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THIS ACTION IS FUNDED BY THE EUROPEAN UNION

ANNEX 1

to the Commission Implementing Decision on the financing of the annual action plan part 1 in favour of Ecuador for 2023

Action Document for: ‘A Green Deal for Ecuador. An inclusive, sustainable and resilient economy, stimulated by innovations and investments at decentralised level’

ANNUAL PLAN

This document constitutes the annual work programme within the meaning of Article 110(2) of the Financial Regulation, within the meaning of Article 23 of the NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

<p>1. Title CRIS/OPSYS business reference Basic Act</p>	<p>‘A Green Deal for Ecuador. An inclusive, sustainable, and resilient economy, stimulated by innovations and investments at decentralised level’ OPSYS number: ACT-61531 Financed under the Neighbourhood, Development and International Cooperation Instrument (<u>NDICI-Global Europe</u>)</p>
<p>2. Team Europe Initiative</p>	<p>Yes TEI Green Deal Ecuador – Economic green recovery through circular and bio-economy, contributing to Sustainable Growth and Green Deal EU policies</p>
<p>3. Zone benefiting from the action</p>	<p>The action shall be carried out in Ecuador</p>
<p>4. Programming document</p>	<p>Ecuador – Multi-annual indicative programme 2021-2027 (MIP)</p>
<p>5. Link with relevant MIP(s) objectives / expected results</p>	<p>MIP Priority Area 2: Enhance climate and environment action on green productivity and innovation SO2.2: Increase the implementation of green innovation and circular economy practices with Expected Results (ER) for SO2.2:</p> <ul style="list-style-type: none"> • ER 2.2.1 Increased number of industries with eco-designed products and with energy efficient production plants • ER 2.2.2 Increased number of people who have a basic understanding of concepts of climate change, green innovation, and circular economy • ER 2.2.3 Increased higher education and research institutions curricula in the implementation of green innovation and circular economy projects the private sector, local authorities, and higher education system <p>SO2.3: Improve Long-Term Strategies and Climate Adaptation Plans through local authorities, with Expected Results for SO2.3:</p> <ul style="list-style-type: none"> • ER 2.3.1 Increased number of territorial initiatives through LAs supporting Nationally Determined Contributions and Adaption plans

PRIORITY AREAS AND SECTOR INFORMATION				
6. Priority Area(s), sectors	Priority: Enhance climate and environment action on green innovation and productivity, Sectors: Agriculture (311), Industry (321),.			
7. Sustainable Development Goals (SDGs)	Main SDG: SDG 13 – Climate action Other significant SDGs and where appropriate, targets: contributing to SDGs: SDG 1 – No Poverty, SDG 2 – Zero Hunger, SDG 5 – Gender Equality, SDG 6 – Clean Water and Sanitation (targets: 6.1, 6.2, 6.3, 6.4, 6.5 and 6.6), SDG 7 – Affordable and Clean Energy, SDG 9 – Industry, Innovation and Infrastructure..			
8 a) DAC code(s)	14021 -Water supply - large systems 60% 14031 - Basic drinking water supply 30% 31140 - Agricultural water resources 10 %			
8 b) Main Delivery Channel	Channel 1 UNDP – 41114 Channel 2 GIZ – 52 Channel 3 – NON-GOVERNMENTAL ORGANISATIONS (NGOs) AND CIVIL SOCIETY – 20000			
9. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and women’s and girl’s empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Climate change adaptation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
11. Internal markers and Tags	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services	YES <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	NO <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
	Connectivity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	digital connectivity energy transport health education and research	YES <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	NO <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	
	Migration @ (methodology for tagging under development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities @ (methodology for marker and tagging under development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	<p>Budget line(s) (article, item): Budget Line: 14.020140</p> <p>Total estimated cost: EUR 20 400 000</p> <p>Total amount of EU budget contribution EUR 15 000 000</p> <p>This action is co-financed by:</p> <ul style="list-style-type: none"> - GIZ: for an amount of EUR 5 000 000 - CSO (selected NGO): EUR 400 000 <p>The Team Europe Initiative (TEI) “Economic green recovery through circular and bio-economy, contributing to Sustainable Growth and Jobs and Green Deal EU policies” is led by Germany Gesellschaft für Internationale Zusammenarbeit (GIZ): EUR 5,400,000, the EIB: starting with USD 100 000 000 (loan to Banco de Desarrollo Ecuador BDR) and</p>			

	Agence Française de Développement (AFD) (amounts to be defined during implementation)
MANAGEMENT AND IMPLEMENTATION	
13. Type of financing¹	<p>Direct management through:</p> <ul style="list-style-type: none"> - Grants <p>Indirect management with the entities to be selected in accordance with the criteria set out in section 4.3.2</p>

1.2 Summary of the Action

Ecuador enjoys a privileged position as one of the most biodiverse countries in the world, with a unique set of ecosystems in a rather limited space. It is a small contributor to climate change, but due to its privileged position, is naturally inclined to the Green Agenda. For this reason, Ecuador should be a natural world flagbearer of green-led development and conservation, following the likes of Costa Rica, as well as in the protection of human rights and rights of nature, having also ratified the Escazú agreement on 21 May 2020, and as the first country in the world having enshrined nature’s rights in its Constitution (2008).

It is in this context, and in view of the EU’s Green Deal agenda, and our unique environmental expertise and financing mechanisms, that this Action is inscribed. It seeks to upend Ecuador’s climate credentials by spearheading a comprehensive, integral, and multi-actor Ecological Transition building on the strengths of the EIB as well as the Member States development agencies available; notably, GIZ, AFD and Kreditanstalt Für Wiederaufbau (KfW), following a TEI approach; in addition to a multi-UN agency, UNDP-led, nation-wide, climate action. It is also flexible enough to naturally embed the EFSD+ guarantees as they will start to be mobilised, thus leveraging all instruments at our disposal for maximum impact. We expect climate-mitigation investments nearing EUR 600 million with this financing, in addition to the structural, nation-wide, changes that the programme will spearhead. The action will ensure complementarity with AECID being a key partner in the WASH sector.

The overall objective of the Action is to develop a “Green Deal for Ecuador”, by stimulating “An inclusive, sustainable and resilient economy, stimulated by innovations and investments at decentralised level”. It will (a) develop a Green Deal institutional and financial framework for the ecological transition/Climate governance, using the EU Green Deal as a reference; (b) overhaul the urban mobility sector nation-wide in a sustainable way; (c) develop a number of low-carbon urban infrastructure projects, mainly in water and sanitation sector; and (d) improve the living conditions of the vulnerable groups with the highest prevalence of chronic child malnutrition (children, women, indigenous groups) with a focus on water resources safeguarding and management.

The proposed action will contribute to the second pillar of the MIP; Enhance climate and environment action on green productivity and innovation; objectives 2.2. Implementation of Green innovation practices, 2.3. Improvement of long-Term Strategies and Climate Adaptation Plans through local authorities, and 2.4. Increase women in all their diversity influence decision-making processes on environmental conservation and climate change policies and actions.

It will be implemented through a mixture of competitively awarded contracts with (a) an engineering firm private-firm, covering the support to water and sanitation appraising and energy efficiency construction projects appraisal as well as institutional support in public finance management to local authorities; a (b) a civil society consortium which will provide capacity building to decentralised government entities and the central government entity “Secretaría Técnica Ecuador crece sin Desnutrición Infantil” (Technical Secretariat Ecuador Grows Without Child Malnutrition) with the purpose of improving the living conditions of the population with the highest prevalence of chronic child malnutrition; as well as through indirect management with the (c) GIZ so as to overhaul the urban mobility sector in a more sustainable way and the (d) UNDP to accompany a truly nation-wide Green Deal for Ecuador. This action is also in line with the recommendation of the Commissioner for International Partnerships, Jutta Urpilainen, during her visit to Ecuador in June 2022, to launch the present Sustainable Growth and Jobs and Green Deal Team Europe Initiative, as well as to help address the social demands that generated the national strike in the same month.

¹ Art. 27 NDICI

2 RATIONALE

2.1 Context

Political and Financial context

Ecuador's governments, irrespective of their political orientation, talk seriously about addressing environmental challenges. The left-leaning government of Rafael Correa introduced the rights of nature for the first time in a constitution in 2008², whereas the current liberal government placed the Ecological Transition as one of the key pillars of the development plan when taking office in mid-2021. Ecuador gained international recognition in the COP-26 (2021) by making several pledges, one of which was the extension of the Galápagos marine reserve, signalling to the world its environmental credentials. In parallel, all governments continue to exploit natural resources such as oil or minerals, whereas other illegal predatory practices persist, often with negative environmental externalities, making it one of the major bones of contention between the authorities and contestant activist groups.

Ecuador has developed no few public policy instruments and initiatives related to the protection of the environment, fighting climate change and promoting the circular economy, such as the (a) National Development Plan called "Creation of opportunities 2021 – 2025" containing the Ecological Transition as one of the 5 guiding pillars, the (b) National Decarbonisation Plan, (c) the National Plan for Adaptation to Climate Change, (c) the Ecuador Carbon Zero Programme, (d) the National Biodiversity Strategy, (e) the National Strategy for Sustainable Production and Consumption, (f) the Law on Circular Economy (2021), (g) (h) the Strategy to strengthen public-private partnerships, (i) the National Climate Financing Strategy, (j) the New Urban Agenda, or (k) the National Bioeconomy Pact, among others³. The National Development Plan (NDP) 2021-2025 is structured in 5 axes, including the Ecological Transition axis, which includes 3 objectives, 9 policies and 17 goals. The objectives of the NDP are to conserve, restore, protect, and make sustainable use of natural resources; promote sustainable development models by implementing climate change adaptation and mitigation measures; and promote the integral management of water resources.

The Ecological Transition refers to a new model of development. This new model includes a transition towards sustainable production, consumption, energy use and industrial and agricultural practices. Mainstreaming of circular economy principles and practices is key to this new development model. With this background, the Ecological Transition becomes an opportunity to articulate these different efforts into a coherent policy, legal, regulatory, and financial framework, the Green Deal for Ecuador, mirroring what the EU does inside its borders. In particular, the EU will promote a Green Deal for Ecuador. This initiative, through the above-mentioned actions, should achieve results including: i. a clear impact on the diminution of Greenhouse Gas (GHG) emissions; ii. economic green climate intelligent economic growth based in a circular economy and iii. inclusion of people who have lost their jobs in the pandemic and could engage in green and productive ventures.

The country has a multitude of environmental policies, laws, norms, and strategies but there is an overall lack of common vision to deal with such problems. There is no coordination between the central government and the subnational governments (provincial, municipal, and parochial). Small, medium, and big businesses and industries lack clear environmental visions and strategies. The same occurs with different guilds and with indigenous communities. With a lack of vision for all the above-mentioned actors comes along a lack of implementation modalities for their initiatives and programmes.

The environmental challenges that Ecuador faces need a large, coordinated, response enshrined in a new economic and social model. The Ecological Transition is a concept that needs to be understood and landed in a practical way in territories (provinces and cantons), institutions and in the minds and hearts of citizens.

² Although, Ecuador is the first country in the world to recognise Rights of Nature in its Constitution, the protection of nature and leading the country towards the path of sustainability is a reality. Art 14. Declares that right of people to live in a healthy and ecologically balanced environment that guarantees sustainability and supports good living "sumak kawsay". Art. 15 declares the obligation by the State to promote use of environmentally friendly technologies. Art. 74 declares the people's right to benefit from the environment and the natural wealth to live well.

³ The NDCs represent targets and actions for the post-2020 period. Ecuador's NDC includes: An unconditional goal of reducing 9% of its GHG emissions for the energy, industrial processes, agriculture, and waste sectors; and conditional to international support and cooperation, the commitment goes up to 20.9%.

2.2 Problem Analysis

Despite its privileged position as one of the best endowed countries in the world in terms of biodiversity and climate variability, including a unique set of ecosystems comprising parts of the Amazon Forest, water-rich barren plains (páramos), parts of the Andean Mountain Range, a coastline that includes dry forests, and the Galápagos archipelago, including an oversized marine reserve; the country faces important environmental and climate change challenges.

Ecuador is heavily affected by climate change due to: (a) the rise in the sea level; (b) increases in rainfall and precipitation deficits due to intensification of El Niño - Southern Oscillation (ENSO); (c) the loss of glacial surface; (d) impacts on agriculture due to alterations in rainfall; (e) impacts on rural and urban infrastructure due to extreme precipitations; (f) increase of risk factors on vulnerable populations; (g) increase in epidemics exacerbated by climate change; and the (h) erratic levels of water availability.

In addition, Ecuador is suffering from a large deforestation threat (although there are no clear official data, recent estimates took note of a deforestation rate of more than 70 000 hectares per year). Extractive industries like oil and most recently industrial and artisanal mining development have developed a grown concern in society due to the pollution and related health problems caused by it. Indigenous communities have raised their voices because of water pollution caused by mining. As an example, on 28 January 2022, Ecuador's Heavy Crude Oil Pipeline (known by its Spanish acronym OCP), ruptured, contaminating more than 20,000 square meters of the Cayambe Coca National Park, according to the Ministry of the Environment, Water and Ecological Transition (MAATE). Artisanal gold mining, which is common in Ecuador, uses the process of mercury amalgamation, which causes serious health problems such as neurological disorders. Mercury can also pollute rivers and soils. In June 2022, after weeks of protests by Indigenous peoples, also caused by fuel prices and medicine shortages, CONAIE signed an agreement with the government about 10 key policy reform areas, to limit the further expansion of the oil and mining industries and to ensure the Free, Prior and Informed Consent of Indigenous communities.

In terms of relevance for EU action of specific sectors, the water and sanitation sector stands out for various reasons. First, only one third of the population uses safely managed drinking water services in the country. Secondly, the lack of drinking water access is closely linked to chronic child malnutrition. According to UNICEF, chronic child malnutrition affects 27.2% of children under two years of age in Ecuador. It affects approximately 325.000 children in this country. Lastly, water management is also political, and at the centre of the demonstrations that rocked the country in June 2022, less than three years after the previous demonstrations (October 2019). On January 12, 2022, the Constitutional Court declared unconstitutional the Organic Law on Water Resources, Uses and Use of Water of 2014 and its regulations, on the basis of the lawsuit by the Confederation of Indigenous Nationalities of Ecuador (CONAIE), the largest social organisation in the country. Since May 2022, the Ministry of the Environment, Water and Ecological Transition (MAATE) is leading a participatory process to design a new water law (LOGIRH), which should (a) categorise water as a fundamental human right, on which other rights such as health and food depend, (b) prioritise human and domestic consumption, food sovereignty and the ecological flow, (c) exclude any privatisation of water, and so to be managed exclusively by the public or the community with no privatisation, and (d) give right to prior, free and informed consultation of the communities and towns which may have prospecting and exploiting activities.

According to the Secretaría Técnica Ecuador Crece Sin Desnutrición Infantil (Technical Secretariat Ecuador Grows without Child Malnutrition), 30.6% of children under two in rural areas suffer from child malnutrition (25.4% in urban areas). Boys are more vulnerable than girls (30.8% for males and 23.4% for females); whereas indigenous people are significantly more affected than other nationalities (the prevalence reaches 38.8% for indigenous children, compared with 26.8% for Mestizos, 20.7% for Whites and 17.8% for Afro-Ecuadorians). This fact speaks volumes about the management of water since many indigenous communities live in the highlands, which is the largest source of water generation, other than rivers.

Transport and urban mobility are particularly egregious one from the environmental point of view. There are 2.7 million vehicles in the country (May 2021) mostly fitted with high-polluting engines, with very few non-polluting vehicles in circulation. In 2020, the sales of electric vehicles represented only 105 units whereas the sales of hybrid vehicles represented 1,100 units. As such, the transportation sector represents 45% of the total GHG emissions, as the country's energy infrastructure has nearly no recharging points for electric vehicles (only 54 in the whole country). In terms of public infrastructure, only the city of Cuenca developed the first tram system in the country, using hydro-generated electricity.

The construction sector is another challenging one. The number of buildings built following environmental standards is negligible. As such, the greening of the construction sector was prioritised by the government in 2019 through the Organic Law on Energy Efficiency. The law states that the government will promote "policies and

regulations aimed for buildings intended for industrial use, commercial, recreational, residential and facilities so that in such constructions is observed the fulfilment of the sectorial goals of energy efficiency; this rule will be mandatory for compliance by designers, builders, owners and users of the buildings, according to correspond” (Art 13.). In addition, this sector is a labour-intensive one hence there is a strong potential for integration of migrant population into formal employment through the careful selection, and design, of projects.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

Team Europe participants: EU, DE, FR, EIB

Public sector: Ministry of Economy and Finance (MEF), Ministry of the Environment, Water and Ecological Transition (MAATE), Ministry of Production, Trade, Investment and Fisheries (MPCEIP) and Ministry of Agriculture (MAG). They are the national institutions competent to define and implement the national policies in the economy, finance, environmental, water and ecological transition sectors. The Ecuadorian Development Bank (BDE) which has as the Ministry of Economy and Finance and the GADs⁴ as its shareholders. The Technical Secretariat “Ecuador grows without chronic child malnutrition” (“Secretaría Técnica Ecuador Crece Sin Desnutrición Infantil”).

Financial sector: Private banks will be associated to the intervention, in particular Produbanco and Banco Procredit Ecuador which have a green loan portfolio and already expressed interest to support the matchmaking with the private sector.

Civil society: The cornerstone of this Action centres around local authorities and civil society, to motivate a participatory governance at local level as well as an implementing partner to support GADs. Provincial, municipal and parochial (three levels) GADs and their representatives: AME (Ecuadorian Association of Municipalities) and CONGOPE (Consortium of Autonomous Provincial Governments of Ecuador).

Stakeholders	Main interest of the project in relation to stakeholder	Level of Interest	Power
Duty bearers			
Ministry of the Environment, Water and Ecological Transition (MAATE)	It will be the leading national institution in the generation of legal and technical frameworks for the implementation of the ecological transition	High	High
Ministry of Economy and Finance (MEF)	It will define and implement the national policies related to economy, finance, related to the ecological transition	Medium	High
Ministry of Production, Trade, Investment and Fisheries (MPCEIP)	It will prioritise and accompany selected industries for the ecological transition	High	High
The Ecuadorian Development Bank (BDE)	It will design and implement policies for green financing to GADs	High	High
AME (Association of Municipalities) and CONGOPE (Consortium of Autonomous Provincial Governments)	It will Support green financing initiatives for municipal and provincial GADs, including training programmes for the production of bankable project proposals which are acceptable for loaning institutions especially for the BDE	High	High
Technical Secretariat to Childhood Malnutrition (“Secretaría Técnica Ecuador Crece Sin Desnutrición Infantil”)	It will support the access the weakest GADs with high level of malnutrition to water and sanitation projects financed by BDE	High	High
Right holders			

⁴ Los Gobiernos Autónomos Descentralizados (GAD)

Women participating in participation in the value chain	Technical assistance and training for women participating in prioritised sectors of the value chain (Ecological Transition)	High	Medium
Indigenous Peoples participating in participation in the value chain	Technical assistance and training for indigenous peoples participating in prioritised sectors of the value chain (Ecological Transition)	High	Medium
Inhabitants of cities which engage in green urban mobility programmes	Technical assistance and training for the implementation of green urban mobility programmes	High	Medium
Local Authorities	Technical assistance and training for the implementation of green urban mobility programmes Technical assistance and training for the management of green bankable projects for drinking water (support to Mingas)	High High	Medium Medium
Owners of small and medium size enterprises who engage in the ecological transition	Technical assistance and training for the implementation of ecological transition programmes in industries	High	Medium
Child population of cantons with high levels of malnutrition	Technical assistance and training for the management of green bankable projects for drinking water (support to Mingas)	High	Low

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

<p>The Overall Objective (Impact) of this action is to contribute to an inclusive, sustainable and resilient economy and to reduce chronic childhood malnutrition.</p> <p>The Specific Objectives (Outcomes) of this action are:</p> <ol style="list-style-type: none"> 1. To enhance institutional and financial framework relevant for Green Deal and Ecological Transition; 2. To reduce the gap between supply and demand for financing and making the technological transition towards sustainable mobility; 3. To create conditions for bankability of climate low-carbon and, climate-mitigation projects at decentralised level as well as conditions for financing sustainable mobility; 4. To improve and make more effective and participative local governance mechanisms for the implementation of water projects in tackling public finance and the GADs with the highest prevalence of chronic childhood malnutrition. <p>The Outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:</p> <p>Specific objective 1</p> <p>Output 1.1. Laws, policies and standards for the ecological transition are developed/revised and/or better implemented;</p> <p>Output 1.2. Private and productive sectors have increased access to engagement opportunities and financial mechanisms relevant for the ecological transition;</p> <p>Output 1.3. Financial mechanisms to support productive sectors towards the ecological transition are developed.</p> <p>Specific objective 2</p> <p>Output 2.1. The capacities of public and private banks in the field of sustainable mobility are strengthened and new technologies introduced;</p>

Output 2.2. The demand from local governments to increase sustainable mobility in Ecuador is boosted;

Output 2.3. The governance of the sustainable mobility sector, and the generation of capacities and exchange of knowledge about green mobility are improved.

Specific objective 3

Output 3.1. Low-carbon infrastructure projects in the partner country are identified and conditions for accessing climate finance provided;

Output 3.2. Personal and institutional capacities for development and implementation of the bankable mitigation projects identified under output 3.1. have been created in the cities and municipalities;

Output 3.3. Proposals to improve national framework conditions for bankability and implementation of mitigation projects, also concerning green recovery, are prepared.

Specific objective 4

Output 4.1. Strengthened capacities of municipal governments in PFM (Public Finance Management), water conservation and water and sanitation project management, with focus on the municipalities with the highest prevalence of chronic child malnutrition in the Sierra and Coast, with the consultation and consent of indigenous communities as required;

Output 4.2. Enhanced participation of water conservation projects in the territories with the highest prevalence of chronic child malnutrition in the Sierra (protection of the Andean moors “páramos andinos”) and Coast are appraised;

Output 4.3. An open and participatory framework is developed at local level where civil society and the private sector are empowered to co-lead their own national development initiatives and tackle child malnutrition.

3.2 Indicative Activities

Specific objective 1: To enhance institutional and financial framework relevant for Green Deal and Ecological Transition.

Activities related to **Output 1.1. Laws, policies and standards for the ecological transition are developed/revised and/or better implemented:**

1.1.1 Harmonise, or generate where necessary, an enabling legal and technical framework (including green procurement, guidelines, norms, standards, ministerial agreements, strategies, and plans, among others) for the implementation of the ecological transition based on circular economy concepts and practices across key productive sectors (elevated to public policy) in coordination with the Ministry of Environment, Water and Ecological Transition and other key national institutions involved;

1.1.2. Support the development of an observatory to follow-up the legal and technical framework for the implementation of the ecological transition, in partnership with selected productive sectors and financial mechanisms, ensuring gender and indigenous peoples’ inclusion in decision-making and responsible business standards;

1.1.3. Align and articulate international, bilateral, and multilateral cooperation efforts to the ecological transition policy both at the national and sub-national levels.

Activities related to **Output 1.2. Private and productive sectors have increased access to engagement opportunities and financial mechanisms relevant for the ecological transition:**

1.2.1. Develop Clean Production Agreements for prioritised productive sectors aligned with the ecological transition framework, in close coordination with the Ministry of Production and the United Nations Industrial Development Organization (UNIDO);

1.2.2. Strengthen capacities of value chains of prioritised productive sectors to improve insertion in the European market, with attention to increasing women’s participation in the value chain;

1.2.3. Develop a high-potential investment projects portfolio to support and sustain the ecological transition within prioritised industries by the Ministry of Production.

Activities related to **Output 1.3. Financial mechanisms to support productive sectors towards the ecological transition are developed:**

1.3.1. Identify and design coordinated private and public financial mechanisms to support the implementation of the national portfolio of prioritised productive sectors, with a gender-responsive lens;

1.3.2. Support the access to financing mechanisms for the implementation of prioritised projects aligned with the enabling framework for the ecological transition (through activities such as business roundtables, Ecuador opens for Green Business, among others), with a gender lens.

Specific objective 2: To reduce the gap between supply and demand for financing and making the technological transition towards sustainable mobility.

Activities related to **Output 2.1. The capacities of public and private banks in the field of sustainable mobility are strengthened and new technologies introduced:**

2.1.1. Advice to align credit lines of national development banks (BDE and CFN) with national policies (NDC, national mobility policy, national climate finance strategy and national electromobility strategy) and strengthen MRV reporting mechanisms;

2.1.2. Advice to national development banks for the implementation of incentive systems and new financing products for municipalities and transport operators so that they can implement technological transition projects such as: conversion of fleets to electric mobility, integrated and automated recharging systems, user information, intelligent traffic light systems and big data generation for traffic planning;

2.1.3. Strengthening of the capacities of the decentralised Technical Assistance departments of development banks in advising clients (municipalities and transport operators) that have an impact on the conception of sustainable urban mobility projects (introduction of new technologies, development of SUMP, among others) and allow a more continuous development of projects that feed the banks' financing pipelines (baskets).

Activities related to **Output 2.2. The demand from local governments to increase sustainable mobility in Ecuador is boosted:**

2.2.1. Advice to four cities in the consolidation of their local mobility plans incorporating the SUMP approach that emphasises the generation of a portfolio of projects organised in packages of measures (reorganisation of sectoral plans, and studies of projects with potential for immediate financing);

2.2.2. Advice on the implementation of pilot projects in the four cities that demonstrate the use of instruments and technologies for mobility management: reporting, monitoring and verification (MRV) modules, integrated and automated charging systems, intelligent traffic lights, generation of big data for traffic planning, cross-docking platforms for last-mile logistics, with the potential for subsequent scaling to bankable projects;

2.2.3. Advice on the preparation of three projects in three of the four cities (including feasibility studies) to reach full financing maturity;

2.2.4. Technical assistance for the institutionalisation of low-carbon electro-mobility in the relevant agencies of the Ecuadorian Government;

2.2.5. Advice on the implementation of a demonstration pilot of last-mile electro-logistics in Quito.

Activities related to **Output 2.3. The governance of the sustainable mobility sector, and the generation of capacities and exchange of knowledge about green mobility are improved:**

2.3.1. Generation of a vertical-horizontal cooperation scheme between the relevant entities for the management of sustainable urban mobility to harmonise the stewardship of the sector and facilitate the framework for the implementation of sustainable urban mobility projects for local governments;

2.3.2. Creation of exchange formats (business roundtables, study trips, etc.) on new technologies applied to (car sharing, public bicycle rental systems, integrated transport systems in superblocks, cross-docking platforms for logistics of last mile, ITS);

2.3.3. Creation of a permanent capacity-building scheme for municipal officials to enable the generation and continuous execution of sustainable urban mobility projects;

2.3.4. Technical support for the generation of energy efficiency and emissions standards for electric vehicles;

2.3.5. Strengthening the capacities of companies in circular economy (reuse, recycling and final disposal of vehicles and batteries).

Specific objective 3: To create conditions for bankability of climate low-carbon, climate-mitigation projects at decentralised level.

Activities related to **Output 3.1. Low-carbon infrastructure projects in the partner country are identified and conditions for accessing climate finance provided:**

3.1.1. Consolidate the project pipeline with BDE for the Framework Loan; including strengthening BDE as a financial intermediary;

3.1.2. Support project preparation and appraisal of at least fifteen investment projects, getting them ready for financial uptake; including advice to cities in developing bankable projects;

3.1.3. Support the preparation of bankable energy-efficient construction projects which use circular business models (green building design, recycled construction materials, resource-efficient construction).

Activities related to **Output 3.2. Personal and institutional capacities for development and implementation of the bankable mitigation projects identified under output 3.1. have been created in the cities and municipalities:**

3.2.1. Launch an information campaign bringing knowledge, skills and information to interested cities and municipalities on a broad scale, in order to get them ready to 3.2.2;

3.2.2. Implement a nation-wide capacity development plan at institutional and individual level in municipal administrations and a peer-to-peer learning deep dive into project preparation and implementation, to be delivered first to qualifying cities and municipalities.

Activities related to **Output 3.3. Proposals to improve national framework conditions for bankability and implementation of mitigation projects, also concerning green recovery, are prepared.**

3.3.1. Support to regulatory and policy environment for energy efficiency; including strengthening standards and regulations of buildings in residential and non-residential sector;

3.3.2. Support project preparation and appraisal of at least three investment projects, getting them ready for financial uptake; including deploying capacity to design, implement and enforce improved green and climate friendly construction standards targeting public infrastructure (schools, health facilities) and/or private sector, including knowledge transfer with neighbouring countries (south-south cooperation).

Specific objective 4: To improve and make more effective and participative local governance mechanisms for the implementation of water projects in the GADs with the highest prevalence of chronic childhood malnutrition.

Activities related to **Output 4.1. Strengthened capacities of municipal governments in PFM (Public Finance Management), water conservation and water and sanitation project management, with focus on the municipalities with the highest prevalence of chronic child malnutrition in the Sierra and Coast, with the consultation and consent of indigenous communities as required;**

4.1.1. Establish a monitoring system of chronic childhood malnutrition by the GADs in collaboration with the Technical Secretary to Childhood Malnutrition (“Secretaría Técnica Ecuador Crece Sin Desnutrición Infantil”);

4.1.2. Generate a capacity building instrument in water and sanitation and protection of watersheds to GADs, led by a consortium made up of civil society, academia and local authorities;

4.1.3. Build capacity in public finance management, budget planning, and monitoring of investment projects at local level, so as to improve local authorities public financial management local administrative and financing capacities, strengthening the local land registry and local revenue mobilisation;

4.1.4. Provide technical assistance to selected GADs in financial management and tariff-setting of investment projects financed by the BDE, to ensure their financial viability.

Activities related to **Output 4.2. Enhanced participation of water conservation projects in the territories with the highest prevalence of chronic child malnutrition in the Sierra (protection of the Andean moors “páramos andinos”) and Coast are appraised:**

4.2.1. Provide technical assistance to rural parishes to finance, design and implement projects in water and sanitation, protection of watershed and to GADs;

4.2.2. Implementation of small projects for the preservation of water resources at community level; with the consultation and consent of indigenous communities as required;

4.2.3. Small projects and communication awareness to tackle the chronic child malnutrition.

Activities related to **Output 4.3. An open and participatory framework is developed at local level where civil society and the private sector are empowered to co-lead their own national development initiatives and**

tackle child malnutrition:

4.3.1. Provide technical assistance and training to rural WASH and health promoters to monitor the design, the financing and implementation of projects in water and sanitation and protection of watershed;

4.3.2. Support the community leaders in their policy dialogue with local and central government authorities in particular on the progress of water and sanitation, as a tool to fight CCM, and as a conflict-prevention measure, as well compliance with indigenous peoples' rights.

The commitment of the EU's contribution to the Team Europe Initiatives foreseen under this action plan will be complemented by other contributions from Team Europe partners. It is subject to the formal confirmation of each respective partners' meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise the EU action may continue outside a TEI framework.

3.3 Mainstreaming

Environmental Protection & Climate Change

Outcomes of the SEA screening (relevant for budget support and strategic-level interventions).

The Strategic Environmental Assessment (SEA) screening concluded that no further action was required.

Outcomes of the EIA (Environmental Impact Assessment) screening (relevant for projects and/or specific interventions within a project). The EIA (Environment Impact Assessment) screening classified the action as Category B (not requiring an EIA, but for which environment aspects will be addressed during design).

Outcome of the CRA (Climate Risk Assessment) screening (relevant for projects and/or specific interventions within a project). The Climate Risk Assessment (CRA) screening concluded that this action is no or low risk (no need for further assessment).

Gender equality and empowerment of women and girls. As per the OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that gender equality is a significant objective of the action.

Human Rights. "this project supports the implementation of solutions for individuals and communities who do not have adequate access to safe drinking water and sanitation and vulnerable to malnutrition because of such condition.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that the action is not considered relevant for inclusion of persons with disabilities.

Democracy

This project does not promote the political participation of people but makes visible people who do not have access to drinking water and promotes public participation in the search of solutions for this problem.

Conflict sensitivity, peace and resilience

A Green economy should be inclusive and rights-based in order to be sustainable and reduce inequalities. Therefore the document also aims at building societal resilience, on top of economic and climate change resilience.

Water and sanitation interventions included in this programme may be conflict-sensitive due to environmental degradation, water pollution (not least from mining and oil production) and issues of control over natural resources including land. Access to safe water and sanitation is a fundamental human right whose importance cannot be underestimated when addressing rural conflicts and fighting inequality.

Free, prior and informed consent of indigenous peoples will be key in conflict prevention and to ensure human rights-based approaches, as flagged by the indigenous protests in June 2022.

Water-related conflicts are well documented in Ecuador for more than two decades and have affected mostly rural and indigenous communities, and have also been triggered by a privatised and not inclusive model of water management.

Due to the recent political crisis the country underwent, special attention needs to be given to issues like drinking water availability and inclusive water management, which may be a cause of conflict.

Disaster Risk Reduction

Considering the impact of climate change and the implications for the implementation of the green proposals, the mainstreaming of DRR is highly recommended. Including risk analysis and building resilience of stakeholders is essential to ensure that capacities are in place for effective response and recovery at all levels, as well as to protect the investment. Enhancing the dialogue and advocacy in terms of DRR with stakeholders is also key as a cross-cutting aspect. Disaster Risk Reduction strategies and protocols should be taken to activities related to urban mobility, and green economy.

In addition, such strategies should also be included in mitigation of climate change impacts.

Other considerations if relevant

Not applicable

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (H/M/L)	Impact (H/M/L)	Mitigating measures
1.1 Macro-environment	Social unrests arise again	Medium	High	The UN and the EU support the National Dialogue between the government and indigenous organisations with a follow-up of the agreements and reforms, and the promotion of Free, Prior and Informed consent protocols (as per EU and UN policy and international law commitments)
1.3 Rotation in key positions	Officials of key public institutions change frequently	High	Medium	The programme will seek to institutionalise all activities and will systematically include career civil servants. Still, this risk would negatively affect any operation, as is the case in other programmes
1.3 Lack of single uniting Green Lead combined with weak MAATE	Lack of clear leadership in green issues and/or a weak MAATE	High	Medium	The programme will provide institutional support to MAATE and work with other ministries such as MEF, Ministry of Agriculture and MPCEIP
1.3 Weaknesses, cumbersome procedures and high interest rates at the BDE	Weaknesses at the BDE could delay the smooth operation of the programme	Medium	High	The programme will provide institutional support to the BDE, including to reduce red tape and strengthen transparency-driven decision-making
1.3 Political interference in selecting beneficiaries	Public entities can be vulnerable to political interference especially before elections	Medium	Medium	The programme will provide support and clear guidelines when beneficiaries of projects will be chosen by a public institution such as the BDE
1.3 Lack of functioning of Mesa Técnica	The Cooperation Technical Roundtable is being established	Medium	Medium	The EU will be an active partner in this forum, and will support the Technical Secretary
1.3 Demand for our services far	Any of the 24 provincial GADs, 221 municipal	High	Medium	Expectation management with potential beneficiaries will be key in this

outweighing our offer	GADs, or 890 parochial GADS, plus local institutions may express interest in this action.			endeavour, as well as making sure that this is a country-led programme
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Lessons Learnt:

Based on past cooperation with local authorities and environmental actions, we have learnt that:

- It is necessary to sensitise public officials, local authorities, and different groups of society, about climate change issues and that addressing climate change is not just a MAATE single task.
- The BDE fulfils a key role in channelling funds from TEI members (and others) to local authorities, hence it is key that it can deliver on its mandate, and that the programme does not shy away from strengthening its function in a transparent manner.
- Little can be achieved if local authorities do not increase their technical and financial capacities, to be able to ensure proper implementation of investment projects, including being able to raise the indebtedness ceiling by the MEF, without which few programmes will be able to be implemented.
- It is crucial that any initiative encompasses both national and sub-national institutions, to work together in these priority issues.
- Sensitisation initiatives about the fundamental role that the water-rich barren plains (páramos) ecosystems play, among other things, as the water source for urban and rural populations.

3.5 The Intervention Logic

The objective of the proposed action is to bring the EU Green Deal to Ecuador, building on the EU achievements in this regard, so that Ecuador can institutionalise its own national Green Deal framework. In addition, it will promote structural changes in various sectors, and promote the mobilisation of large-scale green funds towards climate-smart investment projects at decentralised level with a special focus on GADs with high prevalence of chronic childhood malnutrition. It will do so whilst creating a cooperative platform for civil society to take an active part in local development and demand change for the better.

This is the flagship Team Europe action in Ecuador, representing over a third of the resources of the MIP until 2025 (EUR 15 M out of EUR 40 M). It has been developed in collaboration with the European Investment Bank, which has already granted a first loan of USD 100 million to the BDE in December 2021, which is being matched by an equivalent amount by the BDE, and for which reason the creation of a pipeline of bankable projects is paramount. The EIB stands ready to consider additional resources as the first funds are assigned to specific projects. The same applies to the AFD, and potentially to KfW too, which appointed a first representative to the country in mid-2022. At the implementation level, a joint EU-DE collaboration will be delivered by GIZ relating to specific objective 2 on sustainable urban mobility and objective 3 on bankable sustainable urban projects.

- If the access to financing mechanisms for the implementation of prioritised projects aligned with the enabling framework for the ecological transition is achieved, THEN the first steps of the ecological transition through investment in productive clusters will most likely take place in the given sectors, BECAUSE this type of projects often lacks financial support.
- If the Financial mechanisms to support productive sectors towards the ecological transition are developed, THEN there will be a high possibility that a Green Deal Financial Framework for the Ecological Transition is developed, BECAUSE productive sectors need additional investment to engage in green activities.
- If the demand from local governments to increase sustainable mobility in Ecuador is boosted, THEN the gap between supply and demand for financing the technological transition towards sustainable mobility will be reduced, BECAUSE sustainable mobility projects will be prioritised if financial support is available.
- If personal and institutional capacities for development and implementation of previously identified bankable mitigation projects are created in the cities and municipalities, THEN, the conditions for bankability of such projects will most likely be achieved, BECAUSE local institutions often lack capacities to produce bankable proposal proposals.
- If the advice to national development banks for the implementation of incentive systems and new financing products for municipalities and transport operators so that they can implement technological transition is effective, THEN this will contribute to the reduction of the gap between supply and demand for financing the technological transition towards sustainable mobility viable, BECAUSE national development banks often lack the capacity to provide financial instruments to fund sustainable mobility initiatives.
- If the BDE is strengthened as a financial intermediary in its ability to identify eligible mitigation projects and prepare identified projects so that these comply with the necessary international financing standards (EIB, AFD, etc.), THEN one important step in the conditions for bankability of mitigation projects in municipalities will be achieved, BECAUSE the BDE is a key financial partner for municipalities.
- If the capacities of the municipal governments with the highest prevalence of chronic child malnutrition in the Sierra, and Coast are strengthened for the development and implementation of water and sanitation projects, THEN, there will be a strengthening of such GADs, BECAUSE project proposal preparation has been a weakness of municipal governments.
- If the provision of technical assistance to GADs in public finance management, budget planning, oversight of water and sanitation projects financed by the BDE is effective; THEN a reduction of chronic childhood malnutrition will be possible, BECAUSE GADs will be better prepared in providing water and sanitation to children.

Finally:

- If the ecological transition is supported through investment in productive clusters and financial mechanisms;

- If the gap between supply and demand for financing the technological transition towards sustainable mobility is reduced;
- If conditions for bankability of mitigation projects in municipalities are created;
- If the weakest GADs capacities are strengthened to improve their PFM and access to BDE`s loans on the topics of water and Sanitation, and reduction of chronic childhood malnutrition;
- THEN, an inclusive, sustainable and resilient economy, stimulated by innovations and investments at decentralised level will be spearheaded in Ecuador, BECAUSE GADs and private enterprises will have access concessionary loans.

3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention. On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g., including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action. The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

Results	Results chain (@): Main expected results	Indicators (@):	Baselines (values / years)	Targets (values / years)	Sources of data	Assumptions
Impact	An inclusive, sustainable and resilient economy, stimulated and reduction of chronic child malnutrition is spearheaded	1. Percentage of the population living below the international poverty line by sex, age, employment status and geographic location (urban/rural) (SDG 1.1.1)	32.4% (2020)	TBD (2025)	INEC Banco Central SNP	
			Men: 31.6%	TBD		
			Women: 33.1%	TBD		
		2. Prevalence of malnutrition (weight for height >+2 or <-2 standard deviation from the median of the WHO Child Growth Standards) among children under 5 years of age, by type (wasting and overweight) (SDG 2.2.2)	27.2% (2018)	21.2% (2025)	STDCI INEC SNP	
		3. Number of green policies proposed in relation to this Action	0 (2022)	3 (2025)	Progress reports	
		Number of GADs, supported by the Action, engaged in green innovations and investments	0 (2022)	20 (2025)		
		Number of GADs, supported by the Action, benefited from drinking water and sanitation project initiatives	0 (2022)	15 (2025)		
No of indigenous communities, benefited by the Action, consulted and engaged in the decision making processes on water and sanitation	0 (2022)	15 (2025)				
Specific Objective 1	To enhance institutional and financial framework relevant for Green Deal and Ecological Transition	Number of public policies and productive clusters supported by public policy instruments, financing mechanisms and productive projects for ecological transition	0 (2022)	TBD (2025)	Progress reports for the EU-funded intervention	

Results	Results chain (@): Main expected results	Indicators (@):	Baselines (values / years)	Targets (values / years)	Sources of data	Assumptions
		Percentage of relevant actors (private sector companies, ministries, etc.) influenced to adopt processes to improve women's economic empowerment /to remove barriers to market access for women in a given sector (FPI RF)*	0 (2022)	15% (2025)		
		Number of companies which have initiated projects using new green innovation technologies in designing and production*	0 (2020)	10 (2025)		
Output 1 related to specific objective 1	Laws, policies, and standards for the ecological transition are developed/revised and/or better implemented	1.1.1. Number of technical and legal instruments (Strategies, Plans, Ministerial Agreements, Guides) developed with support of the EU-funded intervention	1 (2022)	3 (2025)	MAATE	Political willingness to support the implementation of the ecological transition
		1.1.2. Extent to which EU-funded intervention contributed to establishment of observatory to follow-up the legal and technical framework (% of EU contribution/Total activities observed)	0 (2022)	1 (2025)	Text of laws and regulations; Text of strategies and policy documents	Political leadership remains committed to the ecological transition including water management, sustainable construction and urban mobility at the national and local level
		1.1.3. Status of operationalisation of inter-institutional Cooperation Roundtable	0 (2022)	25% (2025)	Progress reports for the EU-funded intervention	
Output 2 related to specific objective 1	Private and productive sectors have increased access to engagement opportunities and financial mechanisms relevant for the ecological transition	Number of Clean Production draft agreements signed for prioritised industries	2 (2022)	4 (2025)	Progress reports for the EU-funded intervention	Private sector remains interested in technical assistance and support
		Number of sustainability projects developed for prioritised industries with support of the EU-funded intervention	0 (2022)	4 (2025)		
		Number of value chains strengthened for prioritised industries	0 (2022)	4 (2025)		

Results	Results chain (@): Main expected results	Indicators (@):	Baselines (values / years)	Targets (values / years)	Sources of data	Assumptions
		% of women participating in each value chain	0 (2022)	30% (2025)		
Output 3 related to specific objective 1	Financial mechanisms to support productive sectors towards the ecological transition are developed	Number of financial mechanisms identified and/or designed with support of the EU-funded intervention	2 (2022)	6 (2025)	Progress reports	Private sector remains interested in technical assistance and support
		Number of processes to promote the access of financing mechanisms to selected productive projects developed with support of the EU-funded intervention	0 (2022)	4 (2025)		
Specific Objective 2	To reduce the gap between supply and demand for financing and making the technological transition towards sustainable mobility	Number of sustainable urban projects implemented Number of users of sustainable urban private means of transportation Number of users of sustainable urban public means of transportation.	0 (2022)	3 (2025)	Progress reports	Private and public sectors remain committed to boosting sustainable mobility
Output 1 related to specific objective 2	The capacities of public and private banks in the field of sustainable mobility are strengthened and new technologies introduced	Number of public and private financial products for sustainable urban mobility projects aligned to NDC and NUMP goals developed with support of the EU-funded intervention	0 (2022)	6 (2025)	Banks offerings / progress reports	Financial sector remains committed to sustainable agenda
Output 2 related to specific objective 2	The demand from local governments to increase sustainable mobility in Ecuador is boosted	Extent to which EU-funded intervention contributed to development of a pipeline of climate-friendly urban mobility projects	1 (2022)	2 (2025)	Progress reports	Technical assistance is not impeded during delivery
		Value of pipeline of climate-friendly urban mobility projects developed with support of the EU-funded intervention	15 M€ (2023)	100 M€ (2025)		
Output 3 related to specific objective 2	The governance of the sustainable mobility sector, and the generation of capacities and exchange of knowledge about green mobility are improved	Extent to which EU-funded intervention contributed to establishment of capacity building mechanisms in the green mobility	None	Governance system is established	Progress reports	Public institutions remain committed to sustainable urban agenda

Results	Results chain (@): Main expected results	Indicators (@):	Baselines (values / years)	Targets (values / years)	Sources of data	Assumptions
		sector to promote mainstreaming of green mobility in Ecuador.				
Specific Objective 3	To create conditions for bankability of climate low-carbon and, climate-mitigation projects at decentralised level as well as conditions for financing sustainable mobility	Number of sustainable urban projects launched with support of the EU-funded intervention	0 (2022)	10 (2025)	Progress reports	Political considerations and changes do not delay programme implementation
Output 1 related to specific objective 3	Low-carbon urban infrastructure projects in the partner country are identified and conditions for accessing climate finance provided	Extent to which EU-funded intervention contributed to development of a pipeline of climate-friendly sustainable urban infrastructure projects Value of pipeline of climate-friendly water and sanitation projects developed with support of the EU-funded intervention EURF (GAP III) Number of individuals with access to improved drinking water source and/or sanitation facility with EU support, disaggregated by sex and ethnicity	0 (2022) 0 (2020)	10 (2025) TBD (2025)	Project preparation documents (bankability) BDE GIZ	Technical assistance is not impeded during delivery
Output 2 related to specific objective 3	Personal and institutional capacities for development and implementation of the bankable mitigation projects identified under output 3.1. have been created in cities and municipalities	Number of project appraisal training curricula established with support of the EU-funded intervention Number of municipalities trained through the development of 10 sustainable urban infrastructure projects with support of the EU-funded intervention	0 (2022) 0 (2022)	1 (2022) 5 (2025)	Progress reports for the EU-funded intervention Pre- and post-training test reports	Technical assistance is not impeded during delivery

Results	Results chain (@): Main expected results	Indicators (@):	Baselines (values / years)	Targets (values / years)	Sources of data	Assumptions
		Number of civil servants trained by the EU-funded intervention with increased knowledge and/or skills in project appraisal, disaggregated by sex	0(2020)	100c (2025)	Baseline study at the start of the project.	
Output 3 related to specific objective 3	Proposals to improve national framework conditions for bankability and implementation of urban mitigation projects, also concerning green recovery, are prepared	Number of financing products by financial institutions developed for sustainable urban infrastructure financing in municipalities (analysis risk assessment, criteria for climate financing, project selection, MRV) developed with support of the EU-funded intervention	0 (2022)	2(2025)	Progress reports	Technical assistance is not impeded during delivery
		Number Amount in EUR of national and international funds are allocated to the identified and bankable sustainable urban infrastructure projects x with support of the EU-funded intervention	0 (2022)	60 million (2025)	Progress reports	
Specific Objective 4	To improve and make more effective and participative local governance mechanisms for the implementation of water projects in tackling public finance and the GADs with the highest prevalence of chronic childhood malnutrition	Number of people with access to improved drinking water source and/or sanitation facility with EU support (GERF 2.38)	0 (2020)	TBD (2025)	Baseline study	Political authorities remain committed to fighting chronic child malnutrition
Output 1 related to specific objective 4	Strengthened capacities of municipal governments in PFM (Public Finance Management) management of public funds, water conservation and water and sanitation project management, with focus on the municipalities with the highest prevalence	Number of water and sanitation projects elaborated in municipal governments with the highest prevalence of chronic child malnutrition, in accordance with technical regulations unified by	0 (2022)	20 (2025)	Progress Report	BDE and MAATE facilitate the process of approval and financing of projects in relevant GADs

Results	Results chain (@): Main expected results	Indicators (@):	Baselines (values / years)	Targets (values / years)	Sources of data	Assumptions
	of chronic child malnutrition in the Sierra and Coast, with the consultation and consent of indigenous communities as required	MAATE and BDE with support of the EU-funded intervention Number of municipal officials and/or technicians trained by the EU-funded intervention, who increased their knowledge and skills in updated methods and systems for municipal public finance management (PFM).	0 (2022)	25 (2025)	Progress Report	Municipal governments demonstrate commitment to PFM reform, whereas MoF allows debt ceilings increases
Output 2 related to specific objective 4	Enhanced participation of Water conservation projects in the territories with the highest prevalence of chronic child malnutrition in the Sierra (protection of the Andean moors “páramos andinos”) and Coast are appraised	Proportion of local administrative units with established and operational policies and procedures for participation of local communities in water and sanitation management (SDG 6.b.1)	0 (2022)	20% (2025)	Progress Report	Technical assistance is not impeded during delivery
		Number of new drinking water systems constructed with the support of the Action.	0 (2022)	20 (2025)	Progress Report	
		Number of committees of Water and Sanitation Management Boards (JAAPS in Spanish) in operation with implemented and improved statutes and authorisation of use by MAATE with the support of the Action.	0 (2022)	20 (2025)	Progress Report	
Output 3 related to specific objective 4	An open and participatory framework is developed at local level where civil society and the private sector are empowered to co-lead their own national development initiatives and tackle child malnutrition	Number of community leaders supported in their policy dialogue with local and central government authorities in particular on the progress of water and sanitation and the fight against CCM, disaggregated by sex.	0 (2022) Male: 0 Female: 0	100 (2025) Male: 60 Female: 40	Progress Report	Civil society remains engaged as municipal governments agree to an open, participatory and inclusive decision-making
		Number of free, prior and informed consent processes carried out in the context of projects that may affect indigenous peoples’ lands, territories or resources, with the participation of indigenous peoples’ representative institution	0 (2022)	5 (2025)	Progress Report	
			10 (2022)*	50 (2025)	Progress Report	

Results	Results chain (@): Main expected results	Indicators (@):	Baselines (values / years)	Targets (values / years)	Sources of data	Assumptions
		Number of events that have taken place or been attended by local development policy makers to facilitate information exchange and policy dialogue on nutrition policy with the support of the EU-funded intervention.	*EU META project			

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

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

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of entry into force of the financing agreement. Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures.⁵

4.3.1 Direct Management (Grants)

Grant: (direct management)

(a) Purpose of the grant

This grant seeks to contribute to achieve the Specific objective 4: strengthening the weakest GADs capacities to access to BDE's loan (USD 100 million from EIB) on the topics of water and Sanitation, reduction of chronic childhood malnutrition. This contract will also have the purpose to improve public finance management, strengthening the quality of democracy by promoting citizen's participation throughout the entire electoral cycle, as well as transparency as a permanent exercise.

(b) Type of applicants targeted

A consortium led by a local or EU non-governmental organisation (NGOs) with proven administrative and technical capacities in the development of water and sanitation projects. Academia (Ecuadorian universities), other NGOs, GADs, organisations of GADs as well as international and/or regional organisations might be associated to the lead NGO as members of the consortium.

4.3.2 Indirect Management with a pillar assessed entity

A part of his action may be implemented in indirect management with UNDP. This implementation entails the activities foreseen to achieve the specific objective 1: A Green Deal institutional and financial framework for the Ecological Transition is developed. Investment in productive clusters and financial mechanisms are facilitated. Output 1.1; 1.2 and 1.3 will be implemented in indirect management with the United Nations Development Programme (UNDP) in Ecuador. UNDP's team of experts will provide technical support to different stakeholders involved in the action, in supporting the Ecological Transition, considering financial mechanisms and investment production clusters.

The envisaged entity has been selected using the following criteria:

- A specific mandate to strengthen environmental and climate change policies;
- Close and historical relationship with MAATE;
- Broad worldwide expertise and experience in environmental issues;
- Strong presence in the country and leading experience specifically in this sector in Ecuador, managing large environmental portfolios (GCF, GEF);
- Technical, administrative and financial capacities;

⁵ www.sanctionsmap.eu. Note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy, the OJ prevails.

- Capacity to channel funding to civil society and grassroots organisations;
- Satisfactory visibility of EU funding.

In case the envisaged entity would need to be replaced, the Commission’s services may select a replacement entity using the same criteria. If the entity is replaced, the decision to replace it needs to be justified.

Two other parts of this action may be implemented in indirect management with GIZ. This implementation entails the activities foreseen to achieve the specific objective 2: “The gap between supply and demand for financing to make the technological transition towards sustainable mobility viable is reduced” and objective 3: “Bankable Sustainable Projects”. GIZ’s team of experts will provide technical support to different stakeholders involved in the action, in supporting technological transition towards sustainable and viable mobility.

The envisaged entity has been selected using the following criteria:

- Strong Member State agency that will serve as the cornerstone of the Team Europe Initiative for Ecuador;
- Close relationship with the BDE and the MAATEs;
- Technical, administrative and financial capacities;
- Sector-specific expertise in the selected areas of intervention, in particular following the worldwide implementation of the Felicity programme, which included Ecuador as a beneficiary and DKTI, a precursor to the sustainable urban mobility project;
- Capacity to provide specialised TA to GADs and central government in water management as well urban mobility, among others;
- Satisfactory visibility of EU funding.

In case the envisaged entity would need to be replaced, the Commission’s services may select a replacement entity using the same criteria. If the entity is replaced, the decision to replace it needs to be justified.

4.3.3 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances

If due to exceptional circumstances, implementation in indirect management under 4.3.2 can no longer be envisaged, the foreseen activities can instead be implemented in direct management mode: grants awarded following a Call for Proposals.

This applies vice versa for activities foreseen under 4.3.1, which could alternatively be implemented under indirect management, as described under 4.3.2.

4.4 Scope of geographical eligibility for procurement and grants

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

The Commission’s authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.5 Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
Indirect management with United Nations Development Programme - UNDP section 4.3.2	3 000 000
Indirect management with GIZ section 4.3.2	8 000 000
Grants – direct management – c.f. section 4.3.1	4 000 000
Totals	15 000 000

4.6 Organisational Set-up and Responsibilities

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

The broader Ecological Transition component will be overseen by a high-level programme Steering Committee composed of the European Union Head of Delegation, the UNDP Resident Representative, the Minister of the Environment, Water, and the Ecological Transition (MAATE), the Ministry of Production, Trade, Investment and Fisheries (MPCEIP), the Minister of Finance and the Ministry of Agriculture (MAG). It will provide the political steer of the Action and will meet at least once per year.

In addition, a programme Technical Committee will ensure the day-to-day running of the operation and will meet at least twice per year. It will be composed by representatives from the EU Delegation, UNDP, MAATE, MEF and MPCEIP, and other stakeholders on a needs' basis.

The sustainable mobility and bankable urban projects components will be overseen by a programme steering committee composed of the European Union Delegation, the GIZ and the BDE, to ensure steering and implementation of the action. This mechanism will have the task to define, approve and fine-tune the programming of activities.

The support to municipal governments with the highest prevalence of chronic child malnutrition component will be subsumed into the "Mesa Técnica" against Children Malnutrition led by the Technical Secretary of Children Malnutrition, which includes several actors, including multilateral institutions, and will give guidance to the management of the operation.

4.7 Pre-conditions [Only for project modality]

Not applicable

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

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

Roles and responsibilities for data collection, analysis and monitoring:

UNDP, GIZ, and the NGO consortium (by call for proposal) will be responsible for collecting all data required to define both the baseline, monitor progress and results achieved.

5.2 Evaluation

Having regard to the nature of the action, a mid-term or final evaluation will not be carried out for this action or its components.

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

Evaluation services may be contracted under a framework contract.

5.3 Audit and Verifications

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

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle has adopted a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

It will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted, or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

Appendix 1 REPORTING IN OPSYS

An Intervention (also generally called project/programme) is the operational entity associated to a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Interventions are the most effective (hence optimal) entities for the operational follow-up by the Commission of its external development operations. As such, Interventions constitute the base unit for managing operational implementations, assessing performance, monitoring, evaluation, internal and external communication, reporting and aggregation.

Primary Interventions are those contracts or groups of contracts bearing reportable results and respecting the following business rule: ‘a given contract can only contribute to one primary intervention and not more than one’. An individual contract that does not produce direct reportable results and cannot be logically grouped with other result reportable contracts is considered a ‘support entities’. The addition of all primary interventions and support entities is equivalent to the full development portfolio of the Institution.

Primary Interventions are identified during the design of each action by the responsible service (Delegation or Headquarters operational Unit).

The level of the Primary Intervention is defined in the related Action Document and it is revisable; it can be a(n) (group of) action(s) or a (group of) contract(s).

Tick in the left side column one of the three possible options for the level of definition of the Primary Intervention(s) identified in this action.

In the case of ‘Group of actions’ level, add references to the present action and other action concerning the same Primary Intervention.

In the case of ‘Contract level’, add the reference to the corresponding budgetary items in point 4.5, Indicative Budget.

Option 1: Action level		
<input checked="" type="checkbox"/>	Single action	Present action: all contracts in the present action
Option 2: Group of actions level		
<input type="checkbox"/>	Group of actions	Actions reference (CRIS 44308/OPSYS ACT-61531): DICI LA/2022/44308 SUPPORT TO GREEN TRANSITION PROJECTS AT LOCAL LEVEL
Option 3: Contract level		
<input checked="" type="checkbox"/>	Single Contract 1	Pacto Verde UNDP: Contribution Agreement signed with UNDP, This contract entails the activities foreseen to achieve the specific objective 1: A Green Deal institutional and financial framework for the Ecological Transition is developed.
<input checked="" type="checkbox"/>	Single Contract 2	Mobilidad Verde: Contribution Agreement signed with GIZ, This contract entails the activities foreseen to achieve the specific objective 2: “The gap between supply and demand for financing to make the technological transition towards sustainable mobility viable is reduced”
<input checked="" type="checkbox"/>	Single Contract 3	Ciudades Intermedias Sostenibles II (CIS II): Contribution Agreement signed with GIZ, This contract entails the activities foreseen to achieve the specific objective 3 “Bankable Sustainable Projects”.

<input checked="" type="checkbox"/>	Single Contract 4	Water/local authorities: Grant contract to be signed with a consortium led by a local or EU non-governmental organisation (NGOs) after a call for proposals. This grant seeks to contribute to achieve the Specific objective 4: strengthening the weakest GADs capacities to access to BDE's loan (USD 100 million from EIB) on the topics of water and Sanitation, reduction of chronic childhood malnutrition.
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