

MID-TERM REVIEW

AND

NATIONAL INDICATIVE PROGRAMME

2011-2013

ECUADOR

CONTENTS

1. EXECUTIVE SUMMARY

2. MTR

2.1 Analysis of the Political, Economic, Social and Environmental Situation

2.1.1 Political situation

2.1.2 Human rights and humanitarian situation

2.1.3 Economic and social situation

2.1.4 Environmental situation

2.2 New EC/EU Policy Objectives and Commitments

2.2.1 Relevance of new policy objectives and commitments

2.2.2 Aid effectiveness agenda

2.2.3 Non-state actors, local authorities and national parliament

2.3 Results Performance and Lessons Learned

2.3.1 Country performance

2.3.2 Cooperation performance

** Focal Area 1: Education*

** Focal Area 2: Economic development*

** Lessons learned*

2.4 Quality Improvements

2.5 Conclusion

3. NIP II (National Indicative Programme 2011-2013)

3.1 Financial Provisions

3.2 Indicative Priorities of Cooperation

3.2.1 To improve the performance of governmental social spending in education

3.2.2 To promote sustainable economic opportunities by supporting the development of SMEs

4. List of Annexes:

- Annex 1: Ecuador Data Profile
- Annex 2: NIP table
- Annex 3: Environmental Profile
- Annex 4: Migration Profile
- Annex 5: Civil Society Consultation
- Annex 6: SBS

1. EXECUTIVE SUMMARY

In the last two years, many political and institutional changes have taken place in Ecuador, such as the approval by referendum of a new Constitution, in September 2008 and the re-election of President Rafael Correa (Alianza Pais) on 26 April 2009 with 51.86% of the votes. Moreover, in the last months of 2008, Ecuador entered a recession largely explained by the world financial crisis, which reduced its exports and the price of raw materials, especially oil and some agricultural products. According to IMF and ECLAC studies, Ecuador is one of the worst-affected countries in the region.

Despite these changes, the Mid-Term Review concludes that both priorities for EC cooperation remain valid for the years 2011-2013 and should retain their relative weight in the allocation of funds. The priorities are:

- *To improve the performance of governmental social spending on education*
- *To promote sustainable economic opportunities by supporting the development of SMEs.*

EC-Ecuador cooperation is worth €137 million (2007-2013) (Annex 2).

The *NIP I* received 55% (€75 million) of the total amount, while the *NIP II* will receive 45% (€62 million), to be committed in 2011-2013.

It is proposed to increase NIP II funds by an **additional €4 million** to support the eventual implementation of the EU-CAN multiparty trade agreement, currently under negotiation.

From now on, new EC policy commitments and cross-cutting issues such as the environment (in particular climate change), migration, drugs, energy, and aid for trade will be integrated in EC cooperation. This will be done through dialogue with the Government of Ecuador so that it may lead to the possible inclusion of relevant indicators for budget support. Similarly, efforts will be made to continue to implement the principles of aid effectiveness and of the European Consensus on Development.

The positive experience of the EC cooperation with Ecuador through Sector Budget Support (SBS) should be stressed. Budget support has not only contributed to delivering results in the areas of cooperation, but has also increased government ownership, contributed to institutional strengthening and capacity building, and promoted mutual accountability, among others. SBS may, therefore, continue to be considered as the preferential modality of aid delivery in Ecuador on the condition that the eligibility criteria are met.

2. THE MID-TERM REVIEW

2.1 Analysis of the Political, Economic, Social and Environmental Situation

2.1.1 Political situation

After several years of political instability, Ecuador embarked on a process of democratic consolidation combined with social and economic change through the two consecutive electoral victories of Rafael Correa (*Alianza País*; 2006 and 2009).¹

The programme of President Correa is based on the idea of launching a ‘citizens’ revolution’ which would modify the institutional framework of the country and bring it on the road towards a ‘socialism of the 21st century’.

In 2007, a Constituent Assembly was elected to draft a new Constitution, approved on 28 September 2008. The 20th constitution in the history of Ecuador consists of 444 articles which are ambitious and complex. The new constitution reformed the legal-institutional structures of the state enabling wider economic, social and political changes. The constitution redrafts many rights for citizens, grants rights to nature², recognises the territorial indigenous communities and introduces a ‘fifth power’, the Council of Citizen Participation and Social Control. Moreover, it opens the way for more decentralisation through the creation of autonomous regions and metropolitan districts. All these changes are consistent with EC external policy, which emphasises respect for human rights, good governance and environmental protection.

EU-Ecuador relations are good overall, with especially good constructive relations at local level. Ecuador took part — albeit with reservations — in the ‘multiparty’ trade negotiations with the EU. But last July, just before the fifth round of negotiations for an EU-Andean Multiparty Trade Agreement, Ecuador decided to suspend its participation until a definitive solution to the banana dispute had been found in Geneva.

Ecuador has always placed great emphasis on multilateral approaches to international problems. Ecuador is a member of the United Nations (and most of its specialised agencies), the Organisation of American States (OAS), and many regional groups, including the Rio Group, the Latin American Energy Organisation, the Union of South American Nations (UNASUR), the Community of Andean Nations (CAN) and the Bolivarian Alternative for the Americas (ALBA) since June 2009. Last August, Ecuador assumed the one-year rotating presidency of UNASUR.

¹ On 26 April 2009, Correa was directly re-elected with 52% of the vote, so that for the first time since 1979 no second round was necessary. An EU Electoral Observation Mission confirmed that the elections were generally conducted according to international standards.

² More specifically the right to ‘exist, persist, maintain and regenerate its vital cycles, structure, functions and its processes in evolution

Under the Correa administration, Ecuador is increasing its efforts to strengthen and diversify its political and economic ties with countries in Latin American, Europe, and Asia. In Latin America, President Correa has travelled to Peru, Chile, Brazil, Argentina, Venezuela, and Cuba where his government has signed agreements to promote economic cooperation. Similarly, outside the region, Correa has visited Spain, Italy, and France, as well as China, Iran, and Russia, among other countries.

In October 1998, Ecuador and Peru reached a peace agreement to settle their border differences and, last November, Ecuador and Colombia formally established ties at chargé d'affaires level and issued statements expressing hope that this would be a step towards restoring full diplomatic ties. This puts an end to almost 21 months of serious diplomatic rift between the neighbouring countries following a Colombian raid against leftist FARC rebels inside Ecuador (2 March 2008)

2.1.2 Human rights and humanitarian situation

Ecuador has an adequate constitutional and legal framework defining human rights and the mechanisms for ensuring that these rights are protected. Since the publication of the CSP and the new Constitution, the government has made significant progress in a large number of human rights areas, especially on the child labour legal situation.

During its participation in the Universal Periodic Review, Ecuador received the following recommendations to improve its human rights situation: to provide information in future on further advances regarding penitentiary reform; to continue human rights training for police forces; to provide follow-up plans to eradicate child labour; to take appropriate measures to further improve the conditions of prisoners, as recommended by the Committee against Torture in 2006 and 2007; to implement measures to combat discrimination on the grounds of sexual orientation and gender identity, as well as other human rights violations against the gay, lesbian, bisexual, transsexual and transvestite community; to adopt appropriate measures to eradicate gender-based violence, particularly domestic violence; to continue the reform of the judicial system and to take further steps to combat trafficking in persons. As a Member of the UN Human Rights Council since May 2006, Ecuador has committed itself to upholding the highest standards in the promotion and protection of human rights and to fully cooperating with the Council³.

³ See the international commitments of Ecuador when running for elections in the UN Human Rights Council

On the *refugee situation* on the Colombian border, the United Nations High Commissioner for Refugees (UNHCR) states that Ecuador has the highest number of refugees in Latin America, with at least 135.000 Colombian citizens in need of international protection, of whom approximately 61 000 were not registered. Colombians accounted for 92 % of asylum seekers. On 24 April 2007, Rafael Correa formally introduced an ambitious programme, ‘Plan Ecuador’, to register all refugees and to provide them with social assistance. Under this Plan, the government spent \$ 80 million in 2008 and approximately up to \$ 150 million in 2009.

Closely related to the refugee crisis is the trafficking of persons and the abuse of vulnerable people, for the purpose of sexual exploitation. Although this issue is not exclusive to the Ecuadorian northern border region, in all three border provinces (Sucumbíos, Esmeraldas and Carchi) this problem is particularly severe.

At present, the EC is examining ways to respond to a request for financial support since the unfolding humanitarian crisis may affect the stability of the country, thereby jeopardising EC cooperation.

2.1.3 Economic and social situation

While Ecuador is a middle-income country, it continues to display high poverty indicators. Extreme poverty affects about 15% of the population⁴ and 35% live in moderate poverty. Although poverty rates are tending to fall, significant efforts are needed to maintain and support this trend. Until now, a large part of the fall in poverty was more the consequence of economic recovery than of specific national policies. The formulation and implementation of specific economic, social and fiscal policies provided for in the Constitution may now help to continue the trend of declining poverty.

Between 2000 and 2008, Ecuador experienced an average rate of GDP growth of 4.7% benefiting from high oil prices, the remittances of migrants and, more recently, the constitutional and legal reforms which reorganised the framework for macro-economic and public finance policies. At the end of the last quarter of 2008, GDP growth slowed by 0.25% and, at the beginning of 2009, even fell by 1.62%. Central Bank projections put growth at 1.2% for 2009.

Inflation reached 8.4% during 2008 as a consequence of high international prices and an increase in imported capital and consumer goods.

⁴ 25% in 2006

The government has taken measures to reduce inflation by promoting domestic consumption. Unemployment was 6.3% in 2007 and 7.5% in 2008. Urban underemployment was reduced from 50.2% in 2007 to 48.8% in 2008.⁵ The average salary increased in the same period from \$ 110.6 to \$ 120, meaning that, despite inflation, purchasing power increased.

In 2009, the external debt commission, launched last year by President Correa, recommended that the Ecuadorian government buy back 91% of defaulted Global Bonds 2012 and 2030 through a 'modified Dutch auction' establishing a minimum price of 0.35 cents per dollar. With this operation, \$2920.2 million, of a total of \$3200 million, was withdrawn from the market and the debt-to-GDP ratio fell to 19.91% in June 2009. Ecuador's total external debt was left at \$7127.7 million. The government's objective is to reduce its external debt as much as possible.

The increase in tax collection and fiscal pressure has been one of the main developments in 2008, especially with regard to reducing tax evasion. In 2008, the targets for tax collection were exceeded by 13%, showing an improvement in the effectiveness of tax collection. Fiscal pressure increased by 0.73% to 12.9% of GDP, which was the highest figure since 2001, and at the same time one of the lowest in Latin America.

Several indicators show an improvement in the **social situation** in recent years. Inequality of wealth distribution in the country, as measured by the Gini coefficient of consumption, is improving (from 0.5222 in December 2007 to 0.4828 in December 2008). GDP per capita doubled between 1999 and 2008 to \$3927, according to the Central Bank, and public policy focused primarily on social policies, doubling the budget for education and health. Ecuador has a firm intention not only of achieving the MDGs, but also of keeping them as minimum goals for its social development. This alignment with internationally agreed targets makes EC cooperation more effective.

In education, major improvements were made in 2008, including universal basic education, and there were visible efforts by the Ministry for Education to reach the goals of the *Plan Decenal de Educación 2006-2015*. Improvements include the quality of education in general, transparent teacher recruitment and a national literacy campaign.

⁵ INEC. Encuesta Nacional de Empleo y Desempleo Urbanos trimestrales (ENEMDU). 2007 and 2008. .

The health sector is one of the government's priority sectors and some significant advances have been made, such as a life expectancy of 75 years and child mortality of 25 per 1000. However, challenges remain, especially in maternal mortality and child malnutrition. In 2008, the Ministry of Public Health began a reform in order to guarantee a universal right to health with free, universal, equitable and direct access for all. The government increased the budget from \$560 million in 2007 to \$1000 million in 2008. In addition, the constitution establishes annual increases of 0.5% of GDP up to 4.4% in 2014.

2.1.4 Environmental situation.

Concern about the environment and climate change, including the cyclical "El Niño" phenomenon is growing steadily in Ecuador and the country has achieved significant progress in mainstreaming the principles of sustainable development in national policies. Under the new Constitution, Ecuador has more tools available to fight against existing problems of environmental degradation. One important innovation is the recognition of 'rights of nature'⁶ in the Constitution. In addition, the establishment, in May 2008, of the National Secretariat for Water (SENAGUA) will guarantee more sustainable use of this resource. The Commission is financing a national dialogue on water (€300.000).

The country has great natural resources with considerable biological diversity and large water reservoirs. Oil is one of the main resources and an important source of income. Yet, industrial wastes linked to its exploitation caused significant contamination in the past and led to the rejection of multinational companies' practices. Partly for this reason, President Correa strongly supports the Yasuní-ITT Initiative, which endeavours to keep the oil in the ground in exchange for international financial compensation and the option of selling Yasuní certificates in the emission market.

The government and the international community are making great efforts to conserve the archipelago of the Galapagos Islands. However, increasing tourism and illegal fishing continue to be major threats to this unique ecosystem.

Finally, forestry continues to be an unresolved issue despite the Government's efforts to achieve a more effective forestry control system. One interesting initiative is the Programme 'Socio Bosque' that gives economic incentives to communities to respect the forest.

⁶ Artículo 71 'la naturaleza o Pachamama, donde se reproduce y realiza la vida, tiene derecho a que se respete integralmente su existencia y el mantenimiento y regeneración de sus ciclos vitales, estructura, funciones y procesos evolutivos'.

2.2 New EU Policy Objectives and Commitments

2.2.1 Relevance of new policy objectives and commitments

New EU policy objectives in the areas of climate change, migration, drugs, energy and aid for trade are increasingly relevant for Ecuador.

Climate change: In March 2007 the European Council made climate change a central external policy priority and embarked on an ambitious policy response. *The Lima Declaration* recognised the need to address the challenges of environmental degradation and climate change. As a follow-up to that Declaration, the EUrocLIMA programme aims to improve understanding, raise policymakers' awareness, integrate climate change into sustainable development policies and build institutional capacity. Although climate change is not a priority sector in EC cooperation with Ecuador, it is a **key cross-cutting issue** in both focal areas. Possible ways of taking this into account may include adding climate change to education curricula, especially in the natural science area of the basic education curricula, or supporting SME investment in 'green' technology. Continuous dialogue with national stakeholders and the inclusion of climate change indicators in sector budget support could encourage the development of renewable energy and the implementation of multilateral environmental agreements.

After the Communication on Disaster Risk Reduction adopted in February 2009 and the Lima declaration, **Disaster Risk Reduction (DRR)** is another cross-cutting issue. The EC has provided €11 million in response to different natural disasters in Ecuador (1996–2008).

Energy became a top priority for the EU after the European Council of March 2007. Limited access to energy services and heavy reliance on traditional biomass are hallmarks of poverty in developing countries such as Ecuador. Better access to sustainable energy services is necessary for economic growth and better quality of life. Ecuador is making significant efforts to improve its capacity to cover its energy needs through sustainable sources despite its large reserves of non-renewable energy sources. In response to these efforts, the EC is preparing a Latin American Investment Facility (LAIF) that would mobilise resources from financial institutions to support projects in energy infrastructure, energy efficiency and renewable energy, transport, environment and social cohesion. The promotion of renewable energy use could be a good initiative to cooperate with the Ministry of the Energias Renovables in focal area II.

Migration has become an important and controversial issue in the EU and Latin America relations. During the last ten years, South America has become characterised by intensive emigration to Europe (Spain replaced North America as the main destination, with Ecuador Colombia and Bolivia as the main source countries for irregular migration). On 30 June 2009, a bi-regional EU/LAC Dialogue on Migration has been launched. The principal objectives of the Dialogue include the identification of common challenges and areas for mutual cooperation as well as building a stronger evidence base for EU-LAC migration in order to better understand its realities, based on the principle of shared responsibility, strengthening the commitment and willingness of both sides to discuss migration issues.

Refugees. Ecuador is particularly affected by the inflow of large numbers of Colombian refugees. According to the UNHCR, there are approximately 135 000 Colombians in need of international protection who have not requested asylum. The Government has implemented a comprehensive assistance programme through its ‘Enhanced Registration’ project and ‘Plan Ecuador’. However, resources are limited and international assistance is constantly requested. Therefore concerted efforts are required to alleviate the humanitarian situation of the refugee population. In the period 2005–2010, the EC spent €29 million on 29 projects in the North of Ecuador, 14 of which are still ongoing. The interventions cover a wide variety of issues, including human rights and sustainable development, and are considered to have had a positive impact on the situation of the refugees.

The EC is also engaged in the North of Ecuador through the Humanitarian Aid Office, which covers the emergency needs of recently displaced Colombians arriving in Ecuador.

Drug-trafficking has become a growing problem in Ecuador. Security and the rule of law have deteriorated severely in Northern Ecuador through the effects of drugs production in Colombia and trafficking routes through Ecuador. Partly as a response to this, in December 2008 the EU adopted a new Drugs Action Plan for 2009-2012, implementing the EU Drugs Strategy.⁷

There are several regional projects on drugs which include Ecuador, such as COPOLAD, PRADICAN and DROSICAN.

⁷ The EU Drugs Strategy (2005-2012) was endorsed by the European Council in December 2004 and implemented by a first EU Drugs Action Plan for 2005-2008.

The objective of the EU strategy '*Aid for Trade*'⁸ is to bring developing countries into the trading system and to use trade more efficiently in poverty reduction. Aid for Trade is a key complement to trade negotiations and is delivered independently of progress in the negotiations. Consistent with government policy and EC support for the focal area 'economic development', Aid for Trade is useful to help Ecuador benefit fully from its GSP+ trade advantages and thus to work towards the eradication of poverty. Ecuador benefits from several regional projects on trade-related technical assistance (CAN-TRTA). Measures such as trade negotiation capacity building, assistance in designing and implementing trade development strategies as part of broader national or regional development strategies, infrastructure and marketing development, and capacity building to meet technical and phyto-sanitary standards, customs and trade facilitation international standards, quality assurance and other business services could be considered for EC support.

Aid Effectiveness Agenda: EC cooperation with Ecuador upholds the principles of 'Aid Effectiveness', ownership, harmonisation, alignment, result orientation and mutual accountability set out in the Paris Declaration (2005)⁹. Last October, Ecuador was formally added to the list of countries that have endorsed the Paris Declaration.

Through the establishment of the **AGECI** (Ecuadorian Agency of International Cooperation) in 2009, Ecuador has made efforts to improve Aid Effectiveness by supporting harmonisation and alignment by all donors. In line with the Code of Conduct of the EU, the seven European Union Member States represented in Ecuador (Belgium, France, Germany, Italy, Spain, The Netherlands, and UK) and the EU Delegation in Quito deepened in 2009 their coordination and harmonization of cooperation. European coordination platforms were organized on all the sectors supported by the EC and the EU Member States, in particular in education, economic and environment sectors. Further leadership by the government, at sectoral level and at the level of SENPLADES is still needed.

Non-state actors, local authorities and national parliament: Civil society and local authorities are important partners not only in drafting EC cooperation strategy, but also in implementing the cooperation programmes.

⁸ The EU adopted its Aid for Trade Strategy on 15 October 2007, setting spending commitments on development assistance specifically targeted at projects designed to help developing countries develop the capacity to trade.

⁹ These principles were translated into the 'EU Code of Conduct on Division of Labour' (2007) and its objective is a better distribution of tasks between EU donors and it sets out 11 principles to reduce administrative procedures, use funds where they are most needed and give more aid, and more efficient aid, faster.

The new Constitution further enhanced the role of civil society by establishing a ‘fifth power’ to assure participation and civil society control over public expenditure.

2.3 Results Performance and Lessons Learned

2.3.1 Country performance

Ecuador’s performance is certainly positive. The government has made positive efforts to create the necessary conditions to qualify for budget support, and has been committed to achieving the objectives in the two focal areas. In general, institutional capacities, leadership and ownership have increased as a result of sector budget support as aid delivery modality.

In 2008, the government created a single account for the Treasury and continued with internal reform to increase the efficiency of public finances and to establish multi-annual programming, as provided for in the new Constitution, from 2010 onwards.

In the **education sector**, the Government is implementing the Decennial Education Plan 2006–2015 (DEP), which was adopted in 2006 by referendum. Since then, important progress has been made in achieving universal primary education, improving education quality and eliminating social inequities in the education sector.

On **economic development**, the government adopted several policies to revive the economy, including cost production reduction, protecting national production (e.g. raising quality standards and import taxes on 940 consumer goods until domestic products are competitive in price), setting price controls and anti-speculation measures for basic consumer goods, promoting decent and equitable salaries, and taking measures to support the agricultural sector.

2.3.2 Cooperation performance:

Focal Area 1: Education

On 7 February 2008, the PAPDE I financing agreement was signed and a first addendum (PAPDE II) followed on 24 December 2008. A total of €28.2 million was committed following approval by the DCI Committee of the AAP 2007 and AAP 2008. The first instalment of a lump sum of €8 million was made on 20 June 2008, based on a detailed analysis of compliance with the general and specific conditions. The 2009 instalments referred to the first variable and second and third fixed tranche, most of them transferred on at the end of the second quarter.

The total sum disbursed in 2009 under sector budget support was €15.6 million, as all of the general and specific conditions and the sector indicator goals had been fulfilled to the Commission’s satisfaction.

The third fixed instalment was paid to the Ministry of Finance to support the reform of public finance management, mainly through the institutionalisation and increase of coverage of the system of public sector finances (eSIGEF).¹⁰

Complementary actions were contracted in order to support the education sector and management of public finance for an amount of up to €0.6 million. This includes the financing and contracting of a PEFA study whose final report is expected to be ready at the end of 2009, a service contract for visibility actions and a grant contract for the promotion of civil society surveillance of the implementation of the Decennial Education Plan. Both contracts (service and grant) started on 1 March 2009 and the contractors were selected following a local bid and a local call for proposals under EC contracting rules and procedures.

Civil society supervision is well on track after initial resistance from the Ministry of Education to sharing statistical information and to being monitored by a non-governmental organisation.

At present, the Ministry allows the civil society think-tank unlimited access to the electronic master education data base. This is one of the very few experiences in the region of combining sector budget support with civil society surveillance and monitoring.

During the two years of EC sector support to the DEP, some significant results were achieved:

- the application of evaluations for the 3rd, 7th and 10th grades;
- the elimination of 'voluntary' contributions from each student;
- a large-scale literacy campaign in Spanish and Quichua;
- the creation of an undersecretary for planning and accountability in the Ministry of Education;
- the implementation of a national educational census;
- evaluation of teachers with salary incentives for those working close to the northern border;
- improvements in educational infrastructure and equipment;
- the supply of free uniforms, books and two daily meals.
- improvement of the teacher recruitment process (more transparent and based on merit)

¹⁰ The eSIGEF aims to strengthen the system of public finance in Ecuador through planning, organising, coordinating, monitoring and assessment of internal processes in order to increase organisational and technological capacity. The public non-financial sector entities to be covered by this single public finance information system will have to demonstrate timeliness, reliability, comprehensiveness and transparency of the information as key inputs for decision-making and accountability.

Focal Area 2: *Economic development*

On 17 February 2009, the PASES I financing agreement was signed. A total of €20.0 million was committed following approval by the DCI Committee of the AAP 2008. The first instalment of a fixed amount of €5 million was made on 9 July 2009, based on a detailed analysis of compliance with the general and specific conditions.

Despite the short time, some signs of progress in the productive sector during the last year can be highlighted. The main one is the consolidation of planning as a tool to achieve policy objectives. The NDP (Plan Nacional de Desarrollo) was drafted in a participatory manner and implies shared responsibility of the different public sector institutions. It is evaluated every quarter by SENPLADES¹¹ through the Sub-Secretariat for Evaluation.

Moreover, in 2008 the government adopted several policies to stimulate the economy, mainly:

- Economic stimulus through reduction of production costs: at least a 10% reduction on electricity tariffs for the commercial sector. A tariff reform that includes substantial reductions in tax on raw materials, inputs and capital goods was introduced.
- Protection of domestic production: increased taxes (by the maximum percentage allowed by the WTO) on some goods (940 items) make national production cheaper than imports. Furthermore, the campaign *Consume lo nuestro* was created to promote local production and to protect jobs.
- Price control: the Government has implemented programmes and policy measures to counter speculation, especially on basic goods.
- Fair and decent remuneration: in order to eradicate pay disparities and achieve a progressive equalisation of the family income with the family budget, the government prompted the payment of fair wages to Ecuadorian workers in the private sector.
- Elimination of outsourcing: outsourcing has been abolished in order to curb labour precariousness.
- Encouraging and supporting the agricultural sector to mitigate the impact of rising food prices and improve agricultural production: the national government's measures include a \$70 grant to small producers to obtain fertilisers, an exemption from income tax for agricultural producers, encouraging reinvestment, zero-rate VAT on agricultural inputs and an increase in the number of food products that are zero-rated for VAT.

¹¹ Secretaria Nacional de Planificación y Desarrollo

Before the financial crisis, economic growth was recovering in Ecuador. According to the Central Bank, GDP increased by 5.3% in 2008 (3.8% more than in 2007). Excluding oil, GDP rose by 6.7% in 2008, which was more than in previous years. This means that economic growth is not based on oil-related activities, so the economy is less vulnerable in its dependence on oil. Although there are no indicators yet, a tentative conclusion could be that EC cooperation on sustainable growth has contributed to this positive development.

Lessons learned

1) A general lesson learned from EC cooperation with Ecuador is that **sector budget support** has performed well and proved suitable as an aid modality. Budget support increased government ownership, contributed to institution building and capacity building, and promoted mutual accountability. Several projects in the education sector financed by other donors, all implemented through project support, have been hampered by institutional instability and a high rate of staff turnover. The various autonomous execution units and weak integration into public policy have prevented them from achieving long-term results, particularly in terms of institutional capacity. Taking into account the strong role of the state in development policies, sector budget support offered the flexibility to select those aspects of Ecuador's NDP in line with EC policies for EC support.

2) Another lesson concerns the importance of **aligning EC cooperation with an established sectoral policy**. In the case of Ecuador, cooperation in both focal areas is not only linked to specific sectoral policies, but is also based on a sectoral strategy outlined in the National Development Plan. As far as education is concerned, elements of success included the high political priority of this sector as well as the proven capacity of Ministry staff to lead, design and implement an ambitious and wide-ranging sectoral plan.

3) A third lesson learned is **the importance of institutionalised coordination at national level** between different actors such as the relevant line ministries, the National Secretariat of Planning and Development (together with AGECI) and the Ministry of Finance.

2.4 Quality Improvements

- Budget support may continue to be the preferred aid delivery modality, given that the requirements in terms of sector policy, public financial management and macro-economic stability are met.

- Cross-cutting issues, especially climate change, indigenous peoples and gender, need to be integrated more systematically in both focal areas. This could include supporting the Government in its expressed intention to work towards an economic model that increasingly takes into account social and environmental factors by integrating environmental impact assessments/evaluations in all programmes.
- Disaster response and preparedness are assured by DG ECHO, the European Commission's Humanitarian Aid Department. In this regard, it is particularly important that synergies are consolidated and opportunities for LRRD (Linking relief, Rehabilitation and Development) sought, and coordination of the planned projects with the programmes of DG ECHO including its disaster preparedness programme, DIPECHO, strengthened.
- The concentration of EC cooperation in two sectors has proved to be very positive and should be continued. The strategy for Ecuador formulated in the CSP 2007-2013 gives continuity to EC cooperation and enhances the predictability of EC aid.
- It is also important to increase synergies with the thematic and the regional programmes, for instance with sub-regional and regional initiatives on energy and the environment.
- Technical assistance with implementing trade agreements and building the relevant institutional capacity may be considered in order to help Ecuador benefit from these agreements.
- For Ecuador to fully benefit from the EC endeavors in the second focal area, economic development, it would be essential to adhere to open markets. For the moment, Ecuador has gone in the opposite direction of increasing barriers to trade (even though it remains within WTO rules).¹² The EC could support the search for new opportunities for trade and investment, strengthening competitiveness and research & innovation as well as the modernization of production, facilitation of trade, the transfer of technology and the promotion of strategic sectors. EC may promote fair, organic trade as well as trade in services creating new opportunities for SMEs and contributing to local economic development.

¹² On Dec the 20th, President Correa confirmed that Ecuador was going to gradually remove all safeguard duties set up at the beginning of 2009 to protect Ecuador' production

- It could be examined whether or not to steer modest resources towards supporting light institutional strengthening of the FP7 Contacts. This may then involve supporting activities making the FP7 Contact work more systematic, better regionally networked and for increasing visibility and interaction with European research actors so that research teams from Ecuador get more often invited to join strong consortia that compete in the bottom-up process for FP7 project funding.

2.5 Conclusion

To conclude the analysis of the Mid-Term Review (MTR) of the Country Strategy for 2007-2013, we can state that it is not necessary to change the two focal areas. The EU's strategy for Ecuador as set out in the CSP 2007-2013 gives continuity to EC cooperation and enhances the predictability of EC aid.

The MTR confirms the relevance of the two focal areas of EC cooperation after taking into account developments in the country, EC policy priorities and commitments and the international economic and political context. New EC policy commitments and cross-cutting issues such as the environment, in particular climate change, will be integrated in EC cooperation through dialogue with the Government of Ecuador.

Based on the previous NIP and following consultations with civil society, Member States, and the Government of Ecuador, the National Indicative Programme II (NIP II) is presented below.

3. THE NATIONAL INDICATIVE PROGRAMME (NIP II) 2011-2013

EU-Ecuador cooperation amounts to €137 million (2007-2013). The *NIP I* received 55% (€75 million) and *NIP II* will receive 45% (€62 million) to be committed in 2011-2013.

The priorities are:

- *To improve the performance of governmental social spending on education*
- *To promote sustainable economic opportunities by supporting the development of SMEs*

It is proposed to increase NIP II funds by an **additional €4 million** to support the eventual implementation of the EU-CAN multiparty trade agreement currently under negotiation. All actions funded by the EC will take account of cross-cutting issues including human rights, gender equality, democracy, good governance, the rights of children, the rights of indigenous people, conflict prevention and the protection of the environment, in particular climate change.

3.1 Financial Provisions

The focal areas will maintain their relative share under the NIP II. Consequently, for 2011-2013 it is proposed to devote 55% of the remaining €62 million to the education sector (€34 million) and 45% to economic development (€28 million).

3.2 Indicative Priorities of Cooperation

3.2.1 To improve the performance of governmental social spending on education

The intervention rationale is that the EC considers education to be a fundamental factor in sustainable human and social development. EC support to the education sector should help the country to implement its human rights obligations and commitments and to achieve the Millennium Development Goals.

The global objective is to improve the quality of and access to education in Ecuador.

The specific objectives¹³ are:

- to eradicate illiteracy;
- to eliminate social inequities in the education sector;
- to improve the quality of teaching.

The expected results might refer to:

- achieving universal basic education and consolidating continuous education for adults¹⁴
- improving the quality and equity of education standards
- establishing an evaluation system to improve the quality of the teaching system, empowering teaching staff through professional development and improvement of their living conditions (especially for the rural sector).

By agreement with the Ministry of Education, specific activities financed under the *Plan Decenal de Educación 2006-15* (DEP) may include:

- literacy campaigns, the design of a new curriculum for Basic Education for Adults (BEA) and implementation of a campaign of basic education for adults;
- improving the quality of education standards by implementing a National System of Evaluation: a national system for evaluating knowledge, institutional management and the quality of education according to internal standards; a public information system; the design and implementation of new curricula (initial, basic and secondary education);

¹³ These specific objectives may change as a result of detailed planning and dialogue with the Government once the EC annual action plans are drafted.

¹⁴ Amongst the adults the illiteracy rate is estimated in around 9.1%, 15.5% in the rural zones

- improving the professional development of teachers by increasing the number of training courses and improving their working and living conditions: construction and application of new curricula of initial and further professional training and teacher evaluation; incentives for teachers to work in remote areas; incentives linked to performance and/or commitment/dedication.
- Other actions on which international support is most needed, as recently reported by the Ministry of Education, are: the establishment of an internet platform of teaching technologies, the founding of a Teaching University and the inclusion of children with disabilities in education.

Stakeholders and beneficiaries are the Ministry of Education, in charge of planning and implementing the plans and programmes of national education (primary and secondary) and educational bodies at regional and local level, the Ministry of Finance, the National Secretariat of Planning and Development, civil society organisations, communication media and the National Assembly and other national control bodies. The main beneficiaries are of course Ecuador's children, but also adults enrolled or wishing to enrol in some form of education, as well as (present and future) teachers and all others involved in education.

Amongst the biggest *risks*, we can mention: (i) the large number and diversity of participating institutions, (ii) possible cuts in the public sector budget as a consequence of the international financial crisis and (iii) resistance against structural reforms by the teachers' trade union UNE

The *assumptions* are that the Government will be able to cope with the effects of the international crisis and maintain acceptable macroeconomic stability and that the political will to go ahead with improving public financial management efforts will remain unchanged.

An *indicative list of indicators* may include those listed below which are used for the currently ongoing programme in the education sector:

- The % share of education sector on the GDP¹⁵
- Net rate of children's enrolment in general basic education;
- Repetition rates in basic education;
- Reforms undertaken by the government to increase the quality of and access to education;
- Average qualification of teachers at each educational level.

¹⁵ from 3.07% in 2007 to 3.6% in 2008.

In drafting the new education programme under the NIP for 2011-2013, other indicators might be set depending on the specific objectives. A baseline and yearly targets for each indicator will be set as done for the above indicators under the NIP for 2007-2010, in accordance with the Ecuadorian National Development Plan.

3.2.2. To promote sustainable economic opportunities by supporting the development of SMEs

Intervention rationale: The EC considers that an increase in per capita income via employment generation¹⁶ will help the country to reduce poverty and to achieve the MDGs.

The **global objective** is to support the Government in its efforts towards sustainable economic development improving the living conditions of the population.

The **specific objectives** are:

- Establishing a sustainable economy of solidarity, emphasising improvements in production and economic growth taking into account the distribution of revenues and environmental impacts
- to reduce unemployment and underemployment (the country has a precarious labour structure, with high levels of unemployment and, above all, underemployment)
- to strengthen the productive sector by supporting the competitiveness of SMEs.

The **expected results** may include:

- Strengthening the productive, structural and institutional aspects of productivity, competitiveness and market access in rural, peri-urban and urban areas, including providing opportunities for decent work;
- Improving agricultural and agri-industrial productivity; implementation of strategies to generate employment; production of goods and services with added value for the domestic and external market;
- Deriving maximum benefit from the opportunities created by regional integration and trade agreements¹⁷

The specific activities could include:

- Supporting the implementation of an integrated system for monitoring and evaluating public economic instruments (strategies and programmes);

¹⁶ Strongly influenced by the economic operators' ability to create, assimilate, adapt and use scientific knowledge in organisational and technological innovation.

¹⁷ It is proposed to increase NIP II funds by an additional €4 million to support the implementation of the EU-CAN multiparty trade agreement currently under negotiation. .

- Supporting economic and political dialogue with the public and private sectors;
- Promoting coordination among donors involved in economic development.
- Possible institutional support to Ecuador-EU scientific and technological cooperation by enhancing access of Ecuadorian teams to the EU's 7th Research Framework Programme and greater uptake and use of research results in SMEs, administrations and other socio economic actors.

An *indicative list of indicators* may include those already used for the currently ongoing programme in the economic sector

- Implementation of an integrated system of economic and productive indicators;
- Growth of non-oil industrial GDP;
- Ratio of non-oil manufactured exports.

Other indicators might be defined with the national authorities, in the framework of the new programme. A baseline and yearly goals for each indicator will be established, in accordance with the National Development Plan, as it was done under previous programme.

Stakeholder and beneficiaries are the relevant Ministries (e.g. Labour, Industry, Agriculture and Trade); the institutions involved in planning, designing and implementing relevant programmes, SENPLADES and the Finance Ministry. Other stakeholders include local and regional authorities such as regional councils and municipalities. The beneficiaries include SMEs, producers' and exporters' associations, micro-finance organisations, agricultural service providers, and Chambers of Commerce and Industry.

Risks and assumptions

The success of the programmes to be supported by the EC will depend on the following factors:

- reducing social and political instability in Ecuador;
- the economic situation: the financial crisis could have a negative impact on productive sector investment:
- effective application of the principles of the new constitution.

The assumption is that, despite uncertainty due to the international financial crisis, sufficient macro-economic and fiscal stability will be maintained, with priority for social and productive investment.

ACCRONYMS

AGECI	Agencia Ecuatoriana de Cooperación Internacional (Ecuadorian Agency for International Cooperation)
BEA	Basic Education for Adults
CAF	Corporación Andina de Fomento (Andean Development Corporation)
CANTRTA	Proyecto de Cooperación UE - Comunidad Andina en Materia de Asistencia Técnica Relativa al Comercio
COPOLAD	LA and EU Programme of Cooperation in antidrug policies
CSP	Country Strategic Paper
DEP	Decennial Education Plan
DROSICAN	Support for the Andean Community in the Area of Synthetic Drugs
DRR	Disaster Risk Reduction
EC	European Commission
EOM	Electoral observation mission
eSIGEF	Proyecto de Administración Financiera del Sector Publico
EU	European Union
EUEI	European Union Energy Initiative
FARC	Fuerzas armadas revolucionaras de Colombia
GDP	Gross domestic product
IADB	Inter American Development Bank
IMF	International Monetary Fund
IOM	International Organization for Migration
MDG	Millennium Development Goals
MoFIN	Ministry of Finances
MTR	Mid-term review
NDP	National Development Plan
NIP	National indicative programme
OAS	Organisation of American States
PAPDE	Programa de Apoyo al Plan Decenal de Educación (Programme of support to the Decennial Education Plan)
PDE	Plan Decenal de Educación (Decennial Education Plan)
PEFA	Public Expenditure and Financial Accountability
PRADICAN	Project on Anti-illegal drugs in the Andean Community
SBS	Sector Budget Support
SENPLADES	Secretaría Nacional de Planificación y Desarrollo (National Secretary of Planning and Development)
SME	Small and medium enterprises
UN	United Nations
UNE	Unión Nacional de Educadores (Teachers National Union)
UNHCR	United Nations High Commissioner for Refugees
UPR	Universal Periodic Review
WB	World Bank

Annex 1: Ecuador Data Profile

ECUADOR

Data Profile				
	2000	2005	2007	2008
World view				
Population, total (millions) ^z	12.31	13.06	13.34	13.48
Population growth (annual %) ^z	1.4	1.1	1.0	1.0
Surface area (sq. km) (thousands) ^z	283.6	283.6	283.6	283.6
Poverty headcount ratio at national poverty line (% of population) ^z	..	..	..	..
GNI, Atlas method (current US\$) (billions) ^z	16.46	35.23	42.06	49.10
GNI per capita, Atlas method (current US\$) ^z	1,340	2,700	3,150	3,640
GNI, PPP (current international \$) (billions) ^z	54.50	83.40	94.77	104.65
GNI per capita, PPP (current international \$) ^z	4,430	6,390	7,100	7,760
People				
Income share held by lowest 20% ^z	..	3.3	3.4	..
Life expectancy at birth, total (years) ^z	73	75	75	..
Fertility rate, total (births per woman) ^z	2.9	2.7	2.6	..
Adolescent fertility rate (births per 1,000 women ages 15-19) ^z	85	83	83	..
Contraceptive prevalence (% of women ages 15-49) ^z	..	..	..	..
Births attended by skilled health staff (% of total) ^z	..	..	..	..
Mortality rate, under-5 (per 1,000) ^z	32	25	22	..
Malnutrition prevalence, weight for age (% of children under 5)	..	..	..	..
Immunization, measles (% of children ages 12-23 months) ^z	84	93	99	..
Primary completion rate, total (% of relevant age group) ^z	98	106	106	..
Ratio of girls to boys in primary and secondary education (%) ^z	100	100	100	..
Prevalence of HIV, total (% of population ages 15-49) ^z	0.3	0.3	0.3	..
Environment				
Forest area (sq. km) (thousands) ^z	118.4	108.5	..	..
Agricultural land (% of land area) ^z	29.1	27.3	..	..
Renewable internal freshwater resources per capita (cubic meters) ^z	..	..	32,385	..
Improved water source (% of population with access) ^z	88	..	..	..
Improved sanitation facilities, urban (% of urban population with access) ^z	90	..	..	..
Energy use (kg of oil equivalent per capita) ^z	674	789	..	..
CO2 emissions (metric tons per capita) ^z	1.7	2.2	..	..
Electric power consumption (kWh per capita) ^z	654	714	..	..
Economy				
GDP (current US\$) (billions) ^z	15.94	37.19	45.79	52.57
GDP growth (annual %) ^z	2.8	6.0	2.5	6.5
Inflation, GDP deflator (annual %) ^z	-7.0	7.5	7.0	7.8
Agriculture, value added (% of GDP) ^z	..	7	7	7
Industry, value added (% of GDP) ^z	..	35	36	36
Services, etc., value added (% of GDP) ^z	..	58	57	57
Exports of goods and services (% of GDP) ^z	37	31	33	36
Imports of goods and services (% of GDP) ^z	31	32	33	39

Gross capital formation (% of GDP))	20	24	23	24
Revenue, excluding grants (% of GDP) )	..	..	..	..
Cash surplus/deficit (% of GDP) )	..	..	..	..
States and markets				
Time required to start a business (days))	..	69	65	65
Market capitalization of listed companies (% of GDP))	4.4	8.6	9.3	8.7
Military expenditure (% of GDP))	1.7	2.6	2.9	2.9
Mobile cellular subscriptions (per 100 people))	4	48	75	86
Internet users (per 100 people))	1.5	7.4	8.6	9.7
Roads, paved (% of total roads))	19	..	..	..
High-technology exports (% of manufactured exports))	6	9	7	..
Global links				
Merchandise trade (% of GDP))	54.2	54.8	61.6	70.8
Net barter terms of trade (2000 = 100))	100	102	114	..
External debt stocks, total (DOD, current US\$) (millions))	13,557	17,065	17,525	..
Total debt service (% of exports of goods, services and income))	25.9	29.5	18.7	..
Net migration (thousands))	-300	-400	..	..
Workers' remittances and compensation of employees, received (current US\$) (millions))	1,322	2,460	3,094	3,200
Foreign direct investment, net inflows (BoP, current US\$) (millions))	720	493	183	..
Official development assistance and official aid (current US\$) (millions))	146	228	215	..

Source: World Development Indicators database, April 2009

ANNEX 2: NIP II table

	2011-2013	Total
Sector 1: Education	34	34
Sector 2: Economic Development	28+4*	32

*** Support to the multi-party trade agreement implementation**

Annex 3: Environmental Profile

Ecuador, located on the northwestern coast of South America, comprises continental territory and the Galapagos Islands. It has four distinct geographical regions (coast, highlands, Amazon, and the Galapagos Islands), each with a unique climate and environment.

Because this ecological variety is spread across a relatively small country, Ecuador is a biodiversity hotspot, with one of the greatest densities of unique species in the world. The potential for Ecuadorians to benefit from this diversity — through forest management, sustainable fishing, ecotourism, and watershed management — is enormous. Ecuador's environments are threatened, however, by social, economic, political, and external pressures, including the ongoing conflict in neighboring Colombia. Ecuador's deforestation rate is the second highest in South America and the highest of any Amazonian country. In total, between 1990 and 2007, Ecuador lost about 21.5 percent of its forest cover. The deforestation rate has increased by 17 percent since the close of the 1990s. Alarming levels of over-fishing affect the Galapagos Marine Reserve, the world's second largest protected marine area.

Geography and climate

The Ecuadorean *coastal plain* is, proportionately, much larger than the coastal plains of the other Andean countries. Its climate and eco-systems vary considerably from the north (tropical rain forest) to the south (semi-arid). It is heavily populated and exploited, being the most important area for agriculture (bananas, rice, etc.) and for cattle raising. The country's largest city and industrial and commercial centre, Guayaquil, is located here where the Guayas River runs into the sea. The climate is tropical with high levels of precipitation during the rainy season. Serious flooding is a problem that returns every year and reaches catastrophic proportions when the 'El Niño' phenomenon occurs.

In northern and central Ecuador, the *mountain area* consists of two parallel cordilleras, here and there joined by transversal elevations. Landscapes, climates and eco-systems are very varied, in so-called micro-climates. One finds green meadows and lakes very close to pure desert areas. In the southern part of the country the Andes splits into a more complex system of mountain ranges and valleys and the climate becomes drier. Since Ecuador is located on the equator (between parallels 1.3° North and 5° South) the climate is warmer than in Bolivia and Peru, on equivalent altitudes.

The eastern third of the Ecuadorean territory consists of the *Amazon tropical forest*. The northern part of this area is heavily affected by human activities; oil exploitation began here in the beginning of the 1970s and was followed by a disorderly immigration of settlers. The forest areas in this part of the country are being severely damaged by the oil business (deforestation and contamination of water and soils) as well as by logging and inadequate agriculture and cattle raising methods. The area closest to the Colombian border is affected by coca fumigation done under the Plan Colombia.

Biodiversity of Ecuador

Despite its small area, Ecuador is the eighth most biodiverse country on Earth with one of the major quantities of species of animals and plants per km².

Plants: almost 20 000 species

Birds: over 1 500 species

Reptiles and amphibians: more than 840 species

Mammals: 341 species

Number of native tree species: 1 000

o Critically endangered: 240

o Endangered: 669

o Vulnerable: 923

2nd most diverse country in endemic vertebrates per unity of territory

3rd country with the greatest diversity of amphibians in the world

4th most diverse country in birds (17% of world species can be found in Ecuador)

5th most diverse country in butterflies Papilionidae in the world

11 of the 121 areas with greater importance to preserve birds in the world are in Ecuador

Ecuador houses 124 species of hummingbirds

Biodiversity & Conservation *Conservation of Tropical Andes/Quito's Water Supply* Located in the tropical Andes, Ecuador's Condor Bioreserve contains great biodiversity, including nearly as many bird species as found in the continental United States. It is also the main source of water for the Quito metropolitan area.

Galapagos Marine Biological Reserve The Galapagos Islands, located approximately 600 miles off the coast of Ecuador, are home to a wide variety of plant and animal species, many of which are found nowhere else in the world: the Galapagos tortoise, the world's only seagoing lizards, the flightless cormorant, Darwin's famous finches, and the Galapagos penguin. Although the surrounding waters and 97% of the islands' area are protected as parks, the area suffers from overfishing, overgrazing, and unsustainable tourism and agriculture.

Amazon Basin and Northern Border Much of Ecuador's globally significant biological diversity is concentrated in the northern border and Amazon Basin provinces, forming an arc from Esmeraldas to Pastaza. These unique resources are now under increasingly serious threat, including the growing spillover effects of drug related violence in Colombia. In large portions of this area, indigenous peoples groups and territories can constitute a first line of defense against biodiversity loss. Starting in the northwest, Ecuador contains key portions of the Chocó-Darien/Western Ecuador biodiversity hotspot. Moving east, western Sucumbios province (with Colombia to the north and Peru to the east) buffers the Cayambe-Coca and Sumaco Napo-Galeras ecological reserves to the south. Cayambe-Coca reportedly has more plant and animal diversity than any other protected area in the country. Similarly, the largely unexplored Sumaco Napo-Galeras is incredibly rich in flora and fauna, with an almost unbelievable 40% of all flora sampled identified as species new to science. Indigenous Cofán and Quichua populations live in this area and both reserves are part of the larger Condor Bioreserve, Quito's primary watershed. Further east in Sucumbios is the Cuyabeno Wildlife Reserve, one of the world's seven known Pleistocene refuges (areas harboring species otherwise eliminated during the last Ice Age) with unusually high levels of species found nowhere else on earth. Cofán, Siona-Secoya and Quichua speakers live near the Cuyabeno and rely on its resources for their survival.

Finally, the arc bends south into Orellana and northern Pastaza provinces in the Amazon Basin. Here one finds Yasuni National Park, with almost one million hectares of exceptional biological

value (e.g., giant river otter, jaguar, harpy eagle, 62 species of snake). Adjacent to Yasuni is the Huaorani Indigenous Territory with 600 000 hectares that have been declared a UNESCO Biosphere Reserve. Shuar and Quichua speakers also share this area of extraordinary diversity. Indigenous peoples living in this region are Ecuador's poorest and most vulnerable, yet they control huge areas of primary tropical forest. These groups are threatened by lack of security and exposure to risks related to drug production.

Forestry

The Minister of Environment gave the Awa's indigenous communities full legal title to 100 000 hectares located within the National Forestry Patrimony, a precedent for human rights and conservation in Ecuador. Ecuador suffers the highest rate of deforestation of any Amazonian country — primarily as a result of increased access, colonisation, oil and timber exploration, lack of incentives for conservation, insecure land titles, and weak public institutions.

Ecuador also has the distinction of having the highest deforestation rate and worst environmental record in South America. Oil exploration, logging, and road building have had a disastrous impact on Ecuador's primary rainforests, which now cover less than 15 percent of the country's land mass.

It is estimated that the annual deforestation rate varies between 140.000 and 200.000 hectares per year. Logging in Western Ecuador (coastal and low Andean) areas is responsible for the loss of 99 percent of the country's rainforest in this region. Historically, after an area has been selectively logged and abandoned, settlers follow logging roads and set up homesteads, slashing and burning the surrounding forest for agriculture and cattle pasture. The impact of oil exploitation in Eastern Ecuador is now notorious as a result of a long-running \$6 billion lawsuit involving 30 000 Amazon forest dwellers and Texaco, once one of the world's largest energy companies but now part of Chevron. In the 25 years that Texaco operated in the Oriente region of the Western Amazon, the oil company spilled 17 million gallons of crude oil into the local river systems (by comparison, the Exxon Valdez only spilled 11 million gallons in Alaska in 1989), dumped more than 20 billion gallons of toxic drilling by-products, and cleared forest for access roads, exploration, and production activities. As of the mid-1990s, lands once used for farming lay bare and hundreds of waste pits remained.

In August 1992, a pipeline rupture caused a 275 000-gallon (1.04 million L) spill which caused the Rio Napo to run black for days and forced downstream Peru and Brazil to declare national states of emergency for the affected regions. Originally it appeared that Texaco might pull out of the Oriente without reparations to the people whose environment was so seriously degraded, but widespread protests by indigenous peoples, environmentalists, and human-rights organisations forced Texaco into negotiations. Texaco projected its clean-up costs at a moderate US\$5-10 million. In response to the insufficient clean-up gesture, along with widespread environmental degradation.

The report by a court-appointed team last year (2008) concluded that pollution caused mainly by Texaco's Ecuadorian affiliate, Texaco Petroleum, had led to 1 401 cancer deaths in this stretch of Amazonian jungle. By the close of 2005 the case against parent company Chevron was still being fought in U.S. courts and was beginning to become an issue for shareholders in the oil company. Facing a six- billion dollar liability, the company has also seen shareholders file three new resolutions asking Chevron's management to take various steps to protect human rights, the environment, and shareholder interests. The United Nations has also gotten involved in the case, calling on the Ecuadorian government to guarantee the safety of lawyers and leaders involved in the lawsuit after a series of threats. The legal case is the first time a transnational oil company has been subjected to legal jurisdiction in the courts of a developing nation for massive environmental damage. A New York court has already confirmed the Ecuadorian ruling will be enforceable in the United States, where Chevron's operations are based.

If the judge rules against Chevron, and action which may happen in the first semester of 2010, the company could face the largest damages award ever handed down in an environmental case, dwarfing the \$3.9 billion awarded against ExxonMobil for the 1989 spill in Alaska

The government has taken steps to conserve what remains of Ecuador's wildlands. According to the ITTO, the government subsidises the establishment of plantations of native species in danger of extinction and establishment of protection forests. This incentive could prove promising since more than 50 percent of Ecuador's land is degraded and suitable for reforestation. As of 2004, 15.6 percent of Ecuador was officially protected, though timber harvesting and other forest exploitation in protected areas is not uncommon.

Conservation of Biodiversity and the fight against Climate Change: Ecuador has designed the so called Yasuní-ITT Initiative in order to prove that there are viable and concrete alternatives for the conservation of the biodiversity. Yasuni is a national park, and a world biosphere reserve declared by UNESCO, located in the ecuadorian amazonia where it could be found in just 2.5 acres, nearly as many tree species as in the US and Canada combined. The number of species of birds, bats, insects, frogs, fish, and aerial plants in Yasuni represent global records. The government of Ecuador proposes in this initiative that, by avoiding oil exploitation in an area of vital biological and cultural importance, the country will contribute to the conservation of biodiversity, to the fight against climate change, and the promotion of social equity in the country. In return for its decision to keep the oil in the Yasuni-ITT field indefinitely underground, Ecuador seeks to receive international donations that will go towards a capital fund, administered by an international trust fund with the participation of the main donors.

Water

In the case of Ecuador, in the lowlands both to the east and west, there is still, generally speaking, enough water to cover all the needs, from drinking water to water for irrigation and other use. However, for the mountain area it is now clear that serious legal and institutional measures will have to be taken in order to achieve a sustainable water management. While there is still no hard evidence that precipitation would have decreased in general, there are many areas where consumption of water, particularly for irrigation, is exceeding the normal supply, sometimes very much so. Also, there is a problem with protection of water sources, especially in the so-called 'páramo' areas, which are high land moors, with a very important capacity for storage of rain water; these are being increasingly damaged by the advance of the agricultural frontier. With regard to water use and protection in general, including water for domestic and industrial use, there is something of a legal and institutional chaos, where certain aspects are being looked at by different agents at the same time and where other aspects are forgotten by everybody. Of the five Andean countries, Ecuador is the one with the highest proportion of irrigated agricultural land in relation to the total cultivated area (55%). Unfortunately, there is and has never been any adequate long-term planning of water use. Numerous water concessions have been given without sufficient basic information on available resources and irrigation projects have been implemented, and keep being planned by different actors, without any kind of

social, or even private, cost-benefit analysis. The Ecuadorean state has implemented a privatisation process of irrigation systems and there will (for the foreseeable time) be no more national, public investment in irrigation systems. However, many existing systems and not completed systems, do need considerable investment and improved management in order to be adequately used.

Soils and agriculture

Since the 1960s, two parallel agricultural systems have developed in **Ecuador**: the modern large-scale establishments (haciendas) and the development of the peasantry. The haciendas can be differentiated according to the space they occupy and their orientations with regard to the market. On the one hand there are the big plantations in the coastal area which produce foodstuffs for export (traditionally bananas but more recently a variety of fruits and vegetables) and the cattle ranches and the oil palm plantations, based on the advance of the agricultural frontier and the reduction of forested areas. These are the ones that cause most damage to the soils, both by deforestation, overgrazing and inappropriate use of agrochemicals. On the other hand, there are small farmers dedicated to coffee and cacao production for export and cultivation of rice, corn and other cereals for the domestic market; when they are located on more or less level land, they do not appear to be too harmful to the soils. In the mountain area, the big haciendas are mainly oriented towards milk production, and recently flowers. The small farmers are now divided between those who occupy land of good quality and have some proximity to markets and communication — and those who occupy the mountain sides with more fragile soil cover and more difficult climate; the latter combine production for the market with production for subsistence. No less than 53 % of the territory in Ecuador is located on slopes with different degrees of inclination; 21 % is on extremely steep slopes.

In the mountain region, the agrarian reform processes and the systems of inheritance have caused a severe fragmentation of land ownership in areas scarcely appropriate for agriculture (including the 'páramos'); the end result is an enormous pressure on the land and the destruction of soils (and water sources). The pattern is very similar to the one that prevails in many parts of Bolivia. The European Commission has supported several projects in Ecuador, directly related to environmental matters: Utilisation of Mangrove Resources in the Manabí Province; Conservation and Management of Native Andean Forest in the South; Natural Resources Management in the

Pastaza Indigenous Territory; and Sustainable Coastal Management in the Machalilla National Park

These projects, starting around 1997-98, have been of moderate size and duration and there is no digested information readily available on their results.

In April 2002, the EC and the Ecuadorean Government signed a financing agreement for the project 'Development of the Paute River Basin' (Paute II), with an EC contribution of 11 million euros. This project grew out of a previous EC financed project (Paute I) in the same area, aimed at rehabilitation and reconstruction after the 'La Josefina' landslide disaster in 1993. The general objective of the second Paute project is to improve living conditions for the rural population (230 000) in this river basin (520 000 ha), with emphasis on poverty reduction and environmental conservation. The project finalised its activities in 2008 and was successful in reaching its main objective, to create the Water Management Council for the Paute Watershed (CG-Paute).

Another important programme is PRODERENA 'Programme for Support to the Decentralised Management of Natural Resources in Three Provinces in Northern Ecuador'. The Financing Agreement was signed in January 2004, and PRODERENA will end its activities in January 2010. After a slow start the programme has been quite successful in the execution of its activities, also it has served to improve the relationship between the Minister of the Environment and the Provincial Governments of Imbabura, Carchi and Esmeraldas.

Other cooperation agencies also have important activities in environmental matters. The Galápagos is an attractive area both for multilateral and bilateral official and private cooperation. In addition to this, it should be mentioned that German, Belgian, Spanish, Dutch and Italian cooperating agencies are acting in various environment-related projects, dealing with rural development in general, river basin management and management of protected areas. The Netherlands, however, will withdraw official technical cooperation with Ecuador as of 2005. German, Belgian and Spanish cooperating agencies remain as important actors and should be given attention by the EC in future programming activities.

Annex 4: Migration Profile¹⁸

Ecuador's geographical variety is nearly matched by its diverse migration patterns. Although it is a small Andean country of approximately 13.3 million people, Ecuadorians are one of the largest immigrant groups in metro New York and the second largest immigrant group in Spain. In the past 25 years, Ecuador has experienced two major waves of emigration, sending 10 to 15 percent of Ecuadorians overseas, mostly to Spain, the United States, Italy, Venezuela, with a small but growing number in Chile. While the country continues to experience emigration, the number of immigrants, particularly Peruvians and Colombians, has increased in the last five years. Most Peruvians are economic migrants, and the majority of Colombians are refugees, escaping an escalation of armed conflict since 2002 and the hardships created by drug eradication programs (spraying coca crops) in southern Colombia.

The newly elected president, Rafael Correa, has reached out to Ecuadorian communities overseas and has promised to incorporate them into the economic and political life of Ecuador.

Ecuadorian Emigration since the 1960s The provinces of Azuay and Cañar, and Ecuador's third-largest city, Cuenca, formed the "core" migrant-sending zone in Ecuador in the 1970s and 1980s. In particular, the main sending communities in these areas practiced subsistence agriculture and had a tradition of women weaving Panama hats for export to New York and male seasonal migration to the coast. When the Panama hat trade declined in the 1950s and 1960s, pioneer migrants, mainly young and male, used this trade connection to migrate to New York, most of them without legal documentation. Most worked in restaurants as busboys or dishwashers, and a smaller number worked in factories or construction. Migration remained slow but persistent during the 1970s; migrants from numerous communities in Azuay and Cañar provinces joined the clandestine migration networks that led people through Central America and Mexico en route to the United States. A small number of Ecuadorians migrated to Venezuela,

¹⁸ Source: Brad Jokisch, Migration Policy Institute, Ohio University (2007) "Ecuador: Diversity in Migration"

whose oil-led economy was strong through the 1970s. As oil prices fell in the 1980s, Ecuadorian migration to Venezuela appears to have diminished. Like many countries in Latin America, Ecuador in the 1970s experienced economic growth and improved living conditions. But in the early 1980s, oil prices collapsed, causing a debt crisis, an increase in inflation, and a dramatic decrease in wages.

The crisis, Ecuador's first since 1960, was particularly onerous on subsistence farmers, thousands of whom opted to emigrate as a result. Most of these migrants paid intermediaries — coyotes or a document forger — for clandestine passage to the United States, overwhelmingly to metro New York, but also to Chicago, Miami, Los Angeles, and Minneapolis. Some migrants were able to borrow the money from relatives, especially a close relative living in the United States; others borrowed from informal economy money lenders. Ecuadorian men commonly worked in restaurants, and many women worked in sweatshops or as cleaners in office buildings. The Immigration and Reform Control Act of 1986 granted legal permanent resident status to 16,292 Ecuadorians, many of whom have been able to use this legal status to sponsor family members.

Low oil prices and floods that damaged export crops, coupled with political instability and financial mismanagement, caused a second economic crisis in the late 1990s. The national currency, the sucre, lost more than two-thirds of its value, and the unemployment rate rose to 15 percent and the poverty rate to 56 percent. The crisis was directly responsible for a second wave of emigration, which sent more than half a million Ecuadorians overseas from 1998 to 2004. In contrast to the previous wave, this one was broader. Emigrants came from every province, and they were more urban and somewhat better educated; they also came from various ethnic groups, including members of the Saraguro and Otavalo indigenous groups. Instead of the United States, the vast majority of these migrants chose Spain home to only a handful of Ecuadorians at the time. The main reason: an existing agreement allowed Ecuadorians to enter the country as tourists without visas (the law changed in 2003, see sidebar). Indeed, the majority of the first migrants in Spain were women who posed as tourists, often with the help of Ecuadorian travel agencies. In addition, Spain offered plentiful, low-skilled work in the informal economy, and migrants did not have to worry about language differences. Most women work as domestics while men have found employment in the construction, agriculture, and service industries. In addition to Spain,

Ecuadorians also went to several other western European countries, most notably Italy, with smaller numbers to France, the Netherlands, Germany, and the United Kingdom. Tightened borders in Central America and greater surveillance at the US-Mexico border made clandestine migration to the United States more expensive and dangerous than migration to Spain. Yet the United States has remained an important destination;

From 2000 to 2005, an average of 9,196 Ecuadorians per year obtained legal residency. The number who have overstayed visas or entered without authorization is unknown, but thousands have tried. Since 1999, nearly 8,000 Ecuadorians have been detained by the United States Coast Guard in boats destined for intermediary countries such as Guatemala or Mexico. On average, between 1,000 and 2,000 Ecuadorians have been apprehended at the United States border each year in the past decade.

Estimates of Ecuadorians living outside the country vary considerably. Adding up the official numbers from top destinations outside Latin America — the United States, Spain, and Italy — provides an estimate of about 986,000; In the 2001 Ecuadorian census, 377,908 people were reported to have emigrated in the previous five years (1996 to 2001). But Ecuadorian entrance and exit data suggest that since 1999, nearly a million Ecuadorians (net) left the country. Although Ecuadorian government officials have estimated that as many as 3 million Ecuadorian citizens live overseas, a recent study by the United Nations and an Ecuadorian graduate university (FLACSO) suggest that an estimate of 1.5 million is much more accurate than 3 million.

In 2005, Spain reported an Ecuadorian population of 487,239; the vast majority live in Madrid (35 percent), Barcelona (18 percent), and Valencia/Murcia (22.8 percent). Some analysts consider the official figure to be an undercount because not all Ecuadorians in Spain are registered. If that is the case, then the Ecuadorian population in Spain may be between 550,000 and 600,000. Population estimates for the Ecuadorian population in Italy range as high as 120,000. Italian statistics on the other hand, recorded 61,953 Ecuadorian citizens in 2005, 62 percent of whom were women. Ecuadorians, who are concentrated in Genoa, Milan, and Rome, are the largest Latin American immigrant group in Italy and the 10th-largest national group overall.

Based on the 2005 American Community Survey, the United States Census Bureau estimates

there are 436,409 Ecuadorians in the United States — far lower than the "more than one million" commonly reported in Ecuador. Of those Ecuadorians, 62 percent (269,139) reside in the New York-New Jersey metro area, 6 percent in Miami (25,332), and 4 percent in Chicago (18,810). Ecuadorians are the third-largest Latin American immigrant group in the New York-New Jersey metro area, behind Mexicans and Dominicans, and the eighth nationally. Despite the high estimates common in Ecuador, the US Census Bureau figure is considered low compared with more conservative estimates published in the United States. For example, the Lewis Mumford Institute at the State University of New York, Albany, estimated there were 396,400 Ecuadorians in the United States in 2000. Using this figure, and taking into account continued immigration, it is safe to estimate that the Ecuadorian population is between 550,000 and 600,000.

Remittances and Development Issues Similar to many Latin American countries, Ecuador depends on the funds its migrants send home. The Inter-American Development Bank estimated that Ecuador received \$2.0 billion in remittances in 2004, equivalent to 6.7 percent of its GDP and second only to oil exports; 14 percent of adults in Ecuador receive remittances regularly. At least 75 percent of remittances are used first for basic household needs — education, food, medicine — and to cancel debts. In 2006, migrants had to pay coyotes or document forgers approximately \$12,500 each for clandestine travel to the United States. After basic needs are met and their debts paid off, thousands of Ecuadorians build new homes, replacing modest adobe structures.

In 2002, Ecuador passed a law called the "Program of Help, Savings and Investment for Ecuadorian Migrants and their Families" and soon thereafter the "Ecuadorian Living Abroad National Plan" was established. These ambitious laws aim to alleviate migrant debt, create systems of financial intermediation to help with remittances, and establish a system of savings for productive investment and small business creation in the origin communities. Unfortunately, the government implemented little of this agenda until 2006, when the Central Bank of Ecuador reached an agreement with the Spanish bank Caixa for Ecuadorians in Spain to remit money from numerous financial institutions at lower costs. In 2006, the federal government reported many other development-related achievements. It created a Working Table on Migrants for Employment, which involves multiple governmental and nongovernmental institutions. The

group's goals, among others, are to help create public policy on migration and to defend migrant rights. The city of Murcia, Spain, and the province of Cañar, Ecuador, established a codevelopment program funded by the Spanish Agency of International Cooperation. Finally, then-President Alfredo Palacio approved a National Plan of Action to combat kidnapping, illegal migration, and sex trafficking.

Local governments and NGOs have been more active than the national government. For example, Migrant Attention Centers, which provide legal and psychological support for migrant families, have opened in four Ecuadorian cities. The city of Quito was instrumental in the creation of the city's Migrant House, while the Archdiocese of Cuenca (*Pastoral Social*) funded the center in Cuenca. The centers also oversee a variety of projects designed to help migrant families.

Contemporary Immigration The government reported that through the first nine months of 2008, it received 7,767 applications for refugee status. Several thousand additional cases remained pending. The government reported difficulty dealing with the number of applicants and appeals. Both the UNHCR and the IOM support the government refugee office's efforts to reduce its case backlog. The UNHCR estimated that approximately 133,000 persons were in need of international protection, of whom approximately 61,000 were not registered. Colombians accounted for 92 percent of asylum seekers. The government has since the CSP begun to introduce an ambitious programme, “Plan Colombia”, to register all refugees and to provide them with social assistance. It estimates the costs to amount to \$150 million p/a and seeks international financial assistance for it.

The 2001 census recorded 104,130 foreign born, or less than 1 percent of Ecuador's population of 12.1 million. Almost half of the foreign born were from Colombia, with 51,556 residents (49.5 percent), followed by the United States (11,112 residents, 10.7 percent) and Peru (5,682 residents, 5.5 percent). Since the Ecuadorian census recorded everyone who was in Ecuador on November 25, 2001, visitors from the United States were included in addition to the many Americans who work in Ecuador. Only a small part of this figure is attributable to US-born children of Ecuadorians who have returned to Ecuador. Since 2001, however, thousands more Peruvians and Colombians have arrived. As many as 250,000 Colombians might live in Ecuador. For Peruvians, Ecuador's decision in 2000 to switch its currency to the US dollar from the sucre (dollarization)

has been the most important attraction; they also typically earn less than Ecuadorians. Estimates vary, but it is likely that between 60,000 and 120,000 Peruvians now reside in Ecuador, most without legal permission. Cuenca, situated in the middle of the original "core" migrant-sending zone to the United States, is an especially popular destination for Peruvians because the US-bound migration has tightened the labor market and increased wages. Considering that Ecuador and Peru have been at war several times in the past, most recently in 1995, the arrival of such a large number of Peruvians has been striking.

Colombians are also attracted by dollarization, but more important is the "push" created by an escalation of armed conflict among the Colombian military, paramilitaries, and the rebel group FARC (Colombian Revolutionary Armed Forces) since the election of Colombian president Alvaro Uribe and the breakdown of peace talks in 2002. This violence, coupled with herbicide spraying programs to eradicate coca crops in southern Colombia, have displaced as many as 250,000 Colombians according to the United Nations High Commissioner for Refugees (UNHCR). The size of the Colombian population in Ecuador is not known, but if UNHCR's estimate is accurate, then a net average of 50,000 Colombians have come to Ecuador each year since 2001. Determining the actual number of either Colombians or Peruvians in Ecuador is hindered by the fact that the border is porous. Using official migration figures is misleading because entrance and exit data suggest that from 2001 to 2004 nearly 388,000 Colombians should have settled in Ecuador, which is 52 percent higher than even UNHCR's estimate. Similarly, these data suggest that in the same time period a net number of 345,000 Peruvians entered Ecuador, nearly three times the accepted figure. Although not all Colombians who come to Ecuador apply for asylum, they make up the overwhelming majority of people applying for and receiving asylum. According to Ecuador's Ministry of Foreign Affairs, between 2000 and 2005, 36,665 people applied for asylum, with the number of applications peaking in 2003 (see Figure 2). Ninety-seven percent of the applicants were Colombian. Of the total number of applications, 11,492 (31 percent) were granted refugee status, 98 percent of them Colombians. Advocacy groups have been critical of the Ecuadorian government for denying nearly 70 percent of asylum applications, leaving thousands of families unable or unwilling to return to Colombia. Finally, a moderate number of Chinese and a smaller number of other Asians have immigrated legally to Ecuador very recently, also because of dollarization. The 2001 census recorded 1,214

Chinese, and migration figures since 2001 indicate that on average, a net number of 645 Chinese have arrived annually, although most Ecuadorians suspect the figure is much higher. Despite their small numbers, the presence of Chinese immigrants is visible in the Chinese discount clothing stores that have appeared in nearly every Ecuadorian city.

Contemporary Migration Issues Facing Ecuador

Ecuador is struggling with its role as an important host country for Peruvians and Colombians. Both groups have been met with suspicion and hostility. Colombians are commonly suspected to be FARC rebels, paramilitaries, drug runners, or other criminals. This suspicion was fueled when, in January 2004, a prominent Colombian rebel was captured in Quito. Although Peruvians are generally not considered dangerous criminals, they face considerable discrimination, prejudice, and rumored exploitation. Many lead difficult lives and earn little money toiling in the least desirable jobs. Some Ecuadorians accuse Peruvians of stealing Ecuadorian jobs, lowering wages, and engaging in criminal activity, although there is little evidence to support the accusations. The Ecuadorian government has not addressed the Colombian situation beyond granting asylum to about one-third of applicants, in part because the two countries have a tense relationship. Ecuador objects to Colombia spraying coca plantations so close to the Ecuadorian border and suspects that rebels and paramilitaries use Ecuadorian territory. Thus, many thousands of Colombians continue to live in Ecuador without protected or legal status. The government has made better progress with Peru, announcing in December 2006 that the two countries are formalizing a bilateral agreement to grant legal status to thousands of Peruvians working in Ecuador. The details of the agreement and how it is carried out will depend on the new president, Rafael Correa, who assumed office in January 2007. Also of concern to the Ecuadorian government are the dangers migrants face. In 2005, an overcrowded fishing trawler headed for Mexico with more than 100 Ecuadorians aboard sank in rough seas off the Colombian coast, leaving only a few survivors.

Recently, Ecuadorians have become alarmed at reports that young women are being sold into or trapped in sex- slave operations, especially in Europe. To combat the vulnerability of migrants, the Ecuadorian government has begun a campaign to caution would-be migrants to reconsider migrating without legal permission and to know their rights should they go. In some parts of

Azuay and Cañar provinces, entire communities have been transplanted to metro New York. Many of these migrants have built large, brick houses, which are overseen by nonmigrants but are essentially empty until the migrants return. In some communities, thieves have broken into such houses to steal electronic items, money, and other valuables. Communities have responded with neighborhood warning systems and vigilante protection.

The return of migrants from the United States has produced a cultural upheaval, making it difficult for returnees to reintegrate. Many of the migrants from Azuay and Cañar provinces were part of the rural peasantry or urban working poor, with last names that lacked status and were associated with indigenous (Indian) identity. The economic success of these previously marginalized families has caused resentment among some of the families that stayed.

Although most Ecuadorians with legal status in the United States remain there, the children of US residents are known derogatorily as *rezis* and commonly experience exclusion. In the areas where much of the emigration has been via clandestine routes, thousands of children have been left behind with the remaining parent, or, in his/her absence, with other family members. A number of the children or adolescents suffer from depression, lack of interest in school, and, reportedly, a high rate of suicide.

Migration Politics and the New President

Migration became a political issue in the 2006 presidential elections, when a 42-year-old economist, Rafael Correa, defeated the wealthiest man in the country, Alvaro Noboa. Correa named his sister, Pierina Correa, coordinator of migration issues and posted a "Migration Policy" document on his website. In the document, Correa promised to create a "Virtual Consulate" so that migrants could obtain documents more easily, and to elevate the Office of Migration to a cabinet-level ministry. Most dramatically, he proposed changing the constitution to grant Ecuadorians living overseas proportional representation in Congress.

During the campaign, Correa, who had been economics minister in the previous administration, aggressively courted the votes of migrants in the United States and to a lesser extent, in Europe. In 2005, Ecuador passed legislation that allows Ecuadorians living overseas to vote in

presidential elections.

In November 2006, 84,110 Ecuadorians living in 42 countries around the world voted in the presidential election. Migrants in Europe supported Correa's opponent, but Correa won the majority of votes in the United States. Whether or not the Correa administration will be able to follow through on its promises to increase political involvement of migrants remains to be seen, but there is reason for optimism. No other president has paid nearly as much attention to migrants and their families and it is likely that candidates in the next presidential election will campaign and raise money among Ecuadorian communities overseas.

Annex 5

MEMORIA DEL SEMINARIO: “CONSULTA A LA SOCIEDAD CIVIL SOBRE LA REVISIÓN DE MEDIO TÉRMINO (RMT) DE LA ESTRATEGIA DE COOPERACIÓN DE LA COMISIÓN EUROPEA 2007-2013”

ABRIL 2009

ANTECEDENTES:

La Delegación de la Comisión Europea en Ecuador, interesada en conocer si la estrategia de cooperación es eficaz, y si los sectores prioritarios de cooperación tienen pertinencia considerando, entre otros factores, los cambios y la evolución que el país ha experimentado desde que la estrategia de cooperación actual fue definida en el 2006, convocó a representantes de la sociedad civil para que se pronuncien en ese sentido.

En este contexto se revisó la importancia de dos sectores prioritarios: la educación y el desarrollo económico. Además se contempló la posibilidad de incorporar en la Estrategia País de la Comisión Europea políticas ambientales y cambio climático.

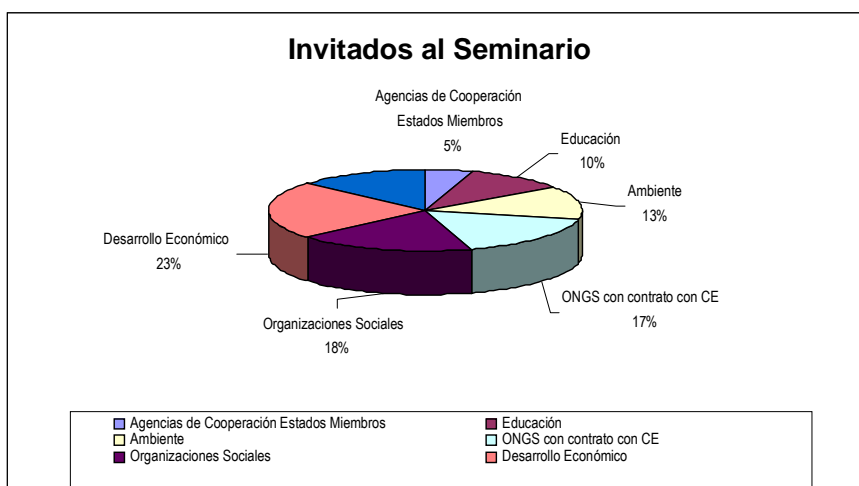
OBJETIVO:

Informar y conocer la opinión de la sociedad civil sobre la Cooperación de la Comisión Europea en Ecuador.

FECHA: 22 de abril de 2009

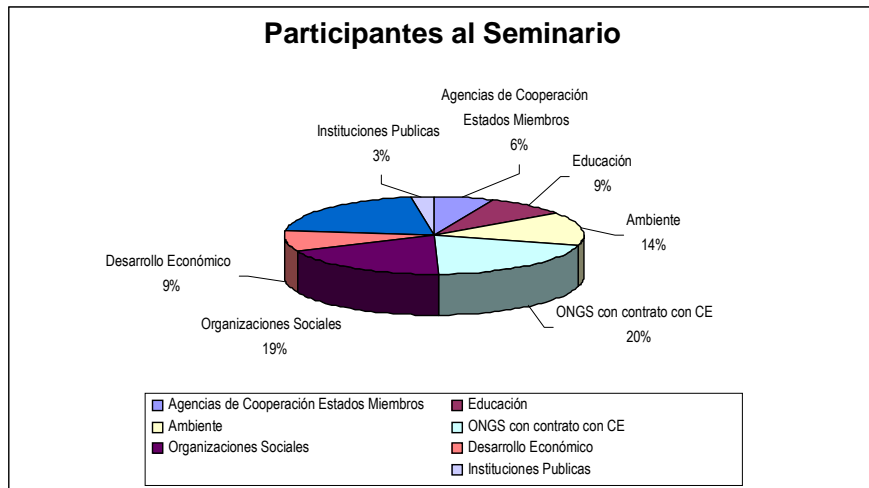
INVITADOS:

La Delegación cursó invitaciones a 101 organizaciones de la sociedad civil. Confirmaron la asistencia 74 personas.



PARTICIPANTES:

Participaron en el evento 63 personas invitadas, más los funcionarios de la Delegación de la Comisión Europea.



METODOLOGIA:

La modalidad utilizada en el seminario fue de presentaciones temáticas por parte de funcionarios de la Comisión Europea, con apertura de diálogo para que los participantes pudieran presentar sus contribuciones, las mismas que fueron registradas y se encuentran en el Anexo 5.

DESARROLLO DEL SEMINARIO

APERTURA

El Seminario inició con la bienvenida y orientaciones generales proporcionadas por el señor José Luis Martínez Prada, Encargado de Negocios a.i. de la Comisión Europea en Ecuador.

PRINCIPALES APORTES DE LA SOCIEDAD CIVIL

Los principales aportes de los presentes fueron:

- Considerar Seguridad Alimentaria y diferenciarla con Soberanía Alimentaria.
- Conocer la orientación de la Cooperación hacia los pueblos y nacionalidades indígenas.
- En el tema de migración interesaría conocer la política de convivencia intercultural, puesto que los flujos van a continuar.
- Ampliar el tema sobre el funcionamiento de las convocatorias a países múltiples y si la implementación se la realiza mediante acuerdos bilaterales.
- Conocer las preferencias de la Unión Europea.

- Conocer la iniciativa que tiene la Comisión Europea en el desarrollo de proyectos productivos para los pueblos afro-ecuatorianos.
- Analizar de una forma más exhaustiva y organizar de mejor manera la eficiencia del apoyo para evitar acciones fragmentadas.
- Reconocer que el turismo no solo tiene que ver con el tema ambiental, ya que tiene una mayor implicación, sobre todo en el desarrollo productivo.
- Definir mecanismos para identificar la manera en que la participación de las organizaciones de la sociedad civil en la cooperación de la Comisión Europea pueda ser más eficiente.

En el diálogo con la sociedad civil surgieron los siguientes comentarios:

- Preocupación relacionada con la crisis y su afectación en la inversión en éste y los demás sectores.
- Ampliación de la información acerca del mecanismo de la veeduría ciudadana, el Plan Nacional de Educación y la efectividad de la veeduría.
- Mayor explicación sobre indicadores cualitativos en el sector educativo.
- Dar mayor apoyo al sistema de educación bilingüe.
- Preocupación por la fragmentación y sugerencia de que exista coordinación entre actores y diferentes donantes.
- Ampliación del programa de educación intercultural.
- Los presentes consideran que el Plan Decenal de Educación es un gran avance para el país.
- Se ratifica que el tema educativo es una prioridad para el Ecuador.
- Es necesario trabajar en una reforma al sistema educativo.

Sobre el Programa de Apoyo al Sector Económico, a través del Plan Nacional de Desarrollo, los aportes de los participantes en el diálogo fueron los siguientes:

- Se consulta si se ha considerado el tema ambiental dentro de esta visión de sostenibilidad, y si están inmersas actividades productivas sostenibles, que incluyan el componente ambiental dentro del programa y como se apoyaría
- Preguntan cómo incluir a los pequeños productores, cómo garantizar los recursos y cómo abastecer los sistemas locales de alimentos. Si se habla de complementariedad, ¿Cómo se va ajustando el dialogo con el gobierno para que los planteamientos de cambio no queden en la retórica de una carta constitucional sino que sea una realidad?

- La SENPLADES¹⁹ aportó con la explicación de que existen evaluaciones semestrales al Plan Nacional de Desarrollo; que se debe trabajar en la evaluación del objetivo 11. Se trabaja en varios temas como el mencionado tema ambiental, y también a nivel de los planes de ordenamiento territorial. Esto se complementa con veedurías. Esta evaluación es la revisión de los objetivos del Plan Nacional de Desarrollo para determinar qué es lo fundamental para la transformación que requiere el país. Se requiere plantear el desarrollo incluyendo temas de desarrollo endógeno, de soberanía alimentaria, de lo ambiental, de la biodiversidad, y del agua como sectores estratégicos. Esta planificación se combina con los objetivos de inversión y prioridades del país.
- Se solicita información para conocer si los temas de tecnología e investigación y de información y biogenética para pequeños productores, estarían contemplados aquí.
- Se requiere información de la forma como se mide la gestión de la cooperación europea en los términos que permitan cumplir con los objetivos que se proponen en un plazo determinado.
- Se ratifica la importancia del dialogo compartido. El Plan Nacional de Desarrollo recoge elementos importantes de la nueva Constitución Política, omite un contenido esencial que es la plurinacionalidad. Se propone analizar la posibilidad de considerar el tema de la plurinacionalidad dentro del diálogo político.
- La representante de la AGECI dirige un saludo y felicita por este ejercicio, este esfuerzo de conversar con la sociedad civil para construir juntos. Informa que AGECI está trabajando en un plan de armonización de la cooperación como un esfuerzo compartido.

“Cooperación Regional Comisión Europea – Comunidad Andina de Naciones”: principales aportes y preguntas de los participantes en este diálogo.

- Un eje de integración podría ser el tema de cuencas compartidas considerando que el tema del agua tiene mucha importancia, en virtud de que el 70% del agua de la superficie de los países andinos está en cuencas compartidas.
- En cambio climático ¿Qué área se trabajará: adaptación, mitigación, o qué otros aspectos?
- ¿Cómo está planteada la relación con la OTCA (Organización del Tratado de Cooperación Amazónica)? ¿Cómo está el tema del bio-comercio y biodiversidad? ¿Cómo se está

¹⁹ La SENPLADES no fue invitada pero una de sus funcionarias estuvo presente en representación de una ONG.

buscando que se vayan consolidando las acciones regionales? ¿Cuál es la estrategia andina de biodiversidad?

- En el tema de lucha contra las drogas ilegales, no se debe considerar solamente poner observatorios. En cuanto al control, el hecho de que un país no sea productor, no quiere decir que no este expuesto a que se puedan instalar sembríos. ¿Cómo anticiparse para que no surja el problema de producción de drogas?
- ¿Qué relación tiene con el acuerdo de asociación UE y CAN? ¿Cómo se daría el tratamiento de los temas que se han expuesto en esta reunión?
- Otro asunto talvez más político, es el tema de la soberanía que ha sido tan mal utilizada y, en esa medida, cómo asegurar que la integración se de respetando esas falsas soberanías, y cómo evitar tomar el tema ambiental como barrera? Son preocupaciones que están latentes en las organizaciones que trabajan el tema social y ambiental.
- El tema de los agro-combustibles preocupa mucho, sobre todo por grandes extensiones y esta vinculado al tema ambiental. ¿Se abrirá el debate respecto al tema de los agro-combustibles? Sería interesante saber qué opina la sociedad civil al respecto.
- En el tema de drogas lícitas, con qué perspectiva se abordará el carácter cultural y de los usos y costumbres de los pueblos andinos y otros, en el cultivo de la hoja de coca?
- Existe una interdependencia entre los territorios indígenas y espacios estratégicos y espacios para el equilibrio del clima, los grupos indígenas son dueños de estos espacios.
- En tema de la soberanía alimentaria y diálogo con la SENAGUA (Secretaría Nacional del Agua), los pueblos tienen derecho a consulta para definir los programas que se realizaran en dichos espacios, cuando hayan medidas que puedan afectar a grupos humanos específicos. Por ello la cooperación internacional debe considerar la consulta.

En el espacio de diálogo destinado a medioambiente, se recibieron los siguientes aportes:

- ¿Cuál es el enfoque de la Comisión Europea sobre el papel que deben cumplir los gobiernos locales en el tema ambiental?
- ¿Cuál es la prioridad desde el enfoque de gestión de riesgos?
- Dentro del programa esta considerado el tema de la Deforestación. ¿Se van a tratar líneas sobre el tema?

- ¿Cómo la UE esta viendo el cambio de la Matriz energética que requiere el Ecuador? Existen otras posibilidades sobre las potencialidades, como por ejemplo en la parte Hidroeléctrica y hay otras tecnologías energéticas que son más amigables con el ambiente.
- ¿Qué líneas estratégicas de apoyo vinculadas al cambio climático deben contemplarse? Ahí entra por ejemplo el tema de las áreas protegidas.
- ¿Qué posición tiene la UE con la iniciativa que el Ecuador esta promoviendo con respecto al ITT (Ishpingo, Tambococha, Tiputini)?
- El tema del cambio climático no es sólo un problema ambiental netamente, es también un problema de desarrollo si se ve la pérdida que se da por los eventos extremos que se presentan. Se recomienda como prioridad el tema de la adaptación al cambio climático, generar las capacidades para disminuir el impacto del cambio climático, ayudar a que la gente sea más adaptable a las nuevas condiciones.
- Se conoce que el ecosistema manglar es apenas el 1% de los bosque a nivel mundial, es conocido por la FAO que se ha perdido el 50%; en el Ecuador se ha perdido más del 70% del ecosistema de manglar, el cual funciona como una barrera ambiental para mitigar desastres naturales como los Tsunamis. El Ecuador se encuentra con un alto riesgo de desastres en las costas y sobre todo en las islas. Se conoce que no es política del gobierno la restauración de ese ecosistema. Se solicita a la UE considerar medidas para restablecer ese ecosistema y evitar la catástrofe.
- ¿Cuál es el enfoque de la UE referente a los programas de reforestación? Los programas de reforestación están causando problemas no solo respecto al cambio climático sino también a las poblaciones que viven cerca a estas áreas, cuando se hace como monocultivo, porque se traduce en una reducción total de la riqueza de este ecosistema y reduce la producción de agua. ¿La UE podría canalizar recursos para mejorar el manejo de lo que ya está establecido para mejorar el ambiente? El gobierno tiene políticas ambientales que el texto dice que se debe hacer el manejo pero no existen los recursos.

Foro

Preguntas publicadas en la página WEB que sirvieron de base para animar el FORO

- ¿Considera que la estrategia de la CE en Ecuador es adecuada al contexto y necesidades del país?

- ¿Considera que las herramientas, métodos e interlocutores de implementación de la cooperación son pertinentes y eficientes?
- ¿Considera que la cooperación comunitaria canalizada a través de la CAN atiende las necesidades de este grupo de países en el marco de las competencias de la CAN?

Los participantes respondieron afirmativamente a las tres preguntas planteadas, siendo las recomendaciones más repetitivas las siguientes:

- ✓ En referencia al tema de la CAN, que tenga mayor difusión.
- ✓ Que exista actualización en relación a los cambios que ha sufrido el país.
- ✓ Apertura de diálogos políticos en temas de interculturalidad y pueblos indígenas.
- ✓ Que las estrategias apunten a potencializar las capacidades locales para lograr la sostenibilidad.

CONCLUSIONES

Las principales conclusiones obtenidas del seminario fueron:

- Se alcanzaron los objetivos planteados.
- Hubo un buen nivel de participación de los asistentes.
- Se destacó el interés y la necesidad del apoyo a los sectores de educación y desarrollo económico productivo solidario y sostenible.
- Se confirmó la necesidad de apoyar las políticas públicas.
- Se mencionó que la propuesta debe estar enmarcada dentro de la nueva Constitución de la República del Ecuador.
- Se confirmó la necesidad de fortalecer el sector comercial.
- Se enfatizó en incluir el tema ambiental/cambio climático de manera unánime.
- Se propuso mantener este tipo de discusiones que enriquecen y orientan a la cooperación.
- Los participantes coincidieron en que los sectores educación y el desarrollo económico, siguen siendo prioritarios para el Ecuador. Además se contempló la posibilidad de incorporar, en la Estrategia País de la Comisión Europea, políticas ambientales y cambio climático.
- Que las intervenciones permitan el fortalecimiento de las capacidades locales y contribuyan al desarrollo de lo local.
- Desarrollo de líneas generadoras de empleo.

Cierre

El señor José Luis Martínez Prada, Encargado de Negocios a.i, agradeció a los participantes por las contribuciones realizadas, destacó la importancia que tiene para la Delegación de la Comisión Europea en Ecuador el apoyo de la sociedad civil en los temas tratados, resaltando que éste es el inicio de un proceso. Consideró que, en términos generales, la Sociedad Civil ha ratificado los sectores priorizados, que hay que darle continuidad a los espacios de diálogo; y, animó a que envíen sus propuestas y comentarios a través de la página WEB de la Delegación: www.delecu.ec.europa.eu

Annex 6: Sector Budget Support

In the framework of the Country Strategy Paper (CSP) 2007-2013, and under the National Indicative Programme (NIP) 2007-2010, the modality of Sector Budget Support (SBS) has been introduced for the first time in Ecuador by the European Commission (EC).

Eligibility

The decision to adopt SBS was based on the standard criteria analysis of the eligibility of the country and the sectors of education and economic development. Those criteria were assessed for each of the decisions taken in 2007, 2008 and 2009 and for the moment the country is still considered as eligible and the perspectives for the future seem to be good.

The three basic eligibility criteria are being assessed by the EC as follows:

1. A well defined sector policy is in place or under implementation.

The assessment of this criterion resulted in that Ecuador has a well defined sector policy in education and sustainable economic development emphasising SMEs.

Education:

Although there are budgetary restrictions of the education sector in 2009, the Ministry of Education is going ahead with the implementation of the Decennial Education Plan. During the first months of 2009, the activities undertaken refer mainly to an internal management reform process. The investment projects, mostly started since 2008, are maintained but no new investment projects began, except the pay rise of basic teacher salary.

The Government, despite the effects of the international crisis, maintains social expenditure, especially in the education sector, in its list of priorities. The sector public policy is focused on the student's rights, on the requirements for the medium-term national development, the quality of services delivered and the rising up of sector governance and management capacities. As the PAPDE experience how, the completion of the EC budget support programs, with an enhanced civil society participation in public policies through EC co-financing is an important measure to strengthen sector governance capacities.

Economic development:

This area is focused on Objective II 'Sustainable economic development' of the 'National Development Plan' (NDP), which was elaborated in a participatory manner and implies the shared responsibility of the different public sector institutions. It is evaluated every trimester by SENPLADES (Secretaria Nacional de Planificación y Desarrollo) through the Sub-Secretariat of Evaluation.

Moreover, in 2008 the government adopted several policies for the economy reactivation. The more important ones are:

- Reactivation of the productive sector through a reduction of production costs: At least a 10% decrease on electricity tariffs for the commercial sector. Also, the contributions to the Rural Electrification Fund were removed. A tariff reform that includes a substantial reduction of taxes on raw materials, inputs and capital goods was made.
- Protection of domestic production: Raising taxes (the maximum % approved by the WTO) in some goods (940 items) makes domestically produced goods cheaper than imports. An implementation of regulations and standards for sensitive products was needed in order to reach the standards of quality, and to protect the final consumer. At the same time, it supports local industry. (COMEXI Resolution 458). Furthermore, the campaign 'Consume lo nuestro' was made to promote local production and protect jobs.
- Price control: The Government has implemented programs and policy measures to fight against speculation and unwarranted price rises, especially in those goods considered basic in the Ecuadorian people diet.
- Fair and decent remunerations: In order to have a progressively eradication of remuneration disparities and achieve a progressive equalisation of the family income with the family budget, the government prompted the payment of fair wages to Ecuadorian workers of the private sector.
- Elimination of outsourcing: Outsourcing has been removed in order to curb labour precariousness. As a result of the Mandate and the inspection performed, about 160 000 workers nationwide have been incorporated to their respective companies.
- Encouraging and supporting the agricultural sector to mitigate the impacts of rising food prices and improving agricultural production: The national government took measures to mitigate, in the short term, the effects of the increase of food prices. These include: a \$70 bonus for small producers to obtain fertilisers, an exoneration to agricultural producers to not pay the income tax, encouraging reinvestment, a 0% VAT rate to agricultural inputs (goods capital and raw materials), and an expansion of the food products with 0% VAT.

2. A credible and relevant programme to improve public financial management is in place or under implementation.

The latest assessment of public finance management was about the main data and events that took place in Ecuador during the first semester of 2009 concerning the Public Finance sector.

The country is strongly affected by the impact of the international financial crisis, with a sensible reduction of revenues due to the decline of international oil prices, of remittances as well as of the external demand and exports.

In response to these effects and in the framework of the initiated State Modernisation process, the Government implemented several reforms mostly directed towards the increase of monetary liquidity in order to promote national investment in strategic sectors of the national production.

The Government repurchased part of its public commercial debt (91% of the Global Bonds 2012 and 2030) and took out new loans, mainly with China under the scheme of advance sell of its oil production. The aim of the Government is to assure the social expenditure (health and education) in spite of the fiscal deficit.

Upon request of the Ecuadorian Authorities a PEFA study, financed by the European Commission under the PAPDE program, was carried out during end of July until end of August 2009. The preliminary report was issued in August 2009 and widely discussed with the Minister of Finance and her team. It is expected to receive in September 2009 the final report. Worth to mention, that the Authorities not only demonstrated a high owner- and leadership concerning the PEFA study but also expressed their overall satisfaction with work carried out.

3. A stability-oriented macroeconomic policy is in place or under implementation.

Although stability oriented macro-economic reform is not an objective of SBS, short and medium term macro stability is necessary for the successful execution of sector budgets and to ensure predictable and sustained sector funding.

July's assessment stressed that due to the international financial crisis, Ecuador suffers market breaks mainly in the oil sector. The negative trade balance and economic growth rates in two consecutive periods indicate that the country is hit by recession. According to IMF and ECLAC studies, Ecuador is one of the most affected countries in the region. Nevertheless the underemployment rate has slightly recovered in the last months, as well as the poverty rate, comparing with data of 2008. During the first semester of 2009, Ecuador adopted a set of economical reforms in order to reduce the negative trade balance and to raise the internal demand and consumption.

The fulfilment by the two programmes of the general and specific conditions fixed in the respective financing agreements, and in particular the achievement of the results on the base of the previously agreed indicators targets, conducted the EC until now to release the full values of all the fixed and variable tranches.

Lessons learned about sector budget support modality

A general lesson-learned from EC cooperation with Ecuador is the positive performance and the suitability of sector budget support as aid modality. Budget support increased government ownership, contributed to institutional strengthening and capacity building, and promoted mutual accountability, among others. There are several projects in the education sector financed by other donors, all of them implemented through project approach. However, the institutional instability, as well as the high rate of staff turnover, hinders the good completion of these actions. The several autonomous execution units and the weak articulation/integration of these projects within the public policy did not allow obtaining long-term results, particularly at the institutional capacities level.

Taking into account the strong role of the state in development policies, the sector budget support offered the necessary flexibility to select those aspects of Ecuador's NDP, in line with EC policies, for EC support.

Another lesson concerns the importance of aligning EC cooperation to an established sector policy. In the case of Ecuador, cooperation in both focal areas is not only linked to specific sector policies, but is also based in a sector strategy outlined by the National Development Plan.

Concerning the support to the education sector, elements of the success included also the high political priority of this sector as well as the proved capacity of Ministerial staff to lead, design and implement an ambitious and wide-ranging sector plan.

The participation of the civil society in the follow-up of the planning and administration has improved sector dialogues at the institutional and legal level. Sector dialogues with the participation of international donors, summoned by the Government are to be re-established as from 2009 on and the participation of the civil society is certainly one of the strategic points in the EC sector dialogues with the Government.

The country adhered in 2009 to Paris Declaration on Aid Effectiveness and is promoting SBS among the other donors.