

ECUADOR - Economic Green Recovery Through Circular and Bio-Economy

#GLOBALGATEWAY

#TEAMEUROPE

TEAM EUROPE PROPOSAL



Increase productivity in alignment with environmental and social standards, networks of innovation and entrepreneurship:

- Carbon neutral circular economy approach (eco-design, re-use, economics based on services, linkage between companies)
- Bio-economy and agrarian value chains
- Research, technological development, and innovation

Promote sound public policies and regulatory framework on research, innovation, and technology transfer (EU/EIB):

- DE (GIZ) (TA SFF circular economy)
- DE (GIZ) BioValor
- FR (AFD) 2021-23
- ES 2019-2022 Bamboo construction value chain
- IT (FIEDS) 2021-23 sustainable value chain eco-certification

- IT (FIEDS) 2021-23 Circular economy projects

Foster international cooperation and research networks with European universities and research centres (EU/EIB):

- DE (GIZ) (TA/Project; 2xSFF)
- FR 2019-21
- ES 2020-2022 Post-graduate studies on sustainable construction
- IT (FIEDS) 2020-2021 (biosecurity, public health policies)

Promote innovation HUBs and technology transfer, I+D+I development fund (EU/EIB):

- DE (GIZ) Innovation Fund
- ES 2019-2022 I+D+I in sustainable construction

Support training - technical careers and VET (EU/EIB):

- ES 2022-23 sustainable construction
- HU 2021-23 (Ministry of Foreign Affairs and Trade)

Strengthen and optimize public investment:

- Promote private investment.
- National and Foreign Direct Investment.

Provide regulatory development support (PFM - (GIZ) TA/Project SinCero) Develop new (green) financing tools with local public banks (EU/EIB):

- FR (AFD) 2021-23
- DE (KfW) Sustainable urban mobility via BDE
- DE (GIZ) CIS II, DEK, CFF,
- Felicity, Euroklima+

Finance public investments - decarbonisation and climate mitigation and adaptation credits (EU/EIB):

- FR (AFD) 2021-23
- HU (Public company) 2020-22
- HU (Ministry of Foreign Affairs and Trade)

Accelerate and leverage sustainable private sector investments (EU/EIB):

- DE (GIZ) (Public Private Partnerships)
- DE (KfW): SME financing Green Recovery via CFN
- FR (AFD) – Proparco 2021-23

IT (AICS) Soft loan project for cooperatives

IT (FIEDS) 2021-23 projects on cocoa and coffee value chain

Complementary measures in a "COVID-19" green recovery context:

- Public finance management
- Initiatives to fight against corruption

Support the local healthcare system response to the COVID-19 pandemic (EU/EIB):

- IT (FIEDS) 2020-21 Protective equipment and other activities
- Testing capacity of local Universities (IT (FIEDS) 2020-21; ES (AECID); DE (GIZ)

KEY DELIVERABLES

Climate and energy

1. Development of the Ecuadorian side of the Power Interconnection System between Ecuador and Peru in 500kV.
2. Creation of an early alert system that permits the risk of social and environmental conflicts on the northern border to be monitored, and the issue of alerts that elicit coordinated responses from the competent institutions; the strengthening of the system for social protection and provision of basic services; and the implementation of initiatives fostering local economic development: ensuring equitable access to sustainable livelihoods for population living in a situation of vulnerability.

DEL suggested the following list of key deliverables:

Climate and energy

3. Preparation and implementation of pipeline of climate-smart projects in the fields of (a) water and sanitation, (b) energy-efficient construction and (c) urban mobility for about EUR 500-600 mn, to be financed by a first loan by the EIB (EUR 100 mn) plus counter-finance by the Ecuadorian Development Bank (EUR 100 mn), as well as future finance from EIB, AFD and KfW (TEI 2022).
4. Launching a Forest Partnership with Ecuador, seeking to meet EU Green Deal Standards (value chains free from deforestation), and in line with EU-Ecuador FTA priorities (TEI 2023).
5. Launching a Digital Transformation initiative, in partnership with the EIB, in line with the EU-LAC Digital Alliance, with an emphasis on data governance and systems operability. Ecuador will become the Andean region cyber-security hub.

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MODALITIES/TOOLS

REDD+ scheme

Horizon Europa

Technical assistance

Budget support

Erasmus+

Blending operations

EU training to support ITT BEI project

- Grants
- Loans
- Bank guarantees

TRANSFORMATIONAL POTENTIAL

- Development of an inclusive and sustainable economy, in coherence with Ecuador's climate commitments
- Stimulating green innovation and productivity
- Facilitating sustainable public and private investments for a green transition

NATIONAL CONTEXT

High socio-economic growth in the past 20 years

Upper-middle income economy.

Economy focused on the production of primary goods.

Export-led economic model, dependent on commodities:

- Petroleum products
- Agricultural products

Export of products with high, medium, or low technological intensity, based on renewable natural resources

- Average share of 35.7% of total non-oil exports

Undiversified economy and structural inequalities:

- In 2017 >50% of the income generated, was held by the richest 20% of the population.

Current economic crisis and increasing influx of Venezuelan migrants.

COVID-19 pandemic aggravated the problematic economic and social situation.

National initiatives and policies:

- "Ecuador Premium & Sustainable" initiative launched in early 2020
- New inter-sectoral bio-economy approach ("Pacto nacional de bio-economía")
- NDC, 2019
- Law on "Promotion of the productive sector and attraction of investments", 2018

GEOPOLITICAL CONTEXT AND RELEVANT SDGs

Agenda 2030

Paris Agreement

European Green Deal

EU-Ecuador Trade Agreement

IMF Agreement

COVID-19 pandemic

**SDGs included based on a new JRC electronic text mining tool, which identifies SDGs (targets)