

Sustainable Urban Mobility

ECUADOR

URBAN DEVELOPMENT TECHNICAL FACILITY (UDTF)

#GLOBALGATEWAY

AUGUST 2025

Project rationale

The EU aims to support Ecuador in tackling urban mobility challenges by fostering sustainable transport solutions that reduce emissions, improve accessibility, and promote innovation in secondary cities. This aligns with the external dimension of the objectives of the Green Deal for Ecuador and efforts to advance urban sustainability.

The UDTF was tasked to support the EU Delegation with a targeted assignment to identify three eligible urban mobility projects for European Union funding, and to develop a methodology and recommendations for future project selection. The initiative included stakeholder engagement and culminated in a national workshop to strengthen local capacities in project preparation and financing, with a focus on sustainable urban mobility.

Background

Despite ongoing efforts, sustainable urban mobility in Ecuador remains a complex challenge due to limited national competencies and the decentralised nature of local governance, requiring improved coordination and strengthened local capacities.

Through the Global Gateway initiative, the EU is supporting Ecuador in addressing these challenges. The focus is on promoting low-carbon, bankable urban mobility projects in secondary cities. Key actions include enhancing the planning and implementation capacities of local governments, integrating urban mobility into territorial development plans, and fostering the adoption of innovative technologies to facilitate the transition towards sustainable transport systems.

Findings and recommendations

The key challenges identified during the project identification and formulation process in Ecuador's urban mobility sector are presented below. For each challenge, some actionable recommendations to strengthen project readiness and ensure sustainability are suggested.

- **Weak Institutional Capacity in Decentralised Autonomous Municipal Governments (GADs)**
- **Insufficient Project Maturity and Feasibility Analysis**
- **Fragmented Project Structuring and Lack of Inter-Agency Coordination**
- **Uncertain PPP Environment**
- **Competing Investment Priorities and Limited Fiscal Space**

THEMATIC AREA:

- **Sustainable Urban Mobility**



FUNDED BY:

European Union



KEY STAKEHOLDERS:

GIZ, Ministry of Public Works and Transport (MTOP)

Municipalities or Decentralised Autonomous Municipal Governments (GAD)

Development Bank of Ecuador (BDE)



TOTAL BUDGET OF THE PROGRAMME SUPPORTED BY UDTF:

EUR 15 million (37,5% TEI total contribution of EUR 40 million)



DURATION OF THE UDTF ASSIGNMENT:

February - November 2024



PROJECT REGION:

Ecuador (Quito, Guayaquil, Cuenca, Ambato and Riobamba)



Above: Map of Ecuador



■ Weak Institutional Capacity in Decentralised Autonomous Municipal Governments (GADs)

Many GADs, particularly in medium and small cities such as Ambato and Riobamba, face limited technical and management capacity to prepare, tender, and supervise projects across all phases (pre-investment, design, construction, operation). This includes challenges in managing complex Public-Private Partnership (PPP) contracts or multi-sector coordination.

Recommendation: Strengthen institutional capacity through dedicated training, mentorship, and funding to hire specialised personnel. The Development Bank of Ecuador (Banco de Desarrollo del Ecuador - BDE) plays a crucial role in conducting due diligence, especially for smaller cities, and should be a strategic partner for technical support.

■ Insufficient Project Maturity and Feasibility Analysis

Many projects remain at the conceptual or minimum profile stage, with incomplete pre-feasibility or feasibility studies. For example, traffic signal modernisation projects in Guayaquil lack detailed technological and financial structuring, reducing readiness for financing by International Financial Institutions (IFIs).

Recommendation: Support GADs in developing detailed technical and financial studies, ensuring projects like smart traffic systems and electric bus acquisitions align with IFI requirements. Integration into updated urban mobility plans - currently underway in Guayaquil, Ambato, and Riobamba - is essential to secure political and technical backing.

■ Fragmented Project Structuring and Lack of Inter-Agency Coordination

Projects such as Bus Rapid Transit (BRT) corridors and cable lines require coordinated efforts among multiple government levels and departments. However, siloed planning persists, undermining integrated system development and risking duplication or inefficiency.

Recommendation: Promote multi-level coordination platforms involving the Ministry of Transport, GADs, and BDE. Facilitate early dialogue and alignment, particularly for projects in intermediate cities, to ensure harmonised implementation and operations.

■ Uncertain PPP Environment

Although the Ecuadorian government actively promotes PPPs, with the Public Private Investment Secretariat (Secretaría de Inversión Pública Privada, SIP) leading pre-investment studies, uncertainty around PPP frameworks and investor confidence remains. This particularly affects projects like electric bus fleet renewals and infrastructure upgrades.

Recommendation: The EU Delegation could support SIP by reinforcing technical capacity and providing financial instruments (e.g., grants or blending funds) to pre-structure bankable PPP projects. Close collaboration with development finance institutions (e.g., AFD via Proparco) will be key.

■ Competing Investment Priorities and Limited Fiscal Space

Water and sanitation projects often take precedence over mobility investments in many smaller and intermediate cities, limiting budget allocations for sustainable urban transport. Moreover, high indebtedness levels, such as in Quito, constrain credit access for new projects.

Recommendation: Advocate for the inclusion of sustainable mobility within broader urban and social development agendas. Explore innovative credit lines focused on traffic signalling system modernisation (e.g., traffic signal with a priority on sustainable modes) replicable in cities like Guayaquil and Ambato.

Lessons learned

The analysis of urban mobility projects across Ecuador, along with extensive consultations with national and local actors, reveals six key lessons to guide future project support, particularly in intermediate cities.

Early-Stage Project Structuring is Essential

Most urban mobility initiatives - such as electric bus fleets, cable cars, or BRT systems - remain at the idea stage, lacking detailed technical and financial studies. Advancing project maturity through targeted support (pre-feasibility, feasibility, and legal structuring) is critical to unlock funding from IFIs such as the EIB and AFD.

Strengthening Local Technical and Institutional Capacity

GADs often face significant limitations in project design, procurement, and long-term operations. Tailored training, technical assistance, and study visits are essential to help municipalities transition from concept notes to implementable and bankable solutions, particularly in cities like Guayaquil and Ambato.

Integration into Mobility Planning Ensures Coherence

Projects must be embedded in formal urban mobility and territorial development plans to ensure long-term sustainability and coordination. This is especially important as cities like Riobamba and Guayaquil are currently updating their planning frameworks.

Innovative and Adapted Technologies Hold High Potential

Solutions such as smart traffic lights, integrated ticketing, and aerial cable cars can significantly enhance mobility, particularly in dense or hilly urban environments. However, successful deployment depends on adapting technologies to local needs, budgets, and operational realities.

Strategic Role of BDE in Mobilising Financing

The BDE plays a critical role in appraising, structuring, and financing projects in secondary cities. Its partnerships with IFIs through framework loans allow for smaller-scale but high-impact interventions, such as fleet renewals and signal system upgrades.

Clear Selection Criteria Improve Strategic Focus

Applying robust methodologies to prioritise projects - based on readiness, impact, and alignment with sustainability goals - ensures resources are directed to interventions with the highest potential. This prevents fragmented investment and builds investor confidence.