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STRATEGIC FRAMEWORK (SF)

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USAID/Ecuador Strategic Framework

Background

USAID has worked in 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 and reopened its office in 2020 and expanded bilateral and regional programs.

Following his inauguration in May 2017, former 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.

USAID has now re-engaged 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 supporting Ecuador. This Strategic Framework recognizes the potential for fluidity in the Ecuadorian political context, with presidential elections scheduled for 2023 and 2025, and fluidity in the context of USAID's funding levels and the Agency begins to re-engage in Ecuador. Despite this uncertainty, 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 relatively high in capacity and commitment in its Country Roadmap, the country continues to encounter significant development challenges. These include rebuilding democratic structures, protecting its environment, reducing crime and violence, 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 China has left lasting challenges, as the country is saddled with an unfavorable and opaque debt agreement with China—made more onerous by recent historic drops in the price of oil—and large-scale infrastructure projects 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

USAID re-established an in-country presence in Ecuador in 2020, following the 2017 election and inauguration of former President Lenín Moreno which offered renewed opportunities for bilateral cooperation and programming that had not been possible for the previous 10 years under the administration of former President Rafael Correa.

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. 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. Agricultural expansion and illegal logging continue to drive deforestation. Illegal mining also is a growing challenge in Ecuador, growth that has occurred in parallel with other criminal activities such as drug trafficking, contraband smuggling, and corruption as well as with environmental destruction in ecologically sensitive areas. USAID’s environment and energy programming priorities in Ecuador include conserving biodiversity, protecting vital ecosystems, promoting renewable energy sources, combating climate change, and building local capacity to address these issues. USAID is also supporting regional efforts in Ecuador and Peru to combat illegal, unregulated and reported fishing of sharks and rays and supporting sustainable fishing activities.

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.biodiversitya-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. The United States is Ecuador's largest trading partner and one of its largest foreign investors, so a prosperous Ecuador advances U.S. economic interests. The United States Commission on International Religious Freedom does not include Ecuador in its Tiers 1 or 2 countries and USAID assesses risks to religious minorities to be minimal.

A large number of Venezuelan and Colombian migrants have sought refuge in Ecuador from nearby conflicts and instability, with many Venezuelans continuing to arrive in the country. Thousands of Colombians crossed the border during Colombia's 50-year struggle with guerilla insurgencies. More than 500,000 Venezuelans escaping the political and economic collapse in Venezuela have settled in Ecuador, with many thousands more transiting through Ecuador en route to neighboring countries. These waves of migration have added pressure on the already tight Ecuadorian job market, limiting the migrants' ability to integrate into Ecuadorian society; strained health, education, and other social services; and provoked some incidents of xenophobia. In September 2023, the Government of Ecuador started a phased registration and regularization process to give migrants legal status. USAID will start a new activity to provide Venezuelan migrants with immediate access to information and support on this process and socioeconomic integration services.

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.

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

Former President Rafael Correa, took advantage of high oil prices to expand public services and the size of government, while centralizing control firmly under the executive. Many ministries and agencies within the GOE lost decision-making power as well as technical expertise in public administration.

In stark contrast to Correa, his predecessors former President Moreno and President Guillermo Lasso were open to receiving international cooperation from all sources, especially the United States. While the GOE continues to maintain pragmatic relations with the Chinese government, 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.

In April 2021, Ecuador elected conservative banker Guillermo Lasso as president. President Lasso is the most pro-U.S. leader Ecuador has had in over 20 years. He rejects the autocracy of former President Rafael Correa (2007-2017). He took office in late May 2022, with a politically fragmented National Assembly composed of multiple political parties and movements in which no party had a simple majority. Lasso faced political challenges that impeded his agenda, as well as a growing corruption scandal that propelled an impeachment effort against him. As a result, on May 17, 2023 President Lasso issued a decree exercising his constitutional power to dissolve the National Assembly and initiating a process leading to snap elections for both the National Assembly and the presidency. Eight presidential candidates are running for the snap elections that will take place on August 20, with a second round likely on October 15. The new president will take office in December 2024 through May 2025.

These political and economic challenges are compounded by a wave of drug-related violence that threatens Ecuador's stability and U.S. security interests. USAID's OTI recently launched a new citizen security program that will assist local governments adopt and implement security policies and plans that include prevention, social investment and community involvement.

GOAL: A Democratic, Prosperous, and Sustainable Ecuador

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

DO 2: Promote Increased Inclusion, Sustainability, and a Broader Base for Prosperity

1.1: Democratic institutions effectiveness improved

1.2: Citizen-driven democratic processes fostered

IR 3: Diverse voices integrated to shape local sustainable development

2.1: Governance strengthened to promote environmental sustainability

2.2: Environmental quality improved through economic activity & sustainable management

1.1.1: Government capacity to deliver services improved

1.2.1: Media accountability strengthened

Sub-IR 3.1: Governance supporting equitable development strengthened

2.1.1: Government capacity to plan & implement environment & energy activities increased

2.2.1: Sustainable economic activities enhanced through private sector engagement

1.1.2: Government accountability strengthened

1.2.2: Civil society effectiveness improved

Sub-IR 3.2: Diverse voices participate and practice self-determined development

2.1.2: Civil society participation in environmental management expanded

2.2.2: Advance & operationalize climate change strategies

Sub-IR 3.3: USAID programs are designed by the people for the people

2.1.3: Systems strengthened to protect against environmental crimes

Strategic Approach

USAID plans to expand its programs in Ecuador by engaging a range of new stakeholders 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 historically underrepresented communities, such as Indigenous communities; efforts related to anti-corruption, inclusive democracy, and institutional transparency; and furthering environmentally sustainable development.

The six-year lapse in a USAID presence in Ecuador and USAID's growing portfolio gives USAID the opportunity to redefine its relationship with the GOE. USAID looks to use its bilateral funding to support GOE entities strengthen their commitment to democratic values and capacity to support a sustainable and prosperous Ecuador.

Re-opening a USAID Office in Quito allows USAID to collaborate more closely with interagency partners, particularly with the Department of State (DOS). While the USAID/Ecuador Mission was closed, USAID 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, USAID's in-country presence allows it 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, DRL, ENR, and EB Bureaus, and the U.S. Department of the Treasury. It also ensures that USAID programs are as closely aligned as possible with other USG strategies for Ecuador, including the Integrated Country Strategy.

USAID is committed to supporting U.S. Embassy Ecuador's objectives to expand bilateral political dialogue, continue strengthening democratic governance and improve its effectiveness, and increase the focus on anti-corruption efforts. USAID activities are 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 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 were the go-to experts

for the GOE during the democratic reform process under President Moreno. As Ecuador enters into a period of potential political fluidity with presidential elections in 2023 and scheduled for 2025, relationships and support for Ecuadorian CSOs will continue to be a key priority for the Agency. 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.

USAID's environmental interventions will play a key role in its efforts to support inclusive and sustainable development. Ecuador's prosperity is closely tied to the management, protection, and sustainable use of its rich ecological resources. Unfortunately, Ecuador faces the challenge of limited effectiveness of conservation and management efforts in the face of increasing conservation crimes, especially in remote and maritime areas, as well as overexploitation and unsustainable planning. To support Ecuador's efforts to protect and preserve its biodiversity, USAID is working to bolster the GOE and civil society's ability to effectively manage Ecuador's natural resources and protect Ecuador's ecosystems against environmental crimes.

Beyond strengthening the GOE and civil society's ability to protect the environment and responsibly manage natural resources through improved governance, USAID's efforts also aim to preserve Ecuador's biodiversity by increasing the economic incentives for the Ecuadorian private sector to invest in sustainable land, water, and resource management and in climate change mitigation and adaptation strategies. USAID recognizes that it will take a whole-of-society approach, from the GOE to civil society to the private sector to the donors, INGOs, and NGOs to protect Ecuador's biodiversity and help Ecuador adapt to our changing climate.

The Strategic Framework incorporates inclusive development into a cross-cutting intermediate result (IR). By selecting a cross-cutting IR to highlight its inclusive development work, USAID/Ecuador intends to underscore the importance of listening to and incorporating a diverse set of voices and experiences into the development and implementation of its activities, regardless of sector. As USAID endeavors to take a more inclusive approach to its work, it also seeks to support the efforts of the GOE and civil society to create the governance structures and enabling environment that make space for historically underrepresented voices to be heard. Whether it's the voices of women, young people, LGBTQIA+ individuals, Indigenous people, migrants, persons with disabilities, Montubios, Afro-descendants, or any combination of these communities, these groups play a key role in the helping all USAID activities, whether they're related to democratic institutions and processes or the environmental sustainability and management.

In addition to aligning with the Agency's efforts to elevate historically underrepresented communities as laid out in the Agency's policies on [Promoting the Rights of Indigenous Peoples](#), [Gender Equality and Women's Empowerment](#), [LGBTQI+ Inclusive Development](#), [Youth in Development](#), and USAID's forthcoming updated Disability Policy, inclusive development also touches on the Agency's efforts to promote locally led development. As Deputy Assistant Administrator Bama Athreya and Director Adam Phillips write:

When aid localization is detached from inclusive development, or vice versa, each approach on its own can have unintended negative consequences. Localization without inclusion has the potential to reinforce discrimination and unequal power structures within local contexts. Likewise, inclusion without the tools and practices of localization may not be as effective at

centering decision-making with local actors or strengthening local systems. But at their best, localization and inclusive development approaches create a virtuous cycle that strengthens our ability to realize the principle, “Nothing about us without us.”

This five-year Strategic Framework will need to adapt as Ecuador moves through a season of potential political fluidity and other areas critical to Ecuador’s sustainable development change, potentially including economic and social development, education, and support for the long-term socio-economic integration of migrants in host communities.

Results Framework Narrative

Goal: A Democratic, Prosperous, and Sustainable Ecuador

The political history of the Republic of Ecuador is characterized by the constant instability of 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. Coups d'état have been a common part of the country's political history. 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 DO 1 reflects the social contract inherent in a democracy: an empowered citizenry advocates for their needs and holds to account the actions and policies of the government; and the government provides reliable and quality services in a transparent and honest way:

If democratic institutions improve their capacity to provide reliable, quality, and equitable services in a way that fosters transparency and accountability, and *if* journalism professionals along with an empowered, cohesive, and participatory civil society actively hold their government to account, *then* Ecuador's institutions will be strengthened, its democratic governance will be more responsive to citizens, and it will foster more active and constructive international collaboration.

This DO focuses on both the “supply side” of democratic governance (i.e., the ability of the government to meet the needs of its citizens) as intermediate result one (IR 1.1) and the “demand side” of democratic governance (i.e., the ability of citizens to identify, prioritize, and advocate for their needs) as intermediate result two (IR 1.2).

IR 1.1: Democratic institutions effectiveness improved

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. Many of the democracy and governance interventions planned under this Strategic Framework align with this IR and are designed to institutionalize democratic processes, ensure the GOE can deliver the services citizens need, and do this transparently so the GOE itself and Ecuadorians can hold the GOE accountable. Together these approaches will help Ecuador to ensure the country inexorably follows a democratic trajectory.

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.

A government unable to provide its citizens with the services they need, fails to keep up its end of the social contract and, in a democratic system, is at significant risk of losing power. The GOE faces many challenges in providing the basic levels of public services, such as water, sanitation, and hygiene (WASH) services, or security services to its citizens. Increasing levels of violence, poor management of the COVID-19 pandemic, and economic instability make it difficult for the GOE to convince Ecuadorians that it can deliver on its promises. At the same time, its important citizens are able to hold the government accountable for its failure and government operations remain transparent enough for citizens to understand what the GOE is and is not doing to improve these services.

Among these challenges, the rising rates of violence within the country are one of the greatest challenges facing the GOE's ability to build trust with its citizens. These rising rates of violence are tied to Ecuador's growing role as a major country of transit for narcotics. As more and more narcotics flow through Ecuador there is a corresponding growth in the number of gangs and other violent organizations that threaten the safety of Ecuadorians. Recent high profile assassinations of political leaders are the most visible and extreme examples of this increasing violence and a deteriorating security situation in Ecuador. In order to improve the effectiveness of democratic institutions, political and civil society leaders must feel safe enough to campaign and advocate for their issues. The importance of reversing these rising rates of violence and strengthening citizen security sits at the heart of USAID's approach to improving Ecuadorian institutions.

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, multilateral financial institutions, and the People's Republic of China. Chinese involvement in Ecuador consists mostly of large infrastructure projects and buying petroleum under long-term financing arrangements. Most of the agreements the GOE have with China were initiated under the previous Ecuadorian administration without much transparency or accountability. The legacy of these agreements tend to be unfavorable and burdensome for Ecuador.

IR 1.2: Citizen-driven democratic processes fostered

This second IR focuses on the "demand side" of governance, that is to say, the ability of civil society to identify and advocate for policies that better meet citizens' needs and hold government institutions accountable. It also includes supporting Ecuadorian media so it can investigate abuses and influence awareness of Ecuadorian's access to rights and services. Ecuador's high .84 score for civil society and media effectiveness on its country roadmap highlight the strength of both civil society and media. However, growing security threats and the potential for the country to enter into a period of political flux as Ecuador conducts and plans for presidential elections in 2023 and 2025 have the potential to make it more difficult and dangerous for civil society organizations and media professionals, including journalists, to do their work.

The difficulty of stopping, or at least slowing, the increasing violence in Ecuador threatens the GOE's ability to protect and provide its citizens with the most basic level of security which, in turn, could threaten citizen trust in the GOE and their willingness to participate in democratic processes. This

worrying trend plays a key role in the way USAID views its work supporting democratic processes. By working with the GOE and civil society to create a more secure public space, USAID will help increase the willingness of citizens to engage in the democratic process.

The results of USAID's work in this sector 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.

DO1 Assumptions:

- The presidential elections in 2023 and 2025 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.
- USAID's involvement in anti-corruption initiatives could open it up to rhetorical attacks from individuals and organizations that become the focus of corruption investigations charging the United States with politicizing these investigations.
- Fallout from the COVID-19 outbreak puts increasing pressure on democratic institutions, encourages populist candidates, leads to a closure of civic space, decreases government
- Narcotics trafficking within Ecuador continues to increase which, in turn, increases the level of violence within Ecuador.

DO 2: Promote increased inclusion, sustainability⁴, and a broader-base for prosperity.

Ecuador boasts a diverse natural environment, with abundant terrestrial, marine and energy resources to support national and international tourism, industrial production, and 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 engagement with the private sector and the prioritization of environmentally sustainable growth -- across all sectors -- to build on recent GOE policies welcoming a

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.

broader private role in the economy and to ensure that needed investment and modernization can flow into the country. USAID/Ecuador's development hypothesis for DO 2 reflects this approach:

If Governance is strengthened to promote environmental sustainability, and *if* Environmental quality is improved through economic activity and sustainable management, *then* the country will increase the sustainability of its economy, protect its biodiversity, and broaden the base of prosperity for Ecuadorians.

IR 2.1: National & sub-national governance strengthened to promote environmental sustainability.

Through this IR, USAID/Ecuador plans to strengthen governmental and societal capacities to promote and sustain any environmental-positive change - including increasing biodiversity and sustainable land management, as well as protecting against environmental crimes.

More specifically, 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.

In addition to supporting renewable energy and improving Ecuador's utilities, USAID also seeks to strengthen national and sub-national protection of Ecuador's diverse ecosystems. USAID will use a diverse set of programs and funding to ensure it supports the protection of Ecuador's diverse terrestrial biomes such as cloud forests, coastal mango forests, or the Galapagos Islands as well as its freshwater and marine biomes. Recent electoral successes for environmental causes highlight the alignment between USAID's focus on strengthening the protection of biodiversity and the desire of Ecuadorians to protect their country's ecosystems. For example, in August 2023, nearly 60 percent of Ecuadorians voted to ban oil exploration in Yasuní National Park, located in the Ecuadorian Amazon rainforest, in a national referendum.

IR 2.2: Environmental quality improved through economic activity and sustainable management.

While IR 2.1 focuses on creating the enabling environment that fosters sustainable and environmentally-friendly economic activity through governance and the enforcement of laws, IR 2.2 focuses on helping the GOE, the private sector, non-profit organizations, and civil society make the most of these changes. Encouraging more sustainable opportunities built on improved management of Ecuador's extensive biodiversity and natural resources, greater development of domestic renewable

energy resources, and enforcement of laws against environmental crimes will be a cornerstone of USAID's contribution to the country's long-term development.

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. Developing these services and products will help strengthen and create economic opportunities that can serve as alternatives to the agricultural expansion and illegal logging that drive deforestation in Ecuador and threaten the Amazon and its other ecosystems that help combat climate change by capturing carbon, protecting ecological diversity, and protecting against erosion and rising sea levels.

Outside of Ecuador's forests, USAID also seeks to improve the sustainable management of Ecuador's marine ecosystems. USAID is working to reduce illegal, unreported, and unregulated (IUU) fishing and overexploitation of sharks and rays in the Ecuadorian exclusive economic zone (EEZ) by large deep-water fishing fleets. USAID's efforts to manage fishing in the EEZ seeks to strengthen the GOE and fisher associations' ability to monitor, control, trace, design, and implement fishing best practices in ways that are aligned with market and conservation incentives. By sustainably managing shark and ray populations within the EEZ, the GOE can help ensure their long-term viability which, in turn, will support long-term economic sustainability of the Ecuadorian fishing sector that relies on these populations.

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, energy efficiency, carbon sequestration, and waste management 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.

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 resources and interest.
- 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:

- Political transitions lead to a government less friendly or interested in investing in climate change mitigation, environmental protection, and enforcing 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 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.

Cross-Cutting IR 3: Diverse voices integrated to shape local sustainable development

In the RF graphic, this IR statement sits in-between the two DOs because it cuts across all of USAID’s work in Ecuador. Inclusive development affects every part of USAID’s work, it seeks to move beyond taking the same approach to solving each community’s challenges (i.e., an equity-driven approach) and move toward understanding the unique context of different populations and communities. Directing an unique approach to designing programs responds and addresses the unique strengths and challenges of each community.

The three sub-IRs that fall under this cross-cutting IR seek to:

- **Support a government or enabling environment that is more inclusive and reflects all Ecuadorian voices.** Through this IR, USAID intends to focus on working with the GOE and other formal power structures within Ecuador to make sure these actors a wider range of voices contribute to decisions related to economic and social development, the delivery of services, and the enforcement of policies.
- **Strengthen voices that have been historically marginalized.** Through this IR, USAID seeks to ensure its programming engages with communities that have been historically marginalized in Ecuador so they contribute to the type of programming USAID develops. Taking this approach allows USAID to ensure programming addresses development challenges in a contextually appropriate way and empowers communities to determine their present and future.
- **Improve the inclusivity of USAID operations and processes.** Through this IR, USAID seeks to strengthen its internal operations. USAID recognizes that inclusive development processes must be intentional and systematic in order to ensure a broad and inclusive approach to foreign assistance programming. By identifying, valuing, and leveraging local knowledge; engaging stakeholders in an inclusive manner at all stages of the design process; and acting on analyses

conducted to understand the unique gaps, barriers, and opportunities for each community that USAID engages with.

These efforts to include a broader set of communities in the decision making and implementation process for USAID programs goes beyond USAID's strong commitment to protecting and advancing human rights. By prioritizing inclusive development in all its work, USAID/Ecuador seeks to move beyond protecting the rights of all Ecuadorians and move towards increasing the prosperity of all Ecuadorians.