

MEMORANDUM TO THE DCI COMMITTEE

Annual Action Programme 2018 in favour of ECUADOR to be financed from the general budget of the Union.

1. Identification

Budget heading	21.02.01.00 – Latin America – Poverty reduction and sustainable development
Total cost	EUR 44.9 million of EU contribution The Annex 2 is co-financed by: - The German Federal Ministry for Economic Cooperation and Development for an amount of EUR 3 000 000 - The Government of Spain for an amount of EUR 1 000 000
Basic act	Having regard to Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action ¹ , and in particular Article 2(1)

2. Country background

With a GDP/GNI exceeding USD 6,000 per capita in 2017, Ecuador is an upper-middle income country. After the economic downturn due to the fall of oil prices in 2015/16 and the devastating earthquake in April 2016, the macroeconomic situation improved in 2017 thanks to the dynamism of the external sector and the recovery of oil prices (+3 % of GDP). Poverty slightly increased in 2015/2016 and stabilized in 2017, with 23.1% of the population below the poverty line although much higher in rural areas (41%). While the unemployment rate is low (4.1%), only half of the active population has an adequate employment. Ecuador ranks low in the ‘Global competitiveness index’ (97/137) and the ‘Ease of doing business’ (118/190) as well as scores low in attracting Foreign Direct Investment (less than 0.7% of GDP). Fiscal and debt sustainability remain at risk due to persistent high fiscal deficits (5.3% of GDP in 2017) as well as an elevated non-oil trade deficit.

In April 2018, after his resounding victory on a referendum on constitutional reforms that took place on February 4th, president Moreno presented the Fiscal Stabilization and Productive Reactivation Economic Program, an important step from the government to correct macroeconomic unbalances by reducing spending and generating more income, representing a change of course in the management of the economy compared to recent practice. The international community also acknowledged positive achievements and recent progress in the areas of health, education, women's participation in public life and welcomed the new National Development Plan (NDP) 2017-2021 “Toda una Vida” launched in November 2017 which is fully aligned to the priorities of the 2030 Agenda for Sustainable Development.

Ecuador remains a vulnerable country to external shocks such as fall of oil prices as well as natural disasters like the devastating earthquake of April 2016 which hit the provinces of Manabí and Esmeraldas. So far, the affected areas have been partially reconstructed but the economic recovery is still challenging. On the other hand, Northern provinces of Ecuador at

¹ OJ L 77, 15.3.2014, p. 95

the border with Colombia show indicators which are invariably higher than the national average as regards poverty, inequality, malnutrition, educational exclusion, discrimination, unemployment, homicides, feminicides and gender-based violence, among others. The implementation of the Colombian peace agreement is accompanied by negative spill-overs, aggravating the northern area's vulnerability and generating a complex mixture of risk factors related to the presence of irregular armed groups and organized crime, as demonstrated by a series of bombings and killings over the last months. Significant challenges remain in terms of sustainable development, human rights, migration, refugees and security, in particular for women, youth, indigenous and afro-descendent people. In this context, the annual action programme (AAP) is particularly relevant, as it aims to stimulate sustainable economic recovery in the areas affected by the earthquake with action 1; and to contribute to the development of the Northern border zone of Ecuador with action 2.

3. Summary of the Action Programme

The 2018 AAP is composed of two new actions supporting priority 1 "Support to sustainable and inclusive growth at the local level" of the Multiannual Indicative Programme 2014-2020.

The two actions are relevant in light of the country's current context as well as in view of the key priorities of the 2030 Agenda for Sustainable Development and the new European Consensus. Focusing on the reactivation of the production and local development, the 2018 AAP is mainly oriented towards the priority of 'Prosperity' of the European Consensus and it is fully aligned with the objectives National Development Plan of the country and the EU's policy priorities for Ecuador.

Through these programs the EU will also assist the Government in the implementation of the National Development Plan 2017-2021 "Toda una Vida" that enhances productivity and competitiveness for a sustainable economic growth, in particular of rural areas, and decent life with equal opportunities for all.

Both actions are in line with the overall objective of the Multiannual Indicative Programme (MIP) for Ecuador 2014-2020 which seeks to contribute to increase sustainable economic growth at local level, through strengthening public institutions and local organisations and fostering sustainable economic diversification and opportunities for decent work in selected provinces.

Annex I: Support Programme for the implementation of objectives 5 and 6 of the National Development Plan 2017-2021 "Toda una Vida" with a special focus on the reactivation of the production in the areas affected by the earthquake

Through a budget support program the first action will contribute to the re-activation of production in the areas affected by the 2016 earthquake (Manabí and Esmeraldas provinces) with a specific focus on rural areas. This action will also address the difficult access to decent employment which is one of the main obstacles to the development of the province.

The overall objective is to contribute to the sustainable and inclusive economic recovery of earthquake-affected areas boosting production and resilience of people who are subject to greater marginalization, exclusion and discrimination with a special focus on women and youth.

The three specific objectives are: (i) strengthen and re-establish productive capacity in rural areas that were affected by the earthquake; (ii) improvement of well-being of vulnerable people with an emphasis on rural areas in the provinces of Manabí and Esmeraldas; and (iii) enhance efficiency of the Decentralized Autonomous Governments (GADs) in terms of compliance with Development and land use Planning and Investment Plans.

Main expected results will be: (i) credit granted to the microcredit segment by the Public Bank in Esmeraldas and Manabí; (ii) artisanal fishing boats assisted in artisanal fishing facilities/ports administered by central government; (iii) greater availability of funding for public services in the field of agriculture and employment; and (iv) institutional capacity of GADs strengthened in the areas of sustainable and inclusive local economic development, resilient land use planning, environmentally-friendly public investment, and monitoring and evaluation.

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of the Sustainable Development Goals (SDGs) - Goal number 8 "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all", but also promotes progress towards Goals number 5 "Achieve gender equality and empower all women and girls", and number 12 "Ensure sustainable consumption and production patterns".

The action will be complementary to the LAIF blending initiatives with the European Investment Bank (EIB) for the post-earthquake reconstruction of small scale infrastructure and for the construction of the Technical and Technological Institute of Portoviejo. In addition, the action will be backed by the support measures for a total of EUR 2.1 million providing: (i) Technical Assistance in the areas of re-activation of production; (ii) a detailed Public Expenditure Assessment using the PEFA - PFM performance measurement framework; (iii) Communication and Visibility measures. In agreement with the national counterpart, the participation of citizens in the implementation of the NDP will be supported through a grant to civil society from the programme "Civil Society Organisations (CSOs) - Objective 1: Enhance CSOs' contributions to governance and development processes at country level".

Annex II: *Northern border – Territory of development and peace*

This action will tackle the high social and economic vulnerability of the Northern Border region with Colombia through social inclusion programmes and local economic development initiatives strengthening local authorities and civil society organizations capacities. It will also contribute to mitigate the highly volatile security situation affecting the area (Sucumbíos, Carchi and Esmeraldas provinces).

The overall objective is to contribute to the sustainable and inclusive economic recovery of earthquake-affected areas boosting production and resilience of people who are subject to greater marginalization, exclusion and discrimination with a special focus on women and youth.

The three specific objectives (SO) and expected results are:

SO 1: Enhanced monitoring, analysis and response to risks of infringement of rights in the northern border.

Result (output) 1.1: Implementation of a risk-based monitoring mechanism and an early warning system for rights violation in the northern border are implemented.

Result (output) 1.2: Support to inter-institutional coordination mechanisms, social innovation strategy and information management.

SO 2: Enhanced provision of quality services to the population in a situation of vulnerability

Result (output) 2.1: Strengthen local system for rights protection through the GADs and local relevant stakeholders.

Result (output) 2.2: The rights of the population in a situation of vulnerability are included in public policy-making and implementation and local planning.

Result (output) 2.3: Youths develop a culture of peace within the territory.

Result (output) 2.4: Improve access to drinking water and basic sanitation in rural areas impacted by border risk factors.

SO 3: Ensured equitable access to sustainable livelihood for the population in a situation of vulnerability.

Result (output) 3.1: Increase agro ecological production for local consumption and commercialisation.

Result (output) 3.2: Improve labour inclusion of youths.

Result (output) 3.3: Promote strategic value chains through environmental and sustainable criteria.

Result (output) 3.4: Strengthen financial services on the northern border.

Result (output) 3.5: Strengthen the cooperation on cross-border economic development mechanism.

This programme is relevant for the 2030 Agenda. It contributes primarily to the progressive achievement of the following SDG Goal(s) 10. Reduced Inequalities, but also promotes progress towards Goal(s) 1. End of Poverty, 5. Gender Equality, 6. Clean Water and Sanitation, 8. Decent Work and Economic Growth, 12. Responsible Consumption and Production and 16. Peace, Justice and Strong Institutions.

The action will give continuity to previous EU initiatives at the border with Colombia in the past 15 years. In addition, the initiative will be complementary to the regional program Amerifront on integrated border management which includes the border between Ecuador and Colombia as one of the pilot areas.

Policy discussions around the two actions will be complementary with blending operations (EIB) and the dialogue will focus on critical issues such as inclusive economic recovery, decentralization and fiscal measures to ensure debt sustainability.

4. Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation. In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

5. COST AND FINANCING

Support Programme for the implementation of objectives 5 and 6 of the National Development Plan 2017-2021 "Toda una Vida" with a special focus on the reactivation of the production in the areas affected by the earthquake EUR 26.0 million

Northern border – Territory of development and peace EUR 18.9 million

Total EU contribution to the measure EUR 44.9 million

The Committee is invited to give its opinion on the attached annual action programme 2018 in favour of Ecuador.



EN

ANNEX 1

of the financing of the annual action programme 2018 in favour of Ecuador to be financed from the general budget of the Union

Action Document Ecuador - Sector Reform Performance Contract

1. Title/basic act/ CRIS number	Ecuador - Support Programme for the implementation of objectives 5 and 6 of the National Development Plan 2017-2021 "Toda una Vida" with a special focus on the reactivation of the production in the areas affected by the earthquake. This action is financed under the Development Cooperation Instrument			
2. Zone benefiting from the action/location	Republic of Ecuador with a specific focus on Manabí and Esmeraldas, the areas most affected by the April 2016 Earthquake			
3. Programming document	Multiannual Indicative Programme (MIP) For Ecuador 2014-2017 CRIS Number: LA/2017/39974			
4. SDGs	This proposal contributes to the Sustainable Development Goal - Goal number 8 "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all", but also promotes progress towards Goals number 5 "Achieve gender equality and empower all women and girls", and number 12 "Ensure sustainable consumption and production patterns".			
5. Sector of intervention	Support to Economic Development (Production Sector)			
6. Amounts concerned	Total estimated cost: EUR 26 million Total amount of EU budget contribution: EUR 26 million			
7. Aid modality and implementation modality	Project Modality: Budget Support (Sector Reform Performance Contract) Direct management			
8. DAC code	31120 Agricultural Development (25%) 16010 Social/Welfare services (25%) 16020 Employment policy and administrative management (25%) 15112 Decentralization and support to Subnational Government (25%)			
9. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good Governance		X	
	Aid to environment		X	
	Gender equality		X	
	Trade Development		X	
	Reproductive, Maternal, New born and child health	X		
	RIO Convention markers	Not targeted	Significant objective	Main objective

	Biological diversity	X		
	Combat desertification	X		
	Climate change mitigation	X		
	Climate change adaptation	X		
10. Global Public Goods and Challenges thematic flagships	No			

SUMMARY

On April 16 2016, Ecuador suffered a devastating earthquake of 7.8 degrees on the Richter scale, primarily along the coastal areas of Manabí and Esmeraldas. The following day, April 17, the Ecuadorian State issued an Executive Decree No. 1001, declaring a state of emergency in the six Provinces of Manabí, Esmeraldas, Santo Domingo, Los Ríos, Guayas and Santa Elena.

The total number of earthquake victims quickly reached 663 dead, 9 missing, 6 274 injured with approximately 80 000 displaced persons not to mention the destruction of thousands of homes and buildings such as schools, health centres, public institutions, local government facilities. Furthermore, there was widespread damage to major public infrastructure including roads, hospitals, and basic services. The resulting, sudden decline in economic activity, reportedly led to the loss of more than 20 000 jobs. The Government has quantified the total estimated cost for reconstruction and economic recovery at USD 3 343.8 million of which 2 252.3 million should be provided by the public sector and 1 091.5 million by the private sector.

In this context, the Technical Secretariat for Reconstruction and Reactivation of the Production sector together with the line Ministries, have proposed an intervention which aims at supporting development by means of sustainable and inclusive economic recovery of earthquake-affected areas with a focus on boosting production and resilience. Since September 2017 this intervention has become an integral part of the new National Development Plan "Toda una Vida" 2017-2021 (NDP).

This EU programme, through budget support, underpins objectives 5 and 6 of the NDP with a special focus on Manabí and Esmeraldas provinces: enhancing productivity and competitiveness for a sustainable economic growth (objective 5) and increasing the productive capacity of rural areas (objective 6). This programme will also support the National territorial Strategy of the NDP, in particular the institutional capacity of local authorities.

The specific objectives of this intervention are:

1. Strengthen and re-establish productive capacity in rural areas that were affected by the earthquake.
2. Improvement of well-being of vulnerable people with an emphasis on rural areas in the provinces of Manabí and Esmeraldas.
3. Enhance efficiency of the Decentralized Autonomous Governments (GADs) in terms of compliance with Development and land use Planning and Investment Plans.

1. CONTEXT ANALYSIS

1.1 Country context

Since Rafael Correa assumed the country's Presidency on January 2007, the Alianza Pais party has indefatigably promoted a new political and social paradigm based on *la revolucion ciudadana*, the citizens' revolution which aims to change the balance of socio economic power with the ultimate goal of achieving a more just society with greater participation, the eradication of poverty and sustainable economic growth.

On May 2017 Mr. Lenin Moreno assumed the presidency of Ecuador until May 2021. The electoral votes gave victory to the ruling party, Alianza Pais, obtaining a majority in the National Assembly (54.1%). The president built a moderate cabinet and signalled a more inclusive and pragmatic governance approach than that of his predecessor Mr Rafael Correa on duty from 2007 to 2017. Mr. Moreno has pledged macroeconomic transparency, fiscal consolidation, reconciliation with the media and civil society (relations with both were quite tense under Mr. Correa), pro-business tax reforms and fight to corruption.

The 2008 Constitution was widely praised for placing strong emphasis on the respect for human rights, good governance and environmental protection which are fundamental values and objectives of the European Union. The improvement in these fundamental values has not in all cases been as expected.

The new National Development Plan “Toda una Vida” 2017-2021 (NDP) promotes the political and social paradigm based on “la Revolucion Ciudadana”, the citizens' revolution which aims to change the balance of socio economic power with the ultimate goal of achieving a more just society with greater participation, the eradication of poverty and sustainable economic growth. The NDP is the frame of reference for the new government's strategy, whose scope of action basically aims at the protection of vulnerable people (*derechos para todos durante toda la vida*), the consolidation of a sustainable and solidarity economic system (*economia al servicio de la sociedad*) and the promotion of the citizen participation in governance (*mas sociedad, mejor estado*).

Ecuador's high dependence on the exports of raw materials and in particular crude oil (significant source of revenue in the state budget) has driven the Government in recent years to systematically promote a change in the production and energy matrices, aimed at providing Ecuador with basic industry and hydroelectric power and to encourage private industry to increase value added production through the promotion of research, innovation and technology transfer.

Tax and non-tax revenue has been used to substantially increase Government investment in ambitious social programmes in the area of education and health, and infrastructure upgrades have been widespread with the aim of improving connectivity. As a consequence, several social indicators (unemployment, extreme poverty, inequality) have improved and the country has maintained a sound pace of economic growth, reaching the status of Upper Middle Income Country.

In previous years, the growth of the economy has relied primarily on high oil prices. The sudden and dramatic fall in the price of crude oil from over USD 100 in 2013 to lows of USD 21.58 in 2016, the simultaneous appreciation of the USD in 2015/2016 against the currencies of Ecuador's major trade partners, are all factors that have placed considerable pressure on Ecuador's balance of payment and hence the need to ensure sustainable macro-economic policy and sound public financial management.

Given the dollarization of the Ecuadorian economy, there is no monetary nor exchange rate policy which could help with the absorption of external shocks. Moreover, Ecuador is regarded as one of the least “investor-friendly” countries in the region, especially after the cancellation by the former president of all the Bilateral Investment Treaties (May 2017), with a very low Foreign Direct Investment (FDI).

The devastating earthquake of 7.8 degrees of 16 April 2016 along the coastal areas of Manabí and Esmeraldas led to the declaration of a state of emergency in the six Provinces of Manabí, Esmeraldas, Santo Domingo, Los Ríos, Guayas and Santa Elena. This seismic event had a strong impact on the country and presents a major challenge in terms of reconstruction and reactivation of the badly hit local economies.

Situations of poverty and dependence have deepened after the earthquake, given both the previous informal linkage to work and the restriction in the access to services. The area is also characterized by limited access to livelihood for woman, high levels of gender violence, and a high domestic workload - especially childcare- due to high indicators of fertility, early unions, and little access to childcare services, particularly in rural areas.

Finally, it has to be noted the negative impact in Northern Ecuador of the spill-over effect of the Colombian conflict is having in Northern Ecuador as well as the increasing pressure in social services created by the influx of Venezuelans entering Ecuador from neighbouring countries.

1.2. Policy Framework

The 2014-20 EU-Ecuador Multiannual Indicative programme focuses on two priorities: Supporting sustainable and inclusive growth at the local level; and Fostering sustainable trade to assist supporting small and medium-sized enterprises. As the Ecuadorian authorities have publically asked for international cooperation to support the reconstruction and reactivation of the production, the first priority has been re-oriented to attend economic recovery needs after the 2016 earthquake. In particular, the action will support sustainable and inclusive economic recovery of earthquake-affected areas boosting production and resilience of people who are subject to greater marginalization, contributing to the EU priorities in the country.

1.3 Public Policy Assessment

Faced with the impact of the earthquake, on 16 April 2016 the Government by way of Executive Decree 1004, formally established the Committee for Reconstruction and Reactivation of the Production Sector. Article 5 indicates the principal areas of action for the new Committee within the framework of identified priority areas, including: *"the reactivation of production: implementation of plans, programmes, policies and regulations relating to production, the reactivation of local and national employment; and, financing for affected areas"*.

The Executive Decree No. 726 of April 8, 2011, Provisions for the Organization of the Executive Function, Title IV, gives power to the Sector Councils for the formulation of sector policies, subject to the National Development Plan. Within this framework, the former Coordinating Ministry of Production, Employment and Competitiveness (MCPEC)¹, the Line Sector Ministries and Strategic Ecuador (public enterprise), developed a National Policy for the Reactivation of Production², in line with the responsibilities of the Technical Secretariat for Reconstruction and Reactivation of Production: *"To promote development in the area of production with emphasis on a sustainable recovery and the strengthening of areas badly affected by the disaster, through generating and developing the production capacities in an integrated manner"*. This very broad policy aims to address a range of natural disasters among others: the "el Niño" weather phenomenon, droughts, volcanic eruptions, earth movements and landslides in affected areas. It is fully aligned with other related sector policies in the fields of Industry, Agriculture, Tourism, Foreign Trade, Labour, Logistics and the Transport sector.

Furthermore the Committee for Reconstruction and Reactivation of the Production Sector developed the post-disaster Recovery, Reconstruction and Production Reactivation Plan³ and made it available on 22 May 2017. The Plan sets objectives, targets, costs and timeframe for the reconstruction and reactivation of the production and is fully aligned with the national policy for the reactivation of production.

The Plan presents a multilevel and inter-institutional approach with a multi-annual planning where the first year has been considered the emergency response, addressing the immediate needs of the affected populations. The social impact of the earthquake has been taken into account by the Government in the evaluation of the costs for the reconstruction, as well as the Reconstruction Plan. It foresees a

¹ Abolished with Presidential Decree 7/2017

² Política en Reactivación Productiva, Ministerio de Coordinación de la Producción, Empleo y Competitividad (MCPEC)

³ Plan de recuperación, reconstrucción y reactivación productiva del terremoto

differentiated approach according to the way the population have been affected, in particular vulnerable groups (women and youth). The objective Reconstruction Plan is to steer the process of reconstruction and recovery of livelihoods. In particular the Plan looks at: (i) Promote universal and continuous access to public services; (ii) Promote comprehensive social protection for livelihoods recovery; (iii) Promote local socio-economic inclusion.

The fourth NDP 2017-2021 has been formulated on the basis of the government program of President Moreno "A Program for society, education, production and decent work". The NDP is structured around three programmatic axes: 1. Rights for all throughout life; 2. Economy at the service of society, and 3. More participation, better State, considering as fundamental pillars the environmental sustainability and a balanced territorial development. The NDP is complemented by a National Territorial Strategy for territorial cohesion, equitable access to infrastructure and multilevel governance.

The National Council for Planning, when approving the National Development Plan (NDP) "Toda una vida" 2017-2021 through Resolution No. 003 2017- CNP, specified in article 4 that the allocation of resources for the areas affected by the earthquake will be evaluated and prioritized in accordance with the NDP. Among the criteria for prioritizing public investment on the reactivation of production, the most relevant is to respond to the poorest and most vulnerable population settled in rural areas where the percentage of poverty is higher.

This EU programme, by way of budget support, underpins objective 5 and 6 of the NDP with a special focus on Manabí and Esmeraldas provinces: enhance productivity and competitiveness for a sustainable economic growth (objective 5) and increase the productive capacity of rural areas (objective 6). This programme will also support the National territorial Strategy of the NDP, in particular the institutional capacity of local authorities. Considering the relevance of promoting resilient infrastructures and economies in the regions affected by the earthquake, the programme will align with the principles of social equity and environmental responsibility identified in the objectives 5.8, 5.10, 6.2 and 6.6. of the NDP.

The National Secretariat for Planning and Development (Senplades) has been working with the Secretariat for Reconstruction and Reactivation of Production to validate the relevance of the objectives, indicators and targets of the Plan and align it to the new National Development Plan "Toda una Vida" 2017-2021 (NDP) approved in September 2017. Therefore, the achievement of the post-disaster Recovery, Reconstruction and Production Reactivation Plan is based on the implementation of the NDP and its projects.

The NDP projects are prioritised by Senplades and included in the General Budget of the State. The financing of the NDP 2017-2021 has been included in the State General Budget and in the four-year fiscal planning. The 2018-2021 multi-year budget is currently in force, and constitutes Ecuador's medium-term fiscal framework. In particular, there is an allocation of USD 8.043 billion in 2018 (non-permanent expenditure), of which 4,739 million corresponds to the Annual Investment Plan. An amount of 6,413 million is projected in 2019, 6,753 million in 2020 and USD 6,928 million in 2021, increasing gradually from 2017 to 2021. This multi-year public investment allocation ensures the availability of funds for implementing the NDP and the achievement of its objectives and expected targets.

Ecuador is part of the Inter-American System for the protection of Human Rights, one of the world's three regional Human Rights systems, responsible for monitoring and ensuring implementation of Human Rights in the 35 independent state members of the Organization of American States (OAS). The Inter-American system of Human Rights is based on the American Declaration of the Rights and Duties of Man, adopted in 1948, the Charter of the Organization of American States (1948), and the American Convention on Human Rights, signed in 1969 and in force since 1978. The Ecuadorian State must respond and comply with all the norms, recommendations and precepts of these international texts.

Ecuador is also part of several International and Regional Human Rights litigation systems. The State adopted various conventions from 1965 up-to-date. Regarding the International Treaties of Human Rights, the State ratified more than thirteen International Treaties ensuring Human Rights implementation.

In the last Universal Periodic Review (UPR), the State of Ecuador was recommended to sign and ratify the 2008- Optional Protocol to the Covenant on Economic, Social and Cultural Right and the 2012- Optional Protocol to the Convention on the Rights of the Child on a communications procedure.

1.4 Stakeholder analysis

The central government stimulates the development of a new social, solidarity-based and sustainable economic model through several governmental institutions as well as local authorities. In this context, the new President Moreno's Executive has restructured the ministerial organigram to give more weight to Senplades, recognising it as the entity responsible for overseeing planning, prioritization of investment and policy evaluation, and to the Sectorial Councils⁴, which coordinate the line ministries and related public policies instead of the abolished Coordination Ministries.

The Sectorial Production Council is of particular interest for the development of Objective 5 and 6 of the NDP 2017-2021. The entities in the structure of the Sectorial Production Council include the Vice-Presidency, the Ministry of Industry and Productivity, the Ministry of Agriculture and Livestock, the Ministry of Aquaculture and Fisheries and the Technical Secretariat for Reconstruction and Reactivation of Production and as associated the Ministry of External Trade, the Ministry of Labour and the Ministry of Tourism.

From the analysis carried out during the identification and formulation stages, it was possible to assess that the entities related to the proposed objectives of this budget support initiative are Senplades, the Technical Secretariat for Reconstruction and Reactivation of Production, the Ministry of Industry and Productivity, the Ministry of Agriculture and Livestock, the Ministry of Aquaculture and Fisheries and the Ministry of Labour. They have the technical capacity and the control and supervision mechanisms necessary for the success of the proposed objectives. In addition, the Ministry of Finance will be an important interlocutor for the programme for general conditions scrutiny, as well as the Ministry of Foreign Affairs, and they will be involved according to its coordinating role on EU cooperation issues.

The National Secretariat for Planning and Development (SENPLADES in Spanish) will be the main counterpart in the implementation of this budget support proposal. The main mission of the Secretariat for Planning and Development is to manage and coordinate the National Decentralized System of Participatory Planning for the sectoral and territorial development of the country by establishing goals and strategic policies and supporting processes of information, research, training, monitoring and evaluation. It is an institution that promotes public investment and the democratization of the State through active citizen participation contributing to transparent and efficient governance. It is important to underline the coordination, monitoring and reporting role of Senplades during the implementation of the last EU budget support in the country, PASES II 2013-2016, and its strong knowledge of this implementing modality.

The main stakeholders involved in the process of recovery, reconstruction and reactivation of production within the framework of Executive Decree 1004 and State structure is the Committee for Reconstruction and Reactivation of Production, chaired by the Vice President of Ecuador⁵, and its Technical Secretariat⁶. This Committee is attached to the Vice Presidency of the Republic and composed of the National Secretariat for Planning and Development together with representatives of lines Ministries with direct involvement in the sectors affected and representatives of local authorities.

The Technical Secretariat coordinates and monitors the interventions of the Committee for Reconstruction and Reactivation of Production, with the following duties: i) Systematize the work plans carried out by those responsible for each priority area of the Committee; ii) Monitor the progress in each priority area of the Committee and submit quarterly progress reports on construction, reconstruction and reactivation work; and iii) Coordinate cross-sector wise the logistical, operational, financing and technical

⁴ Decreto Ejecutivo 34 del 14 de junio del 2017. Artículo 10.

⁵ Mrs Maria Alejandra Vicuna has been appointed as Vice President in January 2018.

⁶ Decreto Ejecutivo 1004 del 26 de abril del 2016. Artículo 6.

needs required by those responsible for each priority area in order to fully comply with Committee objectives.

The Decentralized Autonomous Governments (GADs), Prefectures and Municipalities of the most affected provinces are fully represented in the Technical Secretariat of the Committee for Reconstruction and Reactivation of Production, as well as the Prefect of Manabí and the mayors of Portoviejo and Pedernales. Within the framework of the state's administrative decentralization law, known as the Organic Code for Territorial Organization, Autonomy and Decentralization, Provincial GADs are responsible for areas related to boosting local production.

The private sector is mainly represented in the reconstruction process by the Chamber of Production of Manabí and the Association of Small Traders and Businessmen of Manabí. The two entities are part of the Committee for Reconstruction and Reactivation of Production as observers. In addition, the main enterprises and commercial banks of the country are represented in the "Expore Construcción" initiative for the reconstruction of the affected areas with donations, price agreements and facilitated credits.

Civil Society is also actively participating in the reconstruction and the EU is funding some CSOs to support the economic reactivation with a specific focus on women's organizations. Civil Society has also an important role regarding social accountability and awareness-raising during the process. For this purpose, and in the framework of the Civil Society roadmap, the EU Delegation is defining the priorities, including monitoring and oversight of the post-earthquake Government effort, of an ongoing EU CSO call for proposal (July 2018).

The ultimate stakeholders and beneficiaries are the Ecuadorian citizens affected by the earthquake. The target groups /rights holders are able to express their views and entitled to participate in decisions that directly affect them through different mechanisms foreseen by law. The main instruments are the Sectorial Councils of Citizens for public policies oversight, the Advisory Councils for specific public consultation, Participatory Budget for efficient and equal distribution of wealth and the National Equality Councils for gender, intergeneration dialogue, indigenous, disability and migration right monitoring, all of them very well established and functioning. Other mechanisms as the Citizen Oversight, the Citizen Observatory and Public Hearings are implemented with limited results (see annex IV H - Citizen Participation matrix for more details).

1.5 Priority areas for support / problem analysis

According to the Secretariat for Risk Management, the total number of earthquake victims reached 663 deaths, 9 missing and 6 274 injured. It is estimated there were a total of 80 000 displaced people, of whom about 30 000 were sheltered in refuges and temporary shelters, 15 000 in local welcome homes with the rest having migrated elsewhere. Up to 120 000 children were with only limited access to education and over 593 000 people with limited access to health services. All this combined with the destruction of thousands of private homes, and public buildings such as schools, health centers, public institutions, local government facilities, as well as damage to major public infrastructure including roads, hospitals, basic services.

The earthquake damaged over 35 264 homes (of which 53.8% were located in urban areas), 51 Public Health sector buildings, 875 schools, both, public and private; 11 universities and technological research institutes and 72 childcare centres.

Similarly, the earthquake adversely affected the distribution systems for electricity and drinking water. In sanitary sewage systems, there were leakages and damage to collection sites, as well as stabilization lagoons located in Bahía de Caráquez and the treatment plant in Pedernales. In Manabí, 243 heritage properties were damaged. 83 kms of State highways suffered damage with 31 different routes affected.

Of the nine sectors of economic activity, only two have not undergone a negative change in their value added due to the earthquake, notable mining and quarrying, and construction. This is primarily due to activities relating to the removal of debris, repairs and reconstruction of infrastructure. In terms of macroeconomic effects, based on the estimation of damages to assets, lost flows and additional costs, the impact of the earthquake on the annual 2016 GDP growth rate is estimated to be -0.7%. The earthquake has also negatively impacted exports of agricultural, livestock, fisheries and forestry products (tuna, fish,

shrimp, cocoa and coffee) which have declined by USD 45.5 million in 2016. Likewise, an increase in imports required for recovery activities was estimated at USD 175.3 million in the same year.

Employment-wise, the immediate and sharp decline in economic activity led to the loss of 21 823 jobs (45% formal and 55% informal) in areas affected by the earthquake in 2016. Of these, 97% are jobs in the production sector (47% agriculture, aquaculture and fisheries, 34% trade, 9% tourism and 7% manufacturing). The remaining 3% corresponds to social and infrastructure sectors. The 43.4% of active people in Esmeraldas and 39.3% in Manabí were employees and workers before the earthquake, the rest being independent workers, day labourers or owners. Women are especially part of the second group.

Levels of poverty in Esmeraldas and Manabí exceed the national average of 25.8% (40% in Esmeraldas). As it is commonly the case in other developing countries, the probability to be in a condition of poverty is higher for women, rural inhabitants, ethnic minorities, or persons with disabilities. The lack of income and livelihood resources has been generating particular concerns among the single women / mothers who lost their livelihood. The lack of safety and care of children largely impeded the search of alternative means of subsistence.

In this context, the reconstruction costs comprise three components: (i) reconstruction (including the cost of improved substitution of assets and other related policies), (ii) lost flows (value of goods and services that are no longer produced or delivered; and, (iii) immediate response to the event (expenses related to the first recovery of services and goods during the emergency stage); which altogether total USD 3 343.8 million, of which US \$ 2 252.3 million is destined to be financed by the public sector (67%) and USD 1091.5 million by the private sector (33%).

The estimated cost for recovery of the production sector is USD 1 032 million which represents 31% of total reconstruction costs of which USD 223.8 million (22%) is to be provided by the public sector and USD 808.2 million (78%) by the private sector. In this sector, the priority subsectors are: Trade (44%), Agriculture, Livestock, Aquaculture and Fisheries (31%), Manufacturing (16%) and Tourism (9%).

- In the **manufacturing sub-sector**, most damage was in relation to assets: buildings and facilities, machinery and equipment, inventories of raw materials and merchandise.
- In the **trade sub-sector**, effects were mainly concentrated on retail trade companies, with the informal sector having suffered a severe blow.
- In the **tourism sector**, damage focused on physical infrastructures, mainly small businesses such as accommodation, food and beverage services
- In the **agriculture, livestock, aquaculture and fisheries sector**, most damage arose in the subsector of aquaculture and fisheries, which dominate activities in the area. Shrimp farms suffered heavy damage, as well as other activities in the production chain. In fisheries, fishing ports and industrial infrastructures were affected. Livestock and agriculture suffered fewer damages.

For the implementation of the Plan of Reconstruction and Reactivation of the production the Government of Ecuador already assigned USD 2 410,4 million at 22 May 2017. In particular, the Government of Ecuador already assigned USD 316 million for the emergency response, 1 571,7 million for the reconstruction and USD 522,8 million for the reactivation of the production (of which 317 million are credits from the public to the private sector).

With the entry into force of the new National Development Plan 2017-2021⁷ on 22 September 2017, all new projects selected by the Committee for Reconstruction and Reactivation of Production are evaluated and prioritized by Senplades, considering the alignment to objectives 5 and 6 of the NDP and fiscal availability. In this regard, the Government Public Investment Plan approved by the Assembly on 29 November 2017 foreseen for 2018 USD 1 692 Million for objective 5 (USD 4 861 million for the period 2017-2021) and USD 352 Million for objective 6 (USD 1 629 million for the period 2017-2021).

⁷ Resolución No. 003-2017-CNP del Consejo Nacional de Planificación.

1.6 Other Areas of Assessment

1.6.1 Fundamental Values

Democracy: For the past ten years, Alianza Pais has been the dominant, ruling party in Ecuador. Following its rise to power, the government instigated a constituent assembly (2007-2008) and has achieved sound results in subsequent presidential and local elections, leading to a period of political stability.

On the basis of the 2008 Montecristi Constitution, five main areas were prioritised: (a) the establishment of an institutional state of rights and justice, b) a major institutional overhaul, c) the design of a social and solidarity-based economic system, d) the restructuring of a territorial organisation that seeks to remove local asymmetries, and (e) the recovery of the concept of sovereignty at many levels including territorial, economic, food, energy and international relations.

Human Rights and Gender: Ecuador is part of the main international instruments for protection and oversight of Human Rights. The State of Ecuador is part of the International Convention on the Elimination of All Forms of Racial Discrimination (ICERD) since 1977 and of the International Covenant on Civil and Political Rights (ICCPR) since 1984. Ecuador is also part of the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT) and of the Convention on the Rights of the Child (CRC), International Convention for the Protection of all Persons from Enforced Disappearance (CPED). Ecuador adhered to the Optional Protocol to the Convention on the Rights of the Child on the involvement of children in armed conflict (OP-CRC-AC) and the principles of the convention are reflected in the National Constitution of Ecuador (see Annex VI for Articles of Ecuador Adherence to International Instruments).

There is no official dialogue on Human Rights / Gender with Ecuador, but there is a high level general political bilateral dialogue, in which human rights figure among the topics discussed. Taking into account the current political context issues relating to freedom of expression, freedom of association and peaceful assembly were those for which most concerns were expressed until last year (05/2017).

For its part, the current Constitution of Ecuador, grants full rights including social and economic rights to all citizens, and also obliges the State to prioritize the payment of social obligations over any others. Thus the country and its government promote the construction of human, economic, social, cultural and environmental rights, based on a concept and vision of the ancestral Andean societies, that is to say, the "Buen Vivir" or "Sumak Kawsay" concept.

The "UN Human Rights Council" Working Group's report of the 3rd Universal Periodic Review on Ecuador held on 1 May 2017, reflected the significant human rights challenges in the country, especially restrictions of fundamental freedoms such as of expression and assembly, the lack of a fully independent judiciary and the ongoing discrimination against vulnerable groups, including women and girls, children and LGBTI persons. In turn, many States acknowledged positive achievements in the areas of health, education, women's participation in public life and welcomed the new the National Development Plan.

Rule of Law: The government has championed institutional reform of the State and adjustments to the legal and regulatory frameworks, which have strengthened central government's leadership and control capacities over the public agenda as a whole and has led to an increased presence in the provinces (through devolution and decentralization).

This growing presence of the State as a predominant actor in development and a leader in public agenda issues as reflected in economic regulations, tax regimes, commercial rules, labour law, salary, social and subsidy regulations have sometimes provoked conflicting reactions from some sectors of Ecuadorian society.

1.6.2 Macroeconomic Policy

Ecuador presents currently acceptable macroeconomic conditions with a tendency to improve after the difficult situation presented in years 2015 and 2016. Ecuador experienced stable and positive economic growth in the period 2012-2014 (5.2 % / 2012, 4.6% / 2013, 3.7% / 2014) driven by high oil export revenues and an expansive fiscal model. The country followed a growth model based mainly on fiscal expansion and public investment. This became more complicated as of mid-2014 when the price of WTI oil showed a sharp drop reaching record low levels of USD21.58 per barrel in January 2016 compared to maximums of USD98 per barrel in June 2014, only 18 months earlier. Ecuador was already experiencing an economic slowdown induced mainly by two exogenous factors: the rapid decline in the international price of oil and the appreciation of the dollar, which made Ecuadorian exports less competitive. The devastating earthquake that took place on 16 April 2016 complicated even further an already complex economic outlook. The earthquake caused significant human, material and productive loss the cost of reconstruction (estimated at 3.3 billion USD) represents an additional burden for the State. Debt sustainability can be considered a substantial risk and there is growing concern over rising levels of public debt (internal and external). Ecuador has fought trade imbalances through the application of a series of safeguards that included surcharges on imports and increase in the VAT rate from 12-14% that were withdrawn in June 2017.

Thus, Ecuador closed 2015 with a GDP growth of 0.3% down followed by a contraction of 1.5% in 2016. A recovery is noted in 2017 with a growth of 1.5% higher than expected by the IMF and the Central Bank of Ecuador (CBE) boosted by domestic consumption, a better international and regional context, the recovery of the oil price 60 USD per barrel in 12/2017 and non-oil exports that have benefited from the Multiparty Trade Agreement with the EU in force since 01/01/2017. The forecasts of the CBE of Ecuador for the year 2018 suggest a level of growth similar to the previous year estimated at 1.5%, which could be higher if the upward trend in oil prices continues.

President Moreno has promised macroeconomic transparency, fiscal consolidation, reconciliation with the media and civil society (relations with both had been strained under Mr. Correa's administration). The president has also announced pro-business tax reforms and a greater fight against corruption. Since the end of September 2017, after more than 8 years of estrangement, President Moreno has promoted a rapprochement of the Ecuadorian government with the IMF. The Delegation also considers that if the situation has improved in the last year, it remains necessary to maintain a strong fiscal discipline together with wise financing arrangements (sustainable public debt) and measures to support competitiveness and private investment in order to ensure macro-economic stability in 2018.

1.6.3 Public Financial Management

The maintenance of aggregate fiscal discipline is a primary objective of any PFM system and in this sense a major PFM milestone in Ecuador was the adoption in October 2010 of the "Organic Code for Planning and Public Finance" (COPLAFIP) - which established the legal framework for a more efficient, effective and transparent management of Public Finances, promoting sound macro-fiscal policies. This law was introduced as an urgent measure and aims to better articulate budget forecasting with budget execution and to consolidate and up-date existing legislative rules related to PFM which were previously very complex, fragmented and often out-dated. The important accompanying Regulation to COPAFIP entered into force on 26 November 2014. A repeat-PEFA assessment was undertaken in 2014, funded by the EU, and the Ministry of Finance has accepted to undertake a further EU-supported PEFA in September 2018.

The negative growth of 2016 together with a decline in fiscal revenue and a pressing need to address the cost of reconstruction after the April 2016 earthquake have challenged the State Budget. The austerity measures together with monitoring and budget adjustments adopted in late 2017 by the new government has been continued in the first trimester of 2018 to mitigate the fiscal gap that reduced in 2017 passing from 7.5% of GDP in 2016 to a still high 5.6% of GDP in 2017 while 4.0% are foreseen for 2018. It is clear there are growing public concerns over the sustainability of increasing public debt / GDP which should not by law, exceed 40%. In April 2018 President Moreno presented the Fiscal Stabilization and Productive Reactivation Economic Program, an important step from the government to correct

macroeconomic unbalances by reducing spending and generating more income, representing a change of course in the management of the economy compared to recent practice. The Delegation expects that the new government of President Moreno will implement this fiscal reform and adopt policies to strengthen the country's competitiveness.

As a direct response to the 16 April earthquake, the Organic Law for Public Finances Balance was adopted and aims to promote the redistribution and optimization of tax revenue in order to balance fiscal accounts, to optimize and improve the tax system, to strengthen progressivity, redistribution and equity; to ensure a more fair and equitable tax system, and to generate an exceptional additional tax collection of more than USD 300 million in 2016 in relation to post-earthquake needs. Reforms under this post-earthquake law included:

- Tax incentives for VAT refunds when using electronic means of payment.
- Reduction of the tax base for outflow of money from USD 10 000 to 1 098 (3 unified basic wages).
- Decrease in the VAT refund for the elderly (65 years) up to an amount equivalent to two unified basic wages (UBW); before this reform the return was for up to five UBW.
- Increase of the tax to the Special Consumption (ICE) to cigarettes from USD 0.13 to USD 0.15 per unit. In addition, it shall be paid USD 0.25 per litre of soft drink, energizing and carbonated drink.
- Modification of allocations/transfers to autonomous decentralized governments (GAD's) depending on the increase or decrease of the actual collected fiscal income, whether permanent or non-permanent and not on the basis of the income established in the General State Approved Budget.

The fight against corruption and the establishment of a strong and efficient state was a hallmark of President Correa's presidency. Under his administration the government made significant strides in reducing citizens' small scale corruption by professionalizing the police and public services. However, in late 2016 until May 2017 Ecuador has been beset by a series of corruption scandals in relation to public investment projects/ state corporations and public procurement contracts. Given the substantial economic burden on the country due to a range of factors including the April 2016 earthquake, the Government of Ecuador aims to demonstrate to the public that it will pursue all perpetrators of corruption and ensure that checks and balances are in place to avoid future scandals of this scale and nature. Upon taking office in May 2017, President Moreno made the fight against corruption one of his priorities and the new Attorney General opened investigations against several former high-ranking government officials and their family members, including the Vice President Jorge Glas who was dismissed and sentenced to 5 years of jail. The on-going SBS programme will continue to reinforce PFM reforms and public accountability; in particular with the new PEFA repeat assessment to be carried out in June 2018 which is an important measure for encouraging transparency, best international practices, and prevention of corruption/fraud.

1.6.4 Transparency and Oversight of the Budget

Article 286 of the Constitution of the Republic of Ecuador establishes that "public finance, at every level, will be sustainable, accountable and transparent managed and economic stability will be its goal." Article 70 of COPAFLIP (the new "Codigo de Planificación y Finanzas Publicas del Ecuador") which was introduced as an urgent measure in October 2010, aiming to better articulate budget forecasting with budget execution and to consolidate and up-date existing legislative rules whilst optimizing the use of public resources and providing greater transparency, defines SINFIP as the set of rules, policies, tools, processes, activities, and operations, records, that entities and public sector bodies must apply in order to manage revenues, expenditures and public financing. SINFIP is under the authority of the Ministry of Finance which must monitor and assess fiscal management. In order to comply with these laws, the Ministry of Finance submits annual reports of internal audit and accountability. These reports are available on the website in compliance with the Organic Law of Transparency and Access to Public Information. The process of monitoring and controlling is completed in collaboration with the General

Comptroller's Office, the institution responsible for developing the administrative control system for public and private entities, through external and internal audits. All approved Supreme Audit reports are available on its public website.

With regard to Transparency and Integrity, the State budget must obey the universalizability principle as a guarantee that every activity and operation of public entities be subject to negotiation, evaluation and incorporated into an integrated data system. Citizens have access to tax and budget information. The Council of Citizen Participation and Social Control (CPCCS), based on its organic law, is the institution in charge of monitoring accountability reports of those institutions which are managing public funds and can request information on the following aspects: planning tools, working plans, budget execution, participative budget, procurement of goods and services.

As of 31 December 2017, the government of Ecuador makes six of eight key budget documents publicly available online in a timeframe consistent with international standards. Ecuador's score of 49 on the 2017 Open Budget Index is largely the same as its score in 2015. In the Open Budget Survey 2017, it was confirmed that the following are available to the public: Executive's Budget Proposal, the Enacted Budget, Citizen Budget, In-Year reports, mid-year report (published late) and Year-end reports.

Concerning Budgetary Oversight, the parliamentary "Comisión Especializada Permanente del Régimen Económico y Tributario y su regulación y Control" has the responsibility to assess and provide a report on the annual Budget Proforma and 4-year Budget plan. The corresponding reports are produced according to deadlines and discussed and approved in the National Assembly (NA).

2. RISKS AND ASSUMPTIONS

Risks	Risk level	Mitigating measures
<i>Political</i>	(H/M/L)	
Change of government at central level. It is doubtful any change would have an impact on the needs identified in the Plan for the Reactivation of Production which is geared towards the development of self-employment, SMEs. The mostly likely outcome of a change would be a delay in the implementation of the Plan.	M	The contingency plan would aim to devote more human resources for coordination and Technical Assistance in order to recover any time lost.
Limited involvement of Local Governments (Gobiernos autónomos descentralizados/ GADs)	M	It would be necessary to strengthen Technical Assistance, provide training and establish an interinstitutional roundtable to ensure sound and effective dialogue and direct involvement from GADs who are responsible for the reactivation of production in each province.
Lack of government commitment to fully endorse gender-related improvements	L	Strengthening gender capacities of relevant stakeholders, conduction of a gender analysis providing instructions, tools and indicators for effective gender mainstreaming.

Limited participation and access of young people, woman and people with disabilities in the selection and implementation of Reactivation of Production's projects	M	Strengthening stakeholders capacities in inclusive and non-discrimination practices through the TA.
Government's transparency and accountability mechanisms and access to information are not efficient	M	An independent oversight of the programme will be funded through a grant to civil society. This will ensure more accountability, participation and transparency and also strengthen different citizen mechanisms foreseen by law.
Environmental	(H/M/L)	
Agriculture and tourism services reduced as a result of adverse factors (climate change, natural disasters, etc.)	M	Strengthen agricultural insurance and better integrated planning for agriculture and tourism. Adoption of climate change and natural disasters mitigation approach with more detailed and comprehensive risk management.
Natural heritage reduced (expanding concrete in beach areas, reduced biodiversity and expanding agriculture frontier in dry, tropical areas).	M	Strengthen activities/projects together with the aim of protecting the environment and reducing pollution by human activities (e.g solid waste in coastal areas, water pollution due to agricultural activities) Increased coordination with the Ministry of the Environment.
Economic	(H/M/L)	
Persistent appreciation of the US dollar and devaluation of currencies of neighbouring countries	M	Direct the sale of products and services towards the internal market. Strengthen innovation of quality products in specific market niche.
Lack of Macroeconomic stability	L	Direct support for production towards small and micro enterprises.
State control bodies remain weak with persistent corruption in the public administration.	H	The Technical Assistance to the Ministry of Finance through a new PEFA will reinforce PFM reforms and public accountability, encouraging transparency, best international practices, and prevention of corruption/fraud.
Assumptions		
It is reasonably expected that fiscal policy can ensure adequate flows of resources to fund the reactivation of production in the areas of Manabí and Esmeraldas and to ensure transfers to Ministries and GADs according to annual operational plans. It is assumed that current sound EU/Ecuadorian Government relations and collaboration will be maintained in the future.		

3. LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1. Lessons learnt

Within the framework of the EU - Ecuadorian bilateral cooperation strategy for the period 2006-2013, four budget support programs have been implemented. There were two support programs for the 2006-2016 decennial education plan (PAPDE I and II), for a total amount of EUR 81.8 million and two support programs for the economic, social and sustainable development (PASES I and II) for a total amount of EUR 65.4 million, the latter closed in late December 2017.

These programs have been successfully implemented using the "budget support" modality and it is worth noting their support for the implementation of State national sector policies, the strengthening of institutional capacity of the public entities involved in these programmes and the establishment of management mechanisms that have favoured enhanced coordination between the different Ministries responsible for planning, public finance management and sector policy.

Thus it can be firmly stated that the budget support modality has effectively addressed the principle of country ownership of cooperation programmes by responsible Ministries and public entities, and have in turn led to reduced operating costs due to the use of country systems and mechanisms.

In addition, the provision of targeted technical assistance has contributed towards the construction of more efficient public management instruments, as well as to the preparation of improved sector policies in the areas of education and economic development. Furthermore, in relation to in public finance management (PFM), two PEFA exercises were undertaken in the period 2009-2014 and fed into subsequent important reforms such as the definition of the Public Finance Planning and Management Code and several adjustments and improvements in the national PRM system. A new PEFA funded by the EU is foreseen for September 2018.

3.2. Complementarity, synergy and donor coordination

By way of the Executive Decree 1004 of April 26, 2016 the Committee for the Reconstruction and Reactivation of Production was established with the purpose of executing the construction and reconstruction of infrastructure necessary to mitigate the effects of the earthquake. The Committee has the mandate to implement plans, programmes, actions and public policies for the reactivation of production and employment in the areas affected by the aforementioned natural disaster.

Through the Technical Secretariat of the Committee for the Reconstruction and Reactivation of Production, the prioritization of resources has been made in order to mitigate the effects of the earthquake and its subsequent aftershocks. The prioritization of programmes and projects and financing allocations have made it possible to guarantee the rights of people living in affected areas, as well as to proceed with interventions that favour local reconstruction in keeping with sustainability criteria. As of February 21, USD 1.4 billion has been allocated through the relevant public institutions.

The former Coordinating Ministry of Production, Employment and Competitiveness (MCPEC), within its field of competence and as a member of the Committee for the Reconstruction and Reactivation of Production, has carried out work on new policy in conjunction with the Vice-Presidency, Technical Secretariat for Reconstruction, Ecuador Estrategico (Public enterprise), the National Secretariat of Planning and Development (Senplades) and at the territorial level with devolved institutions (MAGAP, MINTUR, MIPRO and MDT), which have direct knowledge about the level of damage that occurred and have been the main source of information for the design and elaboration of the Policy for the Reactivation of the Production Sector⁸. The programme will also pursue synergies with the activities of the EU Support to Trade programme being implemented through FEDEXPOR and CORPEI.

The Ministry for Foreign Affairs and Human Mobility has aimed to avoid the duplication of efforts and an ineffective dispersion of resources by coordinating cooperation actors working in the affected areas of Esmeraldas and Manabí. There is strong coordination with bilateral and multilateral agencies, NGOs,

⁸ Política en Reactivación Productiva, Ministerio de Coordinación de la Producción, Empleo y Competitividad (MCPEC)

agencies, etc., emanating from the USA, the EU, United Nations System Agencies, Germany, Great Britain, Belgium, GEF Funds, Spain, Italy, France, Germany, Canada and Switzerland who all have a presence on the ground.

The European Union's Humanitarian Aid Office (ECHO) earmarked EUR 5 million to cover the emergency situation for those affected by the earthquake. It contributed towards projects that guaranteed food, shelter, psycho-social care, access to safe water and help in the recovery of the livelihoods of hundreds of victims. These projects finalized by August 2017. DG ECHO is also currently engaged in the reinforcement of the Disaster Risk Reduction capacities in the intervention area. In addition, the EU PASES II program temporarily extended to December 2017 has had a positive impact on Manabí and Esmeraldas.

In addition, the LAIF Board of Directors approved two programmes with the EIB to finance the construction of a new technological institute in the town of Portoviejo, one of the most affected by the earthquake, and to provide technical assistance to the Secretary of Reconstruction to manage the loans. These projects should start up by the end of 2018.

Finally, EUROsociAL will support to changes in public policies that have an impact on social cohesion focusing on three main priority policies, social, good governance and gender policies. This will be done through experience exchanges between counterpart institutions in the two regions, including Ecuador.

3.3. Cross-cutting and other issues

Deconcentration and Decentralisation

To pave the way for this process of decentralization, and in accordance with the provisions of the Constitution and the law known as the Organic Code of Territorial Organization, Autonomy and Decentralization (COOTAD), the National Competence Council⁹ (CNC) was established. The CNC is a technical body which coordinates the transfer of competences from central government to GADs and it has elaborated a National Plan for Decentralization, an instrument through which the decentralization process is being managed, establishing progressivity in the delivery of constitutional competences and territorial equity. Under this Framework, GADs are represented in the Committee for the Reconstruction and Reactivation of Production. The present programme will support GADs through the provision of technical assistance to help them fulfil their competences in the field of the promotion of production at a provincial level (Specific Objective Nr.3).

Environment

At sector level, the Ministry of the Environment (MAE) assumed the challenge of redesigning its institutional framework and reaffirming its role as a National Environmental Authority by developing the National Environmental Policy (PAN) and the Strategic Plan 2009-2014 (giving greater value to renewable natural resources so that the State, Society and Economy recognize their role and importance). Additionally, Article 15 mentions that the State will promote, in the public and private sectors, the use of environmentally clean technologies and non-polluting and low-impact alternative energies. This programme will support GADs¹⁰ through the provision of technical assistance to help them fulfil their competence in relation to the environment through the promotion of land use and economic development plans (Planes de desarrollo y ordenamiento territorial), designed to protect the environment and boost the economic development at local level, with a special attention on the management of risk (Specific Objective Nr.1).

⁹ Consejo Nacional de Competencias

¹⁰ The role of GADs is fundamental not only in the reconstruction process, but also in the inclusion of disaster risk management in the land use planning for building resilient cities and territories. The GADs are identified as the key actors for implementing the reconstruction plan, because of their understanding of the territory and for their role and function defined by the Constitution (Art. 262-267), the Code on Territorial Organization (COOTAD) and the Law on land use planning (LOOTUGS) and the elaboration and implementation of PDOT. The PDOT are identified as the key tool for mainstreaming the risks associated to natural hazards in the economic life of communities affected by the earthquake, thus creating an opportunity for preventing future emergencies rather than facing new disasters. As part of their territorial plans, the GADs are requested to promote environmental management of their territories, so to protect their lands and people from negative environmental impacts and especially rural territories are expected to promote actions for biodiversity conservation, sustainable use of natural resources, restoration of degraded ecosystems, etc. (Constitution, Art. 267 and COOTAD, Art. 136).

Gender

In 2008, the Constitution incorporated a set of principles and rights aimed at addressing gender inequity and gender violence, as well as discrimination with the aim of promoting equality with an emphasis on women's rights. At the institutional level, the Ombudsman's Office of Ecuador (Defensoria del Pueblo) elaborated the Institutional Policy for Gender Equality 2016-2019 (Política Institucional de Igualdad de Género 2016- 2019), whose objective is to strengthen the gender equality approach in institutional management. Segregated data on gender are not always available. However, the national institute for statistics (INEC) has been receiving support from UNDP since 2016 in order to build its capacity to measure SDG's progress/indicators. Regarding the national machinery for the advancement of women, in 2015, the CEDAW Committee took note of Ecuador's efforts to ensure gender mainstreaming in various aspects of national policies. Nevertheless, the Committee expressed concern on the lack of a clear mandate of the National Council for Gender Equality and on the insufficient cooperation between the National Council for Gender Equality and civil society organizations working on women's rights issues. This programme will support gender issues through Specific Objective Nr. 2.

Human rights

Ecuador has articulated its commitment to the Economic Social and Cultural Rights (ESCR) regarding the basic social and economic conditions for a life of dignity and freedom, with a focus on work and workers' rights, social security, health, education, food, water, housing, healthy environment, and culture. These commitments figure in Ecuador's Constitution as well as in its National Development Plan. Through the National Plan "Toda una Vida", the State is the main responsible for fulfilling these rights with a progressive and long-term approach, including the articulation at sub national level and all the state sectors. The labour and productive sector's rights are based on the International Conventions adopted, the Constitution and the specific National Codes that regulate Production and Labour. The Productivity Code in Ecuador is based on the creation of decent and innovative jobs that respect Ecuadorian Labour Rights and support the creation of long-term and integral development in accordance with the Goals of Sustainable Development. The Constitution of Ecuador and the Ecuadorian Labour Code are both oriented towards the protection of the employee based on the "In dubio pro operario" principle. Ecuador recognises the international principles of the ILO and the international norms of labour rights that guarantee the employee a dignified job position, the right of peaceful association and syndicalism related activities, the right to strike, among others. In the last Universal Periodic Revision, the Council of States recommended the State of Ecuador to continue to strengthen its labour system, to give social affiliation to the Ecuadorian workers, to end child labour and to give labour opportunities to young people and woman (see annex VI for UPR Recommendations to Ecuador).

4. DESCRIPTION OF THE ACTION

4.1. Objectives / Results

The programme will support the implementation of objectives 5 and 6 of the National Development Plan 2017-2021: enhance productivity and competitiveness for a sustainable economic growth (objective 5) and increase the productive capacity of rural areas (objective 6), with a special focus on the reactivation of the production in the areas affected by the earthquake.

General Objective:

Sustainable and inclusive economic recovery of earthquake-affected areas boosting production and resilience of people who are subject to greater marginalization, exclusion and discrimination with a special focus on women and youth.

Specific objectives:

1. Strengthen and re-establish productive capacity in rural areas that were affected by the earthquake.
2. Improvement of well-being of vulnerable people with an emphasis on rural areas in the provinces of Manabí and Esmeraldas.

3. Enhance efficiency of GADs in terms of compliance with Development and land use Planning and Investment Plans.

Induced outputs:

1. Credit granted to the microcredit segment by the Public Bank in Esmeraldas and Manabí.
2. Artisanal fishing boats assisted in artisanal fishing facilities/ports administered by central government.

Direct outputs:

3. Greater availability of funding for public services in the field of agriculture and employment.
4. The institutional capacity of GADs strengthened in the areas of sustainable and inclusive local economic development, resilient land use planning, environmentally-friendly public investment, and monitoring and evaluation.

4.2. Main activities

The main activities to implement the budget support are policy dialogue, financial transfer, performance assessment of selected indicators, the preparation of disbursement dossiers, and complementary measures to strengthen the government's capacity towards the achievement of the general and specific objectives of the Action. In particular:

- Policy dialogue with the Government of Ecuador, emphasizing the specific objectives, results and disbursement conditions of the budget support programme;
- Policy dialogue on the progress towards achieving the target values of indicators;
- Regular high-level policy dialogue between the EU and the governmental agencies/institution/ministries involved in the action to address key issues of concern (inclusiveness, social equity, resilience and environmental sustainability and absorption capacity);
- Coordination with development partners and other stakeholders involved with reactivation of production, PFM and domestic and social accountability at local and central level;
- Continued efforts to strengthen capacities at provincial level, within the framework of existing and complementary support programmes;
- Participation in sector reviews and technical working groups related to public finance management, and the reactivation of production.
- Regular monitoring of the criteria for the eligibility of budget support and Specific Conditions of the Budget Support:
 - Macroeconomic developments based on data made available by the IMF and other assessments;
 - PFM eligibility will be verified on the basis of the reviews of the government's PFM reform strategy and associated assessments.
 - For budget transparency public availability of appropriate documentation will be regularly verified.
 - Progress against targets related to objectives 5 and 6 of the National Development Plan 2017-2021 and associated with the objective of this action.

4.3. Intervention logic

The intervention logic stems from a series of problems, described in chapter 1.1.3, which impact the comprehensive development of the area affected by the earthquake and on which the program expects to have a direct impact supporting the Government to accomplish with the objective 5 and 6 of the National Development Plan 2017-2021.

The logic behind the intervention is to support the Government's key governance and public financial implementation aimed at restabilising the pre-disaster level of production of Manabí and Esmeraldas provinces and improving the efficiency of local development programs and services to rural areas and to vulnerable population. It builds on enhancing the effective use of public resources and alignment of expenditures with national priorities to improve Government's service delivery and spur economic growth.

Therefore the expected changes through this action are: national and local commitment to raise the economy of the area; boost production activities which will have a positive impact not only on the local economy but also on the resilience and cope mechanism of the population; more people having access to decent work; local authorities implement sound and transparent development planning; return of national and international investments; implementation and achievement of the PDOT providing services to citizens and institutions.

The proposed intervention is an integrated approach to maximize impact and synergies of national and local governance. Given the local system's limitations, National Government's engagement will be key to guide the implementation of the recovery plan. On the other side, the local implementation will guarantee that the population subject to greater marginalization, exclusion and discrimination will benefit of all programmes.

The reconstruction of communities and the reactivation of the production will be done in a manner that makes them less vulnerable to future disasters and strengthens their resilience by integrating environmentally sustainable disaster risk reduction measures at the local level, so as to prevent new, and reduce existing, risks. The Technical Assistance to the Senplades may include specific DRR support actions¹¹.

4.4. Contribution to SDGs

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal number 8 "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all", but also promotes progress towards Goals number 5 "Achieve gender equality and empower all women and girls", and number 12 "Ensure sustainable consumption and production patterns".

5. IMPLEMENTATION ISSUES

5.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer

¹¹ In line with the "Build Back Better" approach and recommended actions in the priority area 4 of the Sendai Framework on DRR, the EC Communication on Resilience adopted in June this year, EC Action plan in support of the Sendai Framework adopted in June 2016, the EC Resilience Action plan in crisis prone countries adopted in June 2013, the Tripartite agreement between the EU, UN and WB from 2007 on post disaster and post crisis needs assessments.

responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3. Implementation of Budget support component

5.3.1. Rationale for the amounts allocated to budget support

The amount allocated for budget support component is EUR 26 million. The SRC represents 0.45% of the public sector budget for 2017-2021 of USD 6 490 million foreseen for the implementation of objectives 5 (4 861 million) and 6 (1.629 million) of the NDP.

This amount is based on a thorough analysis of the context and needs of Ecuador following the devastating earthquake and on the basis of the funds foreseen under the MIP Ecuador 2014-17. Due to the major impact of the earthquake the choice was made to use the remain allocation for the MIP 2014-17 and to suggest sector budget support in order to provide support to the Government of Ecuador in the reactivation of production sector.

5.3.2. Criteria for disbursement of budget support

a) The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation the National Development Plan 2017-2021 and continued credibility and relevance thereof;
- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of reforms in Public Finance Management
- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

b) The specific conditions for disbursement to be used for the variable tranches (first variable tranche disbursement expected in 2020) will cover the following areas: Poverty, Employment, Agriculture, and strengthening of capacities.

According to the report “Evaluation of the Costos of Reconstruction, Ecuador's Earthquake, April 2016” prepared by Senplades, the adverse effects were identified in the following sectors: Manufacturing, Tourism, Trade and Agriculture, Livestock, Aquaculture, Fisheries and Employment.

For the distribution of the budget support funds, the Senplades will perform a coordinated and articulated assessment with the implementing entities in order to provide the right level of resources for reaching the agreed targets.

The chosen performance targets and indicators to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, the Government of Ecuador may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

5.3.3. Budget support details

Budget support is provided as direct untargeted budget support to the National State Budget. The crediting of the Euro transfers disbursed into Dollars will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

Sector Reform Performance Contract Indicative breakdowns (amount in EUR)	Total	Year 1	Year 2	Year 3
Fixed tranche	15.00	8.00	4.00	3.00
Variable tranche	11.00		5.00	6.00

Total M€	26.00	8.00	9.00	9.00
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5.4. Implementation modalities for complementarity support of budget support

Complementary measures for a total of EUR 2.1 million from Commission Decision C(2016) 5116 "Support Measures - Multiannual Indicative Programme 2014 -2017 ECUADOR" is providing support to the implementation of this action through: (i) Technical Assistance in the areas of reactivation of production; (ii) a detailed Public Expenditure Assessment using the PEFA - PFM performance measurement framework; (iii) Communication and Visibility measures.

In agreement with national counterparts, a grant to civil society from the programme "Civil Society Organisations (CSOs) - Objective 1: Enhance CSOs' contributions to governance and development processes at country level", will support citizen participation in the implementation of the NDP.

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures.

5.5. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provision:

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make achieving this action impossible or exceedingly difficult.

5.6. Indicative budget

The total estimated cost of the programme amounts to EUR 26 000 000 as follows:

	EU contribution	Third party contribution	Total
Sector Reform Performance Contract	26 000 000		
Total (amount in EUR)	26 000 000		26 000 000

5.7. Organisational set-up and responsibilities

The National Secretariat for Planning and Development is the entity in charge for the monitoring and evaluation of the NDP 2017-2021 and for prioritizing public investment funds for the achievement of the NDP 2017-2021 objectives. The National Secretariat for Planning and Development is also in charge for the interinstitutional coordination for reporting on NDP 2017-2021. In cooperation with other Government's entities, the National Secretariat for Planning and Development oversees the implementation of the targets defined in this programme.

The Ministry of Finance will support the National Secretariat for Planning and Development in all the implementation steps of this action, within the scope of its attributions and powers contemplated in the current legal framework.

In order to ensure an effective implementation, the European Union Delegation will periodically request monitoring meetings in order to assess the progress of the programme and will consecutively coordinate with the authorities and officials from relevant national entities.

5.8. Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports.

Every report on the general and specific conditions shall provide an accurate account of the implementation of the NDP 2017-2021, in particular of objective 5 and 6 and related policies, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding budget support indicators.

5.9. Evaluation

Having regard to the nature of this action, an evaluation will not be carried out.

The Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner.

Any such evaluation report shall be shared with the partner and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of any evaluation and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken.

The financing of the evaluation shall be covered by another measure constituting a financing decision.

5.10. Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the audit shall be covered by another measure constituting a financing decision.

5.11. Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.4 and 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements. The plan will be elaborated with the collaboration of Senplades as the main responsible for the NDP 2017-2021 implementation.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

1 APPENDIX -INDICATIVE LIST OF RESULT INDICATORS (FOR BUDGET SUPPORT)¹².

The inputs, the expected direct and induced outputs, and all the indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The table with the indicative list of result indicators will evolve during the lifetime of the action: new columns will be added for intermediate targets (milestones) when relevant, and for the purposes of reporting the achievement of results as measured by indicators. Note also that indicators should be disaggregated by sex, whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification
Overall objective: Impacts	<i>Sustainable and inclusive economic recovery of earthquake-affected areas boosting production and resilience of people who are subject to greater marginalization, exclusion and discrimination with a special focus on women and youth.</i>	1. Decent employment rate (sex and age disaggregated)* 2. Index of National Productivity 3. Population rate covered by public social safety system	1. 41,2% (2017) 3. 47% (2017)	1. 47,9 (2021) 2. Positive trend, particularly for women (2021) 3. 51,2% (2021)	National Development Plan 2017-2021 progress reports
Specific objective(s): Outcome(s)	<i>SO1. Strengthening and re-establish productive capacities in rural areas that were affected by the earthquake.</i> <hr/> <i>SO2. Improvement of well-being of people who are subject to greater marginalization, exclusion and discrimination with a special focus on women and youth.</i> <hr/> <i>SO3. GADs more efficient in terms of compliance with Development and land use Planning and Investment Plans.</i>	1.1 Access to irrigation systems (in Ha) <hr/> 2.1 Multidimensional rural poverty rate <hr/> 3.1 Index of accomplishment of results for Local Authorities in Manabí and Esmeraldas	1.1 tbd (2017) <hr/> 2.1 35,1 (2017) <hr/> 3.1 Average of GADs with index below 0,70: 48% (2016)	1.1 Increased: tbd (2021) <hr/> 2.1 Decreased: 27,4 (2021) <hr/> 3.1 Increased: 68% (2020)	1.1 Ministry of Agriculture <hr/> 2.1 INEC/MIES <hr/> 3.1 Senplades

¹² Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '***'.

Induced outputs	<i>IO1 (SO1). Credit granted to the microcredit segment by the Public Bank in Esmeraldas and Manabí</i>	1.1.1 Volume of credit to the microcredit segment in USD (000)	1.1.1 95,721.5 (2017)	1.1.1 Increased: 267,591.2 (2020)	1.1.1 Social Council, Productive Council
	<i>IO2 (SO1). Artisanal fishing boats assisted in artisanal fishing facilities/ports administered by central government</i>	1.2.1 Number of artisanal fishing boats assisted in artisanal fishing facilities	1.2.1 24.989 (2017)	1.2.1 Increased: 38.994 (2020)	1.2.1 Ministry of aquaculture and fisheries
Direct outputs	<i>DO1. Greater availability of funding for public services in the field of agriculture and employment.</i>	1.1.1 MT/Ha of dry almond cocoa beans "fine aroma" in Esmeraldas and Manabí. 1.1.2 MT/Ha of coffee crops (gold Arabica variety) in Manabí. 1.1.3 MT/Ha of dry maize in Manabí.	1.1.1 0.33 (2017) 1.1.2 0.18 (2017) 1.1.3 6.54 (2017)	1.1.1 Increased: 0.38 (2020) 1.1.2 Increased: 0.24 (2020) 1.1.3 Increased: 6.90 (2020)	1.1 Ministry of Agriculture
	<i>DO3. The institutional capacity of GADs strengthened in the areas of sustainable and inclusive local economic development, resilient land use planning, environmentally-friendly public investment, and monitoring and evaluation</i>	3.1.1 Number of interinstitutional and multilevel Strategy for the coordination and the articulation of the Central Government with Local Authorities	3.1.1 none (2016)	3.1.1 1 strategy (2020)	3.1.1 Senplades Department for monitoring and evaluation of territorial development



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ANNEX 2

of the Commission Implementing Decision on the financing of the annual action programme 2018 in favour of Ecuador to be financed from the general budget of the Union

Action Document for: Frontera Norte-Territorio de Desarrollo y Paz

1. Title/basic act/ CRIS number	Frontera Norte-Territorio de Desarrollo y Paz CRIS number: LA/2018/040-915			
2. Zone benefiting from the action	Ecuador, mainly in the Northern border with Colombia Provinces of Esmeraldas, Carchi, Imbabura, Sucumbios			
3. Programming document	Multiannual Indicative Programme 2017-2020 – ECUADOR			
4. Sustainable Development Goals (SDGs)	SDG 1: End of Poverty SDG 4: Ensure inclusive and equitable quality education SDG 5: Gender equality SDG 6: Clean Water and Sanitation SDG 8: Decent work and economic growth SDG 10: Reducing inequality SDG 12: responsible consumption and production SDG 16: Peace, justice and strong institutions			
5. Sector of concentration	Support to sustainable and inclusive growth	DEV. Aid: YES		
6. Amounts concerned	Total estimated cost: EUR 22 900 000 Total amount of EU budget contribution EUR 18 900 000 This action is co-financed in parallel by: - The German Federal Ministry for Economic Cooperation and Development for an amount of EUR 3 000 000 - The Government of Spain for an amount of EUR 1 000 000			
7. Aid modality(ies) and implementation modality(ies)	Project Modality 1. Indirect management: Contribution Agreement with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) 2. Indirect management: Contribution Agreement with Agencia Española Cooperación Internacional para el Desarrollo (AECID) 3. Direct management: contract services			
8. DAC code(s)	16010 Social/welfare services (40%) 15112 Decentralisation and support to subnational Government (30%) 31120 Agriculture development (30%)			
9. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
	Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and Women’s and Girl’s Empowerment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New	X	<input type="checkbox"/>	<input type="checkbox"/>

	born and child health			
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>
10. Global Public Goods and Challenges (GPGC) thematic flagship	N/A			

SUMMARY

The Northern Border of Ecuador has historically been neglected from the point of view of institutional presence, social and economic development. The implementation of the Colombian Peace Agreement (2017) has indirectly increased tensions and repercussions at both sides of the border, due to the reorganization of organized crime. As a consequence, insecurity has risen in the past two years whilst the governmental responses have been, so far, mainly of military nature.

The local population in the border area has been particularly affected by these new conflict dynamics, finding themselves caught between illegal groups and the insecure environment, the lack of institutional presence, apart from the army (on both sides of the border) and the lack of licit economic and employment opportunities.

In addition, 2018 has seen a dramatic increase in arrivals of Venezuelans through the two main border crossings in Rumichaca (Carchi) and San Miguel (Sucumbios) on the Northern border, of up to 4,000 per day. While the majority are in transit further southwards, a significant number remain in Ecuador, including in the border area, in destitute conditions.

All these dynamics occur amidst critical social indicators in the area: the access to health and education services of children and adolescents is below the national average.

A need for massive investments and increasing institutional presence in the region have been recognised by the Ecuadorian Government and a new law was issued for border development, concrete results have yet to materialize. A call to the international community to support the governmental response to security, social and economic challenges has been repeatedly expressed by the Government, including to the EU and the United Nations.

Therefore in close coordination with the Ministry of Foreign Affairs and national ministries involved in the Northern border Development Plan, as well as with international assistance partners present in the area, the action will work with the four northern regions (the zone of 40 km from the Colombian border) to empower local authorities capacity to improve access to quality public services and rights access for the person in situation of vulnerability and to impulse rural and local development with a special focus on youth and women.

1 CONTEXT ANALYSIS

1.1 Context Description

The Ecuadorian-Colombian border, over 700 km long, comprises four provinces: Esmeraldas, Carchi, Imbabura and Sucumbios. The area is characterised for having topographically difficult terrain, deficient road access and extremely dense vegetation (in part, primary forest). There are two official border crossings (Rumichaca in Carchi and Rio San Miguel in Sucumbios) and countless illegal crossing points. Approximately 1.4 million persons inhabit Ecuador's northern border, around 9% of the national population, most identified as Mestizo (60.91%), followed by Afro-descendants (16.56%), indigenous peoples and nationalities (11.54%), Caucasian (5.18%) and Montubio (1.28%), according to the Binational Border Integration Plan 2014-2022.

The border is home to a wide diversity as regards territory, biology, culture, people and nationalities, organisation and economy. Its particular nature has given it competitive advantages and territorial potential. However, the effects of an inequitable distribution and access to the means of production, in addition to the historical neglect it has suffered at the hands of the State, are reflected in the high levels of inequity, poverty and territorial disarray. To understand the particular nature of the Ecuador's border area with Colombia (*northern border*) where political and social events on one side of the political division impact the other country, the following factors are very relevant:

- The historical inattention and incomprehension of the dynamic in Ecuadorian-Colombian border by national governments from both countries, with a greater emphasis on Colombia;
- The existence of illegal economies on both sides;
- The impact in both countries of the armed conflict and post-peace agreement in Colombia; and
- The implications in terms of human mobility for the cross-border reality.

All the analyses of the border situation have arrived at the conclusion that the indicators for poverty, education of children and teenagers, school dropout, malnutrition, mother-infant mortality, teenage pregnancy, gender-based violence, incest, housing situation, access to basic services and sources of income generation and employment, and unsatisfied basic needs, display relevant inequality often below national average. By way of example, in the northern border the incidence of poverty by income is 39.6% (national average, 27.21%). Similarly, the index of unsatisfied basic needs is at 69%, almost 9% higher than the national average, rising to 85% in the rural areas, according to the Binational Border Integration Plan 2014-2022.

Sucumbios and Esmeraldas are the provinces with the highest index of unsatisfied basic needs of the border area, at 59% and 54.8% respectively with the four border provinces at 42.1%, according to the 2014-2017 Agenda Zonal Zona 1 of the National Secretariat for Planning and Development (SENPLADES). These rates are higher for the Afro-descendant communities (76.2%) and for the indigenous peoples (87.9%). The prevalence of chronic malnutrition in children under two years in these provinces averages 28.1%. The fact that the percentage of homes connected to a public water network is only 23.3% in the rural area of the border area is also striking.

Meanwhile, the prospects for protection of social, political, economic, environmental and cultural rights are far more limited than those in the national average. This is even truer for the population in a vulnerable situation, the target groups of this proposal: women, children and teenagers, refugees and migrants, indigenous peoples, Afro-descendant communities and persons with disabilities.

Despite advances as regards the presence of the State in the area over the last 10 years, access to public services along the border zone is still limited and when available, the quality of those services is seriously lacking. For example, there are no incentives for teachers working in border educational centres. This is explained by the central government's lack of interest in the border, as well as by the limited planning capacities and deficient management by local governments, the limited participation of the civil society, and the fact that local stakeholders mistrust the national authorities.

The border area is also home to a considerable number of Colombian and Venezuelan citizens. Around half of both the 61 thousand Colombian refugees registered in Ecuador and 70 thousand asylum seekers live there, coupled with the increasing presence of Venezuelan citizens: over 340 thousand persons from Venezuela have entered the country between January and May 2018, according to Ecuador's Office for Migratory Management. The area has also been the setting of other human mobility phenomena, such as a route north for Cuban, Haitian or extra-continental citizens. This complex situation generates social decomposition, fragmentation and mistrust, and further strains the already conflicting relations between Ecuadorian residents and foreign migrants. The Action will act

in accordance with the Concluding observations (2017) CMW/C/ECU/CO/3 of the Committee on Migrant Workers.

A large part of the border area in southern Colombia had previously been controlled by the guerrilla of the Revolutionary Armed Forces of Colombia (FARC). Their disarmament - a result of the peace treaties signed in 2017 - left a power void in its wake, largely owing to the absence of the Colombian State in the area. Various irregular groups, breakaways from the FARC, as well as the National Liberation Army (ELN) guerrilla and different paramilitary groups (some of which are capable of contesting the State for control of the territory and also have ties with the regional and international structures of organised crime) vie for control of the territory to secure dominance over the growth, processing, shipping routes and business of the illegal economies in the area. The department of Nariño and Putumayo in Colombia concentrate over 50% of Colombia's coca plantations; and this figure is on the rise. Of the 800 tonnes of cocaine production in Colombia, 400 tonnes are estimated to pass through Ecuador, according to a recent study of Fernando Carrión ("La frontera colombo-ecuatoriana en el postconflicto", 2016). Along with this illegal business unlawful practices such as extortion, bribery, money laundering, contract killings and corruption involve Ecuadorian public and private officials.

Violence in Ecuador's northern border has escalated drastically in recent months as a result of this situation. A number of criminal acts have been committed at various points of the northern border, including a car bombing for the first time ever, the kidnapping and subsequent murder of three journalists, the murder of four Ecuadorian servicemen and the kidnapping of other civilians. Today, there is a prevailing atmosphere of extreme insecurity and instability throughout Ecuador's northern border.

The strengths and potential of the border area are also worth noting. The policies and express willingness of national and local authorities to promote a comprehensive development, which include a specific policy to assist and integrate persons in a situation of human mobility and to strengthen the peaceful co-existence and foster peace, is essential. Other comprehensive development potential of the area lies in its natural wealth (hydrographic basins, biodiversity, ecological reserves, soil condition and hydrocarbon production; 46% of the soil in this area protected by the National System of Protected Areas or SNAP) and the cultural diversity, as indigenous peoples and nationalities, and Afro-descendant communities make up a large part of the national wealth, with enormous cultural wealth, millenary know-how and worldviews of their own. The local population has undertaken relevant integration efforts for persons in situations of human mobility, thus demonstrating a strong capacity for solidarity.

This area also possesses a positive social dynamic reflected in the capacity for organisation of and the consolidated structures of local governance evinced, among other things, in the northern association of provincial governments and their association with their Colombian counterpart.

1.2 Policy Framework (Global, EU)

The EU and its Member States will support the Government of Ecuador in fulfilling their responsibility to strengthen their national policies and governance for the sustainable provision of essential services and fulfilment of human rights. In line with the European Consensus on Development and the principle of leaving no-one behind, this proposal will give special attention to those who are in disadvantaged, vulnerable and marginalised situations, including women children, older persons, persons with disabilities, lesbian, gay, bisexual, transgender and intersex people (LGBTI) and indigenous peoples. This will include measures to better target, protect and support them so as to offer them the same opportunities and ensure non-discrimination. This proposal will also promote young people's rights, facilitate their engagement in social, civic and economic life, and ensure their full contribution to inclusive growth and sustainable development. The proposal will work to eliminate all forms of sexual and gender-based violence and discrimination in line with the EU Gender Action Plan II. GAP II targets will also contribute in the identification of more specific indicators of this proposal during the inception phase.

The proposal is also in line with the current EU-Ecuador cooperation priorities, in particular the first one: *Supporting sustainable and inclusive growth at the local level*. The Ecuadorian authorities have publically asked for international cooperation support to the northern border regions. This appeal has gained further momentum in the context of the increasing violence in the region, and the resulting

social frustration and tension on one hand, and on the other, the major effort by national authorities to design specific multi-sectoral development programmes in this area.

1.3 Public Policy Analysis of the partner country/region

The northern border, despite suffering from historical neglect, has been on the receiving end of public policy by various Ecuadorian administrations for decades. In this context, the creation of the Northern Border Development Unit (UDENOR) in 2001 and the operation of Plan Ecuador from 2007 (up until 2013) should be noted. During this time, international cooperation invested considerably in the northern border, notably in projects on infrastructure, agricultural development, local economic development, strengthening of the Decentralised Autonomous Governments (GADs) and the decentralised management of natural resources, among others. However, the impact of these initiatives has, among other things, been limited as a result of their disassociation from public policy in the border area and the lack of participation of local governments and the population in the definition and execution of these plans.

As the Ecuadorian State strengthened its planning system, the National Office for Planning and Development (SENPLADES) undertook the design of plans for the development of the northern border. The 2013-2017 Agenda for planning area 1 - comprising the 4 provinces of the northern border - envisions “a poverty-free and articulate territory, coordinated with the territorial actors” by 2030. At the same time, in 2014, the governments of both Ecuador and Colombia approved the Binational Border Integration Plan (2014-2022) with USD 4 million in initial funding, to be executed by the Inter-American Development Bank (IDB), with which the first projects will be carried out in 2018. Likewise, the National Development Plan “Toda una Vida” 2017-2021 states that the signing of peace treaties in Colombia ratifies “Ecuador’s commitment to work on the inherent link between peace and development” and calls for “...collaborative binational work to address the scenarios and possibilities of its effects within the border area.”

On its part, the Presidency of the Republic formalised the defence security and development policy of the northern border by means of Decree 437 (June, 2018). The National Agenda for Human Movement, presented by the Ecuadorian Ministry of Foreign Affairs in June 2018, likewise proposes that specific policies will be implemented, such as those that strengthen the protection of rights of the population in a situation of human mobility, stand for diversity, integration and coexistence of those persons in a situation of human mobility, in accordance with the Organic Law on Human Movement (LOMH). This law sets forth the functions of the municipal and provincial GADs - to be undertaken co-responsibly with the national State - as regards the coexistence and integration of persons in a situation of human mobility. Other sectoral policies, such as those by the Ministry of Production or the Ministry of Economic and Social Inclusion, are in the process of being drafted.

In August 2018, the National Comité Nacional de Seguridad Integral Fronteriza - CONASIF approved the Plan Estratégico de Seguridad Integral Fronteriza, prepared by la Secretaría Nacional de Planificación y Desarrollo - Senplades, el Ministerio de Defensa Nacional, y el Ministerio del Interior, which includes gender-specific actions that basically refer to violence prevention, promotion of sexual and reproductive health, prevention and eradication of human trafficking and prevention of drug use. These actions were built within the framework of the Plan Nacional de Desarrollo Toda Una Vida 2017 - 2021, Objectives 1 and 2; and the Agenda Nacional para la Igualdad de las Mujeres y personas GLBTI 2018 - 2021, which makes it possible to mainstream the gender perspective in public policies, both at the decentralized level and in all central government institutions. This Agenda contains three components: autonomy and culture of peace (prevention of violence against women, education, sexual and reproductive rights and sports); sustainability of life (production, employment, environment); and leadership (women's political participation). The activities established in the Plan Estratégico de Frontera Norte are aligned with the first component of the Agenda.

1.4 Stakeholder analysis

Among duty-bearers, the following entities are the main counterparts for this initiative:

The **National Secretariat for Planning and Development (SENPLADES)** is the governmental institution in charge of preparing and monitoring the National Development Plan, as well as any complementary plans, by seeking the inter-institutional and inter-sectoral coordination of the development measures of the public sector. It has a delegation in the northern border.

The **Ministry of Foreign Affairs and Human Movement (MREMH)** is in charge of fostering constructive and peaceful neighbourly relations. It has a Human Movement Division that is the

governing body of sectoral policy. To manage and coordinate international cooperation, the MREMH also created a specific under-secretariat. Additionally, various *sectoral ministries* promote economic activation, and local and social development plans within the border area.

Provincial, municipal and parish **Autonomous Decentralised Governments (GADs)** have political and administrative autonomy, and they are assigned powers and functions by virtue of the Organic Code on Territorial Organisation, Autonomy and Decentralisation (COOTAD). The *Organic Law on Human Movement (LOMH)* assigns specific authority to the municipal and provincial GADs to create regulations for social, economic, productive and labour integration, and respect the human rights of persons in a situation of human mobility, in coordination with the public and private institutions, as well as the inclusion of these policies in their planning. According to article 598 of COOTAD (Codigo Organico de Organizacion Territorial), it is up to the municipal GADs to organize the Cantonal Councils for the Protection of Rights to formulate, mainstream, observe, monitor and evaluate municipal public policies for the protection of rights, articulated to the public policies of the National Councils for Equality. Within the framework of this competence, the Municipal GADs have an important role in collecting and sharing information about possible risks and violations of rights, in coordination with other levels of local governments (especially parish governments) and with national authorities. In these Cantonal Councils, the Ombudsman's Office plays an important role in monitoring the guarantee of rights.

The Mancomunidad del Norte del Ecuador (MNE): The MNE is a legal entity and is comprised of the Provincial Governments of Esmeraldas, Sucumbios, Carchi and Imbabura in order to manage investment for the development of the northern border, and territorial and binational integrations. The MNE does not include municipalities of the northern border of Ecuador. The MNE was legally created and published in the Registro Oficial del Ecuador on May 5, 2011, and it can carry out political spokespersonship in a legitimate and legal manner. The MNE does not have the strengths to technically support the prefectures or any specific capacity building program but occasionally gets training programs from other entities to be channeled to Prefectures's officials. The MNE does not have capacity to play the role of information facilitators. However, with the right capacity building and equipment it could fulfill this role in the medium-term. The MNE and the departments of Nariño and Putumayo in Colombia constitute a Brotherhood, which is recognised by the Ministries of Foreign affairs of both countries.

Office of the Ombudsman (DPE): the National Institution for Human Rights that promotes and safeguards the rights of persons, communities, peoples, nationalities and collectives living in the country, and of Ecuadorians living abroad, as well as the Rights of Nature by virtue of 3 competencies that encompass all the faculties provided by the Constitution: the protection and guardianship of Human Rights and those of Nature, the promotion of Human Rights, and the promotion of transparency and access to public information. The Ombudsman's Office has tools that allow it to measure risk factors indicated in the written scenario. It is capable of implementing these tools quickly and efficiently while at the same time promoting bi-national and local competencies for the strengthening of capacities for continuous monitoring of the situation in the transboundary zone. To this end, the Ecuador Ombudsman's Office coordinates this activity with the Colombian Ombudsman's Office, with which it already has a cooperation agreement. The DPE has the added value of maintaining a permanent dialogue with the higher instances of public management of the National State, so that knowledge management and monitoring of the situation of the population in the transboundary zone becomes visible and sensitive for decision-makers.

Cantonal councils for the protection of rights: a competency of the GADs under the COOTAD is the creation and operation of systems for the comprehensive protection of their inhabitants that ensure the exercise and enforceability of constitutional rights. This includes the forming of cantonal councils, cantonal boards and networks for the protection of the rights of priority groups, in coordination with the parish and provincial GADs.

Civil Society: there are various civil society organisations on the northern border that work in different fields: support rights-holders in a situation of human mobility (with a focus on the host community); support victims of gender-based violence and violence against children and teenagers; formal and non-formal education; attendance to the specific needs of youths; popular and solidarity economies; accompaniment of indigenous peoples and nationalities, and Afro-descendant

communities; promotion of human rights; and the defence and promotion of environmental rights, among others.

1.5 Problem analysis/ priority areas for support

The reality in the northern border region is characterized by four dimensions: 1. Neglection and misunderstanding of the cross-border area by the State, 2. Effects of the armed conflict in the border zone, 3. Human Mobility, refuge and forced migration, and 4. Illegal economy. The implementation process of the peace agreements in the southern part of Colombia and the readjustment of illegal armed groups in this zone, have also direct effects on the Ecuadorian part of the cross-border zone. A need for massive investments and increasing institutional presence in the region has been recognised by the Ecuadorian Government and a new law was issued for border development. Nevertheless, concrete results have yet to materialize. A call to the international community to support the governmental response to security, social and economic challenges has been repeatedly expressed by the Government, including to the EU and the UN. In close coordination with the Ministry of Foreign Affairs and national ministries responsible for the Northern border development, the following key challenges have been identified:

1. There is no a common vision of the border development (beyond that in terms of national security and external threats). The policies and regulations for the northern border are crafted from an incomplete view of the region, either from a security or situational standpoint. There is a lack of monitoring systems of the risk factors specific to the area, which affect the peaceful coexistence and guarantee of the rights of persons in a situation of vulnerability. These factors are as follows:
 - a. The presence of illegal armed groups;
 - b. Unlawful activities, such as illegal mining;
 - c. Migrant and human trafficking; and
 - d. Activities associated with illegal drug trade (IDT).Appropriate, comprehensive and preventive solutions cannot be achieved without an adequate understanding and shared interpretation of the complex and changing reality of the border area. There is no current information about these issues.
2. A weak presence of the State coupled with weak vertical (different levels of the State) and horizontal (between public entities) coordination among institutions. Added to that is the precarious participation of local stakeholders in relevant processes, such as the devising of the Binational Border Integration Plan or the Law on Border Development. Notwithstanding existing exceptions, the coordination for the implementation of national public policies in the territory has serious shortcomings and the capacity for the planning of local policies and their application, particularly those favouring the target population of this programme, is limited.
3. Incipieny of the local systems for protection of rights. The rights and services for the population in a situation of vulnerability are absent from both policy and budgets, with insufficient personnel and resources, despite the fact that they represent an important mechanism for the population in a situation of vulnerability. The civil society, in spite of the major initiatives in the northern border, it has real difficulty to exercise and demand its rights, and occupy its role as an agent for change.
4. Weak local and regional development. In a context marked by violence - both gender-based and structural violence - illicit economies, illegal groups and disrespect for rights result in vulnerability and risks for persons and the community. The conditions for a harmonious and sustainable economic and social development that seizes the opportunities in and potential of the border area are inadequate. As evidenced by the statistics presented for the GAD of the northern border, they have weaknesses in the generation of their own income, which is produced, among other causes, by the economic situation of the area and the capacity of management of the GAD. This is evidenced by transfers from the central government, which on average constitute the 75% of the GAD's total income during the period 2000 – 2014 (Banco del Estado de Ecuador, 2014).
5. Lack of access to decent work and limited technical educational offering. The economic and commercial potential of the border territories are not leveraged and there are few value chain-related initiatives. Extractivist activities affect agro ecological production. Serious obstacles hinder local producers' access to local, national and binational markets, and financial services do not cover the needs of local economic stakeholders. In light of the challenges posed by the alleged appeal of illicit economies, there are few opportunities - under decent conditions and associated with licit and productive territorial activities - for personal and economic development, and income and sustainable livelihood creation.

This action will contribute to address these challenges working in the four northern regions to empower local authorities' capacity to improve access to quality public services and rights access for the person in situation of vulnerability and to impulse rural and local development with a special focus on youth and women.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
The security situation within the border area escalates	h	Include this variable in the early warning system
National security policy limits the exercise of rights in the area and prevents development actions	m	Include dialogue with the military and police in activities
The political situation in Colombia and Venezuela leads to a drastic increase of persons in a situation of human mobility within the border area	m	Include contingency plans in programme actions
The growing number of Venezuelans present increases the levels of discrimination and xenophobia	m	Stress the measures to fight xenophobia included in the programme
The increasing flow of persons in a situation of human mobility surpasses the financial possibilities of the programme	m	Form alliances with other stakeholders
The economic crisis on the border deepens as a result of insecurity and other factors	m	Link the project with the Binational Border Integration Plan, the Department Territorial Structuring Plans (POTD) of the GADs
Illegal economic activities in the area increase and the recruitment of youths for illegal activities jeopardises the income creation activities of the project	m	Implement activities for communication and strengthening of the social cohesion to avoid potential conflict. The project focuses specifically on youths.
Conflicts arise between civil society and the State as a result of the application of restrictive policies	m	Strengthen the social fabric and participation mechanisms
Host communities in the area react negatively in response to the presence of foreign nationals	m	Include the host communities in the preparation and application of all actions
Binational Relations between Ecuador and Colombia worsen with the new Colombian government	l	Include binational actions in the project
Risk potentially increases for binational peoples and nationalities as a result of changes in the policies for application of the Peace Treaty	m	Include early warning measures and action protocols as a part of the programme
Assumptions		
The national security strategy of the Ecuadorian State does not prevent the application of a peace and development agenda in the border area and the National Plan for Human.		
The GADs have enough resources to carry out their assignments along project axes.		
The mechanisms for coordination of public entities work.		
The growing presence of foreign nationals does not escalate conflict within the host communities.		
The Ecuadorian State creates the necessary conditions (infrastructure, justice, legal regulations, and incentives, among others) for the programme to make a difference.		

3 LESSONS LEARNT, COMPLEMENTARITY

3.1 Lessons learnt

Previous EU projects have supported the border area with Colombia through different instruments such as: cooperation instrument to support social cohesion and interculturality between Ecuador and Colombia with a focus on youths; and humanitarian aid instrument, which is still active in the area, to support both Colombian and Venezuelan refugees in Ecuador, as well as border host communities by providing emergency aid and protection. There are currently two productivity-related projects. One project, in the context of the INNOVACT programme, promotes cooperation between both neighbouring countries, strengthening the value chains and tourism in the area by means of technological innovation. This project is implemented by TECNALIA and will end in 2018. On the other hand, there is a project promoting “Rural Organisations and the Mechanisms for Associative Production and Commercialisation: A Comprehensive Development Model for the Ecuadorian Agricultural Sector.” This project is implemented by CEFA in the Ecuadorian border provinces. Both projects are a response to the territorial need to foster agricultural production as well as its diversification, strengthening the capacities and corporatism of medium-small associations towards commercialisation within the border area and the Ecuadorian territory itself. The joint view of the binational populations must be the starting point for work in those areas to be undertaken and the carrying out of any agricultural-commercial activities which promote social cohesion and peaceful coexistence.

3.2 Complementarity, synergy and donor coordination

The programme will include the complementarity and synergy with other EU initiatives in its planning such as:

- Eurofront: The overall objective of this EU's regional programme is to increase the effectiveness and efficiency of border management in Latin America, including Ecuador, by introducing advanced elements of Integrated Border Management (IBM), also providing support to the fight against human trafficking and smuggling of migrants, thus contributing to security, social and economic development at national and regional levels.
- Instrument contributing to Stability and Peace (IcSP): An emergency action for northern border is in discussion with the aim of contributing to the protection of human rights of the population in this region through the development of an integrated early-warning and response system to inform public policy priorities and to ensure a rapid response to most urgent needs.
- EU's regional Program Adelante: in the framework of triangular Cooperation through the Dialogas action, aiming at strengthening the cooperation of 8 LAC countries on the development of transverse and socio-emotional youth competences to improve the quality of technical education and access to labour market.
- The European Delegation to Colombia has been involved since the beginning of the identification of this action. The EU Delegation has provided support and contact with Colombian authorities and implementing partners. Strict collaboration is maintained for the coordination with the EU Trust Fund projects that have impact on both sides of the border.
- Annual Action Programme 2018 for the Migration and Asylum component of the DCI-Global Public Goods and Challenges (GDPC) thematic programme. The aim of this action will be fostering cities of solidarity for migration and displacement from Venezuela. This action is still in discussion and it should be approved in the next few months.
- The action will seek synergies and coordination with the above-mentioned EU funded initiatives on humanitarian aid (assistance in response to the consequences of the Colombian conflict, in response to the impact created by the influx of Venezuelan migrants and refugees as well as in the field of disaster risk reduction/disaster preparedness).
- Also to those in support to production sector through budget support funding. It shall be complementary with actions implemented in the border area by EU member states, the Agencia Española Cooperación Internacional para el Desarrollo (AECID) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), as well as by other donors. Additionally, it commits to actively support the efforts of the Ecuadorian Ministry of Foreign Affairs in the coordination of actions in the border area and, where possible, at the binational level.

Synergies and coordination with other stakeholders will also be pursued. The UN system has extensive work experience in the northern border, particularly the UN Refugee Agency (UNHCR), the International Organization for Migration (IOM), UNICEF, the United Nations Population Fund (UNFPA), World Food Programme (WFP), UN Women and the United Nations Development Programme (UNDP). There are also various civil society organisations with a historical presence in the border area.

Actions implemented by other donors:

- Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) has extensive experience in issues concerning border development and human mobility, with projects on rights protection, strengthening of public safety, conservation and sustainable use of biodiversity, sustainable production and value chain. Its presence has been especially focused on the 40-km border zone in the provinces of Esmeraldas, Carchi and Sucumbíos since 2010.
- The Spanish Agency for International Development Cooperation (AECID) has extensive experience in the operation of programmes for the protection of the rights of populations affected by the armed conflict in Colombia and Ecuador. It also has a long history and longstanding experience promoting production and value chains in that area, with technical assistance and access to financial services, in water and sanitation, particularly in small rural communities.
- UN agencies are currently carrying out various activities, financed by the ECHO and by other donors, focused on providing humanitarian aid to Colombian refugees and Venezuelan migrants, support as regards food security, and protection for the rights of children and women. In the coming months, a programme for the support of livelihoods and to combat the recruitment of youths by armed groups is to be implemented.
- The Inter-American Development Bank (IDB) administers the Binational Ecuador-Colombia Fund intended to finance the carrying out of projects in line with the axes established in the Binational Border Integration Plan, consistent with infrastructure, social development, environment, culture, and economic and productive development sectors. The fund is worth USD 20 million. The first USD 4 million for implementing 13 projects were approved in July 2018.
- The United States has financed a programme for humanitarian aid, psychosocial support and integration projects for persons in need of protection, support for refugees and the host communities until 2016. Lately US pledged new funding for 2019.

4 DESCRIPTION OF THE ACTION

4.1 Overall objective, specific objective(s), expected outputs and indicative activities

The **Overall objective** is to *contribute to the comprehensive development of the northern border as a territory of peace and development.*

The proposal shall be organised around three major action axes: the creation of an early alert system that permits the risk of social and environmental conflicts on the northern border to be monitored, and the issue of alerts that elicit coordinated responses from the competent institutions; the strengthening of the system for social protection and provision of basic services; and the implementation of initiatives fostering local economic development.

Specific Objective 1: *Enhanced risk analysis, monitoring and response to risks of infringement of human rights in the northern border.*

In order to effectively respond to alerts and to guide decision-making at the political and strategic level, government, local authorities and civil society actors need to use updated information and to be able to monitor any change in risk factors such as presence of illegal armed groups, illicit economic activities, illegal trafficking and smuggling of persons, illegal drug trafficking, violation of vulnerable people rights and their protection mechanisms.

Output 1: DPE counts on a new and effective risk-based monitoring mechanism and an early warning system for human rights violation in the northern border.

Output 2: Enhanced capacity in duty bearers to implement inter-institutional coordination mechanisms, social innovation strategies and sound information management to adequately diagnose the local reality, to carry out relevant and coordinated actions, and to monitor development in the northern border.

Specific Objective 2: *Enhanced provision of quality services for population living in a situation of vulnerability*

Output 3: Strengthen local system for rights protection through the GADs and local relevant stakeholders.

Output 4: Enhanced capacity of GADs to incorporate rights of the population in a situation of vulnerability in public policy-making and local planning.

Output 5: Youths empowered to develop a culture of peace within the territory.

Output 6: Improved drinking water and basic sanitation infrastructure in rural areas affected by border risk factors.

Specific Objective 3: *Ensured equitable access to sustainable livelihoods for population living in a situation of vulnerability.*

Output 7: Increased local capacity for agroecological production, food safety and commercialization.

Output 8: Improved mechanisms for labour inclusion of youths.

Output 9: Promoted strategic value chains with environmental and sustainable criteria.

Output 10: Strengthened financial services in the northern border.

Output 11: Strengthened mechanisms for cross-border economic cooperation.

Main activities

SO1: Improve Ecuador's institutional capacity to monitor, analyse and respond to risks that jeopardise rights in the northern border.

- A.1.1 Support for the implementation of the system for monitoring and early warning of Ecuador's Office of the Ombudsman: conceptual definition, instruments, capacities and resources needed.

SO2: Strengthen the capacities within the territory for the protection of rights and provision of quality services for the population in a situation of vulnerability, with particular focus on women and girls, promoting civil society participation, emphasizing and taking advantage of local potentialities and promoting peaceful coexistence.

- A.2.1 Preparation and implementation of a plan to strengthen the mechanisms for inter-institutional coordination and information management within the territory.
- A.2.2 Design and implementation of proposals for social innovation in cross-border development formulated with key actors: development of new ideas to satisfy social demands.
- A.2.3 Implementation of horizontal cooperation mechanisms to exchange information and experiences within northern border provinces and municipalities and also with their Colombian peers.
- A.3.1 Strengthening of the model of the local system management for the protection of rights.
- A.3.2 Strengthen civil society organisations for citizen participation and enforceability of rights.
- A.3.3 Design and dissemination of information and communication campaigns on rights and the fight against gender-based violence, violence towards children and teenagers, discrimination and xenophobia.
- A.4.1 Technical assistance for the inclusion of the rights of persons in a situation of vulnerability in planning, public policies, local budgets and of its implementation.
- A.4.2 Support to civil society organisations for the development and application of mechanisms for the follow-up and monitoring of planning, budgets and local public policies.
- A.4.3 Development and implementation of communicational strategies that position a new image of the northern border.

- A.4.4 Support to interinstitutional and intergovernmental coordination mechanisms to territorialisation of public policies on rights.
- A.4.5 Training for security forces, GAD officials, members of municipal councils, among others, on protection of rights holders.
- A.5.1 Development and implementation of local youth agendas.
- A.5.2 Support for the initiatives of young architects of peace: education, training, infrastructure, income.
- A.5.3 Fostering of communication and cultural production by youths, with a cross-border focus.
- A.5.4 Promotion of social, sporting and cultural events that foster a peaceful coexistence.
- A.6.1 Designing and construction of drinking water and basic sanitation infrastructure.
- A.6.2 Coordination of intervention with the “Agua para Todos” strategy implemented by the national government.
- A.6.3 Strengthening of stakeholders for the administration and maintenance of the water and sanitation service: Boards of Administration of Drinking Water and Sanitation (JAAPS), municipalities and communities.

SO3: Increase opportunities for local development and foster equitable access to sustainable livelihood for the population in a situation of vulnerability

- A.7.1 Implementation of good agro ecological production practices starting with the salvaging of seeds and indigenous know-how.
- A.7.2 Promotion of local fairs for the commercialisation of agro ecological production.
- A.8.1 Strengthening for the linkage of the technical, technological and occupational education offer with the labour market and with the career advancement of educational centres.
- A.8.2 Strengthening of processes of vocational counselling.
- A.8.3 Set-up and operation of a workshop school to promote the employment of youths and women.
- A.8.4 Strengthening of human talent in the northern border technical professional education system.
- A.8.5 Synergy with other actions aiming to improve the education system – national education subsystem for young and adults.
- A.8.6 Development of an incubator for medium and small-sized enterprises (MYPIMES).
- A.9.1 Training, technical assistance and the exchange of experiences of producer organisations and associative enterprises linked to value chains as regards organisational strengthening, improvement of productivity, transformation and commercialisation.
- A.9.2 Research + Development + Innovation linked to traditional and non-traditional value chains.
- A.9.3 Creating synergy between social and solidarity economy organisations as regards processes for strengthening of value chains.
- A.9.4 Strengthening of the capacities of indigenous peoples and nationalities, and Afro-descendants for sustainable management and natural resource preservation by means of value chains.
- A.10.1 Identification and improvement of financial services required by value chains.
- A.10.2 Technical assistance to local financial services providers.
- A.10.3 Strengthening of the capacities of the producer organisations to access financial services.
- A.11.1 Research on cross-border value chains and commercial flows.
- A.11.2 Binational encounters for cross-border economic and commercial cooperation and binational commercial fairs.
- A.11.3 Internships and exchange of successful experiences between producer organisations and associative enterprises, and their Colombian peers.

Programme management: The implementing agencies will develop a model of management throughout the programme’s life cycle to ensure sustainability, including the following activities:

- A.12.1 Definition and agreement upon the model for program management.
- A.12.2 Planning, coordination, follow-up and evaluation of the programme.
- A.12.3 Drafting of a sustainability plan for the programme.
- A.12.4 Drafting and carrying out of a plan for donor visibility plan for the programme.

4.2 Intervention logic

The intervention logic stems from a series of problems, described in chapter 1.1.3, which affect the comprehensive development of the northern border and on which the program expects to have an impact, supporting the Government to accomplish the National Development Plan "Toda Una Vida" 2017 - 2021, Objectives 1 and 2, and the "Plan Estratégico de Seguridad Integral Fronteriza", approved by the National Comité Nacional de Seguridad Integral Fronteriza – CONASIF, and the National Plan for Human Mobility.

The logic behind the intervention is to support the key actors in the border region (national government, decentralized autonomous governments, Ombudsman's Office and civil actors) for creating the conditions for comprehensive and inclusive development and for guaranteeing the full exercise of rights by the vulnerable population.

The expected changes through this action are: improvement of the operational capacity of the competent authorities to detect, analyse and prevent infringement of rights and generate responses in the face of such events, strengthening of local rights protection system that ensures its full exercise of rights, increasing opportunities for local development and access to sustainable livelihoods.

The proposed intervention is an integrated approach to maximize impact and synergies of national and local entities. Given the local system's limitations, citizen's engagement will be key to transform the territory in an area of peace and development. The implementation at the local level guarantees that the benefits of the programme outcomes go to the populations subject to greater marginalization, exclusion and discrimination. The local rights protection system is strengthened, the rights of vulnerable populations are included in local planning, and actions are taken against gender violence and children, discrimination and xenophobia. Information and awareness-raising campaigns are intended to contribute to peaceful coexistence in the area. Special emphasis is placed on the inclusion of the rights of women, young people, girls and boys of the target population.

We are expecting the conditions of the target population have changed due to the inclusion of their rights in the plans, programmes and budgets of the GAD levels in the territory and the implementation of effective social oversight in this regard. It is also expected that the programme has contributed to greater access to economic, social and cultural rights for the target population.

4.3 Mainstreaming

The Programme strategy document establishes the following principles for the implementation of its different projects. Implementing agencies will provide assistance to ensure those crosscutting aspects are duly enforced and used for their own benefits.

Gender equality perspective is mainstreamed in the design and implementation of the action. Gender will be incorporated into all policies and activities at all levels and all stages, by the implementing partners and local actors involved in policymaking. Complementary with **differential approach** seeking to incorporate into the project aspects such as ethnicity, socio-economic situation, disability status and "border" particularities. This program will support gender issues through Specific Objective 2 and 3 (please also refer to annex III).

Decentralisation promotes the strengthening of subnational government capacity and seeks to integrate the border and local dimension of Northern provinces in the planning and budgeting of national government. Complementary with **territorial approach** seeking to promote local initiatives responding to the particular needs of the population. Likewise this approach requires that any type of territorial intervention be built based on consensus and participation. In the following months it is planned a TALD diagnostic which will contribute to the implementation of this proposal. The program will support GADs through the provision of technical assistance to help them fulfil their competences in the field of rights protection and provision of quality services through Specific Objective 2. It is necessary to strengthen the technical capacities of these governments and work with the GAD in compliance with the legal mandate to allocate 10% of their non-tax revenues to meet the needs of priority groups (Article 249 of the Organic Code of Territorial Organization and Autonomy and

Decentralization and Article 35 of the Constitution of Ecuador) as well as the implementation of the actions planned in this program to ensure that the rights of the target group are included in public policy, planning and budget.

Environmental and climate change actions: Action shall integrate a transverse "environment and climate change" axis to minimize the risks of environmental damage linked to its intervention, contribute to the protection and sustainable management of healthy ecosystems, and encourage the adoption of effective climate change mitigation and adaptation measures, in particular achieving the results related to specific objective 3.

Resilience, risk management, linking relief, rehabilitation, and development (LRRD): Considering the exposure to violence and the variety of hazards faced in conflict-affected areas, initiatives supported by the programme shall include an analysis of the risks and a mitigation plan and when relevant and feasible, foresee measures that may increase the capacities of benefited communities to prevent, face, and recover from potential events related to man-made hazards.

Social inclusion promotes the development of projects that involve the surrounding population, jointly and integrally, building a shared vision of local development, which promotes reconciliation, co-existence and the construction of the social cohesion, taking into account the differences in habits, culture and values.

4.4 Contribution to SDGs

Ecuador has made important progress in terms of reducing poverty and improving the health and education services in the past ten years. Nevertheless there are still challenges in terms of equality issues of gender, quality of social services, or the development of capacities at national and local level. This intervention is relevant for the implementation of the 2030 Agenda in Ecuador. It contributes primarily to the progressive achievement of SDG(s) 10: Reduced Inequalities (0.46% in 2016), while also promoting progress towards Goal(s) 1. End of Poverty (35.1% in 2017), 4. Quality education (96.29 in 2015), 5. Gender Equality (22% in 2017), 6. Clean Water and Sanitation (70.1% in 2017), 8. Decent Work and Economic Growth (65.91% in 2017), 12. Responsible Consumption and Production (15% in 2014) and 16. Peace, Justice and Strong Institutions (83% in 2015).

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 60 months (48 months for implementation and 12 months for closure) from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities

Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation¹.

5.3.1 Procurement (direct management)

Subject	Indicative type (works, supplies, services)	Indicative trimester of launch of the procedure
Studies, analyses, and other similar services	services	Q3 2019 up to Q4 2021

5.3.2. Indirect management with GIZ

A part of this action may be implemented in indirect management with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), This entails the implementation of objective 1 and results from 1 to 5 of objective 2 and some activities of objective 3. This implementation is justified because GIZ has extensive previous experience in:

- working with regional governments and local authorities in terms of improving decentralized planning and budgeting;
- livelihood, climate change adaptation and food security sector;
- consensus-building among multiple stakeholders from both side Colombia and Ecuador in the field of social cohesion and peace and economic development.

The entrusted entity would carry out the following tasks: general supervision, coordination and monitoring of activities, launching calls for tenders and for proposals; definition of eligibility, selection and award criteria; evaluation of tenders and proposals; award of grants, contracts and financial instruments; acting as contracting authority concluding, monitoring and managing contracts, carrying out payments, and recovering moneys due, reporting and evaluation and, if necessary auditing.

The Commission authorises that the costs incurred by the entrusted entity may be recognised as eligible as of the date of signature of the Financing Agreement.

5.3.3. Indirect management with AECID

A part of this action may be implemented in indirect management with Agencia Española de Cooperación Internacional para el Desarrollo (AECID), This implementation entails the implementation of results 6 to 11 of objectives 2 and 3 as described under paragraph 4.1 and 4.2. This implementation is justified because AECID has extensive previous experience in:

- Strengthening business development capacity of small producers;
- Strengthening the youth access to labour market through specific vocational training;
- Providing technical assistance on WASH sector to rural communities;

¹ https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf

- Supporting agriculture for value chain development and access to finance.

The entrusted entity would carry out the following tasks: general supervision, coordination and monitoring of activities, launching calls for tenders and for proposals; definition of eligibility, selection and award criteria; evaluation of tenders and proposals; award of grants, contracts and financial instruments; acting as contracting authority concluding, monitoring and managing contracts, carrying out payments, and recovering moneys due, reporting and evaluation and, if necessary auditing.

The Commission authorises that the costs incurred by the entrusted entity may be recognised as eligible as of the date of signature of the Financing Agreement.

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 Indicative budget

	EU contribution (amount in EUR)	Indicative Member State contribution (amount in EUR)
Indirect management (Contribution Agreement with GIZ)*	10 000 000	3 000 000
Indirect management (Contribution Agreement with AECID)*	8 000 000	1 000 000
Studies, analyses, and other similar services (direct management)	450 000	
Evaluation/Audit (direct management)	200 000	
Communication and visibility (direct management)	250 000	
Contingencies	N/A	
Total	18 900 000	4 000 000

* The indicative total amount of the contract for GIZ is EUR 10 000 000 and for AECID is EUR 8 000 000 including overheads.

5.6 Organisational set-up and responsibilities

The project will be led by AECID and GIZ which will appoint two project directors. Those will be assisted by deputy directors and/or technical coordinators. This core team will be in charge of the overall planning and implementation of the project, including all technical support missions to national authorities and the launch of the call for proposals in accordance with EU and its own policies and procedures.

A technical committee will be composed by EU delegation and the two coordinators of the Cooperation Agencies in order to discuss the implementation, and technical issues and to coordinate evaluation and monitoring of the programme.

The core team will be accompanied by a steering committee including EU Delegation and a dedicated person from the Ministry of Foreign Affairs (Cancilleria), the national Security Council and other Governmental entities. The exact composition will be established at the start of implementation.

The EU Delegation will be in charge of studies, evaluation/audit and communication and visibility (direct management).

5.7 Performance and Results monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports.

Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

As can be seen in the Logical Framework, there are indicators that do not have a value for the baseline, whose survey will be carried out during the inception phase. Through the monitoring and intermediate evaluations process, information will be collected regarding the progress made in achieving the indicators.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

The evaluation reports will be shared with the partner country and other interested key stakeholders. The executing partner and the Commission will analyze the conclusions and recommendations of the evaluations and, if appropriate and in agreement with the partner country, jointly decide on the follow-up measures to be adopted and the necessary adjustments, including, if necessary, the reorientation of the draft.

Having regard to the importance of the action, a mid-term and/ or final evaluation will be carried out, through independent consultants hired by the Commission. All review missions and evaluation will be based on gender and ethnic sensitive and rights-focused ToR with Rights Based Approach specialist in the team.

The mid-term evaluation will be carried out for learning purposes, in particular with respect to i) measuring the progress in the definition and implementation of social innovation and development strategies; ii) reorient activities and budget when necessary; iii) evaluate the most appropriate way to create awareness and synergy between provinces not included in the action.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision).

When an evaluation is planned and will be contracted by the Commission, the Commission will inform the implementing partners at least 3 months before the scheduled dates for the evaluation missions. The implementing partner will collaborate efficiently and effectively with the Evaluating Experts and, among other things, will provide all the necessary information and documentation, as well as access to the premises and activities of the project.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and contribution agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Impact (Overall Objective)	Contribute to the comprehensive development of the Ecuadorian northern border as a territory of peace	OO1: Inadequate employment rate OO2: Extreme poverty index for unsatisfied basic needs OO3: Security perception rate	58,20% (2017) 10,10% (2017) 59,50% (2017)	No target. No target. 60,20% (2021)	Plan Estratégico de Seguridad Integral Fronteriza, Gobierno de Ecuador 2018 – 2021 and its monitoring.	
Specific objective(s): Outcome(s)	OE1. Enhanced risk analysis, monitoring and response to risks of infringement of human rights in the northern border	1.1 Number of alerts issued by the DPE early alert system that allow risk recognition with a differential approach, within the framework of	1.1 0 alerts (2018)	1.1. TBD in inception phase (end of programme)	1.1.1 DPE Annual Report 1.1.2 Programme's reports.	Good coordination between institutions part of the Early Alert System (duty bearers)
		1.2 N° of new inter-institutional measures for prevention and response to early alerts developed within the Programme	1.2 0 Inter-institutional measures (2018)	1.2 TBD in inception phase (end of programme)	1.2.1 DPE and duty bearers' annual reports 1.2.2 EAS protocols	
		1.3 % of early alerts fully responded to in a timely manner, as per standards for Human Rights by the relevant entities duty bearers, within the framework of the Programme	1.2 0% Alerts fully responded (2018)	1.2 TBD in inception phase (end of programme)	1.2 Duty bearers' monitoring reports	Political will from duty bearers

	OE2. Enhanced provision of quality services for population living in a situation of vulnerability	2.1 % of population increase covered by the local system of HR protection (disaggregated by vulnerable groups: sex, ethnicity, persons with disabilities, persons in mobility, children and youth) as a	2.1 TBD in inception phase	2.1 TBD in inception phase (end of programme)	2.1.1 Duty bearers' reports on coverage 2.1.2 Programme reports	Political will and involvement of national and sub-national authorities.
		2.2 N° of public policies concerning the protection of HR implemented in the territory, fostered by the	2.2 TBD in inception phase	2.2 TBD in inception phase	2.2 Duty bearers' annual reports	
	OE3 Ensured equitable access to sustainable livelihoods for population living in a situation of vulnerability	3.1 % revenue increase in target beneficiaries (disaggregated by vulnerable groups: sex, ethnicity, persons with disabilities, persons in mobility, and youth) as a consequence of the Programme's	3.1 TBD in inception phase	3.1 At least 20% increase (end of programme)	3.1 Programme reports and external evaluation	Violence, insecurity and illicit activity increase in Northern Border does not affect economic and social stability.
		3.2 N° of self-employed youths or youths in an employment relationship under the ILO standards as a result of the programme (disaggregated by vulnerable groups: sex, ethnicity, youths with	3.2 0 Young men and women (2018)	3.2 TBD in inception phase (end of programme)	3.1 Programme reports and external evaluation	

Results chain: OUTPUTS	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
O1 DPE, GADs and other local stakeholders count on a new and effective risk-based monitoring mechanism and an early warning system for human rights violation in the northern border	1.N° of early alert provincial teams trained to implement the early alert system with the involvement of target groups (disaggregated by vulnerable groups: sex, ethnicity, persons with disabilities, persons in	1.0 Local teams (2018)	1. At least 3 provincial teams with 50% of women (end of	1.Programme Training records	Ecuador's Office of the Ombudsman (DPE) issues regulations for the implementation of the Early Alert System
O2. Enhanced capacity in duty bearers to implement inter-institutional coordination mechanisms, social innovation	2.1 N° of actions fostered by the programme to ensure rights of target population agreed upon and implemented in coordination	2.1 0 (2018)	2.1 TBD in inception phase (end of programme)	2.1 Programme reports	Public institutions and CSOs actively participate in setting up horizontal and

strategies and sound information management to adequately diagnose the local reality, to carry out relevant and coordinated actions, and to monitor	2.2 1 innovative strategy developed by the Programme, for sustainable cross-border development including the rights of target	2.2 0 innovative strategies (2018)	2.2 1 Innovative strategy (end of programme)	2.2 Strategy document	vertical coordination mechanisms
O3. Strengthen local systems for rights protection through the GADs and local relevant stakeholders.	3.1 N° of tools and procedures with a differential approach for the HR protection management model, developed with the support of the Programme	3.1 TBD in inception phase	3.1 TBD in inception phase (end of programme)	3.1 Local public institutions tools for HR protection & assistance	Competent public institutions and CSOs improve their current levels of service provision in the local system for protection of HR.
	3.2 N° of cantons that have implemented strategies to fight against gender-based violence, violence towards children and teenagers, and fight against discrimination and xenophobia	3.2 0 (2018)	3.2 At least 14 cantons (end of programme)	3.2.1 GADs Annual Reports 3.2.2 Programme reports	
O4. Enhanced capacity of GADs to incorporate rights of the population in a situation of vulnerability in public policy-making and local planning.	4.1 N° of GADs with plans and budgets fostered by the Programme that considers HR of target population.	4.1 TBD in inception phase	4.1 At least 14 GADs (end of programme)	4.1 Baseline; GADs Plans and budgets	Civil society is empowered and actively participates in the life cycle of public policy.
	4.2 N° of monitoring reports fostered by the Programme published by civil society regarding the inclusion of HR of target populations in plans, budgets and publications	4.2 0 Reports (2018)	4.2 TBD in inception phase (end of programme)	4.2 Published reports	

Results chain: OUTPUTS	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
O5. Youths empowered to develop a culture of peace within the territory.	5.1 N° of youth agendas fostered by the Programme that include gender, cultural and environmental sustainability	5.1 TBD in inception phase.	5.1 TBD in inception phase. (end of programme)	5.1 Programme Baseline; Agendas; Programme reports	Youths and youth organisations leadership.
	5.2 N° of culturally, gender-based and environmentally relevant “Youths Building” initiatives implemented by the Programme.	5.2 TBD in inception phase.	5.2 TBD in inception phase. (end of programme)	5.2 Programme Baseline; Programme reports.	Public authorities are responsive to youths demands.

O6. Improved access to drinking water and basic sanitation in rural areas affected by border risk factors.	6.1 % of households increase with access to drinking water and sanitation attributable to the programme (disaggregated by sex, ethnicity, persons with disabilities, persons in mobility)	6.1 0 (2018)	6.1 TBD in inception phase. (end of programme)	6.1 Programme reports: Technical feasibility studies; DW&S connections.	Water connections to extend drinking water coverage in rural areas meet the conditions for purification.
	6.2 N° of GADs and community organisations trained by the Programme in DW&S comprehensive management: legal, administrative, technical, operational, environmental and socio-educational capacities, with	6.2 0 GADs & community organisations (2018)	6.2 TBD in inception phase. (end of programme)	6.2 Programme reports: Training modules; List of participants; Documents for comprehensive management	
O7. Increased local capacity for agroecological production, food safety and commercialization.	7.1 N° of families from target groups that implement good agroecological production practices promoted by the Programme (disaggregated by sex, ethnicity, persons with disabilities,	7.1 TBD in inception phase.	7.1 TBD in inception phase. (end of programme)	7.1 Programme Baseline; Programme reports	Climate change and environmental contamination have no negative impact on the quantity and quality of agroecological production
	7.2 N° of local business fairs institutionalised with affirmative action measures for target groups fostered by the Programme.	7.2 TBD in inception phase.	7.2 TBD in inception phase. (end of programme)	7.2 Programme Baseline; Programme reports	

Results chain: OUTPUTS	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
O8. Improved mechanisms for labour inclusion of youths.	8.1 N° of agreements between GADs and the private sector for the employability of young people fostered by the	8.1 TBD in inception phase.	8.1 TBD in inception phase. (end of programme)	8.1 Programme Baseline; Agreements signed	Violence, insecurity and illicit activity increase in Norther

	8.2 N° of enterprises fostered by the Programme's beneficiaries in operation and implementing environmentally responsible practices (disaggregated by vulnerable groups: sex, ethnicity,	8.2 0 Enterprises (2018)	8.2 TBD in inception phase. (end of programme)	8.2 Programme reports	Border does not affect economic and social stability.
O9. Promoted strategic value chains with environmental and sustainable criteria.	9.1 N° of production value chains fostered by the Programme	9.1 TBD in inception phase	9.1 At least 5 value chains (end of	9.1 Programme baseline; Programme reports	The Ministry of Industries and Productivity (MIPRO) sets its plan for the Northern Border in motion with measures to strengthen the production sector. Producers' organisations
	9.2 % of Programme value chains linked to womens' organisational	9.2 TBD in inception phase	9.2 TBD in inception phase	9.2 Programme baseline; Programme reports	
	9.3 N° of innovations linked to environmentally sustainable value chains attributable to the	9.3 0 Innovations (2018)	9.3 TBD in inception phase (end of	9.3 Programme reports	
O.10 Strengthened financial services in the northern border.	10.1 N° of producers from target groups linked to value chains that gain access to financial services for the improvement and diversification of production (disaggregated by vulnerable groups: sex, ethnicity, persons	10.1 TBD in inception phase	10.1 TBD in inception phase (end of programme)	10.1 Programme baseline; Programme reports	National Entity for Popular and Solidarity-based Finances (CONAFIPS) continues to pursue its policy to support the Popular and Solidarity- based Financial sector.
	10.2 N° of local providers of financial services receiving technical assistance from the Programme.	10.2 TBD in inception phase	10.2 TBD in inception phase (end of	10.2 Programme baseline; Programme reports	
O.11 Strengthened mechanisms for cross-border economic cooperation.	11.1 N° of encounters on cross-border economic and commercial cooperation fostered by the Programme held with the participation of	11.1 0 Encounters (2018)	11.1 At least 2 Binational encounters (end of programme)	11.1 Programme reports	The III Binational Plan for Border Integration of Ecuador and Colombia includes specific actions for cross- border production and commercial
	11.2 N° of Binational Commercial Fairs fostered by the Programme held with the participation of	11.2 0 Fairs (2018)	11.2 TBD in inception phase (end of	11.2 Programme reports	