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STRATEGIC FRAMEWORK (SF)

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USAID/Ecuador Strategic Framework

Background

USAID has worked with Ecuador since 1961 to advance Ecuador's economic and social development, preserve its environment, respond to natural disasters, and enrich the lives of hundreds of thousands of Ecuadorians. Although USAID closed its Mission in Quito in September 2014, it continued to support work to improve the lives of the Ecuadorian people uninterrupted.

Following his inauguration in May 2017, President Lenin Moreno welcomed greater international cooperation, including with the United States. USAID matched these welcoming steps by re-initiating its partnership with the Government of Ecuador (GOE) through a Memorandum of Understanding signed in May 2019 by USAID Administrator Mark Green and Ecuadorian Foreign Minister José Valencia.

USAID is now re-engaging with Ecuador by opening an Office in Quito in 2020, negotiating a Development Objective Grant Agreement (DOAG), and expanding its bilateral and regional programs in the country to demonstrate its commitment to assisting Ecuador on its journey to self-reliance. This Strategic Framework does not envision a return to the high funding levels in place before the Mission's 2014 closure, given changes in USAID's global development strategy reflected in its Journey to Self-Reliance Framework (J2SR). USAID's involvement will continue to be catalytic in supporting Ecuador's self-reliance by building local capacity while expanding partnerships with domestic and international stakeholders, such as the private sector, other donor countries, different Civil Society Organizations (CSOs), and academia.

While Ecuador ranks in the upper quadrant of capacity and commitment on its Journey to Self-Reliance country roadmap, the country continues to encounter significant development challenges. These include rebuilding democratic structures, protecting its environment, creating conditions favorable for accelerated economic growth including investment and employment, integrating a large influx of migrants into its society and economy, promoting entrepreneurship, women's economic empowerment, and social inclusion, and responding to medium- and long-term impacts of the COVID-19 pandemic and other health challenges. The Ecuador Roadmap demonstrates the strength of civil society and the effectiveness of the media. By leveraging these strengths, USAID and local partners will have an opportunity to impact other areas where Ecuador scores are lower, such as government capacity, business environment and accountable governance. A strong civil society and media can greatly influence awareness of access to rights and good governance as well as engaging the private sector to promote sustainable economic growth that improves the business enabling environment while incorporating environmental compliance and corporate transparency.

Ecuador's recent legacy of closer relations with other donor countries have left lasting challenges, as the country is saddled with unfavorable and opaque agreements made more onerous by recent historic drops in the price of oil—and that have failed to deliver promised results. USAID will offer a more open and inclusive model for the GOE to provide for sustainable economic development that appropriately balances the rights of its people and its environment. Another strategy USAID will employ to increase the sustainability of its programming will be increasing private sector engagement in programs to ensure buy-in from Ecuadorian and multinational corporations. USAID's five-year Strategic Framework will initially focus on bilateral programs in

the democracy, environment, and energy sectors, while leaving open the possibility of working in additional sectors critical to Ecuador’s successful journey to self-reliance, including economic and social development, education, and support for the long-term socio-economic integration of migrants in host communities, if funding becomes available.

Country Context

President Lenin Moreno demonstrated a strong commitment to strengthening democratic institutions, fighting corruption, and giving civil society and the media space to play their critical democratic roles. Despite not having a presence in Ecuador since 2014, USAID’s ongoing support to Ecuadorian CSOs helped build their capacity, making them prepared and able to play a leading role in advancing democratic governance during president Moreno’s administration. With civil society’s help, the GOE joined the Open Government Partnership (OGP), a group of countries committed to transparency and accountability in government practices. The GOE is also pursuing accession to the Extractive Industries Transparency Initiative (EITI), a global standard for the good governance of oil, gas, and mineral resources.

Ecuador is classified as a biologically “megadiverse” country¹, being one of the richest and most diverse areas in the world in terms of species diversity and habitat, and it has been a leader in conservation -- protected areas encompass more than 25 percent of the country. However, despite formal protections, Ecuador continues to experience significant deforestation and biodiversity loss, increasingly due to the development of infrastructure and the exploitation of mineral, petroleum, and other resources. Artisanal and small-scale gold mining in particular has been shown to damage both human health and the environment and to fuel organized transnational criminal groups in the region. Loans by donor countries which financed the construction of roads, dams, and schools during the previous government, continue to be paid with cash and shipments of Ecuador’s oil. Through 2024, 90 percent of Ecuador’s exportable crude is earmarked to China through pre-sale contracts. The global decline in the price of oil may extend payment terms and reinforce Ecuador’s dependence on oil, absent a reprofiling of this debt and accompanying public policy to diversify Ecuador’s economy.

Ecuador’s many socioeconomic and environmental challenges, including poverty, fragile health systems, pollution, and overexploitation of resources, make it extremely vulnerable to a changing climate. In Ecuador, the páramo² and forests (in particular in the Amazon region) act as an essential greenhouse gas sink and provide climate regulation functions both locally and globally. However, land conversion to agriculture and other uses, illegal logging, increasing incidence of fires, and declining forest health due to drought, pests, disease, and other impacts from climate change have the potential to convert to a source of global greenhouse gas emissions. Deforestation within Ecuador has historically been concentrated in the dry forests of the southern coastal region, but it is also high in the humid tropical lowland forests of the Pacific coast and is increasing in the Amazon region. The Andean region has also experienced a high level of deforestation, and much of its original forest cover has already been lost. Likewise, in the Galápagos Islands, it is estimated that 99 percent of the original Scalesia forests have been cleared.

¹ www.biodiversity-z.org/content/megadiverse-countries

² High mountain ecosystem, typical of the Andes region.

In the meantime, Ecuador enjoys abundant low-cost energy resources, with half of its installed capacity and over 70 percent of generation deriving from local hydropower dams. The country has among the lowest retail electricity rates in Latin America. The low tariffs are heavily subsidized, however, with total energy subsidies (gasoline, diesel, liquified petroleum gas, and electricity) accounting for about 7 percent of Ecuador's yearly public spending -- two thirds of the fiscal deficit.³ The subsidies are not well-targeted, benefiting the rich more than the poor. Subsidies mask a plethora of issues, including poor utility management; inefficient use of energy in the country's transport, residential, and industrial sectors; and underdevelopment of low cost energy alternatives, such as wind and solar, that can balance the increasing climate change-driven variability of water flows to hydropower dams -- the majority of which use run-of-the-river turbines that depend on seasonal rainfall.

Ecuador's dollarized, oil-dependent economy returned to positive but sluggish growth in 2017, following an extended recession sparked by the 2014 collapse of world oil prices. However, the worldwide economic downturn resulting from the COVID-19 pandemic exacerbated its already difficult economic situation and has resulted in a forecasted 7-10 percent drop in Ecuador's GDP in 2020, and the negative economic impact from the pandemic may be felt for years given the drop in oil prices and the fact that Ecuador's petroleum sector is the country's largest single source of export earnings and government revenue. The GOE faces the challenge of increasing economic growth and employment, including among indigenous and other marginalized populations, and dealing with an influx of Venezuelan migrants, at the same time as it tries to reduce a significant budget deficit, meet its debt obligations, and revitalize the COVID-19 battered economy.

A large number of Venezuelan and Colombian migrants have sought refuge in Ecuador from nearby conflicts and instability. Thousands of Colombians have crossed the border during Colombia's 50-year struggle between opposition forces. More than 360,000 Venezuelans escaping the political and economic collapse in Venezuela have settled in Ecuador. These recent waves of migration have put pressure on the already tight Ecuadorian job market, limiting the migrants' ability to integrate into Ecuadorian society; have strained health, education, and other social services; and have provoked some incidents of xenophobia.

Ecuador's national level education outcomes, such as primary enrollment, average educational attainment and math or reading scores, place it slightly above the regional average for Latin American and Caribbean countries. However, educational equity remains a particular challenge, as urban poor and rural students lag behind their peers. This gap will likely be exacerbated by the COVID-19 pandemic, which has disproportionately affected urban poor and rural indigenous students who lack the computers and internet connectivity to access online learning platforms.

President Moreno is open to receiving international cooperation from all sources, especially the United States., Its stated preference is for agreements and closer ties to democratic countries and blocs, such as the U.S. and EU, and multilateral institutions, such as the International Monetary Fund, for the support it needs in confronting its economic and development challenges.

³https://publications.iadb.org/publications/english/document/Can_government_transfers_make_energy_subsidy_reform_socially_acceptable_A_case_study_on_Ecuador__en_en.pdf

The government of President Moreno remains committed to addressing these challenges. However, the magnitude of the task, already complicated by a contracting economy and exacerbated by October 2019 nationwide violent social protests, ballooned further as the COVID-19 pandemic undercut the country's economic and social advances. Prior to the pandemic, president Moreno's signature domestic development plan was *Plan Toda Una Vida* (Whole of Life Plan), an integrated approach to development with different "missions" focused on citizens' needs (e.g., youth, elderly, persons with disabilities, housing, etc.).

Despite early preventative action, the virus spread quickly throughout the country due to a lack of hospital and testing capacity, and endemic unemployment and poverty that made it difficult for lower income Ecuadorians living day-to-day to comply with government mobility and curfew measures. The pandemic will have a lasting medical and economic impact on the country. The economic fallout may shape the February 2021 presidential election and the future leadership and direction of the country.

Given the GOE's limited institutional capacity to handle the challenges posed by the COVID-19 crisis, and the uncertainty surrounding the continuity of President Moreno's democratic transition, USAID's strategic approach will need to be flexible and focus on the core goal of strengthening governmental and non-governmental institutions necessary to sustain and advance Ecuador's democratic and economic progress.

Goal: A Democratic, Prosperous, and Sustainable⁴ Ecuador⁵

DO 1: Strengthened institutions, citizen-responsive democratic governance, and international collaboration.		DO 2: Promote increased inclusion, sustainability, a broader base for prosperity.	
IR 1.1: Universal rights and freedoms, democratic principles, and inclusive practices fostered.	IR 1.2: Rule of law, transparency, accountability, and institutions strengthened.	IR 2.1: Sustainable economic opportunities increased and human capital developed.	IR 2.2: Private sector investment in sustainable development increased.
Sub-IR 1.1.1: Political and social participation, particularly for vulnerable and underserved populations increased.	Sub-IR 1.2.1: Inclusive and transparent public administration and international collaboration advanced.	Sub-IR: 2.1.1: Small and medium-sized enterprises are more sustainable, competitive, and profitable.	Sub-IR 2.2.1: Policy and regulatory framework for sustainability/resilience investments by private sector strengthened.
Sub-IR 1.1.2: Democratic institutions and political processes are transparent, inclusive, and accessible.	Sub-IR 1.2.2: Civil society and media capabilities for oversight and accountability strengthened.	Sub-IR: 2.1.2: Policies and regulations support scaling of environmentally and economically sustainable activities.	Sub-IR 2.2.2: Financing and market mechanisms for private investment in sustainable businesses increased.
Sub-IR 1.1.3: Human rights protections improved.	Sub-IR 1.2.3: Judicial and enforcement systems strengthened.	Sub-IR 2.1.3: Knowledge, skills, and abilities of citizens are increased.	
Sub-IR 1.1.4: The protection of rights and services for marginalized and disadvantaged populations, including refugees and migrants, supported.	Sub-IR 1.2.4: Capable, responsive, and coordinated national and local government institutions strengthened and effective service delivery improved.		

⁴ In this Strategic Framework, sustainability is defined as encompassing economic, environmental, and social components – with the goal of meeting Ecuador’s present needs without compromising the ability of its future generations to meet their needs.

⁵ This Results Framework aligns closely with the 2018 joint State-USAID Integrated Country Strategy for Ecuador. Text in red is drawn directly from the ICS.

Strategic Approach

USAID plans to expand its programs in Ecuador by engaging a range of new stakeholders including CSOs working in new geographic and issue areas, the private sector, academia, and other international donors. The strategy behind this engagement will be to improve the communication and connections between those CSOs and the GOE to promote a broad range of voices in the political, social, and economic development of Ecuador. USAID will place particular emphasis on engaging the private sector, as it has a significant impact on Ecuador's political system, environment and natural resources, and energy sector. USAID's inclusive strategic approach will ensure private sector engagement does not come at the expense of marginalized communities and populations, such as indigenous peoples, youth, women, and the LGBTI community.

The six-year lapse in a USAID presence in Ecuador allows USAID to redefine its relationship with the GOE. USAID will seek to leverage its modest bilateral funding to support GOE entities to increase its commitment and capacity to advance the country's Journey to Self-Reliance.

Re-opening a USAID Office in Quito will allow for closer collaboration with interagency partners, particularly with the Department of State (DOS). Since the USAID/Ecuador Mission was closed, USAID has relied heavily upon the U.S. Embassy in Quito to monitor USAID-supported activities and help coordinate with local partners. While USAID-DOS coordination remained open and fluid, an in-country presence will enable USAID to participate in Country Team meetings and the Foreign Assistance Working Group, and develop synergies to avoid overlap with other USG programs in Ecuador, including those managed by the USAID/South American Regional Operating Unit the State Department's PRM (Bureau of Population, Refugees, and Migration), DRL (Bureau of Democracy, Human Rights, and Labor), ENR (Bureau of Energy Resources), and EB (Bureau of Economic and Business Affairs), and the U.S. Department of the Treasury. It also will ensure USAID programs are as closely aligned as possible with other USG strategies for Ecuador, including the Integrated Country Strategy.

USAID is committed to supporting Ecuador's objectives of its "Toda Una Vida" plan to expand the bilateral political dialogue, continue strengthening democratic governance and improve its effectiveness, and increase the focus on anti-corruption efforts to help consolidate democratic gains that have taken place under President Moreno. USAID activities will be designed to promote the rule of law, transparency, free and fair elections, and accountability; build legislative skills; increase inclusive development; champion universal freedoms; support effective and equitable public service delivery; enhance human rights and other regulatory frameworks; and encourage Ecuador's constructive role in regional and multilateral fora. Progress in these areas will help Ecuador revitalize its civil society, restore public confidence in government, institutionalize democratic practices, and foster greater support for shared U.S.-Ecuador values and policies.

USAID also aims to support the government's efforts to integrate increased numbers of Colombian and Venezuelan migrants into the economy and society, and to protect the rights of vulnerable populations, particularly by combating gender-based violence. Moreover, activities will strengthen the GOE's and civil society's capacity to respond to shocks and decrease fragility largely caused by influxes of migrants, rapid economic decline, and the stress COVID-19 has placed on the governance system.

USAID efforts in support of democratic consolidation in Ecuador will rely heavily on the agency's history of supporting Ecuadorian civil society, which has achieved significant results in strengthening its capacity to advocate for the rights of citizens when they are infringed upon, and push specific reforms to help strengthen democracy in the country. In fact, USAID's civil society partners provided their expertise to the GOE during the democratic reform process promoted by President Moreno. This is also reflected in the high 0.91 score for civil society and media effectiveness on Ecuador's country roadmap. USAID will continue to support CSO involvement in open and inclusive political processes, as well as their advocacy for Ecuador's continued international engagement and coordination to help accelerate Ecuador's efforts to adopt international norms and standards of open, transparent, and inclusive governance.

To help advance development for Ecuador's growing population without overexploiting and degrading its substantial biodiversity and natural resources, USAID will use environmental interventions as a crosscutting strategic approach to address broader goals. Ecuador achieves high marks in the biodiversity and habitat protection metric on their country roadmap, consistent with the extent and the biological significance of the country's protected areas. However, this positive commitment measure does not reflect the limited effectiveness of Ecuadorian conservation and management efforts in the face of increasing conservation crimes, especially in remote and maritime areas, as well as overexploitation and unsustainable planning. It also does not reflect secondary metrics, such as tree cover loss, where Ecuador ranks lower.

The Strategic Framework embeds environmental and energy interventions within both of the development objectives (DOs), elevating their importance for achieving broader goals. In order to successfully address environmental threats and improve natural resource and energy management it is critical to: (1) address the drivers of conflict and criminal activity such as illegal mining and illegal logging; (2) strengthen social cohesion, civic engagement, and transparent, accountable governance, such as through open procurement in the energy sector; (3) protect and leverage environmental assets as an engine of inclusive and sustainable economic growth, and (4) improve community resilience to market and natural shocks. Environmental protection and sustainability, rather than a means to an end, are an end in themselves, as Ecuador's rich natural resources provide countless environmental services that benefit human wellbeing.

To mitigate environmental threats and to improve natural resource management, USAID will work to strengthen civic engagement and good governance; improve the use of data and information in decision making; address drivers of conflict and criminal activity such as illegal gold mining, logging, and wildlife trafficking; and protect and leverage environmental assets as an engine of inclusive and sustainable economic growth. To accomplish these goals, USAID will engage with government entities, the private sector, and civil society organizations, including indigenous groups and other vulnerable populations, to promote a balance between formal sector economic development and community and environmental needs. While Ecuador's growing ecotourism industry promised jobs and sustainable development for Ecuadorians in environmentally sensitive areas, the COVID-19 pandemic makes any USAID engagement to develop the ecotourism sector a medium- to longer-term activity. USAID will seek to implement local financial governance policies complementary to U.S.-funded Fiscal Transparency Incentive Fund projects and the EITI,

to which Ecuador is in process of acceding, to improve accountability and transparency in extractive industries.

USAID will also look for opportunities with the U.S. International Development Finance Corporation (DFC) and other donor, private, or government organizations to identify and develop financing and investment opportunities supportive of conservation and sustainable natural resource use, such as loan guarantees, micro-finance mechanisms, water funds, voluntary carbon markets, or conservation trust funds.

USAID's strategic approach in the energy sector will focus on identifying and working in areas where it can extend ongoing assistance provided by other USG agencies, including State/ENR, Treasury/OTA and the DFC. USAID will explore engagement of the private sector in all aspects of energy production and management, while also supporting broader development objectives; on helping Ecuador achieve its stated energy efficiency and other sector goals to reap the benefits of lower overall energy costs; and on modernizing utilities to enhance their performance and enable them to better manage electricity in an increasingly digital era.

Ecuador currently ranks among the lowest countries in Latin America in foreign direct investment. Greater private sector engagement—of national and international companies—in all facets of Ecuador's energy sector could help drive greater efficiency and bring in needed investment. More welcoming regulations will help to create the type of environment that attracts credible U.S. energy firms and opens a market for small scale, local companies to get involved. Additional measures, such as providing financing for smaller scale renewable energy projects and for energy efficiency services companies would create even greater space for small, local enterprises. Competitive, transparent procurement processes, such as energy auctions, for larger scale projects are the single largest determinant of clean energy private investment and have been highly successful in other Latin American countries. These also contribute greatly to transparency and accountability in government in general. USAID's support to Ecuador's energy sector would prioritize opening markets for more diverse private sector involvement.

This five-year Strategic Framework will need to adapt as other areas critical to Ecuador's successful journey to self-reliance are identified, potentially including economic and social development, education, and support for the long-term socio-economic integration of migrants in host communities. The priorities in this framework may also need to adjust as Ecuador's political and economic landscape evolves following the February 2021 presidential election.

Results Framework Narrative

Goal: A Democratic, Prosperous, and Sustainable Ecuador

The political history of the Republic of Ecuador has been faced by the continuing need to address challenges that have put in risk its political institutions. Ecuador has designed more than 20 constitutions in its history, and has ratified three constitutions since the last return to democracy in 1979. More recently, three constitutionally-elected presidents were not able to complete their terms because they were impeached by Congress or forced to resign. Indigenous groups have been at the forefront in organizing effective massive demonstrations in response to policies that are considered contrary to public interests, becoming an informal veto actor.

DO 1: Strengthened institutions, citizen-responsive democratic governance, and international collaboration.

USAID/Ecuador's development hypothesis for this DO is that **if** Ecuador's institutions, citizen-responsive democratic governance, and international collaboration are strengthened, **then** Ecuador's democracy and prosperity will become more sustainable. The strategy is based on the premise that effective non-governmental institutions, such as civil society, the media, academia, and international networks of experts, help strengthen government institutions' effectiveness and responsiveness, raise citizen awareness and participation in the governing process, and improve international collaboration.

To foster the inclusion of new actors, USAID's strategy under DO1 is to continually help CSO partners build new alliances across the country, particularly outside of the larger cities, involve the private sector in activities to help ensure its awareness of civil society initiatives and help build support for them, and increase international connections so Ecuador has a larger pool of resources and expertise to draw upon to overcome challenges. Where relevant, USAID will use environmental interventions as a crosscutting strategic approach to address DRG goals.

USAID proposes a Democracy, Human Rights, and Governance (DRG) program that will address these high-level DRG and deficiencies identified in USAID's Country Roadmap for Ecuador. USAID will seek to address these issues while also focusing on the environment and energy to leverage cross-sectoral synergies where possible. Available resources are limited for USAID DRG programming, while simultaneously significant challenges are found across the DRG sub-sectors and the political direction of the future administration in Ecuador is uncertain. Furthermore, due to the aforementioned uncertainties, USAID has designed its DRG programming to pivot when necessary and adapt to a changing operational environment. The overall programming will be designed to advance civil and political rights, combat corruption, advocate for and protect the rights of minority and vulnerable populations, and enhance local governance. These bilateral programs will provide much needed capacity-building and financial support to local CSOs.

USAID's strategy in the DRG sector is intentionally broad to allow for flexibility in the face of the uncertainties surrounding the presidential succession and political, social, and economic impacts of the COVID-19 epidemic. USAID's DRG programs have not worked with the legislature or judiciary in the recent past, given the limited DRG funding available as well as

ongoing work by the Department of State's Bureau of Democracy, Rights, and Labor (State/DRL) whose programming worked on strengthening the National Assembly and promoting the independence of the judiciary. In order to complement USG efforts and be well positioned to take advantage of opportunities as they arise, USAID has designed a flexible DRG strategy and will collaborate closely with State/DRL as priorities and programs may shift in the next five years.

IR 1.1: Universal rights and freedoms, democratic principles, and inclusive practices fostered.

Ecuador's ability to face many of its political, economic, social, and environmental challenges has been constrained by the country's weak institutions. Its classification as an upper-middle income country masks these significant deficiencies. USAID's democracy programs over the last decade have focused significant attention on increasing the capacity of CSOs to perform their essential democratic functions of holding governments accountable, highlighting government abuses, and promoting open political participation. The results of this work are evident in the manner in which Ecuador's civil society has taken a leadership role on a host of issues over the past several years once the operating environment improved following regulatory hurdles placed on civil society by the previous government. USAID has close partnerships with U.S.-based and Ecuadorian organizations who have built important relationships within the GOE, academia, the international community, and with other donor countries. Over the course of USAID's programs, USAID's partners in Ecuador have adapted their strategies to overcome new challenges or take advantage of new opportunities. The greatest recent example of this is CSO partners' ability to quickly shift from playing a watchdog role of the GOE under former President Correa to working alongside President Moreno's Administration to enhance citizen rights. This shift occurred before USAID could even advise it, demonstrating the organizations' political acuity and willingness to quickly adapt. The democracy and governance interventions planned under this Strategic Framework are designed to institutionalize democratic processes in Ecuador to help the country's efforts to inexorably follow a democratic trajectory.

USAID's strategy is to extend the institutional strengthening it has achieved with civil society to other development actors, particularly the GOE. Ecuador's political transition from President Moreno to its next administration in 2021 presents an opportunity to ensure the open and inclusive practices of the Moreno government continue and deepen. USAID will enable CSOs, the private sector, academia, and international organizations to provide technical assistance to the GOE to ensure all branches of Ecuador's government promote a citizen-responsive democracy. Furthermore, USAID programming will focus on supporting electoral institutions and political processes. The short-term goal of supporting the conduct of a free, fair, and transparent upcoming general election, will help to ensure results are accepted by all political actors and the citizenry. Achieving this goal is a precondition for pursuing deeper democratic reforms with the new government if a pro-democratic candidate wins the election.

USAID is committed to protecting and advancing human rights. USAID is cognizant that a change in administrations, compounded by the economic recession hitting Ecuador, could cause political and business leaders to infringe upon human and civil rights in deference to economic prosperity. USAID remains prepared and committed to support CSOs focused on defending human rights and independent media organizations positioned to highlight abuses. USAID will also seek to protect

and advance the rights of environmental defenders and other vulnerable populations, including indigenous peoples.

USAID's emphasis on protecting and expanding the rights of marginalized populations in Ecuador extends to migrant and refugee populations, particularly from Venezuela and Colombia. These communities often lack formal employment and at times face xenophobia, leaving them vulnerable to social and economic marginalization. USAID's development assistance to migrants in Ecuador has thus far been part of a regional labor integration program managed out of the SAR platform. Given ongoing struggles these migrant populations face and the likelihood that they will remain in Ecuador for years to come, if not permanently, USAID seeks to prioritize the protection of rights and services for migrants, working in close coordination with State/PRM and USAID/FFP (Office of Food for Peace) migration/refugees programs.

IR 1.2: Rule of law, transparency, and accountability strengthened.

USAID's re-emergence in Ecuador has occurred along with increased international cooperation in Ecuador. USAID will leverage its existing relations with donor countries and international organizations to expand the GOE's role coordinating international assistance, prioritizing needs, and helping increase the role other like-minded countries play in Ecuador's development. USAID has begun trilateral cooperation programs on anti-corruption and transparency with the Chilean development agency and will continue to expand that cooperation while including other donors.

USAID's re-engagement with the GOE since the 2014 USAID Mission closure has been marked by USAID support to GOE requests in diverse sectors. One of the highest level priorities for the current Ecuadorian administration is increasing transparency and reducing corruption. President Moreno has made this a hallmark of his tenure President Moreno himself has sat down with USAID's local partners to announce his support for Ecuador's accession to the OGP, establishing Ecuador's longer-term commitment to improving its own governance and reducing corruption. Endemic corruption in the public sector, exemplified by procurement fraud involving public hospitals during the COVID-19 crisis, will present ongoing challenges to president Moreno's administration and future governments, thus U.S. anti-corruption assistance will continue to be a priority.

USAID seeks to work with elected provincial-, municipal-, and parish-level officials and civil society to improve communication across ministries, improve service delivery and fully-implement citizen participation mechanisms and transparency initiatives. Priority actors are the subnational governments themselves as well as CSOs, local media outlets, and the citizenry. Environmental issues offer a key entry point for this work. Furthermore, USAID will continue to support diverse news outlets to develop skills in investigative journalism, fundraising, countering mis- and disinformation, and physical and data protection. Action supporting media organizations and outlets is critical to monitoring press freedom, decreasing harassment and attacks on journalists, and rooting out endemic corruption.

USAID encourages transparency in public procurements to help strengthen the role citizens play in their government and the voice they have in the actions it takes. USAID will leverage other USG agencies, such as the DFC, to promote larger projects that follow transparency and accountability norms and standards while providing the largest benefit possible to Ecuadorian

citizens. Other development actors present in Ecuador are mostly European donor countries and multilateral financial institutions.

Financing Self Reliance

USAID/Ecuador's approach to financing self-reliance with DRG programs will be to ensure that the private sector's involvement in the political system is transparent, balances the needs of vulnerable citizens, particularly in marginalized communities, and helps enable domestic resource mobilization. USAID will seek to ensure an enabling environment so public and private resources can strike that balance while advancing Ecuadorian involvement in Ecuador's development.

Redefining our Relationship with Partner Governments

A central pillar of this Strategic Framework will be to increase the GOE's commitments to its own development in the DOAG to be negotiated, based on this strategy. The DOAG will help formalize USAID and GOE shared priorities and planned interventions to achieve these.

DO1 Assumptions:

- The presidential transition in May 2021 will not bring in an administration openly hostile to USAID and USG assistance, leading the USAID/Ecuador Office to close.
- Subsequent national and local governments remain committed to anti-corruption and transparency initiatives, specifically Ecuador's accession to the OGP and the EITI.
- The migration into Ecuador, particularly of Venezuelans and Colombians, continues along the same peaceful trajectory without xenophobia increasing significantly or a significant departure of Venezuelans back to Venezuela.
- Bilateral funding for programs under DO1 will not significantly increase, making the outcomes of these interventions modest.

DO1 Risks:

- Seeking partnerships with different CSOs brings associated financial and reputational risk, and performing monitoring and evaluation work can be complicated by their varied geographic locations.
- Fallout from the COVID-19 outbreak puts increasing pressure on democratic institutions, encourages populist candidates, leads to a closure of civic space, decreases government effectiveness, and increases backlash against civil and human rights defenders.

DO 2: Promote increased inclusion, sustainability⁶, and a broader-base for prosperity.

An historic recent drop in oil prices, a high level of government debt, and the COVID-19-related economic contraction hold back Ecuador from its recovery from an extended period of sluggish growth. To help get the country back to a long-term path of inclusive and equitable growth, USAID will develop sustainable opportunities in the environmental, energy, economic growth and education sectors. Ecuador boasts a diverse natural environment, with abundant terrestrial, marine and energy resources to support national and international tourism, industrial production, and

⁶ In this Strategic Framework, sustainability is defined as encompassing economic, environmental, and social components – with the goal of meeting Ecuador's present needs without compromising the ability of its future generations to meet their needs.

export. Without comprehensive natural resources management policies in place, however, the country may be falling short in delivering on environmentally, socially, and economically sustainable long-term growth. USAID's overall prosperity approach will emphasize private sector engagement -- across all sectors -- to build on recent GOE policies welcoming a broader private role in the economy and to ensure that needed investment and modernization can flow into the country. Success under this DO will require particular attention to changing economic conditions and market dynamics as a result of COVID-19.

USAID/Ecuador's development hypothesis for this DO is that **if**, with USAID's help, Ecuador can build and bolster the skills and productivity of its citizens, manage its rich natural resource base for long-term sustainability, and improve delivery of key public services, **then** the country can achieve an inclusive, sustainable, and broad-based prosperity.

IR 2.1: Sustainable economic opportunities increased and human capital developed.

Encouraging more sustainable opportunities built on improved management of Ecuador's extensive biodiversity and natural resources and greater development of domestic renewable energy resources will be a cornerstone of USAID's contribution to the country's long-term development and self-reliance.

USAID will collaborate with key actors including interested private sector buyers and investors, small and medium enterprises, Indigenous and community collectives, and conservation organizations to identify and develop marketable, sustainable supply chains for which impact at scale is feasible. Potential products and services include eco-tourism, cacao, and timber and non-timber forest products.

USAID's program will support changes in the country's policy, regulatory and legal framework to encourage improved management of natural resources, energy efficiency, and scaling up of the renewable energy sectors. Activities also will support the GOE's policies on encouraging energy efficiency, energy development, and greater integration of renewables into the grid, including by and for small and medium businesses. For example, opening up the possibility of grid connection for small, off-grid renewable energy projects will be key. Improving the GOE's capacity to enforce laws against environmental crimes, in particular illegal logging and mining that fuel transnational criminal organizations and threaten environmental defenders, will be critical to leveling the playing field for sustainably sourced products.

Through its utility and regulator partners, USAID could help Ecuador's utilities examine and improve their efficiency rates in production and their rates of technical and non-technical losses. Additional support for integrating non-hydro renewable resources and for managing the current trend for digitalization and decentralization of power production would also allow the utilities to operate at their highest potential, reduce the need for subsidies and benefit the country's economy as a whole. Last but not least, USAID's work would focus on helping Ecuador realize its stated national energy efficiency goals, driving even lower costs to commercial and residential customers.

As an important parallel, education programming will address the need for workforce development to meet the needs in these new growth sectors by addressing gaps across the education-to-work pipeline, as well as the associated gaps in the teacher labor force at appropriate levels.

IR 2.2: Private sector investment in sustainable development increased.

USAID's program will use targeted opportunities to support Ecuador's policy of opening to greater foreign and national private sector investment in the economy, with particular focus on the sustainable product, renewable energy, and energy efficiency sectors. Key legal, policy, and administrative changes that encourage foreign direct and national private sector investment in these areas will be identified and advanced in tandem with GOE officials.

As a key complement, USAID will strengthen existing and seek to build new sources of financing for environmentally sustainable commodity production, energy efficiency, and renewable energy expansion. Investments in the natural resources and energy sectors can be complicated by enabling environment barriers, a lack of access to financing and capital, and other market dynamics. USAID will co-create profitable and sustainable solutions with the private sector and other stakeholders, and support activities that can help overcome investment barriers, unlock additional financing, catalyze new private sector investments, and develop market opportunities, including collaboration with Indigenous enterprises.

USAID will leverage opportunities with the DFC and other donor, private, or government organizations to identify and develop financing and investment supportive of conservation and sustainable natural resource use, such as loan guarantees, micro-finance mechanisms, water funds, voluntary carbon markets, or conservation trust funds. USAID will also work with these actors to identify opportunities for bringing renewable energy and energy efficiency projects to scale. The Mission will leverage the technical and financial resources of the private sector through innovative investment and financial mechanisms that enable small and medium producers and enterprises to grow and strengthen their business models, leading them to greater self-reliance.

Financing Self Reliance

USAID/Ecuador's approach to financing self-reliance with programs under DO2 will be to ensure that the private sector's involvement in investing in sustainable commodities and energy projects is transparent, balances the needs of vulnerable citizens, especially in marginalized communities, and helps enable domestic resource mobilization. USAID will seek to ensure an enabling environment so public and private resources can strike that balance while advancing Ecuadorian involvement in Ecuador's development.

DO2 Assumptions:

- Private sector/consumer demand continues to increase in both mature and emerging markets.
- Sustainable enterprises are interested in growing their businesses through increased access to formal finance.
- International, national, and subnational organizations monitoring and reporting on government transparency and business competitiveness will continue to have the resources and interest to do so.

- Ecuador's commitment to economic development, private sector growth, biodiversity conservation, natural resources management, and energy development remains strong under current and upcoming GOE administrations.
- GOE and other USG entities maintain or increase their interest and programming to development objectives.
- GOE maintains openness to foreign investment in the oil and gas, as well as the renewable energy sectors.
- GOE maintains its current energy efficiency and renewables integration policies and shows willingness to implement these.
- GOE energy sector authorities (regulator, Ministry) accept the economic need to diversify more to non- hydropower renewable sources, due to increasing variability of water supply to hydropower dams.
- Government budget deficit does not block opportunities for renewable energy and energy efficiency financing.

DO2 Risks:

- Economic fallout from the COVID-19 outbreak undermines potential for sustainable natural resource-based enterprises and increases pressure on the government to roll back environmental regulations.
- Private sector could view investment as too risky.
- In the energy sector, continued political and regulatory uncertainty could lead to reduced private sector presence and willingness to invest.
- Drop in oil prices and fall-out from the COVID-19 outbreak may cause a fiscal crisis that severely limits financing for new energy and energy efficiency projects.
- GOE may not sufficiently prioritize energy efficiency and environmental best practice measures, even with donor support.
- Lack of additional demand for sustainably and ethically sourced products reduces economic incentives for production.
- Changing weather patterns can undermine natural resource supply chains.
- Domestic political instability may lead GOE authorities to focus on short-term priorities and easy political gains, instead of longer-term efforts that spend political capital.

Monitoring, Evaluation, and Learning

USAID/Ecuador, with the support and collaboration of stakeholders in Washington and Ecuador, will assess progress towards the achievement of its development objectives and test the development hypothesis outlined in this Strategic Framework through its strategy-level Performance Management Plan (PMP). The Office's PMP will incorporate Monitoring, Evaluation, and Learning (MEL) approaches drawing from traditional and innovative tools and practices. For example, USAID/Ecuador will use standard monitoring tools and processes, such as site visits, performance indicators (with baselines and targets), context indicators, and data quality assessments to support data-driven program management and decision making. The PMP also will outline the evaluations the Office will undertake, use, and disseminate, as well as approaches and resources for collaboration, learning, and adaptation.

USAID/Ecuador also will seek to develop innovative MEL tools to enable programming in new areas by overcoming challenges that could include monitoring activities in remote and/or insecure areas. These could include undertaking MEL activities virtually in response to the COVID-19 pandemic, and responding to new modalities of development work that include non-traditional actors from the private sector. The PMP will describe these tools and processes in more detail. In keeping with USAID policy and good MEL practice, the PMP will serve as a living document, and the Office will update it as needed based on annual reviews. The PMP will provide guidance and reference points for implementation, learning, and course-correction, as needed. The Office will continue to collaborate with key local actors on its MEL efforts in order to build their MEL capacity, thereby contributing to sustainability and ownership of shared results. To help assist with MEL, USAID may open a contract with an independent MEL support contract