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Acronyms¹

ACT	Amazonian Cooperation Treaty
AEC	Project for the establishment of a common external tariff for the Andean States
AIS	Andean Integration System (comprises all the Andean regional institutions)
ALADI	Latin American Integration Association (Member States of Mercosur, the Andean Pact and Mexico, Chile and Cuba)
ALA Reg.	Council Regulation (EEC) No 443/92 of 25 February 1992 on technical and financial and economic cooperation with the countries of Asia and Latin America
ALFA	Latin American Academic Training Programme
ALINVEST	Latin American investment programme for the promotion of relations between SMEs
@LIS	Latin American Information Society Programme
APIR	Project for the acceleration of the regional integration process
ATPDEA	U.S. Andean Trade Preference Act
CAF	Andean Development Corporation
CALIDAD	Andean regional project on quality standards
CAN	Andean Community of Nations: Bolivia, Colombia, Ecuador, Peru + AIS
DAC	Development Assistance Committee of the OECD
DG	Directorate-General
DG ECHO	European Commission Directorate-General for Humanitarian Aid
DIPECHO	ECHO Disaster Preparedness Programme
EC	European Community
ECLA	Economic Commission for Latin America
EC OJ	Official Journal of the European Communities
EIB	European Investment Bank
€x m	x million euros
EU	European Union
FDI	Foreign Direct Investment
GRANADUA	Andean Regional Customs Cooperation Project
GSP	Generalised system of tariff preferences
HDI	UNDP human-development index
HIPC	WB debt initiative for the heavily indebted poor countries
IDB	Interamerican Development Bank
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
Mercosur	Southern Cone Common Market: Argentina, Brazil, Paraguay, Uruguay and Venezuela
NAFTA	North American Free Trade Agreement: Canada, Mexico and the United States
NGO	Non-governmental organisation
OAS	Organization of American States
OECD	Organization for Economic Cooperation and Development
OLADE	Latin American Energy Organization
OPEC	Organization of Petroleum-Exporting Countries
S&T	Science and technology
SPS	Sanitary and phytosanitary
TBT	Technical barriers to trade
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
URBAL	Latin American Urban Programme (for the establishment of networks of local authorities in various areas of activity)
WB	World Bank
WTO	World Trade Organization

¹ These are the most commonly used acronyms; they are not necessarily based on English names.

EXECUTIVE SUMMARY

Ecuador is a small country (256 370 km²) in the Andean region with a great diversity of geographical and ecological systems, a population made up of a variety of cultures and ethnic groups and highly differentiated local economies. The country is a presidential democracy, and held presidential and congressional elections in late 2006. The total population was estimated at 13.2 million in 2005. Population numbers are subject to the contradictory effects of a high birth rate and a high rate of emigration, with a high proportion of young people.

Geographically, culturally and economically, the country can be divided into four markedly different regions:

- The Andean region in the centre, which includes the capital, Quito, and the cities of Ambato, Cuenca and Loja, which are important centres for trade and the rural economy.
- The Pacific coastal region in the western part of the country, which historically has absorbed major population flows (Arabs and Africans from the days of slavery, Asians and East Europeans more recently). Trade and industry have developed in economic centres such as Guayaquil (the largest port and biggest city in the country), Manta and Santo Domingo de los Colorados.
- The Amazonian region, which covers more than 50% of the national territory, and features extensive reserves of wood and oil, the country's major economic asset. The area is thinly and sparsely populated.
- The island region of the Galápagos Archipelago, a nature reserve dedicated to tourism and fishing.

Following the 1998 financial crisis and dollarisation in 2000, the country has demonstrated a solid capacity for economic recovery over the past three years: inflation is now under control and the country has an estimated annual growth rate of 5.5%, generated mainly by high oil prices. The non-oil growth rate is relatively low at 2% - only just above the rate of growth of the population which stood at 1.6% in 2004.

Domestically, the country is facing two major challenges: poor central governance, resulting from an outdated system of political representation and a justice system which has suffered from political interference and needs modernising; and a serious deterioration in the country's human capital as a result of extremely unequal wealth distribution and very low social spending by successive governments. These factors combine to produce a high percentage of poverty (57% of the total population at the last count, including 19% in extreme poverty) and alarming levels of inequality and exclusion.

Externally, the main challenges include difficulties in the process of Andean integration; and the spill-over of the armed conflict in Colombia and impact of Colombian drug-traffickers' activity. Some areas in Ecuador's northern provinces are a rear-base for Colombian belligerent groups (FARC guerrilla and paramilitaries), while the number of asylum-seekers registered in Ecuador in 2005 was nearly 45,000.

Faced with these challenges, the **EC's response strategy** should concentrate on two objectives: (i) encouraging higher and better quality social spending by the government; and (ii) bolstering the competitiveness and entry into the market of small and medium-sized enterprises, which

offer the best hope for job creation. These two sectors coincide with two of the three major policy priorities of the government of Rafael Correa who was elected President of Ecuador in November 2006.

Under the Development Cooperation Instrument (DCI), an indicative allocation of € 137 million has been earmarked for Ecuador for the period 2007-13. These resources may be supplemented by projects and programmes financed under the regional programmes for the Andean Community and for Latin America and under various thematic programmes.

1. EU/EC COOPERATION OBJECTIVES

1.1 The EU Treaty Objectives for External Cooperation

In accordance with Article 177 of the Treaty Establishing the European Community, the Community's development cooperation policy shall foster the sustainable economic and social development of the developing countries, the smooth and gradual integration of these countries into the global economy and the fight against poverty. The Community's policy in this area shall contribute to the general objective of developing and consolidating democracy and the rule of law, and to that of respecting human rights and fundamental freedoms.

On the basis of Article 179 of the same Treaty, a new Development Cooperation Instrument (DCI) was adopted in December 2006. Ecuador is eligible to participate in cooperation programmes financed under the DCI [European Parliament and Council Regulation (EEC) No. 1905/2006 of 18 December 2006 establishing a financial instrument for development cooperation.]

1.2. The Joint Statement on EU Development Policy “The European Consensus” (2005)

The context for the new strategy for the period 2007–2013 is the EU Development Policy Statement “The European Consensus on Development” adopted by the European Parliament, the Council of Ministers, the Member States and the European Commission in December 2005. This Statement underlines that the primary and overarching objective of EU development cooperation is the eradication of poverty in the context of sustainable development, including the pursuit of the Millennium Development Goals (MDGs). It also highlights the importance of partnership with the developing countries as well as the promotion of good governance, human rights and democracy, in order to achieve a fair and equitable globalisation. The Statement sets out a differentiated approach, according to the relevant context and needs, and proposes a common thematic framework which includes social cohesion and employment, as well as trade and regional integration, among the priorities for Community cooperation.

The Development Policy Statement also contains a specific chapter on mainstreaming cross-cutting issues. Special reference is made to the promotion of human rights, gender equality, democracy, good governance, children's rights and the rights of indigenous peoples, conflict prevention, environmental sustainability and combating HIV/AIDS. These cross-cutting issues are both objectives in themselves and vital factors in strengthening the impact and sustainability of cooperation.

1.3. Commission Communication on “A Stronger Partnership between the European Union and Latin America” (2005) and the Declaration of Vienna (2006)

In December 2005, the European Commission adopted a Communication on a renewed strategy designed to strengthen the EU-Latin America strategic partnership. With a view to the 4th EU-Latin America/Caribbean Summit which was held in Vienna in May 2006, the Communication analysed the current challenges and made practical recommendations for revitalising the partnership. Its proposals include stepping up political dialogue between the

two regions, stimulating economic and commercial exchanges, encouraging regional integration, tackling inequality and tailoring its development and aid policy more closely to actual conditions in Latin America. The Declaration of Vienna, issued by the Heads of State and Government of the European Union and of Latin America and the Caribbean on 12 May 2006, reiterates the commitment to expand and deepen EU-LAC cooperation in all areas in a spirit of mutual respect, equality and solidarity.

2. ECUADOR'S POLICY AGENDA

During recent years, Ecuador has experienced a serious political and governance crisis, making it very difficult to predict the course of national policies over the next few years. In addition to the serious difficulties experienced in reaching agreement on long-term national strategies for Ecuador, the level of practical impact in terms of implementation of agreed policies has been poor in recent years. General elections took place in 2006 in a context of polarised political and social forces and widespread disillusionment with the major democratic institutions such as the traditional political parties, the Congress and, indeed, the Presidency. Although Rafael Correa was elected President in the second round with a convincing 57% of the vote, his party *Alianza País* has no members elected to Congress and he will depend on the support of several other political parties. This means that the Correa Government, which takes office in January 2007, may struggle to implement effectively its policies on vital matters such as health, education and poverty reduction. If major political reforms are not achieved, the day-to-day activities of governance may continue to unfold in the atmosphere of constant social tension that has reigned during the past decade.

Recent political debate has focused on two aspects of the country's institutional functioning: the consolidation of the rule of law through the modernisation of the justice system, and administrative and budgetary decentralisation. The prerequisites for the consolidation of the justice system are: making the Supreme Court function; and reforming the Constitutional Tribunal, the Ombudsman's Office (*Defensoría del Pueblo*) and the Electoral Commissions. If a government meets these challenges, this could provide the basis for the modernisation of the sector over the coming years. For decentralisation, bodies like Association of Ecuadorean Municipalities (AME) and the Consortium of Provincial Councils (CONCOPE) have become advocates of the indispensable reforms, forcing the national government to take note of their demands. The strategic plans of both bodies feature the essential objectives of strengthening local governance and territorial development, and there is no doubt that these are a fundamental requirement for any democratic and political consolidation of the country.

Notwithstanding the absence of the clear policy framework which would be provided by a national development plan or a PRSP, the Ecuadorean authorities are committed to certain strategic lines that are likely to remain in place in the short term. Ecuador is firmly committed to building, consolidating and extending a democratic society even if there are still huge areas of disagreement as to the forms this should take. On the social and human front, Ecuador has made significant progress in developing a legal framework for gender equality, respect for human rights, environmental conservation and recognition of the cultural values and specific rights of indigenous peoples. However, there is still a worrying gap between the existence of the legal framework and its implementation.

Ecuador is also committed to achieving the Millennium Development Goals and has made considerable progress in extending the coverage of basic services, education and health; however, greater efforts are needed in these areas to reduce poverty levels and offer economic opportunities to the majority of the population who remain excluded from national life. Recent

years have seen important achievements in education, such as falling illiteracy rates, but access to education remains linked to income levels, gender, race and geographical location. There are also concerns about the quality of education, in particular the out-dated and over-centralised curriculum with little connection to local realities and to the needs of labour markets. Similarly, while various health indicators are showing a marked improvement, the rural and poorest sectors of the population have limited access to good quality health care. The significant majorities (ranging from 64% to 67%) in favour of three propositions submitted to referendum in late 2006, all of which focused on increasing social investment particularly in health, education and economic regeneration, provide the Correa government with a clear mandate to step up Ecuador's efforts in these fields. Work has been under way for several years on the reform of the public sector, with the aim of achieving more efficient public management. The results of this reform are still patchy and there is a lack of continuity in the efforts deployed.

3. ANALYSIS OF THE POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION

3.1 Political situation

Following Ecuador's return to democratic government in 1979 after a series of military régimes, the country has suffered from a highly politicised judicial system and chronic political instability which has been most marked during the past decade. Since President Durán Ballen completed his term in 1996, no elected president of Ecuador has been able to complete a full term in office. The ousting of President Gutiérrez in April 2005 marked the third time in a decade that a President of Ecuador had been forced from office. Ecuador is going through a transitional period marked by one central question about the political system: how can the current political institutions adopt the reforms necessary for the effective democratic governance of the country?

Ecuador has all the typical signs of weak governance, as shown by its frequent changes of President, of ministers and of staff responsible for policy inside the ministries. Ecuadorean politics are dominated by the split between the Highland and Coastal regions of the country, and by regional divisions in the political parties. The traditional political parties are an important source of the country's governance problems as they are remnants of the tradition of local fiefdoms, and lack clearly defined policies and consolidated representation structures. The main traditional parties are all undergoing serious crises of credibility, legitimacy and effectiveness, exacerbated by the dominance of private interests and regionalism. Despite that, the six largest party groups dominate the workings of Congress. In a country which is deeply divided along social, ethnic and regional lines, Ecuador's current constitution moreover contains elements that tend to guarantee that there will be conflict rather than collaboration between the executive and legislative branches of government, leading in turn to a widespread lack of confidence in the democratic institutions.

Former President Alfredo Palacio was unable to implement the commitments he made on taking office in 2005, when he promised to "recast the republic" through political and constitutional reforms. The task of tackling political reform thus falls to the government of Rafael Correa which will be office from January 2007 onwards. According to the election observation mission of the OAS, the 2006 elections were conducted largely in accordance with national and international standards. However, as mentioned in Chapter 2 above, the

outcome may make collaboration between the Presidency and the legislature difficult. If Correa's proposal to convene a constituent assembly to draft a new constitution is approved, this could in due course result in improved arrangements for democracy in Ecuador; but deliberative processes of this kind also carry with them some risks.

The judiciary is outdated and disorganised, leaving it with limited capacity and credibility to fulfil successfully its duty to guarantee the rule of law. The judiciary is also highly politicised, although the merit-based method used to appoint the Supreme Court in 2005 may have broken the mould and could herald the beginning of a broader improvement on this score. These problems not only reduce access to justice for the country's citizens but also amount to an obstacle to the domestic and foreign investment that is vital for the sustainable development of Ecuador's natural and economic resources, in particular the oil industry, which is the country's main source of revenue yet performs poorly in terms of productivity and profitability due to insufficient levels of investment.

At the same time - and perhaps in part precisely because of these limitations at national level (Congress, Ministries) - local government management capacity, particularly at the provincial and municipal levels, has improved markedly in recent years. The national organisations which represent local government, the *Consortio de consejos provinciales del Ecuador* (CONCOPE) and *Asociación de municipalidades ecuatorianas* (AME), are seeking a more wholesale redistribution of administrative and financial powers, which have previously been extremely limited, as well as improvements in the scope for levying and collecting local taxation.

One clear consequence of the set of factors described above is that there is only limited political representation for the vast majority of indigenous peoples, Afro-Ecuadoreans and mestizos. They have never had the opportunity to express their social and political aspirations inside the traditional parties, which have always been dominated by small entrenched power-groups. An alliance in the 2002 elections between the party that most clearly represented the indigenous peoples (Pachakutik) and the candidate Lucio Gutiérrez was ultimately disappointing. It is difficult to conceive of any stabilisation or effective functioning of Ecuadorean democracy while a large majority of the population is excluded from the national political process, yet is participating to an ever greater extent in local management.

The decentralisation process, which has been on the government agenda for some years now, is not progressing, and sectoral ministries are clearly resisting the decentralisation of taxation and other competences, despite previous successes when local governments assumed a degree of responsibility for providing services to their population.

Ecuador has long borders with Colombia to the north and Peru to the east and south, and places particular emphasis on relations with its Latin American neighbours. Since the 1995 peace accords were signed with Peru, good progress has been made towards improved integration along their shared border. In contrast, the major problems affecting Colombia - drugs, the FARC, Plan Colombia - are having an increasingly adverse impact on Ecuador, which is obliged to provide shelter for a large number of displaced persons and to increase the numbers of security forces on the border. Relations between the two countries have experienced some difficult moments in recent years. Relations with the EU are good, with high-level contacts at the EC-Latin American summits in Madrid (2002), Guadalajara (2004) and Vienna (2006), and at EU-Andean Community and EU-Rio Group ministerial meetings in

2003 and 2005. Members of the European Parliament Delegation for Relations with the Andean Community visited Ecuador in November 2005.

The challenges that Ecuador will face as of 2007 include improving the stability and effectiveness of public policies, implementing the decentralisation process appropriately (including proper regional redistribution) and strengthening political representativity, possibly by means of a constituent assembly. At the same time, many challenges have to be faced with regard to maintaining democracy and social peace and improving social inclusion particularly for Ecuador's indigenous and Afro-Ecuadorean populations.

3.2 Economic situation

Ecuador is a small country (256,370 km²) with a population estimated at 13.2 million in 2005. Following a major economic crisis in 1998-2000 which led to the closure of a number of Ecuador's banks, the dollarization of the economy in 2000 contributed to macroeconomic stabilisation, notably the curbing of inflation which stood at 91% in 2000 and a significant growth rate. GDP increased by 5.4% in 2001, the highest in South America, and, having slowed in 2002 and 2003, GDP growth reached 6.6% in 2004. But it should be noted that the recent increase is mainly due to very high oil prices as non-oil GDP growth did not rise above 2%, and was therefore only just in excess of the rate of population growth which stood at 1.6% in 2004. Oil production has increased significantly thanks to a second pipeline which came on stream in 2003, and while Ecuador may be reaping the benefits when oil prices are high it is also extremely vulnerable to external economic shocks due to the high relative importance of oil for the country's revenues. Although dollarisation had a negative impact on certain sectors of the economy, as a consequence of the initial rise in prices and the real appreciation that it entailed, it has, as noted, provided a useful stability-oriented macro-economic framework.

Despite the precarious state of its economy, Ecuador is categorized as a middle-income country and ranked 83rd out of 177 countries on [UNDP's Human Development Index for 2006](#) - up from 100th in 2004. Ecuador had a GDP per capita of USD 2,429 per annum in 2005. Levels of foreign investment and dollar remittances are strong although Ecuador's Foreign Direct Investment (FDI) performance remains significantly below potential. The economic policy agenda of successive governments has been defined largely by the desire to secure the approval of the IMF in order to unlock loans from multilateral lenders such as the World Bank and Inter-American Development Bank.

3.3 Foreign trade

Ecuador's main export-earning products are oil and oil derivatives, bananas and plantain, fresh flowers, fresh and processed shrimp and tuna, cocoa and coffee. The country is the world's largest exporter of bananas and Latin America's fourth-largest exporter of crude oil, with oil accounting for 25-30% of state revenues. Revenues from tourism have also risen sharply in recent years.

Although the US is Ecuador's biggest trading partner, some 13.6% of exports - principally bananas, shellfish and flowers - and approximately 12.4% of imports are with the EU. In 2004, imports grew by 8.4%, almost two percentage points above the growth in GDP, with Ecuador's exports to the EU amounting to € 1229 million in 2004, while imports from the EU made up € 718 million. This gave Ecuador a positive trade balance of more than € 500 million. Thanks to the "most-favoured-nation" clause and the GSP Plus, 87% of

Ecuador's exports to the EU are duty-free. Ecuador's main European trading partners are Germany, Italy, Belgium, Spain, the Netherlands, the United Kingdom, France and Poland.

Ecuador has played an active role in trade talks, including those held in the process of Joint Assessment of Regional Economic Integration between the EU and the Andean Community (see Chapter 4.3 below); between the Andean Community and Mercosur; and bilaterally with other countries. Provisional statistics suggest that Ecuador's trade performance within the Andean Community, above all in trade with Colombia and Peru, improved significantly during the first nine months of 2005, with Ecuador's intra-Community trade increasing by 64% - taking it into third place with 12% of total intra-Community trade (behind Colombia with 48% and Venezuela with 21%). Ecuador has made significant progress in negotiations with the US for a Free Trade Agreement (FTA), but vital obstacles remain, including intellectual property rights and sensitive agricultural matters, and domestic opposition makes it unlikely that an FTA will be signed before a new government takes office in 2007.

Ecuador's weak governance has, moreover, had a negative impact on its integration with the other Andean countries, particularly as regards economic and trade relations. Ecuador is insufficiently competitive and therefore unable to take full advantage of the commercial opportunities offered by the lowering of tariff and other barriers between it and its trading partners. Small and medium-sized enterprises in the agro-productive and agro-industrial sectors are potentially among the most competitive, but nevertheless need to modernise their operations and would benefit from a more favourable business environment.

3.4 Social context

Government - whether central or local - has to respond to the needs of a society that is highly unequal and exclusive, where income is concentrated among a small minority of the population and the GINI coefficient is worsening. As in many Latin American countries, the Ecuadorean state plays only a limited role in the redistribution of wealth and public expenditure on social programmes is low. Indeed, Ecuador has one of the lowest social spending/GDP ratios in Latin America. On average, over the last decade, social spending stood at 4.7% of GDP. This was too low, given the absence of GDP growth (in the non-oil sector), and as a result real GDP per capita has not risen significantly since the 1980s. Advances in social sectors have also been hampered by a lack of proper targeting of the limited social investment which is undertaken.

Despite important advances at the macroeconomic level, a high percentage of the population still lives in poverty and extreme poverty. Available data are unreliable, but it is estimated that between 40% and 70% of the population live below the poverty line (depending on the evaluation method: income, or basic needs that are not met). Up to 25% of the population suffer from extreme poverty. Indigenous and Afro-Ecuadorean citizens suffer disproportionately from poverty and social exclusion. Meanwhile, the country's birth rate is high, particularly among the poorest strata of society, and unemployment and under-employment are rising constantly. This situation has led many Ecuadoreans to seek economic alternatives far from their place of origin, moving from rural areas to the cities, and from Ecuador to the US and the EU, especially Spain and Italy. Remittances are the country's second largest source of earnings after oil and totalled US\$ 2,005 million in 2005, equivalent to 6.4% of GDP. The country's considerable population movements, both internal and external, pose further challenges in terms of family breakdown, brain drain and other problems. However, in some respects external migration has also acted as a safety valve

reducing social and political pressures which might otherwise become unmanageable in the absence of far-reaching political changes.

There is great social inequality in Ecuador, as in many Latin American countries, and the poorest 20% of the population earn a mere 1.7% of the total income. The country's GINI coefficient slid from 0.43 in 1995 to 0.57 in 2001 (a value equal to zero represents perfect equality, and a value equal to one represents total inequality). There is also growing inequality in incomes and salaries; in 1990 the richest 20% of the working population earned 9.11 times more than the poorest 20%, and that ratio rose to 12.26 by 2002. Exclusion and inequality are basically associated with poverty, place of residence, ethnic origin, age and gender. Being female, poor, indigenous or black, and/or living in rural areas are all factors that limit access to opportunities, proving that past social policies have failed to integrate these sections of the population.

The Colombian conflict is having an increasing social impact in Ecuador. With at least 370,000 Colombians believed to be living in Ecuador in 2005 – of whom some 45,000 are registered refugees - certain social tensions have become increasingly apparent. Many Colombian refugees and migrants have entrepreneurial skills which enable them to play a growing role in commercial activities in Ecuador. This can cause difficulties with the host population, fuelled by prejudices which hold Colombians responsible for criminal activity in Ecuador. There is, moreover, evidence of illegal activities by Colombian armed groups even in Quito, for example pursuing people who have sought to escape them by coming to Ecuador.

3.5 Environmental situation

Ecuador is vulnerable to extreme meteorological and geo-physical events including the cyclical *El Niño* phenomenon, volcanic eruptions and earthquakes. It also enjoys great natural wealth with a high biological diversity, plentiful water and mineral resources and major energy potential - with oil being one of the most abundant resources. Much of the natural heritage is satisfactorily conserved, although there are major concerns about deforestation and poor forestry stewardship in Ecuador. The country has an appropriate regulatory framework – not always implemented adequately - and there are a number of very active civil society organisations which are alert to environmental problems. More detailed information on these matters is provided in the Environmental Profile of Ecuador at Annex 4.

As regards the international scene in the fields of the environment and sustainable development, Ecuador has ratified the main conventions (Biodiversity, Desertification, Climate Change) and, in particular, the Kyoto Protocol in 1999. Ecuador has a good background in terms of environmental legislation, strategies and plans, dating back to the beginning of the 1980s. Environmental issues and policies, however, have not been very high on the agendas of recent governments and the Ministry of the Environment is extremely weak in every sense.

Climate change poses serious threats to Ecuador's inhabitants, to its eco-systems and also to important economic activities such as agriculture and eco-tourism. Its damaging impact can be seen in a range of phenomena such as the increasingly severe flooding caused by *El Niño* and, for example, the accelerated melting of tropical glaciers which is reducing both water supplies to some cities and also the country's hydro-electric generating capacity, as well as threatening the vulnerable *páramo* eco-system. Ecuador requires support for its efforts to adapt to and mitigate the impact of climate change.

3.6 Evaluation of the reform process

The government of Lucio Gutiérrez, from January 2003 to April 2005, was marked by an absence of clear policy objectives and repeated changes among political alliances which prevented the reforms promised during the electoral campaign from getting underway. The transitional nature of the Palacio government from April 2005 to January 2007 made it impossible to implement structural reforms. However, certain changes described below, which were implemented during that period, may be considered as necessary preconditions for the beginnings of significant reform at a sectoral level.

Securing the independence of the justice system is one of the major challenges facing Ecuador. The main precipitating factor in the ousting of ex-President Gutiérrez was the political manoeuvring by which he sought to undermine attempts to reform the **Supreme Court**, culminating in him sacking all of its members. In May 2005, Congress approved legislation to establish a new selection process for Supreme Court justices, involving civil society participation and a selection committee subject to international scrutiny. The new process was concluded when 31 new justices were sworn into office in November 2005. This set the scene for a wider process of reform of the legal system and allowed other judicial institutions, including the Ombudsman and the Constitutional Tribunal, to begin functioning again in 2006.

Ecuador has established a special mechanism for allocating to various specified uses the additional revenues which may be generated for the State as a result of differentials between the real export price of oil and the notional price used in drawing up the national budget. This mechanism is the **Fund for Stabilisation, Productive Social Investment and the Reduction of Public Debt** (FEIREP). Until mid-2005, 70% of FEIREP resources had to be used for external debt repayment; 20% to compensate for variations in the price of oil; and 10% for social spending. In July 2005, Congress approved legislation to alter the balance between these uses, and add new ones, as follows: 35% to production credits; 30% to increased social spending; 20% to compensate for variations in the price of oil; 5% to scientific research; 5% to roads; and 5% to social and environmental recovery. This legislation also altered the rules for implementing Ecuador's 3.5% limit on the annual increase in the budget. Its most important impact might well be on government social spending, a proposal that is combined with the intention to reduce the dependence on foreign debt to finance social spending and a re-examination of the strategies of international financial bodies.

Following close coordination with and support from the international donor community during 2004, the government succeeded in presenting in February 2005 Ecuador's first report on progress towards achieving the **Millennium Development Goals** (MDGs). In July 2005 a decree was adopted to establish a National Secretariat for the MDGs (SODEM) and enshrine the MDGs as a national policy objective. These developments generated expectations among international donors, but major challenges remain to be tackled including duplication and poor coordination between the Technical Secretariat for Social Affairs, the National Secretariat for Planning and Development (SENPLADES) and the Ecuadorean Institute for International Cooperation (INECI); and a certain ministerial inertia, particularly regarding education, which may hinder progress towards achieving the MDGs.

3.7 Cross-cutting issues

3.7.1 Democracy and good governance

The social and political situation in Ecuador is complex and there are many potential causes of conflict whether social, economic, political, geographic, ethnic, cultural or of other kinds. However, practically all conflict situations in Ecuador share two common structural roots: the persistent exclusion, poverty and inequality which affect a large majority of the population; and a deep-seated institutional weakness and consequent lack of instruments to cope with any crisis. In the past decade there has been a marked rise in conflict levels in Ecuador, which means that it faces significant challenges in maintaining democracy and governance. Conflict prevention has been an indirect objective of EC cooperation in Ecuador, but greater priority and consideration may have to be given to this in international cooperation activities, developing specific instruments that tackle the structural causes of these conflicts while also promoting good governance and strengthening democracy. This concern is addressed in more detail in Chapters 4 and 5 below.

3.7.2 Human rights, including the rights of children and young people

Ecuador has an adequate constitutional and legal framework defining human rights, and mechanisms for ensuring that these rights are protected. There is provision for a human rights Ombudsman, whose work is complemented by several well respected NGOs, and in general, the government respects the human rights of its citizens. Ecuador has ratified most of the international human rights covenants, conventions and protocols. However, some concerns about certain specific aspects of Ecuador's human rights record, which may be due to weak institutional capacity and to limited financial resources, have been raised by national and international NGOs.

In reports published in 2003 and 2004, Amnesty International (AI) expressed concern about the police court system which is part of a "special jurisdiction" responsible for prosecuting police officers, arguing that this has facilitated, and in some instances led to, impunity when dealing with allegations of human rights violations. Prison conditions in Ecuador are poor and give rise to frequent and sometimes prolonged protests by inmates and also by staff. Allegations of police torture and other mistreatment of prisoners and detainees are not unusual and rarely end in successful prosecution of the alleged perpetrators.

An estimated 34% of young people aged 10 to 14 are in paid employment, one of the highest rates of child labour in Latin America. The widespread employment of children in Ecuador's banana plantations was the subject of a critical Human Rights Watch (HRW) report published in 2002, and HRW continues to argue that the steps taken by the Ecuadorean authorities to implement the report's recommendations are insufficient. In 2003, the International Labour Organisation (ILO) estimated that over 5,000 minors were being exploited in prostitution in Ecuador. The US State Department's 2005 Report on Trafficking in Persons says Ecuador has a poor record as a source, transit, and destination country for persons trafficked for the purposes of sexual exploitation and forced labour. It notes that the Ecuadorean authorities have begun drafting a national plan to address trafficking, child sexual exploitation and child labour. The Government is working with international organizations such as the ILO on programmes to keep children in school and assist those at risk of child labour, but has yet to implement prevention measures focused on trafficking.

3.7.3 The Rights of indigenous peoples

Eleven different nationalities make up Ecuador's indigenous population which is estimated to account for around 25% to 40% of the total population. The largest nationality is the Andean Kichwa, who number more than 2 million and comprise a number of distinct groups with their own cultural specificity (e.g. Otavaleños, Salasacas, Saraguros). The Amazon basin and some areas of the Pacific coastal plain are home to a number of other, smaller, nationalities including the lowland Kichwa, Shuar, Achuar, Huaorani, Záparo, Cofán, Siona, Secoya and Awá. Ecuador also has a sizeable Afro-Ecuadorean population, estimated at 5-10% of the total population, who live mainly in urban areas particularly in the coastal cities, and also throughout the northern coastal province of Esmeraldas and in the highland valley of Chota.

Since the early 1990's, Ecuador's indigenous peoples have become increasingly well represented and active through a series of organisations at local, provincial, regional and national level. The Confederation of Indigenous Nationalities of Ecuador (CONAIE) plays an important role in pursuing indigenous rights and has become increasingly influential especially during the past decade since it joined forces with non-indigenous left-wingers to form the political party Pachakutik. Since then, indigenous participation in governance at local and regional level has increased significantly, with several local authorities which are run by Pachakutik being recognised nationally and internationally for their good performance. From January to August 2003 the Gutiérrez government was based on an alliance with Pachakutik with indigenous Ecuadoreans taking the key ministerial posts of Foreign Affairs and Agriculture. Although this period ended acrimoniously and led to some difficult internal discussions within CONAIE, it also provided invaluable experience as indigenous Ecuadoreans become increasingly engaged in the democratic process at all levels. It will be vital to ensure that actions to take account of and promote the rights of indigenous peoples are incorporated in the design and implementation of EC-funded cooperation in 2007-13.

3.7.4 Gender equality

Ecuador has made advances in reducing gender disparities and addressing gender-related development issues. The country has a strong civil society movement, and women's non-governmental organizations in particular have succeeded in putting women's issues on the agenda. The existence and influence of the quasi-governmental *Consejo Nacional de la Mujer* (CONAMU) are due largely to the efforts of civil society organizations. In comparison with similar agencies in other countries, CONAMU performs well and has been successful in building important alliances in the public sector, resulting in innovative gender initiatives. Also, relative to other countries, gender appears to be much more mainstreamed in public programmes.

Access to and use of family planning methods has increased, resulting in a drop in the fertility rate from 5.0 lifetime births per woman, on average, in the 1980s to 2.8 at the time of writing. Reductions in fertility rates have not been uniform, however, with women with little education and women from rural communities continuing to have very high fertility rates (6.2 children on average compared to 2.1 for women with higher education). Adolescent pregnancies are increasing and one fifth of all adolescent girls have had at least one pregnancy by the age of 19. Early pregnancies are common among girls living in rural areas and the Amazon region and among those with little or no education. The maternal mortality ratio averages 130 deaths per 100,000 live births, but in some remote mountainous areas it is believed to be even higher.

Gender gaps in educational enrolment and attainment have decreased significantly. Primary school education is now nearly universal, and recent figures indicate that women on average have about 7.0 years of education compared to 7.4 years for men but boys have higher drop-out and repeat rates than girls. However, girls and boys continue to be treated differently in the school system. Women's labour force participation has steadily increased over the last two decades, whereas the proportion of men in the workforce has declined. Nevertheless, men still predominate in the workforce. Due to gender socialization both inside and outside the school system, girls continue to follow different academic paths to boys, which affects their job opportunities, earning potential and, over time, their well-being and that of their families. In the rural sector, women have vital roles in subsistence and commercial agricultural production which are increasingly acknowledged and valued, although some rural development programmes have been slow to recognize the increasing 'feminization' of agriculture. Land distribution - particularly in the coastal plain - has been skewed towards men.

Despite legislative advances and campaigns, male violence against women and violence against children of both sexes remains high, with up to 60% of women thought to be victims of physical violence in the home. Although the number of women in Parliament and other governing bodies has increased, political participation and representation continues to be heavily skewed towards men. Discussion of gender equality within the context of the struggle for indigenous peoples' rights has been largely absent. It will be essential to incorporate within the design and implementation of EC-funded cooperation in 2007-13 actions which take account of gender differences and promote the rights of women and girls.

3.7.5 Environmental sustainability

The environmental situation in Ecuador is described in Chapter 2.5 above. In addition to the concerns outlined there, the country faces many other serious threats including intensive deforestation (mainly caused by encroaching agriculture, logging, and exploitation of hydrocarbons); a significant loss of biodiversity, soil and water pollution (mainly due to mining and hydrocarbon extraction); erosion caused by poor agricultural practices in vulnerable areas (leading to erosion and desertification); institutional weakness in ensuring compliance with the legal framework; and a lack of local and national capacity to develop and sustain effective environmental management, both generally and in sensitive areas such as the Amazon and the Galápagos Islands. The challenge is to tackle all these problems on the basis of a land-use planning model that promotes environmental awareness and sustainable development, ensures that disaster risk reduction is incorporated within all activities, secures the rational use of natural resources and, where relevant, protects the rights of indigenous and Afro-Ecuadorean peoples living in the affected areas. Very careful attention will be paid to environmental sustainability in the design and implementation of all EC-funded cooperation activities in 2007-13.

3.7.6 HIV and AIDS

In accordance with the DCI Regulations, and the European Parliament's resolution on AIDS² which calls on the EC to consider prioritising HIV/AIDS and sexual and reproductive health in its Country Strategy Papers, the incoming Government's policy agenda on these matters has been analysed as has the relative significance of these concerns in Ecuador. Around 21,000 Ecuadoreans are estimated by UNAIDS to be living with HIV/AIDS out of a population of

² P6_TA-PROV(2006)0526

13.2 million. By the end of 2006, funding of more than USD 16.3 million had been made available to Ecuador for the battle against AIDS by the Global Fund to Fight AIDS, TB and Malaria, of which just under two-thirds had been disbursed. Moreover, HIV/AIDS and sexual and reproductive health have been mainstreamed within the health programme still underway in the framework of the EC's Ecuador CSP for 2002-2006. In these circumstances and following consultation with the incoming Government, the EC does not propose to prioritise HIV/AIDS in its programme of cooperation with Ecuador during 2007-10. Where relevant, however, appropriate attention will be paid to combating HIV and AIDS in the design and implementation of EC-funded cooperation programmes during the period.

4. REVIEW OF COMMUNITY COOPERATION PAST AND PRESENT: COORDINATION AND CONSISTENCY

4.1 Community cooperation past and present

4.1.1 Community cooperation with Ecuador until 2001

Relations with Ecuador developed following the beginning of the dialogue with Latin America in the seventies, and the EC became involved in cooperation in Ecuador under the ALA programme at the end of the 1970s. The EC became a major donor to the country only at the end of the 1980s. The EC's contribution comprises mainly bilateral cooperation, financing for non-governmental organisations and, since 2001, a major food security programme. In the case of bilateral cooperation, the direct beneficiary of all EC projects is the Government of Ecuador via ministries, municipalities or quasi-non governmental bodies such as the *Consejo de Desarrollo de las Nacionalidades y Pueblos del Ecuador* (CODENPE). Furthermore, the European Commission has made resources available, through its Directorate-General for Humanitarian Aid (DG ECHO) which has an Andean regional office in Quito, for emergency aid as well as in the area of disaster risk reduction. This has been particularly important given Ecuador's vulnerability to a wide range of natural disasters such as volcanic eruptions (more than 30% of the population lives in a situation of risk from a volcanic eruption); earthquakes; droughts, desertification and landslides; and the *El Niño* phenomenon.

Important focal sectors for EC cooperation in the 1980s and 1990s included integrated rural development projects with a specific focus on gender issues; infrastructure; environment; institution building, notably in the Ministry of Foreign Affairs and in the tourism sector; and economic cooperation. From the mid-1990s, the EC became involved in supporting social development programmes implemented in collaboration with public authorities including projects in deprived urban districts of Quito and Guayaquil, with indigenous communities in rural Cotopaxi, and health and rural development programmes in the province of Esmeraldas. More than €104 million was committed to Ecuador between 1992 and 2000, of which 56.2% was allocated to financial and technical cooperation; 20.9% to NGO-run projects; 6.1% to ECHO's activities; and 5.7% to tropical forest preservation programmes (and 11.1% to various other EC programmes).

4.1.2 Community cooperation with Ecuador 2001-2006

The launching of the EC's food security programme in 2001, with €16.5 million devoted to supporting the Government in improving the availability, access to and use of foodstuffs, particularly in rural areas, was important from the point of view of donor coordination and harmonisation as it is implemented through the relevant Ministries (Social Welfare and Health) and in partnership with another major donor (the World Bank). This programme has

had a consistently successful focus on poverty reduction especially through the *Programa de reducción de la pobreza y el desarrollo local rural* (PROLOCAL). Indirect food security funds, which are used to implement programmes through NGOs, were financing seven projects worth € 5.2 million at the time of writing.

With the adoption in May 2002 of the EC's Country Strategy Paper for 2002-2006, four priority sectors were identified. The EC's cooperation is being implemented as follows:

- **Support for health care reform** - The *Programa de apoyo al sector salud en Ecuador* (PASSE) - EC contribution: €28 million - is working to implement an integrated intercultural model of care based on primary health care, health promotion and disease prevention with a focus on the highland provinces of Cotopaxi, Chimborazo and Bolívar which have significant indigenous populations.
- **Support for environmental policies** through two interventions - one to support the development of the public authority responsible for the integrated management of the natural resources of the Paute River Basin – EC contribution: €11 million; and the other to strengthen the capacity of public institutions to manage the natural resources of three of the country's northern provinces in a sustainable and accountable way – EC contribution: €17 million.
- **Support for regional physical integration** - underpinning the peace accords between Peru and Ecuador and helping further to develop trade relations between the two countries by upgrading and repairing the Piura-Guayaquil road axis – EC contribution: €26 million within the Ecuador programme, plus €25 million under the Peru programme.
- **Economic cooperation** – The *Programa de cooperación económica CE-Ecuador* (EXPOECUADOR) supports improvements to the business environment that will contribute to an increase in the flows of trade and investment between Ecuador and the EU.

As for activities in the Andean Community context, the European Commission implements various programmes to support greater involvement by civil society in the regional integration process and the construction of an Andean common market by improving sources of statistical information, trade-related technical assistance, harmonisation of regulations and technical standards, competition policy and customs cooperation. Other projects are designed to promote regional cooperation in areas such as disaster prevention and the fight against synthetic drugs. There are also programmes to support security in the Andean Community's common foreign policy, promote democracy and human rights and control chemical precursors.

4.1.3 Lessons learned

The lessons learned, which are identified below, are based above all on internal evaluations and on the results of the pre-programming consultancy commissioned during the preparation of the present document. At the time of writing there had been only limited external evaluations of the cooperation programmes which were then underway, with the exception of the evaluation of PROLOCAL undertaken jointly with the World Bank in 2005, the results of which helped to shape the analysis set out in the present document. The lack of other evaluations was due partly to the long delays in implementing several “old” programmes which had been approved before 2001, but did not start up until 2003 (two programmes in

Esmeraldas, one each in Cotopaxi and Guayaquil – see Chapter 4.1.1 above). These programmes were all scheduled for evaluation during 2006. At the time of writing, the new programmes which were approved following the adoption of the 2002-2006 CSP (PASSE, the two environmental interventions and EXPOECUADOR) were still at a relatively early stage of implementation and had not yet been the subject of external evaluation, as this would have been premature.

One key lesson which merits attention is that despite the broad geographical and sectoral cover and the opening of the Commission's Delegation to Ecuador in July 2003 - both factors which have raised the EC's profile in Ecuador and given it a better grasp of the problems experienced by the country - the degree of consistency and coordination between interventions is limited and there is a certain lack of clarity in the approach to combating poverty and achieving the Millennium Development Goals.

EC cooperation in Ecuador has obtained fair results overall but there has been limited scope, other than in the food security programme, for overcoming the inherent limitations of the project-based approach and establishing a political dialogue with the Government on both sectoral policies with their respective institutional frameworks, and also the implementation arrangements and methods. This is a problem not only for the EC but for all major donors. The prolonged process of political instability since 1996 has generated chronic weakness and instability in the institutional and legal framework of the State, which is the counterpart of all bilateral cooperation programmes. This situation is also reflected in Ecuador's limited capacity to design and implement agreed national or sectoral development plans. Additionally, the permanent lack of counterpart funds, whether at central, regional or municipal level, condemns EC interventions to an overly slow rate of implementation, undesirable institutional instability and a downsizing of initially agreed objectives.

These problems have been particularly marked in the case of the actions in support of environmental policies. As mentioned in Chapter 3.5 above, environmental issues and policies have not been pursued vigorously by recent governments and the Ministry of the Environment is very weak. This has made it difficult to implement the programme concerning the Paute River basin, and has placed in jeopardy the future of the programme intended to promote the sustainable management of natural resources in three northern provinces. The latter programme, which is due to continue until early 2011, has encountered significant problems due to the lack of a real national policy framework.

Overall, there have been significant delays in the implementation of EC cooperation programmes in Ecuador in recent years. This is due above all to the marked instability of Ecuador's public administration, where frequent changes of ministers and executive staff often result in a complete turn-around in all staff involved in implementing cooperation. Ecuador's weak and unstable public institutions have, in addition, found it difficult to assume the additional responsibilities imposed by the application of the Commission's new Financial Regulation since 2003. The EC's capacity to provide detailed support and assistance to ongoing programmes of cooperation, especially in relation to financial matters, has moreover been limited by the fact that finance and contracts issues pertaining to the Delegation in Ecuador are managed by the EC's regionalised Delegation in Colombia.

4.2 Programmes of EU Member States and other donors

Ecuador is a major recipient of reimbursable aid and grants, from both bilateral and multilateral donors (see Annex 5). The aid is channelled through interventions in many sectors and geographical areas, making for a fairly disparate framework of action. Because of this

situation and the government's limited institutional capacity to harmonise, coordinate and direct that aid, obtaining reliable data is extremely difficult. Consequently, in this section and its respective Annex, the data provided are the best possible estimate. Greater efforts need to be made to establish a database that can be used as a basis for a better dialogue between the Government of Ecuador and the international community. Improved coordination and communication between donors and with the Government would also help to avoid problems such as overlapping between projects, double financing or situations where individuals benefit inappropriately from managing simultaneous projects.

Seven of the EU Member States have in-country cooperation offices and bilateral aid programmes with Ecuador, the most important in terms of financing and strategic location being those of Spain, Germany and Belgium. The EU Member States are mainly involved in health, the environment, education, and regional and local development while the key priorities of the three leading Member States are natural resources management, support to civil society and decentralisation. None of the EU Member States involved in cooperation with Ecuador takes a sectoral approach or provides sectoral budget support. While Member State interventions are not explicitly coordinated with Commission interventions, there is no major inconsistency between them. Member States tend to manage cooperation funds through their own representatives or through European and Ecuadorean NGOs, which demonstrates their limited confidence in the capacity of State institutions to manage funds and cope with operating difficulties.

The main multilateral investment banks are active in granting reimbursable loans to Ecuador on preferential terms. They are headed by the World Bank and the IDB, which allocate their funds to various different sectors, the most important of these being: poverty reduction, rural and community development, education, health, environment, and modernisation of the state and institutional strengthening. The CAF concentrates its actions on education, environment, state modernisation, trade, and water and sanitation. Their operations are generally large-scale, involving tens of millions of dollars, and most have a sectoral focus with an increasing tendency to favour SWAPs, although cooperation on projects is not excluded (see Annex 5). The UN presence in Ecuador is managed by nine of its agencies, among which UNICEF, UNDP and UNHCR have the largest programmes, primarily in the form of projects rather than with a sectoral focus.

Since 2003 the EC has participated actively in thematic consultations (*mesas de concertación*) convened by the Instituto Ecuatoriano de Cooperación Internacional (INECI) which is the entity within the Ministry for Foreign Affairs responsible for coordinating all development cooperation with Ecuador. These *mesas* are fora for information, discussion and programming by the public administration together with donor countries and bodies. Recent consultations on governance and on the fight against poverty brought together all the main international cooperation bodies and played an important role in stimulating debate about Ecuador's progress towards achieving the Millennium Development Goals. Nevertheless, the long-term impact of these *mesas* is often limited by the marked political and institutional instability which has affected Ecuador for the past decade.

Notwithstanding some difficulties in achieving effective EU coordination of cooperation activities in Ecuador, the preparation of this document presented a real opportunity for the EC to deepen and strengthen dialogue with Member States, and also with Ecuadorean state institutions and civil society organisations, concerning the future orientation of EC cooperation and the improvement of coherence and complementarity with some of the

Member States' programmes. Representatives of Swiss and Canadian bilateral aid, USAID and the UNDP also took part in workshop presentations and in the discussions on a concept note which outlined possible areas for future cooperation.

4.3 Coherence with EU/EC policies

4.3.1 General framework for political and other relations

Political relations between the EU and Ecuador are conducted not only bilaterally but also in the framework of regional relations between the EU and the Andean Community - *inter alia* through political dialogue, high-level dialogue on drugs and the framework cooperation agreement. For a number of years, major efforts have been deployed by the EC to support Ecuador's integration within the Andean Community.

In May 2004, at the summit meeting between EU and Latin American leaders in Guadalajara, the EU and the Andean Community declared that their common strategic objective was to conclude an Association Agreement, including a Free Trade Agreement, between the two regions. Prior to the launch of such negotiations, and in order to assist the internal Andean regional economic integration process, a joint assessment exercise was undertaken during 2005. Recalling the Guadalajara commitment but mindful of the crisis which had been caused by the departure of Venezuela from the Andean Community, at the Vienna summit in May 2006 it was agreed that the EU and the Andean Community would seek to clarify and define in the near future the bases for negotiation which would allow for the full and beneficial participation of the parties. After some weeks of intensive diplomatic contacts and cooperation, a joint report on the assessment exercise was adopted in July 2006 and towards the end of 2006 prospects for launching negotiations between the two regions seemed very promising.

In a bilateral context, the EU deployed an EU Election Observation Mission (EOM) to observe Ecuador's presidential and legislative elections in late 2002. The EOM concluded that, notwithstanding certain areas where there was scope for improvement, the electoral process complied with international standards and national legislation. The EU issued three Presidency declarations between 2003 and 2005, each of which to varying degrees expressed concern about protecting and strengthening democracy, democratic institutions and the rule of law while underlining the importance of dialogue in helping to achieve sound and effective reforms as well as political and economic stability and social cohesion.

At the start of the 21st century, relations between the EU/EC and Ecuador were dominated by the development cooperation dimension and by trade and agriculture - in particular, Ecuadorean exports of bananas to the EU. Migration had also become an important topic in view of the large numbers of Ecuadoreans living within the EU and sending back substantial remittances from certain EU Member States to Ecuador. Other policies have a somewhat lesser importance in the relationship. These policies are described in greater detail below.

4.3.2 Trade policy

The Commission is seeking to strengthen and expand trade relations on the basis of transparent and non-discriminatory multilateral rules, including customs and trade facilitation measures and the acceptance of international standards such as the World Customs Organisation's Framework of Standards to Secure and Facilitate Global Trade, as well as through the World Trade Organisation negotiations launched at Doha. Efforts are also underway to encourage Ecuador's further economic integration into the Andean Community through the joint assessment exercise mentioned above, with the ultimate objective being the

conclusion of an Association Agreement, including a Free Trade Agreement, between the two regions.

Between 1990 and 2005, Ecuador benefited from the EU's "Drugs" GSP (Generalised System of Preferences) régime, which permitted duty-free access to the EU for the great majority of products originating in Ecuador and other countries committed to combating the production and trafficking of illicit drugs. As of 1 July 2005, this régime was replaced by the new "SPG Plus" régime which will be available through to 2015 to countries which undertake to ratify and implement effectively a series of UN and ILO conventions on labour and human rights, environmental protection and good governance. Ecuador has complied with these requirements and therefore retains through the SPG Plus the privileged market access to the EU it had under the SPG Drugs arrangement. Although these régimes allow 87% of Ecuador's exports to enter the EU duty-free, Ecuador has not been able to take full advantage of the market openings they provide, and the country must take further steps in response to the challenge of diversifying its exports to and stepping up trade relations with the EU.

This challenge has been addressed in part by the EXPOECUADOR programme (see Chapter 4.1.2 above) as well as by several programmes being undertaken at regional level within the framework of the EC Regional Strategy Paper for 2002-2006. For the period 2007-2013 the new Regional Strategy provides for further regional interventions while, within the response strategy for Ecuador outlined below, the actions to generate sustainable economic opportunities will complement the activities undertaken at regional level by including appropriate elements with a specific focus on Ecuador's trade within the Andean region and with the EU.

4.3.3 Social cohesion

At the summit meetings between EU and Latin American leaders in Guadalajara in 2004 and in Vienna in 2006, the EU and Latin America identified the promotion of social cohesion as one of the key priorities in relations between the two regions. At the level of Latin America as a whole, EC funding is being used to help finance the EUROsociAL programme which will seek to raise awareness at the political level of the importance of social cohesion and to improve the capacities of public authorities in Latin America to formulate and apply policies which are effective in promoting social inclusion and cohesion. At the level of the Andean region, EC support has been given for the implementation of the Andean Community's Plan Integrado de Desarrollo Social (PIDS) and this is likely to continue within the framework of the Regional Strategy Paper for 2007-2013. Within the response strategy for Ecuador outlined below, both of the priority interventions will include promotion of social cohesion among their main objectives.

4.3.4 Agriculture – the Common Agricultural Policy

With the notable exception of bananas, few of the agricultural products which are covered by the EU's Common Agricultural Policy (CAP) are in direct competition with those produced by Ecuador. The EU's policy on bananas has long been a source of friction and dissatisfaction for Ecuador and its banana producers. On 1 January 2006 the EU moved from a complex import system based on a combination of tariffs and quotas for MFN bananas to a régime solely based on a tariff (set at €176 per ton), while still granting a preference to bananas from the ACP countries under the terms of the ACP-EC Partnership Agreement (the Cotonou Agreement). Although in 2006 the quantity of bananas exported to the EU by Ecuador seems to have remained comparable with the previous year following the entry into force of the new régime, Ecuador contends that the tariff has been set too high. Within the response strategy for

Ecuador outlined below, the interventions to generate sustainable economic opportunities will take account of developments in the European and international banana markets.

4.3.5 Sanitary and phytosanitary control and consumer protection

Community policy in the area of sanitary and phytosanitary control and consumer protection aims to ensure that the economic and health interests of European consumers are safeguarded and that European food security and public health are protected. EU policies for these purposes are sometimes perceived by Ecuadorean producers and exporters as amounting to non-tariff barriers to trade which limit the access to European markets of certain exports, above all agricultural products. Some assistance to help Ecuador to ensure that its products comply with European standards has been provided by the EXPOECUADOR programme (see Chapter 4.1.2 above) and further actions are likely to be included in the programmes to generate sustainable economic opportunities which are envisaged in the response strategy for 2007-2013 outlined below.

4.3.6 Environmental policy

The EU's environmental policy relevant to Ecuador and its Andean neighbours focuses in particular on the Sixth Community Environment Action Programme (6th EAP, 2002-2011) and efforts to encourage Ecuador to implement its international commitments under multilateral environmental agreements. The EU has detailed policies on and plays an important rôle in critical environmental areas such as climate change, pollution, biodiversity and sustainable management of natural resources such as forests and water.

The sustainable management of natural resources is one of the priority sectors identified in the CSP for 2002-2006. However, as mentioned in Chapter 4.1.3 above, the Environment Ministry is exceptionally weak and the implementation of EC interventions in this area has been particularly problematic. Because of this, the response strategy for 2007-2013 outlined below proposes that environmental concerns be fully integrated as a cross-cutting theme within the two priority sectors. It is felt that this may prove to be more effective in the Ecuadorean context than prioritising environmental actions *per se* as in the CSP for 2002-2006.

4.3.7 Research and Development Policy and Knowledge Society

The EU's policies in the area of research and development, education and culture and information society represent an important component of the EC's cooperation with Ecuador. The EU Research Framework Programmes encourage international cooperation with Latin American countries and reinforce the partnership with the region. Ecuador will have the opportunity to benefit from new mechanisms being put in place under the Seventh EU Research Framework Programme (2007-2013), such as exchanges of researchers and bilateral cooperation programmes involving EU Member States and third countries. Science and Technology Promotion Platforms recently launched with South America will develop further the scope for cooperation in a broad regional context in which Ecuador will be able to participate.

Cultural and educational programmes include student scholarships and the establishment of networks between academic institutions.

In the area of information technology, the major objectives for cooperation with Latin American countries include the promotion of an information society based on regional integration and the integration of the countries of Latin America into the global information

society; the promotion of the interests of European companies and players in Latin America; and the reinforcement of technological cooperation in the area of information society, notably through the EU's research and technological development programmes.

4.3.8 Conflict prevention

The EU has a range of instruments available for the prevention of conflict, including development cooperation; trade, social and environmental policies; diplomatic instruments and political dialogue; and specialised tools such as the EC's Stability Instrument. The Commission's 2001 Communication on Conflict Prevention and the EU Security European Security Strategy adopted by the European Council in 2003 underline the importance of taking an integrated approach to conflict prevention and crisis management. As reflected in the European Consensus on Development adopted in November 2005, the EC seeks to develop comprehensive plans for countries where there is a significant danger of conflict, aiming to support conflict prevention and resolution by addressing the root causes of conflict, including poverty, degradation, exploitation and unequal distribution and access to land and natural resources, weak governance, human rights abuses and gender inequality.

As described in Chapter 3.7.1 above, levels and intensity of conflict have increased in recent years in Ecuador, frequently rooted in social exclusion and in the weakness of the country's fragile democratic institutions. Within the response strategy for Ecuador outlined below, both of the priority intervention sectors will promote social cohesion, and actions to strengthen institutions and promote good governance will be mainstreamed, thereby attacking important roots of conflict in Ecuador.

4.3.9 Policy on fighting illicit drugs

The EU's policy on fighting illicit drugs is reflected in, and inspired by, five principles of international drug policy adopted at the UN General Assembly Special Session on Drugs of June 1998. These principles are: shared responsibility, emphasis on multilateralism, balanced approach, development mainstreaming and respect for human rights. EU efforts to combat the consumption, production and trafficking of illicit drugs are pursued within the framework of the EU Drugs Strategy (2005-2012) and the EU Drugs Action Plan (2005-2008) which provide for a balanced, integrated approach to the problem of illicit drugs. The Strategy focuses on actions to reduce demand and supply, but also covers international cooperation referring to enhanced EU action to promote a balanced approach in international organisations to the drugs problem and to provide assistance to third countries to curb demand for and supply of illicit drugs through development cooperation, including through coordinated action against drug trafficking. The section of the 2005-2008 Action Plan which addresses international cooperation states that particular attention should be paid to cooperation with the countries of Latin America and the Caribbean.

At the Andean level, the EU's shared responsibility in the fight against illicit drugs has been and will remain reflected in the cooperation activities detailed in the EC Regional Strategy Paper (RSP). Regional cooperation has, to date, tackled drug precursors and synthetic drugs, and the RSP for 2007-2013 identifies action to support the fight against illicit drugs as one of the main focal areas for cooperation. These cooperation activities complement other instruments such as participation in multilateral discussions within the UN Commission on Narcotics Drugs, the EU-LAC Coordination and Cooperation Mechanism on Drugs and regular EU-CAN High Level Specialised Dialogues on Drugs, and Agreements and meetings between the EC and the five countries of the Andean Community on chemical precursors.

Although there have been some isolated incidences of coca cultivation in Ecuador, it is not considered to be a coca-producing country. To date, the principal focus of concern has been the trafficking of illicit drugs through Ecuadorean territory and the laundering in the country of illicit proceeds generated elsewhere. During the process of consultation with the Ecuadorean authorities and civil society organisations undertaken while the present document was prepared, no proposals were made for the EU to undertake interventions in the area of alternative development. However, it would be possible to incorporate, within the programmes to generate sustainable economic opportunities which are envisaged in the response strategy for 2007-2013 outlined below, specific actions to stimulate the promotion of sustainable livelihoods in regions which are particularly vulnerable to the incursion of coca cultivation from the neighbouring countries Colombia and Peru.

4.3.10 Migration

The EC's 2002 Communication on "Integrating migration issues into the EU's external relations" says that cooperation with third countries in the area of migration needs to address the root causes of migratory movements, establish partnerships on migration based on common interests with the countries concerned, and take specific concrete initiatives to help third countries to increase their capacity in the area of migration management. The 2005 Communication "Migration and Development: Some Concrete Orientations" identifies a series of ways in which the EU can contribute to achieving effective progress on issues related to the migration-development nexus in partnership with developing countries which are the countries of origin of migrants to the EU. Although Latin America is not a specific priority region within EU policy on migration and asylum, migration has become a major political, economic and social issue for many countries in Latin America. The EU-CAN Political Dialogue and Cooperation Agreement signed in December 2003 contains a clause providing for cooperation in the area of migration.

Ecuador is one of the countries most affected by the phenomenon and has been actively pursuing concerns about certain aspects of migration, in particular the rights of migrant Ecuadoreans within their host countries. Annex 8 presents a detailed review of the extent of migration from Ecuador and its impact. As mentioned in Chapter 3.4 above, remittances are the country's second largest source of earnings after oil. Within the framework of its AENEAS programme, which provides financial and technical assistance to third countries in the field of migration and asylum, the EC is considering possible assistance to facilitate the transfer of migrant remittances from the EU to Latin America and the Caribbean, an endeavour which would be of direct interest to Ecuador. Within the programmes to generate sustainable economic opportunities envisaged in the response strategy for 2007-2013 outlined below, the successful generation and promotion of manufacturing activities would not only reduce under-employment and unemployment and increase family incomes, but could also help to stem the flow of migrants and even encourage those currently living abroad to return to Ecuador. There would also be scope to explore innovative methods of channelling migrant remittances into financing and credit mechanisms to promote economic opportunities and sustainable livelihoods.

5. EC RESPONSE STRATEGY

5.1 General objectives and principles for cooperation

At the time of preparing this document, Ecuador does not have a comprehensive strategy to combat poverty which could form the basis for future EC relations with the country. Ecuador's weak governance has had a negative impact not only on the quality of life of its citizens but also on the extent to which EC cooperation can be implemented effectively and in a timely manner. The political situation is unsettled and its future direction depends on the extent to which the new Government which takes office in January 2007 is able to function effectively and generate and implement political reforms. But certain challenges and fundamental needs will remain constant in the long term, irrespective of changes of government and in the political and administrative organisation of the state. The major development challenges facing the country include governance, social cohesion, economic competitiveness, citizens' security and migration. The EC has analysed these needs in depth and, following a process of consultation and dialogue with the government, international cooperation actors and civil society (see Annex 10), has drawn up the following response strategy for relations with Ecuador in the period 2007 to 2013.

The analysis of the political situation contained in Chapter 3 above concludes that Ecuador is afflicted by weak governance at all levels which poses numerous obstacles to those political players and institutions which seek to make an organized and orderly contribution to the country's development. The adverse effects of poor governance are visible in every aspect of national life – political, social, economic and judicial. But a country's overall performance in respect of governance cannot be improved simply on the basis of willingness to cooperate in this field. Rafael Correa was elected at the end of 2006 on the basis of his commitment to tackle Ecuador's long-standing governance problems, but detailed proposals for doing so had yet to be developed at the time of adoption of this CSP, with the exception of his plan to call a plebiscite with a view to convening a constituent assembly.

In order to make an effective contribution to efforts to improve governance in Ecuador under these conditions of uncertainty, the EC believes that the best way forward is to identify key sectors within which, on the basis of national initiatives, donor support can simultaneously support the necessary reforms and also provide financial backing to facilitate the achievement of agreed sectoral objectives. The proposed EC response strategy is based on two axes: the provision of support to national policies; and concentration of cooperation. By supporting national policies in the fields of education and promoting economic opportunities, the EC will seek to improve all aspects of governance in these sectors, ranging from defining long-term policies and strategies through to their inclusion in the national budget, the distribution of responsibilities between relevant institutions and strengthening the capacities of these institutions, the adoption of improved financing mechanisms and arrangements for expenditure control, the implementation of result-oriented monitoring and user involvement in evaluation, and other matters. All of these endeavours are critical in improving governability and promoting good governance. By concentrating cooperation funds on a limited number of sectors, the EC can moreover acquire the critical mass necessary to support, together with other donors, the effective implementation of long-term national policies, while at the same time avoiding the dispersion of effort and inefficiency which can go hand in hand with attempts to spread a limited budget too widely.

The ultimate aim of the EC interventions which are detailed below is to reduce poverty and help to attain the Millennium Development Goals. Activities will be directed at promoting social cohesion - hence reducing poverty, inequality and social exclusion - and regional

integration. In view of the weakness of the national institutions, particularly close attention will be paid to incorporating institutional capacity-building measures and the promotion of improved governance in all EC-funded interventions in these two sectors.

The strategic intervention areas have been prioritised on the basis of all the above and on a detailed analysis of the support provided by the other donors and/or financial backers in Ecuador, to ensure that this strategy can respond appropriately to future needs that are not covered by others. As mentioned in Chapter 4.1.3, one of the main lessons learned from the CSP for 2002-2006 is that, where counterpart institutions are weak and unstable, interventions which take a project approach are subject to serious risks as regards efficiency, continuity and long-term impact. Ecuador's chronic political and institutional instability makes the formulation and application of coherent sectoral policies challenging and difficult. However it is hoped that, by taking a sector-wide approach for the interventions envisaged, the EC can contribute to securing improvements in the country's capacity to do so, as an integral part of such an approach is the prior definition of agreed policy and medium-term investment frameworks, systems for sectoral follow-up and enhanced mechanisms of coordination between donors and Government.

Operations will be coordinated and harmonised with the rest of international cooperation and the Government, especially at the operational identification and formulation phases, with special emphasis on seeking complementarity with the EU Member States. In prioritising these strategic sectors, account has been taken of the experience and comparative advantages that the EC has acquired in its relations with Ecuador. Sectors have also been chosen where interventions may prove more effective because they are better tailored to EC procedures and the Financial Regulation. Maximum internal coherence between the different EC programmes will also be sought.

Conflict prevention is a growing concern in Ecuador and one that is likely to require special emphasis in all EC interventions. Of the various sources of conflict in Ecuador the most important are: inequitable access to, and lack of, social services; the poor quality and management of those services due to weak governance; and poverty and social exclusion. The interventions to increase expenditure on and improve the quality of education, and to generate sustainable livelihoods, proposed below as the two priority sectors for intervention, will thus have direct and indirect impacts on conflict. In addition, it is envisaged that actions to prevent and manage conflict will be mainstreamed within all EC interventions and that, where relevant, conflict prevention will be specified as a direct or indirect objective. Finally, there may be a need for the EC to address this concern through other EC financing instruments such as the Stability Instrument and thematic budget lines dedicated to funding the promotion of human rights and actions by non-state actors.

The proposed intervention areas identified in this strategy are fully consistent with the Commission's strategies at a regional level, in particular with regard to the emphasis on social cohesion through increasing social investment on education and by means of improved governance, and on regional integration by supporting competitive micro-enterprises and small and medium-sized enterprises which can maximise the opportunities for trade within the Andean Community and beyond.

In this context, the EC has prioritised the following strategic areas of intervention:

1. Contributing to increased government social investment to increase the access of marginalised and disadvantaged communities to social services.

2. Generating sustainable economic opportunities and promoting regional integration by supporting competitive micro-enterprises and small- and medium-sized enterprises.

Both areas of intervention are envisaged as including a strong emphasis on institution-building and promotion of good governance across the board, contributing to the strengthening of decentralised authorities where relevant. Here, the new EC programmes to be undertaken will build on and take forward the achievements of PROLOCAL in supporting local economic development to combat poverty. The second area identified above will, moreover, be complementary with and build on the achievements of the EXPOECUADOR programme, which will continue in the early years of the next programming period. Synergies and complementarities with relevant programmes undertaken in the framework of the Regional Strategy Paper will also be identified and maximised.

Both intervention sectors will be developed in ways which prioritise environmental concerns and promote the sustainable management of natural resources as an integral aspect of each programme undertaken. This will ensure that the EC builds on the achievements of programmes undertaken in the framework of the CSP for 2002-2006 to improve environmental management, while at the same time taking account of the problems encountered in implementing those programmes that are particularly due to Ecuador's limited institutional capacity (see Chapters 4.1.3 and 4.3.6 above).

5.2 Focal sectors and specific objectives for cooperation

5.2.1 Contributing to increased government social investment to improve the access of marginalised and disadvantaged communities to social services

5.2.1.1 *Grounds for intervention*

The lack of equal access to health, education and other social services in Ecuador has an impact on the factors slowing the country's social and economic development: on employment, poverty, faith in governance and the institutions, intercultural integration and migration. Figures from the national statistics office reveal that a significant proportion of the population has difficulty accessing education and health services, and show that increased social spending is vital if human capital is to improve. One of the main factors in social exclusion and unemployment, particularly for the indigenous and Afro-Ecuadorean communities, is the low efficiency of the school system in rural and marginalised urban areas. Given Ecuador's considerable ethnic and cultural diversity, an appropriate education system is particularly important.

At the time of writing, the health sector in Ecuador is the one which has received the largest share of total EC contributions, taking into account the health project in Esmeraldas (€ 6 million) and the *Programa de apoyo al sector salud en Ecuador* (PASSE - € 28 million). This could provide a justification for further health interventions by the EC in order to build on its existing expertise, but there are two factors which militate against the EC becoming more involved in cooperation in the health sector as early as 2007. First, the difficulties experienced in implementing the EC's projects in the health sector suggest that it may have a limited capacity to absorb large amounts of external aid. Second, the PASSE programme started operating only in 2005 and the present document is being written at a time when the lessons from, and achievements of, the programme lie far in the future – in particular as regards the potential impact in terms of policy development and management for the health

sector as a whole, as opposed to local improvements in primary health care. Evaluation-based conclusions on this score are unlikely to emerge before 2008 at the earliest.

5.2.1.2 *Formulating programmes in the social investment sector : education*

There are several factors which weigh in favour of the EC becoming involved in the **education** sector. The EC, like most international cooperation agencies, considers education to be a fundamental element of sustainable human development, and links its intervention strategy with achieving the Millennium Development Goals. During the process of consultation in Ecuador, which took place in 2005 during the early stages of preparation of the present document, many interlocutors argued that support to the education sector should indeed be prioritised because of the important correlation between problems in this area and Ecuador's difficulties in achieving the MDGs. The available statistics show that social expenditure on education is trailing in comparison with that on health, and that this has an even greater adverse effect on social and cultural inequalities. Thanks to the preparatory studies for the reform and modernisation of the education sector which were undertaken for previous governments, including the preparation of a SWAP in close collaboration with experts from the World Bank, IDB and CAF, the conditions for the EC to become involved in a multi-donor arrangement to provide support on a sector-wide basis appear relatively promising in the education sector. The 67% vote in favour of recognising the *Plan Decenal de Educación 2006-15* as a national policy with budgetary priority, which was achieved in the referendum at the end of 2006, improves significantly the prospects for effective EC intervention in this sector.

The World Bank's financial support has been used primarily to finance the retirement pension system for teachers and the recruitment of new teachers into the education system; while the CAF focuses mainly on the maintenance of school infrastructures. Depending on the outcome of the policy dialogue which would need to precede the EC's intervention in the education sector, EC cooperation could bring added value by focusing on areas where other donors are not involved such as improving rates of primary school completion, supporting formal and informal technical and vocational education, and other actions to improve the quality of the education system eg through teacher training and curriculum design. These activities would contribute to generating a productive and competitive labour force, which in turn is essential to help achieve the aims of the other priority sector (generating sustainable economic opportunities and promoting regional integration by supporting competitive micro-enterprises and small and medium-sized enterprises). Other kinds of intervention to promote equitable access to education and other social services could be envisaged, for example through geographical interventions focusing on geographical areas with high rates of poverty and concentrations of disadvantaged groups, such as indigenous and Afro-Ecuadorian populations, working in partnership with local and regional authorities and their representative organisations. Consideration will also be given to interventions focused specifically on improving the take-up of education by children in paid employment and mitigating the factors leading them to seek paid work, as well as to actions which can help to reduce the vulnerability of children and young people to trafficking and sexual exploitation.

Whether this involves providing support on a sector-wide basis or geographically-based activities, the programmes to be undertaken will place strong emphasis on implementation and on the transfer of competencies at local level with a view to supporting the decentralization process. The promotion of good governance based on transparency and accountability will also be included as an important cross-cutting theme.

5.2.1.3 *Risks*

The risks associated with this sector include:

- The large number and diversity of the institutional actors present in the education sector.
- The fact that the teaching profession, at least in the public sector, is very well organised through a trade union with a highly combative stance that has resisted many attempts to reform the education sector and does not always seem to prioritise the provision of high quality education.
- The lack of clearly established state policies in the field of technical and vocational education.

5.2.2 **Generating sustainable economic opportunities and promoting regional integration by supporting competitive micro-enterprises and small and medium-sized enterprises**

5.2.2.1. *Grounds for intervention*

Reducing poverty and achieving the Millennium Development Goals in Ecuador will not happen without an increase in per capita income via employment generation. The country has a precarious labour structure, with high levels of unemployment and, above all, under-employment. The main features of under-employment include: the wide disparities between production and service sectors, the specific location of activities (in rural or urban areas), their legal nature (formal and informal), the level of training of the working population and, lastly, aspects related to gender and ethnic origin. Generally speaking, poor people in Ecuador work on the basis of survival strategies or simple economic reproduction.

The economic growth observed in the non-oil sector in the last few years has not had a major impact in terms of creating job opportunities and reducing poverty. There is also little capacity for specialisation and business management of manufacturing and economic activities. Employment generation depends to a large degree on business activity, yet the environment in Ecuador is not particularly conducive to productive development or employment generation. Creating firms and getting them up and running is expensive and time-consuming and involves difficulties in access to financing and credit. In addition, the relatively complex regulatory and tax environment leads to high compliance costs for businesses; and may also encourage, albeit unintentionally, recourse to tax avoidance and fraud. Finally, despite numerous attempts and proposals to tackle it, there is little in the way of policy guidelines or long-term strategic planning by the State to foster productivity and competitiveness. Economic growth that offers greater economic opportunities requires a sound institutional framework and a strategy that supports and promotes real sustainable business development.

The aim of the European Union's GSP Plus system is to grant preferential access to Ecuador's production sector, stimulating economic growth and diversification. However it has not always been possible for Ecuadorean companies to take full advantage of the opportunities offered by this scheme or its predecessor. Regional integration is a top priority for the EU and for Latin America, with the EU and the Andean countries including Ecuador sharing the common goal of concluding an Association Agreement. The EC can contribute to Ecuador achieving these objectives by supporting action to improve the competitiveness of Ecuadorean businesses, especially micro-enterprises and small and medium-sized enterprises (SMEs), which are vital for job creation.

5.2.2.2 *Formulating programmes in the sector*

On the basis of the current structure of employment, the aim is essentially to intervene in the productive, structural and institutional aspects related to productivity, competitiveness and market access, in rural, peri-urban and urban areas, including the provision of opportunities for decent work.

In a general framework of support for the creation and consolidation of micro- and small businesses, and in a context of local economic development in rural municipalities and peri-urban areas, the programmes will seek to generate and promote manufacturing activities with the aim of reducing under-employment and unemployment and increasing the income generated by the main family economic activity. If a conducive environment emerges following the 2006 elections, this intervention could be undertaken by supporting a sector-wide approach in close collaboration with relevant ministries e.g. Work & Employment; and Trade, Industrialisation, Fisheries and Competitiveness. At this stage it seems more likely that the intervention would be implemented through programmes undertaken in cooperation with bodies such as the relevant ministries and/or local and regional authorities and their representative organisations; quasi-non-governmental organisations such as the *Instituto Nacional de Normalización*, the *Consejo de Desarrollo de las Nacionalidades y Pueblos del Ecuador* and *Consejo Nacional de la Mujer*; and civil society organisations such as chambers of commerce and trades unions.

This intervention will include a focus on (i) the improvement of conditions and business environment; (ii) the improvement of structural and institutional aspects related to productivity, competitiveness and market access; and (iii) provision of support for actions that entail greater labour specialisation and strong impetus for activities that generate high added-value products, the aim being to increase the productivity of work and the attendant benefits. In order to improve conditions for Ecuador's economic integration in the region, efforts will also be made to (iv) reduce the level of informality of jobs and the gap between the formal and informal sector; (v) strengthen financing and credit mechanisms; (vi) improve business management and administration and access to and positioning on both domestic and external markets, (vii) support to tax reforms, and (viii) strengthen relevant national institutions.

Consideration will be given to implementing specific actions to stimulate the promotion of sustainable livelihoods in regions which are particularly vulnerable to the incursion of coca cultivation from neighbouring Colombia and Peru and/or in areas where the Ecuadorean authorities request assistance to tackle incipient coca cultivation. Innovative methods of channelling migrant remittances into financing and credit mechanisms to promote economic opportunities could be explored. During the process of programme formulation, due attention will be given to the feasibility of incorporating some of the innovative ideas contained in COM(2005)390 "Migration and Development" (see Chapter 4.3.10 above). Careful attention will be paid, where relevant, to securing the benefits of the use of ICT tools in the programmes and by the beneficiaries in various fields of economic activity.

The implementation of effective and lasting actions in this sector will strengthen the decentralisation process by supporting local economic development plans within the framework of the *Ley de descentralización del estado*. Efforts will be made to identify actions which, from the specific angle of improving and generating employment opportunities, complement and build on operations that have been carried out in the field of **food security**. Here, EC programmes, particularly within PROLOCAL, have focused on reducing the chronic poverty affecting the inhabitants of the most neglected areas of Ecuador, via support actions for local and national Government bodies, essentially to consolidate the rural productive base.

Programmes will also be dovetailed with the EC's ongoing programme EXPOECUADOR, and with programmes undertaken within the framework of the Regional Strategy Paper to strengthen regional integration and enhance trade capacities, in order to improve the flow of foreign trade and investment among Ecuadorean and European companies by strengthening foreign trade bodies and companies themselves.

The programmes will incorporate cross-cutting concerns such as land tenure and use, and actions to tackle gender and ethnic inequalities. In formulating the programmes, consideration will be given to actions designed to reduce Ecuador's current high levels of child labour, as well as to actions which may contribute to reducing vulnerability to trafficking and sexual exploitation. Full account must be taken of the fact that many of Ecuador's poor rely for their livelihood on the exploitation of natural resources, and that the sustainable reduction of poverty is closely linked to natural resources management policy. Many of the economic opportunities that will be generated by the EC-funded interventions could have significant environmental impacts, and it will therefore be crucial to envisage the use of Environmental Impact Assessments (EIAs) at project or programme level and also the application of environmental indicators in programme design and evaluation. Special attention will be given to international trade agreements signed by Ecuador, so that the actions proposed contribute to increasing the country's inclusion and competitiveness within and beyond the Andean Region. In this context, particular consideration will be given to the relevance of conducting a Trade Needs Assessment during the programme formulation phase in order to ensure that all relevant trade-related needs are taken into account and reflected in the detailed plan of activities to be undertaken.

5.2.2.3 Risks

In order for EC interventions in this sector to achieve the desired impact, the political and economic environment must be conducive to investment and business consolidation, regardless of scale. State institutions and private operators need to be willing to implement the necessary measures. Thus, the success of the programmes to be supported by the EC will depend on the following factors:

- maintaining a sound institutional and regulatory environment;
- increasing legal certainty and achieving a significant reduction of social and political conflict in Ecuador;
- the State managing to gain a sustainable footing in the international arena by signing agreements with countries or groups of countries from the region, the continent and the rest of the world;
- Finally, natural disasters can affect all of this, thus jeopardising farming production capacity which remains a key part of the national economy.

6. NATIONAL INDICATIVE PROGRAMME

In view of the uncertainties surrounding possible developments in Ecuador given that this CSP was to be adopted just as a new government took office, a high degree of flexibility is appropriate in undertaking the programming exercise for the EC's future strategy there. This is why the National Indicative Programme set out below covers only the period 2007-10. In order to ensure this flexibility and the capacity to adjust to changes that may arise in the future

in Ecuador, the funds available for the period 2011-13 will be programmed at a later stage. This second programming phase does not rule out the possibility of continuing with the intervention sectors included in the current Country Strategy Paper (programmes and projects with implementation periods lasting until the end of this first programming phase).

For these reasons, and also in the absence at the end of 2006 of an agreed and valid national strategy for combating poverty, the National Indicative Programme set out below has been couched in relatively general terms. For the sake of greater flexibility in programming, formulation of the more specific content will be completed at a later stage, when the above aspects have become clearer.

6.1 Contributing to increased government social investment – Education (DAC Codes 11110, 11220, 11230)

General objective

Contribute to increasing social cohesion by helping to increase government social investment in the Education sector, in order to train a competitive labour force directed at the country's productive needs and with a foothold in the market.

Impact indicators: increase in the percentage of government expenditure devoted to education, and in the proportions of that expenditure invested in primary and in technical and vocational education.

Specific objectives

1. Strengthen the primary education system in Ecuador with a view to meeting the second Millennium Development Goal (achieving universal primary education).

Type of indicators: number of children aged between 5 and 14, who have not completed primary education, finishing the ten-year primary education cycle. Number of children not taking part in the first year of primary education. (An estimated 100,000 children have not attended even the first year of primary education.)

2. Strengthen the technical and vocational education system as part of Ecuador's education reform process.

Type of indicators: increase in the supply of technical secondary education in peri-urban and rural areas (schools, teaching posts); the incorporation of technical education elements in plans and programmes as the main basis of the curriculum for the third primary cycle.

Expected results

Levels of attendance at and completion of primary education in the more neglected areas of Ecuador have improved. Consultation strategies have been developed in the public sector (education, employment, economic development, municipalities) and the private sector with a view to better focusing of the sector's policies, plans and teaching programmes. Curriculum proposals and teaching plans have been drawn up for the primary and technical-vocational levels, designed to meet the economic and productive demands of the country as a whole and of the different regions while at the same time having regard to environmental sustainability. Teaching support material has also been devised for the new educational curriculum. The technical equipment of vocational schools has been improved (workshops, demonstration

farms etc.) to raise the level of teaching. The training of technical vocational instructors has been updated in order to ensure the quality of education provided and the viability of the new curriculum. The number of pupils in technical and vocational education and the number of trained young people who find jobs on the labour market have increased. As regards target groups, the programmes will pay special attention to getting results among girls and young women and students of indigenous origin.

Implementation methods and cross-cutting issues

The methods adopted will be those that prove the most suitable, taking a sectoral approach wherever possible. A combination of implementation methods is likely. Part of the funds could be managed via a budgetary support programme directly handled by the Education Ministry in coordination with other Ministries (Employment, Economic Development). Technical assistance might be necessary if areas of technical and institutional weakness identified in the sector need to be reinforced, in a spirit of transfer of expertise. The possibility could be examined of maintaining, under the traditional project-based approach, a fund to support innovation projects in the area of technical and vocational education designed to identify and disseminate successful experiences. The aim of this would be to promote the development of policies and proposals at the central level of the Ministry and at the decentralised provincial or municipal levels.

Interventions will be coordinated with the sector promoting the generation of economic opportunities (see below). The programmes will incorporate cross-cutting issues such as combating gender and race inequality, and promoting environmental awareness and sustainable environmental practices. Where relevant, Environmental Impact Assessments (EIAs) will be undertaken at project or programme level, while environmental indicators will be used and disaster risk reduction incorporated in programme design and evaluation. Due attention will be paid to the important role of ICT both as a tool for education and in terms of the skills needed by Ecuadorean students and by those entering the workforce. There could be scope to include elements of personal and social education which contribute to a culture of respect for human rights and negotiation and dialogue, as a way to prevent or at least mitigate social and political conflict. At the time of writing, an EC-funded programme in the field of vocational training is starting up in Peru. Where relevant, lessons learned from implementing it will be taken into account in the formulation of future programmes in Ecuador.

Complementarity with other financing instruments

The actions carried out in the education sector will be coordinated and will complement other EC interventions in Ecuador, especially those implemented in the context of cofinancing of civil society organisations (NGOs and others) and also of the ALβAN regional programme for university education.

6.2 Generating sustainable economic opportunities and promoting regional integration (DAC Codes 250, 25010, 331)

General Objective

To promote social cohesion and regional integration by generating and consolidating sustainable economic opportunities for poor people to have decent work in micro-, small- and medium-sized competitive enterprises.

Impact indicators: the rise in per capita income between 2007 and 2010.

Specific objectives:

1. To promote sustainable income-generating productive activities, targetted in particular at the poorest, most marginalised and/or disadvantaged sectors of Ecuadorean society, by increasing the productivity of work and generating value-added products.

Type of indicators: the increase in the supply of and demand for work and the rise in the monetary and non-monetary income of the target population.

2. To foster the presence, consolidation and positioning on internal and external markets of micro-enterprises and SME, and to strengthen national institutions, with a view to consolidating Ecuador's integration in the region.

Type of indicators: access to financing, management and the presence on internal and external markets, with an increase in the sector's contribution to the net value of exports and to the economic volume of trade within the country; development of regional markets.

3. To promote a more favourable environment for job creation and competitiveness by developing a national policy and a regulatory framework.

Type of indicators: preparation of public policies and strategies and adoption of rules, regulations and laws, the creation and formalisation of companies and technological innovation initiatives and improved human resources capacity.

4. To support greater integration within regional and international markets, in particular increasing and facilitating trade within the Andean Community and between the EU and Ecuador.

Type of indicators: legal framework for foreign investment improved; institutional, judicial and regulatory capacities enhanced in trade-related fields; improved border management and reduced obstacles to cross-border trade.

Expected results

For the target groups: the economic activities will be consolidated and made sustainable through employment generation and improvement in their income levels. Special attention will be paid to obtaining results among women and the indigenous and Afro-Ecuadorean population, and interventions may be targetted geographically on the basis of poverty and other relevant indicators and/or targetted at specific groups of beneficiaries e.g. on the basis of gender, ethnic origin or other criteria such as age (permitting a focus on young people or on elderly citizens). The type of economic activity which may be generated will depend, in part, on the target beneficiaries as well as on geographical, economic and other factors which will have to be analysed during the process of identification and formulation of the intervention(s).

As mentioned in Chapter 5.1 above, perhaps the most important source of conflict in Ecuador is inequitable access to, and lack of, economic opportunities which, in turn, generates and perpetuates poverty. The creation of enhanced economic opportunities can, therefore, be expected to make a direct and indirect impact to the reduction and mitigation of conflict.

The formalised micro-enterprises and SME supported directly or indirectly by the programmes will contribute to consolidating the economic and social fabric of the areas and fields concerned. By seeking to take full advantage of the market openings offered by the SPG Plus and within the framework of the Andean Community, and building the skills and

capacities needed to participate more effectively in multilateral negotiations, this area of intervention can also be expected to help strengthen Ecuador's trade links with the EU and deepen its integration within the Andean Community. Other expected results would include the simplification and harmonisation of import and export procedures; and improvements in the country's competition policy framework and business environment which would, in turn, attract higher levels of Foreign Direct Investment (FDI) and ensure that greater benefits can be gained for Ecuador from FDI. Finally, it is hoped that the policies and strategies put into force by the Government will foster an environment that is conducive to generating economic opportunities.

Implementation methods and cross-cutting issues

In accordance with general EC cooperation policy, methods will be adopted that prove the most suitable, taking a sectoral approach wherever possible. The aim of this would be to promote the development of policies and proposals at the central level of the responsible Ministry or Ministries as well as the decentralised provincial or municipal levels.

To achieve the proposed aims and maintain coherence with probable moves towards greater administrative and political decentralisation, the EC will give preference to programmes that have a regional component, with municipal action units.

The programmes will pay particular attention to cross-cutting issues such as land tenure and use, gender and ethnic inequalities, respect for the rights of the indigenous peoples and environmental sustainability, ensuring that measures to tackle discrimination, improve environmental awareness and promote the sustainable management of natural resources are an integral part of all activities undertaken. Where relevant, Environmental Impact Assessments (EIAs) will be undertaken at project or programme level, while environmental indicators will be used and disaster risk reduction incorporated in programme design and evaluation.

Complementarity with other financing instruments

Steps will be taken to achieve complementarity and synergies with relevant programmes undertaken in the framework of the Strategy Paper for the Andean Region. The AL-Invest programme, undertaken within the framework of the Strategy Paper for the Latin American region, will contribute to consolidating activities under specific objectives 2 and 3. Efforts will be made to ensure complementarity and continuity between the Food Security Programme, which is scheduled to end in 2007, and future programmes undertaken in the present area of intervention. The intended shift from informal to formal economic activity may reduce the extent of child labour and should improve the conditions of any residual cases of child labour, in line with the approach followed in the past through the EIDHR and other thematic budget lines. Finally, given Ecuador's acute vulnerability to a range of natural disasters, disaster risk reduction will be considered as an integral element of the design and implementation of projects and programmes in disaster-prone areas. It will be important to seek synergies and promote coordination with the DG ECHO and DIPECHO programmes, especially in programmes based on farming production.

6.3 Indicative timetable for implementation

Under the Development Cooperation Instrument (DCI), an indicative allocation of € 137 million has been earmarked for Ecuador for the period 2007-13.

PIN I : 55% of the total envelope for Ecuador (approximately € 75 million).

PIN II : 45% of the total envelope for Ecuador (approximately € 62 million).

Indicative allocation in € millions

PIN I						PIN II
	2007	2008	2009	2010	Total	2011-2013
Sector 1	7		34		41	
Sector 2		20		14	34	

Annex 1 Map of Ecuador



Map No. 3878 Rev. 3 UNITED NATIONS
June 2004

Department of Peacekeeping Operations
Cartographic Section

Annex 2
Ecuador at a glance

Flag:		
Country profile:	Republic of Ecuador	National name: República del Ecuador
Area:	283,560 sq km	
Population:	13,363,593 (growth rate: 1.6%); birth rate: 22.7/1000; infant mortality rate: 23.7/1000; life expectancy: 76.2; density per sq km: 48	
Languages:	Spanish (official), Quechua, other Amerindian languages	
Administrative Capital:	Quito, Largest cities: Guayaquil, Cuenca,	
Ethnicity/race:	Mestizo (mixed Amerindian and white) 55-65%, Amerindian 25-35%, Afro-Ecuadorean 5-10%, white Caucasian 4-5%	
Religion:	Roman Catholic 95%	
Head of state:	President: Rafael Correa (2007); NB - the President is both the head of state and head of government	
Legislative branch:	unicameral National Congress or Congreso Nacional (100 seats; members are popularly elected by province to serve four-year terms)	
Literacy rate:	93% (2003 est.)	
Natural resources:	petroleum, fish, timber, hydro-electric power.	
Unemployment:	11.1%, underemployment 47%.	
Major trading partners:	U.S., EU, Colombia, Venezuela, Korea, Japan, Chile, Brazil	

Sources: World Bank: Global Data Information System, UN Statistics Division – Common Database, Andean Community web (all data 2004 unless specified)

Annex 3
Ecuador Data Profile

1. Selected social indicators

1.1 Indicators related to the Millennium Development Goals

	1990	1994	1997	2000	2003
Goal 1: Eradicate extreme poverty and hunger					
<u>Percentage share of income or consumption held by poorest 20%</u>	..	..	..	3.3	..
<u>Population below \$1 a day (%)</u>	..	2.0	17.7	..	..
<u>Population below minimum level of dietary energy consumption (%)</u>	..	..	..	5.0	..
<u>Poverty gap ratio at \$1 a day (incidence x depth of poverty)</u>	..	0.5	7.1	..	..
<u>Poverty headcount, national (% of population)</u>	..	35.0	..	..	..
<u>Prevalence of underweight in children (under five years of age)</u>	..	..	..	14.3	..
Goal 2: Achieve universal primary education					
<u>Net primary enrollment ratio (% of relevant age group)</u>	97.8	..	97.0	99.4	99.5
<u>Primary completion rate, total (% of relevant age group)</u>	..	90.0	98.0	100.0	..
	100.0	..	..	..	..
<u>Proportion of pupils starting grade 1 who reach grade 5</u>	..	..	77.0	78.0	..
<u>Youth literacy rate (% ages 15-24)</u>	..	..	..	96.4	..
Goal 3: Promote gender equality and empower women					
<u>Proportion of seats held by women in national parliament (%)</u>	..	5.0	..	4.0	17.0
<u>Ratio of girls to boys in primary and secondary education (%)</u>	..	..	..	100.7	16.0
	100.6	..	100.4	..	..
<u>Ratio of young literate females to males (% ages 15-24)</u>	..	..	..	100.1	..
<u>Share of women employed in the nonagricultural sector (%)</u>	37.3	40.2	39.6	40.2	41.1
Goal 4: Reduce child mortality					
<u>Immunization, measles (% of children ages 12-23 months)</u>	60.0	72.0	75.0	84.0	99.0
<u>Infant mortality rate (per 1,000 live births)</u>	43.0	34.0	..	27.0	24.0
<u>Under 5 mortality rate (per 1,000)</u>	57.0	43.0	..	32.0	27.0
Goal 5: Improve maternal health					
<u>Births attended by skilled health staff (% of total)</u>	..	..	..	91.3	..
<u>Maternal mortality ratio (modeled estimate, per 100,000 live births)</u>	..	..	..	..	130.0
Goal 6: Combat HIV/AIDS, malaria, and other diseases					
<u>Contraceptive prevalence rate (% of women ages 15-49)</u>	52.9	56.8	..	65.8	..
<u>Incidence of tuberculosis (per 100,000 people)</u>	202.4	..	180.1	..	164.9
	151.1	..	138.4	..	..
<u>Number of children orphaned by HIV/AIDS</u>	..	..	..	..	..
<u>Prevalence of HIV, total (% of population aged 15-49)</u>	..	..	..	0.3	0.3
<u>Tuberculosis cases detected under DOTS (%)</u>	..	..	..	5.3	36.9
Goal 7: Ensure environmental sustainability					
<u>Access to an improved water source (% of population)</u>	69.0	..	..	..	86.0
<u>Access to improved sanitation (% of population)</u>	56.0	..	..	..	72.0
<u>Access to secure tenure (% of population)</u>	..	..	..	..	..
<u>CO2 emissions (metric tons per capita)</u>	1.6	1.3	1.7	2.0	..
<u>Forest area (% of total land area)</u>	43.1	..	..	38.1	..
<u>GDP per unit of energy use (2000 PPP \$ per kg oil equivalent)</u>	..	5.9	5.9	5.3	5.0
<u>Nationally protected areas (% of total land area)</u>	..	..	..	..	18.3
Goal 8: Develop a global partnership for development					
<u>Aid per capita (current US\$)</u>	15.7	19.0	13.1	11.8	13.5
<u>Debt service (% of exports)</u>	62	38	56	36	39
<u>Fixed line and mobile phone subscribers (per 1,000 people)</u>	47.8	60.3	86.0	135.0	..
	311.6	..	..	..	..
<u>Internet users (per 1,000 people)</u>	..	0.3	1.1	14.2	46.0
<u>Personal computers (per 1,000 people)</u>	1.9	9.8	16.8	21.7	31.1

Unemployment, youth female (% of female labour force ages 15-24)	17.3	17.8	24.5	18.1	..
Unemployment, youth male (% of male labour force ages 15-24)	11.1	12.7	15.1	10.5	..
Unemployment, youth total (% of total labour force ages 15-24)	13.5	14.9	18.9	13.5	..

Source: World Development Indicators database, April 2005 (figures in italics refer to periods other than those specified.)

1.2 Others

	1985	1990	1995	2000	2003
Human Development Index *	0,698	0,715	0,730	....	0,759 Ecuador ranked 82 in the total of 177 countries included in the HDR

Source: UN Development Programme Report 2005

*The HDI – human development index – is a summary composite index that measures a country's average achievements in three basic aspects of human development: longevity, knowledge, and a decent standard of living. Longevity is measured by life expectancy at birth; knowledge is measured by a combination of the adult literacy rate and the combined primary, secondary, and tertiary gross enrolment ratio; and standard of living by GDP per capita (PPP US\$).

2. Selected economic, financial and trade indicators

2.1 Economic and financial indicators

	2000	2003
GNI, Atlas method (current US\$)	16.5 billion	23.8 billion
GNI per capita, Atlas method (current US\$)	1,330.0	1,830.0
GDP (current \$)	15.9 billion	27.2 billion
GDP growth (annual %)	2.8	2.7
GDP implicit price deflator (annual % growth)	-7.0	9.0
Inflation rate (%)*		7,9
Value added in agriculture (% of GDP)	10.6	7.7
Value added in industry (% of GDP)	34.7	28.7
Value added in services (% of GDP)	54.6	63.6
Foreign direct investment, net inflows in reporting country (current US\$)		
Present value of debt (current US\$)	13.1 billion	18.7 billion
Total debt service (% of exports of goods and services)		25.7
Short-term debt outstanding (current US\$)	797.1 million	1.8 billion

Source: World Bank: World Development Indicators database, August 2005

*Source: IMF, delivered by DG Trade web

2.2 Trade indicators

	2000	2003	2004
Exports of goods and services (% of GDP)	37.1	23.8	30.2
Total exports (US\$ millions)		6,038	7,655
Oil		2,372	3,899
Bananas		1,099	1,023
Manufactures		1,584	1,658
Imports of goods and services (% of GDP)	31.0	28.8	27.5
Total imports (US\$ millions)		6,534	7,861
Food		....	.....
Fuel and energy		664	785
Capital goods		1,789	2,054
Trade in goods as a share of GDP (%)	54.2	46.2	..
High-technology exports (% of manufactured exports)	5.6	6.0	..
Rank of Ecuador as an EU's trade partner*			
Total			70
Imports from Ecuador			59
Exports to Ecuador			83

Source: World Bank: World Development Indicators database, August 2005

*Source: EUROSTAT 2005

2.3 EU- Ecuador Trade indicators

2.3.1 European Union, trade with Ecuador (in Mio euro)

Year	Imports	Yearly % change	Share of total EU imports	Exports	Yearly % change	Share of total EU exports	Balance	Imports + Exports
2000	1 014		0.10	542		0.06	-472	1 556
2001	1 102	8.7	0.11	834	53.9	0.09	-268	1 936
2002	1 223	10.9	0.13	951	14.1	0.11	-272	2 174
2003	1 281	4.7	0.14	848	-10.8	0.10	-432	2 129
2004	1 229	-4.1	0.12	718	-15.4	0.07	-511	1 946
3m 2004	335		0.14	138		0.06	-196	473
3m 2005	340	1.7	0.13	198	43.1	0.09	-142	538
Average annual growth		4.9			7.3			5.8

Source: EUROSTAT 2005

2.3.2 Ecuador, trade with European Union (in Mio euro)

Year	Imports	Yearly % change	EU Share of total imports	Exports	Yearly % change	EU Share of total exports	Balance	Imports + Exports
2000	589		14.00	973		16.06	385	1 562
2001	914	55.3	14.59	1 087	11.6	17.71	173	2 001
2002	1 045	14.3	15.14	1 177	8.3	20.57	131	2 222
2003	927	-11.3	16.08	1 222	3.9	21.31	295	2 149
2004	748	-19.3	13.08	1 239	1.4	18.06	491	1 987
Average annual growth		6.2			6.2			6.2

Source: IMF

2.3.3 Ecuador's Trade balance with main partners (2004)

The major import partners

Partners	Mio euro	%
World	5 715	100.0
1 USA	1 416	24.8
2 EU	748	13.1
3 Colombia	732	12.8
4 Venezuela	479	8.4
5 Brazil	334	5.8
6 Chile	285	5.0
7 China	278	4.9
8 Japan	251	4.4
9 Korea	167	2.9
10 Mexico	164	2.9
11 Peru	155	2.7
12 Argentina	128	2.2
13 Canada	111	2.0
14 Angola	60	1.1
15 Thailand	42	0.7
16 Switzerland	36	0.6
17 Hong Kong	32	0.6
18 Turkey	23	0.4
19 Russia	21	0.4
20 Algeria	18	0.3

The major export partners

Partners	Mio euro	%
World	6 858	100.0
1 USA	3 311	48.3
2 EU	1 239	18.1
3 Colombia	375	5.5
4 Russia	243	3.5
5 Korea	236	3.4
6 El Salvador	154	2.2
7 Japan	124	1.8
8 Peru	118	1.7
9 Panama	115	1.7
10 Chile	81	1.2
11 Canada	77	1.1
12 China	66	1.0
13 Jamaica	64	0.9
14 Venezuela	61	0.9
15 Algeria	56	0.8
16 Mexico	54	0.8
17 Guatemala	42	0.6
18 Argentina	36	0.5
19 Dominican Republic	34	0.5
20 Turkey	29	0.4

The major trade partners

Partners	Mio euro	%
World	12 573	100.0
1 USA	4 726	37.6
2 EU	1 987	15.8
3 Colombia	1 107	8.8
4 Venezuela	540	4.3
5 Korea	403	3.2
6 Japan	374	3.0
7 Chile	366	2.9
8 Brazil	353	2.8
9 China	345	2.7
10 Peru	273	2.2
11 Russia	264	2.1
12 Mexico	219	1.7
13 Canada	189	1.5
14 Argentina	164	1.3
15 El Salvador	154	1.2
16 Panama	119	0.9
17 Algeria	73	0.6
18 Jamaica	64	0.5
19 Switzerland	62	0.5
20 Angola	60	0.5

Source: IMF

2.3.4 European Union, Imports from Ecuador by product grouping (Mio euro)

SITC Rev.3 Product Groups	2000	%	2002	%	2004	%
TOTAL	1 014	100.0	1 223	100.0	1 229	100.0
Primary Products	963	95.0	1 154	94.4	1 182	96.2
<i>of which:</i>						
Agricultural prod.	959	94.7	1 153	94.3	1 181	96.1
Energy	3	0.3		0.0		0.0
Manuf. Products	41	4.1	54	4.4	31	2.5
<i>of which:</i>						
Machinery	10	0.9	5	0.4	4	0.3
Transport equipm	1	0.1	23	1.9	1	0.1
<i>of which:</i>						
Automotive prod.	1	0.1		0.0		0.0
Chemicals	1	0.1	2	0.2	3	0.3
Textiles and cloth.	9	0.9	7	0.6	7	0.5

Source: EUROSTAT 2005

2.3.5 European Union, Exports to Ecuador by product grouping (Mio euro)

SITC Rev.3 Product Groups	2000	%	2002	%	2004	%
TOTAL	542	100.0	951	100.0	718	100.0
Primary Products	43	8.0	68	7.1	67	9.4
<i>of which:</i>						
Agricultural prod.	35	6.5	58	6.1	57	7.9
Energy	2	0.5	4	0.4	4	0.6
Manuf. Products	478	88.3	866	91.0	585	81.5
<i>of which:</i>						
Machinery	141	26.0	363	38.2	257	35.9
Transport equipm	61	11.3	119	12.5	64	8.9
<i>of which:</i>						
Automotive prod.	21	3.9	58	6.1	31	4.4
Chemicals	138	25.4	180	18.9	132	18.4
Textiles and cloth.	7	1.3	13	1.4	8	1.1

Source: EUROSTAT 2005

Annex 4

Country Environment Profile³ - Ecuador

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 show considerable variations from the north (tropical rain forest) to the south (semi-arid). It is heavily populated and farmed, 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 at the mouth of the Guayas River. The climate is tropical, with high levels of precipitation during the rainy season. Serious flooding is a problem that recurs 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, joined here and there by transversal elevations. Landscapes, climates and eco-systems are very varied, divided into 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 at equivalent altitudes.

The eastern third of the Ecuadorean territory consists of the *Amazonian tropical forest*. The northern part of this area is heavily affected by human activities; oil exploitation began here at 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 inappropriate farming and cattle raising methods. The area closest to the Colombian border is affected by coca fumigation carried out under the *Plan Colombia*.

Social and economic trends

In the case of Ecuador, the World Bank's Poverty Assessment (April 2004) found that, while access to basic social services has improved slowly but steadily since 1990, national consumption-based poverty stood at 45% in 2001, compared with 40% in 1990, while the number of poor people increased from 3.5 to 5.3 million during the same period. The rise in poverty was highest in urban areas, due to migration and to the 1999 banking and financial crisis; but in rural mountain areas, too, poverty went up by 15%.

During the last twenty years, there has been only a small increase in Ecuador's GDP. Real GDP per capita fell by 0.5% per year between 1980 and 1990 and has been more or less static since then. Ecuador's poor economic performance is to some degree due to external factors, including natural disasters, but mainly it is a consequence of bad policies, unstable government and slow productivity growth. The relationship between productivity and growth has become even more significant since 2000, when Ecuador adopted the US Dollar as its national currency. By doing this, the country abandoned the possibility of using monetary policy as an instrument for increasing competitiveness.

³ This Profile is an edited version of the Annex on Ecuador included in “Regional Environmental Profile - Andean Countries” (February 2005). The Regional Environmental Profile was financed by the European Commission and presented by ORGUT Consulting AB for the European Commission. It does not necessarily reflect the opinion of the European Commission.

In addition to generalized poverty among people still living in the country, the other dramatic manifestation of the economic crisis in Ecuador is emigration. There has always been some emigration from Ecuador to the United States, but after the crisis in 1999-2000, this became a mass movement. It is estimated that 2.5 million Ecuadoreans have left their country in the last four years, most of them having gone to Europe. At present, there are almost 400,000 legally registered Ecuadorean immigrants in Spain, which has been the most popular destination, followed by Italy. The number of illegal immigrants is also significant. Ecuador has, for the first time in its history, become an exporter of people and an importer of remittances; according to the Ecuadorean Ministry of Finance and Economy, remittances totalled 1.5 billion dollars in 2003. Unfortunately, there is as yet no mechanism in place to help to channel these resources to the productive sectors in an orderly manner; much of it goes on consumption of imported luxury goods.

Environmental issues

Water

In the lowlands of Ecuador, 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, as regards the mountain region it is now clear that serious legal and institutional measures will have to be taken in order to achieve sustainable water management. While there is still no hard evidence that precipitation has decreased in general, there are many areas where consumption of water, particularly for irrigation, exceeds – and sometimes far exceeds – the normal supply. Also, there is a problem with protection of water sources, especially in the so-called “*páramo*” areas, which are highland moors with a very large capacity for storage of rain water; these are increasingly being damaged by the advance of the agricultural frontier.

The situation with regard to water use and protection in general, including water for domestic and industrial use, borders on legal and institutional chaos, with certain aspects handled by different agencies simultaneously while other aspects are overlooked by everyone.

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 has never been any proper long-term planning of water use. Numerous water concessions have been granted without sufficient basic information on available resources and irrigation projects have been implemented, and continue to be planned, by various operators without any kind of social, or even private, cost-benefit analysis. The Ecuadorean state has implemented a process of privatising irrigation systems and so (for the foreseeable time) there will be no further national, public investment in irrigation systems. However, there are many existing systems and incomplete systems that need considerable investment and improved management in order to be used properly.

Soils and agriculture

Since the 1960s, two parallel agricultural systems have developed in **Ecuador**: modern large-scale establishments (*haciendas*) and peasant farmers’ small-holdings. The *haciendas* can be differentiated according to the area of land which they occupy and their orientations with regard to the market. On the one hand, there are the big plantations in the coastal region 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 types of farming cause the most damage to the soil, both by deforestation, overgrazing and inappropriate use of agrochemicals.

On the other hand, there are small farmers dedicated to coffee and cocoa 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, these crops do not appear to be too harmful to the soil.

In the mountain region, the big *haciendas* are mainly oriented towards milk production, and, more recently, flowers. The small farmers fall into two categories: those who occupy land of good quality and are fairly near markets and communication; and those who occupy the mountainsides with more fragile soil cover and a more difficult climate. The latter combine production for the market with subsistence farming. No less than 53% of the territory in Ecuador is located on slopes with differing degrees of inclination; 21% is on extremely steep slopes.

According to the 2002 Agricultural Census, there were 842,888 agricultural properties in the country. Of these, 636,375 were of less than 10 ha and 248,398 had less than one hectare. In the mountain region, the agrarian reform processes and the systems of inheritance have caused serious fragmentation of land ownership in areas already barely suitable for agriculture (including the “*páramos*”); the end result is enormous pressure on the land and the destruction of soils (and water sources). The pattern is very similar to that found in many parts of Bolivia.

Forest

In Ecuador, the destruction of tropical and sub-tropical forests is dramatic, both in the Amazon region and in the northwest of the country on the Pacific coast and along the border with Colombia (this applies particularly to the very special Chocó forest, which runs along the Pacific coast from southern Panama, through Colombia, into northern Ecuador). The most affected area within the western coastal plain is Esmeraldas Province, where forest resources are being severely depleted by logging and by the opening up of land for oil palm plantations.

There has also been serious destruction of mangrove forests in Esmeraldas and further south, mainly due to the construction of shrimp ponds. According to the Ecuadorean *Instituto Geográfico Militar* there were originally about 360,000 ha of mangrove in the Ecuadorean coastal area, but this had been reduced to 150,000 ha by 1999. This development has taken place despite the fact that, as long ago as 1986, the government declared all the mangrove forests to be protected areas.

The pattern of ownership of forest lands in Ecuador is interesting and important to bear in mind; it is very different from the patterns in Bolivia and Peru. According to a well informed source, the forest lands in Ecuador now amount to 11.5 million ha, rather than the 10.5 million indicated in the table. Of these, 3.5 million are in protected areas. Another 3.5 million are to be found on land owned (with official government recognition) by indigenous communities, for instance the *Shuar* in the Pastaza Province and the *Awá* on the border with Colombia. These communities are claiming another 1.5 million ha as ancestral lands, and it is not unlikely that they will obtain it at some point. The population of these indigenous forest owners adds up to only 2% of the entire population of the country.

The remainder of the forest land is mostly owned by small proprietors with an average of 35 ha each. Forest-based industry owns only about 30,000 ha. There are no large concessions of state-owned land in Ecuador, and one would presume that this situation provides a much better starting-point for sustainable forest management. What is needed is an improvement of the economic chain of production (added value for timber and its end products); combating of

illegal logging which, naturally, exerts a downward pressure on raw material prices; technical assistance in management; and stronger controls in general.

In 2003, Ecuador's Ministry of the Environment contracted out the control of forestry activities by hiring the *Société General de Surveillance* (SGS) for this purpose. A system was set up with a data base run by the SGS which could cross-check information on approved forest management plans and transportation permits with the road check-points run by the so-called *Vigilancia Verde*, which is a conglomerate of NGOs, the police and others. The amount of confiscated illegal timber soon doubled. However, this initiative broke down after only six months because certain forest owners took legal action arguing that this arrangement was unconstitutional (recourse to this particular argument is a frequent occurrence in Ecuador). The case seems to have been dropped recently, which may mean that this arrangement could be revived; it is a case of more energetic action being needed on the part of the Ministry of the Environment.

As a final comment it is worth pointing out that the EC Programme for Decentralization of Environmental Management in Three Northern Provinces includes the tropical forests and the mangrove as important themes.

The Galápagos Islands

In 1962, there were fewer than 3,000 inhabitants on these islands and by the beginning of the 1980s the number had gone up only to 5,000. Thereafter, the rate of population increase took a dramatic turn upwards, for various reasons: tourism and related services increased, as did fishery activities; and, around 1999-2000, the economic crisis in Ecuador (bank collapse, dollarization, etc) made people move to Galápagos in search of new opportunities. In 2004, the resident population in the Galápagos was estimated at 20,000 or more and it was expected to reach 30,000 by 2010. In recent years the number of tourists visiting the Galápagos has increased by 10-12% annually and now stands at about 100,000 each year, of which about 70% are foreigners.

The increased pressure on habitats, both from the growing local population and from tourists does, of course, pose a threat to the Islands' eco-systems and wildlife. Already in 1997, more than 20% of bird species, 35% of mammals and over 40% of reptiles were classified as endangered. In 2002, 58% of evaluated endemic flora was classified as vulnerable or in danger. There are also severe problems in the Marine Reserve, particularly with regard to illegal fishing for shark (for their fins) and sea cucumbers (these are a delicacy in Japanese cuisine). The latter are currently the subject of conflicts between fishermen and the Ministry of the Environment.

Tourism to the Galápagos generates around 100 million dollars per year for the Ecuadorean mainland and 30 million dollars for the islands. The inhabitants of Galápagos are certainly not the poorest inhabitants of Ecuador. As far as different sorts of international cooperation are concerned, Galápagos has also been quite favoured. Hence, the conservation and sustainable development of the Province (the islands) is not a matter of needing more financial resources, in the short term. It is, once again, a matter of governance, social cohesion and management. Due to the recent strong population growth in the islands, 75% of the people there can be considered as "immigrants" - from all parts of the country. Their level of general education is poor. The local social, political and other conflicts that are so common in the entire country are magnified in the Galápagos, and, as one very knowledgeable observer puts it: "The magic of the islands has been lost".

This “complex” population and its activities are supposed to be governed and administered by a rather convoluted set of institutions. A Province since 1973, the Galápagos has a provincial government, three municipal governments and delegations of sectoral Ministries, like any other province. Then there are the INGALA institute (responsible for regional planning), the autonomous National Park administration and the Charles Darwin Foundation. On top of it all, Galápagos is a playground for numerous NGOs of different sorts, many of them with their own agendas and with little or no coordination among themselves or with any of the other actors.

Air pollution

The general air quality situation in Ecuador is similar to that of Peru, but far less dramatic. The concentration of people, industries and vehicles is less pronounced, petrol is of much better quality (lower sulphur content and lead-free petrol is available) and considerable work has been done on monitoring air pollution in the biggest cities. In terms of practical improvements, the Municipality of Quito has done a great deal over the last few years, by boosting public transport (electric and ecological buses). Attempts have also been made to control pollution caused by the private transport sector; here, progress has been limited due to the lack of cooperation – not to say active resistance - by bus and truck owners.

Environmental laws and institutions

Ecuador has a good track record in terms of environmental legislation, strategies and plans, dating back to the beginning of the 1980s. However, environmental issues and policies have not been very high on the agendas of recent governments and the Ministry of the Environment is extremely weak in every sense. Over the last two years there have been frequent changes of ministerial incumbents, which has inevitably led to discontinuity in the Ministry’s work. The staff of the Ministry were on strike (over salaries) for most of October 2004 and during the latter part of this mission in November 2004. Higher level political appointees continued to work during this period, from alternative premises, but it proved impossible to interview any of them during the week available.

Like Bolivia and to some extent Peru, Ecuador has formally launched a decentralization process in environmental management, although it is moving forward very slowly. Nevertheless, considering the overall current political panorama in Ecuador, this is most likely to offer the best prospects for achieving real progress in sustainable development and environmental conservation.

International cooperation

The European Commission has supported several projects in Ecuador, directly related to environmental matters: Utilization 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, which started around 1997-98, have been of moderate size and duration. There is no consolidated 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 an emphasis on poverty reduction and environmental conservation. This project has had a slow start. First of all, the introduction by the EC of new financial procedures required the approval of an Addendum to the Financing Agreement, which was signed in July 2003, i.e. more than a year after the signature of the Agreement itself. Secondly, according to various reliable sources, effective project execution was hampered by the 'political' appointment of an unsuitable National Coordinator.

A similar story can be told about another EC intervention in Ecuador, namely the “Programme for Support to the Decentralized Management of Natural Resources in Three Provinces in Northern Ecuador”. The Financing Agreement was signed in January 2004, with the Ecuadorean Institute for International Cooperation (INECI) as national counterpart body. According to the Agreement, the INECI was to handle the financial administration of the project, while technical implementation was to be delegated to the Ministry of the Environment. After signing the Agreement, the Ecuadorean authorities involved spent about nine months doing nothing or arguing about the distribution of responsibilities. Only from September 2004, when the EC put pressure on the local authorities and rumours became public that the country was about to lose this Programme due to the inaction of government authorities, did things start to move. By the end of January 2005, a National Coordinator was appointed (after some further in-fighting) and work got under way on the Global Operation Plan and the first Annual Operation Plan.

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. It is interesting to mention here, with reference to the institutional and governance problems in the islands, that UNDP is involved in a study to redesign the procedures for appointing the Director of the Galápagos National Park. In addition to this, it should be mentioned that German, Belgian, Spanish, Dutch and Italian cooperation agencies are involved 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 from 2005, which is a matter of considerable concern for some NGOs which have had support from this source. German, Belgian and Spanish cooperation agencies will remain as important players and should be taken into consideration by the EC in future programming activities.

As part of its official cooperation, Sweden financed a project for planning the sustainable development of three bi-national river basins in the north of Ecuador, in 2003 and 2004, affecting the same three Provinces as the EU programme mentioned above. In an extension of this project, ASDI and the Ministries of Foreign Affairs and of the Environment of have agreed to receive Swedish-financed support for the elaboration of the Global Plan and the first Annual Operational Plan for the EU Programme. A Spanish-financed programme in Imbabura province, which ended in December 2004, has contributed to the establishment of a Provincial Development Agency there which will provide infrastructure and physical facilities for the EU Programme, as well as its entire institutional memory and data bases. These include 36 parish development plans, six municipal development plans and one provincial development plan. This can be considered as a good practical example of aid coordination between the EC and EU Member States.

The UNDP, with GEF funding, works in the areas of climate change and natural disaster prevention and risk reduction. A major IDB programme on sustainable management of coastal

resources is about to start. The IDB is also involved in projects for the supply of drinking water to cities of intermediate size, while the World Bank handles the same issues in cities with a population of less than 50,000.

ANEXO 5: Matriz de Donantes y Agentes de Cooperación (los datos provienen de un gran número de fuentes diferentes, así que los autores no pueden garantizar que la información sea completa y actualizada)

Programa / Organización / Donante	Objetivos / Sectores / Áreas	Volumen de financiamiento	Modalidades de Ejecución	Foros de coordinación	Aspectos relevantes / Localización
Banco Mundial	<ul style="list-style-type: none"> ■ Reducción de Pobreza y mejora de la calidad de vida a través del crecimiento económico. ■ Desarrollo rural y comunitario; Medio ambiente; Educación; Salud; Modernización del estado; Obras Públicas ■ Las acciones financiadas en el marco del presente ejercicio financiero son: ■ PROMSA (Investigación agrícola 19,8 M. USD aprobado en julio 1996, Finalizado diciembre 2003). ■ SICA (Censo agrícola 24,8 M. USD. Aprobado enero 1998. Finalizado septiembre 2004). ■ PROLOCAL (Reducción de pobreza 25,2 M. USD Aprobado julio 2001. Cierra diciembre 2006). ■ PRODEPINE (Proyecto de desarrollo de las poblaciones indígenas y afroecuatorianos 25 M. USD. Aprobado septiembre 1998. Finalizado abril 2003). PROPINE II en curso. ■ MODERSA (Modernización sector Salud 45 M. USD. Aprobado junio 1998. Cierra Diciembre 2004). ■ FSTAL (Sector Financiero, 10 M. USD. Aprobado junio 2000. Finalizado junio 2004) ■ PRAGUAS (Agua y saneamiento rural 32 M. USD Aprobado octubre 2000. Cierra abril 2004. Ya está aprobada una extensión de 3 años). ■ Integración internacional y de Comercio (21 M. USD. Aprobado junio 1998. Finalizado junio 2003). ■ PROMEC (Modernización de los sectores energía y comunicaciones rurales. 23 M. USD. Aprobado noviembre 2001. Finaliza junio 2006). ■ SIGEF (Apoyo a la Gestión Financiera Pública 13,86 M. USD. Aprobado marzo 2002. Finaliza septiembre 2005). 	<p>Total 222, 07 M. USD (1996 – 2006)</p> <p>Además para el 2005 están planeadas las siguientes acciones:</p> <ul style="list-style-type: none"> ■ SWAP Educación 25 M. USD/ año ■ SWAP Salud 2 M. USD/ año 	<ul style="list-style-type: none"> ■ Cooperación técnica y económica reembolsable ■ Ejecución a través UGP establecidos en una institución nacional con personal internacional y nacional pagado a cargo del programa ■ 9 líneas no reembolsables para la acciones para la conservación de la Biodiversidad 	<p>Con los mayores Organismos Internacionales</p>	<p>Presente desde los últimos 50 años</p>

Programa / Organización / Donante	Objetivos / Sectores / Áreas	Volumen de financiamiento	Modalidades de Ejecución	Foros de coordinación	Aspectos relevantes / Localización
BID	<p>Opera en 2 frentes:</p> <ul style="list-style-type: none"> ■ Apoyo a las Políticas Sectoriales del País para apoyar problemas coyunturales y ■ Programa de inversión para incidir en problemas Estructurales a muy largo plazo como reducción de la pobreza, exclusión, desigualdad, impunidad y corrupción, a través de fondos de inversión que financian proyectos puntuales. ■ Programa Sectorial Social (210M USD) Acciones enfocadas sobretudo hacia el apoyo a la educación primaria ■ SWAP Educación para el 2005 (20 M. USD/ año) con la participación del BM (25 M. USD/ año) y de la CAF (40M. USD/ año) ■ SWAP Competitividad para el 2007 83 m. USD <p>A través del Fondo de Inversión financia proyectos de conservación y manejo de RR NN. (70 M. USD en ejecución y 60 en preparación). Las Acciones se enfocan hacia el manejo de desechos sólidos urbanos (programado para el 2007), Turismo eco sostenible (programado para el 2007), conservación de la Biodiversidad (proyecto Galápagos); Proyecto de agua y saneamiento en ciudades intermedias (30 M. €), Apoyo al Sector Justicia (5 M. USD), Rehabilitación de centro histórico de Quito (8 M.USD, 2007) y apoyo a la competitividad (83 M. USD). La programación futura prevé además un proyecto de Apoyo al Sector Electricidad (80 M. USD, inicio 2007);</p>	<p>Prestamos para 535 M USD aprobados</p>	<ul style="list-style-type: none"> ■ Cooperación técnica y económica Reembolsable. Apoyan políticas Sectoriales del Gobierno sobretudo en Educación (SWAPs), paralelamente financian a través del fondo de inversión proyectos mirados a resolver problemas estructurales del país. ■ Beneficiario y garante de los prestamos es el Gobierno (Ministerios competentes), ejecutores pueden ser, a través de delega, los gobiernos locales y compañías públicas municipalizadas. ■ Los Proyectos y Programas financiados a través de los préstamos del BID, operan con una secretaria técnica con personal nacional e internacional pagado con los fondos del BID. 	<p>Con los mayores Organismos Internacionales</p>	<p>El Gob. de Ecuador está solicitando recortes de la deuda para un total de 12,4 M. de USD Además el Gobierno está negociando que el personal nacional sea pagado por él mismo y que los montos sean reducidos del prestamos. Otra negociación está basada sobre la reducción de todos los costes de imprevistos no utilizados,</p>
CAF	<ul style="list-style-type: none"> ■ Educación ■ Medio ambiente y conservación de Biodiversidad ■ Modernización del estado ■ Comercio ■ Agua potable y saneamiento 	<p>2004 1,5 M. USD SWAP Educación 40 M. USD / año (2005)</p>	<ul style="list-style-type: none"> ■ Cooperación técnica y económica reembolsable ■ Apoyan la elaboración y implementación de planes sectoriales 		
Comisión Europea	<p>EI CSP 2002 – 2006 prevé intervenciones en los siguientes sectores:</p> <ul style="list-style-type: none"> ■ Salud ■ Medio ambiente ■ Integración regional 	<p>Total 150 M€ 92 M € Cooperación Técnica y Financiera</p>	<ul style="list-style-type: none"> ■ Cooperación técnica y económica ■ no reembolsable ■ Cooperación ONGs ■ Ayuda Alimentaria 	<p>Con los mayores donantes y EE MM</p>	

	<ul style="list-style-type: none"> ■ Cooperación económica comercial <p>Además se financian proyectos a través de las líneas Seguridad alimentaria, ECHO ONGs y Bosques tropicales y proyectos de tipo desarrollo rural (financiados antes de 2002)</p>				
Programa / Organización / Donante	Objetivos / Sectores / Áreas	Volumen de financiamiento	Modalidades de Ejecución	Foros de coordinación	Aspectos relevantes / Localización
Estados Miembros UE					
<p>Alemania <i>BMZ a través de:</i> GTZ DED KfW CIM InWEnt</p>	<ul style="list-style-type: none"> ■ Protección del medio ambiente y Manejo RR NN ■ Apoyo a la modernización y descentralización del estado; Fortalecimiento de los Gobiernos Seccionales 	<p>Total 15,5 M. € / año</p>	<ul style="list-style-type: none"> ■ Referentes nacionales son INECI y MEF ■ 3 niveles de cooperación: <u>Macro:</u> Apoyo en elaboración de políticas y procesos de concertación a nivel nacional <u>Mezo:</u> apoyo organizaciones <u>Micro:</u> transferencia de tecnología. ■ La estrategia es de trabajar a nivel de Municipio. ■ Manejan directamente los fondos asignados por la cooperación bilateral. ■ Trabajan con ONGs y apoyan Municipios que demuestran mayor atención a temas medio ambientales. 	<p>Si</p>	<ul style="list-style-type: none"> ■ El Gobierno Alemán financia el programa de expertos integrados administrado por la OIT. ■ La GTZ trabaja a través de un documento de estrategia País.

Programa / Organización / Donante	Objetivos / Sectores / Áreas	Volumen de financiamiento	Modalidades de Ejecución	Foros de coordinación	Aspectos relevantes / Localización
Bélgica	<ul style="list-style-type: none"> ■ Desarrollo rural: micro crédito, agroindustria, infraestructura social y productiva y comercialización (zona Norte) ■ Salud: Apoyo al Municipio de Esmeralda; Al Ministerio de Seguro Social; Derechos sexuales y reproductivos de los adolescentes ■ Fortalecimiento Institucional: INECI (2005) para la preparación de estrategias para los sectores Salud (Salud descentralizada), Desarrollo rural (MAG MEDUVI), para las áreas de medio ambiente, Apoyo al proceso de descentralización y representación democrática, atención a la identidad cultural de la población indígena, y prevención de conflictos (Desarrollo de la frontera Sur: Plan Binacional Ecuador-Perú y Apoyo con proyectos de fortalecimiento de UDENOR localizados en las provincias del Norte) 	<p>Bilateral directa 6M€/ año ONGs y Universidades 4M€/ año Total previsto para 2005 12 M€</p>	<ul style="list-style-type: none"> ■ Bilateral directa, ■ ONGs ■ Cooperación Universitaria 	Si	Actualmente la cooperación belga financia 15 proyectos
España AECI	<ul style="list-style-type: none"> ■ Reducción de la pobreza: Programas de Desarrollo local; ■ Gobernabilidad y Apoyo Institucional: Fortalecimiento INECI y CODEMPE, ■ Apoyo a la formulación de la estrategia nacional de reducción de pobreza ■ Proyecto de justicia administrativa 10 años por un monto total de 10 M. € (en preparación -inicio junio 2005) ■ Medio Ambiente: Programa Galápagos (programa integral con una fuerte componente de investigación y biodiversidad) ■ Cooperación cultural: restauración de barrios, Escuelas ■ Micro crédito: Banco solidario Banco Pichincha ■ Desarrollo humano: sistema de becas; Cooperación inter universitaria. 	<p>AECI 7 M€/ año lcoop. Intermunicipal 1,7 M€/ año ONGs 1,7 M€/ año</p>	<p>La Cooperación técnica española se ejecuta a través</p> <ul style="list-style-type: none"> ■ de la agencia AECI y a través ■ de los fondos de la cooperación intermunicipal. ■ Además operan en el país 50 ONGs (200 proyectos) 	Si	Están en fase de elaboración de la estrategia 2005 - 2008
Francia	<ul style="list-style-type: none"> ■ Cooperación cultural: Enseñanza del francés y programa de becas ■ Salud ■ Apoyo a la sociedad civil ■ Modernización del estado (Policía de Quito) 	<p>Bilateral Directa: 170,000 €/ año Previsión 2005: 200,000 € Cooperación cultural y enseñanza 4M€/ año</p>	<ul style="list-style-type: none"> ■ Cooperación Técnica y Científica bilateral directa, y ■ Cooperación Cultural y de enseñanza del Francés ■ En lo posible evita la cooperación con los Ministerios 	Si	
Italia	<ul style="list-style-type: none"> ■ Reducción de la pobreza; 	Directa: 6,8 M€ en	■ Bilateral directa	Si	El Gobierno de Italia firmó un

	<ul style="list-style-type: none"> ■ Salud; ■ Medio ambiente; ■ Desarrollo Institucional; ■ Educación / Coop. Ínter universitaria ■ Producción; ■ DD HH; 	3 años Multilateral 2,1	<ul style="list-style-type: none"> ■ Multilateral (PNUD) ■ ONGs 		acuerdo para el canje de parte de La deuda (aprox. 27 M. US\$) a destinarse a la financiación de proyectos de desarrollo socioeconómico y de protección del medio ambiente en 50 cantones y 200 parroquias entre las más pobres)
Programa / Organización / Donante	Objetivos / Sectores / Áreas	Volumen de financiamiento	Modalidades de Ejecución	Foros de coordinación	Aspectos relevantes / Localización
Luxemburgo	<ul style="list-style-type: none"> ■ Lucha contra la pobreza ■ Desarrollo sostenible ■ Salud ■ Educación 	1,2 M€/ año	<ul style="list-style-type: none"> ■ A través de proyectos y programas de Salud; Educación; Agua potable y saneamiento ambiental ■ Apoya el desarrollo de capacidades técnicas y gestionales locales para asegurar la sostenibilidad 		
Países Bajos	<p>Trabajan sobretodo a nivel central y local en temas como:</p> <ul style="list-style-type: none"> ■ Conservación de RR NN; ■ Medio ambiente; ■ Apoyo a la empresa privada; ■ Apoyo a la exportación de productos orgánicos través de COPEI y de la red holandesa CBI; Género 	5 M€ (becas incluidas)	<ul style="list-style-type: none"> ■ Cooperación técnica y económica ■ no reembolsable ■ Cooperación ONGs 	Si	<ul style="list-style-type: none"> ■ Cierra los programas de cooperación bilateral el 31/12/2005 ■ Permanece la cooperación multilateral y programas de ONGs ■ Ofrece becas para un monto de 1 M€
Reino Unido <i>DFID</i>	<ul style="list-style-type: none"> ■ Ambiente; ■ DD HH; ■ Desarrollo sostenible; ■ Jóvenes y Niños; ■ Género y Gobernabilidad 	270,000 €/ año	<ul style="list-style-type: none"> ■ Apoya los programas de la CE (Aproxim. 18% del presupuesto de la Ce para Ecuador proviene del Reino Unido) ■ Adicionalmente financia un programa bilateral a través del DFID 		
Suecia	<ul style="list-style-type: none"> ■ Medio ambiente 	n.d.	<ul style="list-style-type: none"> ■ Su estrategia es dirigida a complementar la cooperación europea a través de un addendum al convenio marco de cooperación de la UE con el 	Si	

Programa / Organización / Donante	Objetivos / Sectores / Áreas	Volumen de financiamiento	Modalidades de Ejecución	Foros de coordinación	Aspectos relevantes / Localización
			Gobierno de Ecuador y particularmente con el Ministerio de Ambiente.		
FMI	<ul style="list-style-type: none"> ■ Velar por la estabilidad del sistema monetario y financiero. Lograr la estabilidad económica y financiera; fomentar el crecimiento y aliviar la pobreza. 	400 M. USD previstos Bloqueado después de un primer desembolso de 80 M. USD por incumplimiento	<ul style="list-style-type: none"> ■ Supervisión; ■ Asistencia Técnica y Financiera 		
IICA	<p>Desarrollo rural, Investigación agropecuaria</p> <p>Su acción se focalizar en 7 áreas principales de acción:</p> <ul style="list-style-type: none"> ■ Política y comercio ■ Agua y riego ■ Sanidad agropecuaria ■ Sanidad alimentaria ■ Desarrollo Rural Sostenible ■ Educación y Capacitación ■ Información y comunicación 	2M. USD/ año	<ul style="list-style-type: none"> ■ Colaboran con Ministerios, ■ Gobiernos locales, ■ ONGs y Universidades 	Si	Costa y Sierra
Japón	<ul style="list-style-type: none"> ■ Agricultura y Producción rural ■ PYME ■ Medio ambiente y conservación de Biodiversidad <p>1. Multisectorial</p>	21 M. USD / año	<ul style="list-style-type: none"> ■ Trabajan con un elevado número de voluntarios 		Trabajan en todo el país
Mayores ONGs europeas y nacionales					
ALDHU ALER CARITAS Alisei Ayuda en Acción CARE CEDENMA CESA CISP CRIC FEPP	<ul style="list-style-type: none"> ■ Salud y educación ■ Decentralización ■ RR NN y medio ambiente ■ DD HH ■ Micro crédito rural ■ Apoyo a la sociedad civil ■ Producción y comercialización ■ Cooperación cultural 	Solamente disponemos de los datos de los proyectos co-financiados con la CE: 18,25 M. € (Total)	<ul style="list-style-type: none"> ■ Cooperación no reembolsable, con entidades, ■ en colaboración con Organismos Internacionales, Organizaciones de la sociedad civil, Ministerios, Gobiernos locales 	Existe un foro de coordinación de ONGs	Ejecutan proyectos en todo el territorio

Horizont 3000 INTERMON Oxfam Observatorio Red Financiera Rural ONGs ejecutoras proyectos línea ONG					
Programa / Organización / Donante	Objetivos / Sectores / Áreas	Volumen de financiamiento	Modalidades de Ejecución	Foros de coordinación	Aspectos relevantes / Localización
Plan Binacional	Programa de acción binacional, que promueve la ejecución de proyectos fronterizos entre Perú y Ecuador para promover la participación del sector privado, en la financiación de proyectos de desarrollo de la región fronteriza. Acuerdo suscrito entre los 2 países el 26 de octubre 1998. <ul style="list-style-type: none"> ■ Infraestructura social y productiva ■ promoción de la inversión privada 	204 M. USD Total acumulado (marzo 2004)	Reciben financiamiento por: <ul style="list-style-type: none"> ■ Fondo para la paz y desarrollo ■ Los Gobiernos de Ecuador y Perú, ■ Grupo consultivo de financiamiento internacional Ecuador – Perú. ■ Grupo Binacional de promoción de la inversión privada 	Si con los mayores agentes de cooperación	
Sistema de las Naciones Unidas					
ACNUR	<ul style="list-style-type: none"> ■ Colaborar con el Gobierno para garantizar la protección internacional de los refugiados. ■ Proyectos de apoyo comunitario; Formación; capacitación; DD Humanos 		<ul style="list-style-type: none"> ■ Cooperación técnica y económica ■ no reembolsable 		Presente desde el 2000 (Total de la inversión 2;400 M. USD)
FAO	<ul style="list-style-type: none"> ■ Erradicación del hambre; seguridad alimentaria. ■ Desarrollo rural y comunitario; Medio ambiente; Educación; Agricultura; Ganadería; Pesca y Forestas. 	10 M. USD total	<ul style="list-style-type: none"> ■ Cooperación técnica y económica ■ no reembolsable 		
OPS (Organización regional de la OMS)	<ul style="list-style-type: none"> ■ Promover la equidad de la salud; combatir la enfermedad; mejorar la calidad y prolongar la duración de la vida de las poblaciones americanas ■ Salud. 	10 M. USD Total	<ul style="list-style-type: none"> ■ Supervisión y Asistencia Técnica 		Creada en 1951
PMA	Erradicación del hambre <ul style="list-style-type: none"> ■ Salvar vidas en situaciones de crisis ■ Proteger vidas de gente envueltas en crisis humanitarias y 	263 M. USD Total	<ul style="list-style-type: none"> ■ Supervisión y Cooperación técnica y económica ■ no reembolsable 		Colabora en Ecuador desde 1969

	<ul style="list-style-type: none"> ■ aumentar su capacidad de adaptarse a impactos ■ Ayudar a mejorar el estatus nutricional y de salud en los niños; madres y otras personas vulnerables ■ Apoyar el acceso a la educación primaria y reducir la desigualdad de género en el acceso a la educación y capacitación ■ Ayudar a los gobiernos a fortalecer su capacidad de planificación y manejar los programas de alimentación <p>Seguridad alimentaria; Salud; Educación Equidad de género.</p>				
Programa / Organización / Donante	Objetivos / Sectores / Áreas	Volumen de financiamiento	Modalidades de Ejecución	Foros de coordinación	Aspectos relevantes / Localización
PNUD	<ul style="list-style-type: none"> ■ Constituir una red mundial para el desarrollo que promueva el cambio y conecte a los países con los conocimientos; la experiencia y los recursos necesarios para ayudar a los pueblos a forjar una vida mejor <p>Prioridades:</p> <ul style="list-style-type: none"> ■ Gobernabilidad democrática; ■ Reducción de la pobreza; ■ Desarrollo sostenible. 	176 M. USD Total	<ul style="list-style-type: none"> ■ Supervisión y Cooperación técnica y económica no reembolsable 		Coordina el sistema de las Naciones Unidas en Ecuador
UNESCO (Sede regional para los países del Pacto Andino)	<p>Cooperar a nivel regional en las áreas de</p> <ul style="list-style-type: none"> ■ Educación; ■ Ciencias sociales; ■ Ciencias exactas y Cultura. 	2 M. USD Total	<ul style="list-style-type: none"> ■ Cooperación técnica y financiera no reembolsable 		
UNFPA	<ul style="list-style-type: none"> ■ Apoyar al derecho de las personas y las parejas a decidir libremente el número de hijos que han de tener y su espaciamiento y a disponer de la información y los medios para lograrlo. ■ Aplicación de políticas públicas; programas y proyectos de beneficio de las poblaciones ■ Salud sexual y reproductiva; población y desarrollo 		<ul style="list-style-type: none"> ■ Asistencia técnica y financiera no reembolsable; dirigida a fortalecer nacionales a nivel central y local. 		La AT se concentra en las provincias de Manabí Chimborazo y Orellana con Organismos Gubernamentales; Municipios; ONGs y organizaciones comunitarias
UNICEF	<ul style="list-style-type: none"> ■ Garantizar que la niñez y los adolescentes cuenten con los servicios sociales básicos para garantizar su derecho en salud; nutrición; educación básica; desarrollo infantil y protección. ■ Aumento de la inversión social del País. ■ Educación; Salud; DD HH; Minorías étnicas. 		<ul style="list-style-type: none"> ■ Asistencia técnica al Gobierno Cooperación técnica y financiera no reembolsable 		Coopera a nivel local en 22 Cantones
UNIFEM	<ul style="list-style-type: none"> ■ Promueve el ejercicio pleno de los derechos y la 		<ul style="list-style-type: none"> ■ Cooperación técnica y 		

(Sede regional para los países del Pacto Andino)	<ul style="list-style-type: none"> ■ ciudadanía de las mujeres ecuatorianas ■ Asegurar el derecho a la participación política y seguridad económica; el liderazgo de las mujeres en los diversos espacios sociales; la prevención de la violencia de género y la inserción del enfoque de género en las políticas y programas del sistema de las NNUU y sus agencias nacionales. ■ Fortalecimiento de las organizaciones de mujeres 		financiera no reembolsable		
UN Volunteers	<ul style="list-style-type: none"> ■ Contribuir al desarrollo humano sostenible. ■ Voluntariado entre Ciudades; Intercambio internacional Municipal; las Agencias de desarrollo Empresarial; y la prevención de HIV/SIDA 		<ul style="list-style-type: none"> ■ Cooperación técnica y financiera no reembolsable 		Presente desde el 1991
Programa / Organización / Donante	Objetivos / Sectores / Áreas	Volumen de financiamiento	Modalidades de Ejecución	Foros de coordinación	Aspectos relevantes / Localización
USAID	<ul style="list-style-type: none"> ■ Frontera Norte ■ Frontera Sur ■ Democracia y apoyo institucional (Justicia, Descentralización) ■ Reducción de pobreza ■ Reformas Macroeconómicas ■ Medio Ambiente 	160 M. USD/ para 5 años	<ul style="list-style-type: none"> ■ Cooperación técnica no reembolsable. No operan directamente con el estado sino a través de ONGs, empresas privadas, fundaciones, universidades etc.. 	Manifiestar interés a una coordinación más amplia	Presente desde 60 años

Annex 6
Overview of current EC cooperation with Ecuador

Pays	<i>EQUATEUR</i>						
Délégation	<i>COLOMBIE</i>						
(M€) (1)	2000	2001	2002	2003	2004	2005 (2)	Total
Engagements	5,9	22,2	5,1	23,2	41,5	26	123,9
Paiements	6,3	5,6	8,3	13,4	12		45,6

Portfolio des projets en exécution et /ou démarrage (3):			
Lignes budgétaires	Titre ligne	Nombre projets	(M€)
Géographiques			
190901	<i>Coopération Fin. et Technique</i>	8	104,00
190902	<i>Coopération Economique</i>	1	10,00
190903	<i>Réfugiés</i>		
190904	<i>Réhabilitation</i>		
			114,00
Non Géographiques		Nombre contrats	
190204	<i>Mines antipersonnel</i>		
190211	<i>Lutte drogues</i>		
190403	<i>DDHH et Torture</i>	1	0,94
210201/210202	<i>Sécurité Alimentaire</i>	7	16,85
210203	<i>ONG</i>	13	8,22
210205	<i>Env. Forêts Tropicales</i>	1	1,00
210206	<i>Genre</i>		
21020702/03/04	<i>Santé (Maladies pauvreté, santé reproductive et SIDA)</i>	1	1,40
210213	<i>Coop. Décentralisée</i>		
			28,41
TOTAL			142,41

(1) Toutes lignes budgétaires gérées par AIDCO (géographiques et thématiques)

(2) Projets engagés sur la programmation 2005

(3) Projets en cours ou démarrage, à l'exclusion des projets cloturés

(4) Ce montant représente la somme des montants engagés.

**Programmation indicative
2002-2006 (M€)**

Secteur	2002	2003	2004	2005	2006	<i>total</i>
<i>Développement rural*</i>	11	17				28
<i>Economie</i>			10			10
<i>Appui Institutionnel</i>						
<i>Infrastructure</i>				26		26
<i>Développement social</i>			28			28
<i>Divers</i>						
<i>Total</i>	11	17	38	26		92

* incluant environnement

Annex 7

Ecuador's participation in Latin American region EC cooperation programmes

ALBan - European Union Programme of High level Scholarships for Latin America

The **ALBan** programme aims at furthering co-operation between the EU and Latin America in the field of higher education. The programme promotes increased mobility of Latin Americans into the European area of Higher Education. Such individuals may benefit from the excellence of such institutions, thus enhance their employability and so have better employment prospects once they return to their own countries. The ALBan programme covers the period 2002-2010 and is now in its first phase: 2002-2005. The total cost of the ALBan programme is **€113.5 m**, with a European Community contribution of **€88.5m**, out of which €75m will be devoted to scholarships. This represents an average of 3,900 scholarships, each lasting 12 months and each for an amount of €1,500 per month. (First phase: €37.5m for scholarships).

ALFA - Latin America Academic Training

The ALFA programme began in **1994** and sought to reinforce co-operation in the field of Higher Education. The programme co-finances projects aimed at improving the capacity of individuals and institutions (universities and other relevant organisations). The first phase, ALFA I, with an EC contribution of **€ 31m**, ran until 1999 and the second phase (**2000-2005**), ALFA II, for which the EC contribution is **€52m**, has a total of 10 selection rounds (2000-2004). The total European Community financial contribution to the ALFA II approved projects in the context of the first 9 selection rounds amounts to **€48.5m**. The average European contribution per project is **€233,500**.

AL-INVEST enhancing commerce between SMEs

The AL-INVEST programme involves the promotion of international long-term co-operation between SMEs in both the EU and Latin America. It is made up of two networks of organisations called Coopecos in Europe and Eurocentros in Latin America. These networks constitute the foundation of the programme and implement its activities. The EC launched the programme in **1993** (EC contribution **€11m**) and it is now in **Phase III** for 2004-2007 (**€46m**). In addition to the traditional tool of sectorial meetings to stimulate direct contact between the SMEs, in this latest phase, new capacity- and institution-building activities have also been incorporated, such as the Business Development facility, LA and EU Business Weeks and so on. In total, the participants from Latin America now number **55 Eurocentros**.

@LIS Alliance for Information Society

@LIS aims at reducing the digital divide between Europe and Latin America, integrating Latin America into a Global Information Society and creating long-term partnerships between the two regions. The programme was adopted by the EC on 6 December 2001. It has a total budget of **€77.5m** of which **€63.5m (approx 82%)** is financed by the European Commission. The activities of the programme have been organised around three areas of intervention: dialogues, networks and demonstration projects. Within these three areas, there are five horizontal actions (in which all countries are involved and issues are addressed as a region) and 19 demonstration projects (individual participation in four areas – e-Education, e-Inclusion, e-Governance and e-Health) being developed.

URB-AL - Urban Policy Coordination

URB-AL is a decentralised co-operation programme directed at local communities of the EU and Latin America as well as other players involved in the urban sector. It aims to disseminate and apply "Best Practices" in the area of urban policy as well as to facilitate research into contemporary issues. The programme activities are proposed, implemented and managed by the

participants themselves. URB-AL currently represents more than **800** different local authorities and 2000 cases of participation (a single local authority can take part in more than one activity). The first phase from 1995-2000 had a budget of **€14m**. URB-AL is currently in its second phase (**2001-2006**) with a budget of **€50m**.

EU – Latin America: New Areas of Cooperation

EUROSociAL – Regional Programme for Social Cohesion

The general objective of EUROSociAL is to increase levels of social cohesion in Latin American societies. It focuses on the policies of education, health, the administration of justice, fiscal policy and employment. To this end the programme will promote the exchange of experiences concerning these particular policies between public administrations of the EU and Latin America. The programme specifically aims to establish the conditions whereby this exchange can generate social cohesion. EUROSociAL will last for a period of **4 years (2004-2007)**. The European Commission's contribution to the programme is **€30m**. More information can be found on the EUROSociAL website:

http://europe.eu.int/comm/europeaid/projects/amlat/eurosociAL_en.htm

EUROSOLAR

The objective of EUROSOLAR is to promote the use of renewable energy sources in the poorest countries of Latin America and improve living conditions by combating poverty, particularly that of indigenous groups. It enables those in the poorest rural areas without access to the national grid to access electricity generated by sun and wind. EUROSOLAR provides these communities with a hybrid system of photovoltaic panels and small wind panels in order to generate electricity and other applications for community use. The installation of a maximum of **600** such facilities is planned. The countries participating in the EUROSOLAR programme are Bolivia, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay and Peru. The programme was submitted to the EU Member States for approval in the second half of **2005** and will last for **4 years**. The total contribution from the European Commission is **€24m**.

OBREAL - Observatory of the Relations between Europe and Latin America

OBREAL is a programme consisting of a network of **23** universities from Latin America and Europe, led by the University of Barcelona, whose aim is to promote a process of reflection on the relationship between the EU and Latin America. It focuses on the common challenges being faced by both regions and how these challenges can be overcome effectively. The activities of OBREAL concern bi-regional association and common interests, keeping in mind the expectations of each region. In addition, OBREAL advocates the dissemination of information relating to the relationship between the EU and Latin America and the strategic vision of each region. The European Commission's contribution to the activities of OBREAL is **€1.35 m** and the programme will run for **3 years (2005-2007)**. More information can be found on the OBREAL website:

http://europe.eu.int/comm/europeaid/projects/amlat/oreal_en.htm

Ecuador's Participation in Alþan - European Union Programme of High level Scholarships for Latin America

At the first Alþan call for candidates for the academic year 2003/2004, 251 scholarships were awarded. On average, they were for a period of two years, the average EC contribution being €26,700 per scholarship, with a total EC contribution of **€ 6.7m**. **Out of 251 selected candidates, two (approx. 0.8%) were Ecuadorean** citizens and their main areas of study were Social Sciences and Architecture.

In the **second Alfa call for candidates (2004/2005)**, 779 scholarships were awarded, again for an average of two years, with an average EC contribution of €25,600 per scholarship amounting to a total of € **20.22m**. **Of the 779 applicants selected, 16 (approx. 2.05%) are from Ecuador**, which is an increase very much in line with the increased capacity of the programme; they are mostly studying Business Studies and Social Sciences.

Eligible candidates & Scholarships awarded to Ecuadorean nationals by type of course ⁴					
Year		M	D	E	Total
2003	Eligible	36	24	1	61
	Awarded	2	0	0	2
2004	Eligible	35	19	2	56
	Awarded	10	6	0	16
TOTAL Awarded Ecuador		12	6	0	18
TOTAL Awarded LA 03+04		421	564	45	1030

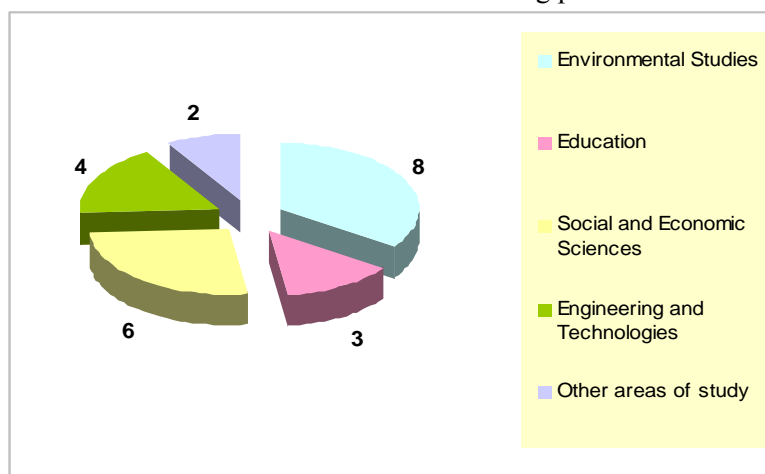
Taking the 2003 and 2004 calls together, the scholarships awarded to nationals of Ecuador make up **1.75 %** of the total number of scholarships awarded to all of the LA countries.

Main Alfa Events in Ecuador in 2005

The programme did not envisage any events in Ecuador during 2005. However, there was an **Alfa Ex Alumni Meeting** in Valencia, Spain, on **13 May 2005** to which all of the Ex Alumni from Ecuador were invited.

Ecuador's participation in ALFA II - Latin America Academic Training

Eight eligible Higher Education Institutions (HEIs) from Ecuador are participating in **23** of the **208** approved projects of ALFA II in the context of the first 9 selection rounds (involvement in **over 11% of the projects**). HEIs from **Ecuador** are coordinating **one** of the 23 above-mentioned approved projects. The main fields of study of the **23** projects in which Ecuadorean HEIs are involved can be seen in the following pie-chart:



⁴ **M** stands for Master Degree, **D** for PhD studies and **E** for Specialization of Professionals.

The EC financial contribution to the activities carried out by the **23** projects in which Ecuador is taking part is **€5.5m**, which represents on average **74 %** of the total cost of each project. The average EC contribution per project is approximately **€239,304**.

Main ALFA Events in Ecuador in 2005

- **13 – 16 Sept, Quito:** VII Congreso Iberoamericano de Historia de la Educación, participation in a panel to present the results of the ALFA Project PATRE-MANES, (II-0441-A)

- **1 – 10 Oct (to be confirmed), Cuenca:** Conferencia internacional: La migración internacional a Europa y EEUU: comparando procesos de inclusión y exclusión social' + reunión coordinación y seminario de formación con los becarios seleccionados, ALFA Project TransMigraRed, (ref: II-0336-FI).

- **Oct (to be confirmed), Loya:** Coordination meeting and International Seminar on Education of the ALFA Project UE-AIESAD, 'Postgrados y doctorados a distancia en educación' (ref: II-0449-FA).

Ecuador's Participation in AL-INVEST - enhancing trade and investment between SMEs

There are currently **three Eurocentros in Ecuador**

- Chamber of Commerce, Guayaquil
- Chamber of Industry, Pichincha
- CORPEI (Corporación de Promoción de Exportadores e Inversiones)

Of the 250 cases where the principal operator of a project has been Latin-American, the Ecuadorean Eurocentro Guayaquil has led **five** of them (approx. **2%**). The other Eurocentros are new to AL-Invest III. Ecuadoreans have also collaborated in **51** of the 464 activities organised by AL-INVEST to date, involving **918 companies**, and a participation rate of **approx. 11%**. The value of the contracts signed between European and Ecuadorean enterprises amounts to **€6,757,791** and the range of activities covered by these agreements includes fruit (plantain and banana in particular), fish and shellfish, cocoa and its products, textiles, electronics and construction.

Main AL-INVEST Events in Ecuador in 2005

(The main operator of each of the following events is Ecuadorean;)

- **4 – 9 April, Guayaquil:** Capacity Building for SMEs Traceability of Fruit Production Systems.
- **9 – 20 May, Guayaquil and Italy:** Capacity Building for SMEs Association and Development of SMEs.
- **6 – 9 July, Guayaquil:** Business Meeting Tecno Agro EC.
- **1 – 12 August, Guayaquil and Panama:** Capacity Building for SMEs Fish Safety and Quality.

Ecuador's Participation in @LIS - Alliance for Information Society

Horizontal Actions:

Like all of the Latin American countries, Ecuador has one partner in the Network of Researchers (ALICE) called **CEDIA** – Consorcio Ecuatoriano para el Desarrollo de Internet Avanzado, and one in the Network of Regulators called **CONATEL**, the Consejo Nacional de Telecomunicaciones.

Demonstration Projects:

Ecuadorean partners enjoy a high level of activity in three of the four sectors of the @LIS demonstration projects. There are currently Ecuadorean partners participating in the implementation of **five of the 19 demonstration projects** (participation in **26% of the projects**). This involves **10 Ecuadorean partners** in the projects, with as many as five partners the projects SILAE (e-Governance). In total, 107 Latin American partners participate in @lis demonstration projects, so approx. **9% of the members are from Ecuador**.

The **five @LIS demonstration projects** currently on-going in **Ecuador and their members** are:

PROJECT TYPE	DEMONSTRATION PROJECT NAME	NAME OF ECUADOREAN MEMBER
e-Education & Cultural Diversity	ATLAS	Fundación de Hoy en la educación
	Cibernárium	Ayuntamiento de Quito
e-Governance	SILAE	CONELEC – Consejo Nacional de Electricidad
		CONCOPE – Consorcio de Consejos Provinciales
		CODENPE – Agencia de Apoyo a Comunidades Indígenas
		ANDINATEL
		CIE – Centro de Investigación en Energía
		Met@logo
		Universidad de las Américas Ecuador
		Latin American Federation of Cities, Municipalities and Associations
e-Health	-----	<i>NO ECUADOREAN PARTICIPATION</i>
e-Inclusion	IALE (Intercomunicación América Latina)	ALER – Asociación Latinoamericana de Radiofónica Acrónimo

Main @LIS Events in Ecuador in 2005

- **2 – 6 May, Cuenca:** SILAE: XX Latin American Conference on Rural Electricity

- **4 – 6 May, Quito:** ACTION 1 “Political and Regulatory Dialogue”: Regional and Technical meeting for LA and Caribbean in preparation for INFOLAC.

Ecuador’s participation in URB-AL - Urban Policy Coordination

The URB-AL programme consists of thirteen **thematic networks** co-ordinated by a single local authority. Six of the thematic networks are coordinated by Latin American local authorities, **however, Ecuador coordinates none of these networks**. All those local actors who wish to cooperate on a given theme participate in the corresponding network, which provides a focal point of information and a forum for discussion. Joint projects are then designed and implemented within the networks. To date **154 joint projects** have been selected, of which **49** have the involvement of an Ecuadorean partner (**31%** of the projects). Ecuador is also represented by **5 external members** in the URB-AL joint projects.

Of the 268 different Latin American local authorities that are active in joint projects, **11 are Ecuadorean** (4% of the total). Of the approved joint projects, the following **three Ecuadorean** local authorities are coordinators;

- Cuenca (two projects)
- Quito Distrito Metropolitano
- Riobamba

Main URB-AL Events in Ecuador

- **6 – 11 June, Ecuador:** Meeting of Project R5-B5-03 *Centro regional potenciador para mujeres emprendedoras y trabajadoras* (Project coordinator Odense, Denmark)

- **November 2005 – January 2006, Quito:** Meeting of Project R9-A4-04 *Participando a en la gobernabilidad local: impacto de los presupuestos participativos en la administración pública local* (Project coordinator Córdoba, Spain)

- **April - May 2006, Quito:** Workshop of Project R9-A4-04 *Participando a en la gobernabilidad local: impacto de los presupuestos participativos en la administración pública local* (Project coordinator Córdoba, Spain)

Annex 8

Ecuador y la migración

A partir de la década de los años 60, los países andinos han pasado de ser una región de inmigración a una región de emigración. En los últimos 10 años, este proceso se ha incrementado notablemente, convirtiéndose en una de las regiones de mayor emigración en el mundo. Ecuador se enmarca totalmente en estas tendencias.

Ahora, en Ecuador se ha pasado de la emigración “amable” de algún miembro de familias originarias de zonas urbanas en busca de fortuna en países vecinos o hasta Nueva-York, y a veces hasta la vieja Europa, a una emigración masiva, campesina y urbana, transcontinental y crecientemente feminizada que está generando problemas tanto para los países de destino como para Ecuador y los propios emigrantes.

Principales flujos migratorios

Hasta fines de la década de los setenta, Estados Unidos es el país de mayor destino. Se reporta la presencia allí de 190.000 ecuatorianos en 1990 y de 260.000 en 2000. Sin embargo, estas cifras están subestimadas. Si se consideran los inmigrantes ilegales, las cifras oficiales pueden doblar o triplicar. La región de Cuenca (sierra central) y del Sur contribuyó mucho a este flujo que tiene que ver en particular con la decreciente demanda del sombrero de paja toquilla (“Panamá”), principal ingreso de la región.

Desde 1980, y hasta 1997 se considera un flujo medio de 20.000 emigrantes anuales con destinos muy diversos. A partir de 1998, año en que se cuentan 60.000 emigrantes, empieza el incremento que llegó a 120.000 en 1999 y más de 200.000 en 2000 (estimaciones) con, esta vez, una focalización de los destinos: España, Estados Unidos e Italia. En 2000 España recibió la mayoría de los emigrantes, ubicando los ecuatorianos en segundo lugar de la población extranjera, después de los magrebíes.

A partir de 2001-2002, las medidas cada vez más restrictivas y la exigencia de visado generalizada en el año 2003, han frenado el flujo migratorio hacia Europa.

Razones de la reciente ola de emigración

Crisis económica: La emigración ha pasado de ser un acto aislado y concentrado principalmente en algunas ciudades del austro, a ser una estrategia social de supervivencia a nivel nacional. El detonante del fenómeno fue la mayor crisis económica que el país ha tenido en su historia. El año 1999 se registra la mayor caída del PIB. Este bajó de 19.710 millones de dólares en 1998 a 13.769 millones en 1999. El país experimentó el empobrecimiento más acelerado en la historia de América Latina. Entre 1995 y 2000, los pobres pasaron de ser 34% al 71% y la pobreza extrema dobló su número. Esto vino acompañado de una mayor concentración de la riqueza y por lo tanto de una acentuación de la inequidad. Las consecuencias principales de la situación fueron el masivo desempleo y subempleo, la caída de los ingresos, la reducción de las inversiones sociales (salud, educación, desarrollo comunitario,...), la inseguridad ciudadana y la caída de la confianza en el país.

A finales del 2002, según cifras del INEC (Instituto Nacional de Estadísticas y Censos), se calcula que más de 2,5 millones de ecuatorianos viven fuera del país, de una población total de 12 millones de habitantes.

Otros factores: Hubo otros factores coyunturales en ese momento que acentuaron la situación, como fueron el fenómeno de El Niño, la caída de los precios del petróleo, la desestabilización financiera internacional, la corrupción galopante y la inestabilidad política.

A estos problemas coyunturales se añaden otros de tipo estructural mutuamente interrelacionados como la debilidad y fragilidad del mercado interno, la presencia de sistemas de producción atrasados, ausencia de políticas generadoras de empleo, elevada propensión a importar, mal manejo administrativo del Estado, irrespeto casi permanente de la institucionalidad democrática y de la misma Constitución, entre otros. Asimismo, no se deben olvidar el impacto de la dolarización que también contribuyó al empobrecimiento de las clases media y baja de la población, incitándolas aún más a emigrar. En estos años la decisión migratoria pasó de ser un deseo individual de superación a ser una estrategia familiar de supervivencia.

Características de la emigración

Se trata de una emigración masiva, a largo plazo, en la que de momento no se observa una tendencia al retorno. Al contrario, los emigrantes tienden a buscar la reagrupación familiar. El flujo migratorio ecuatoriano de la nueva ola se dirige principalmente y casi específicamente a España, Estados Unidos e Italia. El flujo hacia Estados Unidos pasó de representar el 65% del total de los emigrantes hasta 1995 a representar el 30% en el período 1995-2000. En las mismas fechas, España pasó de 15% a 53% e Italia de 4% a 10%.

La gran mayoría de los emigrantes pertenecen a los sectores medio y medio bajo de la población, empobrecidos por la crisis financiera. En el país de destino encuentran empleo principalmente en los sectores de la construcción, la agricultura y el servicio doméstico.

En cuanto a la composición por género, la corriente migratoria hacia España estuvo en un principio liderada por las mujeres. En 1998, al estallar el flujo, el 67,4% de la población ecuatoriana con residencia y con visa de trabajo validadas en España, eran mujeres y la mayor parte de ecuatorianos “sin papeles” residentes en España hasta el año 2000 también eran mujeres. Es interesante mencionar que la emigración femenina no parte de un modelo uniforme de mujer, sino que proviene de distintas condiciones familiares. Sin embargo en los últimos años se ha producido un cambio hacia la emigración masculina. Así, la proporción de mujeres registradas en España ha bajado de 67,4% en 1998 a 55,5% en 2000, con la consecuente subida del porcentaje masculino de 29,3% a 44,3%.

Frente a la dificultad creciente de emigrar legalmente, la emigración ilegal está ganando terreno. En muchos casos, el futuro emigrante paga los servicios de los “coyoteros” o los “chulqueros” para ingresar en los países de destino clandestinamente. Para ello, están obligados por lo general a contraer grandes deudas y a hipotecar los bienes familiares. Los aspirantes a la emigración también se apoyan en redes sólidas

constituidas por las personas ya instaladas en el país de destino que les facilitan tanto información como la integración a su llegada.

Dentro de todos los países de América Latina, Ecuador se encuentra en sexto lugar en cuanto al nivel de las remesas recibidas. Estas representan \$1.740 millones en 2004 (BID) siendo la segunda fuente de ingresos del país, después del petróleo. Cabe destacar el coste particularmente elevado de las transferencias, que en ciertos casos puede representar el 20% del monto transferido.

Problemas resultantes de la emigración

Solamente se mencionan algunos problemas encontrados por el emigrante y por sus familiares en Ecuador y por el Estado ecuatoriano.

La ONU estima que un promedio de 200.000 profesionales se han marchado de Ecuador para buscar mejores condiciones de vida en países como España, Chile, Colombia y Estados Unidos. Esta fuga de cerebros costaría miles de millones de dólares al país.

A nivel social se debe destacar la desestructuración familiar generada tanto en Ecuador como en los países de destino. Se observan problemas de comportamiento y de integración en la sociedad de los jóvenes y niños dejados en manos de familiares o incluso vecinos. En los países de destino ya se está empezando a observar el surgimiento de una delincuencia juvenil a raíz de la inmigración.

Las remesas se invierten mayoritariamente en la construcción y en el consumo, en lugar de en inversiones productivas susceptibles de mejorar a medio plazo el nivel de vida de los familiares. Sin embargo cabe destacar algunas experiencias innovadoras con la canalización de remesas para fines de inversión social por medio de la venta a emigrantes de acciones en empresas municipales (por ejemplo de parte del Gobierno Provincial del Azuay).

La inmigración en Ecuador

Ecuador no es tradicionalmente un país de inmigración, pero resulta relativamente fácil la circulación para los ciudadanos de los países de la CAN (tarjeta andina y futuro pasaporte andino).

A pesar de haber sido un país de acogida de refugiados de los países del Cono Sur, ahora el principal flujo de refugiados que llegan a Ecuador proviene de Colombia, representando el 95% del total. El 5% restante corresponde a peruanos y a diferentes países africanos.

Según el Ministerio de Relaciones Exteriores, entre 2000 y 2005 (octubre), se han registrado 35.311 solicitantes de refugio de los cuales se han reconocido 11.137. El Gobierno reconoce un total de 370.000 colombianos residiendo en el país, pero la cifra real está seguramente por encima. La mayoría huye la situación de fuerte violencia e inseguridad (FARC y paramilitares, narcotráfico, Plan Colombia).

Las bases legales internacionales para la protección de los refugiados se aplican relativamente bien en Ecuador: Declaración Universal de los Derechos Humanos,

Convención de Ginebra sobre los refugiados de 1951 y Declaración de Cartagena de 1984. Aunque esta última no es vinculante, está incluida en el Decreto nacional 3301/92, que sí lo es. Según ACNUR, Ecuador sería uno de los países de América Latina que más cumple con los convenios y tiene una actitud más abierta al respecto.

El 65% de la población registrada reside en centros urbanos, principalmente Quito. Las mujeres representan el 42% y los jóvenes el 69%. Las familias viven bajo la línea de pobreza en un 92% de los casos (ACNUR, 2004). La población refugiada colombiana se caracteriza por una tendencia a la invisibilización a través de una dispersión dentro de la población local, por razones de seguridad y para mejorar sus condiciones socioeconómicas. Se observa un creciente rechazo de los refugiados percibidos por los ecuatorianos como competidores en el mercado del trabajo.

Annex 9

Description du processus de coordination et harmonisation entre les bailleurs de fonds en Equateur

La coordination des donateurs en Equateur est globalement assez faible et semble plus du domaine de la rhétorique que de la réalité. Deux explications peuvent être avancées :

- la crise politico-institutionnelle permanente de ces dernières années a empêché toute vision de développement national (ou sectorielle) à moyen ou long terme autour de laquelle les donateurs auraient pu se rassembler,
- bien que le résultat de ce déficit de gouvernance pénalise les progrès du pays dans tous les secteurs, le pays n'est pas dans un état de crise socio-économique profonde qui aurait été également une forte incitation à coordonner l'aide externe.

Les donateurs continuent donc à développer leurs propres agendas et stratégies de coopération, même si les diagnostics et analyses de la situation sont assez souvent partagées, voire mises en commun. Il arrive que des projets soient cofinancés entre plusieurs bailleurs (ex PROLOCAL avec la BM et la CE) mais ce sont des exceptions qui confirment la règle.

Cependant des initiatives sont en cours qui pourraient améliorer la situation. Au niveau de l'Union européenne depuis l'ouverture de la délégation de la Commission européenne en Equateur mi-2003, un dialogue continue s'est instauré avec des réunions mensuelles des chefs de mission et des conseillers de coopération, des échanges d'informations et concertation autour de secteurs appuyés en commun, des protocoles d'accord ponctuels de collaboration, des initiatives communes auprès des autorités nationales pour sauvegarder les intérêts de la coopération. Il y a eu un effort particulier pour associer les états membres de l'UE à toutes les étapes de préparation du présent document. Une dernière initiative en cours au moment de rédiger le présent document est la publication prévue pour 2006 à l'initiative de la Commission d'une brochure sur la coopération l'UE avec l'Equateur. Pour cela, un travail de coordination et de collecte d'informations est en cours qui implique toutes les représentations des états membres présents dans le pays.

Au niveau de l'ensemble des coopérations bi- et multilatérales la manifestation la plus concrète de coordination se réalise à travers des sept « mesas de concertación » thématiques créées par l'INECI (Direction du Ministère des Relations Extérieures en charge de la coordination de la coopération) et qui se réunissent plus ou moins régulièrement depuis 2003. Elles sont le lieu d'échange d'informations et de dialogue sectoriel. Il faut souligner le fait que les donateurs y sont beaucoup plus actifs que les institutions nationales.

Cependant au commencement de 2006 cet effort d'information, de concertation voire de collaboration ponctuelle reste encore très insuffisant en raison de la faiblesse institutionnelle et de l'instabilité politique du pays qui ne permettent pas l'émergence d'une demande (équatorienne) ordonnée de coopération qui puisse rencontrer une offre (internationale) de coopération pour l'heure toujours assez forte. Les coopérations manquent d'interlocuteurs institutionnels avec de vrais politiques sectorielles autour

desquelles elles peuvent se coordonner. En conséquence elles oeuvraient encore largement en ordre dispersé. Cet état de faiblesse des institutions nationales ne doit cependant pas cacher le fait que les coopérations n'ont pas eu la volonté et/ou n'ont pas fait tous les efforts nécessaires pour coordonner leur action.

Les états membres de l'UE ont accueilli favorablement la perspective de développer une meilleure coordination et harmonisation en établissant dans le cours de 2006 une feuille de route européenne. Cette proposition de la Commission (novembre 2005) est arrivée au même moment que les premiers résultats d'une étude commandée par plusieurs coopérations (Suisse, Espagne, Allemagne, PNUD) pour établir un diagnostic à base des opinions des 25 plus grandes institutions nationales et internationales impliquées dans la coopération sur le thème de « Armonización y alineamiento de la cooperación con Ecuador .» Cette étude a confirmé que les importantes lacunes nationales en terme de définition de politique et de stratégie de coopération, d'instabilité politique et institutionnelle, de faible coordination entre les institutions de l'Etat, offraient un terrain peu favorable à une meilleure coordination et harmonisation de l'Aide. Il a été décidé que la Délégation rejoigne le groupe de suivi des résultats de cette étude.

Tout en soulignant le réel intérêt de plusieurs états membres de l'UE et d'autres coopérations pour entamer une analyse et de faire des propositions concrètes en matière de coordination et harmonisation, il n'est pas possible à ce stade de déterminer un objectif à atteindre, compte tenu des multiples dimensions de la question (degré de liberté des représentations locales par rapport aux sièges, flexibilité restreinte des règlements et procédures de chacun, type d'exigences de l'Equateur, entre autres).

Annex 10

Participación de la sociedad civil en el proceso de preparación del CSP 2007-2013

Desde el inicio de la preparación del actual documento de estrategia, en noviembre de 2004, se han mantenido conversaciones con los representantes de la sociedad civil de Ecuador en los diferentes momentos clave del proceso.

De las reuniones que se han mantenido en una primera misión de pre-programación, que fue llevado a cabo por una consultoría con el objeto de estudiar el contexto político, económico y social del país y de hacer recomendaciones sobre posibles sectores prioritarios para la futura cooperación de la CE, el 34% han sido con representantes de la sociedad civil. Se han entrevistado ONGs locales y europeas que trabajan en el Ecuador en diferentes sectores, a universidades, a organizaciones representantes de los pueblos indígenas y de los campesinos y a representantes del sector comercial y empresarial.

Una vez elaborada una “Nota Concepto” por los servicios de la Comisión europea, se han celebrado tres talleres temáticos - Políticas sectoriales, Descentralización y Desarrollo local, y Cooperación Económica - en el mes de mayo de 2005, para difundir y discutir con los principales interesados, la apreciación del contexto y los enfoques priorizados para la futura estrategia de cooperación de la CE. La sociedad civil ha estado representada por los sectores ya mencionados y ha supuesto casi el 40% de la asistencia total (104 participantes en los tres talleres además de los representantes de la CE). Sus aportaciones y comentarios han sido muy valiosos para la elaboración de las conclusiones. En particular, en el sector educación ha habido una participación activa, con una fuerte demanda para su mejora. Este ha sido un elemento esencial para considerar este sector como prioritario.

En un tercer lugar, en noviembre de 2005, se ha celebrado un taller nacional de reflexión sobre el documento preliminar de CSP para recoger aportes a ser considerados en la versión final. En este caso, el 25% de los asistentes han sido representantes de la Sociedad Civil.

Finalmente, cabe destacar las reuniones periódicas, organizadas por la Delegación de la Comisión europea en Ecuador, con las organizaciones y representantes de la sociedad civil en temáticas prioritarias. Sus reflexiones y aportaciones también han sido tomadas en cuenta en el proceso de preparación del CSP.

Annex 11
Ecuador's prospects for meeting the
Millennium Development Goals⁵

ASSESSMENT OF THE LIKELIHOOD OF MEETING MILLENNIUM
DEVELOPMENT GOALS
 Ecuador

MDG ⁶	Extreme Poverty		Education	Gender Equality	Child Mortality	Maternal Health	HIV/AIDS	Environmental Sustainability	Global Partnerships
	Poverty	Hunger							
Ecuador									

Key : **LIKELY**
 POTENTIALLY
 UNLIKELY

⁵ United Nations Development Programme (UNDP) 2006 – see <http://www.undp.org/rblac/mdg/>

⁶ Country projections based on the Millennium Development Goals' Country Reports, in consultation with country teams. Check the reports at <http://www.undp.org/rblac/mdg> Status: 21 completed reports. 4 ongoing reports: Ecuador, Belize, Suriname, and Trinidad & Tobago.