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# **ECUADOR**

**COUNTRY STRATEGY PAPER**

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## SUMMARY

**Ecuador** is the smallest of the Andean countries, with a land area of 256 670 km<sup>2</sup>. It is divided into four main geographical regions: mountain range, coast, east and insular (the Galapagos archipelago). It has a population of more than 12 million inhabitants, 63.9% of whom are located in urban areas, while 36.1% are in the rural areas. Population growth has slowed during the last years and continues to do so, being at the moment +1.9%. Ecuador is characterised by great geographical, economic and ethnic diversity. In the Andean highlands, whose major cities include the capital city of Quito and the commercial centres of Cuenca and Ambato, economic activity is dominated by small-scale farming and services. The coastal area, and its major port city of Guayaquil, have thrived on commerce, and agricultural and fishing exports. Finally, the sparsely populated Amazon region contains most of the country's largest export earner: oil.

The country's situation is **vulnerable**. Whereas some macroeconomic fundamentals (notably growth rate and inflation) show signs of recovery after the 'El Niño' crisis, and the good prospects in the oil business should generate revenues, the country also suffers from serious weaknesses.

The main **internal challenge** is the level of poverty, which has been worsened by the structural changes imposed by the dollarisation of the economy. The second internal weakness, linked to the previous one, is the political and social instability of the country: the country has had four Presidents in the last five years, and periods of serious social unrest over Government measures complying with the agreements reached with the IMF (e.g. the rise in the VAT rate), as well as along ethnic lines (the indigenous issue, including that of education in the indigenous languages, is an important theme in the campaign for the 2002 elections).

The other challenges are **external**, making it difficult for the Government to tackle them. The first external threat is the ongoing conflict in neighbouring Colombia. Ecuador is on the frontline in terms of spill-over risks for violence deriving from this conflict, and reportedly already acts as a rear-base for the belligerent parties. The second external threat is the international economic environment. At the Latin-American level, dollarisation imposes a very strict constraint, since competitors can choose to devalue their currencies.

The **EC response strategy** is, therefore, primarily to help the Government fight poverty, and more precisely to cushion not only the social impact, but also the environmental impact, of the country's economic problems. This poverty-reduction focus across the whole range of EC cooperation instruments (financial, technical and economic cooperation, food security, and cooperation with NGOs) is coupled with measures aiming to assist economic recovery and strengthen links between Ecuador and the other countries of Latin America, as well as with the European Union.

## **1. EU COOPERATION OBJECTIVES**

### **1.1. EU Development Policy**

The European Union's policy with regard to cooperation in Latin America is based on Title XX of the Treaty establishing the European Community. Article 177 establishes that Community policy in the field of development cooperation is to encourage sustainable economic and social development in developing countries, particularly the most disadvantaged, the harmonious and progressive insertion of the developing countries into the world economy and the fight against poverty. Furthermore, the general aim of EU policy is to develop and consolidate democracy and the rule of law, as well as the respect of human rights and fundamental freedoms.

The European Union's development policy was defined in a November 2000 Statement by the Council and the Commission, setting out the principle that cooperation is an expression of solidarity and is consequently an essential feature of the Union's international activity. The European Union's development policy is conceived in terms of sustainable, equitable and participatory human and social development. According to the statement, the promotion of human rights, democracy, the rule of law and good governance are also an integral part of this policy.

Given the current plethora of poverty situations in many regions of the world, a principal aim of EU development policy is to reduce poverty with a view to its eventual eradication. In this respect, it is considered that sustained growth is a necessary, but not sufficient condition, to reduce poverty. More focused, pro-poor actions are necessary to advance in this direction. At the same time, it is recognised that the integration of the developing countries into the world economy is a precondition for their growth and sustainable economic and social development, and is therefore also a precondition for poverty eradication.

The EU intends to concentrate its development cooperation activities in six areas: (1) the link between trade and development; (2) regional integration and cooperation; (3) support for macroeconomic policies and the promotion of equitable access to social services; (4) transport infrastructure; (5) food security and sustainable rural development; and (6) institutional capacity building.

### **1.2. The Rio Summit and EC Regional Objectives**

Relations between the European Union and Latin America are carried out using a number of political dialogue frameworks (up to ministerial level) and regional agreements. They abide by the spirit of the Rio Summit of 28-29 June 1999, and the accords reached at the same, which have since been developed further in a number of ministerial working groups and will very likely be further strengthened at the Madrid Summit in May 2002. Enhanced and closer relations between the European Union and Latin America are a logical outcome of the growth in economic interchange between the two regions. The EU is the second most important trading partner for Latin America and the second largest investor in the region. The Summit also built on the cultural affinities that exist between the two regions as a basis for closer relations.

The Commission proposed an intensification of its action in three priority fields: the protection of human rights, the promotion of an information society and the reduction of social imbalances through a global approach to the fight against poverty<sup>1</sup>. The central objective is ‘to place human development and civil society at the heart of relations between the two regions in question’. These lines of action will be pursued through existing cooperation instruments, particularly through decentralised horizontal programs.

The majority of EU cooperation funds for Latin America countries are governed by Council Regulation (EEC) No 443/92 of 25 February 1992 on financial and technical assistance to, and economic cooperation with the developing countries in Asia and Latin America. This Regulation lays down that financial and technical assistance shall be targeted primarily on the poorest sections of the population and the poorest countries in the two regions, through the implementation of programmes and projects in whatever sectors Community aid is likely to play an important role. In particular, measures shall be implemented in areas where domestic, economic and human resources are difficult to mobilise, but which are of strategic importance either for the development of the countries concerned or for the international community as a whole.

Ecuador is also party to the *Framework Agreement on Cooperation between the European Economic Community and the Cartagena Agreement and its member countries* (along with Bolivia, Colombia, Peru and Venezuela), which was signed on 23 April 1993<sup>2</sup> and entered into force in 1998. This agreement aims at promoting in particular the development of cooperation relating to trade, investment, finance and technology, taking account of the Andean countries’ special status as developing countries, as well as the intensification and consolidation of the process of integration in the Andean subregion.

## 2. THE POLICY AGENDA OF THE ECUADORIAN GOVERNMENT

Strictly speaking, Ecuador does not have a long-term development strategy. In particular, it does not take part in the World Bank’s PRSP exercise (*Poverty Reduction Strategy Paper*). As a result, the only clear commitment is the programme of the Government of Gustavo Noboa Bejarano, who came to power in January 2000. President Noboa, formerly the country’s Vice-President, replaced Jamil Mahuad, who was democratically elected in 1998 but was obliged to resign after a series of protests staged by indigenous peoples. Since coming to power, President Noboa’s policy agenda has centred on the dollarisation of the Ecuadorian economy, and the adoption of the Economic Transformation Law, which aims to stabilise the country’s economy.

A large part of Ecuador’s present problems stem from the economic and structural crisis of the years 1998-2000. In this context, the Government is trying to address the problem of **poverty**, which it believes is the major problem facing the country (with around 8 million poor and 4 million indigent people). To this end, the Government has drawn up a strategy to “contribute to Ecuador’s integrated, sustainable and equitable development” and is seeking to adopt a long-term perspective, especially when it comes to identifying the structural causes of poverty. So far, the Government has created three mechanisms to reduce poverty: the ‘Bono Solidario’ (social grants), the ‘Beca Escolar’ (school grants) and the ‘Programas de Alimentación’ (food security programme).

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<sup>1</sup> COM (2000) 670 of 31 October 2000; see also COM (1995) 495 of 23 October 1995 and COM (1999) 105 of 9 March 1999.

<sup>2</sup> O.J.E.C. L127 of 29 April 1998, pp. 10 to 25.

The overall objectives of the poverty reduction strategy are:

- Reduce the poverty rate from 69% to 58% by the year 2003.
- Increase the real GDP growth rate from -7.3% in 1999 to 1% in 2000 (currently: 2%), 3.5% in 2001 (currently: 5%), 2.5% in 2002 and 2.8% in 2003.
- By 2003, reduce the ratio between the net income and receipts of the 1% of the population with the highest income and those of the 1% of the population with the lowest income from 180:1 to 130:1.
- By 2003, reduce the Gini index<sup>3</sup> from 0.48 to 0.43.
- Reduce the difference between average household incomes in urban and rural areas by 50% by 2003.

On the operational level, the Government has defined two strategies. The first aims to create sustainable growth in production, and the second to reduce inequalities in income distribution.

➤ Strategy for sustainable growth in production:

*Short-term actions:*

- Continue and consolidate the dollarisation process;
- Reintegrate Ecuador into the international financial markets;
- Consolidate the deposit guarantee scheme to protect small and average savers.

*Medium and long-term actions:*

- Revive and stabilise the economy;
- Healthy fiscal policy;
- Use national debt as a development tool within the limits defined by the macro-economic stabilisation policy;
- Reduce dependency on external savings;
- Support the development of more competitive Ecuadorian products.

➤ Strategy to reduce unequal distribution of income:

*Short-term actions:*

- Increase the amount transferred by the Government to the poorest and most vulnerable households;
- Sale of state bank assets;
- Establish a temporary programme for jobs linked to the public sector.

*Medium and long-term actions:*

- Greater equity in the distribution of public expenditure;
- Improve the quality of public expenditure ;
- Restructure state income to encourage progressive redistribution of resources ;
- Fight to eliminate impunity in the financial sector;
- Create mechanisms to ensure marginal groups benefit from Government action.

In addition, the Government has drawn up an *Alternative Preventive Development Plan* for the **Northern provinces** which are affected by the conflict in Colombia, and has invited international donors and credit agencies to help finance projects under this plan. There was an initial meeting with international donors and credit agencies (“the Consultative Group”) to discuss the plan in October 2001.

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<sup>3</sup> The **Gini** index measures the extent to which the distribution of income (or consumption) among individuals or households within a country deviates from a perfectly equal distribution. A value of 0 represents perfect equality, a value of 100 total inequality.

The Government's priorities should be reexamined in the light of the results of the general elections planned for October-November 2002. While the new Government might yet choose to cancel dollarisation and rescind on the agreements signed with the IMF (which approved on 10 December 2001 a last tranche of USD 95 million of a stand-by loan), they will still have only limited room for manoeuvre in economic and budgetary terms. For the time being, the Government is discussing a new agreement with the IMF (a USD 240 million new Stand-By Credit), given the fragility of public finances, and the high probability that a rise in spendings during this electoral year will increase the budget deficit (based on an average 19USD/oil barrel hypothesis).

### **3. ANALYSIS OF THE POLITICAL, ECONOMIC AND SOCIAL SITUATION**

#### **3.1. Political situation**

##### *3.1.1. Human rights situation in Ecuador*

As of 20 November 2000, a total of 366 human rights violations had been reported to the « Comisión Ecuémica de Derechos Humanos » (CEDHU), of which 124 related to arbitrary detention; 60 to physical attacks; 16 to cases of torture; 3 to the disappearance of prisoners; and 15 to murder cases.

The human rights situation in Ecuador is deteriorating, especially as a result of the economic crisis that began in 1998. This same period has also seen national state institutions lose much of their legitimacy, which in turn has affected relations between the Government and the people. The people of Ecuador have less and less faith in those who govern them, and their attempts at protest and demonstrations are repressed by the security forces sometimes in a somewhat heavy-handed manner.

The deterioration of the human rights situation is directly related to the crisis' impact on people's economic rights. Most of the population of Ecuador live below the subsistence line. Following dollarisation, the minimum subsistence salary is now USD 117, which covers only one-third of the household food bill. Thus people are ever poorer, and their lives more and more precarious, with inevitable knock-on effects for public safety and order.

##### *3.1.2. Rule of law*

The recent reforms based on the 1998 Constitution have strengthened Ecuador's justice system. The conditions for appointment of Supreme Court judges are now more stringent than in the past, and rules have been laid down defining the proper conduct of trials and the rights of the accused. However, the effectiveness of the rule of law is hampered by the poor conditions of the judicial system.

##### *3.1.3. Democratic participation*

Democracy was restored in Ecuador in 1979. Since then, elections have been held every four years. However, since 1996 the country has been plunged in political chaos, with four different Presidents holding office between 1996 and 2001.

The Government of Ecuador is directly elected by a free, secret ballot. All citizens have the right to vote. Elections are organised by the “Supreme Electoral Court”<sup>4</sup>, an independent agency which is separate from the executive. The President and Vice-President of the Republic are elected for four years. Members of Congress, Governors and provincial “Prefects” are also directly elected. Elections consist of two rounds, with the second round being held when none of the candidates obtain a majority in the first.

Ecuador has a single chamber Congress of 121 deputies, which meets for ten months each year. 79 Congressmen are elected on national lists, and 42 by local constituencies (two for each province). Their term of office is four years.<sup>5</sup>

The next general elections will take place on 20 October and 24 November 2002.

#### 3.1.4. *Domestic politics and the security situation*

In 1998, Ecuador experienced an acute economic and political crisis which led to instability throughout the country, and forced the Government to adopt a series of “shock” measures, such as freezing the accounts of small savers and adopting a law to dollarise the economy. Although inflation is now trending downwards, social divisions continue to grow, leading to a rise in common crime. This in turn has affected confidence in the Noboa Government and amplified the influence of the Indigenous movement led by CONAIE (*Confederación Nacional de Asociaciones Indígenas del Ecuador*).

In addition, there is a visible division within Congress between Quito (“La sierra”) and Guayaquil (“La costa”), which makes it more difficult for the President to establish a majority through which to govern. It is the most marginal sectors of the population who suffer most as a result. For the moment, President Noboa has been able to obtain a degree of consensus in Congress, especially in terms of support for secondary measures accompanying the dollarisation process. The amnesty granted by Congress to the Indigenous and soldiers who brought about the fall of Jamil Mahuad has helped consolidate its power at the Presidency.

On the domestic level, the economic crisis has led to a rise in the crime rate and other indicators of insecurity, not only in the two largest cities, Quito and Guayaquil, but also in Esmeraldas and Lago Agrio. Meanwhile, street demonstrations (mainly organised by the indigenous movements) have been far more heavily policed than in the past, due to their role in the fall of Presidents Abdalá Bucaram and Jamil Mahuad. The present Government has issued a decree bringing certain aspects of national security under the control of “Juntas de Seguridad Ciudadana y Defensa Civil”. These bodies have the power to set up permanent security committees chaired by provincial governors, members of the security forces and representatives of both public and private sectors. The function of these committees is to draw up local security plans covering all dimensions of security (e.g. civic education in schools, human rights monitoring, implementation of emergency measures, etc). The mayors of Quito and Guayaquil have also started work on their own security plans, but it is too soon to assess what impact they may have.

There have already been several cases of kidnapping, involving both Ecuadorian citizens and foreigners, particularly along the Colombian border and the route of the oil pipeline.

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<sup>4</sup> See <http://www.tse.gov.ec/TSEWEB/>.

<sup>5</sup> Constitution available from <http://www.ecuanex.apc.org/constitucion/>.

### 3.1.5. Regional and international context

The peace between Ecuador and Peru enshrined in the agreements signed by Presidents Fujimori and Mahuad should be consolidated by the strategies for economic growth which it has enabled the two countries to put in place. Trade between them has increased, hovering around the USD 600 million mark in 2000 (probably higher in 2001), of which Ecuador enjoys the larger share (around USD 400 million). However, the heritage of war persists: according to an April 2001 official report, there are still almost 120 000 **anti-personnel mines** littered throughout the border zone. Mine clearing operations have begun under the auspices of the OAS, and they will require continued funding<sup>6</sup>.

The 1998 peace agreement with Peru brought a significant improvement in terms of external security, and **Ecuador's main security problems are now to be found on its own national territory, near to the Colombian border**. The 'Plan Colombia', including its military component, will have direct consequences for Ecuador. Due to the impact of this conflict, the Ecuadorian Armed Forces have reinforced their northern frontier. 'Fumigation' campaigns, together with armed incursions by Colombian guerrillas and paramilitaries, have displaced many people on both sides of the border, with many Colombians crossing into Ecuador in search of shelter, thus overstressing local resources. UNHCR has had to implement emergency procedures to deal with the displaced persons, though their numbers have so far remained within limits, or unnoticed. However, Ecuador must now increase its capacity to receive refugees and DPs along the Colombian border on a precautionary basis.

Ecuador has a scientific and technical cooperation programme with Brazil, as well as several large-scale infrastructure projects, financed by Brazilian loans.

Although Ecuador has long been a transit country for **drug trafficking**, it is now emerging as a producer country as well, and is also home to a number of small drug-processing laboratories. It would seem that coca production centres have been set up, under the supervision of paramilitary groups and Colombian guerrillas. The country's geographical location, along with the dollarisation process, have also encouraged arms trading, trafficking in drug production ingredients, and laundering of income from the drugs trade, an operation greatly facilitated by the dollarization. As a result, Ecuador is now a beneficiary of the US's counter-narcotics Andean Regional Initiative. The US has also signed an agreement with Ecuador to renovate and use the Manta air base to monitor drug barons' flights within the Andean region, as well as to keep an eye on Colombian guerrillas and their involvement in the drugs trade.

Ecuador is a party to a number of international and regional treaties, including the Andean Community of Nations (CAN), the Treaty for Amazonian Cooperation, the Rio Group, and the Regional Infrastructure Integration in South America initiative (IIRSA), and holds the Presidency of the FTAA Trade Negotiations Committee until the end of 2002.

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<sup>6</sup> See [http://www.upd.oas.org/demining/desminadoreunion1\\_99.htm](http://www.upd.oas.org/demining/desminadoreunion1_99.htm).

## 3.2. Economic and social situation<sup>7</sup>

### 3.2.1. Economic situation, structure and performance

In view of the scale of the economic imbalances, on 9 January 2000 the Government announced it had decided to adopt a plan for the total **dollarisation** of the economy. New currency and exchange arrangements were set up, based on the free circulation of the US currency as means of payment, accounting unit and store of value, with a fixed exchange rate of 25 000 sucres to the dollar. A World Bank study<sup>8</sup> on dollarisation concluded that “Ecuador’s public accounts and banking system remain vulnerable to commodity-price and natural shocks. Exchange rate adjustment and monetary expansion are no longer available, however, to manage the external accounts, accommodate the public deficit, or assist failing banks. Further structural reform remains essential to assure fiscal discipline and banking system safety.” On 19 April 2000, the IMF approved an agreement for drawing rights (‘stand-by credit’) equivalent to SDR 226.73 million (Special Drawing Rights), or approximately USD 304 million to support structural reforms. The Government is negotiating a new Stand-by Credit of USD 240 million with the IMF.

During 2000 the price of oil on the international market continued to be favourable for Ecuador, reaching an average price of USD 24.9 per barrel of crude (compared with USD 15.5 in 1999). As in 1999, this trend counterbalanced the decline in non-oil exports, which failed to reach 1997 levels (USD 3 707 million). The subsequent fall in oil prices led the Government to lower its provisions for the 2002 fiscal earnings. Exports of non-traditional products grew slightly in 2000 compared to 1999, reaching USD 182 million. Imports, meanwhile, reached USD 3 469 million, representing an increase of 24.5% compared to 1999. Although there was a slight recovery, it was not enough to cover the previous year’s deficit. But total exports diminished in 2001 compared to 2000 while imports increased, leading to a marked deterioration of the trade balance, and the January-February export figures for 2002 are lower than the corresponding figures of 2001.

Ecuador enjoys a very favourable EC trade regime: the last figures available (1999) show that, in particular thanks to the General System of Preferences, **55.4% of Ecuadorian exports to the EC entered the EC market duty-free**. The same year, Ecuador’s imports from the EC totalled € 429 million whereas its exports to the EC amounted € 937 million. In other words, 14.6% of EC imports from the Andean Community came from Ecuador, whereas Ecuador received 7.4% of EC exports to the Andean Community. Ecuador has a positive trade balance of € 508 million. Provisional data from 2000 indicate that Ecuador’s exports to the EC decreased by 11.4% and its imports increased by 18.8% compared to 1999<sup>9</sup>. In 1999, 20% of bananas imported to the EU came from Ecuador. Bananas represent roughly 40% of Ecuadorian exports to the EC. On 30 April 2001, an agreement between the EC and Ecuador was reached, settling the long-lasting banana dispute under the WTO.

In 2000, the current account balance was USD 928 million, whereas it was USD – 772 in 2001 due to the trade deficit..

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<sup>7</sup> Data from: INEC (Instituto Nacional de Estadística y Censos, <http://www.inec.gov.ec/>), Banco Central del Ecuador (<http://www.bce.fin.ec/>), and INECI/UNDP, *Ecuador 2000 – Cooperación para el desarrollo*, Quito, Ecuador, 2001.

Ecuadorian socio-economic indicators are shown in Annex 1.

<sup>8</sup> BECKERMAN Paul, *Dollarization and semi-dollarization in Ecuador*, Policy Research Working Paper WPS 2643, 31/7/2001.

<sup>9</sup> Source: Eurostat, <http://europa.eu.int/comm/eurostat/>.

GDP is still structurally **dependent on oil sector revenue**, which makes the economy as a whole fragile. Crude oil exports revenues fell from USD 2.1 billion in 2000 to USD 1.7 billion in 2001, despite an increase in quantities exported, due to a fall in the average price from 24.87 USD/Barrel to 19.16. In 2000, total final consumption grew by 1.8%, contributing 1.0% to GDP growth. However, this result was basically due to a rise of 2.2% in household consumption, while public service consumption fell by 1.3%. Investment threw off the previous negative trend and grew strongly by 10.5%. This positive trend was visible in other sectors which attracted investment, particularly construction, machinery and plant. The sectors which contributed most to the growth of GDP were manufacturing industry (5.2%), electricity, gas and water (5.1%), oil (4.8%, propelled by the extension of the oil pipeline), trade (4.7%), transport and communications (4.4%) and construction (3.7%). On the other hand, agriculture and fisheries failed to grow (-5.3%) in 2000, due to the crisis in the shrimp trade caused by the white spot syndrome virus, which led common shrimp production to slump by 43.9%.

### 3.2.2. *Social developments*<sup>10</sup>

Ecuador is currently facing social difficulties due to the serious economic crisis that began in 1998. Devaluation, inflation, cuts in social spending, job losses resulting from the economic crisis and structural reforms have had a dramatic impact on the **poverty levels** of the population. According to the latest SIISE<sup>11</sup> estimates (end of 1999<sup>12</sup>), 69% of households are living below the Poverty Line, compared with only 34% in 1995. Households living in extreme poverty or indigence (i.e. whose income is not sufficient to cover the cost of a basket of basic food and are thus considered highly food insecure) are now estimated at 34% of the population (1995: 12.3%; 1998: 14.3 %). Poverty levels in rural areas present an even bleaker picture, being approximately 30% higher than national averages. As a consequence, **the food security and nutritional status of the poorest sectors of the population continue to deteriorate**; this phenomenon appears to be particularly acute for larger households and children below 18 (79% of whom are estimated to live in poverty).

It should also be noted that the ongoing inflationary process may further worsen the situation of the poorest households, even if the President has recently decided to fix electricity and phone prices, and not to end the subsidies lowering gas prices (decisions made possible by the recent rise in oil prices).

The economic situation thus has an impact on **social inequalities**. It is estimated that the richest 20% of the population receive 54% of national income, while the poorest 20% get just 4.2%. Harmful **child labor and labour rights abuse** (including obstacles to social organising) on the country's banana plantations have been reported.

Ecuador's total average **unemployment** rate fell by more than five percentage points between 1999 and 2000, from 14.4 to 9.0% according to official figures (but rose from 56.9 to 65.9% for underemployment). There are a number of reasons for this decline, including **substantial emigration to the US, Spain and Italy**, which has removed a large number of those who were unemployed, able to work and actively seeking employment.

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<sup>10</sup> A comparison of social indicators with other countries is done in Annex 2.

<sup>11</sup> *Sistema Integrado de Indicadores Sociales del Ecuador*, <http://www.siise.gov.ec/>.

<sup>12</sup> There are no more recent data (the results of the national population & housing census of 25 November 2001 are not yet available). According to some analysts, the poverty situation in the Country will have further deteriorated during the year 2000, due to the further reduction in social spending levels.

Whilst the effects of the crisis have been felt by all sectors of the population, the perspectives for recovery vary. In fact, while economic recovery may benefit the urban poor through the creation of a limited number of employment opportunities, the situation in rural areas, particularly in resource-poor areas, remains bleak. **Rural poverty** has been and remains a characteristic feature of Ecuador, with poverty levels reaching up to 90% of the population in certain areas. Poverty levels are particularly high among female-headed households and indigenous groups. The inequality between the urban and the rural areas is also apparent in terms of **education**: for all age groups the illiteracy rate is almost twice as high in rural areas as in urban areas. Ecuador ranks 84th out of 162 countries in the UNDP classification of public investment in education<sup>13</sup>.

The dramatic effects of the economic crisis on poverty levels across the country have prompted a number of actions on the part of the Government. These actions aim, on the one hand, to mitigate the effects of the crisis through initiatives with a strong social protection/safety-net dimension (e.g. school feeding programmes, solidarity bonus, etc.), and on the other hand, to revive the economy through particular attention to resource-poor areas (e.g. rural infrastructure rehabilitation initiatives, local investment funds).

### *3.2.3. Assessment of the reform process*

In 2000, the process of economic stabilisation and structural adjustment was marked by two important events: the renegotiation of the country's Brady bonds and the restructuring of its debt with the Paris Club. Thanks to the debt swap, the demands placed on monetary resources by the servicing of the external debt have been reduced, and as a result, both the national budget and the balance of payments will be **more sustainable** in the long term (the Ecuador Central Bank estimates that the debt swap has reduced the debt in both Brady bonds and Euro-bonds by around 40%). The external public debt/GDP ratio was thus substantially lower in 2000 (83%) compared to its 1999 level (100%). It was estimated at 55.5% in January 2002 by the Ecuadorian Central Bank.

One of the aims of dollarisation, in addition to removing the risk of devaluation, is to bring **inflation** down to sustainable levels. In 2000, inflation remained high, at an annual rate of +91%. At 22.4% for 2001 (consumer price index), it is now estimated at one-digit levels in 2002 by the Government, but to remain at 16 to 17% by the National Statistical Institute.

### *3.2.4. Public finances and external environment*

Several factors have contributed to the good results achieved in terms of the national budget and tax accounts, in particular tax collection (even though it is admittedly lower, at around USD 2 600 million, than it could be, at around USD 4 000 million due to fiscal evasion), the favourable international market price for crude oil, and the administrative reforms introduced for managing tax collection and limiting public expenditure and investment.

The Government's decision to dollarise the economy means that economic policy is now concentrated on fiscal policy. Monetary policy is now neutral with respect to macro-economic stabilisation, and as a result, fiscal policy now plays the leading role in determining the basic economic balance of forces. Since tax revenue from oil sales is largely independent of domestic economic policy, the country having no influence on international oil prices, tax policy is thus the determining factor in economic policy.

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<sup>13</sup> UNDP, *Human Development Report*, 2001.

In March 2002 the Government sent to Congress a draft Organic Law on Responsibility, Stabilisation and Fiscal Transparency that would aim at creating an anticyclic 'stabilisation fund' (from oil revenues) and allowing a more sustainable and transparent budgetary and fiscal management.

In this context, the Government has tried not only to revive economic growth, but also to find ways to swap external debt for social development projects, to reduce crime and encourage development in border zones, and to provide for the needs of forced migrants.

Globalisation and the external dimension of dollarisation constitute an additional challenge. Export promotion will require productivity gains, and some of Ecuador's partners/competitors can use their exchange rates to increase their price-competitiveness in the short term.

Another major challenge is the trend to trade liberalisation on a number of levels - global (WTO), pan-American (FTAA) and regional (Andean Community). If completed, these processes will place considerable pressure on Ecuador's' external trade.

### **3.3. Sustainability of current policies**

During the course of 2000, Ecuador began to slowly **pull out of recession**, a trend confirmed in 2001. This was mainly thanks to the rise in the oil price during the year, which had a positive impact on both the balance of trade and the budget deficit. Dollarisation allowed inflationary pressure to be contained, by definitively eliminating exchange rate risk, along with the monetary tension that has prevailed since 1999. At the moment, the Government is seeking to consolidate the dollarisation process, in order to achieve macro-economic stabilisation in the medium term, so as to strengthen the economy and ensure sustainable growth.

Economic trends during 2001 showed that there had been considerable success in implementing the macro-economic programme. Economic development was stronger than expected, despite difficult social and political conditions. The contraction of economic activity would appear to have come to an end: liquidity has been restored to the banking system, problems with external debtors are on the way to being resolved, and budgetary targets have been met. However, certain structural limitations persist, such as lack of confidence in the financial system.

In the short term, oil revenue is expected to rise, thanks to the extension of the present pipeline, and the construction of a new pipeline for heavy crude (construction ahead of schedule), for which the Minister of Energy and Mining has now signed the contract. This investment should provide Ecuador with an estimated USD 500 million per annum in additional heavy crude revenues. However, all these estimates depend heavily on the price of oil on international markets. Over the next 25 years, the new pipeline should produce resources worth over USD 62 billion, which is more than the country's total external debt (currently USD 16 billion). The construction of the pipeline should create more than 57 600 jobs, both directly and indirectly, which will help reduce unemployment, into which hitherto only emigration had managed to make significant inroads.

Indeed, the large number of Ecuadorians who have left the country in search of work over the last decade have played a crucial role in improving the economic and social situation. **Emigration** has had a positive impact, especially on rural communities. It has had a direct effect on both the labour force and the balance of payments. Besides these positive aspects,

however, it has also had a pernicious effect on the social fabric of the nation, and has deprived the country of many skilled workers needed for its development.

The outlook for the economy is bright, on condition that the State succeeds in freeing up resources for development, rather than using them all to pay off the **external debt**. The Government has suggested to its national bilateral creditors who belong to the Paris Club that they might swap debt for social programmes, but so far this proposal has met with only lukewarm interest.

The long-term success of dollarisation will require the injection of capital in the form of foreign investment, which in turn will require political stability and a secure legal framework. One indispensable condition is that international investors recover their confidence in the banking and financial system, which is still controlled by the State. The transparency of the process by which the banking system is privatised will be an important indicator for potential foreign investors as to the Government's intentions.

Ecuador has a unique **environment**, endowed with a great variety of ecosystems and animal species. It is the country with the largest number of plant species in South America, thanks in large part to the **biodiversity** of the Galapagos Islands and the Esmeraldas province. The main challenge facing Ecuador in this area is the impact of economic development and business activity, such as soil erosion caused by prospecting and exploiting oil reserves, the extraction of wood for construction, and arable farming. As the moment, the biggest problems are:

- deforestation, due to soil erosion caused by oil exploration and commercial forestry for the construction industry;
- soil erosion, caused by overgrazing, overcultivation of poor land, and deforestation;
- desertification;
- water pollution;
- loss of biodiversity.

The **natural disasters** which strike Ecuador most frequently are earthquakes, landslides, volcanic eruptions and periodic droughts.

The Government has adopted an environmental agenda which addresses these problems. According to this agenda, there is an urgent need to replace traditional productive methods with more sustainable forms of development. A programme must be set up for the conservation and preservation of biodiversity, the protected areas system must be strengthened, and a reforestation policy must be implemented. A legal framework must be established for the implementation of these measures. Regulation and management of the environment fall within the competence of the Ministry for the Environment. Environmental conservation policies must also be integrated into poverty eradication programmes ('mainstreaming'), which would allow Ecuador to tap into foreign funding available for projects for forest resources management, productive use of biodiversity and energy efficiency.

### **3.4. Medium-term challenges**

The main challenges facing Ecuador today are **social**. If the country is to maintain or improve its competitiveness under dollarisation, then productivity gains will be necessary; this will inevitably entail substantial social costs. Since support for the social sectors is a priority of EU development cooperation, the Commission should therefore support Government action in this area.

On the **political** level, the general elections to be held in October-November 2002 will mark a turning point for the country. Civil society's desire for a more participatory democracy which represents society as a whole is growing. The new constitution provides a number of guarantees of more equitable citizen participation. In particular, Government bodies have been decentralised, so as to bring decision-making closer to the people and increase democratic control over public administration. The process is still in its initial phase, with different areas of competence being gradually transferred to local level. The final scheme for the fiscal decentralisation has yet to be finalised. The Indian movements may present a candidate in the elections, who could receive a substantial share of the votes cast, given that the abstention rate is estimated at around 30%. This would contribute to the perceived significance of the elections. Nevertheless, there is also a risk that demagoguery may get the better of realistic programmes, and thus only delay the adoption of real solutions in the fight against poverty.

From the **economic** viewpoint, the dollarisation of the economy is leading gradually (though at a slower than expected pace) to the stabilisation of the economy and the reduction of inflation (1999: 60.71%; 2000: 91.00%; 2001: 22.44%). Yet, **there are still major concerns about the prospects for economic recovery** due to the rate of inflation which remains high, thus progressively eroding the country's competitiveness, the uncertain regional economic situation, the limited basis of Ecuador's exports, and the external debt service which is still extremely high, requiring an average of 5 % annual growth in GDP to be sustainable. A stand-by agreement with the IMF ended in 2001; the signature of a new agreement (for a total amount of around USD 240 million) has been conditioned to the adoption by the Ecuadorian Congress of a fiscal package. However, progress with the implementation of the economic reform programme has been slowed down by the inherent weakness of the executive branch and by pressure from various sectors of society. For instance, the privatisation of the electricity companies, envisaged since 1996, has been suspended.

Financial resources from **oil** production constitute both a strength and a challenge. They are a strength to the extent they are reinvested in the Ecuadorian economy; a challenge insofar as they merely serve to aggravate the concentration of both exports and the economy as a whole in low value-added sectors which do not generate many jobs. And whatever policies may be adopted, they certainly represent an environmental challenge.

One crucial exogenous factor is the **impact of the Colombian conflict**. The instability it has created within Ecuador has so far been limited geographically, but this situation could easily change and the instability spread to other areas of the country, depending on events in Colombia. The Commission can help Ecuador to limit this impact by continuing to implement projects in the provinces concerned.

#### **4. OVERVIEW OF PAST AND ONGOING EC COOPERATION, BRIEF OVERVIEW OF ECUADOR/REST OF THE WORLD COOPERATION**

##### **4.1. Past and ongoing EC cooperation, lessons and experience<sup>14</sup>**

###### *4.1.1. Past EC cooperation*

The main **instruments** of EC Cooperation with the Government of Ecuador come from two sources:

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<sup>14</sup> See Annex 4.

- the ALA (Asia - Latin America) budget articles in the General Budget of the European Community, which finance Technical and Financial (B7-310) as well as Economic Cooperation (B7-311), both at the national and at the regional level, the latter aimed at supporting regional integration; in addition, support for the Rio Summit priorities in Latin America, including Ecuador, is provided through a number of horizontal programmes covering key fields (ALFA, URB-AL – with 21 participations by 8 Ecuadorian cities and 3 external members in 8 thematic networks and 26 participations of 4 municipalities and 1 external member in 24 common projects –, ALURE, AL-INVEST, @LIS);
- the Food Security Budget Line (B7-6200).

As far as cooperation with NGOs is concerned, other budget lines are used to finance development activities in Ecuador: Human Rights and Democracy, Environment & Tropical Forests, NGO Co-financing (poverty reduction), and Humanitarian Aid.

**The EC has been involved in cooperation in Ecuador since the end of the 1970s**, but only became a major donor to the country at the end of the 1980s. Since then, the main focal sectors have been integrated rural development projects (with a focus on gender issues), environment, institution building (notably in the Ministry of Foreign Affairs, and in the tourism sector), and economic cooperation (notably supporting the use of the GSP). Humanitarian Aid has been provided by the EC Humanitarian Office (whose regional headquarters are located in Quito) as needed (e.g. in case of earthquakes, droughts, floods, volcanic eruptions, for victims of ‘El Niño’, etc.). Since the mid-1990s, there has been a shift towards social themes in projects implemented in collaboration with the public authorities (including projects in the cities of Quito and Guayaquil, as well as a health project in Esmeraldas province).

In 1998, five main areas were identified as priorities for EU cooperation<sup>15</sup>:

- Poverty alleviation, with operations targeting health, education and the strengthening of public services (one example being the project on the Social Development of Quito’s Historical Centre);
- Institutional support and the strengthening of the rule of law;
- Environment;
- Economic cooperation;
- Communication infrastructures.

Since 2000, an important new component has been added to the portfolio of EC activities in Ecuador with the launch of a food security programme. This programme is also important from a methodological viewpoint, in that it is the first programme implemented in Ecuador with a sector-wide approach, i.e. through the relevant Ministries (Social Welfare and Health), and in partnership with other donors (the World Bank and the WFP).

In quantitative terms, the 1990s saw more than half of the financial commitments made go to financial, technical and economic cooperation (cooperation through central or local Government), while a fifth went to NGOs. Over €104 573 636 was committed to Ecuador between 1992 and 2000, of which 56.2% was allocated to financial and technical cooperation; 20.9% to NGO-run projects; 6.1% to ECHO’s activities; and 5.7% to tropical forest preservation programmes (and 11.1% to various other EC programmes).

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<sup>15</sup> See the Commission’s *Multiannual Indicative Guidelines* of 7 October 1998.

In the field of financial and technical cooperation, many projects were launched in the early 1990s, and the corresponding financial commitments were made during the first half of that decade. Many projects, therefore, reached the end of their life cycle at the turn of the century, which explains the decreasing disbursements over the last years:

Year	1998	1999	2000	2001
Payments (€)	12 246 469.29	12 163 584.62	6 889 261.96	6 357 965.24

This downward trend should be reversed with the launch of a series of financial, technical and economic cooperation projects, as well as the EC food security programme. EC cooperation with NGOs has been relatively stable over the last five years.

#### 4.1.2. *Ongoing EC cooperation activities*

The main ongoing activities in Ecuador are the following:

Financial and technical cooperation: four projects will be launched in 2002 (development of the peripheral zones of Guayaquil, rural development in the Esmeraldas province, integrated health project in the Esmeraldas province, and rural development in the Cotopaxi province).

There is currently one economic cooperation project underway, on the diagnosis of shrimp diseases in Ecuador.

The EC food security programme for Ecuador is now in its initial implementation phase, and the EC food security technical assistance unit was set up in Quito in mid-2001.

The Memorandum of Understanding signed on 4 June 2001 between the Government of Ecuador and the Commission mentions a limited number of sectoral priorities (regional integration, health, environment and economic cooperation), with poverty reduction as an overarching goal. The implementation of the regional integration and environment components of the Memorandum of Understanding has already begun. As far as the environment sector is concerned, a project on the Management of the Paute River Basin worth €11 million has been approved and the financial commitment made in 2001.

In addition to these components, the EC has 22 projects ongoing or about to start with NGOs in Ecuador, covering the various sectors of NGO co-financing (mainly human rights and democracy, poverty reduction, environment and tropical forests).

#### 4.1.3. *Lessons learnt*

Most evaluations of financial and technical projects and of NGO projects conclude that EC cooperation fulfils the objectives of the projects in their various different sectors and areas of intervention.

One constant comment that can be found in most reports on larger financial and technical cooperation projects concerns the complexity of EC procedures and the fact that EC cooperation is sometimes slow. This is probably a consequence of the centralised aid management mechanisms which have marked cooperation with Ecuador since the outset. The day-to-day follow-up of projects was also complicated by the fact that the Commission has no permanent representation in Quito. The Commission Delegation in Bogotá<sup>16</sup>, Colombia,

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<sup>16</sup> Website: <http://www.delcol.cec.eu.int/index.htm>.

which handles EC assistance to Ecuador will be included in the 'decentralisation' process in 2002. This devolution of enhanced management responsibility and decision-making power to the Delegation should help overcome the bottlenecks encountered in the past. Availability of the national contribution to projects has also caused some delays in implementation.

Attention was also drawn to insufficient coordination among the different cooperation instruments used by the EC in its cooperation with Ecuador, and this problem will be taken into account in designing and implementing future interventions. The major difficulty in this respect is to ensure appropriate coordination and consistency between the 'programmable' financial instruments of the EC (financial, technical and economic cooperation; food security programme), which are implemented in partnership with the Ecuadorian Government, and the 'non-programmable' financial instruments implemented in collaboration with civil society (NGOs) and selected through a bottom-up procedure (i.e. open and competitive 'calls for proposals'). The main lesson learnt is that, while it is important to leave the NGOs with the initiative of proposing projects, the Commission has to select those most consistent with its strategic objectives in the country.

Economic cooperation has been a constant feature of cooperation with Ecuador, but while most individual interventions that have been assessed have achieved their defined outputs, the difference between economic cooperation and development cooperation is not always obvious. Efforts should therefore be made to focus this instrument on trade and investment-related activities and projects.

From a methodological viewpoint, one of the weaknesses of EC support to Ecuador over the years has been the relatively limited impact of the supported programmes or projects at the policy-making level, because of their limited geographical or thematic scope. Given the relative importance of the EC compared to other donors and creditors to Ecuador, a move towards a sector-wide approach, as recommended by the relevant Development Council conclusions, therefore seems appropriate. In this respect, the EC food security programme may be considered a test case, whose results should be carefully monitored.

It is worth noting that, while there has so far been no comprehensive general evaluation of cooperation between the European Commission and Ecuador, all main EC programmes (technical and financial cooperation, food security) include a mid-term evaluation, and in some cases there is an *ex post* evaluation, which is always carried out by external consultants.

#### **4.2. Information on cooperation programmes of EU Member States and other donors<sup>17</sup>**

Ecuador receives development aid from both bilateral and multilateral donors. In 2000, 17% of the aid disbursed was non-reimbursable, whereas 83% consisted of external credits.

The total amount of non-reimbursable aid disbursed in 2000 was USD 119.988 million (up from USD 34.6 million in 1996). There are more projects in the mountainous provinces (60%) than on the coast (27%), the eastern lowlands (12%) or the Galapagos (1%). The main sectors covered by the grants were: regional and rural development (USD 21.828 million), social development (USD 19.276 million), agriculture, silviculture and fisheries (USD 16.538 million). Other sectors receiving substantial amounts were: human resources improvement

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<sup>17</sup> More details can be found in INECI/UNDP, *Ecuador 2000 – Cooperación para el desarrollo*, Quito, Ecuador, 2001.

(USD 12.863 million), natural resources (USD 12.383 million), development management (USD 12.080 million) and health (USD 11.040 million).

In 2000, Ecuador was granted USD 460 million of credits by multilateral creditors and USD 143 million by bilateral creditors. The most important disbursements came from the IDB (USD 245 million), the CAF (USD 141 million) and Brazil (USD 88 million). These credits were used for infrastructure works, construction and road rehabilitation (in particular in the coastal regions), basic services, regional development, and economic management.

The main sectors of cooperation for the **EU Member States** involved in Ecuador are:

- *Belgium*: rural development (productive capacity-building and self-management at community level), public health, decentralisation, cultural and scientific cooperation.
- *Denmark*: human resources improvement, regional development.
- *Germany*: state modernisation, decentralisation, municipal strengthening, sustainable management of natural resources.
- *Spain*: state modernisation, integrated rural development, water and sanitation, health, culture, human resources development (scholarships).
- *France*: support to rural economies and to the agro-food sector, development of tourism infrastructure, fight against endemic diseases, state and local administration modernisation, scientific cooperation, cultural cooperation.
- *Luxembourg*: poverty reduction, basic social services, education, basic health, nutrition, water and sanitation, democracy and human rights, peace process, fight against corruption, environment.
- *The Netherlands*: environment including sustainable use of the tropical forest, biodiversity and natural resources, gender issues, and human rights.
- *Finland*: regional development.
- *Sweden*: environment, public administration (taxes, cadastre, statistics), decentralisation, municipal forest administration, energy saving.
- *The United Kingdom*: development management, natural resources, agriculture, forestry and fisheries, industry, social development, health.

**Multilateral and other donors** active in Ecuador, and their priorities, are as follows:

- *CAF*: regional integration, infrastructures, support to the industrial sector.
- *Canada*: sustainable productive development in the poorest counties, local community development, gender equality, SMEs, water & development, communication & development.
- *CEPAL*: development administration, natural resources.
- *People's Republic of China*: local production development.
- *FAO*: rural, agricultural, forest and fishery development, nutrition and food security.
- *IDB*: economic stabilisation, poverty alleviation, human capital formation and social inclusion, infrastructures, state modernisation and decentralisation, sustainable regional development.
- *Japan*: poverty alleviation, road infrastructure, environment, natural disasters.
- *Republic of Korea*: economic cooperation, human resources cooperation, research, education and training.
- *PAHO/WHO*: health.
- *WFP*: food security, food aid.
- *Switzerland*: poverty reduction, agriculture and sustainable management of natural resources, basic sanitation, SMEs, humanitarian aid.
- *UNDP*: poverty eradication, institution building, sustainable development, gender equality.
- *UNHCR*: support to refugees.
- *UNICEF*: children, women.

- *United States of America*: biodiversity conservation, development of the Peru-Ecuador border, development of the northern border, support to the democratic system, poverty reduction (microfinance, microfirms).
- *World Bank*: health, nutrition, education, agricultural production, environmental management, modernisation of the State, judicial reform, Government macro-economic programme.

For an analysis of the **complementarity** between the EC and other donors, see Section 5.4 below.

## 5. THE EC RESPONSE STRATEGY

### 5.1. Principles and objectives for cooperation

The first objective is to achieve the goals which were defined, in collaboration with the partner countries, during the Rio Summit process, with the aim of consolidating and **strengthening relations between the European Union and the Latin American** region in a variety of fields, including the political, economic, cultural, educational and scientific. In this context, EC relations with Ecuador should incorporate all aspects of the EC's dialogue with the region as a whole. A number of these aspects can be developed *via* general cooperation programmes for the region, while some will be the subject of bilateral programmes specifically designed for Ecuador. The development of enhanced reciprocal trade and investment relations between the EU and Latin America will continue to be supported through regional programs such as AL-INVEST that strengthen regional networks. Ecuador participates in these programmes and will continue to do so. To further the effectiveness of these programmes, the Commission will continue to work closely with the local AL-INVEST operator, the Eurocentro<sup>18</sup> established in Guayaquil in partnership with the local Chamber of Commerce.

The priority attached to the transport sector in the Development Council conclusions of November 2000 (which named it as one of the six priorities of EC development strategy) has to be seen in a wider regional perspective, i.e. as a way of strengthening Ecuador's infrastructure links with neighbouring countries, as well as **regional integration** at the Andean Community level.

The second objective, in line with the same Council conclusions, is to **ensure consistency between the Community trade regime and development assistance**, and in particular to support Ecuador's efforts to improve its trade and investment environment, with a view to effectively participating in the multilateral trading system and the global economy, so as to maximise the benefits for the region. The recent extension of the 'Drugs' GSP scheme<sup>19</sup> for which Ecuador is now eligible is therefore a significant step towards integrating with the world economy. The Economic Cooperation programme may also include elements supporting better use of EC trade preferences granted to Ecuadorian exports.

Compared with regional and trade objectives, the other objectives for Ecuador are more country-specific. Sections 2 and 3 above have shown how poverty has increased since 1997-

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<sup>18</sup> Website: <http://www.eurocentro-ecuador.org.ec/>.

<sup>19</sup> Council Regulation (EC) No 2501/2001 of 10 December 2001 applying a scheme of generalised tariff preferences for the period from 1 January 2002 to 31 December 2004, O.J.E.C. L346 of 31 December 2001.

1998. The clear priority the EU places on the **promotion of equitable access to social services** in both urban and rural areas is therefore relevant to Ecuador.

Finally, sections 2 and 3 also showed that poverty rates are even higher in rural areas, where preserving the country's rich heritage of biodiversity poses additional constraints. The preservation of the environment runs the risk of being seen as of secondary importance, given the pressing needs of the population. The objective of **food security and sustainable rural development** laid down by the Council is also relevant to Ecuador's needs (with a focus on the environmental dimension).

As far as **implementation principles** are concerned, the final objective of Ecuador's country-specific programmes is to move towards a 'sector-wide' approach. However, the conditions for a full sectoral approach for all sectors of EC intervention are not yet in place. To ensure proper monitoring and financial and technical management control, programmes could initially be designed to incorporate programme-specific implementation structures. But this should include the possibility of a partial or total shift to sector-wide programming, channelling the funds on a flexible basis through the appropriate national structures, based on the existence of sound policy framework, effective institutions, and monitoring and evaluation systems with indicators. Only on these conditions will making the shift be considered. An alternative approach might be to devise 'programmes' composed of 2 or 3 components (corresponding to different financing commitments), the first of which would follow a 'project approach' (but based on prior sector-wide analysis and diagnosis), and the others a 'sector-wide approach'. One of the tasks of these programmes will be to help, in coordination with other donors involved in the sector, to establish the conditions for sector-wide programming; hence the importance of integrating **institution-building** components into the programmes and projects planned.

As regards financial and technical cooperation, the move towards a sectoral approach will be envisaged on a case-by-case basis. The economic cooperation programme is usually implemented on a rather different basis to other programmes, (in particular, with the involvement of the private sector), so the sectoral approach is less relevant in this area.

The EC food security programme is already being implemented through national structures (the Ministry of Health and the Ministry of Social Welfare's *Prolocal* programme) and municipalities. It should now focus on strengthening both the Government's capacity to activate and manage its food security policy, and the institutional capacity of the municipalities involved.

The Commission will support the **decentralisation** process by involving the relevant local authorities, including for project preparation, execution and maintenance, if appropriate.

## **5.2. Priorities and specific objectives for cooperation**

In line with the analysis set out in the previous sections, the European Commission's **priorities** in its relations with Ecuador are:

- **Reduction of social imbalances** through the promotion of equitable access to social services, food security and sustainable rural development;
- **Economic stimulation**, through economic cooperation and a favourable trade regime;

➤ **Regional integration and cooperation**, through transport infrastructure and the strengthening of regional networks.

In the light of their poverty-reducing potential and complementarity with other donors' support, the Commission will pursue the following **specific cooperation objectives**:

For the reduction of social imbalances:

- **Promotion of equitable access to social services.** Analysis of the current situation has shown the magnitude of the impact of the economic crisis, in particular since 1998, on the whole Ecuadorian population, and especially on the poorest households. Health indicators show deficiencies in coverage and quality (with, for instance, the return of malaria and the rise in reported cases of dengue, tuberculosis and AIDS). The Commission has pledged to make special financial efforts in the years ahead in the health and education sectors. As noted above, the amount of development aid devoted to the health sector is low in relative terms. The Commission has therefore agreed with the Government to focus part of its assistance on the health sector (including the related dimensions of water and sanitation).
- **Food security & sustainable rural development.** The Government has drawn up an 'Environmental Strategy for the Sustainable Development of Ecuador' which the Commission intends to support in line with its commitment to ensure the linkage of development with the preservation of biodiversity and natural resources<sup>20</sup>. Given the scale of the challenges facing Ecuador in this respect, in particular with regard to the economic prospects for the oil industry, many donors, including the EC (through the 1994 *Petramaz* project<sup>21</sup>), are active in this sector. Special efforts are therefore needed in terms of coordination (see below). As far as food security is concerned, the intention of the Commission is to support local initiatives addressing the issue through the Government's *PROLOCAL* programme.

For economic stimulation:

- **Economic cooperation**, in the mutual interest of both parties, fits both with the commitments made by the EU to Latin America at the first Rio Summit, and with those made within the WTO framework at the Doha summit.

For regional integration:

- **Transport infrastructure.** This specific objective is not only part of EU development policy, but also corresponds to the commitments made by the Commission to contribute to the follow-up to the Ecuador-Peru Peace Accords of 1998, i.e. to upgrade the regional Piura-Guayaquil axis. Support in this area thus also helps the EC achieve its Latin American regional objective of improved regional integration.

*The Summary Table (annex 6) shows how these priorities and specific objectives relate to EU Development Policy (as detailed in the Development Council conclusions of November 2000), and to the Rio Summit Conclusions. This table also presents a summary of how the whole range of EC instruments are and will be used to pursue these priorities and specific objectives.*

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<sup>20</sup> Communication from the Commission COM (2002) 82 of 13 February 2002, *Towards a global Partnership for Sustainable Development*.

<sup>21</sup> Ref. ECU/3010/94/130.

### 5.3. Coherence

In addition to development policy, EU policies concerning environment, trade, justice and home affairs, and conflict prevention are also relevant to Ecuador. The Commission designs programmes jointly with its Ecuadorian counterparts, following the guidelines and orientations of these policies.

As far as the environment is concerned, EC activities in Ecuador must be in keeping with the **6<sup>th</sup> Community Environment Action Programme** (6EAP, 2002-2011), which identifies a number of priorities for action: climate change, the depletion of natural resources, and the loss of bio-diversity are among the biggest threats to sustainable development and require global action to solve them. In particular, the Commission promotes the conservation and sustainable management of forests in the Andean region<sup>22</sup>. The EC uses specific ('horizontal') budgetary instruments to support its environmental objectives, but this dimension is obviously taken into account in other programmes as well (in particular, infrastructure projects, for which impact assessment studies are a prerequisite). The EC also encourages the Andean countries to implement their international commitments under the various multilateral environmental agreements<sup>23</sup>.

Another theme that deserves particular attention is the link between trade and development, which is a priority of EU Development Policy. At this stage, **EC trade policy** towards Ecuador (and the other Andean and Central-American countries), through the General System of Preferences scheme (GSP), is primarily focused on development. The challenge for EC trade-related technical assistance is to enable Ecuadorian economic agents to reach out towards EC markets and take full advantage of the competitive margin granted by the GSP trade preferences. Beyond trade-related technical assistance, the trade dimension should be incorporated in the design of rural development and food security programmes. The agreement reached between the EC and Ecuador to resolve the WTO banana dispute will undoubtedly facilitate the dialogue on trade-related development issues.

Many of the thematic priorities outlined in the conclusions of the Tampere (October 1999) and Feira (June 2000) European Councils apply to **Ecuador**, but the most important external dimensions of EU justice and home affairs policies are those of the **fight against drugs, immigration, crossing external borders and rights of third countries nationals**. As far as drugs are concerned, Ecuador has to date served as a transit country for drug trafficking, rather than a producer country. The EU will have to monitor developments in this area, in particular in relation to the way the situation in Colombia develops (first signs of spill-over of drug production to the Ecuadorian side of the border with Colombia have been reported). As far as immigration is concerned, the scale of emigration of Ecuadorian nationals to the EU (principally Spain – which signed an Immigration Agreement with Ecuador on 31 January 2001 aimed at regulating the numbers of Ecuadorian migrants –, but also Italy and to a lesser extent France) also needs to be monitored closely. The Commission recently decided to support an NGO project focused on the issue, and further financial resources could be deployed in relation to this topic. The economic dimension of this issue needs to be taken into account (the money sent home by Ecuadorian emigrants is the country's second most important source of income, after the sale of oil).

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<sup>22</sup> In line with the Commission's Communication on "Forests and Development: the EC approach" (COM (1999) 554).

<sup>23</sup> Including the Biodiversity Convention, the Cartagena Protocol on Biosafety, the Climate Change Convention, the Kyoto Protocol, the Stockholm Convention on Persistent Organic Pollutants and the Rotterdam Convention on the Prior Informed Consent Procedure for certain hazardous chemicals and pesticides in international trade.

**Conflict prevention** is one of the indirect objectives of the poverty-reduction focus of EC policy towards Ecuador. That being said, the Commission also pays specific attention to conflict-prevention as such, in particular in the framework of cooperation with civil society. In this respect, special emphasis is placed on the situation in the provinces bordering Colombia, where conflict could well spill over from the neighbouring country. In addition, recent years have demonstrated a worrying potential for violent social conflict. This type of conflict also requires attention, given the detrimental impact it would have on the country's economic prospects. In its *Communication on conflict prevention* (COM (2001) 211 of 11 April 2001), the Commission announced its intention to focus its cooperation programmes more clearly on an integrated approach to addressing the root causes of conflict. In this context, the Commission will also seek to incorporate specific conflict prevention (or resolution) measures into its various sectoral programmes.

#### **5.4. Complementarity within the EU and with other donors**

Ecuador is not a party to the World Bank's Comprehensive Development Framework (CDF) and has not drawn up a Poverty Reduction Strategy Paper (PRSP). There is no systematic coordination between donors and creditors. However, an international aid coordination body (INECI) was set up in July 2000, and this has provided donors with a "one-stop-shop" for establishing cooperation priorities. The focal sectors for Community aid implemented in partnership with the public sector (financial, technical and economic cooperation, and food security programmes) have, of course, been the subject of discussions with the Government.

The cooperation priorities outlined above not only correspond to the EU's own cooperation priorities, but are generally also domains in which other donors are not already involved, or where they provide only partial coverage. Within each sector, geographical and intra-sectoral complementarity must also be taken into account (for example, in the case of health, between the various sub-sectors, such as policy and planning, basic health care, hospitals, etc.). Special attention should be given to the issue of complementarity in the northern provinces, since this is now clearly a priority zone for the Government.

- In the area of **health**, other donors have already implemented sector-wide support programmes (World Bank, PAHO, UNDP, Belgium, Luxembourg), which should help the Commission adopt this method in this area. Paradoxically, although essential, the health sector is not in general a focal sector for aid to Ecuador (ranking only 7th in terms of grants and 10th in terms of loans in 2000). A substantial contribution by the Community should be able to redress this relative imbalance. The Commission should take projects funded by other donors into account (Austria, Spain, the Netherlands, United Kingdom, USAID). Likewise, a drinking water/sanitation component should be coordinated with initiatives by other donors in this sector (in particular, the World Bank, UNDP, France and Japan).
- In the **environmental** field, complementarity is more difficult to ensure, given that this is a subject of great national importance (and significant international significance, due to the country's great biodiversity), and is also a focal sector for many donors. Other donors (Germany, Netherlands, United Kingdom, UNDP, ECLAC, GEF - Global Environment Fund, CAF) already provide centralised technical assistance (sectoral support). However, a pre-identification mission carried out for this sector concluded that support was still needed to implement policies and reforms in the environmental field, from central level down to regional and local levels.
- The Commission's **food security** programme in Ecuador is already implemented using a sector-wide approach: it provides a support programme for the Ministry of Social

Welfare's local development initiatives in collaboration with the World Bank, and also supports some of the Health Ministry's programmes.

- As for support for **regional transport infrastructure**, i.e. the improvement of the Piura-Guayaquil axis, it is quite easy to ensure complementarity. CAF is active in the border zone, while the IBD is now implementing an institutional capacity-building project relating to road concessions, which will help make the project more sustainable. Japan, meanwhile, has provided road maintenance equipment to the El Oro Provincial Council, which will also be useful in implementing the project.
- As regards **economic cooperation**, complementarity must be coupled with the "mutual interest" requirement when carrying out joint programmes. By nature, such programmes are more clearly bilateral than programmes in other sectors. Nevertheless, when identifying possible actions, the Commission should still take into account trade and investment promotion programmes being implemented by UNDP, the World Bank, the IBD, CAF and UNCTAD.

The guidelines adopted by the General Affairs Council of 22-23 January 2001 to strengthen operational coordination between the Community, represented by the Commission, and the Member States in the field of external aid are being implemented gradually for Ecuador. These guidelines should be incorporated into the Community's various cooperation programmes, and cover the following matters:

- partner country's role in the coordination process;
- the role of EU operational coordination in relation to the larger coordination context;
- EU coordination during the various phases of the cooperation cycle;
- managing the coordination process;
- coordination methods;
- dissemination, implementation, reports and follow-up.

Complementarity with other donors is systematically analysed during the identification phase of Commission projects and programmes.

## **6. WORK PROGRAMME (NATIONAL INDICATIVE PROGRAMME, NIP)**

### **6.1. Financial instruments**

Various budget lines can be used to finance the implementation of the Commission Strategy for Ecuador:

- **Financial, technical and economic cooperation.** This instrument covers long-term operations that fall within the country strategy. An indicative envelope of € 92 million has been earmarked for financial, technical and economic cooperation for the period 2000-2006.
- **Food security.** In addition to the implementation of financial, technical and economic cooperation programmes, the Commission launched food security operations in 2000 with a € 2 million contribution. In 2001, an additional € 6 million contribution to the PROEESA (*PROgrama Euro-Ecuatoriano de Seguridad Alimentaria*) was decided and the Food Security Technical Assistance Unit was established in Quito.
- **Other instruments** could be used to finance specific operations, in particular for **human rights & democratisation, environmental & natural resources conservation**, and

**demining.** Most of the other EC instruments (budget lines) function on a demand-driven and bottom-up basis, through ‘calls for proposals’ – or on a needs-assessment basis in the case of **humanitarian assistance**. As such, these instruments cannot be subject to programming. However, the above-mentioned priorities and specific objectives will be taken into account in the selection of the projects submitted within the framework of calls for proposals. This is particularly relevant in the case of mainstreaming issues. Finance from these instruments, however, will depend on availability of funds. The Commission will follow the following guidelines:

- *Human Rights and Democracy*: EC support will go primarily to conflict-prevention actions on the border with Colombia, as well as to projects related to rights of indigenous minorities and the external dimensions of the EU’s justice and home affairs policies (such as the emigration issue).
- *NGO Co-financing*<sup>24</sup>: This instrument should be used to complement the ‘programmable’ instruments so as to help reduce social imbalances through the promotion of equitable access to social services, food security and sustainable rural development. Work with NGOs could be envisaged in particularly sensitive areas or areas not covered by the programmes implemented with the Government or by other donors.
- *Environment & Tropical Forests*<sup>25</sup>: this instrument can usefully support carefully selected private initiatives that are consistent with the Government’s sectoral policy.
- *Research, Science and Technology*<sup>26</sup>: through its ‘International Cooperation’ (INCO) instruments, the Commission supports research into areas and subjects that are in line with its main priorities in Ecuador (e.g.: environment or trade-related).
- *Demining*: actions could be envisaged, at the request of the Ecuadorian Government, in the regions bordering Peru.
- *Humanitarian aid*<sup>27</sup> covers the EC Humanitarian Office (ECHO) response to possible humanitarian situations, as well as Disaster Preparedness (‘DIPECHO’) preventive actions.

## 6.2. Sectors of cooperation through financial, technical and economic cooperation

The strategic response outlined above in Section 5 will be implemented in the context of the agreements between the Ecuadorian Government and the European Commission. The two parties have defined the main elements of their cooperation for the period ending in 2006 and have formalised their agreement by signing two basic documents:

- The Framework Agreement that sets out the mutually recognised standard procedures (Contracts, Tenders, Technical and Financial Cooperation Programmes).
- The *Memorandum of Understanding*<sup>28</sup>, that summarises the joint orientations of EC cooperation with Ecuador as regards Technical and Financial Cooperation<sup>29</sup>, and Economic Cooperation<sup>30</sup>. The Commission and the Ecuadorian Government signed the *Memorandum of Understanding* on 4 June 2001, which defines 4 focal areas for € 92

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<sup>24</sup> Budget article B7-600.

<sup>25</sup> Budget article B7-620.

<sup>26</sup> Budget chapter B6-62.

<sup>27</sup> Budget chapter B7-21.

<sup>28</sup> See Annex 5.

<sup>29</sup> Budget article B7-310.

<sup>30</sup> Budget article B7-311.

million of EC aid to Ecuador for the 2001-2006 period. In order to implement the above-mentioned specific objectives, the two parties agreed on the programmes described below.

#### 6.2.1. *Priority: Reduction of social imbalances*

##### 6.2.1.1. Specific objective: promotion of equitable access to social services.

**Programme/project:** The objective is to support the Government's effort to put into practice the principles of equity and universality in terms of access to public health services, while also respecting the principles of solidarity and quality. The problem of access to drinking water and systems of sanitation and basic health will also be addressed, so as to benefit the less-favoured layers of society. Interventions will concentrate on the poorest areas of the country which have the greatest needs, taking into account particularly the problems in the border regions with Colombia and Peru.

**Indicative amount:** 30% or € 28 million.

**Assumptions:** continued support by the Government of Ecuador for policy reforms in health and water supply / sanitation; payment by the Ecuadorian counterparts of the recurring costs for the functioning of the various components of the established sanitary system; commitment of the Ecuadorian counterpart to the stability and training of sanitary staff. Given that interventions are planned in the provinces bordering Colombia where the security situation has deteriorated, one precondition will be that the security of the persons implementing the EC programmes be guaranteed.

#### **Indicators:**

- Infant & Child mortality – Infant mortality rate, Under 5 mortality rate (*Cairo*: the death rates for infants and children under the age of five years should be reduced by two-thirds of the 1990 level by 2015);
- Maternal Mortality – Maternal mortality ratio, births attended by skilled health personnel (*Cairo, Beijing*: the rate of maternal mortality should be reduced by three-quarters between 1990 and 2015);
- Reproductive Health – Contraceptive prevalence rate, HIV prevalence in 15-to-24 year-old pregnant women (*Cairo*: access should be available through the primary health-care system to reproductive health services for all individuals of appropriate ages, no later than the year 2015).
- Populations with access to safe water - Freshwater resources per capita (cubic meters); improved water source, urban (% of urban populations with access); improved sanitation facilities, urban (% of urban population with access).

**DAC sector Code:** 120 (health).

##### 6.2.1.2. Specific objective: sustainable rural development and environment.

**Programme/project:** two projects focused on the sustainable management of natural resources. The Commission and the Government of Ecuador agreed that the objectives would be: (a) to support the rational development of water resources, establishing the conditions and transferring the necessary know-how for the creation,

in a pilot basin, of a basin authority responsible for the integrated management of all natural resources: a project on the Management of the Paute River Basin worth €11 million has been approved and its implementation has begun (state-of-play at the date of writing: tender pre-notification); (b) to strengthen the capacity of the public institutions to manage the natural resources of the Amazonian forest as a single whole, orienting and strengthening the development processes of the resident population, controlling the extraction of non-renewable natural resources with a view to maximising the socio-economic and environmental benefits, and investing in clean production alternatives.

**Indicative amount:** 30% or € 28 million (11 of which already committed – see above).

**Assumptions:** continued support by the Government of Ecuador for policy reforms in sustainable management of natural resources; payment by the Ecuadorian counterparts of the costs ensuring the sustainability of the actions undertaken; continued commitment of the Ecuadorian counterpart to the implementation of the decentralisation scheme. Given that interventions are planned in the provinces bordering Colombia, where the security situation has deteriorated, one precondition will be that the security of the persons implementing the EC programmes be guaranteed.

**Indicators**<sup>31</sup>: forest area as a percentage of national surface area, biodiversity: land area protected, energy efficiency: GDP per unit of energy use, carbon dioxide emissions (*Rio*: there should be a current national strategy for sustainable development in the process of implementation by 2005, so as to ensure that current trends in the loss of environmental resources are effectively reversed at national levels by 2015).

**DAC Sector Code:** 410 (general environment protection – covers activities concerned with conservation, protection or amelioration of the physical environment without sector allocation).

#### 6.2.2. *Priority: Economic stimulation*

Specific objective: economic cooperation.

**Programme/project:** The initiatives developed in this sector will have to be in line with the principle of mutual interest between the European Union and Ecuador. The Commission and the Government of Ecuador have agreed:

- to give priority to initiatives intended, broadly speaking, to improve the “business environment” in order to increase the trade and investment flows between both regions;
- to attend to the strengthening of the legal framework with respect to foreign investments (incl. their legal security), non-tariff barriers, and regulations and standards;

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<sup>31</sup> The DAC *Working Party on Environment and Development* is currently developing guidelines on how to generate national processes for sustainable development. This work will lead to improvements in indicators to assess the comprehensiveness of the process and the vigour of implementation. Strategies will need to include references to localised environment issues, such as *air quality*, *marine quality* (e.g. *loss of mangrove areas*), *sanitation*, and *sustainability of the use of water resources*.

- to attach particular importance to the questions of transfer of technology and vocational training in advanced-technology sectors;
- to advance to close involvement of the private sector both in the identification of priorities and in the establishment and financing of activities that should be retained;
- to ensure also, when defining the initiatives to be financed, that any duplication of efforts is avoided with activities already established within the framework of horizontal economic cooperation programmes between the EC and Latin America (AL-INVEST, etc.), as well as with EU Member States or other donors;
- as far as trade-related assistance in the WTO framework is concerned, the EC could support Ecuador in its efforts to build up its regulatory, legislative, and institutional capacities to implement and apply its existing WTO commitments in fields such as TBT/SPS, Trade Related Intellectual Property Rights (TRIPS), and Customs Valuation. With regard to the Doha Development Agenda, the EC may provide support to Ecuador for capacity building measures in key areas agreed at Doha, in particular in areas such as trade facilitation, trade and competition, trade and investment, and trade and the environment and services. The EC could also support Ecuador in its efforts to increase its capacity to participate in these negotiations. Finally, measures aimed at better use of the trade preferences granted by the EC to Ecuador could also be envisaged<sup>32</sup>.

**Indicative amount:** 11% or € 10 million.

**Assumptions:** Commitment to design, adopt and implement measures, including legislative measures, aimed at facilitating trade and investments in the mutual interest of the EU and Ecuador, and in line with the Doha Development Agenda; interest and willingness of the private sector to participate in the programmes and actions set up.

**Indicators:** trade flows and investment trends between Ecuador and the EU.

**DAC Sector Code:** 330 (trade and tourism; *nota bene*: part of the actions could be under 250 - business and other services).

### 6.2.3. *Priority: Regional integration and cooperation*

Specific objective: transport infrastructure.

**Programme/project:** The Peace Agreements between Peru and Ecuador have opened up the prospect of an intensification of trade relations between the two countries, and of more rapid development of the Ecuadorian border regions. At the meeting of the Peru-Ecuador Advisory Group (New Orleans, March 2000), the Commission announced its intention of contributing to the rehabilitation of part of road axis # 1, that connects the city of Guayaquil in Ecuador with the city of Piura in Peru.

**Indicative amount:** 28% or € 26 million.

**Assumptions:** It is assumed that the Government of Ecuador will adopt a road maintenance strategy, provide sufficient financing in the context of a medium-term

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<sup>32</sup> This aspect is also covered in the Commission's Strategy Paper for the Andean Community of Nations (Section 5.2.1).

public sector investment plan, and strictly abide by financial management, auditing and procurement procedures. It is also assumed that coordination with other potential donors or creditors of the project will be achieved. Given the regional (bi-national) nature of the project, these assumptions apply to both sides of the border.

**Indicators:** infrastructure data (Ministry of Public Works).

**DAC Sector Code:** 210 (transport & storage).

#### 6.2.4. *'Horizontal' programmes and regional projects*

Horizontal programmes (@LIS, ALFA, URB-AL, AL-INVEST, etc.) and regional projects are also financed through financial, technical and economic cooperation. As is the case at present, Ecuador will continue to participate in regional projects (targeting the CAN member countries), and in projects involving several Latin American countries (cross-border projects).

### 6.3. **Cross-cutting issues**

The cross-cutting themes spelled out in the EU Development Policy are duly taken into account in the implementation of the programmes that will translate the Strategy into concrete action. These are: the promotion of human rights (supported mainly through NGOs under the European Initiative for Democracy and Human Rights, i.e. budget chapter B7-70); equality between men and women; children's rights; and the environmental dimension (the last three supported through the NGO-Cofinancing instrument mentioned above, in addition to their integration in programmes implemented in partnership with the Government).

# ANNEXES

## ANNEX 1 – ECUADOR DATA PROFILE

	1995	1998	1999
<b>People</b>			
Population, total	11.5 million	12.2 million	12.4 million
Population density (people per sq km)	41.4	44.0	44.8
Population growth (annual %)	2.2	2.0	1.9
Life expectancy at birth, total (years)	68.1	..	69.2
Fertility rate, total (births per woman)	3.4	..	3.1
Mortality rate, infant (per 1,000 live births)	34.0	..	28.4
Mortality rate, under-5 (per 1,000 live births)	..	..	35.0
Urban population (% of total)	60.3	63.3	64.3
Population density, rural (people per sq km)	289.0	283.9	..
Illiteracy rate, adult male (% of males 15+)	8.4	7.5	7.2
Illiteracy rate, adult female (% of females 15+)	12.6	11.3	10.9
School enrolment, primary (% net)	93.6	..	..
School enrolment, primary, female (% net)	94.0	..	..
<b>Environment</b>			
Surface area (sq km)	283.6 thousand	283.6 thousand	283.6 thousand
CO2 emissions, industrial (metric tons per capita)	2.2	..	..
Commercial energy use (kg of oil equivalent per capita)	669.2	737.0	..
Electric power consumption per capita (kwh)	570.7	624.7	..
<b>Economy</b>			
GDP at market prices (current US\$)	17.9 billion	19.7 billion	19.0 billion
GDP growth (annual %)	2.3	0.4	-7.3
GNI, Atlas method (current US\$)	16.5 billion	18.6 billion	17.1 billion
GNI per capita, Atlas method (current US\$)	1,440.0	1,520.0	1,380.0
Agriculture, value added (% of GDP)	11.9	12.0	12.2
Industry, value added (% of GDP)	36.4	32.7	37.5
Services, etc., value added (% of GDP)	51.6	55.2	50.4
Exports of goods and services (% of GDP)	29.7	25.3	37.1
Imports of goods and services (% of GDP)	28.6	32.0	25.8
Gross capital formation (% of GDP)	18.7	24.7	12.9
Money and quasi money growth (annual %)	6.1	-14.9	-30.1
<b>Technology and infrastructure</b>			
Telephone mainlines (per 1,000 people)	60.9	81.3	91.0
Telephone average cost of local call (US\$ per three minutes)	0.0	0.0	0.0
Personal computers (per 1,000 people)	13.0	18.4	20.1
Internet hosts (per 10,000 people)	0.4	1.0	1.4
Roads, paved (%)	12.7	18.9	18.9
<b>Trade and finance</b>			
Trade in goods (% of PPP GDP)	23.0	25.3	20.1
High-technology exports (% of manufactured exports)	6.0	4.5	6.3
Net barter terms of trade (1995=100)	100.0	99.6	..
Foreign direct investment, net inflows in reporting country (WDI, current US\$)	470.0 million	814.0 million	690.0 million
Present value of debt (current US\$)	0.0	14.2 billion	13.5 billion
Total debt service (TDS, current US\$)	1.4 billion	1.7 billion	1.6 billion
Short-term debt outstanding (DOD, current US\$)	1.3 billion	2.3 billion	1.2 billion
Aid per capita (current US\$)	19.6	14.5	11.7

Source: World Development Indicators database, July 2000



### ANNEX 3 – FDI IN ECUADOR

#### FLUJO BRUTO DE LA INVERSION EXTRANJERA DIRECTA EN EL PAIS POR SECTOR ECONOMICO Y POR PAIS DE ORIGEN, 1990-2000 (Millones de Dólares)

SECTOR Y PAIS	1990	1991	1992	1993	1994	1995	1996 p/	1997 p/	1998 p/	1999 p/	2000 p/	1990-1994 a/	1995-2000 a/
SECTOR ECONOMICO	126,2	160,0	177,9	469,1	530,7	470,0	491,5	695,3	831,1	635,9	720,0	292,8	640,6
Agricultura, silvicultura, caza y pesca	3,0	2,3	1,3	9,4	4,0	4,5	4,8	6,5	15,0	1,9	1,3	4,0	5,7
Explotacion de minas y canteras	89,9	124,0	145,9	395,3	368,0	320,3	302,0	555,3	753,6	614,8	680,4	224,6	537,7
Industria manufacturera	25,5	21,4	22,1	51,8	134,5	18,4	23,6	45,0	30,2	8,1	9,6	51,1	22,5
Electricidad, gas y agua	0,0	1,7	0,0	0,0	0,0	0,1	0,0	0,0	0,2	0,0	0,0	0,3	0,1
Construcción	0,4	0,3	0,1	0,2	0,7	0,1	3,6	2,0	10,1	0,1	0,0	0,3	2,7
Comercio	4,8	7,6	6,3	6,9	9,9	85,6	105,7	10,2	16,5	7,9	13,0	7,1	39,8
Transporte, almacenamiento y com	0,4	0,5	1,7	1,5	3,7	24,6	34,5	72,1	0,2	1,6	0,2	1,6	22,2
Servicios prestados a las empresas	2,0	2,1	0,5	3,8	9,6	16,2	17,1	3,6	5,0	1,5	15,3	3,6	9,8
Servicios comunales, sociales y pe.	0,2	0,1	0,0	0,2	0,3	0,2	0,2	0,6	0,3	0,0	0,2	0,2	0,3
PAIS DE ORIGEN	126,2	160,1	177,8	469,3	530,6	469,9	491,4	695,5	831,1	635,9	720,0	292,8	640,6
NAFTA	75,4	98,5	125,2	369,7	382,4	307,9	236,4	420,7	567,3	438,1	406,1	210,2	396,1
Canada	3,2	1,8	0,6	1,5	1,5	0,1	12,7	109,5	207,4	138,6	170,8	1,7	106,5
Estados Unidos	72,2	96,6	124,6	367,4	378,9	305,8	216,7	286,9	359,8	299,5	235,3	207,9	284,0
México	0,0	0,1	0,0	0,8	2,0	2,1	7,0	24,2	0,2	0,0	0,0	0,6	5,6
COMUNIDAD ANDINA	0,6	0,7	0,5	4,5	7,5	9,2	9,9	10,8	11,2	1,3	1,3	2,8	7,3
Bolivia	0,0	0,0	0,0	0,1	0,0	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Colombia	0,2	0,3	0,4	3,0	5,5	4,8	6,8	10,2	11,1	1,0	0,1	1,9	5,7
Perú	0,0	0,0	0,0	0,3	0,1	0,1	0,0	0,0	0,0	0,0	1,1	0,1	0,2
Venezuela	0,4	0,4	0,1	1,1	1,9	4,2	3,1	0,5	0,1	0,3	0,0	0,8	1,4
MERCOSUR	5,5	9,4	2,0	0,9	0,6	21,1	23,1	37,1	32,2	21,6	35,7	3,7	28,5
Argentina	0,0	0,1	0,1	0,2	0,5	0,3	14,1	30,7	27,9	18,1	24,9	0,2	19,3

Brasil	5,1	9,3	1,2	0,7	0,1	20,8	8,8	6,4	3,9	3,5	10,9	3,3	9,1
Uruguay	0,4	0,1	0,8	0,0	0,0	0,0	0,0	0,0	0,3	0,0	0,0	0,3	0,1
Chile	0,0	0,0	0,0	0,9	0,7	0,9	18,8	14,3	13,1	7,9	7,3	0,3	10,4
AMERICA CENTRAL	4,8	2,8	5,8	13,1	15,0	8,2	15,4	11,3	12,8	8,2	11,5	8,3	11,2
Panamá	4,7	2,8	5,8	12,8	15,0	8,2	15,4	11,3	12,6	8,2	11,5	8,2	11,2
Resto de América C.	0,1	0,0	0,0	0,3	0,0	0,0	0,0	0,0	0,2	0,0	0,0	0,1	0,0
OTROS DE AMERICA	5,6	5,7	3,8	5,1	11,7	2,3	17,6	43,0	4,2	2,9	6,1	6,4	12,7
UNION EUROPEA	18,5	35,8	29,7	64,0	107,4	117,6	115,9	64,7	116,9	79,3	171,9	51,1	111,1
Alemania	1,2	3,2	0,9	13,7	8,5	3,6	13,0	14,9	10,0	8,4	5,4	5,5	9,2
Austria	0,0	0,0	0,0	0,0	0,5	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,0
Belgica	0,0	0,0	2,1	0,0	0,0	0,0	0,0	0,0	1,1	0,0	1,6	0,4	0,5
Dinamarca	0,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,0
España	0,2	0,6	0,8	1,1	42,8	9,7	18,5	26,2	0,7	0,1	85,7	9,1	23,5
Francia	13,7	8,0	9,3	18,5	16,0	29,9	8,7	7,1	3,7	2,6	0,1	13,1	8,7
Irlanda	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Italia	0,3	0,0	0,1	0,5	1,6	0,8	1,1	10,2	83,9	61,5	66,8	0,5	37,4
Holanda	0,0	2,8	0,7	0,1	8,1	26,9	7,5	2,6	1,3	4,0	10,6	2,3	8,8
Portugal	0,0	0,0	0,0	0,0	0,3	0,0	0,6	2,1	1,7	0,0	0,0	0,1	0,7
Reino Unido	2,3	19,4	15,7	30,0	29,6	46,5	47,4	1,3	14,5	1,5	1,6	19,4	18,8
Suecia	0,1	1,7	0,1	0,0	0,0	0,2	19,2	0,3	0,0	1,1	0,0	0,4	3,5
Suiza	6,7	3,5	6,5	7,6	2,9	1,2	10,3	13,1	2,0	1,3	0,0	5,4	4,7
ASIA	1,3	0,3	1,0	0,7	0,8	1,3	40,6	80,4	70,9	75,3	80,1	0,8	58,1
Japón	1,1	0,2	1,0	0,3	0,0	1,1	6,0	1,5	3,8	0,5	0,5	0,5	2,2
Resto de Asia	0,2	0,1	0,0	0,4	0,8	0,3	34,7	78,9	67,1	74,7	79,6	0,3	55,9
OTROS PAISES	7,8	3,4	3,3	2,8	1,6	0,2	3,4	0,1	0,5	0,0	0,0	3,8	0,7

a/Promedio Annual

p/ Provisional

Fuente: Banco Central de Ecuador, Elaboración: Comunidad Andina

## ANNEX 4 – EC COOPERATION PROJECTS IN ECUADOR

### 1. Cooperación Técnica y Financiera

#### 1.1. En curso

PROGRAMA	DURACIÓN	FONDOS CE
DESARROLLO SOCIAL DEL CENTRO HISTÓRICO DE QUITO ECU/B7-310/96/116	Cierre 04/2002 (5 años)	3,5 MEURO

#### 1.2. En fase de arranque:

Programa	Duración	Fondos CE
Desarrollo de las zonas urbano-marginales de Guayaquil ECU/B7-3100/IB/98/9307	2001-2007	6 MEURO
Desarrollo rural en la provincia de Esmeraldas ECU/B7-310/IB/96/114	Hasta Junio 2008	5 MEURO
Proyecto Integral de Salud en la provincia de Esmeraldas ECU/B7-310/97/0044	Hasta Junio 2008	6 MEURO
Desarrollo rural en la provincia de Cotopaxi	Hasta Junio 2008	5 MEURO

#### 1.3. En preparación

Programa	Duración	Fondos CE
Paute II	-	11 MEURO
Medio Ambiente	-	17 MEURO

### 2. Cooperación Económica

#### a) En curso:

Programa	Duración	Fondos CE
Diagnóstico de las Enfermedades del Camarón en Ecuador ECU B7-3011/96/214	1999-2002 (3 años)	980.000 Euros

### 3. Otras líneas presupuestarias:

#### 3.1. Medio Ambiente B7-6200

Programa	Duración	Fondos CE
Manejo costero ecosustentable y fortalecimiento de zona especial del sur de Manabi - Parque Machalilla ECU B7-3011/94/32	1999-2001 (2 años)	990.000 Euros

### 3.2. Bosques Tropicales

PROGRAMA	Duración	Fondos CE
Aprovechamiento de los recursos del manglar por la Asociaciones de Pescadores de Manabi	1998-2001	754.245 Euros
Manejo de los Recursos Naturales en el Territorio Indígena de Pastaza ECU B7-6201/IB/98/0334	1998-2001	767.320 Euros
Conservación y manejo de los bosques nativos andinos del Sur del Ecuador B7- 6201/IB/98/0661	1999-2002	935.150 Euros

## 4. Otras líneas presupuestarias:

### 3.3. Seguridad Alimentaria

PROGRAMA	DURACIÓN	FONDOS CE
PROGRAMA DE APOYO A LA SEGURIDAD ALIMENTARIA 2000-2001	-	8 MEURO

PROGRAMA	DURACIÓN	FONDOS CE
SEGURIDAD ALIMENTARIA EN LA PROVINCIA DE MANABÍ	2000-2003	669.450 EURO

## 4. Cooperación Regional

### 4.1. En fase de cierre

PROGRAMA
VECEP – COLOMBIA ALA 92/43
VECEP – ECUADOR ALA 92/43

### 4.2. En ejecución

PROGRAMA	DURACIÓN	FONDOS CE
PROGRAMA DE COOPERACIÓN Y ASISTENCIA TÉCNICA UE-COMUNIDAD ANDINA EN MATERIA DE DROGAS ALR/B7-6210/IB/97/531	1999-2002	650.000 EUROS
ARMONIZACIÓN DE LAS REGLAS DE COMPETENCIA EN LA REGIÓN ANDINA ASR/B7-3100/IB/98/0099	2001-2006	2 MEURO

### 4.3. En preparación

<b>PROGRAMA</b>	<b>DURACIÓN</b>	<b>FONDOS CE</b>
PROGRAMA PARA LOS DERECHOS HUMANOS Y LA DEMOCRACIA EN LA COMUNIDAD ANDINA AML/B7-703/IB/99/075	2001-2005	11,4 MEURO
PROGRAMA DE COOPERACIÓN Y ASISTENCIA TÉCNICA UE- GRUPO ANDINO EN MATERIA DE CALIDAD	3 AÑOS	2,3 MEURO
PROYECTO EN MATERIA DE DEFENSA CIVIL		
COOPERACIÓN EN MATERIA DE SEGURIDAD AÉREA ANDINA	4 AÑOS	15 MEURO

### 5. Programas Horizontales

<b>PROGRAMA</b>	<b>DURACIÓN</b>	<b>FONDOS CE</b>	<b>PARTICIPANTES</b>	<b>ELEMENTOS PRINCIPALES</b>
ALFA: AMÉRICA LATINA – FORMACIÓN ACADÉMICA	2000-2005	42 MEURO	INSTITUCIONES ACADÉMICAS DE LA UE Y DE LATINOAMÉRICA	REDES ESTABLECIDAS ENTRE INSTITUCIONES ACADÉMICAS DE LA UE Y DE LATINOAMERICA
URB-AL	2001-2006	50 MEURO	GOBIERNOS MUNICIPALES Y REGIONALES DE LA UE Y DE LATINOAMÉRICA	URB-AL ESTÁ BASADO EN 8 REDES TEMÁTICAS ELABORADAS POR CIUDADES DE AMBAS REGIONES ALREDEDOR DE TEMAS DE INTERÉS MUTUO. EL PROGRAMA DESARROLLA TRES ACTIVIDADES PRINCIPALES: REDES TEMÁTICAS, PROYECTOS MUTUOS, REUNIONES BIENALES.
AL-INVEST	2001-2004	43 MEURO	SECTOR PRIVADO DE LA UE Y DE LATINOAMÉRICA	ENCUENTROS EMPRESARIALES

**MEMORÁNDUM DE ENTENDIMIENTO**

**ENTRE**

**LA COMUNIDAD EUROPEA**

**Y**

**LA REPÚBLICA DEL ECUADOR**

**RELATIVO A LAS ORIENTACIONES PLURIANUALES PARA LA  
PUESTA EN PRACTICA DE LA COOPERACION COMUNITARIA**

**Memorándum de entendimiento  
entre la Comunidad europea y la República del Ecuador  
relativo a las orientaciones plurianuales  
para la puesta en práctica de la Cooperación comunitaria**

**1. MARCO GENERAL**

La Comunidad Europea, en lo sucesivo denominada “la Comunidad”, representada por la Comisión de las Comunidades Europeas, en lo sucesivo denominada “la Comisión”, ella misma representada por .....,

*por una parte, y*

el Gobierno de la República del Ecuador, en lo sucesivo denominado “Ecuador”, representado por el Ministerio de ....., en la persona de .....,

*por otra parte,*

en conjunto denominadas “las partes”,

Considerando que el Acuerdo Marco de Cooperación entre la Comunidad Económica Europea y los países miembros del Acuerdo de Cartagena, firmado en Copenhague con fecha 23 de abril de 1993, prevé, en su artículo 21 que “...Con el fin de aumentar la eficacia en los ámbitos de cooperación ... las Partes tratarán de elaborar una programación plurianual”;

Considerando que el Art. 9 del Reglamento (CE) n° 443/92 del Consejo de las Comunidades Europeas con fecha 25 de febrero de 1992 relativo a la cooperación financiera y técnica y a la cooperación económica con los países en vía de desarrollo de América Latina y Asia estipula que “...Siempre que sea posible, se establecerá una programación plurianual indicativa, por objetivos, por países o, en su caso, por regiones”;

Considerando que el documento “Orientaciones plurianuales indicativas relativas a la Cooperación con Ecuador” adoptado por la Comisión Europea en 1998, ha definido, de manera general, las áreas de concentración de la cooperación;

[Considerando que el Convenio Marco relativo a la ejecución de la ayuda financiera y técnica y de la cooperación económica, firmado en ..... el ....., establece las modalidades de gestión de los programas y/o proyectos financiados por la Comunidad en favor de Ecuador;]

*Han acordado establecer la programación plurianual indicativa de los recursos del presupuesto de la Comunidad Europea asignados a las líneas de “Cooperación financiera y Técnica” y de “Cooperación económica” que podrían ser destinados a Ecuador para los ejercicios presupuestarios 2000-2006.*

## **2. OBJETIVO Y CONTEXTO**

El objetivo del presente Memorándum es definir las orientaciones plurianuales para el programa de cooperación financiera, técnica y económica de la Comunidad con Ecuador para el período 2000-2006.

Otras acciones, financiadas por la Comunidad y no contempladas en el presente Memorándum, podrán ser desarrolladas en paralelo. Estas pueden ser de carácter nacional (programa de seguridad alimentaria – que incluye proyectos de desarrollo rural –; proyectos implementados por ONG europeas con financiación comunitaria, en particular sobre el tema de los derechos humanos y de la democracia; ayuda de emergencia a través de ECHO etc.), descentralizado (como por ejemplo los programas ALFA, URB-AL, y AL-INVEST), o regional (acciones en favor de Ecuador y uno o varios otros países de la región).

Las áreas de intervención de la cooperación comunitaria han sido seleccionadas tomando en consideración las prioridades definidas por la Comunidad en el documento titulado “Ecuador - Orientaciones Plurianuales Indicativas” (Bruselas, 1998), en el marco del programa de trabajo del Gobierno de Ecuador y del Reglamento (CE) n° 443/92 del Consejo de las Comunidades Europeas.

## **3. PRINCIPIOS DE BASE**

Con el fin de aumentar la eficacia de la cooperación comunitaria, ésta se concentrará en un número de áreas de intervención lo mas reducido posible. Estas áreas se han seleccionado sobre la base de las experiencias desarrolladas por la Comisión en el marco de cooperación con el país y cuentan con políticas sectoriales adecuadas, aprobadas por las autoridades nacionales, así como con estructuras administrativas de ejecución y de control eficaces. Asimismo, se preverán los recursos financieros adecuados, a nivel de los presupuestos públicos en Ecuador, para garantizar la financiación de la contribución nacional prevista en cada una de las acciones de cooperación y para los gastos recurrentes relativos a las acciones financiadas con recursos de la Comunidad.

Se preverán los sistemas de gestión, seguimiento y control necesarios para asegurar el uso adecuado de los fondos y el seguimiento de los resultados de las acciones. La metodología de trabajo tendrá en cuenta particularmente la problemática de la sostenibilidad ambiental del desarrollo, un enfoque de género, y las poblaciones

indígenas. Asimismo, la metodología integrará de manera adecuada la modernización y el fortalecimiento de las instituciones, y especialmente de las instituciones locales. La preparación y la aplicación de las acciones de cooperación se harán con amplia participación de los grupos - meta de beneficiarios finales.

El Gobierno de Ecuador se compromete a poner en marcha un mecanismo de coordinación eficiente entre los programas financiados por varios aportantes en beneficio de un mismo grupo meta.

En este contexto, el objetivo general a largo plazo de ir hacia un apoyo sectorial a programas, cuando las condiciones lo permitan, debería tomarse en consideración.

En este ámbito se concederá especial importancia a la coordinación de la definición, preparación y aplicación de los programas a financiar con los Estados Miembros de la Unión Europea. Con el fin de lograr desde el inicio una coordinación eficaz, el contenido del presente Memorándum ha sido elaborado consultando a los representantes de los Estados Miembros de la Unión Europea en Ecuador.

#### **4. SECTORES DE COOPERACIÓN.**

Se han definido los cuatro sectores de cooperación siguientes:

##### **4.1. *Apoyo a la política de salud.***

El objetivo de la cooperación es apoyar el esfuerzo del Gobierno de poner en práctica los principios de equidad y universalidad en el acceso a los servicios públicos de salud y en el respeto de los principios de solidaridad y calidad. También se considerará el problema del acceso al agua potable y a los sistemas de saneamiento e higiene básica en favor de las capas sociales desfavorecidas

Las intervenciones se concentrarán en las áreas más pobres y necesitadas del país teniendo en cuenta, de manera particular, los problemas de las regiones fronterizas con Colombia y Perú.

En la elección y la definición de las intervenciones que deben apoyarse, la Comisión concederá una importancia particular a la cobertura por las contrapartes ecuatorianas de los gastos recurrentes generados por el funcionamiento de los distintos componentes del sistema sanitario establecido, así como a la formación y a la estabilidad del personal sanitario.

***Importe estimado de la contribución comunitaria:*** Las partes convienen destinar a este sector el 30 % de los recursos indicativos disponibles en el periodo de referencia (28 millones de €).

#### **4.2. Apoyo a las políticas medioambientales.**

La « Estrategia ambiental para el desarrollo sostenible de Ecuador » elaborada por el Ministerio de Medio Ambiente intenta enfrentar de manera global la problemática medioambiental de Ecuador, diseñando un recorrido complejo y buscando una conciliación entre objetivos económicos, sociales y ambientales.

Reconociendo la validez del enfoque propuesto y constatando una significativa convergencia de las acciones desarrolladas por algunos proyectos de cooperación financiados por la Comunidad con los objetivos y metodología que inspiran dicha estrategia, las partes acuerdan que los objetivos de la cooperación serán:

- Apoyar la explotación racional de los recursos hídricos, estableciendo las condiciones y transfiriendo el know-how necesario a la creación, en una cuenca piloto, de una autoridad de cuenca responsable del manejo integral de todos los recursos naturales.
- Fortalecer la capacidad de las instituciones públicas y de las comunidades locales en la gestión de los recursos naturales del bosque amazónico como un único conjunto, orientando y fortaleciendo los procesos de desarrollo de la población residente, controlando las actividades extractivas de recursos naturales no renovables con vistas a maximizar el beneficio económico-social y ambiental e invirtiendo en alternativas productivas limpias.

**Importe estimado de la contribución comunitaria:** Las partes convienen destinar a este sector el 30 % de los recursos indicativos disponibles en el periodo de referencia (28 millones de €).

#### **4.3. Apoyo a la integración física regional.**

Los Acuerdos de Paz entre Perú y Ecuador han abierto la perspectiva de una intensificación de las relaciones comerciales entre los dos países y de un más rápido desarrollo de las regiones ecuatorianas fronterizas.

La Comisión anunció, con ocasión de la reunión del Grupo Consultivo Perú-Ecuador (New Orleans, marzo 2000), su intención de contribuir a la rehabilitación de un tramo del eje vial n.1, que conecta la ciudad de Guayaquil en Ecuador con la ciudad de Piura en Perú.

**Importe estimado de la contribución comunitaria:** Las partes convienen destinar a este sector el 28 % de los recursos indicativos disponibles en el periodo de referencia (26 millones de €).

#### **4.4. Cooperación económica.**

Las iniciativas que dependerán de este aspecto deberán responder al principio de beneficio recíproco entre la Unión Europea y Ecuador. Las partes convienen conceder prioridad a las iniciativas destinadas a mejorar, en sentido amplio, el “entorno empresarial” con el fin de aumentar los flujos comerciales y la inversión entre las dos

regiones. A este respecto, será indispensable proceder a un análisis conjunto de los obstáculos principales encontrados por ambas partes y establecer, gracias al apoyo comunitario, una serie de acciones destinadas a eliminarlos y un programa que responda a los requerimientos específicos y a las condiciones que se encuentran en Ecuador en términos de sus relaciones con la Unión Europea en las áreas de comercio e inversiones.

Las partes acuerdan la necesidad de prestar atención al refuerzo del marco jurídico en cuanto a inversiones extranjeras, a las barreras no arancelarias, y a las normas y estándares. Las partes convienen conceder una importancia particular a las cuestiones relativas a la transferencia de tecnología y a la formación profesional en sectores punta. Las partes convienen proceder a una estrecha asociación de las instituciones públicas y del sector privado tanto en la identificación de las prioridades como de la instauración y de la financiación de las actividades que deben retenerse. Se concederá también atención a la definición de las iniciativas que deben financiarse, a evitar toda duplicación de esfuerzos con las actividades ya establecidas en el marco de los programas de cooperación económica de carácter horizontal entre la CE y América Latina (Al-Invest, Alure...), así como de Estados miembros de la Comunidad u otros donantes.

**Importe estimado de la contribución comunitaria:** Las partes convienen destinar a este sector el 11 % de los recursos indicativos disponibles en el periodo de referencia (10 millones de €).

## **5. MODALIDADES DE CONSULTA**

Las partes mantendrán, por medio de sus respectivos representantes, un diálogo permanente sobre el seguimiento del presente Memorándum.

## **6. PRESUPUESTO INDICATIVO**

El importe indicativo previsto para financiar las acciones mencionadas en este Memorándum es de **92 millones de €** por parte de la Comunidad (línea presupuestaria “Cooperación financiera y técnica con los países en desarrollo de América Latina”: 82 millones de €; línea presupuestaria “Cooperación económica con los países en desarrollo de América Latina”: 10 millones de €).

Este importe es puramente indicativo y podrá ser sujeto a eventuales adaptaciones en función de las disponibilidades presupuestarias efectivas de la Comunidad. La asignación estará en función de la eficiencia en la aplicación de los proyectos en curso, demostrada por los receptores de la cooperación.

## **7. REVISIÓN A MEDIO TÉRMINO**

En el marco del diálogo previsto en el punto 5, el presente Memorándum será revisado conjuntamente a medio término, con objeto de fijar las medidas y revisiones eventuales necesarias para asegurar su correcta ejecución.

## **8. DISPOSICIONES FINALES (CLÁUSULA EVOLUTIVA)**

Se acuerda que a solicitud de una de las partes, éstas podrán de mutuo acuerdo enmendar, modificar o completar las disposiciones acordadas en el marco del presente Memorándum.

Las Partes declaran que los programas y/o proyectos en las áreas de concentración mencionadas serán concebidos de manera consensual por los entes beneficiarios, el Coordinador Nacional y los servicios de la Comisión, con base en las propuestas que realizarán las instituciones y organismos ecuatorianos presentados oficialmente a través del Coordinador Nacional para los propósitos del presente Memorándum de Entendimiento.

En fe de lo cual, los abajo firmantes suscriben el presente Memorándum.

Hecho en ....., el .....

Hecho en ....., el .....

Por la Comunidad Europea

Por el Gobierno de la República del Ecuador

**ANNEX 6 – EC RESPONSE STRATEGY IN ECUADOR – SUMMARY TABLE**

<b>PRIORITIES</b>		<b>Reduction of the social imbalances</b>		<b>Economic stimulation</b>		<b>Regional integration and cooperation</b>	
<b>SPECIFIC OBJECTIVES</b>		Promotion of equitable access to social services	Food security and sustainable rural development	Link between trade and development	Economic cooperation	Transport infrastructure	Strengthening regional networks
<b>EU Policy Base</b>	<b>Rio follow-up</b>	-	4, 5	7	6, 7	-	8,9,10,11
	<b>Development Policy Nov 00</b>	III	V	I	I	I, II, IV	II
<b>EC Instruments:</b>		TFC, FS	TFC, FS	GSP, ECOP	ECOP	TFC	ECOP horizontal prog.
Budget line, if relevant		B 7-310	B 7-620, B 7-310	B 7-311	B 7-311	B 7-310	B 7-310, B 7-311
<b>HORIZONTAL ASPECTS</b>		Promotion of human rights					
		Equality between men and women					
		Children's rights					
		Environmental dimension					
		Spreading information and communication technology in LDC					

*TFC: Technical and Financial Cooperation*

*ECOP: Economic Cooperation*

*FS: Food Security*

*GSP: General System of Preferences (see references under footnote # 16)*

*FOCAL AREAS OF THE EU DEVELOPMENT POLICY (as per the EU Development Council conclusions of November 2000):*

- |                                       |  |   |               |  |                                     |
|---------------------------------------|--|---|---------------|--|-------------------------------------|
| I) Link between trade and development | II) Regional integration and cooperation | III) Support for macro-economic policies and promotion of equitable access to social services | IV) Transport | V) Food security and sustainable rural development | VI) Institutional capacity building |
|---------------------------------------|--|---|---------------|--|-------------------------------------|

*FOLLOW-UP TO THE RIO SUMMIT – 11 TOP PRIORITIES SELECTED IN TUUSULA FOR IMMEDIATE ACTION:*

The following priorities were singled out during the Finnish EU Presidency in Tuusula in November 1999 by a bi-regional group of high officials, to give more focus to the overall process:

**Priority 1:** Deepen and enhance existing cooperation and consultations in international forums and extend them to all matters of common interest.

**Priority 2:** Promote and protect human rights, especially those of the most vulnerable groups of society, and prevent and combat xenophobia, manifestations of racism and other forms of intolerance.

**Priority 3:** Women – adopt programmes and projects related to the priority areas contained in the Beijing Declaration.

**Priority 4:** Enhance cooperation programmes in the area of environmental and natural disasters.

**Priority 5:** Drugs – implement the Panama Global Action Plan, including measures against illicit arms traffic.

**Priority 6:** Formulate proposals for bi-regional cooperation directed to establishing mechanisms to promote a stable and dynamic global economic and financial system, strengthening national financial systems and creating specific programmes to help the economically relatively less developed countries.

**Priority 7:** Promote trade, including SMEs and business forums.

**Priority 8:** Provide support for bi-regional cooperation in the fields of education and university studies as well as research and new technologies.

**Priority 9:** Cultural heritage, EU-Latin America/Caribbean cultural forum.

**Priority 10:** Establishment of a joint initiative on particular aspects of the information society.

**Priority 11:** Support activities related to research, postgraduate studies and training in the field of integration processes.

**ANNEX 7 – MAP OF THE COUNTRY<sup>33</sup>**

<http://www.un.org/Depts/Cartographic/map/profile/ecuador.pdf>

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<sup>33</sup> United Nations, Cartographic Section, N° 3878, March 1996