness (other than Excluded Indebtedness) an arbitral award by a tribunal of competent jurisdiction from which no appeal or application to set aside may be made, or is made within the time limit for doing so, for the payment of money in excess of USD50,000,000 (or its equivalent in any other currency or currencies) and one hundred twenty (120) days shall have passed since the making of any such award without Ecuador having satisfied the award.

19.10 **IMF and IADB**

The Borrower ceases to be a member in good standing of the IMF and/or the IADB or becomes ineligible to use the resources of the IMF. Without prejudice to the foregoing, for the avoidance of doubt, this Clause 19.10 does not in any way restrict the rights of Ecuador to freely undertake sovereign decisions.

19.11 **Repudiation**

The Borrower disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the legal validity of any Finance Documents to which it is a party or any other financial instrument which constitutes any External Indebtedness of the Borrower, in each case in a formal administrative, legislative, judicial or arbitral proceeding.

19.12 **Illegality**

(a) At any time it is or becomes unlawful for the Borrower to perform or comply with any or all of its obligations under this Agreement or any other Finance Document to which it is a party.

(b) Any of the obligations of the Borrower under this Agreement or any other Finance Document to which it is a party are not or cease to be legal, valid, binding and enforceable.

19.13 **Validity and enforceability**

Any Authorization required by the Borrower for the validity or enforceability of the Finance Documents to which it is a party or for the performance by the Borrower of its

obligations under the Finance Documents to which it is a party, or for the admissibility in evidence of the Finance Documents to which it is a party, is revoked, or is not issued or timely renewed, or ceases to be in full force and effect.

19.14 **GLF nationalization**

GLF is nationalized, expropriated or subjected to measures having effect equivalent to nationalization or expropriation in Ecuador.

19.15 **Sustainability Commitments**

(a) The Relevant Ministry within whose competencies Sustainability Commitment 1 falls, fails to comply with, achieve or maintain compliance with (as applicable) Sustainability Commitment 1.

(b) In connection with any two or more Sustainability Commitments, other than Sustainability Commitment 1, the Borrower is required to pay (and does pay) Additional Conservation Payments as a result of (i) a failure by a Relevant Ministry to comply with or achieve (as applicable) such Sustainability Commitments falling within its respective competencies by the relevant Final Deadline for Compliance or (ii) a failure by a Relevant Ministry to maintain compliance with such Ongoing Sustainability Commitments falling within its respective competencies, for a consecutive period of four (4) years from the date on which the first payment of an Additional Conservation Payment was due and payable in connection with such Sustainability Commitments.

(c) Any representation, warranty or statement made or deemed to be made by a Relevant Ministry in the Sustainability Commitments Agreement is or proves to have been incorrect or misleading in any material respect when made or deemed to be made unless the circumstances giving rise to the misrepresentation or breach of warranty are:

(i) capable of remedy; and

(ii) remedied within ten (10) Business Days of the earlier of:

(A) the Facility Agent (acting at the direction of the Majority Lenders or the Project Manager thereunder) giving notice of the misrepresentation or breach of warranty to the Relevant Ministry, with a copy to the Borrower; and

(B) the Relevant Ministry becoming aware of the misrepresentation or breach of warranty.

(d) Any Relevant Ministry fails to comply with its information undertaking under Clause 2.4 (*Information undertaking on Sustainability Commitments*) of the Sustainability Commitments Agreement and such failure is not remedied within thirty (30) days of such non-compliance.

19.16 **Failure to pay Additional Conservation Payments**

(a) The Borrower fails to pay any Additional Conservation Payment within sixty (60) days of the date of receipt by the Borrower of an Original Notice from the Facility Agent pursuant to Clause 6.4(a) (*Additional Conservation Payments*) unless such failure to pay is remedied within four (4) months of such due date.

(b) The Borrower fails to pay any Additional Conservation Payment within sixty (60) days of the date of receipt by the Borrower of an Additional Notice from the Facility Agent pursuant to Clause 6.4(b) (*Additional Conservation Payments*).

19.17 **Changes in law**

Ecuador, or any authority asserting or exercising governmental powers in Ecuador, enacts any foreign exchange law or order which:

(a) introduces any new restriction which prohibits or precludes the ability of the Borrower to make payments in USD to any Finance Party under this Agreement or any other Finance Document to which the Borrower is a party;

(b) introduces any new restriction which prohibits or precludes the ability of the Borrower, the Facility Agent, or the Lender, as applicable, from freely transmitting the USD amounts paid under this Agreement in or out of Ecuador; or

(c) seeks to amend the currency of any amount payable by the Borrower under this Agreement.

19.18 **Terrorism**

The Borrower or the government of Ecuador is designated by the Secretary of State of the United States as a State Sponsor of Terrorism.

19.19 **Acceleration**

(a) If an Event of Default under Clause 19.1 (*Failure to pay*) occurs, the Facility Agent shall, unless otherwise instructed by the Majority Lenders, on the fifth (5^{th}) Business Day after the last day of the applicable grace period for such Event of Default, or on such other Business Day thereafter as subsequently instructed by the Majority Lenders, by notice in the form set out in Schedule 5 (*Form of Acceleration Notice*) to the Borrower and each Lender, declare that the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents in respect of the Loan be immediately due and payable, whereupon they shall become immediately due and payable.

(b) On and at any time after the occurrence of an Event of Default (other than an Event of Default under Clause 19.1 (*Failure to pay*)) which is continuing, the Facility Agent shall if so directed (within one (1) Business Day of such direction) by the Majority Lenders, by notice to the Borrower:

(i) declare that all or part of the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents in respect of the Loan be immediately due and payable, whereupon they shall become immediately due and payable; and/or

(ii) declare that all or part of the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents in respect of the Loan be payable on demand by the Facility Agent.

(c) Any acceleration notice delivered by the Facility Agent (or, if applicable, a Lender) to the Borrower pursuant to this Clause 19.19 shall be in the form set out in Schedule 5 (*Form of Acceleration Notice*). If applicable, any revocation of an acceleration notice delivered by the Facility Agent (at the direction of the Majority Lenders) shall be in writing.

SECTION 8
CHANGES TO PARTIES

20. SUCCESSORS AND ASSIGNS

20.1 Successors and assigns generally

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns permitted hereby.

(b) The Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Facility Agent (acting at the direction of the Lenders) and each Lender.

(c) No Lender may assign or otherwise transfer any of its rights or obligations hereunder except:

(i) to an assignee in accordance with the provisions of Clause 20.2 (*Assignments by Lenders*);

(ii) by way of participation in accordance with the provisions of Clause 20.4 (*Participations*);

(iii) by way of pledge or assignment of a security interest subject to the restrictions of Clause 20.5 (*Certain pledges*); or

(iv) pursuant to Clause 20.6 (*Assignment to DFC*).

(d) Any attempted assignment or transfer by any Party hereto that does not comply with the requirements of, or is otherwise in breach of, this Clause 20 (*Successors and Assigns*) shall be null and void.

(e) Nothing in this Agreement, expressed or implied, shall be construed to confer upon any person (other than the Parties hereto, their respective successors and assigns permitted hereby, and the Participants to the extent provided in Clause 20.4 (*Participations*)) any legal or equitable right, remedy or claim under or by reason of this Agreement.

20.2 Assignments by Lenders

(a) Prior to any acceleration notice under Clause 19.19 (*Acceleration*) being delivered to the Borrower, a Lender may only assign all (but not part) of its Loan (including all or a portion of its rights and obligations under this Agreement in connection therewith) to:

(i) a substitute Lender if a Lender Substitution Event has occurred and is continuing on the effective date of such assignment, *provided that* the Facility Agent or the Lender must notify the Borrower of the occurrence and continuation, and relevant details, of such Lender Substitution Event;

(ii) a replacement Lender selected by the Borrower and acceptable to the assigning Lender and the Borrower, at a time when such assignment is required under or pursuant to Clause 7.2 (*Right of replacement or repayment in relation to a single Lender*);

(iii) a new lender at a time when assignment is required under or pursuant to Clause 14.1 (*Mitigation*); and

(iv) DFC or its duly designated representatives.

(b) If an acceleration notice under Clause 19.19 (*Acceleration*) has been delivered to the Borrower and not revoked, a Lender may at any time assign all or a portion of its Loan (including all or a portion of its rights and obligations under this Agreement in connection therewith) to:

(i) any of the entities (or in any of the circumstances) specified in paragraph (a) above;

(ii) any other Lender;

(iii) an Affiliate of any Lender;

(iv) a bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets.

(c) Any assignment under paragraphs (a) or (b) shall be subject to the following conditions:

(i) *Required DFC Consent*: For so long as the PRI Policy remains in full force and effect, the prior written consent of DFC shall be required for any assignment (in accordance with the terms of the PRI Policy), other than an assignment in accordance with sub-paragraph (a)(iv) above.

(ii) *Required IADB Consent*: For so long as the IADB Guarantee remains in full force and effect, the prior written consent of IADB shall be required for any assignment (such consent not to be unreasonably withheld and, unless denied, to be deemed given by IADB after ten (10) Business Days of such written consent being sought in accordance with the terms of the IADB Guarantee), other than an assignment in accordance with sub-paragraph (a)(iv) above.

(iii) *Assignment and Assumption*: The parties to each assignment shall execute and deliver to the Facility Agent an Assignment and Assumption, together with a processing and recordation fee (if any). The assignee, if it is not a Lender, shall deliver to the Facility Agent an administrative questionnaire. The Facility Agent shall execute (as evidence of its acknowledgment and acceptance thereof) at the direction of the assigning Lender an otherwise duly completed Assignment and Assumption delivered to it by the parties thereto, appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement. In so acknowledging such Assignment

and Assumption the Facility Agent is entitled to rely on confirmation from the assigning Lender that such Assignment and Assumption and related documents comply with the terms of this Agreement, that all covenants and conditions precedent under this Agreement for its effectiveness have been complied with and that such Assignment and Assumption is authorized or permitted by the Finance Documents. The parties to each assignment (other than the Facility Agent) shall be responsible for the filing, recording or enrolment of such Assignment and Assumption with any court or other authority as required (if any) and payment of any related stamp, registration or similar tax.

(iv) *No Assignment to Certain Persons*: No such assignment shall be made to the Borrower or any of the Borrower's ministries or agencies.

(v) *No Assignment to Natural Persons*: No such assignment shall be made to a natural person (or a Holding Company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person).

(vi) *No Required Borrower Consent*: The consent of the Borrower to any assignment that otherwise complies with paragraphs (a) or (b) shall not be required.

(d) Subject to acceptance and recording thereof in the Register by the Facility Agent pursuant to Clause 20.3 (*Register*), from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement. The assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Clauses 11 (*Tax Gross Up and Indemnities*), 13 (*Other Indemnities*) and 15 (*Costs and Expenses*) with respect to facts and circumstances occurring prior to the effective date of such assignment.

(e) Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Clause 20.2 (*Assignments by Lenders*) shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Clause 20.4 (*Participations*).

(f) No Assignee shall be entitled to receive any greater payment under Clauses 11 (*Tax Gross Up and Indemnities*) and 12 (*Increased Costs*) than the relevant assigning Lender would have been entitled to receive, except to the extent that such entitlement to receive a greater payment results from a change in any law or regulation that occurs after the effective date specified in the relevant Assignment and Assumption.

20.3 **Register**

(a) The Facility Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts (and stated interest) of the Loan owing to, each Lender pursuant to the terms hereof from time to time (the "**Register**").

(b) The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Facility Agent and the Lenders shall treat each person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement.

(c) The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

20.4 **Participations**

(a) Any Lender may at any time, without the consent of, or notice to, the Borrower or the Facility Agent, sell participations to any person (other than a natural person, or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person, or the Borrower or any of the Borrower's Affiliates) (each, a "**Participant**") in all or a portion of such Lender's rights and/or obligations under this Agreement; *provided that*:

(i) such Lender's obligations under this Agreement shall remain unchanged;

(ii) such Lender shall remain solely responsible to the other Parties hereto for the performance of such obligations; and

(iii) the Borrower, the Facility Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. For the avoidance of doubt, each Lender shall be responsible for the indemnities under Clauses 13.2(b) (*Other indemnities*) and 20.2 (*Assignments by Lenders*) with respect to any payments made by such Lender to its Participant(s).

(b) Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; *provided that*, such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver that affects such Participant.

(c) The Borrower agrees that each Participant shall be entitled to the benefits of Clauses 11 (*Tax Gross Up and Indemnities*) and 12 (*Increased Costs*) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to this Clause 20; *provided that*, such Participant:

(i) agrees to be subject to the provisions of Clause 23 (*Sharing among the Finance Parties*) as if it were an assignee under this Clause 20; and

(ii) shall not be entitled to receive any greater payment under Clauses 11 (*Tax Gross Up and Indemnities*) and 12 (*Increased Costs*), with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a change in any law or regulation that occurs after the Participant acquired the applicable participation.

(d) Each Lender that sells a participation agrees, at the Borrower's request and expense, to use reasonable efforts to cooperate with the Borrower to effectuate the provisions of this Clause 20 with respect to any Participant.

(e) To the extent permitted by law, each Participant also shall be entitled to the benefits of Clause 25 (*Set-Off*) as though it were a Lender; *provided that*, such Participant agrees to be subject to Clause 23 (*Sharing among the Finance Parties*) as though it were a Lender.

(f) Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loan or other obligations under the Finance Documents (the "**Participant Register**"); *provided that*, no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans or its other obligations under any Finance Document) to any person except to the extent that such disclosure is necessary to establish that such commitment, loan or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations.

(g) The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.

(h) For the avoidance of doubt, the Facility Agent (in its capacity as agent) shall have no responsibility for maintaining a Participant Register.

20.5 **Certain pledges**

Any Lender may, subject to DFC's rights under the PRI Policy, at any time pledge or grant a security interest in all or any portion of its rights under any Finance Document to any person, including DFC, or any entity extending funding to the Lender in respect of transactions contemplated herein (or any representative thereof) to secure obligations of such Lender, including:

(a) any pledge or assignment to secure obligations to a federal reserve or central bank; and

(b) any pledge or assignment entered into in connection with the Galápagos Marine Conservation Linked Bonds,

provided that no such pledge or assignment shall release the Lender from any of its obligations thereunder or substitute any such pledgee or assignee for the Lender as a party thereto.

20.6 **Assignment to DFC**

(a) Each of the Lenders undertakes to the Facility Agent and each other Lender that it will assign and transfer to DFC any portion of its rights hereunder (including in connection with any arbitral award being obtained in accordance with Clause 37.1 (*Arbitration*)), promptly upon the request of the Facility Agent (acting at the direction of the Majority Lenders or DFC), to the extent that such assignment or transfer is required under the PRI Policy as a condition of a payment by DFC to the Lenders and shall otherwise co-operate with the Facility Agent and take all such steps requested by the Facility Agent (acting at the written direction of the Majority Lenders or DFC) with respect to the satisfaction of any condition to any claim made or to be made under the PRI Policy.

(b) The provisions of Clause 20.2 (*Assignments by Lenders*) shall not apply to a transfer or assignment to DFC under paragraph (a) and the Borrower shall, to the extent applicable, co-operate with DFC or such Lender to give effect to the rights of DFC by way of assignment or subrogation.

(c) Notwithstanding anything to the contrary contained in this Clause 20, the Borrower acknowledges and agrees that:

(i) (without prejudice to DFC's rights as subrogee) the relevant Lenders may utilize any procedures acceptable to DFC, for the purposes of assigning any of their rights and/or transferring any of their rights (including beneficial rights) in favour of DFC as required under the terms of the PRI Policy;

(ii) in connection with payment of any monies by DFC under the PRI Policy in respect of amounts due and payable under this Agreement, DFC shall be subrogated to, and shall be assigned or transferred, the rights of the relevant Lenders in accordance with the terms of the PRI Policy; and

(iii) following any such subrogation, assignment, or transfer, DFC shall have a several and independent right to enforce any of the rights or benefits (including the right to receive interest in respect thereof) to the extent of such subrogation, assignment, or transfer but shall not have any duties or obligations of the relevant Lenders (including any obligation under Clause 31 (*Confidentiality*)), or make any of the representations made by the relevant Lenders, under, and in accordance with, the terms of the Finance Documents.

SECTION 9
THE FINANCE PARTIES

21. ROLE OF THE FACILITY AGENT

21.1 Appointment of the Facility Agent

(a) Each Lender appoints the Facility Agent to act as its agent under and in connection with the Finance Documents.

(b) Each Lender authorizes the Facility Agent to exercise the rights, powers, authorities and discretions specifically given to the Facility Agent under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

21.2 Instructions

(a) The Facility Agent shall:

(i) unless a contrary indication appears in a Finance Document, exercise or refrain from exercising any right, power, authority or discretion vested in it as Facility Agent in accordance with any instructions given to it by the Majority Lenders; and

(ii) not be liable for any act (or omission) if it acts (or refrains from acting) in accordance with paragraph (i) above.

(b) The Facility Agent shall be entitled to request instructions, or clarification of any instruction, regarding any action it may take or refrain from taking, from the Majority Lenders (or, if the relevant Finance Document stipulates the matter is a decision for any other Lender, from that Lender) as to whether, and in what manner, it should exercise or refrain from exercising any right, power, authority or discretion. The Facility Agent may refrain from acting unless and until it receives any such instructions or clarification that it has requested.

(c) Save in the case of decisions stipulated to be a matter for any other Lender under the relevant Finance Document and unless a contrary indication appears in a Finance Document, any instructions given to the Facility Agent by the Majority Lenders shall override any conflicting instructions given by any other Parties and will be binding on all Finance Parties.

(d) The Facility Agent may refrain from acting in accordance with any instructions of any Lender or any other Party until it has received any indemnification and/or security that it may in its discretion require (which may be greater in extent than that contained in the Finance Documents and which may include payment in advance) for any cost, loss or liability which it may incur in complying with those instructions.

(e) In the absence of instructions from the applicable Lender, the Facility Agent may act (or refrain from acting) as it may determine in its absolute discretion.

(f) The Facility Agent is not authorized to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings relating to any Finance Document.

21.3 **Duties of the Facility Agent**

(a) Subject to paragraph (b) below, the Facility Agent shall promptly forward to a Party a copy of any document which is delivered to the Facility Agent for that Party by any other Party.

(b) Except where a Finance Document specifically provides otherwise, the Facility Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it receives or forwards to another Party.

(c) If the Facility Agent receives written notice in accordance with the terms hereof from a Party referring to this Agreement, describing an Event of Default or a Default and stating the circumstance described is an Event of Default or a Default, it shall promptly notify the other Finance Parties.

(d) If the Facility Agent is aware of the non-payment of any principal, interest, Additional Conservation Payments, Additional Reserve Payments or Debt Exchange Linked Conservation Fees (which is an Event of Default) or receives written notice of non-payment of any fee payable to a Finance Party (other than the Facility Agent) under this Agreement it shall promptly notify the applicable Finance Parties.

(e) The Facility Agent's duties under the Finance Documents are solely mechanical and administrative in nature.

21.4 **Obligations under the PRI Policy**

(a) In connection with:

(i) any proposed amendment or waiver of any term of this Agreement; or

(ii) any proposed assignment of its rights or transfer by novation of any of its rights and obligations by a Lender;

the Facility Agent shall (for and on behalf of the relevant Lenders), following any payment of compensation by DFC in accordance with the PRI Policy, or so long as the PRI Policy is in full force and effect as of the effective date of such amendment, waiver, assignment or transfer, promptly seek the prior written consent of DFC to the extent it is required in accordance with Clause 20.2 (*Assignments by Lenders*) or Clause 30.2(c) (*Exceptions*), as applicable, and shall not agree to such amendment, waiver, assignment or transfer if such prior written consent is required but not obtained.

(b) The Facility Agent shall (for and on behalf of the relevant Lenders) notify DFC, as required of the Lenders under the PRI Policy, of:

(i) any failure of the Borrower to make any scheduled payment of principal pursuant to Clause 6 (*Repayment*), interest pursuant to Clause 8

(*Interest*), Additional Conservation Payments pursuant to Clause 6.4 (*Additional Conservation Payments*) or Debt Exchange Linked Conservation Fees pursuant to Clause 10 (*Debt Exchange Linked Conservation Fees*) under this Agreement;

(ii) any receipt by the Facility Agent of notice from the Borrower that any payment under this Agreement will not be timely paid;

(iii) any demand made of the Borrower by the Facility Agent in relation to any unpaid amount under this Agreement;

(iv) the acceleration of the Loan, or any prepayment made thereon; and

(v) the repayment of the Loan in full.

21.5 **Duties of the Facility Agent in connection with the IADB Guarantee**

(a) The Facility Agent shall notify IADB as required under the IADB Guarantee, including notifying IADB promptly (within three (3) Business Days (as defined in the IADB Guarantee)) upon:

(i) any failure of the Borrower to make any scheduled payment of principal pursuant to Clause 6 (*Repayment*), interest pursuant to Clause 8 (*Interest*), Debt Exchange Linked Conservation Fees pursuant to Clause 10 (*Debt Exchange Linked Conservation Fees*) or Additional Reserve Payment pursuant to Clause 6.3 (*Additional Reserve Payments*) under this Agreement;

(ii) any receipt by the Facility Agent of notice from the Borrower that any payment due under this Agreement will not be timely paid;

(iii) any notice submitted by the Facility Agent to the Borrower under this Agreement demanding payment or accelerating the Loan;

(iv) any demand made of the Borrower by the Facility Agent in relation to any amount unpaid under this Agreement;

(v) the repayment in full of, or a prepayment being made on, the Loan; and

(vi) the acceleration of the Loan.

(b) For information purposes only, the Facility Agent shall promptly notify IADB upon any failure of the Borrower to pay any Additional Conservation Payment pursuant to Clause 6.4 (*Additional Conservation Payments*).

(c) The Facility Agent shall, in accordance with Clause 6.3 (*Additional Reserve Payments*), submit a Guarantee Demand Notice to IADB under the IADB Guarantee demanding an amount equal to any Additional Reserve Payments due but unpaid by the Borrower hereunder. The Facility Agent shall promptly provide to all Lenders and the Borrower a copy of such Guarantee Demand Notice once it has been submitted. For the avoidance of doubt, the Facility Agent shall not require any direction from any Lender in order to submit a

Guarantee Demand Notice in accordance with Clause 6.3 (*Additional Reserve Payments*).

(d) If the Facility Agent fails to submit a Guarantee Demand Notice in accordance with paragraph (c) above within the requisite time period, then any Lender may submit a Guarantee Demand Notice directly to IADB under the IADB Guarantee, *provided that* such Lender shall demand the same amounts as the Facility Agent was due to demand in accordance with paragraph (c) above, and shall notify the other Lenders and the Borrower that it is submitting such Guarantee Demand Notice.

(e) If a Guarantee Demand Notice is submitted but, prior to payment being made by IADB in connection therewith, the Borrower makes payment of an amount under this Agreement that corresponds to an amount demanded in such Guarantee Demand Notice, then the Facility Agent or the relevant Lender (as applicable) shall notify IADB and the Lenders and direct (to the extent possible and if agreed to by the IADB pursuant to the IADB Guarantee) the cancellation of the demand of such amounts in such Guarantee Demand Notice that correspond to the amounts so paid by the Borrower.

(f) If a Guarantee Demand Notice is submitted and IADB effects payment in connection therewith, then the Facility Agent shall notify the Lenders and the Borrower of receipt of such payment.

(g) In connection with:

(i) any proposed amendment or waiver of any term of this Agreement; or

(ii) any proposed assignment of its rights or transfer by novation of any of its rights and obligations by a Lender,

the Facility Agent shall, so long as the IADB Guarantee remains in full force and effect, promptly seek the prior written consent of IADB to the extent it is required in accordance with Clause 20.2 (*Assignments by Lenders*) or Clause 30.2(d) (*Exceptions*), as applicable, or the IADB Guarantee and shall not agree to such amendment, waiver, assignment or transfer if such prior written consent is required but not obtained.

21.6 **No fiduciary duties**

(a) Nothing in this Agreement or any other Finance Documents constitutes the Facility Agent or any agent (or similarly engaged person) as a trustee or fiduciary of any other person or as having any other implied (or express) obligations arising under the agency doctrine of any applicable law to such other person.

(b) The Facility Agent shall not be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

21.7 **Business with the Borrower**

The Facility Agent may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for, and generally engage in any kind of banking or other business with, the Borrower or any of its agencies as if such person were not the Facility Agent hereunder and without any duty to account therefor to the Lenders.

21.8 **Rights of the Facility Agent**

(a) The Facility Agent may rely on:

(i) any representation, notice or document believed by it to be genuine, correct and appropriately authorized; and

(ii) any statement made by a director, authorized signatory or employee of any person regarding any matters which may reasonably be assumed to be within their knowledge or within their power to verify,

in each case absent manifest error.

(b) The Facility Agent may assume (unless and until it has received written notice to the contrary, in its capacity as agent for the Lenders, from the Borrower or a Lender) that:

(i) no Default or Event of Default has occurred (unless it is a Default or Event of Default due to the failure of the Borrower to pay any amount due to the Facility Agent under Clause 6 (*Repayment*), Clause 8 (*Interest*) or Clause 10 (*Debt Exchange Linked Conservation Fees*)); and

(ii) any right, power, authority or discretion vested in any Party or the Majority Lenders has not been exercised.

(c) The Facility Agent may engage legal counsel and agents in connection with the services provided by it hereunder at the expense of the Borrower, *provided that* (in connection with the payment of such expense by the Borrower) the Facility Agent shall be required to have the Borrower's written consent.

(d) The Facility Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Finance Document by or through any one or more agents or attorneys and shall not be liable for any such agents or attorneys appointed by it with due care. Each of the Facility Agent and any such agent may perform any and all of its duties and exercise its rights and powers by or through their respective Affiliates and Representatives.

(e) Unless indicated to the contrary in any Finance Document, the Facility Agent may disclose to any other Party any information it reasonably believes it has received as agent under this Agreement.

(f) The Facility Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("**Instructions**") given pursuant to this Agreement and delivered using Electronic Means; *provided that* the Borrower

and the Original Lender (the "**Instructing Parties**") shall provide to the Facility Agent an incumbency certificate satisfactory to the Facility Agent listing persons with the authority to provide such instructions ("**Authorized Persons**") and containing specimen signatures of such Authorized Persons, which incumbency certificate shall be amended by the relevant Instructing Party whenever a person is to be added or deleted from the listing. If an Instructing Party elects to give the Facility Agent Instructions using Electronic Means and the Facility Agent in its discretion elects to act upon such Instructions, the Facility Agent's understanding of such Instructions shall be deemed controlling. The Instructing Parties understand and agree that the Facility Agent cannot determine the identity of the actual sender of such Instructions and that the Facility Agent shall conclusively presume that directions that purport to have been sent by an Authorized Person listed on the incumbency certificate provided to the Facility Agent have been sent by such Authorized Person. The Instructing Parties shall be responsible for ensuring that only Authorized Persons transmit such Instructions to the Facility Agent and that the Instructing Parties and all Authorized Persons are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the applicable Instructing Party. The Facility Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Facility Agent's reliance upon and compliance with such instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Instructing Parties agree (i) to assume all risks arising out of the use of Electronic Means to submit instructions to the Facility Agent, including the risk of the Facility Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Facility Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Instructing Parties; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances and (iv) to notify the Facility Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

In this paragraph (f), "**Electronic Means**" means the following communication methods: S.W.I.F.T., email, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Facility Agent, or another method or system specified by the Facility Agent as available for use in connection with its services hereunder.

(g) Notwithstanding any other provision of any Finance Document to the contrary, the Facility Agent is not obliged to do or omit to do anything if it would or might in its opinion or the opinion of its counsel, constitute a breach of any law or regulation or a breach of a duty of confidentiality, or expose the Facility Agent to liability or that is contrary to any Finance Document.

(h) Notwithstanding any provision of any Finance Document to the contrary, the Facility Agent is not obliged to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties, obligations or responsibilities or the exercise of any right, power, authority or discretion if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured to it.

(i) Notwithstanding anything contained herein to the contrary, the Facility Agent undertakes to perform such duties and only such duties as are specifically set forth in this Agreement and the other Finance Documents to which it is a party and no implied covenants or obligations shall be read into this Agreement against the Facility Agent (it being agreed that the permissive right of the Facility Agent to do things enumerated in this Agreement shall not be construed as a duty or obligation in accordance with Clause 21.11(m) (*Exclusion of liability*)). The Facility Agent has no obligations of any kind to any Party under or in connection with any Finance Document to which it is not a Party and no obligations of the Facility Agent are incorporated by reference herein in connection with any such Finance Documents.

21.9 **Majority Lenders' instructions**

(a) Unless a contrary indication appears in a Finance Document, the Facility Agent shall (i) exercise any right, power, authority or discretion vested in it as Facility Agent in accordance with any instructions given to it by the Majority Lenders (or, if so instructed by the Majority Lenders, refrain from exercising any right, power, authority or discretion vested in it as Facility Agent) and (ii) not be liable for any act (or omission) if it acts (or refrains from taking any action) with the consent or in accordance with an instruction of the Majority Lenders.

(b) Unless a contrary indication appears in a Finance Document, any instructions given by the Majority Lenders will be binding on all the Finance Parties.

(c) The Facility Agent may refrain from acting in accordance with the instructions of the Majority Lenders until it has received such security as it may require for any cost, loss or liability (together with any associated value-added tax) which it may incur in complying with the instructions.

(d) In the absence of instructions from the Majority Lenders the Facility Agent may act (or refrain from taking action).

21.10 **Responsibility for documentation**

The Facility Agent is not responsible or liable for:

(a) the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by the Facility Agent, the Borrower or any other person given in or in connection with any Finance Document;

(b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Finance Document;

(c) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or in any Finance Document or the occurrence of any Default; or

(d) any determination as to whether any information provided or to be provided to any Finance Party is non-public information the use of which may be regulated or prohibited by applicable law or regulation relating to insider dealing or otherwise.

21.11 **Exclusion of liability**

(a) Without limiting paragraph (c) below (and without prejudice to the provisions of paragraph (e) of Clause 24.10 (*Disruption to Payment Systems etc*.)), the Facility Agent will not be liable (including for negligence or any other category of liability whatsoever) for any action taken by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct.

(b) The Facility Agent will not be liable for exercising, or not exercising, any right, power, authority or discretion given to it by, or in connection with, any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Finance Document other than by reason of its gross negligence or wilful misconduct.

(c) No Party (other than the Facility Agent) may take any proceedings against any officer, employee or agent of the Facility Agent in respect of any claim it might have against the Facility Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and any officer, employee or agent of the Facility Agent may rely on this Clause 21.11.

(d) The Facility Agent will not be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by the Facility Agent if the Facility Agent has taken reasonable steps to comply with the regulations or operating procedures of any recognized clearing or settlement system used by the Facility Agent for that purpose.

(e) Nothing in this Agreement shall oblige the Facility Agent to carry out any "know your customer" or other checks in relation to any person on behalf of any Lender and each Lender confirms to the Facility Agent that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Facility Agent.

(f) In the absence of bad faith or manifest error on its part, the Facility Agent may conclusively rely and shall be fully protected in relying, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Facility Agent and conforming to the requirements of this Agreement. However, in the case of any such certificates or opinions that, by any provisions hereof are specifically required to be furnished to the Facility Agent, the Facility Agent shall examine such certificates and opinions to determine whether or not on their face they conform

to the requirements of this Agreement (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(g) Monies held in trust by the Facility Agent need not be segregated from other funds except to the extent required by applicable Law.

(h) Whether or not therein expressly so provided, every provision of this Agreement relating to the conduct or affecting the liability of or affording protection to the Facility Agent shall be subject to the provisions of this Clause 21.11.

(i) Unless otherwise specifically provided in this Agreement, any demand, request, direction or notice from the Borrower (or any other person) shall be sufficient if signed by an officer of such person.

(j) In the absence of gross negligence or wilful misconduct on the part of the Facility Agent or such counsel of its selection with which it may consult, the advice or opinion of such counsel with respect to legal matters relating to this Agreement, the Loan and any Finance Document shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in reliance on the written advice or opinion of such counsel.

(k) The Facility Agent may act through, employ or retain counsel or such other experts or advisers or agents, in each case subject to Clause 21.8(c) (*Rights of the Facility Agent*) (as applicable), as it may reasonably require for the purpose of determining and discharging its rights and duties hereunder and under any other agreement related to this transaction to which it is a party. In the absence of bad faith or contributory gross negligence on its part, the Facility Agent shall not be responsible for any negligence or misconduct on the part of any of them appointed with due care.

(l) Notwithstanding anything contained herein to the contrary, the Facility Agent shall not be deemed to have notice or actual knowledge of any default, Default, Event of Default (unless it is a Default or Event of Default due to the failure of the Borrower to pay any amount due to the Facility Agent under Clause 6 (*Repayment*), Clause 8 (*Interest*) or Clause 10 (*Debt Exchange Linked Conservation Fees*)) or if applicable, of any waiver of any of the foregoing, unless written notice of any event that is in fact such a default, Default, Event of Default, or if applicable, of any waiver thereof, is received (either in person or by email) by a trust officer, at the corporate trust office of the Facility Agent and is delivered by or on behalf of the Borrower or Majority Lenders and such notice references the Loan and this Agreement, or any other Finance Document to which the Facility Agent is a party.

(m) The permissive rights of the Facility Agent enumerated herein shall not be construed as duties or obligations.

(n) In all cases where calculations are to be verified or confirmed to the Facility Agent by any other Party, in the event of any dispute or differences, the calculation provided by such Party to the Facility Agent shall prevail and be deemed final for all purposes.

(o) In no event shall the Facility Agent be liable for interest on any money received or held by it. Unless otherwise explicitly agreed in writing by the Facility Agent, all money received by the Facility Agent will be held uninvested.

(p) Without prejudice to paragraph (l), the delivery of reports, information and documents to the Facility Agent under this Agreement or any other Finance Documents is for informational purposes only and the Facility Agent's receipt of the foregoing will not constitute actual or constructive notice of any information contained therein or determinable from information contained therein, including the Borrower's or any other person's compliance with any covenants under this Agreement, the certificates or any other related documents.

(q) Should the Facility Agent deem the nature of any action required on its part to be unclear, the Facility Agent may require prior to such action that it be provided by the Lenders or the Borrower, as applicable, with reasonable further instructions, upon which instructions the Facility Agent may conclusively rely.

(r) The Facility Agent may accept and in good faith conclusively rely on all accounting, records and work of any person believed by it to be genuine without audit or other examination thereof, and the Facility Agent shall have no liability for the acts or omissions of any such person, absent manifest error, gross negligence or wilful misconduct of the Facility Agent.

(s) In no event shall the Facility Agent be liable for any indirect, special, punitive or consequential loss or damage of any kind whatsoever, including lost profits, even if it has been advised of the likelihood of such loss or damage and regardless of the form of action.

(t) In no event shall the Facility Agent be liable for any failure or delay in the performance of its obligations hereunder because of circumstances beyond its control, including acts of God, flood, war (whether declared or undeclared), terrorism, strikes, work stoppages, pandemics or epidemics, civil or military disturbances, nuclear or natural catastrophes, fire, riot, embargo, loss or malfunctions of utilities, communications or computer (software or hardware) services, or government action, including any Laws, ordinances, regulations, governmental action or the like that delay, restrict or prohibit the providing of the services by the Facility Agent.

(u) The Facility Agent shall not be liable for any error of judgment made in good faith by any of its officers unless it is finally proved that the Facility Agent was grossly negligent in ascertaining the pertinent facts.

(v) It is expressly understood and agreed by the Parties that this Agreement is executed and delivered by the Facility Agent, not individually or personally, but solely as Facility Agent in the exercise of the powers and authority conferred and vested in it. Notwithstanding anything contained herein to the contrary, unless directed in writing to do so by a Lender or the Borrower, as applicable, the Facility Agent shall not have any duty to take or exercise any discretionary actions, rights or powers (including deeming or making a determination that anything is satisfactory, approved, acceptable, selected or should be requested).

The Facility Agent shall not have any liability for any delay in acting or failure to exercise any such discretionary actions, rights or powers.

(w) Each of the Borrower and the Original Lender, severally (and not jointly and severally) and only with respect to itself, covenants and represents to the Facility Agent that neither it nor any of its affiliates, subsidiaries, directors or officers are the target or subject of any sanctions enforced by the US Government, (including, the Office of Foreign Assets Control of the US Department of the Treasury), the United Nations Security Council, the European Union, UK HMT, or other relevant Sanctions Authority. Each of the Borrower and the Original Lender, severally (and not jointly and severally) and only with respect to itself, covenants and represents that neither it nor any of its respective affiliates, subsidiaries, directors or officers will use any payments made pursuant to this Agreement, (i) to fund or facilitate any activities of or business with any person who, at the time of such funding or facilitation, is the subject or target of Sanctions, (ii) to fund or facilitate any activities of or business with any country or territory that is the target or subject of Sanctions, or (iii) in any other manner that will result in a violation of Sanctions by any person.

21.12 **Lenders' indemnity to the Facility Agent**

Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify the Facility Agent, within three (3) Business Days of demand, against any reasonable cost, loss or liability (including for (i) negligence or any other category of liability whatsoever and (ii) any reasonable cost or expense of its legal counsel) incurred by the Facility Agent (otherwise than by reason of the Facility Agent's gross negligence or wilful misconduct) (or, in the case of any reasonable cost, loss or liability pursuant to Clause 24.10 (*Disruption to Payment Systems etc.*) notwithstanding the Facility Agent's negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Facility Agent) in acting as Facility Agent under the Finance Documents (unless the Facility Agent has been reimbursed by the Borrower pursuant to a Finance Document). This Clause 21.12 shall survive notwithstanding any termination of this Agreement or any other Finance Document to which the Facility Agent is a party or the resignation or replacement of the Facility Agent or any Assignment and Assumption.

21.13 **Resignation of the Facility Agent**

(a) The Facility Agent may resign and appoint one of its Affiliates as successor by giving notice to the other Finance Parties, IADB, DFC and the Borrower.

(b) Alternatively, the Facility Agent may resign by giving thirty (30) days' notice to the other Finance Parties, IADB, DFC and the Borrower, in which case the Majority Lenders (after consultation with the Borrower) may appoint a successor Facility Agent.

(c) If the Majority Lenders have not appointed a successor Facility Agent in accordance with paragraph (b) above within twenty (20) days after notice of resignation was given (the "**Specified Date**"), the retiring Facility Agent (after consultation with the Borrower) may in its discretion appoint a successor

Facility Agent being a reputable and experienced institution customarily providing such services (using reasonable endeavors to do so at the Borrower's expense) within twenty (20) days after the Specified Date.

(d) The retiring Facility Agent shall make available to the successor Facility Agent such documents and records and provide such assistance as the successor Facility Agent may reasonably request for the purposes of performing its functions as Facility Agent under the Finance Documents.

(e) The Facility Agent's resignation notice shall only take effect upon the earlier of the appointment of a successor or (if applicable) the date falling twenty (20) days after the Specified Date.

(f) Upon the appointment of a successor, the retiring Facility Agent shall be discharged from any further obligation in respect of the Finance Documents (other than its obligations under paragraph (d)) but shall remain entitled to the benefit of this Clause 21.13. Any successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

21.14 **Replacement of the Facility Agent**

(a) After consultation with the Borrower, the Majority Lenders may, by giving thirty (30) days' notice to the Facility Agent who shall notify DFC and IADB, replace the Facility Agent by appointing a successor Facility Agent.

(b) The retiring Facility Agent shall make available to the successor Facility Agent, at the expense of the Borrower, such documents and records and provide such assistance as the successor Facility Agent may reasonably request for the purposes of performing its functions as Facility Agent under the Finance Documents.

(c) The appointment of the successor Facility Agent shall take effect on the date it has succeeded to this Agreement. As from this date, the retiring Facility Agent shall be discharged from any further obligation in respect of the Finance Documents (other than its obligations under paragraph (b)) but shall remain entitled to the benefit of this Clause 21.14.

(d) Any successor Facility Agent and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

21.15 **Confidentiality**

(a) In acting as agent for the Lenders, the Facility Agent shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments.

(b) If information is received by another division or department of the Facility Agent, it may be treated as confidential to that division or department and the Facility Agent shall not be deemed to have notice of it.

21.16 **Relationship with the Lenders**

(a) The Facility Agent may treat the person shown in its records as Lender at the opening of business (in the place of the Facility Agent's principal office as notified to the Finance Parties from time to time) as the Lender:

(i) entitled to or liable for any payment due and payable under any Finance Document on that day; and

(ii) entitled to receive and act upon any notice, request, document or communication or make any decision or determination under any Finance Document made or delivered on that day,

unless it has received not less than five (5) Business Days' prior notice from that Lender to the contrary in accordance with the terms of this Agreement.

(b) Any Lender may by notice to the Facility Agent appoint a person to receive on its behalf all notices, communications, information and documents to be made or dispatched to that Lender under the Finance Documents. Such notice shall contain the address and (where communication by electronic mail or other electronic means is permitted under Clause 26.5 (*Electronic communication*)) electronic mail address and/or any other information required to enable the transmission of information by that means (and, in each case, the department or officer, if any, for whose attention communication is to be made) and be treated as a notification of a substitute address, electronic mail address, department and officer by that Lender for the purposes of Clause 26.2 (*Addresses*) and paragraph (a)(ii) of Clause 26.5 (*Electronic communication*) and the Facility Agent shall be entitled to treat such person as the person entitled to receive all such notices, communications, information and documents as though that person were that Lender.

21.17 **Credit appraisal by the Lenders**

Without affecting the responsibility of the Borrower for information supplied by it or on its behalf in connection with any Finance Document, each Lender confirms to the Facility Agent that:

(a) it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including:

(i) the financial condition, creditworthiness, condition, affairs, status and nature of the Borrower;

(ii) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;

(iii) whether that Lender has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Finance Document, the transactions contemplated

by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; and

(iv) the adequacy, accuracy and/or completeness of any information provided by the Facility Agent, any Party or by any other person under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document.

(b) it is acting for its own account, and it has made its own independent decisions to enter into the Finance Documents and as to whether the transactions contemplated thereby are appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary;

(c) it is not relying on any communication (written or oral) of the Facility Agent as investment advice or as a recommendation to enter into any Finance Document or the transactions contemplated by the Finance Documents; it being understood that information and explanations related to the terms and conditions of a Finance Document and/or the transactions contemplated by the Finance Documents shall not be considered investment advice or a recommendation to enter into that document or transaction and no communication (written or oral) received from the Facility Agent shall be deemed to be an assurance or guarantee as to the expected results of that Finance Document and/or the transactions contemplated by the Finance Documents; and

(d) it is capable of assuming, and does hereby assume, the financial and other risks relating to the Finance Documents and that it is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of the Finance Documents and/or the transactions contemplated by the Finance Documents.

21.18 **Deduction from amounts payable by the Facility Agent**

If any Party owes an amount to the Facility Agent under the Finance Documents the Facility Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Facility Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.

21.19 **Unitized voting**

(a) Subject to paragraph (b) a Lender may give instructions to the Facility Agent on portions of its Commitment or participations in the Loan independently to other portions. The Facility Agent shall treat such instructions as separate for the purposes of determining whether the Majority Lenders have provided instructions to the Facility Agent or authorized action in respect of the Finance

Documents notwithstanding that the relevant Lender is the only person holding that Commitment and/or participation in the Loan under this Agreement.

(b) For the purpose of any vote or other determination by the Majority Lenders under the Finance Documents which is intended to be unitized in the manner contemplated by paragraph (a) above, each Lender:

(i) may notionally divide its Commitment into separate amounts to reflect arrangements to which it is a party, *provided that* no such notional division may result in its Commitment being divided into separate amounts of less than USD 1;

(ii) may make a vote or determination on one occasion only in relation to any proposition that is the subject of a vote or determination; and

(iii) in relation to any vote or determination, shall make it clear to the Facility Agent:

(A) in relation to any vote or determination which is to be made in the positive or negative, the relevant percentage of its Commitment voting for, the relevant percentage of its Commitment voting against and the relevant percentage of its Commitment which is not voting; and

(B) in relation to any vote or determination which has a response other than a positive or negative response applicable thereto, the relevant percentage of its Commitment making each relevant vote or determination and the relevant percentage of its Commitment which is not voting or making a determination,

prior to the time, on the date, set by the Facility Agent as the time and date prior to which the Facility Agent must have received the Lender's response to such request.

22. CONDUCT OF BUSINESS BY THE FINANCE PARTIES

No provision of this Agreement will:

(a) interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;

(b) oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or

(c) oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

23. SHARING AMONG THE FINANCE PARTIES

23.1 Payments to Finance Parties

If a Lender (a "**Recovering Finance Party**") receives or recovers any amount from the Borrower other than in accordance with Clause 24 (*Payment Mechanics*) (a "**Recovered Amount**") and applies that amount to a payment due under the Finance Documents then:

(a) the Recovering Finance Party shall, within three (3) Business Days, notify details of the receipt or recovery to the Facility Agent;

(b) the Recovering Finance Party shall instruct the Facility Agent to determine whether the receipt or recovery is in excess of the amount the Recovering Finance Party would have been paid had the receipt or recovery been received or made by the Facility Agent and distributed in accordance with Clause 24 (*Payment Mechanics*), without taking account of any Tax which would be imposed on the Facility Agent in relation to the receipt, recovery or distribution; and

(c) the Recovering Finance Party shall, within three (3) Business Days of demand by the Facility Agent, pay to the Facility Agent an amount (the "**Sharing Payment**") equal to such receipt or recovery less any amount which the Facility Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made, in accordance with Clause 24.5 (*Partial payments*).

23.2 Redistribution of payments

The Facility Agent shall treat the Sharing Payment as if it had been paid by the Borrower and distribute it between the Finance Parties (other than the Recovering Finance Party) (the "**Sharing Finance Parties**") in accordance with Clause 24.5 (*Partial payments*) towards the obligations of the Borrower to the Sharing Finance Parties.

23.3 Recovering Finance Party's rights

On a distribution by the Facility Agent under Clause 23.2 (*Redistribution of payments*) of a payment received by a Recovering Finance Party from the Borrower, as between the Borrower and the Recovering Finance Party, an amount of the Recovered Amount equal to the Sharing Payment will be treated as not having been paid by the Borrower.

23.4 Reversal of redistribution

If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:

(a) each Sharing Finance Party shall, upon request of the Facility Agent (acting upon written notice from the Recovering Finance Party), pay to the Facility Agent for the account of that Recovering Finance Party an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Finance Party for its proportion of

any interest on the Sharing Payment which that Recovering Finance Party is required to pay) (the "**Redistributed Amount**"); and

(b) as between the Borrower and each relevant Sharing Finance Party, an amount equal to the relevant Redistributed Amount will be treated as not having been paid by the Borrower.

23.5 **Exceptions**

(a) This Clause 23 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause 23, have a valid and enforceable claim against the Borrower.

(b) A Recovering Finance Party is not obliged to share with any Lender any amount which the Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:

(i) it notified that Lender of the legal or arbitration proceedings; and

(ii) that Lender had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

SECTION 10
ADMINISTRATION

24. PAYMENT MECHANICS

24.1 Payments to the Facility Agent

(a) Subject to paragraph (b) below, on each date on which the Borrower or a Lender is required to make a payment under a Finance Document, the Borrower or the Lender shall make the same available to the Facility Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Facility Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.

(b) For any payment by the Borrower of principal under Clause 6 (*Repayment*) or interest under Clause 8 (*Interest*) or Debt Exchange Linked Conservation Fees under Clause 10 (*Debt Exchange Linked Conservation Fees*), the Borrower shall make the same available to the Facility Agent for value on the date falling three (3) Business Days prior to the relevant due date for such payment under this Agreement. Notwithstanding the foregoing:

(i) if the Facility Agent does not receive any such amount from the Borrower on the date falling three (3) Business Days prior to the relevant due date for such payment, it shall promptly notify the Lenders of such fact; and

(ii) once any such amount has been received by the Facility Agent, it shall be distributed to the relevant Lenders for value on the due date for payment of such amount (rather than for value in advance of the due date for payment of such amount).

(c) Payments by the Borrower to the Facility Agent shall be made to such account in the principal financial center of the country of that currency with such bank as the Facility Agent specifies.

(d) A payment by the Borrower to a Lender under a Finance Document shall only be deemed to have been made by the Borrower once it has been received by the relevant Lender, unless payment has been made by the Borrower to the Facility Agent in immediately available funds in a manner that can be readily distributed to the Lenders and the Facility Agent has failed to distribute such payment to the Lenders.

24.2 Distributions by the Facility Agent

Each payment received by the Facility Agent under the Finance Documents for another Party shall, subject to Clause 24.3 (*Distributions to the Borrower*) and Clause 24.4 (*Clawback and pre-funding*) be made available by the Facility Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement, to such account as that Party may notify to the Facility Agent by not less than five (5) Business Days' notice with a bank in the principal financial center of the country of that currency.

24.3 **Distributions to the Borrower**

The Facility Agent may (with the consent of the Borrower or in accordance with Clause 25 (*Set-off*)) apply any amount received by it for the Borrower in or towards payment (on the date and in the currency and funds of receipt) of any amount due from the Borrower under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

24.4 **Clawback and pre-funding**

(a) Where a sum is to be paid to the Facility Agent under the Finance Documents for another Party, the Facility Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.

(b) If the Facility Agent pays an amount to another Party and it proves to be the case that the Facility Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Facility Agent shall on demand refund the same to the Facility Agent together with interest on that amount from the date of payment to the date of receipt by the Facility Agent, calculated by the Facility Agent to reflect its cost of funds.

24.5 **Partial payments**

(a) If the Facility Agent receives a payment that is insufficient to discharge all the amounts then due and payable by the Borrower under the Finance Documents, the Facility Agent shall apply that payment towards the obligations of the Borrower under the Finance Documents in the following order:

(i) **first**, in or towards payment pro rata of any unpaid fees, costs and expenses of the Facility Agent (including any indemnity obligations) under the Finance Documents;

(ii) **secondly**, in or towards payment of any accrued interest, fee or commission due but unpaid to DFC, following the payment of any compensation by DFC pursuant to the PRI Policy, under this Agreement;

(iii) **thirdly**, in or towards payment pro rata of any accrued interest, fee or commission (excluding any Debt Exchange Linked Conservation Fees, Additional Reserve Payments or Additional Conservation Payments) due but unpaid to any Lender other than DFC under this Agreement;

(iv) **fourthly**, in or towards payment of any principal due but unpaid to DFC, following the payment of any compensation by DFC pursuant to the PRI Policy, under this Agreement;

(v) **fifthly**, in or towards payment pro rata of any principal due but unpaid to any Lender other than DFC under this Agreement; and

(vi) **sixthly**, in or towards payment pro rata of any other sum (including any Debt Exchange Linked Conservation Fees, Additional Reserve

Payments or Additional Conservation Payments) due but unpaid under the Finance Documents.

(b) The Facility Agent shall, if so directed by the Majority Lenders and DFC, vary the order set out in paragraphs (a)(ii) to (vi) above.

(c) Paragraphs (a) and (b) above will override any appropriation made by the Borrower.

24.6 **No set-off by the Borrower**

All payments to be made by the Borrower under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

24.7 **Business Days**

Any payment under any Finance Document which is due to be made on a day that is not a Business Day shall be made on the next Business Day.

24.8 **Currency of account**

(a) Subject to paragraphs (b) and (c) below, dollars is the currency of account and payment for any sum due from the Borrower under any Finance Document.

(b) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.

(c) Any amount expressed to be payable in a currency other than dollars shall be paid in that other currency.

24.9 **Change of currency**

(a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognized by the central bank of any country as the lawful currency of that country, then:

(i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Facility Agent (after consultation with the Borrower); and

(ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognized by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Facility Agent (acting reasonably).

(b) Notwithstanding paragraph (a) above, payment for any sum due from the Borrower under any Finance Document shall be made in dollars.

24.10 **Disruption to Payment Systems etc.**

If either the Facility Agent determines (acting at the direction of the Majority Lenders) that a Disruption Event has occurred or the Facility Agent is notified by the Borrower that a Disruption Event has occurred:

(a) the Facility Agent may, and shall if requested to do so by the Borrower, consult with the Borrower with a view to agreeing with the Borrower such changes to the operation or administration of the Facility as the Facility Agent may (acting at the direction of the Majority Lenders) deem necessary in the circumstances;

(b) the Facility Agent shall not be obliged to consult with the Borrower in relation to any changes mentioned in paragraph (a) if, in its opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to such changes;

(c) the Facility Agent may consult with the other Finance Parties in relation to any changes mentioned in paragraph (a) but shall not be obliged to do so if, in its opinion, it is not practicable to do so in the circumstances;

(d) any such changes agreed upon by the Facility Agent (acting at the direction of the Majority Lenders) and the Borrower shall (whether or not it is finally determined that a Disruption Event has occurred) be binding upon the Parties as an amendment to (or, as the case may be, waiver of) the terms of the Finance Documents notwithstanding the provisions of Clause 30 (*Amendments and Waivers*);

(e) the Facility Agent shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever (including for negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Facility Agent) arising as a result of its taking, or failing to take, any actions pursuant to or in connection with this Clause 24.10; and

(f) the Facility Agent shall notify the other Finance Parties of all changes agreed pursuant to paragraph (d) above.

24.11 **Payments from IADB**

(a) Any payment by the IADB to the Facility Agent pursuant to the IADB Guarantee shall be deposited by the Facility Agent into the Guarantee Payment Account.

(b) In the event that a Finance Party receives any payment from IADB under the IADB Guarantee in respect of an amount corresponding to an Additional Reserve Payment, such Finance Party shall apply such payment towards the corresponding Additional Reserve Payment. Any such payment by IADB shall discharge the Borrower's obligation to pay the corresponding Additional Reserve Payment(s) (in respect of which such IADB payment was made), in whole or in part as applicable, under this Agreement.

25. SET-OFF

A Finance Party may set off any matured obligation due from the Borrower under the Finance Documents to which it is a party (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to the Borrower, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

26. NOTICES

26.1 Communications in writing

Any communication to be made under or in connection with this Agreement shall be made in writing and, unless otherwise stated, may be made by letter.

26.2 Addresses

The address and the department or officer, if any, for whose attention the communication is to be made of each Party for any communication or document to be made or delivered under or in connection with this Agreement is:

(a) in the case of the Borrower:



(b) in the case of the Original Lender:



and in respect of any service pursuant to Clause 37.1 (*Arbitration*):



(c) in the case of any other Lender, that notified in writing to the Facility Agent on or prior to the date on which it becomes a Party; and

(d) in the case of the Facility Agent:



and in respect of any service pursuant to Clause 37.1 (*Arbitration*):



or any substitute address or department or officer as the Party may notify to the Facility Agent (or the Facility Agent may notify to the other Parties, if a change is made by the Facility Agent) by not less than five (5) Business Days' notice.

26.3 **Delivery**

(a) Any communication or document made or delivered by one person to another under or in connection with this Agreement will only be effective if by way of letter, when it has been left at the relevant address or five (5) Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address and, if a particular department or officer is specified as part of its address details provided under Clause 26.2 (*Addresses*), if addressed to that department or officer.

(b) Any communication or document to be made or delivered to the Facility Agent will be effective only when actually received by the Facility Agent and then only if it is expressly marked for the attention of the department or officer identified with the Facility Agent's signature below (or any substitute department or officer as the Facility Agent shall specify for this purpose).

(c) All notices from or to the Borrower shall also be sent to or through the Facility Agent.

(d) Any communication or document which becomes effective, in accordance with paragraph (b) above, after 5:00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

26.4 **Notification of address**

Promptly upon receipt of notification of an address or change of address number pursuant to Clause 26.2 (*Addresses*) or changing its own address, the Party making such change shall notify the other Parties.

26.5 **Electronic communication**

(a) Any communication or document to be made between any two Parties under or in connection with this Agreement may be made by electronic mail or other electronic means, (including by way of posting to a secure website), and this is to be an accepted form of communication if those two Parties:

(i) notify each other in writing of their electronic mail address and/or any other information required to enable the transmission of information by that means; and

(ii) notify each other of any change to their address or any other such information supplied by them by not less than five (5) Business Days' notice.

(b) Any electronic communication made or delivered between those two Parties will be effective only when actually received (or made available) in readable form and in the case of any electronic communication or document made or delivered by a Party to the Facility Agent only if it is addressed in such a manner as the Facility Agent shall specify for this purpose.

(c) Any electronic communication or document which becomes effective, in accordance with paragraph (b) above, after 5.00 p.m. in the place in which the

Party to whom the relevant communication or documents is sent or made available at its address for the purpose of this Agreement shall be deemed only to become effective on the following day.

(d) Any reference in this Agreement to a communication being sent or received or a document being delivered shall be construed to include that communication or document being made available in accordance with this Clause 26.5.

26.6 **English language**

(a) Any notice given under or in connection with this Agreement must be in English.

(b) All other documents provided under or in connection with this Agreement must be:

(i) in English; or

(ii) if not in English, and if so required by the Facility Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

27. CALCULATIONS AND CERTIFICATES

27.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are *prima facie* evidence of the matters to which they relate.

27.2 Certificates and determinations

Any certification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

27.3 Day count convention

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of 30-day months and a year of 360 days.

28. PARTIAL INVALIDITY

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

29. REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of any Finance Party, any right or remedy under the Finance Documents shall operate as a waiver of any such right or remedy or constitute an election to affirm any of the Finance Documents. No election to affirm any of the Finance Documents on the part of any Finance Party shall be effective unless it is in writing. No single or partial exercise of any right or remedy shall prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

30. AMENDMENTS AND WAIVERS

30.1 Required consents

(a) Subject to Clause 30.2 (*Exceptions*) and other than any amendment to this Agreement to amend or supplement the Ecuador Disclosure pursuant to the Disclosure Side Agreement, any term of any Finance Document may only be amended or waived with the consent of the applicable Majority Lenders and the Borrower, as appropriate, and any such amendment or waiver will be binding on all Parties.

(b) The Facility Agent (acting at the direction of the applicable Majority Lenders) may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause 30.

30.2 Exceptions

(a) An amendment or waiver that has the effect of changing or which relates to:

(i) the definition of "Majority Lenders" in Clause 1.1 (*Definitions*);

(ii) an extension to the date of payment of any amount under the Finance Documents, other than in respect of any Grace Period or Remedy Period approved pursuant to and in accordance with the Sustainability Commitments Agreement;

(iii) a reduction in the amount of any payment of principal, interest, Debt Exchange Linked Conservation Fees or a reduction in any other amount payable under the Finance Documents, other than in respect of any amount of an Additional Conservation Payment which is reduced pursuant to and in accordance with the Sustainability Commitments Agreement;

(iv) the Interest Accrual Rate pursuant to Clause 37.1 (*Arbitration*);

(v) an increase in or an extension of any Commitment; or

(vi) Clause 2.3 (*Finance Parties' rights and obligations*), Clause 20.2 (*Assignments by Lenders*), Clause 24.5 (*Partial Payments*) or this Clause 30,

shall not be made without the prior consent of the applicable Majority Lenders.

(b) An amendment or waiver which relates to the rights or obligations of the Facility Agent shall not be made without the consent of the Facility Agent.

(c) An amendment or waiver of any term of this Agreement shall not be made without the prior written consent of DFC, *provided that* such consent shall not be required in connection with an amendment to correct manifest errors or that is of a minor or technical nature and does not change materially any terms of this Agreement, so long as prompt notice of such amendment is given to DFC, and such consent shall not be required if the PRI Policy has been terminated.

(d) An amendment or waiver of any term of this Agreement that adversely affects the rights or the obligations of IADB shall not be made without the prior written consent of IADB, *provided that* such consent shall not be unreasonably withheld and, unless denied, shall be deemed given by IADB after ten (10) Business Days of such consent being sought, and such consent shall not be required if the IADB Guarantee has been terminated.

31. CONFIDENTIALITY

31.1 Confidential Information

Each Party agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by Clause 31.2 (*Disclosure of Confidential Information*) and other than this Agreement in such form as is published on the website of the Ministry of Economy and Finance of the Republic of Ecuador, and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to its own confidential information; *provided that* (and notwithstanding anything contained herein to the contrary) the Facility Agent's standard of care and obligations with respect to Confidential Information will be met if it acts in accordance with applicable laws, regulations and all policies and procedures adopted by it in good faith to safeguard Confidential Information delivered to it.

31.2 Disclosure of Confidential Information

Any Finance Party may disclose:

(a) to any of its Affiliates and Related Funds and any of its or their officers, directors, employees, professional advisers, auditors, partners and Representatives such Confidential Information as that Finance Party shall consider appropriate if any person to whom the Confidential Information is to be given pursuant to this paragraph (a) is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;

(b) to any person:

(i) to (or through) whom it assigns or transfers (or may potentially assign or transfer) all or any of its rights and/or obligations under one or more Finance Documents or which succeeds (or which may potentially succeed) it as Facility Agent and, in each case, to any of that person's Affiliates, Related Funds, Representatives and professional advisers;

(ii) with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, any participation in relation to, or any other transaction under which payments are to be made or may be made by reference to, one or more Finance Documents and to any of that person's Affiliates, Related Funds, Representatives and professional advisers;

(iii) who is an actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations;

(iv) appointed by any Finance Party or by a person to whom paragraph (b)(i), (b)(ii) or (b)(iii) above applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf (including any person appointed under paragraph (b) of Clause 21.16 (*Relationship with the Lenders*));

(v) who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in paragraph (b)(i), (b)(ii) or (b)(iii) above;

(vi) to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;

(vii) to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes;

(viii) to whom or for whose benefit that Finance Party charges, assigns or otherwise creates Security (or may do so) pursuant to Clause 20.5 (*Certain pledges*);

(ix) who is a Party;

(x) with the consent of the Borrower; or

(xi) to each of DFC and IADB, taking into account the nature of DFC and IADB,

in each case, such Confidential Information as that Finance Party shall consider appropriate if:

(A) in relation to paragraphs (b)(i), (b)(ii), (b)(iii) and (b)(iv) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking except that there

shall be no requirement for a Confidentiality Undertaking if the recipient is a professional adviser and is subject to professional obligations to maintain the confidentiality of the Confidential Information;

(B) in relation to paragraph (b)(v) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking or is otherwise bound by requirements of confidentiality in relation to the Confidential Information they receive and is informed that some or all of such Confidential Information may be price-sensitive information;

(C) in relation to paragraphs (b)(vi), (b)(vii) and (b)(viii) above, the person to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of that Finance Party, it is not practicable so to do in the circumstances;

(c) to any person appointed by that Finance Party or by a person to whom paragraph (b)(i), (b)(ii) or (b)(iii) above applies to provide administration or settlement services in respect of one or more of the Finance Documents including in relation to the trading of participations in respect of the Finance Documents, such Confidential Information as may be required to be disclosed to enable such service provider to provide any of the services referred to in this paragraph (c) if the service provider to whom the Confidential Information is to be given has entered into a confidentiality agreement substantially in the form of a Confidentiality Undertaking or such other form of confidentiality undertaking agreed between the Borrower and the relevant Finance Party;

(d) to any rating agency (including its professional advisers) such Confidential Information as may be required to be disclosed to enable such rating agency to carry out its normal rating activities in relation to the Finance Documents and/or the Borrower if the rating agency to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information;

(e) a copy of this Agreement (including the schedules hereto) in any offering memorandum prepared in connection with the Galápagos Marine Conservation Linked Bonds;

(f) and make available in the public domain (including in the Republic) in such manner as that Party sees fit, in its sole discretion, such Confidential Information as that Party shall consider necessary or desirable including, without limitation, the role of that Party under a Finance Document, the purpose of the Facility, the amount of the Commitments, the Maturity Date and the identity of the Borrower;

(g) to the International Monetary Fund, the World Bank Group (including the International Bank for Reconstruction and Development, the International

Development Association, the International Finance Corporation and the Multilateral Investment Guarantee Agency, as relevant) or any other similar multilateral financing institution or international organization such Confidential Information as that Party shall consider necessary or desirable;

(h) to the Organisation for Economic Co-operation and Development as reporting host (or any replacement thereof) for the purposes of the Voluntary Debt Transparency Principles published by the Institute of International Finance on 10 June 2019 (as the same may be amended from time to time) such Confidential Information contemplated by those principles from time to time; and

(i) to any Sanctions Authority (or to any regulatory authority or similar body which has been given relevant authority by a Sanctions Authority) such Confidential Information as that Party shall consider necessary or desirable in order to obtain a license in relation to any Sanctions applicable to that Party's rights and obligations under any Finance Document.

Nothing in any Finance Document shall prevent disclosure of any Confidential Information or other matter to the extent that preventing that disclosure would otherwise cause any transaction contemplated by the Finance Documents or any transaction carried out in connection with any transaction contemplated by the Finance Documents to become an arrangement described in Part II A 1 of Annex IV of Directive 2011/16/EU.

31.3 **Inside information**

Each of the Finance Parties acknowledges that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and each of the Finance Parties undertakes not to use any Confidential Information for any unlawful purpose.

31.4 **Notification of disclosure**

Each of the Finance Parties agrees (to the extent permitted by law and regulation) to inform the Borrower:

(a) of the circumstances of any disclosure of Confidential Information made pursuant to paragraph (b)(vi) of Clause 31.2 (*Disclosure of Confidential Information*) except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function; and

(b) upon becoming aware that Confidential Information has been disclosed in breach of this Clause 31.

31.5 **Continuing obligations**

The obligations in this Clause 31 are continuing and, in particular, shall survive and remain binding on each Finance Party for a period of twelve (12) months from the earlier of:

(a) the date on which all amounts payable by the Borrower under or in connection with this Agreement have been paid in full and all Commitments have been cancelled or otherwise cease to be available; and

(b) the date on which such Finance Party otherwise ceases to be a Finance Party.

32. COUNTERPARTS

This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement. Delivery of an executed counterpart of a signature page in this Agreement by any form of electronic communication (such as email) shall be deemed to have the same legal effect as delivery of a manually signed original counterpart of this Agreement.

33. PATRIOT ACT

The Facility Agent and each Lender subject to the PATRIOT Act hereby notifies the Borrower that, pursuant to the requirements of the PATRIOT Act, it may be required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow the Facility Agent and such Lenders to identify the Borrower in accordance with the PATRIOT Act.

34. LIMITED RECOURSE AND NON-PETITION

34.1 Limited recourse

Notwithstanding the other provisions of this Agreement, a Party's recourse (if any) to GPS Blue under this Agreement (including, *inter alia*, with respect to any costs and expenses incurred by them hereunder) shall be limited to the funds (which funds may be limited to amounts raised through the Galápagos Marine Conservation Linked Bonds as set out in the terms of the Galápagos Marine Conservation Linked Bonds) available to GPS Blue for such purposes (excluding share capital and earnings representing corporate benefit) and to the extent such funds are insufficient, the claims of any Party (if any) in excess of such funds shall be extinguished. The Facility Agent's recourse (if any) may be further limited by agreement by it outside the terms of this Agreement and any such agreement shall not constitute an amendment or waiver for the purposes of this Clause 34. Each Party hereto (other than GPS Blue) hereby agrees that it shall not have any recourse against any director, shareholder or officer of GPS Blue in respect of this Agreement, it being understood that the obligations of GPS Blue under this Agreement are corporate obligations of GPS Blue only.

34.2 Non-petition

Notwithstanding the other provisions of this Agreement, each Party (other than GPS Blue) agrees that it will not, nor will it entice any other third party to do so, take or join in taking any corporate action or other steps or legal proceedings for the winding-up, dissolution, bankruptcy, examinership or reorganization or for the appointment of a receiver, examiner, administrator, administrative receiver, trustee, liquidator or similar officer of GPS Blue or of any or all of GPS Blue's revenues and assets.

34.3 **Security**

Each Party acknowledges and agrees that GPS Blue will create security in favor of the holders or trustee or representative of holders of obligations or securities comprised in the Galápagos Marine Conservation Linked Bonds over GPS Blue's rights, title and interests in relation to this Agreement pursuant to any trust deed, indenture, deed of charge or similar document relating to the Galápagos Marine Conservation Linked Bonds.

34.4 **Survival**

The provisions of this Clause 34 shall survive notwithstanding any termination of this Agreement or any Finance Document.

35. **THIRD PARTY BENEFICIARY**

This Agreement shall also inure to the benefit of DFC and IADB, each of which is hereby expressly declared to be a third-party beneficiary hereof *provided that* each of DFC's and IADB's rights as beneficiary shall be limited by reference to Clause 34 (*Limited Recourse and Non-Petition*) as if each of DFC and IADB were a party for such purposes.

SECTION 11
GOVERNING LAW AND DISPUTE RESOLUTION

36. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed within the State of New York without giving effect to conflict of laws provisions to the extent that the application of the laws of any other jurisdiction would be required thereby; except for Clause 37.1 (*Arbitration*) which shall be governed by English law, provided, the application of English law to Clause 37.1 (*Arbitration*) shall not be deemed to alter this Clause 36 and the arbitrators appointed pursuant to Clause 37.1 (*Arbitration*) shall apply New York law in interpreting every clause of this Agreement (other than Clause 37.1 (*Arbitration*)).

37. DISPUTE RESOLUTION

37.1 Arbitration

(a) Any dispute, controversy or claim as to the rights and obligations under this Agreement , including any dispute as to the existence, validity, interpretation, performance, breach, termination or consequences of the nullity of this Agreement (a "**Dispute**") shall not be referred to a court of any jurisdiction and shall instead be referred to and finally resolved by arbitration under the Rules of Arbitration of the International Chamber of Commerce ("**ICC Rules**") as modified by this Clause 37.1, which ICC Rules are deemed to be incorporated by reference into this Clause 37.1. Any Dispute shall be determined without regard to the terms, performance or non-performance of any other agreement. The provisions in the ICC Rules regarding an emergency arbitrator shall not apply. Capitalized terms used in this Clause 37.1 which are not otherwise defined in this Agreement shall have the meaning given to them in the ICC Rules. In particular:

(i) Without prejudice to Clause 39 (*Service of Process*), the parties' addresses for service of any documents in relation to any such arbitration (including any Request for arbitration) are as provided for in Clause 26.2 (*Addresses*).

(ii) At the same time as serving the Request for arbitration on the respondent(s), the claimant(s) in any such arbitration shall serve copies of that Request for arbitration on all Parties to this Agreement.

(iii) There shall be three (3) arbitrators.

(iv) Each arbitrator will be an English or New York qualified lawyer of at least fifteen (15) years' standing with experience as a lawyer in relation to international banking or capital markets disputes. At least one of those arbitrators shall be a lawyer qualified in New York.

(v) If there are two parties to the Dispute, each party shall be entitled to nominate one arbitrator. If there are multiple claimants and/or multiple

respondents, all claimants and/or all respondents shall attempt to agree upon their respective nomination(s) such that the claimants shall together be entitled to nominate one arbitrator and the respondents shall together be entitled to nominate one arbitrator. If any such party or multiple parties fail to nominate an arbitrator within thirty (30) days from and including the date of the relevant Request for arbitration, an arbitrator shall be appointed on their behalf by the International Court of Arbitration of the International Chamber of Commerce ("**ICC Court**") in accordance with the ICC Rules and applying the criteria at paragraph (a)(iv) of this Clause 37.1. In such circumstances, any existing nomination or confirmation of the arbitrator chosen by the party or parties on the other side of the proposed arbitration shall be unaffected, and the remaining arbitrator(s) shall be appointed in accordance with the ICC Rules.

(vi) The third arbitrator and president of the arbitral tribunal shall be appointed by the ICC Court in accordance with the ICC Rules and applying the criteria at paragraph (a)(iv) of this Clause 37.1.

(b) The seat, or legal place, of arbitration shall be London, England.

(c) The language to be used in the arbitration shall be English.

(d) The governing law of this Clause 37.1 shall be English law.

(e) The Parties agree, pursuant to Article 30(2)(b) of the ICC Rules, that disputes between the Parties arising under this Agreement are suitable for resolution under the Expedited Procedure Rules and that the Expedited Procedure Rules shall apply to any Dispute, irrespective of the amount in dispute, and in furtherance of the foregoing the Parties additionally expressly agree not to (x) contend it is inappropriate to apply, or (y) request that the ICC Court examine the appropriateness of or disapply, such Expedited Procedure Rules in any arbitration conducted pursuant to this Agreement, and hereby waive any right to do so.

(f) The Parties agree that any Finance Party may disclose any information related to a Dispute, including related to any arbitral award, to DFC.

(g) The prevailing party in any Dispute shall be entitled to, and the tribunal shall award, pre-award and post-award interest on any amounts awarded in an arbitration commenced under this Agreement (the "**Arbitral Award Amount**"). Such interest shall accrue, in the case of arbitrations commenced by a Finance Party (in the case of the Facility Agent, acting at the direction of Majority Lenders) from the date on which an acceleration notice pursuant to Clause 19.19 (*Acceleration*) has been delivered to the Borrower and, in the case of arbitrations commenced by the Borrower, from the date of the filing to commence an arbitration, in each case, at a rate per annum equal to nine percent (9%). Interest on the outstanding Arbitral Award Amount shall continue to accrue at a rate per annum equal to nine percent (9%) (the "**Interest Accrual Rate**") until such amounts are paid in dollars in cash in full by the award debtor. If the award creditor or any successor in interest elects to enforce the award in court,

including a court in the United States, the Parties agree that any judgment rendered on the award by the court shall bear post-judgment interest at the rate agreed by the Parties under the formula above for awards rendered by the tribunal in lieu of any other post- judgment interest rate, including the post-judgment interest rate under 28 U.S.C. § 1961 until the award is fully paid in dollars.

(h) The Parties agree that the Interest Accrual Rate shall also apply for so long as no arbitration has been commenced pursuant to this Clause 37.1 from the date on which an acceleration notice pursuant to Clause 19.19 (*Acceleration*) has been delivered to the Borrower until the date on which the Borrower discharges its obligations under this Agreement in full.

(i) Any award of the tribunal shall be binding from the day it is made, and the Parties waive any right of application to determine a preliminary point of law or appeal on a point of law under Sections 45 and 69 of the Arbitration Act 1996. Judgement on the award rendered by the tribunal may be entered in any court having jurisdiction thereof.

(j) Notwithstanding paragraph (g) of this Clause 37.1 in respect of any arbitration commenced against the Facility Agent pursuant to this Clause 37.1, the prevailing party in any Dispute shall not be entitled to any pre-award or post-award interest on any Arbitral Award Amount payable by the Facility Agent.

(k) Article 10 of the ICC Rules shall not apply, and the Parties will not otherwise seek to consolidate an arbitration commenced under this arbitration agreement with any other proceedings.

38. IMMUNITY

38.1 Scope of immunity

(a) The execution and delivery of this Agreement by the Borrower constitutes, and the Borrower's performance of and compliance with its obligations will constitute, acts of commercial public credit as provided under the laws of Ecuador. To the extent permitted by law, the Borrower irrevocably and unconditionally agrees that:

(i) the Borrower submits to the jurisdiction of any Ecuadorian court and to any legal process in the Ecuadorian courts (other than attachment proceedings prior to recognition or enforcement of an arbitral award), in connection with the enforcement of an arbitral award obtained in accordance with Clause 37.1 (*Arbitration)*, except with respect to the Immune Property, which will be entitled to immunity from enforcement in accordance with mandatory provisions of the laws of Ecuador;

(ii) the Borrower submits to the jurisdiction of any court outside Ecuador and to any legal process, orders or other measures in courts outside Ecuador, whether through service or notice, attachment in aid of execution, execution against property of any sort, actions in rem or the grant of injunctions or specific performance, in connection with the

enforcement of an arbitral award obtained in accordance with Clause 37.1 (*Arbitration)*, except with respect to the Immune Property, which will be immune to the fullest extent;

(iii) the Borrower undertakes not to invoke any defense on the basis of any kind of immunity, for itself and/or its assets which do not constitute Immune Property in respect of any of the foregoing legal actions or proceedings; and

(iv) the Borrower submits to the jurisdiction of the English courts in connection with any proceedings invoking the supervisory jurisdiction of those courts in relation to an arbitration conducted pursuant to Clause 37.1 (*Arbitration*).

(b) The levy of execution on assets the Borrower within the territory of Ecuador will be carried out in accordance with and under the laws of Ecuador.

(c) The Borrower irrevocably waives, to the fullest extent permitted by law, any requirement or provision of law that requires the posting of a bond or other security as a condition to the institution, prosecution or completion of any action or proceeding.

(d) For the avoidance of doubt, the liabilities of the Borrower under this Agreement are liabilities of Ecuador and the Borrower undertakes not to invoke any defense to recovery based on a claim that only assets of, or under the control of, the Ministry of Economy and Finance of Ecuador, can be utilized to satisfy claims against the Borrower.

(e) The provisions of this Clause 38.1 have been negotiated and agreed solely with respect to the transactions described in this Agreement. In no event shall the definition or scope of Immune Property described in this Agreement be relied upon, utilized, admitted as evidence in any proceeding or construed by any third party (including any court, arbitrator or arbitral tribunal) to interpret any analogous provisions of any other agreement or instrument unrelated to the transactions contemplated in this Agreement or relating to any other indebtedness of the Borrower.

39. SERVICE OF PROCESS

(a) Without prejudice to any other mode of service allowed by law, the Borrower:

(i) hereby appoints the Ecuadorian Ambassador to the Court of St James's at the Embassy of Ecuador in London which is situated at 3B, 3 Hans Crescent, London SW1X 0LS, as its agent for the purpose of proceedings before the English courts; and the Ecuadorian Consul at the Consulate of Ecuador in the City of New York, State of New York, United States of America, which is situated at 800 2nd Ave, Floor 2, New York, NY 10017, United States of America, as its agent for the purpose of proceedings before the New York courts (each individually, an "**Interim Process Agent**"); and

(ii) will, no later than one hundred eighty (180) days after the Settlement Date, irrevocably appoint each of Law Debenture Corporate Services Limited, the registered office of which is situated at 8th Floor, 100 Bishopsgate, London, United Kingdom, EC2N 4AG, as its agent for the purpose of proceedings before the English courts; and Law Debenture Corporate Services Limited, the registered office of which is situated at 801 2nd Ave Suite 403, New York, NY 10017, United States of America, as its agent for the purpose of proceedings before the New York courts (each individually, a "**Permanent Process Agent**") to replace the Interim Process Agent,

in each case, any process in relation to any proceedings in relation to any arbitration contemplated by Clause 37.1 (*Arbitration*) or in relation to the recognition or enforcement of any arbitral award obtained in accordance with that Clause may be served on the Borrower by service on its agents in the jurisdiction of the relevant proceedings.

(b) Each Permanent Process Agent will replace the applicable Interim Process Agent on the date that the Facility Agent notifies the Borrower in writing that the Lenders have received the evidence of such appointment specified in paragraph (f) below.

(c) If any person appointed as an Interim Process Agent or a Permanent Process Agent under this Clause 39 is unable for any reason so to act, the Borrower must immediately (and in any event within thirty (30) days of the event taking place) appoint another agent (a "**Replacement Agent**") on terms acceptable to the Lenders.

(d) If the Borrower fails to appoint a Permanent Process Agent in accordance with paragraph (a) above or fails to appoint a Replacement Agent in accordance with paragraph (c) above, the Facility Agent may (acting at the direction of the Majority Lenders) appoint another process agent for this purpose, *provided that* the Facility Agent's right to do so will not prejudice the Borrower's continuing obligation to appoint a Permanent Process Agent or Replacement Agent, as applicable, or any rights of the Finance Parties in connection with any Default that arises as a result of such failure.

(e) The Borrower agrees that failure by an Interim Process Agent or, as applicable, a Permanent Process Agent or Replacement Agent, to notify the Borrower of the process will not invalidate the proceedings concerned.

(f) The Borrower shall provide the Facility Agent with evidence that each Permanent Process Agent has accepted its appointment as a Permanent Process Agent and an acknowledgement of such acceptance from such Permanent Process Agent. If a Replacement Agent is appointed pursuant to paragraph (c) above, the Borrower shall provide to the Facility Agent evidence that such Replacement Agent has accepted its appointment as an Interim Process Agent or Permanent Process Agent, as applicable, and an acknowledgement of such acceptance from such Replacement Agent. Upon receipt of any such evidence referred to in this paragraph (f), the Facility Agent shall forward such evidence to the Lenders.

40. **ENTIRE AGREEMENT**

This Agreement constitutes the entire agreement and understanding of the Parties with respect to its subject matter. Each of the Parties acknowledges that in entering into this Agreement it has not relied on any oral or written representation, warranty or other assurance (except as provided for or referred to in this Agreement) and waives all rights and remedies which might otherwise be available to it in respect thereof, except that nothing in this Agreement will limit or exclude any liability of a Party for fraud.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1
CONDITIONS PRECEDENT

Conditions Precedent to Utilization

1. **Finance Documents/the Borrower**

(a) The Finance Documents have been duly executed and delivered by all parties thereto and have become fully effective.

(b) A closing certificate of the Borrower has been delivered to the Facility Agent and the Original Lender, which:

(i) confirms that the representations, warranties and covenants of the Borrower set out in this Agreement are true and correct in all material respects, and that there are no existing or ongoing events that would constitute an Event of Default under this Agreement, on and as of the date of the Utilization Request and the Settlement Date;

(ii) appends the authorization of the Debt and Finance Committee of Ecuador, authorizing the entry by the Borrower into this Agreement and the Exchange and Settlement Agreement, the Utilization under this Agreement in an amount which is equal to or greater than the amount specified in the Utilization Request, and any other related documents, and the performance by the Borrower of its obligations thereunder;

(iii) if and to the extent any such authorizations and consents apply, confirms that all other authorizations and consents necessary under the laws of Ecuador to authorize the entry by the Borrower into the Finance Documents to which it is a party and the performance by the Borrower of its obligations thereunder have been obtained, and appends any such further authorizations and consents;

(iv) appends the official communication (*Oficio*) from the Attorney General of the Republic (*Procuraduría General del Estado*) authorizing the Borrower to agree to the foreign law and international arbitration clauses contained in this Agreement, the Exchange and Settlement Agreement and the Disclosure Side Agreement;

(v) appends the official communication (*Oficio*) from the Attorney General of the Republic (*Procuraduría General del Estado*) authorizing the Relevant Ministries to agree to the foreign law and international arbitration clause under the Sustainability Commitments Agreement;

(vi) appends the approval of the Minister of Economy and Finance of Ecuador or the General Legal Coordinator (*Coordinador General Jurídico*) of the Ministry of Economy and Finance of Ecuador, as delegated by the Minister of Economy and Finance of Ecuador, authorizing the Borrower to agree to the international arbitration clause contained in this Agreement, the Exchange and Settlement Agreement and the Disclosure Side Agreement;

(vii) if applicable, appends a ministerial document ratifying the delegation of the Undersecretary of Public Finance (*Subsecretario de Financiamiento Público*);

(viii) if applicable, appends a certificate or document issued by the Ministry of Economy and Finance of Ecuador, acting for and on behalf of the Republic, evidencing the delegation to the Undersecretary of Public Finance (*Subsecretario de Financiamiento Público*);

(ix) if applicable, appends a ministerial document confirming the scope of responsibilities of the General Legal Coordinator (*Coordinador General Jurídico*) of the Ministry of Economy and Finance of Ecuador, acting for and on behalf of the Republic;

(x) if applicable, appends a ministerial document confirming the scope of responsibilities of the General Legal Coordinator (*Coordinador General Jurídico*) of the Ministry of Environment, Water and Ecological Transition, acting for and on behalf of the Republic;

(xi) if applicable, appends a ministerial document confirming the scope of responsibilities of the General Legal Coordinator (*Coordinador General Jurídico*) of the Ministry of Production, Foreign Trade, Investments and Fisheries, acting for and on behalf of the Republic; and

(xii) if applicable, appends a ministerial document confirming the scope of responsibilities of the Undersecretary of Public Finance (*Subsecretario de Financiamiento Público*) in the Ministry of Economy and Finance, acting for and on behalf of the Republic.

(c) If applicable, a certificate signed by the Minister of Economy and Finance of Ecuador authorizing the relevant signatory to execute the Finance Documents (other than, for the avoidance of doubt, the Sustainability Commitments Agreement) to which the Borrower is a party on the Borrower's behalf.

(d) If applicable, a certificate signed by the Minister of Environment, Water and Ecological Transition of Ecuador authorizing the relevant signatory to execute the Sustainability Commitments Agreement on behalf of the Ministry of Environment, Water and Ecological Transition acting for and on behalf of the Republic.

(e) If applicable, a certificate signed by the Minister of Production, Foreign Trade, Investments and Fisheries of Ecuador authorizing the relevant signatory to execute the Sustainability Commitments Agreement on behalf of the Ministry of Production, Foreign Trade, Investments and Fisheries acting for and on behalf of the Republic.

2. **IADB and DFC**

(a) A secretary's certificate from IADB evidencing that the IADB board has approved the issuance of, and entrance by IADB into, the IADB Guarantee.

(b) Reasonable evidence that the DFC board has approved the issuance of, and entrance by DFC into, the PRI Policy.

(c) Reasonable evidence that the IADB Guarantee has been duly executed and is in full force and effect, and any conditions to effectiveness have been or will be satisfied, as of the Settlement Date.

(d) Reasonable evidence that the PRI Policy has been duly executed and is in full force and effect, and any conditions to effectiveness have been or will be satisfied, as of the Settlement Date.

3. **Legal opinions**

The following legal opinions in a form and substance satisfactory to the Facility Agent (acting at the direction of the Original Lender):

(a) A New York law legal opinion of Clifford Chance US LLP, international counsel to the Finance Parties, in respect of, *inter alia*, the enforceability of this Agreement and the PRI Policy, and substantially in the form distributed to the Original Lender prior to signing this Agreement.

(b) A New York law legal opinion of Dentons US LLP, international counsel to the Borrower, in respect of, *inter alia*, the enforceability of this Agreement, and substantially in the form distributed to the Original Lender prior to signing this Agreement.

(c) A New York law legal opinion of Norton Rose Fulbright US LLP, counsel to IADB, in respect of, *inter alia*, the enforceability of the IADB Guarantee, and substantially in the form distributed to the Original Lender prior to signing this Agreement.

(d) An Ecuadorian law legal opinion of Bustamante Fabara, local counsel to the Finance Parties substantially in the form distributed to the Original Lender prior to signing this Agreement.

(e) A legal opinion of the General Legal Coordinator (*Coordinador General Jurídico*) of the Ministry of Economy and Finance of the Republic, acting for and on behalf of the Republic, in the form distributed to the Original Lender prior to signing this Agreement.

(f) A legal opinion of the General Legal Coordinator (*Coordinador General Jurídico*) of the Ministry of Environment, Water and Ecological Transition of Ecuador, acting for and on behalf of the Republic, on the Sustainability Commitments Agreement in the form distributed to the Original Lender prior to signing this Agreement.

(g) A legal opinion of the General Legal Coordinator (*Coordinador General Jurídico*) of the Ministry of Production, Foreign Trade, Investments and Fisheries of Ecuador, acting for and on behalf of the Republic, on the Sustainability Commitments Agreement in the form distributed to the Original Lender prior to signing this Agreement.

4. **Other documents and evidence**

(a) The Foreign Enterprise Support Agreement is in agreed form between the parties thereto.

(b) Evidence that the Relevant Tendered Debt has been tendered.

(c) The Borrower has provided the Ecuador Disclosure for inclusion, together with this Agreement and the Sustainability Commitments Agreement, in the offering document for the Galápagos Marine Conservation Linked Bonds.

(d) The Borrower participating in due diligence as necessary to the satisfaction of the Original Lender and DFC.

(e) Evidence that this Agreement has been registered with the Public Debt Registry of the Ministry of Economy and Finance of Ecuador.

(f) Evidence that any Interim Process Agent referred to in Clause 39 (*Service of process*) has accepted its appointment.

(g) A copy of any other Authorization or other document, opinion or assurance which the Facility Agent (acting at the direction of the Original Lender) considers to be necessary (if it has notified the Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by any Finance Document to which the Borrower is a party or for the validity and enforceability of any such Finance Document.

(h) Evidence that the Borrower has paid the Upfront Payment.

SCHEDULE 2
UTILIZATION REQUEST

From: The Ministry of Economy and Finance acting for and on behalf of the Republic of Ecuador

To: The Bank of New York Mellon as Facility Agent

cc: GPS Blue Financing Designated Activity Company as Original Lender

Dated: [ ]

Dear Sirs

Re: Facility Agreement dated 25 April 2023 by and among the Ministry of Economy and Finance acting for and on behalf of the Republic of Ecuador (as Borrower), The Bank of New York Mellon (as Facility Agent), and GPS Blue Financing Designated Activity Company (as Original Lender) (the "Agreement")

1. We refer to the Agreement and the pricing notification dated [ ] provided pursuant to and in accordance with the Exchange and Settlement Agreement (the "**Pricing Notification**"). This is a Utilization Request. Terms defined in the Agreement and the Exchange and Settlement Agreement have the same meaning in this Utilization Request unless given a different meaning in this Utilization Request.

2. A copy of the Pricing Notification, signed by the Pricing Agent and acknowledged and agreed on behalf of the Original Lender and the Borrower, is attached in the Annex to this Utilization Request.

3. We wish to borrow the Loan on the following terms:

Settlement Date:	The date specified as the Settlement Date in the Pricing Notification.
Currency of Loan:	US Dollars
Amount:	The amount specified as the initial Commitment of the Original Lender in the Pricing Notification.
Interest Payment Dates:	The dates specified as the Interest Payment Dates in the Pricing Notification, other than the First Interest Payment Date as specified in the Pricing Notification.
Fixed Rate:	The rate specified as the Fixed Rate in the Pricing Notification.

4. We confirm that each condition specified in Clause 4.1 (*Initial conditions precedent*) and Clause 4.2 (*Further conditions precedent*) of the Agreement is satisfied on the date of this Utilization Request.

5. We confirm that the settlement of the Loan shall occur in accordance with the terms of the Exchange and Settlement Agreement.

6. This Utilization Request is irrevocable.

Yours faithfully

……
authorized signatory for

The Ministry of Economy and Finance

acting for and on behalf of the Republic of Ecuador

ANNEX

[*Pricing Notification signed by all parties thereto to be attached*]

SCHEDULE 3
FORM OF ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the "**Assignment and Assumption**") is dated as of the Effective Date set forth below and is entered into by and between the Assignor identified in item 1 below (the "**Assignor**") and the Assignee identified in item 2 below (the "**Assignee**"). Capitalized terms used but not defined herein shall have the meanings given to them in the Facility Agreement identified below (as amended, the "**Facility Agreement**"), receipt of a copy of which is hereby acknowledged by [the][each] Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto (the "**Standard Terms and Conditions**") are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Facility Agreement, as of the Effective Date below (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Facility Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any person, whether known or unknown, arising under or in connection with the Facility Agreement, any other documents or instruments delivered pursuant thereto or the Loan governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by the Assignor to the Assignee pursuant to clauses (i) and (ii) above being referred to herein collectively as the "**Assigned Interest**"). Each such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: _____

   _____

2. Assignee:

   _____

   _____

3. Borrower: The Ministry of Economy and Finance acting for and on behalf of the Republic of Ecuador

4. Facility Agent: The Bank of New York Mellon, as the Facility Agent under the Facility Agreement

5. Facility Agreement: The Facility Agreement dated as of 25 April 2023 by and among the Ministry of Economy and Finance acting for and on behalf of the Republic of Ecuador (as Borrower), The Bank of New York Mellon (as Facility Agent), and GPS Blue Financing Designated Activity Company (as Original Lender).

6. Assigned Interest:

Assignor	Assignee	Amount of Commitment in the Loan Assigned
[ ]	[ ]	USD[ ]

Effective Date: _____ ___, 20___ [*TO BE INSERTED BY FACILITY AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR*]

The terms set forth in this Assignment and Assumption are hereby agreed to:

[*NAME OF ASSIGNOR*], as Assignor

By:_____
Title:

ASSIGNEE
[*NAME OF ASSIGNEE*], as Assignee

By:_____
Title:

Acknowledged and Accepted:

THE BANK OF NEW YORK MELLON, as Facility Agent

By: _____
Title:

ANNEX 1

STANDARD TERMS AND CONDITIONS FOR ASSIGNMENT AND ASSUMPTION

REPRESENTATIONS AND WARRANTIES.

1.1 **Assignor**

(i) The Assignor represents and warrants that:

(A) it is the legal and beneficial owner of the Assigned Interest;

(B) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim;

(C) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and

(D) (i) this Assignment and Assumption and related documents comply with the terms of the Facility Agreement, (ii) all covenants and conditions precedent under the Facility Agreement for the effectiveness of this Assignment and Assumption have been complied with and (iii) this Assignment and Assumption is authorized or permitted by the Finance Documents.

(ii) The Assignor assumes no responsibility with respect to:

(A) any statements, warranties or representations made in or in connection with the Facility Agreement or any other Finance Document;

(B) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Finance Documents;

(C) the financial condition of the Borrower, in respect of any Finance Document; or

(D) the performance or observance by the Borrower, of any of its obligations under any Finance Document.

1.2 **Assignee**

(i) The Assignee represents and warrants that:

(A) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Facility Agreement;

(B) from and after the Effective Date, it shall be bound by the provisions of the Facility Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder;

(C) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type;

(D) it has received a copy of the Facility Agreement and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest; and

(E) it has, independently and without reliance upon the Facility Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest.

(ii) The Assignee agrees that:

(A) it will, independently and without reliance on the Facility Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Finance Documents; and

(B) it will perform in accordance with their terms all of the obligations which by the terms of the Finance Documents are required to be performed by it as a Lender.

1.3 **Payments**

(i) From and after the Effective Date, the Facility Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to, on or after the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Facility Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

(ii) Notwithstanding the foregoing, the Facility Agent shall make all payments of interest, fees or other amounts paid from and after the Effective Date to the Assignee.

1.4 **General Provisions**

(i) This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns.

(ii) This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy or electronic mail shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption.

(iii) This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

SCHEDULE 4
SUSTAINABILITY COMMITMENTS[1]

No.	Description of Sustainability Commitment	Deadline for Compliance	Relevant Ministry
1	The Republic commits to maintain the 60,000 square kilometers named the *Reserva Marina Hermandad* (the "**Hermandad Marine Reserve**" or "**HMR**") and declared a protected area in Ministerial Agreement MAATE-2022-019 based on the provisions of the Presidential Decree No. 319 of January 14, 2022 (the "**Decree**"). HMR is situated in the north-eastern section of the exclusive economic zone (the "**EEZ**") surrounding the Galápagos. HMR consists of two zones: (1) No Take Zone and (2) Responsible Fishing Zone (each, as defined in the Decree). The No Take Zone is composed of 30,000 square kilometers in which all extractive activities (including those of longline vessels) are prohibited. The Responsible Fishing Zone is composed of 30,000 square kilometers in which the use of longline fishing gear will be prohibited and in which other fishing activities will be regulated in accordance with the laws and regulations of the Republic and the Management Plan (as defined below).	the Settlement Date.	The Ministry of Environment, Water and Ecological Transition
2	The Republic commits to fully implement Vessel Monitoring Systems ("**VMS**") on all tuna purse-seine vessels within the Republic's industrial fleet, in accordance with the technical standards set forth by the Ministry of National Defense acting through the National Division on Aquatic Spaces (the "**Maritime Authority**") and applied according to the description in the Fisheries and Aquaculture Law, Art. 7, along with observer coverage of one hundred percent (100%) of the fishing trips of at least seventy percent (70%) of authorized purse-seine vessels per year.	December 31, 2024	Ministry of Production, Foreign Trade, Investments and Fisheries
3	The Republic commits to fully implement VMS on the Republic's industrial long-line fleet authorized to fish in the EEZ surrounding the Galápagos Islands.	December 31, 2024	Ministry of Production, Foreign Trade, Investments and Fisheries
4	Contingent on funding, the Republic commits to fully implement and maintain observer coverage on at least twenty percent (20%) of vessels of twenty-three (23) or more meters in length within the industrial long-line fleet authorized to fish and have activity within the EEZ surrounding the Galápagos Islands.	December 31, 2025	Ministry of Production, Foreign Trade, Investments and Fisheries
5	After implementing at least twenty percent (20%) of observer coverage on the industrial long-line fleet authorized to fish and have activity within in the EEZ surrounding the Galápagos Islands, in accordance with Sustainability Commitment 4	December 31, 2037	Ministry of Production, Foreign Trade, Investments and Fisheries

[1] This Schedule replicates, as at the date of this Agreement only, the equivalent columns in Schedule 1 (*Sustainability Commitments*) of the Sustainability Commitments Agreement and, for the avoidance of doubt, does not reflect any applicable Grace Period or Remedy Period.

No.	Description of Sustainability Commitment	Deadline for Compliance	Relevant Ministry
	above, the Republic commits to develop and install electronic monitoring equipment.		
6	The Republic commits to limit the number of drifting Fish Aggregation Devices (the "**FAD**") per purse-seine vessel under the following scheme: 2023: Class 6 (1,200 m^3 and larger): 340 FAD Class 6 (< 1,200 m^3): 255 FAD Classes 4-5: 105 FAD Classes 1-3: 64 FAD 2024: Class 6 (1,200 m^3 and larger): 340 FAD Class 6 (< 1,200 m^3): 210 FAD Classes 4-5: 85 FAD Classes 1-3: 50 FAD Values apply to activities in the region where the industrial purse-seine fleet operates, and are not exclusive to the HMR. For 2025 onwards, the number of FADs to be specified (if any) for each class of vessel will be determined by the Inter-American Tropical Tuna Commission ("**IATTC**").	December 31, 2023 December 31, 2024	Ministry of Production, Foreign Trade, Investments and Fisheries
7	The Republic commits to the appointment of its board of directors representative, to be appointed by the Ministry of Environment, Water and Ecological Transition, in GLF, which will finance part of the conservation efforts of the HMR.	within six (6) months from the Settlement Date.	The Ministry of Environment, Water and Ecological Transition
8	The Republic commits to formalize and publicly disseminate (including by way of publication in the official gazette) the management plan (the "**Management Plan**") for the HMR, which, at a minimum, defines the strategies and programs to be developed in the HMR, in order to achieve the objectives and results proposed in the Management Plan.	within six (6) months from the Settlement Date.	The Ministry of Environment, Water and Ecological Transition
9	The Republic commits to conduct a five (5)-year mid-term evaluation of the Management Plan to determine the level of implementation of the HMR and the Management Plan. The Republic commits to provide to the Project Manager a copy of the results of the evaluation above.	June 30, 2028	The Ministry of Environment, Water and Ecological Transition

No.	Description of Sustainability Commitment	Deadline for Compliance	Relevant Ministry
10	The Republic commits to develop and maintain a participatory management mechanism for the management of the HMR and the implementation of the Management Plan that is inclusive of all relevant stakeholders. The Republic commits to provide to the Original Lender, the Project Manager and the Verification Agent information to evidence the development and maintenance of the above and the results of the above participatory management mechanism in updates to the Management Plan.	within one (1) year and six (6) months from the Settlement Date.	The Ministry of Environment, Water and Ecological Transition
11	The Republic commits to develop, maintain and update as needed a protocol for oceanographic and climatological monitoring of the HMR in accordance with the Management Plan. The Republic commits to provide to the Original Lender, the Project Manager and the Verification Agent information to evidence the development, implementation, maintenance and updating of the above.	within two (2) years from the Settlement Date.	The Ministry of Environment, Water and Ecological Transition
12	The Republic commits to develop a research plan or agenda for the HMR in collaboration with public and private participants of HMR.	within two (2) years from the Settlement Date.	The Ministry of Environment, Water and Ecological Transition
13	The Republic commits to identify and prioritize, in accordance with internal mechanisms, technological alternatives and sustainable fishing practices for the HMR.	within four (4) years from the Settlement Date.	The Ministry of Environment, Water and Ecological Transition
14	The Republic commits to develop three (3) scientific and technical studies according to research priorities and to implement at least one (1) fisheries management measure in the HMR in accordance with the Management Plan.	within four (4) years from the Settlement Date.	The Ministry of Environment, Water and Ecological Transition
15	The Republic commits to put in place at least two (2) pilot initiatives on sustainable fishing technology alternatives/practices.	within five (5) years from the Settlement Date.	The Ministry of Environment, Water and Ecological Transition
16	The Republic commits to promote the inclusion of the HMR as a core zone of the Galápagos Biosphere Marine Reserve.	within eight (8) years from the Settlement Date.	The Ministry of Environment, Water and Ecological Transition
17	The Republic commits to collaborate with GLF on studies funded by GLF to assess the effectiveness of the design and enforcement of bycatch related laws and regulations, in order to make joint recommendations that would help reduce the bycatch of marine species listed in the Convention on International Trade in Endangered Species of Wild Fauna and Flora Appendices.	December 31, 2024	Ministry of Production, Foreign Trade, Investments and Fisheries
18	From January 1, 2025, and until January 1, 2035, but with a two (2)-year time lag, the Republic commits to report in coordination with the industrial fishing fleet the information available to the Republic from the list below, regarding fishing activities of any vessels with electronic monitoring or observers and operating inside the insular EEZ surrounding the Galápagos, to scientific experts jointly designated and appointed by the Ministry of Production, Foreign Trade, Investments and Fisheries and the Verification Agent. Such information will be delivered under appropriate non-disclosure	January 1, 2025	Ministry of Production, Foreign Trade, Investments and Fisheries

No.	Description of Sustainability Commitment	Deadline for Compliance	Relevant Ministry
	agreements and/or other tools to guarantee the protection of the data: *Fishing Trip ID* *Fishing Set ID* *IATTC TRIP ID (if applicable)* *IATTC Fishing Set IF (if applicable)* *Vessel Type (TypVessID)* *Vessel Name (Vessel, Name)* *Length of Vessel's (LMLongitud (mn))* *Storage Size* *Departure Date (DepartureDate)* *Landing Date (ArrivalDate)* *Port of Departure* *Port of Arrival* *Port of Call* *Observer Type (Virtual or Physical)* *Observer ID (ObserverID)* *Fishing Set Date (Date of Fishing Set)* *Fishing Set Throw Time* *Fishing Set End Time* *Water Temperature* *Fishing Set Number During Trip* *Latitude Fishing Set (MejorLat)* *Longitude Fishing Set (MejorLon)* *For Longliners: Number and Type of Hooks* *For Purse Seiners: Type of Fishing Set (Floating Object, FAD, Over Dolphins)* *For Purse Seiners:* *Vectors for each of the species caught on the fishing set (BET, YFT, SKJ, ALB, BZX, FRZ, PBF, ETC) and metric tons of each of the species per fishing set.*		

No.	Description of Sustainability Commitment	Deadline for Compliance	Relevant Ministry
	Vectors for other species caught on each fishing set (DOR, WAH, PIC, FAL, TIB, RAY, etc.) and metric tons per species caught on each set. *In the case of protected species (Sea Turtles, Birds, Sharks, and Cetaceans if returned to the ocean dead or alive).* *For Longliners:* *Vectors for each of the target species (BET, YFT, SKJ, ALB, BZX, FRZ, PBF, DOR, ETC) defining weight and number caught.* *Vectors for other marine species caught on each fishing set (WAH, PIC, FAL, TIB, RAY, TORTUGAS, AVES etc.) defining weight and number caught.* *In the case of protected species (Sea Turtles, Birds, Sharks, and Cetaceans) if returned to the ocean dead or alive.*		

SCHEDULE 5
FORM OF ACCELERATION NOTICE

To: The Ministry of Economy and Finance acting for and on behalf of the Republic of Ecuador as Borrower

From: The Bank of New York Mellon as Facility Agent

Cc: [*the Lenders*]

Inter-American Development Bank

U.S. International Development Finance Corporation

Dated: [ ]

Re: Facility Agreement dated 25 April 2023 by and among the Ministry of Economy and Finance acting for and on behalf of the Republic of Ecuador (as Borrower), The Bank of New York Mellon (as Facility Agent), and GPS Blue Financing Designated Activity Company (as Original Lender) (the "Agreement")

1. We refer to the Agreement. This is a notice of acceleration delivered pursuant to Clause 19.19 (*Acceleration*) of the Agreement. Terms used but not defined in this notice shall have the meaning given to them in the Agreement.

2. We hereby notify you that, in connection with the occurrence and continuation of an Event of Default under Clause [ ], with immediate effect, we declare that [all/part] of the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents in respect of the Loan be immediately due and payable, whereupon they shall [become immediately due and payable/ be payable on demand by the Facility Agent].

Yours faithfully

……
authorized signatory for
The Bank of New York Mellon

SCHEDULE 6
QUITO PUBLIC HOLIDAYS

Only Ecuador national and Quito mandatory holidays for public servants pursuant to the Fourth General Provision of the *Ley Orgánica de Servicio Público* (LOSEP) as amended by the amendment law published on Official Register Supplement of December 20, 2016, or as established by Presidential Decree of the President of Ecuador in each calendar year to be observed in Quito, will be considered "**Quito Public Holidays**".

The following is a list of Quito Public Holidays in 2023:

Quito Public Holiday	Date
New Year's Day (1)	January 1 (moved in 2023 to January 2)
Carnival Monday and Tuesday (1) (2)	February 20 February 21
Holy Friday (2)	April 7
Labor Day	May 1
Battle of Pichincha Day	May 24 (moved in 2023 to May 26)
Independence Day	August 10 (moved in 2023 to August 11)
Guayaquil Independence Day	October 9
Day of the Departed (3)	November 2
Cuenca Independence Day (3)	November 3
Quito Establishment Day	December 6 (moved in 2023 to December 5)
Christmas Day (1)	December 25

For each subsequent calendar year, each day listed as Quito Public Holiday in the table above will fall on the same date listed in the table above opposite that Quito Public Holiday except:

(a) for a Quito Public Holiday that falls on Saturday, the holiday will be observed the previous Friday, and if it falls on Sunday it will be observed the following Monday;

(b) for a Quito Public Holiday other than those marked (1) that falls on a Tuesday, it will be observed the previous Monday, and if it falls on Wednesday or Thursday, it will be moved to the following Friday, except when Quito Public Holidays are continuous as those marked (3), in which case special rules apply to ensure they remain continuous;

(c) for a Quito Public Holiday marked (2):

(i) Carnival Monday and Tuesday will fall on February 20 and February 21, 2023, February 12 and February 13, 2024, and March 3 and March 4, 2025;

(ii) Holy Friday will fall on April 7, 2023, March 29, 2024 and April 18, 2025;

provided that no more than two consecutive weekdays will be treated as days which are not Quito Business Days.

SCHEDULE 7
ECUADOR DISCLOSURE

SCHEDULE
THE REPUBLIC OF ECUADOR DISCLOSURE

CONVENTIONS

Unless otherwise specified or unless the context requires so, "**dollars**", "**U.S. dollars**" and "**U.S.$**" refer to United States dollars.

All references herein to "**Ecuador**", the "**Republic**" or the "**State**" are to the Republic of Ecuador.

All references herein to the "**Government**" are to the central Government of Ecuador (including national Governmental agencies and subdivisions and excluding financial and non-financial public sector institutions, State-owned banks and the Central Bank of Ecuador (the "**Central Bank**")).

The fiscal year of the Government ends on December 31. Unless otherwise indicated, all annual information is based upon a January 1 to December 31 calendar year, and all figures for 2022 and 2023 are preliminary, and figures from previous years may also be revised in the future. Certain monetary amounts included in this Schedule have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Unless otherwise indicated: (1) all annual rates of growth are average annual rates using current or nominal numbers; (2) all rates of growth or percentage changes in financial data are based upon such data expressed in constant prices (i.e., prices as adjusted for inflation); and (3) all financial data is presented in current nominal prices.

The terms set forth below have the following meanings for the purposes of this Schedule:

- "**Gross Domestic Product**", or "**GDP**", means the total value of final products and services produced in the Republic during the relevant period, using nominal prices. "**Real GDP**" instead measures GDP based on constant prices using 2007 as the base year. In 2010, the Republic conducted a periodic rebasing of its real GDP calculations updating the base year of those calculations from 1975 to 2007. These results were published in April 2011. One effect from this re-basing is the reduction of the historical volatility of GDP growth and a decrease in the debt-to-GDP ratio when compared to the same statistics but based on 1975 prices. The Central Bank is currently working on a new rebasing of real GDP, from 2007 to a mobile base.

- Unless otherwise specified, imports and exports are calculated based upon free on board, or "**FOB**", values and includes recorded trade by the National Customs Service of Ecuador.

- "**Rate of inflation**" or "**inflation rate**" is measured by the percentage change between two periods in the consumer price index, or "**CPI**". The CPI is an index that comprises a basket of goods and services that reflects the pattern of consumption in Quito and major urban areas of Ecuador including: Guayaquil; Cuenca; Manta; Ambato; and Machala. CPI is calculated on a monthly basis by the *Instituto Nacional de Estadisticas de Censos* (the National Institute of Statistics and Census, "**INEC**"), based on surveys conducted by the INEC.

- Foreign direct investment ("**FDI**") flows are based on the sum of positive and negative transactions. The positive flows consist of capitalization, reinvested earnings and loans from a foreign office to a local branch. The negative flows consist of decapitalization, divestment of profits, losses for the period and loans from a local branch to a foreign office.

- "**GDP Deflator**" is a measure calculated by dividing nominal GDP by real GDP.

The Republic's official financial aid and economic statistics are subject to a review process by the Central Bank. Accordingly, certain financial and economic information in this Schedule may be subsequently adjusted or revised. The Government believes that this practice is substantially similar to the practices of many industrialized nations. The Government does not expect revisions to preliminary statistics to be material, but cannot assure you that material changes will not be made to preliminary data. The INEC of the Republic is the state agency responsible for generating, systematizing and distributing certain statistical and cartographic information about the Republic.

Unless otherwise indicated in this Schedule, the fiscal information and data provided in this Schedule has been prepared and published in accordance with the International Monetary Fund's ("**IMF**") Government Finance Statistics Manual 2014 ("**GFSM 2014**") standards.

FORWARD-LOOKING STATEMENTS

This Schedule contains certain forward-looking statements (as such term is defined in the United States Securities Act 1933, as amended) concerning the Republic. These statements are based upon beliefs of certain Government officials and others as well as a number of assumptions and estimates that are inherently subject to significant uncertainties, many of which are beyond the control of the Republic. Future events may differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements include information contained in the sections "*Summary*", "*The Republic of Ecuador*", "*The Ecuadorian Economy*", "*Balance of Payments and Foreign Trade*", "*Monetary System*", "*Public Sector Finances*" and "*Public Debt*" as well as:

External factors, such as:

- the impact of the war in Ukraine on trade;
- the impact of rising inflation, including as a result of the war in Ukraine;
- the impact of the COVID-19 pandemic;
- the impact of changes in the international price of commodities and, in particular, petroleum and mineral prices, which could affect Ecuador's economy, fiscal accounts and international reserves;
- the impact of geopolitical tensions;
- damage to and volatility in the international capital markets for emerging markets issuers caused by economic conditions in other emerging markets or changes in policy of Ecuador's trading partners and the international capital markets generally, which could affect Ecuador's ability to engage in planned borrowing;
- changes in import tariffs and exchange rates of other countries, which could harm Ecuador's exports and, as a consequence, have a negative impact on the growth of Ecuador's economy;
- recession or low growth in the economies of Ecuador's trading partners, particularly of the United States and the European Union, which could lead to fewer exports and affect Ecuador's growth;
- a deterioration in relations between Ecuador and other countries in the region or other disruptions to Ecuador's international relations;
- changes in credit rating of the Republic;
- higher international interest rates, which could increase Ecuador's debt service requirements and require a shift in budgetary expenditures toward additional debt service; and
- terrorist attacks in the United States or elsewhere, acts of war, or any general slowdown in the global economy.

Internal factors, such as:

- social and political unrest in Ecuador;
- Ecuador's ability to continue to attract foreign investment;
- continued public support for Ecuador's current economic policies;
- Ecuador's level of domestic debt;
- Ecuador's ability to maintain levels of oil production and transportation;
- general economic and business conditions in Ecuador; and
- other factors identified or discussed under "*Risk Factors*".

In addition, the words "anticipates", "believes", "contemplates", "estimates", "expects", "plans", "intends", "projections" and similar expressions, as they relate to the Republic, are intended to identify forward-looking statements.

Undue reliance should not be placed on forward-looking statements, which are based on current expectations. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in forward-looking statements. Many of the factors that will determine these results and values are beyond the Republic's ability to control or predict. Because of the risks and uncertainties involved, an investment decision based on estimates and forward-looking statements should not be made. All forward-looking statements and risk factors included in this Schedule are made as of April 2023 based on information available to the Republic as of such date, and Ecuador assumes no obligation to update any forward-looking statement or risk factor.

SUMMARY INFORMATION AND RECENT DEVELOPMENTS REGARDING ECUADOR

The following summary does not purport to be complete and is qualified in its entirety by, and is subject to, the detailed information appearing elsewhere in this Schedule.

The Republic of Ecuador

Ecuador is one of the smallest countries in South America, covering an area of approximately 99,054 square miles (256,549 square kilometers). Located on the north-western coast of the continent, it shares a 950-mile border with Peru to the south and the east, a 373-mile border with Colombia to the north, and a 1,452-mile coastline to the Pacific Ocean to the west. Ecuador encompasses a wide range of geographic areas and climates, including the Pacific coastal plains, the Sierra (consisting of the Andean highland region), the Oriente (characterized by the Amazonian tropical rain forest) and the Galápagos Islands region located in the Pacific Ocean approximately 600 miles from the coast.

Recent developments – Government

President Guillermo Lasso has faced strong political opposition from early on in his term, including calls to resign and attempted use by the National Assembly of Ecuador (the "**National Assembly**") of mechanisms to either impeach and remove him from office or to call for early elections.

On October 2021, a group of international journalists reported their investigation of a massive leak of files related to offshore companies, known as the 'Pandora Papers', which prompted allegations in Ecuador that President Guillermo Lasso had violated a prohibition on candidates and public office holders to have companies in tax haven jurisdictions, and led to calls by leaders of the opposition for his resignation. The *Contraloría General del Estado* cleared the President, not finding any irregularities involving him.

A constitutional referendum took place on February 5, 2023, at the same time as the local elections. President Lasso, upon meeting the requirements to call the referendum (including authorization from the Constitutional Court) called on November 29, 2022, for a binding referendum to effect amendments to the 2008 Constitution. Eight questions were put to the electorate, each of which proposed to modify different articles of the 2008 Constitution. These questions included the right to extradite individuals as well as questions related to judicial reforms and changes to State organizations (such as the reduction of seats in the National Assembly, minimum membership requirements for the registration of political parties and their participation in elections, and certain other matters relating to the appointment of certain Government positions and the *Consejo de Participación Ciudadana y Control Social* (the "**Council for Citizen Participation and Social Control**")) and questions on the establishment of a water protection agency and environmental protection for individuals, communities and indigenous people from environmental damage. Voting took place on February 5, 2023, and all eight proposals failed to receive the required votes for approval, increasing political uncertainty.

On March 16, 2023, 59 members of the National Assembly submitted a letter requesting that a political impeachment trial be initiated against President Lasso on charges of *cohecho* (bribery) (two counts) and *peculado* (embezzlement) (one count). On March, 29 2023, the Constitutional Court issued, as required by the 2008 Constitution, an opinion confirming that the impeachment trial against President Lasso could proceed but only on the charge of embezzlement. As of April 2023 the impeachment proceedings are ongoing and are likely to last until May 2023. The impeachment proceedings are expected to increase further an uncertain political outlook in Ecuador and the outcome of the impeachment proceedings is not clear. If the impeachment were to be successful (requiring 92 of the 137 members of the National Assembly to vote in favour), President Lasso would be removed from office and replaced by current Vice President Borrero for the remainder of the term (which ends in May 2025). However, President Lasso can, at any time up to his removal, use his power to dissolve the National Assembly (which would trigger early elections for the presidency and for the National Assembly), but he would remain in office until the elections are organized, with limited legislative powers (for example, any economic laws passed could later be repealed by the new National Assembly). There is no precedent in Ecuador of this procedure, known as "*muerte cruzada*" which was introduced in the 2008 Constitution being used. The current impeachment procedure is established in the 2008 Constitution and the *Ley Orgánica de la Función Legislativa*, (the "**Law of the Legislature**"), enacted in 2009, but the power of the Legislature to impeach a President has been contemplated in several Constitutions. However, the only precedent of impeachment and removal of a President dates back from 1933, although President Abdalá Bucaram was removed from office in February 1997 by a majority vote of the Legislature that declared him "mentally unfit"; the Legislature declared that President Jamil Mahuad in January 2000 had "left the position of President vacant", and

similarly the Legislature declared the "abandonment" of President Lucio Gutierrez in April 2005. As of April 2023 there have been five petitions to revoke the mandate of President Lasso (a process whereby a referendum is called if the petition is supported by 15% of the voters, to confirm or revoke the mandate to the President), but none has progressed.

In June 2022, the Confederation of Indigenous Nationalities of Ecuador ("**CONAIE**") called a national strike that triggered a protest for 18 days in opposition to the phasing out of fuel subsidies, mining and, in general, economic policy, causing severe disruption to economic activity and damage to private property. Several incidents were reported including the defacing of public buildings and the Office of the Prosecutor General has reported more than 403 criminal investigations related to these events.

During this standoff, members of the National Assembly initiated proceedings to remove the President, dissolve the National Assembly and call for early elections (the so called "*muerte cruzada*", which can be triggered by the President or by the National Assembly) due to a severe political crisis and national commotion, but not enough votes voted in favor. The strike had a negative impact on the Ecuadorian economy in terms of material damages and losses, but also through the impact on various economic indicators such as sales, employment, inflation, and exports. According to Central Bank data in September 2022, losses related to the national strike amounted U.S.$1,115.4 million, representing 1% of GDP. The protests ended once the *Acuerdo por la Paz* (the "**Agreement for Peace**") mediated by the Catholic Church (the Episcopal Conference) was signed between CONAIE, *Confederación Nacional de Organizaciones Campesinas, Indigenas, Negras u Montubias* ("**FENOCIN**"), *Federación Ecuatoriana de Indígenas Evangélicos* ("**FEINE**") and the Government. The Agreement for Peace delineated 10 main issues that the Government would address through dialogue tables within a period of 90 days. The dialogue tables began on July 13, 2022 and ended on October 14, 2022. As a result of which 218 proposals were agreed to be implemented progressively under the supervision of monitoring tables. However in March 2023, CONAIE broke off dialogue with the Government and supported calls for the impeachment of President Lasso.

Since President Lasso was elected, the Government has been putting in place several initiatives to fight corruption in Ecuador and commenced investigations into several alleged cases of corruption against current or former public officials of State-owned companies. On his inauguration on May 24, 2021, President Lasso enacted via executive decree No. 4 ("**Decree 4**") a 'Code of Ethics' for high-level public officials, setting a higher standard of conduct for his Government. On May 3, 2022, he established a cabinet-level Secretary of Anticorruption Public Policy by executive decree No. 412 ("**Decree 412**"), elevating the position from Presidential Advisor. On July 13, 2022, the Lasso Administration presented the *Estrategia Nacional Anticorrupción* (national anti-corruption strategy) ("**ENA**"), with the goal of generating policies and preventive actions against a wide range of corruption risks that threaten the rule of law and democracy. Furthermore, President Lasso sought via referendum to amend the 2008 Constitution to allow the extradition of Ecuadorians involved in transnational organized crime (referendum question 1) and ensure full independence of the Prosecutor General (referendum question 2), but on February 5, 2023, the majority of the electorate voted against all questions in the referendum. On April 3, 2023, the *Ley Reformatoria a la Ley Orgánica de Prevención, Detección y Erradicación del Delito de Lavado de Activos y del Financiamiento de Delitos* (the "**Law Amending the Organic Law for the Prevention, Detection and Eradication of the Crime of Asset Laundering and of Financing of Crime**"), expanding the reporting obligations of certain financial transactions, was enacted. See "*The Ecuadorian Economy – Anti-Corruption Measures in Ecuador*".

Recent developments – War in Ukraine, The State of Emergency and the 2020 global crisis

In February 2022, the war between Russia and Ukraine generated concern regarding non-oil exports, including banana exports to Russia. However, during the first semester 2022, Ecuador's total trade balance was only reduced by U.S.$30 million, despite the economic effects due to the war. Furthermore, one of the main economic effects of the war was a shortage of fertilizers and grains, which led to an increase in international prices caused by the decrease in Russian and Ukrainian production from the international market. In the energy sector, the steady rise in oil and gas prices also affected the costs of fertilizers. In this context, Ecuador had to look for other agricultural supplies from different countries, such as the United States, China, Italy and Chile. The effect of the war on domestic prices has been largely contained by Government subsidies on fuel and urea, as well as the appreciation of the US dollar. Regarding oil exports, the increase in prices in international markets as a result of the war, allowed greater inflows into the General State Budget from oil revenues compared to the initial budget in 2022. For the year 2023, a lower price level for oil exports is expected.

The global pandemic caused by a novel strain of the coronavirus ("**COVID-19**") severely impacted the health and welfare of the people of Ecuador. The first confirmed case of the virus in Ecuador was registered on February 29, 2020. Ecuador has been one of the hardest hit countries in the world in proportion to its total population, estimated at 17.3 million, with 814,610 confirmed cases and 10,250 deaths from the virus as of April 2023. In addition to the health crisis, the pandemic led to an unprecedented external shock on the global economy, which in turn severely affected Ecuador's economy. See further "*The Republic of Ecuador — Response to COVID-19 crisis*".

On March 12, 2020, former President Moreno declared a national state of emergency (the "**State of Emergency**"), followed by a nationwide lockdown order (excluding essential services and activities) on March 15, 2020, the closure of Ecuador's borders on March 17, 2020, and the declaration of a national curfew on March 21, 2020. On April 30, 2020, the Government announced that despite these measures, the Republic's healthcare system was under severe pressure, lacking essential medical resources including medical equipment and supplies, testing kits, protective garments, and additional medical staff. On May 5, 2020, former President Moreno ordered the extension of the State of Emergency for 30 days. On June 15, 2020, former President Moreno ordered a second extension of the State of Emergency for an additional 60 days.

In addition to the State of Emergency, the Government also introduced a number of legislative measures to counter the impact of the COVID-19 pandemic, see further "*The Republic of Ecuador — Response to COVID-19 crisis*". These measures included:

- the publication of the *Ley Orgánica de Apoyo Humanitario para Combatir la Crisis Sanitaria Derivada del COVID 19* ("**Organic Law on Humanitarian Aid**") on June 19, 2020. The Organic Law on Humanitarian Aid aimed to establish policies to protect the health, safety, education and welfare of the citizens of the Republic and to reactivate the national economy, including, without limitation, the following measures: (i) public relief measures; (ii) access to credit; (iii) flexibilization of employment rules; (iv) debt relief; and (v) tenant relief; and

- the publication of the *Ley Orgánica para el Desarrollo Económico y Sostenibilidad Fiscal tras la Pandemia COVID-19* ("**Organic Law for Economic Development and Fiscal Sustainability after the COVID-19 Pandemic**") on November 29, 2021 through executive decree No. 587 ("**Decree 587**") published in the Supplement to the Official Register on November 29, 2021. The purpose of the Organic Law for Economic Development and Fiscal Sustainability after the COVID-19 Pandemic is to promote the sustainability of public finances, the reorganization of the Ecuadorian tax and fiscal system and provide further legal certainty for the economic reactivation of Ecuador following the COVID-19 pandemic.

Recent developments - strategic sectors of the economy

Ecuador has two major oil pipelines, the *Sistema Oleoducto Trans-ecuatoriano* (the Trans-Ecuadorian Pipeline System, the "**SOTE**") and the *Oleoducto de Crudos Pesados* (the OCP-Heavy Crude Oil Pipeline, the "**OCP**"). Most of Ecuador's crude oil production is transported through the SOTE, which links Lago Agrio in the Oriente region to the Balao export terminal on the Pacific coast and has a capacity of approximately 360,000 barrels per day ("**bpd**"). Crude oil production has increased in the last ten years with the opening of the OCP, which removed a chokepoint on heavy crude oil transportation in Ecuador.

In April 2020, a sinkhole in the San Rafael prevented the SOTE and the OCP from receiving and transporting oil. Three days after this event, the Ministry of Energy and Mines (formerly the Ministry of Energy and Non-Renewable Resources) declared a *force majeure* event during which the production of the *Empresa Pública de Exploración y Explotación de Hidrocarburos Petroamazonas EP* ("**Petroamazonas**") was reduced to 65,000 bpd of oil. The declaration of the *force majeure* event was lifted on May 9, 2020 when the repairs to the SOTE and OCP were completed and they were declared to be technically operational to receive and transport oil.

On June 4, 2020, the Ministry of Energy and Mines declared another *force majeure* event related to the suspension of activities of the SOTE due to the construction of two pipe variants of 380 and 690 meters in length which were intended to protect the integrity of the SOTE following the appearance of a new sinkhole in the San Rafael sector. This *force majeure* declaration was lifted four days later on June 8, 2020 once the completion of the construction work on the pipe variants was reported.

On January 7, 2021, former President Moreno issued executive decree No. 1221 ("**Decree 1221**"). Decree 1221 set forth the merger between Petroamazonas and *Empresa Pública de Hidrocarburos del Ecuador EP Petroecuador* ("**Petroecuador**"), following which Petroecuador became responsible for the management of the strategic sector of non-renewable resources, taking part in all phases of Ecuador's hydrocarbon activity.

In June 2022, oil production was impacted by a national strike called by CONAIE, which forced the suspension of Petroecuador's operations as the facilities did not have optimal or adequate technical or security coverage. On June 19, 2022, the Minister of Energy and Mines declared a *force majeure* event for all exploration and exploitation operators after protestors entered oil fields. This *force majeure* declaration was lifted on July 12, 2022 and the national strike ended when the Government signed the Agreement for Peace (see further "*Summary Information and Recent Developments Regarding Ecuador – Government*" above).

In October 2022, the Government launched the 'Intracampos II Round' with the objective of attracting U.S.$2,000 million for the exploration and operational stages of six hydrocarbon blocks: Tamya, Saywa, Tetete Sur, Lumbaqui, VHR Este and VHR Oeste, in the province of Sucumbíos. It is estimated that with the award of the six blocks an additional 18,000 to 24,000 bpd of oil can be obtained.

During 2022, the SOTE and OCP suffered a rupture due to the erosion of the Coca River, requiring cleaning and environmental remediation work as well as repair of the oil pipelines, which affected their operations. The OCP and SOTE have planned to build alternative branches of their pipelines to prevent soil erosion affecting their operations.

In order to increase transparency of the accounts of the State-owned oil company Petroecuador, the Lasso Administration undertook from August 2022, within the framework of the agreement with the IMF (see further "*Public Debt*"), to have an external audit of the financial statements of Petroecuador for the financial years 2019, 2020 and 2021 by an independent international audit firm, and invited the 'big four' audit firms to submit tenders. The process was to be financed with a loan from the Inter-American Development Bank. However, no offers were received, and the Government has since announced that it will explore alternatives, including carrying out a forensic audit of Petroecuador.

The outbreak of the COVID-19 pandemic in 2020 affected the normal operations of the mining industry. Following the State of Emergency declared by former President Moreno in March 2020, various mining projects such as the Fruta del Norte Project and the Mirador Project halted normal production and switched to a maintenance phase. Other parts of the sector worked on a similarly limited basis, while a portion completely detained operations. The Ministry of Energy and Mines took steps to ameliorate the impact to the mining sector during the health emergency. For example, on March 23, 2020, it extended the deadline that companies have to pay for mining conservation patents. According to the Ministry of Energy and Mines, as of May 6, 2020, the COVID-19 crisis, and in particular the constraints to mobility and other restrictions resulting from the State of Emergency, had prevented the export of minerals valued at approximately U.S.$72.5 million with 70% of such losses coming from the copper and gold operations at Mirador and Fruta del Norte. However, the mining sector has since recovered with registered exports increasing between 2020 and 2022. According to data from the Central Bank, between July 2020 and December 2022 the mining industry registered exports of U.S.$.1,051 million in 2020, U.S.$2,092 million in 2021, and U.S.$2,775 million in 2022.

On August 5, 2021, President Lasso, issued executive decree No. 151 ("**Decree 151**") which contained the 'Action Plan for the Mining Sector' (the "**Action Plan**"). The Action Plan sought to facilitate: (i) the achievement of efficient and environmentally and socially responsible mining; (ii) the determination of the local geological potential for domestic and foreign investment; and (iii) the introduction of the best practices for the exploitation of such resources. However, Decree 151 was repealed after strikes led by CONAIE in June 2022 following which the Government signed the Agreement for Peace (see further "*Summary Information and Recent Developments Regarding Ecuador – Government*" above).

The Republic also issued executive decree No. 468 ("**Decree 468**") on June 30, 2022 which specified that: (i) the President would not exercise the exceptional power provided in the 2008 Constitution that allows the President to request the extractive activity of non-renewable natural resources in protected areas, areas declared as intangible, in ancestral territories and archaeological zones in accordance with the law; (ii) the President had instructed the Ministry of Energy and Mines not to present or approve new projects for the extraction of non-renewable natural resources in protected areas, intangible zones, ancestral territories and

archaeological zones; and (iii) the President had requested the development of the law relating to free and informed consultation with the indigenous communities in affected areas, prior to the execution of any new natural resource extraction projects. See "*The Ecuadorian Economy – Strategic Sectors of the Economy – Mining*".

Pursuant to executive decree No. 1036 ("**Decree 1036**"), the Agency for the Regulation and Control of Energy and Non-Renewable Natural Resources was established following the merger of the Hydrocarbon, Mining and Electricity Regulation and Control Agencies. Its priorities are: (i) the control of electricity traffics, (ii) setting mechanisms for fuel prices, (iii) fighting illegal mining; and (iv) the control and regulation of activities and exports of minerals, hydrocarbons and electricity.

On February 23, 2023, the Ministry of Energy and Mines (through Resolution No. MEM-VH-2023-0006-RM) declared a state of *force majeure* for activities involving the exploration, exploitation and transportation of hydrocarbons following the closure of the SOTE, OCP and Shushufindi Quito polyduct systems after a bridge collapsed near the pipelines in the Napo province. This *force majeure* was lifted on March 5, 2023.

On March 19, 2023, Petroecuador declared a *force majeure* over operations in Block 12 (Orellana province) in the Eden Yuturi field following disruption related to protests in the area by the Kichwa indigenous community. This *force majeure* was lifted on April 5, 2023 following an agreement being Petroecuador and the Kichwa indigenous community.

On March 21, 2023, Petroecuador declared a *force majeure* over three oil blocks (Block 16-67, Block 43-ITT and Block 61) located in the Orellana province following protests from local communities which impeded the normal functioning of hydrocarbon activities in those oil blocks. In addition to this, Petroecuador requested the support of the armed forces to protect the facilities within the oil blocks. On March 30, 2023, Petroecuador announced that Block 61 and Block 43-ITT would resume normal operations. On April 10, 2023 Peroecuador announced that an agreement has been reached with local communities resulting in the lifting of the *force majeure* over oil Blocks 16-67 and 61.

Recent developments – Environmental matters

In pursuit of protecting Ecuador's marine ecosystem, executive decree No. 319 ("**Decree 319**") was issued by President Lasso on January 14, 2022 instructing the designated National Environmental Authority to declare a new protected area within the exclusive economic insular zone adjacent to the existing Galápagos Marine Reserve, with the objectives of (i) protecting the marine ecosystem therein and its species and (ii) prioritizing the distribution area of migratory species. This new protected area is called the *Reserva Marina Hermandad* (the "**Hermandad Marine Reserve**") and forms part of Ecuador's *Sistema Nacional de Áreas Protegidas* (the "**National System of Protected Areas**" or "**SNAP**"). As part of the SNAP, the Hermandad Marine Reserve benefits from enhanced legislative protection. The Hermandad Marine Reserve has an area of 60,000 kilometers^2. Within this, and pursuant to Decree 319, an area of 30,000 kilometers^2 will be maintained in which no extractive activities will be allowed so that areas of critical oceanic ecosystems, migratory routes and feeding zones of threatened marine species are conserved. The remaining 30,000 kilometers ^{2} area will be designated as a responsible fishing zone, where fishing activities are permitted provided longlines are not used.

As a result, in November 2021, within the framework of the twenty-sixth meeting of the parties to the United Nations Conference on Climate Change 2021, held in the city of Glasgow in the United Kingdom, the creation of the Hermandad Marine Reserve was announced. A 'no-take zone' connecting Ecuador's waters with those of Costa Rica, in an area known as the Cocos-Galápagos Migravía, and Cocos Island, which is on the underwater mountain range of Cocos, was designated. The protection of this migration route is intended to better protect migratory species such as sharks, turtles and manta rays. In addition to this, a 'no long line zone' has been designated in the northwest of the current Galápagos Marine Reserve, to prevent long line fishing from entering into the marine reserves. Following the enactment of Decree 319, on March 14, 2022 the Minister of Environment, Water and Ecological Transition signed a ministerial agreement, ordering the creation of the Hermandad Marine Reserve and the designation of the Hermandad Marine Reserve as a marine reserve and protected area within the SNAP. See further "*Environmental Matters*".

Following the measures described above and in "*Environmental Matters*" herein, the Republic has decided to enter into a debt conversion transaction, a so called 'debt-for-nature' swap, to facilitate the following

objectives: (a) strengthening the institutional framework to support sustainable finance and adequate natural resource management; (b) improving the Republic's debt management capacity with a focus on environmental and financial sustainability; and (c) enhancing the management and conservation of the Hermandad Marine Reserve and the growth of the natural capital of the Galápagos Islands and their marine ecosystems.

The Ecuadorian Economy

The U.S. dollar is the legal tender in Ecuador. Real GDP for 2021 was U.S.$69,089 million, compared to U.S.$66,282 million in 2020, representing a 4.24% increase in real terms. This increase was mainly due to increases in household consumption by 10.22%, and investment by 4.33%. Nominal GDP for 2021 reached U.S.$106,166 million representing a 6.92% increase from U.S.$99,291 million for 2020. This increase was mainly due to the recovery of productivity after the COVID-19 outbreak however the GDP deflator increased by 2.58%.

Real GDP for the first nine months of 2022 was U.S.$53,151 million, compared to U.S.$51,595 million for the first nine months of 2021, representing a 3% increase in real terms. This increase was mainly due to an increase in household consumption by 5.1% and an increase in general Government consumption of 3.3%. Imports in the first nine months of 2022 increased by 7.47% when compared to the same period in 2021. Nominal GDP for the first nine months of 2022 reached U.S.$86,447 million representing an increase of 10.1% from U.S.$78,448 million for the same period in 2021. This increase was mainly due to general growth in international prices (related to the war between Ukraine and Russia), and as a result the GDP deflator increased by 7%.

According to the INEC, inflation increased from -0.93% for the 12-month period ended December 31, 2020, to 1.94% for the 12-month period ended December 31, 2021. This increase was primarily due to increases in the price of gasoline which reduced transportation costs by 2.30%.

According to the INEC, the inflation rate increased from 1.94% for the 12-month period ended December 31, 2021 to 3.74% for the 12-month period ended December 31, 2022. This increase was the result of increases in food and non-alcoholic beverages, transport and groups of goods and services, which account for 2.93% thereof. Among the top 10 products with higher incidence of annual inflation are: (i) high-octane gasoline; (ii) foods (bread, milk, workers' lunches); (iii) domestic services; (iv) plantains; (v) urban transportation; (vi) cheese; (vii) automobiles; and (viii) cough suppressants.

According to the INEC, the inflation rate increased from -0.69% for the 12-month period ended June 30, 2021 to 4.23% for the 12-month period ended June 30, 2022. This increase in the rate of inflation was the result of increases in the proportion of positive price variations among the different groups of products used to measure inflation compared to the previous period, with alcoholic beverages, tobacco and narcotics (7.27% variation) and transport (8.89% variation) showing the highest positive variations and incidence, despite communications (-2.14% variation) and recreation and culture (-1.52% variation) having the highest negative variations for the period.

The IMF's Economic Outlook report, published in October 2022, projects that Ecuador's average inflation will be 1.4% in 2023, well below the IMF's projected average inflation rate for Latin America in 2023 of 9.5%.

In 2021, manufacturing (excluding petroleum products) was the largest sector of the economy measured by percentage of GDP (14.78%), followed by education and health and social services (10.23%), trade (9.83%), construction (8.78%) and agriculture (8.19%). In the first nine months of 2022, manufacturing (excluding petroleum products) was the largest sector of the economy measured by percentage of GDP (14.6%), followed by trade (10.2%), construction (8.7%), agriculture (7.5%) and administrative activities (7.4%).

In 2022, State-owned companies were responsible for 78.0% of the oil production, compared to 78.8% in 2021. This change was principally due to an increase in daily oil extraction by private companies of 7.2%. As of December 2022, oil field crude production, including that of private and State-owned companies, reached 175.6 million barrels, representing a 1.7% increase from the 172.6 million barrels produced in 2021.

In 2022, crude oil exports totaled U.S.$10,034 million, an increase of 37.8% compared to U.S.$7,278 million in 2021. This increase was primarily due to an increase in the average international price of petroleum per barrel from U.S.$61.97 in 2021 to U.S.$95.11 in 2022, despite a slight decrease in the exported volume from 117.44 million barrels in 2021 to 100.5 million barrels in 2022.

From 2019 to 2022, the rate of unemployment decreased from 3.84% as of December 31, 2019, to 3.19% as of December 31, 2022. In June 2020, due to the global COVID-19 crisis and the economic situation resulting therefrom, according to INEC, approximately 271,000 jobs were lost (236,500 in the private sector and 18,500 in the public sector). However, as of December 2022, according to the INEC, approximately 177,961 jobs have been created.

Balance of Payments and Foreign Trade

Given Ecuador's dollarized economy, the balance of payments is important in determining money supply and the sustainability of the monetary system. A positive balance of payments strengthens the assets of the Central Bank and increases money supply while a negative balance of payments weakens the assets of the Central Bank and decreases support for the money supply.

In 2021, the balance of payments was positive. The current account registered a surplus of U.S.$2,951 million, an increase of U.S.$79.7 million in the surplus compared to the U.S.$2,871 million surplus in 2020. This increase in the surplus was mainly due to a lower deficit in primary income and an increase in the secondary income surplus.

As of September 2022, the current account registered a surplus of U.S.$2,291 million, compared to a surplus of U.S.$2,313 for the same period in 2021. The surplus as of September 2022 was as a result of the increase in the balance of goods and secondary income (mainly remittances from workers abroad) in the United States and Europe.

In 2021, the balance of the capital and financial accounts registered a surplus of U.S.$3,169 million compared to the surplus of U.S.$6,678 million for 2020. This decrease in the surplus was mainly due to the decrease in portfolio investment from the net acquisition of financial assets and from other investment from net incurred liabilities. Other investment assets decreased from U.S.$3,883 million in 2020 to U.S.$3,404 million in 2021 and other investment liabilities decreased from U.S.$3,407 million in 2020 to U.S.$602 million in 2021. In addition, reserve assets decreased from U.S.$4,146 million in 2020 to U.S.$948 million in 2021.

As of September 2022, the capital and financial accounts registered a positive balance of U.S.$2,737 million, compared to the U.S.$2,323 million surplus for the same period in 2021. This increase in the surplus was primarily due to increases in net acquisition of financial assets, debt securities (i.e., portfolio investment) and commercial credits and advances (i.e., other investment).

As of December 31, 2022, Ecuador's international reserves ("**International Reserves**") totaled U.S.$8,459 million, an increase from December 31, 2021 when International Reserves totaled U.S.$7,898 million. This increase in International Reserves was principally due to the financing received from international organizations, as well as the positive balance between oil exports and derivatives imports.

In 2021, foreign direct investment totaled U.S.$648 million, a decrease compared to the foreign direct investment of U.S.$1,095 million in 2020. This decrease was principally due to a reduction in most industries, other than manufacturing and transport, storage and communications.

For the first quarter of 2022, foreign direct investment totaled U.S.$134 million, a decrease compared to the foreign direct investment of U.S.$249 million for the same period in 2021. This decrease was principally due to a reduction in most economic activity, other than agriculture, forestry, hunting and fishing, commerce and electricity, gas and water.

For the second quarter of 2022, foreign direct investment totaled U.S.$676 million, an increase compared to the foreign direct investment of U.S.$138 million for the same period in 2021. This increase was principally related to the payment of a debt that a national company subsidiary entity had with its parent company, which is resident abroad, which was made through a transfer of shares. However, this increase does not imply an effective flow of foreign exchange, but a transfer of fiduciary rights, as such, foreign direct investment, as it relates to shares and equity, recorded an increase, as set out in the table below.

FOREIGN DIRECT INVESTMENT (BY MODALITY)

	Trimesters							
	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
	(*in million U.S.$*)							
Abroad ……...	-	-	-	-	-	-	-	-
Domestic ……	**249.0**	**138.1**	**155.5**	**104.6**	**133.8**	**675.8**	**54.5**	**-76.1**
Shares and other capital ……..	179.8	167.7	115.4	115.6	117.4	888.3	96.3	69.4
Assets compared to direct investors ……...	-	-	-	-	-	-	-	-
Liabilities compared to direct investors.	179.8	167.7	115.4	115.6	117.4	888.3	96.3	69.4
Reinvested utilities ..	34.3	31.9	38.2	37.3	39.8	33.1	37.9	34.3
Other capital ……	34.9	-61.5	2.0	-48.3	-23.4	-245.6	-79.7	-179.8
Assets compared to direct investors ……	-	-	-	-	-	-	-	-
Liabilities compared to direct investors ……	34.9	-61.5	2.0	-48.3	-23.4	-245.6	-79.7	-179.8
Balance ……...	**249.0**	**138.1**	**155.5**	**104.6**	**133.8**	**675.8**	**54.5**	**-76.1**

Source: Data from Central Bank.

Likewise, when foreign direct investment is disaggregated by branch of economic activity, as set in the table below, this same transaction was recorded in "Services provided to companies" (which includes financial and insurance activities).

FOREIGN DIRECT INVESTMENT (BRANCH OF ECONOMIC ACTIVITY)

	Trimesters							
	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
	(*in millions U.S.$*)							
Agriculture, forestry, hunting and fishing ……...	5.2	0.7	-1.6	3.0	15.6	0.1	24.9	20.3
Trade ……..	17.3	10.1	3.8	24.2	39.8	7.7	11.4	8.3
Construction ……..	50.9	37.7	5.1	-0.2	0.5	0.2	3.6	-0.2
Electricity, gas and water ..	0.2	0.0	0.0	0.6	2.3	0.1	5.0	-0.1
Exploitation of mines and quarries ……..	54.5	0.8	54.6	-1.4	50.3	-111.5	-34.8	-101.9
Manufacturing industry ….	23.3	30.2	89.5	50.9	3.8	0.4	10.7	21.9
Community, social and personal services ……...	0.7	5.4	0.2	1.1	-8.4	0.0	0.0	0.0
Services provided to companies …….	52.5	58.9	-1.6	25.5	16.2	754.7	31.3	1.5
Transportation, storage and communications …….	44.4	-5.6	5.6	0.9	13.7	23.9	2.3	-25.9
Total ……..	**249.0**	**138.1**	**155.5**	**104.6**	**133.8**	**675.8**	**54.5**	**-76.1**

Source: Data from Central Bank, Balance of Payments Bulletin by Trimester.

For the first three quarters of 2022, foreign direct investment totaled U.S.$51 million, a decrease compared to the foreign direct investment of U.S.$156 million for the same period in 2021. This decrease was principally due to a decrease across industries, with the exception of commerce and electricity, gas and water.

In 2021, according to the Central Bank's balance of payments statistical bulletin, imports totaled U.S.$23,831 million compared to U.S.$16,948 million in 2020. This increase in the level of imports was primarily due to the recovery of economic activity after the COVID-19 pandemic which reflected a growth in fuels, lubricants, and raw materials. In 2022, according to the Central Bank's balance of payments statistical bulletin, imports totaled U.S.$30,334 million compared to U.S.$23,831 million in 2021. This increase in the level of imports was primarily due to fuels, raw materials, and lubricants imports.

In 2021, according to the Central Bank's balance of payments statistical bulletin, exports amounted to U.S.$26,700 million an increase of 32.3% compared to U.S.$20,355 million in 2020. This increase was primarily due to the recovery of the oil market and the growth of oil and non-oil exports such as shrimp and

mining. In 2022, according to the Central Bank's balance of payments statistical bulletin, total exports of goods amounted U.S.$32,658 million, an increase of 22.3% compared to U.S.$26,700 million in 2021.

International Reserves

According to Article 137 of the *Código Orgánico Monetario y Financiero* (the "**Organic Monetary and Financial Code**") (as amended by the *Ley Orgánica Reformatoria al Código Orgánico Monetario y Financiero para la Defensa de la Dolarización* ("**Organic Law Reforming the Organic Monetary and Financial Code for the Defense of Dollarization**")), Ecuador's International Reserves are defined as the total foreign currency assets and financial instruments held by the Central Bank against non-residents, denominated in currencies that are considered convertible, liquid and freely available. The International Reserves are comprised of the following assets:

1. gold held by the Central Bank;
2. banknotes and coins denominated in freely convertible currencies at the Central Bank;
3. net short-term deposits in financial institutions and international financial organizations;
4. liquid, negotiable debt securities denominated in freely convertible currencies and issued by, or endorsed by, foreign governments, central banks, or international financial organizations;
5. collection rights to international financial organizations;
6. special drawing rights ("**SDRs**") maintained by the Republic in the International Monetary Fund accounts;
7. the Republic's reserve position in the International Monetary Fund; and
8. any other negotiable financial asset abroad as determined by the Monetary Policy and Regulation Board.

As of December 31, 2020, Ecuador's International Reserves totaled U.S.$7,196 million, an increase from December 31, 2019 when International Reserves totaled U.S.$3,397 million. This increase in International Reserves was mainly due to the financing received from international organizations, including the IMF loan under the Extended Fund Facility approved in September 2020, see further "*Public Debt—IMF's Extended Fund Facility and Rapid Financing Instrument*".

As of December 31, 2021, Ecuador's International Reserves totaled U.S.$7,898 million, an increase from December 31, 2020 when International Reserves totaled U.S.$7,196 million. The increase in International Reserves was mainly due to the financing received from international organizations, including the World Bank and Corporación Andina de Fomento ("**CAF**"), lower net outflows from private sector and higher oil exports.

As of December 31, 2022, Ecuador's International Reserves totaled U.S.$8,459 million, an increase from December 31, 2021 when International Reserves totaled U.S.$7,898 million. This increase in International Reserves was principally due to the financing received from international organizations, as well as the positive balance between oil export and oil derivates imports and a recommendation by the IMF to increase International Reserves.

Public Sector Finances

In 2021, Central Government revenues totaled U.S.$23,683 million, while total expenditures were U.S.$28,088 million. This resulted in an overall fiscal deficit of U.S.$4,405 million in 2021, a decrease in the deficit compared to the U.S.$7,675 million deficit in 2020. This decrease in the deficit was primarily due to an increase in oil revenues and a decrease in interest payments as a result of the debt renegotiation, see further "*Public Debt—Debt Obligations*".

For the first six months of 2022, Central Government revenues totaled U.S.$14,644 million, while total expenditures were U.S.$14,313 million. This resulted in an overall fiscal surplus of U.S.$331 million for the first six months of 2022, as compared to the U.S.$1,108 million deficit for the first six months of 2021. This decrease in the deficit was primarily due to increase in oil revenues and tax collection.

In 2021, the non-financial public sector registered a deficit of U.S.$1,710 million compared to a deficit of U.S.$7,073 million in 2020. This decrease in the deficit was principally due to an increase in oil revenues, tax collection and surplus generated by public companies. In 2021, total revenues for the non-financial public sector totaled U.S.$36,252 million, an increase from U.S.$29,211 million for 2020. This increase was primarily due to the rise in tax and an increase in oil revenues of 24%. In 2021, total expenditures for the non-financial public sector totaled U.S.$37,962 million, an increase compared to U.S.$36,285 million in 2020. This increase was primarily due to payments on financial assets, goods, and services.

For the first six months of 2022, the non-financial public sector registered a surplus of U.S.$1,784 million compared to a surplus of U.S.$213 million for the first six months of 2021. This increase in surplus was primarily due to an increase in oil revenues and tax collection. For the first six months of 2022, total revenues for the non-financial public sector totaled U.S.$20,981 million, an increase from U.S.$17,296 million for the first six months of 2021. This increase was primarily due to an increase in oil revenues, tax collection and surplus generated by public companies. For the first six months of 2022, total expenditures for the non-financial public sector totaled U.S.$19,197 million an increase compared to U.S.$17,083 million for the first six months of 2021. This increase was primarily due to an increase in permanent expenses (mainly *Cuenta de Financiamiento de Derivados Deficitarios* ("**CFDD**")) and an increase in non-financial assets.

The 2022 Budget (the "**2022 Budget**") was enacted on December 16, 2021 for fiscal year 2022. For more information on the budget process, see "*Public Sector Finances—Overview—Budget Process*" and "*Public Sector Finances—Overview—2021-2023 Budgets*".

The 2022 Budget estimated approximately U.S.$24,114.62 million in total revenue, of which U.S.$21,148.62 million was attributed to permanent revenue (such as taxes, sale of goods and services and collection of fines) and U.S.$2,966 million was attributed to non-permanent revenue which included expected income from monetization of certain public assets. Total expenses were budgeted at U.S.$27,898.12 million, of which U.S.$21,888.25 million was for permanent or current expenditures. The expected deficit was approximately U.S.$3,783.5 million with a primary deficit of U.S.$1,550.76 million. The 2022 Budget also assumed a GDP growth rate of 2.85%.

The Government's projected deficit for the year ending December 31, 2022 decreased to U.S.$3.601.81 million, a 74.8% projected decrease in the deficit compared to 2021, principally due to: (i) expenses optimization following the issuance of executive decree No. 457 ("**Decree 457**") which repealed executive decree No. 135 ("**Decree 135**") and sought to optimize public spending further; and (ii) increases in oil prices.

As of April 2023, the Republic estimates that the total aggregate financing needs for 2023 are approximately U.S.$7,577.42 million, of which (i) 32.7% is expected to come from agreements with multilateral institutions (totalling approximately U.S.$2,477.39 million), (ii) 7.4% is expected to come from bilateral creditors (totalling approximately U.S.$558.23 million), (iii) 9.2% is expected to come from other private sector and commercial loans (totalling approximately U.S.$697.37 million) and (iv) 50.7% is expected to come from domestic funding (totaling approximately U.S.$3,844.43 million).

The 2023 Budget (the "**2023 Budget**") was enacted on December 28, 2022 for fiscal year 2023. For more information on the budget process, see "*Public Sector Finances—Overview—Budget Process*" and "*Public Sector Finances—Overview—2021-2023 Budgets*".

The 2023 Budget estimates U.S.$23,662.13 million in total revenue, of which U.S.$18,614.81 million is attributed to permanent revenue (such as taxes, sale of goods and services, and collection of fines) and the U.S.$5,047.32 million is attributed to non-permanent revenue. Total expenses are budgeted at U.S.$26,292.04 million, of which U.S.$20,075.40 million is for permanent or current expenditures. The expected deficit is approximately U.S.$2,629.91 million with a primary deficit of U.S.$120.28 million.

The 2023 Budget macroeconomic assumptions include:

- *revenue:* greater oil production leading to increased oil revenues; increased tax collection as a result of tax reform in 2021; and increased trade tariffs due to higher volumes of imported goods and services in 2023; and

- *expenses:* increases in salaries and other legal benefits for public servants and workers (primarily teachers); and higher expenses to cover, among others, health professionals and rural service contracts in the Ministry of Public Health as well as troops and officers of the armed forces, national police and Transit Commission.

The 2023 Budget estimates: (i) GDP to be U.S.$122,369 million, an increase of 11.6% from the pro-forma budget in 2022; (ii) a real GDP growth rate of 3.1%, an increase of 0.2% from the pro-forma budget in 2022; (iii) average annual inflation of 2.76%, compared to 1.3% in the pro-forma budget in 2022; (iv) oil production of 187.9 million barrels, an increase of 4.5% from 179.9 million barrels in the pro-forma budget for 2022; and (v) average export price of crude oil of U.S.$64.8 per barrel, an increase of 9.5% from U.S.$59.2 per barrel from the pro-forma budget in 2022.

However, in March 2023 the Central Bank revised its projection for 2023 GDP from 3.1% to 2.6% due to the slowdown in oil exports following recent disruption to oil production, see "*The Ecuadorian Economy—Strategic Sectors of the Economy—Oil Sector*".

On May 31, 2022, after 21 years in which the State's debt to the *Instituto Ecuatoriano de Seguridad Social* (Ecuador's Institute for Social Security, "**IESS**") for health benefits had accrued, the Ministry of Economy and Finance entered into an agreement with IESS whereby the process of recognizing outstanding contributions was initiated, with an initial disbursement of U.S.$140 million.

In the first quarter of 2023, IESS reported a lack of liquidity that prevented it from canceling the retirement pensions of its affiliates (U.S.$877 million), which was covered by the IESS with the contribution of 40% by the State, which is fully budgeted for in the 2023 Budget at U.S.$2.1 billion.

On May 16, 2020, the National Assembly approved the *Proyecto de Ley Orgánica para el Ordenamiento de las Finanzas Públicas* (the "**Organic Law for the Regulation of Public Finances**") and, after a Presidential partial veto, it became effective on July 15, 2020.

The Organic Law for the Regulation of Public Finances aims to improve the administration of public finances. The Organic Law for the Regulation of Public Finances, among other measures: (i) centralizes under the Ministry of Economy and Finance the determination of the budget ceiling of each of the agencies under the executive branch; (ii) specifies which budget ceilings must be set in accordance with the priorities of the relevant agency and the national plan for development; and (iii) creates new domestic treasury securities and new tax rules without adversely affecting the autonomy of the relevant public instrumentalities such as the Central Bank, among others. For a list of material provisions in the Organic Law for the Regulation of Public Finances, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances*".

The Organic Law for the Regulation of Public Finances also amended the Code of Public Planning and Finances, originally enacted in 2010 (the "**COPLAFIP**"). The COPLAFIP established a limit for Ecuador´s public indebtedness of 40% of GDP, which was amended in August 2018 by the *Ley Orgánica de Desarrollo Productivo* (the "**Organic Law for Productive Development**") to, among other changes, temporarily suspend from 2018 until 2021 the public debt-to-GDP ceiling of 40% of GDP. The Organic Law for the Regulation of Public Finances further amended the COPLAFIP by, among other things, extending the waiver of the public debt-to-GDP limit and setting out a timetable for the gradual decrease of public debt by imposing transitional debt to GDP ratio ceilings starting at 57% by 2025 and reducing it to 45% by 2030 and to 40% by 2032, after which the public debt to GDP ratio will be required by law to be kept at or below the legal limit of 40%, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances*".

The Organic Law for the Regulation of Public Finances also amended Article 123 of the COPLAFIP by making clarifications to the definition of 'public debt', as well as including and excluding certain transactions and instrument within its definition, with the intent to provide a more accurate reflection of the debt profile of the Republic, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances*".

On May 3, 2021, the National Assembly enacted the *Ley para la Defensa de la Dolarización* ("**Law for the Defense of Dollarization**"). This law has a direct and significant effect on the management of public finances, including that the *Junta de Política y Regulación Monetaria y Financiera* (the "**Monetary and Financial Policy and Regulation Board**") be replaced by two independent bodies with their own faculties,

the Financial Policy and Regulation Board and the Monetary Policy and Regulation Board. Both are part of the executive branch.

In this regard, the Financial Policy and Regulation Board is responsible for: (i) formulating credit and financial policies, including in respect of insurance policy, prepaid health care services and securities; (ii) issuing regulations that permit sustainability and stability of the financial systems; (iii) standardizing the criteria and protocols to determine the existence of a systemic crisis to issue and implement decisions and direct the actions to address it; (iv) issuing the regulatory framework and regulate the creation, constitution, organization, activities, operation and liquidation of financial services, securities, insurance policies and prepaid health care services; (v) regulating the financial activities carried out by entities of the national social security system; (vi) evaluating risks for financial stability and issue regulations in consultation with the Monetary Policy and Regulation Board; (vii) establishing the system of maximum interest rates for lending and borrowing operations of the national financial system and other interest rates required by law; (viii) preventing and seeking to eradicate fraudulent practices, including money laundering; and (ix) regulating the constitution, operation and liquidation of funds and trust businesses related to the securities market.

The Monetary Policy and Regulation Board is responsible for the formulation of monetary policy, including: (i) establishing the policies of the Central Bank and supervising their implementation; (ii) overseeing compliance with the functions of the Central Bank; (iii) formulating policy and regulating the management of physical means of payment; (iv) evaluating risks to financial stability and issuing macroprudential regulations in consultation with the Financial Policy and Regulation Board; (v) regulating the central payment system, as well as the regulation, permission, registration, oversight and supervision of auxiliary payment systems; (vi) defining the investment policy of International Reserves; and (vii) approving the annual financial statements of the Central Bank.

The Organic Law Reforming the Organic Monetary and Financial Code for the Defense of Dollarization also provides for the reorganization of the Central Bank's powers, including a prohibition on the Central Bank providing direct or indirect financing to the governing body of public finances (the "**Central Government**") the Decentralized Autonomous Government, public sector institutions, or publicly owned institutions.

Public Debt

Public sector aggregate debt, including internal and external debt of the financial and non-financial public sector and the external Central Bank debt balance, was U.S.$75,480 million as of December 31, 2022. In view of the change in the methodology for calculating and presenting debt statistics issued pursuant to Ministerial Agreement No. 036 ("**MA 036**") of May 20, 2021 and Ministerial Agreement No. 096 ("**MA 096**") of October 15, 2021, the figures for each year retain their respective methodologies.

As reference data, as of December 31, 2021, the aggregate debt of the total public sector, including internal and external debt, amounted to U.S.$76,607 million, according to the methodology in effect at the time.

As of January 31, 2023, the aggregate total debt of the public sector, including internal and external debt, amounted to U.S.$74,491 million.

AGGREGATE PUBLIC DEBT

	As of December 31, 2022		
	Total Public Sector	**Non-Financial Public Sector**	**General State Budget**
		(in thousands U.S.$)	
Total External Public Debt plus other obligations	48,337,260.74	47,707,970.62	45,649,123.21
Total Internal Public Debt plus other obligations	27,142,863.62	27,142,863.62	23,082,558.22
Total Aggregate Public Debt plus other obligations	**75,480,124.36**	**74,850,834.23**	**68,731,681.43**
Other liabilities	**5,401,252.29**	**5,357,429.06**	**4,259,088.80**

Source: Data from Ministry of Economy and Finance, Bulletin of Public Debt, December 2022. https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/

AGGREGATE PUBLIC DEBT

	As of January 31, 2023		
	(in thousands U.S.$)		
	Total Public Sector	**Non-Financial Public Sector**	**General State Budget**
Total External Public Debt plus other obligations	48,319,043.15	47,689,548.31	45,636,408.76

Total Internal Public Debt plus other obligations	26,172,829.25	26,172,829.25	22,723,063.72
Total Aggregate Public Debt plus other obligations	**74,491,872.40**	**73,862,377.56**	**68,359,472.48**
Other liabilities	**4,940,685.97**	**4,896,282.20**	**4,264,304.85**

Source: Data from Ministry of Economy and Finance, Bulletin of Public Debt, January 2023. https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/

The ratio of non-financial consolidated public sector debt to GDP for December 31, 2021 was 58.59% and for December 31, 2022 was 55.98%.

As of December 31, 2022, interest payments of non-financial public sector debt obligations represented 1.92% of GDP.

Internal Debt

The Government's internal debt consists of obligations to both public and private sector entities.

As of December 31, 2021, public sector aggregate internal debt was U.S.$20,098 million, an increase from U.S.$17,796 million as of December 31, 2020. In view of the change in the methodology for calculating and presenting debt statistics issued by MA 036 and MA 096, the figures for each year keep their respective methodology.

As of December 30, 2022, public sector aggregate internal debt was U.S.$20,957 million, and as of December 30, 2021 was U.S.$20,098 million; this variation results from the change in the statistical methodology to report debt pursuant to MA 096.

The following table sets forth the public internal debt for the periods presented:

INTERNAL DEBT

	For the year ended December 31, 2021	**For the year ended December 31, 2022**
	(U.S.$)	
Public Internal Debt		
Public Sector Internal Debt Securities	13,615,739.74	14,026,081.98
Private Sector Internal Debt Securities	1,369,253.42	1,474,862.15
Subtotal of Public Debt Securities	**14,984,993.16**	**15,500,944.12**
Loan from Central Bank of Ecuador	500,000.00	500,000.00
Loan from Development Bank of Ecuador	102,271.55	81,817.24
Loan from Development Bank of Ecuador	1,475,914.09	1,610,128.54
Payment Agreement IESS	254,043.90	127,021.95
Subtotal of Public Debt Loans	**2,332,229.53**	**2,318,967.72**
Unpaid Obligations in Closed Budgets	1,102,858.28	1,993,900.91
Subtotal of Unpaid Obligations in Closed Budgets	**1,102,858.28**	**1,993,900.91**
Decentralized Autonomous Governments	1,386,245.48	98,998.14
Public Companies	291,919.43	162,235.01
Subtotal of Public Institutions	**1,678,164.92**	**1,143,233.15**
Total of Public Internal Debt	**20,098,245.88**	**20,957,045.91**

Source: Data from Ministry of Economy and Finance: Bulletin of Public Debt December 2022, Bulletin of Public Debt December 2021, Bulletin of Public Debt December 2020. https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/

INTERNAL DEBT

	For the year ended December 31, 2019	**For the year ended December 31, 2020**
	(U.S.$)	
Bonds Issued on Domestic Markets with Private Holders	701,993.60	1,030,366.64
Bonds Issued on Domestic Markets with Public Holders	12,444,576.47	13,667,427.91
Subtotal Debt Securities	**13,146,570.07**	**14,697,794.55**
Development Bank of Ecuador	1,494,406.64	1,509,021.92
Central Bank of Ecuador	(0.00)	500,000.00
Subtotal Internal Loans	**1,494,406.64**	**2,009,021.92**
Unpaid Obligations Recorded in Closed Budgets	691,649.74	708,316.95
Social Security	508,087.79	381,065.84
Subtotal Other Accounts Payable	**1,199,737.53**	**1,089,382.79**
Total Internal Debt	**15,840,714.24**	**17,796,199.26**

Source: *Data from Ministry of Economy and Finance: December 2019 Bulletin of Public Debt, December 2020 Bulletin of Public Debt,* *https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/*

As of June 30, 2022, approximately 83% of Ecuador's internal public indebtedness consisted of long-term originally issued dollar-denominated notes. Currently, all internal debt obligations are issued through the Ministry of Economy and Finance. As of June 30, 2022, approximately 11.6% of Ecuador's internal public indebtedness consisted of debts of the Government with the IESS and the Ecuadorian Development Bank, outstanding obligations of the Government (accrued but unpaid) to the public and private sectors that were already recorded in the closed budgets of the General State Budget for previous years. The liabilities (accrued but unpaid) with the public and private sectors which are included in the agreed budgets are part of the General State Budget for previous years represent 16.11%.

As of June 30, 2022, the Ministry of Economy and Finance's obligations with the Central Bank with respect to financial investments through long-term Government bonds amounted to U.S.$500 million.

As of June 30, 2022, Ecuador had not issued any short-term debt (i.e., with a maturity equal to or less than one year). Ecuador's medium-term and short-term obligations have generally been issued to finance development projects and to restructure or provide for revenue shortfalls in the Government's budget for a given year. Notes issued for development projects are generally privately held by entities contracted to undertake these development projects. Notes issued for budget restructuring, which generally have a maturity greater than one year, are placed on the Ecuadorian Stock Exchanges, and are currently held by both public and private holders.

External Debt

The total external debt of the public sector in Ecuador was U.S.$48,337 million as of December 31, 2022, compared to U.S.$46,041 million as of December 31, 2021, and U.S.$45,368 million as of December 31, 2020. In view of the change in the methodology for calculating and presenting debt statistics issued pursuant to MA 036 and MA 096, the figures for each year retain their respective methodologies.

As of December 31, 2021, the three main bilateral lenders to Ecuador were The Export-Import Bank of China, China Development Bank and the French Development Agency ("**AFD**"), with debt levels of U.S.$2,454.39 million (42.6% of total bilateral debt), U.S.$2,048.93 million (35.6% of total bilateral debt) and U.S.$599.23 million (10% of total bilateral debt), respectively. As of December 31, 2021, the total debt owed to other governments was U.S.$5,757.15 million.

As of December 31, 2022, the three main bilateral lenders to Ecuador were The Export-Import Bank of China, China Development Bank and the AFD, with debt levels of U.S.$2,223.2 million (44.7% of total bilateral debt), U.S.$1,410.39 million (28.4% of total bilateral debt) and U.S.$722.5 million (14.5% of total bilateral debt), respectively. As of December 31, 2022, the total debt owed to bilateral sovereign entities was U.S.$4,971.31 million.

EXTERNAL DEBT

	For the year ended December 31, 2021	**For the year ended December 31, 2022**
	(*U.S.$*)	
Original Agreements (Banks)	1,169,209.59	974,127.12
Original Agreements (Governments)	5,757,154.54	4,971,314.48
International Organizations (Multilaterals)	21,432,067.61	24,348,577.96
Suppliers	-	-
Debt Securities Issued on International Markets	17,725,257.69	17,686,221.13
Subtotal of Loans and Debt Securities Issued on International Markets	**46,083,689.43**	**47,980,240.70**
Other Obligations		
Financing Tied to Oil		
Contractual Rights Arising From/Linked to Ordinary Operations	450,331.47	357,020.04
Subtotal of Contractual Rights Arising From/Linked to Ordinary Operations	**450,331.47**	**357,020.04**
Subtotal of Other Obligations	**450,331.47**	**357,020.04**
Total External Debt	**46,041,042.90**	**48,337,260.74**

Source: Data from Ministry of Economy and Finance, Public Debt Bulletins for December 2020, December 2021, December 2022.
https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/

On July 16, 2020, *Corporación de Finanzas Populares y Solidarias* entered into a U.S.$93.8 million loan agreement, with a term of 25 years including a grace period of 5.5 years, with the Inter-American Development Bank in respect of the global credit programme for the defence of the productive framework and employment.

On July 23, 2020, the Republic entered into a U.S.$150 million loan agreement, with a term of 15 years including a grace period of 2 years, with CAF to support programs aimed at reducing chronic child malnutrition in the Republic.

On August 31, 2020, the Republic issued the New Republic Securities due 2030, 2035 and 2040.

On September 16, 2020, the Republic entered into a U.S.$50 million loan agreement, with a term of 25 years including a grace period of 5 years, with the Inter-American Development Bank, under its 'Migration Initiative', to strengthen the Republic's social services for migrant communities.

On September 30, 2020, the Republic entered into a 27-month Extended Fund Facility totalling SDR4,615 million (approximately U.S.$6.5 billion) with the IMF, in response to the COVID-19 pandemic and with a view to stabilizing the economy.

On November 26, 2020, the Republic entered into a U.S.$500 million loan agreement, with a term of 11 years including a grace period of 4 years, with the International Bank for Reconstruction and Development for an inclusive and sustainable growth development policy loan.

On November 30, 2020, the Autonomous Decentralized Government of the Canton Portoviejo entered into a U.S.$59.8 million financing agreement, with a term of 19 years including a grace period of 4 years, with the European Investment Bank to finance drinking water, sanitation and sewage systems in Canton Portoviejo.

On December 4, 2020, the Republic entered into a U.S.$138.2 million loan agreement, with a term of 15 years including a grace period of 2 years, with CAF to fund programs relating to the *Programa Sectorial de Enfoque Amplio de Apoyo a la Agenda Nacional de Conectividad*.

On December 22, 2020, the Republic entered into a U.S.$78.4 million loan agreement, with a term of 25 years including a grace period of 5.4 years, with the Inter-American Development Bank to finance a sustainable subsoil resources management program and associated infrastructure.

On March 22, 2021, the Republic entered into a U.S.$200 million loan agreement, with a term of 18 years including a grace period of 7 years, with the Inter-American Development Bank to finance initiatives that protect social spending and aid the recovery of employment.

On April 15, 2021, the Republic entered into a U.S.$20.5 million loan agreement, with a term of 30 years including a grace period of 10 years, with Kreditanstalt für Wiederaufbau (KfW) Development Bank for Reconstruction to support the Republic's COVID-19 efforts.

On April 22, 2021, the Republic entered into a U.S.$40 million loan agreement, with a term of 27 years including a grace period of 11 years, with the International Bank for Reconstruction and Development to support the Territorial Economic Empowerment for the Indigenous, Afro-Ecuadorians and Montubian Peoples and Nationalities (TEEIPAM).

On April 26, 2021, the Republic entered into an additional U.S.$150 million financing agreement with the International Bank for Reconstruction and Development to purchase and distribute vaccines and support COVID-19 management in the Republic.

On June 2, 2021, the Republic entered into a U.S.$48 million loan agreement, with a term of 15 years including a grace period of 5 years, with CAF to partially finance the Canton Cuenca unity program.

On August 31, 2021, the Republic entered into a U.S.$200 million loan agreement, with a term of 15 years including a grace period of 2.5 years, with CAF to continue supporting programs aimed at reducing chronic child malnutrition in the Republic.

On October 25, 2021, the Republic entered into a financing arrangement with the Latin American Reserve Fund to receive a U.S.$308 million loan, with a term of 1 year, under the liquidity credit modality.

On October 28, 2021, the Republic entered into a U.S.$300 million loan agreement, with a term of 23 years including a grace period of 7.5 years, with the Inter-American Development Bank to provide support for vulnerable people affected by the COVID-19 pandemic.

On December 6, 2021, the Republic entered into a U.S.$500 million loan agreement, with a term of 7 years including a grace period of 3 years, with the Inter-American Development Bank to establish an emergency program for macroeconomic sustainability and social protection.

On December 7, 2021, the Republic entered into a U.S.$100 million financing agreement, with a term of 10 years including a grace period of 2.5 years, with CAF to promote a financial inclusion program through savings and credit cooperatives with a focus on gender and green businesses.

On December 7, 2021, the Republic entered into a U.S.$75 million loan agreement, with a term of 20 years including a grace period of 3 years, with CAF to establish a support program aimed at strengthening health and sanitation systems in the Republic in response to COVID-19.

On December 7, 2021, the Republic entered into a U.S.$250 million loan agreement, with a term of 20 years including a grace period of 6 years, with CAF to fund the program for the reactivation of production, protection, social and sustainability of public finances in 2021 to 2025.

On January 10, 2022, the Republic entered into a U.S.$100 million loan agreement, with a term of 19 years including a grace period of 5 years, with the European Investment Bank to fund and promote the management program of the Ministry of Economy and Finance related to drinking water and sanitation environmental finance.

On February 24, 2022, the Republic entered into a U.S.$700 million loan agreement, with a term of 16.5 years, with the International Bank for Reconstruction and Development related to the green and resilient recovery (GARR) development policy.

On March 28, 2022, the Autonomous Decentralized Government of the Canton Portoviejo entered into a U.S.$17 million loan agreement, with a term of 25 years, with the *Instituto de Crédito Oficial* of Spain to finance the drinking water, sewage and sanitation systems of the Canton Portoviejo.

On May 25, 2022, the Autonomous Decentralized Government of the Canton Guayaquil entered into a further U.S.$49 million loan agreement with CAF to finance road works and a drinking water program in the densely populated areas of Guayaquil.

On June 21, 2022, the Republic entered into a U.S.$250 million loan agreement, with a term of 18 years, with the Inter-American Development Bank to finance initiatives that protect social spending and aid the recovery of employment.

On September 15, 2022, the Republic entered into a U.S.$22.8 million loan agreement, with a term of 31 years, with the International Fund for Agricultural Development for a sustainable development project in rural territories.

In September 2022, the Republic announced that it had reached agreements with China Eximbank and China Development Bank on the reprofiling of U.S.$3.2 billion commercial credits. These transactions were a follow-up to the restructuring of the Republic's U.S.$17 billion eurobonds in 2020, and covered U.S.$1.4 billion of debt held by China Development Bank and U.S.$1.8 billion of debt held by China Eximbank.

Through these reprofiling agreements, the Republic managed to:

1. smoothen its reimbursement profile, by doubling the maturity of outstanding instruments;

2. reduce the applicable interest rates;

3. suspend all amortizations on China Eximbank's commercial facilities for a 6-month period; and

4. smooth out the profile of oil exports to China National Petroleum Corporation under the oil-backed debt contracts.

Overall, these transactions resulted in significant debt service savings for the Republic amounting to approximately U.S.$1.5 billion over the next 4 years.

On October 28, 2022, the Republic entered into a JPY 23 billion loan agreement, with a term of 15 years, with the Japan International Cooperation Agency for a COVID-19 crisis response emergency support loan.

On October 31, 2022, the Republic entered into a U.S.$80 million loan agreement, with a term of 17 years, with the International Bank for Reconstruction and Development for the strengthening of the national statistical system in Ecuador.

On November 25, 2022, the Republic entered into a U.S.$50 million loan agreement, with a term of 20 years, with the *Agencia Francesa de Desarrollo* (French Development Agency) to promote the development of green jobs and the reduction of gender inequalities in the workplace.

On November 25, 2022, the Republic entered into a U.S.$100 million loan agreement, with a term of 20 years, with the *Agencia Francesa de Desarrollo* (French Development Agency) to promote the bioeconomy.

On December 13, 2022, the Republic entered into a U.S.$400 million loan agreement, with a term of 20 years, with the Inter-American Development Bank related to development and economic recovery in Ecuador.

On December 16, 2022, the Republic entered into a U.S.$100 million loan agreement, with a term of 14 years, the International Bank for Reconstruction and Development in respect of additional financing related to the COVID-19 emergency response and vaccination project.

On December 19, 2022, the Republic entered into a U.S.$500 million loan agreement, with a term of 20 years, with the International Bank for Reconstruction and Development for additional financing in respect of the green and resilient recovery (GARR) development policy.

On December 23, 2022, the Autonomous Decentralized Government of La Libertad entered into a U.S.$30 million loan agreement, with a term of 20 years, with CAF in relation to urban infrastructure programs.

According to data published by the IMF in 2022, the IMF disbursed to Ecuador U.S.$4,007 million in 2020, U.S.$802 million in 2021 and U.S.$1,649 million in 2022 under the Extended Fund Facility.

The Extended Fund Facility was fully disbursed by December 2022.

The July 2020 Exchange Offer and Consent Solicitation

On July 20, 2020, Ecuador launched an exchange offer and consent solicitation in respect of ten series of outstanding bonds due 2022, 2023, 2024, 2025, 2026, June 2027, October 2027, 2028, 2029 and 2030 (the "**Existing Republic Securities**") (the "**July 2020 Exchange Offer and Consent Solicitation**"). Under the July 2020 Exchange Offer and Consent Solicitation, Ecuador invited certain of the holders of the Existing Republic Securities to exchange those Existing Republic Securities for a package of new securities due 2030, 2035 and 2040 (the "**New Republic Securities**"). In addition, pursuant to the consent solicitation, Ecuador also sought consents from such holders to modify the terms of the Existing Republic Securities. Eligible holders who agreed to exchange their Existing Republic Securities for the New Republic Securities would also receive 86% of the accrued and unpaid interest on such Existing Republic Securities up to, but excluding, the settlement date, in the form of a new zero-coupon bond due 2030. The July 2020 Exchange Offer and Consent Solicitation was subject to certain conditions, including announcement of a staff-level agreement on a program with the IMF by the settlement date.

On August 3, 2020, Ecuador announced that it had obtained the requisite consents from the holders of all ten series of Existing Republic Securities to modify the terms of such Existing Republic Securities. On August 10, 2020, Ecuador announced that it was accepting for exchange all eligible Existing Republic Securities that had been validly tendered as part of the July 2020 Exchange Offer and Consent Solicitation. On August 28, 2020, the IMF announced that it had reached a staff-level agreement on a new funded program for Ecuador, thereby satisfying the IMF related condition of the July 2020 Exchange Offer and

Consent Solicitation. Settlement of the July 2020 Exchange Offer and Consent Solicitation took place on August 31, 2020. On such date, all eligible Existing Republic Securities that had been validly tendered as part of the July 2020 Exchange Offer and Consent Solicitation were exchanged for the New Republic Securities in accordance with the terms of the July 2020 Exchange Offer and Consent Solicitation. In addition, the remaining Existing Republic Securities that were not exchanged were modified to replicate the maturity and economic terms of the New Republic Securities due 2040. See "*Public Debt—Debt Obligations—The July 2020 Exchange Offer and Consent Solicitation".*

The Social Bond Consent Solicitation

On July 20, 2020, the sole holder of the 7.25% partially guaranteed notes due 2035 (the "**Social Bonds**"), Ecuador Social Bond S.A.R.L, a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg as an unregulated securitisation company (*société de titrisation*) within the meaning of, and governed by, the Luxembourg law of 22 March 2004 on securitisation, as amended from time to time, gave its consent to certain proposed amendments to the Social Bonds and the related indenture dated as of January 30, 2020 (among the Republic, The Bank of New York Mellon, as Trustee and Registrar, the Bank of New York Mellon, London Branch, as Paying Agent and Account Bank, and the Inter-American Development Bank, as the Guarantor).

The consent solicitation amended the terms of the Social Bond indenture and the Social Bonds to exclude from the events of default set forth in the Social Bonds cross defaults arising from defaults under, and defaults arising from, the entering or issuance of judgments and arbitral awards relating to certain existing sovereign bonds of the Republic. The proposed amendments did not alter the Republic's obligation to pay the principal of or interest on the Social Bonds when due, the interest rate (and accrual thereof), the maturity date thereof or the guarantee by the Inter-American Development Bank. See "*Public Debt—Debt Obligations—The Social Bond Consent Solicitation".*

The Petroamazonas' Notes Consent Solicitation

On May 4, 2020, holders of 98.91% of the aggregate principal amount outstanding of Petroamazonas' notes due 2020, guaranteed by the Republic, gave their consent to certain proposed amendments announced by Petroamazonas, pursuant to a consent solicitation announced on April 28, 2020, including an extension of the maturity date of the notes to December 6, 2021, and a new amortization schedule beginning on January 6, 2021. Petroamazonas' notes were amended accordingly. See "*Public Debt—Debt Obligations—Consent Solicitation with respect to the Petroamazonas Notes".*

The April 2020 Consent Solicitations

On April 8, 2020, Ecuador launched a consent solicitation to defer, until August 2020, payments of interest falling due between March 27, 2020 and July 15, 2020 on its Existing Republic Securities. Holders of more than 91% of the aggregate principal amount of the Existing Republic Securities (not including the bonds due 2024), whose total aggregate value amounted to approximately U.S.$17 billion, and holders of more than 82% of the aggregate principal amount of the bonds due 2024 which amounted to U.S.$2 billion, gave their consent to Ecuador's proposal. The interest deferral obtained by Ecuador as a result of the successful consent solicitation allowed the authorities to engage in orderly discussions with its bondholders aimed at providing Ecuador with the necessary relief for the economy to recover from the COVID-19 health crisis and the collapse in the price of oil. See "*Public Debt—Debt Obligations—The April 2020 Consent Solicitations".*

The IMF's Extended Fund Facility

On March 11, 2019, the Executive Board of the IMF approved the U.S.$4,200 million arrangement under the IMF's Extended Fund Facility for Ecuador, enabling the disbursement of U.S.$652 million on March 13, 2019. The arrangement provided for an approximate 3% interest rate and a ten-year repayment plan (with a four-year grace period). According to the IMF's press release of March 11, 2019, "*the Ecuadorian authorities are implementing a comprehensive reform program aimed at modernizing the economy and paving the way for strong, sustained, and equitable growth. The authorities' measures are geared towards strengthening the fiscal position and improving competitiveness and by so doing help lessen vulnerabilities, put dollarization on a stronger footing, and, over time, encourage growth and job creation*". A subsequent disbursement of U.S.$251 million was made on July 2, 2019. On December 11, 2019, the Republic requested to the IMF a waiver of non-observance of the performance criteria on net International Reserves

given that the macroeconomic impact of the breach was minor, as well as certain modifications to program requirements, and the completion of the IMF's second and third review of the arrangement under the Extended Fund Facility and the disbursement of about U.S.$498.4 million for budget support. On December 19, 2019, the IMF's Executive Board approved the disbursement to the Republic of about U.S.$498.4 million.

On April 30, 2020, the Minister of Economy and Finance and the General Manager of the Central Bank presented the IMF with a letter of intent; (i) describing the unprecedented and negative economic and social effects that the COVID-19 pandemic had caused in Ecuador; (ii) explaining some of the actions taken and some additional policy actions that Ecuador had undertaken or committed to undertake; (iii) reiterating that Ecuador agreed to comply with the provisions of the IMF's Articles of Agreement; (iv) notifying the IMF that the Extended Fund Facility approved on March 11, 2019 was cancelled with immediate effect; and (v) requesting urgent financial assistance under the IMF's Rapid Financing Instrument ("**RFI**") with the aim of addressing urgent balance of payments and fiscal needs. Generally, financings under an RFI are aimed at helping member countries address urgent balance of payments needs. The letter of intent also provided the commitment of the Ministry of Economy and Finance and the Central Bank to update their Memorandum of Understanding signed in March 2019 that clarified the responsibilities for timely servicing of the financial obligations to the IMF.

Following this request, the IMF staff assessed the Republic's qualification requirements, worked with the authorities and prepared a staff report for the IMF's Executive Board. On May 2, 2020, the IMF Executive Board approved Ecuador's request for emergency financial assistance under the RFI for approximately U.S.$643.1 million in order to support Ecuador's balance of payments and its most affected sectors, including the healthcare system and social protection; recognizing that Ecuador's authorities had taken decisive actions to contain the spread of the virus and mitigate the socio-economic impact of the health crisis on households and firms, while prioritizing efforts to protect the poor and vulnerable.

In 2020, the Government worked with the IMF staff to define the structure of a new successor program, with the aim of bolstering the Republic's economic performance, strengthening the foundations of dollarization, and delivering broad based benefits for the population, with a special emphasis on the most vulnerable sectors. The Government reached Staff Level Agreement on August 28, 2020 and IMF Executive Board approval for 27-month Extended Fund Facility totalling SDR4,615 million (approximately U.S.$6.5 billion).

According to data published by the IMF in 2022, the IMF disbursed to Ecuador U.S.$4,007 million in 2020, U.S.$802 million in 2021 and U.S.$1,649 million in 2022 under the Extended Fund Facility.

IMF DISBURSEMENTS

	October 2020	December 2020	October 2021	June 2022	December 2022	Total
Amount *(in U.S.$)*	1,998,775,748.68	2,041,041,207.50	802,006,374.07	948,531,077.91	662,937,837.95	**6,453,292,246.11**

Source: Data from Ministry of Economy and Finance, Public Debt Bulletins for October 2020, December 2020, October 2021, June 2022 and December 2022. https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/

The Extended Fund Facility was fully disbursed by December 2022. Ecuador's economic program, supported by the Extended Fund Facility, helped stabilize the economy, strengthened fiscal and debt sustainability, bolstered the foundations of the dollarization regime, expanded the coverage of social assistance programs to protect the vulnerable, promoted a transparent and more efficient management of public resources, and laid the foundations for sustainable and inclusive growth. In particular, the Extended Fund Facility supported program helped mitigate the socioeconomic effects of the pandemic and other external shocks, while maintaining macroeconomic stability.

The Republic's financing plan for 2023 does not envisage IMF funding and no decision to enter into a new agreement with the IMF has been agreed upon. Ecuador is continuing to engage with the IMF as part of the IMF's surveillance functions and has access to the general resources of the IMF. Other international financial institutions such as the World Bank and the Inter-American Development Bank have continued to make loans to Ecuador.

Disbursements under the other staff-level agreements with multilateral agencies and development banks are also subject to the approval of each organization's executive board. Under these agreements, in May

2019, the Republic entered into two loans with the CAF for U.S.$300 million and U.S.$100 million, respectively; on May 24, 2019, July 3, 2019, July 12, 2019 and July 23, 2019, the Republic entered into four loans with the Inter-American Development Bank for U.S.$500 million, U.S.$150 million, U.S.$93.9 million and U.S.$300 million, respectively; and on June 17, 2019 and July 22, 2019, the Republic entered into two loans with the International Bank for Reconstruction and Development for U.S.$500 million and U.S.$350 million, respectively.

As part of the commitment to transparency of the Ecuadorian authorities and close monitoring of the program, on May 2, 2020, the IMF revealed that it had observed certain shortcomings in the compilation of the Republic's fiscal statistics which contributed to incorrect estimates of the fiscal deficit for years going as far as 2012. Specifically, the revised data indicated a non-observance of the performance criterion on the non-oil primary balance including fuel subsidies of the non-financial public sector at the end of September 2019 by a margin of U.S.$431 million. The discrepancy resulted in a breach of obligations under Article VIII, Section 5 of the IMF Articles of Agreement. The IMF observed that these statistical deficiencies were unintentional and were found primarily in the data provided by entities outside the central Government of the Republic. The IMF concluded that the statistical revision only modestly impacted public debt, that gross debt of the non-financial public sector remained broadly unchanged, and that the occurrence of the statistical deficiencies reflected in part an extended lack of engagement between the Republic and the IMF in the past.

Some of the remedial actions taken by the Government in response to this revelation included; (i) strengthening of the institutional arrangement to collect and process fiscal data, with clear assignments of responsibilities and line of accountability for each party involved; (ii) submitting to the National Assembly draft amendments to the Public Planning and Finance Code, geared towards improving the data provision; and (iii) enhancing information sharing among Government agencies, including for consistency checks. The Government also reaffirmed their commitment to continuously adopt international best practices towards fiscal data transparency.

Following the IMF's review of the Republic's remedial actions, on May 2, 2020, Ms. Kristalina Georgieva, IMF managing director and chair, stated that "*In view of the strong and proactive commitment by Ecuador to provide timely and accurate data to the IMF in the future, the Executive Board decided not to require further remedial action in connection with the breach of obligations under Article VIII, Section 5. As the authorities have taken substantive and appropriate corrective measures since the purchase in December 2019, the Executive Board also granted a waiver for the non-observance of the quantitative performance criterion"*.

The Republic, with IMF support, continues to review the methods of the fiscal data transparency to improve it. In fact, the IMF issued a manual for non-profit entities which implements international practices and finance concepts to compile fiscal data; unifies financial statement and figures adjustments, as well as VAT refunds policies, and reclassifies of medical unit expenses.

As recommend by the IMF, the Republic prepared an action plan for debt management for the medium term including, cash managed, and arrears reduction.

The historical data of the non-financial public sector's operation was adjusted in connection with the adjustment for the fiscal figures of 2011 and 2010.

In December 2022, IMF resident expert in fiscal statistics met with the representatives of the Ministry of Economy and Finance to work on continuing the improvement of fiscal statistics.

Selected Economic Indicators

GDP

	For the year ended December 31,				For the six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**2021**	**2022**
	(in million U.S.$, except percentages)					
Nominal GDP	108,108	99,291	106,166	115,049	51,620	56,757
Real GDP	71,879	66,282	69,089	71,125	34,228	35,231
Real GDP growth	0.1%	-7.79%	4.24%	2.95%	3.25%	2.93%

Source: Data from Ministry of Economy and Finance, Investor Relations, GDP. https://ire.finanzas.gob.ec/s/r/crecimiento.php

UNEMPLOYMENT RATE

	For the year ended December 31,			
	2019	**2020**	**2021**	**2022**
Unemployment rate	3.8%	4.9%	4.1%	3.2%

ANNUAL INFLATION

	For the year ended December 31,				For the six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**2021**	**2022**
Annual inflation	-0.07%	-0.93%	1.94%	3.74%	-0.69%	4.23%

INTERNATIONAL RESERVES

	As of December 31,				As of June 30,	
	2019	**2020**	**2021**	**2022**	**2021**	**2022**
			(in million U.S.$)			
International Reserves	3,397	7,196	7,898	8,459	6,049	8,585

BALANCE OF PAYMENTS

	For the year ended December 31,			For the six months ended June 30,		For the nine months ended September 30,	
	2019	**2020**	**2021**	**2021**	**2022**	**2021**	**2022**
	(in million U.S.$, except percentages)						
Exports	22,773.8	20,591.1	27,235.9	12,810.0	17,238.8	19,799.7	25,477.1
Imports	21,746.6	17,091.9	23,975.0	10,623.3	14,939.9	17,191.1	22,830.6
Trade balance	1,027.2	3,499.3	3,261.0	2,186.6	2,298.9	2,608.6	2,646.5
Services balance	-797.3	-976.0	-2,503.3	-1,072.4	-1,418.0	-1,804.3	-2,152.2
Current account balance	-59.8	2,871.4	2,951.1	2,047.2	2,136.4	2,313.5	2,291.5
Current account balances% of nominal GDP	-0.06%	2.89%	2.78%	1.9%	1.8%	2.2%	2.0%

Source: Data from Central Bank, Balance of Payments Bulletin for December 2019, 2020, 2021, 2022 and June 2021 and 2022.
https://contenido.bce.fin.ec/documentos/Estadisticas/SectorExterno/BalanzaPagos/indice.htm

PUBLIC SECTOR FINANCES

	For the year ended December 31,			For the six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	(in million U.S.$, except percentages)				
Non-Financial Public Sector					
Total revenues	36,389	29,211	36,252	17,296	20,981
Total expenditures	40,122	36,285	37,962	17,083	19,197
Surplus/Deficit	-3,732	-7,073	-1,710	213	1,784
Surplus/Deficit as % of GDP	-3.45%	-7.12%	-1.61%	-	-
Central Government					
Total revenues	23,242	18,584	23,683	11,447	14,644
Total expenditures	29,414	26,259	28,088	12,555	14,313
Surplus/Deficit	-6,172	-7,675	-4,405	-1,108	331
Surplus/Deficit as % of GDP	-5.71%	-7.73%	-4.15%	-	-

PUBLIC DEBT[1]

	As of December 31,			
	2019	**2020**	**2021**	**2022**
		(in million U.S.$, except percentages)		
Aggregate Total Debt ..	**57,317**	**63,165**	**72,607**	**75,480**
Aggregate Debt to GDP Ratio [2] [3].....	53.01%	63.61%	68.39%	65.61%

Source: Data from the Ministry of Economy and Finance, Public Debt Statistics, Public Debt Bulletin for December 2019, 2020, 2021 and 2022.
https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/

[1] Debt figures for 2020 and 2019 are based on information from the Ministry of Economy and Finance's monthly Debt Bulletin under the Previous Methodology.
[2] Debt to GDP percentages are calculated based on the Ministry of Economy and Finance's estimate of projected GDP, which may differ from look-back data from the Central Bank.
[2] The nominal GDP of 2019 was U.S.$108,108.01 million; for 2020, it was U.S.$99,291.12 million; for 2021, it was U.S.$106,165.87 million; and for 2022, it was U.S.$115,049.48 million.

RISK FACTORS RELATING TO THE REPUBLIC

The risks described below are not the only ones that the Republic faces. Additional risks that are not currently known to the Republic or that the Republic currently believes are immaterial may also adversely affect it. Many of these risks are interrelated and occur under similar economic conditions, and the occurrence of certain of them may in turn cause the emergence, or exacerbate the effect, of others. Such a combination could materially increase the severity of the impact on the Republic. As a result, should certain of these risks emerge, the Republic may need to raise additional funds through borrowing in the internal or external capital markets, and there is no assurance that the Republic will be able to borrow needed funds on terms that it considers acceptable or at all.

Public health crises and pandemics/epidemics, such as the outbreak of the COVID-19 virus, may materially adversely affect the Republic's economy.

In December 2019, the emergence of COVID-19 was reported in Wuhan, Hubei Province, China and subsequently spread throughout the world, including the Republic. On January 30, 2020, the World Health Organization ("**WHO**") declared COVID-19 a public health emergency of international concern and subsequently declared the outbreak a pandemic on March 11, 2020.

The spread led to a public health crisis and negatively affected the global capital markets, adversely impacting access to capital and increasing economic uncertainty. The severity and duration of COVID-19's impact on the global economy, as well as on the Republic's economy, was difficult to predict and the duration of continued impacts cannot be determined.

The COVID-19 pandemic had a severe impact on the Republic's economy, and on the health and welfare of the people of Ecuador. For the year ended December 31, 2020, the Republic's GDP contracted 7.8% due to the economic slowdown caused by the COVID-19 pandemic. This would be understood according to: (i) a decrease of 11.9% in gross fixed capital formation; (ii) a decrease of 7.0% in household final consumption expenditure; (iii) a reduction of 6.1% in general government final consumption expenditure; and (iv) a 2.1% contraction in exports of goods and services. Imports of goods and services were 7.9% lower than those recorded in 2019.

However, in the medium- to long-term, if the spread of COVID-19 is prolonged, it could continue to adversely affect the economies and financial markets of the Republic and of many other countries, resulting in an increased economic downturn that could, among other effects, reduce international trade flows and oil outputs. The year 2022 has shown a recovery-oriented trend, favorable in terms of Operations, increased frequencies, route recovery and, above all, passenger confidence, strengthening the economy, concessionaires' sales, foreign exchange generation and the strengthening of the tourism industry. Continued economic recovery will depend on many factors such the widespread adoption of COVID-19 vaccines and the effectiveness of the vaccines against new variants. New strains of COVID-19 could appear, such as occurred with the "Delta" variant and the "Omicron" variant, which may increase transmissibility, reduce the efficacy of current vaccines and treatments or result in more severe symptoms, further complicating efforts of the medical community and governments in response to the COVID-19 pandemic. There continues to be some uncertainty regarding the extent to which COVID-19 and variant strains could continue to spread and the resultant economic impact. The occurrence of these events could continue to have an adverse effect on the Ecuadorian economy.

By 2023, the number of COVID-19 infections in Ecuador dropped considerably. Between February 19 and 25, 2023, Ecuador reported the lowest level of infections since the pandemic broke out in Ecuador three years ago. According to the Ministry of Public Health, only 284 positive cases were reported during that week. A figure far from the more than 8,000 daily cases reported in April 2020, considered the month with the highest number of infections.

The COVID-19 pandemic caused volatility in the international capital markets and resulted in decreased global growth estimates for the year 2020 and 2021. The magnitude and duration of the pandemic and its impact on the Republic's economic, social and public health situation continues to cause uncertainty and hence the Republic's economic, political and social conditions could be materially adversely affected.

To the extent the COVID-19 pandemic adversely affects the Republic's economic, political and social situation, it may also have the effect of heightening many of the other risks described in this "*Risk Factors*" section.

Ecuador has defaulted on its sovereign debt obligations in the past, in particular its obligations under the 2012 and 2030 Notes and has restructured its sovereign debt obligations.

In 2008, Ecuador defaulted on its interest payments for the 2012 and 2030 Notes (as defined in "*Public Debt—Debt Obligations*" herein) in the aggregate amount of approximately U.S.$157 million and principal payments of approximately U.S.$3,200 million. The 2012 and 2030 Notes were originally issued in exchange for prior debt offerings of the Republic in order to extend the maturity dates of those prior obligations. These defaults followed the publication of a report in 2008 by the Commission of Integral Audit of Public Credit ("**CAIC**"), a committee composed of representatives from both the Government and private sector organizations and members of civil society. CAIC reviewed Ecuador's debt obligations from 1976 to 2006 and in its report made a number of findings regarding the legitimacy of Ecuador's debt obligations (including the 2012 and 2030 Notes), in particular relating to concerns involving the public assumption of private debt, appropriate authorizations, sovereign immunity, and the relevant economic terms of the debt obligations incurred. After the default, which occurred during the first term of former President Correa's administration, Ecuador offered to repurchase the 2012 and 2030 Notes at a discount to their par value. Holders responded to this offer by tendering substantially all of the 2012 and 2030 Notes. Although some holders continue to hold the defaulted 2012 and 2030 Notes, Ecuador has successfully repurchased additional 2012 and 2030 Notes from remaining holders from 2009 onwards. For more information, see "*Public Debt—Debt Obligations—2012 and 2030 Notes and tender offer*". To date, no judgments have been issued against the Republic with respect to the 2012 and 2030 Notes and none are pending. Proceedings have been issued against the Republic in two cases. See "*Risk Factors—Ecuador is involved in a number of legal proceedings and disputes that could result in losses to Ecuador as well as a decrease in foreign investment*". There is a risk that other holders, other than the holders described in *"Public Debt—Debt Obligations—2012 and 2030 Notes and tender offer*", of these defaulted debt obligations may institute proceedings against the Republic and may seek to enforce any judgments obtained by seeking to attach assets of the Republic. Any action by the holders of the 2012 and 2030 Notes, or any further defaults by Ecuador on its sovereign debt obligations, could materially adversely affect the market value of Ecuador's debt obligations and the ability of the Republic to make principal and interest payments free of the risk of attachment. Any action by the holders of the 2012 and 2030 Notes making similar *pari passu* arguments as the holders in NML Capital, Ltd. v. Republic of Argentina or any further defaults by Ecuador of its sovereign debt obligations, could materially adversely affect the market value of the Republic's debt and the ability of the Republic to make principal and interest payments free of the risk of attachment.

On April 8, 2020, Ecuador launched a consent solicitation to defer, until August 2020, payments of interest falling due between March 27, 2020 and July 15, 2020 on its Existing Republic Securities. Holders of more than 91% of the aggregate principal amount of the Existing Republic Securities (not including the bonds due 2024), whose total aggregate value amounted to approximately U.S.$17 billion, and holders of more than 82% of the aggregate principal amount of the bonds due 2024 which amounted to U.S.$2 billion, gave their consent to Ecuador's proposal. The interest deferral obtained by Ecuador as a result of the successful consent solicitation allowed the authorities to engage in orderly discussions with its bondholders aimed at providing Ecuador with the necessary relief for the economy to recover from the COVID-19 health crisis and the collapse in the price of oil. See "*Public Debt—Debt Obligations—The April 2020 Consent Solicitations".*

On July 20, 2020, Ecuador launched the July 2020 Exchange Offer and Consent Solicitation. Under the July 2020 Exchange Offer and Consent Solicitation, Ecuador invited certain of the holders of the Existing Republic Securities to exchange those Existing Republic Securities for a package of New Republic Securities. In addition, pursuant to the consent solicitation, Ecuador also sought consents from such holders to modify the terms of the Existing Republic Securities. Eligible holders who agreed to exchange their Existing Republic Securities for the New Republic Securities would also receive 86% of the accrued and unpaid interest on such Existing Republic Securities up to, but excluding, the settlement date, in the form of a new zero-coupon bond due 2030. The July 2020 Exchange Offer and Consent Solicitation was subject to certain conditions, including announcement of a staff-level agreement on a program with the IMF by the settlement date.

On August 3, 2020, Ecuador announced that it had obtained the requisite consents from the holders of all ten series of Existing Republic Securities to modify the terms of such Existing Republic Securities. On August 10, 2020, Ecuador announced that it was accepting for exchange all eligible Existing Republic Securities that had been validly tendered as part of the July 2020 Exchange Offer and Consent Solicitation. On August 28, 2020, the IMF announced that it had reached a staff-level agreement on a new funded

program for Ecuador, thereby satisfying the IMF related condition of the July 2020 Exchange Offer and Consent Solicitation. Settlement of the July 2020 Exchange Offer and Consent Solicitation took place on August 31, 2020. On such date, all eligible Existing Republic Securities that had been validly tendered as part of the July 2020 Exchange Offer and Consent Solicitation were exchanged for the New Republic Securities in accordance with the terms of the July 2020 Exchange Offer and Consent Solicitation. In addition, the remaining Existing Republic Securities that were not exchanged were modified to replicate the maturity and economic terms of the New Republic Securities due 2040. See "*Public Debt—Debt Obligations—The July 2020 Exchange Offer and Consent Solicitation".*

On July 20, 2020, the sole holder of the Social Bonds, Ecuador Social Bond S.A.R.L, a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg as an unregulated securitisation company (*société de titrisation*) within the meaning of, and governed by, the Luxembourg law of 22 March 2004 on securitisation, as amended from time to time, gave its consent to certain proposed amendments to the Social Bonds and the related indenture dated as of January 30, 2020 (among the Republic, The Bank of New York Mellon, as Trustee and Registrar, the Bank of New York Mellon, London Branch, as Paying Agent and Account Bank, and the Inter-American Development Bank, as the Guarantor).

The consent solicitation amended the terms of the Social Bond indenture and the Social Bonds to exclude from the events of default set forth in the Social Bonds cross defaults arising from defaults under, and defaults arising from, the entering or issuance of judgments and arbitral awards relating to certain existing sovereign bonds of the Republic. The proposed amendments did not alter the Republic's obligation to pay the principal of or interest on the Social Bonds when due, the interest rate (and accrual thereof), the maturity date thereof or the guarantee by the Inter-American Development Bank. See "*Public Debt—Debt Obligations—The Social Bond Consent Solicitation".*

The Republic may incur additional debt beyond what investors may have anticipated, which may result in the Republic not being able to comply with its debt-to-GDP limit under Ecuadorian law in calculating the public debt to GDP ratio, which could materially adversely affect the interests of the holders of the Republic's debt.

The Republic has ordinarily been subject to a limitation on borrowing due to the Public Planning and Financing Code enacted in October 2010, which limits total public debt to 40% of GDP unless, in the case of public investment programs and projects of national interest, more than 50% of the National Assembly approves an exception to this limit on a project by project basis. The Republic has surpassed this limit in the recent years and is taking steps to meet the limit in the upcoming years.

On October 25, 2016, pursuant to Article 147, Clause 13 of the 2008 Constitution, former President Correa exercised his presidential authority to issue implementing regulations and signed executive decree No. 1218 ("**Decree 1218**"), which modified Article 135 of the Rules to the Public Planning and Finance Code. Decree 1218 changed to a consolidated basis the methodology that the Ministry of Economy and Finance used to calculate the total public debt to GDP ratio for the purpose of establishing whether the total public debt ceiling of 40% established in Article 124 of the Public Planning and Finance Code had been exceeded. Because the consolidation methodology did not take into account intra-governmental debt in the calculation of public debt to GDP ratio, Decree 1218 enabled the Republic to incur more public debt than investors may have anticipated before the signing of Decree 1218, when the Republic calculated the total debt for the purpose of the 40% public debt to GDP ratio ceiling using the aggregation methodology. On October 15, 2018, former President Moreno issued executive decree No. 537 ("**Decree 537**") repealing Decree 1218 in its entirety, which became effective on October 30, 2018.

On November 19, 2018, the Ministry of Economy and Finance issued the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology setting out the definitions and methodology for calculating and divulging Ecuador's public debt to GDP ratio (the "**New Methodology**"), which provides that the calculation of the public debt to GDP ratio is to be based on total public debt as published in the official aggregate financial statements and the latest nominal GDP as published by the Central Bank. On May 16, 2020, the National Assembly approved the Bill of the Organic Law for the Regulation of Public Finances and, after a Presidential partial veto, it became effective on July 15, 2020. This law sets out a timetable for the gradual decrease of the public debt by imposing transitional debt to GDP ratio ceilings starting at 57% by 2025 and reducing it to 45% by 2030 and to 40% by 2032, after which the public debt to GDP will be required by law to be kept at or below the legal limit of 40%.

While the waivers for the debt ceiling may reduce the near-term likelihood that the Republic will need to seek an exemption from the National Assembly in order to incur more debt, the interests of the holders of the Republic's debt could be materially affected to the extent that the waiver results in the incurrence of additional public debt. Furthermore, the Republic may not achieve its objectives in reducing its total public debt to GDP ratio in the upcoming years, which may materially adversely affect the interests of the holders of the Republic's debt.

The Office of the Comptroller General issued a report with conclusions from its audit to the Republic's internal and external debt.

In July 2017, the Office of the Comptroller General announced its intention to conduct a special audit on the legality, sources and uses of all the internal and external debt of the Republic incurred between January 2012 and May 2017, as authorized by Ecuadorian law to examine acts of public entities. The Special Audit examined the sources and uses of various financings, and whether those financings were completed in accordance with the relevant applicable laws, regulations and policies, as more fully described in "*Public Debt—Review and Audit by the Office of the Comptroller General*".

The audit report of the Comptroller General (the "**CGR Audit Report**") set forth some conclusions and recommendations, among which it concluded that certain rules that defined the methodology to calculate public debt were replaced with laws and regulations that allowed for discretion in the application and use of certain concepts related to public debt and, specifically, that the amounts of advance payments pursuant to certain commercial agreements providing for the advance payment of a portion of the purchase price of future oil deliveries should have been categorized as public debt and included in the calculation of the public debt to GDP ratio. The CGR Audit Report also concluded that Decree 1218 established a methodology for the calculation of public debt in relation to GDP (based on the total consolidated public debt methodology set out in the Manual of Public Finance Statistics of the IMF) which was not consistent with Article 123 of the Public Planning and Finance Code and deviated from the practice of using the aggregation of public debt methodology for the purpose of establishing whether the public debt to GDP ceiling of 40% had been exceeded. Consequently, Decree 1218 allowed the Government to enter into certain debt transactions without obtaining the prior approval of the National Assembly despite the fact that, according to the Office of the Comptroller General, the total public debt to GDP ratio would have exceeded the 40% limit established in Article 124 of the Public Planning and Finance Code had Decree 1218 not been in place.

During the presidency of President Lenin Moreno, the Republic implemented a series of measures seeking to provide more certainty regarding the public debt to GDP ratio and the public debt accounting methodology, such as repealing the Decree 1218 in its entirety on October 30, 2018, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio,*" or the issuance by the Ministry of Economy and Finance on November 19, 2018 of the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology setting out the definitions and methodology for calculating and divulging Ecuador's public debt to GDP ratio, and defining total public debt as the sum of the public debt incurred by the entities comprising the public sector and adds certain debt instruments to the calculation of public debt that were not previously included, including oil presales, see "*Public Debt—Review and Audit by the Office of the Comptroller General*".

On August 14, 2021, Ministerial Agreement No. 0077 was issued, in which the Ministry of Economy and Finance resolved "*to issue the Methodology for the calculation of the Debt Rule Indicator and other payment obligations of the non-financial public sector and Social Security*" repealing Ministerial Agreements No. MEF-2018-0134 of November 19, 2018, No. 036 of May 20, 2021 and No. 071 of June 20, 2021.

According to Article 4 and the First Transitory Provision of Ministerial Agreement No. 0077, the Vice Minister of Economy and Finance must issue and keep permanently updated a technical norm containing the "*Manual of Instructions and Reference Definitions for the implementation of the Public Debt - GDP Methodology*".

Pursuant to the foregoing, Ministerial Agreement No. 0095 issued as a Technical Standard to apply Ministerial Agreement No. 0077 of August 14, 2021, the "*Manual of Instructions and Reference Definitions for the implementation of the Methodology for the calculation of the Debt Rule Indicator and other payment obligations of the non-financial public sector and Social Security*". However, for its full implementation, it was considered necessary to make some specific statements related to the treatment of public sector

institutions that do not use *E-Sigef* (the Integrated Financial Management System is an IT tool that facilitates the development of public financial management processes of the General State Budget, in order to obtain relevant and useful information for decision making in an agile and timely manner, optimizing the time and resources of the institutions and making public management transparent).

Given the previously mentioned regulation, and still in force as of this date, on October 22, 2021, Ministerial Agreement No. 0099 was issued by which it was resolved "*to replace the Manual of Instructions and Reference Definitions for the implementation of the Methodology for the calculation of the Indicator of the Debt Rule and other payment obligations of the non-financial public sector and Social Security*", contained in Ministerial Agreement No. 0095 of October 15, 2021. Ministerial Agreement No. 0099 provides an explicit and referential definition of each of the components that, in accordance with the law and Ministerial Agreement No. 0077 of August 14, 2021, must be considered for such calculation. This Ministerial Agreement No. 0099 also provides a definition of public indebtedness according to Article 3, Section I.- Referential Definition of Component 1: Public Indebtedness as provided in the Code.

While there is no indication that the conclusions of the CGR Audit Report impacted the market value of the Republic's outstanding notes or the ability of the Republic to incur further debt obligations, and regulations were implemented providing certainty regarding the debt to GDP ratio and public debt accounting methodology, any challenge to the legality of the outstanding public debt of the Republic could limit the ability of the Republic to access the international markets in the future.

Any new debt issued by the Republic and any other financing transactions could in the future be subject to the review of the Office of the Comptroller General within its powers granted by Ecuadorian law to examine acts of public entities.

On February 2022 the *Ley Reformatoria del Código Orgánico Integral Penal en Materia Anticorrupción*, (the Criminal Code, the "**COIP**") proposed by former President Moreno on May 21, 2020, was enacted. The reforms to the COIP strengthen control mechanisms, incentivizes cooperation by the accused with the prosecution, increases the penalties when there is recidivism and penalizes obstruction of justice as well as overpricing in government procurement, establishes a general duty to report cases of corruption, and also stipulates that the *Contraloría General* must issue a prior report authorizing government procurement contracts entered into while in a state of emergency (when regular rules may be waived).

Ecuador has been affected by political instability and corruption scandals and the subsequent political, economic and social effects could adversely affect the Republic.

Between 1997 and 2007, Ecuador has had eight presidents, and three of them were overthrown during periods of political unrest: Abdala Bucaram in 1997, Jamil Mahuad in 2000, and Lucio Gutiérrez in 2005. Since 2007, Ecuador has experienced political stability starting with former President Correa's Alianza PAIS party having won five consecutive National Assembly elections, and former President Correa having won re-election in 2013.

On May 24, 2017, former President Moreno assumed the presidency of Ecuador with Jorge Glas as Vice President for a four-year term. On December 13, 2017, the former Vice President Glas received a six-year prison sentence in connection with the unlawful association investigation related to Odebrecht. On January 6, 2018, the National Assembly elected the then Minister of Urban and Housing Development María Alejandra Vicuña Muñoz as the Vice President of Ecuador until 2021. On December 4, 2018, the then Vice President María Alejandra Vicuña Muñoz resigned her post amidst an undergoing corruption scandal that spurred a criminal investigation into her vice presidency. On December 11, 2018, the National Assembly appointed economist Otto Ramón Sonnenholzner Sper as the new Vice President of Ecuador. On July 7, 2020, Otto Ramón Sonnenholzner Sper resigned his post as Vice President of Ecuador and on July 10, 2020, the President sent a list of eligible candidates to the National Assembly for the appointment of a new Vice President. On July 17, 2020, the National Assembly designated Mrs. María Alejandra Muñoz as new Vice President of the Republic for the remainder of the term. Muñoz served until May 24, 2021.

On May 24, 2021 President Lasso assumed the post of President of Ecuador with Alfredo Borrero Vega as Vice President for a four-year term.

In June 2022, CONAIE called a national strike that triggered a protest for 18 days in opposition to the phasing out of fuel subsidies, mining and, in general, economic policy, causing severe disruption to economic activity and damage to private property. Several incidents were reported including the defacing

of public buildings and the Office of the Prosecutor General has reported more than 403 criminal investigations related to these events.

During this standoff, members of the National Assembly initiated proceedings to remove the President, dissolve the National Assembly and call for early elections (the so called "*muerte cruzada*", which can be triggered by the President or by the National Assembly) due to a severe political crisis and national commotion, but not enough votes were cast in favor. The strike had a negative impact on the Ecuadorian economy in terms of material damages and losses, but also through the impact on various economic indicators such as sales, employment, inflation, and exports. According to Central Bank data in September 2022, losses related to the national strike amounted U.S.$1,115.4 million, representing 1% of GDP. The protests ended once the Agreement for Peace mediated by the Catholic Church (the Episcopal Conference) was signed between CONAIE, FENOCIN, FEINE and the Government. The Agreement for Peace delineated 10 main issues that the Government would address through dialogue tables within a period of 90 days. The dialogue tables began on July 13, 2022 and ended on October 14, 2022. As a result of which 218 proposals were agreed to be implemented progressively under the supervision of monitoring tables. However in March 2023, CONAIE broke off dialogue with the Government and supported calls for the impeachment of President Lasso.

On March 16, 2023, 59 members of the National Assembly submitted a letter requesting that a political impeachment trial be initiated against President Lasso on charges of *cohecho* (bribery) (two counts) and *peculado* (embezzlement) (one count). On March, 29 2023, the Constitutional Court issued, as required by the 2008 Constitution, an opinion confirming that the impeachment trial against President Lasso could proceed but only on the charge of embezzlement. As of April 2023 the impeachment proceedings are ongoing and are likely to last until May 2023. The impeachment proceedings are expected to increase further an uncertain political outlook in Ecuador and the outcome of the impeachment proceedings is not clear. If the impeachment were to be successful (requiring 92 of the 137 members of the National Assembly to vote in favour), President Lasso would be removed from office and replaced by current Vice President Borrero for the remainder of the term (which ends in May 2025). However, President Lasso can, at any time up to his removal, use his power to dissolve the National Assembly (which would trigger early elections for the presidency and for the National Assembly), but he would remain in office until the elections are organized, with limited legislative powers (for example, any economic laws passed could later be repealed by the new National Assembly). There is no precedent in Ecuador of this procedure, known as "*muerte cruzada*" which was introduced in the 2008 Constitution being used. The current impeachment procedure is established in the 2008 Constitution and the Law of the Legislature, enacted in 2009, but the power of the Legislature to impeach a President has been contemplated in several Constitutions. However, the only precedent of impeachment and removal of a President dates back from 1933, although President Abdalá Bucaram was removed from office in February 1997 by a majority vote of the Legislature that declared him "mentally unfit"; the Legislature declared that President Jamil Mahuad in January 2000 had "left the position of President vacant", and similarly the Legislature declared the "abandonment" of President Lucio Gutierrez in April 2005. As of April 2023 there have been five petitions to revoke the mandate of President Lasso (a process whereby a referendum is called if the petition is supported by 15% of the voters, to confirm or revoke the mandate to the President), but none has progressed.

On April 21, 2022, the President of the National Court of Justice, Iván Saquicela Rodas, requested the extradition of Rafael Correa from to the Kingdom of Belgium. The extradition request is a consequence of the request and documentation submitted by the Specialized Criminal Chamber of the National Court of Justice and once the sentence was confirmed in appeal and cassation, and after the Constitutional Court did not admit the *acción extraordinaria de protección,* the last resort available in that case.

On October 3, 2019, various groups organized nationwide protests against executive decree No. 883 ("**Decree 883**") issued by former President Moreno on October 1, 2019, expanding the scope of the liberalization of prices for hydrocarbons by eliminating the subsidy on certain types of gasoline and diesel and thereby increasing the prices for these fuels. The protests lasted for almost two weeks leading to President former Moreno temporarily relocating the Government to Guayaquil. From October 7, 2019 through October 13, 2019, protesters against Decree 883 occupied certain fields and disrupted oil productions by blocking roads allowing for the transportation of crude oil, causing the Government to suspend oil production in 20 oil fields located in the provinces of Orellana, Sucumbíos and Napo, resulting in U.S.$136.86 million in losses. The Government reached an agreement with protest leaders and on October 14, 2019, and former President Moreno issued executive decree No. 894 ("**Decree 894**") terminating Decree 883, reversing the elimination of the subsidies and ordering the creation of a new policy on subsidies for hydrocarbons.

On December 20, 2019, the National Electoral Council approved its report containing the council's findings on the Bribe 2012-2016 investigation over alleged illicit campaign contributions made to the Alianza PAIS party from 2012 to 2017. On January 3, 2020, at a preliminary hearing, a judge at the National Court of Justice ordered former President Correa, former Vice President Glas, and several former ministers and government officials to stand trial over their alleged involvement in the Bribe 2012-2016 case. On April 7, 2020 Ecuador's National Court of Justice sentenced former President Correa *in absentia* to an eight year prison term. This sentence was appealed however in September 2020 the National Court of Justice denied the appeal request.

Over the last years, several measures have been implemented to combat corruption and strengthen the Republic's institutions, see "*The Ecuadorian Economy—Economic and Social Policy—Anti-Corruption Measures"*. However, further developments related to corruption scandals could have a significant effect on the Republic's political, economic and social stability. While the current administration has devoted resources and efforts to combat these political, social and other problems, no assurance can be given, that these problems and conditions will be successfully remedied in the near term or at all. A return to an unstable political environment could significantly affect Ecuador's economy and Ecuador's ability to perform its obligations under its existing debt.

The next election is due to be held in January 2025, These elections are to replace (or re-elect) the President and the total composition of the National Assembly.

As with any elections, there exists the risk that a change in administration may materially affect and disrupt the policy continuity of the current administration. An administration change can materially redirect national and macroeconomic policies which may affect the repayment of the Republic's debt, among other effects.

Certain economic risks are inherent in any investment in an emerging market country such as Ecuador.

Investing in an emerging market country such as Ecuador carries economic risks. These risks include many different factors that may affect Ecuador's economic results, including the following:

- interest rates in the United States and financial markets outside Ecuador;
- inflation;
- changes in economic or tax policies in Ecuador;
- the imposition of trade barriers by Ecuador's trade partners;
- general economic, political, and business conditions in Ecuador, Ecuador's major trading partners, and the global economy;
- the ability of Ecuador to effect key economic reforms, including its economic strategy to re-balance the economy by increasing the percentage of GDP represented by the non-petroleum economy. For more information, see "*The Ecuadorian Economy—Strategic Sectors of the Economy—Oil Sector*";
- political and social tensions in Ecuador;
- the prices of commodities, including oil and mining;
- the impact of policies, sanctions, hostilities including war or political unrest and other geopolitical tensions in other countries that may affect international trade, commodity prices and the global economy; and
- the decisions of international financial institutions regarding the terms of their financial assistance to Ecuador.

Ecuador's economy remains vulnerable to external shocks, including the negative global economic consequences resulting from the current recession affecting the global economy as a result of the health and economic crises resulting from the COVID-19 pandemic, the sudden decreases in international oil prices during 2020 and 2021, increased interest rates and higher inflation in 2022 and increases in oil prices in 2023, and the negative economic consequences that can arise as a result of future significant economic

difficulties of its major regional trading partners or by more general 'contagion' effects, which could have a material adverse effect on Ecuador's economic growth and its ability to service its public debt. In addition, political events such as a change in administration in the United States or changes in the policies of the European Union, other emerging market countries, or Ecuador's regional trading partners could impact Ecuador's economy.

Emerging-market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments. Generally, investment in emerging markets is only suitable for sophisticated investors who appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets.

A significant decline in the economic growth of any of Ecuador's major trading partners could adversely affect Ecuador's economic growth. In addition, because international investors' reactions to the events occurring in one emerging market country sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavored by international investors, Ecuador could be adversely affected by negative economic or financial developments in other emerging market countries or in Latin America generally.

Furthermore, Ecuador's past policies towards bilateral investment treaties could impact foreign direct investment into Ecuador and Ecuador's trading relationships. In 2009, during the administration of the former President Correa, Ecuador both withdrew from the Convention of the International Centre for Settlement of Investment Disputes ("**ICSID Convention**") and terminated bilateral investment treaties to which it was a signatory. Former President Correa argued that the ICSID Convention violated Article 422 of the 2008 Constitution, which prohibits "international treaties in which the State cedes sovereign jurisdiction to international arbitration bodies" and also claimed that the ICSID Convention led Ecuador to face millions of U.S. dollars in cases in international arbitration. However, under President Lasso, Ecuador ratified the ICSID Convention in 2021 and restarted foreign trade agreement negotiations with South Korea in March 2022 after a 6-year pause. As of April 2023, the documents prepared as a result of such negotiations are currently under legal review by the Republic. In 2022 the Republic also concluded foreign trade agreement negotiations with China. As of April 2023, the documents prepared as a result of such negotiations are currently under legal review by the Republic. See "*Balance of Payments and Foreign Trade—Foreign Trade".*

There can be no assurance that any crises such as those described above or similar events will not negatively affect investor confidence in emerging markets or the economies of the principal countries in Latin America, including Ecuador. In addition, there can be no assurance that these events will not adversely affect Ecuador's economy, its ability to raise capital in the external debt markets in the future or its ability to service its public debt.

A significant increase in interest rates in the international financial markets could have a material adverse effect on the economies of Ecuador's trading partners and adversely affect Ecuador's economic growth and Ecuador's ability to make payments on its outstanding public debt.

If interest rates outside Ecuador increase significantly, Ecuador's trading partners, in particular, could find it more difficult and expensive to borrow capital and refinance their existing debt. These increased costs could in turn adversely affect economic growth in those countries. Decreased growth on the part of Ecuador's trading partners could have a material adverse effect on the markets for Ecuador's exports and, in turn, adversely affect Ecuador's economy. An increase in interest rates would also increase Ecuador's debt service requirements with respect to Ecuador's debt obligations that accrue interest at floating rates. As a result, Ecuador's ability to make payments on its outstanding public debt generally would be adversely affected.

A number of factors, including significant volatility in oil prices, have impacted and may continue to impact on revenues and the performance of the economy of Ecuador.

The economy of Ecuador and the Republic's budget are highly dependent on petroleum revenues. In 2020, oil revenues were U.S.$4,839 million. In 2021, oil revenues were U.S.$9,041 million and for 2022, oil revenues were U.S.$13,250 million.

- The price and international demand for crude oil are affected by many factors, including:

- global economic and political conditions as well as economic and political developments in oil producing nations;
- market expectations regarding future supply of crude oil and petroleum derivatives;
- the impact of climate change, and more generally global weather and environmental conditions, on the demand for, and the price of, hydrocarbons;
- the impact of international and national environmental regulations designed to reduce carbon emissions;
- the development of new crude oil exploration, production and transportation methods or other innovations in existing methods, including hydraulic fracturing;
- prices and development of alternative energies, including renewable energy;
- fluctuations in the value of the U.S. Dollar, the currency used to price oil globally;
- the decisions of OPEC, its constitutive members and other crude oil producing nations;
- price wars between large oil producing nations, such as the one seen in 2020 between Russia and Saudi Arabia; and
- the Russian invasion of Ukraine.

There can be no assurance that these factors, whether individually or in the aggregate, will not result in a prolonged or continued volatility in oil prices.

There can therefore be no assurance that Government revenues from petroleum exports will not experience significant fluctuations as a result of changes in the international petroleum market. Concerns with respect to global recession and weakness of the world economy, particularly as a result of the COVID-19 crisis, terrorism, market volatility and certain geopolitical developments, political instability and the war in Ukraine, may have a potentially adverse effect on the petroleum market as a whole and in Ecuador.

In addition, in 2022, the three main destinations of Ecuador's petroleum exports were the United States (41%), Panama (37%) and Chile (9%). Worsening economic conditions in any of these countries could have a significant impact on Ecuador's revenues from oil and overall economic activity.

Further, operating difficulties in certain oil fields, lower production budgets, national strikes and social protests and the outages and the overhaul of Ecuador's largest refinery, the Esmeraldas Refinery (see "*The Ecuadorian Economy—Strategic Sectors of the Economy—Oil Sector*"), have led to uneven crude oil and petroleum derivatives production over the last few years. While Ecuador expects to increase production through the development of new fields, future political opposition, the severe effects of the COVID-19 crisis, the fluctuation in international oil prices, budget adjustments that affect investments in oil exploration, natural disasters such as earthquakes or rivers regressive erosions provoking *force majeure* events, pipeline ruptures, or further outages caused by national strikes, social protests or otherwise could result in a decline of overall production. Accordingly, any sustained period of decline in capacity, if exacerbated by a decline in oil production, could adversely affect the Republic's fiscal accounts and International Reserves.

Oil prices rebounded in 2022 and 2023 and International Reserves increased due to the IMF program (see further "*Summary Information and Recent Developments Regarding Ecuador*"), however the end of the IMF program and uncertainty regarding future volatility on international petroleum prices may have an adverse effect on the Government's oil revenues, affecting its ability to service its debt.

*Failure to reduce greenhouse gas ("**GHG**") emissions could curtail the profitability of Ecuador's hydrocarbon and industrial sectors.*

In the years ahead, hydrocarbon and industrial sectors will face increased international regulation relating to GHG emissions. Like any significant changes in the regulatory environment, GHG regulation could have the impact of curtailing profitability in the hydrocarbon and industrial sectors reducing Ecuador's income

from oil and gas operations and in tax revenues. In the long term, Ecuador's oil and gas operations could become economically infeasible.

International agreements and regulatory measures that aim to limit or reduce GHG emissions are currently in various stages of implementation. For example, the Paris Agreement went into effect in November 2016, and a number of countries are studying and adopting policies to meet their Paris Agreement goals. Other jurisdictions are considering adopting or are in the process of implementing laws or regulations to directly regulate GHG emissions through similar or other mechanisms such as, for example, via a carbon tax (e.g. Singapore and Canada) or via a cap-and-trade program (e.g. Mexico and China). The landscape continues to be in a state of constant re-assessment and legal challenge with respect to these laws and regulations, making it difficult to predict with certainty if this will have an adverse effect on, among other things, GDP growth, Government revenues, balance of payments and foreign trade.

Commodity prices are volatile, and a significant decline in commodity prices could adversely affect Ecuador's economy and its ability to perform its obligations under its existing debt.

In addition to petroleum prices, see "*Risk Factors—Risk Factors Relating to Ecuador—A number of factors, including significant volatility in oil prices have impacted and may continue to impact on revenues and the performance of the economy*". Ecuador's economy is exposed to other commodity price volatility, especially with regard to bananas and shrimp, which made up approximately 24.3% and 25.3% of Ecuador's total non-oil exports for the year 2022, respectively.

A significant drop in the price of certain commodities, such as bananas or shrimp, would adversely affect Ecuador's economy and could affect Ecuador's ability to perform its obligations under its existing debt obligations.

Ecuador is a sovereign state and has not waived its sovereign immunity to the fullest extent permitted under the United States Foreign Sovereign Immunities Act of 1976; accordingly, it may be difficult to obtain or enforce judgments against it.

Ecuador is a sovereign state. Consequently, it may be difficult for investors or lenders to obtain or realize judgments against Ecuador in the United States or elsewhere. For example, Argentina defaulted on part of its external debt beginning in 2002. Holders of those bonds issued by Argentina had difficulty in obtaining payment from the defaulted issuer, as described further in the risk factor entitled "*Certain federal court decisions in New York create uncertainty regarding the meaning of ranking provisions and could potentially reduce or hinder the ability of sovereign issuers to restructure their public sector debt*".

Furthermore, the dispute resolution provisions of the certain debt instruments of the Republic require submission to arbitration while the contractual provisions are governed by New York law. In order to obtain an enforceable judgment any disputes will have to be submitted first to the decision of an arbitral panel prior to being subject to enforcement by an applicable court.

To the extent holders of the Republic's debt were to bring suit in Ecuador or attempt to enforce a foreign judgment or arbitral award in Ecuador, under the laws of Ecuador certain property of Ecuador is exempt from attachment. In addition, pursuant to the terms of the certain debt instruments of the Republic, Ecuador has limited its sovereign immunity (other than with respect to the laws of Ecuador) with respect to actions brought against it under such debt instruments. This limitation of immunity, however, may be more limited in scope than those under certain other sovereign issuances in which issuers may waive immunity to the full extent under the U.S. Foreign Sovereign Immunities Act of 1976. Given this limitation on the scope of immunity, as well as the limitations of the U.S. Foreign Sovereign Immunities Act of 1976 and the immunity granted to Ecuador under Ecuadorian law, or which may in the future be granted under Ecuadorian law, holders seeking to attach assets of Ecuador may not be able to do so within Ecuador and may face difficulties doing so outside of Ecuador.

Ecuador is involved in a number of legal proceedings and disputes that could result in losses to Ecuador as well as a decrease in foreign investment.

Ecuador is currently involved in several legal proceedings, mainly related to contracts in the oil and electricity sectors. For a description of these legal proceedings and other proceedings against Ecuador, see "*Legal Proceedings*".

If the foreign companies were to succeed, the awards could adversely impact the finances of the Republic. For example, in respect of the legal proceedings relating to Perenco Ecuador Limited ("**Perenco**"), in December 2022, the Ministry of Economy and Finance publicly reported that Ecuador and Perenco reached a settlement agreement that included a payment schedule for Ecuador's payment of amounts due under an arbitral award issued in favour of Perenco. Notwithstanding that agreement, in March 2023, the US District Court for the District of Columbia granted Perenco's petition (filed in October 2019) to enforce the arbitral award as if it were a final judgment of the US District Court.

The Republic can offer no assurances as to whether or not any other proceedings will be resolved in its favor.

Certain federal court decisions in the United States create uncertainty regarding the meaning of ranking provisions and could potentially reduce or hinder the ability of sovereign issuers to restructure their public sector debt.

In litigation in federal courts in New York captioned NML Capital, Ltd. v. Republic of Argentina, the U.S. Court of Appeals for the Second Circuit ruled on August 23, 2013 that the ranking clause (which included ratable payment language) in certain defaulted debt issued by Argentina, prevents Argentina from making payments in respect of new performing notes that it issued in exchange for the defaulted notes in a restructuring in which a certain minority of holders elected not to participate, unless it makes pro rata payments in respect of the defaulted notes that rank *pari passu* with new notes. The defaulted notes in this case did not contain the "collective action clauses" referred to in the preceding risk factor. While the U.S. Court of Appeals for the Second Circuit's decision was narrowly tailored to the facts of the case, including the conduct of Argentina and the specific wording of the *pari passu* clause in the defaulted notes, the implication from this case is that it may be more difficult for sovereign debtors to restructure their debts.

On February 18, 2014, the Republic of Argentina filed a petition in the U.S. Supreme Court seeking review of the Second Circuit's August 2013 ruling. On June 16, 2014, the U.S. Supreme Court denied the Republic of Argentina's petition for review, thereby letting stand the Second Circuit's August 2013 ruling. On July 22, 2014, the U.S. District Court for the Southern District of New York enforced the ruling and barred the international trustee from making a U.S.$539 million payment to bondholders of the new performing notes that Argentina issued in exchange for the defaulted notes. On the same date, the U.S. District Court ordered Argentina to undergo continuous mediation and settlement talks with holders of the defaulted notes.

On June 16, 2014, the U.S. Supreme Court issued an opinion in a related case, ruling that the Republic of Argentina is not immune from complying with a judgment creditor's discovery demands seeking information about its assets outside the United States. On August 11, 2014, the U.S. District Court for Nevada granted NML Capital, Ltd's motion to compel discovery of information regarding Argentine assets in the United States.

On February 25, 2015, the U.S. District Court for the Southern District of New York ordered Deutsche Bank and JPMorgan Chase and Co. to deliver the documents relevant to Argentina's planned new issuance of dollar-denominated debt to the court and NML Capital, Ltd.

On December 10, 2015, Mauricio Macri became the new president of Argentina. Under his administration, Argentina negotiated and reached settlements with a group of holdout creditors for U.S.$1.35 billion on February 2, 2016, and a group of six other holdout creditors for U.S.$1.1 billion on February 18, 2016. On February 19, 2016, the U.S. District Court lifted its ban on payments to creditors on the condition that Argentina repeal two laws enacted for the purpose of blocking agreements with holdout creditors and agree to pay remaining holdouts by a certain date. Argentina's congress repealed the two laws on March 31, 2016. The U.S. Court of Appeals for the Second Circuit voted to confirm the lifting of the ban on April 13, 2016. Argentina proceeded with a sale of U.S.$16.5 billion in sovereign bonds on April 19, 2016.

On December 22, 2016, the U.S. District Court for the Southern District of New York issued an opinion dismissing claims by certain institutional investors that had not participated in the February 2016 settlements, rejecting their claims based upon the breach of the *pari passu* clause and any claims that accrued outside of the six-year statute of limitations. In this new decision, the U.S. District Court held that Argentina's payments to creditors who participated in the settlement were not a violation of the rights of the non-settling investors. The U.S. District Court also found that even if the *pari passu* clause had been breached, monetary damages would be barred as duplicative of the damages from failure to pay, and an injunction would be granted only in extraordinary circumstances. The December 22, 2016 decision by the

U.S. District Court appears to limit the application of the prior rulings in the litigation relating to the defaulted notes, although it is difficult to predict what impact, if any, the December 22, 2016 decision will have on sovereign issuers such as Ecuador.

Despite the above recent developments and settlement agreements between the Republic of Argentina and its creditors, Ecuador cannot predict what impact, if any, the above U.S. court rulings will have on sovereign issuers such as Ecuador.

Payments to holders of the Republic's debt could be attached by creditors, including holders of other debt instruments of Ecuador, to satisfy awards against Ecuador.

There is a risk that creditors could attach payments of interest and principal by Ecuador to creditors of the Republic's debt outside of Ecuador because, until payments reach creditors of such debt, they could possibly be deemed to be the assets of Ecuador. For more information on these pending awards, see "*Legal Proceedings*" and "*Risk Factors—Risk Factors Relating to Ecuador—Ecuador is involved in a number of legal proceedings and disputes that could result in losses to Ecuador as well as a decrease in foreign investment".*

For further information about the attempts of creditors of Argentina to enforce payment obligations on defaulted sovereign debt, see "*Risk Factors——Certain federal court decisions in the United States create uncertainty regarding the meaning of ranking provisions and could potentially reduce or hinder the ability of sovereign issuers to restructure their public sector debt".*

Specifically, payments of principal and/or interest on debt of Ecuador may be attached, enjoined or otherwise challenged by holders of other debt instruments of Ecuador, including outstanding holders of the 2012 and 2030 Notes. Some creditors have, in recent years, used litigation tactics against several sovereign debtors that have defaulted on their sovereign bonds including Peru, Nicaragua and Argentina, to attach or interrupt payments made by these sovereign debtors to, among others, holders of the relevant defaulted bonds who agreed to a debt restructuring and accepted new securities in an exchange offer. Ecuador may also become subject to suits to collect on defaulted indebtedness. Ecuador cannot guarantee at a creditor will not be able to interfere, through an attachment of assets, injunction, temporary restraining order or otherwise, with payments made under its debt.

The ability of Ecuador to counter external shocks through economic policy is limited.

Ecuador instituted the Dollarization Program in the year 2000, replacing the Ecuadorian sucre with the U.S. dollar. Due to the current market conditions, Ecuador may be at risk if it cannot export sufficient goods to receive additional U.S. dollars, as it has no ability to mint currency. In addition, due to the Dollarization Program, the ability of Ecuador and/or the Central Bank to adjust monetary policy and interest rates in order to influence macroeconomic trends in the economy is limited. The total income from its exports and remittances needs to outweigh the total cost of its imports. The disruptions currently experienced in the financial markets have led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in a reduction in available financing. Furthermore, by law, Ecuador's oil revenues can only be used to finance infrastructure projects and its ability to use these revenues to address other sectors or fiscal policy in general is limited. Accordingly, Ecuador's ability to use the tools of monetary policy to correct external shocks to the economy may be limited.

Severe weather, natural disasters and adverse climate changes may materially adversely affect Ecuador's economy.

Due to Ecuador's geographic location, it is subject to the effects of severe weather, natural disasters and climate changes. For example, Ecuador is located in an active seismic area where the risk of an earthquake or tremors is high. On April 16, 2016, the Pedernales Earthquake, a 7.8 magnitude earthquake, struck the northern coast of Ecuador above the convergent boundary where the Nazca tectonic plate subducts beneath the South American tectonic plate. In March 2023, a 6.8 magnitude earthquake struck in Guayaquil, following which President Lasso declared a state of emergency in respect thereof on March 20, 2023.

Ecuador is also subject to the effects of *El Niño* phenomenon, which is expected to occur by the second semester of 2023.

When it occurs, the irregular *El Niño* climatic phenomenon has caused heavy rains, landslides, widespread flooding and hotter temperatures across Ecuador. See further "*Environmental Matters—Current Environmental Challenges faced by Ecuador".*

Any of the meteorological or seismic phenomena that can potentially occur in Ecuador can materially adversely affect core industries of the Republic, such as oil production or agricultural production, which in turn would have a negative effect on the financial conditions of Ecuador.

Ecuador faces challenges in its ability to access external financing and has restructured its debt on a number of occasions, including recently.

Due to the COVID-19 crisis and the decline in international oil prices, Ecuador first launched a consent solicitation in April 2020 to defer certain payments of interest on its international bond issuances, and subsequently launched the July 2020 Exchange Offer and Consent Solicitation, under which most of its Existing Republic Securities were exchanged for New Republic Securities (with the terms of the remaining Existing Republic Securities that were not exchanged modified to replicate the maturity and economic terms of the New Republic Securities due 2040). The difficulties with which Ecuador has had in servicing its debt and the discounts and extension of maturities which holders of such debt have been offered in new debt issuances may result in less of a willingness of international capital market investors to purchase and hold Ecuadorian international bonds.

In addition, given the fluctuations in Ecuador's level of International Reserves in the last few years its ability to obtain diverse sources of international funding has become increasingly important. See "*Public Sector Finances—Overview—Fiscal Policy".* Since the U.S. dollar is legal tender of Ecuador, the level of International Reserves may not be an indicator of its ability to meet current account payments as would be the case in an economy where the dollar is not legal tender.

Finally, the history of defaults by Ecuador may also limit Ecuador's access to external financing. In 2008, the CAIC issued a report that made a number of findings regarding the legitimacy of Ecuador's debt obligations (including the 2012 and 2030 Notes), in particular relating to concerns involving the public assumption of private debt, appropriate authorizations, sovereign immunity, and the relevant economic terms of the debt obligations incurred. See also "*Risk Factors—Risk Factors Relating to Ecuador—Ecuador has defaulted on its sovereign debt obligations in the past, in particular its obligations under the 2012 and 2030 Notes and has restructured its sovereign debt obligations".* Following the report in 2008, Ecuador defaulted on its payments for the 2012 and 2030 Notes in the aggregate amount, as of February 2009, of approximately U.S.$157 million in interest and U.S.$3,200 million in principal. Ecuador invited holders of the 2012 and 2030 Notes to participate in two tender offers in April 2009 and November 2009 which resulted in the tender of 93.22% of the 2012 and 2030 Notes. Although some holders continue to hold the defaulted 2012 and 2030 Notes, Ecuador has successfully repurchased additional 2012 and 2030 Notes from remaining holders from 2009 onwards. As of April 2023, the total aggregate amount of outstanding principal on the 2012 and 2030 Notes is U.S.$52 million, which represents 1.6% of the original aggregate principal amount of the 2012 and 2030 Notes. For more information, see "*Public Debt—Debt Obligations—2012 and 2030 Notes and tender offer".* Given the history of defaults, including more recently, defaults with respect to the 2012 and 2030 Notes as a result of the CAIC determining that the notes were issued illegally, and the recent difficulties that Ecuador has had in meeting its debt service payment thereby requiring the launch of the consent solicitation and exchange offer (launched in April and July 2020) described above, Ecuador may not be able access external financing on favorable terms and this limited access may continue for several years while at the same time its financing needs have not decreased. For further information regarding the external debt payment record of Ecuador and the history of defaults, see "*Public Debt—Debt Obligations".*

The Republic's credit ratings may not reflect all risks of investment.

Sovereign credit ratings are an assessment by rating agencies of Ecuador's ability to pay its debts when due. Consequently, real or anticipated changes in Ecuador's sovereign credit ratings will generally affect the market value of the Republic's debt. These credit ratings may not reflect the potential impact of risks relating to structure or marketing of the Republic's debt. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating.

Ecuador is likely to depend on multilateral lending as its main source of foreign capital in the near- to medium-term; consequently, if Ecuador fails to reach arrangements with multilateral lenders, Ecuador's limited access to foreign capital could be curtailed, which could have a material adverse effect on Ecuador's economic prospects.

On March 11, 2019, the Executive Board of the IMF approved the U.S.$4,200 million arrangement under the IMF's Extended Fund Facility for Ecuador, enabling the disbursement of U.S.$652 million on March 13, 2019. The arrangement provided for an approximate 3% interest rate and a ten-year repayment plan (with a four-year grace period). According to the IMF's press release of March 11, 2019, "the Ecuadorian authorities are implementing a comprehensive reform program aimed at modernizing the economy and paving the way for strong, sustained, and equitable growth. The authorities' measures are geared towards strengthening the fiscal position and improving competitiveness and by so doing help lessen vulnerabilities, put dollarization on a stronger footing, and, over time, encourage growth and job creation". A subsequent disbursement of U.S.$251 million was made on July 2, 2019. On December 11, 2019, the Republic requested to the IMF a waiver of non-observance of the performance criteria on net International Reserves given that the macroeconomic impact of the breach was minor, as well as certain modifications to program requirements, and the completion of the IMF's second and third review of the arrangement under the Extended Fund Facility and the disbursement of about U.S.$498.4 million for budget support. On December 19, 2019, the IMF's Executive Board approved the disbursement to the Republic of about U.S.$498.4 million.

On April 30, 2020, the Minister of Economy and Finance and the General Manager of the Central Bank presented the IMF with a letter of intent; (i) describing the unprecedented and negative economic and social effects that the COVID-19 pandemic had caused in Ecuador; (ii) explaining some of the actions taken and some additional policy actions that Ecuador had undertaken or committed to undertake; (iii) reiterating that Ecuador agreed to comply with the provisions of the IMF's Articles of Agreement; (iv) notifying the IMF that the Extended Fund Facility approved on March 11, 2019 was cancelled with immediate effect; and (v) requesting urgent financial assistance under the IMF's RFI's with the aim of addressing urgent balance of payments and fiscal needs. Generally, financings under an RFI are aimed at helping member countries address urgent balance of payments needs. The letter of intent also provided the commitment of the Ministry of Economy and Finance and the Central Bank to update their Memorandum of Understanding signed in March 2019 that clarified the responsibilities for timely servicing of the financial obligations to the IMF.

Following this request, the IMF staff assessed the Republic's qualification requirements, worked with the authorities and prepared a staff report for the IMF's Executive Board. On May 2, 2020, the IMF Executive Board approved Ecuador's request for emergency financial assistance under the RFI for approximately U.S.$643.1 million in order to support Ecuador's balance of payments and its most affected sectors, including the healthcare system and social protection; recognizing that Ecuador's authorities had taken decisive actions to contain the spread of the virus and mitigate the socio-economic impact of the health crisis on households and firms, while prioritizing efforts to protect the poor and vulnerable.

In 2020, the Government worked with the IMF staff to define the structure of a new successor program, with the aim of bolstering the Republic's economic performance, strengthening the foundations of dollarization, and delivering broad based benefits for the population, with a special emphasis on the most vulnerable sectors. The Government reached Staff Level Agreement on August 28, 2020 and IMF Executive Board approval for 27-month Extended Fund Facility totalling SDR4,615 million (approximately U.S.$6.5 billion).

According to data published by the IMF in 2022, the IMF disbursed to Ecuador U.S.$4,007 million in 2020, U.S.$802 million in 2021 and U.S.$1,649 million in 2022 under the Extended Fund Facility.

The Extended Fund Facility was fully disbursed by December 2022. The Republic's financing plan for 2023 does not envisage IMF funding and no decision to enter into a new agreement with the IMF has been agreed upon. Ecuador is continuing to engage with the IMF as part of the IMF's surveillance functions and has access to the general resources of the IMF. Other international financial institutions such as the World Bank and the Inter-American Development Bank have continued to make loans to Ecuador. However, until Ecuador regains normal access to the international private capital markets, official multilateral sources will likely remain Ecuador's chief source of foreign capital.

THE REPUBLIC OF ECUADOR

Territory, Population and Society

Ecuador is one of the smallest countries in South America, covering an area of approximately 99,054 square miles (256,549 square kilometers). Located on the north-western coast of the continent, it shares a 950-mile border with Peru to the south and the east, a 373-mile border with Colombia to the north, and a 1,452-mile coastline to the Pacific Ocean to the west. Ecuador encompasses a wide range of geographic areas and climates, including the Pacific coastal plains, the Sierra (consisting of the Andean highland region), the Oriente (characterized by the Amazonian tropical rain forest) and the Galápagos Islands region located in the Pacific Ocean approximately 600 miles from the coast.

The Republic is traversed by the equator and lies entirely in the north and south tropical zones. Ecuador's regional climates vary depending on altitude. The climate is tropical in the Pacific coastal plains and the Oriente, predominantly temperate in the Sierra, and maritime in the Galápagos Islands. Ecuador has several active volcanoes, some of which have shown increased activity in the past several years.

On October 26, 1998, Ecuador and Peru signed a comprehensive peace agreement that ended a long-standing territorial dispute concerning territory in the Oriente region. Although the territorial conflict spanned more than a century, the treaty ended multiple hostile encounters between the two governments over the course of the previous four years. As a result of this treaty, the two countries presented joint plans for the development of infrastructure and commerce in the border region.

According to projections based on the 2010 census conducted by the INEC, in 2022 the total population of Ecuador was approximately 18 million. Approximately 49.17% of the population live in the Pacific coastal plains, 45.11% live in the Andean highlands, 5.53% in the Oriente and 0.19% in the Galápagos Islands. Approximately 64.21% of the population lives in urban areas. Quito, Ecuador's capital, is Ecuador's largest city with 2.87 million inhabitants and is located in the highlands at 2,850 meters above sea level. Guayaquil, which is located on the east coast, is the second largest city in Ecuador with a population of 2.77 million. Spanish is the official language in Ecuador, while Quechua and Shuar are considered official languages for intercultural relations.

Historically, Ecuador has been a Catholic country and while Ecuador remains predominantly Catholic, evangelical Christianity has become increasingly popular.

The following table sets forth certain demographic characteristics for Ecuador in the year specified:

DEMOGRAPHIC CHARACTERISTICS

	2019	2020	2021	2022
Total population (*million*)	17.3	17.5	17.7	17.7
Female (%)	50.5	50.5	50.5	50.5
Male (%)	49.5	49.5	49.5	49.5
Urban (%)	63.9	64.9	64.1	64.2
Rural (%)	36.1	36.1	35.9	35.8
Functional age groups (*%*)				
Child (0–14)	29.1	28.7	28.2	27.8
Adult (15–64)	63.6	63.9	64.1	64.4
Elderly (65+)	7.3	7.5	7.7	7.8
Demographic Indicators				
Average annual growth (*%*)	1.4	1.4	1.3	1.3
Birth rate (*per thousand*)	16.6	15.2	14.1	(1)
Infant mortality rate (*per 1,000 live births*)	12	11	11	(1)
Fertility rate (*per female*)	2.1	2.1	(1)	(1)
Average Life Expectancy (*years*)				
Female	80	76	(1)	(1)
Male	75	69	(1)	(1)
Overall	77	72	(1)	(1)

Source: Based on data from INEC. 2020-2022 figures are based on INEC's projections available at: www.ecuadorencifras.gob.ec, last visited on March 07, 2023. Data of Average life expectancy, infant mortality rate and birth rate from Databank Mundial Bank.

(1) Data not available as at the date of this Schedule.

The following table sets forth certain comparative information for Ecuador relative to certain countries in South America, Central America and the United States:

SOCIAL STATISTICS

	Ecuador	Bolivia	Paraguay	Honduras	Guatemala	Costa Rica	United States
Average life expectancy (*years*) [(1)]	78.25	72.5	78.61	75.43	73.18	79.87	80.75
Adult literacy rate (*%*) [(2)]	94	94	95	89	83	98.0[(2)]	92
Mean years of schooling (*years*) [(3)]	9.11	9.83	8.86	7.09	5.68	8.8	13.68
Population below poverty line (*%*) [(4)]	25[(4)]	37.2	23.5	48.3	59.3	21	15.1

Source: Data based on Central Intelligence Agency (World Factbook), Explore All Countries (https://www.cia.gov/the-world-factbook/countries/) and UNESCO data, U.S Stat, Education (http://data.uis.unesco.org), as indicated.

(1) Based on data from Central Intelligence Agency; The World Factbook (estimation for 2023).

(2) Based on data from The World Bank data (last accessed online on March 3, 2023). Latest available data for Ecuador, Costa Rica and Guatemala are from 2021, for Bolivia, Paraguay are from 2020, for Honduras 2019; The date for the United States (2019) is from the National Center for Education Statistics of that country.

(3) Based on data from UNESCO (last accessed online on March 3, 2023). Latest available data for Ecuador is from 2021, for Bolivia, Paraguay, Costa Rica, United States, from 2020, from Honduras, Guatemala, from 2019.

(4) Based on data from Central Intelligence Agency; The World Factbook. Latest estimates available for countries according to the following: Ecuador, 2019; Bolivia and Paraguay, 2019; Honduras, 2018; Guatemala, 2014; Costa Rica, 2019; United States, 2010.

Form of Government

Ecuador is a republic, with powers divided among five branches of the Government: the executive, the legislative, the judicial, the transparency and social control, and the electoral branches. The 2008 Constitution provides for concurrent four-year terms of office for the President, Vice President, and members of the National Assembly. Presidents and legislators may be re-elected. Citizens must be at least 16 years of age to vote.

The President is the head of Government and head of state, and is elected by direct popular vote for a four-year term. The President's duties include the enforcement of the Constitution, the establishment of economic, trade and foreign policy, and the enforcement of domestic law and order. The President is also commander-in-chief of the armed forces and appoints ministers and heads the Government's cabinet. Former President Correa came into office in January 2007 under the previous Constitution, was re-elected in general elections held in February 2013, and finished his second term under the 2008 Constitution on May 23, 2017. Former President Moreno assumed the post of President of Ecuador on May 24, 2017 for a four-year term ending on May, 24 2021. President Lasso assumed the post of President of Ecuador on May 24, 2021.

The 2008 Constitution establishes a single chamber national assembly elected through direct popular vote for a four-year period. The National Assembly has 137 representatives, of which 15 are elected at the national level, two are elected per province, one additional provincial representative for every 200,000 inhabitants above 150,000 per province threshold, and six for Ecuadorians living abroad.

Pursuant to Article 149 of the 2008 Constitution, the Vice President performs all functions assigned to the post by the President. On August 3, 2017, former President Moreno relieved the then Vice President Jorge Glas of his official duties but he officially retained the post of Vice President. On October 4, 2017, former President Moreno appointed the Minister of Urban and Housing Development, María Alejandra Vicuña Muñoz, as interim Vice President. On December 13, 2017, the former Vice President Glas received a six-year prison sentence in connection with the unlawful association investigation related to Odebrecht. After confirmation that the former Vice President Glas could no longer retain his post as Vice President on January 6, 2018, the National Assembly elected María Alejandra Vicuña Muñoz as the Vice President of Ecuador until 2021. However, on December 3, 2018, former President Moreno relieved former Vice President María Alejandra Vicuña Muñoz of her official duties amidst an undergoing corruption scandal that spurred a criminal investigation into her vice presidency. The day after, on December 4, 2018, the then Vice President resigned her post. On December 6, 2018, a shortlist of three candidates proposed by the former President was submitted to the National Assembly. On December 11, 2018, the National Assembly appointed economist Otto Ramón Sonnenholzner Sper as the new Vice President of Ecuador. On July 7, 2020, Otto Ramón Sonnenholzner Sper resigned his post as Vice President of Ecuador and the President sent on July 10, 2020 a list of eligible candidates to the National Assembly for the appointment of a new Vice President. On July 17, 2020, the National Assembly designated María Alejandra Vicuña Muñoz as new Vice President of the Republic for the remainder of the term. Muñoz served until May 24, 2021, when current Vice President, Alfredo Borrero Vega, was appointed.

The following table shows the composition of the National Assembly as of the date of this Schedule:

COMPOSITION OF THE NATIONAL ASSEMBLY

Political Party	Number of Members
Bancada del Acuerdo Nacional	22
Independientes	13
Izquierda Democrática	15
Pachakutik	25
Partido Social Cristiano	15
Unión por la Esperanza	47
Total	**137**

Source: Data based on National Assembly, as at March, 31 2023 available at: https://www.asambleanacional.gob.ec/es/pleno-asambleistas.

Ecuador is administratively divided into 24 provinces and 221 municipalities. Each province is governed by a prefect who is popularly elected. The Government also designates a governor for each province that coordinates and administers the initiatives of the Government; while mayors, who are elected by popular vote, govern municipalities. Each of the 24 provinces has a popularly elected provincial council headed by a prefect. A municipal council is responsible for the governance of each municipality. All provincial and municipal officials are popularly elected for four-year terms. Provincial and municipal elections were last held on February 5, 2023.

The judicial system of Ecuador consists of the National Court of Justice; *Cortes Provinciales de Justicia* ("**Provincial Courts of Justice**"); and *Tribunales Unidades Judiciales* ("**First Instance Courts**"). The National Court of Justice is composed of 21 judges appointed by the *Consejo de la Judicatura* ("**Judiciary Council**"), which is in charge of regulating, administering and auditing the judicial branch. The Judiciary Council is comprised of nine standing members with their respective alternates, who perform their duties for a six-year term of office and cannot be re-elected. The designation of the standing members of the Judiciary Council and their alternates takes place by a competitive merit-based examination process, subject to citizen oversight. Issues relating to the 2008 Constitution, including the modification or amendment thereof, are reserved to the Constitutional Court. The Constitutional Court is composed of nine members who are selected by a commission composed of eight members appointed from the various branches of government. Each member of the Constitutional Court is appointed to a nine-year term and may be re-elected at the end of their term. Following the appointment of new justices to the Constitutional Court in February 2019 (see further "*Measures by former President Moreno*"), on February 7, 2022 three justices of the Constitutional Court resigned and were replaced on February 10, 2022.

The 2008 Constitution recognizes the possibility for indigenous communities to exercise their judicial authority in accordance with their traditions and their own sets of rules. The exercise of this authority must comply, and must not conflict with, the rights set forth by the 2008 Constitution and international treaties ratified by the Republic.

The 2008 Constitution also creates two additional branches of government. *La Función de Transparencia y Control Social* (the "**Transparency and Social Control Branch**") is intended to serve as the auditor of the Government and of private entities that contribute to the Republic's general welfare. It is comprised of the Office of the Comptroller General, the Counsel of Citizen Participation and Social Control, various superintendent organizations including the *Superintendencia de Bancos* ("**Superintendent of Banks**"), and the *Defensoría del Pueblo* (the "**Public Defender**"). The Counsel of Citizen Participation and Social Control appoints the chief executive of each superintendent organization, the Office of the Comptroller General, the Public Defender and the Attorney General. It is also the entity principally responsible for corruption investigations and establishing citizens' committees for public consultation prior to the enactment of laws according to the 2008 Constitution. The purpose of these citizens' committees is to increase citizen participation and involvement in the democratic process and create an informed population who perform an active role in the enactment of laws.

The purpose of the *Función Electoral* (the "**Electoral Branch**") is to provide oversight for the Republic's political parties and elections. The Electoral Branch is comprised of the National Electoral Council and the Electoral Dispute Settlement Court. The National Electoral Council organizes and oversees elections to ensure transparency and compliance with election law, supervises the activities of political parties and establishes a civil registry. The Electoral Dispute Settlement Court hears and resolves, among others things, disputes regarding campaign finance violations and settles election results appeals.

Under the Law of the Office of the Comptroller General (the "**Comptroller General Law**"), the Office of the Comptroller General has the authority to examine the use of public resources by both public and private institutions. Following the amendment to the 2008 Constitution on December 21, 2015, the Office of the Comptroller General does not have the authority to audit the management of public resources under principles of effectiveness, efficiency and economy (*auditoria de gestión*), but it may still conduct a legality, financial and/or administrative audit. More specifically, according to Article 19 of the General Comptroller Law, the Office of the Comptroller General has the authority to carry out special audits to verify limited aspects of governmental activities under these parameters.

In July 2017, the Office of the Comptroller General headed by Dr. Pablo Celi announced pursuant to *Acuerdo* 024-CG-2017 its intention to conduct a special audit on the legality, sources and uses of all the internal and external debt of the Republic incurred between January 2012 and May 2017, as authorized by Ecuadorian law to examine acts of public entities. For more information on this audit, see "*Public Debt—Review and Audit by the Office of the Comptroller General*".

Measures by President Lasso

On May 24, 2021, President Lasso appointed the members of his cabinet, composed of 20 ministers, 5 secretaries of state, 7 secretaries of the presidency and 8 managers and directors of State-owned enterprises. President Lasso's cabinet did not include former ministers from former President Moreno's cabinet. On March 30, 2022, President Lasso appointed an additional minister, elevating the Vice Minister of the Interior into a separate Ministry of the Interior. On August 2, 2022, President Lasso designated an additional secretary of state, the National State Secretary of Public and State Safety.

A constitutional referendum took place on February 5, 2023, at the same time as the local elections. President Lasso, upon meeting the requirements to call the referendum (including authorization from the Constitutional Court) called on November 29, 2022, for a binding referendum to effect amendments to the 2008 Constitution. Eight questions were put to the electorate, each of which proposed to modify different articles of the 2008 Constitution. These questions included the right to extradite individuals as well as questions related to judicial reforms and changes to State organizations (such as the reduction of seats in the National Assembly, minimum membership requirements for the registration of political parties and their participation in elections, and certain other matters relating to the appointment of certain Government positions and the Council for Citizen Participation and Social Control) and questions on the establishment of a water protection agency and environmental protection for individuals, communities and indigenous people from environmental damage. Voting took place on February 5, 2023, and all eight proposals failed to receive the required votes for approval, increasing political uncertainty.

On March 16, 2023, 59 members of the National Assembly submitted a letter requesting that a political impeachment trial be initiated against President Lasso on charges of *cohecho* (bribery) (two counts) and *peculado* (embezzlement) (one count). On March, 29 2023, the Constitutional Court issued, as required by the 2008 Constitution, an opinion confirming that the impeachment trial against President Lasso could proceed but only on the charge of embezzlement. As of April 2023 the impeachment proceedings are ongoing and are likely to last until May 2023. The impeachment proceedings are expected to increase further an uncertain political outlook in Ecuador and the outcome of the impeachment proceedings is not clear. If the impeachment were to be successful (requiring 92 of the 137 members of the National Assembly to vote in favour), President Lasso would be removed from office and replaced by current Vice President Borrero for the remainder of the term (which ends in May 2025). However, President Lasso can, at any time up to his removal, use his power to dissolve the National Assembly (which would trigger early elections for the presidency and for the National Assembly), but he would remain in office until the elections are organized, with limited legislative powers (for example, any economic laws passed could later be repealed by the new National Assembly). There is no precedent in Ecuador of this procedure, known as "*muerte cruzada*" which was introduced in the 2008 Constitution being used. The current impeachment procedure is established in the 2008 Constitution and Law of the Legislature, enacted in 2009, but the power of the Legislature to impeach a President has been contemplated in several Constitutions. However, the only precedent of impeachment and removal of a President dates back from 1933, although President Abdalá Bucaram was removed from office in February 1997 by a majority vote of the Legislature that declared him "mentally unfit"; the Legislature declared that President Jamil Mahuad in January 2000 had "left the position of President vacant", and similarly the Legislature declared the "abandonment" of President Lucio Gutierrez in April 2005. As of April 2023 there have been five petitions to revoke the mandate of President Lasso (a process whereby a referendum is called if the petition is supported by 15% of the voters, to confirm or revoke the mandate to the President), but none has progressed.

On August 5, 2021, President Lasso, issued Decree 151 which contained the 'Action Plan for the Mining Sector'. The Action Plan sought to facilitate: (i) the achievement of efficient and environmentally and socially responsible mining; (ii) the determination of the local geological potential for domestic and foreign investment; and (iii) the introduction of the best practices for the exploitation of such resources. However, Decree 151 was repealed after strikes led by CONAIE in June 2022 following which the Government signed the Agreement for Peace. See further "*The Ecuadorian Economy — Strategic sectors of the Economy—Mining*".

In November 2021, President Lasso issued the Electricity Sector Policies through decree No. 238 ("**Decree 238**"). Among other aspects, this seeks to promote the implementation of the necessary institutional and regulatory framework to guarantee the sustained increase of the installed capacity of electric power generation in Ecuador. It also ordered the call for public tenders for, among others, the concession of the 500 MW non-conventional renewables block ("**500 ERNC**"), the Northeastern Transmission System and the 400 MW Natural Gas Combined Cycle Block ("**400 CCGN**"). See further "*The Ecuadorian Economy —Strategic sectors of the Economy—Mining*".

In pursuit of protecting Ecuador's marine ecosystem, Decree 319 was issued by President Lasso on January 14, 2022 instructing the designated National Environmental Authority to declare a new protected area within the exclusive economic insular zone adjacent to the existing Galápagos Marine Reserve, with the objectives of (i) protecting the marine ecosystem therein and its species and (ii) prioritizing the distribution area of migratory species. This new protected area is called the Hermandad Marine Reserve and forms part of Ecuador's National System of Protected Areas (SNAP). As part of the SNAP, the Hermandad Marine Reserve benefits from enhanced legislative protection. The Hermandad Marine Reserve has an area of 60,000 kilometers^2. Within this, and pursuant to Decree 319, an area of 30,000 kilometers^2 will be maintained in which no extractive activities will be allowed so that areas of critical oceanic ecosystems, migratory routes and feeding zones of threatened marine species are conserved. The remaining 30,000 kilometers ^{2} area will be designated as a responsible fishing zone, where fishing activities are permitted provided longlines are not used.

As a result, in November 2021, within the framework of the twenty-sixth meeting of the parties to the United Nations Conference on Climate Change 2021, held in the city of Glasgow in the United Kingdom, the creation of the Hermandad Marine Reserve was announced. A 'no-take zone' connecting Ecuador's waters with those of Costa Rica, in an area known as the Cocos-Galápagos Migravía, and Cocos Island, which is on the underwater mountain range of Cocos, was designated. The protection of this migration route is intended to better protect migratory species such as sharks, turtles and manta rays. In addition to this, a 'no long line zone' has been designated in the northwest of the current Galápagos Marine Reserve, to prevent long line fishing from entering into the marine reserves. Following the enactment of Decree 319, on March 14, 2022 the Minister of Environment, Water and Ecological Transition signed a ministerial agreement, ordering the creation of the Hermandad Marine Reserve and the designation of the Hermandad Marine Reserve as a marine reserve and protected area within the SNAP. See further "*Environmental Matters*".

Following the measures described above, and in "*Environmental Matters*" herein the Republic has decided to enter into a debt conversion transaction, a so called 'debt-for-nature' swap, to facilitate the following objectives: (a) strengthening the institutional framework to support sustainable finance and adequate natural resource management; (b) improving the Republic's debt management capacity with a focus on environmental and financial sustainability; and (c) enhancing the management and conservation of the Hermandad Marine Reserve and the growth of the natural capital of the Galápagos Islands and their marine ecosystems.

On May 31, 2022, after 21 years in which the State's debt to the IESS for health benefits had accrued, the Ministry of Economy and Finance entered into an agreement with IESS whereby the process of recognizing outstanding contributions was initiated, with an initial disbursement of U.S.$140 million. See further "*The Ecuadorian Economy —Other Sectors of the Economy—Social Security".*

Since President Lasso was elected, the Government has been putting in place several initiatives to fight corruption in Ecuador and commenced investigations into several alleged cases of corruption against current or former public officials of State-owned companies. On his inauguration on May 24, 2021, President Lasso enacted via Decree 4 a 'Code of Ethics' for high-level public officials, setting a higher standard of conduct for his Government. On May 3, 2022, he established a cabinet-level Secretary of Anticorruption Public Policy by Decree 412, elevating the position from Presidential Advisor. On July 13,

2022, the Lasso Administration presented the ENA with the goal of generating policies and preventive actions against a wide range of corruption risks that threaten the rule of law and democracy. Furthermore, President Lasso sought via referendum to amend the 2008 Constitution to allow the extradition of Ecuadorians involved in transnational organized crime (referendum question 1) and ensure full independence of the Prosecutor General (referendum question 2), but on February 5, 2023, the majority of the electorate voted against all questions in the referendum. On April 3, 2023, the Law Amending the Organic Law for the Prevention, Detection and Eradication of the Crime of Asset Laundering and of Financing of Crime, expanding the reporting obligations of certain financial transactions, was enacted. See "*The Ecuadorian Economy—Anti-corruption measures in Ecuador".*

On June 20, 2022 President Lasso issued Decree 457 which repealed Decree 135 and sought to optimize public spending further.

The Republic also issued Decree 468 on June 30, 2022 which specified that: (i) the President would not exercise the exceptional power provided in the 2008 Constitution that allows the President to request the extractive activity of non-renewable natural resources in protected areas, areas declared as intangible, in ancestral territories and archaeological zones in accordance with the law; (ii) the President had instructed the Ministry of Energy and Mines not to present or approve new projects for the extraction of non-renewable natural resources in protected areas, intangible zones, ancestral territories and archaeological zones; and (iii) the President had requested the development of the law relating to free and informed consultation with the indigenous communities in affected areas, prior to the execution of any new natural resource extraction projects. See "*The Ecuadorian Economy—Strategic sectors of the economy—Mining".*

In order to increase transparency of the accounts of the State-owned oil company Petroecuador, the Lasso Administration undertook from August 2022, within the framework of the agreement with the IMF (see further "*Public Debt*"), to have an external audit of the financial statements of Petroecuador for the financial years 2019, 2020 and 2021 by an independent international audit firm, and invited the 'big four' audit firms to submit tenders. The process was to be financed with a loan from the Inter-American Development Bank. However, no offers were received, and the Government has since announced that it will explore alternatives, including carrying out a forensic audit of Petroecuador. See "*The Ecuadorian Economy—Strategic sectors of the economy—Oil sector*".

President Lasso signed executive decree No. 614 ("**Decree 614**") on December 2, 2022, eliminating a diesel subsidy for the shrimp industry for farms with more than 30 productive hectares (this was also a request from indigenous communities to focalize fuel subsidies). The Government estimates that this measure will allow yearly savings of approximately U.S.$160 million. On January 23, 2023, several reforms were presented for the regularization of diesel commercialization for the industrial sector. See "*The Ecuadorian Economy—Other sectors of the economy—Fishing*".

In 2009, during the administration of the former President Correa, Ecuador both withdrew from the ICSID Convention and terminated bilateral investment treaties to which it was a signatory. Former President Correa argued that the ICSID Convention violated Article 422 of the 2008 Constitution, which prohibits "international treaties in which the State cedes sovereign jurisdiction to international arbitration bodies" and also claimed that the ICSID Convention led Ecuador to face millions of U.S. dollars in cases in international arbitration. However, under President Lasso, Ecuador ratified the ICSID Convention in 2021 and restarted foreign trade agreement negotiations with South Korea in March 2022 after a 6-year pause. As of April 2023, the documents prepared as a result of such negotiations are currently under legal review by the Republic. In 2022 the Republic also concluded foreign trade agreement negotiations with China. As of April 2023, the documents prepared as a result of such negotiations are currently under legal review by the Republic. See "*Balance of Payments and Foreign Trade—Foreign Trade".*

Measures by Former President Moreno

On May 23, 2017, former President Moreno announced the members of his cabinet, composed of 23 ministers, 12 secretaries and 8 managers and directors of State-owned companies. Former President Moreno's cabinet included former ministers under former President Correa's cabinet such as the Minister of Education, the Minister of Public Health and the Minister of the Interior. However, during his presidency, former President Moreno requested his entire cabinet submit their resignation in May 2018 and again in November 2018.

On August 7, 2017, former President Moreno announced the implementation of austerity measures, including that real property owned by the public company Inmobiliar would be offered for sale and the proceeds invested in the 'Housing for All Program' to generate employment and grant access to housing to the poorest families in Ecuador. The 'Housing for All Program' included the construction of 325,000 houses between 2017 and 2021 out of which 191,000 were granted to the public free of cost and 134,000 were financed at a low cost. Construction of housing under the 'Housing for All Program' was expected to generate more than 136,000 jobs. On January 30, 2020, the Republic issued the Social Bond, the proceeds of which are being used in connection with the Housing for All Program (see "*Public Debt—Debt Obligations—Social Bond*").

On September 1, 2017, former President Moreno issued Decree 135 to establish new optimization and austerity measures focusing on the reduction of labor, goods and services costs. As part of the measures for the reduction of labor costs, Decree 135 imposed, among others, a hiring freeze for Government employees, the unification of the salary scales of all public employees (with a 10% reduction in the salary of those with monthly salaries between U.S.$2,368 and U.S.$6,261), the creation of a pool of workers that may be reassigned to other public entities and a limitation on overtime wages. Additionally, as part of the measures for the reduction of expenditure in goods and services, the Decree 135 imposed, among others, a prioritization of hiring local workers, the sale of luxury vehicles, a restriction on the purchase of new vehicles, a limitation on travel expenses and the sale of unproductive real property. However, in June 2022 President Lasso repealed the Austerity Decree, see further "*Measures by President Lasso*".

On October 11, 2017, former President Moreno announced a number of economic measures intended to reactivate the economy, protect dollarization and finance social programs. As a result, on November 29, 2017, the National Assembly approved the *Ley Orgánica para la Reactivación de la Economía, Fortalecimiento de la Dolarización y Modernización de la Gestión Financiera* (the "**Organic Law for the Reactivation of the Economy, Strengthening of Dollarization and Modernization of Financial Management**"). On December 11, 2017, former President Moreno partially objected to the passing of the law. On December 29, 2017, the law was published and became effective after undergoing certain amendments pursuant to former President Moreno's objection, See further "*The Ecuadorian Economy—Economic and Social Policies".*

On April 2, 2018, former President Moreno presented an economic plan to: (i) stabilize Ecuador's fiscal profile; (ii) restructure and reduce the size of the Government and enact institutional austerity measures; (iii) increase exports and sustain dollarization; and (iv) stimulate the economy through measures strengthening the private sector. This plan included, among other measures, the merging of certain Ministries.

On August 21, 2018, former President Moreno announced a series of austerity measures as part of the 'Plan of Prosperity', the main purpose of which was to reduce Government spending by U.S.$1.3 billion annually and increase revenue generation, in order to reach a primary fiscal balance and a global fiscal balance below 1% by 2021. The 'Plan of Prosperity' focused on: (i) fiscal responsibility and public sector; (ii) support for low-income Ecuadorians; and (iii) Central Bank reform. Under the fiscal responsibility and public sector limb, the 'Plan of Prosperity' sought to: (a) reduce the number of Government agencies through mergers and closures; (b) reduce Government spending on transportation and security of senior officials; (c) reduce public procurement to a minimum, with increased transparency and control; (d) implement, together with the assistance of the CAF and the Inter-American Development Bank, a corporate reform with respect to State-owned companies including privatizations, mergers and liquidations, as well as internal changes in public-sector companies to align salaries to those of private sector employees; (e) update Ecuador's legal and institutional framework for public-private partnerships to include major infrastructure projects; (f) continue to enhance Ecuador's credibility in the international capital and financial markets, as well as increase access to funding sources and improve Ecuador's debt profile; (g) maintain an oil output target of 700,000 bpd and further invest in the mining sector; and (h) continue to analyze the allocation of fuel subsidies.

The third limb of the 'Plan of Prosperity' related to the reform and strengthening of the Central Bank in order to create a reliable and robust monetary authority, with sufficient assets to provide liquidity for economic growth. This reform included a plan for the full repayment of government debts owed to the Central Bank within five years, as well as an exchange, for domestic bonds, of certain illiquid shares in public-sector banks that were previously transferred to the Central Bank in lieu of repayment.

On August 23, 2018, the *Consejo de Participación Ciudadana y Control Social Transitorio* (the "**Transitional Citizen Participation and Social Control Council**") resolved to prematurely end the tenure of all justices of the Constitutional Court based on alleged irregularities in their appointment and lack of judicial independence and impartiality and declared a 60-day recess period from the day of approval of the rules that would be followed to appoint the new members of the Constitutional Court. The Transitional Citizen Participation and Social Control Council finished conducting public evaluations and examinations on 23 candidates in January 2019, of which the nine candidates with the highest scores were appointed to the Constitutional Court on February 5, 2019. Members of the Constitutional Court are appointed for a nine-year period, however in February 2022 three justices of the Constitutional Court resigned and were replaced, see further "*Form of Government*" above.

On December 21, 2018, former President Moreno issued executive decree No. 619 ("**Decree 619**") eliminating the subsidy on certain types of gasoline and diesel and, as a consequence, increasing their prices for consumers. On January 7, 2019, following negotiations with representatives of the transportation sector, and in order to prevent a surge in general consumer prices, the Government agreed to keep in place the subsidy on automotive diesel.

On January 12, 2019, the Government agreed with the shrimp industry to establish a compensation system for shrimp producers to minimize the effects of Decree 619 on the shrimp sector. Under Decree 619, the base price of high-octane gasoline 'super' for the automotive sector is determined on a monthly basis by the Petroecuador based on the international WTI price per barrel of crude oil plus average costs, including transportation, storage, commercial and other costs. At a consumer level, retailers will set their selling price based on market conditions. Under Decree 619, however, the price of diesel for the automotive sector remained fixed at U.S.$1.037.

On December 21, 2018, former President Moreno issued executive decree No. 624 ("**Decree 624**") reducing by 10% and 5% the salaries of high and mid-level government officials, respectively.

On May 13, 2019, former President Moreno issued executive decree No. 732 ("**Decree 732**") eliminating SENPLADES and replaced it with the newly-formed Technical Secretariat for Planning, which secretariat is now responsible for across-the-board national planning.

On October 1, 2019, former President Moreno issued Decree 883 expanding the scope of the liberalization of prices for hydrocarbons by eliminating the subsidy on certain types of gasoline and diesel and thereby increasing the prices for these fuels. Following the elimination of the subsidies, prices for 'extra' gasoline and diesel for the automotive sector began to be set on a monthly basis by Petroecuador based on average prices and costs.

On October 3, 2019, various groups organized protests relating to the elimination of the subsidies and increase in prices. On October 14, 2019, former President Moreno issued Decree 894 terminating Decree 883, and thereby reversing the elimination of the subsidies and ordering the creation of a new policy on subsidies for hydrocarbons. Decree 894 did not set a deadline for the implementation of this new policy. By reversing the elimination of the subsidies, Decree 894 returned the price of gasoline and diesel to the prices existing on October 1, 2019. Decree 894 committed the Government to design a more targeted subsidy policy through a new decree. On May 19, 2020, former President Moreno issued decree No. 1054 ("**Decree 1054**") which allowed the price of oil derivatives (i.e., gasoline) in Ecuador to fluctuate based on the price in the international market of the WTI, while placing a price cap that would not allow price fluctuations greater than 5% at service stations.

On October 18, 2019, former President Moreno presented before the National Assembly the draft *Ley Orgánica para la Transparencia Fiscal, Optimización del Gasto Tributario, Fomento a la Creación de Empleo, Afianzamiento de los Sistemas Monetario y Financiero, y Manejo Responsable de las Finanzas Públicas* (the Organic Law for the Fiscal Transparency, Optimization of the Tax Expenditure, Job Creation Promotion, Consolidation of the Monetary and Financial System and Responsible Management of the Public Finance, the "**Law on Economic Development**"), aimed at reforming several of the Republic's tax and financial laws. Specifically, the draft law's objective was to, on the one hand, increase revenue by U.S.$450 million by progressively taxing corporations and individuals with higher yearly income, and imposing new taxes such as a tax on plastic bags and e-cigarettes; and in addition introducing a number of measures to create: (a) a more efficient tax system for taxpayers; and (b) reforming certain aspects of Ecuador's financial laws and regulations to, among other objectives: (i) enhance fiscal sustainability establishing stricter budget controls; and (ii) strengthen dollarization by enhancing the Central Bank's

autonomy. After the protests held in October 2019, former President Moreno modified the proposed draft law to remove the elimination of gas subsidies as part of the draft law.

In 2019, the *Ley Orgánica de Simplificación y Progresividad Tributaria* (the "**Organic Law on Tax Simplification**") was approved following a proposal by former President Moreno. The Organic Law on Tax Simplification reformed existing tax law, see further "*Ecuadorian Economy – Tax Reforms*".

As part of the former Government's plan to restructure and reduce the size of the Government and enact institutional austerity measures, between May 2017 and May 2021, former President Moreno decreed and completed: the (i) elimination and merger of numerous Government entities including ministries and secretariats and the creation of some new ones; (ii) reduction in the salaries of high and mid-level Government officials by 10% and 5% respectively, with further temporary salary reductions implemented as part of the measures taken to deal with the COVID-19 crisis; and (iii) a reduction in the numbers of employees, through the layoff of thousands of employees in the public sector belonging to the executive branch, the judicial branch, the legislative branch, and public entities. Most of these layoffs consisted of employees under temporary or occasional (i.e., related to a particular need of the employer not in the ordinary course of business) employment contracts.

Response to COVID-19 crisis

The global pandemic caused by COVID-19 severely impacted the health and welfare of the people of Ecuador. The first confirmed case of the virus in Ecuador was registered on February 29, 2020. Ecuador has been one of the hardest hit countries in the world in proportion to its total population, estimated at 17.3 million, with 814,610 confirmed cases and 10,250 deaths from the virus as of April 2023. In addition to the health crisis, the pandemic led to an unprecedented external shock on the global economy, which in turn severely affected Ecuador's economy.

On March 12, 2020, former President Moreno declared the State of Emergency, followed by a nationwide lockdown order (excluding essential services and activities) on March 15, 2020, the closure of Ecuador's borders on March 17, 2020, and the declaration of a national curfew on March 21, 2020. On April 30, 2020, the Government announced that despite these measures, the Republic's healthcare system was under severe pressure, lacking essential medical resources including medical equipment and supplies, testing kits, protective garments, and additional medical staff. On May 5, 2020, former President Moreno ordered the extension of the State of Emergency for 30 days. On June 15, 2020, former President Moreno ordered a second extension of the State of Emergency for an additional 60 days.

In 2020, the sudden collapse of international oil prices, a virtual halt in tourism, and delays in shipping of exports of perishable goods such as flowers had a severe impact on the economy of Ecuador.

Further, because the Ecuadorian economy has a significant informal sector, the measures adopted by the Government to prevent the spread of COVID-19 significantly impeded activity in this sector. As a result, the percentage of the population falling into poverty increased in 2020 from 25% in December 2019 to 33% in December 2020. Since then, the poverty rate has decreased reaching pre-pandemic levels in December 2022 (25.2%).

Measures relating to the impact on international oil prices

On March 9, 2020, international oil prices dropped to their lowest levels since the Gulf War in 1991. The WTI price per barrel of crude oil, which is the benchmark reference for Ecuadorian crude oil, hit a low of U.S.$29.78 on that day. The WTI price per barrel of crude oil continued to decline, reaching U.S.$22.41 per barrel at the close of the trading session on April 13, 2020, and U.S.$12.41 at close of trading on April 20, 2020. As at close of trading on June 30, 2020, the WTI price per barrel of crude oil was U.S.$39.27.

As a result of the decline in the prices of oil, on March 10, 2020, former President Moreno announced budget cuts amounting to approximately U.S.$1,400 million of which U.S.$800 million relate to goods and services and U.S.$600 million relate to capital goods. For the five months ended on May 31, 2020, oil revenues in the consolidated non-financial public sector amounted to U.S.$2,134 million, a 37% decrease compared to U.S.$3,392 million for the same period of 2019. For the five months ended on May 31, 2020, Central Government oil revenues amounted to U.S.$2,051 million, a 10.2% decrease compared to U.S.$2,285 million for the same period in 2019.

In addition to this, as a result of the ongoing decline in international crude oil prices in 2020, on May 19, 2020, former President Moreno issued Decree 1054 which allowed the price of oil derivatives (i.e., gasoline) in Ecuador to fluctuate based on the price in the international market of the WTI, while placing a price cap that would not allow price fluctuations greater than 5% at service stations. Decree 1054 also repealed the fixed margins that had been established by executive decree No.338 ("**Decree 338**") for diesel 2, premium diesel, extra gasoline without ethanol and extra gasoline with ethanol. In May 2020, the price for diesel 2 and premium diesel was fixed at U.S.$1.00 per gallon and the price for extra gasoline with ethanol and extra gasoline without ethanol was fixed at U.S.$1.75 per gallon. On July 1, 2020, these prices became subject to the pricing cap established pursuant to Decree 1054.This pricing cap was to be monitored on a monthly basis by the Republic. The Ministry of Economy and Finance together with the Ministry of Energy and Mines were required to prepare and present a biannual report to the President regarding the application of the pricing cap, however Decree 1054 did not provide guidance on the content of such biannual report.

On January 11, 2021, executive decree No. 1222 ("**Decree 1222**") which modified the fluctuation diesel price cap from 5% to 3% was issued by the executive power.

On October 22, 2021, executive decree No. 230 ("**Decree 230**") was published, which allowed the President to establish, in exceptional situations, fixed prices for oil derivatives.

However, on October 22, 2021, executive decree No. 231 ("**Decree 231**") was issued by the executive power to suspend the application of the price cap mechanism and instead set maximum retail prices in the automobile sector of U.S.$2.55 per gallon of extra and eco gasoline and U.S.$1.90 per gallon of diesel 2 and premium, effective as of October 23, 2021.

In June 2022, oil production was impacted by a national strike called by CONAIE, which forced the suspension of Petroecuador's operations as the facilities did not have optimal or adequate technical or security coverage. On June 19, 2022, the Minister of Energy and Mines declared a *force majeure* event for all exploration and exploitation operators after protestors entered oil fields. This *force majeure* declaration was lifted on July 12, 2022 and the national strike ended when the Government signed the Agreement for Peace (see further "*Summary Information and Recent Developments Regarding Ecuador – Government*" above).

As a result, on June 26, 2022, President Lasso issued executive decree No. 462 ("**Decree 462**") which set maximum retail prices in the automobile sector of U.S.$2.45 per gallon of extra and eco gasoline of and U.S.$1.80 per gallon of diesel 2 and premium.

On June 30, 2022, President Lasso issued executive decree No. 467 ("**Decree 467**") which established new maximum retail prices in the automobile sector of U.S.$2.40 per gallon of extra and eco gasoline and U.S.$1.75 per gallon of diesel 2 and premium.

Measures to alleviate the effect of COVID-19 and the restrictions imposed by the State of Emergency

Some of the measures taken by the Government to alleviate the effects of the COVID-19 crisis and the restrictions imposed by the State of Emergency were:

- *Containment measures to limit the spread of the virus:* these measures included closing schools and universities, public spaces and non-critical commercial activities, halting public transport and imposing a nationwide curfew. Ecuador shut all its borders, and the Government requested the military lead efforts to contain the spread of COVID-19 in the province of Guayas where 75% of confirmed cases of COVID-19 were concentrated, as a zone of national security, to enforce confinement measures;

- *Fiscal policy to protect the real economy against the confluence of shocks*: on March 19, 2020, the Government announced several measures to support the population and businesses, including: (i) a deferral of payroll contributions; (ii) a monthly U.S.$60 cash transfer for April and May 2020 to approximately 400,000 poor families; (iii) distribution of food baskets; and (iv) credit lines for small- and medium-size businesses. To shelter the Republic's budget from the sharp fall in oil prices and help protect fiscal sustainability, former President Moreno also announced a series of fiscal tightening measures on March 23, 2020, including both revenue-enhancing measures and expenditure cuts, amounting to approximately 2% of GDP. The package also included

approximately 2.5% of GDP in new financing and refinancing of some obligations. Measures to boost revenue were also implemented, including an increase in the withholding tax for banks, State-owned enterprises and other commercial corporations and a temporary increase in import duties.

- *Social and health assistance*: between 2020 and 2021, the Government focused its COVID-19 measures on providing social and health assistance for the vulnerable social sector, including: (i) cash transfers; (ii) granting social bonuses; (iii) fund allocations to support nutritional programs and health expenditures; and (iv) updating the social register to identify and offer assistance and support to the population in need. These measures included:

  - by executive decree No. 1020 ("**Decree 1020**") of March 27, 2020, social support was established through cash transfers of U.S.$60 per month (April and May) aimed at 400,000 families without a fixed source of income or without a full-time job whose income was lower than the minimum wage. This transfer corresponded to the first stage of the "*Bono de Protección Familiar por Emergencia por presencia del COVID-19*";

  - under the "*Bono de Contingencia*" or second phase of the Family Protection Voucher, U.S.$70 million was allocated to finance poor and vulnerable households, through cash transfers of U.S.$60 per month (May and June 2020). These transfers went to 550,000 households, in addition to the 400,000 families initially targeted. This social protection scheme came into effect through executive decree No. 1026 ("**Decree 1026**") of April 24, 2020;

  - the third phase of the family protection voucher was implemented on January 28, 2021 through executive decree No. 1235 ("**Decree 1235**"), aimed at families in deciles 3, 4 and 5 at risk of poverty and extreme poverty as a result of the pandemic, benefiting 480,000 households with a one-time transfer of U.S.$120, as support to maintain minimum consumption levels;

  - in addition, U.S.$2 million were invested to benefit 7,992 vulnerable families with a Nutritional Support Voucher (Phase I) a one-time only payment of U.S.$240 for poor and vulnerable families with children with nutritional deficits aggravated by the suspension of services of the *Centros de Desarrollo Infantil CDI and Creciendo con Nuestros Hijos-CNH* in the cantons most affected by the pandemic. This economic support was implemented through executive decree No. 1157 ("**Decree 1157**") of September 24, 2020;

  - executive decree No. 330 ("**Decree 330**") of January 20, 2022 established the Nutritional Support Voucher (Phase II) with a one-time transfer of U.S.$240 for vulnerable families with pregnant women and/or children under 36 months of age residing in the provinces of Carchi, Esmeralda and Pichincha with a high incidence of chronic child malnutrition aggravated by the consequences of the Covid19 pandemic;

  - as part of the Plan Nacional de Desarrollo Creando Oportunidades 2021-2025 and Estrategia de Prevención y *Reducción* de la Desnutrición Infantil, the 1,000 Days Bonus was established by executive decree No. 435 ("**Decree 435**") of June 1, 2022, to support pregnant women and children up to two years of age living in poverty and extreme poverty according to the Social Registry data. This consisted of a conditional transfer of U.S.$60 per month (U.S.$50 delivered on a monthly basis and U.S.$10 upon compliance with conditions that promote the use of health and child development services, as well as maternal and child controls and nutrition);

  - public resources allocated to address exclusively the health emergency due to COVID-19 that were included in the programs, projects and activities of the budget structure of the *Ministerio de Salud Pública and Ministerio de Inclusión Económica y Social* amounted to U.S.$224.59 million as of December 31, 2020, corresponding to 1.12% of the PGE (U.S.$32,080.36 million) with an execution of 62.67%;

  - in 2021, expenditures in the same areas totaled U.S.$415.37 million with an execution of 99.73% whose transfers were allocated as follows: 74.46% to the *Ministerio de Salud Pública* and 11.52% to the *Ministerio de Inclusión Económica y Social*, the remaining 14.02% was allocated to the areas of education, police and defense; and

- there were direct monetary transfer programs aimed at groups in vulnerable conditions, such as: people with disabilities, the elderly, pregnant women, as well as families living in poverty and extreme poverty. During 2022, 1.21 million households benefited, 80% of which belonged to the first three groups of lowest income, for which U.S.$1,263.27 million was allocated.

- *Organic Law on Humanitarian Aid*

  On June 19, 2020, the National Assembly approved Organic Law on Humanitarian Aid, after a Presidential partial veto, and it was published and became effective on June 22, 2020. The Organic Law on Humanitarian Aid aimed to establish policies to protect the health, safety, education and welfare of the citizens of the Republic and to reactivate the national economy, including, without limitation, the following measures:

  - *Public relief measures*: mandating elementary, primary and secondary schools and universities to offer a tuition discount of up to 25% to students who have been economically affected under certain circumstances; prohibiting the expulsion of students that default on the payment of monthly school charges and establishing a government credit facility for those failing to pay for a period of six months; a mandatory 10% increase of the number of grants for universities; a prohibition on forced evictions during the term of the State of Emergency; freezing utility charges; reducing the cost of power for those under the poverty line; preventing healthcare providers from suspending care and preventing health insurance providers from terminating health insurance policies; expanding the healthcare coverage for certain healthcare plans provided under the social security framework.

  - *Access to credit*: requiring national financial institutions to offer loans to the productive sector, which includes the sectors of the economy involved in the production of raw materials and goods, among others, on favorable terms and conditions; offering tax credits to financial institutions that offer credit alternatives with a term greater than 48 months.

  - *Flexibilization of employment rules*: allowing employers to unilaterally modify employment contracts to reduce the length of the work day only if justified under *force majeure* and allowing for salary adjustments per hours actually worked with a 45% reduction cap and for no more than a year; creating special rules for vacations.

  - *Debt relief*: mandating that the Monetary and Financial Policy and Regulation Board issue a resolution so that during the length of the state of emergency, financial institution and other entities providing credit must work with their clients to reschedule the collection of monthly instalments.

  - *Tenant relief*: suspending evictions of tenants during the State of Emergency and for up to 60 days after its conclusion as long as the tenant pays at least 20% of any outstanding payment.

  The Organic Law on Humanitarian Aid mandated certain Government agencies to issue regulation for the application of certain of these measures. The National Assembly approved, on June 16, 2022, a bill that repeals almost in its entirety the Organic Law on Humanitarian Aid, however, days later this bill was vetoed by President Lasso.

- *Economic development and fiscal sustainability post the COVID-19 pandemic*: In November 2021, President Lasso issued the Organic Law for Economic Development and Fiscal Sustainability after the COVID-19 pandemic through Decree 587 published in the Supplement to the Official Register on November 29, 2021. The purpose of the Organic Law for Economic Development and Fiscal Sustainability after the COVID-19 Pandemic is to promote the sustainability of public finances, the reorganization of the Ecuadorian tax and fiscal system and provide further legal certainty for the economic reactivation of Ecuador following the COVID-19 pandemic.

- *Monetary and financial policy measures to maintain macro-economic stability*:

  - In March 2020, pursuant to *Resolución 569-2020-F* the Monetary and Financial Policy and Regulation Board (as it was formerly known) issued temporary modifications to the *Codificación de Resoluciones Monetarias, Financieras, de Valores y Seguros* (the "**Code of Monetary, Financial, Securities and Insurance Resolutions**") to support the private sector,

including: (i) deferrals of credit obligations; and (ii) a requirement of banks to add loss provisions on their gross lending portfolio during 2020. In April 2020, in order to alleviate liquidity constraints for the financial sector, the Monetary and Financial Policy and Regulation Board approved a reduction of 3% in the annual contribution by private sector financial institutions to the Liquidity Fund from 8% to 5% of eligible deposits pursuant to *Resolución 572-2020-F*. As at 20 July 2022, the Government estimated that this measure had freed approximately U.S.$940 million in liquid resources for the financial system. No additional measures to support liquidity in the financial system were implemented during the 2021 and 2022.

- On May 19, 2020, the Government announced the *'Reactívate Ecuador'* program to provide a total of U.S.$1,150 million in financing for micro-, small- and medium-sized businesses with funding from the World Bank, the IMF and other multilateral organizations. In its first phase, this program received a total of U.S.$500 million in disbursements, comprised of U.S.$200 million from the World Bank, U.S.$100 million from the IMF and U.S.$200 million from other sources. This program started on May 25, 2020, with loans to qualifying business owners under this program ranging from a 12- to 36-month maturity with a six-month grace period. *Banco del Pacífico*, the bank through which the funds were channelled to participants in this program, reported that as of June 30, 2020, 2,487 individual applications for funding had been made, amounting to U.S.$152 million, out of which U.S.$42 million had been approved. The Government announced that as of May 26, 2020, 300,000 applications had been made online.

- The Monetary and Financial Policy and Regulation Board (as it was formerly known) issued several measures to address the economic crisis caused by the COVID-19 pandemic, that were in effect until December 2021, including: (i) credit obligation payment extension for individuals, entities, co-operatives, mutual funds and associations corporations; (ii) simplifying the procedure for the issuance of short- and long-term securities and allowing payment extensions; (iii) regulation on segments and maximum percentages of mandatory investment by which insurance companies and reinsurance companies maintained limited fixed income investments and variable income investments; (iv) rescheduling of instalments for credit obligations with entities of the popular and solidarity financial sector under the control of the Superintendence of Popular and Solidarity Economy; (v) issuance of standard processes to reschedule instalments under loan agreements with companies subject to the control of the Superintendency of Companies, Securities and Insurance; (vi) approval of regulations related to credit risk management, such as, different categories of risk level, and new loan portfolios, following which entities could refinance or restructure up to two times their credit operations prior to December 31, 2021. The deadline for the application of this financial relief mechanism was extended until November, 2021.

- *Vaccination program:* The Lasso administration launched the '9/100 Vaccination Plan' on May 31, 2021 which aimed to vaccinate 9 million people during its first 100 days. On September 19, 2021, this goal had been surpassed with 62% of the population having received at least one vaccination against COVID-19 and 55% of the population (9,77 million people) completely vaccinated. This percentage was one of the highest in the Latin America and Caribbean region in July 2021 and August 2021 and at that time Ecuador was one of the countries with the highest rates of vaccination. Moreover, Ecuador at that time was one of the countries with the highest rates of vaccination. In September 2021 the Government announced that it had met the target of vaccinating 9 million people in 100 days. Once the vaccination campaign was completed, the mortality levels relating to COVID-19 gradually decreased. As a result, the Government withdrew the measures restricting human mobility and controls on activities.

Financial impact of COVID-19

In the first half of 2020, as a result of the crisis caused by the COVID-19 outbreak and the decline in international oil prices, Ecuador's public finances came under critical strains due to lower tax collections and oil revenues and surging crisis-related healthcare and social assistance outlays. With much of the economy in quarantine and under a lockdown order for a significant period of time, the overall impact resulted in urgent and sizable balance of payment needs. For these reasons, International Reserves fell by U.S.$1.3 billion, reaching U.S.$2.1 billion at the end of March 2020, after which the level of reserves increased to U.S.$2 billion in June 2020, mainly due to multilateral support and the generation of surplus in the Current Account of the Balance of Payments.

The temporary suspension of most productive activities due to the COVID-19 outbreak, strongly affected the level of production, weakened domestic demand, and compressed many markets for goods and services. The greatest impact was felt in the second quarter of the year 2020 (economic growth decreased in 12.8% compared to the second quarter 2019). However, a gradual recovery of productive activities along with flexibility in the application of the COVID-19 measures was observed thereafter with in both internal and external demand, resulting in the interannual decrease in the fourth quarter of 2020 reducing to 7.2%.

As at 20 July 2020, the Republic estimated that the total aggregate financing needs for 2020 were approximately U.S.$15,648 million, of which (i) 23.3% was expected to come from agreements with multilateral institutions (totaling approximately U.S.$3,645 million), (ii) 17.9% was expected to come from bilateral creditors (totaling approximately U.S.$2,798 million, including approximately U.S.$1,000 million which was expected to come from CDB, approximately U.S.$1,400 million which was expected to come from a syndicate of Chinese lenders led by ICBC and approximately U.S.$398 million which was expected to come from other bilateral creditors), (iii) 3.5% was expected to come from other private sector and commercial loans (totaling approximately U.S.$544 million) and (iv) 16.6% was expected to come from domestic funding (totaling approximately U.S.$2,627 million).

As of April 2020, the Government announced it had managed to cut its expenses by U.S.$1,400 million and on May 19, 2020, it announced its plans to further cut public expenses by U.S.$4,000 million. The Republic predicted that there would be savings of approximately U.S.$1,361 million for 2020 as a result of the July 2020 Exchange Offer and Consent Solicitation, thus reducing the remaining financing gap to approximately U.S.$4,673 million. The July 2020 Exchange Offer and Consent Solicitation launched on July 20, 2020 and resulted in savings of U.S.$1,361 million, as predicted.

Data Breach

On September 11, 2019, an internet security firm issued a report that stated that it had uncovered a major data breach of personal information of Ecuador's population contained on an unsecured server maintained by a marketing firm. According to the report, the breach may have included personal information with respect to the entire Ecuadorian population and information leaked included information contained in Government registries and records (from the *Dirección General de Registro Civil, Identificación y Cedulación* (the Civil Registry)) including identification numbers, and records and home addresses, as well as certain more limited information from other sources. In response to the breach, on September 19, 2019, former President Moreno submitted to the National Assembly a draft law on protection of personal data. On October 3, 2019, the National Assembly's International Relations Commission initiated an investigation into the data breach and concluded that several authorities failed to comply with the law. Despite several investigations, including that of the National Assembly and the Attorney General and other Government officials, that confirmed the breach, the effect of the data breach on the Ecuadorian economy, if any, cannot be predicted. In May 2021, the *Ley Orgánica de Protección de Datos* (the "**Organic Law on Personal Data Protection**") was enacted, establishing a strict data protection regime and severe penalties which will become enforceable in May 2023. The Superintendent for Data Protection however remains to be designated by the *Consejo de Participación Ciudadana y Control Social* from a shortlist to be submitted by the President. This law reflects the principles and procedures set forth in the General Data Protection Regulation of the EU (Regulation (EU) 2016/679).

In July 2021, Ecuador's state-run *Corporación Nacional de Telecomunicación* suffered a ransomware attack that disrupted its business operations, payment portal, and customer support. In October 2021, *Banco Pichincha* suffered a cyberattack that disrupted operations including its ATMs and online banking portal. In April 2022, data related to the Municipality of Quito was leaked and resulted in several Government services being offline.

Geopolitical conflict

In February 2022, the war between Russia and Ukraine generated concern regarding non-oil exports, including banana exports to Russia. However, during the first semester 2022, Ecuador's total trade balance was only reduced by U.S.$30 million, despite the economic effects due to the war. Furthermore, one of the main economic effects of the war was a shortage of fertilizers and grains, which led to an increase in international prices caused by the decrease in Russian and Ukrainian production from the international market. In the energy sector, the steady rise in oil and gas prices also affected the costs of fertilizers. In this context, Ecuador had to look for other agricultural supplies from different countries, such as the United States, China, Italy and Chile. The effect of the war on domestic prices has been largely contained by

Government subsidies on fuel and urea, as well as the appreciation of the US dollar. Regarding oil exports, the increase in prices in international markets as a result of the war, allowed greater inflows into the General State Budget from oil revenues compared to the initial budget in 2022. For the year 2023, a lower price level for oil exports is expected.

In April 2021, the FOMC announced that it would not raise interest rates until 2023 and instead would maintain its asset purchase program with a view to achieving employment and economic recovery objectives. However, as a result of high inflation, the FOMC announced in June 2022 that it would increase interest rates to contain inflation and re-anchor inflationary expectations. The most recent interest rate rise occurred in January 2023 where the benchmark rate was increased to between 4.25% to 4.75%.

For dollarized Ecuador, higher interest rates mean tighter financial conditions and higher amounts of external public debt service contracted at a variable rate (around 40% of external public debt is contracted at variable interest rate). Rising interest rates may cause capital outflows to advanced economies and U.S. dollar appreciation.

THE ECUADORIAN ECONOMY

Gross Domestic Product

The U.S. dollar is the legal tender in Ecuador. Real GDP for 2020 was U.S.$66,282 million, compared to U.S.$71,879 million in 2019, representing a 7.79% decrease in real terms. This decrease was mainly due to the macro-economic effects of the COVID-19 pandemic which affected both demand and supply of goods and services. Nominal GDP for 2020 reached U.S.$99,291million, representing a 8.16% decrease from U.S.$108,108 million in 2019. Inflation decreased from -0.07% for the 12-month period ended December 31, 2019 to -0.93% for the 12-month period ended December 31, 2020. This decrease was primarily due a decline of 2.30% in the transportation sector due to the reduction of gasoline prices.

Real GDP for 2021 was U.S.$69,089 million, compared to U.S.$66,282 million in 2020, representing a 4.24% increase in real terms. This increase was mainly due to increases in household consumption by 10.22%, and investment by 4.33%. Nominal GDP for 2021 reached U.S.$106,166 million representing a 6.92% increase from U.S.$99,291 million for 2020. This increase was mainly due to the recovery of productivity after the COVID-19 outbreak however the GDP deflator increased by 2.58%.

Real GDP for the first nine months of 2022 was U.S.$53,151 million, compared to U.S.$51,595 million for the first nine months of 2021, representing a 3% increase in real terms. This increase was mainly due to an increase in household consumption by 5.1% and an increase in general Government consumption of 3.3%. Imports in the first nine months of 2022 increased by 7.47% when compared to the same period in 2021. Nominal GDP for the first nine months of 2022 reached U.S.$86,447 million representing an increase of 10.1% from U.S.$78,448 million for the same period in 2021. This increase was mainly due to general growth in international prices (related to the war between Ukraine and Russia), and as a result the GDP deflator increased by 7%.

According to the INEC, inflation increased from -0.93% for the 12-month period ended December 31, 2020, to 1.94% for the 12-month period ended December 31, 2021. This increase was primarily due to increases in the price of gasoline which reduced transportation costs by 2.30%.

According to the INEC, the inflation rate increased from 1.94% for the 12-month period ended December 31, 2021 to 3.74% for the 12-month period ended December 31, 2022. This increase was the result of increases in food and non-alcoholic beverages, transport and groups of goods and services, which account for 2.93% thereof. Among the top 10 products with higher incidence of annual inflation are: (i) high-octane gasoline; (ii) foods (bread, milk, workers' lunches); (iii) domestic services; (iv) plantains; (v) urban transportation; (vi) cheese; (vii) automobiles; and (viii) cough suppressants.

According to the INEC, the inflation rate increased from -0.69% for the 12-month period ended June 30, 2021 to 4.23% for the 12-month period ended June 30, 2022. This increase in the rate of inflation was the result of increases in the proportion of positive price variations among the different groups of products used to measure inflation compared to the previous period, with alcoholic beverages, tobacco and narcotics (7.27% variation) and transport (8.89% variation) showing the highest positive variations and incidence, despite communications (-2.14% variation) and recreation and culture (-1.52% variation) having the highest negative variations for the period.

In 2021, manufacturing (excluding petroleum products) was the largest sector of the economy measured by percentage of GDP (14.78%), followed by education and health and social services (10.23%), trade (9.83%), construction (8.78%) and agriculture (8.19%). In the first nine months of 2022, manufacturing (excluding petroleum products) was the largest sector of the economy measured by percentage of GDP (14.6%), followed by trade (10.2%), construction (8.7%), agriculture (7.5%) and administrative activities (7.4%).

The following table sets forth Ecuador's real and nominal GDP for the periods indicated:

REAL AND NOMINAL GDP

	For year ended December 31,			For nine months ended September 30,	
	2019	2020	2021	2021	2022
	(in millions of U.S.$, except percentages)				
Real GDP	71,879	66,282	69,089	51,595	53,151
Real GDP growth (%)	0.01	-7.79	4.24	4.0	3.0
Nominal GDP	108,108	99,291	106,166	78,448	86,448

Source: Data based on figures from the Central Bank, Quarterly National Accounts of 2022. https://ire.finanzas.gob.ec/s/r/crecimiento.php

The following table sets forth Ecuador's nominal GDP by economic sector for the periods indicated:

NOMINAL GDP BY ECONOMIC SECTOR [1]

	For year ended 31 December,						For nine months ended September 30,	
	2019	**% of GDP**	**2020**	**% of GDP**	**2021**	**% of GDP**	**2021**	**2022**
	(in millions of U.S.$, except for percentages)							
Manufacturing [2]	14,740	13.63	14,730	14.83	15,691	14.78	11,646	12,611
Construction	11,817	10.93	9,403	9.47	9,320	8.78	6,909	7,497
Petroleum and mining	5,864	5.42	2,923	2.94	4,194	3.95	3,159	4,361
Trade (commerce)	9,912	9.17	9,174	9.24	10,438	9.83	7,691	8,850
Agriculture	8,371	7.74	8,684	8.75	8,692	8.19	6,405	6,505
Social services	9,765	9.03	10,406	10.48	10,862	10.23	7,933	8,525
Government services [3]	6,984	6.46	7,405	7.46	7,459	7.03	5,540	5,875
Administrative activity [4]	8,105	7.50	7,172	7.22	7,609	7.17	5,662	6,403
Transportation	5,980	5.53	5,232	5.27	6,105	5.75	4,465	5,129
Finance and insurance	3,882	3.59	3,862	3.89	4,037	3.80	3,017	3,147
Telecommunications	1,896	1.75	1,928	1.94	2,106	1.98	1,570	1,735
Electricity and water	1,815	1.68	1,789	1.80	1,752	1.65	1,282	1,464
Shrimp	635	0.59	577	0.58	707	0.67	508	647
Others [5]	18,343	16.97	16,007	16.12	17,194	16.20	12,662	13,699
Total GDP	**108,108**	**100**	**99,291**	**100**	**106,166**	**100**	**78,448**	**86,448**

Source: Data based on figures from the Central Bank, Quarterly National Accounts of 2022. https://ire.finanzas.gob.ec/s/r/crecimiento.php

(1) *Table measures gross value added by economic sector and corresponding percentage of Nominal GDP.*
(2) *Includes manufacturing other than petroleum refining.*
(3) *Includes Public Defense and Social Security Administration.*
(4) *Includes Professional and Technical Administration.*
(5) *Includes fishing, petroleum refining, hospitality and food services, domestic services, other services and other elements of GDP.*

The following table sets forth Ecuador's real GDP growth by expenditure as a percentage of total real GDP growth for the periods indicated:

REAL GDP AND EXPENDITURE GROWTH

	For the year ended December 31,			For the nine months ended September 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	(Percentage change from previous comparable period based on 2007 prices)				
Real GDP Growth	0.01	-7.79	4.24	0.04	3.02
Import of goods & services [1]	0.32	-13.84	13.25	0.15	4.75
Total Supply of Goods & Services	0.08	-9.16	6.18	0.06	3.41
Public Sector Consumption	-1.99	-5.07	-1.69	-3.65	3.31
Private Consumption	0.29	-8.20	10.22	10.43	5.06
Gross Fixed Capital Formation	-3.30	-19.03	4.33	4.48	1.86
Exports of goods and services [1]	3.65	-5.40	-0.13	1.10	-0.43
Total Final Demand	**0.08**	**-9.16**	**6.18**	**6.43**	**3.41**

Source: Data based on figures from the Central Bank, Quarterly National Accounts Bulletin.
https://contenido.bce.fin.ec/documentos/PublicacionesNotas/Catalogo/CuentasNacionales/Indices/c122032023.htm.

(1) *Corresponds to figures from "Real GDP by Expenditure" table.*

The following table sets forth Ecuador's per capita GDP statistics for the years indicated:

PER CAPITA GDP

	For the year ended December 31,		
	2019 [1]	**2020 [1]**	**2021 [2]**
	(U.S.$, except for population in thousands of people)		
Per capita Nominal GDP	6,261	5,670	5,981
Per capita Real GDP	4,163	3,785	3,892
Population [3]	17,268	17,511	17,751

Source: Data based on figures from Table 4.3.5 of the Central Bank's Monthly Statistical Information No. 2053 for March 2023. https://www.bce.fin.ec/en/economic-information

(1) *Provisional data published by the Central Bank.*
(2) *Preliminary data published by the Central Bank based on the aggregation of quarterly data.*
(3) *Population figures correspond to projected population annual figures from 2010 census.*

The following table sets forth the real GDP growth by expenditure for the periods indicated:

REAL GDP BY EXPENDITURE

	For the year ended December 31,			For the nine months ended September 30,	
	2019	**2020**	**2021**	**2021**	**2022**
			(in millions of U.S.$)		
Consumption					
Public Sector Consumption ……..	10,945	10,391	10,215	7,562	7,813
Private Consumption …….	44,616	40,957	45,143	33,494	35,190
Total Consumption ……	55,561	51,348	55,358	41,057	43,003
Gross Investment	16,888	13,686	14,923	11,272	11,675
Gross Fixed Capital Formation …….	16,529	13,383	13,962	10,478	10,673
Change in Inventory ……..	359	304	961	793	1,002
Exports of goods and services [(1)] ……...	20,582	19,471	19,446	14,646	14,584
Imports of goods and services [(1)] ……...	21,151	18,224	20,638	15,379	16,110
Real GDP ……..	71,879	66,282	69,089	51,595	53,151

Source: Data based on figures from the Central Bank. https://www.bce.fin.ec/informacioneconomica/sector-externo

(1) The exports and imports figures in this table have been adjusted for inflation and reflect the contribution of exports and imports to GDP. They differ from the nominal exports and imports in the "Balance of Payments" table and stand-alone exports and imports tables in the "Exports-(FOB)" and "Imports-(CIF)" tables in this Schedule.

Economic and Social Policies

During his term President Lasso sought to reform certain aspects of the Ecuadorian economy. In order to promote economic growth, while reducing poverty and inequality and fostering social progress, certain reforms were undertaken as legislative proposals, which required the National Assembly's approval. Other reforms were undertaken by the executive branch and did not require legislative approval. Incorporated below is a brief description of the most important of these reforms, see also "*Measures by President Lasso*" above.

The 2008 Constitution

One of the most important objectives of the 2008 Constitution was to grant control over the Central Bank to the executive branch. Section 6, Article 303 of the 2008 Constitution states that "*the drafting of monetary, credit, foreign exchange and financial policies is the exclusive power of the executive branch and will be implemented through the Central Bank*" hence limiting the autonomy and authority of the Central Bank for the purpose of effective implementation of reforms by the executive branch and its agencies.

Another relevant reform embedded in the 2008 Constitution is the creation of a debt and finance committee (the "**Debt and Finance Committee**"), tasked with evaluating and approving issuances or incurrence of sovereign debt. The Debt and Finance Committee is comprised of the President or his delegate, the Minister of Economy and Finance or his delegate, and the National Secretary of Planning and Development or his delegate. The sub-secretary in charge of public debt, Undersecretary of Public Finance, acts as the secretary for the committee. See "*Public Debt—General*". Other important reforms include the establishment of limitations on the proceeds of public borrowing (Article 289) (see "*Public Debt—General*"), the possibility of the President to be elected to a second consecutive term (Article 144 of the 2008 Constitution), see "*The Republic of Ecuador—Form of Government*", the requirement of an evaluation structure for any public program in conjunction with the National Development Plan (Article 297 of the 2008 Constitution), and the establishment of the Treasury Account or the administration of the general budget (Article 299). In May 2011, certain amendments to the 2008 Constitution were approved by popular referendum. The most debated amendments included the change to the Judiciary Council to its current make up, see "*The Republic of Ecuador—Form of Government*", and the prohibition of owners of media companies to own stock in non-media companies. On December 3, 2015, the National Assembly approved certain amendments to the 2008 Constitution, including the elimination of term limits for public officials, allowing indefinite re-election, and a transitory provision providing that such elimination of term limits will become into effect on May 24, 2017. These amendments were published and became effective on December 21, 2015.

In February 2018, certain amendments to the 2008 Constitution were approved by national popular referendum. The amendments included, among others, that those convicted of corruption related offenses should lose their political rights, and the reversion of the 2015 constitutional amendment which allowed indefinite re-election, limiting instead officials to a single re-election to the same office.

A constitutional referendum took place on February 5, 2023, at the same time as the local elections. President Lasso, upon meeting the requirements to call the referendum (including authorization from the Constitutional Court) called on November 29, 2022, for a binding referendum to effect amendments to the 2008 Constitution. Eight questions were put to the electorate, each of which proposed to modify different articles of the 2008 Constitution. These questions included the right to extradite individuals as well as questions related to judicial reforms and changes to State organizations (such as the reduction of seats in the National Assembly, minimum membership requirements for the registration of political parties and their participation in elections, and certain other matters relating to the appointment of certain Government positions and the Council for Citizen Participation and Social Control) and questions on the establishment of a water protection agency and environmental protection for individuals, communities and indigenous people from environmental damage. Voting took place on February 5, 2023, and all eight proposals failed to receive the required votes for approval, increasing political uncertainty.

Budget Reforms

Enacted in April 2008, the *Ley Orgánica para la Recuperación del Uso de los Recursos Petroleros del Estado y Racionalización Administrativa de los Procesos de Endeudamiento* (the Law for the Recovery of the Use of Oil Resources of the State and Administrative Rationalization of Indebtedness, the "**LOREYTF**") replaced Ecuador's then existing budget and transparency regulations. The objectives of the law were (i) to enhance the transparency and flexibility of the budget process by prioritizing investments and improving the management of Government resources and (ii) to terminate any distribution of budgeted amounts based on predetermined uses of resources. To achieve those objectives, the LOREYTF eliminated the *Cuenta Especial de Reactivación Productiva y Social del Desarrollo Científico-Tecnológico y de Estabilización Fiscal* (the Scientific-Technological and Fiscal Stability Social and Productive Reactivation Special Account, "**CEREPS**"). Also, pursuant to Article 299 of the 2008 Constitution, LOREYTF established the *Cuenta Única del Tesoro* – a single Central Bank master account for the management of Ecuador's resources. The *Cuenta Única del Tesoro* is comprised of various sub-accounts where amounts are allocated according to functional purposes. These sub-accounts include a social security account, accounts for public companies, a public banking account, and accounts for municipal and provincial governments (the "**Autonomous Decentralized Governments**"). The budget and transparency regulations established in LOREYTF were subsequently codified and superseded by the Public Planning and Finance Code.

The Organic Law for Productive Development amended the Public Planning and Finance Code to prevent a budget with a primary deficit being approved and ensure that any increase in the expenditure of the Central Government does not exceed the long-term growth rate of the economy.

Tax Reforms

Reform Act to the Internal Tax Regime Law and the Reform Act for Tax Equity in Ecuador

Enacted in December 2008, the *Ley Reformatoria a la Ley de Régimen Tributario Interno y a la Ley Reformatoria para la Equidad Tributaria del Ecuador* (the "**Reform Act to the Internal Tax Regime Law and the Reform Act for Tax Equity in Ecuador**") reformed the existing tax system by improving the mechanisms by which the Government collects tax revenues. The objectives of the law were: (i) to reduce tax evasion; (ii) to improve direct and progressive taxation; (iii) to increase the tax base; and (iv) to generate adequate incentives for investment in economic activity. On December 29, 2014, the National Assembly enacted a corporate tax reform relating to the taxation of shareholders of Ecuadorian companies who reside in tax havens. The reform increased the corporate tax rate to 25% from 22% if an Ecuadorian company's owners are tax haven residents who own collectively more than 50% of the company. In addition, the tax reform exempt companies from corporate taxes, for a period of ten years, for profits related to new and productive investments as defined by the *Código Orgánico de la Producción* (the "**Production Code**"). Furthermore, on December 29, 2017, *Ley Orgánica para la Reactivación de la Economía, Fortalecimiento de la Dolarización y Modernización de la Gestión Financiera* (the "**Organic Law for the Reactivation of the Economy, Strengthening of Dollarization and Modernization of Financial Management**") was published and became effective, which included, among other measures, tax incentives to microenterprises, small businesses, cooperatives and associations, and an increase of 3% to the corporate income tax (now subject to 25%). The Organic Law for Productive Development, enacted on August 21, 2018, expanded some of the tax incentives under the Production Code (including income tax exemption for eight years instead of five for investments in Quito or Guayaquil, for 12 years elsewhere, and for 15 years in basic industries as defined in the Production Code, and for 5 additional years if located in bordering counties).

For more information on these laws and other tax reforms, see "*Public Sector Finances—Taxation and Customs*", "*Public Sector Finances—Tax Reforms", "The Republic of Ecuador—Form of Government", and "Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability*".

Law on Economic Development and the Organic Law on Tax Simplification

On October 18, 2019, former President Moreno presented before the National Assembly the draft Law on Economic Development, aimed at reforming several of the Republic's tax and financial laws. Specifically, the Law on Economic Development's objective was to, on the one hand, increase revenue by U.S.$450 million by progressively taxing corporations and individuals with higher yearly income, and imposing new taxes such as a tax on plastic bags and e-cigarettes; and in addition introducing a number of measures to create: (a) a more efficient tax system for taxpayers; and (b) reforming certain aspects of Ecuador's financial laws and regulations to, among other objectives: (i) enhance fiscal sustainability establishing stricter budget controls; and (ii) strengthen dollarization by enhancing the Central Bank's autonomy. After the protests held in October 2019, former President Moreno modified the proposed draft Law on Economic Development to remove the elimination of gas subsidies as part of the draft law, see "*The Republic of Ecuador—Measures by former President Moreno".*

On November 17, 2019, the National Assembly voted to reject the draft Law on Economic Development. In response, on November 21, 2019, former President Moreno presented the draft Organic Law on Tax Simplification, replacing the draft Law on Economic Development with respect to certain aspects of the intended tax reform. The Organic Law on Tax Simplification was first approved by the National Assembly on December 9, 2019, and after a Presidential partial veto, it was finally approved on December 30, 2019, and became effective on December 31, 2019. The Organic Law on Tax Simplification eliminates income tax advances, VAT and *Impuesto a los Consumos Especiales* ("**ICE**") on certain products and services (e.g. certain web services, and electric and public vehicles), provides for 100% debt relief of interest and charges on certain student loans, a progressive taxation calendar for corporations and individuals with higher yearly income, and imposes new special taxes on supermarket plastic bags, certain mobile services and certain beers, among other tax reforms targeting certain micro-entrepreneurs, immigrants, exporters, agricultural manufactures, and others.

Organic Law for Economic Development and Fiscal Sustainability after the COVID-19 Pandemic

On November, 29 2021, at the direction of President Lasso, the Organic Law for Economic Development and Fiscal Sustainability after the COVID-19 Pandemic was enacted. This law established that: (i) those with an income of more than U.S.$2,000 per month will be subject to increased income tax; (ii) those with a net worth of U.S.$1 million or more (or, in the case of marital partnerships, U.S.$2 million or more) will be subject to increased income tax; (iii) taxes on certain goods and services (such as feminine hygiene products and cell phone plans) be reduced or eliminated; (iv) companies with assets worth over U.S.$5 million shall make a solidarity contribution of 0.8% for two years; (v) a new regime be introduced for entrepreneurs and popular businesses; (vi) a special contribution be made by companies that generated profits during the COVID-19 pandemic and (vii) income tax shall be increased for certain incomes.

As a result of the abovementioned increases in income tax:

- those with an annual income of U.S.$51,630 to U.S.$61,630 shall be subject to an income tax rate of 30% (an increase of 10%);

- those with an annual income of U.S.$61,630 to U.S.$100,000 shall be subject to an income tax rate of 35% (an increase of 15%); and

- those with an annual income of U.S.$100,000 or more shall be subject to a new income tax rate of 37%.

Where entrepreneurs and popular businesses enter into an investment agreement with the Republic pursuant to the Organic Law for Economic Development and Fiscal Sustainability after the COVID-19 Pandemic, they will benefit from:

- a 5% reduction in their income tax rate;

- no currency outflow tax by way of *Impuesto a la Salida de Divisas* ("**ISD**") payable for payments made abroad for capital goods and/or raw materials that are the subject of the investment agreement;

- exemption from foreign trade taxes (other than customs service fees) on imports of capital goods and raw materials that are the subject of the investment agreement;

- future tax stability whereby tax incentives provided to them will not be revoked nor will they be prevented from enjoying such tax incentives where the law is updated and removes them; and

- in respect of investment agreements exceeding U.S.$100 million, stability on the legal norms of the taxable base, rates and values to be paid for taxes.

In addition to this, the Organic Law for Economic Development and Fiscal Sustainability after the COVID-19 Pandemic regulates capital or investments held by certain individuals outside of Ecuador and requires that these be reported to the *Servicio de Rentas Internas* ("**IRS**") and income tax be paid thereon.

The Organic Law for Economic Development and Fiscal Sustainability after the COVID-19 Pandemic also reduced the rate of VAT for services rendering tourist activities by 4% in order to boost tourism. This law also exempts several services from VAT and established a new 0% VAT rate for the purchase of electric and hybrid vehicles and solar panels in order to promote energy transition.

The Organic Law for Economic Development and Fiscal Sustainability after the COVID-19 Pandemic also made changes to consumption taxes through ICE meaning that the President may reduce the ICE rate at any time by way of an executive decree and subject to a supporting opinion from the Ministry of Economy and Finance.

Decree 298 and Decree 643

Executive decree No. 298 ("**Decree 298**") was enacted on December 22, 2021 and established the following reductions in ISD for 2022:

- as of January 1, 2022, 4.75%;

- as of April 1, 2022, 4.50%;

- as of July 1, 2022, 4.25%; and

- as of October 1, 2022, 4.00%.

On January 10, 2023 executive decree No. 643 ("**Decree 643**") was enacted and established the following reductions in ISD for 2023:

- as of February 01, 2023, 3.75%;

- as of July 1, 2023, 3.50%; and

- as of December 31, 2023, 2.00%.

Public Planning and Finance Code

Enacted in October 2010, the Public Planning and Finance Code created a new financial regulatory system pursuant to the 2008 Constitution. The objectives of the law, among others, were to develop and coordinate national and regional governmental planning, guarantee the rights of citizens through equitable resource allocation and increased citizen participation in framing public policy, and strengthen national sovereignty and Latin American integration through public policy decisions. To achieve those objectives, the COPLAFIP, as amended under the Organic Law for the Regulation of Public Finances (see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances*"):

- allows for more flexibility for the Ministry of Economy and Finance to reallocate and reassign expenditures up to 5% of the approved Government budget without the prior approval of the National

Assembly (before July 15, 2020, until the passing into law of the Organic Law for the Regulation of Public Finances, this authority was capped at 15% under the law);

- sets an explicit total public debt ceiling of 40% of GDP including Central Government, non-financial public sector and Autonomous Decentralized Governments (see "*Public Debt—General*" and "*—Organic Law for the Regulation of Public Finances*" for a description of the Republic's measures to decrease the public debt levels to below the debt ceiling);

- allows the Ministry of Economy and Finance to issue CETES at its discretion, without having to undergo the same approval process required for long-term internal and external sovereign debt;

- allows for the establishment of citizens' committees for financial public policy consultations;

- determines that all excess cash not spent during a fiscal year will be accounted for as initial cash for the following fiscal year; and

- establishes the functions and responsibilities of the Debt and Finance Committee, see "*Public Debt—General".*

On June 21, 2018, the National Assembly passed the Organic Law for Productive Development which became effective on August 21, 2018. The law amends Article 124 of the Public Planning and Finance Code providing that in exceptional cases, fiscal rules and the 40% debt to GDP ratio limit may be temporarily suspended when natural catastrophes, severe economic recession, imbalances in the payment system, or national emergency situations occur, for which purpose the approval of the majority of the members of the National Assembly will be required. These rules may also be suspended in the event that the President decrees a state of emergency, in accordance with the provisions of the 2008 Constitution. In these cases, the entity in charge of public finances will approve a plan to strengthen public finances to achieve and restore fiscal balance.

On April 30, 2019, in line with the Letter of Intent presented to the IMF, the Ministry of Economy and Finance published the *Plan de Acción para el Fortalecimiento de las Finanzas Públicas* (the "**Action Plan for the Strengthening of Public Finances**") with 17 proposals aimed at strengthening fiscal and budgetary rules and planning and improving sustainability in the operations of the National Treasury. Among the proposals, the Ministry of Economy and Finance undertakes to send the President a draft bill: (i) modifying certain provisions of the Public Planning and Finance Code to further limit the Executive's discretion to outspend the national budget from 15% to 5% in order to increase credibility over each year's set fiscal goals; (ii) substituting the CETES with a new short-term instrument that guarantees its use within the budgetary year of issuance and placement; and (ii) to include a chapter in the Public Planning and Finance Code with a functional outline of the fiscal rules to increase transparency. These amendments were passed into law on July 15, 2020, with the Organic Law for the Regulation of Public Finances, see "*Organic Law for the Regulation of Public Finances".*

On October 18, 2019, former President Moreno presented before the National Assembly the draft Law on Economic Development which included certain amendments to the Public Planning and Finance Code aimed, among other objectives, to enhance fiscal sustainability establishing stricter budget controls. However, on November 17, 2019 the National Assembly rejected those amendments. On July 15, 2020, the Organic Law for the Regulation of Public Finances which amends the COPLAFIP became effective, see "*Organic Law for the Regulation of Public Finances".*

The COPLAFIP sought to improve the operation and transparency of the definitions and concepts of public finance, including: (i) demonstrating an adequate classification of the public sector; (ii) having a fiscal risk prevention, mitigation and management policy; (iii) establishing a fiscal programming document; (iv) establishing guidelines for the tax administrations for the issuance of tax expenditure; (v) limiting the modification of the General State Budget by the governing body of public finances; (vi) issuing indebtedness limits for Autonomous Decentralized Governments; (vii) developing plans to reduce backlogs in the public sector; and (viii) creating a 'National Treasury Financial Plan'.

The *Ley Orgánica Reformatoria al Código Orgánico de Planificación y Finanzas Públicas* (the "**Organic Law Reforming the Organic Code of Public Planning and Finances**") was enacted on November 23, 2022 and aims to regulate the procedure for calculating the annual increases to be made in the General State Budget for initial education (basic and baccalaureate) and for the National Health System in order to

guarantee compliance with the transitory provisions Eighteenth and Twenty-Second of the 2008 Constitution.

Both the Republic and the Autonomous Decentralized Governments are subject to the Public Planning and Finance Code (as amended). For more information on the Public Planning and Finance Code, see "*Public Sector Finances—Fiscal Policy*".

Monetary and Financial Law

In September 2014, the National Assembly enacted the *Código Orgánico Monetario y Financiero* (the "**Monetary and Financial Law**") in order to address weaknesses of the Republic's financial system stemming from the banking crisis in 2000. To achieve its objectives, the Monetary and Financial Law created a new regulatory body, the Committee of Monetary and Financial Policy Regulation, to oversee and regulate the execution of monetary, foreign exchange, financial, insurance, and securities policies of Ecuador. The committee is comprised of delegates from the Ministry of Economy and Finance, the Ministry of Production, Foreign Trade, Investments and Fisheries (formerly the Ministry of Production and Industrialization), the National Secretary of Planning and Development, the Ministry of Finance and Economy (formerly the Ministry of Economic Policy), and a delegate appointed by the President. The principal function of the committee is to oversee and monitor the liquidity requirements of Ecuador's financial system, ensuring that liquidity remains above certain levels (to be determined by the Committee of Monetary and Financial Policy Regulation). The law also created a separate internal auditor for the Government's financial entities, established certain norms for the Central Bank and the Superintendent of Banks regarding their budget, purpose, and their supervision, and set forth reporting requirements to the Committee of Monetary and Financial Policy Regulation. The law also explicitly established that certain accounts in the Central Bank, including the accounts used for the deposits of the *Corporación de Seguros de Depósito* ("**COSEDE**") and the Liquidity Fund, are subject to sovereign immunity and cannot be subject to attachment of any kind.

On October 18, 2019, former President Moreno presented before the National Assembly the draft Law on Economic Development which included certain amendments to the Monetary and Financial Law. These amendments aimed to ensure that the Central Bank had clear objectives and limited functions, designed to fully support the dollarization regime. They encompassed measures to strengthen the Central Bank's autonomy including in terms of its budget, improve the Central Bank's governance by establishing a board with fiduciary responsibilities to the Central Bank, and build a strong internal and external audit function. The amendments prohibited all direct and indirect lending by the Central Bank to the Government or the public sector, while remaining able to provide temporary liquidity support to public banks, if needed for prudential purposes. However, on November 17, 2019, the National Assembly rejected those amendments. On July 24, 2020, the Organic Law for the Regulation of Public Finances which amends the COPLAFIP became effective, see "*—Organic Law for the Regulation of Public Finances".*

On April 22, 2021, the National Assembly passed the Organic Law Reforming the Organic Monetary and Financial Code for the Defense of Dollarization aimed at strengthening the independence of the Central Bank.

On May 3, 2021, the National Assembly enacted the Law for the Defense of Dollarization. This law set forth that: (a) the Monetary and Financial Policy and Regulation Board be replaced by two new independent entities with their own powers: (i) the Financial Policy and Regulation Board and (ii) the Monetary Policy and Regulation Board, both of which are within the executive branch; (b) the Central Bank is not allowed to provide Central Government, or any governing body of public finances, or Autonomous Decentralized Governments or public sector institutions or entities owed by the Government or public entities with direct or indirect financing, as well as making investments, including the purchase of shares or having an interest in privately and publicly companies, the purchase of securities issued by such companies, providing aid, donations or financial contributions to individuals and entities and (c) the Central Bank's four-balance sheet hedging system be re-established. This law aims to gradually accumulate resources in the International Reserve of Free Availability to support the liabilities of the Central Bank within 5 years.

The Monetary Regulation Board is part of the executive branch, and is comprised of three members appointed by the National Assembly at the suggestion of the executive branch. The Monetary Regulation Board is responsible for the formulation of monetary policy, including: (i) establishing the policies of the Central Bank and supervising their implementation; (ii) overseeing compliance with the functions of the Central Bank; (iii) formulating policy and regulating the management of physical means of payment; (iv)

evaluating risks to financial stability and issuing macroprudential regulations in consultation with the Financial Policy and Regulation Board; (v) regulating the central payment system, as well as the regulation, permission, registration, oversight and supervision of auxiliary payment systems; (vi) defining the investment policy of International Reserves; and (vii) approving the annual financial statements of the Central Bank.

The Financial Policy and Regulation Board is part of the executive branch and is comprised of members appointed by the National Assembly from a shortlist of three candidates submitted by the President. The Financial Policy and Regulation Board is responsible for: (i) formulating credit and financial policies, including in respect of insurance policy, prepaid health care services and securities; (ii) issuing regulations that permit sustainability and stability of the financial systems; (iii) standardizing the criteria and protocols to determine the existence of a systemic crisis to issue and implement decisions and direct the actions to address it; (iv) issuing the regulatory framework and regulate the creation, constitution, organization, activities, operation and liquidation of financial services, securities, insurance policies and prepaid health care services; (v) regulating the financial activities carried out by entities of the national social security system; (vi) evaluating risks for financial stability and issue regulations in consultation with the Monetary Policy and Regulation Board; (vii) establishing the system of maximum interest rates for lending and borrowing operations of the national financial system and other interest rates required by law; (viii) preventing and seeking to eradicate fraudulent practices, including money laundering and (ix) regulating the constitution, operation and liquidation of funds and trust businesses related to the securities market.

Organic Law for the Reactivation of the Economy, Strengthening of Dollarization and Modernization of Financial Management

On November 29, 2017, the National Assembly approved the Organic Law for the Reactivation of the Economy, Strengthening of Dollarization and Modernization of Financial Management. On December 11, 2017, former President Moreno partially objected to the passing of the law. On December 29, 2017, the law was published and became effective after undergoing certain amendments pursuant to former President Moreno's objection. Some of the main measures included in this law are:

- tax incentive measures intended to benefit microenterprises, small businesses, cooperatives, and associations;
- an increase of 3% to the corporate income tax, with corporations that were subject to a 22% tax rate now subject to a 25% tax rate;
- electronic means of payment will be managed by entities of the private financial system with the objective of effectively substituting physical money;
- the elimination of income tax for the first U.S.$11,290 of the income of small enterprises;
- the elimination of income tax for new microenterprises for the first three years from the date they begin generating operating income;
- the elimination of the land tax;
- the simplification of the procedure to domicile foreign companies to Ecuador; and
- an extension of the prohibition to execute foreign judgments on property located in Ecuadorian territory when those judgments arise from extrajudicial documents for foreclosures of mortgage loans granted abroad.

Organic Law for Productive Development

On June 21, 2018, the National Assembly approved the Organic Law for Productive Development and, after a Presidential partial veto, it became effective on August 21, 2018. The law aims to provide tax incentives for small- and medium- sized companies and to promote new investments in Ecuador. The law provides for a 12 year income tax exemption (eight years if the investment is in Quito or Guayaquil and 15 years for investments in the industrial and agricultural sectors, including agricultural cooperatives, in the border regions of Ecuador) for new productive investments in priority sectors, such as food production, forestry and agricultural land reforestation (agroforestry), metal-mechanic, petrochemical, pharmaceutical,

tourism, renewable energy, foreign trade logistical services, biotechnology and import replacement and export promotion and a 15 year income tax exemption (20 years if the investment is in one of the border regions of Ecuador) for productive investments the industrial, agricultural and agro associative sectors and any other basic industries determined by Ecuadorian law in the future. It also provides for remittances of interests, fines and charges over, among others, declared delayed tax payments, social security contributions and amounts owed to State-owned utilities as well as under student loans and grants. Finally, it provides for a simplified administrative process for social housing projects, which will also benefit from the incentives in the law.

The Organic Law for Productive Development also includes other incentives, such as the option for investors to agree to settle disputes with the Republic through national or international arbitration under the United Nations Commission on International Trade Law ("**UNCITRAL**") Arbitration Rules (the "**UNCITRAL Rules**") before the Permanent Court of Arbitration, under the rules of the International Chamber of Commerce in Paris, or under the rules of Inter American Commercial Arbitration Commission at the choice of the investor, and amends the Civil Procedure Code so that an international arbitration award becomes enforceable without prior homologation (*exequátur*). As a result, international arbitral awards are directly enforceable as is the case with domestic awards.

The Organic Law for Productive Development reforms Article 123 of the Public Planning and Finance Code by expressly confirming that a contingent liability may originate from the activities listed below, and that it will be excluded from the calculation of public debt for the period for which it remains contingent. A contingent liability will only be considered public debt, and included in the calculation of total public debt to GDP ratio, in such amount and to the extent the obligation become due and payable. A contingent liability may originate when:

- the Central Government issues sovereign guarantees for the benefit of public sector entities that enter into public debt, together with all provisions made for their payment;
- notes linked to duly documented payment obligations are issued;
- guarantee agreements to secure the proper use of non-reimbursable contributions received by any applicable entity are entered into; and
- the public sector incurs contingent liabilities in accordance with applicable law, or other liabilities are incurred within the context of agreements with international credit agencies.

For further information regarding amendments to certain provisions of the Public Planning and Finance Code, see "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability*".

Organic Law of Entrepreneurship and Innovation

On January 7, 2020, the National Assembly approved the *Ley Orgánica de Emprendimiento e Innovación* (the "**Organic Law of Entrepreneurship and Innovation**"), and after a Presidential partial veto, it was published and became effective on February 28, 2020. The purpose of the Organic Law of Entrepreneurship and Innovation is to establish a regulatory framework that incentivizes entrepreneurship, innovation and technological development. It seeks to promote an entrepreneurial culture by implementing new corporate and financial modalities to strengthen the entrepreneurial ecosystem. The Organic Law of Entrepreneurship and Innovation established a National Council for Entrepreneurship and Innovation ("**CONEIN**") which is charged with the promotion of entrepreneurship in Ecuador. This law also established the National Registry of Entrepreneurship which allows persons, both natural and business entities, who have a business which is less than five years old, with less than 49 employees and with sales less than U.S.$1 million to register and have access to financial resources and public funds which will be created by the Organic Law of Entrepreneurship and Innovation.

Organic Law on Humanitarian Aid

On June 19, 2020, the National Assembly approved Organic Law on Humanitarian Aid, after a Presidential partial veto, and it was published and became effective on June 22, 2020. The Organic Law on Humanitarian Aid aimed to establish policies to protect the health, safety, education and welfare of the

citizens of the Republic and to reactivate the national economy, including, without limitation, the following measures:

- *Public relief measures*: mandating elementary, primary and secondary schools and universities to offer a tuition discount of up to 25% to students who have been economically affected under certain circumstances; prohibiting the expulsion of students that default on the payment of monthly school charges and establishing a government credit facility for those failing to pay for a period of six months; a mandatory 10% increase of the number of grants for universities; a prohibition on forced evictions during the term of the State of Emergency; freezing utility charges; reducing the cost of power for those under the poverty line; preventing healthcare providers from suspending care and preventing health insurance providers from terminating health insurance policies; expanding the healthcare coverage for certain healthcare plans provided under the social security framework.

- *Access to credit*: requiring national financial institutions to offer loans to the productive sector, which includes the sectors of the economy involved in the production of raw materials and goods, among others, on favorable terms and conditions; offering tax credits to financial institutions that offer credit alternatives with a term greater than 48 months.

- *Flexibilization of employment rules*: allowing employers to unilaterally modify employment contracts to reduce the length of the work day only if justified under *force majeure* and allowing for salary adjustments per hours actually worked with a 45% reduction cap and for no more than a year; creating special rules for vacations.

- *Debt relief*: mandating that the Monetary and Financial Policy and Regulation Board issue a resolution so that during the length of the state of emergency, financial institution and other entities providing credit must work with their clients to reschedule the collection of monthly instalments.

- *Tenant relief*: suspending evictions of tenants during the State of Emergency and for up to 60 days after its conclusion as long as the tenant pays at least 20% of any outstanding payment.

The Organic Law on Humanitarian Aid mandated certain Government agencies to issue regulation for the application of certain of these measures. The National Assembly approved, on June 16, 2022, a bill that repealed almost in its entirety the Organic Law on Humanitarian Aid, however, days later this bill was vetoed by President Lasso.

Organic Law for the Regulation of Public Finances

On May 16, 2020, the National Assembly approved the Organic Law for the Regulation of Public Finances and, after a Presidential partial veto, it became effective on July 15, 2020.

The Organic Law for the Regulation of Public Finances has two sections and a transitional provision. Section I is limited to amendments to the Public Planning and Finance Code and includes 45 articles, and Section II is limited to a single article amending a provision of the *Ley orgánica de ordenamiento territorial, uso y gestión de suelo* (the "**Organic Law of Spatial Planning**") and applicable ordinances. This law aims to improve the administration of public finances. It focuses on updates to budgetary ceilings, the predictability of public spending, establishment of new treasury securities and new tax rules. Among the amendments to the COPLAFIP include, without limitation, the following measures:

- limiting the ability of the Ministry of Economy and Finance to increase the State General Budget from 15% to 5% without first following the provisions set forth in the Public Planning and Finance Code;

- providing that the objectives, limits and goals regarding the total fiscal rules of the non-financial public sector and of the State General Budget, will be calculated, determined, evaluated and updated by the Ministry of Economy and Finance;

- setting a budget spending ceiling for each public entity;

- verifying compliance with these rules with a report with consolidated information. The units that constitute the non-financial public sector will monitor budget execution and adjust public spending

to ensure that fiscal objectives and rules are met. The monitoring and evaluation of these reports will fall under the responsibilities of the Ministry of Economy and Finance;

- creating a Fiscal Strengthening and Sustainability Plan if there are breaches of the debt objectives, non-oil primary balances or the rules of permanent expenses. The entity at the cause of, or affected by, the breach must submit such plan;

- releasing to the public the objectives, limits and the fiscal goals by ministerial agreement;

- creating the National Committee for Fiscal Coordination tasked with determining, evaluating and updating the sectoral fiscal goals for each level of government. This committee will be made up of 11 members representing the President, Ministry of Economy and Finance, Central Bank, the Autonomous Decentralized Governments, Public Companies and Social Security, who will each have right to be heard and a vote;

- contemplating capital preservation programs of the General State Budget to protect liquidity and increase the wealth, assets (*patrimonio*) and financial capacity of the State. For the achievement of these programs, a technical report is required to be published confirming that the program is economical and financially viable and that it will generate a socially favorable impact;

- creating the policy of prevention, mitigation and management of fiscal risks each year with coverage of the non-financial public sector. This policy will be prepared by the Ministry of Economy and Finance, and will be attached to the proforma of the general budget of the State. The purpose of this policy will be to mitigate the negative impacts caused on public finances because of unforeseen events and to guarantee the better accomplishment of the fiscal policy put forth by the President. Fiscal risks are defined as unforeseen events that may affect the income and expenses of the State; and

- allocating a maximum of 3% of the total expenditure of the general State budget to anticipate possible fiscal risks.

The Organic Law for the Regulation of Public Finances makes it a point not to undermine the existing autonomy of the Autonomous Decentralized Governments, the Central Bank and the Bank of the Ecuadorian Social Security Institute ("**BIESS**"), and of social security entities such as the IESS, the Social Security Institute of the Armed Forces ("**SSFA**"), the Social Security Institute of the Police ("**ISSPOL**"), the Unemployment of the National Police and other similar entities.

The revisions made by the President include setting out a timetable for the gradual decrease of the public debt by imposing transitional debt to GDP ratio ceilings starting at 57% by 2025 and reducing it to 45% by 2030 and to 40% by 2032, after which the public debt to GDP ratio will be required by law to be kept at or below the legal limit of 40%, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances*".

The Organic Law for the Regulation of Public Finances also amended Article 123 of the Public Planning and Finance Code, to, amongst others:

- exclude certain transactions and instruments from public debt, including contractual rights linked to ordinary operations that do not require a sovereign guarantee and any security or treasury note with a term of less than 360 days, among others;

- clarify the definition of 'public debt' by tying it to obligations held by entities from the public sector which must be returned to lender and specifying how contingent liabilities arise;

- include debts contracted by IESS, ISSFA or ISSPOL in the definition of public debt; and

- assign during the budgeting process the resources available from the public debt to the projects and programs that meet the established requirements.

On May 31, 2022, after 21 years in which the State's debt to the IESS for health benefits had accrued, the Ministry of Economy and Finance entered into an agreement with IESS whereby the process of recognizing outstanding contributions was initiated, with an initial disbursement of U.S.$140 million.

In the first quarter of 2023, IESS reported a lack of liquidity that prevented it from canceling the retirement pensions of its affiliates (U.S.$877 million), which was covered by the IESS with the contribution of 40% by the State, which is fully budgeted for in the 2023 Budget at U.S.$2.1 billion.

Anti-Corruption Measures in Ecuador

Since President Lasso was elected, the Government has been putting in place several initiatives to fight corruption in Ecuador and commenced investigations into several alleged cases of corruption against current or former public officials of State-owned companies. On his inauguration on May 24, 2021, President Lasso enacted Decree 4, a 'Code of Ethics' for high-level public officials, setting a higher standard of conduct for his Government. On May 3, 2022, he established a cabinet-level Secretary of Anticorruption Public Policy by Decree 412, elevating the position from Presidential Advisor. On July 13, 2022, the Lasso Administration presented the ENA, with the goal of generating policies and preventive actions against a wide range of corruption risks that threaten the rule of law and democracy. Furthermore, President Lasso sought via referendum to amend the 2008 Constitution to allow the extradition of Ecuadorians involved in transnational organized crime (referendum question 1) and ensure full independence of the Prosecutor General (referendum question 2), but on February 5, 2023, the majority of the electorate voted against all questions in the referendum. On April 3, 2023, the Law Amending the Organic Law for the Prevention, Detection and Eradication of the Crime of Asset Laundering and of Financing of Crime, expanding the reporting obligations of certain financial transactions, was enacted.

Former President Moreno also took anti-corruption measures. In February 2018, certain amendments to the 2008 Constitution were approved by national popular referendum, including, among others, that those convicted of corruption related offenses should lose their political rights. In March 2018, *Petroecuador and the Unidad de Análisis Financiero y Económico* (the "**Financial and Economic Analysis Agency**") entered into an inter-institutional agreement to work together in the prevention, detection and eradication of money laundering and financing of crimes within Petroecuador. On June 11, 2018, the Office of the Prosecutor General and the *Servicio Nacional de Contratación Pública* (the "**National Service for Public Procurement**") entered into a framework agreement for cooperation between both institutions to allow joint operations in the fight against corruption.

On February 6, 2019 former President Moreno issued executive decree No. 665 ("**Decree 665**") creating the *Secretaría Anticorrupción de la Presidencia de la República* (the "**Anticorruption Secretariat**") tasked with, amongst others: (i) setting an agenda for the creation of public policies and actions allowing for whistleblowing on corrupt acts within the administration; (ii) coordinating collaboration between Governmental institutions, courts and entities involved in investigating, trying and penalizing corruption cases; and (iii) articulating with the Ministry of Foreign Affairs and Human Mobility the implementation of existing international agreements on the subject.

On February 18, 2019 former President Moreno announced his plans to form the *Comisión Internacional contra la Corrupción* (the "**International Commission against Corruption**") with the aim of providing support to governmental agencies charged with denouncing, investigating and prosecuting acts of corruption in Ecuador. The International Commission against Corruption is composed of five international experts on corruption and three secretariats with other national and international experts. Members of the International Commission against Corruption are designated by agreement between the Government and the United Nations Office on Drugs and Crime. The International Commission against Corruption was formally created on May 13, 2019.

On February 25, 2019 the CNE partnered with the Financial and Economic Analysis Agency to provide mutual collaboration in, among others, detecting money laundering and the financing of criminal enterprises. On June 6, 2019, the heads of Ecuador's Office of the Comptroller General and the *Comisión Nacional Anticorrupción* (the "**National Anticorruption Commission**") signed a two-year collaboration agreement to carry out coordinated efforts to better process corruption complaints and to implement preventive measures, to identify and promote best practices, to enhance communication between both entities, in order to develop training programs promoting ethical behaviour, and to promote civic involvement throughout Ecuador to increase public accountability. On June 11, 2019, the *Función de Transparencia y Control Social* (the "**Transparency Committee**"), composed of representatives of 14 government entities and presided over by the Comptroller General, approved a national plan aimed at building inter-institutional collaboration in the fight against corruption.

On July 25, 2019, former President Moreno issued executive decree No. 828 ("**Decree 828**") designating the Anticorruption Secretariat as Ecuador's representative authority under the terms of the Inter-American Convention against Corruption. However, on May 20, 2020 former President Moreno announced the elimination of the Anticorruption Secretariat.

On December 20, 2019, the National Electoral Council approved its report containing the Council's findings on the Bribe 2012-2016 investigation over alleged illicit campaign contributions made to the Alianza PAIS party from 2012 to 2017. On January 3, 2020, at a preliminary hearing, a judge at the National Court of Justice ordered former President Correa, former Vice President Glas, and several former ministers and government officials to stand trial over their alleged involvement in the Bribe 2012-2016 case. On April 7, 2020 the National Court of Justice sentenced former President Correa *in absentia* to an eight year prison term. This sentence was appealed however in September 2020 the National Court of Justice denied the appeal request.

On May 5, 2020, former President Moreno issued executive decree No. 1033 ("**Decree 1033**") establishing a unified method for purchasing medicines and drugs in the public health network. Decree 1033 seeks to address the proliferation of new cases of corruption after a discovery of irregularities in hospitals was made during the COVID-19 pandemic. The decree sets forth that all acquisitions will be made through an integrated system that combines the inputs required by the Ministry of Health, the Ecuadorian Social Security Institute, the Social Security Institute of the Armed Forces and the Social Security Institute of the National Police.

On May 21, 2020, former President Moreno sent to the National Assembly a project of reforms to the Comprehensive Penal Code in order to strengthen control mechanisms and make sanctions more severe in cases of corruption of public purchases during an emergency. The project proposed that the evasion of legal procedures in public purchases during an emergency could carry jail time of six months and up to 25 years, depending on the size of the purchase.

Strategic Sectors of the Economy

The Ministry for the Environment, Water and Ecological Transition, the Ministry of Telecommunications and the Ministry of Energy and Mines are in charge of the water, telecommunications, electricity, and natural resources (oil and mining) sectors of the economy, respectively.

Pursuant to Decree 1036, the Agency for the Regulation and Control of Energy and Non-Renewable Natural Resources was established following the merger of the Hydrocarbon, Mining and Electricity Regulation and Control Agencies. Its priorities are: (i) the control of electricity traffics, (ii) setting mechanisms for fuel prices, (iii) fighting illegal mining; and (iv) the control and regulation of activities and exports of minerals, hydrocarbons and electricity.

The Republic considers these sectors as the most important sectors of the economy.

Oil Sector

Ecuador's oil reserves are managed directly by the State-owned oil company, Petroecuador and through service contracts with other Ecuadorian and foreign companies. Oil exploitation operations are conducted under the supervision and regulation of the Ministry of Energy and Mines through the Agency for the Regulation and Control of Energy and Non-Renewable Natural Resources.

The Ministry of Energy and Mines conducts the management of non-renewable hydrocarbon resources and is tasked with executing activities such as the administration of oil fields and the execution and modification of oil field contracts. The Ministry of Energy and Mines also provides technical, economic and legal support in service contract origination and public bidding processes.

Petroecuador is a State-owned company and a legal entity with its own assets and budgetary, financial, economic and administrative autonomy. In November 2012, former President Correa signed decree 1351-A (the "**Consolidation Decree**"), which consolidated the operations of Petroecuador and Petroamazonas allocating exploration and exploitation of hydrocarbon resources to Petroamazonas and transportation, refining and commercialization activities to Petroecuador. Prior to the consolidation Petroamazonas was also a State-owned company and a legal entity with its own assets and budgetary, financial, economic and administrative autonomy.

As part of the plan to optimize the administration of the State, a committee was created among the Public Companies Coordinator Company, the General Secretariat of the Presidency, the National Secretariat for Planning and Development and the Ministry of Energy and Mines, along with technical team from Petroecuador and Petroamazonas, to carry out the process of merging Petroecuador and Petroamazonas.

On April 24, 2019, former President Moreno issued executive decree No. 723 ("**Decree 723**") ordering the merger of Petroecuador and Petroamazonas into a single public company and creating the *Unidad Temporal de Fusión* (the "**Temporary Merger Unit**"), a unit within Petroamazonas charged with managing the merger under the supervision of the Ministry of Energy and Mining. Decree 723 also set December 31, 2020, as the deadline for completion of the merger.

On May 6, 2020, as a result of the economic environment resulting from the COVID-19 and the decline in international oil prices, the Ministry of Energy and Mines announced that it was reconsidering the original merger strategy with the view of simplifying the final management structure of the resulting company after the merger.

On January 7, 2021, former President Moreno issued Decree 1221. Decree 1221 set forth the merger between Petroamazonas EP and EP Petroecuador, following which Petroecuador became responsible for the management of the strategic sector of non-renewable resources, taking part in all phases of Ecuador's hydrocarbon activity.

Since the merger, Petroecuador is the public company in charge of crude oil production for the State, and now manages two new blocks, Block 16 and 67 (Tivacuno) with a production of 13,000 bpd, that were previously operated by private companies but whose contracts expired in December 2022.

In order to increase transparency of the accounts of the State-owned oil company Petroecuador, the Lasso Administration undertook from August 2022, within the framework of the agreement with the IMF (see further "*Public Debt*"), to have an external audit of the financial statements of Petroecuador for the financial years 2019, 2020 and 2021 by an independent international audit firm, and invited the 'big four' audit firms to submit tenders. The process was to be financed with a loan from the Inter-American Development Bank. However, no offers were received, and the Government has since announced that it will explore alternatives, including carrying out a forensic audit of Petroecuador.

Exploitation

Under the 2008 Constitution, all subsurface natural resources are the property of the Republic, and in the case of petroleum, pursuant to Decree 1221, its exploitation is undertaken directly by Petroecuador. The 2008 Constitution, however, permits the Government to contract with the private sector for the development of these natural resources.

The 2008 Constitution, the *Ley de Hidrocarburos* (the "**Hydrocarbons Law**"), the Consolidation Decree, executive decree No. 315 ("**Decree 315**") and Decree 1221 set out certain reforms to define the public sector oil entities' functions as follows:

- the Ministry of Energy and Mines implements the hydrocarbon policies defined by the President and conducts the public tender process for specific service contracts to develop oil fields, and executes and administers such contracts;

- the Agency for Regulation and Control of Energy and Non-Renewable Natural Resources controls and oversees hydrocarbon activity in all its phases; and

- Petroecuador is involved in the exploration and production of hydrocarbon, refining, and industrialization of hydrocarbon activities, as well as their internal and external marketing; For more information on the formation of the Ministry of Energy and Mines through the merger of the Ministry of Mining, the Ministry of Electricity and Non-Renewable Resources, and the Secretariat of Hydrocarbons.

Under the above framework, Ecuador allows foreign investment in its hydrocarbon resources, which, under the 2008 Constitution and Hydrocarbons Law are exclusively owned by the State. In November 2010, the Government completed its contract renegotiations with foreign oil companies under the Hydrocarbons Law, which replaced production-sharing agreements for private companies with a fixed per-barrel rate for their exploration and production activities.

However, the Organic Law for Economic Development and Fiscal Sustainability enacted after the COVID-19 pandemic in November 2021 reformed the Hydrocarbons Law, reintroducing production-sharing agreements to the oil and gas sectors. This law reform allowed oil companies under exploration and productive services contracts to migrate to production-sharing agreements under certain conditions set out in executive decree No. 342 ("**Decree 342**").

However, on October 28, 2022 the Constitutional Court declared that the reform to the Hydrocarbons Law was partially unconstitutional excluding those relating to the exoneration of foreign trade taxes on the import of fuels, oil derivatives, bio-fuels and natural gas (which remain in force).

Production

PETROLEUM PRODUCTION

	For the year ended December 31,			For the eleven months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	(in thousands of barrels per year)				
Petroleum [(1)]	531	479	473	494	480
Public companies [(2)]	152,858	139,651	135,999	130,116	125,068
Other operators	40,958	35,799	36,600	34,847	35,271
Total	**193,816**	**175,450**	**172,599**	**164,963**	**160,338**
Natural Gas Production [(3)]	10,889	9,101	8,921	4,620	4,089

Source: Based on figures from the Central Bank, May 2022 Monthly Bulletin, Domestic Production of Crude Oil and its Derivatives (Table 4.1.1).

(1) Petroleum information is displayed in thousands of bpd.
(2) Public company numbers include the production of Rio Napo.
(3) Natural Gas Production information is displayed in millions of cubic feet.

The vast majority (100%) of Ecuador's oil blocks are located onshore. The most productive oil blocks are located in the north eastern part of Ecuador, with Sacha and Auca as two of the oldest and most productive fields. Crude oil production has increased in the last ten years with the opening of the (the "**OCP**") pipeline (see "*Transportation*" below), which removed a chokepoint on heavy crude oil transportation in Ecuador. Production in existing fields has levelled off in recent years as the result of the natural decline in the productivity of existing blocks, particularly older blocks such as Shushufindi, which has been in operation for over forty years. In December 2017, Petroamazonas successfully concluded the negotiations of Ronda de Campos Menores 2017. SEA Ecuador, CNPC, Vinccler C.A. and Cementaciones Petroleras Venezolanas were awarded with the contracts for 7 blocks in the regions of Orellana and Sucumbíos, and four service contracts, with a WTI-indexed tariff, were entered into. The total investment between 2018 and 2020 was expected to be U.S.$696 million and it was estimated to produce 104.46 million of barrels during the 10 years of its term.

In May 2018, Petroamazonas started the public procurement of the "Oil & Gas" round for the awarding of specific performance contracts for the exploitation of the crude fields of Cuyabeno-Sansahuari, Yuralpa, Oso and Blanca-Vitina, and the gas field of Amistad, as a result of which four service contracts, with a WTI-indexed tariff, were entered into for the exploitation of the crude fields of Cuyabeno-Sansahuari, Yuralpa, Oso and Blanca-Vitina. Petroamazonas estimated that the total investment between 2019 and 2021 would be approximately U.S.$728 million.

However, as at April 2023, Petroecuador has not carried out additional negotiations for the projects detailed above.

On January 23, 2019, Petroamazonas endorsed the "Zero Routine Flaring by 2030" initiative whereby it commits to incorporate sustainable utilization or conservation of its oil fields associated gas without routine flaring, and to implement economically viable solutions to eliminate this practice as soon as possible, and no later than 2030.

On May 22, 2019, as part of the XII Interfields Oil Round, the Government, acting through the Ministry of Energy and Mines, entered into seven participation agreements for the exploration and exploitation of seven new oil blocks in the Sucumbíos province: Arazá Este, Iguana, Perico, Espejo, Sahino, Charapa and Chanangue, with the following companies: Petróleos Sudamericanos del Ecuador Petrolamerec S.A. (two agreements), Gran Tierra Energy Colombia LLC (three agreements) and the consortium formed by Frontera Energy Colombia Corp. and Geopark Perú S.A.C. (two agreements). The Government estimated that these

agreements would result in a total U.S.$1,17 billion investment by those companies through 2023. These fields are expected to produce 8,000 bpd by 2024.

On September 30, 2019, Block 43, which includes the 139 ITT fields of Ishipingo, Tipituni and Tambococha, reached 82,658 bdp in oil production, becoming the area with the largest oil operation in Ecuador. This increase in the production in this area was principally due to the opening for production of the Tambococha fields on September 24, 2019, with an average of 4,250 bpd of oil. The ITT fields were expected to generate approximately U.S.$603 million in revenues in 2020. During the years 2021 and 2022, EP Petroecuador continued with the drilling campaign in Block 43-ITT, located in the province of Orellana. At the moment, throughout the Block, Petroecuador maintains 153 productive wells with 53,750 barrels of oil per day and according to technical estimates, in the coming months the increase in global production will be greater. Hence, the potential to obtain 50,000 additional barrels from the Ishpingo area until the end of the year is maintained.

On October 3, 2019, various groups organized protests relating to the elimination of the subsidies and increase in prices. The protests lasted for almost two weeks and former President Moreno relocated the Government to Guayaquil on a temporary basis. From October 7 through October 13, 2019, protesters relating to the elimination of subsidies occupied certain fields and disrupted oil productions by among other things, blocking roads allowing for the transportation of crude oil, causing the Government to suspend oil production in 20 oil fields located in the provinces of Orellana, Sucumbíos and Napo, resulting in U.S.$136.86 million in losses. As part of the Government's efforts to normalize production after the unrest, the Tambococha fields 65 and 66 were opened for production in October 2019. As a result, by October 31, 2019, Block 43 reached 86,618 bpd in oil production. Oil production normalized after these events. As a result, on May 19, 2020, former President Moreno issued Decree 1054 which allows the price of oil in Ecuador to fluctuate based on the price in the international market of the WTI, while placing a price band that would not allow price fluctuations greater than 5% at service stations.

On March 6, 2020, Petroamazonas entered into a contract worth approximately U.S.$148 million with Chuanqing Drilling Engineering Company Limited for the drilling and completion of 24 new oil wells in the province of Orellana, Ecuador. The new oil wells were expected to allow for an increase in production of 7,500 barrels of oil per day.

In 2021, State-owned companies were responsible for 78.8% of the oil production, compared to 79.6% in 2020. This decrease was principally due to: (i) a stoppage in the vicinity of the Edén Yuturi – Block 12 field near the Kichwa El Edén community; (ii) a short circuit in the CELEC generation plant, which forced the stoppage of crude oil extraction in several wells belonging to the Tambococha and Tupitini fields; and (iii) the suspension of transportation of the SOTE and OCP, due to the risk faced by the oil infrastructure as a result of the advance of erosion in the Piedra Fina river in the province of Napo.

In 2022, State-owned companies were responsible for 78.0% of the oil production, compared to 78.8% in 2021. This change was principally due to an increase in daily oil extraction by private companies of 7.2%. As of December 2022, oil field crude production, including that of private and State-owned companies, reached 175.6 million barrels, representing a 1.7% increase from the 172.6 million barrels produced in 2021.

According to the Central Bank, oil field crude production (of both private and State-owned companies) was 175.45 million barrels for 2022 (a 1.6% increase from 2021), 172.60 million barrels for 2021 (a 1.6% decrease from 2020), and 175.45 million barrels for 2020 (a 9.5% decrease from 2019).

In June 2022, oil production was impacted by a national strike called by CONAIE, which forced the suspension of Petroecuador's operations as the facilities did not have optimal or adequate technical or security coverage. On June 19, 2022, the Minister of Energy and Mines declared a *force majeure* event for all exploration and exploitation operators after protestors entered oil fields. This *force majeure* declaration was lifted on July 12, 2022 and the national strike ended when the Government signed the Agreement for Peace (see further "*Summary Information and Recent Developments Regarding Ecuador*" above).

In October 2022, the Government launched the 'Intracampos II Round' with the objective of attracting U.S.$2,000 million for the exploration and operational stages of six hydrocarbon blocks: Tamya, Saywa,

Tetete Sur, Lumbaqui, VHR Este and VHR Oeste, in the province of Sucumbíos. It is estimated that with the award of the six blocks an additional 18,000 to 24,000 bpd of oil can be obtained.

On February 23, 2023, the Ministry of Energy and Mines (through Resolution No. MEM-VH-2023-0006-RM) declared a state of *force majeure* for activities involving the exploration, exploitation and transportation of hydrocarbons following the closure of the SOTE, OCP and Shushufindi Quito polyduct systems after a bridge collapsed near the pipelines in the Napo province. This *force majeure* was lifted on March 5, 2023.

On March 19, 2023, Petroecuador declared a *force majeure* over operations in Block 12 (Orellana province) in the Eden Yuturi field following disruption related to protests in the area by the Kichwa indigenous community. This force majeure was lifted on April 5, 2023 following an agreement between reached between Petroecuador and the Kichwa indigenous community.

On March 21, 2023, Petroecuador declared a *force majeure* over three oil blocks (Block 16-67, Block 43-ITT and Block 61) located in the Orellana province following protests from local communities which impeded the normal functioning of hydrocarbon activities in those oil blocks. In addition to this, Petroecuador requested the support of the armed forces to protect the facilities within the oil blocks. On March 30, 2023, Petroecuador announced that Block 61 and Block 43-ITT would resume normal operations. On April 10, 2023 Peroecuador announced that an agreement has been reached with local communities resulting in the lifting of the *force majeure* over oil Blocks 16-67 and 61.

Exports

In 2018, crude oil exports totaled U.S.$7,877 million, a 27.81% increase from U.S.$6,163 million in 2017. This increase was due to an increase in the average international price of petroleum per barrel from U.S.$45.49 in 2017 to U.S.$60.74 in 2018, despite a 4.28% decrease in export volume.

In 2019, crude oil exports totaled U.S.$7,731 million, a 1.86% decrease from U.S.$7,877 million in 2018. This decrease was due to a decrease in the average international price of petroleum per barrel from U.S.$60.74 in 2018 to U.S.$55.30 in 2019, which was partially offset by an increase in export volume from 129.7 million barrels in 2018 to 139.8 million barrels in 2019.

In 2020, crude oil exports totaled U.S.$4,684 million, a 39.40% decrease from U.S.$7,731 million in 2019. This decrease was due to a decrease in the average international price of petroleum per barrel from U.S.$55.30 in 2019 to U.S.$35.62 in 2020. Export volume also decreased from 139.8 million barrels in 2019 to 131.5 million barrels in 2020.

In 2021 crude oil exports totaled U.S.$7,278 million, an increase of 55.36% compared to U.S.$4,684 million in 2020. The increase was due to an increase in the average international price of petroleum per barrel from U.S.$35.62 in 2020 to U.S.$61.97 in 2021, despite a decrease in the exported volume of 131.52 million barrels in 2020 to 117.44 million barrels in 2021.

In 2022, crude oil exports totaled U.S.$10,034 million, an increase of 37.8% compared to U.S.$7,278 million in 2021. This increase was primarily due to an increase in the average international price of petroleum per barrel from U.S.$61.97 in 2021 to U.S.$95.11 in 2022, despite a slight decrease in the exported volume from 117.44 million barrels in 2021 to 100.5 million barrels in 2022.

In 2017, 90.045% of the value of oil exports was crude oil and 9.96% was oil derivatives. In 2018, 89.69% of the value of oil exports was crude oil and 10.31% was oil derivatives. In 2019, 90.57% of the value of oil exports was crude oil and 10.31% was oil derivatives. In 2020, 90.62% of the value of oil exports was crude and 9.38% oil derivative products. In 2021, 88.25% of the value of oil exports was crude and 11.75% oil derivative products. In 2022, 86.6% of the value of oil exports was crude and 13.4% oil derivative products.

In 2017, 55.1% of oil exports were exported to the United States, followed by Peru, Chile and others with 15.5%, 15.4%, and 14%, respectively. In 2018, the three main destinations of oil exports were the United States, Peru and Chile with 51.1%, 16.1% and 14.6%, respectively. In 2019, the three main destinations of oil exports were the United States, Panama and Chile with 46.2%, 21.6% and 14.0%, respectively. In 2020, the three main destinations of oil exports were Panama, the United States and Chile with 42.6%, 31.8% and 11.3%, respectively. In 2021, 81% of oil exports were exported to Panama, the United States and Chile

(45%, 26% and 10%, respectively). In 2022, 87% of oil exports were exported to the United States, Panama and Chile (41%, 37% and 9%, respectively).

In 2018, Petroecuador reached an agreement with Petrochina, Unipec, PTT Public Company Limited and PTT International in order to amend each crude oil supply agreement between Petroecuador and each of these companies. The new amendments were effective as of May 1, 2018. In September 2022, Petroecuador, Petrochina and Unipec renegotiated long-term export sales of crude oil by the Ecuadorian State-oil company PetroEcuador to Chinese oil companies PetroChina and Unipec.

Transportation

Ecuador has two major oil pipelines, the SOTE and the OCP. Most of Ecuador's crude oil production is transported through the SOTE, which links Lago Agrio in the Oriente region to the Balao export terminal on the Pacific coast and has a capacity of approximately 360,000 bpd. Crude oil production has increased in the last ten years with the opening of the OCP, which removed a chokepoint on heavy crude oil transportation in Ecuador. In 2017, the SOTE transported 131.1 million barrels, averaging 359.1 thousand bpd. In 2018, the SOTE transported 125.6 million barrels, averaging 344.0 thousand bpd. In 2019, the SOTE transported 124.8 million barrels, averaging 342.0 thousand bpd. In 2020, the SOTE transported 113.5 million barrels, averaging 310.1 thousand bpd, whereas the OCP transported 58.7 million barrels, averaging 160.6 thousand bpd. In 2021, the SOTE transported 109.4 million barrels, averaging 299.8 thousand bpd, and the OCP transported 55.5 million barrels, averaging 152.2 thousand bpd. In 2022, the SOTE transported 116.5 million barrels, averaging 319.0 thousand bpd and OCP transported 55.0 million barrels, averaging 150.6 thousand bpd.

In June 2001, Ecuador awarded the construction and operation contract for its second pipeline, the OCP heavy crude oil pipeline, to Oleoducto de Crudos Pesados Ecuador S.A., a consortium of domestic and foreign oil companies. The OCP was constructed at a cost of U.S.$1.4 billion, all of which was paid by the consortium. Construction was completed in September 2003, and operations began the same month. The contract for the operation of the OCP has a duration of twenty years and is due to end in January 2024. At the end of the contract, the OCP will become national property. However, in September 2022 Oleoducto de Crudos Pesados Ecuador S.A. submitted a request to the Ministry of Energy and Mining to extend the contract. As of April 2023, no final decision has been made as to whether such extension will be granted.

The Ministry of Energy and Mines oversaw the construction of the OCP, and now oversees its operation. The OCP is made up of two sections, the largest of which was designed to transport a maximum of 517,300 bpd and has a sustainable transportation rate of 450,000 bpd of crude oil of 18o to 24o American Petroleum Institute degrees. In 2017, the OCP transported 59.9 million barrels, averaging 164.1 thousand bdp. In 2018, the OCP transported 61.2 million barrels, averaging 167.6 thousand bpd. In 2019, the OCP transported 68.1 million barrels, averaging 186.5 thousand bpd. In 2020, the OCP transported 58.7 million barrels, averaging 160.7 thousand bpd. In 2021, the OCP transported 55.6 million barrels, averaging 152.3 thousand bpd. In 2022, the OCP transported 55 million barrels, averaging 150.7 thousand bpd.

In April 2020, a sinkhole in the San Rafael prevented the SOTE and the OCP from receiving and transporting oil. Three days after this event, the Ministry of Energy and Mines (formerly the Ministry of Energy and Non-Renewable Resources) declared a *force majeure* event during which the production of the Petroamazonas was reduced to 65,000 bpd of oil. The declaration of the *force majeure* event was lifted on May 9, 2020 when the repairs to the SOTE and OCP were completed and they were declared to be technically operational to receive and transport oil.

On June 4, 2020, the Ministry of Energy and Mines declared another *force majeure* event related to the suspension of activities of the SOTE due to the construction of two pipe variants of 380 and 690 meters in length which were intended to protect the integrity of the SOTE following the appearance of a new sinkhole in the San Rafael sector. This *force majeure* declaration was lifted four days later on June 8, 2020 once the completion of the construction work on the pipe variants was reported.

During 2022, the SOTE and OCP suffered a rupture due to the erosion of the Coca River, requiring cleaning and environmental remediation work as well as repair of the oil pipelines, which affected their operations.

The OCP and SOTE have planned to build alternative branches of their pipelines to prevent soil erosion affecting their operations.

Refining

Following Decree 1221, Petroecuador is the only company that conducts refining activities in Ecuador. Petroecuador owns three refineries in Ecuador (Esmeraldas, La Libertad and Shushufindi) with processing capabilities of 110,000, 45,000 and 20,000 bpd, respectively. Petroecuador also owns one associated gas processing plant (Shushufindi), which has a processing capacity of 637.8 million barrels of liquefied petroleum gas ("**LPG**") and average production of 1,747.6 bpd.

In 2019, Petroecuador's oil-derivatives production amounted to 75.6 million barrels, including gasoline, diesel, fuel oil, jet fuel, liquefied petroleum and fuel blends in terminals, which represented a decrease of 6.0% compared to the 80.5 million barrels of oil derivatives produced in 2018. This decrease was mainly due to unscheduled maintenance in three of Ecuador's refineries. In 2020, Petroecuador's production of petroleum derivatives amounted to 60.3 million barrels, including gasoline, diesel, fuel oil, jet fuel, liquefied petroleum and fuel mixtures in terminals, representing a decrease of 20.2% compared to the 60.3 million barrels of petroleum derivatives produced in the same period of 2019. This decrease was due to a significant decrease in the demand for oil derivatives as a result of the declaration of the State of Emergency related to the COVID-19 crisis. In 2021, Petroecuador's production of petroleum derivatives amounted to 75.5 million barrels, including gasoline, diesel, fuel oil, jet fuel, liquefied petroleum and fuel mixtures in terminals, representing an increase of 25.2% compared to 2020. In 2022, Petroecuador's production of petroleum derivatives amounted to 78.3 million barrels, including gasoline, diesel, fuel oil, jet fuel, liquefied petroleum and fuel mixtures in terminals, representing an increase of 3.8% compared to 2021. In 2022, Petroecuador's production of petroleum derivatives amounted to 99 million barrels including gasoline, diesel, fuel oil #4 and #6, jet fuel, liquefied petroleum and fuel mixtures in terminals. This represented a revenue of U.S.$7 billion by 2022.

During 2018, the domestic consumption of oil derivatives was 93.2 million barrels, which represents a 7.7% increase compared to the 86.6 million barrels during 2017. During 2019, the domestic consumption of oil derivatives was 91.0 million barrels, which represents a 2.3% decrease compared to the 93.1 million barrels during 2018. In the first four months of 2020, the domestic consumption of oil derivatives was 23.1 million barrels, which represents a 22.4% decrease compared to the 29.8 million barrels for the same period in 2019. Consequently, Ecuador was a net importer of petroleum derivatives, even though it was a net exporter of crude oil. During 2020, the domestic consumption of petroleum derivatives was 74.3 million barrels, which represents a decrease of 18.33% compared to 91 million barrels during 2019. During 2021, the domestic consumption of petroleum derivatives was 90.7 million barrels, which represents an increase of 22.08% compared to 74.3 million barrels during 2020. In 2022, the domestic consumption of petroleum derivatives was 99 million barrels, which represents an increase 9.14% compared to 90.7 million barrels during 2021. As at July 2022, Ecuadorian refineries only produced sufficient oil derivatives to meet approximately 62% of domestic demand.

Esmeraldas' production of oil derivatives increased from 122,919 average bpd in 2017 to 118,717 average bpd in 2018 and 110,601 average bpd in 2019. In 2017, 2018 and 2019 oil derivatives production at the Esmeraldas refinery totaled 44,865,434, 43,331,606 and 40,369,501 barrels, respectively.

In March 2018, Petroecuador announced that the Esmeraldas refinery would be undergoing a project of maintenance that will last three years. During this period, different parts of the Esmeraldas refinery were temporarily halted to allow for maintenance. As at March 6, 2019, two units of the refinery were shut down for maintenance. Maintenance work on both units successfully ended on April 26, 2019 and August 2, 2019, respectively, after which the whole plant resumed normal operations.

As of December 31, 2019, there was no private sector participation in the production of oil derivatives. However, on July 15, 2008, Petroecuador and PDVSA Ecuador formed a new entity ("**RDP**") in which Petroecuador was the majority shareholder (51%) and PDVSA Ecuador was the minority shareholder (49%). RDP was formed to develop a refinery project to be built in the municipality of Manta, Manabí Province, with a total nameplate capacity to be determined. The land rights and environmental licenses necessary to develop RDP were obtained, and a preliminary detailed feasibility study of the project was completed. On October 11, 2018, the Government announced that the British company RPS Energy Ltd. had won the bid to audit the works performed in this refinery project. On January 9, 2019, RPS Energy Ltd.

released the results of the audit finding, among others, certain technical anomalies in the project and that there had been price overcharges.

Although the project was initially going to be implemented by Petroecuador and PDVSA through RDP, on March 12, 2019, the Superintendent of Companies, Securities and Insurance approved RDP's liquidation and ordered RDP to commence winding up proceedings. There are currently certain preliminary investigations about, and legal proceedings against, RDP that need to be resolved prior to RDP's liquidation. RDP's liquidation was expected to last several months, however, as of April 2023, RDP has not yet been liquidated.

In March 2019, the Minister of Energy and Mines announced that Ecuador would launch in 2019 an international bid for an estimated U.S.$6,500 million investment in building and operating a new refinery capable of handling up to 300,000 bpd, the location of which was to be determined. The bid would also include a concession to improve the facilities in the Esmeraldas refinery. On August 27, 2019, the Ministry of Energy and Mines made a public call for potential investors to express their interest in designing, building and operating the new refinery. The deadline for interested parties to submit their expressions of interest in the project ended on October 21, 2019, at which time six submissions were made. On March 11, 2020, a public bid for the concession of the projects was launched and subsequently suspended as a result of the COVID-19 crisis. As of the June 30, 2022, the bid remained suspended.

Domestic Fuel Distribution

In 1993, the Government implemented a free market in domestic fuel distribution, which has led to a rapid modernization of distribution facilities. The price at which gasoline is sold to domestic distributors is fixed by an executive decree of the President in accordance with the Hydrocarbons Law and set according to variables such as domestic demand and the impact of the price on public finances. Until 1998, the Government had fixed the maximum profit level for distributors at 18%. In 1999, the fixed margin was eliminated. In early 2000, the Government reinstated a 15% fixed margin for regular gasoline and diesel fuels (distributors remained free to set any margin for premium gasoline). Since 2003, the fixed margin has been determined in cents per gallon. In 2005, the margin increased to U.S.$0.71 per gallon of regular gasoline and to U.S.$0.137 per gallon of diesel. These margins were set by executive Decree 338, which was issued in August 2005, and as subsequently modified. Any future change to the profit margin would require a new executive decree.

Decree 338 also regulated the sales price of consumer petroleum derivatives and set the price for consumers for gasoline and diesel products. The price of gasoline (net of value-added taxes) sold to consumers was fixed at U.S.$1.689 per gallon for gasoline and at U.S.$0.8042 per gallon for diesel. On August 23, 2018, former President Moreno enacted executive decree No. 490 ("**Decree 490**") which provided that from August 27, 2018, the final price to consumers of high-octane gasoline "super" was fixed at U.S.$2.98.

On December 21, 2018, former President Moreno issued Decree 619 eliminating the subsidy on certain types of gasoline and diesel, consequently increasing their prices for consumers. On January 7, 2019, following negotiations with representatives of the transportation sector, and in order to prevent a surge in general consumer prices, the Government agreed to keep in place the subsidy on automotive diesel.

On January 12, 2019, the Government agreed with the shrimp industry to establish a compensation system for shrimp producers to minimize the effects of Decree 619 on the shrimp sector. Under Decree 619, the base price of high-octane gasoline "super" for the automotive sector is determined on a monthly basis by Petroecuador based on the international WTI price per barrel of crude oil plus average costs, including transportation, storage, commercial and other costs. At a consumer level, retailers will set their selling price based on market conditions. Under Decree 619, however, the price of diesel for the automotive sector remained fixed at U.S.$1.037.

On October 1, 2019, former President Moreno issued Decree 883 expanding the scope of the liberalization of prices for hydrocarbons by eliminating the subsidy on certain types of gasoline and diesel and thereby increasing the prices for these fuels. Following the elimination of the subsidies, prices for gasoline type "extra" and diesel for the automotive sector began to be set on a monthly basis by Petroecuador based on average prices and costs.

On October 3, 2019, various groups organized protests relating to the elimination of the subsidies and increase in prices. On October 14, 2019, former President Moreno issued Decree 894 terminating Decree

883, reversing the elimination of the subsidies and ordering the creation of a new policy on subsidies for hydrocarbons. Decree 894 did not set a deadline to implement this new policy. By reversing the elimination of the subsidies, Decree 894 returned the price of gasoline and diesel to the prices existing on October 1, 2019. Decree 894 commits the Government to design a more targeted subsidy policy through a new decree. On December 21, 2019, former President Moreno announced that a new proposed policy was being reviewed with emphasis being put on strategies to eradicate the contraband of subsidized products and on determining which sectors and groups to focus the new subsidies policy on and was due to be implemented between the months of February and April 2020.

On March 9, 2020, international oil prices dropped to their lowest levels since the Gulf War in 1991. The WTI price per barrel of crude oil, which is the benchmark reference for Ecuadorian crude oil, hit a low of U.S.$29.78 on that day. The WTI price per barrel of crude oil continued to decline, reaching U.S.$22.41 per barrel at the close of the trading session on April 13, 2020, and U.S.$12.41 at close of trading on April 20, 2020. As at close of trading on June 30, 2020, the WTI price per barrel of crude oil was U.S.$39.27.

As a result of the decline in the prices of oil, on March 10, 2020, former President Moreno announced budget cuts amounting to approximately U.S.$1,400 million of which U.S.$800 million relate to goods and services and U.S.$600 million relate to capital goods. For the five months ended on May 31, 2020, oil revenues in the consolidated non-financial public sector amounted to U.S.$2,134 million, a 37% decrease compared to U.S.$3,392 million for the same period of 2019. For the five months ended on May 31, 2020, Central Government oil revenues amounted to U.S.$2,051 million, a 10.2% decrease compared to U.S.$2,285 million for the same period in 2019.

In addition to this, as a result of the ongoing decline in international crude oil prices in 2020, on May 19, 2020, former President Moreno issued Decree 1054 which allowed the price of oil derivatives (i.e., gasoline) in Ecuador to fluctuate based on the price in the international market of the WTI, while placing a price cap that would not allow price fluctuations greater than 5% at service stations. Decree 1054 also repealed the fixed margins that had been established by Decree 338 for diesel 2, premium diesel, extra gasoline without ethanol and extra gasoline with ethanol. In May 2020, the price for diesel 2 and premium diesel was fixed at U.S.$1.00 per gallon and the price for extra gasoline with ethanol and extra gasoline without ethanol was fixed at U.S.$1.75 per gallon. On July 1, 2020, these prices became subject to the pricing cap established pursuant to Decree 1054.This pricing cap was to be monitored on a monthly basis by the Republic. The Ministry of Economy and Finance together with the Ministry of Energy and Mines were required to prepare and present a biannual report to the President regarding the application of the pricing cap, however Decree 1054 did not provide guidance on the content of such biannual report.

On January 11, 2021, Decree 1222 which modified the fluctuation diesel price cap from 5% to 3% was issued by the executive power.

On October 22, 2021, Decree 230 was published, which allowed the President to establish, in exceptional situations, fixed prices for oil derivatives.

However, on October 22, 2021, Decree 231 was issued by the executive power to suspend the application of the price cap mechanism and instead set maximum retail prices in the automobile sector of U.S.$2.55 per gallon of extra and eco gasoline and U.S.$1.90 per gallon of diesel 2 and premium, effective as of October 23, 2021.

In June 2022, oil production was impacted by a national strike called by CONAIE, which forced the suspension of Petroecuador's operations as the facilities did not have optimal or adequate technical or security coverage. On June 19, 2022, the Minister of Energy and Mines declared a *force majeure* event for all exploration and exploitation operators after protestors entered oil fields. As a result, on June 26, 2022, President Lasso issued Decree 462 which set maximum retail prices in the automobile sector of U.S.$2.45 per gallon of extra and eco gasoline of and U.S.$1.80 per gallon of diesel 2 and premium. This *force majeure* declaration was lifted on July 12, 2022 and the national strike ended when the Government signed the Agreement for Peace. On June 30, 2022, President Lasso issued Decree 467 which established new maximum retail prices in the automobile sector of U.S.$2.40 per gallon of extra and eco gasoline and U.S.$1.75 per gallon of diesel 2 and premium.
Several private multinational petroleum companies have established service stations in Ecuador. Petroecuador maintains a network of service gas stations of its own and affiliate stations.

Oil revenues

In 2018, revenues from non-petroleum sources in the non-financial public sector totaled U.S.$26,994 million, a 6.0% increase from U.S.$25,473 million in 2017. This increase was primarily due to an increase in revenues from tax collections.

In 2018, Central Government oil revenues represented 7.4% of GDP and 30.4% of Central Government revenues and non-petroleum revenues represented 16.9% of GDP and 69.6% of Central Government revenues. In the same year, oil revenues for the non-financial public sector represented 7.6% of GDP and 21.5% of non-financial public sector revenues and non-petroleum revenues represented 25.1% of GDP and 71.0% of non-financial sector revenues. In 2018, Central Government oil revenues reached U.S.$8,008 million.

In 2019, revenues from non-petroleum sources in the non-financial public sector totaled U.S.$25,450 million, a 5.7% decrease from U.S.$26,994 million in 2018.

In 2019, Central Government oil revenues represented 7.0% of GDP and 30.6% of Central Government revenues and non-petroleum revenues represented 16.0% of GDP and 69.4% of Central Government revenues. In the same year, oil revenues for the non-financial public sector represented 7.2% of GDP and 21.7% of non-financial public sector revenues and non-petroleum revenues represented 23.7% of GDP and 70.8% of non-financial sector revenues. Central Government oil revenues reached U.S.$7,559 million in 2019, which is a decrease from the U.S.$8,008 million in 2018.

In 2020, revenues from non-petroleum sources in the non-financial public sector totaled U.S.$22,636 million, an 11.0% decrease from U.S.$25,450 million in 2019.

In 2020, Central Government oil revenues represented 3.8% of GDP and 20.5% of Central Government revenues and non-petroleum revenues represented 14.9% of GDP and 79.5% of Central Government revenues. In the same year, oil revenues for the non-financial public sector represented 4.9% of GDP and 16.5% of non-financial public sector revenues and non-petroleum revenues represented 22.8% of GDP and77.5% of non-financial sector revenues. Central Government oil revenues reached U.S.$3,808 million in 2020, which is a decrease from the U.S.$7,559 million in 2019.

In 2021, revenues from non-petroleum sources in the non-financial public sector totaled U.S.$24,493 million, a 67.6% increase from U.S.$22,636 million in 2020.

In 2021, Central Government oil revenues represented 7.0% of GDP and 31.3% of Central Government revenues and non-petroleum revenues represented 15.3% of GDP and 68.6% of Central Government revenues. In the same year, oil revenues for the non-financial public sector represented 8.5% of GDP and 24.9% of non-financial public sector revenues and non-petroleum revenues represented 34.1% of GDP and 67.6% of non-financial sector revenues. Central Government oil revenues reached U.S.$7,421 million in 2021, which is an increase from the U.S.$3,808 million in 2020.

In 2022, revenues from non-petroleum sources in the non-financial public sector totaled U.S.$27,063 million, a 10.5% increase from U.S.$24,493 million in 2021. In the same year, oil revenues for the non-financial public sector represented 11.5% of GDP and 31.3% of non-financial public sector revenues and non-petroleum revenues represented 23.5% of GDP and 64.0% of non-financial sector revenues.

Central Government oil revenues reached U.S.$5,126 million for the six months ended June 30, 2022, which is an increase from U.S.$3,346 million for the same period in 2021. Central Government non-petroleum reserves reached U.S.$9,517 million for the six months ended June 30, 2022 which is an increase from U.S.$8,100 million for the same period in 2021.

For more information on Central Government revenues, see "*Public Sector Finances—Central Government Revenues and Expenditures*". For more information on revenues of the non-financial public sector, see "*Public Sector Finances—Non-Financial Public Sector Revenues and Expenditures*".

Natural and Liquefied Petroleum Gas

An important part of Petroecuador's commercial strategy includes the distribution of natural gas to southern Ecuador in order to reduce the consumption of LPG, the replacement of gasoline use with LPG for taxis

and the creation of a network of service stations in order to compete in quality, service and price with private oil companies.

As of December 31, 2017, Ecuador had approximately 165,715 million cubic feet of proven natural gas reserves and 339,709 million cubic feet of proven and probable natural gas reserves. As of December 31, 2018, Ecuador had approximately 156,753 million cubic feet of proven natural gas reserves and 317,101 million cubic feet of proven and probable natural gas reserves. As of December 31, 2019, Ecuador had approximately 139,690 million cubic feet of proven natural gas reserves and 299,982 million cubic feet of proven and probable natural gas reserves. As of December 31, 2020, Ecuador had approximately 149,113 million cubic feet of proven natural gas reserves and 309,404 million cubic feet of proven and probable natural gas reserves.

As of September 2022, CELEC consumed an average of approximately 14.5 million cubic feet of natural gas per day in the plant Termogas Machala. As of December 2022, the Ecuadorian industry consumed an average of approximately 306.81 million cubic feet of natural gas per day. Their consumption of natural gas defines their future demand.

As of September 2022, the Termogas Machala plant consumed an average of approximately 14.5 million cubic feet of natural gas per day, with weekend days having a consumption of 12 million cubic feet. On January 2023, EP Petroecuador announced that Termogas Machala will be supplied with 1 million cubic feet of natural gas per day. As of December 2022, the Ecuadorian industry consumed an average of approximately 306.81 million cubic feet of natural gas per day. Their consumption of natural gas will define their future demand.

The natural gas platform at the Amistad field in the bay of Guayaquil was previously operated by the U.S. Company Energy Development Corp. Ecuador Ltd. and then managed by Petroecuador. In 2017, 2018 and 2019, Petroamazonas produced approximately 44.77 million standard cubic feet per day ("**mmscfd**"), 34.14 mmscfd and 33.12 mmscfd, respectively, of natural gas at the Amistad field and at Petroamazonas' three satellite platforms which also produce natural gas. In 2020, 2021 and 2022, Petroamazonas produced approximately 31.25 mmscfd, 8.92 mmscfd and 4.08 mmscfd of natural gas, respectively, at the same locations.

On April 24, 2019, former President Moreno issued decree No. 724 ("**Decree 724**") releasing the price of natural gas, liquefied petroleum gas and compressed natural gas produced in the Amistad fields for certain industrial activities to fluctuate based on market conditions. Before Decree 724, prices for these types of gas for certain industrial activities were set periodically by the Government. However, for certain activities in the manufacturing, hospitality and restaurant sectors, as well as for welfare kitchens and other Government programs, Deree 724 set the price of these types of gas at U.S.$2.0 per million British Termal Units, up to a maximum amount of subsidized volume of gas which will be set periodically by the *Agencia de Regulación y Control Hidrocarburífero* (the Hydrocarbons Regulatory Agency, "**ARCH**"). Decree 724 did not affect the prices of gas for domestic use.

Mining

The *Ley de Minería* (the Mining Law) enacted in 2009 establishes norms for the exercise of the Government's rights to manage and control the mining sector, in accordance with the principles of sustainability, precaution, prevention and efficiency. It provides that it is the Government's responsibility to oversee all aspects of the mining process, such as exploration, development, industrialization and marketing and authorizes the Republic to invest directly or through joint ventures with domestic or foreign private sector entities. In addition, it authorizes the Republic to both hire and grant licenses and concessions to wholly owned private entities to conduct all phases of development. However, the Republic cannot grant ownership rights in the soil and subsoil mineralogical wealth to entities that are not controlled by State entities.

The mining sector represents a small portion of GDP (1.02% in 2022, 0.87% in 2021, 0.69% in 2020 and 0.50% in 2019) but it represents an important source of potential resources for the development of the Republic.

Mining projects

Currently, there are five projects in advanced stages of completion two copper and three gold mines. Of these five mining projects, the Mirador Project and the Fruta del Norte Project started production in 2019, both projects registered U.S.$1,070.65 million investment from 2019 to the third quarter of 2022.

The Mirador Project, located in the Zamora Chinchipe province, is the largest copper project in Ecuador. The Mirador Project is financed in part through a concession to Ecuacorriente S.A., a joint-venture owned by the Chinese companies China Railway Construction Corporation ("**CRCC**") and Tongling Nonferrous Metals Group. From 2010 to the first quarter of 2022, the executed investment was U.S.$1,546,83 million and Ecuacorriente S.A. is planning an investment of approximately U.S.$2,015 million (exploration, economic evaluation, construction, mine closure and other investments). The expected life cycle of the mine is 27-30 years from the start of production. The Republic expects that the project will generate approximately U.S.$9.50 billion in revenue for the Republic during the project's lifetime. Despite the project being partially suspended over environmental concerns since March 2018, the construction of the copper mine was completed and began operations on June 18, 2019, becoming Ecuador's first large-scale mining project. Due to circumstances related to the State of Emergency ordered as a consequence of the COVID-19 outbreak, exploitation of the Mirador mine was suspended once again in March 2020. As of September 2022, the Mirador Project has extracted 38.07 million tons of minerals, representing 0.8% of the exploitable ore of the mine. The Mirador Project also features Ecuador's first processing plant for large-scale mining, encompassing all stages of processing to make the copper ready for export. As of 2023, the project is fully in operation within the production phase.

The Fruta del Norte Project, located in the Zamora Chinchipe Province, is a gold and silver ore deposit owned by the Lundin Gold group, which started operations in the fourth quarter of 2019. From 2003 to the third quarter of 2022 the executed investment was U.S.$1,533.35 million, representing 90.47% of the total investment during the Lunding Gold mine lifetime (U.S.$1,694.89 million) including exploration, economic evaluation, CAPEX, OPEX, and mine closure that will be made over a 13-15-year period.

The gold and silver ore deposit in the Zamora Chinchipe Province began construction in the second quarter of 2017. As at 30 September 2022, the Government estimated that the project would produce 4,200 tons of ore and silver per day. The Republic expected that the project would generate approximately U.S.$1,523 million. The Fruta del Norte Project was formally inaugurated on November 14, 2019. On March 22, 2020 the Lundin Gold group announced that it would suspend its normal operations in the Fruta del Norte Project and switch to a period maintenance activities at the Project. The action by the Lundin Group was in response to the COVID-19 outbreak and the State of Emergency established by the Republic. On June 1, 2020 the Lundin Group announced that the first phase for restarting operations was underway, and as of 2023, the project is fully in operation within the production phase.

The Río Blanco project is mainly a gold mining project located in the Azuay Province owned by Junfield Resources S.A. which began construction in August 2016. As of 20 July 2020, this project was classified as medium mining as it was expected to produce an estimated 800 tons per day. From 2010 to the first quarter of 2018, the executed investment was U.S.$18 million, Junfield Resources S.A. planned an investment of approximately U.S.$89 million (including exploration, economic evaluation, CAPEX, OPEX, and mine closure) that would be made over an 11-year period. The Río Blanco project was expected to start production in the third quarter of 2018 but, was suspended under court order in a finding in favor of the people of the communities surrounding the project. On August 3, 2018, the lower court order to suspend the project's mining activities was affirmed on appeal. The mining company Junefield Gold Investments Limited formalized an arbitration against the Republic in October 2022, for the suspension of the Río Blanco mining project. The concessionaire for Río Blanco is Ecuagoldmining, which has two Hong Kong-based shareholders (Junefield Gold Investments Limited and Power Fortune Development Limited). As of January 2023, the mining project remains suspended.

The Loma Larga project, located in the Azuay Province, is a gold, silver, and copper deposit owned by Dundee Precious Metals Ecuador S.A. (the former concessionaire was a subsidiary of INV Metals Inc.) The project is under economic assessment and will begin its construction during 2023 and with production expected in the third quarter of 2024. From 1999 to the first quarter of 2022 the executed investment was U.S.$74.58 million. As of January 2023, the Loma Larga is expected to generate approximately U.S.$892 million of revenue to the Republic, with an investment of over U.S.$499 million (including exploration, economic evaluation, CAPEX, OPEX, and mine closure). On November 29, 2018, the then Minister of Energy and Mines confirmed the project's technical and economic feasibility, citing the results of a study

performed on the project by an international consortium led by the firm DRA Americas Inc. On February 1, 2019, the CNE approved public consultations to be held on March 24, 2019, in the Girón Canton, Azuay province, to approve or reject mining activities in Girón. In response, the Ministry of Energy and Mines lodged a complaint with the Constitutional Court to enjoin the consultations alleging the CNE lacked legal authority to approve them. On March 13, 2019, a judge temporarily suspended the public consultations until the Constitutional Court ruled on the matter. On March 18, 2019 the Constitutional Court rejected the complaint on the basis that the statute of limitations had elapsed. On March 24, 2019, the consultations were held, resulting in the rejection of mining activity in Girón by 87.79% of the votes. Following the vote, INV Metals, Inc. (as it was formerly known) announced that it was considering relocating its processing and waste facilities outside of Girón, as Loma Larga's mineral resources and reserves are already located outside the canton. In April 2020, INV Metals Inc. (as it was formerly known) announced the results of an updated feasibility study on the project incorporating the relocation of the plant and tailings facility. The April 2020 feasibility study showed that the capital and operating costs of the project had not changed materially since the previous feasibility study conducted in 2019. Loma Larga's environmental exploitation license application was halted due to the precautionary measure presented by the environmental activist Yaku Pérez Legal Protective Action, which was accepted by the Constitutional Court. The appeal hearing on the protection action was held on October 14, 2022. However, as of April 2023, there has been no judgment by the Constitutional Court. Once the judgment is obtained, and if the precautionary measure is lifted, Loma Larga's environmental exploitation licensing process will resume and it must comply with the social participation process of the environmental impact assessment.

The San Carlos Panantza project, located in Morona Santiago Province, is a copper deposit owned by CRCC with an expected life cycle of the mine of 25 years from the start of production. From 2010 to 2022 the executed investment was U.S.$31.53 million and the expected investment was approximately U.S.$3 billion. The San Carlos Panantza project is currently suspended due to protests by the Shuar-Achuar Nankints community based on the allegation that the project is being constructed on ancestral lands. On March 28, 2020, a group of people conducted an attack on the facilities and took the La Esperanza camp at the project by force. After police and military intervention in the area, the facilities were recovered and permanent surveillance put in place. As of January 2022, the company's executives were determined to restart activities, reflected in a renewal with a change of management personnel in the project. However, as of April 2023, there is no estimated date for the lifting of the suspension of the project and the resuming of operations.

As of April 2023, there were six projects in an initial exploration stage which had been identified as having high mining potential, referred to as the second generation projects: Cascabel, Llurimagua, Ruta del Cobre, Cangrejos, La Plata and Curipamba (the "**Second Generation Mining Projects**"). However, it is expected that the exploitation phase of the Second Generation Mining Projects will commence in the short to medium term. As of April 2023, the executed investment of the Second Generation Mining Projects has been approximately U.S.$430.22 million.

Mining Policy

On April 24, 2019, former President Moreno issued executive decree No. 722 ("**Decree 772**") requiring that, within 30 days, the Minister of Energy and Mines update, define and issue a new Ecuadorian mining policy and the guidelines for its application and execution. On June 30, 2019, the Government officially presented the new mining policy which set out the plans for the mining sector for the years 2019 to 2030, giving the sector a central role in Ecuador's economic development. On August 22, 2019, the Government's *Agencia de Regulación y Control Minero* - currently *Agencia de Regulación y Control de Energía y Recursos Naturales no Renovables* (the "**Mining Control Agency**" or "**ARCOM**") published the *Reglamento para el Control de las Exportaciones de Minerales* (the "**Regulation on Mining Exports Control**") which created mechanisms to trace the origin of extracted minerals set for exportation, to sample and verify their composition, and to authorize their exportation through the issuance of certificates. On October 7, 2019, a court issued an injunction against the Regulation on Mining Exports Control, preventing the ARCOM from issuing new certificates allowing for mining exports. Until October 23, 2019, 53 exports remained suspended due to the injunction. On October 30, 2019, a court revoked the injunction allowing for the ARCOM to resume the application of the Regulation on Mining Exports Control.

The outbreak of the COVID-19 pandemic in 2020 affected the normal operations of the mining industry. Following the State of Emergency declared by former President Moreno in March 2020, various mining projects such as the Fruta del Norte Project and the Mirador Project halted normal production and switched to a maintenance phase. Other parts of the sector worked on a similarly limited basis, while a portion

completely detained operations. The Ministry of Energy and Mines took steps to ameliorate the impact to the mining sector during the health emergency. For example, on March 23, 2020, it extended the deadline that companies have to pay for mining conservation patents. According to the Ministry of Energy and Mines, as of May 6, 2020, the COVID-19 crisis, and in particular the constraints to mobility and other restrictions resulting from the State of Emergency, had prevented the export of minerals valued at approximately U.S.$72.5 million with 70% of such losses coming from the copper and gold operations at Mirador and Fruta del Norte. However, the mining sector has since recovered with registered exports increasing between 2020 and 2022. According to data from the Central Bank, between July 2020 and December 2022 the mining industry registered exports of U.S.$.1,051 million in 2020, U.S.$2,092 million in 2021, and U.S.$2,775 million in 2022.

On August 5, 2021, President Lasso, issued Decree 151 which contained the 'Action Plan for the Mining Sector'. The Action Plan for the Mining Sector sought to facilitate: (i) the achievement of efficient and environmentally and socially responsible mining; (ii) the determination of the local geological potential for domestic and foreign investment; and (iii) the introduction of the best practices for the exploitation of such resources. However, Decree 151 was repealed after strikes led by CONAIE in June 2022 following which the Government signed the Agreement for Peace with CONAIE (see further "*Summary Information and Recent Developments Regarding Ecuador*").

The Republic also issued Decree 468 on June 30, 2022 which specified that: (i) the President would not exercise the exceptional power provided in the 2008 Constitution that allows the President to request the extractive activity of non-renewable natural resources in protected areas, areas declared as intangible, in ancestral territories and archaeological zones in accordance with the law; (ii) the President had instructed the Ministry of Energy and Mines not to present or approve new projects for the extraction of non-renewable natural resources in protected areas, intangible zones, ancestral territories and archaeological zones; and (iii) the President had requested the development of the law relating to free and informed consultation with the indigenous communities in affected areas, prior to the execution of any new natural resource extraction projects.

The mining cadaster, which grants new licenses and concessions for mining areas in accordance with the law, has remained closed since 2018 whilst a re-organization is conducted by the Republic with a view to providing greater transparency. Although the Ministry of Energy and Mines announced that the mining cadaster would reopen in December 2022, as of April 2023 the mining cadaster remains closed.

On March 24, 2019, a referendum was held regarding mining activities in the Canton Giron, in the Azuay province. The decision was against mining activities taking place. This referendum took place as the previous Constitutional Court failed to issue a decision within the required term. On February 7, 2021, a local referendum was held in Cuenca, where 86.7% voted to prohibit large scale metallic mining exploitation in the hydric recharge zones of 4 rivers.

On August 18, 2020, an Ecuadorian subsidiary of INV Metals Inc. (which subsidiary currently belongs to Dundee Precious Metals), which operates the mining project *Loma Larga*, filed a constitutional lawsuit before the Constitutional Court, against the resolution enacted by the *Consejo Nacional Electoral* (the "**National Electoral Council**") by which the referendum regarding mining activities in the Canton Giron, was carried out. The principal arguments of the lawsuit consist that (i) in a Constitutional State of Rights and Justice, such as Ecuador, a referendum that will be submitted to popular consultation cannot become constitutional by the mere passage of time; (ii) the challenged resolution would affect the right to legal certainty and third-party legitimate rights (such as for *Loma Larga*); (iii) the referendum was neither effective nor enforceable, due to lack of formalities in the question asked to the local electorate and more generally that the referendum did not comply with the Constitution and applicable legislation. On July 28, 2021, the defendant filed its defense before the Constitutional Court and claimed that it had acted in accordance with the Constitution and the law, and rejected the company's arguments. As of April 18, 2023, the Constitutional Court has not enacted a ruling for this case. If the unconstitutionality is declared, the referendum, as well as the results of rejecting mining activities in the Quimsacocha hydric zone, would contravene the Constitution. The Constitutional Court has ruled in other cases that referendums aiming to prohibit mining activities may only affect future mining projects and cannot be used as a means to cancel existing concessions.

In 2018, local authorities of the town of Cotacachi filed a protective action against the Minister of the Environment and the manager of *Empresa Nacional Minera ENAMI EP* in relation to the Río Magdalena mining project carried out in partnership with Canadian mining company Cornerstone Capital Resources

in the Los Cedros protected forest and the mining concessions and environmental permits granted to *Empresa Nacional Minera ENAMI EP* by the Ministry of Environment, Water and Ecological Transition (formerly the Ministry of Environment). The protective action sought to stop all mining activity in Los Cedros and claimed that the rights of nature had been violated and that communities in the area had not been consulted prior to the granting of such concessions and permits. The court of first instance denied the action deciding that constitutional rights had not been violated and that it was a strictly administrative matter. However, after an appeal, the court of second instance partially accepted the claim and in particular declared a violation of the right to participation pursuant to Article 61.4 of the 2008 Constitution and ordered that all mining activity in Los Cedros cease until an assessment of the rights of nature was conducted. Local authorities filed an additional remedy against the lower court's decision, resulting in an appeal to the Constitutional Court to seek express determination on whether the rights of nature had been violated. In December 2021, following their review, the Constitutional Court declared that the mining concessions and environmental permits previously granted had violated the 2008 Constitution in relation to: (i) the right of the Los Cedros; (ii) the right to water and a healthy environment; and (iii) the right of local communities to prior consultation. As a result, the Constitutional Court revoked the environmental license, water permits and mining concessions granted and prohibited any extractive activity that may be harmful to the Los Cedros. It also ordered the Ministry of Environment, Water and Ecological Transition (formerly the Ministry of Environment) to take all necessary measures to preserve Los Cedros and its rights, and to draft new regulations imposing stricter environmental standards for permits for extractive activities.

Local authorities in the Andean city of Cuenca proposed that the Constitutional Court approve five questions for a referendum which sought to gauge public opinion on whether large scale mining in areas surrounding the five rivers which supply Cuenca's water (the Tomebamba river, the Yanuncay river, the Machángara river, the Tarqui river and the Norcay river) should be allowed. On January 12, 2022 the Constitutional court upheld the constitutional right of communities (not only those in Cuenca) to have prior consultation before the Government moved forward with any mining or other extractive projects. The Constitutional Court also clarified that if the community does not consent to the proposed extractive activities in the referendum, the result would apply to future mining projects to uphold the principle of legal certainty.

In 2018 the indigenous community of the Sinangoe area brought a constitutional action alleging that mining concessions granted and in process violated their constitutional right to prior consultation, the right to live in a healthy environment, the right to clean water, health and food and the rights of nature. The court of first instance and appellate court determined that the rights of the indigenous communities had been violated and as a result 52 mining concessions in the areas of the Cofanes, Chingual and Aguarico rivers in Sinangoe were revoked. The Ministry of Energy and Mines, among others, appealed the judgments of the appellate court and the matter was heard by the Constitutional Court. On January 27, 2022 the Constitutional Court upheld the decisions of the appellate court. As part of their decision, the Constitutional Court also clarified that the constitutional right to prior consultation is not limited to plans or projects within indigenous lands, but also to those that may affect indigenous lands.

The decisions made by the Constitutional Court in respect of Los Cedros and Sinangoe, referred to above, were issued in accordance with the review authority of the Constitutional Court and therefore are not subject to appeal.

Electricity and Water

As of December 31, 2019, 2020, 2021 and 2022, hydroelectric plants supplied approximately 24.640 GWh (76.31%), 24.333 GWh (77.25%), 25.574 GWh (78.50%) and 25.123 GWh (75.06%), respectively, of the power in Ecuador.

The increase in power supplied by hydroelectric plants is due to the development of a matrix of hydroelectric plants built throughout Ecuador, notably the Delsitanisagua plant in 2020 and the Minas San Francisco plant in 2021. Ecuador's objective in developing this matrix is to reduce its consumption of oil through oil based generators, thereby increasing oil imports and electric energy imports and improving energy independence. Ecuador also plans to replace household oil-based consumption (for cooking and heating as further described below) with electricity-based consumption through the hydroelectric power grid, with the goal of eliminating the need for a liquified petroleum gas subsidy. The Santiago hydroelectric project is located at the Morona Santiago province and has a 3,600 MW capacity expected to generate approximately an average of 15.060 GWh per year. The required investment for the Santiago hydroelectric

project is U.S.$2,590 million. The Cardenillo hydroelectric project is located at the Azuay province, and has a 596 MW capacity expected to generate approximately an average of 3.356 GWh per year. The required investment for the Cardenillo hydroelectric project is U.S.$1,050 million.

The 1,500 MW Coca Codo Sinclair plant was inaugurated on November 18, 2016. As of December 2022, it could generate an average of 6.83 GWh per year. In November 2016, all eight turbines in the plant became operational, each generating 187.5 MW and a total of 1,500 MW of power, or 30% of Ecuador's electricity needs. However, due to lower-than-expected demand in 2017, the plant supplied 25% of Ecuador's electricity needs, or 5.838 GWh. The plant is expected to reduce 3.5 million tons of carbon emissions per year and replace oil energy consumption for domestic purposes such as cooking and water heating. The plant joined the existing infrastructure of hydroelectric plants that include the 21 MW Mazar plant in the Azuay province, the 1,075 MW Paute-Molino plant near Cuenca, the 270 MW Minas San Francisco plant, the 50 MW Quijos plant, and the 487 MW Sopladora and Cardenillo plants planned along the Paute River. On November 5, 2018, the German multinational TÜV SÜD was selected to diagnose the state of the structure and establish a viable plan of action for any necessary repairs, after a draft report by the Government found certain structural deficiencies in the project. As of March 2023, more than 7,000 cracks have been repaired by Sinohydro, the Chinese construction company, in the Coca Codo Sinclair plant and during in first quarter of 2023 an investigation was commenced in respect of alleged bribes in respect of this plant during the administrations of former President Moreno and former President Correa.

Many of these hydroelectric projects are financed through agreements with bilateral lenders, including China Exim Bank, which provided U.S.$1,700 million to finance the Coca Codo Sinclair project, U.S.$571 million to finance the Sopladora hydroelectric project and U.S.$313 million to finance the Minas San Francisco hydroelectric project, the Brazilian National Economic and Social Development Bank which provided U.S.$90.2 million to finance the Manduriacu hydroelectric power plant project near Quito, and Société Générale and Deutsche Bank which in April 2014 committed to provide together an additional U.S.$50 million to finance the Manduriacu hydroelectric power plant.

Construction on the new line of hydroelectric plants continued in 2016 including the 180 MW Delsitanisagua hydroelectric plant and the 254 MW Toachi Pilaton hydroelectric plants, and the construction of a reservoir in the Minas San Francisco project. The construction of these hydroelectric plants was as a result of enhanced efforts by the Government to invest in the sector. The Minas San Francisco power station was completed and inaugurated on January 15, 2019, and was expected to benefit 220,000 families in Southern Ecuador. The Republic engaged a new contractor to resume work on the Toachi Pilaton plant to complete construction. Although it was expected that all three power plants would be operational in 2021, only one plant entered into experimental operation on June 1, 2022. The remaining two plants have not yet entered into operation, which is now expected to commence in 2024.

In 2020 the Government increased investment in the water sector in order to alleviate flood conditions and access to potable water in various parts of Ecuador. Ecuador's national water authority, *Secretaría de Agua*, currently invested U.S.$1,233 million out of U.S.$1,560 million for six multi-purpose projects to improve flood control and irrigation. One of the most important projects in the water sector is the Multipropósito Chone project in the Manabí province. Financed by the Government and private partners, the U.S.$168.4 million project built a dam to alleviate the flood conditions of the region. The project also built a drain system, which serves for irrigation purposes and provides a drinking water supply for Chone city. The cost of this project included mitigation costs of U.S.$41.7 million in the surrounding areas to compensate inhabitants in those areas.

In 2020, other water projects included: (i) the Cañar project at a cost of U.S.$360.5 million which was expected to protect approximately 40,000 hectares along the Cañar River and its adjoining streams through a system of levees, including a 24-kilometer bypass; (ii) four new bridges; (iii) a flood regulatory system and 173 km of dyke walls; (iv) the U.S.$372.7 million Daule-Vinces project that redirects water from the Daule River and transports it along a 38.73 kilometer canal to dry farmlands; (v) the Naranjal project at a cost of U.S.$181.7 million to protect approximately 44,000 hectares, seven new bridges and 158 km of dyke walls.

In 2021, water projects included: (i) construction of a project of technified irrigation system at the level of plots in crops in the community Colón-Quimis, Canton Portoviejo, province of Manabí at a cost of U.S.$3,560.2 million; (ii) integral rehabilitation of the irrigation system Campana Malacatos, Malacatos parish, Canton Loja Etapa at a cost of U.S.$5,903.3 million; and (iii) a project to improve the levels of agricultural production through the construction of drainage channel and perimeter retaining wall of the

southern zone of the city of Babahoyo, for the control of irrigation and drainage flows for the benefit of the agricultural sector of the irrigation and drainage boards Las Merceditas and Babahoyo, located in the Babahoyo Canton province of Los Ríos at a cost of U.S.$1,216.9 million.

In 2022, water projects included: (i) construction of the Cacaloma-Chilcaplaya irrigation system at a cost of U.S.$654.0 million; (ii) Construction of the main pipeline of the irrigation system Tarau Pungales, parishes Matriz, La Providencia and Guanado of the Canton Guano at a cost of U.S.$3,054.4 million; (iii) construction of the San Pedro Irrigation System, El Guabo Canton-El Oro Province at a cost of U.S.$793.6 million; and (iv) an irrigation system in the Guachal enclosure, Súa parish, Atacames Canton, province of Esmeraldas at a cost of U.S.$668.8 million.

These flood control projects reduce the social and economic damage caused by floods in the winter season, allowing the Government to reallocate resources previously used to repair the damage to other projects. In 2020, the electric and water sectors contributed a total of U.S.$1,789 million to the GDP, a decrease compared to U.S.$1,815 million in 2019. In 2021, the electric and water sectors contributed a total of U.S.$1,752 million to the GDP, a decrease compared to U.S.$1,789 million in 2020. As of the nine months ended September 30, 2022, the electric and water sectors contributed a total of U.S.$1,464 million to the GDP, an increase compared to U.S.$1,282 million in the same period in 2021.

On October 1, 2019, CELEC EP authorized the entry into a U.S.$60.1 million line of credit with the Government of Japan, through the Japan International Cooperation Agency (the "**JICA**") to develop the 50 megawatt Chachimbiro geothermal project which will required an estimated U.S.$250 million investment, to be located at the Urcuquí Canton of the Imbabura province. The Government is moving forward with this project as part of its long-term national policy to expand the electric power sector of Ecuador. The project is still under development.

The electricity sector plans to sign the concession contracts for the wind power project called "Villonaco II and III", which will be located in the province of Loja with a nominal power of 110 MW. Another project is the photovoltaic solar energy project "El Aromo" of 200MW at the exit of investors, which will be located in approximately 200 hectares of a border area between the Canton Manta and the Canton Montecristi, and will interconnect with the San Juan de Manta substation through a 230kV transmission line of approximately 10 km distance and will supply about 340 GWh per year of electricity to the national system; and finally the "Conolophus" photovoltaic project, located on Baltra Island, province of Galápagos, with a declared capacity of 14.8 MW. These projects are foreseen in the Electricity Master Plan for the first half of 2023. Currently the concession process for these projects is in the final phase, obtaining the opinion of sustainability and fiscal risks. The concession contracts for Villonaco II and II, and Conolophus, despite having been awarded to private companies, have not been executed yet. As of March 2023, the Government has signed a 20-year concession contract of El Aromo project with Solarpack.

In November 2021, President Lasso issued the Electricity Sector Policies through decree No. 238 ("**Decree 238**"). Among other aspects, this seeks to promote the implementation of the necessary institutional and regulatory framework to guarantee the sustained increase of the installed capacity of electric power generation in Ecuador. It also ordered the call for public tenders for, among others, the concession of the 500 ERNC, the Northeastern Transmission System and the 400 CCGN.

In January 2023, from the 500 ERNC tender, 10 companies were awarded with concession contracts for having filed bids below the reserve price. These projects, which summed 511,31MW, include the following technologies: six solar photovoltaic projects, three hydro-electric projects and a wind project.

As of April 2023, the 400 CCGN project and the Northeastern Transmission System remain in the bidding process. Through the 400 CCGN project, the power plant will use gas thermoelectric generation units, based on conventional combined cycles with gas turbines or internal combustion engines. The concession will have a 25-year term and will require an estimated investment of U.S.$600 million. The awarded bidder and subsequent concessionaire will be responsible for ensuring the supply of natural gas in the quantity, quality, and timeliness required to operate the power plant. The Northeastern Transmission System will provide transmission infrastructure to connect the National Interconnected System with the Oil Interconnected Electric System, located in northeastern Ecuador, which will provide clean energy to the oil industry. Its construction will require an estimated investment of U.S.$386 million and a concession term of 30 years. It includes the construction of three transmission sub-systems, six new substations with a transformation capacity of 539.5 mega volt-amperes MVA and 290 km of transmission lines, energized at 230, 138 and 69 kilovolts, which will supply around 300 megawatts of SEIP demand.

On March 31, 2023, Huascachaca Wind Project, which cost about U.S.$90 million, commenced operations. It is located in Saraguro, Loja province and is the largest wind project in Ecuador with a power of 50 MW. It is expected to supply 130 GWh to approximately 90,000 homes. This private project consists of 14 wind turbines, each of 3.571 MW. As of March 2023, it is expected to increase wind energy generation in Ecuador by 236%.

Telecommunications

In 2020, the telecommunications sector accounted for U.S.$1,928 million (1.94% of the GDP), an increase of 1.68% compared to U.S.$1,896 million (1.75% of GDP) in 2019. In 2021, the telecommunications sector accounted for U.S.$2,106 million (1.98% of the GDP), an increase of 9.23% compared to U.S.$1,928 million (1.94% of the GDP) in 2020. As of the nine months ended September 30, 2022, the telecommunications sector accounted for U.S.$1,735 million (2.0% of the GDP), an increase of 10.50% compared to U.S.$1,570 million (2.0% of GDP) in the same period in 2021.

In 2008, Ecuador granted Spain's Telefónica (currently operating in Ecuador as "**Movistar**") and Mexico's América Móvil (currently operating in Ecuador as "**Claro**") 15-year concession contracts to provide Ecuador with telephone and 3G services. The concessions are extensions of previous agreements both companies had with Ecuador and are expected to generate U.S.$840 million in revenues for Ecuador over the course of the term of the concessions. In February 2015, Ecuador amended the concession to provide Ecuador with 4G services.

In February of 2015, the National Assembly enacted the *Ley Orgánica de Telecomunicaciones* (the Telecommunications Law) as a means to improve access to quality telecommunications services and to increase the use of information technology in rural sectors.

In 2022, a new schedule of fees for telecommunication and broadcasting services and for use of radiospectrum was issued with the goal of reducing costs to final users and promoting greater access to the new technologies.

Among the reforms in this sector established in 2022 are: (i) the reduction of the *Impuesto a los Consumos especiales* (Special Consumption Tax) for fiber optic cables; (ii) the elimination of tariffs for routers, satellite dishes and technological equipment; and (iii) the obligation to allocate 50% of the revenue from the universal service contribution and up to 50% of the rates for payment of the use of the radio spectrum to reinvest in order to meet the 'Universal Service' target, closing the digital divide and for the modernization of the State. As of April 2023, the measures adopted have allowed approximately 4.6 million people, who previously had no services, to access connectivity, seen the implementation of new infrastructure in 59 rural parishes and the installation of 6,698 free WiFi points throughout Ecuador.

In February 2023, the *Ley Orgánica de Trasformación Digital* (the "**Law for Digital Transformation**"), was enacted, to promote the creation of opportunities by attracting and encouraging investments in the global digital economy. This law also seeks to close the digital divide by encouraging the deployment of community networks in marginal and rural urban areas, through self-management or help from natural or legal persons, with open network design, without proprietary specifications for access and connection with other public networks, which will have a preferential tariff regime.

As of April 2023, Ecuador is negotiating the radiowaves with the operators Movistar and Claro, which are due to end in mid-2023, with new conditions and benefits for users.

Other Sectors of the Economy

Agriculture

Before the discovery of petroleum fields in provinces of the Orient region in the 1970's, the agriculture sector had traditionally been the largest contributor to Ecuador's GDP. As of July 2020, of Ecuador's total 27.1 million hectares, 7.8 million were devoted to agriculture and livestock. Ecuador's diverse climatic conditions, varying altitudes and rich volcanic soil are well suited to tropical and subtropical agriculture. Ecuador's primary product from this sector, which is also the Republic's most significant non-oil export, is bananas. Ecuador also exports significant amounts of coffee, flowers, and cacao. In 2020, the agricultural sector represented 8.75% of the GDP compared to 7.74% of the GDP in 2019. In 2021, the agricultural sector represented 8.19% of the GDP compared to 9.75% of the GDP in 2020. In 2022, the agriculture sector represented 7.69% of the GDP, compared to 8.19% of the GDP in 2021.

In 2021, banana and plantain exports totaled U.S.$3,485 million, a 5.8% increase from U.S.$3,295 million in 2019 primarily due to increase in exports to the Netherlands, Russia, Morocco and Chile. In 2020, banana and plantain exports totaled U.S.$3,669 million, a 11.3% increase from U.S.$3,295 million in 2019 primarily due to increase in exports to the United States, Italy, Turkey, and Russia. In 2022, banana and plantain exports totaled U.S.$3,268 million, a 6.3% decrease from U.S.$3,485 million in 2021, primarily due to the reduction of exports to Europe due to the war between Russia and Ukraine. Ecuador also exports significant amounts of cacao. In 2021, cacao exports totaled U.S.$817 million, a 0.2% increase from U.S.$816 million in 2020 primarily due to the increase in shipments to Mexico. In 2020, cacao exports totaled U.S.$816 million, a 24.2% increase from U.S.$657 million in 2019 primarily due to the increase in shipments to the United States, Malaysia, and Indonesia. In 2022, cacao exports totaled U.S.$866 million, a 5.9% increase from U.S.$817 million in 2021. This increase was mainly due to the export increase to Malaysia, Canada and China.

In 2022, flower exports totaled U.S.$951 million, a 2.5% increase from the U.S.$927 million in 2021 primarily due to the increase in shipments to Kazakhstan, Chile and the Netherlands. In 2020, flower exports totaled U.S.$827 million, a 6% decrease from the U.S.$880 million in 2019 primarily due to decrease in exports to the United States, Russia and Italy because of the restrictions and lockdown under the COVID-19 pandemic.

Bananas and plantains face great challenges to recover the market lost in recent years. Despite its good performance in 2020, banana and plantain exports have fallen in the last 2 years due to the war between Russia and Ukraine, global slowdown risks and the reduction of commodities prices.

Fishing

Another important aspect of Ecuador's agriculture is its fishing exports. Ecuador exports significant amounts of tuna and other fish, however its predominant fishing export is shrimp. Ecuador is the largest shrimp producer in the Americas, and one of the largest shrimp producers in the world. Since 2019, Ecuador's shrimp exports have grown significantly as the result of the improvements in productivity, investment in research and development and innovation and as a result Ecuador's shrimp market has displaced traditional markets such as India and Thailand. In addition to this, since 2020 consumer demand for shrimp in households, restaurants and hotels has increased following the lifting of social distancing and lockdown measures imposed in response to the COVID-19 pandemic.

In 2021, shrimp exports totaled U.S.$5,323 million, a 39.2% increase from U.S.$3,824 million in 2020 primarily due to improvements in productivity, investment in research and development and innovation. In 2022, shrimp exports totaled U.S.$7,289 million, a 36.9% increase from U.S.$5,323 million in 2021. This increase was mainly due to the demand rebound, reopening of markets and new sales channels and changes in consumption patterns following the lifting of social distancing and lockdown measures imposed in response to the COVID-19 pandemic. In 2020, shrimp exports totaled U.S.$3,824 million, a 1.7% decrease from U.S.$3.891 million in 2019 primarily due to a decline in demand as a result of the COVID-19 pandemic and Chinese sanctions against three Ecuadorian shrimp companies.

President Lasso signed Decree 614 on December 2, 2022, eliminating a diesel subsidy for the shrimp industry for farms with more than 30 productive hectares (this was also a request from indigenous communities to focalize fuel subsidies). The Government estimates that this measure will allow yearly savings of approximately U.S.$160 million. On January 23, 2023, several reforms were presented for the regularization of diesel commercialization for the industrial sector. In 2021, fishing exports, other than shrimp, totaled U.S.$367 million, a 16.5% increase from U.S.$315 million in 2020, primarily due to an increase in export volume. In 2020, fishing exports, other than shrimp, totaled U.S.$315 million, a 1.9% increase from U.S.$309 million in 2019 primarily due to a 3% decrease in the unit price per metric tonne which offset the decrease in export volume from 81.460 thousand metric tons to 82.331 thousand metric tons. In 2022, fishing exports, other than shrimp, totaled U.S.$385 million, a 4.9% increase from U.S.$367 million in 2021. This increase was mainly due to the increase in unit price per metric tonne.

Manufacturing

Manufacturing, excluding petroleum products, is dominated by consumer products such as food, beverages, textiles, and paper, with a concentration of imported intermediate and capital goods. The manufacturing

sector contributed, 13.63%, 14.83% and 14.78% to GDP per year for the years 2019, 2020 and 2021, respectively.

Ecuador's membership in international trade organizations and its status as a party to various multilateral agreements (such as AAP. EC. 46 Cuba, AAP. R 29 Mexico, AAP. EC. 59 Mercosur, Chile, AAP. A 25TM 42 Guatemala, AAP. A 25TM 45 Nicaragua, AAP. A 25TM 46 EL Salvador and AAEI EFTA, ALADI, CELAC, and the Community of Andean Nations) have contributed to the opening of new markets for the exports of Ecuador and challenged domestic manufacturers to gain competitiveness in the international market.

On December 12, 2014, representatives from Ecuador's Ministry of Foreign Commerce signed a trade agreement with the European Union. In 2022, 18.1% of Ecuador's non-petroleum exports, or U.S.$3811 million, were exported in the European Union, compared to 20.8%, or U.S.$3768 million, for the same period in 2021. On May 15, 2021, Ecuador, together with Peru and Colombia, signed a trade agreement with the United Kingdom to preserve their mutual trade commitments should the United Kingdom exit the European Union as a result of the United Kingdom's exit from the European Union. With this trade agreement, the Republic and the United Kingdom intended to replicate their trade commitments under the Multiparty Trade Agreement with the European Union. This agreement will not enter into force while the Multiparty Trade Agreement continues to apply to the United Kingdom. On May 15, 2019, Colombia, Ecuador and Peru signed the Andean Countries-United Kingdom Trade Agreement in Quito to ensure the continuity of trade flows after the withdrawal of the United Kingdom from the European Union. The National Assembly of Ecuador voted on the Andean Countries-United Kingdom Trade Agreement on July 10, 2020. For more information, see "*Balance of Payments and Foreign Trade—Foreign Trade—Trade Policy*".

In 2021, non-oil industrialized exports (canned fish, other metal manufactures, leather, plastic and rubber manufacture, and vegetable oil extracts) reached U.S.$4,213 million, an increase of 18% compared to U.S.$3,580 million in 2020. In 2022, the value of non-oil industrialized exports reached U.S.$4,617 million, an increase of 10% compared to 2021.

Since the ratification of the ICSID Convention in 2021 under President Lasso Ecuador has restarted foreign trade agreement negotiations with South Korea in March 2022 after a 6-year pause. As of April 2023, the documents prepared as a result of such negotiations are currently under legal review by the Republic. In 2022 the Republic also concluded foreign trade agreement negotiations with China. As of April 2023, the documents prepared as a result of such negotiations are currently under legal review by the Republic. See "*Balance of Payments and Foreign Trade – Foreign Trade*".

Construction

In 2021, 2020 and 2019, the construction sector accounted for 8.78%, 9.47% and 10.93% of GDP, respectively. The decrease in construction was mainly due to the slow recovery of investment, especially of public projects. In 2020, construction activity decreased by 20.42% in nominal terms compared with 2019. In 2021, construction activity decreased by 0.88% in nominal terms compared with 2020.

Tourism

Between 2016 and 2021, tourism's participation in GDP showed an upward trend (except in 2020). This industry represented 1.68% of GDP in 2016. In 2022, tourism represented 1.80% of GDP, 4.46% of household consumption and 0.04% of total exports. In 2020, the lockdown and mobility restrictions reduced the participation of the sector in the economy, household consumption and exports.

Between 2016 and 2019, foreign currency income from non-residents personal trips to Ecuador was around an average of U.S.$1.8 billion per year. Mobility restrictions during the pandemic, reduced this inflow to U.S.$590 million in 2020.

For the nine-months ended September 30, 2022, inflows from tourism were below the pre-pandemic level (U.S.$1.057 million). Furthermore, the national strike in June 2022 had a negative effect, as it slowed down the recovery process, by affecting the international perception of Ecuador as a riskier destination. See "*Summary Information and Recent Developments Regarding Ecuador*".

Transportation

The most significant road projects in Ecuador are the Manta (Ecuador)-Manaus (Brazil) road network, linking the Pacific Ocean with the Atlantic and the Troncal-Amazonica road, which runs from north to south, linking the Colombian and Peruvian borders. The Troncal-Amazonica road was completed in early 2016 with the construction of the El Tigre bridge and a portion of the Manta-Manaus road network. The Manta-Manaus road-network is currently under construction, although there is no definitive completion date. Both projects are not toll roads and were financed by oil revenues and financing from CAF.

In the one-year period between May 2018 and May 2019, the Government invested approximately U.S.$800 million in building, rebuilding and expanding 14 highways and five bridges, and started the Quito-Guayaquil super-highway connecting Ecuador's two most important cities. During that period, the Government granted concessions for the construction of roads and highways connecting the cities of Machala and Salinas to Guayaquil, and started the process to grant a concession over the construction of a highway connecting Jujan, Quevedo and Santo Domingo.

In February of 2013, a new international airport opened in the suburbs of Quito. The airport cost was U.S.$700 million and was financed by Quiport S.A., an international consortium led by AECON Construction Group and HAS Development Corporation ("**AECON**"). The new airport features the largest control tower and the longest runaway of any international airport in Latin America. Phase 2 of the airport, which includes the expansion of the passenger terminal, new jet bridges, and the expansion of the shopping areas was financed by Quiport S.A. and cost U.S.$70.5 million. Construction of Phase 2 of the airport was completed in 2015, and began operating as a passenger terminal in May of that year. A new road and bridge to reduce congestion from the previous single bridge and highway that led to the airport have been completed.

In February 2014, the municipality of Cuenca began construction of the *Tranvía Cuatro Ríos*, a 21.4-kilometer tram system with 27 stations. The project planned to connect the airport and city-center to the outlying suburbs of the city. As at 20 July 2022, the project was estimated to cost U.S.$232 million and was financed, in part, by a 15-year loan entered into in January 2013, pursuant to the French government's Emerging Country Reserve Loan program.

Construction of a subway system in Quito based on the Metro of Madrid has been under way since 2012. As of April 2023, approximately 98.4% of construction of the subway system in Quito has been completed. On March 18, 2019 former President Moreno boarded a subway train to signal the beginning of the testing of the subway system. This metro system will connect the northern business and residential areas of Quito to Quito's historic city center and will consist of 22.5 km of one subway line with 15 stations expected to serve approximately 400,000 daily passengers. The project's cost has exceeded U.S.$2,009 million (initial budget of just under 1,500 million). In December 2022, the project was officially inaugurated, and the static induction phase began, in which some citizens have been allowed to visit the stations and ride for free in limited test runs, and commercially it is expected to start operations in mid-2023 (but it should be noted commercial operations have been postponed repeatedly in the past).

The project to date has had a cost per km of U.S.$.91.8 million. This project has been partially financed with loans from multilateral organizations such as the World Bank, the Inter-American Development Bank, the European Investment Bank and CAF. President Guillermo Lasso, during the celebration of the 488th anniversary of the founding of Quito and through Bulletin 747, on December 6, 2022, reaffirmed the Government's commitment to assume 50% of the outstanding debt for the Quito Metro, which is equivalent to U.S.$150 million, in addition to the U.S.$750 million already assumed by the Central Government.

Employment and Wages

The National Council on Employment and Wages sets the minimum wage for workers in the private sector on an annual basis. The monthly minimum wage for a job in the private sector increased from U.S.$394 for 2019 to U.S.$425 for 2022. Public sector employee wages are based on the wage scale determined by the Ministry of Labor.

The following table shows the increase in minimum wage from 2019 to 2023:

MINIMUM WAGE

	2019	2020	2021	2022 [2]	2023 [3]
			(*in U.S.$*)		
Monthly Minimum Wage [1]	394	400	400	425	450

Source: Republic of Ecuador, Ministry of Employment

[1] *Minimum wages set annually.*
[2] *For the year 2022: Republic of Ecuador, Ministry of Employment, Ministerial Agreement No. MDT-2021-276 https://www.trabajo.gob.ec/wp-content/uploads/2021/12/ACUERDO-MINISTERIAL-SBU-276-VF-signed.pdf*
[3] *For the year 2023: Republic of Ecuador, Ministry of Employment, Ministerial Agreement No. MDT-2022-216 https://www.trabajo.gob.ec/wp-content/uploads/2021/12/ACUERDO-MINISTERIAL-SBU-276-VF-signed.pdf*

Private employee salaries received a boost with the introduction of the 'Living Wage' concept into the Republic's labor laws. Enacted in December 2010, this law dictates that any company that generates a profit will distribute it amongst its employees until their total income has risen to the level of the living wage. The value of the living wage is determined annually by INEC on the basis of the cost of living and the number of family members in each family unit.

The following table shows certain labor force and employment data for the years indicated:

LABOR FORCE AND EMPLOYMENT

	As of December 31,			
	2019	2020	2021	2022
	(*in thousands of persons, except percentages*)			
Total Population [1]	17,455	17,696	17,938	18,183
Labor Force [2]	12,403	12,574	12,758	12,941
Labor Force Participation [3]	8,099	8,084	8,603	8,358
Labor Force Participation Rate	65.30%	64.29%	67.43%	64.58%
Employed Labor Force	7,788	7,688	8,246	8,091
Unemployed Labor Force	311	397	357	267
Unemployment Rate [4]	3.84%	4.90%	4.15%	3.19%

Source: Data based on figures from INEC, National Survey: Employment, Unemployment and Underemployment (ENEMDU) Labor Indicators, as of December 2022. https://www.ecuadorencifras.gob.ec/documentos/web-inec/EMPLEO/2022/Diciembre_2022/202212_Mercado_Laboral.pdf

[1] *Total population numbers based on yearly projections from 2010 census.*
[2] *Refers to population above minimum working age (15 years old), irrespective of employment status. Information available at: INEC, Evolution of the Variables Investigated in the Censuses in Population and Housing of Ecuador 1950, 1962, 1974, 1982, 1990, 2001, and 2010. https://www.ecuadorencifras.gob.ec/documentos/web-inec/Publicaciones/Evolucion_variables_1950_2010_24_04_2014.pdf*
[3] *Also referred to as economically active population.*
[4] *As a percentage of economically active population.*

In 2009, in order to reduce unemployment, the Ministry of Labor established the *Red Socio Empleo* ("**Employment Partner Network**"), a government agency designed to assist with employment searches and provide educational opportunities abroad for future work in Ecuador. The agency provides scholarships and allows individuals looking for work to post resumes, create their own web pages, and schedule interviews with potential employers online.

From 2019 to 2022, the rate of unemployment decreased from 3.84% as of December 31, 2019, to 3.19% as of December 31, 2022. In June 2020, due to the global COVID-19 crisis and the economic situation resulting therefrom, according to INEC, approximately 271,000 jobs were lost, (236,500 in the private sector and 18,500 in the public sector). However, as of December 2022, according to the INEC, approximately 177,961 jobs have been created.

From 2021 to 2022, the rate of individuals who were unable to obtain full-time work to receive a salary meeting the official minimum wage, or underemployment, decreased from 23.0% as of December 31, 2021, to 19.4% as of December 31, 2022.

The labor force participation rate of the Ecuadorian economy decreased by an aggregate of 2.9% from 2021 to 2022 and unemployment and underemployment decreased by 3.6%, for that same period. In 2021, the labor force participation rate increased to 67.4% from 64.3% in 2020; the underemployment rate increased to 23.0% from 22.9% in 2020, but the unemployment rate decreased to 4.2% from 4.9% in 2020.

The following table sets forth information regarding the unemployment and underemployment rates, and real minimum wages for the periods presented:

WAGE AND UNEMPLOYMENT

	As of December 31,			
	2019	**2020**	**2021**	**2022**
	(*% of economically active population*)			
Unemployment rate [1]	3.84	4.90	4.15	3.19
Underemployment rate [2]	17.79	22.85	22.97	19.37

Source: Data based on the INEC, Labor and Business Statistics, National Unemployment and Underemployment Rates.
https://www.ecuadorencifras.gob.ec/sistema-estadisticas-laborales-empresariales/.

[1] *Refers to population at or above the minimum working age that is not employed and is willing to work (even if not actively seeking work) as a percentage of the total labor force.*
[2] *Refers to individuals who are unable to obtain full-time work to receive a salary meeting the official minimum wage.*

In this context, the Republic requested financial support from multilateral organizations such as the CAF, the Inter-American Development Bank, the IMF and the World Bank amounting to U.S.$4,337 million for the year 2022.

Poverty

Post pandemic, the urban poverty rate increased from 17.2% to 20.8% between 2019 and 2021, while the rural poverty rate increased from 41.8% to 42.4% across the same time frame, resulting in an aggregate increase of the poverty rate from 25.04% as of December 2019 to 27.7% as of December 2021. Extreme poverty rates have also increased from 4.3% of all urban households in 2019 to 5.9% of all urban households in 2021, and increased from 18.7% of all rural households in 2019 to 20.3% of all rural households in 2021, resulting in an aggregate increase of the extreme poverty rate from 8.9% as of December 2019 to 10.5% as of December 2021.The urban poverty rate decreased to 20.8% as of December 2021 from 25.4% as of December 2020, and the rural poverty rate decreased to 42.4% from 49.2% across the same time frame, resulting in an aggregate decrease of the poverty rate from 33% as of December 2020 to 27.7% as of December 2021. Extreme poverty rates have also decreased from 9% of all urban households as of December 2020 to 5.9% of all urban households as of December 2021, and decreased from 29.2% of all rural households as of December 2021 to 20.3% of all rural households as of December 2021, resulting in an aggregate decrease of the extreme poverty rate from 15.4% as of December 2020 to 10.5% as of December 2021.

The urban poverty rate decreased to 17.8% as of December 2022 from 20.8% as of December 2021, and the rural poverty rate decreased to 41%, from 42.4% across the same time frame, resulting in an aggregate decrease of the poverty rate from 27.7% as of December 2021 to 25.2% as of December 2022. Extreme poverty rates have also decreased from 5.9% of all urban households as of December 2021 to 3.9% of all urban households as of December 2022, and decreased from 20.3% of all rural households as of 2021, to 17.4% of all rural households as of December 2022, resulting in an aggregate decrease of the extreme poverty rate from 10.5% as of December 2021, to 8.2% as of December 2022.

The Republic believes that the significant expansion of the *Bono de Desarrollo Humano* ("**Human Development Bond**") undertaken by the Government represents an important means of support of Ecuadorian households living in poverty. The Human Development Bond is a cash transfer program for those in the lower 40% of income distribution who are either representatives of households (preferably women who are listed as heads of households or spouses), mothers of children under the age of 16, persons above the age of 65 who are not affiliated to a social security system, or persons with 40% or more of a disability who are not affiliated to a social security system. In December 2017, former President Moreno issued executive decree No. 253 ("**Decree 253**"), whereby the Human Development Bond was enhanced from U.S.$50 up to U.S.$150 depending on the number and age of dependent children.

The first response of MIES to the effects of the pandemic was to expand the social protection network through different non-contributory insurance measures. On March 27, 2020, the Emergency Family Protection Bonus was created by executive power, a single monetary transfer of U.S.$120 that was paid in two equal parts during the months of April and May (through executive decree No. 1022 ("**Decree 1022**")). On April 24, 2020, a second bonus of U.S.$120 was granted (through executive decree No. 1026 ("**Decree 1026**")).

On September 24, 2020, the Nutritional Support Bonus was created to transfer of U.S.$240 to support children in need as a result of the COVID-19 pandemic.

On October 26, 2020, a new contingency bonus was granted from U.S.$15 to U.S.$90 for all the prior beneficiaries of bonuses and pensions of the Monetary Transfer Program of the Comprehensive Social Protection System (through executive decree No. 1179 ("**Decree 1179**")).

On October 27, 2020, the coverage of the Emergency Family Protection Bonus was exceptionally extended due to the ongoing COVID-19 pandemic in Ecuador in support of the province of Galápagos, whose economy was affected by the pandemic. This measure consisted of a transfer of U.S.$145 per month, during the months of October, November and December 2020, to the people, who their economic activities were affected by the COVID-19 pandemic, and who do not have social security contribution (through executive decree No. 1182 ("**Decree 1182**")).

On January 28, 2021, the Family Protection bonus was extended to grant U.S.$120 to the people that could potentially fall into a condition of poverty (through executive decree No.1235 ("**Decree 1235**")). On March 22, 2021, the Family Protection bonus was extended (through executive decree No. 1279 ("**Decree 1279**")). This bonus contribution ended on June 6, 2021.

Finally, on June 18, 2022, the National Government increased the Human Development bonus up to U.S.$55 for existing beneficiaries and for future family members pursuant to executive decree No. 456 ("**Decree 456**").

The following table shows the percentage of households in poverty for the periods indicated:

PERCENTAGE OF HOUSEHOLDS IN POVERTY

	Poverty Based on Income [1]			Extreme Poverty Based on Income [2]			Poverty Based on Lack of Basic Necessities [3]		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
					(%)				
December 2019	17.2	41.8	25.0	4.3	18.7	8.9	21.4	61.6	34.2
December 2020	25.4	49.2	33.0	9.0	29.1	15.4	22.3	56.7	33.2
December 2021	20.8	42.4	27.7	5.9	20.3	10.5	22.0	57.0	33.2
December 2022	17.8	41.0	25.2	3.9	17.4	8.2	21.3	53.3	31.4

Source: Data based on the INEC, Poverty Based on Income Results for December 2019, 2020, 2021 and 2022.
https://www.ecuadorencifras.gob.ec/pobreza-diciembre-2022/

(1) *Persons whose income is below the poverty line. As of December 2022, the poverty line, as determined by Ecuador, is U.S.$88.72/month, per person.*
(2) *As of December 2022, the extreme poverty line is U.S.$50.00/month per person.*
(3) *This number is based on information taken at the census regarding the lack of availability of basic necessities. Variables considered in this figure include literacy rates and access to potable water, sewage systems and hygienic services, electricity, running water, telephone lines, doctors and hospital beds per 1,000 persons.*

Social Security

The social security system in Ecuador is administered by the IESS as well as by the *Instituto de Seguridad Social de las Fuerzas Armadas* and the *Instituto de Seguridad Social de la Policía Nacional* (the Social Security programs of the Armed Forces or "**ISSFA**" and ISSPOL). The Ecuadorian Social Security System is a trans-generational model where the current work force funds the benefits of those who are no longer in the work force and also permits retirees to also make on-going contributions to their retirement fund.

Social security benefits are a constitutional right for all workers and their families, designed to protect the insured in case of illness, maternity, unemployment, disability, old age and death. The social security system also provides financing for workers' housing. Ecuador's social security system is financed by contributions from the Government, employers and employees. The level of employee contribution is based on an employee's income. The monthly pension is based on a percentage of the insured's average monthly earnings in his or her five highest years of earnings. The minimum monthly pension for retirees who contributed to the IESS is U.S.$200 for ten or fewer years of contribution, U.S.$240 for 11 to 20 years of contribution, U.S.$280.20 for 21 to 30 years of contribution, U.S.$320 for 31 to 35 years, U.S.$360 for 36 to 39 years of contribution and U.S.$400 for 40 or more years of contribution.

Retirees benefit from the IESS system once they have left employment.

On May 31, 2022, after 21 years in which the State's debt to the IESS for health benefits had accrued, the Ministry of Economy and Finance entered into an agreement with IESS whereby the process of recognizing outstanding contributions was initiated, with an initial disbursement of U.S.$140 million.

In the first quarter of 2023, IESS reported a lack of liquidity that prevented it from canceling the retirement pensions of its affiliates (U.S.$877 million), which was covered by the IESS with the contribution of 40% by the State, which is fully budgeted for in the 2023 Budget at U.S.$2.1 billion.

In 2020, total non-financial public sector contributions to social security were U.S.$5,079 million, or 5.1% of GDP, a decrease from U.S.$5,863 million, or 5.5% of GDP in 2019. In 2021, total non-financial public sector contributions to social security were U.S.$5,305 million, or 5.0% of GDP, compared to U.S.$5,079 million, or 5.1% of GDP in 2020. In 2022, total non-financial public sector contributions to social security were U.S.$5,773 million, or 5.0% of GDP, compared to from U.S.$5,305 million, or 5.0% of GDP in 2021.

Under Article 372 of the 2008 Constitution, the *Banco del Instituto Ecuatoriano de Seguridad Social* ("**BIESS**") is responsible for channelling investments and managing public pension funds. Resolution JB-2009-1406 enacted in July 2009 sets the parameters for the types of investments allowed. Investments in real estate are only allowed in the long-term (over five years), investments in trusts are not allowed in the short-term (less than three years), and investments in public sector securities cannot exceed 75% of the market value of the fund. A risk committee must approve all investments. Investments must be rated by an approved rating agency, and no investment may be rated lower than specific thresholds set for that type of investment, as determined by the risk committee.

As of April 2022, BIESS was the largest holder of Government securities, with 57% of its portfolio investment, or U.S.$8,733 million, in Government holdings. BEISS held U.S.$8,200 million and U.S.$8,366 in 2021 and 2020, respectively.

The primary functions of the BIESS are, among others, the provision of different financial services such as mortgages, pledge-backed loans and unsecured credits. Additional services include portfolio re-discount operations for financial institutions and other financial services in favor of retirees and other affiliates of the IESS by means of direct operations or through the national financial system. Additional bank functions are investment in infrastructure projects that generate financial profitability, added value and new sources of employment, as well as investments in fixed and variable income securities through the primary and secondary markets.

On October 21, 2016, the *Ley de Fortalecimiento a los Regímenes Especiales de Seguridad Social de las Fuerzas Armadas y de la Policía Nacional* (the "**Law to Strengthen the Social Security System of the Armed Forces and National Police**") was published and became effective. The law is intended to make the national system of social security more sustainable over time by making adjustments and improvements to the pensions of public servants from Ecuador's Armed Forces and National Police.

On June 18, 2018, the Law Reforming the Social Security Law was published and became effective. The law increases social security payments to retirees who belong to the Rural Social Security from U.S.$65 to U.S.$100. It was retroactive from January 1, 2018. The law also provides for automatic increases consistent with those of the minimum wage.

In May 2018, the Office of the Comptroller General announced that it would carry out 27 special audits to verify compliance by the IESS with the recommendations of previous exams, audit the administrative management of main IESS funds (e.g. reserve funds, mortgage liens, farmer social insurance, health insurance, IBM) and to make an actuarial examination. On December 7, 2018, the Office of the Comptroller General issued a draft report of 19 out of 44 completed audits on the IESS for the period from January 1, 2013 to May 31, 2018, finding, among others, that hundreds of employees of the IESS were deducted approximately U.S.$378,932 from their salaries since 2015, money which was divested to several political parties; that in some cases moneys assigned to a particular account within the IESS did not reach in their entire amounts their intended units, causing deficits within those units; that approximately U.S.$18 million generated in interests for penalties assessed to employers for late registration of employees in the IESS never reached the respective beneficiary employees; that different formulas were used to calculate administrative expenses for purposes of paying reserve funds; that moneys were returned to beneficiaries that did not have the right to those funds, and no actions were taken to right those mistakes; and that hundreds of people were hired throughout the audited period without documentation and justification. These audits are part of annual examinations that the Office of the Comptroller General conducts within its authority to carry out special audits to verify certain limited aspects of governmental activities.

As a result of this report, approximately U.S.$1.2 million in administrative penalties had been pre-established, 60 public officials were dismissed and 9 reports establishing potential criminal liability of officials were sent to the corresponding prosecutor's office.

Education

In 2011, the Government implemented the *Ley Orgánica de Educación Intercultural* (the "**Intercultural Education Law**"). The law created a standardized curriculum for all high schools, consolidated school systems to eliminate single-teacher schools, created a stringent evaluation system for teachers and schools, and launched a nation-wide literacy program. Under the reform, students were to receive free medical attention, school lunches, and uniforms.

The 2020 Budget initially allocated U.S.$5,565 million for Government education and other education initiatives and was later modified to U.S.$4,624 million. Education initiatives included the use of outside consultants to improve English education, the granting of scholarships to exceptional students for study in elite foreign universities, the inspection of Ecuador's universities to ensure that they meet a high standard quality, and various other projects administered by individual municipalities. The 2021 Budget allocated U.S.$4,889 million for Government education and other education initiatives. The 2022 Budget allocated U.S.$4,618 million for Government education and other education initiatives. The 2023 Budget, as approved, allocates U.S.$5,587.35 million for Government education and other education initiatives.

Education is mandatory in Ecuador until the age of 14. The literacy rate for adults over 15 years of age was 94.2% in 2015, and has been above 90% since 2004.

Health

The 2020 Budget initially allocated U.S.$3,067 million for Ecuador's health sector and was later modified to U.S.$2,833 million. The 2021 Budget allocated U.S.$2,833 million for Ecuador's health sector which was later modified to U.S.$3,068 million. The 2022 Budget allocated U.S.$2,988 million for Ecuador's health sector. The 2023 Budget, as approved, allocates U.S.$3,639 million for Ecuador's health sector.

LEGAL PROCEEDINGS

The Republic is involved in certain litigation and administrative arbitration proceedings described below. Some of the proceedings described below are conducted pursuant to the mandatory arbitration provisions contained in the U.S.-Ecuador Bilateral Investment Treaty and the Canada-Ecuador Bilateral Investment Treaty, as applicable. These treaties aim to protect investors of both nations in the other country. An unfavorable resolution of some of these proceedings could have a material adverse effect on the Republic. The Republic receives from time to time notifications of controversies from third parties with respect to contractual disputes and other disputes which may be covered by bilateral investment treaties. To the extent these controversies have not resulted in the initiation of a litigation or administrative arbitration proceedings they are not described below.

Chevron

In 2006, Chevron brought arbitration proceedings against the Republic under the UNCITRAL Rules alleging the Republic's breach under certain "denial of justice" provisions under the U.S.-Ecuador Bilateral Investment Treaty. In August 2011, the arbitral tribunal established that Ecuador had breached such treaty and should pay Chevron U.S.$96 million plus compound interest calculated from September 1, 2011 until the date of payment. On July 27, 2012, Chevron filed a claim before the District Court of the District of Columbia (Washington, DC) seeking recognition and enforcement of the arbitral award. On June 6, 2013 the District Court confirmed the award in favor of Chevron.

On October 9, 2015, the United States Court of Appeals for the District of Columbia Circuit affirmed the District Court decision. Accordingly, the arbitral award granted to Chevron became due and payable in the United States with the same force and effect as a judgment in a judicial action. The total amount due under the award (U.S.$96.4 million plus U.S.$16.4 million in interest) was paid by Ecuador to Chevron in satisfaction of the arbitral award.

On a separate matter, in September 2009, Chevron filed an UNCITRAL arbitration claim against Ecuador for an undetermined amount. The claim seeks indemnification for claims brought by indigenous communities in Lago Agrio, Ecuador, against Chevron for environmental damages. In 2011, an Ecuadorian court ruled in favor of the Lago Agrio community, ordering Chevron to pay U.S.$19 billion in damages. This amount was reduced to U.S.$9.5 billion in November 2013. Chevron argues that Ecuador and Petroecuador should be solely responsible for any judgments arising from claims resulting from the Lago Agrio litigation because of "hold harmless" provisions of a 1995 settlement agreement ("**1995 Settlement**") between Chevron and the Republic and also claims breach of the 1995 Settlement and the U.S.-Ecuador Bilateral Investment Treaty. On the other hand, Ecuador argues that it has not assumed any obligation to indemnify, protect, or defend Chevron from third party claims.

The arbitration tribunal has divided the merits of the case into 3 tracks. Track 1 will decide issues relating to the 1995 Settlement and the obligation of Ecuador to indemnify Chevron from third party claims. Track 2 will decide issues relating to denial of justice claims by Chevron and the alleged breach of the U.S.-Ecuador Bilateral Investment Treaty. Once Tracks 1 and 2 have been decided on the merits, Track 3 will determine any monetary damages that resulted from the alleged breaches and will assess the monetary value of the environmental damage in the Lago Agrio community. On September 17, 2013 the arbitral tribunal issued a partial Track 1 award (Track 1A) where it agreed with the Republic in that the 1995 Settlement did not preclude the Lago Agrio plaintiffs from asserting claims "in respect of their own individual rights".

On March 12, 2015, the arbitral tribunal issued a second Track 1 (Track 1B) decision in favor of Ecuador, holding that the initial pleading brought by the Lago Agrio plaintiffs qualified as an "individual rights" claim not barred by the 1995 Settlement.

On August 30, 2018, the tribunal issued a second partial award on Track 2 declaring that Ecuador is liable for denial of justice under the standards of fair and equitable treatment under the U.S.-Ecuador Bilateral Investment Treaty and under customary international law, and declaring that Ecuador is liable to make full reparation to Chevron. Specifically, the tribunal found a denial of justice with regard to the Lago Agrio proceedings and a violation of the 1995 Settlement.

On December 10, 2018, Ecuador filed a request to set aside the second partial award on Track 2 before the District Court of The Hague, in the Netherlands. On September 16, 2020, the District Court of The Hague rejected this request. The Republic filed an appeal against this judgment requesting: (i) that the first instance

sentence be annulled by the District Court of The Hague; and (ii) to partially annul the second partial award. The Hague Court of Appeal rejected the appeal on 28 June, 2022. On 27 September, 2022 the Republic filled a cassation before the Supreme Court of the Netherlands, which, as of April 2023, is currently pending.

The amounts for compensation have been discussed in Track 3 of the arbitration since 2019.

On April 26, 2019, the arbitral tribunal issued Procedural Order No. 56, in which the tribunal established the procedural calendar for Track 3 of the arbitration. Pursuant to such calendar: (i) on May 31, 2019, Chevron was scheduled to present its memorial on damages; (ii) on February 28, 2020, Ecuador presented its counter-memorial on damages; (iii) on August 21, 2021, Chevron presented its reply memorial on damages; (iv) on May 20, 2022, Ecuador presented its rejoinder on damages. The hearing on Track 3 of the arbitration took place from August 18 to September 7, 2022.

The damages award will probably be issued in the first semester 2023, then Track 4 will commence regarding costs.

On a separate matter, in October of 2013, a provincial court of Ecuador ordered the *Instituto Ecuatoriano de la Propiedad Intelectual* (the "**Ecuadorian Institute for Intellectual Property**" or "**IEPI**") to place an embargo on 50 trademarks of Chevron in Ecuador as a result of the Ecuadorian verdict against Chevron in the Lago Agrio case. According to IEPI, the embargo was placed in order to guarantee the payment of the verdict amount by redirecting the revenues from the trademarks to Ecuador, as opposed to Chevron.

Windfall Profits Tax Litigation

A number of foreign oil companies have sued Ecuador in connection with the application of Ecuadorian law 42-2006, which levied a 99% tax on the windfall profits of a number of foreign oil companies. As a result of the implementation of the windfall profits tax law, Ecuador is a defendant in the following arbitration proceedings:

Perenco Ecuador Limited

On April 30, 2008, Perenco filed an ICSID arbitration claim against Ecuador seeking compensation of U.S.$440 million plus costs and interest for alleged changes to its contracts for the development of Blocks 7 and 21 in Ecuador imposed by Ecuadorian law 42-2006.

Perenco argued that law 42-2006 modified the participation of Perenco under contracts for the development of Blocks 7 and 21 in Ecuador and that the unilateral modification of the contracts resulted in an expropriation of the blocks that Perenco was operating. On September 12, 2014, the tribunal decided the claim in favor of Perenco, finding the Republic liable for breach of contract and the bilateral investment treaty between the Republic and the Republic of France, pending parties' submissions on damages.

On December 5, 2011, Ecuador filed two counterclaims against Perenco for environmental damage and failure to maintain the facilities of Blocks 7 and 21, in an approximate amount of U.S.$2 billion. On August 11, 2015, in an interim decision, the tribunal held that contamination exists in Blocks 7 and 21. However, the tribunal held that a third environmental expert was needed in order to determine if the contamination was caused by Perenco. On November 25, 2016, the independent environmental expert appointed by the tribunal visited Blocks 7 and 21. The Republic received the expert's report on December 19, 2018.

After parties' submissions commenting on the expert report and a hearing held on March 11 and 12, 2019, in which the expert was cross-examined and final allegations with regard to the counterclaims were argued, on September 27, 2019, the tribunal ordered the Republic to pay Perenco U.S.$448.8 million in damages on the principal claim, and U.S.$23 million as contribution to Perenco's legal fees and costs, plus interest until full payment, and at the same time ordered Perenco to pay the Republic U.S.$54.4 million in compensation for environmental damages, and U.S.$6.3 million as contribution to the Republic's legal fees and costs, plus interest until full payment. Both parties were ordered to cover the tribunal's costs and independent expert fees. Perenco sought enforcement of that arbitral award in the US District Court for the State of Columbia on October 1, 2019.

On October 2, 2019, the Republic requested before ICSID the suspension of the tribunal's September 27, 2019, decision, as well as its annulment. Perenco's enforcement proceedings in the US District Court for

the State of Columbia were stayed pending the outcome of that request. On November 18, 2019, an ad-hoc arbitral committee was formed to decide on the Republic's request. After the parties filed their respective submissions, on January 13, 2020, the *ad-hoc* arbitral committee held a hearing on the suspension of the September 27, 2019 decision. On February 21, 2020, the tribunal ordered the suspension of that decision. In accordance with the procedural calendar, Ecuador presented its Annulment Memorial on April 16, 2020.

Perenco was required to respond to the brief by July 16, 2020. Ecuador's response and Perenco's subsequent response were scheduled for September 16, 2020 and November 16, 2020, respectively. The hearing regarding the annulment was held in January 2021, after which the Annulment Committee issued its decision.

On May 28, 2021 the *ad hoc* arbitral committee issued a Decision on Annulment of the Award, whereby it partially annulled the award rendered on September 27, 2019 solely and exclusively as regards the tribunal's decision to award U.S.$25 million to Perenco's loss of opportunity to extend the Block 7 participation contract, and the tribunal's finding that the OCP ship-or-pay costs were fully tax deductible. The rest of the award remains unaffected, but as a result of the partial annulment the amount awarded to Perenco is U.S.$412.182.000.

While the annulment proceedings were ongoing, Perenco initiated enforcement proceedings in the United Kingdom and the United States. Once the annulment decision was issued in 2021, Perenco attempted to enforce the award in Luxembourg and Singapore.

However, in December 2022, the Ministry of Economy and Finance publicly reported that Ecuador and Perenco reached an agreement to pay the award. Nevertheless, in March 2023 the US District Court for the District of Columbia granted Perenco's petition to enforce the arbitral award as if it were a final judgment of the US District Court.

William and Roberto Isaías Dassum

In 2009, Ecuador commenced an action against William and Roberto Isaias, who were the President and Executive Vice-President, respectively, of Filanbanco S.A, Ecuador's largest bank at the time of its bankruptcy in 2001. Arguing before a Florida circuit court, Ecuador alleged that the defendants embezzled funds and forged financial statements thereby resulting in losses suffered by the *Agencia de Garantía de Depósitos* (the "**Deposit Guarantee Agency**" or "**AGD**"), in the amount of U.S.$661.5 million. On May 30, 2013, the trial court granted summary judgment against Ecuador.

On December 27, 2017, the District Court of Appeals for the Third District of Florida reversed the October 15, 2015 decision in favor of William and Roberto Isaias. The case was remanded to the trial court to determine damages in favor of Ecuador. On May 17, 2019, the trial court held a hearing where it established the procedural calendar for the damages phase.

Before the trial began, in response to a motion for summary judgment filed by the Isaías brothers, the Judge decided to dismiss Ecuador's claim on April 22, 2021, considering that their debt was satisfied. Ecuador appealed this decision on July 8, 2021. The hearing was held on May 10, 2022, and on August 3, 2022, the Court of Appeals for the Third District of Florida decided to reject the appeal, confirming the first instance judgment. In response, on August 18, 2022, the Republic of Ecuador filed a motion for a new hearing and certify it to the Supreme Court of Florida. The Court of Appeals, however, denied the request on October 10, 2022. After the presentation of review motions were rejected by the appeals court, the Republic of Ecuador submitted a request for the suspension of the order, which was subsequently rejected by the Court on October 26 2022.

Merck Sharp & Dohme

On February 2, 2011, Merck Sharp & Dohme ("**Merck**") commenced an UNCITRAL arbitration against Ecuador alleging denial of justice for not having provided judicial guarantees in Ecuadorian court proceedings which returned a judgement against Merck by the Ecuadorian company NIFA S.A. (currently "**PROPHAR, S.A**") in violation of the U.S.-Ecuador Bilateral Investment Treaty.

On August 4, 2016, the National Court of Justice ordered Merck to pay U.S.$42 million with respect to the Ecuadorian judgment initiated against Merck by NIFA S.A. On September 6, 2016, the arbitral tribunal ordered that Ecuador ensure that all proceedings and actions for the enforcement of that judgment be suspended pending the delivery by the tribunal of its final award. On September 16, 2016, the National

Court of Justice enforcement judge suspended the enforcement proceeding pending the arbitral tribunal's final award. This decision was constitutionally challenged by PROPHAR, S.A. On June 21, 2017, the Ecuadorian Constitutional Court granted the petition and set aside the suspension order. Subsequently, the parties reached an agreement to settle the constitutional claim. The settlement agreement covered the entire dispute between Merck and Prophar and ended the litigation in local courts. The arbitration continued without prejudice.

The arbitral tribunal held a hearing on October 12, 2016. On January 25, 2018, the arbitral tribunal issued a final partial award in which it held Ecuador liable for denial of justice and violation of fair and equitable treatment. As a result, the arbitral tribunal initiated a new phase for the determination of damages. On February 21, 2018, the arbitral tribunal issued an order providing the schedule for the damages phase. On April 24, 2019, a hearing on damages took place in the city of London. On March 5, 2020, the arbitral tribunal made a final ruling ordering the Republic to pay Merck approximately U.S.$45 million. This ruling was declared confidential. Ecuador has filed an annulment action with the Courts of The Hague against the arbitration award on June 10, 2020. On June 17, 2021, the District Court of The Hague issued its decision rejecting the request for annulment. On September 16, 2021, Ecuador filed an appeal. On February 14, 2023, the hearing was held in The Hague. As of the April 2023, no judgment has been made.

Hutchison Port Investments Ltd

In 2012, the Manta Port Authority (the "**APM**") represented by Ecuador's Attorney General (*Procuraduría General del Estado*) commenced an arbitration proceeding against Hutchison Port Investments Ltd. and Hutchison Port Holdings ("**Hutchison**"), in the *Centro de Arbitraje y Mediación de la Cámara de Comercio de Quito* ("**Center for Arbitration and Mediation of Quito Chamber of Commerce**") to recover U.S.$141 million in damages. APM alleges that it suffered these damages as a result of Hutchison's unilateral abandonment of the facilities and other defaults under a concession agreement to operate the port at Manta. Hearings took place from February 9 to 13, 2015 in Panama. On November 30, 2015, the arbitration tribunal decided in favor of Ecuador for an amount of U.S.$30 million.

The arbitral tribunal awarded APM U.S.$34.9 million for consequential damages and lost profits. After deduction of the contractual guarantee entered into by APM, the indemnification amount totaled U.S.$27.2 million (before adjusting current value). The tribunal also ordered the compensation of 50% of the arbitral costs to APM to be paid within thirty days from notification of the arbitral award.

On March 16, 2017, before the *Sala Cuarta de la Corte Suprema de Justicia,* APM presented its opposition to the annulment petition by Hutchison in Panama on December 30, 2015 against the award in favor of APM. On March 15, 2019, the Supreme Court of Panama partially annulled the award in favor of APM. Although the amount of the award was not affected by the decision, the entities Hutchison Investments Limited and Hutchison Port Holdings Limited were excluded from the award. On March 21, 2019, Ecuador's Attorney General, in representation of APM, presented a request for clarification of the decision, which was denied on April 12, 2019. As of April 2023, enforcement of the award is still being pursued both in the British Virgin Islands and in Ecuador and the court has not yet set a date for a hearing.

Coca Codo Sinclair

From 2012 to March 2017, CELEC EP – *Unidad de Negocio Coca Codo Sinclair* ("**CCS**"), an Ecuadorian public enterprise and Sinohydro Corporation were heard by the *Junta Combinada de Disputas* ("**JCD**" or "**Combined Dispute Board**"), a pre-arbitral forum created under the engineering, procurement and construction contract (the "**EPC Contract**") for the construction of the Coca Codo Sinclair hydroelectric plant. The amount of the claims is yet to be determined.

Both parties presented, among others, claims relating to time extensions under the EPC Contract, declined payroll/tax return payments, supposed changes in tax laws, costs for changes in infrastructure design, indirect effects of the non-execution of a potential agreement between China and Ecuador relating to double taxation, and non-compliance with the national participation quota established in the EPC Contract for subcontracting of works. Synohydro Corporation has sought tax refunds for capital exit taxes, additional costs for engineering designs and a time extension required as a result of alleged extreme subsoil geological conditions. The JCD has issued 22 mandatory decisions. Under the EPC Contract, the parties may resolve the underlying disputes definitively through arbitration before the International Chamber of Commerce by sending a notification of disagreement within 20 days after the JCD's decisions. As of July 2020 both parties

have stated their disagreement with the JCD's 22 decisions, thus preserving their right to commence arbitral proceedings with respect to these disputes.

In April 2019, Sinohydro Corporation notified CCS of the existence of Dispute 2019-001, related to the amounts charged to CCS by ARCONEL for the unavailability of the Coca Codo Sinclair hydroelectric plant. Upon Sinohydro Corporation's request, a new JCD was formed. In March 2020, the members of the new JCD visited the plant, and parties were called to present their cases.

Following the visit by the JCD, a procedural calendar for the presentation and answering of controversies was established. From June 15 to June 23, 2020, there was an oral hearing for the controversy.

On August 9, 2020, the JCD issued 10 decisions, some of them favourable to CCS and others to Sinohydro. On September 7, 2020, CCS and Sinohydro filed their disagreement with the aforementioned decisions.

On May 17, 2021, CCS filed a Request for Arbitration under the Rules of Arbitration of the International Chamber of Commerce ("**ICC Rules**"). On August 17, 2021, Sinohydro filed its response to the notice of arbitration and its counterclaims. On May 5, 2022, the Arbitral Tribunal was constituted. On February 17, 2023, CCS submitted its Memorial on the Merits.

Caribbean Financial International Corp v. Ecudos – Corporación Azucarera Ecuatoriana Coázucar

On July 11, 2012, Caribbean Financial International ("**CFI**") filed a breach of contract claim against Ecudos S.A. ("**Ecudos**") in the *Juzgado Duodécimo de Circuito Civil del Primer Circuito Judicial de Panamá* (the "**Twelfth Court of the Civil Circuit in the First Circuit of Panama**") for an amount of U.S.$65.9 million plus costs, expenses and interests. The contract was originally entered into by CFI and TRAINSAINER S.A., a company absorbed by Ecudos through merger (the "**CFI-TRAINSAINER contract**"). The CFI-TRAINSAINER contract called for CFI's sale to TRAINSAINER S.A of all of its stock capital in DURCHES S.A. and Ecudos Through the CFI-TRAINSAINER contract, CFI granted TRAINSAINER S.A. a credit of U.S.$60 million for a term of ten years. In turn, on October 29, 2000, TRAINSAINER S.A. issued a promissory note in favor of CFI due on October 27, 2010. The CFI-TRAINSAINER contract provided for the filing of a lawsuit if the payment became overdue. The Attorney General intervened as a result of an indemnity obligation in the CFI-TRAINSAINER contract. Ecudos filed a response to the claim denying CFI's allegations and challenging the contract. On April 18, 2018, the Twelfth Court of the Civil Circuit in the First Circuit of Panama held Ecudos liable for U.S.$106,183, 608, including costs and expenses. On May 31, 2018, Ecudos appealed the decision of the Twelfth Court of the Civil Circuit in the First Circuit of Panama. On June 8, 2018, CFI presented its brief opposing Ecudos' appeal. By a judgment issued on March 29, 2022, notified on April 4, 2022, the First Superior Court of the First Judicial District of Panama accepted the appeal filed by Ecudos. CFI filed a cassation appeal before the Supreme Court, which has not yet been admitted for processing. Once the admission is notified, the opposition to the said action must be presented.

Ecudos – Corporación Azucarera Ecuatoriana Coazúcar v. Caribbean Financial International Corporation – CFI

On August 8, 2012, Ecudos filed an ordinary claim for declaratory judgement of large amount (*Demanda Ordinaria Declarativa de Mayor Cuantía*) in Panama against CFI seeking annulment of the CFI-TRAINSAINER S.A. contract as well as of the promissory note in favor of CFI. By a judgment issued of November 9, 2022, the Superior Court has confirmed the declaration of *lis pendens* of the second Ecudos case (Fourth Court), since the Court already ruled in favour of the nullity of the CFI-Ecudos contract in the first Ecudos case (Twelfth Court).

Gente Oil

On April 13, 2018 Ecuador was notified of arbitral proceedings *Santiago de Chile* from Gente Oil Ecuador Pte. Ltd. ("**Gente Oil**"). In the notification, Gente Oil alleges that Ecuador breached the contract for the rendering of services for the exploration and exploitation of Hydrocarbons with respect to crude oil in the Singue block of the Ecuadorian Amazon region. Gente Oil claims that Ecuador breached the contract by imposing its negotiation, ignoring the tariff agreed, not acting in good faith and preventing Gente Oil from performing its obligations under the contract.

On May 24, 2022, the arbitral tribunal issued its final award and declared Ecuador breached its obligations contained in the Contract for the Provision of Services for the Exploration and/or exploitation of hydrocarbons (crude oil) of the Singue Block in the Ecuadorian Amazon Region.

Gente Oil claimed a compensation quantified in U.S.$91,980.000. In the award, the tribunal accepted most of the arguments made by the Ecuadorian State, however ordered the payment of U.S.$11,559.645.10 in favour of Gente Oil.

On August 23, 2022, the State Attorney General's Office filed for annulment of the award in the Chilean Courts, which is still pending.

Gente oil initiated attempts to enforce the award in Luxembourg and this award was paid with an 'under protest' disclaimer due to ongoing annulment proceedings.

GLP

This proceeding involves an investment arbitration initiated by Consorcio GLP against the Republic under the Bilateral Investment Treaty between Ecuador and Spain. In May 2018, a hearing on the question of jurisdiction was held. On December 21, 2018, the tribunal decided on the question of jurisdiction by denying Ecuador's motion and affirming its jurisdiction over the merits of the case, and ordered Ecuador to pay the plaintiff U.S.$245,358.4 and EUR239,229.2 in costs and fees.

As it relates to the jurisdiction award, the Republic of Ecuador filed an annulment request in the French courts as Paris was the seat of arbitration. On December 14, 2021, the arbitral tribunal dismissed the request of annulment of the Republic. Additionally, Ecuador was condemned on costs by the sum of 80,000 euros according to Article 700 of the French code civil procedure (costs have not yet been paid). From this amount EUR5,000 has to be deducted, because during the annulment proceeding, *Mantenimientos, Ayuda a la Explotación y Servicios, S.A.* ("**MAESSA**") raised the issue of competence. On January 12, 2021, the Court resolved this element in favour of Ecuador and ordered MAESSA to pay EUR5,000 by way of costs.

As it relates to the arbitration, on December 12, 2022, the arbitral tribunal issued its final award, accepting several arguments from the Republic of Ecuador, consequently reducing significantly MAESSA's claims. The plaintiff's claim ascended to more than U.S.$48,315,958.33 plus interests; Ecuador was ordered to pay U.S.$17,481,677.31, plus interest, amounting to a total of U.S.$30,868,793.31, including interest.

Notifications under Bilateral Investment Treaties

AECON

On January 19, 2018, Ecuador was notified of a controversy by AECON founded on Articles II, VIII, XII and XIII of the bilateral investment treaty between Ecuador and Canada. AECON claims that Ecuador has breached the guarantee of legal stability granted under certain investment agreement and, consequently, it has breached the fair and equal treatment standard in the relevant bilateral investment treaty causing the expropriation of AECON's investment. The amount of the claim is approximately U.S.$12 million. The arbitral tribunal was constituted.

The process is currently in the merits and jurisdiction phase.

Once the written phase was completed, a hearing was held in The Hague, the Netherlands from November 7 to 12, 2022.

On February 3, 2023, Ecuador presented its post-hearing brief. On February 28, 2023, the parties submitted their replies to the post-hearing briefs.

On May 4 and 25, 2023, the parties will simultaneously submit their briefs on costs and reply on costs, respectively. After that, the arbitral tribunal must issue its final award.

WorleyParsons

On February 16, 2018, WorleyParsons informed Ecuador of the existence of a controversy founded on Articles II(1), II(3), II(3)(a), II(3)(b), II(3)(c) and III(1) of the bilateral investment treaty between Ecuador and the United States of America. Ecuador requested further detail on the nature of the allegations in the

notification. On March 19, 2018, WorleyParsons informed Ecuador that the controversy is related to its contracts with Petroecuador and the *Compañía de Economía Mixta Refinería del Pacífico RDP-CEM* (the "**Mixed Economy Pacific Refinery Company**") and to certain actions of the Office of the Comptroller General and the Office of the Prosecutor General. Although the notification from WorleyParsons did not include details of the substance of the dispute, following the request of the Attorney General, WorleyParsons identified the following contracts under which the disputes would have arisen: (i) Contract 201130 for the Audit and Management of the Rehabilitation Program for the Esmeraldas Refinery, under which WorleyParsons claims that Petroecuador has an outstanding debt of U.S.$36.2 million in order to proceed with the liquidation and termination of the contract; (ii) the Project Management Consultancy (PMC) Support Service Agreement with the Mixed Economy Pacific Refinery Company for the Pacific Refinery project, under which WorleyParsons claims that there is an outstanding debt of U.S.$35.4 million; (iii) contracts for the audit of certain construction works in the Liquid Natural Gas Plant of Bajo Alto (El Oro), under which WorleyParsons claims an outstanding debt of U.S.$5.9 million; and (iv) LAB 2014187 Contract executed with PetroEcuador for the production of "Studies for the Project of Reengineering and Construction of a Drainage System for the Liquid Effluents of the Esmeraldas Refinery", under which WorleyParsons claims that there is an outstanding debt of U.S.$3.2 million. Ecuador considers that the six-month consultation period under the bilateral investment treaty between Ecuador and the United States of America began on March 19, 2018. On February 14, 2019, WorleyParsons notified the Republic it had initiated investment arbitration proceedings against the Republic under the Bilateral Investment Treaty between Ecuador and the United States based on the foregoing allegations. The amount of the claim is approximately U.S.$83 million. WorleyParsons further requested the arbitral tribunal to order the Republic to remove the claims issued by the Office of the Comptroller General against WorleyParsons (as described below), and to order the Republic's Internal Revenue Service to remove an alleged U.S.$115 million tax assessment against WorleyParsons. As of July 2020, the members of the tribunal had been designated and the parties were expecting to be notified with the initial procedural order from the tribunal.

Ecuador and WorleyParsons have had several meetings in which WorleyParsons has stated its position regarding the actions of the Office of the Comptroller General and the status of its contracts with Petroecuador and with the Mixed Economy Pacific Refinery Company. According to the information available at the Office of the Attorney General, the Office of the Comptroller General has performed several audits of the contracts executed with WorleyParsons where certain irregularities in the procurement processes and in the execution of such contracts by WorleyParsons were found. The Office of the Comptroller General has issued several claims (*Glosas de Determinación Civil Culposa*) against WorleyParsons, following those audits, for a total amount of approximately U.S.$120 million. The arbitral tribunal was formed on July 31, 2019. In November 2019, the parties filed their respective submissions to the tribunal, with Ecuador requesting bifurcation of the matter. On April 3, 2020, Ecuador filed its memorial on jurisdiction.

On June 2, 2020, WorleyParsons presented its answer to the memorial of objections to the jurisdiction and on July 12, 2020, Ecuador presented its reply to the answer provided by WorleyParsons. Then, on August 31, 2020, WorleyParsons presented its reply to the answer provided by Ecuador. On September 28, 2020, the parties notified the witnesses and experts to be cross-examined at the Preliminary Objections Hearing, which was held on November 9 and 10, 2020. The tribunal issued its decision on Bifurcation in a Partial Award on March 18, 2021.

Subsequently, in accordance with the approved procedural calendar, Ecuador submitted its Memorial on the Merits on September 7, 2021.

On June 25, 2022, the Republic of Ecuador submitted its Rejoinder and Reply in Jurisdiction Memorial. On October 12, 2022, WorleyParsons filed its Rejoinder on Jurisdiction Memorial.

The Hearing on the Merits of the case took place from December 8 to 16, 2022, in Miami, Florida. After this procedural step, the parties simultaneously submitted their post-hearing briefs on February 28,2023. The arbitral tribunal will issue its final award, probably during this year.

The arbitral tribunal for this arbitration decided in the first Procedural Order that the parties may disclose the existence of the arbitration and any allegations made during the procedure, unless it decides otherwise at the request of either party. This decision is still in force.

Junefield

On February 4, 2022, Junefield served upon the Republic of Ecuador a Request for Arbitration pursuant to Article 9(3) of the Agreement between the Government of the People's Republic of China and the Government of the Republic of Ecuador Concerning the Encouragement and Reciprocal Protection of Investments. According to the Claimant, Ecuador (i) expropriated Junefield´s investments; (ii) failed to accord fair and equitable treatment to the investments of Junefield; and, (iii) failed to afford protection to the investments of Junefield. The Claimant is seeking damages in an amount of not less than U.S.$160 million plus interest. Currently, the arbitral tribunal is being constituted by the parties and its co-arbitrators.

Petrolia

On November 24, 2022, Ecuador received a notice of dispute and initiation of direct negotiations from Petrolia Ecuador S.A, under the modified contracts for the provision of services for the exploration and exploitation of petroleum in Blocks 16 and 67 of the Ecuadorian Amazonic Region. The dispute concerns alleged contractual breaches by the Ecuadorian State. According to Petrolia S.A, the damages caused to it are estimated to be no less than U.S.$260,000,000.00, plus any accrued interest. If a negotiated solution is not reached, the company may initiate an international commercial arbitration.

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

Given Ecuador's dollarized economy, the balance of payments is important in determining money supply and the sustainability of the monetary system. A positive balance of payments strengthens the assets of the Central Bank and increases money supply while a negative balance of payments weakens the assets of the Central Bank and decreases support for the money supply. The balance of payment figures for the first and second quarters of 2022 presented in this Schedule reflect the resilience of the Ecuadorian economy with respect to the full impact of the economic crisis which resulted from the COVID-19 outbreak from 2020/2021 and the fluctuations in international oil prices and the impact of the war in Ukraine. Despite the war, Ecuador has redirected many of its non-oil exports to other countries. The Republic expects the balance of payments results for the second half of 2022 will differ substantially from the results of the first half due to an increase of the International Reserves as a result from loan disbursements signed by the Republic.

Following the IMF's recommendations to improve the quality and coverage of balance of payments, the Central Bank commenced the process of migrating from the fifth edition of the IMF's Balance of Payments and International Investment Position Manual to the sixth edition as the basis for the calculation methodology of Ecuador's balance of payments. In its Staff Report for the 2019 Article IV Consultation, the IMF observed that "*the authorities should strengthen compilation and dissemination and migrate to the sixth edition of the BPM6*". In March 2020, the Central Bank announced it had finalized the implementation of this new methodology involving changes such as joining the goods and services accounts, introducing the concept of primary and secondary income, conforming the financial account to general accounting principles, and others. Under this new methodology, the Central Bank no longer releases an analytical bulletin of the balance of payments, and therefore does not show whether the balance of payments over a given period resulted in surplus or deficit.

In 2020, the balance of payments registered a net positive result. The current account presented a surplus of 2.9% of GDP due to a strong recovery in comparison with 2019. The surplus was primarily due to the positive balance in the trade balance of goods (U.S.$3,499 million), secondary income account (U.S.$2,993 million) and the reduction of the primary income deficit. The capital account increased. The financial account also showed a surplus (4.9% of GDP) associated with the reduction in net liabilities incurred and the increase in reserve assets.

The surplus result in the current account is due to the positive trade balance of goods and services and is largely due to a more favorable goods account. The reduction in oil exports and the decrease in prices were partly offset by an increase in non-oil exports.

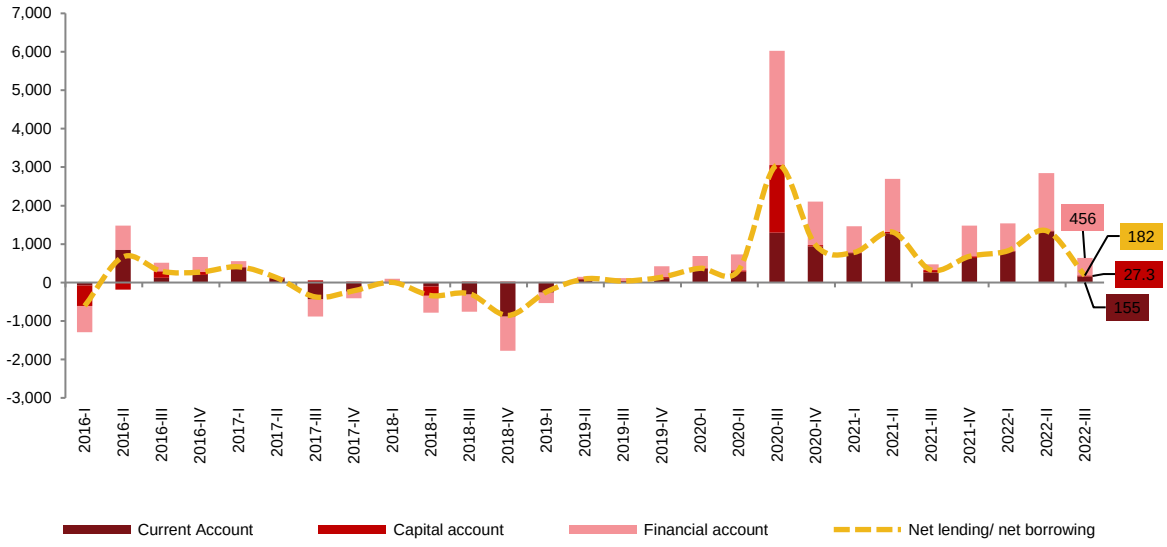
In 2021, the balance of payments was positive. The current account registered a surplus of U.S.$2,951 million, an increase of U.S.$79.7 million in the surplus compared to the U.S.$2,871 million surplus in 2020. This increase in the surplus was mainly due to a lower deficit in primary income and an increase in the secondary income surplus.

In respect of the improved performance of the goods account; the increase in oil exports due to the price increase offset the contraction in volume, the growth of non-oil exports did not offset the sustained recovery of non-oil imports.

For the nine months ended September 30, 2022, the current account of the balance of payments maintained the accumulated surplus equivalent to 2% of GDP. This result was due to the positive balance of goods (U.S.$2,646.5 million) and secondary income (U.S.$3,063.9 million). The Financial Account showed a positive balance of 2.3% of GDP, due to the reduction of debt securities, and an increase in commercial loans and advances, as well an increase in certain assets including debt securities and commercial credits and advances.

The primary income account recorded a deficit (U.S.$-1,266.7 million) due to the higher debt interest payments for holding bonds (portfolio investment), shares and other money market instruments. This increase was due to the payment of interest on international bonds. The secondary income account recorded a surplus of U.S.$3,063.9 million due to the greater flow of remittances received from Ecuadorians based in Europe and the United States.

Quarterly evolution of Balance of Payments
(*U.S.$ millions*)



Source: Data from Ministry of Economy and Finance, Investor Relations, Balance of Payments. Amounts in U.S.$ millions.

https://ire.finanzas.gob.ec/s/e/balanzapagos.php.

The following table sets forth information regarding the Republic's balance of payments for the periods indicated.

ANNUAL BALANCE OF PAYMENTS [1]

	For the year ended December 31,			For the six months ended June 30,		For the nine months ended September 30,	
	2019	**2020**	**2021**	**2021**	**2022**	**2021**	**2022**
			(in millions of U.S.$)				
Current Account	**-59.8**	**2,871.4**	**2,951.1**	**2,047.2**	**2,136.4**	**2,313.5**	**2,291.5**
Goods	**1,027.2**	**3,499.3**	**3,261.0**	**2,186.6**	**2,298.9**	**2.608.6**	**2,646.5**
Exports [2]	22,773.8	20,591.1	27,235.9	12,810.0	17,238.8	19,799.7	25,477.1
Petroleum and Derivatives	8,679.6	5,250.4	8,607.3	4,284.4	6,236.5	6,532.5	9,003.0
Non-petroleum	13,643.8	15,099.0	18,085.9	8,298.9	10,628.7	12,873.9	15,850.7
Non-registered Commerce and Other Exports	450.5	241.8	542.7	226.7	373.6	393.4	623.4
Imports	21,746.6	17,091.9	23,975.0	10,623.3	14,939.9	17,191.1	22,830.6
Services	**-797.3**	**-976.0**	**-2,503.3**	**-1,072.4**	**-1,418.0**	**-1,804.3**	**-2,152.2**
Exports	3,346.1	1,809.5	2,089.1	861.6	1,248.8	1,436.5	1,993.6
Transportation	616.3	663.4	622.6	306.3	324.6	460.2	478.9
Travel	2,281.9	702.1	1,058.0	352.2	709.5	675.2	1,173.9
Other	447.9	444.0	408.5	203.2	214.7	301.1	340.8
Imports	4,143.4	2,785.5	4,592.4	1,934.0	2,666.8	3,240.8	4,145.8
Transportation	1621,9	1116,7	2029,1	776.0	1,497.2	1,358.4	2,317.4
Travel	1,215.9	407.9	1,237.5	557.8	471.3	1,001.6	782.6
Other Investments	1,305.5	1,260.9	1,325.8	600.2	698.3	880.8	1,045.8
Primary Income	**-3,028.5**	**-2,644.8**	**-1,664.2**	**-820.0**	**-805.3**	**-1,262.1**	**-1,266.7**
Credit	195.0	85.9	88.8	43.2	131.8	64.1	206.3
Debit	3,223.52	2,730.78	1,753.05	863.2	937.1	1,3260.2	1473.0
Compensation of Employees	15.4	10.3	8.9	4.6	2.9	7.0	4.4
Direct Investment Income	392.3	364.2	299.3	154.2	194.2	227.9	277.3

ANNUAL BALANCE OF PAYMENTS [1]

	For the year ended December 31,			For the six months ended June 30,		For the nine months ended September 30,	
	2019	**2020**	**2021**	**2021**	**2022**	**2021**	**2022**
	(in millions of U.S.$)						
Portfolio investment Income	1,282.4	855.3	107.6	51.5	158.9	106.1	315.7
Other	1,533.4	1,500.9	1,337.3	652.9	581.0	985.1	875.6
Secondary Income	**2,738.7**	**2,992.9**	**3,857.6**	**1,753.0**	**2,060.7**	**2,771.3**	**3,063.9**
Credit	3,680.9	3,840.5	4,820.1	2,234.3	2,496.7	3,506.3	3,837.5
General Government	194.2	198.0	200.9	89.8	93.3	143.6	146.7
Other	3,486.7	3,642.6	4,619.2	2,144.5	2,403.4	3,362.7	3,690.7
Debit	942.2	847.6	962.5	481.3	436.0	735.0	773.6
General Government	98.6	141.3	30.9	13.6	4.7	23.8	65.0
Other	843.6	706.3	931.6	467.7	431.3	711.2	708.7
Capital Account	**83.6**	**1,847.3**	**151.2**	**47.5**	**35.5**	**107.8**	**62.8**
Credit	94.8	1,858.5	163.4	53.1	41.1	117.2	71.2
Debit	11.2	11.2	12.2	5.6	5.6	9.4	8.4
Financial Account	**147.2**	**4,831.1**	**3,017.8**	**2,068.0**	**2,218.3**	**2,215.6**	**2,674.3**
Acquisition of Financial assets, net	**6,149.9**	**4,729.9**	**3,097.2**	**1,087.4**	**2,450.6**	**1,696.6**	**2,756.5**
Direct Investment	0	0	0	0,0	0,0	0,0	0,0
Portfolio Investment	569.5	846.9	-306.8	-84.9	431.9	58.4	815.0
Other Investments	5,580.4	3,883.1	3,404.0	1,172.2	2,018.7	1,638.2	1,941.4
Liabilities, net	**6,718.1**	**4,045.1**	**1,027.1**	**-1,793.3**	**922.2**	**-1,113.3**	**727.9**
Direct Investment	979.0	1,094.7	647.6	387.4	809.7	543.0	861.0
Portfolio Investment	2,629.4	-456.9	-222.4	-132.0	-690.8	-173.9	-716.5
Other Investments	3,109.7	3,407.3	601.9	-2,048.8	803.4	-1,482.5	583.5
Reserve Assets	**715.3**	**4,146.3**	**947.7**	**-812.7**	**689.8**	**-594.3**	**645.7**
Errors and Omissions	**123.4**	**112.5**	**-84.5**	**-26.8**	**46.4**	**-205.7**	**320.0**

Source: Data based on figures from the Central Bank 2022 Quarterly Balance of Payments Bulletin for the first half of 2022. Balance of payments data is published by the Central Bank on an annual and quarterly basis. https://contenido.bce.fin.ec/documentos/Estadisticas/SectorExterno/BalanzaPagos/indice.htm.

(1) The Central Bank publishes balance of payments data on an annual and quarterly basis, not by semester.

*(2) Figures differ from "Exports-(FOB)" tables and "Real GDP by Expenditure" table due to the inclusion of non-registered commerce and "other exports" "**Non-registered commerce**" includes goods which are not registered by customs. Ecuadorian customs may not register commerce under various situations including, but not limited to, delays in the submission of export forms, false declarations, different statistical treatment in Ecuador with which Ecuador has engaged in trade, sales of contraband, and arms trade. "**Other exports**" includes exports of goods for processing, repair of goods, goods acquired in ports through various transportation means and non-monetary gold.*

QUARTERLY BALANCE OF PAYMENTS [1]

	December 2020	March 2021	June 2021	September 2021	December 2021	March 2022	June 2022	September 2022
	(in millions of U.S.$)							
Current Account	**938.7**	**764.9**	**1,282.3**	**266.2**	**637.6**	**809.2**	**1,327.2**	**155.1**
Goods	**899.5**	**886.4**	**1,300.2**	**422.0**	**652.4**	**1,043.1**	**1,255.9**	**347.6**
Exports[2]	5,626.8	5,954.2	6,855.8	6,989.7	7,436.2	8,231.1	9,007.8	8,238.3
Imports	4,727.3	5,067.8	5,555.6	6,567.8	6,783.9	7,188.0	7,751.9	7,890.7
Services	**-332.5**	**-514.8**	**-557.6**	**-731.9**	**-699.0**	**-774.8**	**-643.2**	**-734.2**
Exports	466.3	395.0	466.5	574.9	652.6	569.6	679.1	744.8
Transportation	176.0	137.4	168.8	154.0	162.4	155.4	169.2	154.3
Travel	179.3	153.6	198.6	323.0	382.8	311.7	397.8	464.4
Other	110.9	104.0	99.1	97.9	107.4	102.5	112.2	126.1
Imports	798.8	909.9	1,024.1	1,306.8	1,351.6	1,344.4	1,322.3	1,479.0
Transportation	291.8	351.7	424.4	582.3	670.7	763.2	734.0	820.2

QUARTERLY BALANCE OF PAYMENTS [1]

	December 2020	March 2021	June 2021	September 2021	December 2021	March 2022	June 2022	September 2022
				(in millions of U.S.$)				
Travel	128.9	225.4	332.4	443.9	235.9	218.7	252.6	311.3
Other	378.1	332.8	267.4	280.6	445.1	362.6	335.7	347.5
Primary Income ...	**-447.6**	**-407.3**	**-412.7**	**-442.1**	**-402.1**	**-478.3**	**-327.0**	**-461.4**
Credit	22.0	21.8	21.3	20.9	24.7	32.8	98.9	74.5
Debit	469.6	429.2	434.0	463.0	426.8	511.1	426.0	535.9
Compensation of Employees.	2.0	2.1	2.4	2.4	1.9	1.7	1.3	1.5
Direct Investment Income	118.9	67.4	86.8	73.7	71.3	75.9	118.3	83.1
Portfolio Investment Income	3.3	49.3	2.2	54.6	1.5	157.7	1.3	156.8
Other Investments ...	345.4	310.3	342.6	332.2	352.2	275.9	305.1	294.5
Secondary Income	**819.3**	**800.7**	**952.3**	**1,018.2**	**1,086.4**	**1,019.2**	**1,041.5**	**1,003.1**
Credit	1,112.2	1,030.5	1,203.9	1,271.9	1,313.9	1,215.0	1,281.7	1,340.7
General Government ...	54.9	42.4	47.5	53.8	57.3	44.5	48.8	53.4
Other	1,057.3	988.1	1,156.4	1,218.2	1,256.5	1,170.5	1,232.9	1,287.3
Debit	292.9	229.8	251.6	253.7	227.5	195.8	240.2	337.6
General Government ...	87.2	2.8	10.8	10.2	7.1	1.1	3.6	60.2
Other	205.7	227.0	240.7	243.5	220.4	194.7	236.6	277.4
Capital Account	**35.7**	**17.6**	**29.9**	**60.2**	**43.5**	**16.4**	**19.1**	**27.3**
Credit	38.5	20.4	32.7	64.0	46.3	19.2	21.9	30.1
Debit	2.8	2.8	2.8	3.8	2.8	2.8	2.8	2.8
Financial Account	**1,133.4**	**680.4**	**1,387.6**	**147.6**	**802.2**	**716.2**	**1,502.0**	**456.0**
Acquisition of Financial Assets, net.....	840.7	1,271.9	-184.5	609.2	1,400.6	592.3	1,858.3	305.8
Direct Investment								
Portfolio Investment	293.0	495.2	-580.1	143.2	-365.1	594.5	-162.6	383.1
Other Investments	547.7	776.7	395.6	4,66.0	1,765.7	-2.1	2,020.9	-77.3
Liabilities, net	3,483.9	-564.0	-1,229.3	680.0	2,140.4	1,069.3	-147.1	-194.3
Direct Investment	115.4	249.0	138.4	155.6	104.6	133.8	675.8	51.3
Portfolio Investment	19.0	-61.5	-70.5	-41.9	-48.5	94.3	-785.1	-25.7
Other Investments	3,349.5	-751.6	-1,297.2	566.3	2,084.3	841.2	-37.8	-219.9
Reserve Assets	3,776.6	-1,155.5	342.8	218.4	1,542.0	1,193.1	-503.3	-44.1
Errors and Omissions	**159.0**	**-102.2**	**75.4**	**-178.9**	**121.1**	**-109.4**	**155.8**	**273.6**

Source: Data based on figures from the Central Bank 2020 Quarterly Balance of Payments Bulletin for the first half of 2022. Balance of payments data is published by the Central Bank on an annual and quarterly basis. https://contenido.bce.fin.ec/documentos/Estadisticas/SectorExterno/BalanzaPagos/indice.htm.

(1) The Central Bank publishes balance of payments data on an annual and quarterly basis, not by semester.

*(2) Figures differ from "Exports-(FOB)" tables and "Real GDP by Expenditure" table due to the inclusion of non-registered commerce and "other exports" "**Non-registered commerce**" includes goods, which for some reason are not registered by customs. Ecuadorian customs may not register commerce under various situations including, but not limited to, delays in the submission of export forms, false declarations, different statistical treatment in Ecuador with which Ecuador has engaged in trade, sales of contraband, and arms trade. "**Other exports**" includes exports of goods for processing, repair of goods, goods acquired in ports through various transportation means and non-monetary gold.*

Current Account

In 2020, the current account registered a surplus of U.S.$2,87 million an increase of U.S.$2,931.2 million compared to the U.S.$60 million deficit in 2019. This increase in the surplus was mainly due to the increase in the balance of goods. In 2021, the current account registered a surplus of U.S.$2,951 million, an increase of U.S.$79.7 million in the surplus compared to the U.S.$2,871 million surplus in 2020. This increase in the surplus was mainly due to a lower deficit in primary income and an increase in secondary income surplus.

As of September 2022, the current account registered a surplus of U.S.$2,291 million, compared to a surplus of U.S.$2,313 for the same period in 2021. The surplus as of September 2022 was as a result of the increase in the balance of goods and secondary income (mainly remittances from workers abroad) in the United States and Europe.

In 2021, according to the Central Bank's balance of payments statistical bulletin, imports totaled U.S.$23,831 million compared to U.S.$16,948 million in 2020. This increase in the level of imports was primarily due to the recovery of economic activity after the COVID-19 pandemic which reflected a growth in fuels, lubricants, and raw materials. In 2022, according to the Central Bank's balance of payments statistical bulletin, imports totaled U.S.$30,334 million compared to U.S.$23,831 million in 2021. This increase in the level of imports was primarily due to fuels, raw materials, and lubricants imports.

The trade balance from January to November 2022 resulted in a surplus of U.S.$2,128 million, as compared to the U.S.$425 million surplus in the same period of 2021. This increase in the surplus was mainly due to the increase in exports. The trade balance between January and November 2021 resulted in a surplus of U.S.$3,112 million, compared to the surplus of U.S.$2,128 million in the same period of 2022. The trade balance for the second quarter of 2022 resulted in a surplus of U.S.$933 million, as compared to the U.S.$826 million surplus for the first quarter of 2021. This increase in the surplus was mainly due to an increase in exports. The trade balance for the second quarter of 2022 resulted in a surplus of U.S.$1,068 million, compared to the surplus of U.S.$1,205 million for the second quarter of 2021. This decrease in the surplus was mainly due to the increase in imports. By product group, there was an increase in the volume of transport equipment, industrial capital goods, consumer durables and construction materials equipment, industrial capital goods, consumer durables and construction materials. On the other hand, higher unit values in fuels and lubricants and raw materials for agriculture and construction materials. The trade balance for the third quarter of 2022 resulted in a surplus of U.S.$130 million, compared to the surplus of U.S.$295 million in the third quarter of 2021. This decrease in the surplus was mainly due to the decrease in exports.

The services balance for the first quarter of 2022 resulted in a deficit of U.S.$775 million, an increase in the deficit compared to the U.S.$515 million deficit for the same period in 2021. This increase in the deficit was mainly due to increased in imports of transport services. Exports increased from U.S.$395 million to U.S.$570 million while imports increased from U.S.$910 million to U.S.$1,344 million. These results are largely due to the increase in imports of transport services. The services balance for the second quarter of 2022 resulted in a deficit of U.S.$643 million, an increase in the deficit compared to the U.S.$558 million deficit for the same period in 2021. This increase in the deficit was mainly due to the increase in imports of transport services. Exports increased from U.S.$467 million to U.S.$679 million while imports increased from U.S.$1,024 million to U.S.$1,322 million. These results are largely due to the increase in imports of transport services.

The primary income balance for the first quarter of 2022 resulted in a deficit of U.S.$478 million, an increase compared to the U.S.$407 million deficit for the same period in 2021. This increase was mainly due to a decrease investment income from Ecuador's investment portfolio as prevailing interest rates increased, decreasing the value of the fixed income portfolio. The primary income result for the second quarter of 2022 resulted in a deficit of U.S.$327 million, a decrease compared to a deficit of U.S.$413 million for the same period in 2021. This decrease in the deficit was mainly due to a decrease in investment income from Ecuador's investment portfolio as prevailing interest rates increased, decreasing the value of the fixed income portfolio from U.S.$2,346 million to U.S.$1,469 million. The primary income balance in 2021 resulted in a deficit of U.S.$1,262 million, a slight increase compared to U.S.$1,267 million deficit in 2022.

The primary income balance in the third quarter of 2022 resulted in a deficit of U.S.$1,267 million, a decrease in the deficit compared to the U.S.$2,206 million deficit in 2019.

The services balance for the third quarter of 2022 resulted in a deficit of U.S.$2,152 million an increase in the deficit compared to the U.S.$537 million deficit in the same period in 2019. In 2020, the deficit reached 7.8% of GDP; in 2021 the deficit was reduced to 4%. This increase was mainly due to the increase in imports of transport services. The balance of services for 2021 resulted in a deficit of U.S.$1,804 million, an increase in the deficit compared to U.S.$2,152 million deficits in 2022. This increase was mainly due to increased imports of transport services. Exports increased from U.S.$1,436 million to U.S.$1,994 million while imports increased from U.S.$3,241 million to U.S.$4,146 million. The increase of service imports is in large part due to transportation services.

Remittances, which are primarily denominated in U.S dollars and Euros, are an important source of net transfers to Ecuador's current account. In 2020, remittances totaled U.S.$3,338 million, an increase compared to the U.S.$3,235 million in 2019. This increase in remittances was due to an increase in remittances from the United States. In 2021, remittances totaled U.S.$4,362 million, an increase compared to the U.S.$3,338 million in 2020. This increase in remittances was primarily due to the increase of shipments from the United States, as well as the granting of unemployment insurance to support workers during the pandemic which allowed Ecuadorian workers residing in the United States to continue sending remittances. For the first quarter of 2022, remittances totaled U.S.$1,104 million, an increase compared to the U.S.$921 million for the same period in 2021. This increase in remittances was due to the economic recovery of the main economies of the world, especially the United States, as well as Spain and Italy. For the second quarter of 2022, remittances totaled U.S.$1,160 million, an increase compared to the U.S.$1,088 million for the same period in 2021. This increase in remittances was due to the economic recovery of the key global economics particularly, the United States. For the third quarter of 2022, remittances totaled U.S.$1,221 million, an increase compared to U.S.$1,144 million in the same period of 2021. These increase in remittances continues to be supported by the economic recovery of the key global economies post-pandemic.

Capital and Financial Accounts

The capital and financial account measures valuations in Ecuador's assets and liabilities against those of the rest of the world (other than valuations from exceptional financings). In 2020, the balance of the capital and financial accounts registered a surplus of U.S.$6,678 million compared to the U.S.$231 million surplus in 2019. This increase in the surplus in the balance of the capital and financial accounts in 2020 was primarily due to the restructuring of Ecuador's international sovereign bonds. Other investment assets decreased from U.S.$5,580 million to U.S.$3,883 million and the liabilities related to the portfolio investments decreased from U.S.$2,629 million to U.S.$-457 million. Furthermore, intentional reserve assets at year-end 2019 were U.S.$715 million and in 2020 were U.S.$4,146 million.

In 2021, the balance of the capital and financial accounts registered a surplus of U.S.$3,169 million compared to the surplus of U.S.$6,678 million for 2020. This decrease in the surplus was mainly due to the decrease in portfolio investment from the net acquisition of financial assets and from other investment from net incurred liabilities. Other investment assets decreased from U.S.$3,883 million in 2020 to U.S.$3,404 million in 2021 and other investment liabilities decreased from U.S.$3,407 million in 2020 to U.S.$602 million in 2021. In addition, reserve assets decreased from U.S.$4,146 million in 2020 to U.S.$948 million in 2021.

As of September 2022, the capital and financial accounts registered a positive balance of U.S.$2,737 million, compared to the U.S.$2,323 million surplus for the same period in 2021. This increase in the surplus was primarily due to increases in net acquisition of financial assets, debt securities (i.e., portfolio investment) and commercial credits and advances (i.e., other investment).

International Reserves increased during the first three quarters of 2021 by U.S.$370 million and increased during the first three quarters of 2022 by U.S.$646 million principally due to financing received from international organizations.

As of December 31, 2022, Ecuador's International Reserves totaled U.S.$8,459 million, an increase from December 31, 2021 when International Reserves totaled U.S.$7,898 million. This increase in International Reserves was principally due to the financing received from international organizations, as well as the positive balance between oil exports and derivatives imports.

In 2020, foreign direct investment totaled U.S.$1,095 million, an increase compared to the U.S.$979 million in 2019. This increase was principally due to investment in mining, construction, and services provided to

companies. Only two of the nine sectors analyzed by the Central Bank registered a better performance between January and September 2021 and the same period of 2020 and 2019: Manufacturing industry, whose foreign direct investment increased by U.S.$102 million in the first nine months of 2020 and 2021. Transportation, storage and communications, whose foreign direct investment increased by U.S.$464 million in the first nine months of 2020 and the same period of 2021.

In 2021, foreign direct investment totaled U.S.$648 million, a decrease compared to the foreign direct investment of U.S.$1,095 million in 2020. This decrease was principally due to a reduction in most industries, other than manufacturing and transport, storage and communications.

For the first quarter of 2022, foreign direct investment totaled U.S.$134 million, a decrease compared to the foreign direct investment of U.S.$249 million for the same period in 2021. This decrease was principally due to a reduction in most economic activity, other than agriculture, forestry, hunting and fishing, commerce and electricity, gas and water.

For the second quarter of 2022, foreign direct investment totaled U.S.$676 million, an increase compared to the foreign direct investment of U.S.$138 million for the same period in 2021. This increase was principally related to the payment of a debt that a national company subsidiary entity had with its parent company which is resident abroad, which was made through a transfer of shares. However, this increase does not imply an effective flow of foreign exchange, but a transfer of fiduciary rights, as such, foreign direct investment, as it relates to shares and equity, recorded an increase. Likewise, when foreign direct investment is disaggregated by branch of economic activity, this same transaction was recorded in "Services provided to companies" (which includes financial and insurance activities). See "*Summary Information and Recent Developments Regarding Ecuador — Balance of Payments and Foreign Trade"*.

In 2022, the net value of foreign transfers made by households and companies stood at U.S.$-1,289 million.

For the first three quarters of 2022, foreign direct investment totaled U.S.$51 million, a decrease compared to the foreign direct investment of U.S.$156 million for the same period in 2021. This decrease was principally due to a decrease across industries with the exception of commerce and electricity, gas and water.

International Reserves

According to Article 137 of the Organic Monetary and Financial Code (as amended by the Organic Law Reforming the Organic Monetary and Financial Code for the Defense of Dollarization), Ecuador's International Reserves are defined as the total foreign currency assets and financial instruments held by the Central Bank against non-residents, denominated in currencies that are considered convertible, liquid and freely available. The International Reserves are comprised of the following assets:

1. gold held by the Central Bank;
2. banknotes and coins denominated in freely convertible currencies at the Central Bank;
3. net short-term deposits in financial institutions and international financial organizations;
4. liquid, negotiable debt securities denominated in freely convertible currencies and issued by, or endorsed by, foreign governments, central banks, or international financial organizations;
5. collection rights to international financial organizations;
6. SDRs maintained by the Republic in the International Monetary Fund accounts;
7. the Republic's reserve position in the International Monetary Fund; and
8. any other negotiable financial asset abroad as determined by the Monetary Policy and Regulation Board.

INTERNATIONAL RESERVES

	As of December 31,				As of June 30,	
	2019	**2020**	**2021**	**2022**	**2021**	**2022**
		(in million U.S.$)				
International Reserves	3,397	7,196	7,898	8,459	6,049	8,585

As of December 31, 2020, Ecuador's International Reserves totaled U.S.$7,196 million, an increase from December 31, 2019 when International Reserves totaled U.S.$3,397 million. This increase in International Reserves was mainly due to the financing received from international organizations, including the IMF loan under the Extended Fund Facility approved in September 2020, see further "*Public Debt—IMF's Extended Fund Facility and Rapid Financing Instrument*".

As of December 31, 2021, Ecuador's International Reserves totaled U.S.$7,898 million, an increase from December 31, 2020 when International Reserves totaled U.S.$7,196 million. The increase in International Reserves was mainly due to the financing received from international organizations, including the World Bank and CAF, lower net outflows from private sector and higher oil exports.

As of December 31, 2022, Ecuador's International Reserves totaled U.S.$8,459 million, an increase from December 31, 2021 when International Reserves totaled U.S.$7,898 million. This increase in International Reserves was principally due to the financing received from international organizations, as well as the positive balance between oil export and oil derivates imports and a recommendation by the IMF to increase International Reserves.

Foreign Trade

Merchandise and Services Trade

Ecuador has historically been an exporter of primary goods, and an importer of raw materials, capital, and intermediate goods, as well as manufactured products. The Republic's main exports are relatively limited in terms of sectors and export markets. Traditionally, the United States, the European Union and the Andean community have been the destinations for the majority of Ecuador's exports. Ecuador continues to seek to expand the types of goods it exports as well as its trading partners through engaging with, and obtaining funding from development banks and other strategic initiatives. Since 1972, petroleum and petroleum derivatives have comprised the majority of Ecuadorian export products. According to exports (FOB) data, in 2017, 2018 and 2019, exports of petroleum and petroleum derivatives accounted for approximately 38.6% of total exports, respectively.

Between 2019 and 2021, non-petroleum exports, which include, among others, flowers, vehicles, manufactured textile products and seafood, increased by 15.7% in 2019, decreased by 2.9% in 2020 and increased by 32.7% in 2021. According to exports (FOB) data, overall exports have increased in the last three years prior pandemic from U.S.$19,092 million in 2017 to U.S.$21,628 million in 2018, and U.S.$22,329 million in 2019. From 2020 to 2022, total exports decreased to U.S.$20,355 million.

In 2020, overall exports amounted to U.S.$20,355 million, a decrease of 9% compared to U.S.$22,329 million for the same period in 2019. This decrease was mainly due to the decrease of oil supplies as a result of the global COVID-19 pandemic. Crude oil export volumes decreased by 3.6% in 2020 compared to 2019, the oil price dropped by 25.6% and the oil derivatives price decreased by 5.8%.

In 2022, total exports of goods amounted U.S.$32,658 million, an increase of 22.3% compared to U.S.$26, 700 million in 2021. From January 2022 to November 2022, exports totaled U.S.$30,052 million, an increase of 22.2% compared to U.S.$24,597 million for the same period in 2021. This increase was primarily due to the growth of oil exports and non-oil exports of shrimp and mining.

The following table shows the overall balance of trade for the periods indicated:

OVERALL BALANCE OF TRADE[1]

	Exports	Imports	Balance
	(in millions of U.S.$)		
Year ended December 31, 2019	22,329.38	- 21,507.16	822.22
Year ended December 31, 2020	20,355.36	- 16,947.87	3,407.49
Year ended December 31, 2021	26,699.20	- 23,831.02	2,868.18
Period ended June 30, 2021.....…...	12,586.23	- 10,555.18	2,031.05
Period ended June 30, 2022	16,868.24	- 14,867.39	2,000.85
Period ended November 30, 2021 ……	24,596.73	- 21,485.16	3,111.57
Period ended November 30, 2022 ……	30,051.95	- 27,923.47	2,128.49

Source: Data from the Ministry of Economy and Finance, Investor Relations, Trade Balance/Exports. https://ire.finanzas.gob.ec/s/e/oil_nonoil_exports.php.

(1) Data for exports and imports reflect Balance of Payments figures.

OVERALL BALANCE OF TRADE(1)

	Exports	Imports	Balance
	(in millions of U.S.$)		
First Quarter of 2021	5,861.32	5,035.14	826.17
Second Quarter of 2021	6,724.91	5,520.03	1,204.88
Third Quarter of 2021	6,824.59	6,529.63	294.96
Fourth Quarter of 2021	7,288.38	6,746.21	542.17
First Quarter of 2022	8,085.14	7,152.51	932.63
Second Quarter of 2022	8,783.10	7,714.88	1,068.22
Third Quarter of 2022.....	7,989.97	7,860.44	129.53

Source: Data from the Ministry of Economy and Finance, Investor Relations, Trade Balance/Exports. https://ire.finanzas.gob.ec/s/e/oil_nonoil_exports.php.

(1) Data for exports and imports reflect Balance of Payments figures.

Trade Policy

Ecuador's trade policy has focused on protecting dollarization, avoiding a decrease in the money supply, integrating into the international economy, as well as increasing the access of Ecuadorian goods and services to new markets and, until recently, reducing non-tariff barriers to trade.

Until the late 1980s, Ecuador used tariff barriers to protect its domestic industry against foreign competition. Import duties ranged from zero to 290%, with up to fourteen different rates. The Republic is a member of the World Trade Organization ("**WTO**") since January 21, 1996.

In the early 1990s, the Government began to significantly liberalize its foreign trade policy. As a result of those reforms, the tariff structure was simplified and currently consists of a seven-tiered structure (0%, 3%, 5%, 10%, 15%, 20% and 35%), with levels of 5% for most raw materials and capital goods, 10% or 15% for intermediate goods, and 20% for most consumer goods. A small number of products, including planting seeds, are subject to a tariff rate of zero, while the 35% tariff is exclusively applied to the automobile industry. Average tariff levels were reduced from 29% in 1989 to 6% in 2004.

In 2007, Ecuador introduced the Currency Outflow Tax, an exit tax of 0.5% on any currency leaving Ecuador, which was subject to a number of exemptions. Since December 2007, Ecuador has progressively increased the Currency Outflow Tax as a measure to support a positive balance of trade. The tax acts as a devaluation of the U.S. dollar in Ecuador, thereby making imports more expensive and fostering local production. In December 2007, Ecuador increased the Currency Outflow Tax to 1% and eliminated the applicable exemptions. In December 2009, the Currency Outflow Tax increased from 1% to 2% and included an exemption for the first U.S.$500 per transaction. In November 2011, the Currency Outflow Tax increased from 2% to 5% and included an exemption for the first U.S.$1,000 in a 15-day period as long as no debit or credit card is used in the transaction. Payments of external public debt and dividends paid to foreign shareholders are also exempt from this tax. In 2016, the exemption was raised to U.S.$1,098 and U.S.$5,000 if a debit card or credit card is used.

In January 2009, the Republic, through the *Consejo de Comercio Exterior e Inversiones* ("**Foreign Commerce and Investment Council**") (now the Committee on Foreign Trade), imposed tariffs of general applicability on some consumer goods imports, including products imported from countries with which Ecuador has commercial treaties honoring preferential status. Ecuador enforced these tariffs for one year, in order to restore its trade balance.

On December 12, 2014, representatives from Ecuador's Ministry of Foreign Commerce signed a trade agreement with the European Union for Ecuador's accession to the Multiparty Trade Agreement entered between the European Union and Colombia and Peru on June 26, 2012. The agreement is intended to provide expanded access to the European market for Ecuadorian exports and lower tariff duties on European imports into the Ecuadorian market. As part of the agreement reached in 2014, Ecuador was allowed to

benefit from the European Union's Generalized Scheme of Preferences Plus program until 2016 or until the trade agreement was in place. This benefit allowed Ecuador to not pay tariffs on exports of Ecuadorian products into the European Union.

On November 11, 2016, Ecuador signed the accession agreement to the Multiparty Trade Agreement with the European Council. The trade agreement required the approval of each of the National Assembly, the European Parliament, and the legislatures of the 28 European Union member countries in order to be effective. In January 2017, both the European Union and Ecuador implemented the trade agreement on a provisional basis pursuant to Article 3 of the European Council's decision (EU) 2016/2039 with the exception of Articles 2, 202(1), 291 and 292 of the trade agreement. The agreement allows Ecuadorian products (including fishing products, bananas, flowers, coffee, cocoa, fruits, and nuts) to have greater access to the European market. Through an evaluation of the trade agreement by the EU in 2020, Ecuador was identified as the country that had experienced the greatest economic impact since the trade agreement with the EU entered into force in 2017, ahead of Colombia and Peru - countries that also share the same free trade agreement.

On November 13, 2017, the *Servicio Nacional de Aduana del Ecuador* (the National Customs Service of Ecuador, "**SENAE**") imposed a custom control service tariff of ten cents of a dollar per imported unit (with certain exceptions) in order to fight against smuggling and fraud. On June 7, 2018, the SENAE eliminated the custom control service tariff following the instructions of the General Secretariat of the Community of Andean Nations.

On May 15, 2019, Ecuador, together with Peru and Colombia, signed a trade agreement with the United Kingdom to preserve their mutual trade commitments should the United Kingdom exit the European Union. With this trade agreement, the Republic and the United Kingdom intended to replicate trade commitments under the Multiparty Trade Agreement with the European Union. This agreement did not enter into force while the Multiparty Trade Agreement continues to apply to the United Kingdom.

On July 27, 2020, the executive power issued executive decree No. 1110 ("**Decree 1110**"), by which Ecuador ratified the Trade Agreement with the United Kingdom of Great Britain and Northern Ireland. There have also been other measures taken to increase local production, including the creation of the Ministry of Production, Foreign Trade, Investments and Fisheries and the enactment of the Production Code, see "*The Ecuadorian Economy—Economic and Social Policies—Tax Reforms*".

In September 2020, the Foreign Trade Committee temporarily extended customs tax payments for commercial activities that promote the productive development of Ecuador. In addition, the Foreign Trade Committee reduced the national tax for the promotion of agriculture, aquaculture and weighing.

In September 2021, the Foreign Trade Committee approved a reduction of the customs tax for raw materials and capital goods to promote production and competitive improvement.

In order to alleviate the effects of the COVID-19 crisis on the population and on Ecuador's healthcare system and the resulting economic situation, the Government, among other measures, temporarily reduced import duties to 0% for certain medical supplies and equipment, and temporarily increased other import duties to boost revenue.

Regional Integration

Ecuador's trade integration policy consists of entering new markets strategically, promoting the growth of non-traditional exports, and encouraging investment. Ecuador has intensified its efforts to strengthen trade arrangements with its primary partners, including:

- removing regional trade restrictions as a member of ALADI (a regional external trade association comprised of Ecuador, Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela);

- reducing or eliminating tariff barriers to trade, as a member of the Andean community, except with respect to measures taken to increase the Republic's balance of payments in 2009 as a result of the global recession;

- entering into bilateral trade agreements with Colombia, Venezuela and Bolivia that are aimed at levying uniform tariffs on goods from third parties;

- entering into a bilateral trade agreement with Chile in 1994, which was expanded in 2008;
- negotiating a bilateral association agreement with Paraguay;
- Maintaining preferential access to the European Union through preferential trade status;
- entering into the *Sistema Unitario de Compensación Regional* ("**Regional Payment Compensation Unitary System**" or "**SUCRE**"), with the governments of Bolivia, Ecuador, Cuba, Honduras, Nicaragua and Venezuela in 2009, which sets forth an account unit and function as a means of payment, intended to be used by national banks and to eliminate the use of currency for international trade transactions;
- signing a trade agreement with the European Union in July 2014 that expands access to the European market for Ecuadorian exports and lowers tariff duties on European imports into the Ecuadorian market;
- entering into a trade agreement with the United Kingdom in January 2021 to preserve their mutual trade commitments as a result of Brexit;
- in July 2018, Ecuador requested to be considered as an Associate State of the Pacific Alliance. During the XXI Summit of the Pacific Alliance, the members approved that Ecuador could start the joint process to allow Ecuador to join the Alliance as an Associated State. Ecuador has begun bilateral negotiations with Chile and Mexico. Negotiations with Chile ended in February 2020; the terms of the agreement are still being negotiated with Mexico. Once Ecuador has finalized the negotiation with Mexico, Ecuador will continue its process to join the Pacific Alliance as a State Party; and
- the Republic restarted foreign trade agreement negotiations with South Korea in March 2022 after a 6-year pause. As of April 2023, the documents prepared as a result of such negotiations are currently under legal review by the Republic. In 2022 the Republic also concluded foreign trade agreement negotiations with China. As of April 2023, the documents prepared as a result of such negotiations are currently under legal review by the Republic.

Composition of Trade

According to the Central Bank's balance of payments statistical bulletin, in 2020, exports amounted to U.S.$20,355 million a decrease of 8% compared to U.S.$22,329 million in 2019. This decrease was primarily due to decrease in oil export demand as a result of the COVID-19 pandemic.

In 2021, according to the Central Bank's balance of payments statistical bulletin, exports amounted to U.S.$26,700 million an increase of 32.3% compared to U.S.$20,355 million in 2020. This increase was primarily due to the recovery of the oil market and the growth of oil and non-oil exports such as shrimp and mining. In 2022, according to the Central Bank's balance of payments statistical bulletin, total exports of goods amounted U.S.$32,658 million, an increase of 22.3% compared to U.S.$26,700 million in 2021.

According to the Central Bank's balance of payments statistical bulletin, in 2020 imports totaled to U.S.$16,948 million.

In 2021, according to the Central Bank's balance of payment statistical bulletin, imports totaled U.S.$23,831 million compared to U.S.$16,948 million in 2020. This increase in imports was primarily due to the recovery of economic activity after the COVID-19 pandemic which reflect a growth in fuels, lubricants and raw materials. According to the Central Bank's monthly statistical bulletin, in 2022, imports totaled U.S.$30,334 million compared to U.S.$23,831 million in 2021. This increase in the level of imports was primarily due to fuels, raw materials and lubricants imports.

The following table sets forth information regarding exports for the periods indicated:

EXPORTS – (FOB) [1]

	For the year ended December 31,						For the six months ended June 30,					
	2019		2020		2021		2020		2021		2022	
	(in millions of U.S.$ and as a % of total exports)											
Crude oil ……...	7,731	34.6	4,685	23.0	7,278	27.3	2,052	21.3	3,746	29.8	5,336	31.6

EXPORTS – (FOB) [1]

	For the year ended December 31,						For the six months ended June 30,					
	2019		2020		2021		2020		2021		2022	
	(in millions of U.S.$ and as a % of total exports)											
Bananas and plantains	3,295	14.8	3,669	18.0	3,485	13.1	2,003	20.8	1,804	14.3	1,701	10.1
Petroleum derivatives	948.4	4.2	566	2.8	1,329	5.0	215	2.2	539	4.3	900	5.3
Shrimp	3,891	17.4	3,824	18.8	5,323	19.9	1,974	20.5	2,222	17.7	3,791	22.5
Cacao	656,7	2.9	816	4.0	817	3.1	311,529.2	3.2	312	2.5	337	2.0
Coffee	7,876	0.0	9.0	0.0	15	0.1	1,6031.8	0.0	3	0.0	8	0.0
Tuna and other fish	309.3	1.4	315	1.5	367	1.4	171,604.2	1.8	188	1.5	220	1.3
Flowers	879.8	3.9	827	4.1	927	3.5	464,327.9	4.8	491	3.9	509	3.0
Metal manufacturing [2]...	437.3	2.0	387	1.9	532	2.0	153,933.7	1.6	261	2.1	266	1.6
Other products [3] ..	4,173	18.7	5,259	25.8	6,624	24.8	2,295	23.8	3,021	24.0	3,799	22.5
Total	**22,329**	**100.0**	**20,355**	**100.0**	**26,699**	**100.0**	**9,643**	**100**	**12,586**	**100.0**	**16,868**	**100.0**

Source: Data based on figures from the Central Bank June 2022 Monthly Bulletin (Table 3.1.1). https://contenido.bce.fin.ec/home1/estadisticas/bolmensual/IEMensual.html

(1) Figures do not include "non-registered commerce" and "other exports" and therefore differ from export figures in "Balance of Payments" and "Real GDP by Expenditure" tables. See footnote 1 of "Balance of Payment" table.
(2) Includes vehicles and their components.
(3) "Other products" consist of non-traditional primary and manufactured products, including abaca, wood, other primary products, processed coffee, processed cacao products, fish flour, other canned seafood, chemicals and pharmaceutical products, hats, textile manufactured products and other industrialized products.

The following table sets forth information regarding imports for the periods indicated:

IMPORTS – (CIF)

	For the six months ended June 30,							
	2019		2020		2021		2022	
	(in millions of U.S.$ and as a % of total imports)							
Consumer Goods	**2,497.3**	**21.8**	**1,955**	**22.5**	**2,445**	**21.7**	**3,028**	**18.7**
Non-durable Goods	1,368.6	12.0	1,292	14.9	1,388	12.3	1,632	10.1
Durable Goods	1,047.1	9.2	594	6.8	940	8.3	1,223	7.5
Postal Traffic	81.5	0.7	68	0.8	116	1.0	174	1.1
Fuel and Combustibles	**2,241.3**	**19.6**	**1,344**	**15.5**	**1,993**	**17.7**	**3,871**	**23.8**
Primary Materials	**3,769.5**	**33.0**	**3,336**	**38.4**	**4,307**	**38.2**	**6,161**	**37.9**
Agriculture	712.0	6.2	719	8.3	885	7.9	1,336	8.2
Industrial	2,723.7	23.8	2,396	27.6	3,174	28.2	4,423	27.2
Construction Materials	333.8	2.9	221	2.5	248	2.2	403	2.5
Capital Goods	**2,883.3**	**25.2**	**1,998**	**23.0**	**2,471**	**21.9**	**3,096**	**19.1**
Agriculture	61.7	0.5	47	0.5	79	0.7	86	0.5
Industrial	1,891.1	16.5	1,484	17.1	1,727	15.3	2,098	12.9
Transportation Equipment ...	930.4	8.1	467	5.4	666	5.9	913	5.6
Other	**47.9**	**0.4**	**53**	**0.6**	**52**	**0.5**	**79**	**0.5**
Total	**1,1439.1**	**100.0**	**8,686**	**100.0**	**1,126.8**	**100.0**	**16,236**	**100.0**

Source: Data based on figures from the Ecuador Central Bank, June 2022 Monthly Bulletin (Table 3.1.7) https://www.bce.fin.ec/en/economic-information https://contenido.bce.fin.ec/home1/estadisticas/bolmensual/IEMensual.html

Ecuador's largest trading partners are the United States, the European Union, Panama, China, Chile, Peru and Colombia. The following table sets forth information regarding Ecuador of destination of the Republic's exports:

EXPORTS - (FOB) BY DESTINATION COUNTRY [1]

	For the year ended December 31,						For the six months ended June 30,				For the eleven months ended November 30,	
	2019		2020		2021		2020		2021		2022	
	(in millions of U.S.$, and as a % of total exports)											
Americas												
United States [2]	6,733	30.2	4,786	23.51	6,403	23.98	3,011	23.92	4,538	26.91	8,356	27.81
Peru	952	4.3	419	2.06	619	2.32	290	2.31	476	2.82	901	3.00

Colombia ……...	855	3.8	790	3.88	852	3.19	347	2.75	455	2.70	890	2.96
Chile ……...	1,485	6.7	809	3.97	1,120	4.20	528	4.19	665	3.94	1,129	3.76
Panama ……...	1,919	8.6	2,431	11.94	3,970	14.87	2,079	16.51	2,422	14.36	4,201	13.98
Other (Americas) [3] ...	1,202	5.4	924	4.54	1,171	4.39	553	4.39	742	4.40	1,391	4.63
Total Americas ……	**13,145**	**59**	**10,159**	**50**	**14,135**	**53**	**6,807**	**54**	**9,299**	**55**	**16,868**	**56**
Europe ……...												
European Union (EU)	3,108	13.9	3,530	17.34	4,056	15.19	1,058	8.40	1,061	6.29	3,730	12.41
Italy ……	472	2.1	513	2.52	550	2.06	274	2.17	320	1.90	510	1.70
United Kingdom ……	166	0.7	229	1.13	-[7]	-[7]	-[7]	-[7]	-[7]	-[7]	-[7]	-[7]
Germany ……	332	1.5	399	1.96	364	1.36	198	1.58	156	0.93	286	0.95
Spain ……...	639	2.9	535	2.63	732	2.74	306	2.43	431	2.56	817	2.72
Other (EU) [4] …….	1,499	6.7	1,854	9.11	2,123	7.95	1,058	8.40	1,061	6.29	1,886	6.28
United Kingdom ……	-	-		-	288	1.08	150	1.19	127	0.75	230	0.77
Rest of Europe[5] ……	1,035	4.6	1,237	6.07	1,484	5.56	744	5.91	668	3.96	1,216	4.05
Total Europe ……...	**4,143**	**19**	**4,767**	**23**	**5,540**	**21**	**2,730**	**22**	**2.763**	**16**	**4.946**	**16**
Asia ……...												
Taiwan ……...	13	0.1	17	0.08	145	0.54	66	0.52	42	0.25	80	0.27
Japan ……...	350	1.6	340	1.67	260	0.98	149	1.18	213	1.26	389	1.29
China ……	2,897	13.0	3,322	16.32	4,075	15.26	1,625	12.91	3,044	18.05	5,376	17.89
South Korea ……...	156	0.7	85	0.42	206	0.77	56	0.45	160	0.95	188	0.63
Other countries [6] …..	1,418	6.3	1,368	6.72	1,896	7.10	891	7.08	1,186	7.03	1,914	6.37
Total Asia ……..……..	**4,834**	**21.6**	**5,131**	**25.21**	**6,583**	**24.65**	**2,786**	**22.14**	**4,644**	**27.54**	**7,947**	**26.45**
Africa ……...	**153**	**0.7**	**223**	**1.09**	**349**	**1.31**	**150**	**1.19**	**101**	**0.60**	**179**	**0.60**
Oceania ……...	**52**	**0.2**	**48**	**0.23**	**53**	**0.20**	**25**	**0.20**	**24**	**0.14**	**44**	**0.15**
Other countries ……	**4**	**0.0**	**28**	**0.14**	**40**	**0.15**	**1**	**0.01**	**3**	**0.02**	**65**	**0.22**
Total ……...	**22,329**	**100.0**	**20,355**	**100.00**	**26,699**	**100.00**	**12,586**	**100.00**	**16,865**	**100.00**	**30,049**	**100.00**

Source: Based on figures from the Central Bank November 2022 Monthly Bulletin (Table 3.1.5) https://www.bce.fin.ec/en/economic-information

[1] Total export figures differ with export figures from "Balance of Payments" table and "Real GDP by Expenditure" table due to the exclusion of "non-registered commerce" and "other exports" figures in calculation of total exports in this table. See footnote 1 of "Balance of Payment" table.
[2] Includes Puerto Rico.
[3] Includes Canada, the Central American Common Market, Argentina, Brazil, Mexico, Venezuela, Bolivia and other countries in the Americas.
[4] Includes Belgium, France, Holland and other countries in the EU.
[5] Includes the European Free Trade Association and other countries in Europe.
[6] Includes Hong Kong and other countries in Asia.
[7] Data not available as of the April 2023.

Foreign Direct Investment

Ecuador's foreign direct investment policy is governed largely by national implementing legislation for the Andean community's Decisions 291 of 1991 and 292 of 1993. Generally, foreign investors enjoy the same rights Ecuadorian national investors have to form companies. Foreign investors may own up to 100% of a business entity in most sectors without prior Government approval, and face the same tax regime.

Currency transfers overseas are unrestricted with respect to earnings and profits distributed abroad resulting from registered foreign investment provided that obligations relating to employee revenue sharing and relevant taxes, as well as other corresponding legal obligations, are met.

Certain sectors of the Ecuadorian economy are reserved for the state. All foreign investment in petroleum exploitation and development in Ecuador must be carried out under contracts with the Ministry of Energy and Mines.

In 2019, foreign direct investment reached U.S.$979 million, with oil and mining representing the largest percentage of foreign direct investment with 43.5%, followed by the Manufacturing sector.

In 2020, foreign direct investment reached U.S.$1,095 million an increase compared to U.S.$979 million in 2021. This increase was principally due to the construction, services provided to companies and electricity, gas and water sectors. In 2020, the mining and oil sectors represented the largest percentage of foreign direct investment with 48.9% of all investment; commerce and services rendered to businesses followed representing 18.5% and 16.1% of foreign direct investment, respectively.

For the first quarter of 2022, foreign direct investment totaled U.S.$134 million, a decrease compared to the U.S.$249 million for the same period in 2021. This decrease was principally due to community, social and personal services, construction, manufacturing industry and services provided to companies. In the six months ended June 30, 2022, Services provided to companies represented the largest percentage of foreign direct investment with 95% of all investment; trade and transport, storage and communications followed representing 6% and 5% of foreign direct investment, respectively.

For the second quarter of 2022, foreign direct investment totaled U.S.$676 million, an increase compared to the U.S.$138 million for the same period in 2021. This increase was principally due to services provided to companies and electricity, gas and water sectors. In the six months ended June 30, 2022, services provided to companies represented the largest percentage of foreign direct investment with 95% of all investment; trade, transport, storage and communications followed representing 6% and 5% of foreign direct investment, respectively.

For the third quarter of 2022, foreign direct investment totaled U.S.$51 million, a decrease compared to U.S.$156 million for the same period of 2021. This decrease was mainly due to business services, agriculture, forestry, hunting and fishing, exploitation of mines and quarries, community, social and personal services and manufacturing industries. In the nine months ended September 30, 2022, services provided to companies represented the largest percentage of foreign direct investment with 93% of all investment; trade, agriculture, forestry, hunting and fishing continued to account for 6.8%; and 4.7% of foreign direct investment, respectively.

During the third quarter of 2022, foreign direct investment presented a reduction compared to the same period of 2021. There was a lower level of investment in almost all branches of activity (agriculture, forestry, hunting and fishing, services provided to companies, mining and quarrying, manufacturing industry, community, social and personal services, transport, storage and communications and construction). The commerce and electricity, gas and water sectors presented an increase. Likewise, there was a decrease in all types of investment (shares and capital participations, and reinvested profits).

The following table sets forth information regarding Ecuador of origin of the Republic's imports for the periods presented:

IMPORTS (CIF) BY COUNTRY OF ORIGIN

	For the year ended December 31,			For the six months ended June 30,		For the eleven months ended November 30,
	2019	**2020**	**2021**	**2021**	**2022**	**2022**
			(in millions of U.S.$)			
Americas [1]						
Mexico	761.93	590.76	715.64	349.44	390.26	759.41
United States [2]	4,637.38	3,927.75	5,670.60	2,565.24	3,984.82	7,841.89
Central America	**289.38**	**241.24**	**196.00**	**91.09**	**115.68**	**210.32**
South America and the Caribbean						
Argentina	314.99	311.63	563.06	261.13	450.32	754.53
Brazil	959.51	662.99	994.90	409.61	696.30	1,234.67
Bolivia	246.82	262.13	365.58	160.22	247.46	460.75
Colombia	1,779.17	1,489.70	1,791.87	742.30	978.81	1,878.72
Chile	456.75	449.02	538.92	265.47	306.77	533.52
Panama	1,051.07	158.53	119.35	62.07	29.61	71.88
Peru	752.53	599.95	862.23	405.22	547.23	1,077.16
Rest of Americas and Caribbean	478.00	415.16	669.65	301.95	586.25	942.80
Total America	**11,727.54**	**9,108.88**	**12,487.81**	**5,613.74**	**8,333.52**	**15,765.67**
Europe						
Germany	534.10	485.16	578.55	267.65	340.88	619.20
Italy	301.21	248.16	432.44	184.87	360.17	752.81
Spain	617.19	455.67	605.73	255.64	400.78	708.20
United Kingdom [3]	137.56	152.85	-	-	-	-
Rest of EU [4]	1,604.54	1,105.66	1,524.82	657.75	1,007.88	1,649.24
United Kingdom	-	-	157.29	89.78	63.18	128.50
Rest of Europe [5]	105.05	95.38	114.76	56.45	67.82	121.21
Total Europe	**3,299.65**	**2,542.88**	**3,413.59**	**1,512.15**	**2,240.71**	**3,979.16**
Asia						
China	4,496.52	3,946.42	6,036.90	2,597.73	3,432.56	6,744.41
Japan	677.43	378.56	581.90	204.00	304.37	601.32
Taiwan	158.06	152.57	216.50	108.52	111.52	269.72
South Korea	564.15	396.98	914.65	432.52	807.32	1,185.73
Rest of Asia [6]	1,298.90	1,073.61	1,854.85	718.61	926.67	1,772.41
Total Asia	**7,195.05**	**5,948.14**	**9,604.81**	**4,061.39**	**5,582.45**	**10,573.58**
Postal Traffic and regions excluding the Americas, Europe, and Asia [7]	**170.87**	**318.10**	**183.46**	**81.11**	**79.50**	**134.59**

IMPORTS (CIF) BY COUNTRY OF ORIGIN

	For the year ended December 31,			For the six months ended June 30,		For the eleven months ended November 30,
	2019	2020	2021	2021	2022	2022
	(in millions of U.S.$)					
Total	**22,393.12**	**17,918.00**	**25,689.67**	**11,268.39**	**16,236.16**	**30,453.00**

Source: Data based on figures from the Ecuador Central Bank November 30 2022 Monthly Bulletin (Table 3.1.9) https://www.bce.fin.ec/en/economic-information

(1) *Canada included in Rest of Americas and Caribbean.*
(2) *Includes Puerto Rico.*
(3) *United Kingdom while a member of the European Union.*
(4) *Includes Belgium, France, Holland and other countries in the EU.*
(5) *Includes the European Free Trade Association and other countries in Europe.*
(6) *Includes Hong Kong and other countries in Asia.*
(7) *Includes Africa, Oceania, other countries and international postal traffic.*

The following table sets forth information regarding foreign direct investment by sector for the periods indicated.

FOREIGN DIRECT INVESTMENT BY SECTOR

	For the year ended December 31,						For the period ended March 31,		For the period ended June 30,		For the period ended September 30,	
	2019		2020		2021		2021	2022	2021	2022	2021	2022
	(in millions of U.S.$, and as a % of total foreign direct investment)											
Agriculture, forestry, hunting and fishing	97.9	10.0	-10.2	-0.9	7.3	1.1	5.2	15.6	0.7	0.1	-1.6	24.4
Commerce (1)	77.0	7.9	102.8	9.4	55.4	8.6	17.3	39.8	10.1	7.7	3.8	11.1
Construction	69.2	7.1	176.8	16.1	93.6	14.4	50.9	0.5	37.7	0.2	5.1	3.6
Electricity, gas and water	6.7	0.7	11.8	1.1	0.8	0.1	0.2	2.3	0.0	0.1	0.0	5.0
Petroleum (2)	425.6	43.5	534.8	48.9	108.5	16.8	54.5	50.3	0.8	-111.5	54.6	-35.2
Manufacturing	110.1	11.2	37.3	3.4	194.0	30.0	23.3	3.8	30.3	0.5	89.5	10.8
Social and personal services	-6.8	-0.7	35.0	3.2	7.4	1.1	0.7	-8.4	5.4	0.0	0.2	0.0
Services rendered to businesses	100.4	10.3	202.7	18.5	135.5	20.9	52.5	16.2	59.1	754.7	-1.6	29.3
Transportation, storage and communications	98.9	10.1	3.6	0.3	45.2	7.0	44.4	13.7	-5.6	23.9	5.6	2.3
Total	**979.0**	**100.0**	**1,094.7**	**100.0**	**647.6**	**100.0**	**249.0**	**133.8**	**138.4**	**675.8**	**155.6**	**51.3**

Source: Data from Central Bank, Balance of Payments Quarterly Bulletin for the first half of 2022
(1) *Commerce includes investment in commercial infrastructure and real estate.*
(2) *Includes mining and natural gas.*

The 2008 Constitution contains certain principles relating to foreign investment, including promoting national and international investment, with priority being given to national investment and a complementary role being attributed to international investment; subjecting foreign investment to Ecuador's national legal framework and regulations; prohibiting expropriation without indemnification; limiting access to strategic sectors, which will remain under State control; providing for disputes relating to international agreements to be resolved in a regional (Latin American) forum; and preventing disputes between the Republic and private companies from becoming disputes between sovereigns. These principles are materialized in the enactment of the Production Code (see "*Economic and Social Policies—Tax Reforms*") and Article 422 of the 2008 Constitution, which sets parameters for disputes relating to international agreements.

MONETARY SYSTEM

The Central Bank

The role of the Central Bank is to promote and contribute to the economic stability of Ecuador. It acts as the manager of the public sector's accounts and provides financial services to all public sector institutions that are required to hold their deposit accounts in the Central Bank. Management of these accounts primarily involves transfer operations between entities, including from the Government to other entities, and transfers to accounts in other banks, both foreign and domestic. The Central Bank is also the central coordinator of the payment system. All domestic banks conduct their clearing operations through the Central Bank, and also use the bank to hold their liquidity reserves. In addition, the Central Bank monitors economic growth and economic trends. To accomplish this task, it has developed statistical and research methodologies to conduct analyses and policy recommendations on various economic issues.

The functions of the Central Bank were sharply reduced as a result of the Dollarization Program. It no longer sets monetary policy or exchange rate policy for Ecuador. Instead, the Ecuadorian economy is currently directly affected by the monetary policy of the United States, including U.S. interest rate policy. The *Ley para la Transformación Económica del Ecuador* (the "**Economic Transformation Law**"), which made the U.S. dollar legal tender in Ecuador, provided for the Central Bank to exchange, on demand, sucres at a rate of 25,000 sucres per U.S.$1. The law also prohibited the Central Bank from incurring any additional sucre-denominated liabilities, and required that the Central Bank redeem sucre coins and bank notes for U.S. dollars.

Pursuant to the 2008 Constitution, the role of the Central Bank changed further in that its authority and autonomy decreased. Currently, the main functions of the Central Bank are to execute Ecuador's monetary policy, which involves managing the system of payments, investing International Reserves, managing the liquidity reserve, and acting as depositary of public funds and as a fiscal and financial agent for the Republic. The Central Bank also sets policy and strategy design for national development, executes the Republic's macroeconomic program, and maintains financial statistics, which it publishes in monthly bulletins.

On August 12, 2015, after the Monetary and Financial Law abolished the position of president of the Central Bank, the Central Bank named Diego Martínez as its General Manager. On May 23, 2017, former President Moreno named Verónica Artola Jarrín as General Manager of the Central Bank. According to the Monetary and Financial Law, the Committee of Monetary and Financial Policy Regulation is comprised of the Minister of Economy and Finance, the Minister for National Planning, a Minister who is designated by the President to serve on the Committee as the representative of the productive sector, and a delegate appointed by the President. The Superintendent of Banks, the Superintendent of Companies, Securities and Insurance, the Superintendent of Popular Economy, the General Manager of the Central Bank and the Chairman of the Board of Directors of the Deposit Insurance Corporation, Liquidity Fund and Private Insurance Fund may attend committee meetings but have no right to vote. Under the supervision of this committee, the General Manager oversees operations of the Central Bank, which operates through the office of the Vice General Manager in Quito and two other branches in Cuenca and Guayaquil.

The Monetary and Financial Law also establishes the role and structure of public banks, including the Government-owned Ecuadorian Development Bank, formerly denominated, *Banco del Estado*. Since 1979, the role of the Ecuadorian Development Bank has been to finance Government investment and infrastructure projects through loans to municipalities and provinces and to grant loans to municipalities and provinces. In 2017, the Ecuadorian Development Bank made a total of approximately over U.S.$505.96 million in disbursements to Ecuador's Autonomous Decentralized Governments. In 2018, the Ecuadorian Development Bank made a total of approximately over U.S.$420.7 million in disbursements to Ecuador's Autonomous Decentralized Governments. During the period from January 1, 2019 through December 31, 2019, the Ecuadorian Development Bank made a total of U.S.$576.3 million in disbursements to Ecuador's Autonomous Decentralized Governments.

In 2020 the Ecuadorian Development Bank approved 328 credit operations totalling U.S.$604.2 million to sectors such as: (i) roads and road equipment (45.37%); (ii) water and environmental sanitation (36.39%); (iii) institutional strengthening (5.41%); (iv) urban equipment (2.60%); (v) housing (2.36%); and health (2.36%). As a result of this financing, 54,082 jobs were generated.

In 2021, the Ecuadorian Development Bank disbursed U.S.$376.78 million for viability projects across sectors such as: (i) environmental sanitation; (ii) urban equipment; (iii) institutional strengthening; (iv) multiple development (urban and rural); (v) education and culture; (vi) risk and flood control; (vii) social housing; (viii) health; (ix) energy and mines; (x) tourism; (xi) environment and natural disasters; and (xii) transportation and communication.

In 2022, the Ecuadorian Development Bank granted U.S.$469.56 million in disbursements for 684 projects related to: (i) viability; (ii) environmental sanitation; (iii) institutional strengthening; (iv) urban equipment; (v) risk and flood control; (vi) multiple development; (vii) energy and mines; (viii) education and culture; (ix) social housing; (x) tourism; (xi) transportation and communication; (xii) environment and natural disasters; (xiii) health; and (xiv) agriculture, livestock and fisheries.

Ecuador currently has a total approved amount of U.S.$3270.24 million, to be distributed mostly to social investments, energy, modernization of the state, financial markets, water and sanitation, urban development and housing, health, trade and environment, and natural disasters. Currently there are more than 967 projects being implemented.

On January 8, 2016, the Central Bank issued U.S.$200 million in bonds governed by Ecuadorian law. The bonds were issued to several of Ecuador's municipalities as payment for value added tax amounts owed to the municipalities by the Ministry of Economy and Finance as well as for payment to third party contractors with which Ecuador had accounts payable.

On November 24, 2016, the Monetary and Financial Policy and Regulation Board issued Resolution No. 302-2016-F amending Resolution No. 273-2016-F by increasing from 2% to 5% the reserves that financial institutions with more than U.S.$1.0 billion in assets are required to hold at the Central Bank.

As of October 23, 2017, the Ministry of Economy and Finance stated that on January 16, 2017, it entered into payment agreements for around U.S.$786 million in *Títulos del Banco Central* ("**Central Bank Certificates**") with representatives of the Autonomous Decentralized Governments to arrange for payment of the amounts owed to them.

On October 18, 2019, former President Moreno presented before the National Assembly the draft Law on Economic Development which, among other reforms, was aimed at reforming certain aspects of Ecuador's financial laws and regulations to, among other objectives, (i) enhance fiscal sustainability establishing stricter budget controls and (ii) strengthen dollarization by enhancing the Central Bank's autonomy, see "*The Republic of Ecuador— Measures by former President Moreno".* On November 17, 2019, the National Assembly voted to reject the draft Law on Economic Development. In response, on November 21, 2019, former President Moreno presented the draft Organic Law on Tax Simplification, replacing the draft Law on Economic Development with respect to certain aspects of the intended tax reform. The Organic Law on Tax Simplification was first approved by the National Assembly on December 9, 2019, and after a Presidential partial veto, it was finally approved on December 30 and became effective on December 31, 2019, see "*The Republic of Ecuador—Measures by former President Moreno".*

As of December 31, 2020, Ecuador's International Reserves totaled U.S.$7,196 million, an increase from December 31, 2019 when International Reserves totaled U.S.$3,397 million. The increase in International Reserves during the 12-month period ending in December 31, 2020 compared to the period ending in December 31, 2021 was mainly due to the financing received from international organizations, including the IMF loan under the Extended Fund Facility approved in September 2020.

As of December 31, 2021, Ecuador's International Reserves totaled U.S.$7,898 million, an increase from December 31, 2020 when International Reserves totaled U.S.$7,196 million. The increase in International Reserves during the 12-month period ending in December 31, 2021 compared to the period ending in December 31, 2020 was mainly due to the financing received from international organizations, lower net outflows from private sector and higher oil exports.

As of December 31, 2022, Ecuador's International Reserves totaled U.S.$8,459 million, an increase from December 31, 2021 when International Reserves totaled U.S.$7,898 million. This increase in International

Reserves was principally due to the financing received from international organizations, as well as the positive balance between oil exports and derivates imports.

Financial Sector

Supervision of the Financial System

The financial sector consists of various financial institutions, insurance companies, and the securities markets, in accordance with the *Código Orgánico Monetario y Financiero* (the "**Code**"). In accordance with the Code, the Monetary and Financial Policy and Regulation Board regulates: (1) all private sector financial institutions including banks and credit card issuers; (2) public sector and private financial institutions, with respect to their solvency, liquidation, financial prudence and other administrative matters; (3) insurance and re-insurance companies; and (4) the securities markets. In addition, the Monetary and Financial Policy and Regulation Board provides general oversight and regulation for the financial system, including the Central Bank, COSEDE, the Liquidity Fund, and private banks.

The Ecuadorian financial system is composed of the Central Bank, private commercial banks, cooperative banks, and several State development and State-owned banks.

The Code permits the establishment of universal banks (banks that can offer all types of banking services), and provides for the equal treatment of foreign and domestic financial institutions. Ecuadorian financial institutions may, with authorization from the Superintendent of Banks, establish foreign offices and invest in foreign financial institutions. Foreign subsidiaries of Ecuadorian financial institutions must also conform to the guidelines established by the Code, in order to promote prudent banking and investment policies, and ensure financial solvency. Each year, external auditors must provide opinions regarding capital adequacy, concentration of loans, interested debtors, and asset classifications on both unconsolidated and consolidated bases for all Ecuadorian banks. The Republic has structured its guidelines under the Code so as to be consistent with the banking supervision guidelines established by the Basel Committee on Banking Supervision.

The Code designates the Superintendence of Banks as the principal entity for auditing, intervention, control and supervision of financial activities by public and private entities of the Republic's financial system. The Superintendence of Banks is tasked primarily with prudential matters including capital adequacy, liquidity earnings, management risks, and the solvency and risk asset quality of financial institutions.

The Code created the Monetary and Financial Policy and Regulation Board to oversee and regulate the execution of monetary, foreign exchange, financial, insurance, and securities policies of Ecuador in September 2014. The Monetary and Financial Policy and Regulation Board replaced existing regulatory bodies, and also serves as an overall supervisory body to oversee the activities of the Republic's financial entities, including supervisory agencies such as the Superintendence of Banks. The Board is comprised of delegates from the Ministry of Economy and Finance (formerly the Ministry of Finance and the Ministry of Economic Policy), the Ministry of Production, Foreign Trade, Investments and Fisheries (formerly the Ministry of Production and Industrialization), the National Secretary of Planning and Development, and a delegate appointed by the President. Among the principal functions of the Monetary and Financial Policy and Regulation Board were:

- the oversight and monitoring of the liquidity requirements of Ecuador's financial system, with the objective of ensuring that liquidity remains above certain levels (to be determined by the Monetary and Financial Policy and Regulation Board);
- the auditing and supervision of the Central Bank and Superintendent of Banks;
- the establishment of regulations for the Republic's electronic payment system; and
- the oversight of borrowing requirements for private loans.

On April 22, 2021, the National Assembly passed the Organic Law Reforming the Organic Monetary and Financial Code for the Defense of Dollarization submitted by President Lasso. This law aims for the independence, reorganization and strengthening of the institutional basis of the Central Bank.

On May 3, 2021, the National Assembly enacted the Law for the Defense of Dollarization. This law set forth that: (a) the Monetary and Financial Policy and Regulation Board is replaced by two new independent

entities with their own powers: (i) the Financial Policy and Regulation Board and (ii) the Monetary Policy and Regulation Board. Both Boards are within the executive branch; (b) the Central Bank is not allowed to provide Central Government, or any governing body of public finances, or Decentralized Autonomous Government or public sector institutions or entities owed by the Government or public entities with direct or indirect financing, as well as making investments, including the purchase of shares or having an interest in privately and publicly companies, the purchase of securities issued by such companies, providing aid, donations or financial contributions to individuals and entities and (c) the re-establishment of the Central Bank four-balance sheet hedging system. The goal is to gradually accumulate resources in the readily available International Reserve of Free Availability to support the liabilities of Central Bank within 5 years.

The Monetary Policy and Regulation Board is created as part of the executive branch, and it is comprised of three members appointed by the National Assembly suggested by the President of the Republic. The Monetary Policy and Regulation Board is responsible for the formulation of monetary policy, including: (i) establishing the policies of the Central Bank and supervising their implementation; (ii) overseeing compliance with the functions of the Central Bank; (iii) formulating policy and regulating the management of physical means of payment; (iv) evaluating risks to financial stability and issuing macroprudential regulations in consultation with the Financial Policy and Regulation Board; (v) regulating the central payment system, as well as the regulation, permission, registration, oversight and supervision of auxiliary payment systems; (vi) defining the investment policy of International Reserves; and (vii) approving the annual financial statements of the Central Bank.

The Financial Policy and Regulation Board has the following powers, among others: (i) formulate credit, financial policies, including insurance policy, prepaid health care services and securities; (ii) issue regulations that permit sustainability and stability of the financial systems; (iii) standardize the criteria and protocols to determine the existence of a systemic crisis to issue and implement decisions and direct the actions to address it; (iv) issue the regulatory framework and regulate the creation, constitution, organization, activities, operation and liquidation of financial, securities, insurance and prepaid health care services; (v) regulate the financial activities carried out by entities of the national social security system; (vi) evaluate risks for financial stability and issue regulations in consultation with the Monetary Policy and Regulation Board; (vii) establish the system of maximum interest rates for lending and borrowing operations of the national financial system and other interest rates required by law; (viii) prevent and seek to eradicate fraudulent practices, including money laundering and (ix) regulate the constitution, operation and liquidation of funds and trust businesses related to the securities market.

Since the crisis in the banking system during the late 1990s, during which a number of banks became insolvent, the Superintendent of Banks has worked to improve banking supervision standards. Since 2001, the Superintendent of Banks has reformed the regulatory framework for banking supervision.

As part of the reforms, the Superintendent of Banks implemented measures that included the following:

- Programs for regulatory on-site audits and periodic reporting requirements. These are published in national newspapers, with the intention of ensuring that banks comply with regulatory standards;

- Uniform accounting risks for the financial system;

- Liquidity risk, which derives from the incapacity of financial institutions to cover their liabilities and other obligations when due, in both local and foreign currency;

- Evaluation of market risk based on interest rate risk, which refers to the potential losses of net income or in the capital base, due to the incapacity of the institution to adjust the return on its productive assets (loan portfolio and financial investment) with the fluctuations in the cost of its resources produced by changes in interest rates; and

- Evaluation of credit risk based on a detailed method for classifying financial assets in terms of risk.

This method increased the amounts which financial institutions are required to reserve in order to mitigate potential losses arising from their loans ("**Loan-loss Reserve**"). With respect to Loan-loss Reserve, current regulations impose reserve requirements based on risk categories and type of financial assets. These requirements have been introduced to bring them in line with international standards, and to increase the average quality of the financial system's loan portfolio. As of April 2023, Ecuador's solvency rules for

financial institutions correspond to Basel I. As of April 2023, no time limit exists for banks in Ecuador to become compliant with Basel II or Basel III.

The following table sets forth information regarding the risk categories and Loan-loss Reserve requirements currently in force pursuant to Resolution No. 209-2016-F, of February 12, 2016 promulgated by the Committee of Monetary and Financial Policy and most recently updated by Resolution No. JPRF-F-2022-030, of June 29, 2022.

RISK CATEGORIES AND REQUIRED LOAN-LOSS RESERVE

Category [1]	Productive [2]	Consumer	Mortgage	Small Business [3]	Educative Credit	Loan-loss Reserve
			(in number of days past due, except for percentages)			
A1	0	0	0	0	0	1.00% - 1.99%
A2	1 - 15	1 - 15	1 - 30	1 - 15	1 - 15	2.00% - 2.99%
A3	16 - 30	16 - 30	31 - 60	16 - 30	16 -30	3.00% - 5.99%
B1	31 - 60	31 - 45	61 - 120	31 - 45	31 -60	6.00% - 9.99%
B2	61 - 90	46 - 60	121 - 180	46 -60	61 -90	10.00% - 19.99%
C1	91 - 120	61 - 75	181 - 210	61 -75	91 -120	20.00% - 39.99%
C2	121 - 180	76 - 90	211 - 270	76 - 90	121 - 180	40.00% - 59.99%
D	181 - 360	91 - 120	271 - 450	91 - 120	181 - 360	60.00% - 99.99%
E	+360	+120	+450	+120	+360	100%

Source: Data based on the Resolutions of the Board of Monetary and Financial Policy Regulations, Resolution No. JPRF-F-2022-030. https://jprf.gob.ec/resoluciones_jprf/resolucion-jprf-f-022-030/

[1] Ecuador subdivides Categories A, B, and C into sub-categories.

[2] For commercial loans, in addition to the number of days due, three factors are considered for classification among risk categories: (a) debtor payment capacity and financial situation; (b) experience of payment (risk information from the system, debtor's credit history); and (c) risk of the economic environment.

[3] Classified, with respect to (a) retail microcredit, as loans up to U.S.$1,000, (b) microcredit simple accumulation, as loans from U.S.$1,000 to U.S.$10,000, (c) microcredit extended accumulation, as loans in excess of U.S.$10,000 and (d) agricultural microcredit. Persons with annual sales equal to or less than U.S.$100,000, or groups of lenders guaranteeing or financing small scale production or commercialization are eligible for microcredit loans.

The Financial Safety Net

Former President Correa's administration determined that the financial safety net in place when he took office was insufficient, as there was no lender of last resort. In many countries, the central bank acts as the lender of last resort. Due to Ecuador's Dollarization Program, however, the Republic's lending capacity was limited to the *Fondo de Liquidez del Sistema Financiero Ecuatoriano* ("**Liquidity Fund**"). Former President Correa's administration believed that the lack of a strong lender of last resort increased the risks to the financial system, and decreased liquidity within the system.

In light of these perceived deficiencies, the Government passed the Financial Safety Net Law in December 2008. The new law created a four-tiered framework for the banking sector. These four tiers are described below.

Lender of Last Resort

In accordance with the *Ley de Creación de la Red de Seguridad Financiera* enacted in 2008 (the "**Financial Safety Net Law**"), this was designed to strengthen the Liquidity Fund, the Liquidity Fund acts as the lender of last resort for private financial institutions. The Liquidity Fund is overseen by the Superintendent of the Banks and administered by the Central Bank. The assets of the Liquidity Fund are subject to sovereign immunity and cannot be subject to attachment of any kind.

Banking Resolution System

The second tier of the Financial Safety Net Law is the creation of a banking resolution scheme called *Exclusión y Transferencia de Activos y Pasivos* (the Exclusion and Transfer of Assets and Liabilities, the "**ETAP**"). Under ETAP, healthier labor contingencies, deposits and assets can be excluded from the balance sheet of a troubled banking institution and transferred to a newly created entity or to one or more healthier banking institutions. This policy is intended to separate good assets from non-performing assets and create an efficient and orderly banking resolution process.

Deposit Insurance

The third tier of the Financial Safety Net Law consists of the establishment of COSEDE. The COSEDE is the successor to the Deposit Guarantee Agency, which was previously responsible for insuring the accounts of depositors in Ecuador's banking systems. In December 1998, the AGD was created as a response to the

banking crisis by the *Ley de Reordenamiento en Materia Económica en el Área Tributario-Financiera* ("**Law Reorganizing Economic Matters in the Tax and Finance Areas**"). The AGD had a dual role: to oversee the amounts the Republic deposited with the Central Bank in order to protect depositors, and to help restructure banks in liquidation.

In December 2009, the AGD closed. The net assets of the AGD were then temporarily transferred to the Ministry of Economy and Finance and to COSEDE and thereafter transferred to the CFN, a separate Government institution. The Deposit insurance administered by COSEDE had assets of U.S.$2,239 million, U.S.$2,571 million and U.S.$2,956 million as of December 31, 2019, 2020 and 2021, respectively.

In accordance with the Financial Safety Net Law, and Resolution JB-2009-1280, COSEDE administers the private financial institutions insurance deposit system, which does not include any public banking institution. COSEDE insures deposits of up to U.S.$32,000 per account, whereas the AGD guaranteed accounts with public resources without limit. Pursuant to the Financial Safety Net Law, banks are required to contribute to COSEDE an amount determined annually in accordance with the total amount of deposits held. Under the Monetary and Financial Law, deposits in the COSEDE are subject to sovereign immunity and cannot be subject to attachment of any kind.

Since 2014, the Financial Policy and Regulation Board determines the contributions to Deposit Insurance and when financial institutions will make payments contributions to Deposit Insurance are comprised of fixed and variable premiums, differentiated by the risk of the entity in connection with the Monetary and Financial Code. The amount protected by the Deposit Insurance for each individual or legal entity will be differentiated for each insured financial sector. The insured amount of deposits in private and popular and solidarity financial entities, segment 1, will equal twice the basic fraction exempt from income tax in force, but in no event less than U.S.$32,000. The insured amounts of deposits in the rest of the segments of the popular and solidarity financial sector will be defined by the Financial Policy and Regulation Board. The deposits of public entities and the resources of the Deposit Insurance Corporation, Liquidity Fund and Private Insurance Fund in the Central Bank or in their accounts, both in Ecuador and abroad, are unseizable, enjoy sovereign immunity and may not be subject to any type of seizure or preventive or precautionary measure.

Superintendent of Banks

Under the fourth tier of the Financial Safety Law, the Superintendent of Banks is authorized to increase the capital and reserves requirement of banking institutions.

The Law for the Defense of Dollarization also establishes that financial entities shall maintain appropriate levels of capital requirements and expand the competence for Superintendent of Bank to comply with liquidity reserves and reserve requirements.

The Financial System

The following table sets forth, by type, the number of financial institutions in the Ecuadorian financial system for the periods indicated.

NUMBER OF FINANCIAL INSTITUTIONS

	As of December 31,			As of June 30,[3]		
	2019	**2020**	**2021**	**2020**	**2021**	**2022**
Banks	24	24	24	24	24	24
National banks	23	23	23	23	23	23
Private	22	22	22	22	22	22
Government-owned banks	1	1	1	1	1	1
Foreign banks	1	1	1	1	1	1
Other financial entities	40	33	38	40	39	50
Savings and loans associations [1]	33	26	31	33	32	43
Small lending institutions	4	4	4	4	4	4
Financial institutions	0	0	0	0	0	0
Public banks	3	3	3	3	3	3
Insurance companies [2]	31	33	31	31	31	33

NUMBER OF FINANCIAL INSTITUTIONS

	As of December 31,			As of June 30,[3]		
	2019	**2020**	**2021**	**2020**	**2021**	**2022**
Insurance companies	30	32	30	30	30	31
Reinsurance companies	1	1	1	1	1	2
Credit-card issuing entities	0	0	0	0	0	0
Total	**95**	**90**	**93**	**95**	**94**	**107**

Source: Superintendent of Banks as of June 2022.

(1) *Savings and Loans Associations include the Cooperativas de Ahorro y Crédito de Primer Piso, del Segmento* (First Tier Credit Unions Segment) *1. On February 13, 2015, the Committee of Monetary and Financial Policy passed Resolution 038-2015-F, which set out parameters for the division of savings and loans associations into 5 categories, setting the minimum threshold for inclusion in Category 1 at entities with assets above U.S.$80 million. This threshold will be reviewed by the Committee of Monetary and Financial Policy Regulation on an annual basis.*

(2) *Insurance companies figures from Superintendent of Companies.*

(3) *Except as otherwise indicated.*

As part of the measures taken by the Government at the outset of the COVID-19 outbreak, on June 8, 2020, the Monetary and Financial Policy and Regulation Board issued temporary modifications to the Monetary, Financial, Securities Code and Insurance Resolutions to support the private sector including deferrals of credit obligations and a requirement of banks to add loss provisions on their gross lending portfolio during 2020. Finally, in order to alleviate liquidity constraints for the financial sector, the Monetary and Financial Policy and Regulation Board approved a reduction in the annual contribution by private sector financial institutions to the Liquidity Fund by 3% from 8% to 5% of eligible deposits. As of July 2020, the Government estimated that this measure has freed approximately U.S.$940 million in liquid resources for the financial system.

As a result of this measure, as of December 31, 2021, the liquidity fund trust assets amounted to U.S.$2,376 million, U.S.$64 million higher than the balance recorded as of December, 2020.

Banking System

Overview

As of June 30, 2022, the Ecuadorian banking system had a total of 24 banking institutions, of which one was a foreign bank operating in Ecuador and one was a State-owned commercial bank.

As of December 31, 2020, the assets of the banking system totaled U.S.$48,5 billion, an increase of 9% from U.S.$44,5 billion as of December 31, 2019. As of December 31, 2021, the assets of the banking system totaled U.S.$52,4 billion, which increased from U.S.$48,5 billion as of December 31, 2020.

As of June 30, 2022, the assets of the banking system totaled U.S.$52,7 billion, an increase of 9% from U.S.$48,5 billion as of June 30, 2021.

The following table sets forth the total assets of the Ecuadorian private banking sector and the percentage of non-performing loans over total loans.

BANKING SYSTEM

	As of December 31,			As of June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	(in billions of U.S.$, and as a % of total loans)				
Total assets	44.6	48.5	52.4	48.6	52.7
Non-performing loans	2.7%	2.6%	2.1%	2.8%	2.2%

Source: Date from Superintendent of Banks, Private Banks Monthly Financial Bulletin for December 2019, 2020, 2021 and June 2021 and 2022. https://www.superbancos.gob.ec/estadisticas/portalestudios/bancos/

The following table sets forth deposit information for the private banking system on the dates indicated.

PRIVATE BANK DEPOSITS

	Demand Deposits	**Time Deposits**	**Total Time and Demand Deposits**	**Annual growth rate of Time and Demand Deposits**
		(in millions of U.S.$, except for percentages)		
December 31, 2019	19,764	12,374	32,138	7.7%
December 31, 2020	22,526	13,610	36,135	12.4%
December 31, 2021	24,659	15,189	39,848	10.3%

PRIVATE BANK DEPOSITS

	Demand Deposits	Time Deposits	Total Time and Demand Deposits	Annual growth rate of Time and Demand Deposits
		(in millions of U.S.$, except for percentages)		
June 30, 2021	22,467	14,153	36,619	13.8%
June 30, 2022	23,925	15,550	39,475	7.8%

Source: Data from Superintendent of Banks, Private Banks Monthly Financial Bulletin for December 2019, 2020, 2021 and June 2021 and 2022.
https://www.superbancos.gob.ec/estadisticas/portalestudios/bancos/

Banking deposits, primarily composed of demand deposits and time deposits, constitute the principal source of financing for the banking system. As of December 31, 2020, time and demand deposits totaled U.S.$36,135 million, an increase of 12.4% compared to December 31, 2019. This increase was principally due to precautionary measures and saving as a consequence of COVID-19 pandemic. As of December 31, 2021, private banks' time and demand deposits totaled U.S.$39,848 million, an increase compared to U.S.$36.135 million as of December 31, 2020. As of June 30, 2022, private banks' time and demand deposits totaled U.S.$39,475 million an increase of 7.8% compared to U.S.$36,619 as of June 30, 2021.

The majority of funding for the Ecuadorian banking system is comprised of demand deposits, which increased 24.8% from U.S.$19,764 million in 2019 to U.S.$15,189 million in 2021. Time deposits increased 22.7% from U.S.$12,374 million in 2019 to U.S.$15,189 million in 2021. As of December 31, 2020, time deposits totaled U.S.$13,610 million, an increase of 10% since December 31, 2019. This increase was principally due to precautionary measures and saving as a consequence of COVID-19 pandemic. As of December 31, 2021, private bank's time deposits totaled U.S.$15,189 million, a decrease from U.S.$13,610 million as of December 31, 2020. As June 30, 2022, private bank's time deposits totaled U.S.$15,550 million an increase of 9.9% from June 30, 2021.

Foreign banks and financial institutions are also a source of liquidity in the Ecuadorian banking system. As of December 31, 2020, the balance of foreign liabilities in the banking sector amounted to approximately U.S.$2,548 million, which is an increase of 1.4% from the balance of foreign liabilities in December 31, 2019, which was U.S.$2,513 million. As of December 31, 2021, the balance of foreign liabilities in the banking sector amounted to approximately U.S.$2,388 million which decreased of 6% compared to the balance of foreign liabilities as of December 31, 2020, which was U.S.$2,548 million. As of June 30, 2022, the balance of foreign liabilities in the banking sector amounted to approximately U.S.$2,596 million, which is an increase of 17% from the balance of foreign liabilities in June 30, 2021, which was U.S.$2,220 million.

The following table sets forth information regarding the principal sources of financing with respect to total liabilities as of the dates indicated.

CLASSIFICATION OF THE MAIN FINANCING ACCOUNTS WITH RESPECT TO LIABILITIES

	Demand deposits	Time deposits	Foreign financing
		(as % of total liabilities)	
December 31, 2019	50	31	6
December 31, 2020	52	31	6
December 31, 2021	53	32	5
June 30, 2021	52	33	5
June 30, 2022	51	33	6

Source: Data from Superintendent of Banks, Private Banks Monthly Financial Bulletin for December 2019, 2020, 2021 and June 2021 and 2022.
https://www.superbancos.gob.ec/estadisticas/portalestudios/bancos/

The following table sets forth information regarding the allocation of principal asset accounts, with respect to total assets of the banking system as of the dates indicated.

ALLOCATION OF THE PRINCIPAL ASSET ACCOUNTS WITH RESPECT TO TOTAL ASSETS OF THE BANKING SYSTEM

	Portfolio of current loans	Investments
	(as a % of total assets)	
December 31, 2019	65.5	14.0
December 31, 2020	59.4	15
December 31, 2021	62.9	15.7
June 30, 2021	61.2	16.4
June 30, 2022	67.1	14.9

Source: Data from Superintendent of Banks, Private Banks Monthly Financial Bulletin for December 2019, 2020, 2021 and June 2021 and 2022.
https://www.superbancos.gob.ec/estadisticas/portalestudios/bancos/

As of December 31, 2020, the banking system represented 74.8% of the total assets of the private financial system. For the year ended December 31, 2020, the banking system generated a profit of U.S.$233 million, which according to data from the Superintendent of Banks represented 0.2% of Ecuador's nominal GDP and a decrease compared to U.S.$616 million as of December 31, 2019. The banking system strengthened between 2019 and 2020, and its assets expanded by 8.7% due to a due to a 1.6% decrease in the loan portfolio. For the period ended in December 31, 2021, the banking system generated a profit of U.S.$387 million compared to U.S.$233 million in 2020.As of June 30, 2022, the banking system represented 70% of the total assets of the private financial system. For the period ended in June 30, 2022, the banking system made a profit of U.S.$302 million compared to U.S.$174 million for the same period in 2021. Ecuador's banks use their resources primarily to extend loans. Between 2019 and 2021, the Ecuadorian banking system's total loan portfolio increased from U.S.$30,029 million to U.S.$33,660 million (12%) and past due loans decreased U.S.$821 million to U.S.$719 million (12%). Financial entities may not carry out active and contingent operations with the same natural or legal person for an amount that exceeds, in aggregate, 10% of the technical equity of the entity. This limit will be raised to 20% if what exceeds 10% corresponds to obligations secured by guarantee. In no case may the appropriate guarantee have a value lower than the total value of the excess. The set of operations of the previous subparagraph may not in any case exceed two hundred percent (200%) of the patrimony of the subject of credit, unless there are adequate guarantees that cover, in excess of at least one hundred and twenty percent (120%).

The following table identifies the loans made to the private sector from the private banking sector, and the deposits of the private banking sector as of the dates indicated.

LOANS TO THE PRIVATE SECTOR AND PRIVATE BANK DEPOSITS

	As of June 30, 2022
	(in millions of U.S.$)
Loans	
Commercial, [1] Productive and Consumer Loans	30,709
Microenterprise Loans	2,826
Education Loans	326
Real Estate and Public Housing Loans	2,261
Total	**36,121**
Deposits	
Demand Deposits	23,925
Time Deposits	15,550
Guarantee Deposits	1
Others	1,453
Total	**40,930**

Source: Superintendent of Banks as of June 2022.

(1) Commercial loans refers to both the priority and ordinary loan portfolios under Ecuadorian banking regulation.

The following table sets forth information regarding the banking system's loan portfolio as of the dates indicated.

BANKING SYSTEM LOAN PORTFOLIO BALANCES

	Current loans	**Past-due loans [1]**	**Total loan portfolio**	**Current loans as a percentage of the total loan portfolio**	**Past-due loans as a percentage of the total loan portfolio**
	(in millions of U.S.$, except for percentages)				
December 31, 2019	29,209	821	30,029	97.3%	2.7%
December 31, 2020	28,767	771	29,538	97.4%	2.6%
December 31, 2021	32,941	719	33,660	97.9%	2.1%
June 30, 2021	29,709	871	30,579	97.2%	2.8%
June 30, 2022	35,342	779	36,121	97.8%	2.2%

Source: Superintendent of Banks as of June 2022.

(1) Past-due loans are classified by economic sector. Commercial past-due loans are classified as loans 31 days overdue, consumer past-due loans are classified as loans 16 days overdue, real estate past-due loans are classified as loans 61 overdue, and microcredit past-due loans are classified as loans 16 days overdue. Non-interest accruing loans are also included in past-due loans.

As of December 31, 2020, the delinquency rate decreased to 2.6% compared to the 2.7% delinquency rate as of December 31, 2019. This decrease was principally due to the reduction in the level of the non-performing portfolio. Despite the economic difficulties, there is a good payment culture among the majority of customers also supported by the financial relief measures. As of June 30, 2022, the delinquency rate decreased to 2.2% compared to the 2.9% delinquency rate as of June 30, 2021.

As of December 31, 2020, banking deposits, including guarantee deposits and restricted deposits, totaled U.S.$37,528 million, an increase from U.S.$3,850 million as of December 31, 2019.

As of December 31, 2021, banking deposits, including guarantee deposits and restricted deposits, totaled U.S.$41,206 million an increase from the U.S.$3,677 million as of December 31, 2020. As of June 30, 2022, banking deposits, including guarantee deposits and restricted deposits, totaled U.S.$40,930 million, an increase from the U.S.$2,942 million as of June 30, 2021.

Total current loans to the private sector from the private banking sector decreased from U.S.$29,209 million as of December 31, 2019 to U.S.$28,767 as of December 31, 2020. Total current loans to the private sector from the private banking sector increased from U.S.$28,767 million as of December 31, 2020 to U.S.$32,941 million as of December 31, 2021. Total current loans to the private sector from the private banking sector increased from U.S.$29,709 million as of June 30, 2021 to U.S.$35,342 million as of June 30, 2022.

The following table sets forth information regarding the number of past-due loans in different sectors of the economy as of the dates indicated.

PAST DUE LOANS BY SECTOR OF THE ECONOMY

	As of December 31,						As of June 30,			
	2019		**2020**		**2021**		**2019**		**2020**	
	(in millions of U.S.$, and as a percentage of past due loans)									
	U.S.$	*%*	*U.S.$*	*%*	*U.S.$*	*%*	*U.S.$*	*%*	*U.S.$*	*%*
Commercial	111	13.6	94	12.1	144	20.0	142	16.3	164	21.1
Consumer	537	65.4	491	63.7	389	54.1	518	59.6	394	50.6
Real estate	71	8.7	97	12.6	72	10.0	88	10.2	82	10.6
Microcredit	94	11.5	80	10.4	99	13.8	100	11.5	125	16.0
Education	7	0.9	9	1.1	14	2.0	22	2.5	13	1.7
Total	**821**	**100**	**771**	**100**	**719**	**100**	**871**	**100**	**770**	**100**

Source: Superintendent of Banks as of June 2022.

Banking Sector

The first, second and third largest banks by assets value in Ecuador are Banco del Pichincha, Banco del Pacífico and Banco de Guayaquil respectively. As of December 31, 2021, the three banks accounted for approximately 52.6% of the reported combined income (total income) and 52.3% of Ecuador's private banking assets. Return on equity for these three banks averaged 7.6% as of December 31, 2021, an increase / of 2.7% compared to December 31, 2020, while net profit for these three banks increased from U.S.$113 million in 2020 to U.S.$182 million as of December 31, 2021.Banco del Pacífico is 100% owned by the Republic, having been taken over from private shareholders during the banking crisis in 1999 and its shares transferred to the Central Bank. During 2010 and 2011 there had been discussions relating to the re-privatization of Banco del Pacífico, however, these plans were abandoned in 2011 when ownership was transferred from the Central Bank to CFN. In 2022, the Republic and CFN attempted to privatize Banco de Pacifico, but the privatization did not occur. As of December 31, 2019, Banco del Pacífico had approximately U.S.$6,082 million in assets and its profits in 2019 were U.S.$100 million. As of December 31, 2021, Banco del Pacífico had approximately U.S.$7,050 million, in assets, an increase compared to U.S.$6,951 million as of December 31, 2020. As of June 30, 2022, its assets totaled approximately U.S.$6,832 million. According to the Superintendent of Banks, Banco del Pacífico's profits were U.S.$6 million and U.S$30 million for each of the years ended December 31, 2021, and December 31, 2020. Its profits for the period ended in June 30, 2022 and were U.S.$52 million.

Pacific National Bank was Banco del Pacífico's U.S. subsidiary, based in Miami. Pacific National Bank had approximately U.S.$355 million in assets, including U.S.$154 million in loans (mostly commercial real estate), U.S.$163 million in securities and U.S.$3.6 million in repossessed property. In 2011, the bank was fined U.S.$7 million by U.S. banking regulators for violations of the U.S. Bank Secrecy Act ("**BSA**") and anti-money laundering laws. In 2012, the Federal Reserve Bank of the United States placed Banco del Pacífico's shares in Pacific National Bank under the control of a trustee and ordered the sale of the shares to a third party. According to the regulatory consent order transferring the shares to the trustee, the share transfer to the trustee and sale are not related to the violations of the BSA, but due to the transfer of ownership of Banco del Pacífico from the Central Bank to CFN in 2011, which according to U.S. banking regulations does not qualify as a holding company for a U.S. chartered bank. On October 21, 2013, the shares were sold to a group of private investors.

According to the Superintendent of Banks, as of December 31, 2020, approximately 0.9% of the profits in the banking sector came from Citibank N.A. Ecuador Branch which on that date was the only foreign bank operating in Ecuador. According to the Superintendent of Banks, as of December 31, 2021, approximately 0.5% of the profits in the banking sector came from Citibank N.A. Ecuador Branch, which on that date was the only foreign bank operating in Ecuador. According to the Superintendent of Banks, as of June 30, 2020, approximately 3.7% of the profits in the banking sector came from Citibank. As of June 30, 2022, approximately 0.2% of the profits in the banking sector came from Citibank N.A. Ecuador Branch.

Cooperative and Mutual Solidarity Financial Systems

In 2008, the Correa administration created the *Programa de Finanzas Populares* ("**Program for Public Finance**") to expand lending to smaller financial cooperatives, in order that they could increase lending to small businesses. These cooperatives extend micro-loans to individuals and businesses that could otherwise not obtain loans from commercial banks. In January 2008, cooperative loans were at 11.1% of total non-publicly owned bank lending. As of December 2021, cooperative loans totaled U.S.$13,176million. As of June 2022, cooperative loans totaled U.S.$14.765 million.

On February 13, 2015, the Committee of Monetary and Financial Policy passed Resolution 038-2015-F, which sets forth rules relating to the division of the savings and loan association sector as follows:

- Category 1: entities with assets above U.S.$80 million;
- Category 2: entities with assets between U.S.$20 million to U.S.$80 million;
- Category 3: entities with assets between U.S.$5 million to U.S.$20 million;
- Category 4: entities with assets between U.S.$1 million to U.S.$5 million; and
- Category 5: entities with assets below U.S.$1 million.

The threshold for Category 1 will be reviewed by the Committee of Monetary and Financial Policy Regulation on an annual basis. The additional four categories are set without further review by the Committee of Monetary and Financial Policy Regulation. Additional regulations applicable to each segment will be promulgated by the *Superintendencia de Economía Popular y Solidaria* (the "**Superintendent of the Popular Economy**," or "**SEPS**").

The Monetary and Financial Policy and Regulation Committee issued Resolution No. 521-2019-F, which established the reforms to the Rule for the segmentation of the entities of the Popular and Solidarity Financial Sector, which are in effect until the present date as follows:

- Segment 1: entities with assets above U.S.$80 million;
- Segment 2: entities with assets between U.S.$20 million to U.S.$80 million;
- Segment 3: entities with assets between U.S.$5 million to U.S.$20 million;
- Segment 4: entities with assets between U.S.$1 million to U.S.$5 million; and
- Segment 5: entities with assets below U.S.$1 million.

Interest Rates and Money Supply

In July 2007, the *Ley del Costo Máximo Efectivo del Crédito* ("**Maximum Actual Credit Cost Law**") went into effect to establish a new system for the calculation of interest rates. The principal aspects of this law are:

- the prohibition on charging commissions for credit operations and prepayments;

- the prohibition on imposing any fee that is not in the nature of compensation for the rendering of a service; and

- in December 2007, a change in the methodology for calculating the maximum interest rate of the Central Bank, whose methodology has since been declared unconstitutional, and has been further amended so that the maximum rate equals interest rates of credit operations of private financial institutions in each relevant sector, multiplied by an amount determined by the Central Bank.

In April 2015, Resolution 043-2015-F was published in the Official Gazette and became effective, establishing new categories of credits in the financial system, totaling 10. The purpose of this Resolution is to promote socially and environmentally responsible consumption, to encourage value generating

investment and improve the efficiency of the financial system. The new categories of credit in the financial system include: productive credits, ordinary commercial credits, priority commercial credits, ordinary consumption credits, priority consumption credits, education credits, public interest housing credit, real estate credits, microcredits and public investment credits. Changes from the prior categorization include the following:

- "productive credits" are defined as those credits for which at least 90% of funds are dedicated to acquisition of capital goods, construction of infrastructure project and the purchase of industrial property rights;

- "consumer credits" are divided into "ordinary consumer loans," for the acquisition or commercialization of light fossil fuel vehicles and "priority consumer loans," dedicated to the purchase of goods or services or expenses not related to productive activity or ordinary commercial activity;

- "commercial credits" are defined as "ordinary commercial credits," which are available to persons whose annual sales are higher than U.S.$100,000.00 that acquire or commercialize light fossil fuel vehicles and "priority commercial credits," which are available for the acquisition of goods and services for commercial and productive activities to persons whose annual sales are higher than U.S.$100,000; and

- "education credits," which are available to individuals and accredited institutions to finance education and vocational or technical training, were introduced.

In addition to the new categorization of credit, the Committee of Monetary and Financial Policy Regulation fixed the maximum interest rates for each of these categories through Resolution No. 044-2015-F.

On September 22, 2020, the Financial and Monetary Policy and Regulation Board issued Resolution No. 603-2020-F, which regulates the segmentation of the credit portfolio of the entities of the national financial system. The following is a description of the credit segments of the financial system in effect since September 2020:

1. *Productive Credit*: Credit granted to natural persons obliged to keep accounting notices or to legal entities that register annual sales over U.S.$100,000.00 for the acquisition of goods and services for productive and commercial activities. The following sub-segments are defined for this portfolio segment:

    - *Corporate Productive*: Productive credit operations granted to natural persons obliged to keep accounting records or legal entities with annual sales in excess of U.S.$5,000,000;

    - *Productive Corporate*: Productive credit operations granted to natural persons required to keep accounting records or legal entities with annual sales in excess of U.S.$1,000,000 and up to U.S.$5,000,000; and

    - *Productive SMEs*: Productive credit operations granted to natural persons obliged to keep accounting records or legal entities with annual sales of over U.S.$100,000 and up to U.S.$1,000,000.

2. Microcredit: Credit granted to a natural or legal person with an annual sales UP to U.S.$100,000, or to a group of borrowers with a joint and several guarantee, to finance small-scale production and/or commercialization activities, whose main source of payment is the product of the sales or income generated by those activities, adequately verified by the entities of the National Financial System. The following are sub-segments of Microcredit:

    - *Retail Microcredit:* Operations granted to credit applicants with annual sales equal to or less than U.S.$5,000;

    - *Simple Accumulation Microcredit:* Operations granted to credit applicants with annual sales of more than U.S.$5,000 and up to U.S.$20,000; and

- *Extended Accumulation Microcredit:* Operations granted to credit applicants with annual sales of more than U.S.$20,000 and up to U.S.$100,000.

3. *Real Estate Credit:* Credit granted with mortgage guarantee to individuals for the construction, repair, remodeling and improvement of their own real estate; for the acquisition of land for the construction of their own housing; and for the acquisition of finished housing for the use of the debtor and his family not categorized in the Social and Public Interest Housing credit segment.

4. *Social and Public Interest Housing Credit*: Credit granted to individuals with a mortgage guarantee for the acquisition or construction of a single dwelling for first use, in accordance with the provisions issued by the Monetary and Financial Policy and Regulation Board. The following sub-segments are established for the Social and Public Interest housing credit:

    - *Social Interest Housing Credit* - in the case of social interest housing, a commercial value of the dwelling of up to 177.66 unified basic wages is considered, and other requirements established in the legal regulations in effect.

    - *Public Interest Housing Credit* - in the case of public interest housing, the commercial value of the dwelling is considered to be from 177.67 unified basic wages to 228.42 unified basic wages, and other requirements established in the current legal regulations.

5. *Consumer Credit*: Credit granted to individuals for the purchase of goods, services or expenses not related to a productive or commercial activity and other purchases and expenses, including pledge credits for jewellery, as well as for the purchase of light vehicles that are not used for a productive or commercial activity.

6. *Educational Credit*: Includes credit operations granted to individuals for their professional or technical education and training and to legal entities for the financing of professional or technical education and training of their human talent, in both cases the education and training must be duly accredited by the competent bodies.

    - *Social Educational Credit*: This is granted in accordance with the public policy issued by the governing body of higher education, to individuals who previously received credits or scholarships for their education and professional or technical training, with public resources provided by the former Ecuadorian Institute of Educational Credit, subsequently by the Institute for the Promotion of Human Talent, and the Secretariat of Higher Education, Science, Technology and Innovation.

7. *Public Investment Credit*: Credit for financing programs, projects, works and services aimed at the provision of public services, the provision of which is the responsibility of the State, either directly or through companies; and which is cancelled against budgetary resources or income of the debtor in trust in favor of the lending public financial institution. This segment includes operations granted to Decentralized Autonomous Governments and other public sector entities.

The following table sets forth average deposit interest rates for the economy as a whole and average lending interest rates per sector for the periods shown.

INTEREST RATES

	As of December 31,			As of June 30,
	2019	2020	2021	2022
			(%)	
Deposit interest rate	6.2	5.9	5.9	6.1
Lending interest rate	8.8	8.5	7.4	7.1
Corporate productive lending interest rate [(1)]	9.0	8.8	7.4	7.1
Maximum corporate productive interest rate	9.3	9.3	9.3	8.9
Business productive lending interest rate [(2)]	9.0	9.9	9.4	8.9
Maximum business productive interest rate	10.2	10.2	10.2	9.9
Medium and small business productive lending interest rate [(3)]	11.4	11.0	10.6	10.3
Maximum medium and small business productive interest rate	11.8	11.8	11.8	11.3
Ordinary commercial lending interest rate [(4)]	8.5	10.5	n/a	n/a
Maximum commercial interest rate	11.8	11.8	n/a	n/a
Corporate commercial priority lending interest rate [(1)]	8.8	8.5	n/a	n/a
Maximum corporate commercial interest rate	9.3	9.3	n/a	n/a
Business commercial priority lending interest rate [(2)]	9.8	9.7	n/a	n/a
Maximum business commercial interest rate	10.2	10.2	n/a	n/a

INTEREST RATES

	As of December 31,			As of June 30,
	2019	2020	2021	2022
			(%)	
Medium and small business commercial priority lending interest rate [3]	11.0	11.0	n/a	n/a
Maximum medium and small business commercial interest rate	11.8	11.8	n/a	n/a
Consumer lending interest rate [5]	n/a	n/a	16.2	16.0
Maximum consumer interest rate	n/a	n/a	17.3	16.8
Ordinary consumer lending interest rate [5]	16.3	16.7	n/a	n/a
Maximum Ordinary consumer interest rate	17.3	17.3	n/a	n/a
Priority consumer lending interest rate [5]	16.7	16.7	n/a	n/a
Maximum priority consumer interest rate	17.3	17.3	n/a	n/a
Education lending interest rate [6]	9.4	9.5	8.9	8.9
Maximum education interest rate	9.5	9.5	9.5	9.5
Housing lending interest rate	10.2	10.2	9.8	9.3
Maximum housing interest rate	11.3	11.3	11.3	10.4
Microcredit increased accumulation lending interest rate [7][8]	n/a	n/a	n/a	n/a
Maximum microcredit increased accumulation interest rate [8]	n/a	n/a	n/a	n/a
Microcredit increased accumulation lending interest rate [7][9]	20.8	20.0	20.1	19.6
Maximum microcredit increased accumulation interest rate [9]	25.5	25.5	23.5	22.1
Microcredit simple accumulation lending interest rate [10][8]	n/a	n/a	n/a	n/a
Maximum microcredit simple accumulation interest rate [8]	n/a	n/a	n/a	n/a
Microcredit simple accumulation lending interest rate [9][10]	22.7	22.5	20.7	20.4
Maximum microcredit simple accumulation interest rate [9]	27.5	27.5	25.5	24.9
Microcredit subsistence accumulation lending interest rate [11][8]	n/a	n/a	n/a	n/a
Maximum microcredit subsistence accumulation interest rate [8]	n/a	n/a	n/a	n/a
Microcredit subsistence accumulation lending interest rate [9][11]	23.4	23.8	19.8	19.6
Maximum microcredit subsistence accumulation interest rate [9]	30.5	30.5	28.5	28.2

Source:
Central Bank, 2019 - 2020: Monthly Statistical Information No. 2026 Monthly Bulletin, December 2020 (Table 1.10.1), (Table 1.10.2),. https://contenido.bce.fin.ec/documentos/PublicacionesNotas/Catalogo/IEMensual/Indices/m2026122020.htm
Central Bank, 2022: Monthly Statistical Information: June 2022: No. 2045 Monthly Bulletin (Table 1.10.1a), (Table 1.10.2a) https://contenido.bce.fin.ec/documentos/PublicacionesNotas/Catalogo/IEMensual/m2045/IEM2045.pdf

(1) "Corporate lending rate" is the rate provided to businesses whose annual sales exceed U.S.$5,000,000.00.
(2) "Business lending rate" is the rate provided to businesses whose annual sales equal or exceed U.S.$1,000,000 up to U.S.$5,0000,000.00.
(3) "Medium and small business lending rate" is the rate provided to businesses whose annual sales equal or exceed U.S.$1,000,000 up to U.S.$5,0000,000.00.
(4) "Ordinary commercial lending rate" is the rate provided to businesses whose annual sales exceed U.S.$100,000.00 that acquire or commercialize light fossil fuel vehicles.
(5) In 2015 consumer credits were divided into "ordinary consumer credits," for the acquisition or commercialization of light fossil fuel vehicles and "priority consumer credits," dedicated to the purchase of goods or services or expenses not related to productive activity or ordinary commercial activity.
(6) "Education lending rate" is the rate provided to individuals for development of human capital by accredited institutions.
(7) "Microcredit increased accumulation lending rate" refers to credit transactions whose amount per trade and balance due to microcredit financial institutions exceed U.S.$10,000. This is the rate granted to entrepreneurs who register annual sales of less than U.S.$100,000.
(8) Under the Monetary, Financial, Securities and Insurance Resolutions Codification, which includes Resolution 437-2018-F of January 26, 2018, certain maximum rates were established for the microcredit segments after February 1, 2018, which will be applicable for the public finance sector, the private finance sector, credit unions and entities of segment 1 of the solidary and popular segment.
(9) Under the Monetary, Financial, Securities and Insurance Resolutions Codification, which includes Resolution 437-2018-F of January 26, 2018, certain maximum rates were established for the microcredit segments after February 1, 2018, which corresponds to credit unions of segments 2, 3 and 4.
(10) "Microcredit simple accumulation lending rate" refers to credit transactions whose amount per transaction and balance due to microcredit financial institutions is larger than U.S.$1,000, but smaller than U.S.$10,000. This is the rate provided to entrepreneurs who register a sales level or annual income of less than U.S.$100,000 and to self-employed individuals.
(11) "Microcredit subsistence accumulation lending rate" refers to credit transactions that are less than or equal to U.S.$1,000. This is the rate provided to micro entrepreneurs who recorded a level of annual sales less than U.S.$100,000 and to self-employed, individuals or a group of borrowers with joint liability.

Average loan interest rates on short-term and long-term loans decreased from 8.8% in 2019 to 7.4% in 2021. During the same period, the average interest rates on deposits decreased from 6.2% in 2019 to 5.9% in 2019.With respect to the various sectors, most loan interest rates remained stable during the period from 2019 through 2021 with the corporate productive lending interest rate decreasing to 9% from 7.4%.

As of December 31, 2019, the corporate productive lending interest was 9%. As of December 31, 2020, the corporate productive lending interest rate was 8.80%. As of December 31, 2021, the corporate productive lending interest rate was 7.40%. For June 2022, the corporate productive lending interest rate was 7.10%.

From May 2021, pursuant to Resolution No. 603-2020-F amendments were made to the lending rates such that the ordinary consumer lending interest rate, maximum ordinary consumer lending rate, priority consumer lending rate and maximum priority consumer lending rate were replaced with the consumer lending interest rate and the maximum consumer lending interest rate.

The following table sets forth the principal monetary indicators for the periods presented.

PRINCIPAL MONETARY INDICATORS

	At December 31,		
	2022	**2021**	**2020**
		(in millions of U.S.$)	
Currency in circulation	19,226	18,684	17,959
Demand deposits	10,876	11,486	10,369
Fractional Currency	87	84	80
M1	30,190	30,255	28,409
Quasi-money	45,119	39,820	35,411
M2 (M1 plus term)	75,310	70,075	63,821

Source: Data from Central Bank, Monthly Bulletin (Table 1.1.1) for January 2022, January 2021 and January 2020. https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/

In January 2000, following several weeks of severe exchange-rate depreciation, the Republic announced that it would dollarize the economy. On March 1, 2000, the National Assembly approved the Economic Transformation Law which made the U.S. dollar legal tender in Ecuador. Further, pursuant to the Economic Transformation Law, all sucre-denominated deposits were converted into U.S. dollars effective January 1, 2000, and the U.S. dollar became the unit of account in the financial system. As a result, U.S. dollar deposits that in prior periods were classified as deposits in foreign currency have been, for periods from and after January 1, 2000, classified as demand deposits, savings or term deposits, as applicable.

Inflation

Ecuador measures the inflation rate by the percentage change between two periods in the consumer price index ("**CPI**"). The CPI is computed by INEC based on a standard basket of 299 items of goods and services that reflects the pattern of consumption of urban Ecuadorian households in eight cities. The price for each good or service that makes up the basket is weighted according to its relative importance in an average urban household's consumption pattern in order to calculate the CPI.

Prior to the adoption of the Dollarization Program, Ecuador was plagued by high inflation. From 1994 to 1999, the inflation rate ranged from a 22.8% low in 1995 to a 60.7% high in 1999. In 1999 and early 2000, the sharp devaluation of the sucre contributed to an increase in the Republic's inflation rate, which became one of the highest in Latin America at 96.1% in 2000.The restrictions imposed by the Dollarization Program brought this to an end. The inflation rate was 2.7% in 2004, 2.2% in 2005, 2.8% in 2006, 3.3% in 2007 and 8.8% in 2008. The increase in inflation in 2008 was primarily caused by increases in food prices, due to climatic changes that affected the agricultural sector. In addition, the international prices of fertilizer and agricultural commodities also increased. As a result of these increases, Ecuador fixed the prices for some of these goods and limited the export of various agricultural products. As a result, during 2011, 2012, 2013 and 2014 the inflation rate followed a downward trend, each year at 5.41%, 4.16%, 2.70% and 3.67%, respectively. The decrease in the inflation rate in 2013, particularly, was due to the imposition of price controls intended to curb price speculation on basic foodstuffs including, meats, various fruits and vegetables, and milk.

According to the INEC, inflation decreased from 0.07% for the 12-month period ended December 31, 2019 to 0.93% for the 12-month period ended December 31, 2020. This decrease was primarily due the reduction in the transport division in 2.30% related with the reduction of gasoline prices. According to the INEC, inflation increased from 0.93% for the 12-month period ended December 31, 2020 to 1.94% for the 12-month period ended December 31, 2021. This increase was primarily due to increase in price of the division of transport in 9.8%. According to the INEC inflation increased from 1.94% for the 12-month period ended December 31, 2021 to 3.74% for the 12-month period ended December 31, 2022. This increase was primarily due to food and non-alcoholic beverages, transport and groups of goods and services, which account for 2.93% having positive variations. Among the top 10 products with higher incidence of annual inflation are: high-octane gasoline, foods (bread, milk, cheese, green plantains, popular lunch), domestic services, urban transportation, vehicles and the combination of cough suppressants. According to NISC, inflation increased from -0.69% for the 12-month period ended June 30, 2021 to 4.23% for the 12-month period ended June 30, 2022. This increase in the rate of annual inflation was the result of the increase in the proportion of positive price variations among the different groups of products used to measure inflation compared to the previous period, with "alcoholic beverages, tobacco and narcotics" (7.27% variation) and

"transport" (8.89% variation) showing the highest positive variations and incidence, despite "communications" (-2.14%) and "recreation and culture" (-1.52%) having the highest negative variations and incidence for the period.

Given the constrains of dollarization, and Ecuador's inability to mint currency, the Republic is more vulnerable than other countries to external factors such as global recessions, the volatility of commodity and raw material prices and natural disasters affecting the agricultural sector. The relative strength or weakness of the dollar, relative to the currencies of Ecuador's Andean trading partners, has also affected Ecuador's inflation rate during those periods.

The following table sets forth inflation rates in the Republic as measured by the CPI for the periods presented:

INFLATION

	(% Change in CPI from Previous Year at Period End [(1)])
December 2019	- 0.07
December 2020	- 0.93
December 2021	1.94
December 2022	3.74
June 2021	- 0.67
June 2022	4.23

Source: Data based on figures from the INEC, Consume Price Index bulletin for June 2022 https://www.ecuadorencifras.gob.ec/ipc-informacion-de-anos-anteriores/

(1) Data reflect percentage change in consumer prices in urban areas over the prior 12 months period.

PUBLIC SECTOR FINANCES

Overview

Budget Process

The 2008 Constitution and the Public Planning and Finance Code set forth the public sector's budget process. According to Article 292 of the 2008 Constitution, the General State Budget is the instrument for establishing and managing Government income and spending, and includes all public sector income and expenses, with the exception of those belonging to social security, public banks, public companies and the Autonomous Decentralized Governments. The drafting and implementation of the General State Budget adheres to the National Development Plan, while the budgets of the Autonomous Decentralized Governments and those of other public entities adhere to regional and provincial plans, with the framework of the National Development Plan. This plan is published by the Government every four years, and lays out the goals and priorities of the Government for that time period. The National Development Plan for 2017 to 2021 was released in September 22, 2017.

Ecuador's "National Development Plan 2017-2021 *Toda una Vida*" is the main instrument of the Decentralized National System of Participatory Planning ("**SNDPP**"), and its objective is to contribute to the progressive fulfilment of:

1. constitutional rights;

2. the objectives of the development plan and provisions of the development plan (through the implementation of public policies); and

3. the programs, projects and interventions that derive from them. It is based on two pillars: environmental sustainability and equitable territorial development, and the achievements of the last 10 years, and highlights the existence of new challenges to be met, around three main components:

    - rights for all, throughout life their lives;

    - an economy at the service of society; and

    - more society, better State, which in turn contain three national development objectives that break with sectoral logic and reflect Ecuador's priorities.

This vision is also framed by international commitments to global development, such as the 2030 Agenda and its Sustainable Development Goals.

The executive branch formulates the annual budget estimate, and the four-year budgetary schedule, and presents both to the National Assembly for approval. The levels of revenue, expenditure, and debt are based on the macroeconomic projections and targets of the Ministry of Economy and Finance and the Central Bank. The Ministry of Economy and Finance is primarily responsible for the preparation of the public sector's annual budget, based on guidelines issued by various planning agencies and other ministries.

The executive branch submits the draft annual budget and the four-year budgetary schedule to the National Assembly within the first 90 days of its initial term and, in subsequent years, 60 days before the start of the relevant fiscal year. The National Assembly must adopt or object to the draft budget within 30 days. The objections of the National Assembly are limited to the areas of revenue and spending and cannot alter the overall amount of the draft budget. If the National Assembly objects to the draft budget or schedule, the executive branch may, within ten days, accept the objection and submit a new proposal to the National Assembly for approval. If the National Assembly does not object within 30 days, the draft annual budget and the four-year budgetary schedule become effective.

The 2008 Constitution also establishes predetermined budget allocations for the Autonomous Decentralized Governments, the health sector, the education sector, and for research, science, technology and innovation. The creation of any other predetermined budget allocations is forbidden.

The Ministry of Economy and Finance has the authority to modify the budget during its execution phase in an amount up to 5% of any approved allocation (before July 15, 2020, until the passing into law of the Organic Law for the Regulation of Public Finances, this authority was capped at 15% under the law, see

"*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances*" below). These adjustments must be made in accordance with the priorities and goals established in the National Development Plan and the constitutional limits established in Article 126 of the Public Planning and Finance Code. For more information regarding the National Development Plan and constitutional limits, see "*Public Debt—General*".

Income and expenses belonging to social security, State banks, public companies and the Autonomous Decentralized Governments are not considered part of the General State Budget. As such, Autonomous Decentralized Governments prepare their budgets in accordance with the non-binding guidelines prepared by the National Secretary of Planning and Development. The executive branch of each Autonomous Decentralized Government is responsible for drafting the budget and submitting it for approval before the corresponding legislative bodies. The General State Budget and local budgets, upon approval, are implemented and made public, as is the General State Budget, and are implemented by the respective local governments.

In 2002, in response to increasing Government expenditures, the National Assembly enacted the *Ley Orgánica de Responsabilidad, Estabilización y Transparencia Fiscal* (the Law to Promote Responsibility, Stabilization and Fiscal Transparency) which was aimed at reducing public indebtedness and establishing greater transparency in the Government's use of public funds. During the second half of 2005, the Government, with the support of the National Assembly, replaced the *Fondo de Estabilización, Inversión Social, y Reducción del Endeudamiento Público* (the "**Stabilization, Social Investment and Public Indebtedness Reduction Fund**" or "**FEIREP**") that was previously created by the 2002 law. FEIREP was replaced by CEREPS. This resulted in an increase in Government investment in the social and productive sectors of the economy to strengthen the economic performance while limiting current expenses.

In 2008, CEREPS was eliminated as a result of the 2008 Constitution and the enactment of LOREYTF. The Republic believes that this new law enhances transparency and flexibility to the budget process by providing enhanced management of State resources and prioritizing social investments. The law also eliminated all predetermined use of resources; currently all of the Republic's resources go directly to a single system of accounts in the Central Bank. Title 3 of the Public Planning and Finance Code also provides transparency by providing unrestricted access to all budget and financial information of the Republic and annual financial statements of public companies.

In accordance with the terms of the 2008 Constitution, the macroeconomic rules and the restrictions on the assumption of public debt were changed as follows:

- permanent expenditures must be financed by permanent income; expenditures related to health, education and justice will be treated as preferential and may be, under exceptional circumstances, financed by non-permanent income; and
- public debt or income from petroleum products may not be used for current Government expenditures.

Under the 2008 Constitution, each of the following is subject to the National Development Plan:

- policies;
- programs and public projects;
- scheduling and execution of the State budget; and
- investment and allocation of public resources.

Pursuant to the Public Planning and Finance Code, each of the following is also subject to the National Development Plan:

- public actions, programs and projects;
- public debt;
- international cooperation;

- scheduling, formulation, approval and execution of the General State Budget;
- State banks' budgets;
- national-level public companies; and
- social security.

The Organic Law for Productive Development, enacted on August 21, 2018, amended the Public Planning and Finance Code to prevent that a budget with a primary deficit be approved and ensure that any increase in the expenditure by the Central Government does not exceed the long term growth rate of the economy.

At the request of the Ministry of Economy and Finance, or on its own, the Office of the Comptroller General can perform an audit of all public sector entities that administer public funds for compliance with proposed budgets and compliance under the law.

Fiscal Policy

In October 2010, the National Assembly approved the Public Planning and Finance Code, which regulates the State planning process and coordinates planning with fiscal policy. This law (as amended under the Organic Law for the Regulation of Public Finances) establishes guidelines for fiscal management, including rules that:

- allow for more flexibility for the Ministry of Economy and Finance to reallocate and reassign expenditures up to 5% of the approved Government budget (before July 15, 2020, until the passing into law of the Organic Law for the Regulation of Public Finances, this authority was capped at 15% under the law, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances*");
- set an explicit total public debt ceiling of 40% of GDP including Central Government, non-financial public sector and the Autonomous Decentralized Governments (see "*Public Debt—General*" and "*— Organic Law for the Regulation of Public Finances*" for a description of the Republic's measures to decrease the public debt levels to below the debt ceiling);
- allow the Ministry of Economy and Finance to issue CETES, at its discretion, without having to undergo the same approval process required for long-term internal and external sovereign debt;
- allow for the establishment of citizens' committees for financial public policy consultations;
- determine that all excess cash not spent during a fiscal year will be accounted for as initial cash for the following fiscal year; and
- establish the functions and responsibilities of the Debt and Finance Committee. See "*Public Debt—General*".

The Organic Law for the Regulation of Public Finances amends the Public Planning and Finance Code and some of the guidelines for fiscal management currently in force. For more information on the amendments to the Public Planning and Finance Code by the Organic Law for the Regulation of Public Finances, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances".*

The CGR Audit Report recommended that, in order to reconcile amounts comprising public debt, the Public Planning and Finance Code should be amended and Decree 1218 should be repealed with respect to the calculation of the total public debt to GDP ratio to ascertain the actual value of total public debt and determine if that amount exceeded the 40% debt to GDP ratio set out in Article 124 of the Public Planning and Finance Code. Following these recommendations, on June 21, 2018, the National Assembly passed the Organic Law for Productive Development which became effective on August 21, 2018, which expressly confirms that certain activities and instruments are considered a contingent liability, and therefore are not included in the calculation of the total public debt to GDP ratio, and provides that for the period from 2018 to 2021, unless the public debt reaches a level below the public debt ceiling of 40% of GDP, the public debt ceiling will not apply. The law also provides for the implementation of a fiscal stability plan by the Ministry of Economy and Finance for the period from 2018 to 2021. The law sets forth that in each subsequent fiscal

year after 2021, the General State Budget must be presented with a fiscal program aimed at reducing over time the amount of total public debt relative to GDP, until it reaches a level below the 40% debt to GDP ratio. The law also mandated that the Ministry of Economy and Finance issue a new regulation implementing a new accounting methodology, to be in accordance with internationally accepted standards and best practices for the registration and disclosure of public debt.

In November 2018, the Ministry of Economy and Finance issued the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology setting out the new methodology (the "**New Methodology**"), which provides that the calculation of the public debt to GDP ratio is to be based on total public debt as published in the official aggregate financial statements and the latest nominal GDP as published by the Central Bank. The New Methodology defines total public debt as the sum of the public debt incurred by the entities comprising the public sector and adds certain debt instruments to the calculation of public debt that were not previously included, including oil presales, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*". The April 2019 Debt Bulletin was the first report on public debt issued that followed the New Methodology. The Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology provided that by November 2019, the Ministry of Economy and Finance was required to retroactively publish public debt figures calculated using the New Methodology from October 2010. This deadline has not been met due to unexpected delays in gathering and consolidating the data, with the release of these updated public debt figures expected within the weeks following July 2020. Once these past public debt figures are published using the New Methodology, those numbers may vary from the public debt figures presented in this Schedule for the comparable period which were calculated based on the old methodology.

In addition, the Organic Law for Productive Development enacted on August 21, 2018, amends Article 124 of the Public Planning and Finance Code providing that in exceptional cases, fiscal rules and the 40% debt to GDP ratio limit may be temporarily suspended when natural catastrophes, severe economic recession, imbalances in the payment system, or national emergency situations occur, for which purpose the approval of the majority of the members of the National Assembly will be required. These rules may also be suspended in the event that the President of the Republic decrees a state of emergency, in accordance with the provisions of the Constitution. In these cases, the entity in charge of public finances will propose a plan to strengthen public finances to achieve and restore fiscal balance.

In December 18, 2018, the Regulation to the Organic Law for Productive Development supplementing the Organic Law for Productive Development became effective. The Regulation to the Organic Law for Productive Development, creates the procedures to implement and simplify the tax benefits that the Organic Law for Productive Development created for new investments and entrepreneurship; clarifies different concepts used in the Organic Law for Productive Development such as the concept of 'new investment', creates the framework under which the VAT and exit tax returns on exports and other tax incentives will be carried out; closes any loopholes on the elimination of the excise tax; and creates the procedures to oversee compliance with fiscal rules with the goal of achieving sustainability of public finances.

The Regulation to the Organic Law for Productive Development also amends the Rules to the Public Planning and Finance Code to include a new section on fiscal rules and to amend certain articles. Article 133 of the Rules to the Public Planning and Finance Code is amended to provide that the Ministry of Economy and Finance will produce both aggregated and consolidated financial statements of the public debt for the public sector, the non-financial public sector and the Central Government in a period of no more than 60 days after the end of each month. These amendments also provide that in establishing the total amount of public debt, the Ministry of Economy and Finance will consider the aggregate public debt to GDP indicator of the entities constituting the public sector. This indicator will be calculated and projected based on the public debt aggregate statements, at least for the final balances, for the following four years. Among other provisions, the regulation provides guidance for calculating the debt to GDP ratio for these purposes, as well as for reducing the balance of the public debt below 40% and for maintaining the balance of the public debt at or below 40% of GDP after it has been reduced.

The non-financial public sector deficit is primarily financed by the issuance of CETES and bonds placed with IESS. There is no maximum amount of CETES that may be issued per year nor is there a requirement to place a certain percentage in the public or private sector. However, IESS may only hold 75% of the value of its total portfolio in CETES.

As of December 31, 2020, Ecuador's International Reserves totaled U.S.$7,196 million, an increase from December 31, 2019 when International Reserves totaled U.S.$3,397 million. The increase in International

Reserves during the 12-month period ending in December 31, 2020 compared to the period ending in December 31, 2021 was mainly due to the financing received from international organizations, including the IMF loan under the Extended Fund Facility approved in September 2020.

As of December 31, 2021, Ecuador's International Reserves totaled U.S.$7,898 million, an increase from December 31, 2020 when International Reserves totaled U.S.$7,196 million. The increase in International Reserves during the 12-month period ending in December 31, 2021 compared to the period ending in December 31, 2020 was mainly due to the financing received from international organizations, lower net outflows from private sector and higher oil exports.

As of December 31, 2022, Ecuador's International Reserves totaled U.S.$8,459 million, an increase from December 31, 2021 when International Reserves totaled U.S.$7,898 million. This increase in International Reserves was principally due to the financing received from international organizations, as well as the positive balance between oil exports and derivates imports.

The Organic Law for Productive Development, created a fiscal stabilization fund to ensure fiscal sustainability and health and education expenses, supported by the extra revenue above the flows contemplated under the Budget from the exploitation of non-renewable natural resources, after deducting the share earmarked to local governments.

On October 18, 2019, former President Moreno presented before the National Assembly the draft Law on Economic Development which, among other reforms, was aimed at reforming certain aspects of Ecuador's financial laws and regulations to, among other objectives in order to (i) enhance fiscal sustainability establishing stricter budget controls and (ii) strengthen dollarization by enhancing the Central Bank's autonomy, see "*The Republic of Ecuador— Measures by former President Moreno".* On November 17, 2019, the National Assembly voted to reject the draft Law on Economic Development. In response, on November 21, 2019, former President Moreno presented the draft Organic Law on Tax Simplification, replacing the draft Law on Economic Development with respect to certain aspects of the intended tax reform. The Organic Law on Tax Simplification was first approved by the National Assembly on December 9, 2019, and after a Presidential partial veto, it was finally approved on December 30, 2019, and became effective on December 31, 2019, see "*The Republic of Ecuador—Measures by former President Moreno".*

On July 15, 2020, the Organic Law for the Regulation of Public Finances became effective as revised by the former President. The Organic Law for the Regulation of Public Finances has two sections and a transitional provision. Section I is limited to amendments to the Public Planning and Finance Code and includes 45 articles, and Section II is limited to a single article amending a provision of the Organic Law of Spatial Planning and applicable ordinances. This law aims to improve the administration of public finances. It focuses on updates to budgetary ceilings, the predictability of public spending, establishment of new treasury securities and new tax rules, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances".*

Non-Financial Public Sector Revenues and Expenditures

The following table sets forth actual revenues and expenditures for the consolidated non-financial public sector for the periods presented.

SUMMARY OF CONSOLIDATED NON-FINANCIAL PUBLIC SECTOR REVENUES AND EXPENDITURES

	For the year ended December 31,							
	2019	% of GDP	2020	% of GDP	2021	% of GDP	2022	% of GDP
	(in millions of U.S.$ and as a % of GDP)							
Revenue								
Petroleum revenue								
Exports[1]	7,785	7.2	4,839	4.9%	9,041	8.5%	13,250	11.5%
Domestic sales								
Total petroleum revenue (a)	**7,785**	**7.2**	**4,839**	**4.9%**	**9,041**	**8.5%**	**13,250**	**11.5%**
Non-petroleum revenue								
Income tax	4,311	4.0	4,034	4.1%	3,854	3.6%	4,450	3.9%
Value-added tax	6,27	5.8	5,201	5.2%	5,986	5.6%	6,440	5.6%
Selected excise taxes	899	0.8	738	0.7%	821	0.8%	852	0.7%
Taxes on international trade	1,418	1.3	944	1.0%	1,207	1.1%	1,267	1.1%
Social security contributions	5,863	5.5	5,079	5.1%	5,305	5.0%	5,773	5.0%
Other[2]	6,69	6.2	6,641	6.7%	7,319	6.9%	8,281	7.2%
Total non-petroleum revenue (b)	**25,45**	**23.7**	**22,636**	**22.8%**	**24,493**	**23.1%**	**27,063**	**23.5%**
Operating income of public companies (c)	**2,7**	**2.5**	**1,736**	**1.7%**	**2,718**	**2.6%**	**1,950**	**1.7%**
Total revenue (a+b+c)	**35,935**	**33.5**	**29,211**	**29.4%**	**36,252**	**34.1%**	**42,263**	**36.7%**
Expenses								
Current expenditures								
Interest	2,899	2.7	2,790	2.8%	1,366	1.3%	1,791	1.6%
Foreign	2,582	2.4	2,422	2.4%	960	0.9%	1,319	1.1%
Domestic	317	0.3	368	0.4%	406	0.4%	472	0.4%
Wages and salaries	10,116	9.4	10,441	10.5%	10,084	9.5%	11,433	9.9%
Purchases of goods and services	4,62	4.3	2,338	2.4%	2,337	2.2%	2,745	2.4%
Social security	5,773	5.4	6,830	6.9%	7,178	6.8%	7,579	6.6%
Others	7,464	6.9	6,676	6.7%	7,645	7.2%	10,964	9.5%
Total current expenditure	**30,871**	**28.7**	**29,074**	**29.3%**	**28,610**	**26.9%**	**34,512**	**30.0%**
Capital expenditure and net lending								
Gross capital formation	7,883	7.3	7,210	7.3%	9,352	8.8%	7,932	6.9%
General State budget	2,131	2.0	1,610	1.6%	1,940	1.8%	899	0.8%
Public companies	1,773	1.7	1,668	1.7%	1,790	1.7%	2,239	1.9%
Rest of general government	3,979	3.7	3,252	3.3%	3,601	3.4%	3,913	3.4%
Other capital expenditure	143	0.1	679	0.7%	2,021	1.9%	882	0.8%
Total capital expenditure	**8,026**	**7.5**	**7,210**	**7.3%**	**9,352**	**8.8%**	**7,932**	**6.9%**
Total expenditure	**38,943**	**36.2**	**36,285**	**36.5%**	**37,962**	**35.8%**	**42,444**	**36.9%**
Surplus/Deficit	**-3,008**	**-2.8**	**-7,073**	**-7.1%**	**-1,710**	**-1.6%**	**-181**	**-0.2%**

Source: Data from the Economic and Finance Ministry, Monthly Statistical Information No.2050 for December 2022. (Section 2.1)
https://www.bce.fin.ec/en/economic-information

(1) This figure is different than the crude oil exports figure in the Exports FOB table in that it includes derivate revenues, as opposed to only crude oil, and measures revenues from petroleum exports for the non-financial public sector, only.

(2) Includes other taxes and revenue.

In 2020, the non-financial public sector registered a deficit of U.S.$-7.073 million compared to a deficit of U.S.$-3.008 million in 2019. This increase in the deficit was principally due to the decrease in oil price as a consequence of the COVID-19 pandemic. In 2020, total revenues for the non-financial public sector totaled U.S.$29.211 million a decrease from U.S.$35.935 million for 2019. This decrease was primarily due to a decrease in tax revenue and the oil price decline. In 2020, total expenditures for the non-financial public sector totaled U.S.$36.285 million, a decrease compared to U.S.$38.943 million in 2019. This decrease was primarily due to permanent spending and the expenses of goods and services, in the part of non-permanent spending there was less investment and capital transfers.

In 2021, the non-financial public sector registered a deficit of U.S.$1,710 million compared to a deficit of U.S.$7,073 million in 2020. This decrease in the deficit was principally due to an increase in oil revenues, tax collection and surplus generated by public companies. In 2021, total revenues for the non-financial public sector totaled U.S.$36,252 million, an increase from U.S.$29,211 million for 2020. This increase was primarily due to the rise in tax and an increase in oil revenues of 24%. In 2021, total expenditures for

the non-financial public sector totaled U.S.$37,962 million, an increase compared to U.S.$36,285 million in 2020. This increase was primarily due to payments on financial assets, goods, and services.

For the first six months of 2022, the non-financial public sector registered a surplus of U.S.$1,784 million compared to a surplus of U.S.$213 million for the first six months of 2021. This increase in surplus was primarily due to an increase in oil revenues and tax collection. For the first six months of 2022, total revenues for the non-financial public sector totaled U.S.$20,981 million, an increase from U.S.$17,296 million for the first six months of 2021. This increase was primarily due to an increase in oil revenues, tax collection and surplus generated by public companies. For the first six months of 2022, total expenditures for the non-financial public sector totaled U.S.$19,197 million an increase compared to U.S.$17,083 million for the first six months of 2021. This increase was primarily due to an increase in permanent expenses (mainly CFDD) and an increase in non-financial assets.

Central Government Revenues and Expenditures

The Government derives its revenues primarily from sales of petroleum, tax collection and import duties, and other revenue, including transfers. The following table shows the actual Central Government revenues and expenditures for the periods presented. The Central Government includes the Republic's ministries, supervising entities, and other Government entities.

CONSOLIDATED CENTRAL GOVERNMENT REVENUES AND EXPENDITURES [1]

	For the year ended December 31,						For the six months ended June 30,	
	2019		2020		2021		2021	2022
	(in millions of U.S.$, and as % of GDP)							
Revenue [2]								
Petroleum revenue	**7,559**	**7.0%**	**3,808**	**3.8%**	**7,421**	**7.0%**	**3,346**	**5,126**
Non-petroleum revenue	**17,139**	**16.0%**	**14,771**	**14.9%**	**16,255**	**15.3%**	**8,100**	**9,517**
Tax revenue								
Taxes on goods and services								
Value-added tax	6,270	5.8%	5,201	5.2%	5,986	5.6%	2,856	3,190
Selected excise taxes	898	0.8%	738	0.7%	821	0.8%	388	420
Total taxes on goods and services	7,168	6.7%	5,938	6.0%	6,807	6.4%	3,244	3,611
Income Tax	4,311	4.0%	4,034	4.1%	3,854	3.6%	2,153	2,584
Taxes on International Trade								
Import duties	1,418	1.3%	944	1.0%	1,207	1.1%	568	570
Export duties[3]	957	0.9%	814	0.8%	1,010	1.0%	429	529
Total taxes on international trade	2,375	2.2%	1,758	1.8%	2,217	2.1%	997	1,098
Vehicle tax	223	0.2%	193	0.2%	218	0.2%	125	123
Other taxes	439	0.4%	443	0.4%	527	0.5%	341	661
Total tax revenue	**14,516**	**13.5%**	**12,366**	**12.5%**	**13,623**	**12.8%**	**6,859**	**8,076**
Non-tax revenue	**2,065**	**1.9%**	**1,911**	**1.9%**	**2,094**	**2.0%**	**864**	**1,151**
Transfers	**558**	**0.5%**	**494**	**0.5%**	**538**	**0.5%**	**377**	**290**
Total revenues	**24,699**	**23.0%**	**18,579**	**18.7%**	**23,676**	**22.3%**	**11,447**	**14,644**
Current expenditure								
Interest accrual								
Foreign	2,411	2.2%	2,326	2.3%	900	0.8%	446	575
Domestic	867	0.8%	971	1.0%	1,050	1.0%	511	574
Total interest accrual	3,278	3.1%	3,297	3.3%	1,950	1.8%	957	1,149
Wages and salaries	9,311	8.7%	9,544	9.6%	9,340	8.8%	3,819	4,395
Purchase of goods and services	2,281	2.1%	4,998	5.0%	6,354	6.0%	2,657	4,498
Other current expenditures	6,558	6.1%	3,445	3.5%	3,742	3.5%	486	611
Transfers	2,963	2.8%	1,066	1.1%	1,242	1.2%	1,723	1,809
Total current expenditure	**24,392**	**22.7%**	**22,350**	**22.5%**	**22,627**	**21.3%**	**9,642**	**12,462**
Capital expenditure								
Fixed capital expenditure	2,132	2.0%	535	0.5%	640	0.6%	871	119
Other	40	0.0%	-	0.0%	-	0.0%	-	-
Capital Transfers	3,448	3.2%	3,267	3.3%	4,208	4.0%	2,014	1,707
Total capital expenditure	**5,619**	**5.2%**	**3,802**	**3.8%**	**4,848**	**4.6%**	**2,885**	**1,825**

Total Expenditure [4] ……	**30,057**	**28.0%**	**26,152**	**26.3%**	**27,475**	**25.9%**	**12,527**	**14,288**
Adjustment on treasury accounts ……	**-**	**-**	**77**	**0.1%**	**506**	**0.5%**	**28**	**25**
Overall surplus or deficit …	**-5,359**	**-5.0**	**-7.649**	**-7.7%**	**-4,306**	**-4.1%**	**-1,108**	**331**

Source: Ministry of Economy and Finance.

(1) From 2018, the new methodology considers that the Central Government is composed of the General State Budget, the Cuenta de Financiamiento de Derivados Deficitarios (Deficit Derivatives Financing Account), according to the sectorization of the 2014 Public Finance Statistical Manual.

(2) Revenues are cash, expenditures are accrued.

(3) ISD Total – Tax.

(4) Includes all interest payments under foreign debt obligations.

Taxation and Customs

In 2020, Central Government revenues totaled U.S.$18,579 million, while total expenditures were U.S.$26,152 million. This resulted in a fiscal deficit of U.S.$7,675 million in 2020, an increase in the deficit compared to the U.S.$5,359 million deficit in 2019. This increase in the deficit was primarily due to increased healthcare expenditures and decreased revenues relating to the effects of the pandemic.

In 2021, Central Government revenues totaled U.S.$23,683 million, while total expenditures were U.S.$28,088 million. This resulted in an overall fiscal deficit of U.S.$4,405 million in 2021, a decrease in the deficit compared to the U.S.$7,675 million deficit in 2020. This decrease in the deficit was primarily due to an increase in oil revenues and a decrease in interest payments as a result of the debt renegotiation, see further "*Public Debt—Debt Obligations*".

For the first six months of 2022, Central Government revenues totaled U.S.$14,644 million, while total expenditures were U.S.$14,313 million. This resulted in an overall fiscal surplus of U.S.$331 million for the first six months of 2022, as compared to the U.S.$1,108 million deficit for the first six months of 2021. This decrease in the deficit was primarily due to increase in oil revenues and tax collection.

The 2008 Constitution grants the National Assembly the authority to create, amend or eliminate taxes by means of the law, without detriment to the attributions granted to Autonomous Decentralized Governments. Pursuant to the 2008 Constitution, only the President may submit bills that levy, amend or eliminate taxes. Municipal governments may also levy taxes. The 2008 Constitution provides that tax policy will promote redistribution and will stimulate employment, the production of goods and services, as well as ecologically, socially and economically responsible conduct. Furthermore, the 2008 Constitution expressly prioritizes direct and progressive taxes.

The value-added tax applies to most sales of tangible assets as well as most services, except for educational, public transportation, public services, childcare services and others. In the first six months of 2022, the value-added tax generated U.S.$3,190 million of total tax revenues, an increase from the U.S.$2,856 million generated in the first six months of 2021. This increase was primarily due to the economic reactivation and increase in the collection of VAT imports. In 2021, the value-added tax generated U.S.$5,986 million of total tax revenues, an increase from the U.S.$5,201 million generated in 2020. This increase was mainly due to a VAT increase on imports. The value-added tax has been the largest component of tax revenues in the past five years, generating U.S.$5,201 million of total tax revenues in 2020, a decrease from U.S.$6,270 million in 2019. This decrease was due to effects of the pandemic on tax collection and product imports.

In 2020, the value-added tax generated U.S.$5,201 million of total tax revenues, a decrease from the U.S.$5,986 million generated in 2019. This decrease was mainly due to COVID-19 pandemic effects.

The second largest component of tax revenues is income tax, which accounted for U.S.$2,584 million of tax revenues in the first six months of 2022, an increase from U.S.$2,153 million of tax revenues in the first six months of 2021. In 2021, income tax accounted for U.S.$3,854 million of tax revenues, a decrease from U.S.$4,034 million of tax revenues in 2020 and U.S.$4,311 million of tax revenues in 2019.

The third largest component of tax revenues is taxes on goods and services - selected excise taxes which accounted for U.S.$420 million of tax revenues in the first six months of 2022, an increase from U.S.$388 million of tax revenues in the first six months of 2021. In the first six months of 2022, tax revenues from income tax were U.S.$2.584 million, an increase from U.S.$431 million of tax revenues in the first six months of 2021. In 2021, income tax accounted for U.S.$3,854 million of tax revenues, a decrease from U.S.$4,034 million of tax revenues in 2020 and U.S.$4,311 million of tax revenues in 2019. Effective personal income tax rates for residents and non-residents who file tax returns in Ecuador range from 0% to

35%. The standard corporate tax rate in 2014 was 22%, down from 25% in 2012. However, a tax reform enacted in December 2014 increased the corporate tax rate to 25% for profits on distributions from Ecuadorian entities to residents domiciled in tax havens. Non-resident individuals are also subject to a flat income tax of 22% in 2013 (down from 24% in 2011 and 23% in 2012). The standard corporate tax rate for 2015 was 22% but increased to 25% for 2016 due to the 3% increase established by the *Ley Orgánica de Solidaridad y de Corresponsabilidad Ciudadana para la Reconstrucción de las Zonas Afectadas por el Terremoto de 16 de Abril de 2016* (the "**Law of Solidarity**"). However, although the standard corporate tax rate decreased back to 22% for 2017, it was then increased to 25% under the Organic Law for the Reactivation of the Economy, Strengthening of Dollarization and Modernization of Financial Management. Currently, the standard corporate tax rate is 25% and 28% for profits on distributions from Ecuadorian entities to residents domiciled in tax havens.

Tax Reforms

Historically, many individuals and companies did not pay taxes in Ecuador. Upon taking office, former President Correa aimed to change this behaviour and instituted a culture of paying taxes among citizens and companies. To that end, the Ministry of Education established the *Día de la Cultura Tributaria* ("**Tax Culture Day**") to be commemorated every April 27 and ran multiple television advertisements concerning the importance of tax payments. Ecuador completed these cultural efforts with legal reforms. Two of the most important reforms included the *Ley Reformatoria a la Ley de Régimen Tributario Interno y a la Ley Reformatoria para la Equidad Tributaria del Ecuador* (the Reform Act to the Internal Tax Regime Law and the Reform Act for Tax Equity in Ecuador), which were enacted on December 23, 2009 and include the following measures:

- a 1% to 2% Currency Outflow tax, which was subsequently amended in November of 2011 to a 5% Currency Outflow Tax with an exemption, established in 2016, for the first U.S.$1,098 and U.S.$5,000 if a debit card or credit card is used (for more information regarding the Currency Outflow Tax, see "*Balance of Payments and Foreign Trade—Foreign Trade—Trade Policy*");

- taxation on dividends received by company shareholders as profits;

- changes in the manner in which the ICE calculates taxes on certain items for products such as cigarettes, alcoholic beverages and soft drinks;

- incentives for the production sector, such as a proposal to return the VAT for certain tourism activities, and exemptions on tax for reinvestment in science and technology; and

- a refund of the 12% VAT (increased to 14% for 2016 and returned to 12% effective June 1, 2017) for the public sector.

Other measures include the institution of numerous new individual tax deductions that encouraged the participation in payment of taxes. Taxpayers can apply these deductions prior to the end of the tax year. Ecuador believes that the deductions and the advance payment system encourage participation and decreased the rate of tax evasion in Ecuador. Ecuador has also improved its tax administration system to more easily identify tax evasion.

In December 2012, the National Assembly enacted the Comprehensive Law of Redistribution of Income for Social Expenditures, which went into effect on January 1, 2013. This law expands the scope of the VAT to certain financial services provided by credit card administrators and private financial entities that were previously exempt.

In August 2014, a U.S.$42 flat tariff rate was introduced for all international purchases under U.S.$400 that are delivered by courier and weigh up to 4 kilograms. Before the introduction of this flat tariff, only international purchases delivered by courier in excess of U.S.$400 and 4 kilograms were subject to tariffs. This flat tariff is intended to encourage local market consumption by discouraging small online purchases made outside Ecuador. The tariff is imposed on courier services for each package that enters Ecuador. Packages shipped through certain State-owned postal services subject to international treaties will be exempt from the tariff. Books for students for educational purposes are also exempt.

The Organic Law for Productive Development, enacted on August 21, 2018, established a reduced income tax rate for capital gains on the sale of shares of stock in a range from 0 to 10%.

In December 2017, the Government enacted the Organic Law for the Economic Reactivation, Strengthening of Dollarization and Modernization of Financial Management. This law aims to create employment and increase the income of foreign currency to the economy through tax incentives to different actors of the economy such as, micro and small companies, artisans, regulator exporters. This law also set out: (i) corporate income tax rate at 25%; (ii) the exemption from income tax payment for new micro-enterprises for three years; (iii) the possibility of signing investment contracts that guarantee the general rate applicable to companies for taxpayers that are dedicated to large and medium-scale metal mining, and basic industries; (iv) the modification of tax base and the application of the *ad valorem* rate of excise tax on alcoholic beverages and beer; (v) 50% discount from excise tax to producers of alcohol and alcoholic beverages that purchase cane distillate from artisans and organizations of the popular and solidarity economy; (vi) an exemption from the Foreign Currency Exit Tax for payments abroad for the treatment of serious illnesses and (vii) the elimination of the tax on rural property.

In August 2019, the Government enacted the Organic Law for Productive Promotion, Investment Attraction, Employment Generation, and Fiscal Stability and Balance. The purpose of this law is to stabilize Ecuador's economy, reactivate production, stimulate investment and promote employment through tax incentives.

In December 2019, the Government enacted the Organic Law of Tax Simplification and Progressivity to address the digital economy. This law establishes a 12% VAT for digital services, optimize tax spending and incentives for companies.

In order to alleviate the effects of the COVID-19 crisis on the population and the economic situation resulting from both the health crisis and the decline in international oil prices, the Government, among other tax measures, enacted a 90-day deferral of income tax payments due in April, May and June of 2020 in the tourism and export sectors and in favor of small producers, and of payroll contributions, and at the same time, in order to increase revenues, increased the withholding tax for banks, State-owned enterprises and other commercial corporations.

In 2021, the executive branch issued executive decree No. 33 ("**Decree 33**")which establishes that all institutions, public and private companies that provide the credit reference service, eliminate from their records the historical information on the obligations of individuals whose consolidated debt in the financial system is less than U.S.$1,000, in order to provide credit dynamics and liquidity.

The executive branch also issued executive decree No. 68 ("**Decree 68**") in June 2021 to simplify international trade and production, as well as their procedures and the competitiveness to guarantee transparency and reduce production costs for companies.

In September 2021, the executive branch issued executive decree No. 182 ("**Decree 182**") that reduced the Currency Exit Tax rate to zero for transfers, shipments, or transfers of currency made by foreign airlines operating in Ecuador to promote tourism.

In October 2021, the executive branch ordered the suspension of the Regulation of Prices of Petroleum Derivatives to reduce the expense associated with fuel subsidies and the price manipulation (executive decree No. 231 ("**Decree 231**")).

The Organic Law for Economic Development and Fiscal Sustainability after COVID-19 pandemic set forth the following measures:

- Contribution on the assets of companies that have assets equal to or greater than U.S.$5 million,
- Contribution on the assets of natural persons that as of January 2021 have a personal net worth equal to or greater than U.S.$1 million or a partnership net worth equal to or greater than U.S.$2 million.
- Tax incentives for new investments, such as reduction of 5% of income tax, exemption from the tax on the outflow of foreign currency and taxes on foreign trade for the importation of capital goods and raw materials.
- The voluntary, single and temporary tax regime for the regularization of assets in exchange for the payment of a single tax with a progressive rate from 3.5% to 5.5%.

- Amendment to the level of VAT percent and special consumption tax.

- The Microenterprise Regime and the Ecuadorian Simplified Tax Regime was replaced by the Simplified Regime for Entrepreneurs and Popular Businesses.

On November 2021, the Organic Law for Economic Development and Fiscal Sustainability was issued. This law established that those with an income of more than U.S.$2,000 per month will have to pay more Income Tax. It also reduced and eliminated taxes for certain goods and services such as feminine hygiene products and cell phone plans. This tax reform also created a new regime for entrepreneurs and popular businesses. Those who earn between U.S.$51,630 and U.S.$61,630 will pay 30%: this is 10% more than what they paid previously. For the range of annual income from U.S.$61,630 to U.S.$100,000, taxpayers will pay 35% income tax compared to the current 20%.

This reform included a tenth income tax bracket. Those who earn more than U.S.$100,000 per year have to pay an income tax rate of 37%. The law also established a special contribution, for one year, for persons with assets of more than U.S.$1 million and U.S.$2 million if the so-called conjugal partnerships are considered. The new law established a contribution for companies that generated profits during the coronavirus pandemic. The law established that companies with assets over U.S.$5 million will make a solidarity contribution of 0.8% for two years. The tax reform regularized assets abroad, i.e., individuals who have capital or investments outside Ecuador must report them to the IRS and pay income tax in the future on that money or assets. The law established the reduction of the Value Added Tax (VAT) rate from 12% to 8% for the rendering of services defined as tourist activities for a maximum of 12 days per year during holidays or weekends, in order to promote tourism. It also exempted several services from VAT and defined a 0% VAT rate for the purchase of electric and hybrid vehicles and solar panels, in order to promote energy change, as well as on certain products (masks, oximeters, sanitary products). There were also changes in the Special Consumption Tax (ICE). From now on, the President of the Republic, by means of an Executive Decree, may reduce the ICE rate at any time, subject to a favorable opinion from the Ministry of Economy and Finance.

Decree 298 of 12/22/2021 established a reduction of the ISD for the year 2022 as follows:

- As of January 1, 2022 - 4.75%;
- As of April 1, 2022 - 4.50%;
- As of July 1, 2022 - 4.25%; and
- As of October 1, 2022 - 4%.

Decree 643 January 10, 2023 established a reduction of the ISD for the year 2022 as follows:

- As of February 01, 2023 - 3.75%;
- As of July 1, 2023 - 3.50%; and
- As of December 31, 2023 - 2%.

Foreign Aid

As of 2012, Ecuador is no longer listed as a country in need of foreign aid based on revenue per capita requirements from the World Bank.

Central Government Expenditures

In 2020, Central Government expenditures totaled U.S.$26,152 million. In 2020, Central Government current expenditure totaled U.S.$22,350 million while capital expenditure totaled U.S.$3,802 million. In 2021, Central Government expenditures represented U.S.$27,475 million compared to U.S.$26,152 million in 2020. In 2021, while the current expenditure increased by 1.2% from 2020 to U.S.$22,627 million, capital expenditure increased by 27% from 2020 to U.S.$4,848 million. In 2022, Central Government expenditures totaled U.S.$28,688 million. In 2022, Central Government current expenditure totaled U.S.$23,477 million while capital expenditure totaled U.S.$5,211 million.

2021 – 2023 Budgets

Article 118 of the Public Planning and Finance Code grants the Ministry of Economy and Finance the authority to modify any approved budget in an amount of up to 5% of any approved allocation (before July

15, 2020, until the passing into law of the Organic Law for the Regulation of Public Finances, this authority was capped at 15% under the law, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances*" below). From time to time, the Ministry of Economy and Finance revises and adjusts the sources and uses of funds initially provided for in the budget.

The 2021 Budget passed by the National Assembly provided for a budget of approximately U.S.$32,948.64 million, which represented a 7.18% decrease from the 2020 Budget. The 2021 Draft Budget provided for approximately U.S.$23,042.5 million in total revenues and U.S.$27,855.18 million in total expenses, for an expected global deficit of U.S.$4,812.68 million, representing 4.63% of the GDP. The 2021 Budget became effective on November 5, 2021.

For more information on the budget process, see "*Public Sector Finances—Overview—Budget Process*".

The 2022 Budget was enacted on December 16, 2021 for fiscal year 2022. The 2022 Budget was not modified and the Republic for the fiscal year 2022 operated based on the 2022 Budget as it became effective on January 3, 2022. For more information on the budget process, see "*Public Sector Finances—Overview—Budget Process*".

The 2022 Budget estimated approximately U.S.$24,114.62 million in total revenue, of which U.S.$21,148.62 million was attributed to permanent revenue (such as taxes, sale of goods and services and collection of fines) and U.S.$2,966 million was attributed to non-permanent revenue which included expected income from monetization of certain public assets. Total expenses were budgeted at U.S.$27,898.12 million, of which U.S.$21,888.25 million was for permanent or current expenditures. The expected deficit was approximately U.S.$3,783.5 million with a primary deficit of U.S.$1,550.76 million. The 2022 Budget also assumed a GDP growth rate of 2.85%.

The Government's projected deficit for the year ending December 31, 2022 decreased to U.S.$3.601.81 million, a 74.8% projected decrease in the deficit compared to 2021, principally due to: (i) expenses optimization following the issuance of Decree 457 which repealed Decree 135 and sought to optimize public spending further; and (ii) increases in oil prices.

As of April 2023, the Republic estimates that the total aggregate financing needs for 2023 are approximately U.S.$7,577.42 million, of which (i) 32.7% is expected to come from agreements with multilateral institutions (totalling approximately U.S.$2,477.39 million), (ii) 7.4% is expected to come from bilateral creditors (totalling approximately U.S.$558.23 million), (iii) 9.2% is expected to come from other private sector and commercial loans (totalling approximately U.S.$697.37 million) and (iv) 50.7% is expected to come from domestic funding (totaling approximately U.S.$3,844.43 million).

The 2023 Budget was enacted on December 28, 2022 for fiscal year 2023.For more information on the budget process, see "*Public Sector Finances—Overview—Budget Process*".

The 2023 Budget estimates U.S.$23,662.13 million in total revenue, of which U.S.$18,614.81 million is attributed to permanent revenue (such as taxes, sale of goods and services, and collection of fines) and the U.S.$5,047.32 million is attributed to non-permanent revenue. Total expenses are budgeted at U.S.$26,292.04 million, of which U.S.$20,075.40 million is for permanent or current expenditures. The expected deficit is approximately U.S.$2,629.91 million with a primary deficit of U.S.$120.28 million.

The 2023 Budget macroeconomic assumptions include:

- *revenue:* greater oil production leading to increased oil revenues; increased tax collection as a result of tax reform in 2021; and increased trade tariffs due to higher volumes of imported goods and services in 2023; and

- *expenses:* increases in salaries and other legal benefits for public servants and workers (primarily teachers); and higher expenses to cover, among others, health professionals and rural service contracts in the Ministry of Public Health, as well as troops and officers of the armed forces, national police and Transit Commission.

The 2023 Budget estimates: (i) GDP to be U.S.$122,369 million, an increase of 11.6% from the pro-forma budget in 2022; (ii) a real GDP growth rate of 3.1%, an increase of 0.2% from the pro-forma budget in 2022; (iii) average annual inflation of 2.76%, compared to 1.3% in the pro-forma budget in 2022; (iv) oil

production of 187.9 million barrels, an increase of 4.5% from 179.9 million barrels in the pro-forma budget for 2022; and (v) average export price of crude oil of U.S.$64.8 per barrel, an increase of 9.5% from U.S.$59.2 per barrel from the pro-forma budget in 2022.

However, in March 2023 the Central Bank revised its projection for 2023 GDP from 3.1% to 2.6% due to the slowdown in oil exports following recent disruption to oil production, see "*The Ecuadorian Economy—Strategic Sectors of the Economy—Oil Sector*".

PUBLIC DEBT

General

Between October 2016 and October 2018, pursuant to Decree 1218, the consolidated methodology was the legal methodology in Ecuador to calculate the public sector debt to GDP in Ecuador and was in accordance with the IMF methodology, the IMF GFS. However, on October 30, 2018, the repeal of Decree 1218 became effective.

Since April 2018, Ecuador has been using the aggregation methodology to calculate the public debt to GDP ratio. Public sector aggregate debt, including internal and external debt of the financial and non-financial public sector and the external Central Bank debt balance, was U.S.$57,316.93 million as of December 31, 2020, compared to U.S.$63,165.11 million as of December 31, 2019. The ratio of total public sector aggregate debt to GDP increased from 53.02% as of December 31, 2019 to 63.93% as of December 31, 2020.

The ratio of non-financial consolidated public sector debt to GDP for December 31, 2021 was 58.59% and for December 31, 2022 was 55.98%. As of December 31, 2022, interest payments of non-financial public sector debt obligations represented 1.92% of GDP.

Beginning with its April 2019 Debt Bulletin, Ecuador began issuing its periodic report on public debt under the New Methodology for calculating the public debt to GDP ratio set forth in the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*" below.

Public sector aggregate debt, including internal and external debt of the financial and non-financial public sector and the external Central Bank debt balance, was U.S.$75,480 million as of December 31, 2022. In view of the change in the methodology for calculating and presenting debt statistics issued pursuant to MA 036 of May 20, 2021 and MA 096 of October 15, 2021, the figures for each year retain their respective methodologies. As reference data, as of December 31, 2021, the aggregate debt of the total public sector, including internal and external debt, amounted to U.S.$76,607 million, according to the methodology in effect at the time.

As of January 31, 2023, the aggregate total debt of the public sector, including internal and external debt, amounted to U.S.$74,491 million.

As of June 30, 2022, interest payments on all debt obligations represented approximately 0.08% of GDP. The Organic Law for Productive Development, which became effective on August 21, 2018, stated that as of July 2020, for the period from 2018 to 2021, unless the public debt reached a level below the public debt ceiling of 40% of GDP, the public debt ceiling would not apply.

In December 20, 2018, the Regulation to the Organic Law for Productive Development became effective amending, among others, Article 133 of the Rules to the Public Planning and Finance Code to provide that the Ministry of Economy and Finance produce both aggregated and consolidated financial statements of the public debt for the public sector, the non-financial public sector and the Central Government in a period of no more than 60 days after the end of each month. These amendments provided that in establishing the total amount of public debt, the Ministry of Economy and Finance consider the aggregate public debt to GDP indicator of the entities constituting the public sector. This indicator is to be calculated and projected based on the public debt aggregate statements, at least for the final balances, for the following four years. Among other provisions, the regulation provides guidance for calculating the debt to GDP ratio for these purposes, as well as for reducing the balance of the public debt below 40% and for ensuring that the balance of the public debt does not exceed 40% of GDP after it has been reduced.

The Organic Law for the Regulation of Public Finances sets out a timetable for the gradual decrease of the public debt by imposing transitional debt to GDP ratio ceilings starting at 57% by 2025 and reducing it to 45% by 2030 and to 40% by 2032, after which the public debt to GDP will be required by law to be kept at or below the legal limit of 40%, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances*".

During former President Moreno's tenure, Ecuador strengthened ties with Latin American-based multilateral entities, including Inter-American Development Bank, CAF, and FLAR, while opening to other

multilateral entities such as the IMF. Ecuador continues to collaborate with long-time partners such as China, Spain and Brazil.

In particular, following Ecuador's ratification of the ICSID Convention in 2021, Ecuador restarted foreign trade agreement negotiations with South Korea in March 2022 after a 6-year pause. As of April 2023, the documents prepared as a result of such negotiations are currently under legal review by the Republic. In 2022 the Republic also concluded foreign trade agreement negotiations with China. As of April 2023, the documents prepared as a result of such negotiations are currently under legal review by the Republic.

Under the 2008 Constitution, the National Assembly has the power to adopt legislation governing the issuance of public debt and to appropriate funds required for debt service. Acting pursuant to this constitutional mandate, as referenced earlier, the National Assembly approved the Public Planning and Finance Code, which governs the procedures that must be observed in all public debt matters. The Public Planning and Finance Code rules concerning public debt apply to the Ministry of Economy and Finance, which is the only Government institution allowed to contract for the issuance of sovereign debt by the Republic of Ecuador, as well as obligations of the municipalities guaranteed by the Government.

Because all public debt governed by the Public Planning and Finance Code must comply with the public indebtedness policies adopted by the executive branch, the Ministry of Economy and Finance must obtain the approval of the Debt and Finance Committee of the Republic of Ecuador before signing any agreement with respect to sovereign debt including the Notes. See "*Monetary System—Fiscal Policy*". This requirement is established by Article 289 of the 2008 Constitution and Article 139 of the Public Planning and Finance Code. Approval is not required for any obligation that is less than 0.15% of the General State Budget and does not have a sovereign guarantee. Any contract entered into by the Ministry of Economy and Finance that required but did not obtain the approval of the Debt and Finance Committee is null and void and unenforceable and may give rise to civil and criminal liability for the individuals involved. Approval of the Debt and Finance Committee, is evidenced by a signed memorandum signed by each member of the Debt and Finance Committee. Once the Ministry of Economy and Finance obtains approval of the Debt and Finance Committee, it may sign the agreement incurring debt obligations, provided that the Attorney General of Ecuador has approved any clauses providing for the application of foreign law and/or arbitration in a foreign jurisdiction. Loan proceeds are disbursed to the Ministry of Economy and Finance, which in turn, transfers such proceeds to the ultimate borrower.

The use of proceeds for public debt is limited by Article 126 of the Public Planning and Finance Code. Under the Public Planning and Finance Code, proceeds of public debt transactions may only be used to: (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay the debt obligation and (3) refinance an existing external debt obligation on more favorable terms. The Public Planning and Finance Code prohibits public transactions for the purpose of paying ongoing expenses, with the exception of expenses related to health, education, and justice, under exceptional circumstances as determined by the President.

Although public debt service is the primary responsibility of the entity for whose benefit the loan was received, debt governed by the Public Planning and Finance Code is an obligation of the Government. Accordingly, transfers from the Government to any entity pursuant to the annual budget take into account debt service obligations for the following year.

This external debt process is in place to manage Ecuador's level of debt. The system of authorization through the Constitution and the Debt and Finance Committee, plus the 40% of debt to GDP limit and other provisions from the Public Planning and Finance Code, seek to maintain a stable external debt and have resulted in a low debt to GDP ratio as compared to other countries.

The Organic Law for the Regulation of Public Finances also amended the COPLAFIP. The COPLAFIP established a limit for Ecuador´s public indebtedness of 40% of GDP, which was amended in August 2018 by the Organic Law for Productive Development, to, among other changes, temporarily suspend from 2018 until 2021 the public debt-to-GDP ceiling of 40% of GDP.

The Organic Law for the Regulation of Public Finances further amended the COPLAFIP by, among other things, extending the waiver of the public debt-to-GDP limit and setting out a timetable for the gradual decrease of public debt by imposing transitional debt to GDP ratio ceilings starting at 57% by 2025 and reducing it to 45% by 2030 and to 40% by 2032, after which the public debt to GDP ratio will be required by law to be kept at or below the legal limit of 40%.

External Debt

The total external debt of the public sector in Ecuador was U.S.$46,534.02 million as of December 31, 2021, compared to U.S.$45,368.91 million as of December 31, 2020, and U.S.$41,476.21 million as of December 31, 2019. In view of the change in the methodology for calculating and presenting debt statistics issued pursuant to MA 036 and MA 096, the figures for each year retain their respective methodologies.

The total external debt of the public sector in Ecuador was U.S.$48,337 million as of December 31, 2022, an increase from U.S.$46,041 million as of December 31, 2021. In view of the change in the methodology for calculating and presenting debt statistics issued pursuant to MA 036 and MA 096, the figures for each year retain their respective methodologies.

As of December 31, 2022, total debt owed to multilateral institutions was U.S.$24,348.58 million. The Republic is current on all its obligations to multilateral institutions. As of December 31, 2022, the total debt owed to bilateral sovereign entities was U.S.$4,971.31 million.

The following tables set forth information regarding Ecuador's public sector external debt as of dates indicated.

EXTERNAL DEBT

	For the year ended December 31, 2019	For the year ended December 31, 2020
	(*U.S.$*)	
Banks	3,035,421.92	1,390,932.89
Governments	6,484,444.54	5,889,805.48
International Organizations	12,035,297.80	19,049,703.99
Suppliers	-	-
Subtotal External Loans	**21,555,164.26**	**26,330,442.36**
Bonds Issued on International Markets	18,508,746.07	17,910,302.03
Subtotal Debt Securities	**18,508,746.07**	17,910,302.03
Liabilities for Intangible Contract Rights	646,989.20	546,543,13
Anticipated Gas Sales	50,000.00	25,000.00
Subtotal Other Accounts Payable	**696,989.20**	**571,543.13**
Special Rights of GIRO	715,316.00	556,621.00
Subtotal Special Rights of GIRO	**715,316.00**	**556,621.00**
Total Public External Debt	**41,476,215.54**	**45,368,908.53**

Source*: Data from Ministry of Economy and Finance: December 2019 Bulletin of Public Debt, December 2020 Bulletin of Public Debt,* *https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/*

EXTERNAL DEBT

	For the year ended December 31, 2021	For the year ended December 31, 2022
	(*U.S.$*)	
Original Agreements (Banks)	1,169,209.59	974,127.12
Original Agreements (Governments)	5,757,154.54	4,971,314.48
International Organizations (Multilaterals)	21,432,067.61	24,348,577.96
Suppliers	-	-
Debt Securities Issued on International Markets	17,725,257.69	17,686,221.13
Subtotal of Loans and Debt Securities Issued on International Markets	**46,083,689.43**	**47,980,240.70**
Other Obligations		
Financing Tied to Oil		
Contractual Rights Arising From/Linked to Ordinary Operations	450,331.47	357,020.04
Subtotal of Contractual Rights Arising From/Linked to Ordinary Operations	**450,331.47**	**357,020.04**
Subtotal of Other Obligations	**450,331.47**	**357,020.04**
Total External Debt	**46,041,042.90**	**48,337,260.74**

Source: Data from Ministry of Economy and Finance, Public Debt Bulletins for December 2021, December 2022.
https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/

The following table sets forth information regarding Ecuador's public sector external debt as of dates indicated.

PUBLIC SECTOR EXTERNAL DEBT

	As of December 31,			
	2019	**2020**	**2021[1]**	**2022[1]**
	(by debtor, in millions of U.S.$ at the end of the year, except percentages)			
Central Government	37,487	41,763.19	43,875.72	45,659.12
Public financial and non-financial entities	4,006	3,605.72	2,658.3	2,688.14
Total	**41,493**	**45,368.91**	**46,534.02**	**48,337.26**
External public debt as a percentage of nominal GDP[2].	38.0%	45.91%	43.83%	42.01%

Source: Data from Ministry of Economy and Finance, Monthly Bulletin of Public Debt for December 2019, December 2020, December 2021, December 2022. https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/

(1) December 31, 2021, and June 30, 2021, figures have been calculated following the New Methodology. It includes oil presale contracts, the Central Bank's special drawing rights with the IMF and liabilities under intangible contractual rights.

(2) Nominal GDP for 2019 was U.S.$108,108.01 million; for 2020, it was U.S.$99,291.12 million; for 2021, it was U.S.$106,165.87 million; and for 2022, it was U.S.$115,049.48 million.

The following table shows the composition of the Republic's external public debt by type of creditor for the periods presented. Provincial governments and municipalities may incur debt through the Ministry of Economy and Finance if they follow certain requirements established by law, and certain provincial and municipal governments have issued external debt, which is included in the table above under the heading of "Public financial and non-financial entities".

PUBLIC SECTOR INTERNAL DEBT BY TYPE OF CREDITOR

	As of December 31,			
	2019	**2020**	**2021**	**2022**
	(in millions of U.S.$)			
Multilateral entities[1]	12,035.29	19,049.70	21,432.07	24,348.58
Bilateral sovereign entities[2]	6,484.44	5,889.83	5,757.15	4,971.31
Commercial and Bonds	21,544.17	19,301.30	18,894.47	18,660.35
Other[3]	1,412.31	1,128.16	450.33	357,02
Total Public Sector External Debt	**41,476.21**	**45,368.91**	**46,534.02**	**48,337.26**

Source: The Ministry of Economy and Finance, Data based on figures from monthly public debts bulletins, for December 2019, December 2020, December 2021, and December 2022. . https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/

(1) The 2021 and 2022 figures include as part of the Republic's multilateral debt the Central Bank's special drawing rights with the IMF.

(2) The 2021 and 2022 figures include debt with external suppliers, oil presales contracts and liabilities under intangible contractual rights, per the New Methodology. The 2019 and 2020 figures only include debt with external suppliers.

The decrease in bilateral debt of the Republic and with public financial and non-financial entities from December 31, 2019, to December 31, 2021 was due mainly to payments under bilateral loans with amortising features, thereby reducing the amount of outstanding indebtedness. In June 2003, the Republic agreed with its Paris Club creditors to reschedule U.S.$81 million of bilateral debt. Payments due on official development aid loans were rescheduled over a period of 20 years; those on other credits were rescheduled over a period of 18 years. As of July 2020, the Republic is in compliance with all of the terms of its Paris Club loans. Further, in recent years, the Republic has launched successful debt exchanges in Germany, Spain and Italy.

On January 7, 2015, Ecuador entered into a framework agreement for future cooperation with The Export-Import Bank of China. This agreement allows the Ministry of Economy and Finance regularly submit priority lists of projects which it proposes to be financed by The Export-Import Bank of China, within three years of the date of the agreement. The initial priority list included six projects to be financed at a total cost of U.S.$5.3 billion.

In January 2016, Petroecuador entered into a credit agreement for a facility of up to U.S.$970 million from a consortium of banks led by Industrial and Commercial Bank of China Limited, The Export-Import Bank of China, and China Minsheng Banking Corp., Ltd. The facility relates to a multiparty contractual structure involving a crude oil delivery contract entered into with PetroChina. The credit has a term of five years and is guaranteed by the Republic of Ecuador acting through its Ministry of Economy and Finance. The first tranche of U.S.$820 million was disbursed in February 2016. In November 2017, the parties entered into an amendment agreement to the credit facility agreement. The second tranche of U.S.$150 million was disbursed shortly thereafter.

On December 1, 2016, Petroecuador signed a crude oil sale and purchase contract with PTT International, pursuant to which Petroecuador received initial prepayments of U.S.$600 million shortly after signing for

crude oil to be delivered during the five-year term of the contract. On December 6, 2016, Petroecuador signed a fuel oil sale and purchase contract with OTI, pursuant to which Petroecuador received an initial prepayment of U.S.$300 million for fuel oil to be delivered to OTI during the 30-month term of the contract, which has been already fully amortized by Petroecuador. As of October 2019, all deliveries under the contract had been fulfilled. In connection with each contract, the Republic has agreed to refund to the purchasers any amounts of the prepayments and related surcharges for advance payment which are not otherwise satisfied through the delivery of crude oil or fuel oil, respectively, or refunded by Petroecuador in accordance with the contracts.

As of December 31, 2019, the three main bilateral lenders to Ecuador were China, France and Spain, with debt levels of U.S.$5,238.6 (80.8% of the total bilateral debt), U.S.$549.9 million (8.5% of the debt total bilateral) and U.S.$257.7 million (4.3% of total bilateral debt), respectively. As of December 31, 2019, total debt owed to other governments was U.S.$6,483.1 million.

As of December 31, 2020, Ecuador's top three bilateral lenders were the People's Republic of China, France and Spain, with debt levels of U.S.$5,142,294.20 thousand (11.33% of total bilateral debt), U.S.$653,325.50 thousand (1.44% of total bilateral debt) and U.S.$477,686.57 thousand (1.05% of total bilateral debt), respectively.

As of December 31, 2021, the three main bilateral lenders to Ecuador were The Export-Import Bank of China. China Development Bank and the AFD, with debt levels of U.S.$2,454.39 million (42.6% of total bilateral debt), U.S.$2,048.93 million (35.6% of total bilateral debt) and U.S.$599.23 million (10% of total bilateral debt), respectively. As of December 31, 2021, the total debt owed to other governments was U.S.$5,757.15 million.

As of December 31, 2022, the three main bilateral lenders to Ecuador were The Export-Import Bank of China, China Development Bank and the AFD, with debt levels of U.S.$2,223.2 million (44.7% of total bilateral debt), U.S.$1,410.39 million (28.4% of total bilateral debt) and U.S.$722.5 million (14.5% of total bilateral debt), respectively. As of December 31, 2022, the total debt owed to bilateral sovereign entities was U.S.$4,971.31 million.

Total debt owed to multilateral institutions was U.S.$21,432.07 million as of December 31, 2021, U.S.$19,049.70 million as of December 31, 2020 and U.S.$12,035.30 million as of December 31, 2019.

From 2010 through 2018, Ecuador entered into five separate loan agreements (denominated in U.S. dollars and Chinese Renminbi) with China Development Bank totaling approximately U.S.$7,900 million, which are related to a multi-party contractual structure that involves crude oil delivery contracts entered into with PetroChina and Unipec. Deliveries under these contracts are based upon international spot prices, based on a formula consisting of WTI plus or minus a spread, plus a premium paid due to the term of the contracts. The spread is calculated using (i) a yield table setting forth the contemporary market price of the expected outputs of refining the crude oil delivered, (ii) a factor taking into account shipping costs based on market information, and (iii) the quality of crude oil as measured by the American Petroleum Institute. Under these agreements, Ecuador is required to invest the loaned amounts in specific infrastructure projects or programs in Ecuador. The first loan agreement, signed in 2010, totaling U.S.$1,000 million, was repaid in its entirety, at the end of its original four-year term. The second loan agreement, signed in 2011, totaling approximately U.S.$2,000 million, had an eight-year term and was voluntarily prepaid in its entirety on September 27, 2018. The third loan agreement, signed on December 20, 2012, totaling approximately U.S.$2,000 million, has an eight-year term. The fourth loan agreement, signed on April 29, 2016, totaling approximately U.S.$2,000 million, has an eight-year term. The fifth loan agreement denominated in U.S. dollars and Chinese Renminbi, signed on December 12, 2018, totaling approximately U.S.$900 million, has a six-year term.

On February 2, 2017, the IESS entered into a U.S.$25 million credit agreement with Consorcio NHQ with 50% of the total principal amount due 30 days from the date of execution of the agreement and the remaining 50% of the total principal amount due 24 months from the date of execution of the agreement and was used to partially finance the construction and equipment of a hospital in the city of Quito. This credit agreement was fully repaid in December 2019.

On February 21, 2017, Ecuador entered into a U.S.$50 million loan with the JBIC with a term of 12 years to finance an energy efficiency project related to residential water heating.

On March 14, 2017, Ecuador entered into a U.S.$200 million loan with the CAF with a term of two years to partially finance projects relating to the generation, distribution and transmission of electricity, of which only U.S.$80 million were ultimately disbursed.

On April 1, 2017, Ecuador entered into a U.S.$75 million loan with AFD with a term of 20 years to finance certain educational projects.

On April 18, 2017, Ecuador entered into a U.S.$60 million loan with the Inter-American Development Bank with a term of 25 years to finance the reconstruction of electrical infrastructure in areas affected by the Pedernales Earthquake and the incorporation of seismic resistant infrastructure in the provinces of Esmeraldas, Manabí and Santo Domingo.

On May 22, 2017, the IESS entered into a seven-year U.S.$47 million credit agreement with Deutsche Bank, Sociedad Anónima Española, Banco Santander, S.A. and Banco Popular Español, S.A. guaranteed by Ecuador to partially finance the construction and the purchase of equipment for the IESS hospital in the city of Quito.

On August 11, 2017, Ecuador entered into a U.S.$65 million credit facility agreement with the AFD with the principal amount due in semi-annual installments and with the last installment due on December 1, 2036. The proceeds will be used to finance the reconstruction of housing by CFN or CONAFIPS adding earthquake resistant features and to reactivate the main productive sectors in the Ecuadorian provinces most affected by the Pedernales Earthquake.

On October 20, 2017, the Development Bank of Ecuador entered into an eight year U.S.$200 million facility agreement with China Development Bank guaranteed by Ecuador, acting through its Ministry of Economy and Finance. The first tranche of U.S.$120 million will be used for on-lending by DBE to eligible Ecuadorian State-owned enterprises and government agencies for purposes of financing projects in Ecuador that are approved by China Development Bank. As of January 6, 2020, U.S.$120 million corresponding to the first tranche have been disbursed. The second tranche of U.S.$80 million will be used for on-lending by DBE to eligible Ecuadorian State-owned enterprises and government agencies for purposes of financing payments to be made to suppliers in connection with telecommunications, road construction, transportation and equipment, sewage, potable water and sanitation projects.

On December 20, 2017, the Republic entered into a credit facility agreement with the AFD for an amount of up to U.S.$35 million to finance, in part, housing and reconstruction in Ecuadorian areas affected by the Pedernales Earthquake. The first instalment is due and payable on December 1, 2022 and the last instalment is due and payable on June 1, 2037.

On December 29, 2017, the Republic entered into a financing agreement with the International Fund for Agricultural Development to finance the Revitalizing Project of Inclusive Alliances in Value Chains with the purpose of improving the income of small producers of cacao, blueberry and cape gooseberry within a designated area. The financing agreement establishes a facility for an amount of U.S.$25.66 million with a repayment term of 18 years and a donation for an amount of U.S.$250,000.

On September 7, 2018, the Republic entered into a U.S.$250 million additional loan facility with a final amortization date of May 15, 2040, with the Inter-American Development Bank to finance costs related to the construction of a subway system in Quito.

On September 7, 2018, the Republic entered into a U.S.$237.6 million loan facility with a final amortization date of December 15, 2042, with the Inter-American Development Bank to finance the phase I of a project to improve quality in the provision of social services.

On September 14, 2018, Ecuador entered into a U.S.$150 million loan with the CAF with a term of 12 years, with a 12-month grace period for the payment of principal, to partially finance projects relating to the generation, distribution and transmission of electricity.

On September 26, 2018, the Republic increased the existing financing agreement with Credit Suisse dated October 27, 2014, for an additional amount of CHF100 million. This financing facility establishes a repayment term of seven years.

On November 28, 2018 the Municipality of the Metropolitan District of Quito and CAF entered into a U.S.$152.2 million loan agreement to partially finance the Quito subway system. This loan agreement is guaranteed by Ecuador acting through the Ministry of Economy and Finance.

On November 29, 2018, the Municipality of the Metropolitan District of Quito and the International Bank for Reconstruction and Development entered into a U.S.$230 million loan agreement, to be repaid by March 15, 2038, to finance the construction of two subway stations as well as other infrastructure and facilities, and the provisioning of equipment and technical and implementation support for line one of the Quito subway system currently under construction. This loan agreement is guaranteed by Ecuador acting through the Ministry of Economy and Finance.

On November 29, 2018, the EMAPAG EP and the International Bank for Reconstruction and Development entered into a U.S.$233.6 million loan agreement, to be repaid by March 1, 2053, to finance the increase of access to improved sanitation services and to reduce wastewater pollution in selected areas of Guayaquil. This loan agreement is guaranteed by Ecuador acting through the Ministry of Economy and Finance.

On December 11, 2018, the Republic and the Inter-American Development Bank entered into a U.S.$100 million loan agreement to be disbursed in two instalments in two years, with a final amortization date of October 15, 2038, to finance a program of reforms in Ecuador promoting gender equality and equality for the disabled.

On December 12, 2018, the Republic and CAF entered into an up-to U.S.210 million loan agreement, with a term of 15 years and a 42-month grace period for the payment of the principal, to partially finance programs supporting the management of the Republic's fiscal policy and the sustainability of public finance, among other related goals.

On December 12, 2018, the Republic and the Export-Import Bank of China entered into an up-to RMB485.7 million loan facility agreement, with a 240-month maturity period, a 60-month grace period and a 180-month repayment period, to cover the Republic's financing needs for the construction of infrastructure projects agreed with the joint venture China Road and Bridge Corporation & China National Electronics Import & Export Corporation on November 30, 2017.

On December 12, 2018, the Republic and China Development Bank entered into a U.S.$675 million and RMB1,530 million facility agreement where each loan made under the facility shall be repaid in 16 instalments, each payable every three months. On December 28, 2018, an amount of U.S.$450 million was disbursed to the Republic and on January 14, 2019 an additional amount of U.S.$225 million was disbursed to the Republic.

On January 31, 2019, the Republic successfully issued the 2029 Notes. The Republic is current on its financial obligations under the 2029 Notes.

On March 12, 2019, the Republic entered into a U.S.$50 million loan facility with the Inter-American Development Bank, with a final amortization date of November 15, 2043, to finance a program aimed at improving the quality of public services for child development in Ecuador.

On March 13, 2019, the Republic received from the IMF an initial disbursement of U.S.$652 million under the IMF's arrangement under the IMF's Extended Fund Facility for Ecuador.

On April 1, 2019, Ecuador entered into a U.S.$192 million loan facility with the CAF, with a term of 18 years and grace period of 66 months, to partially finance projects relating to the maintenance of 1,183.9 kilometers of roads in Ecuador.

On April 10, 2019, the Republic entered into a U.S.$50 million loan facility with the Inter-American Development Bank, with a final amortization date of November 15, 2043, to finance a program aimed at increasing private participation in public investments in infrastructure and public services in Ecuador.

On May 24, 2019, the Republic and the CAF entered into a U.S.$300 million loan agreement, with a term of 15 years and a 42-month grace period for the payment of the principal, to finance programs and projects in the logistics sector.

On May 24, 2019, the Republic entered into a U.S.$500 million loan agreement with the Inter-American Development Bank with a final amortization date of May 24, 2026 in order to support macroeconomic and

fiscal stability, strengthen the institutional framework of the Central Bank, and provide funds for social expenditure for the most vulnerable segments of the population.

On May 28, 2019, the Republic and the CAF entered into a U.S.$100 million loan agreement, with a term of 16 years and a 66-month grace period for the payment of the principal, to partially finance the Environmental Sanitation for Community Development Program.

On May 29, 2019, the Republic reopened its 2023 Notes, issuing an additional U.S.$688,268,000 of notes at a price of 106.597%, also due 2023, for the purpose of a substitution under the Amended August 2018 GSI-Ecuador Repurchase Agreement. See "*GSI Repo Transaction*" below.

On June 17, 2019, the Republic reopened its 2029 Notes and successfully issued an additional U.S.$1,125,000,000 million of notes due 2029 at a price of 110.746%. The Republic applied the proceeds of the reopened 2029 Notes towards the repurchase of U.S.$1,175,370,000 principal amount of its 2020 Notes by means of a tender offer that settled on June 18, 2019.

On June 17, 2019, the Republic and the International Bank for Reconstruction and Development entered into a U.S.$500 million loan agreement maturing June 1, 2049, with proceeds used to promote government efficiency, remove barriers to private sector development and provide funds for social expenditure for the most vulnerable segments of the population.

On July 2, 2019, the Republic received from the IMF a second disbursement of U.S.$251 million under the IMF's Extended Fund Facility.

On July 3, 2019, the Republic and the Inter-American Development Bank entered into a U.S.$150 million loan agreement maturing November 15, 2042, with the goal of providing support to the Republic's plan to diversify its energy assets.

On July 12, 2019, the Republic and the Inter-American Development Bank entered into a U.S.$93.9 million loan agreement maturing June 15, 2044, with the goal of promoting housing to poor and vulnerable communities under the Housing for All Program.

On July 22, 2019, the Republic and the International Bank for Reconstruction and Development entered into a U.S.$350 million loan agreement maturing March 15, 2049, with the goal of improving equity, integration and sustainability of social programs and providing technical assistance for capacity building, monitoring and evaluating social programs.

On July 23, 2019, the Republic and the Inter-American Development Bank entered into a U.S.$300 million loan agreement maturing April 15, 2039, with the goal of supporting the Government's plan for fiscal stability to facilitate sustainable growth and key contributions to social development.

On July 23, 2019, the EPMAPS EP and the Inter-American Development Bank entered into a U.S.$87.1 million loan agreement with disbursements spread over six years with a final principal amortization date of July 23, 2043, with the goal of providing financial support for the maintenance of Quito's sewage and potable water systems. This loan agreement is guaranteed by Ecuador acting through the Ministry of Economy and Finance.

On August 6, 2019, the Republic reopened its 2023 Notes and 2026 Notes, issuing an additional U.S.$610,359,000 of its 2023 Notes at a price of 107.291%, and U.S.$611,870,000 of its 2026 Notes at a price of 107.026%, for the purpose of a substitution under the October 2018 CS-Ecuador Repurchase Agreement, see "*CS Repo Transaction*" below.

On August 13, 2019, the CFN and the CAF entered into a U.S.$50 million loan agreement to be repaid in 15 years, with the goal of supporting the *Progresar* program of the CFN which seeks to incentivize the diversification of Ecuador's economy. This loan agreement is guaranteed by Ecuador acting through the Ministry of Economy and Finance.

On August 28, 2019, the Republic and the Inter-American Development Bank entered into a U.S.$12 million loan agreement maturing May 15, 2044, to support further investment in Ecuador.

On August 29, 2019, the EMAPAG EP and the CAF entered into a U.S.$84 million credit facility agreement maturing July 31, 2039, to support the improvement of sanitation in Guayaquil. This facility agreement is guaranteed by Ecuador acting through the Ministry of Economy and Finance.

On September 4, 2019, the Republic and the Inter-American Development Bank entered into a U.S.$100 million loan agreement maturing October 15, 2043, with the goal of supporting the modernization and renovation of the Ecuadorian electric system.

On September 9, 2019, the Republic and the Inter-American Development Bank entered into a U.S.$40.08 million loan agreement maturing December 15, 2043, with the goal of supporting people with disabilities.

On September 27, 2019, the Republic successfully issued U.S.$600 million of its 2025 Notes with a coupon of 7.875% at 100.000% of the purchase price and U.S.$1,400 million of its 2030 Note with a coupon of 9.500% at 100.000% of the purchase price.

In the fourth quarter of 2019, the Republic has signed the following facility agreements with export credit agencies, official development agencies, and multilateral financial institutions: (1) on October 4, 2019, the Republic and the Inter-American Development Bank entered into a U.S.$43 million loan agreement maturing July 15, 2044, with the goal of supporting the Financial Management Modernization Program; (2) on November 4, 2019, the Republic and The Export-Import Bank of China entered into a RMB 390 million concessional loan agreement and a RMB 734 million concessional loan agreement, each with a term of twenty years; (3) on November 18, 2019, the Republic and the Inter-American Development Bank entered into a U.S.$75 million loan agreement maturing September 15, 2044, with the goal of supporting the State-owned Enterprise Reform Support Program; (4) on November 18, 2019, the Republic and CAF entered into a U.S.$203 million loan agreement, as amended on November 27, 2019, maturing in 15 years with a 66-month grace period with the goal of supporting Ecuador's Urban Plan and Habitat Policy Program; (5) on November 22, 2019, the Republic and the AFD entered into an U.S.$80 million credit facility agreement maturing on July 31, 2039, with the goal of supporting fully-subsidized social housing and other components of the Housing for All Program which are different to those components of the project that will be financed with the proceeds of the Notes; and (6) on December 10, 2019, the Republic and the AFD entered into a U.S.$150 million credit facility agreement maturing on January 31, 2040, with the goal of supporting policies targeting climate change.

Moreover, in the fourth quarter of 2019, the Republic through its Ministry of Economy and Finance has entered into guarantee agreements for the following loan agreements: (1) the U.S.$40 million loan agreement dated November 29, 2019, between BanEcuador B.P. and CAF, to be repaid in 15 years, to finance small and medium-sized producers of cocoa and palm and the institutional strengthening of BanEcuador; (2) the U.S.$34.12 million loan agreement dated December 20, 2019, between the *Empresa Pública Municipal de Telecomunicaciones, Agua Potable, Alcantarillado y Saneamiento de Cuenca Etapa EP and CAF*, to be repaid in 18 years, to partially finance the Construction Project of the Guangarcucho Wastewater Treatment Plant; (3) the EUR19.0 million loan agreement dated December 23, 2019, between the *Honorable Gobierno Provincial de Tungurahua* (HGPT), Tunguragua, Ecuador and KfW, Frankfurt am Main, to be repaid by December 30, 2049, to finance the investments in the strengthening of irrigation systems as well as other measures for the protection of water resources of the Province of Tungurahua, Ecuador, as well as certain consulting services.

On December 19, 2019, the Republic received from the IMF a disbursement of approximately U.S.$498.4 million under the IMF's Extended Fund Facility.

On January 28, 2020, the Republic entered into a U.S.$70 million loan agreement with Japan International Cooperation Agency to finance a program for the promotion of the energy matrix transition and sustainable economic development which includes the expansion of access to renewable energy, the stabilization of the energy supply and promotion of measures towards energy efficiency. The repayment of the loan by amortized payments begins on January 10, 2027 and, thereafter, payments are due on each January 10 and July 10 until the final payment date. The final payment date of the loan is on January 10, 2045.

On January 30, 2020, the Republic successfully issued U.S.$400 million of its notes due 2035, with a partial guarantee by the Inter-American Development Bank, with a coupon of 7.25% at 100% of the purchase price.

On January 30, 2020, the Republic entered into a U.S.$99 million term facility agreement with Deutsche Bank AG, London Branch to fund certain diverse projects ranging from infrastructure, to social and economic inclusion, tourism and environmental protection. The repayment period begins six months following the date of the agreement and, thereafter, payments are due every three months until the final payment date 36 months after the date of the agreement. The payments are to be made according to the specific amortization schedule contained therein.

On February 24, 2020, the Municipal Autonomous Decentralized Government of the Portoviejo Canton entered into the Portoviejo Agreement to finance the Portoviejo Canton program related to drinking water and sewage. The repayment period begins on August 24, 2025 and, thereafter, amortized payments are due on each February 24 and August 24 until the final payment date. The final payment date is February 24, 2045. The Republic entered into a guaranty agreement on February 24, 2020 pursuant to which the Republic provided a sovereign guaranty for the Portoviejo Agreement.

On April 3, 2020, the Republic entered into a U.S.$300 million amendment to the loan agreement dated June 16, 2015 with the Inter-American Development Bank to help minimize the impact that a severe or catastrophic natural disaster could have on the public finances of the Republic. The loan is a contingent loan with the funds being made available to the Republic for 5 years starting from the date of the agreement. If the Republic draws on the commitment, the sum will be amortized until the Final Amortization Date. The first payment due on the drawn commitment would occur 66 months after the draw-down date with semi-annual payments made until the Final Amortization Date. This credit is contingent. As of April 2023, some of this loan has been drawn down however an amount remains available for natural disasters.

On April 5, 2020, the Republic entered into a U.S.$20 million loan agreement with the International Bank for Reconstruction and Development to finance the Republic's COVID-19 Emergency Response Project. The repayment period begins on September 15, 2031 and, thereafter, principal payments are due on each March 15 and September 15 until the final payment date. The final payment date of the loan is on March 15, 2048.

On April 8, 2020, Ecuador launched a consent solicitation to defer, until August 2020, payments of interest falling due between March 27, 2020 and July 15, 2020 on its Existing Republic Securities. Holders of more than 91% of the aggregate principal amount of the Existing Republic Securities (not including the bonds due 2024), whose total aggregate value amounted to approximately U.S.$17 billion, and holders of more than 82% of the aggregate principal amount of the bonds due 2024 which amounted to U.S.$2 billion, gave their consent to Ecuador's proposal. The interest deferral obtained by Ecuador as a result of the successful consent solicitation allowed the authorities to engage in orderly discussions with its bondholders aimed at providing Ecuador with the necessary relief for the economy to recover from the COVID-19 health crisis and the collapse in the price of oil. See "*Public Debt—Debt Obligations—The April 2020 Consent Solicitations*".

On May 2, 2020, the IMF Executive Board approved the Republic's request for emergency financial assistance under the IMF's Rapid Financing Instrument for approximately U.S.$643.1 million in order to support Ecuador's balance of payments and its most affected sectors, including the healthcare system and social protection, see "*Public Debt—IMF's Extended Fund Facility and Rapid Financing Instrument*".

On May 5, 2020, the Republic entered into a U.S.$350 million loan agreement with the CAF to mitigate the economic contractions caused by COVID-19 and to finance budget appropriations of the Republic. The repayment period begins on May 5, 2026 with payments being due every six months thereafter until the final payment is made on May 5, 2040.

On May 9, 2020, the Republic entered into U.S.$506 million financing agreement with the International Bank for Reconstruction and Development to finance programs related to the inclusive and sustainable growth development policy including (i) responding to the COVID-19 pandemic, (ii) removing barriers to private sector development and supporting economic recovery and (iii) promoting public sector efficiency and fiscal sustainability. The financing consists of a U.S.$500 million loan and a U.S.$6 million concessional contribution. The repayment period begins on November 1, 2031 and, thereafter, principal payments are due on each May 1 and November 1 until the final payment date. The final payment date of the loan is on May 1, 2048.

On June 5, 2020, the Republic entered into a U.S.$250 million loan agreement with the Inter-American Development Bank to finance the support for the provision of health and social protection services during

the COVID-19 pandemic. The repayment period begins on May 15, 2026 and, thereafter, payments are due each May 15 and November 15 until the final payment date. The payments are to be made according to the specific amortization schedule contained therein. The final payment date of the loan is on May 15, 2045.

On June 10, 2020, the Republic entered into a U.S.$280 million loan agreement with the Inter-American Development Bank to support the climate change objectives of the Republic as well as to contribute to the consolidation of the Republic's fiscal and external accounts. The repayment period begins on May 15, 2026 and, thereafter, payments are due each May 15 and November 15 until the final payment date. The payments are to be made according to the specific amortization schedule contained therein. The final payment date of the loan is on May 15, 2040.

On July 16, 2020, *Corporación de Finanzas Populares y Solidarias* entered into a U.S.$93.8 million loan agreement, with a term of 25 years including a grace period of 5.5 years, with the Inter-American Development Bank in respect of the global credit programme for the defence of the productive framework and employment.

On July 23, 2020, the Republic entered into a U.S.$150 million loan agreement, with a term of 15 years including a grace period of 2 years, with CAF to support programs aimed at reducing chronic child malnutrition in the Republic.

On August 31, 2020, the Republic issued the New Republic Securities due 2030, 2035 and 2040.

On September 16, 2020, the Republic entered into a U.S.$50 million loan agreement, with a term of 25 years including a grace period of 5 years, with the Inter-American Development Bank, under its 'Migration Initiative', to strengthen the Republic's social services for migrant communities.

On September 30, 2020, the Republic entered into a 27-month Extended Fund Facility totalling SDR4,615 million (approximately U.S.$6.5 billion) with the IMF, in response to the COVID-19 pandemic and with a view to stabilizing the economy.

On November 26, 2020, the Republic entered into a U.S.$500 million loan agreement, with a term of 11 years including a grace period of 4 years, with the International Bank for Reconstruction and Development for an inclusive and sustainable growth development policy loan.

On November 30, 2020, the Autonomous Decentralized Government of the Canton Portoviejo entered into a U.S.$59.8 million financing agreement, with a term of 19 years including a grace period of 4 years, with the European Investment Bank to finance drinking water, sanitation and sewage systems in Canton Portoviejo.

On December 4, 2020, the Republic entered into a U.S.$138.2 million loan agreement, with a term of 15 years including a grace period of 2 years, with CAF to fund programs relating to the *Programa Sectorial de Enfoque Amplio de Apoyo a la Agenda Nacional de Conectividad*.

On December 22, 2020, the Republic entered into a U.S.$78.4 million loan agreement, with a term of 25 years including a grace period of 5.4 years, with the Inter-American Development Bank to finance a sustainable subsoil resources management program and associated infrastructure.

On March 22, 2021, the Republic entered into a U.S.$200 million loan agreement, with a term of 18 years including a grace period of 7 years, with the Inter-American Development Bank to finance initiatives that protect social spending and aid the recovery of employment.

On April 15, 2021, the Republic entered into a U.S.$20.5 million loan agreement, with a term of 30 years including a grace period of 10 years, with Kreditanstalt für Wiederaufbau (KfW) Development Bank for Reconstruction to support the Republic's COVID-19 efforts.

On April 22, 2021, the Republic entered into a U.S.$40 million loan agreement, with a term of 27 years including a grace period of 11 years, with the International Bank for Reconstruction and Development to support the Territorial Economic Empowerment for the Indigenous, Afro-Ecuadorians and Montubian Peoples and Nationalities (TEEIPAM).

On April 26, 2021, the Republic entered into an additional U.S.$150 million financing agreement with the International Bank for Reconstruction and Development to purchase and distribute vaccines and support COVID-19 management in the Republic.

On June 2, 2021, the Republic entered into a U.S.$48 million loan agreement, with a term of 15 years including a grace period of 5 years, with CAF to partially finance the Canton Cuenca unity program.

On August 31, 2021, the Republic entered into a U.S.$200 million loan agreement, with a term of 15 years including a grace period of 2.5 years, with CAF to continue supporting programs aimed at reducing chronic child malnutrition in the Republic.

On October 25, 2021, the Republic entered into a financing arrangement with the Latin American Reserve Fund to receive a U.S.$308 million loan, with a term of 1 year, under the liquidity credit modality.

On October 28, 2021, the Republic entered into a U.S.$300 million loan agreement, with a term of 23 years including a grace period of 7.5 years, with the Inter-American Development Bank to provide support for vulnerable people affected by the COVID-19 pandemic.

On December 6, 2021, the Republic entered into a U.S.$500 million loan agreement, with a term of 7 years including a grace period of 3 years, with the Inter-American Development Bank to establish an emergency program for macroeconomic sustainability and social protection.

On December 7, 2021, the Republic entered into a U.S.$100 million financing agreement, with a term of 10 years including a grace period of 2.5 years, with CAF to promote a financial inclusion program through savings and credit cooperatives with a focus on gender and green businesses.

On December 7, 2021, the Republic entered into a U.S.$75 million loan agreement, with a term of 20 years including a grace period of 3 years, with CAF to establish a support program aimed at strengthening health and sanitation systems in the Republic in response to COVID-19.

On December 7, 2021, the Republic entered into a U.S.$250 million loan agreement, with a term of 20 years including a grace period of 6 years, with CAF to fund the program for the reactivation of production, protection, social and sustainability of public finances in 2021 to 2025.

On January 10, 2022, the Republic entered into a U.S.$100 million loan agreement, with a term of 19 years including a grace period of 5 years, with the European Investment Bank to fund and promote the management program of the Ministry of Economy and Finance related to drinking water and sanitation environmental finance.

On February 24, 2022, the Republic entered into a U.S.$700 million loan agreement, with a term of 16.5 years, with the International Bank for Reconstruction and Development related to the green and resilient recovery (GARR) development policy.

On March 28, 2022, the Autonomous Decentralized Government of the Canton Portoviejo entered into a U.S.$17 million loan agreement, with a term of 25 years, with the *Instituto de Crédito Oficial* of Spain to finance the drinking water, sewage and sanitation systems of the Canton Portoviejo.

On May 25, 2022, the Autonomous Decentralized Government of the Canton Guayaquil entered into a further U.S.$49 million loan agreement with CAF to finance road works and a drinking water program in the densely populated areas of Guayaquil.

On June 21, 2022, the Republic entered into a U.S.$250 million loan agreement, with a term of 18 years, with the Inter-American Development Bank to finance initiatives that protect social spending and aid the recovery of employment.

On September 15, 2022, the Republic entered into a U.S.$22.8 million loan agreement, with a term of 31 years, with the International Fund for Agricultural Development for a sustainable development project in rural territories.

In September 2022, the Republic announced that it had reached agreements with China Eximbank and China Development Bank on the reprofiling of U.S.$3.2 billion commercial credits. These transactions were a follow-up to the restructuring of the Republic's U.S.$17 billion eurobonds in 2020, and covered

U.S.$1.4 billion of debt held by China Development Bank and U.S.$1.8 billion of debt held by China Eximbank.

Through these reprofiling agreements, the Republic managed to:

5. smoothen its reimbursement profile, by doubling the maturity of outstanding instruments;

6. reduce the applicable interest rates;

7. suspend all amortizations on China Eximbank's commercial facilities for a 6-month period; and

8. smooth out the profile of oil exports to China National Petroleum Corporation under the oil-backed debt contracts.

Overall, these transactions resulted in significant debt service savings for the Republic amounting to approximately U.S.$1.5 billion over the next 4 years.

On October 28, 2022, the Republic entered into a JPY 23 billion loan agreement, with a term of 15 years, with the Japan International Cooperation Agency for a COVID-19 crisis response emergency support loan.

On October 31, 2022, the Republic entered into a U.S.$80 million loan agreement, with a term of 17 years, with the International Bank for Reconstruction and Development for the strengthening of the national statistical system in Ecuador.

On November 25, 2022, the Republic entered into a U.S.$50 million loan agreement, with a term of 20 years, with the *Agencia Francesa de Desarrollo* (French Development Agency) to promote the development of green jobs and the reduction of gender inequalities in the workplace.

On November 25, 2022, the Republic entered into a U.S.$100 million loan agreement, with a term of 20 years, with the *Agencia Francesa de Desarrollo* (French Development Agency) to promote the bioeconomy.

On December 13, 2022, the Republic entered into a U.S.$400 million loan agreement, with a term of 20 years, with the Inter-American Development Bank related to development and economic recovery in Ecuador.

On December 16, 2022, the Republic entered into a U.S.$100 million loan agreement, with a term of 14 years, the International Bank for Reconstruction and Development in respect of additional financing related to the COVID-19 emergency response and vaccination project.

On December 19, 2022, the Republic entered into a U.S.$500 million loan agreement, with a term of 20 years, with the International Bank for Reconstruction and Development for additional financing in respect of the green and resilient recovery (GARR) development policy.

On December 23, 2022, the Autonomous Decentralized Government of La Libertad entered into a U.S.$30 million loan agreement, with a term of 20 years, with CAF in relation to urban infrastructure programs.

According to data published by the IMF in 2022, the IMF disbursed to Ecuador U.S.$4,007 million in 2020, U.S.$802 million in 2021 and U.S.$1,649 million in 2022 under the Extended Fund Facility.

The Extended Fund Facility was fully disbursed by December 2022.

The following table lists current material bilateral and multilateral indebtedness by agreement and lender.

MATERIAL PUBLIC EXTERNAL DEBT

Creditor	Associate Rate Type	Currency	Date Issued	Maturity	Balance as of December 31, 2022
			(*in millions of U.S.$*)		
Multilateral					
Inter-American Development Bank	Fixed	U.S.$	1972-2020	2022-2049	6,063.78

MATERIAL PUBLIC EXTERNAL DEBT

Creditor	Associate Rate Type	Currency	Date Issued	Maturity	Balance as of December 31, 2022
Inter-American Development Bank	Variable	U.S.$	2005-2021	2025-2049	1,606.59
CAF	Variable	U.S.$	2006-2022	2022-2041	4,208.04
IMF	Variable	GRADED	2019-2020	2025-2030	8,113.27
Others [1]	Fixed, Variable	DEG, U.S.$	2002-2022	2022-2053	4,356.9
Total Multilateral Debt					**24,348.58**
Bilateral					
China	Fixed, Variable	RMB, U.S.$	2010-2019	2024-2039	3,633.68
Brazil	Variable	U.S.$	2012-2013	2022-2023	14.72
Spain	Fixed	U.S.$	1992-2016	2022-2042	249,03
France	Fixed, Variable	Euro, U.S.$	1988-2019	2022-2040	789,28
Italy	Fixed	Euro	1995-2016	2025-2050	11.24
Japan	Fixed, Variable	Yen, U.S.$	1996-2020	2023-2045	97.38
Others [2] [3]	Fixed, Variable	DEG, Won, Pound, Chf	1986-2021	2022-2053	175.98
Total bilateral debt					**4,971.31**
Other debt [4]					**19,017.37**
Total external debt					**48,337.26**

Source: Data from Ministry of Economy and Finance, Monthly Public Debt Bulletins of January, 2023 at https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia / and Investor Relations at https://ire.finanzas.gob.ec/s/pd/pd_externaldebt.php

Data from Ministry of Economy and Finance, Profile Maturities LP External Internal December 2022 https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/

[1] Other multilateral loans include loans with the International Bank for Reconstruction and Development and the International Fund for Agriculture Development.
[2] Includes amounts from loans from Paris Club members.
[3] Other bilateral lenders include South Korea, Germany, and the United States, among others.
[4] Other debt includes international bonds issued by the Republic and oil presales contracts and liabilities under intangible contractual rights.

The following table shows the rates of interest applicable to the outstanding principal balance of the Republic's public external debt at the dates indicated.

INTEREST ON PUBLIC SECTOR EXTERNAL DEBT

	As of December 31, 2020		As of December 31, 2021		As of December 31, 2022[1]	
	(in millions of U.S.$, except percentages)					
Fixed and Floating Rate						
0-3%	5,017.41	12.09%	22,093.29	47%	6,063.16	12.54%
3-5%	15,831.81	38.17%	18,695.16	40%	33,535.99	69.38%
5-8%	20,442.99	49.28%	5,296.61	11.38%	8,200.17	16.96%
More than 8%	434.00	1.04%	448.96	0.96%	537.93	1.11%
Total	41,476.21	100%	46,534.02	100%	48,337.26	100%

Source: Ministry of Economy and Finance, December 2022 Public Debt Bulletin, https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/

[1] Public sector external debt calculation includes oil presale contracts, the Central Bank's special drawing rights with the IMF and liabilities under intangible contractual rights.

The following table sets forth scheduled debt service for the Republic's total public external debt for the periods presented.

PUBLIC SECTOR EXTERNAL DEBT SERVICE MATURITY 2022-2032

	For the year ending December 31,										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	(in millions of U.S.$.)										
Central Government	**3,162.53**	**3,658.82**	**4,782.76**	**5,517.44**	**5,366.02**	**4,863.02**	**4,333.83**	**4,037.23**	**3,780.91**	**3,442.56**	**3,162.53**
Principal	1,710.55	2,146.07	3,084.26	3,833.34	3,827.13	3,461.52	3,055.41	2,870.89	2,741.81	2,556.32	1,710.55
Interest	1,451.98	1,512.75	1,698.50	1,684.10	1,538.89	1,401.50	1,278.42	1,166.34	1,039.10	886.24	1,451.98
Rest of Public Sector	**263.27**	**256.44**	**234.28**	**193.07**	**174.71**	**179.21**	**221.39**	**205.93**	**186.73**	**144**	**263.27**
Principal	189.57	191.99	178.90	145.53	132.93	142.56	190.34	174.88	165.63	127.13	189.57

PUBLIC SECTOR EXTERNAL DEBT SERVICE MATURITY 2022-2032

	For the year ending December 31,										
	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
	(in millions of U.S.$.)										
Interest	73.70	64.45	55.38	47.54	41.78	36.65	31.05	25.95	21.10	16.87	73.70
Total Debt Service.....	**3,425.8**	**3,915.26**	**5,017.04**	**5,710.51**	**5,540.73**	**5,042.23**	**4,555.22**	**4,243.16**	**3,967.64**	**3,586.56**	**3,425.8**

Source: Ministry of Economy and Finance, Public Debt, Public Debt Statistics, Profile Maturities LP External Internal December 2022, https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/

Internal Debt

INTERNAL DEBT

	For the year ended December 31, 2021	For the year ended December 31, 2022
	(U.S.$)	
Public Internal Debt		
Public Sector Internal Debt Securities	13,615,739.74	14,026,081.98
Private Sector Internal Debt Securities	1,369,253.42	1,474,862.15
Subtotal of Public Debt Securities	**14,984,993.16**	**15,500,944.12**
Loan from Central Bank of Ecuador	500,000.00	500,000.00
Loan from Development Bank of Ecuador	102,271.55	81,817.24
Loan from Development Bank of Ecuador	1,475,914.09	1,610,128.54
Payment Agreement IESS	254,043.90	127,021.95
Subtotal of Public Debt Loans	**2,332,229.53**	**2,318,967.72**
Unpaid Obligations in Closed Budgets	1,102,858.28	1,993,900.91
Subtotal of Unpaid Obligations in Closed Budgets	**1,102,858.28**	**1,993,900.91**
Decentralized Autonomous Governments	1,386,245.48	98,998.14
Public Companies.....	291,919.43	162,235.01
Subtotal of Public Institutions	**1,678,164.92**	**1,143,233.15**
Total of Public Internal Debt	**20,098,245.88**	**20,957,045.91**

Source: Data from Ministry of Economy and Finance: Bulletin of Public Debt December 2022, Bulletin of Public Debt December 2021, Bulletin of Public Debt December 2020. https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/

INTERNAL DEBT

	For the year ended December 31, 2019	For the year ended December 31, 2020
	(U.S.$)	
Bonds Issued on Domestic Markets with Private Holders	701,993.60	1,030,366.64
Bonds Issued on Domestic Markets with Public Holders	12,444,576.47	13,667,427.91
Subtotal Debt Securities	**13,146,570.07**	**14,697,794.55**
Development Bank of Ecuador	1,494,406.64	1,509,021.92
Central Bank of Ecuador	(0.00)	500,000.00
Subtotal Internal Loans	**1,494,406.64**	**2,009,021.92**
Unpaid Obligations Recorded in Closed Budgets	691,649.74	708,316.95
Social Security	508,087.79	381,065.84
Subtotal Other Accounts Payable	**1,199,737.53**	**1,089,382.79**
Total Internal Debt	**15,840,714.24**	**17,796,199.26**

Source*: Data from Ministry of Economy and Finance: December 2019 Bulletin of Public Debt, December 2020 Bulletin of Public Debt, https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/*

The Government's internal debt consists of obligations to both public and private sector entities. As of December 31, 2020, public sector aggregate internal debt was U.S.$17,796 million, a decrease from U.S.$19,088 million as of December 31, 2019. This increase was primarily due to bonds being issued domestically to both public and private sectors.

As of December 31, 2021, public sector aggregate internal debt was U.S.$20,098 million, an increase from U.S.$17,796 million as of December 31, 2020. In view of the change in the methodology for calculating and presenting debt statistics issued by MA 036 and MA 096, the figures for each year keep their respective methodology.

As of December 30, 2022, public sector aggregate internal debt was U.S.$20,957 million, and as of December 30, 2021 was U.S.$20,098 million; this variation results from the change in the statistical methodology to report debt pursuant to MA 096.

The following table sets forth the public sector aggregate internal debt for the periods presented:

PUBLIC SECTOR AGGREGATE INTERNAL DEBT

	As of December 31,				
	2018	**2019**	**2020**	**2021**	**2022**
	(in millions of U.S.$ except percentages)				
Central Government Notes	14,698	14,985	14,697.80	14,984.99	15,500.94
Governmental Entities [1]	2,332.22	2,332.23	2,009.02	2,332.23	2,318.97
Other [2]	708.31	1,771.66	1,089.38	2,781.02	3,137.13
Total [3]	**17,796.39**	**19,088.89**	**17,796.20**	**20,098.24**	**20,957.04**
Internal public debt as a percentage of nominal GDP [4]	16.76%	17.98%	17.92%	18.93%	18.22%

Source: Data from Ministry of Economy and Finance., Monthly Public Debt Bulletin for December 2018, 2019, 2020, 2021, 2022 https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/

(1) Debt of the Government with the IESS and the Ecuadorian Development Bank.
(2) The figures for the years 2021 and 2022 are calculated under the New Methodology and include, outstanding obligations of the Government (accrued but unpaid) to the public and private sectors that were already recorded in the closed budgets of the General State Budget for previous years.
(3) Total public sector internal debt under the aggregation methodology.
(4) Calculated using Central Bank GDP data.

INTERNAL DEBT

	For the year ended December 31, 2021	**For the year ended December 31, 2022**
	(U.S.$)	
Public Internal Debt		
Public Sector Internal Debt Securities	13,615,739.74	14,026,081.98
Private Sector Internal Debt Securities	1,369,253.42	1,474,862.15
Subtotal of Public Debt Securities	**14,984,993.16**	**15,500,944.12**
Loan from Central Bank of Ecuador	500,000.00	500,000.00
Loan from Development Bank of Ecuador	102,271.55	81,817.24
Loan from Development Bank of Ecuador	1,475,914.09	1,610,128.54
Payment Agreement IESS	254,043.90	127,021.95
Subtotal of Public Debt Loans	**2,332,229.53**	**2,318,967.72**
Unpaid Obligations in Closed Budgets	1,102,858.28	1,993,900.91
Subtotal of Unpaid Obligations in Closed Budgets	**1,102,858.28**	**1,993,900.91**
Decentralized Autonomous Governments	1,386,245.48	98,998.14
Public Companies	291,919.43	162,235.01
Subtotal of Public Institutions	**1,678,164.92**	**1,143,233.15**
Total of Public Internal Debt	**20,098,245.88**	**20,957,045.91**

Source: Data from Ministry of Economy and Finance: Bulletin of Public Debt December 2022, Bulletin of Public Debt December 2021, Bulletin of Public Debt December 2020. https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/

As of June 30, 2022, approximately 83% of Ecuador's internal public indebtedness consisted of long-term originally issued dollar-denominated notes. Currently, all internal debt obligations are issued through the Ministry of Economy and Finance. As of June 30, 2022, approximately 11.6% of Ecuador's internal public indebtedness consisted of debts of the Government with the IESS and the Ecuadorian Development Bank, outstanding obligations of the Government (accrued but unpaid) to the public and private sectors that were already recorded in the closed budgets of the General State Budget for previous years. The liabilities (accrued but unpaid) with the public and private sectors which are included in the agreed budgets are part of the General State Budget for previous years represent 16.11%.

As of June 30, 2022, the Ministry of Economy and Finance's obligations with the Central Bank with respect to financial investments through long-term Government bonds amounted to U.S.$500 million.

The last of the Ministry of Economy and Finance's short-term obligations with the Central Bank was only a CETES for an amount of U.S.$11.97 million with maturity on March 23, 2019. As of July 2020, the Republic has no outstanding debts with the Central Bank through CETES.

On May 18, 2017, the Ministry of Economy and Finance transferred assets consisting in shares of financial institutions controlled by the Republic worth U.S.$2,136.55 million in payment of debt incurred with the

Central Bank for U.S.$2,121.78 million plus accrued interest for U.S.$14.77 million. As a result, public internal debt decreased by U.S.$2,121.78 million.

On April 24, 2017, the Ministry of Economy and Finance transferred Central Bank Certificates to Petroamazonas' primary vendors and service providers, in exchange for U.S.$150 million of accounts payable with such entities, satisfying Petroamazonas' obligations. Furthermore, on September 4, 2017, the Ministry of Economy and Finance transferred additional Central Bank Certificates to Petroamazonas' primary vendors and service providers, in exchange for U.S.$100 million of accounts payable with such entities, satisfying Petroamazonas' obligations.

The Ministry of Economy and Finance and COSEDE, acting as trustees, temporarily assumed the debts and assets of AGD. They were then permanently transferred to CFN. For further information on these transfers, see "*Monetary System—The Financial Safety Net-Deposit Insurance*". Notes issued by the AGD matured and were fully paid off by the Government in December 2014.

PUBLIC SECTOR AGGREGATE INTERNAL DEBT

	As of December 31,							
	2019		**2020**		**2021**		**2022**	
	(in millions of U.S.$, except percentages)							
	U.S.$	*%*	*U.S.$*	*%*	*U.S.$*	*%*	*U.S.$*	*%*
Short-term notes …….	–	–	–	–	–	–	–	–
Long-term notes [1] ….	14,985	78.50	14,697.80	82.60	14,984.99	74.56	15,500.94	73.97
AGD notes [2]……...	–	–	–	–	–	–	–	–
CFN notes [3] ……...	–	–	–	–	–	–	–	–
Total notes …….	**14,985**	**78.50**	**14,698**	**82.60**	**14,985**	**74.56**	**15,500.94**	73.97
Governmental Entities [4] ……...	**2,332.23**	**22**	**2,009.022**	**11.30**	**2,332.23**	**11.60**	**2,318.97**	**11.07**
Other [5] ……	**1,771.66**	**9.28**	**1,089.38**	**6.12**	**2,781.02**	**13.83**	**3,137.13**	**14.97**
Total internal debt [6]	**19,088.89**	**100**	**17,796.2**	**100**	**20,098.24**	**100**	**20,957.04**	**100**

Source: Ministry of Economy and Finance, Monthly Public Debt Bulletin December 2022 https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/

(1) *Securities placed by Ecuador according to decrees and resolutions issued to finance projects from the State budget and annual investment plan.*
(2) *Law 98-17 of November 26, 1998, published in Official Gazette No. 78 of December 1, 1998 ("**Law 98-17**") authorized the issuance of government bonds as part of the resources for the operations of the Deposit Guarantee Agency. These bonds were issued for a term of 15 years, with payment of principal at maturity and annual interest payments at a rate of 12%.*
(3) *These bonds issued under Law 98-17 as a capital contribution to the National Finance Corporation. The value of these bonds was U.S.$424.9 million. They had 7-year and 11-year terms with semi-annual payments of principal and interest at LIBOR plus 180 days margin.*
(4) *Debt of the Government with the IESS and the Ecuadorian Development Bank.*
(5) *The 2021 and 2022 figures, under the New Methodology, include outstanding obligations of the Government (accrued but unpaid) to the public and private sectors that were already recorded in the closed budgets of the General State Budget for previous years.*
(6) *Total public sector internal debt under the aggregation methodology.*

As of June 30, 2022, Ecuador had not issued any short-term debt (i.e., with a maturity equal to or less than one year). Ecuador's medium-term and short-term obligations have generally been issued to finance development projects and to restructure or provide for revenue shortfalls in the Government's budget for a given year. Notes issued for development projects are generally privately held by entities contracted to undertake these development projects. Notes issued for budget restructuring, which generally have a maturity greater than one year, are placed on the Ecuadorian Stock Exchanges, and are currently held by both public and private holders.

Methodology for Calculating the Public Debt to GDP Ratio

On October 25, 2016, pursuant to Article 147, Clause 13 of the 2008 Constitution, former President Correa exercised his presidential authority to issue implementing regulations and signed Decree 1218, which modified Article 135 of the Rules to the Public Planning and Finance Code. Decree 1218 changed to a consolidated basis the methodology that the Ministry of Economy and Finance used to calculate the total public debt to GDP ratio for the purpose of establishing whether the total public debt ceiling of 40% established in Article 124 of the Public Planning and Finance Code had been exceeded. Under Decree 1218, the Ministry of Economy and Finance used the total consolidated public debt methodology set out in the Manual of Public Finance Statistics of the IMF. The IMF GFS, which was published in 2001, provides that the presentation of government financial statistics, including total public debt, should be calculated on a consolidated basis rather than on an aggregate basis. According to the IMF GFS, the consolidation methodology presents statistics for a group of units as if accounting for a single unit. In the context of total public debt, this means that debt that flows between governmental units or entities or between the Central

Government and these governmental units or entities ("**intra-governmental debt**") is not included in the calculation of total public debt. Decree 1218 did not affect external debt as external debt is owed to entities outside of the Ecuadorian government and is, therefore, not affected by the exclusion of intra-governmental debt. This principle is reaffirmed in the preamble of the Organic Law for Productive Development, approved by the National Assembly on June 21, 2018.

The Organic Law for the Regulation of Public Finances also amended the COPLAFIP. The COPLAFIP established a limit for Ecuador´s public indebtedness of 40% of GDP, which was amended in August 2018 by the Organic Law for Productive Development, to, among other changes, temporarily suspend from 2018 until 2021 the public debt-to-GDP ceiling of 40% of GDP.

The Organic Law for the Regulation of Public Finances further amended the COPLAFIP by, among other things, extending the waiver of the public debt-to-GDP limit and setting out a timetable for the gradual decrease of public debt by imposing transitional debt to GDP ratio ceilings starting at 57% by 2025 and reducing it to 45% by 2030 and to 40% by 2032, after which the public debt to GDP ratio will be required by law to be kept at or below the legal limit of 40%, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances*".

In contrast, the aggregation methodology, which the Ministry of Economy and Finance used prior to Decree 1218, does include intra-governmental debt in the calculation of total public debt. By changing the method of calculating total public debt from an aggregation methodology to a consolidation methodology, Decree 1218 effectively eliminated certain types of debt from the calculation and, by extension, reduced the amount of public debt taken into account for purposes of the 40% public debt to GDP ceiling. Following the enactment of Decree 1218, the Ministry of Economy and Finance has been in communication with the IMF with respect to methodologies used for measuring public debt. Since the Office of the Comptroller General issued its CGR Audit Report and prior to the publication of the April 2019 Debt Bulletin, the Ministry of Economy and Finance had only been releasing public debt to GDP ratio information applying the aggregation methodology.

On June 21, 2018, the National Assembly approved the Organic Law for Productive Development (submitted by former President Moreno), which became effective on August 21, 2018, and provided certainty as to the nature of certain activities as contingent liabilities for purposes of the calculation of the debt to GDP ratio, and provided that for the period from 2018 to 2021, unless the public debt reaches a level below the public debt ceiling of 40% of GDP, the public debt ceiling will not apply. The law also provides for the implementation of a fiscal stability plan by the Ministry of Economy and Finance for the period from 2018 to 2021. The law sets forth that in each subsequent fiscal year after 2021, the General State Budget must be presented with a fiscal program aimed at reducing over time the amount of total public debt relative to GDP, until it reaches a level below the 40% debt to GDP ratio. The law also mandated that the Ministry of Economy and Finance issue within 90 days from August 21, 2018, a new regulation implementing a new accounting methodology, to be in accordance with Article 123 of the Public Planning and Finance Code (as amended), internationally accepted standards and best practices for the registration and disclosure of public debt.

On October 15, 2018, former President Moreno issued Decree 537 repealing Decree 1218 in its entirety. On October 30, 2018, Decree 537 was published and the repeal of Decree 1218 became effective. On December 20, 2018, the Regulation to the Organic Law for Productive Development became effective amending, among others, Article 133 of the Rules to the Public Planning and Finance Code to provide that the Ministry of Economy and Finance will produce both aggregated and consolidated financial statements of the public debt for the public sector, the non-financial public sector and the Central Government in a period of no more than 60 days after the end of each month. These amendments also provide that in establishing the total amount of public debt, the Ministry of Economy and Finance will consider the aggregate public debt to GDP indicator of the entities constituting the public sector. This indicator will be calculated and projected based on the public debt aggregate statements, at least for the final balances, for the following four years. Among other provisions, the regulation provides guidance for calculating the debt to GDP ratio for these purposes, as well as for reducing the balance of the public debt below 40% and for ensuring that the balance of the public debt does not exceed 40% of GDP after it has been reduced, see "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability*".

On November 19, 2018, the Ministry of Economy and Finance issued the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology setting out the New Methodology. The New Methodology provided that the calculation of the public debt to GDP ratio is to be based on total public

debt as published in the official aggregate financial statements and the latest nominal GDP as published by the Central Bank. The New Methodology defined total public debt as the sum of the public debt incurred by the entities comprising the public sector and adds certain debt instruments to the calculation of public debt that were not previously included, including oil presales. In contrast with the prior methodology for calculating the public debt to GDP ratio, under the New Methodology, (i) the calculation of public external debt also includes oil presales, the Central Bank's special drawing rights with the IMF, and liabilities under intangible contractual rights; and (ii) the calculation of public internal debt also includes outstanding obligations of the Government (accrued but unpaid) to the public and private sectors that were already recorded in the closed budgets of the General State Budget for previous years and debt instruments entered into by entities of the non-financial public sector with the Ecuadorian Development Bank. The April 2019 Debt Bulletin was the first report on public debt issued that followed the New Methodology. The Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology provided that by November 14, 2019, the Ministry of Economy and Finance was required to publish public debt figures calculated using the New Methodology going back to October 2010. Once these past public debt figures are published using the New Methodology, those numbers may vary from the public debt figures presented in this Schedule for the comparable period which were calculated based on the old methodology.

Following a transition period set forth in the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology, which ended on May 31, 2019, the Ministry of Economy and Finance published its April 2019 Debt Bulletin following the New Methodology, and has continued releasing its public debt bulletins in subsequent months using the New Methodology.

Certain of the total public debt and public debt to GDP ratio information set forth in this Schedule is based on the aggregation methodology and certain of the total public debt and public debt to GDP ratio information is based on the consolidation methodology. The table below sets forth the total aggregate public debt and total aggregate public debt as a percentage of GDP.

DEBT RATIO/GDP

	As of December 31,			As of June 30,		
	2019[1]	**2020**	**2021**	**2022**	**2021**	**2022 [1]**
	(in millions of U.S.$, except percentages)					
Aggregate Total Debt ……..	57,316.93	63,165.11	72,607	75,480	62,859.44	67,399.57
Other obligations……..	-	-	-	-	-	7,185.12
Ratio aggregate debt/GDP [2] ...	53.02%	63.62%	68.39%	65.61%	61.29%	65.49%

Source: Data from Ministry of Economy and Finance, Public Debt Bulletin for December 2019, 2020, 2021, and 2022 and June 2021 and 2022. https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/

[1] Under the New Methodology.
[2] Based on the Central Bank's estimate of projected GDP.

Review and Audit by the Office of the Comptroller General

Under the General Comptroller Law, the Office of the Comptroller General has the authority to examine the use of public resources by both public and private institutions. Following the amendment to the 2008 Constitution on December 21, 2015, the Office of the Comptroller General does not have the authority to audit the management of public resources under principles of effectiveness, efficiency and economy (*auditoria de gestión*), but it may still conduct a legality, financial and/or administrative audit. More specifically, according to Article 19 of the General Comptroller Law, the Office of the Comptroller General has the authority to carry out special audits to verify limited aspects of governmental activities under these parameters.

In July 2017, the Office of the Comptroller General, headed by Dr. Pablo Celi, announced pursuant to *Acuerdo* 024-CG-2017 its intention to conduct a special audit on the legality, sources and uses of all the internal and external debt of the Republic incurred between January 2012 and May 2017, as authorized by Ecuadorian law, to examine acts of public entities. The Office of the Comptroller General previously, in 2015 and 2017, audited all of the Republic's internal and external debt borrowed or issued between 2009 and 2015 and found no illegalities in the process of borrowing or issuing debt. The review included, among others, the Ministry of Economy and Finance, the Central Bank and SENPLADES. On January 8, 2018, the Comptroller General announced the creation of a Citizen Oversight Commission composed of Ecuadorian professionals, including former high level public officials such as a former Vice President, two former Comptrollers General, and a former Minister of Economy and Finance, to observe the procedures and methodology relating to the Republic's incurrence of debt from January 2012 through to May 2017.

The Comptroller General indicated that the Citizen Oversight Commission did not replace the Comptroller General in its functions and powers, and that its findings would not be binding; rather it was the intention that the participation of the Citizen Oversight Commission would promote transparency.

The Special Audit concluded on April 6, 2018, when the Office of the Comptroller General issued its CGR Audit Report including: (i) conclusions of the Special Audit conducted; and (ii) recommendations regarding actions related to specific contracts or methodologies (according to the law, these recommendations are mandatory for public entities and cannot be challenged). The Special Audit did not result in the annulment of previous acts, or the invalidation of existing contracts, which may only occur with judicial intervention in a proceeding initiated before Ecuadorian courts.

The CGR Audit Report concluded that certain rules that defined the methodology to calculate public debt were replaced with laws and regulations that allowed for discretion in the application and use of certain concepts related to public debt and, specifically, that the amounts of advance payments pursuant to certain commercial agreements providing for the advance payment of a portion of the purchase price of future oil deliveries should have been categorized as public debt and included in the calculation of the public debt to GDP ratio. The CGR Audit Report also concluded that Decree 1218 of 2016 established a methodology for the calculation of public debt in relation to GDP (based on the total consolidated public debt methodology set out in the Manual of Public Finance Statistics of the IMF) which was not consistent with Article 123 of the Public Planning and Finance Code and deviated from the practice of using the aggregation of public debt methodology for the purpose of establishing whether the public debt to GDP ceiling of 40% had been exceeded. Consequently, Decree 1218 allowed the Government to enter into certain debt transactions without obtaining the prior approval of the National Assembly despite the fact that, according to the Office of the Comptroller General, the total public debt to GDP ratio would have exceeded the 40% limit established in Article 124 of the Public Planning and Finance Code had Decree 1218 not been in place.

The CGR Audit Report also set forth some conclusions and recommendations regarding certain interinstitutional agreements between the Ministry of Economy and Finance and Petroecuador, and found deficiencies in the filing of debt documentation, the implementation of the agreed joint office for the management and monitoring of certain credit agreements between the Ministry of Economy and Finance and China Development Bank, and the confidential nature of certain finance documents relating to public debt.

On April 9, 2018, during the presentation of the CGR Audit Report to the public, the Office of the Comptroller General announced that the Special Audit resulted in indications of: (i) administrative liability of certain public officials, which may lead to the dismissal of those officials, (ii) civil liability of certain current or former public officials, which may lead to fines if those officials acted in breach of their duties, and (iii) potential criminal liability of certain former or current public officials. Civil and administrative indications of liability are reviewed by the Office of the Comptroller General, whereas potential criminal liability can only be determined by the Office of the Prosecutor General, with exclusive powers to press charges. If the Office of the Comptroller General finds that such former or current officials acted in breach of their duties, it could issue a resolution determining civil and/or administrative liability. A final resolution from the Office of the Comptroller General can be appealed to the district administrative courts.

In April 2018, the Office of the Comptroller General delivered to the Office of the Prosecutor General a report regarding the indications of potential criminal liability of certain former or current public officials. Based on that report, the Office of the Prosecutor General initiated a preliminary criminal investigation against former President Correa, three former Ministers of Finance and seven other former or current public officials of the Ministry of Economy and Finance.

Once the preliminary investigation is completed, the Office of the Prosecutor General may request the competent judge to hold an indictment hearing with respect to any of the officials currently under investigation. If a judge determines that there are grounds for an indictment, a 90-day period will commence in which the Office of the Prosecutor General will conclude its investigation and issue a final report. The final report will be presented before the criminal court but the alleged offenders will not be found guilty unless, after trial, the offenders are found to be criminally liable.

The CGR Audit Report recommended that, in order to reconcile amounts comprising public debt, the Public Planning and Finance Code should be amended and Decree 1218 should be repealed with respect to the calculation of the total public debt to GDP ratio to ascertain the actual value of total public debt and determine if that amount exceeded the 40% debt to GDP ratio set out in Article 124 of the Public Planning

and Finance Code. Following these recommendations, on June 21, 2018, the National Assembly passed the Organic Law for Productive Development which became effective on August 21, 2018, which expressly confirms that certain activities and instruments are considered a contingent liability, and therefore are not included in the calculation of the total public debt to GDP ratio, and provides that for the period from 2018 to 2021, unless the public debt reaches a level below the public debt ceiling of 40% of GDP, the public debt ceiling will not apply. The law also provides for the implementation of a fiscal stability plan by the Ministry of Economy and Finance for the period from 2018 to 2021 and sets forth that, in each subsequent fiscal year after the period from 2018 to 2021, the General State Budget must be presented with a fiscal program aimed at reducing over time the amount of total public debt relative to GDP, until it reaches a level below the 40% debt to GDP ratio. The law also mandated that the Ministry of Economy and Finance issue within 90 days from August 21, 2018, a new regulation implementing a new accounting methodology, to be in accordance with Article 123 of the Public Planning and Finance Code (as amended), internationally accepted standards and best practices for the registration and disclosure of public debt, see "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability".*

On October 15, 2018, former President Moreno issued Decree 537 repealing Decree 1218 in its entirety, which became effective on October 30, 2018, see "*—Methodology for Calculating the Public Debt to GDP Ratio*" above.

On November 19, 2018, the Ministry of Economy and Finance issued the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology setting out the New Methodology, see "*—Methodology for Calculating the Public Debt to GDP Ratio*" above.

On December 20, 2018, the Regulation to the Organic Law for Productive Development became effective amending, among others, Article 133 of the Rules to the Public Planning and Finance Code to provide that the Ministry of Economy and Finance will produce both aggregated and consolidated financial statements of the public debt for the public sector, the non-financial public sector and the Central Government in a period of no more than 60 days after the end of each month, see "*—Organic Law for Productive Development, Investment, Employment and Fiscal Stability,*" below.

The Special Audit resulted in additional audits, including an examination finalized in July 2018, regarding the issuance, placement and payment of CETES by the Republic; an examination finalized in April 2019, regarding the contracts with service providers (including lawyers, banks, financial agents and other firms) involved in public debt transactions, covering the period between January 1, 2012 and December 31, 2017; an examination finalized in April 2019, regarding the Republic's use of shares of public banks to pay the Central Bank, covering the period between January 1, 2016 and December 31, 2017; an examination finalized in May 2019, regarding the entry, registration and use of funds from oil presale contracts, covering the period between January 1, 2012 and December 31, 2017; and a follow-up examination finalized in May 2019, regarding the application of the recommendations under the CGR Audit Report, covering the period between April 6, 2018 and October 31, 2018, see "*Public Debt—GSI Loan Facility".*

The audit report of the Comptroller General

The special examination of the process of issuance, placement and payment of CETES by the Republic between January 1, 2016 and December 31, 2017 concluded with the Office of the Comptroller General report ("**CGR CETES Report**"). The CGR CETES Report concluded that: (i) CETES were renewed and placed for periods longer than the 360-day period allowed by the Public Planning and Financing Code; (ii) CETES were delivered as payment instruments to pay debts, contrary to their purpose of being used to obtain resources to finance deficiencies in the fiscal accounts; and (iii) CETES were delivered to the Central Bank in exchange for other internal debt instruments already due, contrary to the nature of the CETES of being used to obtain resources to finance deficiencies in the fiscal accounts. In the CGR CETES Report, the Office of the Comptroller General recommended partially repealing Decree 1218 so that short-term securities with a term of "less than 360 days" are excluded from the calculation of total public debt, instead of short-term securities with a term of "up to 360 days" as it was set forth in Decree 1218. Decree 537 repealed Decree 1218 on October 30, 2018, see "*Public Debt— Methodology for Calculating the Public Debt to GDP Ratio".*

On December 10, 2020, repowering and maintenance contracts in respect of the Esmeraldas Refinery for more than U.S.$2 billion did not meet their objectives.

On January 21, 2021, the Comptroller's Office confirmed losses of U.S.$93.6 million in the Toachi Pilatón Hydroelectric Project.

In August 2021, Comptroller's Office confirmed a loss of more than U.S.$1.2 billion in the Pacific refinery.

Pablo Celi, former acting *Contralor General des Estado* (upon the fleeing of his predecessor, Carlos Pólit, who is facing trial in the United States for money laundering), was arrested in April 2021 for participation in a corruption scheme (unrelated to the abovementioned CGR Audit Report). In January 2023, a criminal court sentenced Pablo Celi to 13 years in prison. However, Pablo Celi has announced his intention to appeal this judgment although, as of April 2023, this remains to be confirmed in writing upon service of the ruling, which is pending.

Any series of notes issued by the Republic and any other financing transactions could in the future be subject to the review of the Office of the Comptroller General within its powers granted by Ecuadorian law to examine acts of public entities.

The Office of the Comptroller General had previously conducted audits, in 2015 and 2017, of all internal and external debt issued between 2009 and 2015 without finding any illegalities in the process of borrowing or issuing debt. For a description of the risks of any action by the Government in relation to the 40% public debt to GDP ceiling and related accounting methodologies, see "*Risk Factors— The Republic may incur additional debt beyond what investors may have anticipated, which may result in the Republic not being able to comply with its debt-to-GDP limit under Ecuadorian law in calculating the public debt to GDP ratio, which could materially adversely affect the interests of the holders of the Republic's debt*".

Organic Law for Productive Development, Investment, Employment and Fiscal Stability

On June 21, 2018, the National Assembly passed the Organic Law for Productive Development which became effective on August 21, 2018. In addition to the reforms described under section "*The Ecuadorian Economy–Economic and Social Policies–Organic Law for Productive Development*," the Organic Law for Productive Development amends certain provisions of the Public Planning and Finance Code as recommended by the Office of the Comptroller General in its CGR Audit Report, in order to reconcile amounts comprising public debt in application of Article 123 of the Public Planning and Finance Code, for purposes of being able to ascertain the actual value of total public debt and determine if the latter has surpassed the legal limit of 40% debt to GDP set out in Article 124 of the Public Planning and Finance Code. In addition, the Organic Law for Productive Development added provisions that establish a temporary regime for public debt operations for purposes of reducing the debt to GDP ratio.

In particular, the Organic Law for Productive Development reforms Article 123 of the Public Planning and Finance Code by expressly confirming that a contingent liability may originate when:

- the Central Government issues sovereign guarantees for the benefit of public sector entities that enter into public debt, together with all provisions made for their payment;
- notes linked to duly documented payment obligations are issued;
- guarantee agreements to secure the proper use of non-reimbursable contributions received by any applicable entity are entered into; and
- the public sector incurs contingent liabilities in accordance with applicable law, or other liabilities are incurred within the context of agreements with international credit agencies.

The above provides legal certainty as to which transactions should not be included within the calculation of the debt to GDP ratio as, pursuant to Article 123 of the Public Planning and Finance Code, contingent liabilities should only be considered public debt, and included in the calculation of total public debt to GDP ratio, in such amount and to the extent the obligation is due and payable.

The Organic Law for Productive Development provides that for the period from 2018 to 2021, unless the public debt reaches a level below the public debt ceiling of 40% of GDP, the public debt ceiling will not apply. The law also provides for the implementation of a fiscal stability plan by the Ministry of Economy and Finance for the period from 2018 to 2021. The law sets forth that in each subsequent fiscal year after 2021, the General State Budget must be presented with a fiscal program aimed at reducing in the long term the amount of total public debt relative to GDP, until it reaches a level below the 40% debt to GDP ratio.

The new law also mandated that the Ministry of Economy and Finance issue within 90 days from August 21, 2018, a new regulation implementing a new accounting methodology, to be in accordance with Article 123 of the Public Planning and Finance Code (as amended), internationally accepted standards and best practices for the registration and disclosure of public debt. On October 15, 2018, former President Moreno issued Decree 537 repealing Decree 1218 in its entirety, which became effective on October 30, 2018, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*".

However, the Organic Law for the Regulation of Public Finances further amended the COPLAFIP by, among other things, extending the waiver of the public debt-to-GDP limit and setting out a timetable for the gradual decrease of public debt by imposing transitional debt to GDP ratio ceilings starting at 57% by 2025 and reducing it to 45% by 2030 and to 40% by 2032, after which the public debt to GDP ratio will be required by law to be kept at or below the legal limit of 40%.

On November 19, 2018, the Ministry of Economy and Finance issued the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology setting out the New Methodology, see "*—Methodology for Calculating the Public Debt to GDP Ratio*" above.

On December 18, 2018, by executive decree No. 617 ("**Decree 617**"), former President Moreno issued the Regulation to the Organic Law for Productive Development supplementing the Organic Law for Productive Development, which became effective on December 20, 2018. The Regulation to the Organic Law for Productive Development, among others, creates the procedures to implement and simplify the tax benefits that the Organic Law for Productive Development created for new investments and entrepreneurship; clarifies different concepts used in the Organic Law for Productive Development such as the concept of 'new investment;' creates the framework under which the VAT and exit tax returns on exports and other tax incentives will be carried out; closes any loopholes on the elimination of the excise tax; and creates the procedures to oversee compliance with fiscal rules with the goal of achieving sustainability of public finances.

The Regulation to the Organic Law for Productive Development also amends the Rules to the Public Planning and Finance Code to include a new section on fiscal rules and to amend certain articles. Article 133 of the Rules to the Public Planning and Finance Code is amended to provide that the Ministry of Economy and Finance will produce both aggregated and consolidated financial statements of the public debt for the public sector, the non-financial public sector and the Central Government in a period of no more than 60 days after the end of each month. These amendments also provide that in establishing the total amount of public debt, the Ministry of Economy and Finance will consider the aggregate public debt to GDP indicator of the entities constituting the public sector. This indicator will be calculated and projected based on the public debt aggregate statements, at least for the final balances, for the following four years. Among other provisions, the regulation provides guidance for calculating the debt to GDP ratio for these purposes, as well as for reducing the balance of the public debt below 40% and for ensuring that the balance of the public debt does not exceed 40% of GDP after it has been reduced.

Organic Law for the Regulation of Public Finances

On May 16, 2020, the National Assembly approved the Organic Law for the Regulation of Public Finances and, after a Presidential partial veto, it became effective on July 15, 2020.

The Organic Law for the Regulation of Public Finances aims to improve the administration of public finances. The Organic Law for the Regulation of Public Finances, among other measures: (i) centralizes under the Ministry of Economy and Finance the determination of the budget ceiling of each of the agencies under the executive branch; (ii) specifies which budget ceilings must be set in accordance with the priorities of the relevant agency and the national plan for development; and (iii) creates new domestic treasury securities and new tax rules without adversely affecting the autonomy of the relevant public instrumentalities such as the Central Bank, among others.

The Organic Law for the Regulation of Public Finances has two sections and a transitional provision. Section I is limited to amendments to the Public Planning and Finance Code and includes 45 articles, and Section II is limited to a single article amending a provision of the Organic Law of Spatial Planning and applicable ordinances.

In addition, the Organic Law for the Regulation of Public Finances amends Article 123 of the COPLAFIP, to:

- exclude certain transactions and instruments from the definition of public debt including contractual rights linked to ordinary operations that do not require a sovereign guarantee and any security or treasury note with a term of less than 360 days, among others.
- clarify the definition of public debt by tying it to obligations held by entities from the public sector which must be returned to lender.
- include debts contracted by IESS, ISSFA or ISSPOL in the definition of public debt.
- assign during the budgeting process the resources available from the public debt to the projects and programs that meet the established requirements.

The Organic Law for the Regulation of Public Finances also sets out a timetable for the gradual decrease of the public debt by imposing transitional debt to GDP ratio ceilings starting at 57% by 2025 and reducing it to 45% by 2030 and to 40% by 2032, after which the public debt to GDP will be required by law to be kept at or below the legal limit of 40%, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances".*

For more information on the amendments to the Public Planning and Finance Code by the Organic Law for the Regulation of Public Finances, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances*".

IMF's Extended Fund Facility and Rapid Financing Instrument

On September 16, 2021, the Minister of Economy and Finance and the General Manager of the Central Bank presented the IMF with the Letter of Intent, including a Memorandum of Economic and Financial Policies and a Technical Memorandum of Understanding, outlining Ecuador's economic outlook and economic goals in connection with the request for the IMF to complete their second and third reviews of the extended arrangement under the IMF's Extended Fund Facility and make the associated disbursement available for budget support. In the Letter of Intent, the Minister and the General Manager highlighted the progress made since the first review in December 2020.

The Memorandum of Economic and Financial Policies attached to the Letter of Intent outlined the Government's policy plans for the subsequent three years. Among other measures, the Government intended to:

- make COVID-19 vaccines available to all Ecuadorians and continue to support the population for the economic and social effects of the COVID-19 pandemic;
- continue reducing public debt, consistent with debt limits;
- reform the current system of taxation including in respect of personal income tax brackets and the elimination of credits and deductions for corporate income tax;
- reduce expenditure of the public sector through the implementation of recommendations from the IMF and other multilateral partners and setting expenditure ceilings on both the Central Government and other subsectors of the non-financial public sector;
- maintain current automatic fuel pricing mechanism to gradually align domestic fuel prices with international prices;
- reform the social security system through the establishment of a high-level commission to promote a widespread public communication effort on the need for pension reform and consider the options to address it;
- increase transparency and improve practices in Ecuador's fiscal management through, amongst others: (i) the implementation of amendments to the COPLAFIP focused on fiscal risks, medium term fiscal framework, fiscal rules and fiscal co-ordination; and (ii) the publication of information

on procurement processes and an independent audit of the 100 largest public procurement contracts awarded during 2021-2022;

- boost the resilience of the financial system through, amongst others: (i) implementing the technical assistance provided by the IMF on enhancing stress testing capacity and risk-based anti-money laundering and combatting the financing of terrorism supervision; (ii) align the provisioning requirements for large co-operatives with those of banks by the end of 2022; (iii) introduce higher statutory standards for co-operatives and mutuals and set minimum capital requirements; and (iv) develop regulation on the new methodology for setting interest rate caps and ensure its implementation; and

- standardize Government securities, replace (on a voluntary basis) the non-standardized and excessively short-term Government debt securities held by market participants with standardized, longer-term ones, and develop a domestic yield curve.

On March 11, 2019, the Executive Board of the IMF approved the U.S.$4,200 million arrangement under the IMF's Extended Fund Facility for Ecuador, enabling the disbursement of U.S.$652 million on March 13, 2019. The arrangement provided for an approximate 3% interest rate and a ten-year repayment plan (with a four-year grace period). According to the IMF's press release of March 11, 2019, "the Ecuadorian authorities are implementing a comprehensive reform program aimed at modernizing the economy and paving the way for strong, sustained, and equitable growth. The authorities' measures are geared towards strengthening the fiscal position and improving competitiveness and by so doing help lessen vulnerabilities, put dollarization on a stronger footing, and, over time, encourage growth and job creation".

On March 11, 2019, the Executive Board of the IMF also concluded its Article IV consultation with Ecuador, and the IMF published its Article IV staff report.

Under the terms of the IMF's Extended Fund Facility program, further disbursements to the Republic were conditioned on the Government's implementation of its policy plans as outlined in the Letter of Intent, the implementation of which the IMF monitors and reviews every three months on the basis of certain performance criteria, targets and benchmarks, including fiscal and monetary targets.

On April 30, 2019, in line with the Letter of Intent, the Ministry of Economy and Finance published the Action Plan for the Strengthening of Public Finances with 17 proposals aimed at strengthening fiscal and budgetary rules and planning, and improving sustainability in the operations of the National Treasury. Among the proposals, the Ministry of Economy and Finance committed to send the President a draft bill modifying certain provisions of the Public Planning and Finance Code to further limit the executive branch's discretion to outspend the national budget from 15% to 5% in order to increase credibility over each year's set fiscal goals; to substitute the CETES with a new short-term instrument that guarantees its use within the budgetary year of issuance and placement; and to include a chapter in the Public Planning and Finance Code with a functional outline of the fiscal rules to increase transparency. For more information on certain amendments to the Public Planning and Finance Code that have been implemented by the Organic Law for the Regulation of Public Finances, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances".*

On May 30, 2019, the IMF announced it had reached a staff-level agreement with the Republic on the completion of the first review under the Extended Fund Facility arrangement. In their announcement, the IMF mission concluded that "*Ecuador has made considerable progress in implementing its program aligned with the Prosperity Plan*". Based on their preliminary findings, the IMF mission prepared and presented a report to the IMF's Executive Board. On June 28, 2019, the IMF's Executive Board completed their first review of Ecuador's economic performance under Ecuador's arrangement with the IMF under the Extended Fund Facility, which allowed Ecuador to draw U.S.$251 million from the Extended Fund Facility on July 2, 2019.

On October 18, 2019, former President Moreno presented before the National Assembly the draft Law on Economic Development, aimed at reforming several of the Republic's tax and financial laws. On November 17, 2019, the National Assembly voted to reject the draft Law on Economic Development. In response, on November 21, 2019, former President Moreno presented the draft Organic Law on Tax Simplification, replacing the draft Law on Economic Development with respect to certain aspects of the intended tax reform. The Organic Law on Tax Simplification was first approved by the National Assembly on December 9, 2019, and after a Presidential partial veto, it was finally approved on December 30, 2019, and became

effective on December 31, 2019 (for more information on the rejection of the draft Law on Economic Development and the subsequent approval of the Organic Law on Tax Simplification, see "*The Republic of Ecuador—Measures by former President Moreno*").

On December 11, 2019, the Minister of Economy and Finance and the General Manager of the Central Bank presented the IMF with a letter of intent, including the Updated Memorandum of Economic and Financial Policies, requesting (i) completion of the second and third review of the arrangement under the IMF's Extended Fund Facility and the disbursement of the associated amount of approximately U.S.$498.4 million for budget support, and (ii) a waiver of non-observance of the performance criteria on net International Reserves given that the macroeconomic impact of the breach was minor, as well as certain modifications to program requirements reflected therein.

The Updated Memorandum of Economic and Financial Policies outlines the Government's policy plans for the subsequent two years. According to the Updated Memorandum of Economic and Financial Policies, failure to implement the economic and financial policies agreed with the IMF would have delayed or prevent future disbursements. The Updated Memorandum of Economic and Financial Policies was an updated version of the Memorandum attached to the Letter of Intent dated March 1, 2019 and outlined the same policy plans with certain updates. Among such updates, the Updated Memorandum of Economic and Financial Policies provided that:

- The Government committed to reducing the non-financial public sector non-oil primary deficit including fuel subsidies, by approximately 3.9% of GDP during 2019-2021.

- In light of the rejection of the draft Law on Economic Development, the Government intended to submit to the National Assembly by the end of February 2020, the revised amendments to the Public Planning and Finance Code. The amendments intend to ensure that the role of the Minister of Economy and Finance as the fiscal oversight authority is strengthened; that annual budgets are prepared in line with best international practices; that the fiscal rules framework is further strengthened, including escape clauses, automatic correction mechanisms, and in-year fiscal reporting; that government discretion to amend approved budgets is limited and a robust framework for contingency allocation is introduced; that budget execution is kept in check by comprehensive, timely, and proper government accounting and reporting, including a comprehensive definition of public debt, as well as the adoption of better cash management practices and commitment controls.

- In light of the rejection of the draft Law on Economic Development, the Government intended to resubmit to the National Assembly by April 2020 after consultation with various stakeholders and building consensus, a revised version of the amendments to the Organic Monetary and Financial Law that were incorporated as part of the draft Law on Economic Development and which aimed to ensure that the Central Bank had clear objectives and limited functions, designed to fully support the dollarization regime, and encompassed measures to strengthen the Central Bank's autonomy including in terms of its budget, improve the Central Bank's governance by establishing a board with fiduciary responsibilities to the Central Bank, and build a strong internal and external audit function; such amendments prohibited all direct and indirect lending by the Central Bank to the Government or the public sector, while remaining able to provide temporary liquidity support to public banks, if needed for prudential purposes.

- The Government also agreed to prepare a new law for State-owned enterprises, to improve efficiency, increase transparency, and strengthen governance of the State-owned enterprises.

On December 19, 2019, the IMF's Executive Board concluded its combined second and third reviews of the Government's economic program supported under the Extended Fund Facility. In these reviews, the IMF reported that the end-September benchmark under the arrangement with the IMF concerning the submission by the Republic of amendments to the Organic Monetary and Financial Law fell short of being fully implemented since the draft law submitted did not incorporate the double veto procedure for the appointment and dismissal of members of the Central Bank board, though it contained other important provisions that would strengthen the institutional foundations of the Central Bank. Other structural benchmarks for the second and third reviews were either met or implemented with a slight delay. Given the rejection of the draft Law on Economic Development, new program conditionalities were accepted by the IMF to allow the authorities more time to reach consensus and complete these structural reforms. In particular, the submission of certain amendments to the Public Planning and Finance Code consistent with

program commitments were accepted as a structural benchmark for the fourth review and that of the revised Organic Monetary and Financial Law amendments as a structural benchmark for the fifth review. The IMF granted the Republic's request to modify the end-December 2019 targets on the non-oil primary balance including fuel subsidies to partially accommodate the shortfall due to the delay in asset monetization, on net International Reserves due to a higher deficit and financing shortfalls, and on social assistance spending due to the postponement of one of the programs to 2020. After the IMF staff's recommendations to the IMF's Executive Board for completion of the second and third reviews, and support for the Republic's requests of waivers for non-observance of certain targets, on December 19, 2019, the IMF's Executive Board approved the disbursement to the Republic of approximately U.S.$498.4 million.

On April 30, 2020, the Minister of Economy and Finance and the General Manager of the Central Bank presented the IMF with a letter of intent; (i) describing the unprecedented and negative economic and social effects that the COVID-19 pandemic had caused in Ecuador; (ii) explaining some of the actions taken and some additional policy actions that Ecuador had undertaken or committed to undertake; (iii) reiterating that Ecuador agreed to comply with the provisions of the IMF's Articles of Agreement; (iv) notifying the IMF that the Extended Fund Facility approved on March 11, 2019 was cancelled with immediate effect; and (v) requesting urgent financial assistance under the IMF's RFI's with the aim of addressing urgent balance of payments and fiscal needs. Generally, financings under an RFI are aimed at helping member countries address urgent balance of payments needs. The letter of intent also provided the commitment of the Ministry of Economy and Finance and the Central Bank to update their Memorandum of Understanding signed in March 2019 that clarified the responsibilities for timely servicing of the financial obligations to the IMF.

Following this request, the IMF staff assessed the Republic's qualification requirements, worked with the authorities and prepared a staff report for the IMF's Executive Board. On May 2, 2020, the IMF Executive Board approved Ecuador's request for emergency financial assistance under the RFI for approximately U.S.$643.1 million in order to support Ecuador's balance of payments and its most affected sectors, including the healthcare system and social protection; recognizing that Ecuador's authorities had taken decisive actions to contain the spread of the virus and mitigate the socio-economic impact of the health crisis on households and firms, while prioritizing efforts to protect the poor and vulnerable.

In 2020, the Government worked with the IMF staff to define the structure of a new successor program, with the aim of bolstering the Republic's economic performance, strengthening the foundations of dollarization, and delivering broad based benefits for the population, with a special emphasis on the most vulnerable sectors. The Government reached Staff Level Agreement on August 28, 2020 and IMF Executive Board approval for 27-month Extended Fund Facility totalling SDR4,615 million (approximately U.S.$6.5 billion, representing 661% of the Ecuadorian quota) in September 2020.

According to data published by the IMF in 2022, the IMF disbursed to Ecuador U.S.$4,007 million in 2020, U.S.$802 million in 2021 and U.S.$1,649 million in 2022 under the Extended Fund Facility.

The Extended Fund Facility was fully disbursed by December 2022.

The Republic's financing plan for 2023 does not envisage IMF funding and no decision to enter into a new agreement with the IMF has been agreed upon. Ecuador is continuing to engage with the IMF as part of the IMF's surveillance functions and has access to the general resources of the IMF. Other international financial institutions such as the World Bank and the Inter-American Development Bank have continued to make loans to Ecuador. Disbursements under the other staff-level agreements with multilateral agencies and development banks are also subject to the approval of each organization's executive board.

Under these agreements, in May 2019, the Republic entered into two loans with the CAF for U.S.$300 million and U.S.$100 million, respectively; on May 24, 2019, July 3, 2019, July 12, 2019 and July 23, 2019, the Republic entered into four loans with the Inter-American Development Bank for U.S.$500 million, U.S.$150 million, U.S.$93.9 million and U.S.$300 million, respectively; and on June 17, 2019 and July 22, 2019, the Republic entered into two loans with the International Bank for Reconstruction and Development for U.S.$500 million and U.S.$350 million, respectively.

Statistical deficiencies

As part of the commitment to transparency of the Ecuadorian authorities and close monitoring of the program, on May 2, 2020, the IMF revealed that it had observed certain shortcomings in the compilation of the Republic's fiscal statistics which contributed to incorrect estimates of the fiscal deficit for years going as far as 2012. Specifically, the revised data indicated a non-observance of the performance criterion on the non-oil primary balance including fuel subsidies of the non-financial public sector at the end of September 2019 by a margin of U.S.$431 million. The discrepancy resulted in a breach of obligations under Article VIII, Section 5 of the IMF Articles of Agreement. The IMF observed that these statistical deficiencies were unintentional and were found primarily in the data provided by entities outside the central Government of the Republic. The IMF concluded that the statistical revision only modestly impacted public debt, that gross debt of the non-financial public sector remained broadly unchanged, and that the occurrence of the statistical deficiencies reflected in part an extended lack of engagement between the Republic and the IMF in the past.

Some of the remedial actions taken by the Government in response to this revelation included (i) strengthening of the institutional arrangement to collect and process fiscal data, with clear assignments of responsibilities and line of accountability for each party involved, (ii) submitting to the National Assembly draft amendments to the Public Planning and Finance Code, geared towards improving the data provision, and (iii) enhancing information sharing among Government agencies, including for consistency checks. The Government also reaffirmed their commitment to continuously adopt international best practices towards fiscal data transparency.

Following the IMF's review of the Republic's remedial actions, on May 2, 2020, Ms. Kristalina Georgieva, IMF managing director and chair, stated that "In view of the strong and proactive commitment by Ecuador to provide timely and accurate data to the IMF in the future, the Executive Board decided not to require further remedial action in connection with the breach of obligations under Article VIII, Section 5. As the authorities have taken substantive and appropriate corrective measures since the purchase in December 2019, the Executive Board also granted a waiver for the non-observance of the quantitative performance criterion".

The Republic, with IMF support, continues to review the methods of the fiscal data transparency to improve it. In fact, the IMF issued a manual for non-profit entities which implements international practices and finance concepts to compile fiscal data; unifies financial statement and figures adjustments, as well as VAT refunds policies, and reclassifies of medical unit expenses.

As recommend by the IMF, the Republic prepared an action plan for debt management for the medium term including, cash managed, and arrears reduction.

The historical data of the non-financial public sector's operation was adjusted in connection with the adjustment for the fiscal figures of 2011 and 2010.

In December 2022, IMF resident expert in fiscal statistics met with the representatives of the Ministry of Economy and Finance to work on continuing the improvement of fiscal statistics.

Debt Obligations

Brady Bonds and Eurobonds

In May 1994, the Government reached an agreement with its commercial bank creditors to restructure the Republic's medium-term and long-term commercial bank debt (the "**Brady Plan**"). The Brady Plan offered creditors the opportunity to exchange existing principal for either: (i) 30-year notes of the same face amount (the "**Par Notes**"), with interest initially fixed at 3% incrementally increased over the first ten years up to a rate of 5% or (ii) 30-year notes with a face amount equal to 55% of the face value of the debt exchanged (the "**Discount Notes**" together with the Par Notes, the "**Brady Bonds**") and bearing interest at the London Interbank Offered Rate ("**LIBOR**") plus 13-16%. The principal of Par Notes and Discount Notes was fully collateralized by 30-year U.S. Treasury notes and interest on those Notes was collateralized on a 12-month rolling basis. The Brady Plan also offered creditors the opportunity to exchange accrued and unpaid interest for two instruments: (i) 20-year notes bearing interest at LIBOR plus 13-16% (the "**PDI Notes**") and (ii) ten-year notes bearing-interest at LIBOR plus 13-16% and representing certain accrued and unpaid overdue interest under the Consolidation Agreement (the "**IE Notes**").

On December 21, 1994, the Republic issued U.S.$191.0 million of IE Notes. On February 28, 1995, the Republic issued U.S.$1.9 billion, U.S.$1.4 billion and U.S.$2.4 billion of Par Notes, Discount Notes and PDI Notes, respectively. The Republic also agreed to make certain additional cash payments in respect of overdue interest.

On April 25, 1997, the Republic issued U.S.$350 million of its 11.25% Fixed Rate Eurobonds due 2002 and U.S.$150 million of its Floating Rate Eurobonds due 2004 (together, the "**Eurobonds**"). In late 1999 and early 2000, the Republic defaulted on its Par Bonds, Discount Bonds, 11.25% Fixed Rate Eurobonds due 2002, Floating Rate Eurobonds due 2004, IE Notes and PDI Notes (together, the "**Old Notes**"). In June 2000, the Republic launched a global exchange offer whereby it offered U.S. dollar Denominated Global Notes due 2012 (the "**2012 Notes**") and U.S. dollar Denominated Step-Up Global Notes due 2030 (the "**2030 Notes**" together with the 2012 Notes, the "**2012 and 2030 Notes**") together with a cash payment for any and all of the Old Notes.

In December 2005, the Republic successfully launched an issuance of notes due 2015 (the "**2015 Notes**"). The use of the proceeds of the 2015 Notes was to buy back certain of the 2012 Notes in accordance with their terms. The Republic successfully repaid all principal and interest on the 2015 Notes on December 15, 2015.

2012 and 2030 Notes and tender offer

In 2008, Ecuador defaulted on its interest payments for the 2012 and 2030 Notes in the aggregate amount of approximately U.S.$157 million and principal payments of approximately U.S.$3,200 million. The 2012 and 2030 Notes were originally issued in exchange for prior debt offerings of the Republic in order to extend the maturity dates of those prior obligations. This default followed the publication of a report in 2008 by the CAIC, a committee composed of representatives from both the Ecuadorian government and private sector organizations and members of civil society. CAIC reviewed Ecuador's debt obligations from 1976 to 2006. This report made a number of findings regarding the legitimacy of Ecuador's debt obligations (including the 2012 and 2030 Notes), in particular relating to concerns involving the public assumption of private debt, appropriate authorizations, sovereign immunity, and the relevant economic terms of the debt obligations incurred. After the default, which occurred during the first term of former President Correa's administration, Ecuador offered to repurchase the 2012 and 2030 Notes. In April 2009 and November 2009, the Republic launched tender offers, in cash, to holders of the 2012 and 2030 Notes. Approximately 93.22% of the notes were tendered in the April 2009 and the November 2009 tender offers and were bought out at 35 cents on the dollar. Although some holders continue to hold the defaulted 2012 and 2030 Notes, Ecuador has since successfully repurchased additional 2012 and 2030 Notes from remaining holders. As of July 2020, the total aggregate amount of outstanding principal on the 2012 and 2030 Notes is U.S.$52 million, which represents 1.6% of the original aggregate principal amount of the 2012 and 2030 Notes.

2024 Notes

On June 17, 2014, the Republic successfully issued U.S.$2,000 million of notes due June 2024, with a coupon of 7.95% at 100% of the purchase price (the "**2024 Notes**"). The Republic is current on its financial obligations under the 2024 Notes. The Republic used the proceeds of the 2024 Notes to finance its various hydroelectric projects and other infrastructure projects contemplated in the 2013-2017 National Development Plan. On April 17, 2020, certain terms and conditions of the 2024 Notes were amended pursuant to the Republic April Consent Solicitations, see "*—the April 2020 Consent Solicitations*". On August 31, 2020, certain holders of the 2024 Notes exchanged their 2024 Notes for New Republic Securities as part of the July 2020 Exchange Offer and Consent Solicitation. The remaining 2024 Notes that were not exchanged were modified to replicate the maturity and economic terms of the New Republic Securities due 2040, see "*— July 2020 Exchange Offer and Consent Solicitation".*

2020 Notes

The 2020 Notes matured on March 24, 2020 (the "**2020 Notes**"). On the maturity date, the Republic paid the aggregate amount of U.S.$324,630,000 that remained outstanding and all accrued interests thereon. These 2020 Notes have been cancelled, see "*— GSI Repo Transaction".*

2022 Notes

On July 28, 2016, the Republic successfully issued U.S.$1,000 million of notes due 2022 with a coupon of 10.75% (the "**Original 2022 Issuance**"), at 100% of the purchase price (the "**2022 Notes**"). The Republic reopened the Original 2022 Issuance on September 30, 2016 and successfully issued an additional U.S.$1,000 million of notes at a price of 100%, also due 2022. The Republic is current on its financial obligations under the 2022 Notes and intends to make all payments as they become due and payable. The Republic used the proceeds of the 2022 Notes to finance its various hydroelectric projects and other infrastructure projects contemplated in the National Development Plan. The Republic reopened the Original 2022 Issuance on October 16, 2017, and successfully issued an additional U.S.$378 million of notes at a price of 112.878%, also due 2022, within the context of a loan with GSI. See "*GSI Loan Facility*" below. The Republic also reopened the Original 2022 Issuance on August 31, 2018, and successfully issued an additional U.S.$500 million of notes at a price of 104.753%, also due 2022, within the context of a repo transaction with GSI (see "*GSI Repo Transaction*" below). Additionally, the Republic reopened the Original 2022 Issuance on October 31, 2018, and issued an additional U.S.$1,187,028,000 of notes at a price of 105.305%, also due 2022 (the "**Substituted October 2018 Additional Notes**"), within the context of a repo transaction with CS, see "*CS Repo Transaction*" below. On August 6, 2019, the Republic cancelled the Substituted October 2018 Additional Notes pursuant to the terms of the 2022 Notes indenture, see "*CS Repo Transaction*" below.

Following the issuance and delivery by the Republic of the corresponding accelerated repurchase notices under the GSI Repo Transaction and the ICBCS Repo Transaction, the Republic cancelled a nominal amount of U.S.$500 million of its 2022 Notes, see "*GSI Repo Transaction*" below.

On March 23, 2020, the Ministry of Economy and Finance announced that the Republic had decided to exercise its right to a 30-day grace period for the payment of interest on the 2022 Notes. Before the expiration of the 30-day grace period, on April 17, 2020, certain terms and conditions of the 2022 Notes were amended pursuant to the Republic April Consent Solicitations, see "*The April 2020 Consent Solicitations*".

Following the early termination of the Gold Derivative Transaction and the Bond Derivative Transaction on June 19, 2020, the Republic received and subsequently cancelled a nominal amount of U.S.$378 million, see "*GSI Loan Facility*" below.

On August 31, 2020, certain holders of the 2022 Notes exchanged their 2022 Notes for New Republic Securities as part of the July 2020 Exchange Offer and Consent Solicitation. The remaining 2022 Notes that were not exchanged were modified to replicate the maturity and economic terms of the New Republic Securities due 2040, see "*— July 2020 Exchange Offer and Consent Solicitation".*

2026 Notes

On December 13, 2016, the Republic successfully issued U.S.$750 million of notes due 2026 with a coupon of 9.650% (the "**Original 2026 Issuance**"), at 100% of the purchase price (the "**2026 Notes**"). The Republic reopened the Original 2026 Issuance on January 13, 2016 and successfully issued an additional U.S.$1,000 million of notes at a price of 103.364% also due 2026 and intends to make all payments as they become due and payable. The Republic is current on its financial obligations under the 2026 Notes. The Republic used the proceeds of the 2026 Notes to (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay the related debt obligations and (3) refinance an existing external debt obligation on more favorable terms. The Republic reopened the Original 2026 Issuance on October 16, 2017, and successfully issued an additional U.S.$41 million of notes at a price of 106.664%, also due 2026, within the context of a loan with GSI. See "*GSI Loan Facility*" below. On August 6, 2019, the Republic reopened the Original 2026 Issuance, issuing an additional U.S.$611,870,000 of notes at a price of 107.026%, also due 2026, for the purpose of a substitution under the October 2018 CS-Ecuador Repurchase Agreement, see "*CS Repo Transaction*" below.

On April 17, 2020, certain terms and conditions of the 2026 Notes were amended pursuant to the Republic April Consent Solicitations, see "*The April 2020 Consent Solicitations".*

Following the issuance and delivery by the Republic of an accelerated repurchase notice under the CS Repo Transaction, on April 30, 2020, the Republic cancelled U.S.$610,359,000 nominal amount of its 2026 Notes, see "*CS Repo Transaction*" below.

Following the early termination of the Gold Derivative Transaction and the Bond Derivative Transaction on June 19, 2020, the Republic received and subsequently cancelled a nominal amount of U.S.$41 million, see "*GSI Loan Facility*" below.

On August 31, 2020, certain holders of the 2026 Notes exchanged their 2026 Notes for New Republic Securities as part of the July 2020 Exchange Offer and Consent Solicitation. The remaining 2026 Notes that were not exchanged were modified to replicate the maturity and economic terms of the New Republic Securities due 2040, see "*— July 2020 Exchange Offer and Consent Solicitation".*

Petroamazonas notes

In February 2017, Petroamazonas issued two tranches of notes guaranteed by Ecuador. Under the first tranche, Petroamazonas issued U.S.$355,225,848.25 notes due 2019 with a coupon of 2.000% and not subject to a remarketing (the "**PAM 2019 Notes**") pursuant to an indenture entered into between Petroamazonas, Ecuador as guarantor and The Bank of New York Mellon as trustee. Under the second tranche, Petroamazonas issued U.S.$315,339,980.55 notes due 2020 with a coupon of 4.625% (the "**PAM First Remarketing Notes**") pursuant to an indenture entered into between Petroamazonas, Ecuador as guarantor, and The Bank of New York Mellon. In May 2017, the holders of the PAM First Remarketing Notes sold the PAM First Remarketing Notes to subsequent purchasers in the international capital markets.

On November 6, 2017, Petroamazonas issued U.S.$300,000,000 of its 4.625% notes due 2020, guaranteed by Ecuador, and later remarketed those notes on December 11, 2017 (the "**PAM Second Remarketing Notes**"). The PAM Second Remarketing Notes were issued pursuant to an indenture entered into between, among others, Petroamazonas, Ecuador as guarantor and The Bank of New York Mellon as trustee.

On May 4, 2020, certain terms and conditions of the PAM Second Remarketing Notes, including an extension of the maturity date to December 6, 2021 and a new amortization schedule beginning on January 6, 2021, were amended pursuant to the Republic April Consent Solicitations, see "*— Consent Solicitation with respect to the Petroamazonas Notes".*

2023 Notes and 2027 Notes

On June 2, 2017, the Republic successfully issued two tranches of notes. Under the first tranche, the Republic issued U.S.$1,000 million of 2023 Notes with a coupon of 8.750% (the "**Original 2023 Issuance**"), at 100% of the purchase price (the "**2023 Notes**"). Under the second tranche, the Republic issued U.S.$1,000 million of notes due 2027 with a coupon of 9.625% at 100% of the purchase price (the "**2027 Notes**"). The Republic is current on its financial obligations under the 2023 Notes and under the 2027 Notes. The Republic used the proceeds of the 2023 Notes and the 2027 Notes to (1) finance Government Programs, (2) finance infrastructure projects that have the capacity to repay the related debt obligations and (3) refinance an existing external debt obligation on more favorable terms. The Republic reopened the Original 2023 Issuance on October 16, 2017, and successfully issued an additional U.S.$187 million of notes at a price of 104.412%, also due in 2023, within the context of a loan with GSI. See "*GSI Loan Facility*" below. On May 29, 2019, the Republic reopened the Original 2023 Issuance, issuing an additional U.S.$688,268,000 of notes at a price of 106.597%, also due 2023, (the "**May 2019 Additional 2023 Notes**"), for the purpose of a substitution under the Amended August 2018 GSI-Ecuador Repurchase Agreement. See "*GSI Repo Transaction*" below. On August 6, 2019, the Republic reopened the Original 2023 Issuance, issuing an additional U.S.$610,359,000 of notes at a price of 107.291%, also due 2023, for the purpose of a substitution under the October 2018 CS-Ecuador Repurchase Agreement, see "*CS Repo Transaction*" below.

Following the issuance and delivery by the Republic of the corresponding accelerated repurchase notices under the GSI Repo Transaction, the ICBCS Repo Transaction and the CS Repo Transaction, the Republic received and subsequently cancelled a total nominal amount of U.S.$1,298,623,000 of its 2023 Notes (for further details, see "*GSI Repo Transaction*" and "*CS Repo Transaction*" below).

On April 17, 2020, certain terms and conditions of the 2023 Notes and of the 2027 Notes were amended pursuant to the Republic April Consent Solicitations, see "*The April 2020 Consent Solicitations*".

Following the early termination of the Gold Derivative Transaction and the Bond Derivative Transaction on June 19, 2020, the Republic received and subsequently cancelled a nominal amount of U.S.$187 million, see "*GSI Loan Facility*" below.

On August 31, 2020, certain holders of the 2023 Notes and the 2027 Notes exchanged their 2023 Notes and/or 2027 Notes for New Republic Securities as part of the July 2020 Exchange Offer and Consent Solicitation. The remaining 2023 Notes and 2027 Notes that were not exchanged were modified to replicate the maturity and economic terms of the New Republic Securities due 2040, see "*— July 2020 Exchange Offer and Consent Solicitation".*

Second 2027 Notes

On October 23, 2017, the Republic successfully issued U.S.$2,500 million of notes due 2027 with a coupon of 8.875% at 100% of the purchase price (the "**Second 2027 Notes**"). The Republic is current on its financial obligations under the Second 2027 Notes and intends to make all payments as they become due and payable. The Republic used the proceeds of the Second 2027 Notes in accordance with the limitations of the Public Planning and Finance Code which indicates that the Republic may only use the proceeds to (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay the related debt obligations and (3) refinance an existing external debt obligation on more favorable terms. On April 17, 2020, certain terms and conditions of the Second 2027 Notes were amended pursuant to the Republic April Consent Solicitations, see "*The April 2020 Consent Solicitations*". On August 31, 2020, certain holders of the Second 2027 Notes exchanged their Second 2027 Notes for New Republic Securities as part of the July 2020 Exchange Offer and Consent Solicitation. The remaining Second 2027 Notes that were not exchanged were modified to replicate the maturity and economic terms of the New Republic Securities due 2040, see "*— July 2020 Exchange Offer and Consent Solicitation".*

2028 Notes

On January 23, 2018, the Republic successfully issued U.S.$3,000 million of notes due 2028 with a coupon of 7.875% at 100% of the purchase price (the "**2028 Notes**"). The Republic is current on its financial obligations under the 2028 Notes and intends to make all payments as they become due and payable. The Republic used the proceeds of the 2028 Notes in accordance with the limitations of the Public Planning and Finance Code which indicates that the Republic may only use the proceeds to (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay the related debt obligations and (3) refinance an existing external debt obligation on more favorable terms. On April 17, 2020, certain terms and conditions of the 2028 Notes were amended pursuant to the Republic April Consent Solicitations, see "*The April 2020 Consent Solicitations*". On August 31, 2020, certain holders of the 2028 Notes exchanged their 2028 Notes for New Republic Securities as part of the July 2020 Exchange Offer and Consent Solicitation. The remaining 2028 Notes that were not exchanged were modified to replicate the maturity and economic terms of the New Republic Securities due 2040, see "*— July 2020 Exchange Offer and Consent Solicitation".*

2029 Notes

On January 31, 2019, the Republic successfully issued the 2029 Notes. The Republic is current on its financial obligations under the 2029 Notes. The Republic used the proceeds of the 2029 Notes in accordance with the limitations of the Public Planning and Finance Code which indicates that the Republic may only use the proceeds to (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay the related debt obligations and (3) refinance an existing external debt obligation on more favorable terms. The Republic reopened the 2029 Issuance on June 17, 2019 and successfully issued an additional U.S.$1,125,000,000 million of notes at a price of 110.746%, also due 2029. The Republic used the proceeds of the reopened 2029 Notes to repurchase U.S.$1,175,370,000 principal amount of its 2020 Notes by means of a tender offer that settled on June 18, 2019. On April 17, 2020, certain terms and conditions of the 2029 Notes were amended pursuant to the Republic April Consent Solicitations, see "*The April 2020 Consent Solicitations*". On August 31, 2020, certain holders of the 2029 Notes exchanged their 2029 Notes for New Republic Securities as part of the July 2020 Exchange Offer and Consent Solicitation. The remaining 2029 Notes that were not exchanged were modified to replicate the maturity and economic terms of the New Republic Securities due 2040, see "*— July 2020 Exchange Offer and Consent Solicitation".*

2025 Notes and 2030 Notes

On September 27, 2019, the Republic successfully issued the 2025 Notes and the 2030 Notes. The Republic used the proceeds of the 2025 Notes and the 2030 Notes in accordance with the limitations of the Public Planning and Finance Code which indicates that the Republic may only use the proceeds to (1) finance

Government programs, (2) finance infrastructure projects that have the capacity to repay the related debt obligations and (3) refinance an existing external debt obligation on more favorable terms. On March 23, 2020, the Ministry of Economy and Finance announced that the Republic had decided to exercise its right to a 30-day grace period for the payment of interest on the 2025 Notes and 2030 Notes. Before the expiration of the 30-day grace period, on April 17, 2020, certain terms and conditions of the 2025 Notes and of the 2023 Notes were amended pursuant to the Republic April Consent Solicitations, see "*The April 2020 Consent Solicitations*". On August 31, 2020, certain holders of the 2025 Notes and 2030 Notes exchanged their 2025 Notes and 2030 Notes for New Republic Securities as part of the July 2020 Exchange Offer and Consent Solicitation. The remaining 2025 Notes and 2030 Notes that were not exchanged were modified to replicate the maturity and economic terms of the New Republic Securities due 2040, see "*— July 2020 Exchange Offer and Consent Solicitation".*

New Republic Securities issued under the July 2020 Exchange Offer and Consent Solicitation

On August 31, 2020, as part of the July 2020 Exchange Offer and Consent Solicitation, the Republic issued the following New Republic Securities:

- U.S.$3,701,423,865 Step-Up Coupon Notes due 2030;
- U.S.$8,458,864,776 Step-Up Coupon Notes due 2035;
- U.S.$3,403,135,207 Step-Up Coupon Notes due 2040; and
- U.S.$1,004,941,992 Zero-Coupon Notes due 2030.

The Republic is current on its financial obligations under the New Republic Securities and intends to make all payments as they become due and payable. Each of the New Republic Securities were issued in exchange for Existing Republic Securities that were tendered as part of the July 2020 Exchange Offer and Consent Solicitation, see "*— July 2020 Exchange Offer and Consent Solicitation".*

The Social Bonds

On January 30, 2020, the Republic issued U.S.$400 million of its notes due 2035, with a coupon of 7.25% at 100% of the purchase price (the "**Social Bonds**") the Social Bonds. The Social Bonds are backed by a U.S.$300 million guarantee by the Inter-American Development Bank. The Republic is current on its financial obligations under the Social Bonds. The Republic used the proceeds of the Social Bonds to finance social housing through loans that will be available at participating financial institutions to first-time buyers in Ecuador meeting certain conditions under the Government's Housing for All program.

On July 20, 2020 the Republic requested consent from the sole holder of 100% of the Social Bonds to make certain proposed amendments to the Social Bonds, see "*The Social Bond Consent Solicitation*" below.

The April 2020 Consent Solicitations

As a result of the COVID-19 crisis and the significant drop in the export price for Ecuador's crude oil during the first quarter of 2020, both circumstances severely compromising the Republic's ability at the time to meet its obligations with its stakeholders, on April 8, 2020, the Republic announced that it was seeking to amend each of the Existing Republic Securities and their respective indentures to provide short-term relief from certain of the Republic's financial obligations while the Government implemented steps needed to address the Republic's public finances over the medium- and long-terms and render its outstanding debt obligations sustainable. To that end, on that day, the Republic commenced two solicitations of consents which it subsequently amended on April 14, 2020 (as amended, the "**Republic April Consent Solicitations**"), one for eligible holders of the 2024 Notes and the other for eligible holders of the rest of the Existing Republic Securities, to amend certain terms and conditions of the Existing Republic Securities as follows (the "**Existing Republic Securities Amendments**"):

- defer the payment of interest payable between March 27, 2020, and July 15, 2020, until August 15, 2020 (or August 10, 2020, if a new staff level agreement on a new successor IMF supported program with the Republic has not been announced no later than by 5:00pm on August 10, 2020);

- reduce the interest amount due on the first interest payment date occurring under each of the Existing Republic Securities on or after March 27, 2020, by U.S.$0.50 for each $1,000 principal amount of such notes (the "**Consent Payment Amount**"); and

- until the date of deferral, exclude from the events of default set forth in each of the Existing Republic Securities any cross defaults arising from defaults under (i) the PAM Second Remarketing Notes, provided that this amendment with respect to the PAM Second Remarketing Notes would have been rescinded on May 4, 2020 if a consent solicitation with respect to the PAM Second Remarketing Notes seeking amendments in accordance with the debt reprofiling plans of the Republic had not been announced by such date, and will be rescinded upon the effective date of the amendments pursuant to such consent solicitation (see "*—Petroamazonas Consent Solicitation*" below), (ii) the Social Housing Bonds, provided that this amendment with respect to the Social Housing Bonds will be rescinded on July 20, 2020 unless a consent solicitation with respect to the Social Bonds seeking amendments in accordance with the debt reprofiling plans of the Republic is announced by such date, or upon the effective date of the amendments pursuant to such consent solicitation, (iii) any of the Existing Republic Securities for which these amendments did not become effective or (iv) certain loans from certain creditors of the Republic, and any defaults arising from judgments or arbitral awards issued against the Republic under such instruments.

On April 17, 2020, the Republic announced it had received the requisite consents from eligible holders of each of the Existing Republic Securities pursuant to the Republic April Consent Solicitations. On that same day, the terms of each of the Existing Republic Securities and the corresponding indentures were amended in accordance with the Republic April Consent Solicitations, and the Existing Republic Securities Amendments became effective.

As part of the Republic April Consent Solicitations, the Republic paid eligible holders of a series of the Existing Republic Securities who delivered valid consents a fee in an amount equal to the Consent Payment Amount with respect to that series.

The July 2020 Exchange Offer and Consent Solicitation

On July 20, 2020, Ecuador launched July 2020 Exchange Offer and Consent Solicitation. Under the July 2020 Exchange Offer and Consent Solicitation, Ecuador invited certain of the holders of the Existing Republic Securities to exchange those Existing Republic Securities for a package of New Republic Securities. In addition, pursuant to the consent solicitation, Ecuador also sought consents from such holders to modify the terms of the Existing Republic Securities. Eligible holders who agreed to exchange their Existing Republic Securities for the New Republic Securities would also receive 86% of the accrued and unpaid interest on such Existing Republic Securities up to, but excluding, the settlement date, in the form of a new zero-coupon bond due 2030. The July 2020 Exchange Offer and Consent Solicitation was subject to certain conditions, including announcement of a staff-level agreement on a program with the IMF by the settlement date.

Those modifications included:

- each series of Existing Republic Securities being modified to replicate the maturity and economic terms of the New Republic Securities due 2040, without changing the ISIN numbers of such Existing Republic Securities and without re-issuing new global notes, as well as reducing the outstanding principal amount of the applicable Existing Republic Securities such that, for every U.S.$1,000 principal amount originally due, only U.S.$911.30 principal amount remained outstanding;

- removing provisions limiting certain modifications in the context of exchange offers and issuances of new notes in the context of consent solicitations;

- modifying or removing certain events of default from the terms and conditions of the Existing Republic Securities.

The July 2020 Exchange Offer and Consent Solicitation was subject to certain conditions, including (i) announcement of a staff-level agreement on a program with the IMF by the settlement date and (ii) the receipt by Ecuador of consents and tender orders that would result in at least 80% of the aggregate principal

amount of all series of Existing Republic Securities (other than the Existing Republic Securities due 2024) being modified or otherwise exchanged pursuant to the July 2020 Exchange Offer and Consent Solicitation.

On August 3, 2020, Ecuador announced that it had obtained the requisite consents from the holders of all ten series of Existing Republic Securities to modify the terms of such Existing Republic Securities. On August 10, 2020, Ecuador announced that it was accepting for exchange all eligible Existing Republic Securities that had been validly tendered as part of the July 2020 Exchange Offer and Consent Solicitation. On August 28, 2020, the IMF announced that it had reached a staff-level agreement on a new funded program for Ecuador, thereby satisfying the IMF related condition of the July 2020 Exchange Offer and Consent Solicitation. Settlement of the July 2020 Exchange Offer and Consent Solicitation took place on August 31, 2020. On such date, all eligible Existing Republic Securities that had been validly tendered as part of the July 2020 Exchange Offer and Consent Solicitation were exchanged for the New Republic Securities in accordance with the terms of the July 2020 Exchange Offer and Consent Solicitation. In addition, the remaining Existing Republic Securities that were not exchanged were modified to replicate the maturity and economic terms of the New Republic Securities due 2040. See "*Public Debt—Debt Obligations—The July 2020 Exchange Offer and Consent Solicitation*".

The Social Bond Consent Solicitation

On July 20, 2020, the sole holder of the Social Bonds, Ecuador Social Bond S.A.R.L, a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg as an unregulated securitisation company (*société de titrisation*) within the meaning of, and governed by, the Luxembourg law of 22 March 2004 on securitisation, as amended from time to time, gave its consent to certain proposed amendments to the Social Bonds and the related indenture dated as of January 30, 2020 (among the Republic, The Bank of New York Mellon, as Trustee and Registrar, the Bank of New York Mellon, London Branch, as Paying Agent and Account Bank, and the Inter-American Development Bank, as the Guarantor).

The consent solicitation amended the terms of the Social Bond indenture and the Social Bonds to exclude from the events of default set forth in the Social Bonds cross defaults arising from defaults under, and defaults arising from, the entering or issuance of judgments and arbitral awards relating to certain existing sovereign bonds of the Republic. The proposed amendments did not alter the Republic's obligation to pay the principal of or interest on the Social Bonds when due, the interest rate (and accrual thereof), the maturity date thereof or the guarantee by the Inter-American Development Bank. See "*Public Debt—Debt Obligations—The Social Bond Consent Solicitation*".

Consent Solicitation with respect to the Petroamazonas Notes

As a result of the COVID-19 crisis and the significant drop in the export price for Ecuador's crude oil during the first quarter of 2020, both circumstances severely compromising Petroamazonas' and the Republic's ability to meet their obligations with their stakeholders, on April 28, 2020, Petroamazonas announced that it was seeking to amend the PAM Second Remarketing Notes by extending the maturity and deferring the payment of principal and interest to enable Petroamazonas and the Republic as guarantor under the notes to meet the payment obligations on a basis that would be consistent with the steps the Republic was implementing. At the time of such announcement, as a result of scheduled amortization, U.S.$175 million aggregate principal amount of the PAM Second Remarketing Notes remained outstanding.

To that end, on April 28, 2020, Petroamazonas commenced a solicitation of consents (the "**PAM Consent Solicitation**") to amend certain terms and conditions of the PAM Second Remarketing Notes as follows (the "**PAM Notes Amendments**"):

- extend the maturity date of the PAM Second Remarketing Notes from November 6, 2020, to December 6, 2021;
- establish a new amortization schedule with monthly payments beginning on January 6, 2021;
- eliminate interest payment dates prior to September 6, 2020;
- reduce the interest amount due on the PAM Second Remarketing Notes originally scheduled for September 6, 2020, by U.S.$0.50 for each U.S.$1,000 of the outstanding principal amount (the "**PAM Consent Payment Amount**"), and

- exclude from the events of default set forth in the PAM Second Remarketing Notes cross defaults arising from defaults under, and defaults arising from the entering or issuance of judgments and arbitral awards relating to (i) the Existing Republic Securities unless and until certain provisions of the Existing Republic Securities are subsequently amended, and (ii) certain loans from certain creditors of Petroamazonas and the Republic.

On May 4, 2020, Petroamazonas announced it had received the requisite consents from eligible holders of 98.91% of the aggregate principal amount outstanding of the PAM Second Remarketing Notes pursuant to the PAM Consent Solicitation. On that same day, the terms of PAM Second Remarketing Notes and the corresponding indenture were amended in accordance with the PAM Consent Solicitation, and the PAM Notes Amendments became effective.

As part of the PAM Consent Solicitation, PAM paid eligible holders of the PAM Second Remarketing Notes who delivered valid consents a fee in an amount equal to the PAM Consent Payment Amount.

GSI Loan Facility

On October 11, 2017 the Republic and GSI entered into a U.S.$500 million 35-month loan facility (the "**GSI Loan Facility**") governed by Ecuadorian law.

On October 11, 2017, the Central Bank and GSI entered into a three-year gold derivative transaction in which the Central Bank transferred to GSI an initial 300,000 ounces of gold (valued at the date of the transaction at approximately U.S.$387 million, "Gold") (the "**Gold Derivative Transaction**") and in return received a fixed rate from GSI on the value of the Gold transferred. In addition, on the same date as the Gold Derivative Transaction, the Central Bank entered into a three-year bond derivative transaction (the "**Bond Derivative Transaction**") in which the Central Bank transferred to GSI U.S.$606 million nominal amount of notes issued by the Republic (the "**2017 Reopened Notes**") (with a market value at the date of the transaction of U.S.$650 million) and in return received the interest amounts on the 2017 Reopened Notes (with any interest generated for any delays in such transfer from GSI to the Central Bank) in addition to a fixed rate on the value of the 2017 Reopened Notes transferred to GSI. The 2017 Reopened Notes constitute "Further Notes" (as defined in each of the respective indentures) of the following existing series of notes currently being traded in the international markets: (a) the 2022 Notes, (b) the 2023 Notes, and (c) the 2026 Notes.

On June 1, 2020, GSI and the Central Bank mutually agreed to early terminate the Gold Derivative Transaction and the Bond Derivative Transaction and on June 10, 2020, the Central Bank notified GSI its intention to exercise its option to purchase the Gold from GSI pursuant to the terms of the Gold Derivative Transaction. In accordance with their mutual agreement, on June 19, 2020, (i) GSI returned to the Central Bank the 2017 Reopened Notes, (ii) GSI transferred to the Central Bank the GSI Loan Facility, becoming the Central Bank the new lender under that agreement, (iii) GSI transferred to the Central Bank the Gold, and (iv) the Central Bank paid GSI an amount of U.S.$370.5 million in consideration for the Gold. With effect on June 19, 2020, the Gold Derivative Transaction and the Bond Derivative Transaction were terminated. Following receipt of the 2017 Reopened Notes, the Republic promptly arranged for their cancellation and they are no longer outstanding.

GSI Repo Transaction

On August 28, 2018, the Republic and Goldman Sachs International ("**GSI**") entered into a repurchase transaction (the "**GSI Repo Transaction**") under a global master repurchase agreement entered into between the Republic and GSI as of August 28, 2018 (the "**Master Agreement**"), including a negotiated Annex and Confirmation dated as of August 28, 2018, as amended and restated on October 10, 2018 (the GMRA, the Annex and the Confirmation collectively, the "**GSI-Ecuador Repurchase Agreement**"). Pursuant to the GSI-Ecuador Repurchase Agreement, the Republic sold and transferred to GSI 2020 Notes and 2022 Notes in an aggregate nominal amount of U.S.$1,201,616,000 and in return received from GSI a purchase price of U.S.$500,000,000, the value of the Republic's residual interest in the repurchase transaction and the interest amounts. Pursuant to the notice of substitution dated May 23, 2019, on May 29, 2019, GSI returned to the Republic 2020 Notes in an aggregate nominal amount of U.S.$701,616,000 and the Republic transferred to GSI 2023 Notes in an aggregate nominal amount of U.S.$688,268,000. On May 31, 2019, the Republic, GSI and ICBC Standard Bank Plc ("**ICBCS**") entered into an agreement pursuant to which a portion of GSI's interest in the GSI-Ecuador Repurchase Agreement was transferred to ICBCS. In April 2020, the Republic delivered to GSI an Accelerated Repurchase Notice, pursuant to which GSI

returned to the Republic 2022 Notes with a nominal value of U.S.$400,000,000 and 2023 Notes with a nominal value of U.S.$550,614,000, collectively constituting the entirety of the notes delivered to GSI pursuant to the GSI Repo Transaction, and the GSI Repo Transaction and the GSI-Ecuador Repurchase Agreement were terminated. Following receipt, the Republic promptly cancelled such notes and they are no longer outstanding.

ICBCS Repo Transaction

On May 31, 2019, the Republic, GSI and ICBCS entered into a transfer agreement pursuant to which a portion of GSI's interest in the GSI Repo Transaction was transferred to ICBCS (the "**ICBCS Repo Transaction**").

In April 2020, the Republic also delivered to ICBCS an Accelerated Repurchase Notice pursuant to which (i) ICBCS returned to the Republic 2022 Notes with a nominal value of U.S.$100,000,000 and 2023 Notes with a nominal value of U.S.$137,654,000, collectively constituting the entirety of the notes delivered to ICBCS pursuant to the ICBCS Repo Transaction, (ii) the Republic paid ICBCS a return amount of U.S.$294,116.23, and (iii) the ICBCS Repo Transaction and the ICBCS-Ecuador Repurchase Agreement were terminated. As a result of a decrease in value of the underlying notes, upon requests by ICBCS pursuant to the agreement, the Republic transferred to ICBCS additional payments totaling a net amount of U.S.$72.2 million (after deducting those additional payments returned by ICBCS to the Republic) from November 21, 2019 through April, 2020. Following receipt of the notes from ICBCS, the Republic promptly cancelled such notes and they are no longer outstanding.

CS Repo Transaction

On October 29, 2018, the Republic and CS entered into a repurchase transaction (the "**CS Repo Transaction**") under a global master repurchase agreement entered into between the Republic and CS as of October 29, 2018 (the "**Master Agreement**"), including a negotiated Annex dated as of October 29, 2018 and the Confirmation dated as of October 29, 2018 (the GMRA, the Annex and the Confirmation collectively, the "**October 2018 CS-Ecuador Repurchase Agreement**"). Pursuant to the CS-Ecuador Repurchase Agreement, the Republic sold and transferred to CS U.S.$1,187,028,000 nominal amount of 2022 Notes and in return received from CS a purchase price of EUR439,251,515.42, the value of the Republic's residual interest in the repurchase transaction and the interest amounts three business days prior to the date on which they are paid by the Republic on the underlying notes received by CS. Pursuant to the notice of substitution dated August 6, 2019, CS returned to the Republic 2022 Notes in an aggregate nominal amount of U.S.$1,187,028,000 and the Republic transferred to CS 2023 Notes in an aggregate nominal amount of U.S.$610,359,000 and 2026 Notes in an aggregate nominal amount of U.S.$611,870,000.

As a result of a decrease in value of the underlying notes, upon CS's request pursuant to the CS-Ecuador Repurchase Agreement, the Republic transferred to CS payments totaling a net amount of U.S.$408.8 million (after deducting those additional payments returned by CS to the Republic) from November 20, 2019 through April 2020.

In April 2020, the Republic delivered to CS an Accelerated Repurchase Notice pursuant to which (i) CS returned to the Republic 2023 Notes with a nominal value of U.S.$610,359,000 and 2026 Notes with a nominal value of U.S.$611,870,000, (ii) the Republic paid CS an amount of U.S.$35,600,000, and (iii) the CS Repo Transaction and the CS-Ecuador Repurchase Agreement were terminated. Following receipt of the notes from CS, the Republic promptly cancelled such notes and they are no longer outstanding.

ENVIRONMENTAL MATTERS

Environmental legislation in Ecuador

Ecuador is one of 17 mega-diverse countries as identified by The World Conservation Monitoring Center of the United Nations Environment Program. Mega-diverse countries are deemed to house the largest indices of biodiversity. As a result of this, Ecuador is committed to caring for the environment, and this has been codified in Ecuadorian law, in particular, through the 2008 Constitution, the *Código Orgánico del Ambiente* (the "**Environmental Organic Code**") and their implementing regulations.

Article 14 of the 2008 Constitution recognizes the right of the population to live in a healthy and ecologically balanced environment that guarantees sustainability and good living. It declares the preservation of the environment, the conservation of ecosystems, biodiversity and the integrity of Ecuador's natural heritage, the prevention of environmental damage and the recovery of degraded natural spaces as matters of public interest.

Article 71 of the 2008 Constitution recognizes nature's right to existence and the maintenance and regeneration of its vital cycles, structure, functions and evolutionary processes being fully respected, and in turn the Republic encourages natural and legal persons and collectives to protect nature, and promotes respect for all the elements that make up Ecuador's ecosystem.

The 2008 Constitution establishes the duties and responsibilities of Ecuadorian citizens in environmental matters, such as: (i) defending the territorial integrity of Ecuador and its natural resources; (ii) respecting the rights of nature; (iii) preserving a healthy environment and using natural resources in a rational, sustainable and sustainable manner; and (iv) conserving Ecuador's cultural and natural heritage.

The Environmental Organic Code was published in 2017 and, under Article 1 thereof, seeks to protect the environmental rights, duties and guarantees contained in the 2008 Constitution (as well as its implementing regulations) to ensure the sustainability, conservation, protection and restoration of Ecuador's environment, without prejudice to the provisions of other laws on such matters.

The *Reglamento General* ("**General Regulation**") to the Environmental Organic Code focuses on developing and structuring the necessary regulations for the applicability of the provisions of the Organic Environmental Code. Both the Environmental Organic Code and its General Regulation focus on regulating necessary and relevant issues to obtain an adequate management of the environment, achieving environmental sustainability, maintaining the environment in good condition and restoring it in case of deterioration.

International Co-operation

The Paris Agreement is an international treaty on climate change that was adopted by certain parties at the United Nations Climate Change Conference in 2015 and entered into force on 4 November 2016. Ecuador ratified the Paris Agreement in July 2017 through executive decree No. 98 ("**Decree 98**"). Implementation of the Paris Agreement requires the parties thereto to implement social and economic transformation with a view to limit global warming. As a party to the Paris Agreement, Ecuador is working on the implementation of the axes covered by the Paris Agreement: (i) reduction of greenhouse gas emissions; (ii) adaptation to climate change; (iii) climate finance; and (iv) transparency, technology and capacity building.

Parties to the Paris Agreement are required to submit nationally determined contributions ("**NDCs**") setting out each country's action plan to combat climate change. Countries must prepare and submit their NDCs every five years and each subsequent NDC must be more ambitious than the last.

Between 2017 and 2019, Ecuador, through a participatory process, formulated its first NDC which proposed mitigation action and adaptation measures for the period 2002-2025. Ecuador communicated its first NDC to the United Nations Framework Convention on Climate Change ("**UNFCCC**") in March 2019. The adaptation component of the first NDC constituted Ecuador's first adaptation communication. Ecuador's 2019 NDC was declared a policy through executive decree No. 840 ("**Decree 840**") in August 2019.

Between 2019 and 2021, Ecuador's Ministry of Environment, Water and Ecological Transition in coordination with sectorial entities and through multi-stakeholder and multi-level participatory processes formulated Ecuador's 'NDC Implementation Plan' for the period 2020-2025 (the "**NDC Implementation Plan**"). This was made official in May 2021. The NDC Implementation Plan identified 21 mitigation

initiatives and 111 adaptation targets within Ecuador. Since its outset, the progress of the NDC Implementation Plan has been monitored by the Ministry of Environment, Water and Ecological Transition. In 2022, results of such monitoring indicated that in the first year of the NDC Implementation Plan, 57% of mitigation initiatives were underway (resulting in an estimated reduction of 6,353 gigagrams of carbon dioxide ("**CO_2**")) and 20% of adaptation targets had been met.

Ecuador is currently working on actions to improve the measurement, reporting and verification ("**MRV**") of the measures proposed in the NDC including through the establishment of the National Climate Change Registry, which is currently underway.

Ministry of Environment, Water and Ecological Transition

On March 4, 2020, by means of executive decree No. 1007 ("**Decree 1007**"), the Ministry of Environment and the National Water Secretariat ("**SENAGUA**") were merged, recognizing the formal creation of the Ministry of Environment and Water. Subsequently, on June 5, 2021, the new Ministry of Environment, Water and Ecological Transition (MAATE) was formalized by executive decree No. 59 ("**Decree 59**").

The Organic Environmental Code designates the Ministry of Environment, Water and Ecological Transition as Ecuador's National Environmental Authority which is responsible for the steering, planning, regulation, control, management and coordination of the *Sistema Decentralizado de Gestión Ambiental* (the "**National Decentralized Environmental Management System**"). The National Decentralized Environmental Management System is a delegation system whereby the National Environmental Authority delegates its authority to certain provincial authorities and municipalities that have been duly pre-qualified by the National Environmental Authority to act as an environmental authority within their territorial jurisdictions for general activities and industries. However, extractive activities are the exclusive competence of the National Environmental Authority.

President Lasso appointed Mr. Gustavo Manrique to his first Cabinet as Minister of Environment, Water and Ecological Transition on May 24, 2021. On April 2, 2023, Mr. Manrique took over the Ministry of Foreign Affairs and Human Mobility, and President Lasso elevated the former Vice Minister of Environment, Water and Ecological Transition to the role of Minister of Environment, Water and Ecological Transition.

Current environmental challenges faced by Ecuador

For decades, multiple anthropogenic stressors have threatened the Galápagos Islands. Widespread marine pollution and plastic pollution in the oceans has been linked to worrisome threats to the health and integrity of Galápagos ecosystems. This, coupled with illegal, unreported and unregulated fishing and bycatch, has had a major impact on the composition and structure of both pelagic, endemic and native Galápagos communities.

The pressure of the impact of climate change on Ecuador has also been demonstrated through the biological processes of the species that inhabit the Galápagos Islands. For example, the survival of endemic marine iguanas has been affected during periods of ocean warming (known as *El Niño* events) because endemic species suffer nutritional stress. Climate change may increase the vulnerability of these species.

Marine conservation – Marine reserves and protection areas

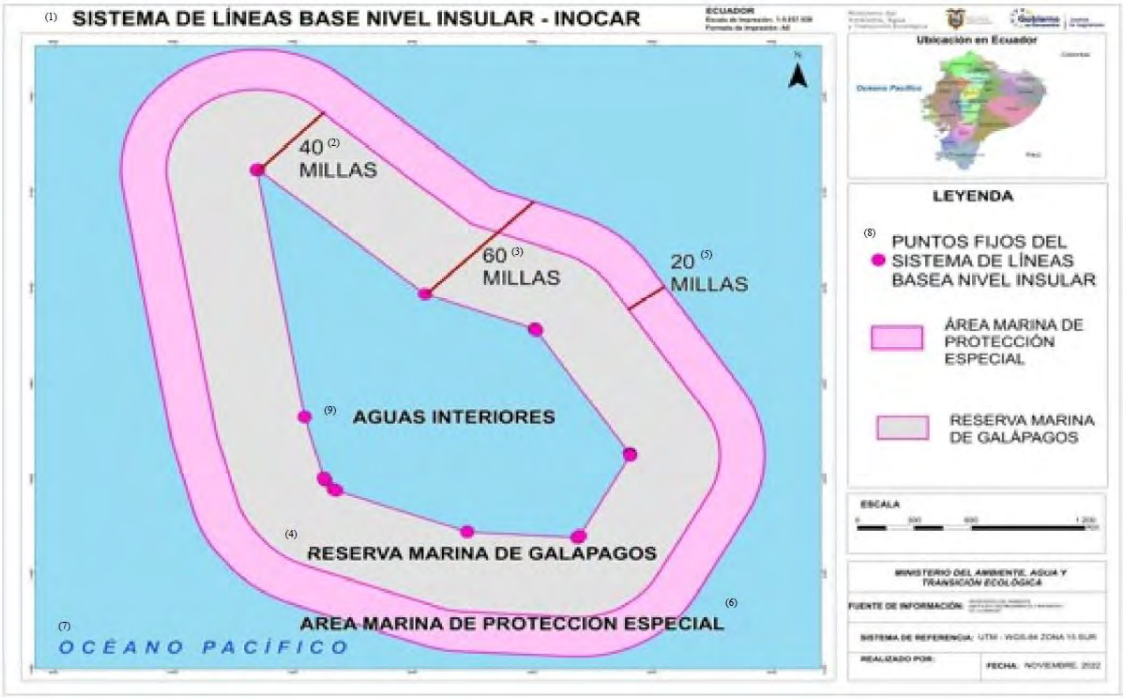


Figure 1: Marine reserves - Insular Level Baseline System (INOCAR).

(1) *Insular Level Baseline System – INOCAR.*
(2) *40 miles.*
(3) *60 miles.*
(4) *Galápagos Marine Reserve.*
(5) *20 miles.*
(6) *Marine Area of Special Protection.*
(7) *Pacific Ocean.*
(8) *Legend – Fixed Points of the Baseline System at Island Level – Marine Area of Special Protection – Galápagos Marine Reserve.*

In pursuit of protecting Ecuador's marine ecosystem, Decree 319 was issued by President Lasso on January 14, 2022 instructing the designated National Environmental Authority to declare a new protected area within the exclusive economic insular zone adjacent to the existing Galápagos Marine Reserve, with the objectives of (i) protecting the marine ecosystem therein and its species and (ii) prioritizing the distribution area of migratory species. This new protected area is called the *Reserva Marina Hermandad* (the Hermandad Marine Reserve) and forms part of Ecuador's *Sistema Nacional de Áreas Protegidas* (the National System of Protected Areas or SNAP). As part of the SNAP, the Hermandad Marine Reserve benefits from enhanced legislative protection. The Hermandad Marine Reserve has an area of 60,000 kilometers^2. Within this, and pursuant to Decree 319, an area of 30,000 kilometers^2 will be maintained in which no extractive activities will be allowed so that areas of critical oceanic ecosystems, migratory routes and feeding zones of threatened marine species are conserved. The remaining 30,000 kilometers ^{2} area will be designated as a responsible fishing zone, where fishing activities are permitted provided longlines are not used.

The Galápagos Marine Reserve was created in 1998 pursuant to *La Ley de Régimen Especial para la Conservación y el Desarrollo Sustentable de la provincia de Galápagos* (the "**Special Regime for the Conservation and Sustainable Development of the Province of Galápagos**") which came into force on March 1998, and was later replaced by the *Ley Orgánica de Régimen Especial de la Provincia de Galápagos* (the "**Organic Law of the Special Regime of the Province of Galápagos**") of 2015. The Galápagos Marine Reserve comprises the marine zone within a 40 nautical mile strip measured from the baselines of the Galápagos archipelago and its interior waters (see Figure 1). The Galápagos Marine Reserve has a total area of approximately 138,000 kilometers^2, of which 70,000 kilometers^2 are inland waters and 1,753 kilometers of coastline, making it the seventh largest marine protected area in the world (WWF-USAID, 2006).

The Galápagos Marine Reserve is a multiple-use area created to appropriately manage marine species of commercial interest and to conserve and protect its ecosystems with unique fauna and flora. The Galápagos Marine Reserve is influenced by four predominant currents:

- the south equatorial surface current that flows westward with varying intensity over the Galápagos Islands throughout the year;
- the Peruvian coastal current (together with the Peruvian oceanic current) carried by the southeast trade winds that mark the garúa season in the Galápagos Archipelago from May to November each year;
- the tropical currents of the Panama flow that are reinforced in the wet season from December to June each year; and
- the equatorial submarine current that flows eastward, colliding with the Galápagos platform and forming areas rich in upwelling.

The Galápagos Platform is an underwater mountain range connected to the Cocos mountain range and other platforms in the region (such as Nazca). These geological formations were created more than 3 million years ago and have since been separated by submarine fractures that move annually.

This convergence and influence of currents has generated a unique marine and terrestrial biodiversity in the Galápagos Marine Reserve, ranging from organisms from warmer climates, such as corals and reef fish, to penguins and fur seals from cold climates.

At the outer limits of the Galápagos platform there are submarine volcanic mountains which rise to nearly 100 meters below the surface of the sea, surrounded by waters between 2,000 meters and 4,000 meters in depth. These structures, referred to as shallows, generate particular oceanographic conditions that are of great coastal marine importance.

In 2021, the boundaries of the Galápagos Marine Reserve were updated using information gathered by the Ecuadorian Oceanographic and Antarctic Institute of the Navy ("**INOCAR**") in conjunction with the Galápagos National Park Directorate ("**DGNP**"), using the National Baseline System ("**SLB**") as reflected in the *Instituto Oceanografico y Antartico de la Armada* ("**I.O.A**") 4 Chart.

I.O.A. 4 Chart updated I.O.A. 20 Chart and was published in May 2022, with the objective of having a more precise scale chart of the boundaries of the Galápagos Archipelago and surrounding areas. The I.O.A. 20 Chart (which was the cartographic input for the previous limits of the of the Galápagos Marine Reserve) was generated at a working scale of 1:1,800,000, however since its preparation, methodologies and equipment with greater precision have been developed and as a result I.O.A. 4 Chart was prepared at a scale of 1:1000.

Chart I.O.A. 20 and Chart I.O.A. 4 are publicly disseminated so that users of the marine reserves and surrounding waters are aware of such boundaries to avoid illegal and unauthorized activities taking place in the marine reserve areas.

The polygons described in I.O.A. 20 Chart and I.O.A. 4 Chart are based on the outer most natural geographic features found on the coast and islands of the Galápagos Marine Reserve.

The updated boundaries of the Galápagos Marine Reserve (see Figure 2) with an area of 14275868.36 hectares (defined at a scale of 1:5000) were made official by Ministerial Agreement No. MAATE-2022-039 of April 13, 2022, as opposed to the outdated boundaries that had an area of 12697208.98 hectares.

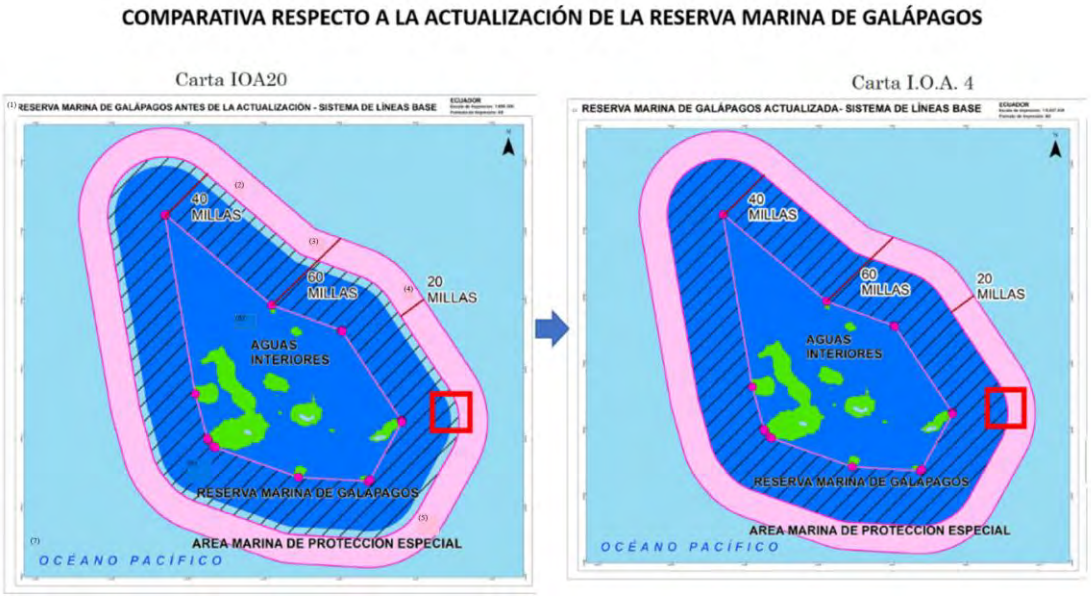


Figure 2: *Comparison showing change to Galápagos Marine Reserve boundaries between I.O.A. 20 Chart and I.O.A. 4 Chart.*

(1) *Galápagos Marine Reserve Before Upgrade – Baseline System.*
(2) *40 miles.*
(3) *60 miles.*
(4) *20 miles.*
(5) *Marine Area of Special Protection.*
(6) *Galápagos Marine Reserve.*
(7) *Pacific Ocean.*
(8) *Inland Waters.*



Figure 3: Galápagos Marine Reserve - Insular level baseline system, INOCAR.

(1) *Galápagos Marine Reserve Before Upgrade – Baseline System.*
(2) *40 miles.*
(3) *60 miles.*
(4) *Galápagos Marine Reserve.*
(5) *Marine Area of Special Protection.*
(6) *Inland Waters.*
(7) *Pacific Ocean.*
(8) *Points – 40mi.*
(9) *Fixed points of the baseline system at island level.*

[10] *Limit – 40mi.*
[11] *National Park.*
[12] *Galápagos Marine Reserve.*
[13] *Marine Special Protection Area.*
[14] *Galápagos Marine Reserve.*

Through this process boundaries defining the outer limit of the jurisdictional maritime spaces of Ecuador were also identified. The boundaries identified were used to outline certain marine areas defined in Articles 17 and 18 of the Organic Law of the Special Regime of the Province of Galápagos. For example, the Marine Area of Special Protection established pursuant to Article 18 of the Organic Law of the Special Regime of the Province of Galápagos is a protected area of forty nautical miles from the baseline of the Galápagos Archipelago (see Figure 1).

The process to create the new Hermandad Marine Reserve started in 2017 as a result of a local initiative led by the Galápagos community to increase the marine protection of the Galápagos Marine Reserve. The objectives of this initiative were to:

- promote a vision of ecosystem management through marine spatial planning and management to potentiate the benefits of these pelagic environments and the services they provide;
- ensure benefits of marine protection for national fishing fleets through responsible fishing areas with higher fishing productivity thanks to the overflow effect;
- protect the current Galápagos Marine Reserve from illegal fishing incursions;
- build resilience to mitigate the impacts of climate change on species of both commercial and conservation interest;
- protect potential productive water refuges;
- strengthen connectivity between biologically important areas (for example, the Galápagos Coco Migravia) to achieve the protection of migratory routes of threatened marine species; and
- reverse negative population trends of migratory marine species or those that forage on the high seas.

The process involved the support of many governmental and non-governmental organizations who collected technical and scientific information to support the creation of the new marine reserve. The role of the current Government was fundamental in articulating all the efforts that had been made and consolidating the proposal and the dialogue with the different actors to create the new Hermandad Marine Reserve together.

As a result, in November 2021, within the framework of the twenty-sixth meeting of the parties to the United Nations Conference on Climate Change 2021, held in the city of Glasgow in the United Kingdom, the creation of the Hermandad Marine Reserve was announced. A 'no-take zone' connecting Ecuador's waters with those of Costa Rica, in an area known as the Cocos-Galápagos Migravía, and Cocos Island, which is on the underwater mountain range of Cocos, was designated. The protection of this migration route is intended to better protect migratory species such as sharks, turtles and manta rays. In addition to this, a 'no long line zone' has been designated in the northwest of the current Galápagos Marine Reserve, to prevent long line fishing from entering into the marine reserves. Following the enactment of Decree 319, on March 14, 2022 the Minister of Environment, Water and Ecological Transition signed a ministerial agreement, ordering the creation of the Hermandad Marine Reserve and the designation of the Hermandad Marine Reserve as a marine reserve and protected area within the SNAP.

The Hermandad Marine Reserve extends from the north of the Galápagos Marine Reserve to the edge of the exclusive economic insular zone. Its boundary on the border of Costa Rica coincides with the south-western boundary of the Bicentennial Seamounts Marine Management Area ("**AMM-B**"), formerly known as the Seamount Management Area ("**AMM-MS**") and comprises an area of 106,286 km^2 around the recently expanded Cocos Island National Park, which has an area of 54,844 km^2. The central part of Hermandad Marine Reserve is a no-fishing area approximately 290 km long and 100 km wide, bordered to both the north and the south by two strips of approximately 8,000 km^2 (25-30 km wide) of responsible fishing areas, where the use of long lines is not allowed. It also includes a strip approximately 44km wide

along the north-western edge of the Galápagos Marine Reserve, up to the equator. According to the equal earth projection, the total area of the no-fishing zone is 30,111km^2, and that of the responsible fishing zone is 29,588 km^2.

The creation of the Hermandad Marine Reserve increases the percentage of total marine protection in Ecuador from 13.2% to 18.7% (where its full area is considered, including waters therein where certain industrial fishing is permitted). Within the exclusive economic insular zone, the new reserve covers 8.5% of unprotected waters (being waters that are not included in the Galápagos Marine Reserve).

For the industrial tuna sector, 0.6% of the total value of its catches (2.7% of which is caught in the exclusive economic insular zone) comes from the new no-fishing zone. For the longline fleet, 0.23% of the value of its total catch comes from the Hermandad Marine Reserve (0.09% of the no-fishing zone, 0.14% of the no long line zone), which corresponds to 1% of their fishing within the exclusive economic insular zone.

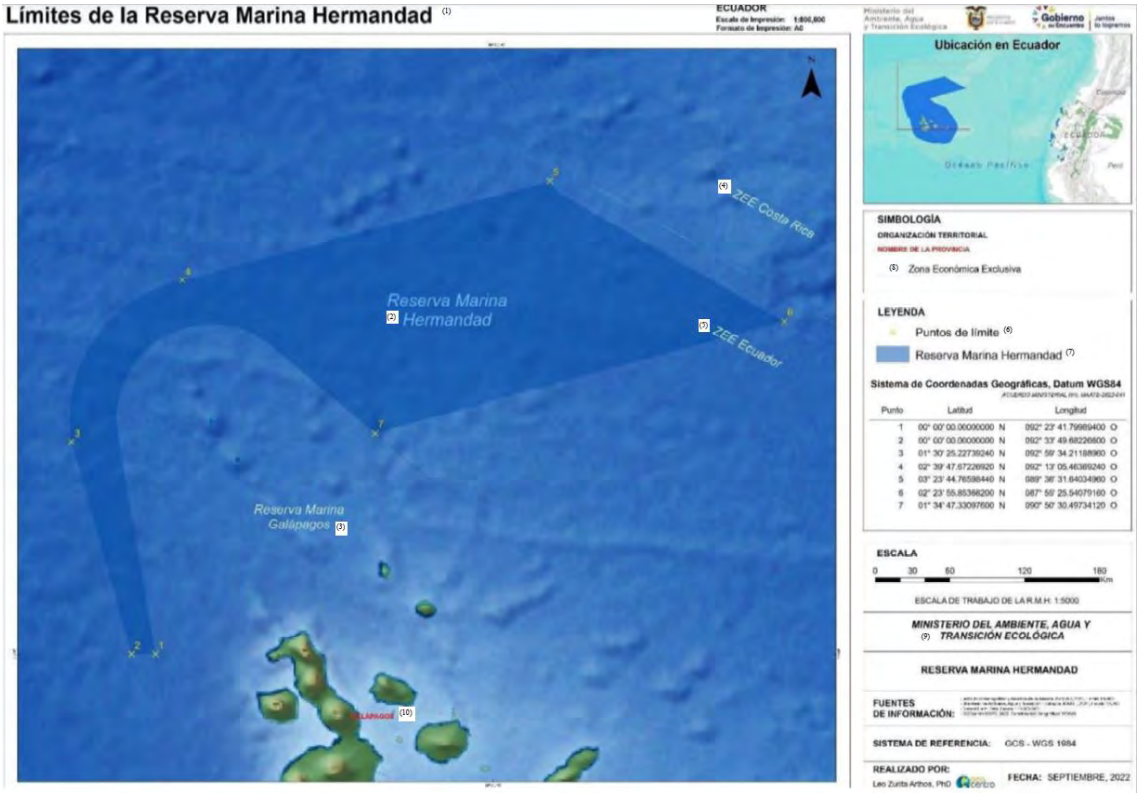


Figure 4: Hermandad Marine Reserve.

(1) *Boundaries of the Hermandad Marine Reserve.*
(2) *Hermandad Marine Reserve.*
(3) *Galápagos Marine Reserve.*
(4) *EEZ (exclusive economic insular zone) Costa Rica.*
(5) *EEZ (exclusive economic insular zone) Ecuador.*
(6) *Boundary points.*
(7) *Hermandad Marine Reserve.*
(8) *Exclusive Economic Zone.*
(9) *Ministry of Environment, Water and Ecological Transition.*

The location of the Hermandad Marine Reserve, in conjunction with Costa Rica's conservation efforts, is key to ensuring the protection of threatened migratory marine species (particularly sea turtles and sharks), during their movements between the Galápagos and Cocos Island marine reserves.

The marine corridor that connects the Hermandad Marine Reserve and the Cocos Islands National Park is located to the north east of the Hermandad Marine Reserve and is part of a biological corridor called the Cocos-Galápagos Migravía, which is a hot-spot for species with migratory behaviour such as, among others, sharks, manta rays, whales and pelagic fish. Pelagic species in the Cocos-Galápagos Migravía, such as hammerhead sharks, follow the magnetic signal of seamounts and ridges to locate themselves spatially and move between aggregation and feeding sites.

Analysis of the Hermandad Marine Reserve and the Cocos Island National Park has shown seamounts to be connected with a high similarity in physical and biological oceanographic aspects. The Hermandad Marine Reserve and the Cocos Island National Park share a large percentage of endemic island species and native sessile, benthic and pelagic fauna. As such, the community structure of the Hermandad Marine Reserve and Cocos Island National Park suggest that both marine protected areas belong to a single ecosystem.

This biological corridor allows ecological connectivity between the two marine protected areas, and promotes the recovery and resilience of benthic and pelagic marine ecosystems. By promoting the increase of biomass of commercial species, this biological corridor is also expected to generate significant improvements in the economic income of fisheries operating in the surrounding seas.

This biological corridor has been recognized as a conservation priority by the signatories (which included Ecuador and Costa Rica) to the Declaration for the Conservation of the Marine Corridor of the Eastern Tropical Pacific ("**CMAR**") signed in November 2022 (the "**2022 Declaration**"). The CMAR was created in 2004 with the objective of conserving biodiversity and promoting the sustainable use of marine and costal resources present in the exclusive economic zones of Ecuaidor, Costa Rica, Colombia and Panama. The 2022 Declaration has the primary objective of conserving the biodiversity and marine and coastal resources of the marine protected areas of Malpelo in Colombia, Coiba in Panama, Galápagos in Ecuador and Cocos in Costa Rica. The 2022 Declaration will be financed with the support of CAF. On the same day that the 2022 Declaration was signed, CAF approved U.S.$1 million in technical cooperation to conserve the CMAR. The money approved by CAF will be used to encourage joint strategies in which both the governments of Ecuador, Colombia, Costa Rica and Panama participate, as well as representatives of civil society, international cooperation organizations and non-governmental organizations.

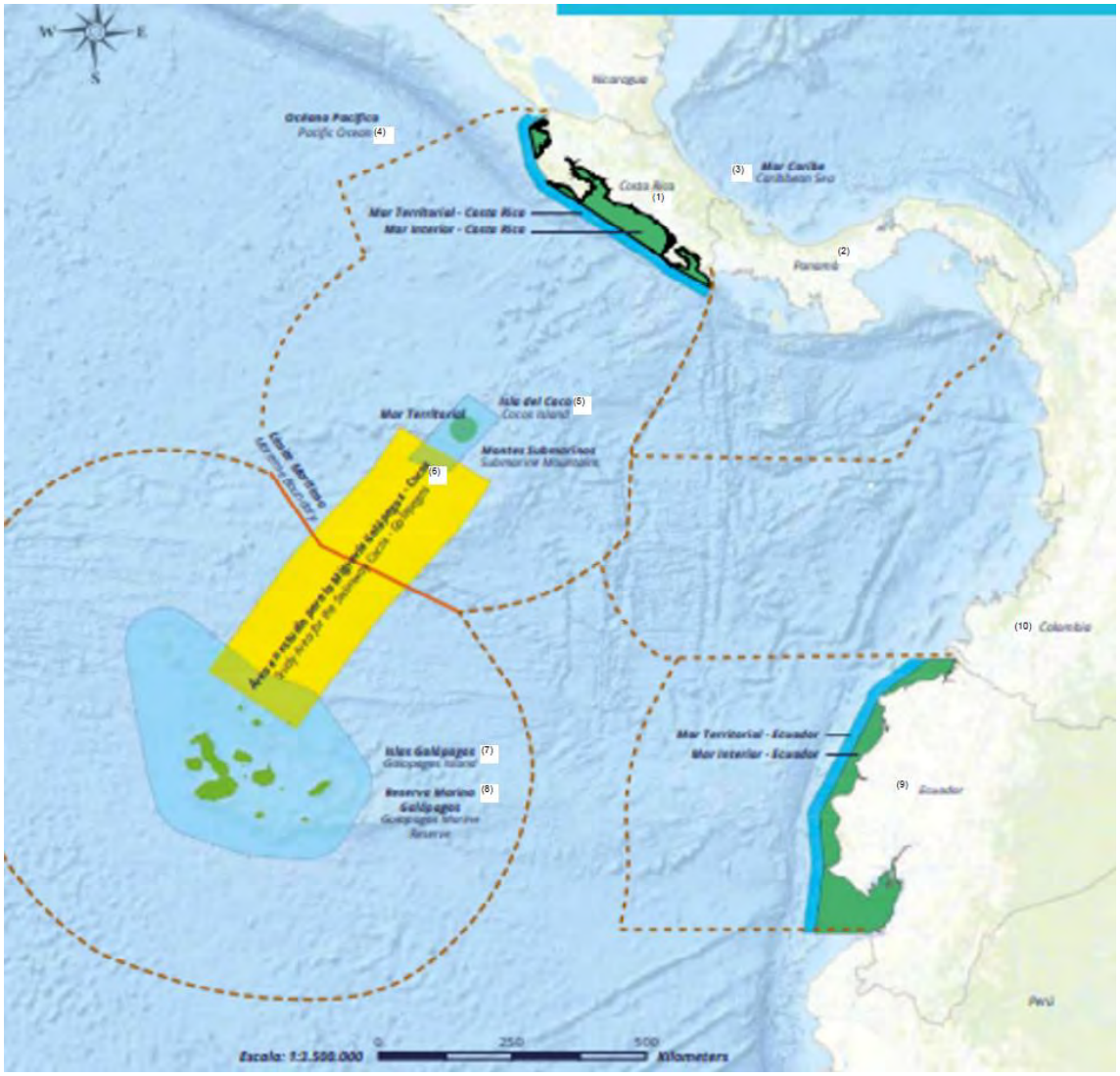


Figure 5: Area under study for the Cocos-Galápagos Migration.

(1) *Costa Rica.*
(2) *Panama.*
(3) *Caribbean Sea.*
(4) *Pacific Ocean.*
(5) *Cocos Island.*
(6) *Study Area for the Cocos-Galápagos Migratfion.*
(7) *Galápagos Island.*
(8) *Galápagos Marine Reserve.*
(9) *Ecuador.*
(10) *Columbia.*

Marine conservation – Environmental management plans for marine reserves and protected areas

An environmental management plan is the main planning instrument through which: (i) the management of each protected area is organised; and (ii) the strategies and programs to be developed within each protected area are defined, in order to achieve the objectives and results intended for its effective management. An environmental management plan is approved by ministerial agreement issued by the National Environmental Authority, and is valid for 10 years during which time it can only be updated for technical and legal reasons. An environmental management plan is understood to be a long-term institutional process whose conceptual basis is innovative and its application is understood to be perpetual; however, for the development of the management plans, a reference horizon of 10 years has been established in order to achieve and objectively measure the proposed achievements, which are done through a process of evaluation of the effectiveness of management. The scope and purpose of environmental management plans is set out in Article 181 of the Environmental Organic Code.

The Management Plan for the Protected Areas of Galápagos for Good Living (the "**Galápagos Management Plan**") was approved by Ministerial Agreement No. 162, and published in the R.O. Special Edition No. 153 on July 22, 2014. The Galápagos Management Plan governs and aligns the environmental management of the protected areas of both the Galápagos National Park and the Galápagos Marine Reserve which are treated as a collective socio-ecological system that is the basis and sustenance for the good living of the local population. The Galápagos Management Plan is also closely linked to the objectives set out in the *Plan Nacional para el Buen Vivir* (the National Plan for Good Living 2013-2017) such as: (i) guaranteeing the rights of nature; (ii) promoting a healthy and sustainable environment; and (iii) strengthening the environmental governance of the special regime of the Galápagos Archipelago and the Amazon.

The environmental management plan of the Hermandad Marine Reserve involved the Ministry of Environment, Water and Ecological Transition in coordination with the Ministry of Production, Foreign Trade, Investments and Fisheries, the Ministry of National Defense and the Ministry of Foreign Affairs and Human Mobility and was issued by way of inter-ministerial agreement on March 20, 2023 (the "**Hermandad Management Plan**") and, under Article 2, delegated to the Galápagos National Park Directorate the administration of the Hermandad Marine Reserve and the implementation of the Hermandad Management Plan in co-ordination with the parties involved.

The Hermandad Management Plan is the main planning tool for the protection of the Hermandad Marine Reserve. Methodologically and structurally, it responds to the Manual for the Operational Management of Ecuador's Protected Areas and the Guidelines for the Construction and/or Updating of Protected Area Management Plans established by the Ministry of Environment, Water and Ecological Transition. The Hermandad Management Plan was developed through a scientifically technical process focused on an eco-systemic and precautionary approach, with participation from key stakeholders to achieve coordinated inter-institutional management of the Hermandad Marine Reserve. The development of the Hermandad Management Plan began with the characterization and determination of the protected area in order to be able to proceed with the identification of conservation values and use resources and the threats to their integrity. The two conservation values identified in the Hermandad Management Plan are: (i) seamounts and pelagic environments, and (ii) migratory and threatened species including hammerhead sharks (binomial nomenclature: *Sphyrna spp*) and leatherback sea turtles (binomial nomenclature: *Dermochelys coriacea*). Fishery resources were also identified as a resource use, in particular tuna. Based on this analysis, management objectives and impact indicators were defined for a 10-year planning period.

The Hermandad Management Plan has the aim that, by 2032, the Hermandad Marine Reserve will have become a regional and global benchmark for ecological connectivity and international cooperation for the

conservation of vital marine ecosystems, which are fundamental to the sustainability of highly migratory, endangered and commercially important species. The Hermandad Management Plan establishes the following 5 objectives:

- to conserve the seamounts and pelagic environments of the Hermandad Marine Reserve;
- to conserve migratory and endangered species (including hammerhead sharks and leatherback turtles) present in the Hermandad Marine Reserve which are connected to the Galápagos Marine Reserve and the Cocos-Galápagos Migravía;
- to contribute to the conservation of the population of migratory species of commercial interest (such as tuna) present in the Hermandad Marine Reserve, which are connected to the Galápagos Marine Reserve and the Cocos-Galápagos Migravía;
- to strengthen interdisciplinary scientific and technical knowledge applied to the management of the Hermandad Marine Reserve; and
- to strengthen the management of the Hermandad Marine Reserve.

In order to achieve the management objectives and indicators of the Hermandad Management Plan, 41 macro-activities were grouped into 6 management programs, each of which sets out the intended results, impact and effect indicators across three time periods (5 years, 3 years and 1 year), sources of verification, annual chronogram and the reference budget. These management programs are as follows:

- biodiversity management - conserve the ecosystems and biodiversity of marine species that connect with other protected areas in the region, between the Galápagos-Cocos corridor, through scientific technical information;
- control and surveillance – which has the greatest budgetary demand for the control and surveillance of the Hermandad Marine Reserve area, which responds to two types of threats: (i) marine pollution and; (ii) illegal, unreported and unregulated fishing and incidental fishing ("**IUU fishing**");
- science and technological innovation - promote technically and scientifically the level of knowledge for making decisions on management and conservation of the protected area;
- environmental communication, education and participation - part of the actions stipulated in the management objectives, which allows establishing strategies and mechanisms of communication, education and environmental participation to improve the knowledge of the actors and users of this marine protected area;
- administration and planning - contribute to the achievement of the objectives of the management plan and the institutional strengthening to combat crimes with IUU fishing in the Hermandad Marine Reserve; and
- international relations and cooperation - contribute to regional conservation efforts, strengthen and systematize the application of innovative technologies and mechanisms for cooperation and training among marine protected areas.

Marine conservation – financing

Following the measures described above, the Republic has decided to enter into a debt conversion transaction, a so called 'debt-for-nature' swap, to facilitate the following objectives: (a) strengthening the institutional framework to support sustainable finance and adequate natural resource management; (b) improving the Republic's debt management capacity with a focus on environmental and financial sustainability; and (c) enhancing the management and conservation of the Hermandad Marine Reserve and the growth of the natural capital of the Galápagos Islands and their marine ecosystems.

SCHEDULE 8
STATUTORY AND POLICY REQUIREMENTS

1. DEFINITIONS AND INTERPRETATION

1.1 In this Schedule:

"**Anti-Money Laundering Laws**" means (a) the Bank Secrecy Act of 1970, Pub. L. No. 91-508, 84 Stat. 1114 to 1124 (codified as amended in scattered sections of 12 U.S.C., 15 U.S.C., and 31 U.S.C.) as amended by, *inter alia*, the USA PATRIOT Act of 2001, Pub. L. No. 107-56 (codified as amended in scattered sections of the U.S.C.), (b) the Money Laundering Control Act of 1986, 18 U.S.C. §§ 1956 and 1957, and (c) any other law, regulation, order, decree or directive of any relevant jurisdiction having the force of law and relating to anti-money laundering.

"**Applicable Law**" means, with respect to a given Person on a given date, any constitution, statute, law, rule, regulation, ordinance, judgment, order, decree, Consent of a Governmental Authority, or any published directive, guideline, requirement or other governmental restriction that has the force of law, or any determination by, or interpretation of any of the foregoing by, any judicial authority, that is binding on such Person whether in effect as of the date hereof or as of any date thereafter.

"**Consent**" means any registration, declaration, filing, consent, license, right, approval, authorization, permit, or concession.

"**Corrupt Practices Laws**" means (a) the Foreign Corrupt Practices Act of 1977, 15 U.S.C. § 78dd-1 *et seq.*, and (b) any other Applicable Law relating to bribery, corruption, kick-backs, or similar business practices.

"**Governmental Authority**" means (a) any national, state, county, city, town, village, municipal or local government, or any political subdivision thereof, (b) any agency, authority, instrumentality, regulatory body, court, central bank, department, commission, board, or bureau, whether civilian or military, or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank), or (c) a government-owned, government-run or government-controlled association, organization, business, or enterprise.

"**OFAC**" means the Office of Foreign Assets Control of the U.S. Department of the Treasury.

"**Official**" means (a) an employee, officer, or representative of, or any person otherwise acting in an official capacity for or on behalf of a Governmental Authority, (b) any person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any Governmental Authority, (c) a candidate for political office, (d) an individual who holds any other official, ceremonial, or other appointed or inherited position with a government or any of its agencies, or (e) an officer or employee of a public international organization.

"**Person**" means an individual; a legal entity, including a partnership, a joint venture, a corporation, a trust, and an unincorporated organization; and a government or any department or agency thereof.

"**Prohibited Payment**" means the giving or making by any Person (such Person, the "**Payor**") of any offer, gift, payment, promise to pay or authorization of the payment of any money or anything of value, directly or indirectly, to or for the use or benefit of any Official (including to or for the use or benefit of any other Person if the Payor knows, or has reasonable grounds for believing, that the other Person would use such offer, gift, payment, promise or authorization of payment for the benefit of any such Official), for the purpose of influencing any act or decision or omission of any Official in order to obtain, retain or direct business to, or to secure any improper benefit or advantage for this Borrower, or this Agreement, or any other Person; *provided that* any such offer, gift, payment, promise or authorization of payment shall not be considered a Prohibited Payment if it is expressly permitted by written Applicable Law.

"**Sanctioned Person**" means any Person, organization or vessel (a) designated on OFAC's list of Specially Designated Nationals and Blocked Persons, or on any list of targeted persons issued under the Sanctions of any agency or instrumentality of the U.S. government, (b) that is, or is part of, a government of a Sanctioned Territory, (c) owned or controlled by, or acting on behalf of, any of the foregoing, (d) located within or operating from a Sanctioned Territory, or (e) otherwise subject to or the target of any Sanctions.

"**Sanctioned Territory**" means any country or territory that is the subject or target of a general export, import, financial or investment embargo under Sanctions.

"**Sanctions**" means any economic or financial sanctions, or trade embargoes or restrictive measures, implemented, administered or enforced by OFAC, the U.S. Department of State, the U.S. Department of Commerce, or any other agency or instrumentality of the U.S. Government.

1.2 Unless otherwise defined herein, capitalized terms used in this Schedule 8 (*Statutory and policy requirements*) shall have the same meaning ascribed to them in this Agreement.

2. REPRESENTATIONS AND WARRANTIES

2.1 The Borrower represents and warrants to the Finance Parties that:

(a) the Borrower and the representatives, public officers, public servants, employees or agents (where such employees or agents are acting in an official capacity) and affiliated entities of the Borrower have:

(i) complied with applicable Corrupt Practices Laws in obtaining all consents in respect of this Agreement; and

(ii) conducted and are conducting themselves in compliance with applicable Corrupt Practices Laws;

(b) the Borrower has codes of conduct or other procedures instituted and maintained which are sufficient to:

(i) provide reasonable assurances of compliance with applicable Corrupt Practices Laws and the prevention of Prohibited Payments; and

(ii) ensure that the Borrower does not provide material or financial support for terrorism, drug trafficking, or human trafficking, or orders or otherwise directs serious or gross violations of human rights. None of the Borrower, nor any Person acting on its behalf, has made any Prohibited Payment.

(c) the Borrower is in compliance with the applicable requirements of (i) the Anti-Money Laundering Laws, (ii) Sanctions, and (iii) all other applicable export control, anti-boycott and sanctions laws.

(d) the Borrower has not taken or knowingly agreed to take actions within the past three (3) years, which demonstrate or otherwise evidence intent to comply with, further, or support any boycott in violation of 58 U.S.C. § 4842(a).

3. COVENANTS

3.1 The Borrower shall comply with and conduct itself in compliance with the applicable requirements of (i) all Corrupt Practices Laws, (ii) the Anti-Money Laundering Laws, (iii) Sanctions, and (iv) all other applicable export control, anti-boycott and sanctions laws relating to it.

3.2 The Borrower shall maintain policies and procedures, and accounting practices and controls that are sufficient to (i) provide reasonable assurances of compliance with applicable Corrupt Practices Laws and the prevention of Prohibited Payments, and (ii) ensure that it does not provide material or financial support for terrorism, drug trafficking, or human trafficking, or orders or otherwise directs serious or gross violations of human rights.

3.3 The Borrower shall not and shall ensure that none of the representatives, public officers, public servants, agents, employees and affiliated entities of the Borrower, or any other Persons acting on its behalf, will, directly or indirectly, use, lend, make payments of, contribute or otherwise make available, any funds in connection with the Facility to fund any trade, business, or other activities (i) involving or for the benefit of any Sanctioned Person, (ii) in any country or territory that is a Sanctioned Territory, or (iii) that could result in any Person (including the Finance Parties and DFC) being in breach of Sanctions or becoming a Sanctioned Person.

3.4 Neither the Borrower nor any Person acting on their behalf, shall make any Prohibited Payment.

3.5 The Borrower shall not use any funds in connection with the Facility in a manner or for a purpose that would violate applicable Corrupt Practices Laws.

SIGNATURES

THE BORROWER

THE MINISTRY OF ECONOMY AND FINANCE ACTING FOR AND ON BEHALF OF THE REPUBLIC OF ECUADOR

By: _____

Name: José E Manzolli

Title: Undersecretary of Public Finance
Subsecretario de Financiamiento Público (E)

THE FACILITY AGENT

THE BANK OF NEW YORK MELLON

By: 

Name: John D. Bowman

Title: Vice President

THE ORIGINAL LENDER

GPS BLUE FINANCING DESIGNATED ACTIVITY COMPANY

By: 

Name: Matthew Tracey

Title: Director