

Public Information Summary

Host Country	Ecuador
Name of Insured Party	A special purpose vehicle, organized in Ireland (the “Insured”)
Private Insurer Participation	DFC will cede at least 50% of its liability to private insurers.
Project Description	The Project is marine conservation in the Galápagos Islands. DFC political risk insurance will support marine conservation enabled through a debt conversion that is expected to create (i) at least \$323 million of dedicated funding, managed by a conservation trust fund (the “Foreign Enterprise”), for near- and long-term biodiversity protection and management of a newly created marine reserve, the Reserva Marina de Hermandad, and the Galápagos Marine Reserve, and (ii) an improved debt profile for the Republic of Ecuador.
Investment Amount	\$656 million (plus interest)
Investment Type	Debt
Proposed Insurance Amount	\$656 million (plus interest)
Total Project Costs	\$656 million (plus interest)
U.S. Involvement	Aqua Blue Investments, LLC.
Foreign Enterprise	Galapagos Life Fund, a Delaware nonprofit, nonstock corporation, operating in Ecuador.
Policy Review	
Developmental Objectives	<p>The Project is expected to have a highly developmental impact in Ecuador through support for a debt conversion to expand marine conservation in the Galápagos province. The Project’s potential demonstration effects are underlined by the UN estimate for the need to triple global investment flows into conservation from existing levels, while current funding, globally, is overwhelmingly sourced from governments for domestic use. The UN also reports that Latin America has low conservation investment, despite hosting a large share of the planet’s natural wealth and biodiversity. The conservation of Galapagos is a priority policy area for Ecuador, and protected areas in the country account for at least 35% of tourism receipts. However, funding even for the pre-existing conservation area is not generally available as witnessed by alarming rates of illegal fishing.</p> <p>Further demonstrating the opportunity for debt conversions supporting conservation are the high sovereign debt levels worsened through the COVID-19 pandemic. Ecuador’s central government debt-to-GDP ratio is at its highest level since 2000. The Project will extend the term</p>

	<p>structure of Ecuador’s public debt and support fiscal savings over the medium term without increasing debt liabilities on a net present value basis. The conservation funding is expected to entail transfer of technical knowledge through a public-private partnership in Ecuador that will make grant awards through a competitive bidding process, with grants supporting environmental education, science and economics research, and sustainable tourism development.</p>
<p>Environment and Social Assessment</p>	<p>SCREENING: This Project has been reviewed against DFC’s 2020 Environmental and Social Policy Procedures (“ESPP”) and has been determined to be categorically eligible. The Insured’s loan to Ecuador is a financial transaction and therefore the Project is screened as a Category C. A portion of the amounts payable under the corresponding loan agreement will be directed to the Foreign Enterprise, which will use the proceeds to fund conservation activities. The downstream subprojects of the Foreign Enterprise are likely Category B and C. The Project is not subject to a climate change resiliency screening as per Executive Order 13677.</p> <p>APPLICABLE STANDARDS: Under DFC’s ESPP, the Foreign Enterprise is required to comply with applicable local and national laws and regulations related to environmental and social performance. DFC’s environmental due diligence indicates that the Project will have impacts which must be managed in a manner consistent with the following International Finance Corporation’s (“IFC”) 2012 Performance Standards (“PS”):</p> <ul style="list-style-type: none"> • PS 1: Assessment and Management of Environmental and Social Risks and Impacts; • PS 2: Labor and Working Conditions; • PS 4: Community Health, Safety and Security; • PS 5: Land Acquisition and Involuntary Resettlement; and • PS 7: Indigenous Peoples. <p>A desk-review based due diligence assessment indicates that the Project is located in important marine and coastal ecosystems and will implement protective measures to avoid harmful environmental effects. The Project is expected to provide additional conservation management capacity and regulatory protections to the Galápagos, an existing UNESCO World Heritage Site and MAB Biosphere Site. Therefore, adverse impacts on biodiversity are not anticipated. No cultural heritage is expected to be impacted; therefore PS 8 is not applicable.</p> <p>In addition to the above, the Project will be required to comply with the applicable provisions of the IFC’s Environmental, Health, and Safety (EHS) General Guidelines (2007).</p>

KEY ENVIRONMENTAL & SOCIAL ISSUES AND MITIGATION:

The primary environmental and social issues associated with the Project are the need for an environmental and social management system (“ESMS”) to identify and manage environmental and social risks associated with the downstream subprojects of the Foreign Enterprise. The Project represents it will assess and manage the environmental and social impacts of its conservation and climate adaptation activities by implementation of its sustainability management system and development of environmental and social due diligence reports and environmental and social action plans for each investment. The sustainability management system is adequate for the environmental risks associated with the Project activities including requirements for safe working conditions, adequate training for hazards, and emergency preparedness.

To protect and restore marine biodiversity, the Project will be reliant in part on government agencies responsible for surveillance and enforcement to counter illegal fishing. The Project will be required to assess and document risks arising from government security personnel and will seek to ensure that security personnel act in a manner consistent with the principles of proportionality and good international practice. Enforcement of restrictions on access and use of resources in the newly established marine reserve has the potential to adversely impact mainland-based artisanal fishers. The Project will need to further assess the extent of economic displacement of artisanal fishers and mitigate adverse impacts through a Transitional Assistance Plan and, potentially, a Livelihood Restoration Plan. Island-based indigenous groups will not be impacted by marine reserve restrictions, but they are an interested stakeholder group. The Project will also need to engage these groups through culturally appropriate means, with a focus on enhancing potential positive impacts of the project on them. In addition, the Foreign Enterprise will need to provide its finalized ESMS to demonstrate adequate management of identified social risks.

The Project will report on annual monitoring and evaluation of its activities including environmental and social performance.