

AFD QUITO / 2021 / 531
Quito, 21 de diciembre de 2021

Asunto: Firma del convenio CZZ 2300 20 T para financiamiento del proyecto *"Adaptación al cambio climático para el derecho humano al agua y saneamiento: Políticas replicables, escalables y resilientes a condiciones climáticas futuras"* con fondos del programa europeo Euroclima +.

AGENCIA DE QUITO
Avenida Orellana N12-113
y San Ignacio, esquina
Edificio Torre Latina, piso 3
Quito
Ecuador
t. +593 2 601 71 60/61/62
afdquito@afd.fr

Sr. Ing. Gustavo Rafael Manrique Miranda
Ministro del Ambiente, Agua y Transición Ecológica
MAATE
En su despacho

SEDE
5 rue Roland Barthes
75598 Paris Cedex 12
France
t. +33 1 53 44 31 31
f. +33 1 44 87 99 39
afd.fr

De mi consideración,

En el marco del Proyecto de *"Adaptación al cambio climático para el derecho humano al agua y saneamiento: Políticas replicables, escalables y resilientes a condiciones climáticas futuras"* financiado con fondos del programa Euroclima+ de la Unión Europea, me es grato confirmarle que las condiciones previas a la firma del convenio han sido reunidas.

En ese sentido, le enviamos el documento firmado por nuestra parte, así como por El Excelentísimo Embajador de Francia, Sr. Frederic Desagneaux, para que usted lo firme.

A través de este proyecto, será un honor poder, una vez más, cooperar con el MAATE para enfrentar el desafío del cambio climático.

Aprovecho la ocasión para enviarle un cordial saludo y desearle a usted y a todo su equipo unas excelentes fiestas de fin de año.

Atentamente,


 The stamp is circular with the text "AGENCE FRANÇAISE DE DÉVELOPPEMENT" around the top edge and "AFD ÉQUADOR" around the bottom edge. In the center, there is a stylized logo consisting of a circle with a vertical line through it, followed by the letters "AFD".

Jean-Philippe BERTHELEMÉY
Subdirector AFD Ecuador
AGENCIA FRANCESA DE DESARROLLO

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Etablissement public
Dotación de 2 807 998 856 euros
N° TVA intracommunautaire
FR 80 775 665 599
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N° CONVENTION AFD CZZ 2300 20 T

FINANCING AGREEMENT

Dated December 21st, 2021

between

AGENCE FRANCAISE DE DEVELOPPEMENT

The Agency

and

MINISTERIO DE AMBIENTE AGUA y TRANSICIÓN ECOLÓGICA DEL ECUADOR

The Beneficiary

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FINANCING AGREEMENT

BETWEEN:

- (1) **MINISTERIO DEL AMBIENTE, AGUA y TRANSICIÓN ECOLÓGICA DEL ECUADOR**, acting on behalf of the Republic of Ecuador, represented by Gustavo Rafael Manrique Miranda, in his capacity as ministry of the environment, water and ecologic transition, who is duly authorized to sign this Agreement pursuant to executive decree N°021 dated 24th of May 2021, executive decree N°059 dated 5th of June 2021 and the memorandum Nro MAAE-CGAJ-2021-1525-M dated 20th of December 2021,
(the "Beneficiary");

AND

- (2) **AGENCE FRANCAISE DE DEVELOPPEMENT**, a French public entity (*établissement public*) governed by French law, with registered office at 5, Rue Roland Barthes, 75598 Paris Cedex 12, France, registered with the Trade and Companies Register of Paris under number 775 665 599, represented by Jean-Philippe Berthélemy, in his capacity as Deputy Director of the AFD in Ecuador, who is duly authorized to sign this Agreement,

(the "Agency");

(hereinafter jointly referred to as the "Parties" and each a "Party");

WHEREAS:

- (A) The Beneficiary intends to carry out a project in order to identify methodological mechanisms for the design and implementation of climate change policies for the water sector, in order to increase the adaptive capacity and/or resilience when implementing actions such as the conservation of water sources and urban water supply and sanitation projects, which in most cases have not considered current and future climate and non-climate threats (the "Project"), as described further in Schedule 2 - (*Project Description*).
- (B) The Beneficiary has requested that the Agency makes available a Grant for the purposes of financing the Project in full.
- (C) The Agency has requested that the European Commission (hereinafter the "Commission") finances the Project under the the Program "EUROCLIMA+ Regional Climate Change and Environmental Sustainability programme with Latin America (AFD)" n° 2017/390-310. By approval of Development Cooperation Instrument, the Commission has delegated its financial contribution in the Project to the Agency to this effect. Therefore, the Commission and the Agency have entered into a PAGODA delegation agreement on 21st of December 2017 (the "Delegation Agreement") in connection with the Project.
- (D) Pursuant to resolution n° C202180028 (amending resolution C20170796) of the *Comité des Etats Etrangers* dated 20th December 2017, the Agency has agreed to make available the Grant to the Beneficiary pursuant to the terms and conditions of this Agreement.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

Capitalised words and expressions used in this Agreement (including those appearing in the recitals above and in the Schedules) shall have the meaning given to them in Schedule 1A - (*Definitions*), except as otherwise provided in this Agreement.

1.2 Interpretation

Words and expressions used in this Agreement shall be construed pursuant to the provisions of Schedule 1B - (*Construction*), subject to provisions to the contrary.

2. GRANT AMOUNT, PURPOSE AND CONDITIONS OF UTILISATION

2.1 Grant Amount

Subject to the terms of this Agreement, the Agency makes available to the Beneficiary, based on its request, a Grant in a maximum aggregate amount of one million four hundred thousand Euros (EUR 1.400.000).

2.2 Purpose

The Beneficiary shall apply all amounts made available to it under this Grant exclusively towards financing Eligible Expenses, excluding taxes, duties and any rights in accordance with the Project's description as set out in Schedule 2 - (*Project Description*) and the Financing Plan set out in Schedule 3 - (*Financing Plan*).

The Beneficiary undertakes not to unilaterally modify the main purpose of the Project as set out in Schedule 2 - (*Project Description*) of this Agreement, its objectives, strategies and priority areas and any other essential element stated in the above mentioned Schedule.

2.3 No Liability

The Agency cannot be held responsible for the use of any amount made available to the Beneficiary which is not in accordance with the provisions of this Agreement.

The Beneficiary discharges the Agency of all liability in connection with any claim or action brought by any third party as a result of an infringement of regulations and rules applicable to the Beneficiary by its employees or individuals for whom it is responsible, or as a result of a violation of a third party's rights, in the context of the implementation of the Project.

2.4 Conditions precedent

- (a) No later than the Signing Date, the Beneficiary shall provide the Agency with all of the documents set out in PART I of Schedule 4 - (*Conditions Precedent*).
- (b) The Beneficiary shall be entitled to deliver a Drawdown request to the Agency provided that:

- (i) in the case of a first Drawdown, the Agency has received all documents as listed in PART II of Schedule 4 - (*Conditions Precedent*) and has notified the Beneficiary that such documents are satisfactory in form and substance;
- (ii) in the case of any subsequent Drawdown, the Agency has received all documents set out in PART III of Schedule 4 - (*Conditions Precedent*) and has notified the Beneficiary that such documents are satisfactory in form and substance; and
- (iii) on the date of each Drawdown request and on the proposed Drawdown date for the relevant Drawdown, the conditions set out in this Agreement have been satisfied, including:
 - (1) the Drawdown request has been made in accordance with the terms of Clause 3.1(*Drawdown request*);
 - (2) no event referred to in Clause 4 (*Postponment or Dismissal of the Drawdown Requests*) is continuing or may occur;
 - (3) each representation given by the Beneficiary in relation to Clause 5 (*Representations and warranties*) is true;
 - (4) the Agency has received the funds delegated by the European Union in accordance with the Delegation Agreement ;and
 - (5) the previous Advance was used in accordance with this Agreement and the Drawdown request.

3. DRAWDOWN OF FUNDS

3.1 Drawdown request

Provided that the conditions set out in Clause 2.4 (*Conditions precedent*) are satisfied, the Implementing Agency may draw funds from the Grant, in one or several Drawdowns, by delivery to the Agency of a duly completed Drawdown request.

The Beneficiary authorises the Implementing Agency to deliver any Drawdown request to the head of the Agency office at the address specified in Clause 10 (*Notices*). A copy of each Drawdown request shall be delivered to the Beneficiary by the Implementing Agency.

The Drawdown requests shall have been countersigned by the Beneficiary.

A Drawdown request will not be regarded as having been duly completed unless all required documents are attached to the Drawdown request and comply with the provisions of Clause 3.2 (*Payment mechanics*).

If all conditions set out in this Agreement are met, the Agency will transfer the requested Drawdown to the Implementing Agency.

3.2 Payment mechanics

The funds will be made available in accordance with the following terms and conditions:

Each Drawdown shall be made available by the Agency in the form of advances (an "Advance(s)") paid into the Project Account (as defined below).

3.2.1 Opening of the Project Account

The Beneficiary shall procure that the Implementing Agency opens and maintains an account in the name of the Project (the "**Project Account**"), with an Acceptable Bank (the "**Account Bank**"), for the sole purpose of (i) receipt of the proceeds of a Drawdown; and (ii) payment of the Eligible Expenses.

The Beneficiary hereby undertakes to procure that the Implementing Agency waives, and procure that the Account Bank waives, any right of set-off such party may have in respect of the Project Account and any other account opened in the name of the Implementing Agency at the Account Bank, or against any other debt of the Implementing Agency.

In the event that the Account Bank ceases to be an Acceptable Bank, the Agency may instruct the Beneficiary to request the Implementing Agency replaces the Account Bank with an Acceptable Bank. The Beneficiary hereby undertakes to instruct the Implementing Agency to replace the Account Bank promptly at its own expense immediately upon the Agency's first demand to request that the Implementing Agency executes a deed of pledge in favour of the Agency.

3.2.2 First Advance

Provided that the conditions set out in Clause 2.4 (*Conditions precedent*) have been satisfied, the Agency shall pay a first Advance of four hundred thousand Euros (EUR 400.000) to the Project Account.

3.2.3 Additional Advances

Additional Advances will be paid upon the Implementing Agency's request, subject to the conditions set out in Clause 2.4 (*Conditions precedent*) being satisfied.

3.2.4 Final Advance

The final Advance shall be paid in accordance with the same conditions as the previous Advances and, if applicable, shall take into account any change in the financing plan of the Project, as agreed between the Parties.

3.2.5 Justification for Use of Advances

The Beneficiary agrees to procure that the Implementing Agency delivers to the Agency:

- (i) no later than the Deadline for Implementation of the Project, a certificate signed by an authorised signatory of the Implementing Agency certifying that one hundred per cent. (100%) of both the penultimate Advance and the final Advance (with the exception of any amount relating to Closing Expenses) have been used and providing a detailed breakdown of the sums paid in respect of the Eligible Expenses in the relevant period; and
- (ii) no later than three (3) months from the date of delivery of the certificate referred to in subparagraph (i), a final audit report of the Project Account (the "**Final Audit Report**"), carried out by an independent and reputable auditing firm which has been appointed by the the Implementing Agency, subject to the Agency's no-objection on the terms of reference of the audit mission and the appointed auditing firm. All audit costs shall be applied against the funds of the Grant. The Beneficiary shall ensure that the auditing firm verifies that all Advances made under the Grant and paid into the

Project Account have been used in accordance with the terms and conditions of this Agreement.

3.2.6 Applicable exchange rate

If any Eligible Expenses are denominated in a currency other than Euro, the Beneficiary shall procure that the Implementing Agency converts the invoice amount into the equivalent amount in Euros using the exchange rate determined by the Central Bank of the country of the relevant currency on the payment date of the relevant Drawdown by the Agency

3.2.7 Deadline for use of funds.

The Beneficiary agrees and procures that the Implementing Agency agrees that all funds disbursed in the form of an Advance shall be used in full to finance Eligible Expenses no later than the Deadline for Implementation of the Project, provided however, for the avoidance of doubt, that funds which are used to finance Closing Expenses may be used, after the Deadline for Implementation of the Project but prior to the date of delivery of the General Implementation Report pursuant to Clause 7.1(C) of the Agreement

3.2.8 Control – audit

The Beneficiary agrees that the Project Account shall be audited on an annual basis until the Deadline for Implementation of the Project. These audits shall be carried out by an independent and reputable auditing firm, appointed by the Beneficiary and/or the Implementing Agency, subject to the Agency's no-objection on the terms of reference of the audit mission and the appointed auditing firm. All audit costs shall be applied against the funds of the Grant. The auditing firm shall verify that all Drawdowns/Advances paid into the Project Account have been used in accordance with the terms of this Agreement.

Audit reports shall be made available no later than three (3) months following the end of each fiscal year.

During the Drawdown Period, the Agency may carry out, or procure that a third party carries out on its behalf and at the expense of the Beneficiary, random inspections rather than systematic control of documentary evidence.

3.2.9 Failure to provide justification for the use of Advances by the Deadline for Implementation of the Project

The Agency may request that the Implementing Agency reimburse, on behalf of the Beneficiary, any amount in respect of which utilisation has not been duly or sufficiently justified, together with all other sums credited to the Project Account on the Deadline for Implementation of the Project. The Beneficiary shall reimburse such amounts to the Agency within twenty (20) calendar days of receipt of the Agency's notification in this respect. Should the Implementing Agency fail to reimburse the Agency, the Agency shall request the reimbursement of the funds directly to the Beneficiary.

3.2.10 Use of funds of an Advance after the Deadline for Implementation of the Project

The Beneficiary undertakes to reimburse, through the Implementing Agency, within twenty (20) calendar days upon request of the Agency the funds of the Grant provided under an Advance which utilization has been made for expenses incurred in connection with any work and services carried out or provided after the Deadline for Implementation of the Project. Should the Implementing Agency

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fail to reimburse the Agency, the Agency shall request the reimbursement of the funds directly to the Beneficiary.

Notwithstanding the previous paragraph, the Beneficiary shall not reimburse the funds of the Grant provided under an Advance and which are used to finance Closing Expenses during the period between the Deadline for Implementation of the Project and the delivery of the General Implementation Report.

3.2.11 Retention of documents

The Beneficiary undertakes to the Implementing Agency to retain the documentary evidence and other documents in connection with the Project Account and utilisation of the Advances for a period of ten (10) years from the Deadline for Drawdown.

The Beneficiary undertakes to deliver such documentary evidence and other documents to the Agency or to any auditing firm appointed by the Agency, upon the Agency's request.

3.3 Deadline for Drawdown

The final Drawdown request shall be received by the Agency no later than fifteen (15) calendar days before the Deadline for Drawdown. If such request is made during the month preceding the Deadline for Drawdown, it shall be addressed to the Agency and be sent by registered mail, requesting an acknowledgment of receipt.

Any part of the Grant that remains unpaid on such Deadline for Drawdown shall be automatically cancelled.

3.4 Closing Expenses

The Beneficiary undertakes to request, through the Implementing Agency, a non objection opinion from the Agency for all Closing Expenses which are financed according to Clause 3.2 (*Payment Mechanics*) of the Agreement.

4. POSTPONMENT OR DISMISSAL OF THE DRAWDOWN REQUESTS

The Agency shall be entitled to suspend or postpone, or definitively dismiss any Drawdown request upon the occurrence of any of the following events:

(a) Project Documents

Any Project Document, or any right or obligation set out therein, ceases to be in full force and effect or is subject to a notice of termination or its validity, legality or enforceability is challenged.

(b) Misrepresentation

A representation made or warranty given by the Beneficiary in this Agreement, including under Clause 5 (*Representations and warranties*), or in any document delivered by or on behalf of the Beneficiary under or in relation to this Agreement, is incorrect or misleading when made or given, or deemed to be made or given.

(c) Undertakings and Obligations

The Beneficiary does not comply with any term of this Agreement, including, without limitation, any of the undertakings given pursuant to Clause 6 (*Undertakings*), in particular Clause 6.11 (*Undertakings with respect to the Financing of the Project by the European Union*) and Clause 7 (*Information Undertakings*).

(d) Unlawfulness

It is or becomes unlawful for the Beneficiary to perform any of its obligations under this Agreement.

It becomes unlawful for the Agency pursuant to applicable law and regulations to perform any of its obligations as contemplated by this Agreement or to fund or maintain the Grant.

(e) Material adverse change

Any event (including a change in the political situation of the country of the Beneficiary) or any measure which is likely, according to the Agency's opinion, to have a Material Adverse Effect occurs or is adopted or is likely to occur or to be adopted.

(f) Withdrawal or suspension of the Project

Any of the following occurs:

- the implementation of the Project is suspended or postponed for a period exceeding six (6) months; or
- the Project has not been completed in full by the Deadline for the Implementation of the Project; or
- the Beneficiary withdraws from, or ceases to participate in, the Project.

(g) Authorizations

Any Authorization required for the Beneficiary in order to perform or comply with its obligations under this Agreement or its other material obligations under any Project Documents or required in the ordinary course of the Project is not obtained within the required timeframe or is cancelled or becomes invalid or otherwise ceases to be in full force and effect.

(h) Suspension of free convertibility and free transfer

(i) Free convertibility and/or free transfer of the amounts received in relation to the Grant by the Beneficiary, or any other funds provided by the Agency to the Beneficiary or any beneficiary of the jurisdiction of the Project, is challenged. Default by the Beneficiary in relation to a Credit Facility Agreement

The Beneficiary is in default in relation to a credit facility agreement entered into with the Agency.

(j) Suspension of payments under the Delegation Agreement

Any disbursement of the funds delegated by the European Union to the Agency under the Delegation Agreement is suspended for any reason whatsoever.

(k) Force Majeure

A Force Majeure event has occurred and has an adverse effect on the implementation of all or part of the Project.

- (l) Utilisation of the funds of the Grant in contradiction with the terms and conditions of this Agreement and the Project

The Beneficiary uses the funds of the Grant for a purpose other than the one agreed under the Agreement, or the funds of the Grant are unduly paid by the Beneficiary or are not properly used by its contractors.

- (m) Termination or suspension of the Delegation Agreement

The Delegation Agreement is cancelled, terminated or suspended for any reason whatsoever.

5. REPRESENTATIONS AND WARRANTIES

All the representations and warranties set out in this Clause 5 (*Representations and warranties*) are made by the Beneficiary for the benefit of the Agency on the Signing Date. All the representations and warranties in this Clause 5 (*Representations and warranties*) are deemed to be made by the Beneficiary on each Drawdown Date.

5.1 Power and authority

The Beneficiary has the power to enter into, perform and deliver this Agreement and Project Documents and to perform all contemplated obligations thereunder. The Beneficiary has taken all necessary action to authorise its entry into, performance and delivery of this Agreement and Project Documents and the activities funded by the Grant.

5.2 Binding Obligations

The obligations undertaken by the Beneficiary under this Agreement comply with all laws and regulations applicable to the Beneficiary in its jurisdiction of establishment and are legal, valid, binding and enforceable obligations which are effective in accordance with their written terms.

5.3 No conflict with other obligations of the Beneficiary

The entry into and performance by the Beneficiary of, and the obligations contemplated by, this Agreement do not conflict with any domestic or foreign applicable law or regulation, or any agreement or instrument binding upon the Beneficiary or affecting any of its assets.

5.4 Validity and admissibility in evidence

All Authorizations required:

- (a) to enable the Beneficiary to lawfully enter into, and exercise its rights and comply with its obligations under this Agreement and Project Documents; and
- (b) to make this Agreement and the Project Documents admissible in evidence in the courts of the jurisdiction of the Beneficiary,

have been obtained and are in full force and effect and no circumstances exist which could result in the revocation, non-renewal or modification, in whole or in part, of any such Authorizations.

5.5 Project Authorizations

All Project Authorizations have been obtained or effected and are in full force and effect and there are no circumstances which may result in any Project Authorization being revoked, cancelled, not renewed or varied in whole or in part.

5.6 Procurement

The Beneficiary: (i) has received a copy of the Procurement Guidelines and (ii) understands the terms of the Procurement Guidelines, in particular, those terms relating to any actions which the Agency may take in the case of a breach of the Procurement Guidelines by the Beneficiary and (iii) has provided a copy of the Procurement Guidelines to the Implementing Agency which has confirmed that it understands the terms of the Procurement Guidelines and in particular, those terms relating to any actions which the Agency may take in the case of a breach of the Procurement Guidelines by the Implementing Agency.

The Beneficiary is contractually bound by the Procurement Guidelines as if such Procurement Guidelines were incorporated by reference into this Agreement. The Beneficiary confirms that the procurement, allocation and performance of the contracts relating to the implementation of the Project comply with the terms of the Procurement Guidelines.

5.7 Origin of funds, Acts of Corruption, Fraud, Anti-Competitive Practices, Tax Avoidance Practices and Tax Fraud

The Beneficiary represents and warrants that:

- (i) all the funds invested, in addition to the Agency funds, in the Project are from the State budget and ;
- (ii) the Project is not structured in a way to contribute to Tax Avoidance Practices or Tax Fraud and does not involve any activities that contribute to Tax Avoidance Practices, or Tax Fraud and ;
- (iii) the Project (in particular, the negotiation, award and performance of any contracts which have been funded by the Grant) has not given rise to any Act of Corruption, Fraud or Anti-Competitive Practice.

5.8 Waiver of Sovereign Immunity

The Beneficiary hereby confirms the waiver of any jurisdictional or execution immunity that may exist on its profit for any disputes arising in relation with the execution of the Project.

6. UNDERTAKINGS

The undertakings in this Clause 6 (*Undertakings*) take effect on the Signing Date and remain in full force and effect for the duration of this Agreement.

6.1 Authorizations

The Beneficiary shall promptly obtain, comply with and do all that is necessary to maintain in full force and effect and procure that the Implementing Agency promptly obtains.

complies with and does all that it necessary to maintain in full force and effect any Authorization required under any applicable law or regulation to enable it to perform its obligations under this Agreement and to ensure the legality, validity, enforceability and admissibility in evidence of this Agreement or any Project Document.

6.2 Project Documents

The Beneficiary shall provide or procure that the Implementing Agency provides the Agency with a copy of any amendment to any Project Documents and shall not, and shall not agree to, make any material amendment to any Project Document without obtaining the Agency's prior consent.

6.3 Compliance with laws and regulations

The Beneficiary shall comply and procure that the Implementing Agency complies:

- (a) in all respects with all laws and regulations to which it and/or the Project is subject, particularly in relation to publication of information encouraging tax transparency, as well as all applicable environmental protection, human rights, safety and labour laws including conventions of the International Labour Organization ("ILO") and the international environmental conventions with respect to environmental protection which are not conflicting with applicable laws and regulations of the relevant country;
- (b) with all of its obligations under the Project Documents.

6.4 Procurement

In relation to the procurement, award and performance of contracts entered into in connection with the implementation of the Project and financed by the Grant, the Beneficiary shall comply with, and implement, the provisions of the Procurement Guidelines. The Beneficiary guarantees that the Implementing Agency will comply with and implement the Procurement Guidelines.

The Beneficiary shall take all actions and steps necessary for the effective implementation of the Procurement Guidelines.

If the Beneficiary or Implementing Agency does not comply with the Procurement Guidelines, the Agency may consider the costs incurred under such procurement not eligible to the financing under this Agreement. The Beneficiary shall reimburse to the Agency the funds of the Grant used to pay such ineligible costs.

6.5 Additional Financing

The Beneficiary shall not amend or alter the Financing Plan without obtaining the Agency's prior written consent and shall finance any additional costs not anticipated in the Financing Plan on terms satisfactory to the Agency.

6.6 Assignment

Upon the Agency's request, the Beneficiary shall:

- (i) Include in the Insurance Policies the Agency as sole beneficiary of any insurance proceeds; and
- (ii) Assign to the Agency the benefit of any Contractor's Guarantees.

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6.7 Implementation of the Project

The Beneficiary shall:

- (i) ensure that persons, groups or entities participating in the implementation of the Project are not listed on any Financial Sanctions List (including those related to the fight against terrorist financing)
- (ii) not purchase, supply, finance any supplies, services or sectors which are subject to an Embargo by the United Nations, the European Union or France.

6.8 Origin of funds, no Acts of Corruption, Fraud, Anti-Competitive Practices or Tax Avoidance Practices or Tax Fraud

The Beneficiary undertakes:

- (i) to ensure that the funds other than State funds invested in the Project will not come from Illicit Origin;
- (ii) to ensure that the Project is not structured in a way to contribute to Tax Avoidance Practices or Tax Fraud, and more generally that no Project-related activity contributes to Tax Avoidance Practices or Tax Fraud ;
- (iii) to ensure that the Project (in particular during the negotiation, entry into and performance of the contracts financed by the Grant) shall not give rise to any Act of Corruption, Fraud or Anti-Competitive Practice;
- (iv) to inform the Agency with no delay as soon as it becomes aware of or suspects any Act of Corruption, Fraud or Anti-Competitive Practice;
- (v) to take all necessary measures to remedy the situation in a manner satisfactory to the Agency and within the time period determined by the Agency, in the case of paragraph (iv), or at the Agency's request if the Agency suspects that the acts or practices specified in paragraph (iv) have occurred; and
- (vi) to notify the Agency without delay if it is aware of information which leads to suspect the Illicit Origin of funds invested in the Project.

6.9 Environmental and social responsibility

6.9.1 Implementation of environmental and social measures

In order to promote sustainable development, the Parties agree that it is necessary that internationally recognised environmental and labour standards, including the fundamental conventions of the International Labour Organization ("ILO") and the relevant international environmental treaties, be complied with.

For such purpose, the Beneficiary shall within the context of the Project:

- (a) include in the competitive bid documentation and procurement contracts a clause whereby each Contractor undertakes, and procures that its sub-contractors (if any) undertake, to comply with such international standards in accordance with the applicable laws and regulations of the country in which the Project is being implemented. The Agency reserves the right to request that the Beneficiary provides a report on environmental and social conditions of implementation of the Project;

6.10 Project account

The Beneficiary shall procure that the Implementing Agency opens, maintains and uses the Project Account in accordance with the terms of this Agreement.

6.11 Undertakings with respect to the Financing of the Project by the European Union

- (a) The Beneficiary undertakes to comply with its obligations under Schedule 7 - (*List of undertakings applicable to the Beneficiary under the Financing by the European Union*) of this Agreement.
- (b) The Beneficiary shall also ensure that the obligations under section 1 "Conflict of interests", section 2 "Data protection", section 3 "Communication and visibility", section 5 "Accounting and archiving" and section 6 "Access and financial checks" of the Schedule 7 - (*List of undertakings applicable to the Beneficiary under the Financing by the European Union*) of the Agreement, apply to its contractors.
- (c) With respect to the procurement under the Project the Beneficiary shall adopt reasonable measures, in accordance with its own regulations and rules, to ensure that potential candidates or tenderers and applicants shall be excluded from the participation in a procurement or grant award procedure and from the award of a procurement contract financed with EU funds, if the Beneficiary becomes aware that any such entities (i.e. potential candidates or tenderers and applicants) :
- (i) or persons having powers of representation decision making or control over them, have been the subject of a final judgement or of a final administrative decision for fraud, corruption, involvement in a criminal organisation, money laundering, terrorist-related offences, child labour or trafficking in human beings;
 - (ii) or persons having powers of representation, decision making or control over them have been the subject of a final judgement or of a Final Administrative Decision for an irregularity affecting the EU's financial interest;
 - (iii) are guilty of misrepresentation in supplying the information required as a condition of participation in the procedure or if they fail to supply this information;
 - (iv) have been the subject of a final judgment or Final Administrative Decision establishing that the entities have established an entity under a different jurisdiction with the intention of circumventing fiscal, social or any other legal obligations of mandatory application in the jurisdiction of its registered office, central administration or principal place of business;
 - (v) have been established with the intention described in point (iv) above as established by a final judgment or a Final Administrative Decision.

6.12 Preservation of Project

The Beneficiary shall and it shall instruct the Implementing Agency:

- (a) to implement and maintain the Project in accordance with generally accepted principles of care and commercial practice and in accordance with technical standards in force;

- (b) to maintain all Project assets in good working order and condition in accordance with all applicable laws and regulations and use such assets for their proper purpose and in accordance with all applicable laws and regulations.

6.13 Monitoring

The Beneficiary shall allow the Agency and the Commission and their representatives (i) to participate to the monitoring and evaluation of the Project and (ii) to carry out inspections in relation to the implementation and operations, financial aspects included, of the Project, its impact and the achievement of the objectives of the Project.

The Beneficiary shall co-operate with the Agency and the Commission and their representatives when carrying out such inspections, the timing and format of which shall, in each case, be determined by the Agency and the Commission following consultation with the Beneficiary. The Beneficiary undertakes to make available to the Commission and their representatives all necessary information and original supporting documents relating to the Project's expenses.

The Beneficiary shall procure that Implementing Agency retains and makes available for inspection by the Agency, all documents relating to the Project for a period of ten (10) years following the Deadline for Drawdown.

6.14 Project Evaluation

The Beneficiary acknowledges that the Agency may carry out, or procure that a third party carries out on its behalf, an evaluation of the Project. Feedback from this evaluation will be used to produce a summary containing information on the Project, such as: total amount and duration of the funding, objectives of the Project, expected and achieved quantified outputs of the Project, assessment of the relevance, effectiveness, impact and viability/sustainability of the Project, main conclusions and recommendations.

The main objective of the evaluation will be the articulation of credible and independent judgement on the key issues of relevance, implementation (efficiency) and effects (effectiveness, impact and sustainability).

Evaluators will need to take into account in a balanced way the different legitimate points of view that may be expressed and conduct the evaluation impartially.

The Beneficiary will be involved as closely as possible in the evaluation, from the drafting of the Terms of Reference to the delivery of the final report.

The Beneficiary agrees to the publication of the above mentioned summary, notably on the Agency's website.

6.15 Visibility and Communication

The Beneficiary and the Implementing Agency shall implement visibility and communication actions related to the implementation of the Project in accordance with the terms of the Visibility and Communication Guide, and acknowledges having fully read and understood the aforementioned guide.

According to the Visibility and Communication Guide, the Project is subject to communication and visibility obligations of LEVEL 1.

6.16 Investment in the Project

The Beneficiary hereby undertakes to invest in the Project, either by cash or in-kind, a contribution of no less than twenty percent (20 %) of the amount of the Grant.

7. INFORMATION UNDERTAKINGS

The undertakings in this Clause 7 (*Information Undertakings*) take effect on the Signing Date and remain in full force and effect for the duration of this Agreement.

7.1 Progress report

The Beneficiary shall provide the Agency with:

- (a) until the Deadline for Implementation of the Project, within fifteen (15) calendar days following the anniversary date of the Delegation Agreement, with a technical and financial progress report, on July 31st and January 31st, in relation to the implementation of the Project which draft shall be prepared in accordance with section 9 of Schedule 7 - (*List of undertakings applicable to the Beneficiary under the Financing by the European Union*) of the Agreement and an annual Follow-up report of the Project' Indicators in the form set out in Schedule 5 - (*Form of Follow-up report of the Project' Indicators*);
- (b) until the Deadline for Implementation of the Project, a quarterly technical monitoring sheet relating to the implementation of the Project, to be submitted on 31 March and 30 September of each calendar year of implementation of the Project according to the format described section 9 of Schedule 7 - (*List of undertakings applicable to the Beneficiary under the Financing by the European Union*);
- (c) within six (6) months after the Deadline for Implementation of the Project, with a general implementation report (the "**General Implementation Report**") including an annual Follow-up report of the Project' Indicators in the form set out in Schedule 6 - (*Form of Impact Indicators Report*).

7.2 Information - miscellaneous

The Beneficiary shall provide the Agency with:

- (a) immediately upon becoming aware of them, details of any event or circumstance which is or may be an event causing a deferral or dismissal of a Drawdown request or which has or may have a Material Adverse Effect, the nature of such an event and all the actions taken or to be taken to remedy it (if any);
- (b) immediately any information relating to an event or circumstance which is or may be considered as an utilisation of the funds of the Grant in contradiction with the terms and conditions of the Agreement, a payment which is undue or any other irregularity in the utilisation of the funds of the Grant;
- (c) promptly upon becoming aware of them and at the latest 48 hours following its occurrence, details of any incident or accident directly related to the implementation of the Project which might have a significant impact on the

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Project site, the safety, the working conditions of its employees or any contractors working on the implementation of the Project, the nature of such incident or accident, together with details of any action taken or proposed to be taken, as applicable, by the Beneficiary to remedy it. The Agency reserves the right to request from the Beneficiary to adopt additional measures in order to deal with such incident or accident. If no agreement is reached with the Beneficiary for the implementation of such measures or remedies, the Agency may terminate this Agreement in accordance with Article 11.2 of this Agreement;

- (d) promptly, details of any decision or event which might affect the organisation, completion or operation of the Project;
- (e) for the all duration of the Project implementation, the interim and final reports prepared by any service provider and/or Contractor, and thereafter a comprehensive implementation report;
- (f) promptly, any further information or documents with respect to the use of funds and implementation conditions of the Project Documents as well as contracts entered into for their implementation that the Agency may request;
- (g) as soon as possible, throughout the duration of the business relationship, provide the Agency with any document or information about the Beneficiary that the Agency may request, to enable the Agency to fulfill its know-your-customer ("KYC") obligations under anti money laundering and anti-terrorist regulations, in particular for the purpose of updating its KYC information on the client (the Beneficiary);

7.3 Financial and statutory information

The Beneficiary shall:

- (i) provide the Agency with its annual financial or budgetary documents after their approval as well as any details that the Agency may reasonably require in relation to its financial position;
- (ii) procure that the Implementing Agency, upon the Agency's request, provides the Agency with the Beneficiary's minutes of meetings, resolutions and reports of its corporate organs together with its annual audited financial statements or any report in relation to the audit of its financial statements, as the case may be.

8. COSTS AND EXPENSES - REGISTRATION

8.1 Costs and expenses

The Beneficiary shall pay all costs and expenses incurred in connection with the negotiation, preparation and signing of this Agreement including, as the case may be:

- (i) lawyer's fees;
- (ii) registration costs, if registration is requested by one of the Parties, and other similar taxes payable in respect of this Agreement; and

- (iii) costs and expenses in connection with the transfer of funds from Paris financial centre to any other financial centre agreed with the Agency.

8.2 Recovery costs

The Beneficiary shall pay directly or reimburse the Agency for all reasonable costs and expenses, if applicable, that the Agency would incur or has paid for any step to be taken including without limitation in case of judicial recourses for the recovery of all amount of the Grant irregularly or unduly used or paid under this Agreement.

9. MISCELLANEOUS

9.1 Language

The language of this Agreement is English. If this Agreement is translated, the English version shall prevail in the event of any conflicting interpretation of the terms of this Agreement or in the event of a dispute between the Parties.

All communications or documents provided under, or in connection with, this Agreement shall be in English.

The Agency may request that any communication or document provided under, or in connection with, this Agreement which is not in English is accompanied by a Certified English translation, in which case, the English translation shall prevail unless the document is a legal text or other official document.

9.2 Partial Invalidity

If, at any time, a term of this Agreement is or becomes illegal, invalid or unenforceable, the validity, legality or enforceability of the other provisions of this Agreement will remain unaffected.

9.3 No waiver

Failure to exercise, or delay in exercising, any right on the part of the Agency shall not operate as a waiver of that right.

Partial exercise of a right shall not prevail any further exercise of such right or the exercise of such right or any other right or remedy under any applicable law.

The Agency's rights and remedies under this Agreement are cumulative and not exclusive of its rights and recourse under any applicable law.

9.4 Assignment

The Beneficiary may not assign or transfer, in any manner whatsoever, all or any of its rights and obligations under this Agreement without the prior written consent of the Agency.

The Agency may assign or transfer to a third party its rights and obligations under this Agreement.

9.5 Legal effect

The Schedule s annexed hereto, the Procurement Guidelines and the recitals hereof form part of this Agreement and have the same legal effect as the other terms of this Agreement.

9.6 Entire agreement

As of the Signing Date, this Agreement represents the entire agreement between the Parties in relation to the matters set out herein, and supersedes and replaces all previous documents, agreements or understandings that may have been exchanged or communicated as part of the negotiations in connection with this Agreement.

9.7 Amendments

No amendment may be made to any provision of this Agreement unless expressly agreed in writing between the Parties.

9.8 Confidentiality - Disclosure of information

- (a) The Beneficiary shall not disclose the content of this Agreement to any third party without the prior consent of the Agency except to:
 - (i) any person to whom the Beneficiary has a disclosure obligation under any applicable law, regulation or judicial ruling;
- (b) Notwithstanding any existing confidentiality agreement, the Agency may disclose any information or documents in relation to the Project to: (i) its auditors, experts, rating agencies, legal advisers or supervisory bodies such as, for instance, the European Anti-Fraud Office (OLAF); and (ii) any person or entity for the purpose of taking any protective measures or preserving the rights of the Agency under this Agreement.
- (c) Furthermore, the Beneficiary hereby expressly authorizes the Agency to communicate and to disclose on the Agency's Website information relating to the Project and related financing as listed in Schedule 6 - *(Information that the Agency is authorized expressly to disclose on the Agency's Website.*

9.9 Statute of Limitations

The statute of limitations period in relation to this Agreement is ten (10) years.

9.10 Hardship

Each Party hereby acknowledges that the provisions of article 1195 of the French Code civil shall not apply to it with respect to its obligations under the Agreement and it shall be not entitled to make any claim under article 1195 of the French Code civil.

10. NOTICES

10.1 Written Notices

Any notice, request or other communication provided under or in connection with this Agreement shall be made in writing and, unless otherwise stated, may be given by fax or by post to the address and number of the relevant Party set out below:

For the Beneficiary:

Ministerio del Ambiente, Agua y Transición Ecológica Address: Calle Madrid 1159 y Andalucía Código Postal: 170525 / Quito - Ecuador

Telephone: + 593-2 398-7600

Attention:

For the Agency:

AFD HEAD OFFICE

Address: 5, Rue Roland Barthes 75598 PARIS Cedex 12 France

Telephone: +33 1 53 44 64 24

Email: lefebvres@afd.fr

Attention: Sylvain LEFEBVRE

With a copy to:

AFD – QUITO OFFICE

Address: Av Orellana E12-12 y San Ignacio – Edif Torre Latina – 3er piso.
170517. QUITO

Telephone: +593 2 6017160

Facsimile: afdquito@afd.fr

Attention: Head of AFD Office

or such other address, fax number, department or officer as one Party notifies to the other Party with at least five (5) Business Days' prior notice.

10.2 Effectiveness

Any notice, request or communication made, or any document sent, by a Party to the other Party in connection with this Agreement is deemed to become effective as follows:

- (i) if by fax, when received in a legible form; and
- (ii) if posted, when delivered to the correct address,

and, where a particular person or a department has been specified, if such notice, request or communication has been addressed to that person or department.

10.3 Electronic communications

- (a) Any communication made by one person to another under or in connection with this Agreement may be sent by electronic mail or other electronic means if the Parties:
 - (i) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;
 - (ii) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and

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- (iii) notify each other of any change to their address or any other such information supplied by them.
- (b) Any electronic communication made between the Parties will be effective only when actually received in a readable form.

11. ENTRY INTO FORCE – DURATION – TERMINATION

11.1 Entry into Force and Duration

This Agreement shall come into force on the day of the Signing Date provided that all the requested formalities in relation to the validity of this Agreement under the law of the country of the Beneficiary have been fulfilled in a satisfactory manner for the Agency and shall remain in full force and effect until the expiration date of a two (2) year period starting on the date of the General Implementation Report set out in Clause 7.1 (b) the Final Audit Report set out in Clause 3.2.5 .

Notwithstanding the above, the provisions of Clause 3.2.11 (*Retention of documents*), Clause 6.13 (*Monitoring*) and Clause 9.8 (*Confidentiality - Disclosure of information*) will remain in full force and effect for five (5) years following the date mentioned in the paragraph above.

11.2 Termination

The Agency reserves the right to terminate this Agreement if the first Drawdown has not been drawn within eighteen (18) months from the date of approval of the Grant referred to in paragraph (D) of the Recitals.

The Agency also reserves the right to terminate this Agreement upon the occurrence of one of the events referred to in Clause 4 (*Postponment or Dismissal of the Drawdown Requests*).

The Agency shall inform the Beneficiary of such termination by registered mail. Upon request by the Agency, and due to the occurrence of any of these events, the Beneficiary shall repay the funds of the Grant, in whole or in part.

12. GOVERNING LAW, ENFORCEMENT AND SERVICE OF PROCESS

12.1 Governing Law

This Agreement is governed by French law.

12.2 Jurisdiction

Any dispute arising out of or in connection with this Agreement shall be settled by the courts of PARIS.

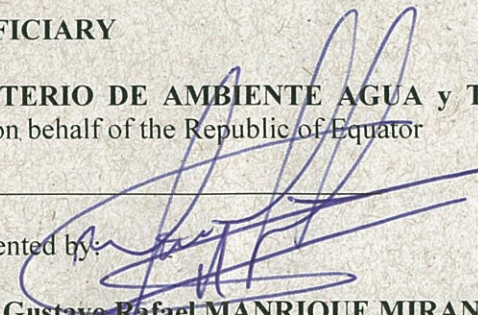
12.3 Choice of domicile

Without prejudice to any applicable law, for the purposes of serving judicial and extrajudicial documents in connection with any action or proceedings referred to above, the Beneficiary irrevocably chooses its registered office as at the date of this Agreement at the address set out in Clause 10 (*Notices*) as its domicile, and the Agency chooses the address "AFD Head Office" set out in Clause 10 (*Notices*) as its domicile.

Executed in two (2) originals, in Quito, on December 21st, 2021.

BENEFICIARY

MINISTERIO DE AMBIENTE AGUA y TRANSICIÓN ECOLÓGICA DEL ECUADOR,
acting on behalf of the Republic of Ecuador

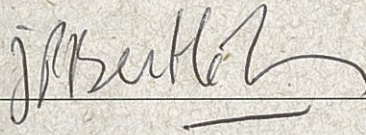
Represented by: 

Name: Gustavo Rafael MANRIQUE MIRANDA

Capacity: Ministry of the environment, water and ecologic transition

AGENCY

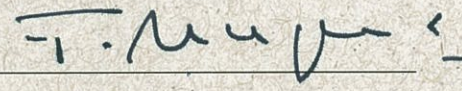
AGENCE FRANÇAISE DE DÉVELOPPEMENT

Represented by: 

Name: Jean-Philippe BERTHELEMY

Capacity: Deputy Director of QUITO AFD Agency

Cosigner, His Excellency M Frédéric DESAGNEAUX, Ambassador of France



Schedule 1A - Definitions

Acceptable Bank	means any bank acceptable to the Agency.
Account Bank	means the Acceptable Bank with which the Beneficiary shall procure that the Implementing Agency opens and maintains the Project Account.
Act of Corruption	<p>means any of the following:</p> <p>(a) the act of promising, offering or giving, directly or indirectly, to a Public Official or to any person who directs or works, in any capacity, for a private sector entity, an undue advantage of any nature, for the relevant person himself or herself or for another person or entity, in order that this person acts or refrains from acting in breach of his or her legal, contractual or professional obligations and, having for effect to influence his or her own actions or those of another person or entity; or</p> <p>(b) the act of a Public Official or any person who directs or works, in any capacity, for a private sector entity, soliciting or accepting, directly or indirectly, an undue advantage of any nature, for the relevant person himself or herself or for another person or entity, in order that this person acts or refrains from acting in breach of his or her legal, contractual or professional obligations and, having for effect to influence his or her own actions or those of another person or entity.</p>
Advance(s)	has the meaning given to this term in Clause 3.2 (<i>Payment mechanism</i>).
Agreement	means this financing agreement, including its recitals, Clauses, Schedules, Procurement Guidelines and, if applicable, any amendments made in writing thereto.
Anti-Competitive Practices	<p>means:</p> <p>(a) any concerted or implicit action having as its object and/or as its effects to impede, restrict or distort fair competition in a market, including without limitation when it tends to: (i) limit market access or the free exercise of competition by other companies; (ii) prevent price setting by the free play of markets by artificially favouring the increase or decrease of such prices; (iii) limit or control any production, markets, investment or technical progress; or (iv) share out markets or sources of supply;</p> <p>(b) any abuse by a company or group of companies of a dominant position within a domestic market or in a substantial part thereof; or</p>

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	(c) any bid or predatory pricing having as its object and/or its effect to eliminate from a market, or to prevent a company or one of its products from accessing the market.
Authority(ies)	means any government or any body, department or commission exercising a public prerogative, or any administration, court, agency or state or any governmental, administrative, tax or judicial entity.
Authorization(s)	means any Authorization, consent, approval, resolution, permit, licence, exemption, filing, notarization or registration, or any exemptions in respect thereof, obtained from or provided by an Authority, whether granted by means of an act or omission within a defined time limit.
Certified	means for any copy, photocopy or other duplicate of an original document, the certification by any duly authorised person, as to the conformity of the copy, photocopy or duplicate with the original document.
Closing Expenses	means costs relating to the final report, the final assessment, the final audit and other costs in connection with the closing of the Project
Contingency Reserve	means the budget line entitled "Contingency reserve" as set out in Schedule 3 (<i>Financing Plan</i>).
Contractor(s)	means third party contractor(s) appointed by the Beneficiary to implemente all or part of the Project as described in Schedule 2 - (<i>Project Description</i>).
Contractor's Guarantee(s)	means any guarantee provided to the Beneficiary directly or indirectly by any co-contractor in charge of the implementation of the Project or any part thereof, such as, for example, the completion guarantee or the advance payment guarantee.
Deadline for Drawdown	means April 21 st , 2024, date after which no further Drawdown may occur.
Deadline for Implementation of the Project	means the date defined as in the special conditions of the Delegation Agreement and which shall occur no later than October 21 st 2024 .
Delegation Agreement	has the meaning given to this term in paragraph (C) of the preamble of this Agreement
Drawdown	means the drawdown of all or part of the funds made available by the Agency to the Beneficiary in connection with the Grant pursuant to the conditions set out in Clause 3 (<i>Drawdown of Funds</i>).

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Eligible Expense(s)	means the expense(s) relating to the Project as set out in Schedule 3 - (<i>Financing Plan</i>), which are incurred for work, services and expenses carried out before the Deadline for Implementation of the Project and considered as eligible under article 18 (" <i>Eligible Expenses</i> ") of Schedule II – Part II (General Conditions) of the Delegation Agreement.
Embargo	means any sanction of a commercial nature which is intended to prohibit any import or export (any supply, sale or transfer) of one or several types of goods, products or services going to and/or coming from any country for a given period and as published and amended by the United Nations, the European Union or France.
Euro(s) or EUR	means the single currency of the member states of the European Economic and Monetary Union, including France, and having legal tender in such member states.
Final Audit Report	has the meaning given to this term in Clause 3.2.5 (ii) (<i>Justification for Use of Advances</i>).
Financial Sanctions List	<p>means the list(s) of specially appointed persons, groups or entities which are subject to financial sanctions by the United Nations, the European Union and France.</p> <p>For information purposes only and for the convenience of the Beneficiary, who may not rely on them, the following references or website addresses are provided:</p> <p>For the lists maintained by the United Nations, the following website may be consulted:</p> <p>https://www.un.org/sc/suborg/fr/sanctions/un-sc-consolidated-list</p> <p>For the lists maintained by the European Union, the following website may be consulted:</p> <p>https://eeas.europa.eu/headquarters/headquarters-homepage/8442/consolidated-list-sanctions_fr</p> <p>For the lists maintained by France, the following website may be consulted:</p> <p>http://www.tresor.economie.gouv.fr/4248_Dispositif-National-de-Gel-Terroriste</p>
Financing Plan	means the financing plan of the Project set out in Schedule 3 - (<i>Financing Plan</i>).
Force Majeure	means any unforeseeable exceptional situation or event beyond the Parties control which prevents either of them from fulfilling any of its obligations under the Agreement, which may not be attributed to error or negligence on either part (or the part of

	Contractors, agents or staff), and which could not have been avoided by the exercise of due diligence.
Fraud	means any unfair practice (acts or omissions) deliberately intended to mislead others, to intentionally conceal elements there from, or to betray or vitiate his/her consent, to circumvent any legal or regulatory requirements and/or to violate internal rules and procedures of the Beneficiary or a third party in order to obtain an illegitimate benefit.
Fraud against the Financial Interests of the European Community	means any intentional act or omission intended to damage the European Union budget and involving (i) the use or presentation of false, inaccurate or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds or in any illegal reduction in resources of the general budget of the European Union; (ii) the non-disclosure of information with the same effect; and (iii) misappropriation of such funds for purposes other than those for which such funds were originally granted.
Grant	means the commitment granted by the Agency in accordance with this Agreement up to the maximum principal amount set out in Clause 2 (<i>Grant AMOUNT, Purpose and Conditions of Utilisation</i>).
Illicit Origin	means funds obtained through: the commission of any predicate offence as designated in the FATF 40 recommendations Glossary under " <i>catégories désignées d'infractions</i> " (http://www.fatf-gafi.org/media/fatf/documents/recommendations/Recommandations_GAFI.pdf); – any Act of Corruption; or – any Fraud against the Financial Interests of the European Community, if or when applicable.
Implementing Agency	means the entity in charge of implementing the Project on behalf of the Beneficiary and duly authorised and mandated for such purpose, who shall receive a power of attorney from the Beneficiary to perform the Project, including all aspects related to the procurement, award and performance of contracts entered into in connection with the implementation of the Project.
Insurance Policies	means the insurance policies that the Beneficiary is required to subscribe and maintain in connection with the implementation of the Project, in a form acceptable to the Agency.
Integrity Statement	means the integrity, eligibility and environmental and social undertaking statement, the form for which is set out in the Schedules to the Procurement Guidelines. Such statement

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	shall be provided by any tenderer or candidate pursuant to the terms set out in clause 1.2.3 of the Procurement Guidelines.
Mandate Agreement	Means the agreement between the Beneficiary and the Implementing Agency to implement the Project on behalf of the Beneficiary
Material Adverse Effect	means a material adverse effect on: <ul style="list-style-type: none"> - the Project, insofar as it would jeopardise the continuation of the Project in accordance with this Agreement and the Project Documents; - the business, assets, financial condition of the Beneficiary or its ability to honour its obligations under this Agreement and the Project Documents; - the validity or enforceability of this Agreement and any Project Documents.
Procurement Guidelines	means the contractual provisions in the guidelines relating to procurement financed by the Agency in foreign countries in full force and effect on the Signing date of this Agreement, a copy of which is available on the Website and has been delivered to the Beneficiary.
Project	means the project as described in Schedule 2 - (<i>Project Description</i>).
Project Account	has the meaning given to this term in Clause 3.2.1 (<i>Opening of the Project Account</i>).
Project Authorizations	means the Authorizations necessary in order for (i) the Beneficiary to implement the Project and execute all Project Documents to which it is a party and to exercise its rights and perform its obligations under the Project Documents to which it is a party; and (ii) the Project Documents to which the Beneficiary is a party to be admissible as evidence before courts in the jurisdiction of the Beneficiary or before a competent arbitral tribunal.
Project Documents	means all the documents, and in particular agreements, supplied or executed by the Beneficiary regarding the implementation of the Project, being each of the following documents: <ul style="list-style-type: none"> - the Mandate Agreement between the Beneficiary and the Implementing Agency; - the procedures manual;

	<ul style="list-style-type: none"> - semestrial and annual technical and financial progress reports as stipulated in accordance with section 9 of Schedule 7; - contracts entered into with the Contractor(s) for the implementation of the Project.
Public Official	means any holder of legislative, executive, administrative or judicial office whether appointed or elected, permanent or temporary, paid or unpaid, regardless of rank or any other person defined as a public officer under the domestic law of the Beneficiary's jurisdiction of incorporation, and any other person exercising a public function, including for a public agency or organisation, or providing a public service.
Schedule (s)	means any Schedule or Schedule s to this Agreement.
Signing Date	means the date of execution of this Agreement by all the Parties.
Tax Avoidance Practices	<p>means using legal instruments in order to pay as little tax as possible. A practice of tax avoidance is characterized when, in light of all the involved entities and relevant financial flows, the structuring of a project is not justified by business reasons reflecting the project's economic reality but for the main purpose, or one of the main purposes, of benefiting from a favorable tax regime that would not have been applicable in the absence of such structuring.</p> <p>Tax avoidance practices include, but are not limited to: (i) the use of harmful tax practices; (ii) the use of offshore structures or arrangements aimed at attracting profits which do not reflect real economic activity in the jurisdiction; and / or (iii) the use of so-called base erosion and profit shifting practices as identified in the OECD BEPS Action Plan (including: abuse of double tax conventions, artificial use of hybrids or artificial avoidance of permanent establishment status).</p>
Tax Fraud	means using illegal practices to avoid paying taxes, for example by not declaring profits or using various ways to avoid paying VAT.
Visibility and Communication Guide	means all contractual provisions binding on the Beneficiary relating to the communication and visibility of projects financed by AFD and contained in the document entitled "Visibility guide for projects supported by AFD - Level 1 "or" Communication guide for projects supported by AFD - Level 2 "as the case may be, a copy of which has been given to the Beneficiary before the signature date of this Agreement.
Website	means the website of the Agency (http://www.afd.fr/) or any other such replacement website.

Schedule 1B - Construction

- (a) "assets" includes all present and future properties, revenues and rights;
- (b) any reference to the "Beneficiary", a "Party" or a "Agency" includes its successors in title, permitted assigns and permitted transferees;
- (c) any reference to this Agreement or other document or security is a reference to this Agreement or to such other document or security as amended, restated or supplemented and includes, if applicable, any document which replaces it through novation, in accordance with this Agreement;
- (d) a "guarantee" includes any security and any guaranty which is independent from the debt to which it relates;
- (e) a "person" includes any person, company, corporation, partnership, trust, government, state or state agency or any association, or group of two or more of the foregoing (whether or not having separate legal personality);
- (f) a "regulation" includes any legislation, regulation, rule, decree, official directive, instruction, request, advice, recommendation, decision or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, supervisory authority, regulatory authority, independent administrative authority, agency, department or any division of any other authority or organisation (including any regulation issued by an industrial or commercial public entity) having an effect on this Agreement or on the rights and obligations of a Party;
- (g) a provision of law is a reference to that provision as amended;
- (h) unless otherwise provided, a time of day is a reference to Paris time;
- (i) The Section, Clause and Schedule headings are for ease of reference only and do not affect the interpretation of this Agreement;
- (j) unless otherwise provided, words and expressions used in any other document relating to this Agreement or in any notice given in connection with this Agreement have the same meaning in that document or notice as in this Agreement; and
- (k) a reference to a Clause or Schedule shall be a reference to a Clause or Schedule of this Agreement.

SCHEDULE 2 - Project Description

Context

The former Secretariat of Water (SENAGUA) was the lead entity that submitted the initial project proposal that was selected in 2019. During 2020, SENAGUA and the Ministry of Environment merged to create a single entity 'Ministry of Environment and Water'. In June 2021, the name was changed to Ministry of Environment, Water and Ecological Transition (MAATE)¹.

Taking up the mandate of the former SENAGUA, MAATE exercises the steering role to ensure fair and equitable access to water, in quality and quantity, through policies, strategies and plans that allow for an integrated and integrated management of water resources (IWRM) in watersheds with the involvement and strengthening of social actors throughout the national territory.

In Ecuador, the following dynamics related to IWRM policies can be mentioned, among others:

- **Water Protection Areas, Green and Blue Infrastructure.** Water sources for human consumption are exposed to contamination processes that affect their quality, as evidenced in the studies carried out by SENAGUA, reporting non-compliance with the maximum permissible limits in more than 50% of sites at the national level. Water authorisations for human consumption are exposed to various sources of contamination: 20,468 of these are found in lands with agricultural activities without any conservation and 26,566 water authorisations for human consumption and irrigation are found within mining concessions. Although the National System of Protected Areas covers approximately 20% of the national territory, 39% of the territory corresponds to areas of important water supply, where the main water sources are located with the presence of fragile ecosystems that require some form of conservation. The Constitution and the Organic Law on Water Resources, Uses and Usage of Water (LORHUYAA) recognise the rights of nature, designating the Single Water Authority (AUA) as responsible for the comprehensive and integrated management of water resources with an ecosystemic approach. The AUA promotes the implementation of principles and guidelines to integrate natural solutions in water management (Ministerial Agreement No. 2019-0279) and directs the implementation of water protection areas (APH) which are "territories where there are water sources declared to be of public interest for their maintenance, conservation and protection, which supply human consumption or guarantee food sovereignty, which will form part of the National System of Protected Areas..." (Art. 78 LORHUYAA). So far, 13 APHs with a total of 64,000 hectares have been declared;
- **Ecological and water transition:** the ecological and water transition seeks to reduce the environmental impact through ecological practices that change ways of consuming, producing and working, as well as guaranteeing the sustainability of water resources in quantity and quality for present and future generations. In this context, this proposal contributes to the ecological and water transition to implement mitigation and adaptation measures to climate change to ensure the availability of water resources for the beneficiary population in the supply systems for drinking water.

Scope

This project seeks to propose policies for adaptation to climate change that will reduce the gaps between programmes, projects and/or actions for the conservation and protection of water bodies and projects for drinking water supply and urban sanitation, which have not considered an analysis of climatic and non-climatic uncertainties. In addition, it is intended to channel the processes of capacity building and knowledge building for adaptation to climate change through local governance mechanisms and capacity building programmes with a focus on hydrographic systems, participatory, equitable, intergenerational, intercultural, gender which promote ecological and water transition.

The project implementation period is 36 months from the date of signature of the grant agreement. The water supply and sanitation systems in which the activities will be developed correspond to the **Hydrographic Demarcations of Manabi, Guayas, Esmeraldas and Napo**. A replicability strategy

¹ <https://www.ambiente.gob.ec/nueva-estructura-del-ministerio-del-ambiente-y-agua-esta-lista/>

will be developed to allow the extension of the developed methodology to the rest of the country after the closure of the project (with other funds).

Objectives

General Objective:

To generate and implement a replicable public policy on integrated urban water supply and sanitation systems in sustainable development pillars, with a gender equity and intercultural approach.

Specific Objectives:

1. Generate mechanisms for resilience to climatic and non-climatic events in water supply and sanitation systems ;
2. Strengthen the capacities of actors linked to urban water supply and sanitation systems in the integrated management of water resources;
3. Develop systems for replicability and scaling up of the project.

Project content

The project has three components, namely: i/ Mechanisms for resilience to climate and non-climate events in water supply and sanitation systems, ii/ Capacity building of actors linked to urban water supply and sanitation systems in water resource management, and iii/ Systems for replicability and scaling up of the project. Each of these corresponds to a specific objective, one or more results and a series of activities. The scope of each component is described below.

➤ **Component 1: Building resilience to climate and non-climate events in water supply and sanitation systems**

This component is divided into two complementary phases to establish conservation, restoration and protection strategies based on a comprehensive climate and non-climate risk assessment for the four urban water supply and sanitation systems. The content of each phase is described below:

- **Phase 1:** This phase aims to produce a current and future climate and non-climate risk analysis of the urban drinking water and sanitation systems. To achieve this, a compilation of technical, eco-systemic and socio-organisational information as well as data from the hydrometeorological monitoring network is proposed in order to determine a water diagnosis in each of the sources of water systems for human consumption. Then, climate and non-climatic hazards and uncertainties will be identified in a participatory way in order to draw up cartographies of past and projected future drinking water systems, applying adapted hydrological models. This preliminary work will allow the development of impact scenarios for water stress testing to assess the resilience and robustness of each of the systems, and to establish indicators for monitoring ongoing changes, together with comprehensive solutions to adapt and mitigate adverse effects and ensure water availability of drinking water systems.
- **Phase 2:** Following this initial phase, a portfolio of ecosystem-based adaptation (EbA) good practices for equitable and resilient management of urban drinking water and sanitation systems will be developed. This phase will focus on the production of strategies for the conservation, restoration and protection of water sources and their ecosystems, the implementation of innovative grey and/or green infrastructure solutions, the implementation of a hydro-climatic monitoring system, and finally the formulation of the portfolio of EbA good practices.

➤ **Component 2: Capacity building of stakeholders linked to urban water supply and sanitation systems in integrated water resource management.**

This component will first focus on an analysis of the training needs in the four drinking water systems in order to design a differentiated pedagogical and methodological programme according to the target population and relevant topics (water protection and conservation, tariffs, financial balances, water culture, management and operation of community initiatives, management models and participation spaces: users' organisation, basin councils with UPHL scope and basin councils with DH scope, etc.). To this end, adapted educational and communication materials will be produced to make the training processes more concrete. In addition, service providers will be accompanied in the elaboration of their management plans. Finally, a communication and visibility plan for the project will be formulated and implemented, together with a series of technical publications.

➤ **Component 3: Development of replicability and project scaling-up systems**

The last component focuses on leveraging the project and being able to replicate the methodology developed and the results achieved in other river basin districts of the country. To achieve this, a comprehensive public policy proposal will be formulated to convert urban water systems for consumption and sanitation into sustainable development territories. In parallel, national, regional and international institutions and actors will be identified to mobilise financing, technical assistance and knowledge transfer. A proposal for a local financial mechanism for the conservation of water sources that supply drinking water systems will be formulated. Finally, a methodological guide will be developed for replication and scaling up for other drinking water and sanitation systems at the national level.

Actors involved

The project will be supervised by the Ministry of Environment, Water and Ecological Transition, and implemented through its delegation to an Implementing Partner. The actors involved in the project are:

- **The Ministry of Environment, Water and Ecological Transition (MAATE):** Single Water Authority that guarantees fair and equitable access to water, in quality and quantity, through policies, strategies and plans that enable a comprehensive and integrated management of Water Resources.
- **MAATE's Vice-Ministry of Water:** Entity responsible for the comprehensive and integrated management of water resources, through the Technical Under-Secretariats within the framework of their competencies. It is the main applicant, leader, beneficiary and supervising entity of the project before the AFD.
- **The Undersecretariat for Climate Change of the MAATE (SCC):** Technical entity responsible for climate change management at the national level.
- **The Implementing Agency:** implements cooperation projects, for greater equity, and the strengthening and articulation of permanent actors in Ecuador. It will be the recipient of funds by the consortium and will be administratively and financially responsible. It will ensure that the funds are used and executed in an effective and efficient manner, under AFD contracting rules, with annual financial reports and audited accounts;
- **The National Institute of Meteorology and Hydrology (INAMHI):** Entity responsible for the generation and dissemination of hydrometeorological information;
- **The Decentralised Autonomous Governments (GAD), Basin Councils, Water Boards, Rural Parish Councils, Municipal Councils, Provincial Councils and Regional Councils:** who enjoy political, administrative and financial autonomy, and are governed by the principles of solidarity, subsidiarity, inter-territorial equity, integration and citizen participation;
- **The Water Regulation and Control Agency (ARCA):** regulates and controls the comprehensive and integrated management of water resources, their uses, economic exploitation and the quality of water-related public services;
- **The European Union:** provides (EU) funding for the Euroclima+ programme as a whole, has delegated the implementation of the project to the AFD, but monitors the execution of each project by means of a set of indicators;
- **The French Development Agency (AFD):** implementing agency of the Euroclima+ programme by delegation of the EU, it manages the EU funds for the financing of the project.

Project management mode

The Ministry of Environment, Water and Ecological Transition (MATE) will select the Implementing Partner of the project through a transparent and objective selection process. The management of the funds will be articulated under the legal structure of a "partnership scheme" with the signature of the grant agreement between the AFD and MAATE, combined with the signature of a delegation contract between MAATE and the Implementing Partner. This grant agreement provides that MAATE will delegate the management and implementation of the grant to the Implementing Partner.

The project will maintain within its management model the following instances:

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- At the level of technical and strategic decisions on the project, a **Steering Committee**, chaired by the Vice-Minister of Water or his/her delegates, which meets biannually and in which participate AFD, MAATE Cooperation Directorate (with voice without vote), Implementing Agency through the Project Coordinator in his/her capacity as secretary of the Steering Committee (with voice and without vote). Its role is to approve operational plans and annual contracting plan, technical and financial reports, and to provide strategic guidance for the correct execution of the project and other strategic decisions for the correct development of the project;
- At the strategic and political level, a **Project Advisory Committee**, in which will participate: Municipal GADs, representatives of the beneficiary communities, who will be informed annually of the progress of the project to facilitate sectoral articulation, within the framework of the sectoral Policy Objectives.
- At the operational and implementation level, a coordination team, made up of technicians from the Executing Partner and the Ministry of Environment, Water and Ecological Transition. In the case of entities attached to INAMHI, ARCA. It meets monthly, and reports to the Committee on the technical and financial execution, the articulation at sub-national level, and the difficulties that may arise for the implementation of the Project. The Coordination Team will act under the guidelines of the Vice-Ministry of Water.

Monitoring and evaluation system

The project will be implemented in four water supply and sanitation systems in the hydrographic districts of Esmeraldas, Manabí, Guayas and Napo. It will directly benefit the urban population using the drinking water systems to be selected under the criteria of population of at least 50,000 inhabitants for each system and belonging to the above-mentioned districts.

A national monitoring system will be developed in conjunction with the EUCLIDES platform, prior to the signing of the agreement, built on the basis of the logical framework (and aligned with that of the urban water component) and the project's operational plan. The monitoring system with annual indicators and measurements will facilitate the reporting of progress of activities, outputs and outcomes. The frequency of reporting to account for technical and financial progress is six-monthly.

A mid-term self-assessment based on the progress of results is considered for the evaluation. In this self-evaluation, a participatory evaluation mechanism will be applied with the main actors of the project, consisting of focus groups in each prioritised area and a workshop to evaluate intermediate results, with recommendations. An annual accounting audit will also be carried out in accordance with the terms of the AFD financing agreement.

Expected results

The Implementing Agency together with MAATE will strive to achieve the expected results, the achievement of which will be assessed through the monitoring indicators related to each activity presented in the logical framework in Annex 5 of this agreement. These indicators will be evaluated at the end of the project.

Schedule 3 - Financing Plan

PART I - FINANCING PLAN

	Euroclima+	MAATE
Component A - Project administration (Implementing Agency)	320 000 €	- €
Component B - Project Financing (R1, R2, R3), audits, communication plan implementation	940 000 €	* 394 632 €
Contingencies	140 000 €	- €
SUB-TOTAL	1 400 000 €	* 394 632 €
TOTAL	1 794 632 €	

* In-kind MAATE contribution

PART II - ELIGIBLE EXPENSES

To be eligible the project expenses, must meet all of the following criteria:

- a) necessary for the implementation of the Project, directly related to the Project, resulting from its implementation and in fair proportion to the current use;
- b) incurred in accordance with the provisions of this Agreement;
- c) actually incurred by the Beneficiary, that is, they represent real costs undoubtedly and effectively assumed by the Beneficiary;
- d) reasonable, justified, in accordance with the principle of sound financial management and in accordance with the normal practices of the Beneficiary, regardless of the source of funding;
- e) incurred during the Implementation Period, with the exception of costs related to the final report, final evaluations, audits and other costs related to the closure of the Project that may be incurred after the Implementation Period;
- f) identifiable and supporting documents, particularly those determined and recorded in accordance with the Beneficiary's accounting practices;
- g) covered by one of the categories indicated in the financing plan in Schedule 3-Part I and by the activities described in Schedule 2;
- h) comply with applicable social legislation regarding fees and taxes.

PART III - NON-ELIGIBLE EXPENSES

- a) Bonds, provisions, reserves or costs not related to remuneration. Employer contributions to pension funds or other insurance funds managed by the Beneficiary may be eligible only to the extent that they do not exceed the actual payment made by these schemes and that the amount provided does not exceed the contribution that could have been made to an external fund.
- b) total cost of equipment or assets, unless such equipment or assets are specially purchased for the Project and their ownership is transferred in accordance with Article 4 of Schedule 7;
- c) taxes, fees, costs, including VAT, recoverable/deductible by the Beneficiary;

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- d) return of capital;
- e) costs related to debt or debt service;
- f) provisions for losses, debts or potential future losses;
- g) wage costs of national government staff.

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Schedule 4 - Conditions Precedent

The following applies to all documents delivered by the Beneficiary as a condition precedent:

- if the document which is delivered is not an original but a photocopy, the original Certified photocopy shall be delivered to the Agency;
- supporting documents such as memoires, paid invoices, may be presented in Certified copy or Certified duplicate form and must bear the relevant references and dates of payment orders;
- the final version of a document which draft was previously sent to, and agreed upon by the Agency, shall not materially differ from the agreed draft;
- documents not previously sent and agreed upon, must be satisfactory to the Agency in both form and substance.

PART I - CONDITIONS PRECEDENT TO BE SATISFIED ON THE SIGNING DATE

1. Signing and entry into force of the Contribution Agreement
2. Delivery by the Beneficiary to the Agency of the following documents:
 - a. A copy of the document by means of which the signatory is named as Ministry of the environment, water and ecologic transition;
 - b. a Certified copy of the relevant decisions required pursuant to the legislation of the jurisdiction of the Beneficiary approving the terms of this Agreement and its execution and authorising a specified person or persons to execute this Agreement on its behalf.

Should such decisions not be required under local regulations, the Beneficiary shall provide a certificate whereby it attests that all necessary authorizations for the execution and entry into force of this Agreement have been required.

PART II - CONDITIONS PRECEDENT TO THE FIRST DRAWDOWN

- A. Signing and entry into force of the Contribution Agreement
- B. Receipt by the Agency of the first instalment of the Grant funds from the European Union
- C. Delivery by the Implementing Agency to the Agency of the following documents:
 - 1) Evidence of any filing or registration, submission or publication requirements of this Agreement and payment of any stamp duty, registration fees or similar duties in connection with this Agreement, as applicable.
 - 2) Delivery to the Agency of the following Project Documents:
 - a) the procedures manual of the project;
 - b) a Certified copy of each Project Document duly signed by each party thereto;
 - c) evidence that all formalities required under the Project Documents for the entry into, performance and enforceability against third parties of such Project Documents have been satisfied; and

- d) evidence that any Authorization which the Agency considers necessary or desirable in connection with the entry into and performance of, and the transactions contemplated by, any Project Document and delivery of a Certified copy of any such Authorization.
- 3) Receipt by the Agency of the first instalment of the Grant funds from the European Union
- 4) A certificate issued by a duly authorised representative of the Beneficiary listing the person(s) authorised to sign, on behalf of the Beneficiary, this Agreement, the Drawdown requests and any certificate in connection with this Agreement and to take all other measures and/or sign all other necessary documents on behalf of the Beneficiary under this Agreement together with a specimen of the signature of each person listed in the certificate mentioned herein.
- 5) A Certified copy of the Mandate Agreement granted by the Beneficiary to the Implementing Agency submitted to the Agency for no objection, duly executed by the Beneficiary and the Implementing Agency.
- 6) A certificate of the Account Bank certifying that the Project Account has been opened in the name of the Project and providing account details for such Project Account.
- 7) A provisional forecast of expenditure for the duration of the Project.

PART III - CONDITIONS PRECEDENT FOR ALL DRAWDOWNS OTHER THAN THE FIRST DRAWDOWN

- A. Receipt by the Agency of relevant instalment of the Grant funds from the European Union
- B. In the event of Advances, delivery by the Implementing Agency to the Agency of the following documents:
 - 1) a certificate signed by a duly authorised representative of the Beneficiary certifying that at least eighty per cent (70%) of the Advance immediately preceding the Advance requested in the Drawdown request and one hundred per cent (100%) of the penultimate Advance have been utilised, including a detailed breakdown of the payment with respect to Eligible Expenses during the relevant period;
 - 2) all contracts and orders together with any plans and quotes (if applicable) previously provided to the Agency in accordance with, and as defined in, the Procurement Guidelines, in connection with the utilisation of the amounts of the Advance made available prior to the Drawdown request;
 - 3) evidence, in form and substance satisfactory to the Agency, that all relevant Eligible Expenses have been paid;
 - 4) the provisional forecast of expenses for the duration of the Project, updated on the relevant Drawdown date;
 - 5) a revised estimate of the Project costs as well as the Eligible Expenses; the latest annual statements provided in accordance with Clause 3.2.8 (*Control – audit*).

Schedule 5 - Form of Follow-up report of the Project' Indicator

INTERVENTION LOGIC	OBJECTIVELY VERIFIABLE INDICATORS	UNIT	TARGET	SOURCES OF VERIFICATION
1 Analysis of current and future climate and non-climate risk to local drinking water and sanitation systems	1.1 No. of climate and non-climate risk studies conducted, both current and future, on urban water supply and sanitation systems that consider adaptation and mitigation measures	Studies	4 current and future climate and non-climate risk studies of urban water supply and sanitation systems that consider adaptation and mitigation measures.	1. Systematised document of the secondary collection process. 2. Document of water diagnosis in each of the sources of water systems for human consumption. 3. Systematised document of the participatory identification of climatic and non-climatic hazards and uncertainties in the systems with a gender perspective. 4. Cartographic maps of drinking water systems (ecosystem, land use, land use, etc.) past and future projection. 5. Hydrological modelling documents adapted (calibrated) to drinking water systems. 6. Document of development and analysis of climate and non-climate risk impact scenarios for water stress tests using the hydrological models and/or analysis applied to the water supply systems. 7. Document for the development of climate/non-climate resilience and robustness scenarios for each the systems. 8. List of climate and non-climate change monitoring indicators with their baselines and application of the appropriate indicators to each drinking water system based on the scenarios and models. 9. Document of proposals for integrated solutions to adapt to and mitigate the effects of climate change and ensure the availability of water in the systems.
2 Portfolio of EBA good practices for equitable and resilient management of urban drinking water and sanitation systems	2.1 Nr. of good practice ABE portfolios formulated for urban drinking water and sanitation systems	Portafolios	At least 4 EBA good practice portfolios formulated for urban drinking water and sanitation systems.	1. Document of strategies for conservation, restoration and protection of water sources and their associated ecosystems to mitigate or adapt to climatic and non-climatic changes by drinking water system. 2. Contract for grey or green infrastructure; and/or service 3. Act of handover 4. Contracts for hydro-climatic stations for each of the urban water supply and sanitation systems.
3 Knowledge building and communication strategies	2.2 % progress in the implementation of the good practice portfolios	% Progress	At least 80% progress in the implementation of good practice portfolios.	
4 Replicability strategies and financing instruments to ensure the sustainability of the public policy	3.1 No. of educational materials developed for training processes.	Educational materials	At least 10 educational materials developed for training processes	1. Training needs document on the four drinking water systems. 2. Proposal of pedagogical and methodological design for the training processes, differentiated according to the target population and relevant topics. 3. Educational communication materials to be used in the training processes, considering previous experiences. 4. Attendance record of the training processes 5. Photographic record of training sessions 6. Minutes of meetings and/or agreements with the service providers for the elaboration of the management plans. 7. Publications
	3.2 No. of users strengthened in the integrated and integrated management of water resources and their associated ecosystems in water systems for human consumption	% of Users	At least 80% of users strengthened in the integrated and integrated management of water resources and their associated ecosystems of water systems for human consumption	
	3.3 No. of technicians trained in the integrated management of water systems for human consumption	% of Technicians	At least 80% of technicians trained in the integrated management of water systems for human consumption	
	3.4 No. of leaders trained, co-responsible for the integrated and integrated management of water resources	% of Leaders	At least 80% of leaders trained, co-responsible for the integrated and integrated management of water resources	
	3.5 No. of management plans formulated	Management plans	At least 4 management plans formulated	1. Documentation of a proposal for a comprehensive public policy to turn urban water systems for consumption and sanitation into sustainable development territories.
	3.6 No. of communication tools and publications produced and published (digital, printed)	Communication tools	At least 4 communication tools and publications produced and published (digital, printed)	2. Documentation of national, regional and international institutions and actors that show interest in financing, technical assistance and knowledge transfer for the replicability and scaling up of the methodology and mechanisms implemented.
	4.1 No. of public policy proposals	Policy proposals	At least 4 public policy proposals	3. Documentation of a proposal for a local financial mechanism for the conservation of water sources that supply drinking water systems.
	4.2 No. of actors related to other local, regional, national or international initiative with interest in financing	Actors	At least 3 actors related to another local, regional, national or international initiative with funding interest	
	4.3 No. of proposals for financial mechanisms for the conservation of water sources that supply the four drinking water systems	Financial proposals	At least one proposal for financial mechanisms for the conservation of water sources that supply the four drinking water systems	
	4.4 No. of proposals for replication and scaling up	Proposals for replication	At least one proposal for replication and scaling up	

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Schedule 6 - Information that the Agency is authorized expressly to disclose on the Agency's Website (in particular on its open data platform)

1. Information relating the Project
 - Number and name in the Agency's register;
 - Description;
 - Operating sector ;
 - Place of implementation ;
 - Expected project starting date ;
 - Deadline fo Implementation of the Project;
 - Expected Technical Completion Date; and
 - Status of implementation updated on a semi-annual basis.
2. Information relating to the financing of the Project
 - Kind of financing (loan, grant, co-financing, delegated funds);
 - Principal amount of the Grant;
 - Total amount drawn on annual basis;
 - Drawdown amounts planning on a three (3) year basis; and
 - Amount of the Grant which has been drawdown (updated as the implementation of the Project is carried out).
3. Other information
 - Transaction information notice attached to this Schedule; and
 - The summary of the Project evaluation, as set out in Article 6.14 (*Project Evaluation*)

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Schedule 7 - List of undertakings applicable to the Beneficiary under the Financing by the European Union

1. Conflict of interests

- 1.1. The Beneficiary undertakes to refrain in accordance with its regulations and rules, from any action which may give rise to a conflict of interests.
- 1.2. There is a conflict of interests when the impartial and objective exercise of the functions of any person implementing the Agreement is compromised.

2. Data protection

The Beneficiary undertakes to ensure appropriate protection of personal data. Personal data means any information relating to an identified or identifiable natural person. Personal data shall be:

- processed lawfully, fairly and in a transparent manner in relation to the data subject;
- collected for specified, explicit and legitimate purposes and not further processed in a manner that is incompatible with those purposes;
- adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed;
- accurate and, where necessary, kept up to date;
- kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed; and
- processed in a manner that ensures appropriate security of the personal data.

3. Communication and visibility

- 3.1. The Beneficiary undertakes to implement the communication and visibility plan detailed in Schedule 8 of this Agreement, as amended by agreement where appropriate.
- 3.2. Unless the Agency or the Commission requests or agrees otherwise, the Beneficiary shall take all appropriate measures to publish the fact that the Project has received funding from the European Union. Information given to the press and to the contractors, as well as related publicity material, official notices, reports and publications shall acknowledge that the Project was carried out "*with funding by the European Union*" and shall display the European Union logo (twelve yellow stars on a blue background) in an appropriate way. Publications by the Beneficiary pertaining to the Project, in whatever form and whatever medium, including the internet, shall carry the following disclaimer: "*This document was produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union.*" Such measures shall be carried out in accordance with the Communication and Visibility Manual published by the European Commission or with any other guidelines agreed between the European Commission and the Agency and shared with the Beneficiary.
- 3.3. If during the implementation of the Project, equipment, vehicles or major supplies are purchased using European Union funds, the Beneficiary shall display appropriate acknowledgment on such vehicles, equipment or major supplies, including the display of the European Union logo (twelve yellow stars on a blue background). Where such display could jeopardise the Beneficiary's privileges and immunities or the safety of the Beneficiary's staff, the Beneficiary shall propose appropriate alternative arrangements. The acknowledgment and the European Union logo shall be such a size and prominence as to be clearly visible in a manner that shall not create any confusion regarding the identification of the Project as an

activity of the Beneficiary, the ownership of the equipment, vehicles or major supplies by the Beneficiary.

- 3.4. In case the equipment, vehicles or remaining major supplies purchased using European Union funds have not been transferred local authorities, local beneficiaes or final beneficiaires, when submitting the General Implementation Report, the visibility requirements as regards this equipment, vehicles or major supplies (in particular display of the European Union logo) shall continue to apply between the submission of the final report and the end of the Project, if the latter is longer.
- 3.5. Unless otherwise provided for, if disclosure risks threatening the Beneficiary or harming its interests, the Beneficiary agrees that the Commission publishes in any form and medium, including on its internet sites, the name and address of the Beneficiary, the purpose and amount of the European Union contribution.
- 3.6. The Beneficiary shall ensure that reports, publications, press releases and updates relevant to the Project are communicated to the following addresses adesses set out in Clause 10.1 (*Written Notices*) when they are issued.
- 3.7. The Agency and the Beneficiary will consult immediately and strive to remedy any detected shortcoming in implementing the visibility requirements set out in this clause and without prejudice to measures the Agency or the European Union may take in case of substantial breach of an obligation.

4. Ownership, rights to use results and transfer of equipment

Right to use

- 4.1. Ownership of the results of the Project is not conferred on the Commission or the Agency. Notwithstanding the provisions subject to Clause 9.8 (*Confidentiality - Disclosure of information*) of the Agreement, the Beneficiary undertakes to grant, and to ensure that the third party concerned (contractors) grant the Agency and/or the Commission the right to use free of charge those results, including reports and any related documents which are subject to industrial or intellectual property rights.
- 4.2. Where the results mentioned in section 4.1 include pre-existing rights and the Beneficiary cannot warrant the Agency and/or the Commission the right to use such results, the Beneficiary undertakes to inform in writing the Agency and the Commission.

Transfer

- 4.3. The equipment, vehicles and remaining major supplies purchased with the European Union contribution disbursed by the Agency in the the framework of the Project shall be transferred to local authorities, local beneficires, at the latest when submitting the General Implementation report.
- 4.4. The documentary proof of those transfers shall not be presented with the final reports, but shall be kept for the verification for the duration and along with the documents mentioned in section 5.2 below.
- 4.5. By way of derogation from section 4.3, the equipment, vehicles and remaining major supplies purchased with the European Union contribution disbursed by the Agency in the framework of the Project which continue after the end of the implementation period may be transferred at

the end of the Project. The Beneficiary undertakes to inform the Agency on the use of the equipment, vehicles and remaining major supplies in the General Implementation Report.

5. Accounts and archiving

Accounting

- 5.1. The Beneficiary shall keep accurate and regular records and accounts of the implementation of the Project. The accounting regulations and rules of the Beneficiary shall apply, provided that these regulations and rules conform to internationally accepted standards. Financial transactions and financial statements shall be subject to the internal and external auditing procedures laid down in the regulations and rules of the Beneficiary.

Archiving

- 5.2. For a period of five (5) years from the termination date of this Agreement as set out in article 11.1 (*Entry into Force and Duration*) of the Agreement and in any case until any on-going audit, verification, appeal, litigation or pursuit of claim or investigation by the European Anti-Fraud Office (OLAF), if notified to the Participant, has been disposed of, the Beneficiary undertakes to keep and make available to the Agency and/or the European Union all relevant financial information in its original form or in the form of a copy relating to the Agreement, the Project and any public contract concluded under the Agreement.

6. Access and financial checks

- 6.1. The Beneficiary allows the Agency, the Commission and the European Court of auditors, or any authorised representatives to conduct desk reviews and on-the-spot checks on the use made of European Union contribution (including procedures for the award of procurement contracts and grants) on the basis of supporting accounting documents and any other documents related to the financing of the Project.
- 6.2. The Beneficiary agrees that OLAF may carry out investigations, including on-the-spot checks, in accordance with the provisions laid down by European Union law for the protection of the financial interests of the European Union against fraud, corruption and any other illegal activity and, where applicable, any administrative cooperation arrangements concluded between OLAF and the Beneficiary anti-fraud bodies.
- 6.3. The Beneficiary agrees that the execution of this Agreement may be subject to review by the European Court of Auditors when the latter carries out an audit of the implementation of the European Union's expenditure by the European Commission. In this case, the Beneficiary provides the European Court of Auditors with access to the information it needs to fulfill its mission.
- 6.4. To that end, the Beneficiary shall provide the Agency, officials of the Commission, OLAF and the European Courts of Auditors and their authorised agents, upon request, information and access to any documents and computerised data concerning the technical and financial management of operations financed under the Agreement, as well as grant them access to sites and premises at which such operations are carried out. The Parties shall take all necessary measures to facilitate these checks in accordance with its regulations and rules. The documents and computerised data may include information which the Beneficiary considers confidential in accordance with its own established regulations and rules or as governed by contractual agreement. Such information once provided to the Agency, the Commission, OLAF, the European Courts of Auditors, or any other authorised representatives, shall be treated in accordance with European Union confidentiality rules. Documents must be accessible and filed in a manner permitting checks, the Final Beneficiary being bound to inform the Agency, the Commission, OLAF or the European Court of Auditors of the exact location at which they

are kept. Where applicable, the parties may agree to send copies of such documents for a desk review.

- 6.5. The Agency and/or the Commission shall inform the Beneficiary of the planned on-the-spot missions by agents appointed by the Commission in due time in order to ensure adequate procedural matters are agreed upon in advance.

7. Ex-post publication of information on contractors

- 7.1. The Beneficiary shall publish, on an annual basis, on its website, the following information on procurement contracts exceeding fifteen thousand euros (EUR 15.000): title of the contract/project, nature and purpose of the contract/project, name and locality of the contractor and amount of the contract/project. The term "locality" shall mean the address for legal persons and the region on NUTS 2² level, or equivalent, for natural persons. This information shall not be published for scholarships paid to natural persons and other direct support paid to natural persons in most need. This information shall be published with due observance of the requirements of confidentiality security and in particular the protection of personal data. Such publication is not mandatory if disclosure of the relevant information may endanger rights and freedoms, as protected by the European Union Fundamental Rights Charter, or to be prejudicial to the commercial interests of contractors or of beneficiaries of the Grant.
- 7.2. The Beneficiary undertakes to provide the Agency and the Commission with the address of the website where such information can be found and authorises the publication of such address on both the Agency and the Commission' websites.

8. Central exclusion Database

- 8.1. The Beneficiary undertakes to inform the Agency if, in relation to the implementation of the Project, it has detected a situation of exclusion pursuant to Clause 6.13(c) (*Undertakings with respect to the Financing of the Project by the European Union*) of this Agreement, or it has detected a Fraud and/or an irregularity. The Agency shall inform the Commission of the detected situation. This information may be used by the Commission for the purpose of the Early Detection and Exclusion System. The Beneficiary shall inform the Agency when it becomes aware that transmitted needs to be rectified updated or removed. The Beneficiary shall ensure that the entity concerned is informed that its data was transmitted to the Agency and the Commission and may be included in the Early Detection and Exclusion System and published on the Commission's website. These requirements cease at the end of the implementation period of the Project.

9. Obligations regarding information and reporting

- 9.1. Pursuant to Clause 7.1 (*Progress report*) of the Agreement, the Beneficiary undertakes to provide the Agency with full information on the implementation of the Project by submitting progress report(s) and a General Implementation Report in accordance with the provisions below. These reports shall consist of a narrative part and a financial part.
- 9.2. Every report, whether progress or final, shall provide a complete account of all relevant aspects of the implementation of the Project for the period covered. The report shall describe the implementation of the Project according to the activities envisaged in Schedule 2 (*Description*

² Nomenclature of Territorial Units for Statistics, available at: <http://ec.europa.eu/eurostat/ramon> - May 2015

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of the Project) as well as the degree of achievement of its results as measured by corresponding indicators. The report shall be laid out in such a way as to allow monitoring of the objective(s), the means envisaged and employed. The level of detail in any report shall match that of Schedules 2 and 3 of this Agreement.

9.3. The progress report(s) shall directly relate to the Agreement and shall at least include:

- a) summary and context of the Project;
- b) actual results: follow up of Project's indicators;
- c) activities carried out during the reporting period;
- d) information on the implementation of the visibility and communication plan and any additional measures taken to identify the European Union as source of financing;
- e) as in the case may be an update of this leverage effect for the entire financings, with respect to the applicable methodology.
- f) information on the implementation of the visibility and communication plan and any additional measures taken to identify the European Union as source of financing
- g) information on the implementation costs incurred as well as legal commitments entered into by the Beneficiary during the reporting period;
- h) a summary of controls carried out, and available final audit reports; ; Where errors and weaknesses in systems were identified, analysis of their nature and extent as well as information on corrective measures taken or planned shall also be provided;
- i) work plan and provisional budget for the following period.

9.4. The General Implementation Report shall include the following points covering the entire period of implementation:

- a) all the information requested in the progress reports except the work plan and provisional budget;
- b) a summary of the Project's receipts, payments received and of the eligible costs incurred If relevant, details of transfers of equipment, vehicles, and remaining major supplies mentioned in section 3 (*Communication and visibility*) above.
- c) as the case may be, an update of this leverage effect for the entire financings, with respect to the applicable methodology;
- d) the exact link to the webpage where, according to section 7.1 of this Schedule, information on grant beneficiaries and contractors is available;
- e) If relevant, details of transfers of equipment, vehicles, and remaining major supplies mentioned in section 3 (*Communication and visibility*) of this Schedule.



Ministerio del Ambiente, Agua y Transición Ecológica del Ecuador

EUROCLIMA+ Strengthening GAM's ASADAS and peripheral cities to improve their management and resilience to climate change

Project context and issues

The project was selected in the framework of a call for proposals "EUROCLIMA + Water management from an urban resilience perspective", funded by the European Union and implemented by the AFD. In Ecuador, the Basin Councils aim to facilitate and guide, in an organised, transparent and inclusive manner, the functioning and work of the User Organisations, the Basin Councils with a scope of UPHL (Local Hydrographic Planning Unit) or Basin District (Demarcación Hidrográfica in Spanish). However, these organisations lack the appropriate methodological tool to guide and facilitate the participation of the different stakeholders in an active, orderly, transparent and inclusive manner based on collectively defined objectives and activities.

Project objectives and content

The objective of the project is to identify methodological mechanisms for the design and implementation of climate change policies for the water sector, in order to increase adaptive capacity and/or resilience by implementing actions such as water source conservation and drinking water supply, and urban sanitation projects, which in most water infrastructure have not considered current and future climate and non-climate hazards.

The project consists of 3 components:

- **Mechanisms for resilience to climate and non-climate events in water supply and sanitation systems:** develop a climate risk methodology and develop an action plan and a portfolio of innovative nature-based solutions to strengthen watershed management;
- **Capacity building of actors linked to urban water supply and sanitation systems in water resource management:** design and implement the pedagogical strategy and climate change modules for operationalisation in the Water School, and integrate climate and non-climate vulnerabilities in territorial diagnoses and the risk management plan;
- **Project replicability and scaling-up systems:** disseminating and increasing the visibility and knowledge of project results, and strengthening strategic alliances.

Stakeholders and modus operandi

The project will be supervised by the Ministry of Environment, Water and Ecological Transition, and implemented through its delegation to an Implementing Agency. The actors involved in the project are:

- The **Ministry of Environment, Water and Ecological Transition (MAATE)**: Single Water Authority that guarantees fair and equitable access to water, in quality and quantity, through policies, strategies and plans that allow for a comprehensive and integrated management of Water Resources.
- The **Implementing Agency**: implements cooperation projects, for greater equity, and the strengthening and articulation of permanent actors in Ecuador. It will be the recipient of funds by the consortium and will be administratively and financially responsible. It will ensure that the funds are used and executed in an effective and efficient manner, under AFD contracting rules, with annual financial reports and audited accounts;
- The **National Institute of Meteorology and Hydrology (INAMHI)**: Entity responsible for the generation and dissemination of hydrometeorological information;

- The **Decentralised Autonomous Governments (GAD), Basin Councils, Water Boards, Rural Parish Councils, Municipal Councils, Provincial Councils and Regional Councils**: who enjoy political, administrative and financial autonomy, and are governed by the principles of solidarity, subsidiarity, inter-territorial equity, integration and citizen participation;
- The **Water Regulation and Control Agency (ARCA)**: regulates and controls the comprehensive and integrated management of water resources, their uses, economic exploitation and the quality of water-related public services;
- The **European Union**: provides (EU) funding for the Euroclima+ programme as a whole, has delegated the implementation of the project to the AFD, but monitors the execution of each project by means of a set of indicators;
- The **French Development Agency (AFD)**: implementing agency of the Euroclima+ programme by delegation of the EU, it manages the EU funds for the financing of the project.

The project will have a duration of 36 months.

Cost and financing

The total amount of the project is 1.794.632 euros, the funding from EUROCLIMA+ is 1.4 million euros.

Main expected effects

The project is expected to develop instruments and tools to improve water management services, as well as develop baseline and pre-feasibility studies to build innovative infrastructures. This will result in the restoration and protection of watershed areas, together with a comprehensive capacity building programme for beneficiaries and civil society organisations, along with appropriate communication tools and publications. Finally, the project will contribute to the development of a comprehensive public policy proposal and sustainable financial instruments, in order to mobilise public resources and leverage private investments to scale up and replicate project results.

Schedule 8 - Communication and visibility plan

The following proposal is a basic guide to establish the structure, objectives, stages, processes and results evaluation of the final communication strategy for the Project to develop methodological mechanisms for the design and implementation of climate change policies for the water sector, in order to increase the adaptive capacity and/or resilience when implementing actions.

The proposal of the Communication and Visibility Plan (CVP) incorporates and follows all the communication and visibility guidelines suggested by the Euroclima+ Secretariat, the AFD, the European Union and the MAATE, and a full CVP will be developed and implemented over the project.

Structure of the Communication and Visibility Plan

The communication plan aims:

➤ General Objective

To generate a constant and clear flow of reciprocal information between all the actors in the project, both internally and externally, thus seeking to maintain an information channel that nourishes all the actors with vital information that will allow them to make the best decisions for the development of the project, as well as to evidence and communicate on the progress and various vital milestones in the course of the project.

➤ Internal Communication Objective

- To define the different languages according to the different target audiences in order to create homogeneous discourses that allow an easy understanding of the shared information and reduce uncertainty and confusing messages, to understand the objectives to be fulfilled, the norms and values to be respected within the project and to generate a climate of belonging.
- Create mechanisms, channels and communication systems that allow a constant flow of information according to the progress and time of the project. This information could be kept in easily accessible databases for all target audiences. In addition, they should allow direct interaction with the different actors, where they can share concerns, observations and recommendations and thus help focus attention on substantive activities and ensure that communication flows efficiently.

➤ Objective External Communication

- Create a mapping to identify all potential actors and representatives who should be involved in the process at the external level.
- Analyze, identify and define the different target audiences needed to address strategically in order to define the best mechanisms, channels and information products needed to deliver the desired messages, while maintaining the guidelines previously established in all the project's information products.

Target Audiences

A comprehensive study of target audiences is necessary to effectively define all key actors, but the following are considered vital:

➤ Interns

- Euroclima officers ;
- Euroclima communication equipment ;
- MAATE's officials, including the Minister office and appropriate sub-management areas;
- Officials of the National Institute of Meteorology and Hydrology (INAMHI);
- Officials of the Development Bank of Ecuador;
- Representatives of Decentralized Autonomous Governments (GAD), Watershed Councils, Water Boards.;
- Officials of the Water Regulation and Control Agency (ARCA),
- Euroclima Focal Points in Ecuador;
- Implementing agency work team.

➤ *External*

- Different levels of elected representatives of the cantons of Portoviejo, Guaranda, Esmeraldas and Lago Agrio;
- Community leaders ;
- Overall population and drinking water users.

➤ **Tools**

Constant documentation of the project activities is necessary, through photographs and videos. It is recommended to document the workshops, the beginning and end of the implementation of the tools, the tours, to record at least one training workshop in a complete way and in general to follow up the day-to-day activities of the project. This helps a lot as a basis for producing communication materials. Due to the characteristics of the project it is vital to have a digital platform, either a website or a landing page specific to the project, supported by profiles in social networks. Since the website is not financed by the Project, a good option is to create a "landing page" from the MAATE website. This must include a link to the Program: www.euroclimaplus.org.

The use of printed and virtual products, press releases, audiovisuals and public events (which may include promotional and informational activities) is also recommended. These should be defined according to the final schedule of the Project.

➤ **Monitoring and Evaluation System**

It is necessary to create a system to monitor all activities and to disseminate the various communication products. In addition, it should serve to assess the effectiveness of these products in order to find opportunities for improvement. It is recommended that the system be incorporated into the same project schedule.

➤ **Human Resources**

The implementing agency, in coordination with the technical team of the MAATE in charge of the project, will provide all the communication services needed, including a communication professional during all the Project period and any other service needed. These services may include but are not limited to: graphic design, social media administrator, audiovisual producer.