

The Ministry of Finance of the Republic of Ecuador (hereinafter referred to as the "Borrower"), represented by Mr. Fausto Herrea Nicolalde, Minister of Finance

on one side.

and

Artigiancassa S.p.A. – Member of Bank Group Banca Nazionale del Lavoro, Group Bnp-Paribas, listed on the Register of the Banks, share capital Euro 10,000,000.00 with registered office in Rome, Via Crescenzo del Monte 25, registered with the Companies Register, tax code VAT no. 10251421003 (hereinafter referred to as "Artigiancassa"), as administrator, on behalf of the Ministry of the Economy and Finance of the Italian Republic, of the Revolving Fund for Development Cooperation, established by Article 26 of Italian Law no. 227 of May 24, 1977, and further referred to in Article 6 of Italian Law no. 49 of February 26, 1987, represented by Mr. Stefano Gatti, Head of the Revolving Fund Management Unit

on the other side.

(Artigiancassa and the Borrower together hereinafter referred to as the "Parties")

have decided to enter into this

FINANCIAL AGREEMENT

Article 1

Definitions

In the Financial Agreement and in the Annexes thereto, the following terms shall have the following meanings:

- **"Account"**: means a dedicated Account denominated in Euro opened by the Borrower with Banco Central del Ecuador, selected by the Borrower, where the instalments of the Soft Loan will be credited by Artigiancassa in favour of MPH;
- **"Acknowledgement of Indebtedness"**: means the statement, referred to under Article 9, by means of which the Borrower undertakes to reimburse in favour of Artigiancassa the principal due with respect to the Soft Loan;
- **"Agreement"**: means the Agreement on the financing of the Programme signed in Quito on June 05th, 2015, by the Government of the Italian Republic, represented by MAECI-DGCS, and the Government of the Republic of Ecuador, represented by the Ministry of Finance of the Republic of Ecuador;
- **"Audited Financial Report"**: means the administrative, financial, technical and procurement reports prepared by MPH and certified by the Auditing Company;

- **"Auditing Company"**: means a major international auditing company. The Auditing Company, chosen by the Borrower, shall be entrusted with the task of auditing the administrative, financial, technical and procurement documents and procedures in relation to the Programme as specified in Article 5;
- **"Banca Nazionale del Lavoro S.p.A. account"**: means the account (IBAN: IT290100503214000000250013-BIC BNLITRR), opened at Banca Nazionale del Lavoro S.p.A., under the name of Artigiancassa/Gestione Fondo Rotativo L.49/87 - Ministero Economia e Finanze, on which the Borrower shall repay its debt;
- **"Financial Agreement"**: means this Financial Agreement, the preamble and the annexes hereto forming an integral part thereof;
- **"Grace Period"**: means the period, lasting 252 (two hundred fifty-two) months, beginning on the date on which the first instalment of the Soft Loan is credited on the Account;
- **"Italian Competent Authorities"**: means the Ministry of the Economy and Finance, and/or the Ministry of Foreign Affairs and International Cooperation of the Italian Republic and/or any other competent entity of the Government of the Italian Republic, nominated for the purpose of this Financial Agreement;
- **"MAECI-DGCS"**: means the Ministry of Foreign Affairs and International Cooperation of the Italian Republic - Directorate General for Development Cooperation;
- **"MEF"**: means the Ministry of the Economy and Finance of the Italian Republic;
- **"MPH"**: means the Ministry of Public Health of the Republic of Ecuador;
- **"Operative Plan"**: means the document mentioned in the Article 3.4 of the Agreement;
- **"Programme"**: means the Programme denominated "Investment programme in equipment goods, infrastructure works and human resources capacity building, focused on the maternal and child public health sector of the coordination area N.6" to be financed through the Soft Loan in accordance with the Agreement and this Financial Agreement;
- **"Soft Loan"**: means the financing that Artigiancassa, on the basis of the authorization issued by the Ministry of Economy and Finance, and upon the proposal of the Ministry of the Foreign Affairs and International Cooperation of the Italian Republic, will grant on the terms and the conditions provided for in the Article 3 of this Financial Agreement;
- **"Supply Contract(s)"**: means the contract(s) relating to supply of works and/or goods and/or services connected to the realization of the Programme.

Article 2

Preamble

- 2.1 By means of the Agreement, signed in Quito on June 05th, 2015 between the Government of the Republic of Ecuador, represented by the Ministry of Finance, and the Government of the Italian Republic, represented by MAECI-DGCS, the Government of the Italian Republic has committed itself to finance the Programme through a soft loan up to a maximum amount of Euro 12,000,000.00 (twelve million/00).
- 2.2 By means of this Financial Agreement the Parties intend to: (i) implement the financial provisions relating to the Soft Loan as contemplated in Article 7.1 of the Agreement, and (ii) regulate their rights and obligations in accordance with the Agreement.
- 2.3 MEF, on the proposal of MAECI-DGCS, by decree n. 79233 dated November 08th, 2013 has authorised Artigiancassa to grant to the Borrower a Soft Loan on the terms and conditions set forth in Article 3 of this Financial Agreement for the purpose of financing the Programme.

Article 3

Soft Loan

- 3.1 Artigiancassa grants to the Borrower, and the Borrower hereby accepts, the Soft Loan on the following conditions:
- Maximum amount: Euro 12,000,000.00 (twelve million/00);
 - Duration: 32 (thirty-two) years;
 - Grace Period: 252 (two hundred fifty-two) months beginning on the date on which the first instalment of the Soft Loan is credited on the Account;
 - Repayment: 22 (twenty-two) consecutive equal semi-annual principal instalments the first of which falling 252 (two hundred fifty-two) months beginning on the date on which the first instalment of the Soft Loan is credited on the Account;
 - Interest rate: 0.00% (zero point zero per cent);
 - Credit Purpose: financing of the Investment programme in equipment goods, infrastructure works and human resources capacity building, focused on the maternal and child public health sector of the coordination area N.6.
- 3.2 An amount equal to 95% (ninety-five per cent) of the total amount of the Soft Loan may be used to cover imports of goods and services originating locally and/or from other neighbouring developing countries and/or from third country, provided that such third country is a member of the Organisation for Economic Development and Cooperation (OECD). A maximum amount equal to 5% (five per cent) of the total amount of the Soft Loan may be used in order to cover technical assistance and/or services performed by Italian institutions or companies.

Such quota of no Italian origin can be allocated also through Supply Contract(s) with local and/or from other neighbouring developing countries and/or from third countries suppliers.

Supply Contract(s) shall be denominated in Euro.

3.3 The Soft Loan cannot be used to finance:

- goods, services and civil works related, directly or indirectly to military and police activities;
- luxurious items;
- local taxes, non income/non-profit taxes (including VAT) and import duties;
- provisions for outstanding debts and future losses of the beneficiary or the final users;
- interests owed by the beneficiary or the final users.

3.4 The Soft Loan shall be available in accordance with the terms and conditions set forth in this Financial Agreement.

3.5 The credit shall be disbursed in two instalments, in accordance with the procedures set forth in Article 7, and deposited in the Account.

3.6 The interests accrued on money held in the Account shall be recorded in financial statements and used for the purposes of the Programme.

Article 4

Coming into effect of the Financial Agreement

4.1 This Financial Agreement shall come into effect upon Artigiancassa having received the following documents from the Borrower:

- i) a statement by the competent authority of the Government of the Republic of Ecuador, evidencing the authority of the Borrower to sign, in the name and on behalf of the Government of the Republic of Ecuador, this Financial Agreement by a duly authorised person pursuant to the laws and regulations in full force and effect in Ecuador and to undertake the obligations arising out of this Financial Agreement;
- ii) the appointment in writing by the competent authority of the Borrower (certified by the Italian Embassy in Ecuador) of the person or persons duly authorised to sign this Financial Agreement, the Request of Disbursement in the form of Annex A) and the Acknowledgement of Indebtedness in the form of Annex B), referred to under Article 9 below. Such designation shall specify the name and the office of such person/s and contain the up to date "specimen form" of the signatures thereof. Any modifications thereof (if any) shall be transmitted in a timely manner by the Borrower to Artigiancassa;

iii) a statement issued by MPH that certify the opening of the Account, as specified in the definitions.

4.2 Artigiancassa shall, upon receipt and full satisfaction of the aforementioned documents, notify the Borrower, by letter or fax to be subsequently confirmed by letter, of the date on which this Financial Agreement shall have come into effect.

Article 5

Auditing Company

- 5.1 In accordance with the Article 8 of the Agreement, the Borrower shall select, with the Soft Loan funds, a major international auditing company, as per Article 5.2 hereunder, with the task to carry out the auditing of the operations related to the Soft Loan. MAECI-DGCS shall confirm to Artigiancassa the approval of the Auditing Company selected by Borrower.
- 5.2 The contract between the Borrower and the Auditing Company shall be submitted for approval to MAECI-DGCS before signature. MAECI-DGCS shall confirm to Artigiancassa the contract's signature.
- 5.3 The Auditing Company shall define a standard format of the Audited Financial Report and procurement report. This format has to be approved by the Borrower, MAECI-DGCS and Artigiancassa on the basis of the activities regulated in the Agreement and it will be sent by the Borrower to MAECI-DGCS and in copy to Artigiancassa.
- 5.4 The Audited Financial Report shall: (i) concern the administrative, financial, technical and procurement reports prepared by MPH and sent by the Borrower or its representative to Artigiancassa and MAECI-DGCS, and (ii) consider the regularity and compliance to the conditions set up in the Agreement of every financial transaction relating to the Soft Loan.
In particular, the Auditing Company shall certify: a) the conformity of the Supply Contract/s and relevant contractual documentation (i.e. invoices, bill of lading etc.) and b) the correct implementation of the procurement procedures for the Supply Contract/s below threshold, as mentioned in the Article 7.2 b) and 7.3 of the Agreement, and in accordance with Annex 3 of the Agreement.
- 5.5 The Auditing Company shall certify an Audited Financial Report and a Final Audited Financial Report, in accordance with Articles 7.4 and 7.6 of this Financial Agreement, that must be approved by MAECI-DGCS and Artigiancassa.

Article 6

Term for the Disbursement of the Soft Loan

- 6.1 The disbursement period of the Soft Loan will expire 36 (thirty-six) months after the date on which the first instalment of the Soft Loan is credited on the Account. Such period may be extended by Artigiancassa. Artigiancassa cannot extend the disbursement period in the event the Borrower or the Italian Competent Authorities disagree to such an extension and have so notified in writing Artigiancassa at least 30 (thirty) days before the expiry date of the disbursement period.
- 6.2 In the event that the disbursement period has expired and is not extendable, Artigiancassa, after having consulted with the Italian Competent Authorities, shall inform the Borrower of the cancellation of Artigiancassa's commitment relating to the unused funds.

Article 7

Conditions and modalities for the disbursement of the Soft Loan

- 7.1 Artigiancassa shall execute the Requests of Disbursement from the Borrower or its representative after
- 1) the entry into force of the Agreement;
 - 2) the entry into force of this Financial Agreement;
 - 3) the approval of the Operative Plan by MAECI-DGCS
- The communications listed above in points n. 1) and n. 3) will be sent in copy by MAECI-DGCS to Artigiancassa.
- 7.2 Each Request of Disbursement shall be executed within 30 (thirty)-calendar days starting from the date of reception of the request by Artigiancassa. Artigiancassa shall disburse directly in favour of MPH.
- 7.3 The first Request of Disbursement, transmitted by the Borrower or its representative in accordance with Annex A) for the maximal amount of Euro 6,000,000.00 (six million/00), shall be credited after the fulfilment of the conditions set forth in the Article 7.1.
- 7.4 After the fulfilment of the provisions mentioned under Article 5 points 1, 2 and 3, the Borrower or its representative shall transmit to Artigiancassa the second Request of Disbursement in accordance with Annex A) for the maximal amount of Euro 6,000,000.00 (six million/00). The second Request of Disbursement shall be credited after the first instalment has been spent by MPH for at least 60% (sixty per cent) and after MAECI-DGCS and Artigiancassa verification and approval of the Audited Financial Report received by the Borrower or its representative attached to

the Annex A). Such Audited Financial Report, divided into an administrative-financial report and a technical report, concerning the progress of the Programme and the procurement, as mentioned in above Article 5.4, shall cover expenses for goods and services for at least 60% (sixty per cent) of the amount of the first instalment. MAECI-DGCS and Artigiancassa shall inform the Borrower and/or its representative about the results of the verification within 20 (twenty) calendar days from the receipt date of the Audited Financial Report. In case the Auditing Company and/or MAECI-DGCS and/or Artigiancassa points out some irregularities, Artigiancassa, in accordance with MAECI-DGCS, will freeze the disbursement of the second instalment. Only after the explanation of such irregularities from the Auditing Company and the Borrower and/or its representative, the disbursement of the second instalment will be allowed.

- 7.5 Should some of the expenditures included in the Audited Financial Report not be approved by the Auditing Company and/or MAECI-DGCS and/or Artigiancassa, because expenditures made by MPH not in conformity with the Agreement, the Operative Plan and the tender procedures and contracts authorized by MAECI-DGCS, the second instalment shall be disbursed with the deduction of the amounts not approved.
- 7.6 Within 6 (six) months from the conclusion of all activities, MPH shall produce a Final Audited Financial Report, certified by the Auditing Company, that shall be sent by the Borrower or its representative to MAECI-DGCS and Artigiancassa. Such Final Audited Financial Report, divided into an administrative-financial report and a technical report, concerning the progress of the Programme and the procurement, as mentioned in above Article 5.4, shall cover expenses for the total amount of the first and second instalment. The Final Audited Financial Report shall be approved by MAECI-DGCS and Artigiancassa within 20 (twenty) calendar days from the receipt date of the Final Audited Financial Report.
- 7.7 The Borrower irrevocably undertakes to refund to Artigiancassa the amounts equal to the expenditures not approved by the Auditing Company and/or by MAECI-DGCS and/or Artigiancassa, because expenditures made by MPH not in conformity with the Agreement, the Operative Plan and the tender procedures and contracts authorized by MAECI-DGCS.
- 7.8 If any amount credited to MPH by Artigiancassa will not be utilised within 6 (six) months from the conclusion of all activities, that amount shall be, immediately, refunded to Artigiancassa by the Borrower. Such transfer shall be made without delay after communication by MAECI-DGCS to the Borrower, and by all means, within a month from MAECI-DGCS's communication. In any case, the above mentioned deadline by which all the funds must be utilised, can be postponed if the Borrower notify to Artigiancassa and MAECI-DGCS that all the activities have not yet completed.

- 7.9 After the disbursement of Soft Loan funds to the Account, Artigiancassa shall transmit by letter to the Borrower the repayment schedule of the amount disbursed, indicating the due dates relative thereto. Each and every repayment schedule, completed in accordance with the conditions set forth in Article 8 hereafter, shall be accepted by the Borrower in writing.

Article 8

Repayment of the Soft Loan

- 8.1 Each amount disbursed shall be repaid according to the repayment schedule in n. 22 (twenty-two) consecutive equal deferred semi-annual instalments (hereinafter referred to as "Principal Instalments"), the first of which falling due 252 (two hundred fifty-two) months beginning on the date on which the first instalment of the Soft Loan is credited on the Account. Artigiancassa shall send to the Borrower the repayment schedule in compliance with Article 7.9.
- 8.2 On the outstanding Principal Instalments effectively credited, deferred interest shall be calculated at a nominal annual rate of 0.00% (zero point zero per cent).
- 8.3 The Borrower undertakes to make all repayments due under this Financial Agreement as well as under the Acknowledgement of Indebtedness without delay, on the actual due date, where the first due date shall be 252 (two hundred fifty-two) months beginning on the date on which the first instalment of the Soft Loan is credited on the Account, for the corresponding amount in Euro, in favour of Artigiancassa or the person/s entitled thereto. Such amounts shall be credited without deduction of any Bank and/or exchange fee and/or taxes and without notice thereof by Artigiancassa or the persons entitled thereto being required. For each repayment the Borrower shall indicate to Artigiancassa the Financial Agreement number and the total amount of the Soft Loan, and shall detail for each due date the amounts paid.

Article 9

Delivery of the Acknowledgement of Indebtedness

- 9.1 Within 60 (sixty) calendar days from the last Soft Loan disbursement expiry date set forth in Article 6.1, the Borrower shall deliver to Artigiancassa the Acknowledgement of Indebtedness duly signed and initialled by the Borrower on each page, in the form of Annex B1
- 9.2 The repayment schedule set forth in the Acknowledgement of Indebtedness shall be completed by summing up all principal instalments not yet matured provided for in

the relevant repayment schedule for each disbursement, in accordance with the provisions of Article 7.9.

- 9.3 Artigiancassa shall deposit the Acknowledgement of Indebtedness for record and administration thereof and shall from time to time register on the Acknowledgement of Indebtedness any payment of amount for principal and, as soon as all repayments contemplated in the Acknowledgement of Indebtedness shall have been made, it shall return the same to the Borrower duly signed for receipt

Article 10

Borrower's commitment

The Borrower's commitment to pay the sums due under this Financial Agreement and the Acknowledgement of Indebtedness related thereto is independent, absolute, unconditional and irrevocable.

Article 11

Impediments and force majeure

In case of impediments to the implementation of the Programme due to causes of force majeure (such as war, flood, typhoon, fire, earthquake, labour conflicts and strikes, act of any government, unexpected transportation difficulties and other causes), the provisions specified in the Article 10 of the Agreement shall be applied. Artigiancassa shall follow instruction of Italian Competent Authorities related to the Programme.

Article 12

Disbursement Suspension

- 12.1 During the Soft Loan's disbursement period, Artigiancassa reserves the right to suspend any Request of Disbursement under Article 7, in the event of any default vis-à-vis Artigiancassa under this Financial Agreement or in case a default occurs under any other soft loans granted by the Government of the Italian Republic to the Government or to the Central Bank or to State Agencies of the Republic of Ecuador, pursuant to Article 6 of Law no. 38 of February 9, 1979 and Article 6 of Law no. 49 of February 26, 1987 of the Italian Republic as amended from time to time. Artigiancassa shall timely inform the Borrower of such suspension.
- 12.2 Artigiancassa will execute any Request of Disbursement provided for under Article 7 in the event that the corresponding sums are made available by the Italian Competent Authorities. Artigiancassa shall not be deemed responsible vis-à-vis the

Borrower in case the sums to be disbursed under the Soft Loan will not be available by the Italian Competent Authorities.

Article 13

Default interest

13.1 If for any reason whatsoever Artigiancassa does not receive the sums due for principal within the due date, the Borrower shall be bound to pay, on said sums, default interest from the due date up to the date of actual crediting in favour of Artigiancassa or of the person(s) entitled thereto.

13.2 Such default interest shall be calculated by applying the simple interest formula. Default interest shall not be calculated for the period of 35 (thirty-five) days immediately subsequent to the original due date and, thereafter, at the annual rate of 0.35% (zero point thirty-five per cent) up to the date of actual crediting in favour of Artigiancassa. The latter default interest shall be periodically updated by the Italian Competent Authorities.

Article 14

Taxes

14.1 Any present or future tax, which may be due in Ecuador for any reason whatsoever related to this Financial Agreement and to the Acknowledgement of Indebtedness, shall be exclusively borne by the Borrower.

14.2 Any tax due in Italy related to this Financial Agreement shall not be borne by the Borrower.

14.3 Artigiancassa declares that it will avail itself of the tax status provided for under Article 19 of the Decree of the President of the Republic n. 601 of September 29, 1973, as amended from time to time.

Article 15

Governing Law

This Financial Agreement shall be governed by and construed in accordance with Italian law

Article 16

Settlement of disputes

- 16.1 The Parties hereto shall endeavour to settle amicably any dispute arising from the interpretation and/or execution of this Financial Agreement.
- 16.2 If these efforts should not lead to a settlement of the disputes within a reasonable period of time, the dispute shall be settled at a governmental level.
- 16.3 Should this effort also fail or (if the attempt is made) it does not result in a satisfactory result, all disputes arising from or in connection with the Financial Agreement shall be finally settled under the Rules Arbitration of the International Chamber of Commerce, Paris, France, by an Arbitration Tribunal of three Arbitrators:
- one appointed by the Borrower;
 - one appointed by Artigiancassa;
 - the third arbitrator shall be appointed by the above mentioned Arbitrators or, in case of their disagreement, by the Chairman of the International Chamber of Commerce, Paris.
- 16.4 If the Borrower or Artigiancassa do not appoint their arbitrator within 30 (thirty) days from the request of the other party, the arbitrator shall be appointed by the Chairman of the International Chamber of Commerce, Paris.
- 16.5 The decision of the Arbitration Tribunal, who shall decide according to the law of the Italian Republic, shall be final and unconditionally binding on both Parties without any possibility of appeal.
- 16.6 No disagreement nor dispute which may arise between the Parties hereto shall suspend the obligation of the Borrower to pay, on the agreed due dates, all the amounts due under this Financial Agreement and in particular all the amounts resulting from the repayment schedules set forth in Article 7, and from the Acknowledgement of Indebtedness relative thereto.

Article 17

Notices

Notices to be given pursuant to this Financial Agreement shall be addressed as follows:

- Ministry of Finance of the Republic of Ecuador - Av. 10 de Agosto 1661 Quito Ecuador, Tel.00593.2.3998400; Fax 00593.2.3998629
- Ministry of Public Health of the Republic of Ecuador Av. Republica de El Salvador 3664. Quito Ecuador Tel. 00593.2.3814400; Fax 00593.2.3814485
- Artigiancassa S.p.A. - Revolving Fund Management Unit - Via Crescenzo Del Monte 25, - 00153 ROME - ITALY
Office Telephone 0039.06.5845374/414; Fax 0039.06.5845466;
e-mail: fondorotativo@artigiancassa.it

Article 18

Original texts of the Financial Agreement

This Financial Agreement is signed in three originals in English. Artigiancassa keeps two originals and the Borrower one original.



Artigiancassa S.p.A

Ministry of Finance of the Republic of Ecuador

Signed in *ROME*

on *06/10/2015*

Signed in *Quito*

on *06/10/2015*