COUNTRY PRIVATE SECTOR DIAGNOSTIC

CREATING MARKETS IN ECUADOR

Fostering a Dynamic and Resilient Private Sector

Executive Summary

September 2021

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2121 Pennsylvania Avenue, N.W.
Washington, D.C. 20433
www.ifc.org

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EXECUTIVE SUMMARY

This Country Private Sector Diagnostic (CPSD) is a joint International Finance Corporation–World Bank effort to highlight the constraints, as well as the opportunities, facing the private sector in Ecuador. A review is particularly timely because the policy dialogue in the country has shifted, with the government paying greater attention to the needs of the private sector, including by committing to create space for private activity to expand its role in the economy. The decline in oil prices in recent years has ushered in more challenging economic times for the country, underscoring the need for economic diversification, crowding in private investment, and creating a more hospitable business climate. Ultimately, Ecuador's growth prospects and its ability to create high-quality jobs depend on the extent to which its private sector leads the way in increasing productivity.

This report reflects the early impacts of the COVID-19 pandemic, and the current understanding regarding the potential fallout of the crisis on the country and on the private sector. The CPSD's analysis and recommendations remain as, if not more, valid in the context of the pandemic and of an eventual recovery. A dynamic and resilient private sector is necessary if Ecuador is to break the low-growth trajectory it finds itself in today. The CPSD argues that tackling some of the major obstacles facing the private sector—ensuring a stable and predictable policy environment, improving the incentives for trade and investment, enhancing the playing field in terms of competition, strengthening the capacity of the financial system to support private sector-led growth, and implementing labor regulations that allow employees and firms to respond more flexibly to changing circumstances—is essential to job creation, firm performance, investment, and productivity. These actions are as critical—and more urgent—in times of crisis and especially afterwards to pave the way for a vigorous and sustainable recovery. Similarly, the sectors assessed by the CPSD—mining and perishable agricultural exports—continue to hold promise for the country. And while tourism is one of the sectors hardest hit across the globe by the COVID-19 crisis, crafting a strategy that effectively addresses the obstacles that prevent the tourism sector from attaining its potential is a necessary investment for a strong recovery—and a good use of what is likely to be a transitional period until travel recommences. This is especially the case for regulations that carry a low fiscal cost and that have the potential to open up the sector over the medium-term

Ecuador's abundant natural capital hints at its potential, not always well-exploited today, for continued development and dynamism. Oil plays a central role in Ecuador's economy; it accounted for half of the country's exports and a third of fiscal revenues during the boom years. Mineral reserves, particularly gold, copper, and silver but also rare earth, lithium, uranium, and iron, are sparking significant investor enthusiasm. Exceptionally rich and diverse ecosystems—coastal areas, highlands, and the Amazon—have made the country the number one producer of bananas in the world, the second-largest producer of shrimp, and the number four producer of tuna, cocoa beans, and cut flowers. This diversity, combined with fertile soils, also allows Ecuador to produce a wide variety of fruits and vegetables in and out of season, giving it a comparative advantage in international markets. In turn, this diversity has also helped the development of tourism in Ecuador, centered on the iconic Galapagos Islands, which has become Ecuador's main service export. Prior to the COVID-19 crisis, tourism had been growing rapidly—albeit from a low base—and offers yet another potential source of growth and exports for the future. Past investments in infrastructure, particularly roads and power, provide a good base for upgrading and expansion.

Until relatively recently, based on these riches, Ecuador had enjoyed robust growth and strong social gains, with booming oil revenues and brisk public investment. The country's economic growth averaged 4.3 percent between 2001 and 2014, higher than that of many countries in the region, and it enabled a consistent improvement in welfare. Poverty rates fell from near 37 percent in 2007 to 22.5 percent in 2014. The income of the poorest 40 percent of Ecuadorians grew by close to 7 percent per year during this period, substantially faster than the average of 4 percent per year for the population as a whole. Also, public investment in basic services contributed to a significant improvement in nonmonetary measures of welfare.

Plummeting global oil prices in 2014, however, revealed the underlying vulnerabilities of the Ecuadorian economy, including a lack of diversification, strongly procyclical economic policy, and a poor investment climate. The abrupt decline in oil revenues highlighted the weaknesses of a growth model that relied on windfall revenues to finance unsustainable current and capital spending. Because it has a dollarized economy, Ecuador needed to support its currency and guard against the outflow of dollars, which led to policies that hampered the movement of capital and constrained imports with tariff barriers. These policies added to the burdens of the import substitution strategy that Ecuador had been following since 2007.

The country's gross domestic product (GDP) growth has been subdued in recent years, averaging 0.5 percent during the 2015–10 period; the COVID-19 pandemic has further worsened conditions and brought about an unprecedented economic contraction. Lockdowns, plummeting oil prices, reduced capital inflows and remittances, and shrinking domestic and global demand have led to forecasts of a significant economic contraction on the order of 10 percent in 2020. The government has responded quickly by rolling out temporary programs to support vulnerable segments of the population. However, unemployment increased from about 3.9 percent at the end of 2019 to 13.3 percent in the second quarter of this year, underemployment rose from 17 to 35 percent, and labor participation fell from 62 to 59 percent. Around a fifth of individuals have lost their jobs since COVID-19 hit the country, and poverty rates, which had increased slightly in the past five years due to slow growth and a tight fiscal position, are expected to soar: the World Bank estimates that more than 1.5 million Ecuadorians could fall back into poverty in 2020.

With the fall in government income from oil since 2014, Ecuador's fiscal and current account deficits rose, and its international reserves declined to precariously low levels; the COVID-19 pandemic has increased these pressures considerably. The deficit is now expected to reach nine percent of GDP in 2020, despite continued fiscal consolidation efforts, as low oil prices dampen economic activity and tax deferrals reduce revenues. Ecuador's dollarization regime is expected to keep inflation weak, but it overburdens fiscal policy response. The government cut capital expenditures by close to a third and applied austerity measures to generate fiscal space to deal with the pandemic; low fuel imports have reduced the subsidy bill.[1] Despite these efforts, rigidities in current expenditures, combined with COVID-19 related expenses (such as health services, emergency transfers, and unemployment benefits), partially offset consolidation efforts, generating a significant financing gap. To address financing needs, the authorities successfully renegotiated debt with bondholders and China, mobilized other sources of financing, and signed a new medium-term program with the IMF for a US$6.5 billion facility to support the country during the pandemic and underpin the ongoing reform agenda.

Clearly, the government does not have the resources to use countercyclical policy to jump-start the economy: sustained economic growth in Ecuador demands a more dynamic private sector and a smart state footprint in the economy. Marshaling the private sector is all the more crucial given that Ecuador is a dollarized economy. Without the ability to rely on inflation or currency devaluation to spur exports, productivity growth becomes virtually the country's only means of driving economic growth. For private activity to regain its dynamism, the footprint of the state on the economy will have to shrink, although the state's capacity to regulate and to protect the gains in poverty and equity will need to expand—more so given the impact of the COVID-19 pandemic on livelihoods.

Private investment in Ecuador has been undermined by a number of constraints that affect most firms, as reflected in the cross-cutting challenges section of this CPSD. Perhaps the most common theme that emerges across sectors is the uncertainty caused by sudden swings in policy and the legal and regulatory instability that these changes generate. Ecuador's regulatory instability is itself the result of a piecemeal approach to policymaking and a lack of clear strategies in many areas. This instability deters long-term, hard-to-reverse investments, limiting the scope for large-scale transformational or innovation-intensive projects led by the private sector. Other important cross-cutting limitations covered in this report include (a) trade and investment restrictions, including the country's framework for public-private partnerships (PPPs); (b) challenges related to labor market rigidities; (c) weaknesses in the country's competition framework, including a preponderant presence of state-owned enterprises (SOEs); (d) a shallow, overregulated financial sector that has not fulfilled its role as an intermediary in support of private investment, and (e) cumbersome, complex regulations and procedures for firms trying to do business.

The Ecuadorian government has already embarked on an ambitious reform program and has made progress in alleviating a number of restrictions on private activity. The Productive Development Law has been particularly significant: it will reintroduce international arbitration for investment contracts of more than US$10 million and strengthen the limited-liability principle for firms, and its corresponding resolution includes mechanisms to phase out the capital exit tax for exporters and for new investments. The law also ends direct and indirect lending from the central bank of Ecuador to the government. The approved Entrepreneurship and Innovation Law creates a simplified regime for registering a corporation (which will facilitate firm entry and formalization), opens the possibility to create new labor contract modalities for young firms, and regulates crowdfunding platforms, among other changes. An agreement with the European Free Trade Association is under implementation, and other resolutions reduce or eliminate tariffs (including compound ones) in selected products such as agricultural inputs, cellphones and computers, and remove a number of nontariff barriers. These latter measures have helped maintain food production chains in the COVID-19 crisis and will support food exports in the post-crisis. The elimination of ad-valorem import tariffs on computers and cellphones reduces the cost of the ICT consumption basket, supporting the adoption of more productive technology, improving connectivity during the COVID-19 containment period, and facilitating teleworking and firm operational continuity through digital platforms.

Tackling the remaining key constraints could foster a more dynamic and resilient private sector, better equipped to weather economic shocks such as the COVID-19 crisis, reestablish productive relations in the post-crisis period, and facilitate the reallocation of resources in support of critical productivity growth. Prime among these constraints are disincentives to trade and investment. Ecuador's antiexport bias is reflected in (a) high tariffs that induce firms to focus on internal markets and make it costly to source intermediates from abroad; (b) a complex and dispersed tariff regime, which had until recently relied on ad-hoc measures such as a customs import tax based on merchandise weight; and (c) temporary balance-of-payments safeguards that raise the cost of intermediate and capital goods for firms.[2] In addition, until recently, increasing nontariff barriers further raised trade costs. Similarly, the impact of policy constraints on investment is reflected in Ecuador's low rate of private investment, which has stagnated at 13 percent of GDP, and in the country's limited inflows of foreign direct investment (FDI), which, at less than one percent of GDP on average since 2006, are the lowest among Ecuador's peers. The country's five percent capital exit tax (which the government is currently reviewing) deters capital entry. A lack of bilateral investment and double taxation treaties with many FDI-source countries reduces investor incentives and elevates costs. Disincentives to FDI not only reduce the capital available for investment, but also deprive the economy of a means to efficiently acquire new technologies, learn of and adopt best practices, and upgrade skills and human capital.

Firms face labor market rigidities that limit productivity gains by hampering their ability to respond to economic fluctuations and impeding the movement of workers. Rising wages have been an important component in improving welfare and reducing poverty in Ecuador. Nevertheless, minimum and average wage increases have exceeded productivity gains, and the country's minimum wage and nonwage benefits are high relative to those of its peers. Barriers to part-time and temporary employment persist, and Ecuador's costs of dismissal are the highest in Latin America. By making entry and operating costs unaffordable for many potential formal firms, labor market policies may also be unintentionally encouraging informality and reducing job creation. They also prevent efficient allocation of labor to the most productive uses and impede the growth of the best-performing firms. This is evident in the high proportion of Ecuadorian firms that stay small.

Competition in Ecuador's domestic markets is undermined by the weak application of competitive neutrality principles—particularly to SOEs and public banks. Strategic sectors are reserved for state-owned or -controlled enterprises, including segments such as electricity generation where services could be provided by the private sector, and frequently are in other countries. The state also invests in other markets that are traditionally left to the private sector, such as cement, pharmaceuticals, information and communication technology (ICT), and air transportation. Although state participation in many sectors is not unusual, competitive neutrality needs to be supported to ensure high social returns, especially when efficient private sector participation is viable. Moreover, complex regulatory procedures create barriers to firm entry and competition in Ecuador; such regulations include a system of licenses and permits for specific markets, and rules in network sectors that favor incumbents (World Bank 2018b).

The Ecuadorian financial sector's role in supporting private sector-led growth has been limited, further encumbering firm productivity and growth. The sector is shallow, with low levels of private credit to GDP (standing at 29 percent of GDP in Ecuador versus 49 percent on average in Latin America and the Caribbean). A risk-averse attitude following the 1999 financial crisis has been amplified by complex liquidity regulations, interest rate caps, and directed credit toward strategic sectors and actors. Under these conditions, small and medium enterprises (SMEs) find accessing finance particularly difficult, although public banks are filling some of the needs of smaller firms. That being said, public banks also benefit from more lax regulation, and do not compete on a level playing field with private banks. Ecuador's capital markets are underdeveloped, and venture and start-up financing are almost nonexistent. Improving access to credit would raise aggregate productivity by facilitating the expansion of the best-performing firms and investment in capital and technology. It could also strengthen the incentives for firms to formalize. The financial sector is critical to the mitigation of the economic impact of the COVID-19 pandemic on firms and households, and to economic reactivation post-crisis.

Ecuadorian firms also face a difficult environment for doing business. Regulations are enacted with little consultation with the private sector. Frequent changes in tax rates and cumbersome procedures for paying taxes inject further uncertainty into investment decisions. Opening and closing a business is difficult, and the time and cost involved are high compared to regional peers. Insolvency regulations are cumbersome—the proceedings take more than five years on average, compared to less than three years on average in other countries in the region—preventing entrepreneurs from repaying creditors and recovering assets to reallocate to other activities. The government has taken positive first steps to address some of these barriers and its measures will help support business continuity during the COVID-19 crisis as well as new economic activity in the post crisis period.

The cross-cutting constraints identified above impact numerous economic sectors that can be key drivers of growth. This CPSD looks at four of them: (a) mining; (b) perishable agricultural exports, with a focus on fruits and vegetables as well as fisheries and related food safety standards; (c) logistics and transportation for perishable goods; and (d) tourism. We chose these sectors because of the presence of existing capabilities on which Ecuador can build, and because of the sectors' potential to generate significant GDP, employment or export revenues. These sectors also experience clear policy and regulatory constraints, the removal of which could lead to greater participation of the private sector for greater development impact. The selection of these sectors is not meant to be prescriptive; in other words, these are by no means the only sectors in the Ecuadorian economy that would benefit from improved regulation and a greater role for the private sector. They do, however, provide concrete examples of how the cross-cutting constraints considered in the CPSD have affected important areas of economic activity in Ecuador.

Ecuador's geological potential is vast but underdeveloped. Although the Ecuadorian government is promoting large, strategic private investment in the mining sector, serious regulatory challenges persist that not only deter investment but may also reduce the likelihood that mining can benefit Ecuadorians. Moreover, Ecuador's great biological, social, and ethnic diversity creates the opportunity and the obligation for the country to pursue "green growth mining," associating large scale projects with biodiversity conservation and community development. For this potential to materialize, however, legal, regulatory, and institutional constraints need to be addressed. Mining, like other sectors in the country's economy, suffers from legal uncertainty caused by frequent changes in regulations and from a lack of a coherent vision for the sector. Inflexible labor regulations that are not designed with the sector's unique needs in mind are a further complication. The country's mining and environmental institutions need to be strengthened, and regulation of the two sectors needs to be better aligned. Improving royalty collection and allocation, ensuring enhanced transparency, and fostering domestic spillovers can all help to ensure that mining in Ecuador makes a positive contribution to sustainable and inclusive growth. Enhancing citizen participation and consultation is essential to the success and fruition of mining investments, as has already become apparent from the delays in some major investments in the sector. The COVID-19 pandemic is impacting the global demand for minerals and delaying investments, but these are expected to rebound gradually as the crisis wanes. In Ecuador, although mines have been among those most affected in Latin America by lockdown measures, with operations reduced to minimum levels from mid-March to end-June, the country's mining exports have increased in 2020 relative to 2019. Official projections are for US$840 million in mining exports in 2020, about 50 percent higher than exports in 2019. In addition to greater exported volumes, prices have been resilient for copper (where demand has grown due to new industry applications), and the price of gold has risen given its role as a countercyclical safe haven.[3]

Ecuador exports significantly more fruit and fishery products than its much larger neighbors, Colombia and Peru. The country boasts significant private sector know-how in some value chains. Important advantages and opportunities in the production of fruits, vegetables, and fishery products can be harnessed to further grow these exports. These opportunities include the possibility for off-season production; a focus on organics; and greater use of modern, cold-chain, post-harvest technologies to allow the export of perishables to more distant markets. Ecuador's exports are nevertheless constrained by a lack of infrastructure and institutional capacity as well as by broader macro-level constraints. The latter include labor market rigidities that raise costs; limited FDI in value chains that require economies of scale to be competitive; lower preferential market access than its main competitors; poor access to finance, which reduces the ability of producers to invest and expand; and cumbersome procedures for the importing of inputs and the exporting of production. Bottlenecks specific to the fruit and fisheries sectors include poor capacity to comply with international sanitary and phytosanitary norms and standards (especially among smallholder farmers and fishermen) and an absence of mutual recognition agreements, a lack of packing and cold storage facilities, and insufficient airfreight space. Productivity gaps compared with its main international competitors further constrain growth in export competitiveness in Ecuador. The sector has also been affected by the COVID-19 outbreak as lockdowns impacted the work force, and as demand for Ecuador's main products initially faltered across a number of markets and logistical delays hit exports. Ecuador's shrimp exports to China (the market for 65 percent of the country's shrimp exports), for instance, were disrupted by the suspension of exports from three Ecuadorian companies for the alleged detection of traces of COVID-19 on the surface of packaging. This, and falling prices mean that growth expectations in the industry have been scaled back from 20 percent to six percent in 2020.[4] Banana exports were also higher (by seven percent) in January-September 2020 over 2019. The COVID-19 pandemic has highlighted the importance of Ecuadorian firms' investments in new food and biosecurity standards.

Land, maritime transportation, and airfreight are all important modes of exporting agricultural produce in Ecuador. The COVID-19 pandemic has impacted the transport of agricultural products. The obstruction of border crossings and delays at ports and in customs have hampered sector exports.[5] Beyond the current crisis, land transportation in Ecuador is constrained by factors such as high import tariffs on trucks and parts and a lengthy process to register new trucks, both disincentives to investing in fleet modernization. Labor costs are high and represent 22 percent of vehicle operating costs, compared with 10 and 6 percent in Colombia and Peru, respectively. Import barriers raise transportation and logistics costs by undermining balanced trade, which leads to vessels and containers increasingly coming back empty. Sector-specific concerns include the poor quality of many tertiary roads, an important issue for perishables because transportation from farms to packing facilities is usually on unrefrigerated trucks. A scarcity of qualified drivers also affects the export of perishable products because of their vulnerability to delays and to breaks in the cold chain (in cases where it is used). There are also significant opportunities for Ecuadorian transporters to increase efficiency by using ICT for cargo-matching systems, thus reducing the share of empty backhauls and lowering transportation rates. Greater cross-border trade can also be encouraged by harmonizing national regulations with those of the Andean Community of Nations (CAN).

In maritime transportation, the concessioning of Ecuador's public ports over the past two decades has significantly improved port infrastructure and connectivity to global shipping networks, although some difficulties remain. These difficulties include draft limitations at the port of Guayaquil, although plans are being made to dredge the port's channel to allow larger vessels to call on Ecuador. A brand-new deep-water terminal is also being built at Posorja with a 50-year concession. An overvalued real exchange rate and high labor costs contribute to higher port charges in Ecuador relative to peers. High concession fees at the port of Guayaquil add to these costs, impacting competitiveness and leading shipping lines to carry out services such as container repair and refueling outside Ecuador, a lost opportunity for the country.

In air transportation, the success of the country's open-sky policy will depend on the level of ambition of the bilateral agreements to be negotiated. Until its liquidation in May 2020, the protection of the Ecuadorian national carrier had reduced competition. Adding to costs are Ecuador's airport taxes and fees, which are some of the highest in the region, as well as its jet fuel prices, also some of the highest in LAC. Such costs limit the potential for low-cost carriers to expand their business in Ecuador, ultimately reducing competition. Investment in cold-storage infrastructure and palletizers at the Quito airport and improvements to the Guayaquil airport are also needed in order to reduce losses and delays in the export of perishables.

Tourism is Ecuador's fourth-largest nonpetroleum export and its largest service export, contributing more than 5 percent of the country's GDP. Prior to the COVID-19 pandemic, it had been experiencing robust growth. Nevertheless, tourism revenues in Ecuador continue to be concentrated around the Galapagos Islands, with limited spillovers to other areas and segments of high potential. Furthermore, over time, the average number of tourists visiting Ecuador has increased only slightly, with a shift toward tourists from relatively poorer countries. The sector is affected by several of the horizontal constraints noted above, including the lack of regulatory stability, labor market rigidities, a difficult business environment, and costly financing—a crucial challenge for the hotel industry, which is intensive in capital and requires long-term financing. Bottlenecks specific to the sector include a lack of skills and difficulties in accessing qualified labor, weak brand identity and inconsistency in marketing and promotional investments, and the relatively low connectivity of the country and the high cost of flights to it. The low priority accorded to the tourism sector in the government's agenda has at times forced it to compete with the energy sector for the same natural resources and sites; should the growth of the mining sector accelerate it will also likely compete with tourism. The COVID-19 crisis has underscored the need for a comprehensive strategy for the sector. As is the case with other countries in South America, where tourism revenues have declined precipitously (e.g. by 99.6 percent in the month of June 2020 relative to the same month in 2019), tourism in Ecuador has come to a near-standstill. The number of tourists to the Galapagos Islands, Ecuador's prime destination, has declined from an average 22,000 per month prior to the pandemic, to 1,232 in October 2020. A number of working committees have been created to reactivate the sector, and Ecuador received its World Travel and Tourism Council (WTTC) Safe Travels Stamp in August.[6] A vision for the tourism sector, along with higher priority for it in Government strategy, is needed to ensure that a sustainable recovery in the sector can be achieved.

HIGH-PRIORITY CROSS-CUTTING POLICY RECOMMENDATIONS

(More detailed policy recommendations can be found in the following chapters)

CROSS-CUTTING AREA	RECOMMENDATIONS	TIME FRAME	STATUS
Trade policy	• **Rationalize tariffs and nontariff barriers**, gradually phasing out compound tariffs and other import duties • **Develop a framework for export promotion**	MT MT	Partially implemented Not implemented
Investment policy	• **Set timetable for gradual removal of the foreign currency exit tax, substituting its revenues with less distortionary taxes.** • **Strengthen the PPP framework by introducing a comprehensive PPP law addressing the remaining gaps and shortcomings of current legislation.** • **Establish a sound institutional framework for PPPs.**	ST ST ST	In process Not implemented Under consideration
Labor market	• **Align labor costs with productivity** by linking minimum wage increases to inflation and productivity gains. • **Reform labor regulations to continue to increase flexibility**, by reinstating term and part-time contracts and expanding these for all sectors. • **Rationalize dismissal costs** by imposing cap on severance payments and reducing payments for voluntary resignation. • **Reduce the minimum mandatory profit-sharing rate** from the current 15 percent.	S-MT ST ST S-MT	Not implemented Partially implemented Under consideration Not implemented
Enhancing competition	• **Improve enforcement of the competition law**, in particular, of its anticartel enforcement. • **Lift barriers to entry and rivalry and enable competition in the segments of network industries where competition is viable.** • **Assess the impact of regulation prior to its adoption** • **Review rationale for State participation in economic activities** that can be effectively & efficiently provided by the private sector	MT S-MT MT MT	Not implemented
Financial sector	• **Level the playing field in terms of regulation and supervision** of private banks, public banks, and cooperatives. • **Gradually reduce financial distortions by consolidating credit segments and adopting flexible interest rate ceilings** • **Develop a risk-based and proportional legal and regulatory framework for non-bank payment service providers**, to increase competition and foster development of digital financial services.	S-MT S-MT S-MT	Under consideration Under implementation Under consideration
Digital infrastructure and services	• **Revise the telecommunications tax policy** to reduce prices and incentivize adoption. • **Promote regulation regarding infrastructure sharing.** • **Review the spectrum allocation framework** • **Address the dominance of CNT (an SOE) in the fixed segment.**	MT MT ST MT	Not implemented

Improving the climate for doing business	**Resolving insolvency**: Establish effective reorganization proceedings, including an expedited framework for SMEs; facilitate out-of-court resolution; invest in the capacity of the relevant institutions to handle insolvency cases.	ST S-MT	Under consideration

Note: CNT = Corporación Nacional de Telecomunicaciones; IESS = Instituto Ecuatoriano de Seguridad Social; PPP = public-private partnership; SME = small or medium enterprise; SOE = state-owned enterprise; SRI = Servicio de Rentas Internas.

HIGH-PRIORITY SECTOR RECOMMENDATIONS

The matrices that follow contain some high-level, sector-specific recommendations. Significantly more background and detail supporting these recommendations can be found in the sector assessments in chapter 3 of this report. All of these recommendations are judged to be high priority. Their time frame, however, varies; some recommendations are considered achievable in the short term, while others are medium-term goals. Even the latter, however, are important to embark upon in the near future.

Mining

RECOMMENDATION	TIME FRAME	STATUS
Develop a shared vision for the sector covering the range of activity, from artisanal to large-scale mining.	MT	Not implemented
Consider developing a new mining code aligning mining and environmental regulation and the application of collective rights.	MT	Not implemented
Introduce differentiated licensing requirements according to an activity's impact.	MT	Not implemented
Strengthen mining institutions and information, especially ARCERNNR and IIGE, and rationalize the role of ENAMI **Develop a unified information system**	ST-MT	Not implemented
Create an autonomous environmental licensing agency.	MT	Not implemented
Enhance citizen participation and consultation	ST-MT	Not implemented
Promote local content and benefit policies, avoiding the proliferation of enclave operations.	MT	Not implemented
Improve royalty collection and revenue sharing by improving the exchange of information between SRI and ARCERNNR	ST-MT	Not implemented

Note: ARCERNNR = Agencia de Regulación y Control Minero; ENAMI = Empresa Nacional Minera del Ecuador; IIGE = Instituto de Investigación Geológico y Energético; SRI = Servicio de Rentas Internas.

Agribusiness Exports: Food Safety

RECOMMENDATION	TIME FRAME	STATUS
Support export diversification by incentivizing organic production, negotiate bilateral trade agreements, and using shelf-life enhancing technologies	ST-MT	Not implemented
Motivate associative action to benefit from economies of scale and to overcome coordination failures and incentivize investments.	MT	Not implemented
Improve skills and their availability regarding international standards of quality certification and cold-chain management.	MT	Not implemented
Upgrade services and infrastructure to ensure export quality	Medium term	Not implemented
Improve the risk-management system to reduce the number of physical inspections likelihood of product damage	ST	Not implemented
Strengthen the capacity and resources available to agencies providing services to exporters (Agrocalidad and ProEcuador).	MT	Not implemented
Adapt the existing food safety system to new U.S. requirements that will come into effect in 2022, including by **implementing a traceability system and strengthening the institutional capabilities of Agrocalidad**	ST	Under implementation

Note: SPS = sanitary and phytosanitary.

Transportation and Logistics for Agricultural Exports

RECOMMENDATION	TIME FRAME	STATUS
Prepare National Strategic Plan for Logistics and Accessibility to set institutional objectives, strategic investment plan and monitoring.	ST	Not implemented
Attract investment in logistics platforms at key freight corridor nodes by fostering economies of scale at production and aggregation stages.	MT	
Modernize the transportation fleet by reducing costs for fleet renewal (such as import barriers for trucks and auto parts).	ST	
Create a road freight exchange platform for transportation and logistics operators to use to reduce empty hauls.	MT	
Increase agility by improving the border control agency's inspection procedures and increasing interagency coordination	ST	
Facilitate cross-border road freight transportation by harmonizing national regulations among CAN nations.	MT	Not implemented
Increase competition in transport services by leveling playing field between port terminal operators and deepening liberalization of air transportation services.	MT	
Upgrade the skills of transportation and logistics operators, especially in cold-chain management.	MT	

Note: CAN = Andean Community of Nations.

Tourism

RECOMMENDATION	TIME FRAME	STATUS
Establish an autonomous tourism board (or destination marketing organization).	MT	Not implemented
Enhance the business environment by tackling high barriers to setting up and operating a business; lowering barriers to FDI; and addressing labor regulation concerns, including seasonality and working hours.	MT	
Develop niche markets and invest in the "Ecuador brand" by: capitalizing on Ecuador's tremendous diversity in bird species ; focusing on the adventure travel market; capitalizing on the growing global interest in food tourism	MT	
Improve environmental performance by strengthening conservation efforts and adopting sustainability standards for the sector.	MT	
Address connectivity barriers within the country	MT	
Enhance international connectivity by tackling numerous constraints, especially high airline operating costs.	MT	
Prioritize the acquisition and development of tourism skills.	MT	

Note: FDI = foreign direct investment.

NOTES

1 Ecuador introduced fiscal adjustment measures to create space for priority spending and quickly introduced containment measures against the spread of the virus. The Government announced exception cash transfers, distributed food baskets, enhanced credit measures, deferment of taxes and payroll contributions, and deferred credit obligations. However, Ecuador's tight fiscal position, dollarized economy, and constrained access to external financing limit the scope and size of the policy response.

2 Both measures have recently been removed.

3 https://www.bnamericas.com/en/features/covid-19-hits-mining-megaproject-ramp-ups. BNamericas, "COVID-19 hits mining megaproject ramp-ups" published June 26, 2020, viewed November 30, 2020.

4 Global Aquaculture Alliance. 5 October 2020. "Ecuador's shrimp industry clearing numerous hurdles in 2020." https://www.aquaculturealliance.org/advocate/ecuadors-shrimp-industry-clearing-numerous-hurdles-in-2020/

5 Exporting sectors were exempted from the movement restrictions between municipalities that were imposed between March and September 2020. Nevertheless, logistics costs have climbed due to the implementation of measures of personal protection and introduction of biosafety equipment, additional labor costs to workers who have had to work overtime to cover absences, and the hiring of private transportation services to move workers to and from plants.

6 The global Safe Travels protocols were created by the WTTC for use by the Travel and Tourism sector as best practice guidelines to help restart and speed up the recovery of the sector in the wake of COVID-19. The global protocols are designed to help to rebuild confidence among travellers, and within the sector, so safe travel can resume once restrictions are eased. They provide consistency to destination authorities as well as guidance to travel providers, operators, & travellers, about the new approach to health & hygiene in the post COVID-19 world. (WTTC)

IFC
2121 Pennsylvania Avenue, N.W.
Washington, D.C. 20433 U.S.A.

CONTACTS

Zeinab Partow
zpartow@ifc.org

Mariana Vijil
mvijil@worldbank.org

ifc.org

WORLD BANK GROUP
THE WORLD BANK IBRD • IDA
IFC International Finance Corporation