

PARTIAL CREDIT GUARANTEE

among

INTER-AMERICAN DEVELOPMENT BANK,

as Guarantor,

THE BANK OF NEW YORK MELLON,

as Trustee and Registrar, and

THE BANK OF NEW YORK MELLON, LONDON BRANCH,

as Paying Agent

Dated as of January 30, 2020

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This PARTIAL CREDIT GUARANTEE (this “**Guarantee**”), dated as of January 30, 2020, is entered into by the INTER-AMERICAN DEVELOPMENT BANK, an international organization established by the Agreement Establishing the Inter-American Development Bank among its member countries (the “**Guarantor**”); THE BANK OF NEW YORK MELLON, not in its individual capacity but solely as Trustee and Registrar under the Indenture (as defined below); and THE BANK OF NEW YORK MELLON, LONDON BRANCH, as Paying Agent under the Indenture.

WHEREAS

(A) The Guarantor aims to enhance financing of sovereign loans and bonds through partial credit guarantees counter-guaranteed by the borrowing sovereign;

(B) The Republic of Ecuador (the “**Republic**”) has asked for the assistance of the Guarantor in financing the Program to Finance Social Housing in Ecuador (EC-U0001) (the “**Program**”);

(C) Pursuant to the Trust Indenture, dated as of January 30, 2020, between, inter alios, the Republic, the Guarantor, the Trustee, the Registrar and the Paying Agent (the “**Indenture**”), the Republic will issue four hundred million U.S. Dollars (US\$400,000,000) in aggregate principal amount of its 7.25% Fixed Rate Senior Partially Guaranteed Notes due 2035 (the “**Notes**”). The Notes will initially be issued in global form (such Notes while in global form being “**Global Notes**”), as specified in the Indenture and the Terms. Subsequently, any holder of an interest in Global Notes may exchange some or all of its interest in Global Notes for Notes in definitive form, in which case the principal amount of the Global Notes shall be written down by the Trustee and Notes in definitive form shall be issued (such Notes in definitive form being “**Definitive Notes**”);

(D) The Guarantor has agreed to guarantee to the Trustee (for the benefit of the Guaranteed Holders), on the conditions set forth in this Guarantee, each payment of scheduled interest and scheduled principal on the Notes, up to the Maximum Guaranteed Amount (as defined below);

(E) The Guarantor and the Republic have entered into a Contract for Contingent Reimbursement (*Contrato de Reembolso por Contingencia*), dated as of December 12, 2019 (the “**Counter-Guarantee Agreement**”), which provides, among other matters, for the Republic to reimburse the Guarantor for any amounts paid by the Guarantor under this Guarantee;

(F) The Guarantor has entered into an Escrow Agreement, dated as of January 30, 2020, with, inter alios, the Escrow Agent (the “**Escrow Agreement**”), which provides for, among other things, the establishment of escrow arrangements relating to amounts paid by the Guarantor following the occurrence of an Early Disbursement Event (as defined below); and

(G) The Guarantor is authorized to issue partial credit enhancements, and is willing, pursuant to the terms and conditions of the Counter-Guarantee Agreement, and in consideration of the payment and reimbursement obligations of the Republic contained in the Counter-Guarantee Agreement, to issue this Guarantee with respect to the Notes.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the acceptance hereof by the Trustee (acting pursuant to the authority granted in the Indenture) constitutes evidence of such agreement.

ARTICLE I DEFINITIONS AND INTERPRETATION

Section 1.01 Definitions

Capitalized terms used but not defined in this Guarantee shall have the meanings set forth in the Indenture. The following capitalized terms used in this Guarantee shall have the following meanings:

“Applicable Law” means any statute, law, treaty, convention, regulation, ordinance, rule, judgment, order, decree, grant, franchise, concession, agreement, directive, permit, authorization, license, requirement or any form of decision of or determination by, or any interpretation or administration of any of the foregoing that has the effect of law with respect to any Person by, any Authority, whether now or hereafter in effect, including any of the foregoing relating to money laundering or terrorism.

“Approved Assignee” means The Goldman Sachs Group, Inc., any affiliate of Goldman Sachs or any trust, funding facility or vehicle or another bank, insurance company or financial institution which is regularly engaged in or established for the purpose of making, purchasing or investing in securities or other financial assets or acting as a trustee or fiduciary in relation thereto, and in each case such entity:

(a) is not a party sanctioned pursuant to a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(b) is not a firm, individual, parent company, subsidiary, or previous form of organization constituted by or with any of the same individual(s) as principal(s) declared ineligible by the Guarantor; in accordance with its sanctions procedure, or declared ineligible by another international financial institution and subject to agreements that the Guarantor may have for the mutual enforcement of sanctions, and listed in the website <https://www.iadb.org/en/transparency/sanctioned-firms-and-individuals>.

“Authority” means any nation or any supranational, national, regional or local government or any other political subdivision thereof, any governmental, administrative, arbitral, regulatory, fiscal, judicial or government-owned body, department, commission, authority, tribunal, agency, central bank (or any Person, whether or not government-owned and howsoever constituted or called, that exercises the functions of a central bank) or other entity of any kind exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Bail-in Legislation” means in relation to a Member State of the European Economic Area which has implemented, or which at any time implements, the BRRD, the relevant implementing law, regulation, rule or requirement as described in the EU Bail-in Legislation Schedule from time to time.

“Bail-in Powers” means any Write-down and Conversion Powers as defined in relation to the relevant Bail-in Legislation.

“BRRD” means Directive 2014/59/EU, establishing a framework for the recovery and resolution of credit institutions and investment firms.

“BRRD Liability” has the same meaning as in such laws, regulations, rules or requirements implementing the BRRD under the applicable Bail-in Legislation.

“BRRD Party” means The Bank of New York Mellon, London Branch or any substitute Paying Agent, as it is subject to Bail-in Powers.

“Business Day” means any day except a Saturday, Sunday or other day on which commercial banks in London, the City of New York or Quito, Ecuador are required or authorized by law to be closed.

“Collection Account” means the Initial Collection Account, or such other replacement Collection Account as may be notified by the Trustee to the Guarantor, *provided* that the Collection Account shall be an Eligible Account and, if any Collection Account (whether the Initial Collection Account or a replacement Collection Account) ceases to be an Eligible Account, the Trustee shall promptly notify the Guarantor of a replacement Collection Account.

“Counter-Guarantee Agreement” has the meaning set forth in the recitals.

“Demand Notice” means a notice in writing from the Trustee to the Guarantor (a) notifying the Guarantor of any principal and/or interest which was due and payable on a Payment Date but remains unpaid and (b) constituting a demand by the Trustee on the Guarantor for payment pursuant to this Guarantee, in the form set forth in Exhibit A hereto.

“Early Disbursement Event” means any of the following:

- (a) the Republic does not pay (directly or indirectly) any amounts owed by the Republic to the Guarantor under the Counter-Guarantee, *provided* that any such delay has not been cured within sixty (60) days;
- (b) the Guarantor determines in its sole discretion in accordance with its sanctions procedures that any employee, agent or representative of the Republic has, in connection with the implementation of the Program engaged in fraudulent, corrupt, coercive or collusive practices;
- (c) the Guarantor determines in its sole discretion that (x) any employee, agent or representative of the Republic has breached the Guarantor’s environmental and social policies, as such policies are reflected in the ROP, and (y) corrective action plans in relation to such breaches have not been implemented in a reasonable time; or to the satisfaction of the Guarantor;
- (d) the Guarantor determines in its sole discretion that the Republic has breached one or more obligations set forth in the Counter-Guarantee Agreement or the ROP; or

- (e) withdrawal or suspension of the Republic from membership in the Guarantor, provided this circumstance continues for more than sixty (60) days.

“Effective Date” means the date on which all the conditions set forth in Sections 2.02 below have been satisfied.

“Eligible Account” means a bank account held with an institution of the United States’ financial system, so long as such institution has a credit rating in its capacity as a financial institution equal to A-1 or better by Standard & Poor’s Ratings Services, Inc., P-1 or better by Moody’s Investors Service, Inc., or F-1 or better by Fitch Ratings Inc. or an equivalent rating by an equivalent rating agency in New York, New York.

“Escrow Agent” means The Bank of New York Mellon, in its capacity as escrow agent under the Escrow Agreement.

“Escrow Agreement” has the meaning set forth in the recitals.

“EU Bail-in Legislation Schedule” means the document described as such, then in effect, and published by the Loan Market Association (or any successor person) from time to time at <http://www.lma.eu.com/>.

“Event of Default” has the meaning set forth under the Indenture.

“Guarantee” has the meaning set forth in the preamble.

“Guarantee Acceleration” has the meaning set forth in Section 2.09.

“Guarantee Escrow Account” means the escrow account in New York created in the name of the Escrow Agent, for the benefit of the Guaranteed Holders, pursuant to the Escrow Agreement.

“Guarantee Payment” means any payment made by the Guarantor under this Guarantee, including payments made in accordance with Section 2.03(a) and 2.10(a)(ii) and (b) hereof. Any Guarantee Payment made by IDB shall be made in accordance with New York law. The Guarantee Payments will be made from a bank account of the Guarantor that is, as of the date of this Guarantee, located in New York, or in any other location as the Guarantor may subsequently determine in its sole discretion.

“Guarantee Payment Event” means the Republic’s failure to pay, or cause to be paid, a Scheduled Payment Amount (or portion thereof) on the applicable Payment Date, provided that such event will only constitute a Guarantee Payment Event on the date on which the five (5) Business Day grace period applicable to such non-payment (to the extent applicable) has expired.

“Guaranteed Holders” means, from time to time and subject to Section 3.09, Holders that hold a beneficial interest in the Notes in the form of Global Notes, it being understood that the initial Guaranteed Holder will be Ecuador Social Bond S.à r.l..

“Guarantor” has the meaning set forth in the preamble.

“Guarantor Event of Default” means the occurrence of any of the following events: (i) the Guarantor fails to pay, or cause to be paid, any Guarantee Payment when due under this Guarantee pursuant to Section 2.03 and such failure is not cured within three (3) Business Days from the date such Guarantee Payment was due; (ii) the Guarantor contests the validity of the Guarantee; (iii) the Guarantor denies any of its obligations under this Guarantee (whether by a general suspension of payments or otherwise); or (iv) the Guarantor terminates (or seeks to terminate) this Guarantee other than in accordance with Section 2.10.

“Holders” means the Persons or entities that appear as owners of the Notes in the Register.

“IDB Right to Purchase” has the meaning set forth in Section 2.10.

“Indebtedness” means (a) all indebtedness of or guaranteed by the Guarantor for or in connection with borrowed money, and (b) all obligations of or guaranteed by the Guarantor, evidenced by debt securities, debentures, notes or other similar instruments, *provided* that this definition shall not include obligations arising from commercial agreements not having the commercial effect of a borrowing.

“Indenture” has the meaning set forth in the recitals.

“Initial Collection Account” means the Issuer Guarantee Escrow Account (account no. 153568400).

“Maturity Date” means January 30, 2035, the maturity date of the Notes.

“Maximum Guaranteed Amount” means, as of any date of determination, an amount equal to the lower of (a) US\$300,000,000, *minus* the aggregate of all Guarantee Payments heretofore paid as of such date of determination; and (b) the Maximum Guaranteed Notes Amount, *provided* that following the Guarantor’s exercise of the IDB Right to Purchase pursuant to (and in accordance with the terms of) Section 2.11, the Maximum Guaranteed Amount shall equal US\$0.

“Maximum Guaranteed Notes Amount” means, on any given date of calculation, the amount set forth in the column titled “Maximum Guaranteed Notes Amount” in Schedule I to this Guarantee determined by reference to the period ending on (but excluding) the Payment Date occurring on or immediately preceding the date of calculation.

“Notes” has the meaning set forth in the recitals.

“Offering Circular” means the final Offering Circular relating to the offering of the Notes dated as of January 16, 2020, and any additional and related materials which shall establish the specific terms and conditions of the offering of the Notes.

“Paying Agent” means The Bank of New York Mellon, London Branch or any substitute Paying Agent appointed pursuant to Section 3.8(c) of the Indenture.

“Payment Date” means each of the dates on which principal and interest, if any, on the Notes are originally scheduled to be paid, including the Maturity Date.

“Person” means an individual, a corporation, a limited liability company, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“Process Agent” has the meaning set forth in Section 3.03(d).

“Program” has the meaning set forth in the recitals.

“Purchase Agreement” means the Purchase Agreement dated January 16, 2020 between the Republic, the Guarantor, Goldman Sachs & Co. LLC as global coordinator, bookrunner and placement agent, and Ecuador Social Bond S.à r.l. as initial purchaser of the Notes.

“Register” has the meaning set forth in the Indenture.

“Registrar” means the Person at such time acting as Trustee with respect to such Notes.

“Relevant Resolution Authority” means the resolution authority with the ability to exercise any Bail-in Powers in relation to the relevant BRRD Party.

“Responsible Officer” means, when used with respect to the Trustee, the Paying Agent or the Guarantor, any officer thereof having direct responsibility for the administration of the Indenture or this Guarantee, and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer’s knowledge and familiarity with the particular subject.

“ROP” means the Operating Manual of the Program, which details, *inter alia*: (a) the applicable social and environmental safeguards; (b) minimum requirements for eligible housing; (c) the financial intermediary institutions that can intermediate the proceeds of the Notes to provide mortgages to Program beneficiaries; (d) the characteristics of the mortgages to be provided from the resources of the Program; (e) the functions and responsibilities of the unit for the implementation of the Program; (f) the functions and responsibilities of the trust for the management of the proceeds; and (g) the financial, economic and social reporting and auditing of the Program.

“RTP Period” has the meaning set forth in Section 2.11.

“Scheduled Payment Amount” means, for any Payment Date, the amount of principal and/or interest on the Notes originally payable on such Payment Date (without regard for any acceleration of the Notes), as provided for in the Indenture.

“Termination Date” means the earlier of: (a) the date on which all amounts have been paid by the Republic under the Notes, such that no further amounts are (or may become) payable thereunder; (b) the date on which the Maximum Guaranteed Amount equals zero; and (c) the date on which this Guarantee is terminated or cancelled pursuant to (and in accordance with the terms of) Section 2.10.

“Termination Event” has the meaning set forth in Section 2.10.

“Transaction Documents” means the following documents or agreements:

- (a) the Indenture;
- (b) the Counter-Guarantee Agreement;
- (c) this Guarantee;
- (d) the Offering Circular;
- (e) the Escrow Agreement; and
- (f) any other documents so designated by the Republic.

“Trustee” means The Bank of New York Mellon or any substitute Trustee appointed pursuant to Section 6.9 of the Indenture.

“Trustee Process Agent” has the meaning set forth in Section 3.03(d).

“U.S. Dollars” or **“US\$”** means the lawful currency of the United States of America.

Section 1.02 Interpretation

In this Guarantee, unless the context otherwise requires:

- (a) headings and the table of contents herein are for convenience only and do not affect the interpretation of this Guarantee;
- (b) any terms defined herein include the plural as well as the singular;
- (c) the words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Guarantee as a whole and not to any particular Article, Section or other subdivision of this Guarantee;
- (d) a reference to an Article, a Section, a paragraph, a recital, the preamble, an Exhibit or a Schedule is a reference to an Article, a Section, a paragraph, a recital, the preamble, an Exhibit or a Schedule of or to this Guarantee, unless otherwise indicated;
- (e) a reference to a document includes an amendment or supplement to that document, *provided* that such amendment or supplement has not been made in breach of this Guarantee;
- (f) a reference to a party to any document includes that party’s successors and permitted assigns; and
- (g) any reference to treaties, statutes and related regulations shall include any amendments of the same and any successor treaties, statutes and regulations.

Section 1.03 Business Day Adjustment

Unless otherwise provided, where the day on or by which a payment is due to be made is not a Business Day (in the place of payment), that payment shall be made on the immediately following Business Day (in the place of payment). In such case, interest, fees and charges (if any) accrue for the period from the due date which is not a Business Day (in the place of payment) to such immediately following Business Day (in the place of payment).

Section 1.04 Absence of Rights of Third Parties

None of the terms of this Guarantee is intended to confer any rights, benefits, remedies, obligations or liabilities upon any person who is not a party to this Guarantee (including any Holder) and no such Person may enforce any of its terms. Only the Trustee, for the benefit of the Guaranteed Holders, may enforce the terms of this Guarantee. The Guarantor shall have no liability to any of the Holders or to any agent or representative thereof, except for the Trustee.

ARTICLE II PARTIAL CREDIT GUARANTEE

Section 2.01 Establishment of Guarantee

(a) Subject to the terms and conditions of this Guarantee, the Guarantor hereby establishes a partial credit guarantee, up to the Maximum Guaranteed Amount, in favor of the Trustee for the benefit of the Guaranteed Holders.

(b) From the Effective Date until the Termination Date, the Guarantor irrevocably guarantees to the Trustee for the benefit of the Guaranteed Holders the payment of each Scheduled Payment Amount on each Payment Date (up to the Maximum Guaranteed Amount and without regard to any acceleration under the Notes), in accordance with the terms of this Guarantee.

(c) This Guarantee shall only cover, up to the Maximum Guaranteed Amount, Scheduled Payment Amounts, without regard to any acceleration under the Notes, and shall not cover any other amounts, including any additional amounts or indemnification amounts payable on the Notes, fees, expenses, costs or other amounts payable pursuant to any Transaction Document. For the avoidance of doubt, if the Notes are accelerated, the Guarantee will continue to cover Scheduled Payment Amounts (including each amount of interest on the Notes that would have been payable by the Republic on the relevant Payment Dates had the Notes not been accelerated). This Guarantee shall not be accelerated except as provided for in Section 2.09.

(d) This Guarantee covers all payments by the Republic of Scheduled Payment Amounts on the Notes (being all principal and interest amounts originally payable by the Republic on the Notes on each Payment Date) up to the Maximum Guaranteed Amount, *provided* that the Guarantee shall not cover any amounts payable by the Republic in connection with an Optional Redemption (as described in paragraph (e) below) and shall only cover Scheduled Payment Amounts originally payable by the Republic on Payment Dates (without regard to any acceleration under the Notes).

(e) If there is an Optional Redemption and the Republic fails to make payment of any amount due in connection with such Optional Redemption, the Guarantee shall: (i) not cover the payment of the Optional Redemption Amount payable by the Republic in connection with such Optional Redemption; and (ii) continue to cover Scheduled Payment Amounts originally payable by the Republic on the Payment Dates (and, in accordance with the terms of the Indenture, the Holders may elect to reinstate the original schedule of payments of principal and interest on the Notes following a failure by the Republic to make payment of any amount due in connection with an Optional Redemption).

(f) The obligations of the Guarantor under this Guarantee constitute direct, unsecured obligations of the Guarantor that rank equally, without any preference among themselves, with all other unsecured and unsubordinated Indebtedness of the Guarantor, *provided* that such ranking is in terms of priority only and does not require that the Guarantor make ratable payments on the Notes with payments made on its other Indebtedness.

(g) This Guarantee is in favor of the Trustee (for the benefit of the Guaranteed Holders). Subject to Section 3.09, as the Guaranteed Holders shall only be Holders that hold a beneficial interest in the Notes in the form of Global Notes, the Guarantee shall not benefit (and no payments under the Guarantee shall be attributed to) any Holders of the Notes that are holding (or have an interest in) Definitive Notes.

Section 2.02 Conditions Precedent to Effectiveness

(a) This Guarantee will become effective upon satisfaction of the following conditions:

(i) the Republic shall be a member country of the Inter-American Development Bank;

(ii) the financial terms of the Notes are acceptable to the Guarantor in its sole discretion;

(iii) the Guarantor shall have been provided with a copy of the approval of the Debt and Finance Committee of the Republic authorizing the issuance of the Notes;

(iv) the conditions set forth in Section 2.02 (*Conditions Precedent to Executing the Guarantee*) of the Counter-Guarantee Agreement shall be satisfied;

(v) there shall have been due execution and delivery to the parties thereto of:

(a) this Guarantee;

(b) the Indenture;

(c) the Purchase Agreement;

(d) the Counter-Guarantee Agreement;

(e) the Escrow Agreement; and

(vi) the Notes shall have been issued and authenticated under and in accordance with the Indenture.

(b) The Guarantor will confirm to the Trustee by email once the conditions precedent in items (i) to (iv) and (v)(d) of paragraph (a) have been satisfied. The Trustee shall have no obligation to monitor or confirm the satisfaction of such conditions precedent to effectiveness of the Guarantee.

Section 2.03 Guarantee Payments

(a) If:

- (i) no Termination Event has occurred and is continuing; and
- (ii) a Guarantee Payment Event has occurred,

then the Trustee may (but is not obliged to) submit a Demand Notice to the Guarantor. Any Demand Notice shall: (1) inform the Guarantor of the occurrence of the Guarantee Payment Event; (2) set forth the amount of the relevant Scheduled Payment Amount that was not paid on the relevant Payment Date; and (3) set forth the amount being requested for payment under the Demand Notice (which may be equal to or lower than the relevant Scheduled Payment Amount, but shall in no case exceed the Maximum Guaranteed Amount). **Upon receipt of a duly completed Demand Notice by a Responsible Officer of the Guarantor**, the Guarantor shall be obligated on the terms and conditions hereof and thereof to make payment of the amount requested in such Demand Notice (up to the Maximum Guaranteed Amount), by depositing the applicable U.S. Dollar amount in the Collection Account no later than fourteen (14) Business Days from the receipt of such Demand Notice (with the payment by the Guarantor of any amount requested in a Demand Notice constituting a Guarantee Payment). Any amounts paid pursuant to this Guarantee shall be applied as set forth in Section 3.8(b) of the Indenture.

(b) If the Guarantor or the Trustee, in each case in its sole discretion, determines that a change in the manner or place of payment to the Paying Agent or the Trustee of any amount due hereunder or under any Notes is necessary or desirable to carry out the purposes of this Guarantee, the Trustee or any Paying Agent may agree with the Guarantor to any such change, *provided* that no such change may result in a delay of the date upon which the Guaranteed Holders are entitled to receive their proportionate share of any such payment or reduce the amount of any such payment under this Guarantee.

Section 2.04 Method of Guarantee Payments

(a) Demand Notices shall be submitted in writing (which may be by email) and confirmed by telephone on the day of submission.

(b) The Guarantor shall make each Guarantee Payment in the amount requested by the Trustee in a Demand Notice, and any payment due from the Guarantor in accordance with Section 2.09 (up to the Maximum Guaranteed Amount), by depositing the applicable amount in U.S. Dollars in immediately available funds in the Collection Account.

(c) Any amounts paid by the Guarantor in excess of the amounts required to be paid by the Guarantor pursuant to this Guarantee will be promptly returned by the Trustee to the Guarantor.

(d) The Trustee shall not set-off any amounts owed by the Republic or the Guarantor under any Transaction Document against any credits the Guarantor has against the Trustee or any of its affiliates, including any amounts or funds on deposit with the Trustee or any of its affiliates.

Section 2.05 Reinstatement of Maximum Guaranteed Amount

Any amount of Guarantee Payments disbursed by the Guarantor that the Republic later reimburses to the Guarantor in accordance with the Counter-Guarantee Agreement will not be available for new Guarantee Payments.

Section 2.06 Continuing Obligation; Status of Guarantee

(a) This Guarantee is a continuing obligation and shall remain in full force and effect until the occurrence of the Termination Date. Accordingly, the obligations of the Guarantor hereunder shall not be discharged except by performance (and then to the extent of such performance) or as otherwise provided in this Guarantee.

(b) The obligations of the Guarantor under this Guarantee will constitute direct, unsecured obligations of the Guarantor that will rank equally, without any preference among themselves, with all other unsecured and unsubordinated Indebtedness of the Guarantor, *provided* that such ranking is in terms of priority only and does not require that the Guarantor make ratable payments on the Notes with payments made on its other Indebtedness.

(c) This Guarantee is issued by the Guarantor and will not be the obligation of any government or nation state that is a member of the Inter-American Development Bank. No such government or nation state will be responsible for payments under this Guarantee or liable to the Trustee or to any Person in case of a Guarantor Event of Default.

Section 2.07 Waiver of Defenses

For the benefit of the Trustee, who acts for the benefit of the Guaranteed Holders, and for purposes of this Guarantee only, the Guarantor waives diligence, notice of acceptance, presentment, protest, notice of dishonor or non-payment hereunder. Nothing in this Section 2.07 requires the Guarantor to perform under this Guarantee if a Termination Event has occurred.

Section 2.08 Subrogation

(a) The Guarantor shall be subrogated to the rights of the Holders to the extent of any Guarantee Payments made by the Guarantor hereunder arising as a result thereof by way of right of subrogation, contribution, reimbursement, indemnity or otherwise *provided* that the Guarantor shall not exercise any such rights in connection with any amount or payment (i) in respect of which it has been reimbursed by the Republic under the Counter-Guarantee Agreement or (ii) which, following an Early Disbursement Event in respect of which the Guarantor has deposited the Maximum Guaranteed Amount into the Guarantee Escrow Account, has not been made by the

Escrow Agent to the Trustee under the Escrow Agreement. In furtherance thereof, the Trustee shall from time to time take such actions as set forth in Section 4.12 of the Indenture to establish and facilitate the enforcement of the Guarantor's rights pursuant to this Section 2.08. For the avoidance of doubt, any rights that the Guarantor has to receive payments from the Republic under the Notes (only by virtue of it being subrogated to the rights of bondholders following Guarantee Payments under the Guarantee) shall be *pari passu* with any rights of the bondholders to receive payments from the Republic under the Notes.

(b) If the Guarantor exercises its subrogation rights pursuant to Section 2.08 of this Guarantee and Section 4.12 of the Indenture, the Guarantor shall notify the Trustee of the amounts of any reimbursements it receives from the Republic under the Counter-Guarantee Agreement.

(c) To the extent the Guarantor is subrogated in the rights of the Holders pursuant to Section 2.08(a), the Trustee shall forthwith assign or transfer to the Guarantor, without representation, warranty or recourse, all of such Holders' claims, interests, rights and security which it then has against the Republic under the Notes in respect of any amounts received by the Trustee on behalf of the Holders from the Guarantor.

(d) For the avoidance of doubt, if the Guarantor exercises the IDB Right to Purchase, the above subrogation rights shall not apply with respect to the RTP Subject Notes (as defined in Section 2.11), delivered to the Guarantor, in respect of which the Guarantor will have the same direct recovery rights against the Republic as other Holders in respect of such RTP Subject Notes. The Guarantor's exercise of the IDB Right to Purchase shall not affect any previously obtained subrogation rights, subject to there being no double counting.

Section 2.09 Guarantor Events of Default and Guarantee Acceleration

(a) The Guarantor will give the Trustee notice by facsimile transmission or other written communication satisfactory to the Trustee of (i) the occurrence of any Guarantor Event of Default or of any condition or event which, with the giving of notice or the lapse of time or both, would constitute a Guarantor Event of Default, and (ii) of the measures it is taking to remedy such Guarantor Event of Default or such other event or condition (if any). In no event shall the Trustee be charged with knowledge of any Guarantor Event of Default unless a Responsible Officer of the Trustee shall have received written notice thereof from the Guarantor, the Republic or a Holder and such notice references the Guarantee, the Notes and the relevant Guarantor Event of Default or, with regard to a payment default, a Responsible Officer of any of the Trustee shall have actual knowledge thereof.

(b) If (i) a Guarantor Event of Default occurs and is continuing and (ii) the Holders have elected to accelerate the Notes pursuant to paragraph 8 of the terms and conditions of the Notes, then the Guaranteed Holders representing at least twenty-five percent (25%) of the outstanding Notes may direct the Trustee to declare that all amounts payable under this Guarantee (up to the Maximum Guaranteed Amount on the relevant date) are immediately due and payable by the Guarantor in which case the Trustee shall notify the Republic and the Guarantor in writing (a "**Guarantee Acceleration**"), *provided* that any Guarantee Acceleration may be annulled or rescinded, and any Guarantor Event of Default may be waived, by Holders of not less than a majority of the principal amount of the then-outstanding Notes as provided in the Indenture. On

the date of a Guarantee Acceleration (which shall be the date on which the Trustee gives notice thereof to the Guarantor), an amount equal to the Maximum Guaranteed Amount shall become immediately due and payable by the Guarantor to the Trustee (on behalf of the Guaranteed Holders) under this Guarantee, payable in accordance with Section 2.04.

Section 2.10 Termination Events

(a) This Guarantee shall terminate, and any written Demand Notice from the Trustee pursuant to this Guarantee shall be void, if any of the following events (each, a “**Termination Event**”) occurs, and the Guarantor sends a notice to the Trustee and the Republic confirming that it is terminating this Guarantee due to the occurrence of such event:

(i) the Holders or the Trustee (at the direction of the Holders under the Indenture) make any amendment, modification or waiver of the Guarantee, the provisions of the Notes and/or the Indenture which adversely affects the rights and the obligations of the Guarantor, or give any written waiver or consent with respect thereto, without the Guarantor’s prior written consent (with such written consent not to be unreasonably withheld and to be deemed given by the Guarantor after ten (10) Business Days of such written consent being sought);

(ii) an Early Disbursement Event occurs and the Guarantor has deposited the Maximum Guaranteed Amount into the Guarantee Escrow Account pursuant to the terms thereof, as described in Section 2.10(b) below;

(iii) any assignment by the Trustee of any of its rights and obligations under the Indenture or the Guarantee, which affect the rights and obligations of the Guarantor under the Guarantee or the provisions of the Notes, without the prior written consent of the Guarantor (with such written consent not to be unreasonably withheld and to be deemed given by the Guarantor after ten (10) Business Days of such written consent being sought), *provided* that no consent of the Guarantor shall be required (and no Termination Event shall occur) in connection with any assignment to an Approved Assignee or any assignment in accordance with Section 3.09(c) or in connection with the appointment of any successor Trustee under the Indenture.

(b) If, in the determination of the Guarantor, an Early Disbursement Event occurs, the Guarantor shall notify the Trustee and the Republic and shall then be entitled to deposit an amount equal to the Maximum Guaranteed Amount into the Guarantee Escrow Account, for payment to the Guaranteed Holders in the same amounts and subject to the same terms and conditions as under this Guarantee. Upon deposit by the Guarantor of such funds in the Guarantee Escrow Account, this Guarantee shall terminate.

(c) In accordance with clause 3(b) of the Escrow Agreement, after the date on which all amounts have been paid by the Republic under the Notes, such that no further amounts are (or may become) payable thereunder, the Escrow Agent shall return any amounts in deposit in the Guarantee Escrow Account to the Guarantor within three (3) Business Days (as defined in the Escrow Agreement) of the Escrow Agent verifying the payment instructions of the Guarantor (as provided in clause 3(b) of the Escrow Agreement).

(d) The termination of this Guarantee pursuant to this Section 2.10 shall be effective as of the date set forth in an officer's certificate delivered by the Guarantor to the Trustee notifying it that a Termination Event has occurred and that this Guarantee and the Guarantor's obligations hereunder are terminated (which date shall not precede the occurrence of such Termination Event); from and after such date, all obligations of the Guarantor hereunder shall terminate and be of no further force or effect.

(e) Notwithstanding the foregoing, this Guarantee and all obligations of the Guarantor hereunder shall automatically terminate, without delivery of any notice or performance of any act by any party, upon the earlier to occur of any of the events set forth in section (a) and (b) of the definition of Termination Date.

(f) Termination of this Guarantee shall not in any respect whatsoever affect any of the rights of the Guarantor, the Republic or any other party under the Counter-Guarantee Agreement, which shall remain in full force and effect.

Section 2.11 IDB Right to Purchase

(a) If an Event of Default occurs and is continuing under the Notes, at any time between the date on which such Event of Default occurs and the date that is six (6) months thereafter (the "**RTP Period**"), the Guarantor shall have the right to purchase (and RTP Subject Notes Holders (as defined below) shall have the obligation to sell) the RTP Subject Notes (as defined below) for a price equal to par plus any interest accrued on such RTP Subject Notes, in an amount equal to the Maximum Guaranteed Amount (the "**IDB Right to Purchase**").

(b) In the event the Guarantor elects to exercise the IDB Right to Purchase, it shall provide the Trustee with (i) an irrevocable written notice of exercise no later than the last Business Day of the RTP Period (an "**RTP Exercise Notice**") and (ii) an officer's certificate from a Responsible Officer of the Guarantor certifying that the Guarantor is entitled to exercise the IDB Right to Purchase and that the all conditions precedent to the IDB Right to Purchase have been satisfied. The RTP Exercise Notice shall include the following information:

(i) the Event of Default pursuant to which the Guarantor is exercising the IDB Right to Purchase;

(ii) the date of occurrence of such Event of Default;

(iii) the Maximum Guaranteed Amount as of the date of the RTP Exercise Notice;

(iv) a calculation setting forth the total principal amount of the Notes to be purchased at par (the "**RTP Subject Notes**"), and the total amount of interest accrued in respect of such RTP Subject Notes, the sum of which shall be equal to the Maximum Guaranteed Amount; and

(v) the date on which, pursuant to the IDB Right to Purchase, the RTP Subject Notes Holders shall deliver their RTP Subject Notes (the "**RTP Settlement Date**"),

provided that the RTP Settlement Date shall be no earlier than ten (10) Business Days and no later than thirty (30) days from the date of delivery of the RTP Exercise Notice.

(c) Upon receipt of an RTP Exercise Notice, the Trustee shall promptly give the Holders written notice thereof in accordance with paragraph 17(c) of the terms and conditions of the Notes. The Notes that shall comprise the RTP Subject Notes shall be selected in accordance with the procedure set out in paragraph 17(c) of the terms and conditions of the Notes (with the holders of such RTP Subject Notes being the “**RTP Subject Notes Holders**”).

(d) No later than 2:00 p.m., New York time on the RTP Settlement Date, the RTP Subject Notes Holders shall transfer, or cause the Trustee to transfer, to the Guarantor the RTP Subject Notes above; and (ii) the Guarantor shall transfer to the Collection Account, for the benefit of the RTP Subject Notes Holders holding RTP Subject Notes, an amount equal to the Maximum Guaranteed Amount.

(e) Upon transfer of the Maximum Guaranteed Amount to the Collection Account on the RTP Settlement Date, the Maximum Guaranteed Amount will be automatically reduced to US\$0.

(f) For the avoidance of doubt, the Counter-Guarantee Agreement shall not cover any payments made by the Guarantor in connection with the exercise of the IDB Right to Purchase.

(g) The Trustee shall be entitled to conclusively rely upon the information and calculations set forth in the RTP Exercise Notice and shall not be required to verify or re-calculate any of the above information.

Section 2.12 Bail-in

Notwithstanding any other term of this Guarantee, the Indenture or any other agreements, arrangements or understanding between the parties, each counterparty to a BRRD Party acknowledges, accepts and agrees to be bound by:

(a) the effect of the exercise of Bail-in Powers by the Relevant Resolution Authority in relation to any BRRD Liability of any BRRD Party to it under this Guarantee, that (without limitation) may include and result in any of the following, or some combination thereof:

(i) the reduction of all, or a portion, of the BRRD Liability or outstanding amounts due thereon;

(ii) the conversion of all, or a portion, of the BRRD Liability into shares, other securities or other obligations of the relevant BRRD Party or another person (and the issue to or conferral on it of such shares, securities or obligations);

(iii) the cancellation of the BRRD Liability; and

(iv) the amendment or alteration of the amounts due in relation to the BRRD Liability, including any interest, if applicable, thereon, the maturity or the dates on which any payments are due, including by suspending payment for a temporary period; and

(b) the variation of the terms of the Indenture or this Guarantee, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of Bail-in Powers by the Relevant Resolution Authority.

ARTICLE III MISCELLANEOUS

Section 3.01 Notices. Except as provided in Section 2.04(a), any notice, demand, request, consent or other communication to be given or made under this Guarantee to the Guarantor or the Trustee shall be in writing. Such notice, demand, request, consent or other communication shall be delivered by hand, courier or email (*provided* that email delivery shall be effective only upon receipt of an acknowledgment from the intended recipient such as by the “return receipt request” function as available, reply email or other written acknowledgment) to the party’s address specified below or at such other address as that party notifies to the other party hereto from time to time, and will be effective upon receipt.

For the Trustee:

The Bank of New York Mellon
Attention: Corporate Trust – Global Americas
240 Greenwich Street – 7E
New York, NY 10286
Fax: 212-815-5603
Email: Karen.Ferry@bnymellon.com

For the Paying Agent:

The Bank of New York Mellon, London Branch
One Canada Square
Canary Wharf
London E14 5AL
England

For the Guarantor:

Inter-American Development Bank
1300 New York Avenue, N.W.
Washington, D.C. 20577
Fax No.: (202) 312-4135
Email: FIN-FIN@IADB.ORG (addressed to IDB’S CFO & Finance Manager)
FIN-TCS@iadb.org (addressed to IDB’s Treasury Client Solutions Group)
COFCEC@iadb.org (addressed to Country Representative – IDB’s Country Office Ecuador)

Section 3.02 Governing Law; Dispute Resolution

(a) This Guarantee shall be governed by and construed in accordance with the laws of the State of New York of the United States of America, without regard to the conflict of law rules

thereof (other than Section 5-1401 of the New York General Obligations Law and successor provisions thereto).

(b) Any dispute, controversy or claim of any nature arising out of, relating to or having any connection with this Guarantee, including any dispute as to the existence, validity, interpretation, performance, breach, termination or consequences of the nullity of this Guarantee (a “**Dispute**”), where the Guarantor is either a party, claimant, respondent or otherwise is necessary thereto, shall not be referred to a court of any jurisdiction and shall instead be referred to and finally resolved by arbitration under the Rules of the LCIA (“**LCIA Rules**”) as at present in force as modified by this Section 3.03, which LCIA Rules are deemed to be incorporated by reference into this Section 3.03. The provisions in the LCIA Rules regarding an Emergency Arbitrator shall not apply. Capitalized terms used in this Section 3.03 which are not otherwise defined in this Guarantee shall have the meaning given to them in the LCIA Rules. In particular:

(i) There shall be three arbitrators.

(ii) Each arbitrator shall be an English or New York qualified lawyer of at least fifteen (15) years’ standing with experience in relation to international banking or capital markets disputes. At least one of those arbitrators shall be a lawyer qualified in New York.

(iii) Within thirty (30) days after the filing of the arbitration, the Paying Agent and the Trustee shall jointly appoint one arbitrator and the Guarantor shall appoint one arbitrator. If any such party or multiple parties fail to nominate an arbitrator within thirty (30) days from and including the date of receipt of the relevant request for arbitration, an arbitrator shall be appointed on their behalf by the LCIA Court in accordance with the LCIA Rules and applying the criteria at subparagraph (ii) above. In such circumstances, any existing nomination or confirmation of the arbitrator chosen by the party or parties on the other side of the proposed arbitration shall be unaffected, and the remaining arbitrator(s) shall be appointed in accordance with the LCIA Rules.

(iv) The third arbitrator and chairman of the arbitral tribunal shall be appointed by the LCIA Court in accordance with the LCIA Rules and applying the criteria at subparagraph (ii) above.

(v) The seat, or legal place, of arbitration shall be London, England.

(vi) The language to be used in the arbitration shall be English. This Section 3.03(b) shall be governed by English law.

(c) The Trustee and the Guarantor each irrevocably waives, to the fullest extent permitted by Applicable Law, (i) any objection which it may now or hereafter have to the laying of venue of any action, suit or proceeding brought in any court referred to in this Section 3.03, and (ii) any claim that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

(d) The Trustee hereby agrees that service of process in any such action, suit or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail) to The Bank of New York Mellon, London Branch (the

“Trustee Process Agent”) as the Trustee’s registered agent in London for service of process at its address at The Bank of New York Mellon, London Branch, One Canada Square, Canary Wharf, London E14 5AL, England or at such other address in London of which the Guarantor shall have been notified by the Trustee. The Guarantor hereby agrees that service of process in any such action, suit or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail) to Cogency Global (UK) Limited (the **“Guarantor Process Agent”**) as such Person’s registered agent in London for service of process at its address at 6 Lloyds Avenue, Unit 4CL, London EC3N 3AX or at such other address in London of which the Trustee shall have been notified by the Guarantor. The Trustee and the Guarantor shall each, for so long as it shall be bound to the Guarantor under this Guarantee, maintain their respective Process Agent (or if such Process Agent can no longer perform its functions of agent for service of process, another agent satisfactory to the other party) as its duly appointed agent to receive for and on its behalf service of summons, complaint or other legal process in any legal action, suit or proceeding the Guarantor or the Trustee may bring in the English courts in relation to any arbitration proceedings contemplated by this Section 3.02 or in relation to recognition or enforcement of any such arbitration award obtained in accordance with this Section 3.02.

(e) Service of process in the manner provided in this Section 3.03 in any such action, suit or proceeding shall be deemed personal service and accepted by the Trustee and Guarantor (as applicable) as such and shall be valid and binding upon the Trustee and the Guarantor (as applicable) for all the purposes of any such action suit or proceeding.

Section 3.03 Language

This Guarantee is signed in the English language, which shall be binding upon the parties hereto, and the parties hereby agree that only a duly executed English version of this Guarantee is a valid version of this Guarantee.

Section 3.04 Waiver of the Guarantor Security

To the extent that the Holders or the Trustee may, in any suit, legal action or proceeding brought in any court in Ecuador, the United States, the State of New York or any other jurisdiction arising out of or in connection with this Guarantee or any other Transaction Document, be entitled to the benefit of any provision of any Applicable Law requiring the Guarantor, in such suit, legal action or proceeding, to post security for the costs of the Holders or the Trustee or to post a bond or to take similar action, the Trustee hereby irrevocably waives such benefit to the fullest extent now or hereafter permitted under the laws of Ecuador, the United States, the State of New York and, as the case may be, such other relevant jurisdictions.

Section 3.05 Waiver of Trial by Jury

The Trustee hereby acknowledges that the Guarantor shall, under Applicable Law, including without limitation the provisions of the International Organizations Immunities Act of 1945 (22 U.S.C. 288) and the regulations issued thereunder, be entitled to immunity from a trial by jury in any action, suit or proceeding arising out of or relating to this Guarantee, or any other Transaction Document or the transactions contemplated hereby or thereby, that may be brought against the Guarantor in any court of the United States. TO THE MAXIMUM EXTENT

PERMITTED BY APPLICABLE LAW, THE TRUSTEE HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS GUARANTEE OR ANY OTHER TRANSACTION DOCUMENT AND FOR ANY COUNTERCLAIM WITH RESPECT THERETO. The Trustee agrees that the waivers set forth above shall have the fullest extent permitted under the Foreign Sovereign Immunities Act of 1976 of the United States (28 U.S.C. §§ 1602-1611) and are intended to be irrevocable and not subject to withdrawal for purposes of such Act.

Section 3.06 Scope of Guarantor's Immunity

(a) The Trustee and the Paying Agent acknowledge that, in accordance with the Agreement Establishing The Inter-American Development Bank, actions may be brought against the Guarantor only in a court of competent jurisdiction in the territories of a member country of the Guarantor in which the Guarantor has an office, has appointed an agent for accepting service or notice of process, or has issued or guaranteed securities.

(b) The Trustee and the Paying Agent acknowledge further acknowledge that:

(i) no actions shall be brought against the Guarantor by member countries of the Guarantor or persons acting for or deriving claims from such member countries;

(ii) the property and assets of the Guarantor, wherever located and by whomsoever held, shall be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Guarantor; and

(iii) the archives of the Guarantor shall be inviolable.

Section 3.07 Amendments, Modifications, Etc.

(a) No amendment, modification or waiver of any provision of this Guarantee shall be effective unless such amendment, modification or waiver shall be in writing and signed by each of the parties hereto and the same shall be effective only for the period and on the conditions and for the specific instances specified therein.

(b) No amendment, modification or waiver of any provision of the Indenture or the Notes that adversely affects the obligations of the Guarantor thereunder may be made without the prior written consent of the Guarantor. Such consent shall not be unreasonably withheld by the Guarantor and shall be subject to deemed consent after ten (10) Business Days of such written consent being sought. In connection with any amendment, modification or waiver of any provision of the Indenture or the Notes, the Republic will seek the relevant consent of the Guarantor under and in accordance with the terms of this Guarantee.

Section 3.08 Entire Agreement

The obligations of the Guarantor hereunder are governed by this Guarantee only and, in the event of any conflict between this Guarantee on the one hand, and any other Transaction Document on the other hand, the terms of this Guarantee shall govern. This Guarantee represent the final and complete agreement of the parties hereto with respect to the subject matter hereof,

and all prior negotiations, representations, understandings, writings and statements of any nature with respect thereto are hereby superseded in their entirety by the terms of this Guarantee.

Section 3.09 Successors and Assigns

(a) This Guarantee shall bind and inure to the benefit of the respective successors and permitted assigns of the parties hereto. Subject to paragraphs (b) and (c) below, neither the Trustee nor the Guarantor may transfer or assign this Guarantee, or its rights or obligations under this Guarantee, without the prior written consent of the Guarantor, except that the Trustee may transfer and assign this Guarantee, or its rights or obligations under this Guarantee, to an Approved Assignee.

(b) If, in accordance with Section 2.6(e) of the Indenture, all Notes (and not some only) are to be represented by Definitive Notes (such that no Notes will continue to be represented by the Global Notes), the Trustee may notify the Guarantor that the Guaranteed Holders will no longer be the Holders that hold a beneficial interest in the Notes in the form of Global Notes and will instead be such Holders specified in the Register by the Trustee from time to time, determined in accordance with Section 2.9 of the Indenture.

(c) The Guarantor acknowledges that the Trustee or any Guaranteed Holder may charge, assign or otherwise create a security interest in or over any of its rights and obligations under this Guarantee to The Bank of New York Mellon (acting in the capacity of a collateral agent in connection with any transaction which references this Guarantee), *provided that* the relevant party will provide notice to the Guarantor promptly after any such charge, assignment or security interest has been created.

Section 3.10 Severability

Any provision of this Guarantee which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 3.11 Counterparts

This Guarantee may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

Section 3.12 Saving of Rights; Waivers and Remedies

(a) No course of dealing or waiver by the Guarantor in connection with any condition of a Guarantee Payment under this Guarantee shall impair any right, power or remedy of the Guarantor with respect to any other condition of such Guarantee Payment, or be construed to be a waiver thereof, nor shall the action of the Guarantor with respect to any Guarantee Payment affect or impair any right, power or remedy of the Guarantor with respect to any other Guarantee Payment.

(b) Without prejudice to the generality of Section 3.13(a), the right of the Guarantor to require compliance with any condition under this Guarantee that may be waived by the Guarantor with respect to any Guarantee Payment is expressly preserved for the purposes of any subsequent Guarantee Payment.

(c) No course of dealing, and no failure or delay by the Guarantor in exercising, in whole or in part, any power, remedy, discretion, authority or other right under this Guarantee or any other agreement shall waive or impair, or be construed to be a waiver of or an acquiescence in, such or any other power, remedy, discretion, authority or right under this Guarantee, or in any manner preclude its additional or future exercise.

Section 3.13 Not an Insurance Product

This Guarantee is not, is not intended to be, and shall not be construed as, financial guaranty insurance, but as a credit guarantee product.

Section 3.14 Trustee, Registrar, Paying Agent.

In executing this Guarantee and acting hereunder, the Trustee, Registrar and Paying Agent are acting in such capacities under the Indenture and not in their individual capacity and as such, shall be entitled to the rights, benefits, protections, indemnities and immunities afforded to each of them under the Indenture.

[SIGNATURE PAGES FOLLOW]

INTER-AMERICAN DEVELOPMENT BANK

By: _____

Name: LUIS ALBERTO MORENO

Title: PRESIDENT

ACCEPTED AND AGREED:

THE BANK OF NEW YORK MELLON

By: 

Name:

Title:

LATOYA S. ELVIN
VICE PRESIDENT

By: 

Name:

Title:

THE BANK OF NEW YORK MELLON,
LONDON BRANCH

By: 

Name:

Title:

LATOYA S. ELVIN
VICE PRESIDENT

By: _____

Name:

Title:

ACCEPTED AND AGREED:


THE BANK OF NEW YORK MELLON

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

**THE BANK OF NEW YORK MELLON,
LONDON BRANCH**

By: _____
Name: _____
Title: _____

By: _____
Name: 
Title: **JAIMENIELSEN**
VICE PRESIDENT

SCHEDULE I
MAXIMUM GUARANTEED NOTES AMOUNT

Period start date (from and including)	Period end date (to but excluding) ("Payment Date")	Maximum Guaranteed Notes Amount (US\$)
30-Jan-20	30-Jul-20	300,000,000.00
30-Jul-20	30-Jan-21	296,997,507.00
30-Jan-21	30-Jul-21	293,995,014.00
30-Jul-21	30-Jan-22	290,992,521.00
30-Jan-22	30-Jul-22	287,990,028.00
30-Jul-22	30-Jan-23	284,987,535.00
30-Jan-23	30-Jul-23	281,985,042.00
30-Jul-23	30-Jan-24	278,982,549.00
30-Jan-24	30-Jul-24	267,019,056.00
30-Jul-24	30-Jan-25	255,133,056.00
30-Jan-25	30-Jul-25	243,364,056.00
30-Jul-25	30-Jan-26	238,712,056.00
30-Jan-26	30-Jul-26	234,086,056.00
30-Jul-26	30-Jan-27	229,486,056.00
30-Jan-27	30-Jul-27	224,912,056.00
30-Jul-27	30-Jan-28	220,364,056.00
30-Jan-28	30-Jul-28	215,842,056.00
30-Jul-28	30-Jan-29	209,846,056.00
30-Jan-29	30-Jul-29	203,895,556.00
30-Jul-29	30-Jan-30	195,990,556.00
30-Jan-30	30-Jul-30	188,157,056.00
30-Jul-30	30-Jan-31	176,895,056.00
30-Jan-31	30-Jul-31	165,750,056.00
30-Jul-31	30-Jan-32	153,722,056.00
30-Jan-32	30-Jul-32	141,824,056.00
30-Jul-32	30-Jan-33	115,056,056.00
30-Jan-33	30-Jul-33	88,613,056.00
30-Jul-33	30-Jan-34	62,495,056.00
30-Jan-34	30-Jul-34	36,702,056.00
30-Jul-34	30-Jan-35	18,234,056.00

Form of Demand Notice

[Date]

Inter-American Development Bank
1300 New York Avenue, N.W.
Washington, D.C. 20577
Fax No.: (202) 312-4135
Attn: IDB'S CFO & Finance Manager
IDB's Treasury Client Solutions Group
Country Representative – IDB's Country Office Ecuador

Re: Demand Notice – Partial Credit Guarantee to Ecuador's Notes due 2035

1. Reference is made to the Partial Credit Guarantee, dated as of [January 30, 2020] (the "**Guarantee**"), between Inter-American Development Bank ("**Guarantor**"), The Bank of New York Mellon (the "**Trustee**") and The Bank of New York Mellon, London Branch (the "**Paying Agent**").

2. Capitalized terms used but not defined herein have the meanings assigned to them in the Guarantee.

3. In accordance with the Guarantee, we submit to you this Demand Notice and we hereby certify to you that the Republic has failed to pay the following Scheduled Payment Amount on the following Payment Date:

Payment Date: _____
Scheduled Payment Amount(s): US\$ _____

4. The Guarantor is hereby requested and instructed to make a payment of US\$__, which shall constitute a Guarantee Payment under the Guarantee, and which relates to US\$__ of the interest component of the Scheduled Payment Amount described above and US\$__ of the principal component of the Scheduled Payment Amount described above. This Guarantee Payment shall be made to the Collection Account on or before the fourteenth (14th) Business Day following the Guarantor's receipt of this Demand Notice.

To induce you to make such payment and as contemplated by the Guarantee, we further certify that (a) the amount of the Guarantee Payment specified under this Demand Notice does not exceed the Maximum Guaranteed Amount calculated as of today and that upon making said payment, you will not exceed your liability under the Maximum Guaranteed Amount; (b) we have complied with all terms and conditions of the Guarantee; (c) upon your payment, you shall automatically have full rights pursuant to Section 2.08 of the Guarantee; (d) no Termination Event has occurred; and (e) the making and submission of this Demand Notice has been duly authorized

by the Trustee through all appropriate action and the undersigned is a Responsible Officer of the Trustee.

[Signature page follows]

Sincerely,
THE BANK OF NEW YORK MELLON

By: _____
Name:
Title:

Form of Escrow Agreement



ESCROW AGREEMENT

among

INTER-AMERICAN DEVELOPMENT BANK, as Depositor

and

THE BANK OF NEW YORK MELLON in its capacity as Social Bond Trustee, as Party B

and

THE BANK OF NEW YORK MELLON, as Escrow Agent

dated as of January 30, 2020

ESCROW ACCOUNT NUMBER: 1573948400

TITLE OF ACCOUNT: IDB ESCROW ACCOUNT

ESCROW AGREEMENT dated as of January 30, 2020 (the "Escrow Agreement"), by and among THE BANK OF NEW YORK MELLON, a New York banking corporation as escrow agent (the "Escrow Agent"), the INTER-AMERICAN DEVELOPMENT BANK as depositor (the "Depositor") and THE BANK OF NEW YORK MELLON in its capacity as Social Bond Trustee under the Indenture (as defined in the Underlying Agreement) ("Party B" or the "Trustee"; the Depositor and Party B are also individually herein referred to as an "Interested Party" and collectively as the "Interested Parties").

PRELIMINARY STATEMENTS:

WHEREAS, *inter alios*, the Depositor and the Trustee have entered into a Partial Credit Guarantee dated as of January 30, 2020 (as amended, supplemented or otherwise modified from time to time, the "Underlying Agreement") pursuant to which the Depositor has agreed to guarantee each payment of scheduled interest and scheduled principal on the Notes up to the Maximum Guaranteed Amount (each as defined in the Underlying Agreement);

WHEREAS, the Underlying Agreement contemplates that the Depositor will cause to be deposited into escrow an amount equal to the Maximum Guaranteed Amount (the "Escrow Amount") following, in the determination of the Depositor as Guarantor (as defined in the Underlying Agreement), the occurrence of an Early Disbursement Event (as defined in the Underlying Agreement);

WHEREAS, a copy of the Underlying Agreement has been delivered to the Escrow Agent;

WHEREAS, the Escrow Agent is willing to act as the Escrow Agent hereunder, and to hold the Escrow Amount in non-interest-bearing account no. 1573948400, title: IDB Escrow Account located in New York, New York (the "Guarantee Escrow Account");

NOW, THEREFORE, in consideration of the foregoing and of the mutual agreements contained herein, and intending to be legally bound hereby, the Interested Parties hereby appoint the Escrow Agent to act as, and the Escrow Agent hereby agrees to act as, escrow agent hereunder and to hold and distribute Escrow Property (as defined herein) in accordance with and subject to the following Instructions and Terms and Conditions, and the parties hereby agree as follows:

I. DEFINITIONS:

Capitalized terms used but not defined herein shall have the meaning assigned to such terms in the Underlying Agreement.

II. INSTRUCTIONS:

1. **Escrow Property.** Following the occurrence of an Early Disbursement Event, the Depositor shall deliver the Escrow Amount to the Escrow Agent by wire transfer of immediately available funds to the Escrow Account. The Escrow Amount, plus all interest, dividends and other distributions, payments and earnings thereon and proceeds thereof (collectively the "Distributions") received by the Escrow Agent, less any property and/or funds distributed or paid in accordance with this Escrow Agreement, are collectively referred to herein as "Escrow Property," and shall be held by the Escrow Agent in escrow and disbursed in accordance with the terms and provisions of this Escrow Agreement.

2. **Investment and Reinvestment of Escrow Property.** Upon the occurrence of an Early Disbursement Event, the Escrow Agent shall invest the Escrow Property, and reinvest all Distributions thereon, in (i) the Goldman Sachs US\$ Treasury Liquid Reserves Fund (ISIN: IE00B2Q5LL07). If (i) the Escrow Agent is for any reason unable to invest such amounts in such fund or (ii) such fund ceases to be rated AAA by any rating agency then rating such fund, the Escrow Property shall be invested at the instruction of the Depositor; *provided* that during the term of this Escrow Agreement, the Escrow Property shall only be invested and reinvested by the Escrow Agent in Permitted Investments, where "**Permitted Investments**" means any debt with a maturity not exceeding one hundred and eighty (180) days from the date of acquisition thereof denominated in U.S. Dollars (or to the extent any proceeds

used to make such Permitted Investment are required to be released from the Escrow Account within a lesser number of days, not exceeding the Business Day falling immediately before the date on which funds are required to be released), issued or directly and fully guaranteed or insured by the United States of America or any agency or Governmental Authority thereof; provided that (i) such Permitted Investments are rated AAA by two of Moody's Investor Service ("Moody's"), Standard & Poor's Ratings Group, Inc ("S&P") and Fitch Ratings Ltd ("Fitch"), (ii) the full faith and credit of the United States of America is pledged in support thereof, (iii) such Permitted Investments are prepayable without penalty at par and (iv) the Escrow Agent is able to hold such Permitted Investments. The Escrow Agent shall have no liability for any loss sustained as a result of any investment selected as indicated in this Section 2 as a result of any liquidation of any investment prior to its maturity and the Escrow Agent shall not be responsible for monitoring the rating of any investment or confirming that an investment qualifies as a Permitted Investment.

3. Distribution of Escrow Property. The Escrow Agent is directed to hold and distribute the Escrow Property in the following manner:

(a) following the occurrence of an Early Disbursement Event which results in the Depositor depositing the Escrow Amount into the Guarantee Escrow Account, the Trustee shall submit notices in writing, in the form set forth in Schedule IV hereto (the "Escrow Account Demand Notice"), to the Escrow Agent, at the same times and in accordance with the same terms as when a Demand Notice could be submitted under the Underlying Agreement, informing the Escrow Agent of the occurrence of the Guarantee Payment Event, the amount of the relevant Scheduled Payment Amount that was not paid on the Notes by the Republic of Ecuador on the relevant Payment Date and the amount being requested for payment from the Guarantee Escrow Account (which may be equal to or lower than the relevant Scheduled Payment Amount, but shall in no case exceed the balance of the Escrow Account). The amount validly demanded in an Escrow Account Demand Notice shall be an "Escrow Payment". In respect of any Escrow Account Demand Notice, the Escrow Agent shall make the requested Escrow Payment by depositing an amount in U.S. Dollars equal to such Escrow Payment in the Collection Account no later than thirty (30) days from the receipt of such Escrow Account Demand Notice. Any payments of Escrow Payments to the Trustee shall be applied by the Trustee in the same manner as Guarantee Payments would in accordance with the terms of the Indenture; and

(b) upon (i) the Trustee submitting notice to the Escrow Agent that the Notes have been repaid in full, surrendered and cancelled and, (ii) for so long as Ecuador Social Bond S.à r.l. is the Holder of the Notes, the Trustee (having obtained prior confirmation from Ecuador Social Bond S.à r.l.) submitting notice to the Escrow Agent that the Class A Notes (as such term is defined in the Indenture, dated as of January 30, 2020, between *inter alios*, Ecuador Social Bond S.à r.l. and The Bank of New York Mellon (the "Repack Indenture")) issued by Ecuador Social Bond S.à r.l. have been repaid in full, surrendered and cancelled, the balance standing to the credit of the Escrow Account shall be paid by the Escrow Agent to the Depositor within three (3) Business Days (as defined in Section 6 of the Terms and Conditions hereto) after the Escrow Agent verifies the payments instructions in accordance with the procedure set forth on Schedule II hereto.

4. Authorized Persons. Each of the Interested Parties shall, on the date of this Escrow Agreement, deliver to the other parties a certificate in the form of Schedule I hereto as to the incumbency and specimen signature of at least two (2) officers or other representatives of such party authorized to act for and give and receive notices, requests and instructions on behalf of such party in connection with this Escrow Agreement (each such officer or other representative, an "Authorized Person"). From time to time, an Interested Party may, by delivering to the other parties a revised certificate in the form of Schedule I, change the information previously given, but each of the parties hereto shall be entitled to rely conclusively on the then-current schedule until receipt of a superseding schedule.

5. Facsimile/Email Instructions. Each of the Interested Parties hereby provides to the Escrow Agent and agrees with and accepts the authorizations, limitations of liability, indemnities, security procedure and other provisions set forth on Schedule II hereto in connection with the Escrow Agent's reliance upon and compliance with instructions and directions sent by such parties via e-mail, facsimile and other similar unsecured electronic methods.

6. Addresses. Notices, instructions and other communications shall be sent to the Escrow Agent at The

Bank of New York Mellon, Corporate Trust Administration, 240 Greenwich Street, New York, New York 10286, Tel.: (212) 815-5550; Email: Karen.Ferry@bnymellon.com, and to the Interested Parties as follows:

Inter-American Development Bank

1300 New York Avenue, N.W.

Washington, D.C. 20577

Fax No.: (202) 312-4135

Email: FIN-FIN@IADB.ORG (addressed to IDB'S CFO & Finance Manager)

FIN-TCS@iadb.org (addressed to IDB's Treasury Client Solutions Group)

COFCEC@iadb.org (addressed to Country Representative – IDB's Country Office Ecuador)

The Bank of New York Mellon, as Social Bond Trustee

240 Greenwich Street

Floor 7E

New York, NY 10286

United States

Tel.: (212) 815-5550

Email: Karen.Ferry@bnymellon.com

7. Termination. This Escrow Agreement shall terminate upon the earlier to occur of (i) distribution or disbursement by the Escrow Agent of all Escrow Property in accordance with the terms hereof, (ii) the Trustee submitting notice to the Escrow Agent that the Notes have been repaid in full, surrendered and cancelled and (iii) for so long as Ecuador Social Bond S.à r.l. is the Holder of the Notes, the Trustee (having obtained prior confirmation from Ecuador Social Bond S.à r.l.) submitting notice to the Escrow Agent that the Class A Notes issued by Ecuador Social Bond S.à r.l. have been repaid in full, surrendered and cancelled.

8. Depositor's Liability for Fees. For avoidance of doubt (but without limiting any indemnification obligations of the Depositor hereunder), the Depositor is not required to pay (or make any reimbursement of) any fees, expenses, charges and other amounts incurred by the Escrow Agent in connection to this Agreement.

9. Taxes and Immunities. The Depositor is exempt by law from payment or collection of all taxes. The Depositor shall provide the Escrow Agent with tax exemption certificates as evidence of exemption from payment of sales and use taxes as may be required. The Escrow Agent shall inform the Depositor if any taxing authority refuses to recognize the Depositor's proof of its exemption from taxation. The Depositor's exemption from taxation does not extend to any taxes the Escrow Agent must contribute or withhold on behalf of its officers, agents or employees, including but not limited to, payroll and social security taxes or to any sales or other taxes the Escrow Agent may incur. Nothing in this Agreement shall operate to restrict, limit or defeat any rights, privileges or immunities granted to the Depositor or Depositor's personnel under any treaty or domestic or international law. Upon becoming actually aware thereof, the Escrow Agent shall promptly inform the Depositor, in cases where public authorities or private concerns refuse to recognize the Depositor's privileges and immunities accorded by its constituent Treaty or local legislation so that the Depositor can take the actions it deems appropriate to protect such privileges and immunities. Nothing herein shall preclude the Depositor from taking whatever actions are necessary to prevent immediate, irreparable harm to its privileges and immunities.

III. TERMS AND CONDITIONS:

1. Escrow Agent's Duties. The duties, responsibilities and obligations of the Escrow Agent shall be limited to those expressly set forth herein, and no duties, responsibilities or obligations shall be inferred or implied. The Escrow Agent shall not be subject to, nor required to comply with, nor required to inquire as to the performance of any obligation under, any other agreement between or among the Interested Parties (including the Underlying Agreement) or to which any Interested Party is a party, even though reference thereto may be made herein, or to comply with any direction or instruction (other than those contained herein or delivered in accordance with this Escrow Agreement) from any Interested Party or any entity acting on its behalf. The Escrow Agent shall not be required to, and shall not, expend or risk any of its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder.

2. Agreement for Benefit of Parties. This Escrow Agreement is for the exclusive benefit of the parties hereto and their respective successors hereunder, and shall not be deemed to give, either express or implied, any legal or equitable right, remedy, or claim to any other entity or person whatsoever.

3. Escrow Agent's Reliance on Orders, Etc. If at any time the Escrow Agent is served with any judicial or administrative order, judgment, decree, writ or other form of judicial or administrative process which in any way affects Escrow Property (including, but not limited to, orders of attachment or garnishment or other forms of levies or injunctions or stays relating to the transfer of Escrow Property), the Escrow Agent is authorized to comply therewith in any manner as it or its legal counsel of its own choosing deems appropriate; and if the Escrow Agent complies with any such judicial or administrative order, judgment, decree, writ or other form of judicial or administrative process, the Escrow Agent shall not be liable to any of the parties hereto or to any other person or entity even though such order, judgment, decree, writ or process may be subsequently modified or vacated or otherwise determined to have been without legal force or effect.

4. The Escrow Agent.

(a) The Escrow Agent shall not be liable for any action taken or omitted or for any loss or injury resulting from its actions or its performance or lack of performance of its duties hereunder in the absence of gross negligence or willful misconduct on its part. In no event shall the Escrow Agent be liable (i) for acting in accordance with or relying upon (and shall be fully protected in relying upon) any instruction, notice, demand, certificate or document from any Interested Party, any entity acting on behalf of any Interested Party or any other person or entity which it reasonably believes to be genuine, (ii) for any indirect, consequential, punitive or special damages, even if advised of the possibility thereof, (iii) for the acts or omissions of its nominees, correspondents, designees, subagents or subcustodians selected by it in good faith, or (iv) for an amount in excess of the value of the Escrow Property.

(b) If any fees, expenses or costs incurred by, or any obligations owed to, the Escrow Agent hereunder are not promptly paid when due, the Escrow Agent may reimburse itself therefor from the income earned on investment of funds which are a part of the Escrow Property.

(c) The Escrow Agent may consult with legal counsel at the reasonable expense of the Interested Parties as to any matter relating to this Escrow Agreement, and the Escrow Agent shall not incur any liability in acting in good faith in accordance with any advice from such counsel.

(d) The Escrow Agent shall not incur any liability for not performing any act or fulfilling any duty, obligation or responsibility hereunder by reason of any occurrence beyond the control of the Escrow Agent (including, but not limited to, any act or provision of any present or future law or regulation or governmental authority, any act of God or war or terrorism, or the unavailability of the Federal Reserve Bank wire or telex or other wire or communication facility).

5. Collections. Unless otherwise specifically set forth herein, the Escrow Agent shall proceed as soon as practicable to collect any checks or other collection items at any time deposited hereunder. All such collections shall be subject to the Escrow Agent's usual collection practices or terms regarding items received by the Escrow Agent for deposit or collection. The Escrow Agent shall not be required, or have any duty, to notify anyone of any payment or maturity under the terms of any instrument deposited hereunder, nor to take any legal action to enforce payment of any check, note or security deposited hereunder or to exercise any right or privilege which may be afforded to the holder of any such security.

6. Statements. The Escrow Agent shall provide to the Interested Parties statements (not less frequently than monthly) reflecting activity in the Escrow Account for the preceding period. No statement need be provided for periods in which no Escrow Account activity occurred. Each such statement shall be deemed to be correct and final upon receipt thereof by the Interested Parties unless the Escrow Agent is notified in writing to the contrary within thirty (30) Business Days of the date of such statement. A "**Business Day**" shall mean any day on which the Escrow Agent is open for business.

7. Limitation of Escrow Agent's Responsibility. The Escrow Agent shall not be responsible in any respect for the form, execution, validity, value or genuineness of documents or securities deposited hereunder, or for any

description therein, or for the identity, authority or rights of persons executing or delivering or purporting to execute or deliver any such document, security or endorsement.

8. Notices. Notices, instructions or other communications shall be in writing and shall be given to the address set forth in the "Addresses" provision herein (or to such other address as may be substituted therefor by written notification to the other parties). Notices to the Escrow Agent shall be deemed to be given when actually received by the Escrow Agent's Escrow Unit. The Escrow Agent is authorized to comply with and rely upon any notices, instructions or other communications believed by it to have been sent or given by an Interested Party or by a person or persons authorized by an Interested Party, including persons identified on Authorized Persons schedules delivered pursuant to Section 4 of the Instructions. Whenever under the terms hereof the time for giving a notice or performing an act falls upon a Saturday, Sunday, or banking holiday, such time shall be extended to the next day on which the Escrow Agent is open for business.

9. Indemnity. Subject to Section 26 hereof (in the case of the Trustee), the Interested Parties, jointly and severally (except to the extent set forth in Section 9(ii) below), shall be liable for and shall reimburse and indemnify the Escrow Agent and hold the Escrow Agent and its affiliates, and the Escrow Agent's and such affiliates' respective directors, officers, employees, agents, successors and assigns, harmless from and against any and all claims, losses, liabilities, costs, disbursements, damages or expenses (including reasonable attorneys' fees and expenses and court costs) (collectively, "Losses") arising from or in connection with or related to this Escrow Agreement or being the Escrow Agent hereunder (including but not limited to Losses incurred by the Escrow Agent in connection with its successful defense, in whole or in part, of any claim of gross negligence or willful misconduct on its part), provided, however, (i) that nothing contained herein shall require the Escrow Agent to be indemnified for Losses caused by its gross negligence or willful misconduct and (ii) the Trustee shall not be responsible to provide indemnity with respect to any direction provided solely by the Depositor hereunder.

10. Removal and Resignation of Escrow Agent; Successor Escrow Agent.

(a) The Interested Parties (in the case of the Trustee, solely on behalf of the Guaranteed Holders and in its capacity as the Trustee, not in its individual capacity) may jointly remove the Escrow Agent at any time by giving to the Escrow Agent thirty (30) calendar days' prior notice in writing signed by the Interested Parties. The Escrow Agent may resign at any time and shall resign if the rating assigned to it by either S&P or Fitch falls below A by giving thirty (30) calendar days' prior written notice thereof, subject to Section 10(b) of the Terms and Conditions below.

(b) Within ten (10) calendar days after giving the foregoing notice of removal to the Escrow Agent or receiving the foregoing notice of resignation from the Escrow Agent, the Interested Parties shall jointly agree on and appoint a successor Escrow Agent. If a successor Escrow Agent has not accepted such appointment by the end of such thirty (30) day period, the Escrow Agent may, in its sole discretion, deliver the Escrow Property to the Trustee at the address provided herein or may apply to a court of competent jurisdiction for the appointment of a successor Escrow Agent or for other appropriate relief, and thereafter be relieved of all further duties and obligations as Escrow Agent hereunder. Subject to Section 26 hereof (in the case of the Trustee), the Interested Parties, jointly and severally shall be obligated to and shall pay the costs and expenses (including reasonable attorneys' fees and expenses) incurred by the Escrow Agent in connection with such proceeding. For the avoidance of doubt, the resignation of the Escrow Agent may not take effect until a successor has been appointed.

(c) Upon receipt of the identity of the successor Escrow Agent, the Escrow Agent shall deliver the Escrow Property then held hereunder to the successor Escrow Agent. Because of the nature of the Guarantee, deductions from the Escrow Property will not be payable obligations owed to the Escrow Agent.

(d) Upon delivery of the Escrow Property to the Trustee, or in accordance with the instructions of a court of competent jurisdiction pursuant to subclause (c) above, or to successor Escrow Agent, the Escrow Agent shall have no further duties, responsibilities or obligations hereunder.

11. Escrow Agent's Obligations in the Event of Ambiguities, Conflicting Claims, Etc.

(a) In the event of any ambiguity or uncertainty hereunder or in any notice, instruction or other communication received by the Escrow Agent hereunder, the Escrow Agent may, in its sole discretion, refrain from taking any

action other than retain possession of the Escrow Property, unless and until the Escrow Agent receives written instructions, signed by the Interested Parties, which eliminates such ambiguity or uncertainty.

(b) In the event of any dispute between or conflicting claims by or among the Interested Parties and/or any other person or entity with respect to any Escrow Property, the Escrow Agent shall be entitled, in its sole discretion, to refuse to comply with any and all claims, demands or instructions with respect to such Escrow Property so long as such dispute or conflict shall continue, and the Escrow Agent shall not be or become liable in any way to any Interested Party for failure or refusal to comply with such conflicting claims, demands or instructions. The Escrow Agent shall be entitled to refuse to act until, in its sole discretion, either (i) such conflicting or adverse claims or demands shall have been determined by a final order, judgment or decree of a court of competent jurisdiction, which order, judgment or decree is not subject to appeal, or settled by agreement between the conflicting parties as evidenced in a writing satisfactory to the Escrow Agent, or (ii) the Escrow Agent shall have received security or an indemnity satisfactory to it sufficient to hold it harmless from and against any and all Losses which it may incur by reason of so acting. The Escrow Agent may, in addition, elect, in its sole discretion, to commence an interpleader action or seek other judicial relief or orders as it may deem, in its sole discretion, necessary. Subject to Section 26 hereof (in the case of the Trustee), the Interested Parties, jointly and severally shall be obligated to and shall pay the costs and expenses (including reasonable attorneys' fees and expenses) incurred in connection with such proceeding.

12. Governing Law; Jurisdiction; Waiver of Right to Trial by Jury.

(a) This Escrow Agreement shall be governed by and construed in accordance with the laws of the State of New York of the United States of America, without regard to the conflict of law rules thereof (other than Section 5-1401 of the New York General Obligations Law and successor provisions thereto).

(b) Any dispute, controversy or claim of any nature arising out of, relating to or having any connection with this Escrow Agreement, including any dispute as to the existence, validity, interpretation, performance, breach, termination or consequences of the nullity of this Escrow Agreement (a “**Dispute**”), where the Escrow Agent, the Depositor or any Interested Party is either a party, claimant, respondent or otherwise is necessary thereto, shall not be referred to a court of any jurisdiction and shall instead be referred to and finally resolved by arbitration under the Rules of the LCIA (“**LCIA Rules**”) as at present in force as modified by this Section 12(b), which LCIA Rules are deemed to be incorporated by reference into this Section 12(b). The provisions in the LCIA Rules regarding an Emergency Arbitrator shall not apply. Capitalized terms used in this Section 12(b) which are not otherwise defined in this Escrow Agreement shall have the meaning given to them in the LCIA Rules. In particular:

- (i) There shall be three arbitrators.
- (ii) Each arbitrator shall be an English or New York qualified lawyer of at least fifteen (15) years' standing with experience in relation to international banking or capital markets disputes. At least one of those arbitrators shall be a lawyer qualified in New York.
- (iii) Within 30 days after the filing of the arbitration, the Escrow Agent shall appoint one arbitrator and the Depositor shall appoint one arbitrator. If any such party or multiple parties fail to nominate an arbitrator within thirty (30) days from and including the date of receipt of the relevant request for arbitration, an arbitrator shall be appointed on their behalf by the LCIA Court in accordance with the LCIA Rules and applying the criteria at subparagraph (ii) above. In such circumstances, any existing nomination or confirmation of the arbitrator chosen by the party or parties on the other side of the proposed arbitration shall be unaffected, and the remaining arbitrator(s) shall be appointed in accordance with the LCIA Rules.
- (iv) The third arbitrator and chairman of the arbitral tribunal shall be appointed by the LCIA Court in accordance with the LCIA Rules and applying the criteria at sub-paragraph (ii) above.
- (v) The seat, or legal place, of arbitration shall be London, England.
- (vi) The language to be used in the arbitration shall be English. This Section 12(b) shall be governed by English law.

(c) Each of the Escrow Agent and each Interested Party irrevocably waives, to the fullest extent permitted by Applicable Law, (i) any objection which it may now or hereafter have to the laying of venue of any action, suit or proceeding brought in any court referred to in this Section 12(c), and (ii) any claim that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

(d) Each party hereby agrees as to each other party that service of process in any such action, suit or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail) to (i) The Bank of New York Mellon, London Branch in the case of the Escrow Agent (the "Escrow Agent Process Agent") as such Person's registered agent in London for service of process at its address at The Bank of New York Mellon, London Branch, One Canada Square, Canary Wharf, London E14 5AL, England or at such other address in London of which each other party to the Escrow Agreement shall have been notified by the Escrow Agent, (ii) The Bank of New York Mellon, London Branch in the case of The Bank of New York Mellon as Party B (the "BONY Process Agent") as such Person's registered agent in London for service of process at its address at The Bank of New York Mellon, London Branch, One Canada Square, Canary Wharf, London E14 5AL, England or at such other address in London of which each other party to the Escrow Agreement shall have been notified by The Bank of New York Mellon as Party B, and (iii) Cogency Global (UK) Limited in the case of the Depositor (the "Depositor Process Agent") as such Person's registered agent in London for service of process at its address at 6 Lloyds Avenue, Unit 4CL, London EC3N 3AX, England or at such other address in London of which each other party to the Escrow Agreement shall have been notified by the Depositor. Each party to the Escrow Agreement shall, for so long as it shall be bound to each other party under this Escrow Agreement, maintain their respective Process Agent (or if such Process Agent can no longer perform its functions of agent for service of process, another agent satisfactory to the other party) as its duly appointed agent to receive for and on its behalf service of summons, complaint or other legal process in any legal action, suit or proceeding the parties to the Escrow Agreement may bring in the English courts in relation to any arbitration proceedings contemplated by this Section 12(d) or in relation to recognition or enforcement of any such arbitration award obtained in accordance with this Section 12(d).

Service of process in the manner provided in this Section 12(d) in any such action, suit or proceeding shall be deemed personal service and accepted by the applicable party as such and shall be valid and binding upon the applicable party for all the purposes of any such action suit or proceeding.

(e) To the extent that the Interested Parties may, in any suit, legal action or proceeding brought in any court in Ecuador, the United States, the State of New York or any other jurisdiction arising out of or in connection with this Escrow Agreement, be entitled to the benefit of any provision of any Applicable Law requiring the Depositor, in such suit, legal action or proceeding, to post security for the costs of The Bank of New York Mellon as Party B or to post a bond or to take similar action, the Escrow Agent hereby irrevocably waives such benefit to the fullest extent now or hereafter permitted under the laws of Ecuador, the United States, the State of New York and, as the case may be, such other relevant jurisdictions.

(f) The Escrow Agent and the Interested Parties hereby acknowledge that the Depositor shall, under Applicable Law, including without limitation the provisions of the International Organizations Immunities Act of 1945 (22 U.S.C. 288) and the regulations issued thereunder, be entitled to immunity from a trial by jury in any action, suit or proceeding arising out of or relating to this Escrow Agreement, or the transactions contemplated hereby or thereby, that may be brought against the Depositor in any court of the United States. **TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, THE TRUSTEE HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS ESCROW AGREEMENT AND FOR ANY COUNTERCLAIM WITH RESPECT THERETO.** Each of The Escrow Agent and the Interested Parties agrees that the waivers set forth above shall have the fullest extent permitted under the Foreign Sovereign Immunities Act of 1976 of the United States (28 U.S.C. §§ 1602-1611) and are intended to be irrevocable and not subject to withdrawal for purposes of such Act.

(g) Scope of Immunity

- (i) The Escrow Agent and each Interested Party acknowledge that, in accordance with the Agreement Establishing The Inter-American Development Bank, actions may be brought against the Depositor only in a court of competent jurisdiction or arbitral tribunal in the territories of a member country of the Depositor in which the Depositor has an office, has appointed an agent for accepting service or notice of process, or

has issued or guaranteed securities.

(ii) The Escrow Agent and each Interested Party acknowledge further acknowledge that:

- a. no actions shall be brought against the Depositor by member countries of the Depositor or persons acting for or deriving claims from such member countries;
- b. the property and assets of the Depositor, wherever located and by whomsoever held, shall be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Depositor; and
- c. the archives of the Depositor shall be inviolable.

13. Amendments, Etc. Except as otherwise permitted herein, this Escrow Agreement may be modified only by a written amendment signed by all the parties hereto, and no waiver of any provision hereof shall be effective unless expressed in a writing signed by the party to be charged.

14. Remedies Cumulative. The rights and remedies conferred upon the parties hereto shall be cumulative, and the exercise or waiver of any such right or remedy shall not preclude or inhibit the exercise of any additional rights or remedies. The waiver of any right or remedy hereunder shall not preclude the subsequent exercise of such right or remedy.

15. Representations and Warranties. Each of the Interested Parties represents and warrants (a) that this Escrow Agreement has been duly authorized, executed and delivered on its behalf and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other debtor relief laws and that certain equitable remedies may not be available regardless of whether enforcement is sought in equity or at law, and (b) that the execution, delivery and performance of this Escrow Agreement by it do not and will not violate any applicable law or regulation.

16. Illegality, Etc. The invalidity, illegality or unenforceability of any provision of this Escrow Agreement shall in no way affect the validity, legality or enforceability of any other provision; and if any provision is held to be unenforceable as a matter of law, the other provisions shall not be affected thereby and shall remain in full force and effect.

17. Entire Agreement. This Escrow Agreement shall constitute the entire agreement of the parties with respect to the subject matter and supersedes all prior oral or written agreements in regard thereto.

18. Survival of Certain Provisions. Section 8 of the Instructions and Sections 8-9, 12 and 21-22 of the Terms and Conditions of this Escrow Agreement shall survive termination of this Escrow Agreement and/or the resignation or removal of the Escrow Agent.

19. Headings. The headings contained in this Escrow Agreement are for convenience of reference only and shall have no effect on the interpretation or operation hereof.

20. Counterparts. This Escrow Agreement may be executed by each of the parties hereto in any number of counterparts, each of which counterpart, when so executed and delivered, shall be deemed to be an original and all such counterparts shall together constitute one and the same agreement.

21. Certain Tax Matters. Except as provided in paragraph 4(b) of the Terms and Conditions above, the Escrow Agent does not have any interest in the Escrow Property but is serving as escrow holder only and having only possession thereof. Subject to Section 26 hereof, the Trustee shall indemnify the Escrow Agent upon request for any transfer taxes or other taxes relating to the Escrow Property incurred in connection herewith and shall indemnify and hold harmless the Escrow Agent for any amounts that it is obligated to pay in the way of such taxes. Any payments of income from this Escrow Account shall be subject to withholding regulations then in force with respect to United States taxes. The parties hereto will provide the Escrow Agent with appropriate W-9 forms for tax I.D.,

number certifications, or W-8 forms for non-resident alien certifications, and will inform the Escrow Agent as to the proper allocation of income in respect of the Escrow Property for annual and periodic tax and other reporting purposes. It is understood that the Escrow Agent shall be responsible for income reporting only with respect to income earned on investment of funds which are a part of the Escrow Property and is not responsible for any other reporting.

22. Patriot Act Compliance, Etc. In order to comply with the laws, rules, regulations and executive orders in effect from time to time applicable to banking institutions, including, without limitation, those relating to the funding of terrorist activities and money laundering, including Section 326 of the USA Patriot Act, the Escrow Agent is required to obtain, verify, record and update certain information relating to individuals and entities which maintain a business relationship with the Escrow Agent. Accordingly, each Interested Party agrees to provide to the Escrow Agent, upon its request from time to time such identifying information and documentation as may be available for such Interested Party in order to enable the Escrow Agent to comply with the USA Patriot Act.

23. [Reserved.]

24. Information Sharing. The Bank of New York Mellon Corporation is a global financial organization that operates in and provides services and products to clients through its affiliates and subsidiaries located in multiple jurisdictions (the “BNY Mellon Group”). The BNY Mellon Group may (i) centralize in one or more affiliates and subsidiaries certain activities (the “Centralized Functions”), including audit, accounting, administration, risk management, legal, compliance, sales, product communication, relationship management, and the compilation and analysis of information and data regarding the Interested Parties (which, for purposes of this provision, includes the name and business contact information for the Interested Parties employees and representatives) and the accounts established pursuant to this Escrow Agreement (“Interested Parties Information”) and (ii) use third party service providers to store, maintain and process the Interested Parties Information (“Outsourced Functions”). Notwithstanding anything to the contrary contained elsewhere in this Escrow Agreement and solely in connection with the Centralized Functions and/or Outsourced Functions, the Interested Parties consent to the disclosure of, and authorize BNY Mellon to disclose, the Interested Parties Information to (i) other members of the BNY Mellon Group (and their respective officers, directors and employees) and to (ii) third-party service providers (but solely in connection with Outsourced Functions) who are required to maintain the confidentiality of the Interested Parties Information. In addition, the BNY Mellon Group may aggregate the Interested Parties Information with other data collected and/or calculated by the BNY Mellon Group, and the BNY Mellon Group will own all such aggregated data, provided that the BNY Mellon Group shall not distribute the aggregated data in a format that identifies the Interested Parties Information with the Interested Parties specifically. The Interested Parties represent that the Interested Parties are authorized to consent to the foregoing and that the disclosure of the Interested Parties Information in connection with the Centralized Functions and/or Outsourced Functions does not violate any relevant data protection legislation. The Interested Parties also consent to the disclosure of the Interested Parties Information to governmental and regulatory authorities in jurisdictions where the BNY Mellon Group operates and otherwise as required by law.

25. Successors and Assigns of Escrow Agent. Any corporation or other company into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any corporation or other company resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any corporation or other company succeeding to the business of the Escrow Agent shall be the successor of the Escrow Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto, except where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

26. Social Bond Trustee. The Bank of New York Mellon is entering into this Agreement solely in its capacity as Social Bond Trustee under the Indenture and not in its individual capacity. Notwithstanding anything to the contrary contained in this Agreement, and for the avoidance of doubt, the obligation of the Trustee to indemnify, compensate or reimburse the Escrow Agent under the terms of this Agreement or to contribute under a joint and several theory of liability, shall be (i) an obligation of the Trustee solely in its capacity as Social Bond Trustee under the Indenture; and (ii) limited solely to, and payable solely from, funds available (either from indemnities provided to the Trustee or from enforcement actions) to the Trustee in its capacity as Social Bond Trustee under the Indenture

at any point in time (provided, however, the available funds shall be determined following payment of the Social Bond Trustee's fees, expenses and indemnity amounts owed under the Indenture and the funds on deposit in the Contingency Account shall not be included within the funds available for purposes of this provision). The obligation of the Trustee to indemnify, reimburse, pay or contribute any amounts under the terms of this Agreement shall not be an obligation of The Bank of New York Mellon in its individual or corporate capacity.

IN WITNESS WHEREOF, each of the parties has caused this Escrow Agreement to be executed by a duly authorized officer as of the day and year first written above.

INTER-AMERICAN DEVELOPMENT BANK, as Depositor

By: _____
Name:
Title:

THE BANK OF NEW YORK MELLON, as Social Bond Trustee for and on behalf of the Guaranteed Holders under the Guarantee and as Party B

By: _____
Name:
Title:

THE BANK OF NEW YORK MELLON, as Escrow Agent

By: _____
Name:
Title:

Schedule I

Authorized Officers of Depositor

Name	Signature	Phone Number
_____	_____	_____
_____	_____	_____
_____	_____	_____

Authorized Officers of The Bank of New York Mellon, as Party B

Name	Signature	Phone Number
_____	_____	_____
_____	_____	_____
_____	_____	_____

Schedule II

ELECTRONIC METHODS AUTHORIZATION, LIMITATION OF LIABILITY

Interested Party Authorization, Limitation of Liability and Indemnity. Each Interested Party hereby authorizes the Escrow Agent and its affiliates (the "Bank") to rely upon and comply with instructions and directions sent by it via e-mail, facsimile and other similar unsecured electronic methods (but excluding on-line communications systems covered by a separate agreement (such as the Bank's CA\$H-Register Plus system) ("On-Line Communications Systems")) ("Electronic Methods") by persons believed by the Bank to be authorized to give instructions and directions on behalf of the Interested Party. Except as set forth below with respect to funds transfers, the Bank shall have no duty or obligation to verify or confirm that the person who sent such instructions or directions is, in fact, a person authorized to give instructions or directions on behalf of the Interested Party (other than to verify that the signature on a facsimile is the signature of a person authorized to give instructions and directions on behalf of the Interested Party); and the Bank shall have no liability for any losses, liabilities, costs or expenses incurred or sustained by the relevant Interested Party as a result of such reliance upon or compliance with such instructions or directions. Each Interested Party agrees to assume all risks arising out of the use of Electronic Methods to submit instructions and directions to the Bank, including without limitation the risk of the Bank acting on unauthorized instructions, and the risk of interception and misuse by third parties.

Funds Transfer Security Procedures. With respect to any "funds transfer," as defined in Article 4-A of the Uniform Commercial Code, the following security procedure will apply: An Interested Party's payment instruction is to include the name and (in the case of a facsimile) signature of the person initiating the funds transfer request. If the name is listed as an Authorized Person on a certificate in the form of Schedule I hereto delivered pursuant to the Agreement, the Bank will confirm the instructions by telephone call to any person listed as an Authorized Person, who may be the same person who initiated the instruction. When calling back, the Bank will request from the relevant Interested Party's staff member his or her name. If the name is listed in the Escrow Agent's records as an Authorized Person, the Bank will confirm the instructions with respect to amount, names and numbers of accounts to be charged or credited and other relevant reference information. Where the Agreement contemplates joint payment instructions from the interested parties, the Escrow Agent shall call back both the Depositor and Party B. Each Interested Party acknowledges that the Bank has offered such Interested Party other security procedures that are more secure and are commercially reasonable for such Interested Party, and that such Interested Party has nonetheless chosen the procedures described in this paragraph. Each Interested Party agrees to be bound by any payment order issued in its name, whether or not authorized, that is accepted by the Bank in accordance with the above procedures. When instructed to credit or pay a party by both name and a unique numeric or alpha-numeric identifier (e.g. ABA number or account number), the Bank, and any other bank participating in the funds transfer, may rely solely on the unique identifier, even if it identifies a party different than the party named. This applies to beneficiaries as well as any intermediary bank. Each Interested Party agrees to be bound by the rules of any funds transfer network used in connection with any payment order accepted by the Bank hereunder. The Escrow Agent shall not be obliged to make any payment or otherwise to act on any instruction notified to it under this Escrow Agreement if it is unable to validate the authenticity of the request by telephoning an Authorized Person who has not executed the relevant request or instruction of the relevant Interested Party. Payment or otherwise to act on any instruction by Authorized Person of the relevant Interested Party will be made by the Escrow Agent within three (3) Business Days (as defined in Section 6) after Escrow Agent's verification of instructions as set forth above.

Authorization. This authorization shall remain in full force and effect until the earlier of termination of this Escrow Agreement or the date it is canceled, revoked or amended by written notice received by the Escrow Agent; and replaces and supersedes any previous authorization from an Interested Party to the Bank relating to the giving of instructions by facsimile, e-mail or other similar Electronic Methods (but excluding On-Line Communications Systems) in relation to this Escrow Agreement, and is in addition to all other authorizations. Notwithstanding any revocation, cancellation or amendment of this authorization, any action taken by the Bank pursuant to this authorization prior to the Bank's actual receipt and acknowledgement of a notice of revocation, cancellation or amendment shall not be affected by such notice.

Schedule III

[Intentionally Left Blank]

Schedule IV

Form of Escrow Account Demand Notice

[Date]

To: **The Bank of New York Mellon**
240 Greenwich Street
Floor 7E
New York, NY 10286
United States

Re: Escrow Account Demand Notice – Partial Credit Guarantee to Ecuador’s Notes due 2035

1. Reference is made to the Escrow Agreement, dated as of January 30, 2020 (the “**Escrow Agreement**”), between Inter-American Development Bank (“**Depositor**”), The Bank of New York Mellon, as escrow agent (the “**Escrow Agent**”) and The Bank of New York Mellon as Trustee (the “**Trustee**”).

2. Capitalized terms used but not defined herein have the meanings assigned to them in the Escrow Agreement.

3. In accordance with the Escrow Agreement, we submit to you this Escrow Account Demand Notice and we hereby certify to you that the Republic has failed to pay the following Scheduled Payment Amount on the following Payment Date:

Payment Date: _____
Scheduled Payment Amount(s): US\$ _____

4. The Escrow Agent is hereby requested and instructed to make a payment of US\$__, which shall constitute a Guarantee Payment under the Guarantee, and which relates to US\$__ of the interest component of the Scheduled Payment Amount described above and US\$__ of the principal component of the Scheduled Payment Amount described above. This Guarantee Payment shall be made to the Collection Account on or before the thirtieth (30th) day following the Guarantor’s receipt of this Escrow Account Demand Notice.

Sincerely,

THE BANK OF NEW YORK MELLON, as Trustee

By: _____
Name:
Title: