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ECUADOR 2022

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THE BUSINESS YEAR: ECUADOR 2022

The *Business Year: Ecuador 2022* is our seventh annual publication on the Ecuadorian economy, marked by the impact of COVID-19 and a major shift along the political spectrum following the election of Guillermo Lasso.

To the surprise of many and after two failed candidacies in 2013 and 2017, Lasso was elected president with 52.36% of the vote, making him the first with an openly right-wing vision since the 2000s. This puts Ecuador somewhat at odds with many countries in Latam, including Chile, Peru, and Mexico, which continue to trend left.

A key objective of this publication is to measure the extent to which Lasso has fueled the business landscape with optimism. On the one side, public finances have experienced all-time highs, with Ecuadorian bonds posting some of the best performances globally, growing national reserves, and oil prices well above budgeted prices. Ecuador has recovered much of its international credibility and has left behind bitter memories, such as when it was forced to restructure USD17.4 billion of debt with multilateral organizations, including the IMF.

Indeed, Lasso's now-famous catchphrase, "More of Ecuador in the world and more of the world in Ecuador," has become a perfect reflection of the country's commercial policy. Ecuador is prioritizing the formation of a free trade and bilateral investment agreements network that will make its economy comparable to those of other regional economies. New trade deals are considered a strategic requirement to create economies of scale, given Ecuador's relatively small population of 17 million. Considerable steps have been made for Ecuador to join the Pacific Alliance as a full member, while negotiations are well underway for FTAs with China and the US.

However, despite the positive results on different fronts and the economic optimism brought by Lasso, the administration is not without its challenges. It has the difficult task

of translating the country's improving financial performance into a better quality of life for everyone across the social spectrum.

Elsewhere, Lasso and his political movement CREO only account for 13 out of the 137 seats in Ecuador's national assembly, which considerably limits the government's reformist agenda. One noteworthy example was the March 2022 rejection by the assembly of Lasso's Investments Act, the objective of which was to bring reforms serving to catalyze USD30 billion in investments and generate 2 million jobs under a commitment to promote PPPs. Despite this blow, government officials have declared that economic reforms will come in other forms that do not necessarily require the assembly's approval.

In this scenario of economic optimism, it is also worth mentioning the economic sectors covered in this publication that are expected to further contribute to Ecuador's economic momentum. With more private-sector involvement, oil is expected to undergo a capacity expansion to double production to 800,000 barrels of oil equivalent per day in the next five years, which will need private-sector investment worth about USD12 billion. Another extractive sector, mining, is positioning itself as Ecuador's "new oil," with two large-scale mines, Mirador and Fruta del Norte, already producing. Indeed, 2021 closed with an all-time record of USD2 billion in mining exports, 99% higher than the figure in 2020. Minerals are already Ecuador's fourth main export after oil, banana, and shrimp. Projects in energy generation, infrastructure, and health are also part of the country's portfolio of projects where private-sector involvement is being sought via PPPs.

Amidst all this, *The Business Year: Ecuador 2022* seeks to continue to document the country's course through C-level interviews across a wide spectrum of sectors, bringing to the international business community first-hand information on the factors that are shaping this transformational process and its pace. ✖

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EXECUTIVE SUMMARY

Ecuador's new right-of-center government is a break from the socialist administrations of recent years. Much of Latin America looks on as the new president embarks on a business-friendly agenda.

Under its new administration, Ecuador is keen to bolster its image as a business-friendly economy, yet aware of its responsibility to find the right balance between economy, society, and the environment.

NEW CAPTAIN ON DECK

President Guillermo Lasso officially took office on May 24, 2021. A two-time former candidate for the post, the 65-year-old former banker claimed a surprise victory in a historic election that has given the right its first win since 2003. The long-awaited moment for the founder of the Creando Oportunidades (CREO) movement also spells the end of a long period of left-wing government led by Rafael Correa and, later, Lenín Moreno, who had also led some pro-business reform efforts.

SHOT IN THE ARM

The government set an ambitious goal to vaccinate 9 million people in just 100 days after it took power in May 2021. To achieve this, it implemented what it called “vaccine diplomacy,” obtaining batches of different types of vaccines that would allow it to cover demand. It

is estimated that the Ecuadorian state invested more than USD320 million in vaccines from laboratories such as Pfizer, AstraZeneca, Sinovac, and Cansino. Countries such as the US, China, Canada, Spain, and Chile, among others, responded in solidarity to Ecuador's call for the provision of vaccines. Ecuador's acclaimed vaccination campaign gave it some of the highest vaccination rates in the world and paved the way for economic reactivation.

PRIVATE SECTOR TO LEAD

The 2007-2017 period was marked by public sector-led growth, which left the country with an oversized public administration. The current government is encouraging the participation of the private sector in order to reduce its fiscal burden. This effort is not only easing pressure on the public treasury, but also generating foreign inflows of capital, as international companies are specifically targeted to take on projects. Amidst this scenario, PPPs are being redesigned and gaining prominence in strategic sectors such as energy, oil, mining, infrastructure, telecommunications, transport, and health, among other sectors.

The government expects USD30 billion in PPP investments up to 2025. Private investments have reached USD5 billion in contracts signed with the government in the 11 months since it took office, the highest figure on record for private investment contracts, reaching 220 projects and potentially leading to 130,000 direct jobs. The main sectors attracting these investments have been renewable energy, industrial production and manufacturing, aquaculture, telecommunications, logistics agribusiness, biotechnology, health, education, and metals.

OPEN-DOOR POLICY

Given its population of 17 million, Ecuador is aware of the need to open up its economy to create economies of scales and export in greater quantity to lower costs. Ecuador has an important pipeline of countries with which it hopes to strike FTAs. The country is said to be close to a deal with Mexico, which in turn would give Ecuador full membership in the Pacific Alliance, the eighth-largest trading bloc in the world. An FTA with South Korea is also on the cards and could be finalized in 2022. Discussions have also begun with China, while discussions with the US and Canada are expected to begin further down the road.

DOUBLE OIL PRODUCTION

Ecuador is seeking an investment of USD12 billion to double its oil production in the next five years based on a strategic plan. Petroecuador, the state-owned oil company, announced that an increase in oil production from around 400,000 barrels at present, equivalent to 80% of national crude oil production, to over 800,000 barrels by 2026 will be done through joint investments with private companies. Given the increasing oil prices, Petroecuador foresees adding an additional 100,000bpd to production, with an investment of USD437 million, closing the year at a production of 495,000bpd.

Additionally, the natural gas sector is making headway in Ecuador, currently concentrated at the underperforming Campo Amistad in the Gulf of Guayaquil, which produces 25 million cubic feet per day of gas, or the equivalent of 4,200bpd. However, the Amistad field may have 17 years of proven natural gas reserves, which could increase production to 90 million cubic feet per day.

A MINING JURISDICTION

Ecuador is the only country in the region that has so far remained mostly untouched by mining activity, with less than 10% of its ter-

ritory explored for this purpose. That said, 2019 marked the kick-off of industrial mining in Ecuador with the start of the production phase of two major mining projects: Mirador, developed by China's Ecuacorriente; and Fruta del Norte, developed by Canada's Lundin Gold. There are other significant projects in the pipeline, including SolGold's Cascabel, Lumina's Cangrejos, Solaris' Warintza, Adventus' Curipamba, and Dundee's Loma Larga.

Ecuador is being seen as the next market to be in to maintain a long-term sound portfolio of projects. On top of that, in the recently published Fraser Institute's Annual Survey of Mining Companies for 2021 report, which analyzes 84 different mining jurisdictions and their attractiveness for investments, Ecuador's score improved by 26% compared to 2020, from 57.95 to 72.79, making it one of the most attractive mining investment destinations, placing it 24th out of 84 countries.

KEY PLAYER IN INTERNATIONAL FOOD SECURITY

Most of Ecuador's non-oil or mineral exports are food products, and the country ranks among the main world exporters of banana, shrimp, and tuna. Ecuadorian export companies have invested extensively in biosecurity and protocols to adapt their production to the demands of international market, and this was even more evidenced when COVID-19 disrupted international trade chains. With the reconfiguration of global demand for biosafe food, Ecuador had its strategy in place. Shrimp is the most emblematic example. It has become Ecuador's most-exported non-oil product, displacing bananas and reaching USD5.3 billion in exports in 2021. This achievement has come hand in hand with the success of companies such as Santa Priscila, which exported USD1 billion worth of the product in 2021 and became the leading supplier in the US.

ENVIRONMENTAL PROTECTION

Although Ecuador is a small country, it is one of the most biodiverse, with 91 types of terrestrial ecosystems in the country. Of the 27 marine and coastal ecosystems in the world, 21 are located in Ecuador. In light of this, the government has the challenge to implement public policy that not only reduces the environmental impact of productive activities, but also promotes regenerative processes. In this sense, Ecuador was applauded at COP26 in Glasgow as it announced the creation of a new marine reserve in the Galápagos, adding 60,000sqkm to the archipelago's existing reserves and increasing the protected area from 133,000sqkm to 193,000sqkm. ✖

GDP PER CAPITA (2020)

SOURCE: WORLD BANK

USD5,600

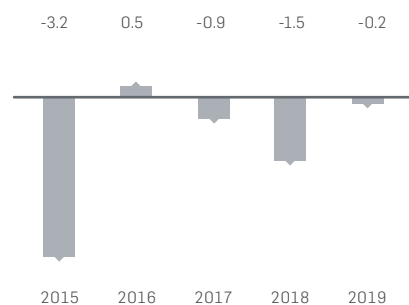
INFLATION (2020)

SOURCE: STATISTA

-0.34%

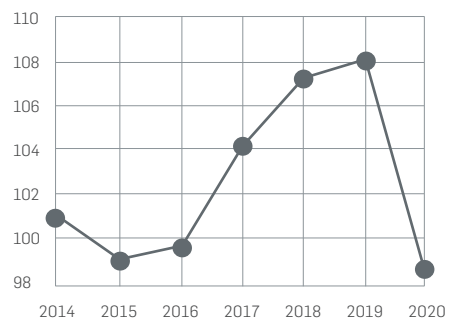
TRADE BALANCE (USD BLN)

SOURCE: FOCUS ECONOMICS



GDP (CURRENT PRICES, USD BLN)

SOURCE: THE WORLD BANK



2021 NOVEMBER 19

The Ecuador Open for Business event takes place to promote the country's open door to investors, business leaders, and world-class experts and discuss the latest issues surrounding investments and public-private partnerships.



2022 FEBRUARY 10

Ecuador presents an industrial clusters initiative involving public and private actors. The project is part of the government's National Competitiveness Strategy

2022 MARCH 25

Ecuador officially qualifies for the World Cup to be held in Qatar from November 21 to December 18

2022 MAY 9

The end of mandatory face masks is announced, along with the lifting of almost all COVID-19 restrictions.

2022 JANUARY 26

Ecuador formally applies to join the Pacific Alliance during the XVI Pacific Alliance Summit in Bahía Malaga (Valle del Cauca).

2022 FEBRUARY 5

President Lasso meets with Chinese President Xi Jinping to discuss a government priority: an FTA with China

2022 MARCH 24

The US Senate Foreign Relations Committee passes the United States-Ecuador Partnership Act of 2022, recognizing Ecuador as a key democratic partner in Latin America

2022 MARCH 25

The National Assembly of Ecuador rejects President Lasso's Investments Act, forcing the president to find new ways to move forward with his economic plan

2022 MAY 24

President Lasso makes a speech before the National Assembly. This marks his first year in office

A NEW *vision*

The Lasso administration has been working to improve the lives of Ecuadorians through sustained and environmentally responsible economic growth.



Guillermo Lasso
PRESIDENT,
REPUBLIC OF ECUADOR

Ecuador is immersed in the consolidation of an environment of legal certainty for foreign investment. What steps have already been taken, and what can we expect in this regard?

Ecuador has solid foundations to have legal security that will allow us to attract more foreign investment into the country. We issued a bill with the main aim of attracting multi-million-dollars' worth of investment and making the country a development hub in the region. This is our opportunity to give the country a solution to its unemployment levels by creating 2 million jobs in the four years of the administration. Our "Government of Understanding" (Gobierno del Encuentro) is opening Ecuador's doors to the world to offer great business and investment opportunities for the benefit of Ecuadorians. This is why we continue to show the investment portfolio of over USD30,000 million that Ecuador offers. We want more of Ecuador in the world and more of the world in Ecuador, always for the benefit of the people.

Improving its infrastructure is key to Ecuador's economic future. What role do PPPs play as a tool for economic and social development?

My commitment to the country is economic and social development. Therefore, we are encouraging investment attraction, and we are doing so using different tools. One of them are PPPs, which seek to generate partnerships between the public and private sectors to address infrastructural and public services' needs. Without a doubt, PPPs will mark a difference in our economic development strategy for Ecuador, because with them we will be able to start more public works. More public works means more quality employment, a better quality of life, higher incomes, and better opportunities. This is a great challenge, and we will be able to overcome it with the assistance of investors with the best profiles to finance in a responsible, transparent, and sustainable way. We have identified over 50 projects that will improve the country's public services and infrastructure. With

this, we will boost the production chain and create more quality job positions.

There are sectors that stand out in terms of foreign investment in Ecuador: hydrocarbons, renewable energies, mining, and agricultural exports. What is your message regarding the existing opportunities in the country?

In November 2021, Ecuador became the main attraction point for investments in the region with its international business forum, Ecuador Open for Business. Along those same lines, in 2021 a total of 67 investment contracts were approved, reaching a record of USD2,158 million, which will create over 6,100 jobs, showing that the policy developed by the national government focused on investment attraction has been well received by national and international investors. And with the new legal regulations, we are proposing an innovative free-trade zones model that will reactivate the economy.

One of the mottos of your administration is "more of Ecuador in the world, and more of the world in Ecuador." How is this premise being translated in the way you do business in Ecuador?

This is transversal to various strategic actions of the government, and the results are already visible. 2021 was concluded with two record figures: from January to December 2021, we reached USD18,092 million in non-oil exports, which represents an increase of 19.8% YoY. In addition, 2021 ended with a record figure of over USD2,100 million in signed investment contracts with national and foreign companies. This data shows that we are regaining confidence. The negotiations of the trade agreement with Mexico are reaching their technical closure, consolidating our process of joining the Pacific Alliance. We will soon start negotiations for an agreement with China, and we will resume negotiations with South Korea. Canada, the Dominican Republic, and other countries are also on the agenda.

Ecuador is listed as a megadiverse country and is home to natural gems such as the Galápagos Islands. What is the importance of environmental protection in your government?

The ecological transition and care for the environment are state policies of my government. Therefore, we have taken big and significant steps toward these objectives, and we will continue to do so. One of the most important ones is the expansion of the new marine reserve of the Galápagos by 60,000sqkm, where extraction activities of any type will not be allowed and areas of critical ocean ecosystems, migrating routes, and feeding zones for endangered marine species will be preserved. Our commitment is to preserve the biodiversity, a non-renewable heritage of Ecuador.

A key component for the turn that Ecuador is taking is finding a balance between economy and society.

What is your administration's approach to this?

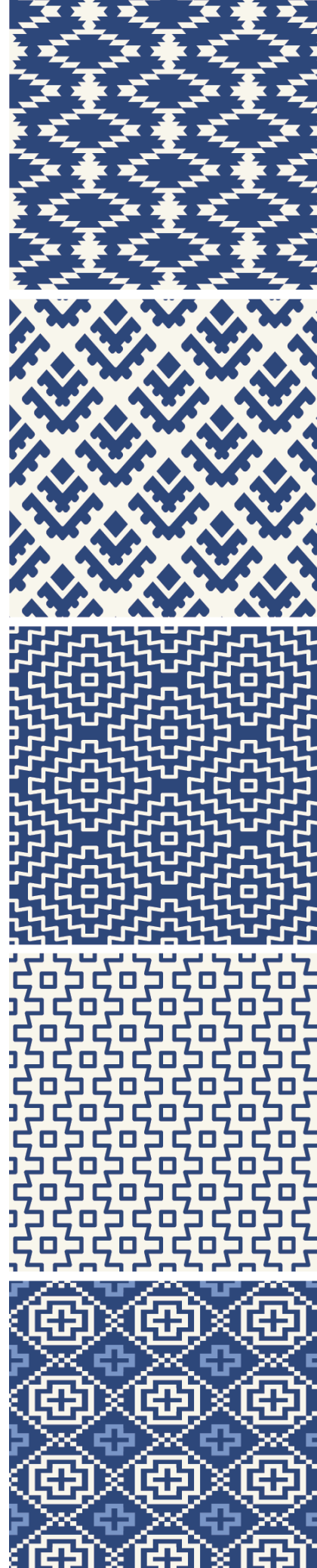
Our proposal has always been to keep a balance between these two premises. We are a responsible government that has made the economic situation transparent and has made the correct decisions to guide the country to a productive reactivation and meet the needs of Ecuadorians through: sustained and environmentally responsible economic growth that can create quality jobs for Ecuadorians; a responsible management of the economy that can generate confidence at national and international levels, translating into more investment and the creation of employment sources; fiscal stabilization with equity that makes it possible to guarantee social programs that favor vulnerable families, in addition to protecting future generations with a country that

is less dependent on public finances; and transparent management of public resources to combat corruption and overspending.

What are the priorities for the Lasso administration looking to 2025?

The strategic priorities, up to 2025, are to leave a country on the path toward sustainable development, position Ecuador as a destination for national and international investment, open up more markets for our products and services, consolidate the competitiveness of our industries, and reach our objective of creating 2 million new formal jobs in Ecuador. Trade openness expands business opportunities for Ecuador and allows us to enter new international markets at more competitive prices. For this reason, we hope to end 2025 with 10 new trade agreements that will represent 81% of global GDP, 73% of global imports, 60% of the global population, and cover 86% of our non-oil exports. Our objectives are clear and ambitious, and we are determined to achieve them. In addition to having a great team in each of the state portfolios, we will achieve it because part of our vision is to collaborate with the private productive sectors and civil society. We will also make progress in reducing the fiscal deficit until we reach an equilibrium of public finances at the end of the administration. We will prioritize the budget focus on sectors such as health, education, security, and social inclusion. Let us not forget our major commitment to reduce chronic child malnutrition in children under the age of 2 by 6% by 2025. We will promote free and fair trade, in addition to consolidating our trade relationships with the US, China, South Korea, and Mexico (in the future with the Pacific Alliance). There will also be more productive loans for reactivation through public banking, as the Opportunity Loan that BanEcuador is giving at 1% interest rate with a 30-year term, and strengthening of dollarization, with international reserves that guarantee the deposits of private and public entities in the central bank. ✕

“We want more of Ecuador in the world and more of the world in Ecuador, always for the benefit of the people.”



FOCUS

Balancing international relations

WALK THE LINE

Ecuador's new administration is trying to strike a balance in its diplomatic and economic ties with Washington and Beijing, and perhaps this can make the world a better place.

AS THE TENSION BETWEEN THE TWO SUPERPOWERS and economic giants of the West and the East continues, many emerging economies find themselves in a tricky situation. While they want to maintain their economic ties with China, which provides them with affordable technological products and long-term loans, they do not want to displease the US or jeopardize their ties with the West. Maintaining diplomatic and economic ties with both China and the US, in short, involves walking a very fine line.

Ecuador has been trying to walk this fine line over the last decade, without falling out with either China or the US. First, let us have a look at Quito-Washington relations. Aside from being Ecuador's largest trade partner, the US considers Ecuador an ally. Ecuador is one of the few Latin American nations that did not gravitate toward communism in some way or another during the Cold War. "Our two nations collaborate on a wide range of issues of bilateral, regional, and global importance. US and Ecuadorian law enforcement and security personnel work cooperatively to counter threats posed by transnational crime," reads a statement by the US diplomatic mission in Ecuador.

As such, it is not difficult to imagine Washington's feeling of betrayal if Ecuador gets too friendly with Beijing. Many commentators believe that, among all Latin American nations, Ecuador has the closest relationships with China. The Chinese influence became particularly tangible during the term of former president Rafael Correa in office between 2007 and 2017. Everything started with PetroChina, a satellite company of China National Petroleum Corporation (CNPC), taking an interest in oil exploration and extraction activities in Ecuador. One thing led to another until Ecuador found itself in a lot of debt to China—debts that Ecuador was unable to repay.

China offered loans to Ecuador around 2009-2010, when the Ecuadorian economy was on the verge of a meltdown. Giving loans to developing, solvency-challenged countries with the potential of repaying the loans in some way or another has become something of a signature move by China over the last decade. In the case of Ecuador, the first loan, to the tune of USD1 billion, was given to Ecuador in July 2009. Since then, China has lent another USD10 billion—and possibly more—to Ecuador in various installments. The sums have been mainly spent on infrastructure and petroleum megaprojects. Some critics believed that dependence on China went too far during Correa's administration. In 2013, for example, Chinese loans accounted for over 60% of the Ecuadorian govern-

ment's spendings.

Ecuador's main method of repayment is by shipping crude oil to China. By the end of 2019, just before the pandemic brought the global economy to a standstill, Ecuador had shipped over USD265 million worth of Amazonian crude oil to Chinese oil-thirsty refineries. Since the vaccination and partial recovery of global markets, the trade balance has always been in favor of China. In October 2021, China's exports to Ecuador were around USD420 million, showing a staggering 99% YoY increase. Ecuador's exports to China, meanwhile, showed a slight 3-4% drop. It is not difficult to see that China has the upper hand in China-Ecuador trade.

Things, however, may be about to change. Guillermo Lasso was elected as the 47th president of Ecuador in May 2021. A former banker and businessman, he is Ecuador's first right-of-center president in almost two decades—albeit with some liberal overtones. President Lasso is a big believer in the power of free market, which suggests that Ecuador will rely on its ties with Washington and the West more than those with Beijing. Instead of turning to Beijing for loans, like his two predecessors, President Lasso prefers asking for help from Western or international institutions such as the IMF.

In September 2021, Ecuador reached an agreement with the IMF for a USD1.5 billion payout. This follows a previous USD6.5-billion deal to help kickstart the economy. The administration is also working on a "fiscal reform that would not affect the country's poor and that additional tax revenue would come from high-income brackets," according to Reuters citing the words of Simon Cueva, the new administration's minister of economics and finance.

Despite all its right-of-center politics and belief in the free market economy, however, the new administration is by no means anti-China. Ecuador is already working on a comprehensive trade framework with China to be unveiled toward the end of 2022. The repayment of Ecuador's previous loans to the Red Giant, too, will be renegotiated soon, said President Lasso after meeting China's President Xi Jinping during a state visit to China in February 2022.

In the larger scheme of things, Ecuador's efforts to stay on good terms with both the US and China is not hypocritical; on the contrary, it is a good thing in and of itself. If there were more countries around the world like Ecuador, which managed to strike a balance in its diplomatic and economic ties with the two superpowers of our age, there would be less polarization of the developing economies of the world, perhaps reducing the tension between the US and China and making the world a safer place for everyone. ✕

President Guillermo Lasso
pictured at COP26, where
Ecuador announced the creation
of a new marine reserve in
the Galápagos, increasing the
area from 133,000sqkm to
193,000sqkm



INTERVIEW



Francisco Briones
CABINET UNDERSECRETARY
GENERAL,
GOVERNMENT OF ECUADOR

POSITIVE *outcomes*

The Ecuadorian government has made great strides in promoting economic openness and enacting reforms in just a few months, ultimately resulting in 4.2% growth in 2021.

BIO

Francisco Briones currently serves as Cabinet Undersecretary General of the Government of Ecuador, where he manages the prioritized programs of the Presidency. Along his career, Briones has worked as a consultant and economic and data analyst. He is, additionally, a specialist in public policy analysis and development. Besides being an expert accredited by the Judicial Function in economics, he also dedicates time to postgraduate teaching. Briones has participated in various forums, interviews, and debates at a national and international level on economic and public policy issues. He often writes about Ecuador's economy for his blog and other prestigious national and international media.

What is your assessment of the first year of the Lasso administration from an economic perspective?

When the government was established, the expectations for economic growth were around 2%; however, in just a few months, these were revised to 3.5-3.8%. Ultimately, in 2021 the economy grew by 4.2%. This is a crucial indicator of the government's competence, not least after having vaccinated 9 million Ecuadorians. In just 100 days of government, the Lasso administration opened up the economy quicker than expected and achieved economic growth. This has resulted in the creation of 300,000 new jobs during our administration alone. Such positive outcomes will only result in greater support from Ecuadorians. Meanwhile, we have driven a series of reforms and regulation improvements spanning numerous areas of the economy, especially capital-intensive ones such as energy, electricity, hydrocarbons, mines, and telecommunications. We have made significant regulatory progress in the normative aspect of these areas. In 2021, Ecuador was recognized regionally as the country with the best regulation advances in the telecommunications arena. We have implemented clear policies for hydrocarbons as well, having introduced certain normative and legal reforms in the oil industry to encourage private investment across the entire hydrocarbons value chain. In the mining sector, we are working closely with the related ministries, be it the environment, energy, or investment. We are in fact working to make Ecuador an international force in mining. This year, the country is set to become a sponsor country of the Prospectors & Developers Association of Canada (PDAC), a prominent entity in the international mineral exploration and development community. We have also worked with the chancellors and ambassadors of leading countries in the mining industry. Ecuador has made great progress in the economic and commercial dimensions, and in 2022, we plan to continue to implement measures that attract capital.

What initiatives is the government working on to further promote the economic openness of Ecuador?

The government is working to include significantly more private capital and investments within projects of public interest. In the infrastructure area, especially energy, we facilitate normative and contractual schemes that attract funding for road, port, or airport construction projects. We

“Our goal is to create 2 million jobs during our four-year tenure in power.”

aim to bring capital to concessions and delegations for the private sectors of electricity and hydrocarbons. Additionally, we work to attract investment for these sectors, which will allow us to improve social services. First, we are focused on achieving public issues through private-sector investment. In addition, we also facilitate employment generators, such as the entrepreneurial and productive sectors. For them, we are introducing a series of initiatives with ministers overseeing production, private investment, and employment to improve Ecuador's competitiveness. For this, there were almost 700 tariffs cut regarding production supplies and raw materials in 2021, which will reduce production costs and raise competitiveness. We also have a wide agenda planned for FTAs and expect to sign several this year with Mexico, the Pacific Alliance, South Korea, and China, the latter of which would be historic. We are also identifying other economies to participate in such commercial agreements. At the same time, we are considering a labor reform to further modernize the nation, rendering it more competitive and facilitate contracting and reduce related costs. Our goal is to create 2 million jobs during our four-year tenure in power. The government favors ambitious goals that would get the best out of Ecuador. There are plenty of opportunities in Ecuador; we have a portfolio of more than USD30 billion in investments earmarked for a range of areas, services, and infrastructure that we hope to have realized by next year. We are working to create employment opportunities for Ecuadorians, notably entrepreneurs, the young, and women. Overall, we intend to ensure that Ecuador experiences accelerated growth in 2023. Our reforms are benefiting the country, and we are focused on maintaining the current pace, enthusiasm, and perseverance moving forward. The Lasso government wants to improve its relationship with the assembly and rebuild connections with the myriad of parties represented. This would allow us to do even more and deliver proposals that will help Ecuador advance in regulatory improvements and diverse modernization initiatives over the next few years. ✕



AMBITIOUS PLANS

TBY had the opportunity to sit down with leaders from key ministries in *Ecuador* to get an in-depth insight into the government's plans to drive economic and social growth.

The Lasso administration has been firm in its resolve to globalize and attract greater FDI in various sectors as well as contribute to the social development of Ecuador. From thriving sectors such as agriculture to up-and-coming industries such as mining, the message is clear: it wants more of Ecuador in the world and more of the world in Ecuador. The newly drafted National Development Plan (NDP) 2021-2025 outlines the country's target areas and sets guidelines to determine the most attractive investment projects that can capture the interest of foreign investors. Consequently, Pro Ecuador has been promoting the best business opportunities available with an investment projects portfolio in key productive sectors of the economy. Part of this also includes establishing standard legislation to increase investor confidence, simplifying processes and eliminating bureaucratic procedures, as well as bringing Ecuador into the new era driven by technology and telecommunications. Domestically, the country is also working on social efforts such as meeting the housing deficit as well as pushing forward on the success of its COVID-19 vaccination campaign to produce vaccines for the wider region. At the same time, Ecuador has not forgotten about its ecological wealth and plans to also focus on conservation and the green economy.

Julio José Prado
MINISTER OF
PRODUCTION, FOREIGN
TRADE, INVESTMENTS
AND FISHERIES

Xavier Vera Grunauer
MINISTER OF ENERGY
AND MINES

Roberto Salas Guzmán
TECHNICAL SECRETARY
FOR PUBLIC-PRIVATE
PARTNERSHIPS
AND DELEGATED
MANAGEMENT

Vianna Maino
MINISTER OF
TELECOMMUNICATIONS
AND THE INFORMATION
SOCIETY

Niels Olsen
MINISTER OF TOURISM

Gustavo Manrique
MINISTER OF
ENVIRONMENT, WATER
AND ECOLOGICAL
TRANSITION

Pedro Álava
MINISTER OF
AGRICULTURE AND
LIVESTOCK

Ximena Garzón
MINISTER OF PUBLIC
HEALTH

Dario Herrera
MINISTER OF
HOUSING AND URBAN
DEVELOPMENT



Julio José Prado
MINISTER OF PRODUCTION,
FOREIGN TRADE, INVESTMENTS
AND FISHERIES

FROM THE FIRST DAY of the new government, we have sent a clear message: we foresee more of Ecuador in the world and more of the world in Ecuador. President Lasso, by Executive Decree, declared the investments promotion policy a priority through good regulatory practices and measures of simplification, efficiency, and transparency in administrative processes. On this basis, our government envisions a strengthened business climate in Ecuador. Locally, we pursue a competitiveness improvement agenda in line with the newly drafted National Development Plan (NDP) 2021-2025. Consequently, our Vice-Ministry of Export and Investment Promotion (Pro Ecuador) promotes the best business opportunities available with an investment projects portfolio in key productive sectors of the economy. According with the guidelines of the NDP, we work with all government authorities and local officials, as well as private associations and chambers of commerce, to select the most attractive investment projects that can capture the interest of foreign investors. Our 24 commercial offices in North America, Asia, Europe, and Latin America are promoting both our renewed business climate and the strengthened portfolio of projects in international events like the Ecuador Open for Business Forum 2021 and other events around the world. Equally important, we are working on PPP schemes for the development of sustainable infrastructure that allow for private participation and will share the risk in a contractual relationship in the long term.



Xavier Vera Grunauer
MINISTER OF ENERGY AND
MINES

EXECUTIVE DECREE 151, which President Lasso issued in August 2021, is unique in Ecuadorian public policy because it clearly demonstrates the support of the president for the mining sector. This executive decree has five pillars, including the regulatory framework and legal insurance, the development of mining projects, and new investments. Another significant point is the transversal collaboration between the defense ministry and the government to eradicate the illegal exploitation of minerals. I should also highlight our efforts to increase transparency. Ecuador is the 55th country to join the Extractive Industries Transparency Initiative (EITI), which is an organization that pursues transparent state processes. President Lasso has given us clear signs that transparency is a fundamental pillar of this government, as part of which we will promote legal and responsible mining. We have also renewed our agreement with the Association of Mining Engineers of Ecuador (AIME) to incentivize best practices. We are also working closely with the Institute of Geological and Energy Investigation (IGE) to sign an agreement with a consortium of colleges to teach mining, environmental, and hydraulic techniques. It is essential to train our local engineers to increase job growth. Additionally, we have instituted a public-private advisory council with six leading mining embassies. We want to ensure that in the next 15 years, Ecuador will achieve the same level of exports as Peru or Chile of USD20-30 billion annually.



Roberto Salas Guzmán
TECHNICAL SECRETARY FOR
PUBLIC-PRIVATE PARTNERSHIPS
AND DELEGATED MANAGEMENT

THE MISSION of public-private partnerships is to promote in a relevant way private participation in public projects. Private investment is administered by the Ministry of Production, and it does this well, with solid promotion, a great program, and plans for improvement to create a single window for investors and exporters. Meanwhile, with public investments, there are two ways to participate. The state has prioritized programs that are well defined, and these feature in the state budget. A tender is held to select the constructor or service provider. The government formulates a solution to the lack of capacity, the administration of projects, and the lack of recourses in order to realize such projects in partnership with private companies. This is done to sustain a level of growth, create significant employment opportunities, and improve the services provided in our cities. It is essentially a solution to the lack of capacity, the management of such projects, and the lack of financial resources to realize projects. We have showcased certain projects that have been realized successfully, especially in terms of ports, and particularly for Port of Posorja and the Port of Bolívar, as well as the airports of Guayaquil and Quito, which rank among the best in Latin America. Today, there are 10 road concessions, some providing excellent examples of success. There is Chongon-Salinas, for example, which has been executed superbly.



Vianna Maino
MINISTER OF
TELECOMMUNICATIONS AND THE
INFORMATION SOCIETY

IN ECUADOR, we are striving to make technology and telecommunications the backbone of the national economy. Our vision focuses on expanding connectivity to historically neglected areas as a priority, digitalizing processes, training thousands of Ecuadorians in ICT, and improving the digital security and modernity of the government, as part of Ecuador's emergence as an information society and knowledge-based economy. Ecuador is experiencing its first digital revolution. In that sense, the challenges are manifold. Among the most important are connecting the unconnected, training citizens in ICT, promoting a digital and cyber-secure government, and attracting technological investment. Within this framework, and in just over 10 months, we have provided 1.9 million people with internet and mobile phone coverage. We have trained 250,000 people, mostly from rural areas, to help them become part of the new digital economy. Within the framework of digitalizing the government and making it more secure, we are working with experts from the EU through its CIBER4DEV Project, with which we began a close collaboration for cybersecurity in 2021. The IDB, ITU, OAS, World Bank, and US government have also contributed to this work. Finally, private investment and the potential for innovation that it presents is among the challenges we must face. In 2021, we saw investment in telecommunications and ICT of close to USD400 million. We hope that by 2022 the figure will approach USD1 billion.



Niels Olsen
MINISTER OF TOURISM

WHEN OUR ADMINISTRATION began on May 24, 2021, we were focused on several fronts. First was financial relief for the tourism sector, which, as we know, was greatly affected during the pandemic, requiring economic relief to continue operating. In addition, we resumed work on promoting the country in the US, Canada, and Europe. When it comes to vaccinations, we became the first destination in the entire region to have their touristic sector fully vaccinated ahead of other sectors because the government understood the importance of the international and national tourist safety. The government has also proposed a completely open and aggressive policy to improve the routes and frequencies of flights from Ecuador to the world. Ecuador did away with the 5% ISD tax to international airlines in order to sign Open Skies agreements with the US and other nations. For example, Avianca is now connecting Ecuador to Costa Rica, and also now flying from Guayaquil to New York. There are also plans with airlines such as LATAM to shortly resume flights to the US. Jet Blue, too, has now recovered all of its frequencies from Ecuador to the US, as has KLM. Meanwhile, American Airlines now has a larger inventory than before the pandemic. Domestic connectivity between March 2021 and March 2022 increased 74%, which means we have now increased from 165 weekly flights to 245.



Gustavo Manrique
MINISTER OF ENVIRONMENT,
WATER AND ECOLOGICAL
TRANSITION

THE MINISTRY PLANS to promote investment in the green economy via a few ways. One involves a process of automation. Two things: a new regulation for everything that has to do with permits and licenses and everything to do with regulations in order to expedite the process without sacrificing environmental controls. The other is automation in terms of software that is more agile or dynamic. Additionally, it has presented the law of the creation of opportunities in the tax law so that all of the investments that have to do with bio-entrepreneurship, sustainability, the circular economy, restoration, and conservation. Moreover, topics related to conservation have the benefit of double deductibility on the amount of income so that as much as one invests in a project, one can enjoy double spending and pay reduced income tax. These initiatives promote investment, making it a more agile proposition. Without a doubt, the message that Ecuador is sending to the world is one in which conservation goes hand in hand with development. Ecuador is keen to create jobs for seven out of 10 of today's unemployed, while, at the same time, also protecting the natural world. We will also build an important exhibition center of biodiversity and also automate the licensing process for environmental registration. Indeed, Ecuador is positioning itself as a global power in terms of conservation.



Pedro Álava
MINISTER OF AGRICULTURE AND
LIVESTOCK

THE MEASURES taken by the Lasso government to increase Ecuador's role as an agro-export power are successful in keeping with the policy of "More of Ecuador in the world and more of the world in Ecuador." Through this policy, available Ecuadorian agricultural products are varied and meet high-quality international standards. The Ministry of Agriculture and Livestock is leading the priority program Strategic Production and Diversification of Agricultural Chains. This program seeks to diversify the agricultural exportable selection of non-traditional products such as avocado, pitahaya, and hemp, among others and strengthen the country's traditional products such as coffee, cacao, and bananas. By implementing an intelligent agricultural information system, which any person, investor, or producer, can use, it will contribute to GDP growth. Ecuador has significant comparative advantage compared to other countries in the region, among which is its privileged geographical location. Its agricultural products and livestock are of a higher quality than average. The strong confidence of the international markets in the excellent management of the Ecuadorian economy is indisputable, as the Country Risk Index went from 17.33% in 2016 to 7.99% in 2022, an approximately 54% reduction in a period of less than one year of Lasso's government. To this must be added the excellent business environment in Ecuador, afforded by political stability and strong legal security. All these factors attract investors.



Ximena Garzón
MINISTER OF PUBLIC HEALTH

IT IS VITAL to modernize the public health of the country and set measurable goals and objectives. As part of my training in public health in the US, I was also able to train as an epidemiologist and bio statistician. Hence, it is important to me that all the objectives that we set for ourselves are statistically measured. We have determined goals to be achieved in the medium and long term, namely four years from now and 10 years. To achieve this, a government public health plan has been created, in which several ministries come together to achieve these public health objectives and improve the quality of life of Ecuadorians. We have two plans that are important, the first of which is to improve research in the country. We have highly trained researchers working in universities; however, clinical research and research in the medical and epidemiological areas have not been sufficiently developed here. In addition, we are reactivating certain health promotion plans at the community level in which, in rural schools, for example, children and their families are taught how to take care of themselves and eat well. We want to raise awareness of how they can improve the quality of life, avoid sedentary lifestyles, stay away from drugs, and so on. That is part of this branch of public health called health promotion.



Dario Herrera
MINISTER OF HOUSING AND
URBAN DEVELOPMENT

WE HAVE REDEFINED the scope of our program and are looking to provide 429,000 of what we call habitat solutions. Ecuador has 4.7 million homes, but there is a quality deficit of about 2.7 million homes, which are homes that need to be repaired or upgraded. The culmination of what is needed for new homes is around 663,000 over the last 20 years. Ecuador has had 18 ministers in the last 20 years, and as a result the country cannot set mid- to long-term goals because every new minister wants to change things. It will be a never-ending problem if we do not create an enduring public policy that can tackle the issues. There are about 90,000 new homes built every year in Ecuador. More than just building 200,000 rural homes, we are looking at developing 429,000 habitat solutions, which includes four different areas: houses; kits that will directly attack the deficit problem; providing land titles for homes that are already built or consolidated; and special habitat projects. This mixture of solutions was designed to tackle and reduce the quality and quantity of the deficit in Ecuador within budget and following a time frame. We have inherited a large debt, and therefore we are developing the proper incentives so the private sector can contribute to building these solutions for social housing with help from the program.



Guayaquil is Ecuador's largest city
and its main economic engine

TOP EXPORT DESTINATIONS 2021

SOURCE: FEDEXPOR

	Value (USD BLN)	Value in- crease (%)
US	3.64	24
EU	3.4	14
China	2.7	2
Russia	1	9
Colombia	0.823	13

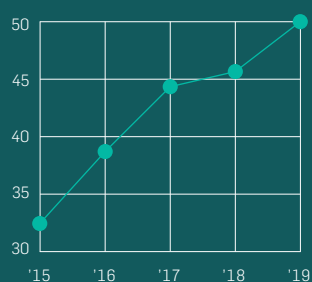
FDI (USD MLN)

SOURCE: CENTRAL BANK OF ECUADOR



PUBLIC DEBT (% OF GDP)

SOURCE: FOCUS ECONOMICS





Economy

EXPANSION AHEAD

Ecuator's economy grew 4.2% in 2021, a performance that was somewhat made possible by a successful vaccination drive, increased remittances, greater access to credit, and better export performance. The industries that recorded the highest annual growth were oil refining (23.9%), accommodation and food services (17.4%), and aquaculture and shrimp fishing (16.2%). For 2022, the central bank estimates economic growth of 2.8%, driven by an increase in private investments and the dynamism of household consumption. On the other hand, the World Bank estimates 4.2% growth for Ecuador in 2022, while JP Morgan expects 3.1%. The higher figures are a result of the increase in oil prices, tax reform, and the drive of the authorities to continue with fiscal consolidation in conjunction with the IMF.

FDI in 2021 was USD621 million, an annual reduction of 43.8%. This value represented 0.6% of GDP. The sectors that performed best in their FDI figures in 2021 were manufacturing industries, with an annual increase of USD148 million; transport, storage, and communications, with an increase of USD 41 million; and agriculture, forestry, hunting, and fishing, with an increase of USD17 million. The reduction in FDI is mainly attributed to the completion of mining construction projects Mirador and Fruta del Norte, which represented a reduction in mining investments of 81.4%, from USD535 million to USD100 million. The government expects improved FDI performance with new investment projects of around USD30 billion in the areas of road infrastructure, oil, and mining. Investments are also made by foreign companies in Ecuador that are registered as local companies. In this indicator, Ecuador has reached the record sum of USD5 billion in investment contracts signed with the government in 11 months from May 2021.

It is also worth noting that Ecuador now has better access to more financing from multilateral agencies. At the beginning of February 2022, the World Bank approved a new freely available credit for Ecuador for USD700 million. These resources are aimed at boosting economic reactivation, generating employment, and reducing poverty levels.

This credit has a repayable term of 16.5 years, with a grace period of 5 years. On March 8, 2021, the Development Bank of Latin America (CAF) and Ecuador signed three credit contracts for a total disbursement of USD175 million. According to CAF, the loans will be used to finance road, irrigation, and education projects. Finally, in the first week of March 2021, the IMF began its fourth review of the Extended Fund Facility (EFF) program with Ecuador. Following this review, the country is expected to receive a new disbursement of USD700 million to support social protection programs.

Ecuador plans to close at least 10 trade agreements by 2025. Since 2021, the country has sought to promote trade agreements with its main partners around the world to strengthen its commercial positioning and competitiveness in international trade. Among the countries and blocs that stand out the most are China, Mexico, the US, and the Pacific Alliance. In the case of China, in the coming months, Ecuador will seek to define the scope and topics to be discussed in trade negotiations, once an MoU has been signed. The main objectives of the negotiations with China are debt renegotiation, the insertion of Ecuadorian products into the local market, the donation of vaccines, and incentives for Chinese companies to invest in Ecuador. China is a strategic partner, since total exports to the country reached USD4 billion in 2021, representing an annual growth of 27.6%; this result positions the Asian country as the second main destination for national exports after the US.

According to the central bank, Ecuadorian export figures reached an all-time high at the end of 2021 at USD26 billion, with an annual growth of 31.2%. In this way, exports represent 25.3% of GDP, the highest percentage in the last seven years. Oil exports amounted to USD8 billion, indicating an annual variation of 64%, while non-oil exports reached USD18 billion and grew 20% compared to 2020. In this, the increase in exports of mining products (99.1% annual variation), other metal products (49.1% annual variation), shrimp (39.2% annual variation), and flowers (12.1% annual variation) stand out. Imports reached USD23.8 billion, allowing for a trade surplus of USD2.8 billion. ✖

INTERNATIONAL *outlook*



Julio José Prado
MINISTER OF PRODUCTION,
FOREIGN TRADE, INVESTMENTS
AND FISHERIES

Ecuador is working on creating an environment where entrepreneurs can take advantage of its opportunities and human resources and be part of global value chains.

How does the government plan to bring "More Ecuador to the world and more of the world to Ecuador"?

From the first day of the new government, we have sent a clear message: we foresee more Ecuador in the world and more of the world in Ecuador. President Guillermo Lasso, by executive decree, declared the investments promotion policy a priority through good regulatory practices and measures of simplification, efficiency, and transparency in administrative processes. On this basis, our government envisions a strengthened business climate in Ecuador. Locally, we pursue a competitiveness improvement agenda in line with the newly drafted National Development Plan (NDP) 2021-2025. Consequently, our Vice-Ministry of Export and Investment Promotion (Pro Ecuador) promotes the best business opportunities available with an investment projects portfolio in key productive sectors of the economy. According to the guidelines of NDP, we work with all government authorities and local officials, as well as private associations and chambers of commerce to select the most attractive investment projects that can capture the interest of foreign investors. Our 24 commercial offices in North America, Asia, Europe, and Latin America promote both our renewed business climate and the strengthened portfolio of projects in international events like the Ecuador Open for Business Forum 2021 and other events around the world. Equally important, we are working on PPP schemes for the development of sustainable infrastructure and to provide public utility services that allow for private participation and to share the risk in a contractual relationship in the long term. Also worth noting are the economic issues addressed by NDP 2021-2025, which include entrepreneurship, foreign trade, investment, financial modernization, tourism, production, sustainability, and agile taxation. One of the primary objectives of our economic policy is to promote an economic system with clear rules facilitating foreign trade, tourism, investment attraction, and a modernized financial system.

What incentives or differentiating factors does Ecuador have to offer potential investors?

With a resilient democracy, Ecuador resembles a safe haven in the region these days. Certainly, a differentiating factor for foreign investor is our currency. By investing in a dollarized economy, foreign firms, and multinationals can take their capital investments safely and profit or reinvest in a win-win transaction. Aside from the geographical and logistic advantages of being on the equator, our local workforce is another key production factor in their ability to provide quality goods and services consistently. Not only that, we offer potential national and foreign investors the possibility of entering into an investment contract with Ecuador to secure certain tax incentives, such as income tax holiday for up to 12 years, depending on the investment location, in addition to foreign outflow tax exemptions. Six special economic development zones established near ports and international airports have attracted businesses dedicated to service and technological sectors, mainly due to the young workforce produced by neighboring universities. As part of the Andean Community, regional supply chains are being consolidated for further market efficiencies and expand local market base.

What actions are being taken to improve the investment climate in the country?

The Lasso administration has started talks with trade partners such as the US, Mexico and the Pacific Alliance, Panama, India, Russia, China, South Korea, Japan, and other important trade partners. FDI inflows, historically concentrated in extractive activities, has evolved toward productive transformation sectors over the years. Ecuador offers opportunities along all phases of the value chain, such as the development and maintenance of seaports, first-class highways, and logistics services, to transport our products to a world that demands healthier food, intermediate, and final value-added products, as well as investments in business services in firms that require innovative and technological solutions of all kinds. Finally, our NDP 2021-2025 in Ecuador has been articulated with the Sustainable Development Goals (SDGs) as a platform to propel Ecuador well into the 21st century for the generations to come. ✖

BIO

Julio José Prado has led projects at a national level, such as the Sectorial Action Plan and the Month of Innovation for the Coordinating Ministry of Production, Employment and Competitiveness (2010), the First Market Intelligence System for the Competitiveness and Industry (2009), and the Economic and Social Impact Study of the New Airport of Quito (2006). He is the author of over 100 academic publications, scientific conferences, and other publications in specialized economic magazines, research, cases, and academic notes. He is also author of "From Shock to Action: Mindset and Indispensable Tools to Resurface and Adapt in the Midst of Chaos."

FULL
TASTE
RICH
AROMA
EXCEPTIONAL
QUALITY



TASTE THE DIFFERENCE

INTERVIEW



THE WAY *forward*

The Secretariat for Public-Private Partnerships and Delegated Management is focusing on promoting and supporting PPP projects in Ecuador with both local and foreign investors.

BIO

Roberto Salas is an Ecuadorian economist with more than 20 years of experience as director of multinational companies in Costa Rica, Brazil, Chile, and Ecuador. An expert in sustainability practices, he has dedicated his professional career to developing business projects within the framework of transparency, innovation, and the management of social and environmental impacts, skills that have earned him multiple international recognitions. Currently, as technical secretary, he has the responsibility of promoting, attracting, facilitating, promoting, materializing, and maintaining national and foreign investment in public projects with private participation.

Roberto Salas
TECHNICAL SECRETARY FOR
PUBLIC-PRIVATE PARTNERSHIPS
AND DELEGATED MANAGEMENT

How does the newly created Secretary structure respond to the economic vision of Ecuador as an attractive destination for investments?

The mission of public-private partnerships is to promote in a relevant way private participation in public projects. Private investment is administered by the Ministry of Production, and it does this extremely well, with solid promotion, a great program, and plans for improvement to create a single window for investors and exporters. Meanwhile, with public investments, there are two ways to participate. The state has prioritized programs that are well defined, and these feature in the state budget. A tender is held to select the constructor or service provider. The government formulates a solution to the lack of capacity, the administration of projects, and the lack of resources in order to realize such projects in partnership with private companies. This is done to sustain a level of growth, create significant employment opportunities, and to improve the services provided in our cities. It is essentially a solution to the lack of capacity, the management of such projects, and the lack of financial resources to realize projects.

How have PPP projects proven useful in Ecuador?

We have showcased certain projects that have been realized to good effect, especially in terms of ports, and particularly in the Port of Posorja and the Port of Bolívar, as well as the airports of Guayaquil and Quito, that rank among the best in Latin America. Today, there are 10 road concessions, some providing solid examples of success. There is the case of Chongon-Salinas, for example, which has been executed superbly. The important consideration includes the rehabilitation of construction work and attention to the impact it has on employment and quality of services.

What projects are being introduced, and what security does Ecuador offer their progress?

Firstly, the project portfolio has been defined by considering the ambitious goals

established by government plans. These in themselves are pledges on which key expectations are based. Secondly, these plans reflect the needs of the national development plan and therefore must be realized. In terms of the USD30-billion investment we have planned, there are seven projects that make a big difference. These seven projects alone make up more than half of the total. The rehabilitation of railways is a project valued at USD2.5 billion, and the bridge of Guayaquil at USD1 billion. We have a motorway portfolio that amounts to another USD2.5 billion, and seven projects that amount to USD15-16 billion including two oil refineries. Refinería Esmeraldas is a new, high-quality refinery. With these two alone, we are talking about an investment value of USD6.4 billion. Meanwhile, increased oil production at the wells requires an investment of over USD12 billion. The two refineries and an oil field, Campo Sacha, require roughly a further USD3 billion. With these three alone, we are therefore talking about USD8-8.5 billion. The hydroelectric plant of Santiago is in its first phase, entailing an investment value of USD4.2 million. To that, we may add a railway and bridge in Quito at a further USD3.5 million.

What international actions are planned to promote the country and its PPP portfolio?

Firstly, regarding the schemes totaling USD30 billion, we are promoting the projects portfolio with periodical updates. With the Ministry for Production, we participate in international events to promote public projects allocated to the private sector, be they contracts for oil production or public-private partnership contracts for a motorway, or any contractual possibility. We plan, before the end of the year, to stage a roadshow at an appropriate moment in the US and Europe to promote these opportunities with more detailed information. This promotion encompasses the potential investors, constructors, operators, and potential concessionaires, from every sector including the financial world. ✖



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