PUBLIC
SIMULTANEOUS DISCLOSURE

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ECUADOR

SUPPORT FOR FINANCING THE PURCHASE OF COVID-19 VACCINES

(EC-U0003)

LOAN PROPOSAL

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CONTENTS

APPENDICES

ANNEXES	
Annex I	Summary Development Effectiveness Matrix
Annex II	Results Matrix
Annex III	Fiduciary Agreements and Requirements

REQUIRED LINKS	
#1	Monitoring and evaluation plan

OPTIONAL LINKS	
#1	Economic analysis of the project
#2	Initial draft of the National Plan for COVID-19 Vaccination and Vaccine Deployment
#3	Draft program Operating Regulations
#4	Safeguard policy filter and safeguard screening form

ABBREVIATIONS

CGE	Contraloría General del Estado [Office of the Comptroller General of the Nation]
COPLAFIP	Código Orgánico de Planificación y Finanzas Públicas [Basic Code of Planning and Public Finances]
COVAX	COVID-19 Vaccine Global Access Facility
CPA	Committed purchase agreement
DNA	Deoxyribonucleic acid
EOP	End of period
e-SIGEF	Sistema Integrado de Gestión Financiera [Integrated Financial Management System]
EUL	Emergency use listing (WHO)
GAVI	Gavi, the Vaccine Alliance
IDB	Inter-American Development Bank
IMF	International Monetary Fund
INEC	Instituto Nacional de Estadística y Censos [National Statistics and Census Institute]
MEF	Ministerio de Economía y Finanzas [Ministry of the Economy and Finance]
mRNA	Messenger ribonucleic acid (messenger RNA)
MSP	Ministerio de Salud Pública [Ministry of Public Health]
PAHO	Pan American Health Organization
PCR	Polymerase chain reaction
PMR	Progress monitoring report
SAGE	Strategic Advisory Group of Experts on Immunization of the WHO
SINAFIP	Sistema Integrado de Administración de las Finanzas Públicas del Ecuador [Integrated Public Finance Management System of Ecuador]
SIR	Susceptible – Infectious – Recovered
SRA	Stringent regulatory authority
UNICEF	United Nations International Children's Emergency Fund
WHO	World Health Organization

PROJECT SUMMARY

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<table>
<tr><th colspan="5">Credit Guarantee for Investment Projects</th></tr>
<tr><th colspan="5">Financial Terms and Conditions</th></tr>
<tr><td colspan="3" rowspan="2">Issuer of guarantee:
Inter-American Development Bank (IDB)</td><td colspan="2">Flexible Guarantee Instrument[a]</td></tr>
<tr><td>Maximum guarantee period:</td><td>Up to 25 years</td></tr>
<tr><td colspan="3">Secured debtor and counter-guarantor:
Republic of Ecuador</td><td>Original weighted average life:</td><td>Up to 15.25 years</td></tr>
<tr><td colspan="3">Secured creditor:
Gavi, the Vaccine Alliance (GAVI)</td><td>Guarantee fee:</td><td>[a]</td></tr>
<tr><td colspan="3">Executing agency:
Ministry of Public Health (MSP)</td><td>Standby fee:</td><td>[a], [b]</td></tr>
<tr><td colspan="3" rowspan="2">Secured obligations:
Future payment obligations for vaccine purchase under the Committed Purchase Agreement signed by the secured debtor and secured creditor[e]</td><td>Inspection and supervision fee:</td><td>[a]</td></tr>
<tr><td>Approval currency:</td><td>U.S. dollars</td></tr>
<tr><td>Source</td><td>Amount (US$)</td><td>%</td><td rowspan="3">Period for repayment of a potential claim on the guarantee:</td><td rowspan="3">Up to the remainder of the amortization period once a claim has been paid, provided the original weighted average life is not exceeded</td></tr>
<tr><td>IDB (Ordinary Capital):</td><td>63,161,940</td><td>100</td></tr>
<tr><td>Total:</td><td>63,161,940</td><td>100</td></tr>
<tr><th colspan="5">Project at a Glance</th></tr>
<tr><td colspan="5">Project objective/description: The general objective of this project is to help reduce morbidity and mortality caused by COVID-19. The specific objective of the operation is to support efforts to break the disease's chain of transmission.</td></tr>
<tr><td colspan="5">Special contractual conditions precedent to issuance of the guarantee: Issuance of the guarantee will be subject to the following conditions: (i) the MSP has presented, to the Bank's satisfaction, a draft national plan for COVID-19 vaccination and vaccine deployment (optional link 2) that follows the international guidelines for such plans; (ii) the MSP has approved the program Operating Regulations (optional link 3) in accordance with terms previously agreed upon with the Bank; (iii) the Bank and the secured creditor have negotiated the guarantee contract under terms satisfactory to the Bank; and (iv) the Bank and the counter-guarantor have entered into a counter-guarantee contract under terms acceptable to the Bank (paragraph 3.3).</td></tr>
<tr><td colspan="5">Exceptions to Bank policies: None.</td></tr>
<tr><th colspan="5">Strategic Alignment</th></tr>
<tr><td>Challenges:[c]</td><td colspan="2">SI ☒</td><td colspan="2">PI ☐</td><td>EI ☐</td></tr>
<tr><td>Crosscutting themes:[d]</td><td colspan="2">GD ☐</td><td colspan="2">CC ☐</td><td>IC ☐</td></tr>
</table>

[a] The guarantee, standby, and inspection and supervision fees will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with applicable policies.

[b] The standby fee will be equal to the credit fee for sovereign guaranteed loans and will accrue from the effective date of the guarantee contract. It is calculated on the difference between the amount of the guarantee as issued and its callable amount at any given moment.

[c] SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

[d] GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

[e] This operation is aligned with the principles established in the Proposed Policy for a Flexible Guarantee Instrument for Sovereign Guaranteed Operations (document GN-2729-2) and its Operational Guidelines, Guarantee Instruments for Sovereign Guaranteed Operations (document GN-2729-4) (see paragraph 2.1).

I. Description and Results Monitoring

A. Background, problem addressed, and rationale

1.1 **Context of the pandemic.** On 11 March 2020, the World Health Organization (WHO) designated the outbreak of COVID-19, a disease caused by the respiratory virus SARS-CoV-2, to be a pandemic. To date (16 February), more than 108 million cases have been confirmed, resulting in more than 2.3 million deaths.[1] Latin America and the Caribbean has become one of the hardest hit regions, with over 20.3 million confirmed cases of COVID-19 and over 645,000 deaths.[2]

1.2 **Social and economic impact.** COVID-19 will have major economic impacts. The most recent projections from the International Monetary Fund (IMF) for Latin America and the Caribbean indicate a contraction of 8.1% in gross domestic product (GDP) in 2020 and growth of 3.6% in 2021. In the medium term, the recovery will be slow, with most countries not expected to achieve pre-pandemic levels of GDP growth until 2023. IDB estimates for Latin America and the Caribbean forecast an increase in poverty from 23.8% in a pre-pandemic base case scenario to 30.8% in the COVID-19 scenario.[3] Likewise in Ecuador, the health crisis continues to hamper economic growth, poverty reduction, job creation, and government revenue, placing increasing pressure on the country's public finances.[4] For 2020, the IMF put the contraction in the country's GDP at around 9.5%[5] and its external debt at 68% of GDP. Unemployment stood at 6.6% in September 2020 (down from 13.3% in May/June of the same year). The United Nations International Children's Emergency Fund (UNICEF) forecasts that extreme poverty in Ecuador will increase by 80% and poverty by 38%,[6] unraveling virtually all the progress made over the past 10 years.

1.3 **Possible public policy responses to break the chain of transmission of the virus.** The nonpharmaceutical measures (hygiene, social distancing, etc.) that can be taken in different epidemiological contexts are essential for slowing the rate of transmission of the virus and preventing a collapse of the healthcare system and

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1 WHO Coronavirus disease (COVID-19) situation reports.

2 PAHO COVID-19 daily update.

3 See Acevedo et al. (2020), Implicaciones sociales del COVID-19: Estimaciones y alternativas para América Latina y el Caribe.

4 Inter-American Development Bank (2020): COVID-19: el impacto del shock externo sobre las economías de la región andina. Discussion paper.

5 This estimate, from 21 December 2020, represents an improvement over the October 2020 forecast, which was -11.0%. Regional Economic Outlook for Western Hemisphere: Pandemic Persistence Clouds the Recovery.

6 Extreme poverty will rise from 10.7% to 19.2% and poverty will climb from 27.2% to 38.4%, increases of 80% and 38%, respectively, according to UNICEF (2020), El choque COVID-19 en la pobreza, desigualdad y clases sociales en el Ecuador. For methodological reasons, UNICEF's estimates of poverty and extreme poverty are slightly higher than INEC's. However, it is believed that the projected impact of COVID-19 will be qualitatively similar in both measures.

its capacity to treat patients.[7] [8] [9] [10] However, in the medium and long run, these measures are inadequate and difficult to maintain from a social and economic standpoint, such that the number of cases, the number of deaths, and the number of individuals who survive COVID-19 but with long-term adverse health consequences are expected to continue to climb around the world and in Latin America and the Caribbean. With this in mind, access to safe and effective vaccines for preventing COVID-19 is the most powerful policy response available for reducing morbidity and mortality resulting from COVID-19 and breaking the chain of transmission of SARS-CoV-2.[11]

1.4 **Importance of vaccines against COVID-19.** The SARS-CoV-2 virus can be spread from person to person through respiratory secretions[12] and direct contact. In addition, infected people may be asymptomatic, which makes it hard to identify carriers. The ease with which the virus spreads, coupled with the existence of asymptomatic cases, makes vaccination even more important for containing this virus, as opposed to other types. The Ebola virus, for instance, is spread through direct contact with blood, secretions, and other bodily fluids and has a high fatality rate (50% compared with an estimated 0.5% to 1% in the case of COVID-19[13)] and therefore a low transmission rate, which decreases the probability of a pandemic.[14] In contrast, the medium rates of transmission and mortality associated with COVID-19 conspired to quickly produce a sustained global pandemic in 2020, with ongoing high rates of transmission leading to second and third waves of widespread disease, as in Europe at present. Against this backdrop, which is further complicated by an ongoing lack of prevention and treatment options and the limited response capacity of healthcare systems, the development and initial approval of the first vaccines against COVID-19 has raised expectations of being able to mitigate the health and economic impacts of the pandemic.

1.5 **Advances in vaccine development.** During 2020, scientists, pharmaceutical companies, and governments worked at an unprecedented pace to develop vaccines against COVID-19. Globally, a total of 64 vaccine candidates using five different technologies (mRNA, DNA, viral vectors, protein-based, inactivated) are being tested in clinical trials. Of these, 21 have entered phase III or phase II/III trials,[15] 3 have been authorized for emergency use by one or more stringent

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7 Hellewell, J., Abbott, S., Gimma, A., Bosse, N.I., Jarvis, C.I., Russell, T.W., et al. Feasibility of controlling COVID-19 outbreaks by isolation of cases and contacts. *Lancet* 2020; 8(4):488-496. doi:10.1016/S2214-109X(20)30074-7.

8 Day, T., Park, A., Madras, N., Gumel, A., Wu, J. When Is Quarantine a Useful Control Strategy for Emerging Infectious Diseases? *American Journal of Epidemiology* 2006; 163(5): 479–485. doi:10.1093/aje/kwj056.

9 Ferguson, N., Cummings, D., Fraser, C., Cajka, J.C., Cooley, P.C., Burke, D.S. Strategies for mitigating an influenza pandemic. *Nature* 2006; 442:448–452. doi:10.1038/nature04795.

10 Dénes, A., Gumel, A. Modeling the impact of quarantine during an outbreak of Ebola virus disease. *Infectious Disease Modelling* 2019; 4:12-27. doi:10.1016/j.idm.2019.01.003.

11 Bartsch, S.M. et al. 2020.

12 WHO Frequently asked questions on COVID-19.

13 WHO Estimating mortality from COVID-19. Scientific Brief.

14 https://www.bbc.com/mundo/noticias-51614537.

15 WHO (2020). Landscape of candidate vaccines in clinical development. 22 January 2021.

regulatory authorities[16] (SRA),[17] and 1 has been authorized by the WHO for emergency use.[18]

1.6 **Challenging conditions in the vaccine market.** Low- and middle-income countries face special challenges in gaining access to the vaccine market. In 2020, acting on safety and efficacy concerns regarding the vaccines under development by different pharmaceutical companies, the world's high-income countries and some middle-income countries negotiated advance purchase agreements by investing in a portfolio of candidate vaccines, in order to cover more than 100% of their populations.[19] This surfeit of demand may prevent low- and middle-income countries from obtaining sufficient vaccine doses and/or delay their access.[20] The purpose of the COVID 19 Vaccine Global Access Facility (COVAX) is to ensure that these countries obtain access to safe and effective vaccines on a faster timeline, at least for their highest-priority communities.

1.7 **COVID-19 Vaccine Global Access Facility (COVAX).**[21] The COVAX mechanism aggregates demand and resources to provide availability and equitable access for all economies to COVID-19 vaccines. The mechanism is administered by Gavi, the Vaccine Alliance (GAVI), a nonprofit foundation based in Switzerland. It is the only multilateral platform available for all countries in Latin America and the Caribbean to obtain early access to a safe and diversified portfolio of potential vaccines. COVAX is helping to accelerate the development of effective vaccines through investments in a diversified portfolio of vaccine candidates, maximizing the likelihood of success and expanding production capacity. The mechanism plans to guarantee a supply of vaccines for the participating economies (at least 20% of the population of each country) through self-financing or subsidized financing (for eligible economies). As a target, it seeks to provide 2 billion doses of vaccine by the end of 2021 to participating countries around the world (including 1.3 billion doses for the subsidized countries).[22] GAVI applies technical eligibility criteria for the vaccines that it will acquire through the COVAX mechanism. The WHO will grant a prequalification for vaccines acquired through the COVAX mechanism, following the WHO target product profile for COVID-19 vaccines and the recommendations of the WHO Strategic Advisory Group of Experts on Immunization (SAGE).[23] Alternatively and on an exceptional basis, the vaccine

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16 The updated list of stringent regulatory authorities can be found at: https://www.who.int/medicines/regulation/sras/en/

17 For more information on the authorization status of vaccines by SRAs in the United States, see: https://www.fda.gov/emergency-preparedness-and-response/coronavirus-disease-2019-covid-19/covid-19-vaccines; for the United Kingdom, see: https://www.nhs.uk/conditions/coronavirus-covid-19/coronavirus-vaccination/coronavirus-vaccine/?priority-taxon=774cee22-d896-44c1-a611-e3109cce8eae; and for Canada, see: https://www.canada.ca/en/health-canada/news/2020/12/health-canada-authorizes-first-covid-19-vaccine0.html.

18 https://extranet.who.int/pqweb/vaccines/who-recommendation-covid-19-mrna-vaccine-nucleoside-modified-comirnaty.

19 https://launchandscalefaster.org/COVID-19.

20 https://globalhealth.duke.edu/news/will-low-income-countries-be-left-behind-when-covid-19-vaccines-arrive.

21 https://www.gavi.org/vaccineswork/covax-explained.

22 https://www.gavi.org/news/media-room/covax-announces-additional-deals-access-promising-covid-19-vaccine-candidates-plans.

23 SAGE was established by the Director-General of the WHO in 1999 to provide guidance on the work of what is now the Immunization, Vaccines, and Biologicals Department. It is the principal advisory board for the WHO in this area.

may, at minimum, be licensed or authorized by an SRA. If acceptable to the receiving country, the WHO emergency use listing (EUL) may be utilized.

1.8 **COVAX advances.** To date, COVAX has signed agreements, memorandums of understanding, and statements of intention with AstraZeneca/Oxford, Johnson & Johnson (Janssen), Sanofi/GSK, and other companies for a total of at least 910 million doses (separate from an agreement with the Serum Institute of India, which is licensed by NOVAVAX and AstraZeneca to produce a large quantity of doses for countries under the subsidized regime).[24] Considering that demand among the self-financing countries does not, at present, exceed 500 million doses and that the contracts with GAVI for the delivery of vaccines under COVAX are for a term of three years, the outlook is promising in terms of the availability of vaccines for participating countries. The self-financing countries made an initial contribution in 2020 of US$1.60 per dose (approximately 15% of the total cost per dose), under committed or optional purchase arrangements that are part of the COVAX basket. Going forward, outstanding payments will be made against the allocation of vaccine lots starting in 2021. In late January 2021, COVAX notified the participating countries, including Ecuador, of a tentative number of AstraZeneca doses that would be received in the first two quarters of 2021.This first allocation of doses will be small, as partial delivery against the total signed commitments by the parties.

1.9 **Country response.** In Ecuador, the first case of COVID-19 was reported on 29 February 2020 in the province of Guayas, making Ecuador one of the first countries affected in Latin America and the Caribbean. One month later, nearly 2,000 confirmed cases and 60 deaths had been reported, and the numbers were clearly trending upwards. In response to this situation, the national government declared a nationwide health-related state of emergency[25] on 11 March 2020, followed days later by a declaration restricting movement, gatherings, and economic activity throughout the country.[26] Both declarations were expanded on three occasions and remained in effect through mid-September 2020.[27] Following the recommendations made by the WHO for the COVID-19 Strategic Preparedness and Response Plans, which cover issues such as equitable access to recently developed vaccines, therapeutics, diagnostics, and other innovations, the Ministry of Public Health (MSP) developed its Strategic Preparedness and Response Plan[28] with technical assistance from the Pan American Health Organization (PAHO). A pillar of the plan is infection prevention and control, which will be supported by this operation.

1.10 **Cases continue to rise across the country.** Although preventive measures and policy responses to the pandemic in Ecuador helped flatten the exponential curve

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24 With the exception of Johnson & Johnson's, the cited vaccines require the injection of two doses per person, spaced three to four weeks apart. Johnson & Johnson's vaccine is being tested as a single-dose vaccine, which means that twice as many people could be vaccinated with the same number of available doses.

25 Ministerial Agreement MSP No. 00126-2020 and Supplement No. 160.

26 See Presidential Decree 1017 of 2020 with response measures.

27 Presidential Decree 1126 and Ministerial Agreement MSP No. 00044-2020.

28 MSP (2020). Strategic Preparedness and Response Plan, May 2020. The plan proposed 10 strategic pillars: (i) coordination, planning, and monitoring; (ii) communication of risk and community participation; (iii) surveillance, rapid response teams, and case tracking; (iv) entry points; (v) national laboratories; (vi) prevention and control of infection; (vii) case management; (viii) operational support and logistics; (ix) delivery of essential health services during outbreaks; and (x) psychosocial care.

of contagion, space out the number of cases requiring hospitalization, and gain time to reorganize the services provided by intensive care units, intermediate care in isolation, and general hospitalization, the number of COVID-19 cases continues to climb across the country, and in some provinces the rate accelerated again in the second half of 2020. Prior to the emergence of mutations of the virus, the WHO had already assessed the level of COVID-19 risk as "high" in 14 of the country's 24 provinces, based on a combined analysis of epidemiological risk (including the effective reproduction factor), risk due to the response capacity of health services generally, and the specific risk associated with the number of beds occupied in intensive care units, all of which indicated that in much of the country, the virus was continuing to spread.[29] As of 19 January 2021, a total of 230,808 confirmed cases and 14,316 deaths had been reported, or 811 deaths per million population.[30] Given this backdrop, access to vaccines is the linchpin of the country's response strategy going forward.

1.11 **Ecuador's participation in the COVAX mechanism.** Ecuador signed a committed purchase agreement (CPA) with GAVI on 22 October 2020 to participate as a self-financing country in the COVAX mechanism, for the purpose of acquiring 7 million doses of vaccine against COVID-19 (for 3.5 million people representing approximately 20% of the population, at two doses per person) for an indicative cost of US$10.55 per dose. As part of the agreement, Ecuador made a down payment of US$11,291,520 (financed by the Bank with proceeds from loan 5031/OC-EC) and contracted the obligation to make a future payment of US$63,161,940, which will be callable in stages as the committed vaccine doses are approved and notified to GAVI, in its capacity as administrator of COVAX, and in accordance with the terms of the CPA. The ultimate objective of this operation is to provide a guarantee to GAVI for Ecuador's future payment obligations corresponding to its participation in COVAX, for up to a maximum amount of US$63,161,940. Ecuador has also signed complementary bilateral committed purchase agreements for vaccines with specific pharmaceutical companies (BioNTech/Pfizer, AstraZeneca) for the purpose of accelerating access to vaccination for about another 20% of the population, allowing the country to obtain vaccines for 40% of its population.[31]

1.12 **Rationale.** The CPA requires the issuance of a financial guarantee to back the financial obligations (future payment obligations) contracted by the Republic of Ecuador under the CPA. GAVI requires that the guarantee be issued by a financial institution or multilateral development bank with an investment-grade risk rating. Therefore, the country has asked the Bank to issue a guarantee in the amount of US$63,161,940 to GAVI, in its capacity as COVAX administrator.

1.13 **The Bank's experience and lessons learned.** The Bank has been supporting the country's health response and assistance for vulnerable populations since the start of the pandemic. Bank operations supporting this response total up to

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29 PAHO estimates as of 19 July 2020.

30 WHO COVID-2019 weekly epidemiological update (29 December 2020).

31 Regarding technical eligibility critera, in order for the Bank to consider financing for COVID-19 vaccine doses, at least one of the following requirements must be met: (i) the vaccine has been acquired by the borrowing country via the COVAX facility; (ii) the vaccine has been authorized for emergency use (emergency use listing, or EUL) by the WHO or has been prequalified by the WHO; or (iii) the vaccine is authorized (emergency or full authorization) by an SRA, or an SRA has authorized its production in a country that does not have an SRA.

US$290 million and include 4364/OC-EC (to finance biomedical equipment for the care of COVID-19 patients and personal protective equipment for healthcare workers), 5031/OC-EC (to finance rapid response equipment for epidemiological surveillance, hospital bills for patients with COVID-19, continuity of essential health services, such as dialysis services and emergency cash grants for vulnerable populations), and 5136/OC-EC (to finance hospital bills for COVID-19 patients, etc.). With respect to vaccines, this operation complements other Bank operations that are helping the country procure doses of vaccines against COVID-19 and make the investments needed to roll out the vaccine. Operation 5031/OC-EC financed Ecuador's down payment for participation in the COVAX mechanism, as described in paragraphs 1.11 and 2.6. In addition to financing for the procurement of vaccines, operations 5031/OC-EC and 5136/OC-EC include, as eligible expenditures, the investments needed for operational planning and implementation of the national COVID-19 vaccination campaign.

1.14 **Coordination with other multilateral organizations and/or donor agencies and partners.** The MSP is developing a national deployment and vaccination plan for COVID-19 vaccines (optional link 2). The recommendation is for the plan to follow the international guidelines set by the WHO/PAHO for these purposes and to include detailed descriptions of the plan's technical components (such as legal bases, definition of priority groups and goals, etc.) and operational components (such as microplanning, cold and supply chains, information systems, monitoring and evaluation, social outreach and mobilization, human resources and training, budgeting and timeline, etc.) Various international cooperation institutions are providing technical assistance to support preparation of the national plan. PAHO support is focused on defining priority groups for the various stages of the vaccination campaign.[32] The MSP is identifying gaps and needs for mass rollout of the vaccines using the self-assessment, planning, and resource analysis tool for vaccination, VIRAT/VRAF 2.0,[33] developed by PAHO and the World Bank. The World Bank is providing technical assistance for application of the tool. With technical support from the IDB, plan specifications concerning vaccine logistics and operational planning will be strengthened. Other international donors have offered support for the public outreach strategy.

1.15 **Strategic alignment.** The project is consistent with the Second Update to the Institutional Strategy (document AB-3190-2) and is aligned with the development challenge of social inclusion and equality, through its focus on ensuring fair and equitable access to a safe and effective vaccine against COVID-19. In addition, the operation will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12), specifically the indicator for beneficiaries receiving health services. The project is consistent with the Health and Nutrition Sector Framework Document (document GN-2735-7) inasmuch as it will support efforts to strengthen the provision of services, including by providing the biological inputs needed for vaccination services. It is also consistent with the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (document GN-2996, Section III) and Resolution DE-28/20 of the Bank's Board of Executive Directors, through the criteria set for operations related to COVID-19

[32] To define priority groups, including equitable distribution of services using gender and indigenous status as criteria, the WHO framework for the allocation and prioritization of COVID-19 vaccination prepared by SAGE was used as a reference.

[33] https://www.who.int/publications/i/item/WHO-2019-nCoV-Vaccine-introduction-RA-Tool-2020.1

preparedness and response. In addition, the project is aligned with the IDB Group Country Strategy with Ecuador 2018-2021 (document GN-2924) inasmuch as it prioritizes health (paragraph 3.39) and specifically high rates of avoidable hospitalization (paragraph 3.42).

B. Objectives, components, and cost

1.16 **Objectives.** The general objective of this project is to help reduce morbidity and mortality caused by COVID-19. The specific objective is to support efforts to break the disease's chain of transmission.

1.17 **Sole component. Breaking the chain of transmission (US$63,161,940).** The objective of this operation's sole component is to facilitate access to safe, effective doses of COVID-19 vaccines as part of efforts to break the disease's chain of transmission. Specifically, through the guarantee instrument, the Bank will guarantee to GAVI the financial obligations (future payment obligations) of the Republic of Ecuador under the committed purchase agreement (CPA).

1.18 **Beneficiaries.** The project will benefit the general population of Ecuador, as the direct beneficiaries are the population groups that have priority to receive the first immunizations under COVAX, which amounts to 3,528,600 people (20.1% of the population).[34] In accordance with the prioritization criteria proposed by the WHO and SAGE, the expected beneficiary population for immunization will include priority groups of adults, such as healthcare workers, essential workers outside of the health sector (e.g. police, military personnel, professors, and teachers), and vulnerable groups, particularly older adults. Final prioritization will also depend on the outcomes of clinical safety and effectiveness trials for different vulnerable subgroups, as well as the specific vaccines that come to the country.

C. Key results indicators

1.19 **Expected outcomes.** The operation aims to help reduce morbidity and mortality caused by COVID-19. The main expected outcome is to increase the number of people in priority groups who are vaccinated against COVID-19.

1.20 **Economic viability.** A cost-benefit analysis was conducted for the vaccine component. The analysis took into consideration the impact of the mass vaccination campaign on reducing the effective reproduction number of the virus and, as a result, on COVID-19 morbidity and mortality rates as an effect of the vaccines, under a treatment scenario with implementation of vaccines, versus a counterfactual scenario in the absence of vaccines. The scenarios were simulated using a basic SIR model (Susceptible – Infectious – Recovered), with evidence-based conservative parameters and assumptions available in the literature on COVID-19 and similar epidemics. The costs associated with the intervention include the purchase and distribution of COVID-19 vaccines. The expected prices are based on information from GAVI on COVAX, and the distribution costs are based on information from the WHO for prior immunization programs in low- and middle-income countries. Under the base case scenario for treatment, the cost-benefit analysis estimates an average net present value of US$180 million and a benefit/cost ratio of 24.88, suggesting that the proposed set

[34] Based on the representative trials conducted thus far, it is still not known whether the vaccines, in addition to protecting vaccinated individuals from developing serious forms of the disease, also reduce the rate of transmission to other people and to what extent. If this is the case, the remaining general population could benefit indirectly by having a lower risk of infection, based on what percentage of the population is immunized.

of interventions is economically beneficial. Based on the analysis, the sooner the reproduction number is reduced, the higher the benefit/cost ratio will be, both because the costs of containing the outbreak are higher over time and because the benefits in terms of lives and work time saved are lower (optional link 1).

II. Financing Structure and Main Risks

A. Financing instrument

2.1 This is a guarantee operation with a sovereign counter-guarantee, under the modality of credit guarantees for investment projects, for up to US$63,161,940, to be issued for a period of up to 25 years and with an original weighted average life of up to 15.25 years. The operation will be financed with resources from the Bank's Ordinary Capital. The proposed guarantee is aligned with the principles established in the Proposed Policy for a Flexible Guarantee Instrument for Sovereign Guaranteed Operations (document GN-2729-2) and its Operational Guidelines, Guarantee Instruments for Sovereign Guaranteed Operations (document GN-2729-4) based on the following considerations: (i) this is a guarantee with a sovereign counter-guarantee in support of an investment project; (ii) there is an eligible beneficiary country and a project aligned with the current country strategy (see paragraph 1.15); and (iii) the financial conditions of the guarantee and the counter-guarantee fall within the financial parameters established in the Guarantee Policy.

Table 1. Estimated project costs (US$)

Sole component	IDB	Total	%
Breaking the chain of transmission	63,161,940	63,161,940	100
Total	**63,161,940**	**63,161,940**	**100**

2.2 **Other terms and conditions of the guarantee.** The proposed guarantee: (i) will have a sovereign counter-guarantee from the Republic of Ecuador; (ii) will be issued for an amount up to US$63,161,940; and (iii) will have a term of 25 years. This exceeds the expected period of three years for COVAX, but it is justified in order to handle any unforeseen circumstances with regard to vaccine supply, to provide financial additionality to the country in the event that it cannot use its own resources to finance future payment obligations for vaccine purchase under the terms of the CPA, and to offer the country a repayment period with conditions similar to those for a loan operation.

2.3 **Terms and conditions of the counter-guarantee.**[35] The guarantee will be backed by a sovereign counter-guarantee from the Republic of Ecuador.[36] In the event that the Bank must disburse a payment under the terms of the guarantee, the disbursed amount paid by the Bank will be repaid by Ecuador. The terms and conditions of such repayment will be similar to those of an investment loan. Starting from the date of payment by the Bank, the total amount to be repaid will accrue interest at the same rate as sovereign guaranteed loans financed by resources from the

[35] In the terminology used in the Republic of Ecuador, a counter-guarantee ("contragarantía") is called a contingency reimbursement contract ("contrato de reembolso por contingencia").

[36] Known in Ecuador as a "contingency reimbursement contract" ("contrato de reembolso por contingencia").

Bank's Ordinary Capital and will be subject to other applicable policies. The Bank and the Republic of Ecuador may agree on a flexible amortization profile, within the parameters established by the Bank in the Flexible Financing Facility (document FN-655-1). The repayment period will be limited by the original weighted average life of the guarantee, with full repayment required within the remaining weighted average life.

B. Environmental and social risks

2.4 In accordance with Directive B.3 of the Bank's Environment and Safeguards Compliance Policy (OP-703), this project has been classified as a Category "C" operation,[37] as it will have minor, negative socio-environmental impacts that are mainly related to the generation of additional medical waste. As set forth in the vaccination plan, the vaccine will be administered to priority groups of adults, healthcare workers, essential workers, and vulnerable groups, among others, according to WHO guidelines and without discrimination. There may be some risk of explicit or implicit exclusion, which should be reviewed as part of the prioritization criteria included in the vaccination plan. Additionally, these criteria will be reviewed to see if they are applied in a fair, transparent, inclusive, and responsible manner according to the WHO values framework for allocation and prioritization of vaccination (see also paragraph 1.14). This effort will be supported by an operational evaluation of the implementation of the national plan for vaccination and deployment (required link 1).

2.5 Given that some biohazard waste may be produced as a result of vaccine administration, a solid waste management plan will be implemented before the start of the operation's activities and during their execution. The plan will include minimum standards for management of medical waste.

C. Fiduciary risks

2.6 No fiduciary risks have been identified for this operation.

D. Other key issues and risks

2.7 **Other risks.** Generally speaking, COVID-19 vaccines are a global innovation, as the disease is new, and the first vaccines are being certified for emergency use by SRAs and the WHO. The expected scope of the immunization campaign and the prioritization of population subgroups in phases (for which an effective communication strategy is needed) will require planning, logistics management, and special monitoring (for example, to ensure that individuals receive the second dose at the required time). Therefore, the operation's main risks are medium-high and high and include: (i) (Planning) If the population groups to be vaccinated are not defined or planned for in detail based on agreed technical criteria and by areas and an order consistent with gradual vaccine delivery, then operational logistics may not be planned for appropriately, which could reduce the effectiveness of the COVID-19 vaccination campaign; (ii) (Planning) If the vaccination plan does not contain detailed plans for operational logistics, purchase of inputs, and required contracts, there could be a shortage of key supplies or workers for the mass immunization campaign, including means of transportation, cold chains, and specialized workers, which could reduce the effectiveness of the COVID-19

[37] This single-component operation is clearly defined, as is its potential socio-environmental impact. Therefore, this operation can be evaluated and classified (an ex ante impact classification can be conducted).

vaccination campaign; and (iii) (Social environment) If the vaccination plan that defines the prioritized population groups that will receive the vaccine is not implemented in an equitable manner for these populations, and if the vaccine deployment is not accompanied by a timely, transparent, and effective communication strategy, this could create societal resistance to the vaccination campaign and reduce its effectiveness.

2.8 The three aforementioned risks are directly related to the contents of specific sections of the national plan for COVID-19 vaccination and vaccine deployment. They will be mitigated by strengthening the plan that is currently being developed by the MSP with technical assistance from PAHO, the IDB, and other institutions for international cooperation (see paragraph 1.14). Submission of an advanced draft of the plan is one of the contractual conditions precedent to the first disbursement (see paragraph 3.3). In addition, implementation of the solid waste management plan will be verified through semiannual reports on the progress of the operation.

2.9 **Sustainability.** The interventions financed by the operation follow WHO recommendations for containment, management, and treatment of epidemics/pandemics of infectious diseases such as COVID-19. As such, the vaccinations are part of the country's COVID-19 Strategic Preparation and Response Plan (see paragraph 1.9) and a national plan for COVID-19 vaccination and vaccine deployment, as set forth in paragraph 1.14 and in the special contractual conditions (see paragraph 3.3). In this manner, the project will strengthen Ecuador's capacity to break the chain of transmission of the virus in the medium term. In addition, containing and overcoming health challenges is considered to be a prerequisite for sustainable economic and social recovery in the medium and long term.

III. Implementation and Management Plan

A. Summary of implementation arrangements

3.1 The secured debtor of this guarantee operation will be the Republic of Ecuador. Its characteristics and background are described in paragraphs 1.11 and 1.12.

3.2 **Execution and administration.** The Ministry of Public Health (MSP) will be the executing agency through the IDB project management team established for such purposes in the General Administrative-Financial Coordination Division, which has broad experience in (co)executing several recent operations with IDB financing (operations 4634/OC-EC, 4923/OC-EC, and 4924/GR-EC), including previous projects to support the country's COVID-19 response in the sector (operations 4364/OC-EC, 5031/OC-EC, and 5136/OC-EC). Continuity and strengthening of the management team will be required, as established in the program Operating Regulations, using resources from the aforementioned loans throughout the entire life of this operation.[38] The MSP will coordinate with the Ministry of the Economy and Finance (MEF) on accounting and monitoring of financial obligations of the guarantee. Details on operational execution and the roles of the

[38] This includes financing for at least nine specialists (legal advising, monitoring and evaluation, procurement, and finances) of the IDB project management unit starting in early 2021.

MSP and the Bank will be described in the program Operating Regulations, based on the project execution plan for operation 5031/OC-EC (optional link 3).

3.3 **Special contractual conditions precedent to issuance of the guarantee. Issuance of the guarantee will be subject to the following conditions: (i) the MSP has presented, to the Bank's satisfaction, a draft national plan** for COVID-19 vaccination and vaccine deployment **(optional link 2) that follows international guidelines for such plans; (ii) the MSP has approved the program Operating Regulations (optional link 3) in accordance with terms previously agreed upon with the Bank; (iii) the Bank and the secured creditor have negotiated the guarantee contract under terms satisfactory to the Bank; and (iv) the Bank and the counter-guarantor have entered into a counter-guarantee contract under terms acceptable to the Bank.** Following the principles of due diligence, these conditions are required to ensure proper compliance with the operational considerations of the project and to mitigate fiduciary risks for the Bank.

3.4 **Procurement.** This operation does not include procurement; instead, it ensures Ecuador's timely future payment to GAVI for the purchase of vaccines under the terms of the CPA described in paragraphs 1.11 and 1.12. The corresponding direct contracting of GAVI for the down payment and production reserve of vaccines was authorized by the Bank as part of execution of loan 5031/OC-EC, considering that: (a) GAVI is acting as a procurement agent; (b) certain criteria are fulfilled in the special procurement measures identified in document GN-2996 and approved by the Board of Executive Directors of the Bank through Resolution DE-28/20; and (c) procurement provisions are fulfilled as set forth in subparagraphs 3.7 (c) and (e) of the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15). This guarantee operation refers to future payments for this purchase, which is consistent with the three conditions that must be fulfilled for goods and services procured through operations to finance partial guarantees, which are to: (i) be of a satisfactory quality and compatible with the rest of the project's objectives; (ii) be delivered and completed on time; and (iii) be priced so as not to affect adversely the economic and financial viability of the project, as these are conditions established in document GN-2729-4.

3.5 As this is a guarantee operation, consideration must be given to the provision in document GN-2729-4 that states that credit guarantees will follow the Bank's procurement policies, and that such policies require that goods, works, and services financed by the guaranteed funds will be procured with due attention to economy and efficiency principles, and that such procedures cause the operation to be carried out diligently and efficiently, among other requirements.

3.6 **Events triggering the guarantee.** As this is an unconditional and irrevocable guarantee, the IDB will pay GAVI upon the latter's demand, as agreed in the guarantee contract, in the event of Ecuador's non-payment of its payment obligations under the terms of the CPA. The guarantee may be called several times, provided that the total amount to be paid by the Bank does not exceed US$63,161,940.

3.7 **Auditing.** Due to the nature of the guarantee operation, audited financial statements for the project will not be requested. However, reasonable assurance reports will be required while the contract with GAVI is in effect in order to provide

the financial information needed for the operation's external audit. These reports will have a cutoff date of 31 December and will be submitted annually within 120 days following the corresponding cutoff date. The audit may be contracted using the executing agency's own resources or with resources from project 5031/OC-EC, which financed the down payment for the contract with GAVI. The audit must be contracted at least 120 days prior to the end of the fiscal year.

B. Summary of arrangements for monitoring results

3.8 **Monitoring.** The executing agency will be responsible for implementing the monitoring and evaluation plan, including the contracting of external evaluations, where appropriate, as set forth in required link 1. The main tool for monitoring this project will be the results matrix. In the absence of a procurement plan (paragraph 3.3), and, therefore, of annual work plans and multiyear execution plans, the main source for monitoring the impact, outcome, and output indicators will be the progress monitoring reports (PMRs), which will use the executing agency's semiannual reports on the project and the means of verification for each indicator established therein.

3.9 **Evaluation.** Given the nature of this operation, the evaluation will assess the project's contribution to its specific development objective of supporting efforts to break the disease's chain of transmission. Wherever feasible, the evaluation will also assess the program's contributions to the ultimate general objectives of reducing mortality and morbidity caused by COVID-19. To that end, a before-and-after" analysis will be conducted, using information from available time series on the results indicator and impact indicators. For the purpose of attributing the observed results to the project intervention, the quantitative analysis will be supplemented with a review of the theory of change supported by relevant evidence of the effectiveness of similar interventions in comparable contexts (required link 1).

Development Effectiveness Matrix		
Summary	EC-U0003	
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Social Inclusion and Equality	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Beneficiaries receiving health services (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2924	Improve the management and quality of social services
Country Program Results Matrix	GN-3034	The intervention is included in the 2021 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.4
3.1 Program Diagnosis		1.9
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		4.0
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		5.5
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		5.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium High
Environmental & social risk classification		C
IV. IDB´s Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting. Procurement: Information System, Price Comparison, National Public Bidding.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		

The operation EC-U0003 for an amount up to USD63,161,940 is part of the Bank's operational response to the COVID-19 Pandemic Immediate Public Health Response to contain and control Coronavirus and mitigate its effect on provision of services. The general objective of the program is to contribute to reduce COVID-19 morbidity and mortality. The specific objective is to support efforts to interrupt the transmission chain of the disease.

The proposal presents a solid diagnosis of the problem, as well as a review of international evidence. The proposed solutions are an appropriate response to the problems identified in the proposal and its contributing factors. The results matrix is consistent with the vertical logic of the project, presenting adequate indicators at the level of outcomes and impacts. The outcome indicator is appropriately defined to measure the achievements of the project's specific objective. The impact indicators reflect the contribution to the final health -number of COVID-19 deaths and number of confirmed COVID-19 cases.

The economic evaluation considers the impact of the vaccination campaign in the reduction of the effective reproduction of the virus, and as a result, a reduction in COVID-19 morbidity and mortality rates from the use of the vaccines. The counterfactual scenario considers the absence of vaccines. The cost/benefit ratio is 24.88 suggesting an economic beneficial set of interventions.

The monitoring and evaluation plan proposes an evaluation of the contribution of the project in reducing the chain of transmission of the disease. If feasible, a reflective analysis of the outcome and impact indicators included in the result matrix, complemented by a review of the theory of change, and an updated review of international evidence. The monitoring and evaluation activities will be carried out by the Ministry of Public Health in coordination with the Bank.

RESULTS MATRIX

Project objective	The general objective of this project is to help reduce morbidity and mortality caused by COVID-19. The specific objective of the project is to support efforts to break the disease's chain of transmission.

EXPECTED IMPACT

Indicators	Unit of measure	Baseline value	Baseline year	Year of expected achievement of impact	Target (EOP)	Means of verification	Observations
General development objective: To help reduce morbidity and mortality caused by COVID-19.							
Number of deaths caused by COVID-19	Number	55,968	2023 (without vaccines)	2023	30,502	MSP planning coordination report based on hospital and epidemiological surveillance data from the MSP.	The baseline represents the "control" scenario (estimated number of total deaths at the national level (public and private systems) if the MSP did not distribute COVID-19 vaccines). The target represents the estimated number of deaths if there is a mass immunization campaign (with vaccines from COVAX and bilateral agreements). The estimates include deaths from or with COVID-19 from confirmed and probable cases. The desired direction for the indicator is for the EOP value to decrease. Calculation of baseline: 13,992 (deaths in 2020, estimate updated as of 27 December 2020) times four years (2020-2023) = 55,968. EOP calculation: Prevent 73%* of deaths in 2022-2023 and 36% in 2021: (13,992 deaths times two years (2022-2023) x 0.27) + (13,992 deaths (2021) x 0.64) + 13,992 (deaths in 2020) = 30,502. Monitoring of gender issues: Baseline of 67% men and 33% women.

Indicators	Unit of measure	Baseline value	Baseline year	Year of expected achievement of impact	Target (EOP)	Means of verification	Observations
Number of confirmed COVID-19 cases	Number	837,420	2023 (without vaccines)	2023	341,248	MSP planning coordination report based on hospital and epidemiological surveillance data from the MSP.	The baseline represents the "control" scenario (estimated number of total deaths at the national level (public and private systems) if the MSP did not distribute COVID-19 vaccines). The target represents the estimated number of cases if there is a mass immunization campaign (with vaccines from COVAX and bilateral agreements). The estimates include cases confirmed by PCR testing. The desired direction for the indicator is for the EOP value to decrease. Calculation of baseline: 209,355 (cases in 2020, estimate updated as of 27 December 2020) times four years (2020-2023) = 837,420. EOP calculation: Prevent 47% of cases in 2021 and 95% of cases in 2022-2023: (209,355 (cases in 2021) x 0.53) + (209,355 cases times two years (2022-2023) x 0.05) + 209.355 (cases in 2020) = 341,248. Monitoring of gender issues: Baseline of 53% men and 47% women.

* The coronavirus vaccine trials classify serious disease or death as secondary endpoints, which is why the sample size of the phase III studies is not large enough to produce a statistically significant response. The baseline of 73% is based on information from the WHO for deaths from measles worldwide, which dropped by 73% between 2000 and 2018 due to the vaccine.

EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline value	Baseline year	Year 1 (2021)	Year 2 (2022)	Year 3 (2023)	End of project	Means of verification	Observations
Specific development objective: To support efforts to break the disease's chain of transmission.									
Number of people in priority groups vaccinated for COVID-19[1]	Number	0	2020	3,528,600	0	0	3,528,600	The MSP's national record system for COVID-19 immunization.	The indicator estimate refers to the population in Ecuador over 18, excluding pregnant and nursing women, and minors under 18, as of 30 December 2020, according to the 2020 population projection based on INEC's 2010 census. The target assumes delivery of 50% of the COVAX vaccines in 2021, 50% in 2022, and a vaccine requiring two doses per person, not accounting for wasted doses.

[1] Annual planning of the output and outcome targets will be revised once the MSP has the final version of the prioritization of population subgroups and confirmation of vaccine delivery by COVAX. The planning will be adjusted in the operation start-up plan, if necessary.

OUTPUTS

Outputs	Unit of measure	Baseline value	Baseline year	Year 1 (2021)	Year 2 (2022)	Year 3 (2023)	End of project	Means of verification	Observations
Component 1. Breaking the chain of transmission.									
1.1. Number of COVID-19 vaccine doses delivered[1]	Number	0	2020	7,057,200	0	0	7,057,200	The MSP's national record system for COVID-19 immunization.	The indicator refers only to the doses delivered as part of the COVAX initiative, based on availability of doses per year. The COVAX agreement with GAVI is in effect from 17 October 2020 until 17 October 2023 at the latest.

Country: Ecuador **Division**: SPH **Operation number:** EC-U0003 **Year**: 2021

Fiduciary Agreements and Requirements

Executing agency: Ministry of Public Health (MSP)

Name: Support for Financing the Purchase of COVID-19 Vaccines

I. Fiduciary Context of the Executing Agency

1. Use of country systems (Any system or subsystem that is subsequently approved may be applicable to the operation, in accordance with the terms of validation by the Bank).

☒ Budget	☐ Reports	☒ Information system	☐ National competitive bidding
☒ Treasury	☐ Internal audit	☐ Shopping	☐ Other
☒ Accounting	☐ External control	☐ Individual consultants	☐ Other

2. Fiduciary execution mechanism

☒	Fiduciary execution specifications	Guarantee

3. Fiduciary capacity

Fiduciary capacity of the executing agency	The executing agency's fiduciary capacity was assessed to be sufficient for the management of external financing, and the agency is simultaneously executing several IDB-financed programs (operations 4364/OC-EC, 4634/OC-EC, 4923/OC-EC, and 5031/OC-EC). Since execution capacity was assessed previously, a new assessment was not considered necessary.

4. Fiduciary risks and risk response

Area (Financial management/procurement)	Risk	Risk level	Risk response
Financial management	No risks identified		
Procurement	No risks identified		

5. Applicable policies and guidelines: The guarantee will be granted in accordance with the principles of policies GN-2729-2 "Policy for a Flexible Guarantee Instrument for Sovereign Guaranteed Operations," GN-2729-4 "Guarantee Instruments for Sovereign Guaranteed Operations. Operational Guidelines," and GN-2811-1 "Financial Management Guidelines for IDB-financed Projects (OP-273-12)" (except for the disbursement mechanisms that are not applicable to this operation).

6. Exceptions to the policies and guidelines:

II. Considerations for the Special Provisions of Counter-guarantee Contracts

Special conditions precedent to the first disbursement: Not applicable to this instrument.
Applicable exchange rate when accounting for expenditures incurred in the local currency of the borrower country. This does not apply as this is a guarantee. The exchange rate for converting potential payments under the guarantee will be the rate used by the IDB in the event that currency conversions are required, without an accounting of expenditures by the executing agency.
Audit type: reasonable assurance reports, based on the terms of reference previously agreed upon with the IDB. These reports will be presented annually, within 120 days after the close of the fiscal year, while the contract with GAVI is in effect. These reports will be commissioned by the MSP using its own resources or resources from loan 5031/OC-EC, at least 120 days before the close of the fiscal year. Audited financial statements will not be required for this project due to the nature of the guarantee.

III. Agreements and Requirements for Procurement Execution

☒	Bidding documents	Not applicable
☒	Use of country systems	Not applicable
☒	Alternative procurement arrangements	Not applicable
☒	Supplementary procurement support	Not applicable
☒	Direct contracting	This operation does not include procurement, as the purpose of the operation is to issue a guarantee to ensure future payment by the Government of Ecuador to GAVI for the purchase of vaccines, as agreed in the Committed Purchase Agreement of 22 October 2020, under the COVID-19 Vaccines Global Access Facility (COVAX). As this is a guarantee operation, consideration must be given to the provision in document GN-2729-4 that states in paragraph 3.37 that partial credit guarantees will follow the Bank's procurement policies. In that regard, the guarantee covers the risk of non-payment of the direct contracting of Gavi, as procurement agent, for the amount equivalent to the vaccine down payment, which was authorized by the Bank on 23 October 2020, at which time it was determined that:

		1. Direct contracting is limited by the special measures identified in document GN-2996 and approved by the Board of Executive Directors of the Bank in Resolution DE-28/20, and 2. Direct contracting is aligned with subparagraphs 3.7 (c) and (e) of the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15), which states that "direct contracting is contracting without competition (single source) and may be an appropriate method under the following circumstances" (…) "(c) the required good is proprietary and obtainable only from one source;" and "(e) in exceptional cases for example, in response to natural disasters, emergency situations, or where there is lack of providers/contractors for small and low-risk procurement."
☒	Training	Not applicable
☒	Recurrent costs	Not applicable
☒	Projects with financial intermediaries	Not applicable
☒	Advance procurement/retroactive financing	Not applicable
☒	Applicable special procurement provisions	Not applicable
☒	Procurement supervision	Not applicable Works: [amount] · Goods/services: [amount] · Consulting services: [amount] firms [amount] individuals

Main procurement items

Description of item	**Selection method**	**New procedures/tools**	**Estimated date**	**Estimated amount US$000**
Goods				
Works				
Nonconsulting services				
Firms				
Individuals				

Procedures	Rationale for use

Other relevant operation information (BI)

IV. Financial Management Agreements and Requirements

☒	Programming and budget	The Basic Code of Planning and Public Finances (COPLAFIP) establishes the rules governing budget programming, formulation, approval, execution, control, evaluation, and performance. Challenges are anticipated, as the MEF and the MSP must establish procedures and mechanisms to guarantee that a budget is available in the event that the guarantee is triggered, so as to avoid a situation where the public officials involved are not in compliance with local regulations that require there to be a budget before a payment is made.
☒	Treasury and management of disbursements	As this is an unconditional and irrevocable guarantee, the IDB will pay GAVI upon the latter's demand, as agreed in the guarantee contract, without a request from the borrower and/or executing agency to that effect. The disbursement mechanisms set forth in OP-273-12 are not applicable. The currency for the operation is the U.S. dollar, as set forth in the contract signed with GAVI. The exchange rate to be used in the operation will be the effective rate used by the IDB, in the event that currency conversion is necessary.
☒	Accounting, information systems, and reporting	The accounting standards that will be followed are the government accounting standards, which will converge with the International Public Accounting Standards starting in 2021. The accounting records used for the operation will be the SINAFIP technology platform (which replaces the e-SIGEF). The accrual accounting method will be used if the government makes the payment, and cash basis accounting will be used if the guarantee becomes effective, since the government would record the IDB's payment once it has been disbursed. The reports issued by SINAFIP will be used by the auditors to conduct their audit.
☒	Internal control and internal auditing	The Constitution of the Republic of Ecuador establishes that the CGE is the entity in change of managing the public sector's control system. As part of the public sector, the executing agency has its own internal auditing section.
☒	External control and financial reports	The executing agency will select and contract the external auditing services according to the terms of reference previously agreed upon by the executing agency and the Bank, which establish the type of review, timing, and scope. The selected external auditor and applicable auditing standards will be acceptable to the Bank. Due to the nature of the guarantee operation, audited financial statements will not be requested for the project, but reasonable assurance reports will be required while the contract with GAVI is in effect in order to cover the financial reporting needs for the external audit of the operation. These reports will have a cutoff date of 31 December and will be presented annually within 120 days after the cutoff date. The audit may be contracted using the executing agency's own resources, or resources from program 5031/OC-EC, which financed the down payment of the contract with GAVI. The audit must be commissioned at least 120 days before the close of the fiscal year.
☒	Financial supervision	The operation requires financial supervision based on review of the reasonable assurance reports.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-__/21

Ecuador. Guarantee ____/OC-EC. Support for Financing
the Purchase of COVID-19 Vaccines

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contracts as may be necessary for the purpose of granting a credit guarantee to support the financing and implementation of the program "Support for Financing the Purchase of COVID-19 Vaccines", which will have the Republic of Ecuador as counter-guarantor. The credit guarantee may be granted for the amount of up to US$63,161,940 chargeable to the resources of the Bank's Ordinary Capital, on terms substantially as set forth in the Project Summary of the Guarantee Proposal.

(Adopted on ___ _____ 2021)

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EC-U0003