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THE BUSINESS YEAR: ECUADOR 2022

The *Business Year: Ecuador 2022* is our seventh annual publication on the Ecuadorian economy, marked by the impact of COVID-19 and a major shift along the political spectrum following the election of Guillermo Lasso.

To the surprise of many and after two failed candidacies in 2013 and 2017, Lasso was elected president with 52.36% of the vote, making him the first with an openly right-wing vision since the 2000s. This puts Ecuador somewhat at odds with many countries in Latam, including Chile, Peru, and Mexico, which continue to trend left.

A key objective of this publication is to measure the extent to which Lasso has fueled the business landscape with optimism. On the one side, public finances have experienced all-time highs, with Ecuadorian bonds posting some of the best performances globally, growing national reserves, and oil prices well above budgeted prices. Ecuador has recovered much of its international credibility and has left behind bitter memories, such as when it was forced to restructure USD17.4 billion of debt with multilateral organizations, including the IMF.

Indeed, Lasso's now-famous catchphrase, "More of Ecuador in the world and more of the world in Ecuador," has become a perfect reflection of the country's commercial policy. Ecuador is prioritizing the formation of a free trade and bilateral investment agreements network that will make its economy comparable to those of other regional economies. New trade deals are considered a strategic requirement to create economies of scale, given Ecuador's relatively small population of 17 million. Considerable steps have been made for Ecuador to join the Pacific Alliance as a full member, while negotiations are well underway for FTAs with China and the US.

However, despite the positive results on different fronts and the economic optimism brought by Lasso, the administration is not without its challenges. It has the difficult task

of translating the country's improving financial performance into a better quality of life for everyone across the social spectrum.

Elsewhere, Lasso and his political movement CREO only account for 13 out of the 137 seats in Ecuador's national assembly, which considerably limits the government's reformist agenda. One noteworthy example was the March 2022 rejection by the assembly of Lasso's Investments Act, the objective of which was to bring reforms serving to catalyze USD30 billion in investments and generate 2 million jobs under a commitment to promote PPPs. Despite this blow, government officials have declared that economic reforms will come in other forms that do not necessarily require the assembly's approval.

In this scenario of economic optimism, it is also worth mentioning the economic sectors covered in this publication that are expected to further contribute to Ecuador's economic momentum. With more private-sector involvement, oil is expected to undergo a capacity expansion to double production to 800,000 barrels of oil equivalent per day in the next five years, which will need private-sector investment worth about USD12 billion. Another extractive sector, mining, is positioning itself as Ecuador's "new oil," with two large-scale mines, Mirador and Fruta del Norte, already producing. Indeed, 2021 closed with an all-time record of USD2 billion in mining exports, 99% higher than the figure in 2020. Minerals are already Ecuador's fourth main export after oil, banana, and shrimp. Projects in energy generation, infrastructure, and health are also part of the country's portfolio of projects where private-sector involvement is being sought via PPPs.

Amidst all this, *The Business Year: Ecuador 2022* seeks to continue to document the country's course through C-level interviews across a wide spectrum of sectors, bringing to the international business community first-hand information on the factors that are shaping this transformational process and its pace. ✖

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EXECUTIVE SUMMARY

Ecuador's new right-of-center government is a break from the socialist administrations of recent years. Much of Latin America looks on as the new president embarks on a business-friendly agenda.

Under its new administration, Ecuador is keen to bolster its image as a business-friendly economy, yet aware of its responsibility to find the right balance between economy, society, and the environment.

NEW CAPTAIN ON DECK

President Guillermo Lasso officially took office on May 24, 2021. A two-time former candidate for the post, the 65-year-old former banker claimed a surprise victory in a historic election that has given the right its first win since 2003. The long-awaited moment for the founder of the Creando Oportunidades (CREO) movement also spells the end of a long period of left-wing government led by Rafael Correa and, later, Lenín Moreno, who had also led some pro-business reform efforts.

SHOT IN THE ARM

The government set an ambitious goal to vaccinate 9 million people in just 100 days after it took power in May 2021. To achieve this, it implemented what it called “vaccine diplomacy,” obtaining batches of different types of vaccines that would allow it to cover demand. It

is estimated that the Ecuadorian state invested more than USD320 million in vaccines from laboratories such as Pfizer, AstraZeneca, Sinovac, and Cansino. Countries such as the US, China, Canada, Spain, and Chile, among others, responded in solidarity to Ecuador's call for the provision of vaccines. Ecuador's acclaimed vaccination campaign gave it some of the highest vaccination rates in the world and paved the way for economic reactivation.

PRIVATE SECTOR TO LEAD

The 2007-2017 period was marked by public sector-led growth, which left the country with an oversized public administration. The current government is encouraging the participation of the private sector in order to reduce its fiscal burden. This effort is not only easing pressure on the public treasury, but also generating foreign inflows of capital, as international companies are specifically targeted to take on projects. Amidst this scenario, PPPs are being redesigned and gaining prominence in strategic sectors such as energy, oil, mining, infrastructure, telecommunications, transport, and health, among other sectors.

The government expects USD30 billion in PPP investments up to 2025. Private investments have reached USD5 billion in contracts signed with the government in the 11 months since it took office, the highest figure on record for private investment contracts, reaching 220 projects and potentially leading to 130,000 direct jobs. The main sectors attracting these investments have been renewable energy, industrial production and manufacturing, aquaculture, telecommunications, logistics agribusiness, biotechnology, health, education, and metals.

OPEN-DOOR POLICY

Given its population of 17 million, Ecuador is aware of the need to open up its economy to create economies of scales and export in greater quantity to lower costs. Ecuador has an important pipeline of countries with which it hopes to strike FTAs. The country is said to be close to a deal with Mexico, which in turn would give Ecuador full membership in the Pacific Alliance, the eighth-largest trading bloc in the world. An FTA with South Korea is also on the cards and could be finalized in 2022. Discussions have also begun with China, while discussions with the US and Canada are expected to begin further down the road.

DOUBLE OIL PRODUCTION

Ecuador is seeking an investment of USD12 billion to double its oil production in the next five years based on a strategic plan. Petroecuador, the state-owned oil company, announced that an increase in oil production from around 400,000 barrels at present, equivalent to 80% of national crude oil production, to over 800,000 barrels by 2026 will be done through joint investments with private companies. Given the increasing oil prices, Petroecuador foresees adding an additional 100,000bpd to production, with an investment of USD437 million, closing the year at a production of 495,000bpd.

Additionally, the natural gas sector is making headway in Ecuador, currently concentrated at the underperforming Campo Amistad in the Gulf of Guayaquil, which produces 25 million cubic feet per day of gas, or the equivalent of 4,200bpd. However, the Amistad field may have 17 years of proven natural gas reserves, which could increase production to 90 million cubic feet per day.

A MINING JURISDICTION

Ecuador is the only country in the region that has so far remained mostly untouched by mining activity, with less than 10% of its ter-

ritory explored for this purpose. That said, 2019 marked the kick-off of industrial mining in Ecuador with the start of the production phase of two major mining projects: Mirador, developed by China's Ecuacorriente; and Fruta del Norte, developed by Canada's Lundin Gold. There are other significant projects in the pipeline, including SolGold's Cascabel, Lumina's Cangrejos, Solaris' Warintza, Adventus' Curipamba, and Dundee's Loma Larga.

Ecuador is being seen as the next market to be in to maintain a long-term sound portfolio of projects. On top of that, in the recently published Fraser Institute's Annual Survey of Mining Companies for 2021 report, which analyzes 84 different mining jurisdictions and their attractiveness for investments, Ecuador's score improved by 26% compared to 2020, from 57.95 to 72.79, making it one of the most attractive mining investment destinations, placing it 24th out of 84 countries.

KEY PLAYER IN INTERNATIONAL FOOD SECURITY

Most of Ecuador's non-oil or mineral exports are food products, and the country ranks among the main world exporters of banana, shrimp, and tuna. Ecuadorian export companies have invested extensively in biosecurity and protocols to adapt their production to the demands of international market, and this was even more evidenced when COVID-19 disrupted international trade chains. With the reconfiguration of global demand for biosafe food, Ecuador had its strategy in place. Shrimp is the most emblematic example. It has become Ecuador's most-exported non-oil product, displacing bananas and reaching USD5.3 billion in exports in 2021. This achievement has come hand in hand with the success of companies such as Santa Priscila, which exported USD1 billion worth of the product in 2021 and became the leading supplier in the US.

ENVIRONMENTAL PROTECTION

Although Ecuador is a small country, it is one of the most biodiverse, with 91 types of terrestrial ecosystems in the country. Of the 27 marine and coastal ecosystems in the world, 21 are located in Ecuador. In light of this, the government has the challenge to implement public policy that not only reduces the environmental impact of productive activities, but also promotes regenerative processes. In this sense, Ecuador was applauded at COP26 in Glasgow as it announced the creation of a new marine reserve in the Galápagos, adding 60,000sqkm to the archipelago's existing reserves and increasing the protected area from 133,000sqkm to 193,000sqkm. ✖

GDP PER CAPITA (2020)

SOURCE: WORLD BANK

USD5,600

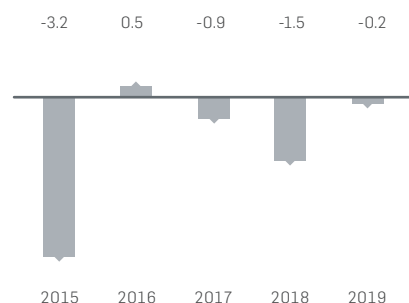
INFLATION (2020)

SOURCE: STATISTA

-0.34%

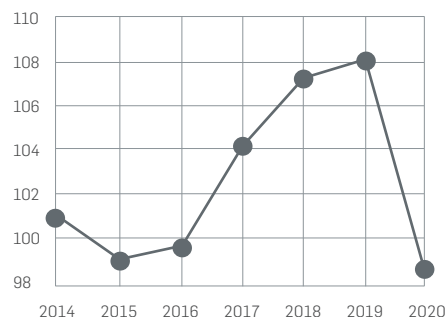
TRADE BALANCE (USD BLN)

SOURCE: FOCUS ECONOMICS



GDP (CURRENT PRICES, USD BLN)

SOURCE: THE WORLD BANK



2021 NOVEMBER 19

The Ecuador Open for Business event takes place to promote the country's open door to investors, business leaders, and world-class experts and discuss the latest issues surrounding investments and public-private partnerships.



2022 FEBRUARY 10

Ecuador presents an industrial clusters initiative involving public and private actors. The project is part of the government's National Competitiveness Strategy

2022 MARCH 25

Ecuador officially qualifies for the World Cup to be held in Qatar from November 21 to December 18

2022 MAY 9

The end of mandatory face masks is announced, along with the lifting of almost all COVID-19 restrictions.

2022 JANUARY 26

Ecuador formally applies to join the Pacific Alliance during the XVI Pacific Alliance Summit in Bahía Malaga (Valle del Cauca).

2022 FEBRUARY 5

President Lasso meets with Chinese President Xi Jinping to discuss a government priority: an FTA with China

2022 MARCH 24

The US Senate Foreign Relations Committee passes the United States-Ecuador Partnership Act of 2022, recognizing Ecuador as a key democratic partner in Latin America

2022 MARCH 25

The National Assembly of Ecuador rejects President Lasso's Investments Act, forcing the president to find new ways to move forward with his economic plan

2022 MAY 24

President Lasso makes a speech before the National Assembly. This marks his first year in office

A NEW *vision*

The Lasso administration has been working to improve the lives of Ecuadorians through sustained and environmentally responsible economic growth.



Guillermo Lasso
PRESIDENT,
REPUBLIC OF ECUADOR

Ecuador is immersed in the consolidation of an environment of legal certainty for foreign investment. What steps have already been taken, and what can we expect in this regard?

Ecuador has solid foundations to have legal security that will allow us to attract more foreign investment into the country. We issued a bill with the main aim of attracting multi-million-dollars' worth of investment and making the country a development hub in the region. This is our opportunity to give the country a solution to its unemployment levels by creating 2 million jobs in the four years of the administration. Our "Government of Understanding" (Gobierno del Encuentro) is opening Ecuador's doors to the world to offer great business and investment opportunities for the benefit of Ecuadorians. This is why we continue to show the investment portfolio of over USD30,000 million that Ecuador offers. We want more of Ecuador in the world and more of the world in Ecuador, always for the benefit of the people.

Improving its infrastructure is key to Ecuador's economic future. What role do PPPs play as a tool for economic and social development?

My commitment to the country is economic and social development. Therefore, we are encouraging investment attraction, and we are doing so using different tools. One of them are PPPs, which seek to generate partnerships between the public and private sectors to address infrastructural and public services' needs. Without a doubt, PPPs will mark a difference in our economic development strategy for Ecuador, because with them we will be able to start more public works. More public works means more quality employment, a better quality of life, higher incomes, and better opportunities. This is a great challenge, and we will be able to overcome it with the assistance of investors with the best profiles to finance in a responsible, transparent, and sustainable way. We have identified over 50 projects that will improve the country's public services and infrastructure. With

this, we will boost the production chain and create more quality job positions.

There are sectors that stand out in terms of foreign investment in Ecuador: hydrocarbons, renewable energies, mining, and agricultural exports. What is your message regarding the existing opportunities in the country?

In November 2021, Ecuador became the main attraction point for investments in the region with its international business forum, Ecuador Open for Business. Along those same lines, in 2021 a total of 67 investment contracts were approved, reaching a record of USD2,158 million, which will create over 6,100 jobs, showing that the policy developed by the national government focused on investment attraction has been well received by national and international investors. And with the new legal regulations, we are proposing an innovative free-trade zones model that will reactivate the economy.

One of the mottos of your administration is "more of Ecuador in the world, and more of the world in Ecuador." How is this premise being translated in the way you do business in Ecuador?

This is transversal to various strategic actions of the government, and the results are already visible. 2021 was concluded with two record figures: from January to December 2021, we reached USD18,092 million in non-oil exports, which represents an increase of 19.8% YoY. In addition, 2021 ended with a record figure of over USD2,100 million in signed investment contracts with national and foreign companies. This data shows that we are regaining confidence. The negotiations of the trade agreement with Mexico are reaching their technical closure, consolidating our process of joining the Pacific Alliance. We will soon start negotiations for an agreement with China, and we will resume negotiations with South Korea. Canada, the Dominican Republic, and other countries are also on the agenda.

Ecuador is listed as a megadiverse country and is home to natural gems such as the Galápagos Islands. What is the importance of environmental protection in your government?

The ecological transition and care for the environment are state policies of my government. Therefore, we have taken big and significant steps toward these objectives, and we will continue to do so. One of the most important ones is the expansion of the new marine reserve of the Galápagos by 60,000sqkm, where extraction activities of any type will not be allowed and areas of critical ocean ecosystems, migrating routes, and feeding zones for endangered marine species will be preserved. Our commitment is to preserve the biodiversity, a non-renewable heritage of Ecuador.

A key component for the turn that Ecuador is taking is finding a balance between economy and society.

What is your administration's approach to this?

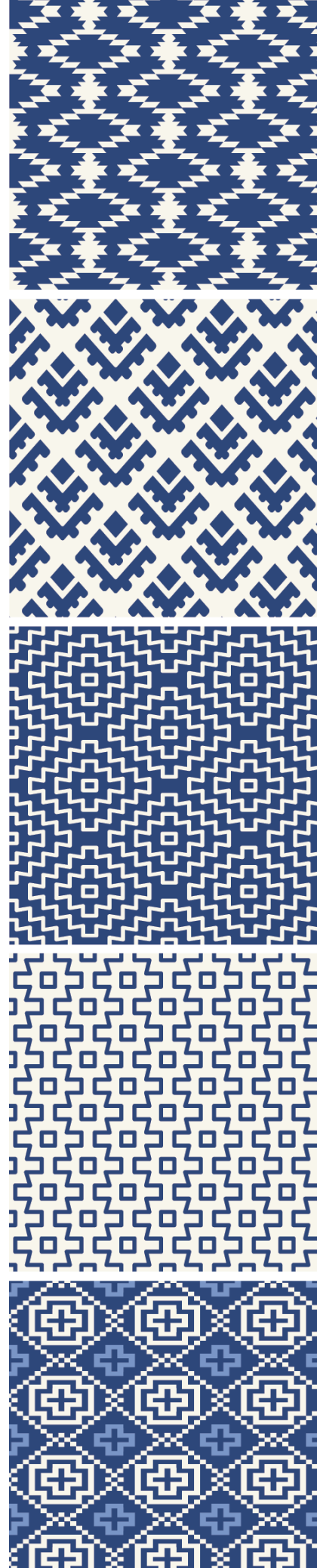
Our proposal has always been to keep a balance between these two premises. We are a responsible government that has made the economic situation transparent and has made the correct decisions to guide the country to a productive reactivation and meet the needs of Ecuadorians through: sustained and environmentally responsible economic growth that can create quality jobs for Ecuadorians; a responsible management of the economy that can generate confidence at national and international levels, translating into more investment and the creation of employment sources; fiscal stabilization with equity that makes it possible to guarantee social programs that favor vulnerable families, in addition to protecting future generations with a country that

is less dependent on public finances; and transparent management of public resources to combat corruption and overspending.

What are the priorities for the Lasso administration looking to 2025?

The strategic priorities, up to 2025, are to leave a country on the path toward sustainable development, position Ecuador as a destination for national and international investment, open up more markets for our products and services, consolidate the competitiveness of our industries, and reach our objective of creating 2 million new formal jobs in Ecuador. Trade openness expands business opportunities for Ecuador and allows us to enter new international markets at more competitive prices. For this reason, we hope to end 2025 with 10 new trade agreements that will represent 81% of global GDP, 73% of global imports, 60% of the global population, and cover 86% of our non-oil exports. Our objectives are clear and ambitious, and we are determined to achieve them. In addition to having a great team in each of the state portfolios, we will achieve it because part of our vision is to collaborate with the private productive sectors and civil society. We will also make progress in reducing the fiscal deficit until we reach an equilibrium of public finances at the end of the administration. We will prioritize the budget focus on sectors such as health, education, security, and social inclusion. Let us not forget our major commitment to reduce chronic child malnutrition in children under the age of 2 by 6% by 2025. We will promote free and fair trade, in addition to consolidating our trade relationships with the US, China, South Korea, and Mexico (in the future with the Pacific Alliance). There will also be more productive loans for reactivation through public banking, as the Opportunity Loan that BanEcuador is giving at 1% interest rate with a 30-year term, and strengthening of dollarization, with international reserves that guarantee the deposits of private and public entities in the central bank. ✕

“We want more of Ecuador in the world and more of the world in Ecuador, always for the benefit of the people.”



FOCUS

Balancing international relations

WALK THE LINE

Ecuador's new administration is trying to strike a balance in its diplomatic and economic ties with Washington and Beijing, and perhaps this can make the world a better place.

AS THE TENSION BETWEEN THE TWO SUPERPOWERS and economic giants of the West and the East continues, many emerging economies find themselves in a tricky situation. While they want to maintain their economic ties with China, which provides them with affordable technological products and long-term loans, they do not want to displease the US or jeopardize their ties with the West. Maintaining diplomatic and economic ties with both China and the US, in short, involves walking a very fine line.

Ecuador has been trying to walk this fine line over the last decade, without falling out with either China or the US. First, let us have a look at Quito-Washington relations. Aside from being Ecuador's largest trade partner, the US considers Ecuador an ally. Ecuador is one of the few Latin American nations that did not gravitate toward communism in some way or another during the Cold War. "Our two nations collaborate on a wide range of issues of bilateral, regional, and global importance. US and Ecuadorian law enforcement and security personnel work cooperatively to counter threats posed by transnational crime," reads a statement by the US diplomatic mission in Ecuador.

As such, it is not difficult to imagine Washington's feeling of betrayal if Ecuador gets too friendly with Beijing. Many commentators believe that, among all Latin American nations, Ecuador has the closest relationships with China. The Chinese influence became particularly tangible during the term of former president Rafael Correa in office between 2007 and 2017. Everything started with PetroChina, a satellite company of China National Petroleum Corporation (CNPC), taking an interest in oil exploration and extraction activities in Ecuador. One thing led to another until Ecuador found itself in a lot of debt to China—debts that Ecuador was unable to repay.

China offered loans to Ecuador around 2009-2010, when the Ecuadorian economy was on the verge of a meltdown. Giving loans to developing, solvency-challenged countries with the potential of repaying the loans in some way or another has become something of a signature move by China over the last decade. In the case of Ecuador, the first loan, to the tune of USD1 billion, was given to Ecuador in July 2009. Since then, China has lent another USD10 billion—and possibly more—to Ecuador in various installments. The sums have been mainly spent on infrastructure and petroleum megaprojects. Some critics believed that dependence on China went too far during Correa's administration. In 2013, for example, Chinese loans accounted for over 60% of the Ecuadorian govern-

ment's spendings.

Ecuador's main method of repayment is by shipping crude oil to China. By the end of 2019, just before the pandemic brought the global economy to a standstill, Ecuador had shipped over USD265 million worth of Amazonian crude oil to Chinese oil-thirsty refineries. Since the vaccination and partial recovery of global markets, the trade balance has always been in favor of China. In October 2021, China's exports to Ecuador were around USD420 million, showing a staggering 99% YoY increase. Ecuador's exports to China, meanwhile, showed a slight 3-4% drop. It is not difficult to see that China has the upper hand in China-Ecuador trade.

Things, however, may be about to change. Guillermo Lasso was elected as the 47th president of Ecuador in May 2021. A former banker and businessman, he is Ecuador's first right-of-center president in almost two decades—albeit with some liberal overtones. President Lasso is a big believer in the power of free market, which suggests that Ecuador will rely on its ties with Washington and the West more than those with Beijing. Instead of turning to Beijing for loans, like his two predecessors, President Lasso prefers asking for help from Western or international institutions such as the IMF.

In September 2021, Ecuador reached an agreement with the IMF for a USD1.5 billion payout. This follows a previous USD6.5-billion deal to help kickstart the economy. The administration is also working on a "fiscal reform that would not affect the country's poor and that additional tax revenue would come from high-income brackets," according to Reuters citing the words of Simon Cueva, the new administration's minister of economics and finance.

Despite all its right-of-center politics and belief in the free market economy, however, the new administration is by no means anti-China. Ecuador is already working on a comprehensive trade framework with China to be unveiled toward the end of 2022. The repayment of Ecuador's previous loans to the Red Giant, too, will be renegotiated soon, said President Lasso after meeting China's President Xi Jinping during a state visit to China in February 2022.

In the larger scheme of things, Ecuador's efforts to stay on good terms with both the US and China is not hypocritical; on the contrary, it is a good thing in and of itself. If there were more countries around the world like Ecuador, which managed to strike a balance in its diplomatic and economic ties with the two superpowers of our age, there would be less polarization of the developing economies of the world, perhaps reducing the tension between the US and China and making the world a safer place for everyone. ✕

President Guillermo Lasso
pictured at COP26, where
Ecuador announced the creation
of a new marine reserve in
the Galápagos, increasing the
area from 133,000sqkm to
193,000sqkm



INTERVIEW



Francisco Briones
CABINET UNDERSECRETARY
GENERAL,
GOVERNMENT OF ECUADOR

POSITIVE *outcomes*

The Ecuadorian government has made great strides in promoting economic openness and enacting reforms in just a few months, ultimately resulting in 4.2% growth in 2021.

BIO

Francisco Briones currently serves as Cabinet Undersecretary General of the Government of Ecuador, where he manages the prioritized programs of the Presidency. Along his career, Briones has worked as a consultant and economic and data analyst. He is, additionally, a specialist in public policy analysis and development. Besides being an expert accredited by the Judicial Function in economics, he also dedicates time to postgraduate teaching. Briones has participated in various forums, interviews, and debates at a national and international level on economic and public policy issues. He often writes about Ecuador's economy for his blog and other prestigious national and international media.

What is your assessment of the first year of the Lasso administration from an economic perspective?

When the government was established, the expectations for economic growth were around 2%; however, in just a few months, these were revised to 3.5-3.8%. Ultimately, in 2021 the economy grew by 4.2%. This is a crucial indicator of the government's competence, not least after having vaccinated 9 million Ecuadorians. In just 100 days of government, the Lasso administration opened up the economy quicker than expected and achieved economic growth. This has resulted in the creation of 300,000 new jobs during our administration alone. Such positive outcomes will only result in greater support from Ecuadorians. Meanwhile, we have driven a series of reforms and regulation improvements spanning numerous areas of the economy, especially capital-intensive ones such as energy, electricity, hydrocarbons, mines, and telecommunications. We have made significant regulatory progress in the normative aspect of these areas. In 2021, Ecuador was recognized regionally as the country with the best regulation advances in the telecommunications arena. We have implemented clear policies for hydrocarbons as well, having introduced certain normative and legal reforms in the oil industry to encourage private investment across the entire hydrocarbons value chain. In the mining sector, we are working closely with the related ministries, be it the environment, energy, or investment. We are in fact working to make Ecuador an international force in mining. This year, the country is set to become a sponsor country of the Prospectors & Developers Association of Canada (PDAC), a prominent entity in the international mineral exploration and development community. We have also worked with the chancellors and ambassadors of leading countries in the mining industry. Ecuador has made great progress in the economic and commercial dimensions, and in 2022, we plan to continue to implement measures that attract capital.

What initiatives is the government working on to further promote the economic openness of Ecuador?

The government is working to include significantly more private capital and investments within projects of public interest. In the infrastructure area, especially energy, we facilitate normative and contractual schemes that attract funding for road, port, or airport construction projects. We

“Our goal is to create 2 million jobs during our four-year tenure in power.”

aim to bring capital to concessions and delegations for the private sectors of electricity and hydrocarbons. Additionally, we work to attract investment for these sectors, which will allow us to improve social services. First, we are focused on achieving public issues through private-sector investment. In addition, we also facilitate employment generators, such as the entrepreneurial and productive sectors. For them, we are introducing a series of initiatives with ministers overseeing production, private investment, and employment to improve Ecuador's competitiveness. For this, there were almost 700 tariffs cut regarding production supplies and raw materials in 2021, which will reduce production costs and raise competitiveness. We also have a wide agenda planned for FTAs and expect to sign several this year with Mexico, the Pacific Alliance, South Korea, and China, the latter of which would be historic. We are also identifying other economies to participate in such commercial agreements. At the same time, we are considering a labor reform to further modernize the nation, rendering it more competitive and facilitate contracting and reduce related costs. Our goal is to create 2 million jobs during our four-year tenure in power. The government favors ambitious goals that would get the best out of Ecuador. There are plenty of opportunities in Ecuador; we have a portfolio of more than USD30 billion in investments earmarked for a range of areas, services, and infrastructure that we hope to have realized by next year. We are working to create employment opportunities for Ecuadorians, notably entrepreneurs, the young, and women. Overall, we intend to ensure that Ecuador experiences accelerated growth in 2023. Our reforms are benefiting the country, and we are focused on maintaining the current pace, enthusiasm, and perseverance moving forward. The Lasso government wants to improve its relationship with the assembly and rebuild connections with the myriad of parties represented. This would allow us to do even more and deliver proposals that will help Ecuador advance in regulatory improvements and diverse modernization initiatives over the next few years. ✕



AMBITIOUS PLANS

TBY had the opportunity to sit down with leaders from key ministries in *Ecuador* to get an in-depth insight into the government's plans to drive economic and social growth.

The Lasso administration has been firm in its resolve to globalize and attract greater FDI in various sectors as well as contribute to the social development of Ecuador. From thriving sectors such as agriculture to up-and-coming industries such as mining, the message is clear: it wants more of Ecuador in the world and more of the world in Ecuador. The newly drafted National Development Plan (NDP) 2021-2025 outlines the country's target areas and sets guidelines to determine the most attractive investment projects that can capture the interest of foreign investors. Consequently, Pro Ecuador has been promoting the best business opportunities available with an investment projects portfolio in key productive sectors of the economy. Part of this also includes establishing standard legislation to increase investor confidence, simplifying processes and eliminating bureaucratic procedures, as well as bringing Ecuador into the new era driven by technology and telecommunications. Domestically, the country is also working on social efforts such as meeting the housing deficit as well as pushing forward on the success of its COVID-19 vaccination campaign to produce vaccines for the wider region. At the same time, Ecuador has not forgotten about its ecological wealth and plans to also focus on conservation and the green economy.

Julio José Prado
MINISTER OF
PRODUCTION, FOREIGN
TRADE, INVESTMENTS
AND FISHERIES

Xavier Vera Grunauer
MINISTER OF ENERGY
AND MINES

Roberto Salas Guzmán
TECHNICAL SECRETARY
FOR PUBLIC-PRIVATE
PARTNERSHIPS
AND DELEGATED
MANAGEMENT

Vianna Maino
MINISTER OF
TELECOMMUNICATIONS
AND THE INFORMATION
SOCIETY

Niels Olsen
MINISTER OF TOURISM

Gustavo Manrique
MINISTER OF
ENVIRONMENT, WATER
AND ECOLOGICAL
TRANSITION

Pedro Álava
MINISTER OF
AGRICULTURE AND
LIVESTOCK

Ximena Garzón
MINISTER OF PUBLIC
HEALTH

Dario Herrera
MINISTER OF
HOUSING AND URBAN
DEVELOPMENT



Julio José Prado
MINISTER OF PRODUCTION,
FOREIGN TRADE, INVESTMENTS
AND FISHERIES

FROM THE FIRST DAY of the new government, we have sent a clear message: we foresee more of Ecuador in the world and more of the world in Ecuador. President Lasso, by Executive Decree, declared the investments promotion policy a priority through good regulatory practices and measures of simplification, efficiency, and transparency in administrative processes. On this basis, our government envisions a strengthened business climate in Ecuador. Locally, we pursue a competitiveness improvement agenda in line with the newly drafted National Development Plan (NDP) 2021-2025. Consequently, our Vice-Ministry of Export and Investment Promotion (Pro Ecuador) promotes the best business opportunities available with an investment projects portfolio in key productive sectors of the economy. According with the guidelines of the NDP, we work with all government authorities and local officials, as well as private associations and chambers of commerce, to select the most attractive investment projects that can capture the interest of foreign investors. Our 24 commercial offices in North America, Asia, Europe, and Latin America are promoting both our renewed business climate and the strengthened portfolio of projects in international events like the Ecuador Open for Business Forum 2021 and other events around the world. Equally important, we are working on PPP schemes for the development of sustainable infrastructure that allow for private participation and will share the risk in a contractual relationship in the long term.



Xavier Vera Grunauer
MINISTER OF ENERGY AND
MINES

EXECUTIVE DECREE 151, which President Lasso issued in August 2021, is unique in Ecuadorian public policy because it clearly demonstrates the support of the president for the mining sector. This executive decree has five pillars, including the regulatory framework and legal insurance, the development of mining projects, and new investments. Another significant point is the transversal collaboration between the defense ministry and the government to eradicate the illegal exploitation of minerals. I should also highlight our efforts to increase transparency. Ecuador is the 55th country to join the Extractive Industries Transparency Initiative (EITI), which is an organization that pursues transparent state processes. President Lasso has given us clear signs that transparency is a fundamental pillar of this government, as part of which we will promote legal and responsible mining. We have also renewed our agreement with the Association of Mining Engineers of Ecuador (AIME) to incentivize best practices. We are also working closely with the Institute of Geological and Energy Investigation (IGE) to sign an agreement with a consortium of colleges to teach mining, environmental, and hydraulic techniques. It is essential to train our local engineers to increase job growth. Additionally, we have instituted a public-private advisory council with six leading mining embassies. We want to ensure that in the next 15 years, Ecuador will achieve the same level of exports as Peru or Chile of USD20-30 billion annually.



Roberto Salas Guzmán
TECHNICAL SECRETARY FOR
PUBLIC-PRIVATE PARTNERSHIPS
AND DELEGATED MANAGEMENT

THE MISSION of public-private partnerships is to promote in a relevant way private participation in public projects. Private investment is administered by the Ministry of Production, and it does this well, with solid promotion, a great program, and plans for improvement to create a single window for investors and exporters. Meanwhile, with public investments, there are two ways to participate. The state has prioritized programs that are well defined, and these feature in the state budget. A tender is held to select the constructor or service provider. The government formulates a solution to the lack of capacity, the administration of projects, and the lack of recourses in order to realize such projects in partnership with private companies. This is done to sustain a level of growth, create significant employment opportunities, and improve the services provided in our cities. It is essentially a solution to the lack of capacity, the management of such projects, and the lack of financial resources to realize projects. We have showcased certain projects that have been realized successfully, especially in terms of ports, and particularly for Port of Posorja and the Port of Bolívar, as well as the airports of Guayaquil and Quito, which rank among the best in Latin America. Today, there are 10 road concessions, some providing excellent examples of success. There is Chongon-Salinas, for example, which has been executed superbly.



Vianna Maino
MINISTER OF
TELECOMMUNICATIONS AND THE
INFORMATION SOCIETY

IN ECUADOR, we are striving to make technology and telecommunications the backbone of the national economy. Our vision focuses on expanding connectivity to historically neglected areas as a priority, digitalizing processes, training thousands of Ecuadorians in ICT, and improving the digital security and modernity of the government, as part of Ecuador's emergence as an information society and knowledge-based economy. Ecuador is experiencing its first digital revolution. In that sense, the challenges are manifold. Among the most important are connecting the unconnected, training citizens in ICT, promoting a digital and cyber-secure government, and attracting technological investment. Within this framework, and in just over 10 months, we have provided 1.9 million people with internet and mobile phone coverage. We have trained 250,000 people, mostly from rural areas, to help them become part of the new digital economy. Within the framework of digitalizing the government and making it more secure, we are working with experts from the EU through its CIBER4DEV Project, with which we began a close collaboration for cybersecurity in 2021. The IDB, ITU, OAS, World Bank, and US government have also contributed to this work. Finally, private investment and the potential for innovation that it presents is among the challenges we must face. In 2021, we saw investment in telecommunications and ICT of close to USD400 million. We hope that by 2022 the figure will approach USD1 billion.



Niels Olsen
MINISTER OF TOURISM

WHEN OUR ADMINISTRATION began on May 24, 2021, we were focused on several fronts. First was financial relief for the tourism sector, which, as we know, was greatly affected during the pandemic, requiring economic relief to continue operating. In addition, we resumed work on promoting the country in the US, Canada, and Europe. When it comes to vaccinations, we became the first destination in the entire region to have their touristic sector fully vaccinated ahead of other sectors because the government understood the importance of the international and national tourist safety. The government has also proposed a completely open and aggressive policy to improve the routes and frequencies of flights from Ecuador to the world. Ecuador did away with the 5% ISD tax to international airlines in order to sign Open Skies agreements with the US and other nations. For example, Avianca is now connecting Ecuador to Costa Rica, and also now flying from Guayaquil to New York. There are also plans with airlines such as LATAM to shortly resume flights to the US. Jet Blue, too, has now recovered all of its frequencies from Ecuador to the US, as has KLM. Meanwhile, American Airlines now has a larger inventory than before the pandemic. Domestic connectivity between March 2021 and March 2022 increased 74%, which means we have now increased from 165 weekly flights to 245.



Gustavo Manrique
MINISTER OF ENVIRONMENT,
WATER AND ECOLOGICAL
TRANSITION

THE MINISTRY PLANS to promote investment in the green economy via a few ways. One involves a process of automation. Two things: a new regulation for everything that has to do with permits and licenses and everything to do with regulations in order to expedite the process without sacrificing environmental controls. The other is automation in terms of software that is more agile or dynamic. Additionally, it has presented the law of the creation of opportunities in the tax law so that all of the investments that have to do with bio-entrepreneurship, sustainability, the circular economy, restoration, and conservation. Moreover, topics related to conservation have the benefit of double deductibility on the amount of income so that as much as one invests in a project, one can enjoy double spending and pay reduced income tax. These initiatives promote investment, making it a more agile proposition. Without a doubt, the message that Ecuador is sending to the world is one in which conservation goes hand in hand with development. Ecuador is keen to create jobs for seven out of 10 of today's unemployed, while, at the same time, also protecting the natural world. We will also build an important exhibition center of biodiversity and also automate the licensing process for environmental registration. Indeed, Ecuador is positioning itself as a global power in terms of conservation.



Pedro Álava
MINISTER OF AGRICULTURE AND
LIVESTOCK

THE MEASURES taken by the Lasso government to increase Ecuador's role as an agro-export power are successful in keeping with the policy of "More of Ecuador in the world and more of the world in Ecuador." Through this policy, available Ecuadorian agricultural products are varied and meet high-quality international standards. The Ministry of Agriculture and Livestock is leading the priority program Strategic Production and Diversification of Agricultural Chains. This program seeks to diversify the agricultural exportable selection of non-traditional products such as avocado, pitahaya, and hemp, among others and strengthen the country's traditional products such as coffee, cacao, and bananas. By implementing an intelligent agricultural information system, which any person, investor, or producer, can use, it will contribute to GDP growth. Ecuador has significant comparative advantage compared to other countries in the region, among which is its privileged geographical location. Its agricultural products and livestock are of a higher quality than average. The strong confidence of the international markets in the excellent management of the Ecuadorian economy is indisputable, as the Country Risk Index went from 17.33% in 2016 to 7.99% in 2022, an approximately 54% reduction in a period of less than one year of Lasso's government. To this must be added the excellent business environment in Ecuador, afforded by political stability and strong legal security. All these factors attract investors.



Ximena Garzón
MINISTER OF PUBLIC HEALTH

IT IS VITAL to modernize the public health of the country and set measurable goals and objectives. As part of my training in public health in the US, I was also able to train as an epidemiologist and bio statistician. Hence, it is important to me that all the objectives that we set for ourselves are statistically measured. We have determined goals to be achieved in the medium and long term, namely four years from now and 10 years. To achieve this, a government public health plan has been created, in which several ministries come together to achieve these public health objectives and improve the quality of life of Ecuadorians. We have two plans that are important, the first of which is to improve research in the country. We have highly trained researchers working in universities; however, clinical research and research in the medical and epidemiological areas have not been sufficiently developed here. In addition, we are reactivating certain health promotion plans at the community level in which, in rural schools, for example, children and their families are taught how to take care of themselves and eat well. We want to raise awareness of how they can improve the quality of life, avoid sedentary lifestyles, stay away from drugs, and so on. That is part of this branch of public health called health promotion.



Dario Herrera
MINISTER OF HOUSING AND
URBAN DEVELOPMENT

WE HAVE REDEFINED the scope of our program and are looking to provide 429,000 of what we call habitat solutions. Ecuador has 4.7 million homes, but there is a quality deficit of about 2.7 million homes, which are homes that need to be repaired or upgraded. The culmination of what is needed for new homes is around 663,000 over the last 20 years. Ecuador has had 18 ministers in the last 20 years, and as a result the country cannot set mid- to long-term goals because every new minister wants to change things. It will be a never-ending problem if we do not create an enduring public policy that can tackle the issues. There are about 90,000 new homes built every year in Ecuador. More than just building 200,000 rural homes, we are looking at developing 429,000 habitat solutions, which includes four different areas: houses; kits that will directly attack the deficit problem; providing land titles for homes that are already built or consolidated; and special habitat projects. This mixture of solutions was designed to tackle and reduce the quality and quantity of the deficit in Ecuador within budget and following a time frame. We have inherited a large debt, and therefore we are developing the proper incentives so the private sector can contribute to building these solutions for social housing with help from the program.



Guayaquil is Ecuador's largest city
and its main economic engine

TOP EXPORT DESTINATIONS 2021

SOURCE: FEDEXPOR

	Value (USD BLN)	Value in- crease (%)
US	3.64	24
EU	3.4	14
China	2.7	2
Russia	1	9
Colombia	0.823	13

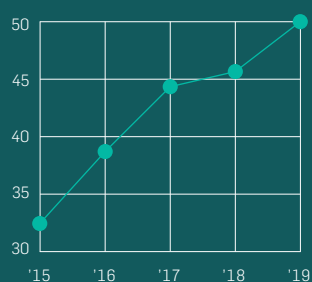
FDI (USD MLN)

SOURCE: CENTRAL BANK OF ECUADOR



PUBLIC DEBT (% OF GDP)

SOURCE: FOCUS ECONOMICS





Economy

EXPANSION AHEAD

Ecuator's economy grew 4.2% in 2021, a performance that was somewhat made possible by a successful vaccination drive, increased remittances, greater access to credit, and better export performance. The industries that recorded the highest annual growth were oil refining (23.9%), accommodation and food services (17.4%), and aquaculture and shrimp fishing (16.2%). For 2022, the central bank estimates economic growth of 2.8%, driven by an increase in private investments and the dynamism of household consumption. On the other hand, the World Bank estimates 4.2% growth for Ecuador in 2022, while JP Morgan expects 3.1%. The higher figures are a result of the increase in oil prices, tax reform, and the drive of the authorities to continue with fiscal consolidation in conjunction with the IMF.

FDI in 2021 was USD621 million, an annual reduction of 43.8%. This value represented 0.6% of GDP. The sectors that performed best in their FDI figures in 2021 were manufacturing industries, with an annual increase of USD148 million; transport, storage, and communications, with an increase of USD 41 million; and agriculture, forestry, hunting, and fishing, with an increase of USD17 million. The reduction in FDI is mainly attributed to the completion of mining construction projects Mirador and Fruta del Norte, which represented a reduction in mining investments of 81.4%, from USD535 million to USD100 million. The government expects improved FDI performance with new investment projects of around USD30 billion in the areas of road infrastructure, oil, and mining. Investments are also made by foreign companies in Ecuador that are registered as local companies. In this indicator, Ecuador has reached the record sum of USD5 billion in investment contracts signed with the government in 11 months from May 2021.

It is also worth noting that Ecuador now has better access to more financing from multilateral agencies. At the beginning of February 2022, the World Bank approved a new freely available credit for Ecuador for USD700 million. These resources are aimed at boosting economic reactivation, generating employment, and reducing poverty levels.

This credit has a repayable term of 16.5 years, with a grace period of 5 years. On March 8, 2021, the Development Bank of Latin America (CAF) and Ecuador signed three credit contracts for a total disbursement of USD175 million. According to CAF, the loans will be used to finance road, irrigation, and education projects. Finally, in the first week of March 2021, the IMF began its fourth review of the Extended Fund Facility (EFF) program with Ecuador. Following this review, the country is expected to receive a new disbursement of USD700 million to support social protection programs.

Ecuador plans to close at least 10 trade agreements by 2025. Since 2021, the country has sought to promote trade agreements with its main partners around the world to strengthen its commercial positioning and competitiveness in international trade. Among the countries and blocs that stand out the most are China, Mexico, the US, and the Pacific Alliance. In the case of China, in the coming months, Ecuador will seek to define the scope and topics to be discussed in trade negotiations, once an MoU has been signed. The main objectives of the negotiations with China are debt renegotiation, the insertion of Ecuadorian products into the local market, the donation of vaccines, and incentives for Chinese companies to invest in Ecuador. China is a strategic partner, since total exports to the country reached USD4 billion in 2021, representing an annual growth of 27.6%; this result positions the Asian country as the second main destination for national exports after the US.

According to the central bank, Ecuadorian export figures reached an all-time high at the end of 2021 at USD26 billion, with an annual growth of 31.2%. In this way, exports represent 25.3% of GDP, the highest percentage in the last seven years. Oil exports amounted to USD8 billion, indicating an annual variation of 64%, while non-oil exports reached USD18 billion and grew 20% compared to 2020. In this, the increase in exports of mining products (99.1% annual variation), other metal products (49.1% annual variation), shrimp (39.2% annual variation), and flowers (12.1% annual variation) stand out. Imports reached USD23.8 billion, allowing for a trade surplus of USD2.8 billion. ✖

INTERNATIONAL *outlook*



Julio José Prado
MINISTER OF PRODUCTION,
FOREIGN TRADE, INVESTMENTS
AND FISHERIES

Ecuador is working on creating an environment where entrepreneurs can take advantage of its opportunities and human resources and be part of global value chains.

How does the government plan to bring "More Ecuador to the world and more of the world to Ecuador"?

From the first day of the new government, we have sent a clear message: we foresee more Ecuador in the world and more of the world in Ecuador. President Guillermo Lasso, by executive decree, declared the investments promotion policy a priority through good regulatory practices and measures of simplification, efficiency, and transparency in administrative processes. On this basis, our government envisions a strengthened business climate in Ecuador. Locally, we pursue a competitiveness improvement agenda in line with the newly drafted National Development Plan (NDP) 2021-2025. Consequently, our Vice-Ministry of Export and Investment Promotion (Pro Ecuador) promotes the best business opportunities available with an investment projects portfolio in key productive sectors of the economy. According to the guidelines of NDP, we work with all government authorities and local officials, as well as private associations and chambers of commerce to select the most attractive investment projects that can capture the interest of foreign investors. Our 24 commercial offices in North America, Asia, Europe, and Latin America promote both our renewed business climate and the strengthened portfolio of projects in international events like the Ecuador Open for Business Forum 2021 and other events around the world. Equally important, we are working on PPP schemes for the development of sustainable infrastructure and to provide public utility services that allow for private participation and to share the risk in a contractual relationship in the long term. Also worth noting are the economic issues addressed by NDP 2021-2025, which include entrepreneurship, foreign trade, investment, financial modernization, tourism, production, sustainability, and agile taxation. One of the primary objectives of our economic policy is to promote an economic system with clear rules facilitating foreign trade, tourism, investment attraction, and a modernized financial system.

What incentives or differentiating factors does Ecuador have to offer potential investors?

With a resilient democracy, Ecuador resembles a safe haven in the region these days. Certainly, a differentiating factor for foreign investor is our currency. By investing in a dollarized economy, foreign firms, and multinationals can take their capital investments safely and profit or reinvest in a win-win transaction. Aside from the geographical and logistic advantages of being on the equator, our local workforce is another key production factor in their ability to provide quality goods and services consistently. Not only that, we offer potential national and foreign investors the possibility of entering into an investment contract with Ecuador to secure certain tax incentives, such as income tax holiday for up to 12 years, depending on the investment location, in addition to foreign outflow tax exemptions. Six special economic development zones established near ports and international airports have attracted businesses dedicated to service and technological sectors, mainly due to the young workforce produced by neighboring universities. As part of the Andean Community, regional supply chains are being consolidated for further market efficiencies and expand local market base.

What actions are being taken to improve the investment climate in the country?

The Lasso administration has started talks with trade partners such as the US, Mexico and the Pacific Alliance, Panama, India, Russia, China, South Korea, Japan, and other important trade partners. FDI inflows, historically concentrated in extractive activities, has evolved toward productive transformation sectors over the years. Ecuador offers opportunities along all phases of the value chain, such as the development and maintenance of seaports, first-class highways, and logistics services, to transport our products to a world that demands healthier food, intermediate, and final value-added products, as well as investments in business services in firms that require innovative and technological solutions of all kinds. Finally, our NDP 2021-2025 in Ecuador has been articulated with the Sustainable Development Goals (SDGs) as a platform to propel Ecuador well into the 21st century for the generations to come. ✖

BIO

Julio José Prado has led projects at a national level, such as the Sectorial Action Plan and the Month of Innovation for the Coordinating Ministry of Production, Employment and Competitiveness (2010), the First Market Intelligence System for the Competitiveness and Industry (2009), and the Economic and Social Impact Study of the New Airport of Quito (2006). He is the author of over 100 academic publications, scientific conferences, and other publications in specialized economic magazines, research, cases, and academic notes. He is also author of "From Shock to Action: Mindset and Indispensable Tools to Resurface and Adapt in the Midst of Chaos."

FULL
TASTE
RICH
AROMA
EXCEPTIONAL
QUALITY



TASTE THE DIFFERENCE

INTERVIEW



THE WAY *forward*

The Secretariat for Public-Private Partnerships and Delegated Management is focusing on promoting and supporting PPP projects in Ecuador with both local and foreign investors.

BIO

Roberto Salas is an Ecuadorian economist with more than 20 years of experience as director of multinational companies in Costa Rica, Brazil, Chile, and Ecuador. An expert in sustainability practices, he has dedicated his professional career to developing business projects within the framework of transparency, innovation, and the management of social and environmental impacts, skills that have earned him multiple international recognitions. Currently, as technical secretary, he has the responsibility of promoting, attracting, facilitating, promoting, materializing, and maintaining national and foreign investment in public projects with private participation.

Roberto Salas
TECHNICAL SECRETARY FOR
PUBLIC-PRIVATE PARTNERSHIPS
AND DELEGATED MANAGEMENT

How does the newly created Secretary structure respond to the economic vision of Ecuador as an attractive destination for investments?

The mission of public-private partnerships is to promote in a relevant way private participation in public projects. Private investment is administered by the Ministry of Production, and it does this extremely well, with solid promotion, a great program, and plans for improvement to create a single window for investors and exporters. Meanwhile, with public investments, there are two ways to participate. The state has prioritized programs that are well defined, and these feature in the state budget. A tender is held to select the constructor or service provider. The government formulates a solution to the lack of capacity, the administration of projects, and the lack of resources in order to realize such projects in partnership with private companies. This is done to sustain a level of growth, create significant employment opportunities, and to improve the services provided in our cities. It is essentially a solution to the lack of capacity, the management of such projects, and the lack of financial resources to realize projects.

How have PPP projects proven useful in Ecuador?

We have showcased certain projects that have been realized to good effect, especially in terms of ports, and particularly in the Port of Posorja and the Port of Bolívar, as well as the airports of Guayaquil and Quito, that rank among the best in Latin America. Today, there are 10 road concessions, some providing solid examples of success. There is the case of Chongón-Salinas, for example, which has been executed superbly. The important consideration includes the rehabilitation of construction work and attention to the impact it has on employment and quality of services.

What projects are being introduced, and what security does Ecuador offer their progress?

Firstly, the project portfolio has been defined by considering the ambitious goals

established by government plans. These in themselves are pledges on which key expectations are based. Secondly, these plans reflect the needs of the national development plan and therefore must be realized. In terms of the USD30-billion investment we have planned, there are seven projects that make a big difference. These seven projects alone make up more than half of the total. The rehabilitation of railways is a project valued at USD2.5 billion, and the bridge of Guayaquil at USD1 billion. We have a motorway portfolio that amounts to another USD2.5 billion, and seven projects that amount to USD15-16 billion including two oil refineries. Refinería Esmeraldas is a new, high-quality refinery. With these two alone, we are talking about an investment value of USD6.4 billion. Meanwhile, increased oil production at the wells requires an investment of over USD12 billion. The two refineries and an oil field, Campo Sacha, require roughly a further USD3 billion. With these three alone, we are therefore talking about USD8-8.5 billion. The hydroelectric plant of Santiago is in its first phase, entailing an investment value of USD4.2 million. To that, we may add a railway and bridge in Quito at a further USD3.5 million.

What international actions are planned to promote the country and its PPP portfolio?

Firstly, regarding the schemes totaling USD30 billion, we are promoting the projects portfolio with periodical updates. With the Ministry for Production, we participate in international events to promote public projects allocated to the private sector, be they contracts for oil production or public-private partnership contracts for a motorway, or any contractual possibility. We plan, before the end of the year, to stage a roadshow at an appropriate moment in the US and Europe to promote these opportunities with more detailed information. This promotion encompasses the potential investors, constructors, operators, and potential concessionaires, from every sector including the financial world. ✖

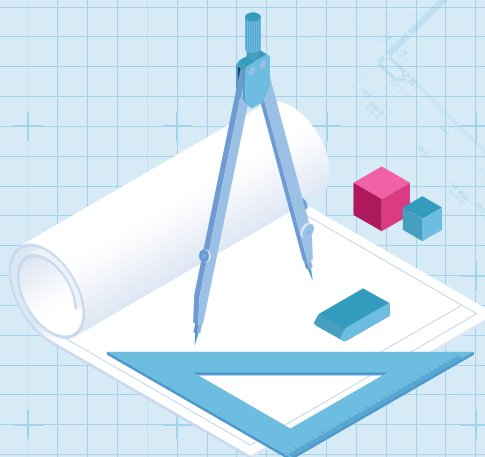
PPPs

PPPs are an efficient process for governments to improve public infrastructure across different sectors in a cost-effective way. Ecuador has a number of such projects it is looking to complete over the next few years.

MORE THAN USD30 BILLION OF INVESTMENT EARMARKED FOR PROJECTS UP TO 2025

NUMBER OF PROJECTS

Hydrocarbons: 7 (USD18.39bn)
Energy: 10 (USD8.4bn)
Infrastructure: 9 (USD5bn)
Mining: 14 (USD4.26bn)
Health: 6 (USD1.55bn)
Environmental: 1 (USD792mn)
Real estate: 2 (USD175mn)
Telecommunications: 1 (USD137mn)
Sports: 4 (USD128mn)
Culture: 4 (USD5.2mn)



TOTAL
58 (USD39.085bn)

PROJECTED DIRECT/INDIRECT
 JOBS GENERATED
600,000

KEY PROJECTS

LOJA CATAMAYO

The Ministry of Transport and Public Works

Sector: Infrastructure

CAPEX: USD86.08 million

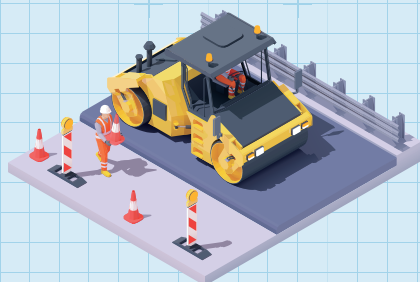
Concession period: 30 years

Province: Loja

Length of road: 34.35km

Estimated construction time: 3 years

Generated employment: 10,200



THERMOELECTRIC PLANT

The Ministry of Energy and Natural Resources

Sector: Energy

CAPEX: USD600 million

Concession period: 25 years

Estimated construction time: 24 months

Estimated production: 3,000GWh/year



SANTIAGO HYDROELECTRIC DAM

The Ministry of Energy and Natural Resources

Sector: Energy

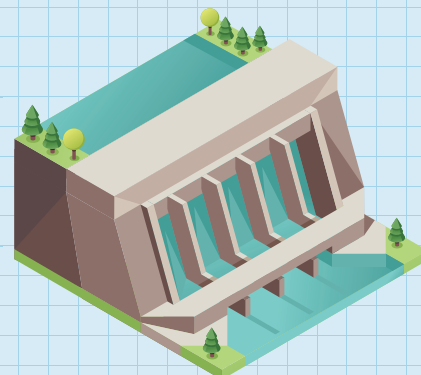
CAPEX: USD3 billion

Concession period: 30 years

Number of generators: 8

Estimated construction time: 6 years

Estimated capacity: 2,400MW or 14,613 GWh/year



POTENTIAL *interest*

With excellent political relations and many opportunities in Ecuador that are worthy of investment, Qatar will be able to provide its know-how and expertise in key areas in the region.



Mohamad Ali Mohamad Al-Malki
AMBASSADOR OF QATAR TO
ECUADOR

The relationship between the state of Qatar and Ecuador is built on mutual respect, and the relations on the political scale are solid between the two countries. This relationship has been in continuous evolution since the establishment of diplomatic relations between both countries.

We have maintained great relations with all successive governments in Ecuador, especially in the areas of mutual support both internationally and on United Nations-related matters. There is no doubt that relations with the current governments follow the same line that is based on respect, cooperation, and consultations among both countries, on diplomatic and political levels.

There are many fields of investment, and Ecuador has many opportunities that are worthy of investment, such as mines, tourism, hydro-power, and agriculture as well as fossil energy. The new Ecuadorian government has opened up investment prospects and called on investors to seize the opportunity, which is a good thing and will have positive effects on the Ecuadorian economy. From our point of view, we believe this opportunity should be invested by Qatari businessmen and those who have the desire to invest, but there are some matters that they are trying to reach solutions through with the official authorities to protect investments and investors,

because these matters constitute one of the main concerns for investors who want to be sure of their investments.

As you know, capital is cowardly, and it is not possible for an investor to risk their money without guarantees that protect them, and I think this is a legitimate and enforceable matter in most countries in the world.

Yes, Qatar is one of the main players in the field of energy, and Qatar seeks, through its capabilities and experience, to invest in this field, and the State of Qatar has many energy investments in Latin America. Of course, any investment in any field must be profitable, and it is in that spirit that the country began to enter the field of energy.

Any two countries that have opportunities to attract investments, work to attract investors and market their opportunities to countries and companies, because any investing country must know the seriousness of the opportunities in addition to giving real information about the available energy reserves in the country. Therefore, if the State of Qatar found that investing in the energy field in Ecuador is feasible and profitable, and was provided with sufficient information backed by studies and research with positive outcomes in the short and long term, I believe that it will be very positive and beneficial for both parties. ✖



Rodrigo Pérez
FORMER AMBASSADOR OF CHILE
TO ECUADOR

hand IN HAND

Ecuador and Chile plan to further boost their close bilateral relationship and have accordingly signed a Trade Integration Agreement to work together to boost their economies.

Both Chile and Ecuador have respective plans to revive themselves economically. How can bilateral relations help each other achieve these goals?

In recent years, there has been evidence of a renewed and intense bilateral relationship between Chile and Ecuador. One of the most important areas is the commercial area, where there has been a clear desire for integration at the level of governmental entities, which has been accompanied by a strong interest from the private sectors of both nations, in order to strengthen foreign trade and attract investment. In this sense, Chile and Ecuador signed a Trade Integration Agreement in August 2020, where the opportunities to improve, increase, and boost economic and commercial reactivation are more representative. This aspect is one of the essential strengths that both countries maintain within their historic bilateral relationship in economic and trade matters. Likewise, one of the most fundamental aspects of a trade and economic relationship between two countries has to do with 100% compliance with all the scopes, guidelines, directives, and agreements that facilitate access to markets. In addition, trade agreements can always be renewed, improved, and expanded.

Ecuador is in the process of joining the Pacific Alliance. How can this regional integration system benefit both countries?

It is worth highlighting the strategic support of the Economic Integration Agreement signed by Chile and Ecuador, which revitalizes and expands Ecuador's opportunities to join the Pacific Alliance. For Ecuador, the Pacific Alliance is an opportunity to develop its production and exports to this economic bloc, though it is also a gateway to access the western section of the Pacific Alliance. In addition, there are real opportunities for Chile and Ecuador to work together via the connections between the two countries. Chile has a vast experience in signing multiple free trade agreements, where Ecuador can benefit from the use of this regional strategy to market its products with added value to the Pacific Rim.

Chile has a long mining tradition, while Ecuador aims to position itself as a benchmark in this sector. What opportunities exist for collaboration between the two?

Ecuador's high potential for the development of mining is recognized in the global context, which has been ratified with the start of large-scale production in 2H2019, with two foreign capital mining projects, which, added to the development of small and medium mining, has made the mining sector the fourth-most dynamic export sector in Ecuador. Ecuador is committed to responsible and technical mining, with the aim of becoming one of the strategic economic sectors of the national economy, encouraging the attraction of foreign investment. In addition, President Lasso signed Executive Decree 151 in 2021, issuing an Action Plan for the Mining Sector, which has the primary objective of developing efficient and responsible mining, environmentally and socially, and guarantees the framework of legal security existing in the Constitution of the Republic, thus respecting pre-existing rights, such as contracts and rights previously acquired and duly signed with the state. In this sense, the knowledge and experience of Chilean companies in supplying goods and services to the mining industry can be a fundamental contribution to the growth of the Ecuadorian mining industry. Sub-sectors such as process automation, safety, community relations, and clean energy are just some examples of the contribution that Chilean companies can make in this country. Since 2018, ProChile in Ecuador has been carrying out a series of actions to transfer this know-how and contact Chilean companies with their counterparts in the Ecuadorian market through tools and export promotion plans, with promising results. Chile also plans to participate with its pavilion in the next EXPOMINAS Fair in Ecuador, with a large delegation of Chilean companies participating as exhibitors. Likewise, the implementation of trade promotion activities will be encouraged to link Ecuadorian companies with potential Chilean suppliers through round-trip trade missions. ✖

ECUADOR *in the world*



FEDEXPOR has been working to strengthen and internationalize Ecuadorian companies for 46 years to great success.

Felipe Ribadeneira Molestina
PRESIDENT OF THE BOARD,
ECUADORIAN FEDERATION OF
EXPORTERS (FEDEXPOR)

Seeks to triple share of non-oil exports by 2030

Working to generate personalized circular economy models for Ecuadorian SMEs and/or associations

What are the keys to Ecuador's economic reactivation?

It is a significant challenge, and we need dollars to be created, generated, and come from within the country. Since we have a foreign currency system, we depend on six external factors: the generation of foreign currency through non-renewable resources, such as oil and mining; remittances coming into the country; FDI; non-oil exports; credits from multilateral bodies; and tourism. During the pandemic, only the non-oil exports survived. However, Ecuador has the ability to export agro-industrial products to the whole world. Our exports did not stop and reached an USD15-billion record. A solution for real and sustainable economic growth over time is non-oil exports; however, we must also promote tourism and try to combine it with non-renewable resources.

Which sector has more potential within non-oil exports?

Ecuador has a steep learning curve in terms of its main export products. We have great potential in fishing, cocoa seeds, bananas, and shrimp. Since 2016, the growth of shrimp has tripled after breaking into the Chinese market. Some 60% of our export basket are winning products. We separate our products into traditional, previously mentioned, and non-traditional products.

What is the distinguishing factor of Ecuador's products and exports?

Approximately 75% of the business corresponds to SMEs, though large companies move the economy. In the European market, Ecuador has products with international seals of high reference that consumers have been drawn to for over 10 years. Moreover, consumers want to know everything, from the principle of farmer to the market model, the history of the product, fair trade, and organic products. As a green country, Ecuador offers these guarantees. All these have made us professionals and given us international recognition, making our products among the best in the world. FEDEXPOR in its 46 years of institutional life stands out for its great experience in strengthening and internationalizing Ecuadorian companies, as well as promoting the growth of the

country's foreign trade and boosting the positioning of Ecuadorian products around the world.

How will the EU Green Circular initiative help Ecuadorian SMEs and associations facilitate cleaner production and move Ecuador toward becoming a circular economy?

We are proud to be able to take on this EU project. There are two fundamental aspects: learning about the circular economy, since SMEs have vague knowledge; and teaching them that it helps the company to be more efficient and productive. This helps to meet three important goals: meeting commitments to society; providing a social purpose; and generating profits. If large companies do not have these three elements, the new generations will not consume in the future. We have had a project underway for two months now and will carry out activities, deliver international experts, and go in situ to companies to raise awareness of the green circular economy and how it can be applied to their business plans.

What are your upcoming goals?

Our biggest challenge is logistics. It is a challenge of knowledge, which we will have to seek resilience and sustain it with the logistical problems of international level. In addition, we must be ready for when resource indications run out. Through actions, we will try to predict how global consumption will move and work on the internal competitiveness of our companies. FEDEXPOR must work on these two aspects while taking advantage of the fact that the government is open to settling on Ecuador's main trade agreements expected for more than 17-18 years. Before the pandemic, we worked on a national export plan. We are now focused on four goals: reaching trade agreements; working on competitiveness; logistics; and increasing our capabilities, in order for more people to enter the sector and have an internationalization mission. Ecuador's vision is to double non-oil exports and the federation from 10-15 years. In addition, we want to appeal to all investors, as Ecuador is changing for the better. ✕

BIO

Felipe Ribadeneira Molestina is the President of the board of directors of FEDEXPOR. Prior to that, he was the president of FEDEXPOR from 2009 to 2016. Molestina is an expert in internationalization services, investment support, private-public negotiations, and foreign trade law. He specialized as a lawyer in business consulting from Pontificia Universidad Católica del Ecuador. He also has a master's degree in economic law and public policy.

AN OCEAN OF POSSIBILITIES

Ecuador, today committed to treading the free market path, seeks to extend its commercial reach and escape a costly decade of debt.

ESTABLISHED ON APRIL 28, 2011, the Pacific Alliance champions the regional integration of member states Chile, Colombia, Mexico, and Peru as well as the unfettered mobility of goods, services, and resources, including talent. And with associate membership among Australia, Canada, New Zealand, and Singapore, its commercial footprint spans the vast Asia Pacific territories. With such alliances inevitably fostering greater local and regional competitiveness among firms, membership is a no-brainer to those on the outside looking in, notably Associate Member Ecuador. Erstwhile left-leaning president Rafael Correa (2007-2017) had opposed membership, a position vehemently reversed by President Moreno and incumbent President Lasso.

AN INTERESTING CHINESE TAKEAWAY

China and the US have been slugging it out over influence in Latin America, and the former has made inroads through credit lines to willing borrowers. Ecuador has faced repayments to Beijing of around USD5 billion tied to the handover of crude oil and substantial infrastructure schemes in hydroelectric and mining projects, among others. It now wants to pursue growth under its own steam. In fact, the anti-US stance of the Correa era, in alienating Washington, had prompted Ecuador's turn to an all-too-willing-to-lend China. After all, Ecuador boasts petroleum, aquaculture, and bananas, not to mention copper, gold, and silver. In 2022, Quito and Beijing seem set to commence debt re-negotiations. When President Lasso met Chinese counterpart Xi Jinping at the opening ceremony of the Olympic Winter Games Beijing 2022 in February, he was likely pondering Ecuador's Olympic debt schedule.

EYING UP THE PRIZE

The XIV Pacific Alliance Summit in Lima in 2019 set the pace for Quito. There, the governments of Chile, Colombia, Mexico, and Peru inked the Lima Declaration, promising to accelerate procedures for Ecuador's full membership. Meanwhile, Ecuador doubtless monitored Singapore's January 26, 2022 signing of an FTA with the Pacific Alliance, a bloc boasting a combined GDP north of USD2 trillion. Over 100 diverse Singaporean companies now operate in Pacific Alliance countries, while prominent firms from Alliance nations, such as Ecopetrol, have also set up shop in Singapore. A Work

Plan between the Pacific Alliance and the Association of Southeast Asian Nations (ASEAN) has been adopted for the 2021-2025 period, promising still juicier cooperation.

MEXICAN WAVE

Moves toward joining the Alliance build on an earlier setting of terms of reference with Mexico, a nation with which Ecuador sees annual trade of around USD1 billion. Mexico endorses Quito's full membership, a bid President Lasso reiterated in Mexico last year at a Community of Latin American and Caribbean states (CELAC) summit.

The first round of negotiations requires homework on access to markets, rules of origin, sanitary and phytosanitary measures, trade facilitation, intellectual property, good regulatory practices, and competition policy. Structurally, Ecuador is headed in the right direction according to COMERxEC, Ecuador's sole entity specialized in foreign trade, customs, and investment in the country. Partner Sonsoles García told TBY that "The landscape is changing with President Lasso's administration [where] the investment climate is more stable [...] there is more confidence in Ecuador [and] legal certainty has increased." The net result is a rise in foreign investor interest in exploring the landscape.

EFFICIENCY DRIVE

As Xavier Rosero, Vice President of the Ecuadorian Federation of Exporters (FEDEXPOR), puts it, "The Pacific Alliance is an interesting platform on which to focus on the markets that are more representative for us [where] Japan, Korea, and China [offer] potential for expansion," nothing that the "Pacific Alliance can provide us momentum to reach these markets easier, since they are the most dynamic in this context of global recovery."

Ecuador will continue to seek to expand its international reach through the Pacific Alliance, and today's commercial and legal climate appears more conducive. Sonsoles García notes that being party to the WTO Trade Facilitation Agreement, "Ecuador [has] passed around 70% of the related regulations [...] though in areas of implementation it has reached 30%, mainly in areas to facilitate trade." Further housekeeping would expedite graduation to member status. ✖

OPENING *up to new markets*



FEDEXPOR focuses on defending the interests of the export sector as well as improving the conditions of competitiveness for the internationalization of Ecuadorian companies.

Xavier Rosero Carrillo
EXECUTIVE VICE PRESIDENT,
ECUADORIAN FEDERATION OF
EXPORTERS (FEDEXPOR)

Private non-profit institution

Leader in representation and provision of quality services for Ecuadorian businesses

What is your view on the tariff reform of the government from the perspective of FEDEXPOR?

It is always important to reduce the tax burden of the export sector. There is an international principle of not exporting taxes. Tariffs are charged on raw materials or intermediate inputs, and these should not be paid by the exporter, because it inflates the cost structure. Exporters cannot pass on these expenses to international buyers. It is necessary to have a relatively transparent policy to make the exporting sector more competitive on an international level. To improve competitiveness, Ecuador needs to open up new markets. Our primary focus is an international agenda in which the opening of markets for exporting is essential. The second one is a domestic agenda in which we work on the competitiveness issues, such as the development of human talent, which is required to provide a competitive exportable offer.

Are free trade zones the way to increase competitiveness?

It is a way to attract new exporting investments and take advantage of infrastructure projects. All exporting companies that cannot benefit from the free trade zone scheme are working on their entire work structure, since Ecuador has become an expensive country. Trying to once again stabilize the cost structure to meet international levels implies working with companies that are already competing with that greatly increased cost structure.

What are some of FEDEXPOR's initiatives to help its affiliates with competitiveness?

We have worked with over 130 companies and associative groups that are looking to open a world-class market for the first time. This is a big job in terms of qualifications, quality, modernizing the production processes in order to adapt them to the necessities of the international market, and understanding consumer trends in the main consumption centers. At the same time, we are working on an agenda that will allow exporting centers with the greatest potential to open up new markets via a more business-orientated approach. FEDEXPOR is working on a medium- and short-

term strategy. The short-term one could consist of working on all those elements needed by exporters to reach new markets under the same conditions as competitors in the same region for similar products. In the medium term, we must work hard on productivity. The intention there is to link all the new innovative technologies. Additionally, we have a created national exporting plan to train our affiliates to stay resilient. FEDEXPOR has consolidated the main needs of the export sector in simple terms, with a commercial agenda, strengthening of foreign trade and promotion, financing, trade facilitation, reduction of the tax and regulatory burden, and a long-term component of sustainability and the development of exporting capacities. Finally, we have created a recognition for exporting talent, known as the PremioeXpor. It consists of recognizing the best practices among exporting companies and rewarding them.

What opportunities will Ecuador becoming a member of the Pacific Alliance offer to exporters?

The Pacific Alliance is an interesting platform to focus on the markets that are more representative for us. For example, Japan, Korea, and China are markets where we have a wide potential for expansion, especially in terms of food supply. If we endorse these three markets, this constitutes around 20-25% of the global food consumption. Those markets demand high quality, and the Pacific Alliance can provide us momentum to reach these markets easier, since they are the most dynamic in this context of global recovery.

How does the Trade and Investment Council Agreement between the US and Ecuador help international trade be more responsible?

It is about transparency. Usually, small and medium exporters pay an additional cost to gain access to information and reach international markets. This promotes transparency along with the internationalization of the process. The other aspect consists of a reduction in terms of costs and time. The Trade and Investment Council Agreement with the US gives clear signs of trade facilitation for these companies, excellent regulatory practices, and more. ✖

BIO

Xavier Rosero Carrillo is an economist from the faculty of economics of Pontifical Catholic University of Ecuador (PUCE), has a master's degree in international relations between Europe and Latin America at the University of Bologna-Italy. In 2018, he was part of the Export Promotion Program assigned by the Japanese Cooperation Agency, developed in Japan. He is the Executive Vice President of FEDEXPOR. He has held public service positions as technical secretary of the Foreign Trade Committee (Comex), the main representative of the Employer Sector before the National Council of Labor and Wages, and representative of the export sector in the National Committee for Trade Facilitation. He was previously a professor of economics at PUCE.



Carlos Loaiza
PRESIDENT,
QUITO CHAMBER OF COMMERCE



Carlos Zaldumbide
EXECUTIVE DIRECTOR,
QUITO CHAMBER OF COMMERCE

QUITO CHAMBER OF COMMERCE

Focusing on the economic reactivation of Quito and Ecuador, the Quito Chamber of Commerce has worked hard to develop a responsible entrepreneurial ecosystem and empower its members, among other initiatives.

What is your vision to promote a market friendly economy in Ecuador?

CARLOS LOAIZA The Quito Chamber of Commerce is a 115-year-old institution. With this heritage, we assume the responsibility stated by the government to bring more of Ecuador to the world, and more of the world to Ecuador. The economic reactivation is a huge challenge. Furthermore, Ecuador has been successful in its vaccination efforts. There are many cities in the country with an 85% vaccination rate. The reactivation of the economy and employment are now the priorities. There are some areas that need to be worked on regarding tax and employment. That would significantly support the reopening of the Ecuadorian economy, in order to return to the levels of 2019.

What is the key to creating a more responsible entrepreneurial ecosystem in Quito?

CARLOS ZALDUMBIDE The key is trust, as well as a willingness to face challenges and good governance. Trust is essential for creating a business ecosystem in which everyone will wish to come, invest, and make the economy grow. Even though corruption is a major issue within our business ecosys-

tem, when there is a robust ecosystem, you can fight it better. The goal is to eradicate corruption. President Lasso is doing a good job and generating confidence, all of which is lowering the country risk. Colombia attracts USD7 billion in FDI per year, while Peru receives USD13 billion. Ecuador only receives between USD700 million and USD1 billion because it has not generated enough confidence over the last 15 years. We have to assure investors that the current trend is here to stay for at least two governments or about eight years. Private businesses will not invest if, in three and a half years, another government with a completely different outlook is elected. We have to give investors security not only for this period of government, but for the next one as well.

What are some of the goals on the agenda?

CL Tourism is one of the priorities. Quito is the entry point of tourism to Ecuador. We receive 1.2 million tourists. It is essential to reactivate the tourism sector because it can generate jobs, as well as an influx of dollars. Another important sector is construction, which represents 10% of the GDP of Ecuador. Today, it accounts for 4%. We need to reactivate the construc-

tion sector, which demands a large workforce. Another vital sector is agroindustry because Ecuador has the capacity to become a powerhouse providing food to the world. We have a clear strategy in that area. We need agroindustry, tourism, and construction to be reactivated. In addition to that, we have the oil and the mining industries, which the government is seeking to support.

What is your vision for the chamber?

CZ The chamber has been doing an extraordinary job in empowering women, training its members, business leaders, and workers. We also work to improve the reliability of the Ecuadorian judicial system and open markets through responsible negotiations, so that this strong internal economy can attract investors and not cost the country its future. One of our priorities is to give stability to the business ecosystem. We want to open the market for the entire country; this is one of the chamber's visions. Ecuadorians need more confidence in their abilities, not only for personal matters, but also for business. When Ecuadorians do things well, they become great entrepreneurs. Exporters of Ecuadorian products are among the best companies on the planet, and we want them to consider exporting to the US, the Pacific Alliance, or the EU.

What are your goals for 2022?

CL Quito is the most important city in the country, and our challenge is to achieve a level of competitiveness that ensures that it can attract investments. We have created a committee that will develop a roadmap for Quito as a city. This roadmap will serve as an apolitical plan for economic growth. Quito has much potential for the future.

What is the chamber doing to reduce corruption?

CZ In 2019, the chamber launched a project called Honestidad Criolla (Creole Honesty). We want to educate children on honesty and the right values, that the only way to do things in life is to do them the right way, and that being honest is the way to be. Under this program, we have already educated more than 3,000 children in the last few years. We want to be the ones who sparked a cultural shift, even though we will not experience it yet. We are also working with the mayor's office to improve ethics in the political sphere. We have many plans. ✖

INTERVIEW



BIO

During her undergraduate studies, Marisol Andrade Hernández received several recognitions for her outstanding academic performance. She has a diploma in taxation from the Technical University Individual from Loja and an MBA and a Management MBA from International University of La Rioja in Spain. Her professional career in the tax administration began 16 years ago in the department of planning and management control of the Regional Center II. In 2007, she was appointed director of the region, and from 2014-2018 she was the provincial director of Chimborazo. In 2018, she was appointed General Director of SRI, becoming the third woman to assume this function. Currently, she represents Ecuador as a member of the Board of Directors of CIAT.

Marisol Andrade
GENERAL DIRECTOR,
INTERNAL REVENUE SERVICE (SRI)

Since January 2021, there has been a 12% increase in tax collection. What have been the main causes of this increase?

In 2021, we saw a growth of around USD1,220 million more (12% approximately) compared to the figures published from January to October 2021 in relation to the same period of 2020. There are basically two reasons for this. There was an economic revival with an increase in sales across different sectors and provinces of the country, even places such as the Galápagos that depends mainly on tourism. In addition, there was another important factor that affected the tax collection increase, which mainly involves the management of SRI in tax collection. We focus on strengthening our activities with international technical assistance and having better information exchange tools, strengthening fiscal transparency. Since September, we have started automatic information exchange processes with more than 100 countries around the world, which Ecuador did not have before. All of this, in addition to the tax management of the IRS of Ecuador, has allowed us to generate a significant increase in

tax collection, that implies the development of audits, semi-intensive processes such as payment settlements and persuasive preventive processes. Our management has also focused on achieving payment actions derived from legal monitoring of ongoing legal cases. Since October 2021, we have collected around USD660 million, and we expect to close the year with a collection derived from the collection portfolio of around USD800 million. The collection target for 2022 is approximately USD13.28 million. It will be much higher growth than estimated.

All sectors have experienced growth except for construction. What is the reason for that and what should be done?

The construction sector had its own particular factors in the last few years, and growth has increased. During the pandemic, it had greater challenges due to the halt in activities. We can now see growth; the sector declined by around 40% in 2021, and now this figure is smaller at 23%, and the sector is starting to grow. The sector had to reactivate its activities and follow new safety protocols, and with this it was possible to improve sales. We expect by the end of December to have an increase in the provision of loans in public and private banks, which will result in more growth. ✖

TODAY WE CHANGE THE FUTURE

Today we are going for
ZERO net carbon emissions
for the year **2050.**

We have a **sustainable fleet**
with **over 1,155 electric vehicles.**



Industrial production is on the up
in Ecuador, rising 30.3% YoY in
September 2020



INTERVIEW

LOCAL *vanguard*



Grupo Futuro is among the 20 biggest business groups in Ecuador, with 19 companies and more than 4,500 employees.

Juan Carlos Berrú de la Torre
GENERAL MANAGER,
GRUPO FUTURO

Corporate structure
for a group of leading
companies, among the

20

largest taxpayers in
Ecuador

How did Grupo Futuro's holding company come to be?

Grupo Futuro was born from the entrepreneurial spirit of five friends, led by Roque Sevilla, who got together in 1973 to set up a company called Tecniseguros, the group's brokerage company. Over time, Tecniseguros grew, and the company decided to expand its operations into other sectors. In 1993, they grouped all these different companies together and renamed the holding company Grupo Futuro. In 2001, the group decided to acquire the largest tour operator in the country, Metropolitan Touring, and broke into a new business sector: tourism. Several tourism products have been developed with an emphasis on Galápagos, where today we have three ships and one hotel, another hotel called Mashpi Lodge, and the hotel, Casa Gangotena. These are niche hotels with a focus on more exclusive tourism and an international profile. Before the pandemic, 90% of tourists were foreigners, and the other 10% local tourists. Today, we have a different composition in each segment, but we have strongly developed tourism under a concept of sustainability. Today, we have two major sectors: the insurance sector, which if we were to add all our companies together, we would be the largest insurer; and tourism, where we have the largest operator, as well as products, hotels, and boats that complement our services.

What is the secret to the company's longevity?

The friends who got together 48 years ago to make a dream come true all share the same business philosophy. We see business as a holistic concept with a long-term vision where we put the customer at the front and center of our activity. We aim to look after the planet and the environment as part of our company's values. These basic foundations unite our group of shareholders. We have become one of the 15 largest business groups in Ecuador. We have 4,500 employees, and our turnover is around USD600 million.

How does Grupo Futuro visualize sustainability and the green economy?

Within our conduct and philosophy, we see sustainability as a business opportunity and a competitive advantage. This enables us to take care of the planet and create value for all our stakeholders, while also inspiring other companies to get excited about sustainability. It is a strategic pillar of the group. One of our values is sustainability, as we have been pioneers in Ecuador, and we are looking to give it great significance within our business models. Roque Sevilla, our founder, is one of those who have done the most for natural conservation in Ecuador. He was the creator of Fundación Natura, an emblematic foundation dedicated to the environment. In 2020, all our companies achieved carbon neutrality, and we have created a financial mechanism through a trust fund to calculate how much CO2 our companies emit and compensate for this economically. The funds go to the care of forests in the Chocó Andino area. In addition, we have bought 2,500ha there to protect it. Our concept of sustainability is to generate a sustainable landscape in this area and serve as a vital part in the world. We want to continue with the conservation of the forests and generate an economic stimulus to expand our climate change mitigation work. In terms of the trust fund, early in the pandemic, we saw that the needs of the most vulnerable groups were pressing. Roque Sevilla got together with other important businesspeople to look for mechanisms to donate and attend to the poor areas. We formed a trust fund, and partners joined in contributing companies and individuals in a crusade to help the most vulnerable people. We raised USD8.4 million in donations that enabled us to build triage centers. In addition, we made important donations for medical equipment, food banks, as well as partnering with social aid foundations for the most vulnerable people. This was a successful private sector project that helped those who suffered the most during the health crisis. ✕

BIO

Juan Carlos Berrú de la Torre is a commercial engineer with a master's degree in financial management, with a broad and solid 27 years of experience in banking. He was corporate vice president of business banking at Banco Pichincha and has been a member of the board of directors of banks, investment funds, companies, unions, and federations for more than 15 years. He is currently General Manager of Grupo Futuro.

stable PRESENCE

Nobis Holding de Inversiones has remained resilient in Ecuador over the years due to a combination of vision, a strong will to improve the country, and the ability to remain up to date in line with global changes.



José Antonio Ponce
EXECUTIVE VP & CEO,
NOBIS HOLDING DE INVERSIONES

How would you describe the evolution of the company and its diverse operations?

Nobis began operating in 1997 with only three companies: Ingenio Azucarero Valdez, Mall del Sol shopping center, and Pronobis real estate. Since then, the group has diversified into many different industries. For example, we invested in massive consumption projects such as the re-opening of La Universal factory. We also ventured into businesses such as ethanol and energy production from cane bagasse, vertically integrating sugar cane businesses. In addition, we invested in hospitality and are today the representative of Wyndham in Ecuador with five hotels. Additionally, we have started working on the first agro exportation fund in this country, and we have already directed funds from local investors toward the production of raw materials and fruits with great potential such as blueberries organic ginger and organic baby bananas. Our goal is to put such produce on the map for exports, mainly to American, European, and Asian markets. As a result of this diversification process, we have also ventured into other industries as strategic local partners. For example, in structure works we are partners with DP World in Puerto Aguas Profundas Posorja; in mining with a Canadian company called Adventus; with a concession of gold and copper that works in the center of Ecuador; and also in massive consumption with La Universal, which has led to integrating the company into a multi-Latina enterprise called BIA, which operates from Mexico to Ecuador. This level of diversification has allowed us to position ourselves as a touchstone of the investing holdings industry in Ecuador.

The holding has been publicly acclaimed for its resilience in Ecuador. How have you been able to maintain that throughout the years?

The key to our development, based on our founder Isabel Noboa Pontón's experiences and vision, is the ability to find opportunities during our country's most critical moments. Her vision, op-

timism, and will improve our country's condition despite hardships, which today we call resilience, has been the foundation of our group's success through time. Our team always remains up to date with the times and technology, though, most important of all, it is always working on its human qualities. We give them the opportunity to participate in business development by allowing them to give their opinion on what can be changed or improved; working on creating new ideas, visions, and ways to do things from the basis of business; and supporting enterprising ideas coming from within or outside the company, such as professionals or entrepreneurs who can help our business grow and improve.

How is Nobis streamlining its operations in a greener way?

This is a significant challenge. Our board of directives maintains a supervising model composed of three parts. The first one is financial, namely how a specific business operates as well as sustainability. We set objectives based on the Sustainable Development Goals, so each year we budget accordingly. In this way, we can guarantee that we are working toward a goal, even if it is not attained immediately. It is not only a matter of showing figures and profit, but also a matter of knowing what we are helping to preserve and support with these resources and how we are making a difference in the stakeholder community. We are constantly searching for a more sustainable business system for all our industries. We try to create projects, especially in real estate, that have plenty of green components, with ample walking spaces, avoiding the use of polluting technology, and so on. However, we also want to strengthen our city-within-a-city strategy, which we have tried to push for a few years now. The idea is to create central nodes so that people have everything they need close by. This will also encourage local or sectional governments to implement basic services for its population without the need to travel long distances. ✕

Leading in agribusiness, real estate, commerce, and tourism

Chaired by Isabel Noboa Pontón, one of the most respected businesswomen in Ecuador

BIO

José Antonio Ponce is the Executive Vice President & CEO of Nobis Holding de Inversiones. He has more than 27 years of experience in various sectors including banking and finance, real estate, tourism, agribusiness, mass consumption, health, and mining, among others. He holds a degree in finance from USFQ. In addition, he holds an MBA from Instituto de Empresa and several specialization courses in economics and business.

INTERVIEW



SHOWING *the way forward*

Grupo Ekos has been working to transmit ideals of sustainability and community to build more just societies, do business with purpose, and reduce carbon emissions.

BIO

Ricardo Dueñas Novoa is CEO of Grupo Ekos, President of Great Place To Work® Ecuador, and past president of Pacto Global – Ecuador network (two consecutive terms, 2016 to 2020). He holds a doctorate in jurisprudence from the Catholic University of Ecuador and a postgraduate degree in finance from Tecnológico de Monterrey, among other studies. Throughout his career, he has been characterized for being a businessman passionate about sustainability, an issue that has led him to produce and carry out events of the stature of Habitat III and Sustainable Ecuador. He is a pioneer in the dissemination of sustainability content through the media he manages. He was recognized with the UNITAR Global Partner Award in 2015 and in 2020 he was named Sustainable Development Goals Global Champion, awarded by UNITAR. He was recently recognized by Metro Ecuador and Metro World News as the entrepreneur who has most genuinely promoted sustainability in the country.

Ricardo Dueñas Novoa
CEO,
GRUPO EKOS

Companies are incorporating more and more measures toward an ecological and sustainable transition. As the former president of Global Compact Ecuador, how do you see the commitment of Ecuadorian companies in this regard?

It is not an easy path. It is an issue that requires great conviction, leveraged by deep knowledge. This is what really makes people and entities, as a whole, participate in a business model that generates real market value. It also allows people to have enough tools to understand first and foremost why this is a necessity. We must ask ourselves why sustainability is not a discretionary issue and why, above all, it is good business. The market has a much more intelligent consumer base, more refined when it comes to choosing what to consume and why, which is why it is related to consumers themselves. Markets today are able to verify the traceability of products. Thus, they question who made them, under what conditions were these products produced, and what materials were used? They want to know if companies respect diversity and inclusion, if they have a good reputation, if they are actively contributing to solving the climate crisis, or if they have gender equality. In short, consumers want to know if companies incorporate sustainability within their business model. Nowadays, there is increasing talk about businesses with a purpose, businesses that have a reason for being and that are identified within three aspects: environmental, economic, and social. The traditional business model, such as those of the 1970s, 1980s, and 1990s, will succumb over time because organizations are unaware of the need to look beyond management and profitability indicators. Undoubtedly, the triple bottom line has become fundamental. If a company does not have social, environmental, or economic indicators, it will lose its value and equity and, therefore, have difficulties in accessing capital. It will be a company that will not have any positive values for investors.

You talk passionately about pragmatic sustainability. What does that mean to you?

“The Ekos Group boasts almost three decades of work, and we have always believed that sustainability is a transversal axis in organizations.”

When we talk about sustainability, we can be tempted to be romantic and not see a middle ground. With pragmatic sustainability, I try to make people understand that you do not have to stop doing things, though you have to change the habits of how you do them. You do not have to stop producing information in companies, for example, but you require a process so that electronic waste is not generated in the cloud. Did you know the cloud could be the sixth continent because of the pollution it generates? All that information is loaded into a large memory that is on 24/7, generating enormous waste of electrical energy. If we talk about mobilization, we can look at options such as electric cars. I am looking for companies to understand that with pragmatism and few resources, changes in habits can be generated, which in turn generates a large impact. There is a great deal of talk about compensation, but what are the results if habits do not change? Many times, with the purchase of bonds there is no proper traceability or they are junk bonds. What we need to do is to change people's mindsets.

How do you live sustainability at Grupo Ekos?

At Ekos we have a firm goal to move toward carbon neutrality by the end of the year. As an organization, we believe that we must and can move toward concrete and pragmatic actions. At the end of 2021, we decided we would work hard to promote the group's sustainability habits and that this would be extended to the lives of our employees and their families. This year, we are working on two pillars:

reducing our CO2 emissions as much as possible and offsetting what we cannot reduce. Likewise, we will continue to walk the path of sustainability, aligned with the UN's 2030 Agenda. To this end, we are working on six axes: transport and mobility, waste management, diversity and inclusion, healthy lifestyle, energy management, and offsetting. We started the year with great news: the LGBT Chamber of Commerce & Tourism of Ecuador officially presented the international LGBT Friendly BE Certification to four companies and certified them as Safe and Inclusive Spaces for Workplace Diversity. One of these organizations is Grupo Ekos. In addition, we carry out the Great Place To Work® company environment measurement on an annual basis. In addition, our physical publishing products are PEFC certified, which aims to ensure that the world's forests are

managed responsibly. We also make use of oxo-degradable plastic. We have declared ourselves a single-use plastic-free organization and zero paper in our administrative actions. We also promote better use of the cloud and have several guidelines for this. These are just some of our initiatives. We are working to be a zero-carbon company that not only reduces its impact on the environment but also acts in favor of it.

What is your vision of Ecuador's economic prospects and investment attractiveness for the 2022-2023 biennium?

There have been efforts put in place to position Ecuador as destination for investments, but the main change needs to be structural and long term to ensure the legal certainty that investments require. Investments are like tourists—they go to places where they are treated well.

In this sense, Ecuador still has pending a labor reform. The fact that it has a labor force that is the most expensive in the region, accompanied by a minimum of the population (30%) with adequate employment, because 70% are in the informal sector or unemployed, generates a serious conflict. Also, there needs to be greater momentum in the elimination of the Tax on the Exit of Currency (ISD), which generates a serious issue. Moreover, Ecuador continues to attract investment in commodities-related projects. However, the real economy, which is the one where people come and buy businesses, invest capital, or develop more brands and new things, is less likely to happen. Like all Ecuadorians, I am always positive, hoping that these things will change, and we will have to wait and see what government decisions are taken in the coming months. ✖



OPTIMISTIC *outlook*



Javier Salazar
COUNTRY MANAGING PARTNER,
EY ECUADOR

EY in Ecuador has become one of the preferred firms to advise new investors in all industries, especially in booming sectors like retail, mining, finance, and renewable energy.

How would you characterize the current situation in the country?

Ecuador and the whole world are emerging from the pandemic, and there is great enthusiasm and optimism to see that the objectives are being achieved. The government's vision of growth, opening, trade, and strengthening ties with traditional markets such as the US and large markets such as Mexico is very beneficial for Ecuador. We already have a treaty with the EU that is going well for us. As EY Ecuador, we are proud to be one of the preferred firms to advise new investors in all industries, especially in retail, mining, finance, hydrocarbons, renewable energies sectors, to name a few.

How are you getting companies on board with this wave of digitalization, especially in those areas that EY has extensive experience with?

Promote digitalization is one of our clients' challenges. The great thing is that everyone is convinced that digitalization is necessary to be more efficient, safer, more accurate, and faster. The point is to find the Achilles heel of an organization. Every entrepreneur should reflect on important questions such as: Why are we digitalizing, and what we would like to achieve? Our local survey, Tendencias Tecnológicas, gathers the opinion of over 170 local companies and their positions regarding digitization and IT strategic planning. Some companies say there will be a budget reduction due to the pandemic, while other CEOs think there will be greater investment. There are large companies in the country in retail, shipping, fishing, and industry, and we are supporting them to digitalize all their processes and make them safer. That is a positive thing, but the business community needs support to have a clear idea of why they are digitalizing. In many cases, it is related to sustainability and the entire production process, including traceability and how healthy a product can be

when you establish the types of suppliers that qualify so that the products are certified for foreign markets.

How is EY supporting this process of unleashing Ecuador's mining potential?

Our advantage is that we are a single office from Mexico to Bolivia, a fact that makes us a firm with one of the biggest networks with an extraordinary experience in the mining sector. We have been fully integrated for two years. In Ecuador, there are large deposits of copper and gold that are among the three best deposits in the world. Unlike Peru or Chile, the impact on Ecuador's ecological system is delicate. That is why the government is interested in attracting multinational companies with quality processes in terms of exploitation and care for the environment with the latest technologies that can exploit these deposits. The largest mining companies are also in Ecuador

What are EY's prospects for 2022 and 2023?

As a firm, we have been in the country for 20 years. We are the largest firm in the country, and one of our last important investments is in our new offices and Innovation Center. Our new spaces are fully equipped with state-of-the-art technology dedicated to innovate within our client centric purpose. This is in line with our beliefs as part of the business community to bet on the country as well as with the objectives fixed by the current government. Our prospects are centered in support in best way to our local and international business community and we are excited to help develop and strengthen new entrepreneurs in Ecuador. There are great prospects with the Pacific free trade agreements. With the US, we recently signed an agreement that will boost free trade. In general, the Ecuadorian business community has great optimism. ✖

BIO

Javier Salazar is a lawyer with a doctorate in jurisprudence, with more than 30 years of experience in big four and legal and tax advisory services. He has experience in a wide range of sectors such as automotive, oil and gas, energy and utilities, telecommunications, and litigation.

helping HAND

Part of a global network of independent audit, accounting, tax, and consulting firms, UHY Assurance & Services is keen to provide firms in Ecuador with professional services of high quality.

Freddy Cevallos
MANAGING PARTNER,
UHY ASSURANCE & SERVICES



How do you rate the implementation of the current tax changes and pro-business measures, and what impact does it have on the accounting activity of companies?

The last tax reform was sent by the executive to the National Assembly and seeks to generate USD1.9 million in revenue. The previous government's commitment to the IMF was approximately USD1.3 million, and the tax reform sought to capture an additional USD600 million. This means that Ecuador is on the right track to restore its fiscal balance and overall stability. Ecuador can succeed, and we owe it to our children and the future generations to become the best investment country in Latin America. We will stand with foreign investors on Latin America with a clear advantage, which is our dollarized economy. For example, the Colombian peso at the moment is 4,000 to the dollar. As an investor, you have to consider the challenges with devaluation between Peru, Colombia, and Argentina. If I invest USD1 million in Ecuador, there will be taxes, but there will not be any losses due to devaluation. The main tax having a negative impact on investments is the Tax on For-

eign Exchange Outflows (ISD), which the government is already reducing and is committed to eliminating.

How are you helping companies, especially foreign companies, come to Ecuador and do business in the country?

What we are doing is demonstrating that Ecuador is an attractive and safe country for investment. There are several advantages to investing in the country, one of which is the issue of legal certainty that the country is building, especially now if we make a comparison at the regional level. We want to be able to present to potential investors all these benefits. For our clients, we are always working to identify the advantages of these strictly based on what the law provides, ensuring there is tax optimization. We represent UHY International, a network of independent audit, accounting, tax, and consulting firms with 330 offices in 100 countries worldwide. We are more than 8,500 professionals who are proud to belong to UHY. UHY Ecuador has had a great growth, positioning it as one of the most recognized firms in the Ecuadorian market. We have more than 100 highly

qualified professionals with extensive experience, and we currently have the confidence of about 250 clients nationwide in different areas and economic sectors of the country. ✕

BIO

Freddy Cevallos holds an MBA from the University Francisco de Vitoria Madrid Spain, an MBA from the University of Catalonia, Spain, an MSc from Université Suisse de Management. He is accredited in project management and is a commercial engineer who graduated from Pontificia Universidad Católica del Ecuador. He also holds a Diploma in NIIFS from Tecnológico de Monterrey, Quito campus. He has developed his professional experience over 20 years as a financial manager with Ecuador Bottling Company and an audit manager and tax consultant in international firms such as Deloitte, KPMG, EY, and Grant Thornton. He has been part of the valuation team of Salomon Smith Barney and is currently Managing Partner of UHY Assurance & Services.

The Basilica of the National Vow is a Roman Catholic church located in the historic center of Quito. It is the largest neo-Gothic basilica in the Americas.



forward THINKING

Seminarium has brought to Ecuador high-level executives and thought leaders to share their experiences and expertise to solve problems creatively and innovate for the future.

María Rosa Tapia
PRESIDENT & PARTNER,
SEMINARIUM ECUADOR



ENAEP is a key event in the Ecuadorian oil and mining sectors. How is the interest of investors in Ecuador reflected in events like this one?

ENAEP's mining and energy chapter is the main space for reflection and opinion in Ecuador and the region, which has been analyzing the evolution of strategic sectors such as mining and oil at the national, regional, and global levels for 16 years and bringing together international speakers and the main authorities of the country. After COVID-19, there has been great interest from the world's largest companies in getting to know Ecuador and the benefits that investment in these sectors can offer. That is why we not only have these spaces, but also small meetings and networking workshops of the highest level, to bring together a community interested in investing and learning about the productive chains of these sectors in Ecuador.

What is your evaluation of the role of women in the Ecuadorian corporate world and the development of the country?

Ecuador's economic growth must definitely have a gender perspective. Global companies are working on inclusive leadership to make the most of diversity as a resource to impact organizational performance in a positive way. The corporate culture of companies must be more inclusive and help prepare women for high positions. We must work on a cultural transformation that helps women be trained in companies and take advantage of their potential to lead more tasks supported by tools such as teleworking and technology. In Ecuador, only one out of 10 CEOs is a woman, and only 26% of board members are women; however, as in any crisis, there are enormous opportunities for women. Today, for example, responsible mining is becoming a catalyst for formal

employment opportunities and a range of job opportunities for women. In March 2022, the results of the study Gender Survey in the Ecuadorian Mining Industry, carried out together with Woman in Mining, EITI Ecuador, and Actuary, showed that 94% of the 18 mining companies surveyed adopt and promote measures to respect women's and girls' rights. 83% of the companies carry out gender-focused recruitment practices, and the participation of women in the mining industry in Ecuador is 16.95%. When a sector opens up to economic growth while maintaining a perspective on gender, more ideas that incorporate the capacities of women and guarantee the projection of sustainable mining with equal opportunities can be developed. Having a greater number of women in leadership positions means there are more opportunities for all.

What plans does Seminarium Ecuador have for 2022-2023?

We will organize the Seminarium Ecuador Open for Business at the PDAC in Canada in June with a panel and guests of the highest level to generate interest in mining energy projects for Ecuador. In July, we will form an alliance with CITEC for the Digital Transformation Summit Ecuador 2022 to bring companies closer to the advantages of digital transformation for the growth and sustainability of their businesses. In September, we will hold the Design Thinking event with Tim Brown, the leading voice in Design Thinking in the world, and he will come to Ecuador to deliver a high-level seminar aimed at businessmen, entrepreneurs, executives from the areas of marketing, industry, innovation, technology, human talent, traditional and digital media, academia, authorities, and representatives of state institutions.

In October and November, we will have the ENAEP of mining and oil, respectively. At the end of the year, we will talk about female leaders and will host international female guests and great local CEOs. By 2023, our commitment is to take most of these types of high-level meetings and discussion spaces with business leaders, authorities, and the media to an international level. In April 2022, we launched the Responsible GeneraXXIon program to talk about energy transitions to help us understand how the energy sector and the extractive industry operate in modern times. ✖

BIO

María Rosa Tapia has been with Seminarium since 2002 and has been its President & Partner since 2018. She studied law and business administration at Pontificia Universidad Católica del Ecuador, as well as management skills training at the University of Berkeley. She started her professional career in banking for 10 years, holding positions of high responsibility, culminating as head of intermediate banking at ABN AMRO Bank. She was director of institutional relations of the Chamber of Industries and Production from 2007-2011 and director of the Executive MBA of the Catholic University of Chile in Ecuador between 2004 and 2006. She is also mentor and chairwoman of 16 editions of the Annual Meeting of Energy, Mining and Petroleum ENAEP, three editions of the Forum on Risk Prevention, Firefighters and Industrial Safety, three editions of the Innovation and Entrepreneurship Summit, six editions of the Business Forum of Ecuador FEDE, Telecommunications and ICT Forum The 4th Industrial Revolution, and the Women Leaders Forum.

TBY ANALYTICS ECUADOR 2022

138 interviews were conducted for *The Business Year: Ecuador 2022* Analytics.

BUSINESS CONFIDENCE INDEX

How confident are you about the outlook for business in Ecuador this year (1-5)?

4
AVERAGE
RATING

SECTORS TO WATCH



GREEN ECONOMY

4



FINANCE

3.5



ENERGY

3.5



MINING

4



INDUSTRY

3



IT &
TELECOMS

3



LOGISTICS
& SECURITY

3.5



CONSTRUCTION
& REAL ESTATE

3



AGRICULTURE

3



EDUCATION
& HEALTH

3.5

ADVANTAGES & CHALLENGES

What are the most commonly mentioned advantages and challenges of doing business in Ecuador?

ADVANTAGES

- PPP regime
- Openness to foreign markets
- Increasing legal certainty
- FTAs, especially with EU
- Institutional support for renewable energies
- Growth of digital solutions during the COVID-19 pandemic
- Streamlined mining permits
- Dollarization
- Pacific Alliance potential
- Transshipping potential

CHALLENGES

- Low taxpayer base, complicated tax system
- Continuing impact of COVID-19 pandemic
- Oil-dependent economy
- Unemployment
- Low e-commerce adoption
- High proportion of low-income earners

leading THE WAY

One of Ecuador's largest and most renowned firms, Robalino Abogados is working to be a constructive force in the social and economic development of Ecuador.



Javier Robalino Orellana
MANAGING PARTNER,
ROBALINO AND CPA ROBALINO

What differentiates Robalino Law from other law firms in Ecuador?

Robalino has the largest presence in Ecuador with offices in five cities—Quito, Guayaquil, Manta, Cuenca, and Machala—where we commit every day to our clients and stakeholders with 220-plus team members. Our firm is one of the two major law firms in the country and one of the major professional firms in Ecuador. We have grown rapidly due to our focus on innovation and remaining ahead of the curve in understanding upcoming developments. Also, we are extremely proud of being a merit-based institution, where we devote ourselves to diversity and inclusion. With over 50% of women in our professional teams and with several international recognitions due to our pro bono work, we expect to continue evolving to be not only modern and innovative but also socially responsible. We provide ethical services. Our compliance team and procedures allow us to assure the highest standards when approaching clients and matters.

In which sectors are you seeing the most growth, and what are your primary targets?

We are optimistic about all industries. Every investor—foreign or local—in the country is important. Those investors are confident that government's policies will advance Ecuador toward a new era in which it is one of the most attractive countries in the region. Ecuador has a unique window of opportunity. For the first time in a long time, Ecuador's country risk is lower than other countries in Latam and the region. We hope Ecuador will embrace this opportunity and, for the first time, maintain a high rate of foreign investment vis-à-vis its GDP compared to its neighbors. That makes us believe that all industries will benefit. Mining and oil are still the center of attention, though we hope mining decrees 95 (oil policy) and 151 (mining action plan) will be implemented into specific actions by the government. These decrees

comprise policies intended to attract investors by promising legal stability, legal certainty, and a climate for the development of sustainable mining and oil practices in the country. In addition, we expect the banking industry to grow together with new concessions for renewable energies and infrastructure. In addition, the government has anticipated projects that involve the transmission of data and technology. Furthermore, the government currently expects several proposals from private investors in infrastructure and energy.

How would you like to position Robalino in the coming years?

In addition to continue leading the professional services industry in the country, we expect to be a constructive force toward the responsible social development and growth of Ecuador. We have opened our offices in Machala and Cuenca. There we envision a great deal of support to southern Ecuador. Machala has to be recognized as a driving force for the shrimp, mining, and banana industries. Cuenca has a massive and diverse industry, but also is the doorway for many mining projects in southern and eastern Ecuador. Quito, Manta, and Guayaquil will remain as major centers of investment and development. Overall, we want to remain loyal to our values, which are solidarity, ethics, teamwork, and quality. To the extent that we can continue doing that, we will continue to be a leader here. We also want to continue being active in pro bono. In 2020 and 2021, we were recognized as one of the top Latin American law firms for pro bono work, and not just in Ecuador. Although we want to continue on this trajectory of recognition, in the coming years, we sincerely hope to see Ecuador growing. My vision for Ecuador is that of a growing and thriving country, with less poverty, more education, and more development. I am convinced that if we do things right, we will be a positive factor in our country's development. ✖

Over

10

years of experience

Provides professional support in

19

industries and

13

practice areas

BIO

Javier Robalino Orellana is a partner of Robalino Abogados and leads the arbitration practice. He has been recognized as the only Eminent Practitioner in the corporate area in Ecuador by the renowned Chambers magazine. In 2020, he became a member of the Circle of Presidents of the Council of the Americas. In 2011, he started an independent practice that continues to the present under his name and leadership. For more than two decades, he has represented multinationals in various local and international commercial and investment disputes. Orellana has participated in various cases under the ICSID, UNCITRAL, CIAC, ICC and CAM-Santiago regulations, among others, and in cases of international public law under the rules of the WTO, the Andean Community, and the Inter-American Convention on Human Rights.

FORUM

LEGAL

Local law firms are optimistic that with a more open government, there will be more opportunities for local firms requiring guidance to venture overseas and more international firms seeking assistance to establish themselves in Ecuador.



Jorge Paz Durini
MANAGING PARTNER,
DENTONS PAZ HOROWITZ
ECUADOR



Rodrigo Bermeo
PARTNER,
BERMEO & BERMEO LAW FIRM



Daniel Pino
FOUNDING PARTNER,
PINO ELIZALDE

IN EACH COUNTRY, local law firms become part of Dentons. Our polycentric approach is collaborative and connects clients to lawyers who are in and of their communities and treats people, offices, and regions equally. The governing board has access to 12,000 lawyers and nearly 20,000 collaborators globally in more than 200 offices. There is no head office for Dentons; all the partners have a say, and there are global directors and managers, but no office is in charge. Dentons is committed to providing a “one-stop firm” experience to clients across the globe by connecting clients to talented colleagues wherever clients operate, and that includes Ecuador. The capability of our office is equal to other Dentons offices internationally, as we have access to the same technology, resources, and professionals and that also attracts many foreign companies. Being part of Dentons allows us to provide a service based on the best international standards and bring to the Ecuadorian market all the benefits of working with a global firm capable of connecting clients with lawyers and markets anywhere in the world. For us, this combination guarantees and strengthens our service standards and anti-corruption practices.

BERMEO & BERMEO is interested in bringing investment into Ecuador. Around 90% of our clients are foreign, and 10% are select Ecuadorian companies. Ecuador exports oil, flowers, and shrimp, which require no branding. On the other hand, it imports many branded products such as food, cars, and cellphones. At Bermeo, we are investing in technology, even before the pandemic and certainly after it. When the pandemic hit, we were all able to work remotely immediately. It is all about technology, automation, and workflows, and we need to leverage on connectivity. We have that technology and can be everywhere all the time. We are expanding our services to Latin America through software and digital technology so that Ecuador may act as a hub for the region. The important thing in Ecuador is for a company to get trademark protection and secure their market. Another important thing is to protect themselves. Ecuador has many international treaties and has obligations to protect intellectual property. While it may be slow or somewhat bureaucratic, we have a protection system in place. Many issues are resolved in civil courts, while others fall under criminal law. We have a solid system, and it does protect investors, though it can improve more.

A NEW TAX LAW was recently approved, and the government has promised to deliver two additional packages by the first half of 2022: a new investment law and a new labor law. There is a large number of underemployed and unemployed persons in Ecuador, and the government intends to pass laws that will help these groups be incorporated into the formal economy in an appropriate legal regime. The country’s current labor regime is not in tune with the countries of the region, and the new labor regime intends to change that. The investment regime in Ecuador is already positive for practical purposes; however, Ecuador did not have a favorable pro-business environment before. A new investment law coupled with the existing favorable economic environment should allow to Ecuador to attract significant new investment. Ecuador is an oil producer and exporter, but investment and growth in exploration has been limited for many years. Similar to Colombia, Ecuador could become a regional hub in those sectors. We have many potential investors inquiring about these opportunities and certainly it would be great if they can materialize. Currently, we assist them with regulatory and legal framework analyses.



Miguel Ángel Puente
FOUNDER & CEO,
PUENTE & ASOCIADOS ESTUDIO
JURÍDICO

I STARTED THE FIRM in 2001, with three main elements making up Puente & Asociados. I wanted to set up a multidisciplinary firm with various lawyers specializing in different areas. The second, an important aspect for us is the human talent, which has made it possible to become what we are today. We have extremely talented and specialized professionals. Third, we have the corporate values of the firm, of which honesty is one. We focus on professionalism, efficiency, responsibility, and corporate social responsibility, which has allowed us to do certain pro-bono support activities. We work with international companies in different ways. We start by supporting them from the moment they arrive in Ecuador and establish their offices or activities in the country. We provide them assistance with the setup of the legal framework, be it for the entire company, a branch office, or a subsidiary. Second, we assist them with tax planning and looking for the most adequate solutions for the company regarding taxation. Third, we support them with the labor force research. There are also some additional aspects, such as intellectual property or contractual details. We provide every service that any company needs to feel legally supported.



Sonsoles García
PARTNER,
COMERXEC

THE FIRM STARTED in 2019. I realized that many private companies required a specialized consultancy for foreign trade matters such as customs. Customs have special regimes that help investors that are involved in foreign trade. These regimes foster foreign investment and make the processes easier for companies. I partnered with Carlos Zaldumbide, the Executive Director of the Chamber of Commerce in Quito, to give investors a more holistic, comprehensive, and preemptive approach to their businesses, because regulations in Ecuador are extremely unpredictable. That was our goal. We wanted to provide an excellent cost-benefit relation with a multidisciplinary team. We support the internationalization of goods and services. We have a methodology that is clear on how we should operate. The strategies have to be focused on value-added services. As a consultancy service, we help the client understand that commodities are good as business, but value-added goods can be up to five times more profitable. Ecuador has to stop being a supermarket for European countries or the US. We have to start to manufacture value-added products. That is important to increase investments in technology and innovation. Ecuador can become a financial hub, as well as for innovation.

INTERVIEW



Gonzalo Rueda
GENERAL MANAGER,
MARKETWATCH ECUADOR

HELPING *hand*

MarketWatch is there to help investors throughout their establishment process in Ecuador, from providing a macro vision of the economy to recommending the appropriate corporate structure for them.

BIO

The founding partner of MarketWatch Ecuador and its General Manager, Gonzalo Rueda has more than 30 years of professional experience, of which 12 years were spent in the financial sector and 19 years were in consulting and market research. On the academic side, he is a graduate of the University of Miami, with a master's degree from Thunderbird-The American Graduate School of International Management, having taken courses in negotiation at Harvard Faculty Staff, as well as business analytics at Wharton Executive Education.

What is MarketWatch's mission in the Ecuadorian market, and how does the company work to produce research on the country's economy?

MarketWatch has been in the market for 17 years, focused on market research. MarketWatch handles hard data and secondary resources, which allows us to see the growth of Ecuador by city and economic sector. To see all the economic, financial, sales, and export indicators, MarketWatch carries out periodic updates. We also complement this with fieldwork, to determine consumer behavior, the brands they prefer, consumption habits, trends, and frequencies in all activities. We carry out field studies regarding commerce, food, housing, in the automotive sector—in short, in all sectors—to understand Ecuador's economic development and from the point of view of the consumer.

How can MarketWatch support the investment decisions of foreign companies investing in Ecuador?

MarketWatch can help investors throughout the soft-landing process from a macro vision of the economy to generate approaches and meetings with the client's sector of interest. The first step is the regulatory and legal part, so there we have alliances with lawyers with whom we work. These include the regulatory framework, the constitution of companies, the capital structure, and the holding structure of each particular client. If there is a company or group of companies interested in coming to Ecuador based on that structure or needs, we can recommend the appropriate corporate structure in Ecuador precisely to have tax optimization. That is the service we can provide to clients, together with market studies, feasibility analyses, and regulatory and legal assistance.

What significant changes have you seen in the Ecuadorian economy to adapt to the new reality in terms of recovery?

We have seen an important change in all e-commerce and digital transformation. In the study of e-commerce, from the analysis that we have carried out, e-commerce represents close to 3% of GDP. And within that, the categories that have had the biggest growth have been mainly in supermarkets, medicines, home delivery of meals, and retail. For the latter, there has been an important development in clothing, cosmetics, technology, whereby

“MarketWatch handles hard data and secondary resources, which allows us to see the growth of Ecuador by city and economic sector.”

in some cases, retailers have noticed that their online sales are similar to sales of one of their brick-and-mortar stores. The technology sector also had a favorable performance.

What is your evaluation of the current economic situation in Ecuador?

The first attractive factor for investors is the currency. Ecuador uses the dollar, and it has been using this currency for more than 20 years now. That is a positive factor that naturally attracts investment. Furthermore, we have a mining sector with excellent growth and bullish expectations. There are also strategic sectors such as energy and hydrocarbons. In November 2021, a pipeline of USD30,000 million was generated. If it becomes a reality, it would be amazing. However, even if it was 60%, this would be incredible because the percentage of foreign investment in Ecuador over GDP is less than 1%. We are talking about almost USD1,000 million. If in the three years remaining of President Lasso's government, an average of USD8,000 million a year is generated, it would be around 8% of GDP. This would be a significant figure, similar to what our neighbors receive. In FTAs, we are seeing great progress with Mexico, and once we sign with Mexico we will be in the Pacific Alliance. With this alliance, everything is facilitated for the US and for Asia. Ecuador signed an MoU with China, and the goal is to sign this treaty in 2022. It is also in talks with South Korea. The vision is “more Ecuador in the world and more of the world in Ecuador.” The goal of the government is to sign 12 treaties. With all these positive factors, the outlook for the country is attractive in terms of attracting investment and different companies. Furthermore, Ecuador's monetary reserves already exceeds USD9,000 million, which is significant because we have not had such high reserves at any other time. ✖

market TRENDS

Ipsos uses tools to map the characteristic features of different types of consumers in Ecuador and better understand their motivations and the influence of surroundings.

Julia Helena Carrillo
COUNTRY PRESIDENT,
IPSOS ECUADOR



How is the general profile of the Ecuadorian consumer evolving as the country's economic prospects improve?

As economic expectations improve, it becomes imperative to disuse the new visions of the consumer, their national pride, how they value the actions of brands, and how they align with corporate purposes, and the intelligence of the production sector to find that point where the dynamics of the market generate positive synergies. Many Ecuadorians switched brands in response to what they were bringing to the market. Brand loyalty shifted substantially during the crisis, and this mobility will remain in the future. Attention has focused on products' expiration dates and places of origin to avoid bad choices. Now, although the economic situation has improved, the behavior continues. Another interesting change in habits involves the place of purchase. The flourishing of home delivery services marks a trend that will continue as a new option for consumers. One element that has contributed to the solution of the crisis is that Ecuadorians are proud and value their origins and culture.

What tools does Ipsos use to map the characteristic features of different types of consumers in Ecuador?

To understand the consumer, the key is to use tools that go beyond understanding the obvious and that work on deep motivations and the influence of surroundings. These modern, technological, innovative tools can be positioned close to the consumer; however, the use of data collection tools—such as the technological monitoring of networks, the analysis of the way in which digital channels are used, the understanding

of how we live in a fluid environment where multichannel is part of everyday life, or the use of big data-analysis platforms or neural analysis tools such as eye trackers and facial coding—is not enough. For Ipsos, the fundamental thing to understand how decisions are made in the market is to have a philosophical position on the study of individuals, groups, and societies and to put the person at the center of a 360-degree perspective that promotes analysis and the understanding of deep motivations, values, and beliefs. Thinking about the consumer, using the latest tools, discussing a diversity of visions, solidly establishing the consumer's motivations, and designing strategies based on that knowledge will result in a win-win relationship with your clients in a way that is both socially and environmentally responsible.

What specific data raised by Ipsos reflect the current economic optimism in Ecuador?

Ecuadorians value more than anything else their families and having a job; they are the engines that feed the country's dynamism. The Ecuadorian consumer always has ambitions, dreams, and aspirations to get something more out of life. They generate trust and energize the market because industry and the supply of products and services have adapted their strategies to attract and satisfy their customers, always with a vision of a better future. In general, times of national economic prosperity have given way to seasons of accelerated consumption and the search for more sophisticated and expensive goods. The real estate business seems to have changed substantially. The development of new housing options away from the densest cities has helped revitalize this sector. The use of

technology spread to new areas and the internet became a space for market negotiation, and that introduced new behaviors that are expressed through the search for improvements in technological devices and tools as the economic situation improves. Basic necessities, such as food, health, and household products, took center stage, displacing expenses that now seemed frivolous and that confinement made almost impossible. Once the confinement is lifted, the consumer no longer dismisses spending things like beauty and fashion, which have regained their relevance. A more thoughtful and responsible attitude toward consumption is clearly recognizable, typical of a more mature market attitude that implies less risk for the entrepreneur. There is greater awareness about environmental sustainability and social inequality, and brands that have been visibly responsive to the crisis are now valued more by consumers. ✖

BIO

Julia Helena Carrillo developed her career leading her business Consultor Apoyo, a venture that became Ipsos Ecuador nine years ago. She was country manager of Ipsos for eight years and was appointed Country President. She received the recognition for Professional Excellence 2012 awarded by the American Marketing Hall of Fame. She has been an Effie Judge for many years and has had the honor of being President of the Effie Grand Jury on three occasions. Carrillo is an international lecturer and speaker at international statistical seminars and a frequent guest moderator of technical roundtables. She is a founding member of the Mujeres por Ecuador (Women for Ecuador) collective, which promotes the presence of women in the business world, and in 2019, Ad Latina and Ad AGE included her in their "Women to Watch."

Environmental analysis being carried out at an Anavanlab facility

ENERGY EXPORTS
DESTINATION, MARCH
2021 - FEB 2022 (GWH)

SOURCE: TBY RESEARCH

COLOMBIA	480.87
PERU	44.33

TOTAL ENERGY
CONSUMPTION IN
ECUADOR BY FUEL
TYPE, 2020

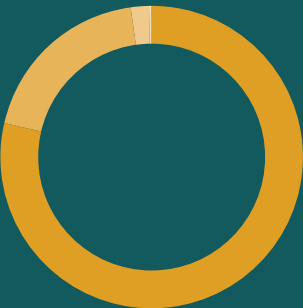
SOURCE: US EIA



- 62% Petroleum and other liquids
- 34% Natural gas
- 3% Coal
- 1% Nuclear

POWER GENERATION
SUPPLY, 2020

SOURCE: US EIA



- 79% Hydro
- 19% Fossil fuels
- 2% Biomass & waste
- 0.2% Wind



Green Economy

A MEGADIVERSE COUNTRY

Thanks to its “four worlds,” namely the Amazon, the Andes, the coast, and the Galápagos Islands, Ecuador is among the most megadiverse countries in the world. Its population, which is mostly spread across rural areas with a marked presence of indigenous communities, is aware of the need to protect the environment. In fact, Ecuador’s latest constitution was passed in 2008 and became the first to recognize the rights of nature, enforceable by law. Article 71 states: “Nature, or Pachamama, where life is reproduced and exists, has the right to exist, persist, maintain, and regenerate its vital cycles, structure, functions, and evolutionary processes. Every person, people, community, or nationality will be able to demand the recognition of the rights of nature before public authorities. The application and interpretation of these rights will follow the related principles established in the Constitution. The state will motivate natural and juridical persons as well as collectives to protect nature; it will promote respect toward all the elements that form an ecosystem.”

This article is complemented by another three, and it is no coincidence that these rights are provided in the country’s highest legal text. Among its green treasures, Ecuador counts on the Yasuni area, which is considered one of the most biodiverse places in the world, as well as the illustrious Galápagos Islands, whose main airport runs entirely on renewable energy. Despite this level of legally provided environmental protection, the country is facing challenges regarding the balancing of environmental protection and development needs, especially in areas such as the streamlining of the permitting of natural resources-related industrial activities, with mining and oil extraction at the forefront.

Recently, however, Ecuador expanded the Galápagos Marine Reserve to 193,000sqkm. “This project, more than being important for the ministry, is important for humanity at large. This new marine reserve in the Galápagos, the geographic zone that President Lasso decided to protect, is located above some marine mountains. That means that there are coral reefs. And as a result, there are species there that are not the targets of fishermen,

such as sharks, turtles, and manta rays. They follow this route as it connects with the waters of Costa Rica and Panama, and from Costa Rica they connect with the waters of Colombia. In protecting this zone, all this marine richness, flora, and fauna are protected from fishing. Without a doubt, the message that Ecuador is sending to the world is one in which conservation goes hand in hand with development. Ecuador is keen to create jobs for seven out of 10 of today’s unemployed, while at the same time, also protecting the natural world. Indeed, Ecuador is positioning itself as a global power in terms of conservation,” said Gustavo Manrique, Minister of Environment, Water, and Ecological Transition.

Ecuador’s push for higher environmental standards has fueled the demand for environmental services. In this regard, The Business Year sat down with Alexandra Hidalgo, CEO of Anavanlab, a laboratory focused on environmental issues helping stakeholders in Ecuador make the ecological transition, who noted, “We are part of the 100 pioneer industries in a program called ‘Ecuador Zero Carbon.’ Our intention is to be a conformity evaluation body, an external organism that verifies the process of greenhouse inventories compliance. This part of environmental awareness and sustainable development is an area where we have much potential. We believe that quantifying greenhouse gases is the first step, but then we have to implement programs for organizations to become carbon neutral.”

Elsewhere, Ecuador stands out in renewable energy generation. A total of 93.2% of the energy generated in 2021 was renewable, mainly from water resources due to the continuous operation of hydroelectric plants such as Coca Codo Sinclair, Paute, Sopladora, Minas San Francisco, and Delsitanisagua, among others. This meant that the use of fossil fuels for energy production fell considerably, reaching historic lows. The national government’s goal is to further promote renewable energies, for which there is an updated Electricity Master Plan (PME) until 2031 that encourages the implementation of photovoltaic, wind, geothermal, and biomass projects, among others, to cover energy demand in the short, medium, and long term. ✕

GREEN *growth*



Ecuador's Ministry of the Environment, Water, and Ecological Transition wants to send the world the message that conservation can go hand in hand with development.

Gustavo Manrique
MINISTER OF ENVIRONMENT,
WATER, AND ECOLOGICAL TRANSITION

Preventing the deforestation of the Ecuadorian Amazon

Leading the national drive toward circular economy

What led to the change in name from the Ministry of Water to the Ministry of the Ecological Transition?

President Lasso made the decision to change the ministry's name with two intentions. First, to create a transversal public policy that would work on the width and breadth of all of the public policy of the circular economy of conservation, sustainability, protection of natural resources. I have nearly 30 years of experience working toward sustainability, and I can put the knowledge that I have gained during my professional life to the service of Ecuador. There are lessons I have learned that I can now apply to the public sector. The green economy is part of the green recovery of Ecuador.

How will this change be realized in concrete terms?

In many ways, it has affirmed national agreements. There are a number of examples, such as the national agreement for decarbonization, and we are working with many state portfolios, likely those that have the closest connection to the environment, such as agriculture, energy, mobility, real estate, and tourism. With the help of a French development agency, we are conducting roundtables and workshops to develop plans to reduce emissions by 22.5% by 2025. Additionally, with the private sector we have the Ecuador Carbon Zero project, which aims to help many companies achieve carbon neutrality. This involves measuring their base line of carbon emissions, having a reduction plan, and finally a plan for conservation or compensation through protected areas and zones of Ecuador.

How is the ministry planning to tackle bureaucratic obstacles to promote investment in the green economy?

There are a few of ways to achieve this. One involves a process of automation for two things: everything that has to do with permits and licenses to expedite the process without sacrificing environmental controls, and automation in terms of software that is more agile or dynamic. Additionally, the ministry has presented the law of the cre-

ation of opportunities in the tax law for all investments that have to do with bio-entrepreneurship, sustainability, the circular economy, restoration, and conservation. Moreover, topics related to conservation have the benefit of double deductibility on the amount of income so that as much as one invests in a project, one can enjoy double spending and pay reduced income tax. These initiatives promote investment, making it a more agile proposition.

What importance does Ecuador's new marine reserve have for the ministry?

This project, more than being important for the ministry, is important for humanity at large. This new marine reserve in the Galápagos, the geographic zone that President Lasso decided to protect, is located above some marine mountains. That means that there are coral reefs. And as a result, there are species there that are not the targets of fishermen, such as sharks, turtles, and manta rays. They follow this route as it connects with waters of Costa Rica or Panama, and from Costa Rica they connect with the waters of Colombia. In protecting this zone, all this marine richness, flora, and fauna are protected from fishing. This is how the project benefits humanity. Without a doubt, the message that Ecuador is sending to the world is one in which conservation goes hand in hand with development. Ecuador is keen to create jobs for seven out of 10 of today's unemployed, while at the same time, also protecting the natural world. Indeed, Ecuador is positioning itself as a global power in terms of conservation.

What projects or initiatives are you undertaking in the move toward a circular economy?

We have signed the decree about the implementation of the extended producer responsibility on lead acid batteries. Producers are required to demonstrate through an adequate environmental management that they will recycle 80% of the batteries that they put on the market. The other proj-

BIO

Gustavo Manrique has successfully served as founder & president of the International Environmental Summit - CIMA, and the Latin America Green Awards, among others. Due to his strategic influencing capacity to achieve great contributions to the sustainable development of the country and the region, in 2020 he was considered one of the 100 most influential leaders in climate change in Latin America.

ect that we are working is related to e-waste, with the purpose to implement the extended producer responsibility on this type of wastes.

How will the ministry collaborate with the government of Norway to combat deforestation?

The country has a national policy for the reduction of greenhouse gas (GHG) emissions from deforestation and forest degradation (REDD+), which is executed nationally, being a leading country in its preparation and implementation. Thanks to the favorable results in reducing deforestation and its associated GHG emissions, the country has been recognized with results-based payments by countries such as Germany and Norway through the REM Program, and by the Green Fund for the Climate through the REDD+ Result Bases Payment Pilot Program. The climate financing that has been mobilized by REDD+ has contributed to the country to execute territorial actions to mitigate climate change, it also promotes activities that reduce the causes of deforestation

and promote the conservation, management and sustainable use of forest resources. At the COP26 in Glasgow, a bilateral agreement was reached with Norway, on the intention to increase its investments in Ecuador through USD24 million, which will be invested to enhance the REDD+ actions that are executed in the country. This will allow us to reduce the financing gaps of the REDD+ Action Plan, under results-based payments. Ecuador is working on the mechanism and enablers to materialize this financing and maintain a formal negotiation on this Glasgow manifesto.

What are your next goals?

We will build an important exhibition center of biodiversity and also automate the licensing process for environmental registration. We also have an investment project for our nature parks, and rise from 18,000ha of water protection to 280,000ha in the country. There are other projects planned with the Galápagos that we will announce soon. ✖



The advertisement for ANAVANLAB features a laboratory setting. On the left is a large white Thermo Scientific ICP-RQ spectrometer. In the center, the ANAVANLAB logo is displayed, consisting of three overlapping circles in green, grey, and blue, with the company name in blue and green text below. To the right of the logo is a computer monitor showing data. In the bottom right corner, there is a circular inset image of a mineral sample, possibly a rock or ore, with a yellowish-brown and greyish-blue color palette. A large green curved shape on the right side of the image contains the text 'Specialized Environmental Sampling and Analysis Service' and 'Metal Scan by ICP-MS'.

thermo scientific

ICAP RQ

ANAVANLAB

Specialized
Environmental Sampling
and Analysis Service

Metal Scan by ICP-MS

VOICE *of reason*



Anavanlab is working to become the preeminent laboratory in Ecuador for environmental issues and verify greenhouse gas emissions inventories.

Alexandra Hidalgo
GENERAL MANAGER,
ANAVANLAB

One of the few female-driven laboratories in Latin America

Provides solutions to various industries to protect the environment

BIO

Alexandra Hidalgo is General Manager of Anavanlab. She is an analytical chemist, having studied at the Pontifical Catholic University of Ecuador. She has a master's in environmental engineering from the Institut Químic de Sarrià, Barcelona. She is a technical expert and auditor of ISO 17025 Laboratory Standards and auditor in ISO 14000 Environmental Standards, as well as an expert in ISO 17029, ISO 14064, 14065 Green House Emissions Standards, and professor of analytical and environmental chemistry.

Can you provide some background on the history of the company, and why did you decide to enter this industry? Anavanlab was created in 2013 by four female partners including myself. We work to empower women especially in the sciences. The four of us who created the company had been working together since 2001. Some of us were professors at chemistry school at the Pontifical Catholic University of Ecuador. We accredited the first environmental laboratory in Ecuador within the university. We were accredited with the accreditation entity in Spain (ENAC) because there was no accreditation center in Ecuador at the time. Since 2000, we have worked intensely on environmental, quality systems, and accreditation and laboratory issues. We identified a need for quality laboratories in Ecuador that could produce products meeting international standards. Furthermore, certain regulations prevented us from continuing to work within the university sphere, whereby we opted for the private approach. And so Anavanlab was born. We are conscious of taking care of the environment in our country and beyond.

What distinguishes this particular laboratory?

There are several laboratories offering environmental analysis, but our difference lies in our proximity to our clients. We design customized services for each company's needs, offering reliable and confident data, in order to take care of our environment together. We also work extensively with the decentralized autonomous governments (GADS) of Ecuador. We support the different regional governments and industries in the environmental arena, backed in our technical expertise.

What added value does the laboratory bring to the environmental industrial sphere?

Our added value is an understanding of our client needs. We want to achieve sustainable development and gender equality. We also work on environmental education. We have a different way of working. Regulations exist, but each customer applies them differently. We, as a value proposi-

tion, become a customer partner instead of just a supplier. In the meantime, we work on gender equity issues at ground level. We are part of Pacto Global Ecuador and I2SL, the International Institute of Sustainable Laboratories. We participate in technology and knowledge transfers with labs from Europe, Asia, and the US. For example, we are working with equipment manufactured in Germany that employs the latest technology. We measure all kind of metals in the water with this system (ICP-MS), at parts per billion levels. In this way we want to contribute with the mining industry to achieve environmental sustainability. We want to be at the forefront worldwide.

What is your perspective on the national drive to reactivate the economy sustainably?

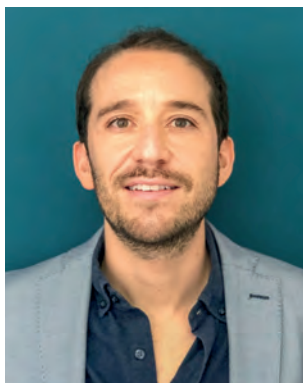
This is the only way to do it. There has to be development, but it has to be responsible. Otherwise, within a few years there will be nothing to develop. I believe that the current environment ministry has clear ideas. We are part of the 100 pioneers industries in a program called "Ecuador Zero Carbon." Our intention is to be a conformity evaluation body, an external organism that verifies the process of Green House inventories compliance. This part of environmental awareness and sustainable development is an area where we have much potential. We believe that quantifying greenhouse gasses is the first step, but then we have to implement programs for organizations to become carbon neutral. We aim to become one of the first organizations in Ecuador that can verify greenhouse gas emissions inventories.

How would you like to position the company in Ecuador?

We intend to become the preeminent laboratory in Ecuador for environmental issues. And so we are set to work with all sectors for the sustainable development of Ecuador and the wider world. One of the programs I'm proudest of is called "I am a scientist," where we want to bring science to children. Science doesn't end in a laboratory. We also want to work in education as a branch of our social responsibility. ✖

independent POWER

Gransolar is working on an ambitious project to provide renewable energy on the Galápagos Islands to reduce diesel-powered energy generation there and make it more independent.



Pablo López
GENERAL MANAGER,
GRANSOLAR

What led to the establishment of Gransolar in 2012?

Gransolar was established with one goal in mind: a carbon negative future. This passion led its shareholders to align towards a shared vision. One that would provide more renewable energy in Ecuador for generations to come. The company was founded in 2012 to enable our participation in a new upcoming photovoltaic tender. Our holding company had been involved in infrastructure power lines for decades, and we knew that the next step would be renewables. Hence, we decided to set up Gransolar. We won our first concession contract in 2013, and in 2014, we built our first two solar farms, which today remain the largest in the country. We are proud to be the first project financing model for photovoltaics in the country.

What is Gransolar's differentiating factor compared to its competitors?

Our main differentiator is our deep sense of purpose. We strive to transition into a more sustainable future by adding value not just to the renewable energy sector, but to the country. In 2012, we were still somewhat unfamiliar with the sector; however, we wanted to be a part of the rising evolution of the sector and knew that we needed to hire experts to learn from, which is precisely what we did. We hired the best available engineers from Germany and Spain and brought them here, which was a key factor in our subsequent success. We also had Ecuadorian engineers working alongside them so that they could learn from day one. We took that know-how and processed it, whereby today it has become local knowledge. We decided to invest regardless of whether we would win the tender. It felt like the right thing to do. In short, we opted for sustained investment in local know-how.

What projects are you working on currently?

Since 2016, Gransolar has been working on a private initiative, the main goal of which is to reduce diesel-powered energy generation in the Galápa-

gos. The Galápagos has many islands, with Santa Cruz being most populated. We felt that transporting diesel from the continent to Galápagos did not make much sense. It was a shareholder decision to develop a solution for the Galápagos, even if it would cost us time and effort. We invested in engineering, economic, and environmental studies, and in 2018, presented this initiative to the Ministry of Energy. It approved of the initiative's findings and launched its own studies. Finally, in 2020 it decided to hold a public tender for the project, which we participated alongside our international partner: Total Eren. The process took us over a year because of COVID-19. In September 2021, the ministry announced that we had won the tender. This project—a micro grid—is particularly special for me because I have worked on it tirelessly for five years. It is not just a matter of generating renewable energy. This is a complex project, one that includes the installation of a solar plant, storage, and a 55km transmission line with air and underground bars. In addition, we will install a micro grid controller that can reduce diesel generation when sufficient wind and sun is available. With this work, Santa Cruz could potentially rely entirely on renewable energy. This is an extremely ambitious project, but the Galápagos Islands deserve someone taking that risk.

How does Gransolar remain ahead of the curve?

It is all about building up experience and taking on new challenges. Being bold and steadfast. Over the last five years, even though we knew the chances of winning the tender were slim, we learned a considerable amount from the process. We began doing so when the project was still at the conceptual stage. After five years, I can now talk more knowledgeably about storage issues. This approach to learning and taking on new challenges is what has made Gransolar remain ahead of the curve. Our people are grounded in the mission to help Ecuador and the region envision a more sustainable future. ✖

Develops, manages, and implements projects for power generation through PV

Developer of Salinas and Tren Salinas plants

Believes in the need to generate new renewable energy projects in Ecuador

BIO

Pablo López holds a commercial engineering degree and a master's of science from Finance Universidad Adolfo Ibáñez. He also has an Executive CFO from the University of Chicago Booth School of Business. He has 12 years of experience in structuring and developing renewable energy projects and was responsible for the first photovoltaic project financed under a project finance model. He is the General Manager of Gransolar and Co-Founder of Solarteam SAS.

FOCUS

Ecological transition

GOING GREENER

Internal policymaking, a mix of initiatives, and international help are boosting Ecuador's ecological transition, saving one of the most biodiverse ecosystems on the planet.

ECUADOR'S NATURAL SPLENDOR is too good to lose. The country is home to unique ecosystems created by the colossal Andes mountains, the Pacific Ocean, and the Amazonian rainforests that cover most of the country. The combination of mountains, rainforests, and the coastal climate has given rise to a wide range of flora and fauna, some of which are unique to Ecuador and its mist-covered forests and mountains. It makes sense, as such, that the authorities want to keep an eye on the country's ecological transition and prevent any potential harm.

"Ecuador is the first country in Latin America to adopt the public policy of ecological transition towards a circular economy, resilient and low in emissions," observed President Lasso in the 2021 United Nations Climate Change Conference (nicknamed COP26). Ecuador's president opened the summit by announcing Ecuador's intention to create a marine reserve in the Galápagos, which is a mountainous, coastal ecosystem with coral reefs. The region's climate is so unique that it is said to be important not only for Ecuador but "humanity at large," according to Gustavo Manrique, Minister of the Environment, Water, and Ecological Transition. Despite the Lasso administration's determination to conserve the ecosystem, the challenges ahead are numerous.

Ecuador has a relatively high deforestation rate; the mountainous terrain makes construction difficult, and when an appropriate piece of flatland is identified, its trees are sometimes uprooted to make way for construction projects. Moreover, Ecuador is an oil exporter with sizable reserves, and with cheap oil available, the country used to rely heavily on hydrocarbon fuels for years, falling behind in the use of clean energies. So how is Ecuador responding to these ecological challenges?

Fortunately, Ecuador and its people are not alone in dealing with these challenges. Some international non-profit organizations have stretched a helping hand. The US-based, Nature Conservancy, for example, which uses scientific methods to help ecological conservation in over 75 countries, notes that "from the top of the Andes to the depths of the Pacific, from Galápagos Islands to the Amazon, we aim to turn Ecuador into an incubator for global solutions that enable nature and people to thrive together." The organization is currently running three different programs in Ecuador to help manage its watersheds, create sustainable landscapes, and limit damages to the marine-coastal ecosystem. Another project, called REDD+, was negotiated during COP26 in Glasgow with Norway, in which the Norwegian government will pay Ecuador USD24 million to keep deforestation in check.

The authorities, meanwhile, are active on other fronts. "The government of Ecuador has committed to pursuing sustainable

economic development policies focused on addressing Ecuador's vulnerability to climate change and expanding domestic renewable energy production in its First Nationally Determined Contribution," according to the Paris-based Organization for Economic Co-operation and Development (OECD). This includes an unconditional 20.4-25% reduction of greenhouse gas emissions by 2025.

To achieve the promised reduction in emissions, Ecuador has prioritized clean energies and escaping the oil trap by diversifying its energy portfolio. As of 2021, the contribution of clean energies was modest—at just under 8%. And that percentage was mainly generated by hydropower—the least preferred form of clean energy. As clean energy solutions such as solar panels are slowly but surely taking off, Ecuador has adopted policies to keep items such as batteries—which are an essential component of solar solutions—eco-friendly. Battery manufacturers must convince the government that they recycle at least 80% of the batteries they sell. A similar initiative demands all manufacturers of electrical appliances comply with the principles of circular economy. The main aim is to recycle as much gold, lead, cobalt, bronze, and plastic as possible. If these metals are not recycled, they will leak into the ecosystem, and mining activities have to ramp up to replace them, which will lead to more environmental contamination.

There is also a political factor at play; the leftist presidents who came and went before the current right-of-center administration placed heavy emphasis on social policies, with the required budgets for these policies usually coming from crude oil exports, which in turn caused severed oil dependence, environmental hazards from oil extraction in vulnerable Amazonian ecosystems, and a general lack of will to shift to clean energies. With the vanishing of leftist or left-of-center policies from Ecuador's political scene, the drive to clean energies will likely become stronger.

To facilitate the issue of governance in ecological matters, President Lasso's administration has launched a new ministry, the Ministry of the Ecological Transition, which also takes over the duties of the Ministry of Water. Minister Manrique, with three decades of hands-on experience in sustainable development, told TBY in an interview that his ministry will also engage the private sector in the ecological transition of the country through the Ecuador Carbon Zero project. The initiative "aims to help many companies achieve carbon neutrality. This involves measuring their base line of carbon emissions, having a reduction plan, and finally a plan for conservation or compensation through protected areas and zones of Ecuador," according to Manrique. The ministry will also do its best to achieve the promised emission reduction of at least 22.5% by the year 2025. ✕



Mauricio López
GENERAL MANAGER,
CANIS ENERGY

BIO

Mauricio López founded Canis Energy in 2014 with the aim of introducing innovative and sustainable products for the construction industry. He has earned years of experience managing innovation companies. He is also manager of Tridifect, a high impact communication company. He has an EMBA from IE Business School in Madrid and a diploma in design thinking from MIT Management Executive Education.

How did the company come about in 2014?

Canis Energy was born out of the need for a few specific projects. At the time, I was working at a family oil company, and we had a project that was required renewable energy resources. That need sparked an interest in innovation in construction materials, and from that point, we started to look for materials that fit this project and beyond. Photovoltaic glass was among the products we started with and eventually became our star product. We focus on offering new materials that are innovative, while placing strong importance on environmental responsibility.

What progress have you made to bring photovoltaic panels and glass to more cities?

We are heavily focused on having more laws that support our activity. We are constantly working with construction companies. In re-

cent years, we have managed to popularize the benefits of this technology and made builders see the benefits that such projects can generate. We now have three important projects. One is an office, and two are residential. The residential projects are in important buildings. In addition, we have started conversations with companies in Bolivia, which is an attractive market. We have already opened offices in Santa Cruz.

Where would you like to see the company in the coming years?

I would like to position the company as one that provides solutions in construction, whether industrial or residential. We want customers to trust us. We want to advise builders on sustainable construction products and methodologies. We have high expectations for not only our sector in Ecuador, but also for investing in the country. Investor confidence is growing, and there are many opportunities to invest in Ecuador. The country is full of opportunities that are not being taken advantage of. With a solid vision from the government, and great work between private enterprise and the public sector, a positive change can be generated. ✖



Danny Herrera
CEO,
AFH SERVICES

BIO

Danny Herrera is an engineer of chemical science who studied at the Central University of Ecuador. His professional experience includes quality control at Cadbury Adams, CEO of Escargots Exportation, and several positions at AFH Services Cia. Ltd, including quality manager and CEO. He is a Technical Expert in ISO 17025, an internal auditor for ISO 17025, and an expert in statistics for quality.

How did AFH grow to be a leading laboratory in this market niche in Ecuador?

We established ourselves as AFH Services, a limited company, in 2013; however, we started operations as an unincorporated business in 2002, where a majority shareholder controlled the company. Some 20 years ago, the country was only starting to get acquainted with environmental issues, and most of what was done was copying models of other countries. We started working in this area firstly because the chemical engineering faculty of the Central University of Ecuador started to offer courses related to climate change and environmental topics backed by its experiences in Spain. We started to become familiar with international technologies, make references to EPA, learn from Spanish experiences, and translate these to better fit our local market. We started developing our own know-how based on a system that we knew worked and adapted to the

legislation we had at the time. The legislation, laboratories, and companies have progressed forward, slow but steadily. For example, in the past we did not consider the ambient air quality such as a controlled parameter, a measurement that is extremely important around the world. Today, it is our number-one service.

What type of air quality solutions do you offer for companies?

We provide important data for taking decisions by companies. For example, according to regulation, you can have 10,000 micrograms per cubic meters of carbon monoxide. In the results we provide, between 8am and 10am the levels are somewhat over the limit. With this data, we can tell companies that in that time frame they should not be working with their stationary sources at 100%. We could also tell them to get a better balance from the fuel they are using, or that they should evaluate improving their combustion ratio considering the heat output they require. This is a tool that enables companies to make timely and immediate decisions. Another example is when building road, and dust particles are raised. When we monitor, we can advise our clients if they are having excess amounts of dust and if that is the case, they should come up with alternative solutions. ✖

COMMUNIQUE

Ecuador: Sustainability roundtable

República
del EcuadorGobierno
del EncuentroJuntos
lo logramos

GREEN, PROFITABLE & SUSTAINABLE

Given recent international events in the environmental sphere, Ecuador has the potential to become the green capital of Latin America. This roundtable sought to generate discussion on how the Ecuadorian private sector is providing innovative solutions to achieve economic development in harmony with society and the environment. Each panelist, a key figure in their respective fields, brings insights into the trends contributing to Ecuador's ecological transition.



Valeria Cadena de La Espriella
**DIRECTOR OF PRODUCTION AND
SUSTAINABLE DEVELOPMENT,
MINISTRY OF ENVIRONMENT,
WATER, AND ECOLOGICAL
TRANSITION**

The ministry has a directorate for sustainable development and production. Previously, there was no directorate in the private sector, but there are now three directorates in the under-secretariat for climate change: research, adaptation and production, and sustainable development. Decree 59 requested the change of the Ministry of Environment and Water to the Ministry of Environment, Water, and Ecological Transition, thus promoting responsible consumption and sustainable production through the Zero Carbon Ecuador program, which is supported by Nestlé, ProCredit, and Grupo Futuro, among others. The government has mandated that companies must justify, reduce, and offset their carbon footprints in Ecuadorian territory. However, previously there was a limitation in Article 74 of our constitution that did not allow the alienation of environmental services. But the Ecuador Zero Carbon program was designed to respect this article through a repercussion process. Thus, through this program, all private companies are expected to reduce greenhouse gases, achieving sustainability and ecological transition. We have identified great potential in the 145 member companies. We have considered calling this business ecosystem within the framework of the Zero Carbon Ecuador program, and we want to strengthen it so that these exchanges of experiences and capacities are promoted. It is positive to identify the initiatives of each company. Bearing in mind that we contribute 0.18% of global greenhouse gases, it is still important to make an effort to conserve these activities. Regarding production, we are promoting a regulatory framework for deforestation-free production together with the ministry.



Carolina Proaño Castro
**EXECUTIVE DIRECTOR,
FUNDACIÓN FUTURO**

Grupo Futuro is a group of companies that has several lines of business: insurance, tourism, health and new investments in renewable energies, high-tech agriculture, and logistics. All our companies share strong ethical values and have sustainability as one of their pillars. We are at a time that requires absolute urgent actions regarding climate change risks. This man-made phenomenon is putting at risk all of humanity's progress achieved in the last 70 years, including current business models. Therefore, a way of taking bold action is planning to decarbonize our business models as soon as possible. Ecuador is a unique country for several reasons. For example, the amount of light and the intensity of solar radiation it receives, the thousands of unique species living here, three times more bird species than in the US, in a territory that is 35 times smaller. This also means that we have a great responsibility as custodians of biodiversity. So, taking this into account, for us sustainability means creating shared value for all our seven stakeholders within our ecosystem: shareholders, clients, employees, suppliers, community, the environment, and the government. To generate this value, it is necessary to be aware of all existing planetary limits. This is how we live sustainability. In the tourism sector, Metropolitan Touring achieved carbon neutrality in 2017, and since 2019, Fundación Futuro, together with the Ministry of Environment and other entities, have been defining the regulatory framework to enable private companies to decarbonize and finance conservation through carbon sequestration.



Diego Díaz
OIL & GAS EXPERT

The government's initiative to double the country's production of hydrocarbons is a courageous and indispensable decision. The government's approach to an ecological transition assumes a change in the economic and social model of the economy, and thus the contribution of all sectors is vital to achieve this overarching goal. There are many companies that want to heavily invest in the hydrocarbon sector, but due to bureaucratic pace and lack of effectiveness this has not been possible, and that is where work needs to be done. Also, the comptroller's office needs to have special training in the oil and gas business to avoid misinterpretations and legal insecurity. Today's global economy cannot function without an environmental, social, and governance (ESG) approach; it is no longer negotiable, neither can it be postponed. Ecuador's corporate and public sectors have to move quickly in that direction. With regards to the environmental aspect, the oil industry has always had a bad reputation, but it is indisputable it represents 30% of the state budget. To make sustainable changes in the industry, the whole value chain, from facilities design to operations, need to incorporate carbon neutrality as a mandatory objective. Major companies in the world are incorporating this milestone, and in Ecuador the company I led for several years had net-zero emissions since 2017, which proves that oil can operate with a reduced environmental footprint. It is not an easy task, since there are two main polluting sources: electricity generation and operational residues. Oil comes out in three phases: water, gas, and oil. Then, the oil is extracted, the water is re-injected into the reservoir, and the burners expel the residual gases, after methane that is converted into CO₂, which is much less harmful for the environment. But, currently, there are furnaces that can almost evaporate these gases and also gas-powered generators that could use the gas that comes associated with the oil to energize the whole operation. All these translate into a much larger investment but also greater efficiency. So technically, from an environmental perspective, it is possible to prevent pollution in the oil sector and drive the path forward in the country.




Katarina Zdraljovic
HEAD OF ENVIRONMENTAL MANAGEMENT UNIT,
PROCREDIT BANK

As a bank, our strategies include a focus on social and environmental responsibility. Our whole model focuses on small and medium-sized enterprises, which we encourage to save and obtain loans that are related to sustainability. We have a program that consists of giving opportunities to recent graduates who share our values so that we are all moving toward the same goal. We are currently implementing all internal initiatives using renewable energy, solar panels, and electric vehicles because by setting an example, we can explain to our customers how this has worked for us. As a financial sector, our main role is to collect deposits and measure risks. Then, by understanding the climate risks, we started to offer green credits with appropriate terms and guarantees that motivate customers to make a more environmentally friendly decision through financial incentives and advice. In this way, we have been able to increase our green loans to 20%. We also have a training process for new employees in which we instill the values of environmental and social responsibility, because we want all our actions to go in that direction. In our criteria for granting green credits, we look for energy efficiency of more than 20%, we make a personalized analysis to check the client's investment and we consider a technical implementation plan. Also, within the environmental measures there must be recycling and organic production processes, thus having sustainable environmental responsibility on the part of the producer.



Pedro Ospina
VICE-PRESIDENT OF SUSTAINABILITY,
NESTLÉ ECUADOR

Nestlé has been working under a concept of shared value. This means being aware that as an industry, we have a social, environmental, and economic impact by generating profit. Therefore, our business strategy is aligned with sustainability, which in turn is based on four pillars: responsible packaging; understanding how we can positively impact the labor insertion of young people; responsible sourcing, taking into account the value chain of workers; and reducing emissions and caring for water. In 2021, we were the first company in Ecuador to collect the same amount of plastic from the market as we produce. Our motto is "join the change," so the ministry's policies are welcome. We want the private sector, the authorities, and the media to join in, as this is a joint effort. Within Nestlé Ecuador, we have an initiative called RE: rethink, reduce, and recycle. Rethink is looking at the impact a product will have following the guidelines and objectives for 2025, reduce means offering the same value for money, but with less plastic in the packaging, and finally, recycle focuses on plastic neutrality and recyclable packaging design. In this way, we have met 90% of our 2025 targets.



A closeup of a 1,000 sucre banknote, featuring a portrait of Rumiñahui, who led the resistance against the Spanish in the northern part of the Incan Empire in 1533. The sucre was replaced by the US dollar in 2000.

CREDIT PORTFOLIO (USD '000)

SOURCE: SUPERINTENDENCY OF
BANKS AND SUPERINTENDENCY OF
POPULAR AND SOLIDARITY ECONOMY

	Mar.21	Dec.21	Mar.22
Banks	29.9M	33.6M	34.9M
Cooperatives	11.9M	14M	14.7M
Public banks	4.9M	4.6M	4.5M
Mutual benefit societies	697K	680K	676K
Total	47.4M	53M	54.9M

DEPOSIT PORTFOLIO (USD '000)

SOURCE: SUPERINTENDENCY OF
BANKS AND SUPERINTENDENCY OF
POPULAR AND SOLIDARITY ECONOMY

	Dec.20	Dec.21	Mar.22
Banks	37.5M	41.2M	41.7M
Cooperatives	12.7M	15.9M	16.8M
Mutual benefit societies	962K	1.04M	1.05M
Total	51.2M	58.2M	59.5M

DESPOSITS BY TYPE (USD '000)

SOURCE: SUPERINTENDENCY OF
BANKS AND SUPERINTENDENCY OF
POPULAR AND SOLIDARITY ECONOMY

	Dec.20	Dec.21	Mar.22
Demand deposits	26.4M	29.2M	29.3M
Term deposits	23.2M	27.3M	28.5M



Finance

TRANSACTIONS IN DOLLARS

The financial system in Ecuador is solvent and liquid and enjoys the confidence of the public to respond in difficult times, as it did at the beginning of the COVID-19 pandemic in 2020, a year in which deposits grew by 12.3%.

The Ecuadorian banking system is diverse, with a wide range of stakeholders and different regulatory authorities: the central bank, the Superintendency of Banks, and the Superintendency of Popular and Solidarity Economy. The Association of Banks of Ecuador (ASOBANCA) also robustly represents the country's main private banks.

With figures as of March 2022, the financial system is composed of banks, cooperatives, mutual benefit societies, and public banks with USD83 billion in assets, of which the private financial system holds 91%.

The financial system has been an important pillar during the last two years, taking care of its client base's deposits and adequately managing liquidity, directing it toward loans and supporting the reactivation of the economy. The performance of the portfolio has been growing due to the demand for credit, mainly from companies, individuals, and microenterprises, which have generated growth of 14% in 2021, maintaining a healthy rate for non-performing loans at 2.8% in the private financial system.

Digitalization has also become a way of life for the country's financial organizations, with strong

growth in mobile banking and fintech uptake. Indeed, many Ecuadorian banks are keen to take a slice of the unbanked population by easing access through digital solutions.

Among the opportunities presented by the financial system is the circulation of credit cards, since only 10% of the Ecuadorian population carry plastic. Credit cards enjoy a non-performing rate of 4.5%. Finally, the total deposits of the financial system are USD60 billion in an economy with a GDP of USD106 billion, which means that the financial depth index stands at 57%.

On the insurance side, the Ecuadorian market is extremely competitive. With only USD1.696 billion of cumulative nominal net written premium in 2020, 30 insurance companies compete in this market. Insurance companies are working to capitalize on new products, as well as working to unlock the potential of a still fairly under insured economy. One of the products with the greatest potential is credit insurance: "For any foreign investor keen to enter Ecuador, the credit insurance aspect is still lacking. We are not a country with a big culture of insurance. Sometimes, companies go bankrupt not due to bad administrators or decisions, but rather due to a lack of liquidity. Credit insurance turns the account receivable into an asset of the company," said Teresa Peña, CEO of Seguros Confianza, a Guayaquil-based insurance company. ✖

BETTER *planning*



The Central Bank of Ecuador is in charge of implementing monetary policies to promote the sustainability of the financial sector and preserve Ecuador's international reserves.

Guillermo Avellán Solines
GENERAL MANAGER,
CENTRAL BANK OF ECUADOR (BCE)

Modernizing the payment system to contribute to financial inclusion

Developing a new interest rate methodology to promote competition and financial inclusion

BIO

Guillermo Avellán Solines graduated in management and economics from the University of Richmond and holds a master's degree in economic analysis from Barcelona Graduate School of Economics. He was research director at Fundación Ecuador Libre, director of studies and projects of the chamber of commerce of Guayaquil, market risk and liquidity analyst at Banco Bolivariano, and corporate banking analyst at Citibank Ecuador. He was a professor and researcher at Universidad de Especialidades Espíritu Santo and Humane Instituto de Negocios. Since 2021, he has been General Manager of the Central Bank of Ecuador.

Even though Ecuador defaulted in 2020, the return on the nation's bond reached 28% in 2021, more than any other country. Can you explain how this happened?

The new administration has established at least three goals. The first is to promote financial and fiscal sustainability with equity. The government would like to foster a labor reform in order to promote quality employment. Managing the social policy programs with responsibility and transparency is essential, and on the fiscal side the IMF program was a key aspect in recovering confidence and promoting transparency in financial management. The program was recently approved by the board, and it is expected to receive USD2.5 billion between 2021 and 2022, which will be important to promote recovery after the pandemic. In August, the IMF approved the staff level agreement on economic policies to conclude and combine second and third reviews. We expect to grow at least 3% this year and eliminate the fiscal deficit by 2025. The government also looks forward to approving a fiscal reform that will be essential to promoting fiscal sustainability. A key aspect of the program is promoting efficiency and transparency in the procurement of expenses related to goods and services.

What strategies is the central bank using to maintain banking soundness and boost the economic growth of the country?

We are in charge of implementing monetary policies such as reserve requirements in order to promote sustainability of the financial sector. We also manage and preserve Ecuador's international reserve and guarantee payments from private and public institutions. It guarantees the availability and quality of bills and coins all over the country. The bank works on the methodology to establish interest rates in the financial system, which aims to increase and foster financial inclusion. It manages the payment system and promotes efficient payment mechanisms. Finally, the central bank publishes studies on financial stability and macroeconomic statistics for decision making from

private and public institutions.

What is the biggest challenge for the Central Bank of Ecuador compared to other Latin American countries?

Our main challenge is having enough liquidity to fulfill our responsibilities with public and private institutions. The central bank in previous administrations answered to the central government, affecting the liquidity of the bank. We received many notes that were not easily convertible to cash. Our mission is to recover that liquidity so we can cover our liabilities with liquid assets.

What is your vision for the bank, and what impact will it have?

We have an important program at the central bank to promote financial literacy, which launched in November. It explains how interest rates work, the importance of access to formal financial institutions, and the dangers of the informal sectors. We will also explain the importance of fiscal sustainability for the country, and the relationship between the fiscal sector and social policies. We have at least nine aspirations that we would like to promote during this administration. The first one is to guarantee administrative, budgetary, and technical autonomy, which is essential for the central bank. We aim to strengthen the research department to support policymaking decisions. It is essential to modernize the payment system to contribute to financial inclusion and develop a new interest rate methodology to promote competition and financial inclusion. We will also promote transparency through an independent audit committee. We will implement an anti-bribery policy, so our expenses and budget are completely transparent. We will establish a public procurement committee, which will work parallel to the anti-bribery policy. A Management and Regularization Unit will be in charge of closed firms due to the 1999 banking crisis. Finally, we aim to accomplish the total coverage of the four balance sheet systems, in order to have full coverage of our liabilities with liquid assets. ✖

CREDIT WHERE CREDIT'S DUE

With its back against the wall, Ecuador restructured its insurmountable debt, a move that conveniently coincided with a political win that has placed the Andean nation on a firmer international footing.

MIDDLE-INCOME ECUADOR has found itself swamped in long-term debt, notably to China, with pronounced consequences for its wider economy. Much of this dependence arose from left-leaning politicking by former President Correa, who was considered to have alienated Quito from Washington. In 2020, the recession proved sticking to repayment schedules a bridge too far, as the country restructured USD17.4 billion in debt, interpreted as a default.

Yet a year later, the Bloomberg Barclays index confirmed that Ecuador's bonds, having scaled 28%, were yielding sweeter than any other country. Observers have attributed this to success on the vaccination front, in addition to rallying oil prices. More importantly perhaps, the public had spoken (marginally) at the ballot box. April's inauguration of free market champion President Guillermo Lasso brought expectations of reform conducive to economic growth on a more confident international presence.

So significant was the political element that when Lasso won, the ensuing rally hiked Ecuador's bonds due in 2030 up 35 cents on the dollar to 87 cents. Textbook economic reform has been swift, with customs duties reduced, import restrictions lifted, and the word put out that the oil industry needed to curry more favor from private investors. The current goal is to double oil production by 2025.

Central Bank of Ecuador (BCE) General Manager Guillermo Avellán Solines, in a TBY interview, noted how the incumbent administration is pursuing numerous objectives to escape the impacts of COVID-19 and credit alike. High among them is the equitable advancement of financial and fiscal sustainability. "Managing social policy programs with responsibility and transparency is essential, [and] the IMF program was a key aspect in recovering confidence and promoting transparency in financial management."

POSTPONING THE PAIN

As these things tend to follow, in August 2021 ratings agency Fitch Affirmed Ecuador's country rating at B- with outlook 'Stable.' The rating attests to the nation's conflicting high per-capita income and social indicators contrasting limited economic growth prior to and since COVID-19, limited external liquidity, and an unwelcome debt repayment record. In 2020, the IMF forked out USD4 billion in emergency funding. And the 'Stable' component of the rating indicated Fitch's belief that the government would bite the bullet and renegotiate an Extended Fund Facility (EFF) with the IMF.

ENTER THE FUND

Indeed, in late 2021 Ecuador reached a preliminary agreement with the IMF to ramp up a support plan for structural reform from USD4.2 billion to USD6.5 billion. The price to be paid by a nation for credit lines in terms of economic austerity and commitment of natural resources can be great. Ecuador is only too aware of this from its debt to Beijing of around USD5 billion tied to forking over crude oil and substantial infrastructure schemes.

It is noteworthy that this year Ecuador's EFF funds taper off. The significance here is that EFFs—in contrast to regular IMF Stand-by Arrangement assistance—involve longer program engagement and repayment periods that support medium-term structural reforms. The current government is determined to take reforms to attract investment, fully join the Pacific Alliance, and improve social conditions that ultimately translate into votes. It follows then that Ecuador will once more turn to external markets for its financing needs.

AN INEVITABLE RESTRUCTURING

So, what was the restructuring about? Well, Ecuador—USD17.4 billion in the hole—eventually opted to pursue a restructuring facilitated by representative bondholder committees tasked with preventing minority resistance from killing deals agreed to by a qualified majority of bondholders.

In summer 2020, the then incumbent administration inked an agreement with its bondholders to restructure its USD17.4 billion in sovereign debt. The deal gave breathing space on USD10 billion over the subsequent four years, then a further USD6 billion between 2025 and 2030. Moreover, with bondholders to swallow a haircut of 9% on capital repayments, Ecuador would be saving around USD1.5 billion.

The restructure saw roughly 98.5% of the bond amount swapped for three new bonds amounting to USD15.56 billion. Meanwhile, interest rate fell from 9.2% to 5.3%, while the grace period was renegotiating from two to five years, with an extension to the repayment program from six to 12.5 years. With the deal, the nation was able to deliver USD15.5 billion of bonds to its creditors.

Ecuador saw record GDP contraction of almost 8% in 2020, and the IMF forecasts 2021 growth of 2.5%, half that of the region. Meanwhile, the nation has somewhat eased the pain of its debt burden at the ballot box and abroad. ✖

ACTIVE *participant*



One of the largest institutions in the Ecuadorian financial market, BIESS works to meet all the needs of its affiliates and pensioners through mortgages and other financial solutions.

Iván Tobar
CEO,
ECUADORIAN INSTITUTE OF SOCIAL
SECURITY BANK (BIESS)

**Represents
36-40% of
mortgage market
in Ecuador**

**Portfolio over
USD21 billion**

As a public bank, how is BIESS getting involved in the mortgage market to address the housing deficit in Ecuador?

BIESS has always been an active participant in the mortgage market, representing 36-40% of the Ecuadorian market. In 2022, we expect to provide around USD752 million in mortgage loans, USD150 million more than in 2021. The real estate and construction sectors are some of the most dynamic and contribute to job creation, financing, and meeting the social and human need to have a roof over people's heads. These multiplier effects have committed the bank to fulfilling this mission to provide long-term financing. BIESS manages unemployment and retirement funds, which are long-term funds and allow us to finance credit operations for up to 25 years. This gives us an advantage over other financial institutions that have more of a short-term operational focus. BIESS generates profit for retirement products while simultaneously using those funds for financing. Our potential clients include 3.5 million affiliates and almost 500,000 retirees and pensioners. Our goal of USD750 million in 2022 represents a growth of more than 25% over 2021. This will help generate liquidity in the market and promote economic development. Given the size of BIESS, with an investment portfolio that exceeds USD21 billion, the company is extremely important to the economy of Ecuador.

How do BIESS' current plans contribute to the economic reactivation of Ecuador?

BIESS works mainly in two areas: the growth of mortgage credit and the provision of so-called unsecured loans to our members and pensioners, which are short-term loans of four or five years that cover immediate consumption needs, such as education, health, travel, and debt payment. The objective is for said credit to total USD3.9 billion in 2022. One of the advantages for the bank is that these credits are guaranteed by reserves and unemployment funds; therefore, it is completely safe for the bank. In 2022, to aid members, retirees, and pensioners, interest rates were temporarily reduced in the first semester from 14% to

11%. With this, we hope to support the revitalization of the economy.

What is BIESS' position on digitalization?

The nature of our clientele, a significant portion of which consists of retirees and pensioners, led us to seek another approach to digitalization. Under our new management, BIESS is initiating a process of technological transformation that will be better suited to its customers. The pandemic has showed us the need for digital channels, especially for retirees. This target needs a tool that will improve access and allow consumers to use financial services from the comfort of their own homes. We want to offer many more services to our market and streamline our processes. Technology and automation make these processes more transparent and efficient, and now it is up to us to be competitive and use this technology to provide more developed access channels for our users.

As one of the largest institutions in the Ecuadorian financial market, what is your vision for BIESS?

Our most important goal is to satisfy the needs of our affiliates and pensioners through mortgages and other financial solutions. A key advantage is the bank's ability to invest in the stock market. Part of the plan for 2022 is to grow. For that reason, we plan to invest USD400 million in the stock market in different ways, while always participating in profitable projects transparently and responsibly. This will allow us to contribute to economic development in industrial production, finance, construction, and services. As a bank, we have a significant number of resources, and we need to invest intelligently with due observance of the country's social and economic conditions. The bank seeks securitization by generating obligations for the international market, and USD500-1,500 million can be invested in international securities. Access to these markets and resources at a low price will allow us to reinvest in credit banking operations. In addition, it will also allow us to bring resources into the economy and create a virtuous circle. ✕

BIO

Iván Tobar is an economist from the Catholic University of Ecuador with a major in finance. He also has an MBA from Southern Oregon University, a diploma in innovation programs from the Harvard Business Institute, and a diploma in financial risk from the Technological University of Monterrey. A professional with extensive experience in the field of finance and economics, Tobar has served as general manager of Banco Finca, general manager of the Cooprogreso Savings and Credit Cooperative, and manager of the Quito Branch of Banco de Machala. At Banco Pichincha, he served as national manager of foreign trade and general manager of corporate business.

personalized ATTENTION

Produbanco works to offer financial solutions via its wide portfolio of products and services to serve businesses, SMEs, and individuals.

Ricardo Cuesta Delgado
EXECUTIVE DIRECTOR,
PRODUBANCO



How would you define Produbanco as a financial institution?

Produbanco is a bank with extensive experience. It has a wide portfolio of products and services to efficiently serve the corporate, business, SME, and individual sectors. It has a multidisciplinary team of collaborators that is committed to a high quality of service. Throughout its 43 successful years, Produbanco has won various local and international recognitions that affirm its success. Additionally, Produbanco received the AAA risk rating from PCR Pacific Credit Rating.

What role does Produbanco play in the evolution of Ecuadorian banking?

Banking in Ecuador is transforming itself digitally, which entails a great responsibility. Understanding customers and listening to their needs is part of our job in order to be able to offer a quality service and products that solve their needs. Produbanco works daily to offer financial solutions and is transforming itself, both in terms of its culture and digitally. We develop new products for the comfort of our customers, designed to facilitate their needs. In this transformation process that includes innovation, we seek to implement projects with a vision different from the traditional, generating a cultural change of which all employees are part. This has been achieved through internal and external communication, through traditional and digital channels that allow us to disseminate the organizational culture of Produbanco, supported by its ProduLab innovation laboratory. In the lab, the company works with highly qualified multi-disciplinary teams. They constantly develop ideas and generate experiences for clients and collaborators. The digital transforma-

tion will continue as part of the strategy adopted by the financial system, which has been observed in a more noticeable manner in the wake of the pandemic. One of the biggest challenges is the ability to maintain personalized attention from business advisors during the digital experience. As of December 2021, 69% of our active individual customers are registered on our digital channels; 78% of our legal clients are also legal entities.

What characteristics define Produbanco as a sustainable bank?

Produbanco is a green bank. Green has associations with nature, hope, life, positivism, abundance, freedom, the future, and efficient technology. Produbanco has assumed sustainability as a strategic commitment with the conviction that banking is a key multiplier of sustainable development. It is an agent of change in promoting the construction of a more responsible society in harmony with the planet. We are the first bank in Ecuador to obtain an international certification of Carbon Neutrality according to ISO14064-3 and verified by Société Générale de Surveillance. This certification is global and specializes in quantifying, evaluating, and defining actions to improve and reduce the carbon footprint of organizations, under strict guidelines of the Carbon Neutral Protocol. Produbanco was one of the founding signatories of the Principles for Responsible Banking, ratifying its strategic commitment and aligning its sustainable business approach with the UN's SDG and the Paris Climate Agreement.

What results has the Green Lines of Produbanco program had to date?

Our program Green Lines of Produbanco

was set up in 2016, and since then, we have awarded USD325 million in 442 operations to 206 clients. To date, this portfolio has a balance of USD101 million. In 2021 alone, we generated credits of USD105 million. Some 64% of credits granted was directed toward the agriculture and fisheries sector for promoting sustainable practices in these activities. These include more efficient risk and energy use systems. ✖

BIO

Ricardo Cuesta Delgado graduated from Florida International University in economics and Latin American studies. His later undertook international training in strategic planning, management development, banking marketing, treasury, corporate, and consumer credit, among others. He has held high-ranking positions in the financial sector at a national and international level in institutions such as Citibank, N.A., Banco Aserval, Sociedad Financiera y Banco MM Jaramillo Arteaga, and Banco de la Producción Produbanco - Grupo Promerica, among others. He has actively participated in boards of organizations related to the financial sector. In addition, Delgado was a senior instructor for Citibank N.A. (New York) and for Visa International (US) for corporate seminars developed for South and Central America.

INTERVIEW

BEHIND *the scenes*



Seguros Confianza has played a big role in supporting Ecuador's development, having guaranteed many of the leading projects and public procurement initiatives in the country.

Teresa Peña
CEO,
SEGUROS CONFIANZA

100% Ecuadorian

Specialists and leaders in the surety industry

Over 35 years of experience in local market

Backed by the strongest reinsurers in the world

BIO

Teresa Peña has been the Executive President of Seguros Confianza since 2015, with more than 25 years of experience in the company. She is currently the president of the Latin American Association of Credit Insurance (Alasece), being the first Ecuadorian woman to preside over this important entity. She is also part of the board of directors of Fedeseg, Vice President of the Guayaquil Insurance Chamber, and a member of the board of Reaseguradora del Ecuador, Ecuare.

How did Seguros Confianza evolve from a small insurance company in Guayaquil to a major player in the market?

Confianza was established as a specialized company in the niche of surety bonds. In fact, some of its shareholders were other insurance companies that perceived the need for a player to oversee this specialty, as it is a different type of insurance, which has more similarities with a financial business than an insurance one. Confianza started with just one product, but 17 years ago we introduced another niche product: credit insurance. We are proud to have been pioneers of this product as well. By the end of 2020, we became market leaders for credit insurance, as we share the playing field with Coface. Confianza is an Ecuadorian company that has retained its Ecuadorian equity. It is a family business capable of competing with multinationals. Currently, we are leaders for both the bonds and credit insurance markets, which makes us proud. It has been an interesting growth trajectory. Guarantees might not seem as attractive for those unfamiliar with the business. However, when you insure a project or any type of infrastructure, you feel like you are a part of it because you are making it viable. If we look at it this way, we have supported a great part of Ecuador's development, as we have guaranteed many of the leading projects and public procurement executed in the country.

Are you using big data or business intelligence to make your company more competitive?

We are testing both in small projects so that we can start using them in a larger scale soon. Digital transformation for us is about conceiving the entire business from a digital perspective. We want to enable the creation of a native digital user. Since 2021, we have immersed ourselves in this restructuring and redesign, moving toward the digital understanding of the business. In order to achieve this, you most definitely need to employ

big data. We intend to enable the customer to immediately see their approval and conditions available with one click. This will make the process a lot faster, which is what our current clients need. In a business such as ours, one of the things clients appreciate the most is the consultancy support we provide. They need us to tell them if a new contract they are about to sign has clauses that are not beneficial for them, or if there are any others that need to be amended. They need to be absolutely prepared, and so by advising our customers we increase our added value.

What are the current trends for credit insurance in Ecuador?

For any foreign investor keen to enter Ecuador, the credit insurance aspect is still lacking. We are not a country with a big culture of insurance. Sometimes, companies go bankrupt not due to bad administrators or decisions, but rather due to a lack of liquidity. Credit insurance turns the account receivable into an asset of the company. From a financial point of view, this makes the company look sturdier when someone wants to invest in it, as it shows them that you have a financially sound business that is coherent and supported. With this insurance you are mitigating risks and depending on what industry a foreign investor is interested in, the insurance will always work as a support. No matter what the sector you want to venture in is or the role you want to play (be it investor, buyer, receiver of Ecuadorian products, or services), you will also be able to demand the insurance that works as a risk mitigator. Insurance is highly diverse in nature. In the model Ecuador is currently following, the country is actively looking for ways to invite foreign investors to participate in public-private partnerships. The insurance sector, of which we are part, believes that we have a role in these partnerships that could potentially be very interesting. ✖

YOU NEED TO TRUST
IN ORDER TO PERFORM
RELIABLE BUSINESS.



Over 35 years supporting Ecuador's development.

Your trust has consolidated us as the leaders
of the bonds and credit insurance market.

Let's keep building dreams together.

www.confianza.com.ec

GUAYAQUIL • QUITO • CUENCA • MANTA

INTERVIEW

FOR *the long haul*



Ecuaprimas is focused on positioning itself as a provider of real and effective insurance solutions.

Rafael Avilés Ledergerber
CEO,
ECUAPRIMAS

Named one of the top three best insurance brokers in Ecuador

Has over 200 collaborators and 25 years of experience in the market

BIO

Rafael Avilés Ledergerber is co-founder of Ecuaprimas and is part of the board of directors that have led the company's growth and development into one of the leading companies in the market. With a 25-year career in insurance, he started as an assistant manager at Ecuaprimas to become the manager and then CEO of the company. He is also CFO of RiskCo and a member of the advisory board of Jiang Tai. He has participated as a speaker in several seminars in Ecuador, Latin America, the US, and Asia. He is also the Vice President of the Young Entrepreneurs Association AJE of Ecuador and Director of the Ecuadorian-Chinese Chamber of Commerce.

Ecuaprimas was positioned among the top three best insurance brokers in Ecuador. What initiatives did you undertake to achieve this recognition?

The main thing is our focus on people and our ability to provide value through insurance solutions that make a difference. That focus on people has been transcendent for the company. Another element that makes us different is that we listen to our customers. We build insurance solutions that are out of the ordinary, and for this it is essential to understand the particular realities of each one. Another difference that separates us from our competitors in the industry is our passion to serve, which makes a difference. This ranking clearly reflects what Ecuaprimas' values: Everything we do, we do to help others. That makes the difference in a world as competitive as today, with solutions that seem similar to each other. We take care of you, we protect you, we give you peace of mind and security, not only as a commercial message to our clients, but also to our co-workers. Everything we share and discuss generates value for the firm. All these are framed in values and principles that are the central axis of the company, such as responsibility and trust. Unlike other companies in the sector, which also have their means and are great professionals in the industry, Ecuaprimas was born from scratch, without an economic group or a family to support it with funds. Our approach of postponing personal benefits to generate value for people has truly made a difference and enriched the company. At Ecuaprimas, we truly believe every crisis is an opportunity to do things better.

Why did Ecuaprimas decide to launch Ecuaprimas Connect?

Ecuaprimas is focused on providing excellent service, and through a digital and technological transformation we believe we can create an ecosystem with a series of resources and tools that generate

value for our clients. We want to create an ecosystem with a series of resources and tools that generate value for the client. In this sense, we recently launched Ecuaprimas Connect. It is our digital ecosystem that allows our customers to access all their information from anywhere in the world, in real time, online, and solve all their claims and policies through the app and the portal. With such solutions, we can bring insurance closer, in a more practical way, to the customer with simple solutions and no complications.

Ecuaprimas recently opened its own academy. Why did you decide to launch this academy?

When I assumed the presidency of the company in 2017, I wanted to understand the quality of our work environment and how it was perceived by our people, so we conducted a work experience survey. When they were going to give us our results and what I thought would be a recognition of Ecuaprimas being the best company to work in the country, I was surprised when I found out our work environment was neutral; it did not add value to people. It was a difficult realization, but at the same time, it was the best thing that could have happened to us. We doubled down on the things that were important to our people and implemented a series of actions that would generate value over time for our people, such as the Ecuaprimas Academy and the company's evaluation and recognition systems, which have been fundamental. In 2018, all of our efforts resulted in the Great Place to Work certification, and in 2021 we achieved the highest score in our history. I felt we finally understood that by our company's commitment to prioritize our people's well-being, we were making a difference not only in their lives but also in our customer service. This was because of the company's commitment to its people and accompanying them in the most difficult times. ✖



Ecuador has no mandatory car insurance except for a policy that covers injuries

INSURANCE

The relative sophistication of the market in Ecuador has meant insurance providers have much to be optimistic about and are keen to compete to offer unique and better products.



Ricardo Loaiza
EXECUTIVE PRESIDENT,
CUSTODIA SEGUROS



Leopoldo Báez
GENERAL MANAGER,
BUPA ECUADOR



Adrián Ordoñez
CEO,
COFACE ECUADOR

CUSTODIA SEGUROS started 20 years ago with the purpose of protecting families. Our target clients are company managers and executives, and we offer them solutions to protect their families. We never planned to partner with many insurance companies as possible and only focused on working with the best ones. Most of them are multinational, since they are the biggest and care the most about their reputations. Thanks to these strategic alliances, we are able to offer family protection solutions to our clients. We have evolved because we always look for added value, a complement made of legal, tributary, and financial help to show clients why they should buy our product. Our strategy has not changed much over the past 20 years, and we continue to attend the same clientele. This group of clients continues to refer us to more and more people. Our strategy since day one has been to provide solutions for families and sophisticated clients. These people demand many tailored solutions, which is our specialty. We currently rank among the top 20 insurance brokers in Ecuador. For us, the most important thing is to position ourselves with our target clients with our ethics, values, professionalism, and our capacity to provide solutions.

BUPA HAS BEEN OPERATING in Ecuador for more than 20 years. It is one of our longest operations in Latin America, and it is strategic because of the country's characteristics. Healthcare is extremely important for its inhabitants as well as financing private healthcare. Since the beginning, Bupa's strategy in Ecuador and Latin America overall has been to operate in international medical insurance, ensuring a complete offering for our customers who not only want coverage in their country, but outside of it as well. This was our main strategy in Ecuador in the first 15 years. However, in the last three years, we have begun to focus on expanding. We have launched domestic insurance policies and want to eventually offer access to private healthcare coverage to the whole population of Ecuador. We initially focused on corporate insurance coverage, and the idea is to identify those companies to which we can offer these services to their employees. In return, they will have a provider with international experience and all the know-how that this brings. The second stage, which began in 2022, is the launch of our local individual insurance products. Those who want to contract private healthcare insurance can do so through Bupa.

COFACE STARTED OUT as a public company but is now 100% privately owned. Although we are now a private company, our core business has not changed. We still work to guarantee the risk of default through our trade credit insurance products. In other words, we are an insurance company that deals strictly with trade credit insurance. What makes us stand out is our high solvency, since you need to have a minimum amount of capital to do business. We not only have it, but we are also backed by a large multinational such as Coface France. Moreover, we do business in more than 100 countries across the world, which benefits our clients in their foreign trade activities. We help them by advising on default risk, assessing each particular situation, and enabling them to manage the credit and the payment in the country of destination. Ecuador accounts just for 0.4% of Coface's global portfolio; however, it is one of the countries with higher penetration rate. For example, Chile has a 3% penetration rate, which means 3% of GDP is insured with trade credit insurance. Ecuador has a 2% penetration rate, and we have a great level of performance.



Juan Francisco Andrade
GENERAL MANAGER,
FIDUCIARIA ATLÁNTIDA

BIO

Juan Francisco Andrade holds a law degree from the Catholic University of Quito and a graduate degree in financial law and securities from Universidad Andina. His management studies include an MBA from IDE Business School in Madrid and the senior management program from INCAE Business School in Costa Rica. He started his career as a corporate lawyer in Quito for two of the most prestigious law firms in Quito, then as a legal counsel to prestigious trust fund administrators. He currently holds the position of CEO of Fiduciaria Atlántida Fidutlán Administradora de Fondos y Fideicomisos S.A.

After 100 years' experience under its belt, what attracted Grupo Atlántida to the Ecuadorian market?

Grupo Atlántida was interested in investing in Ecuador for many years, but were concerned about political and economic stability; however, they recently took a new interest in Ecuador and are now much more involved with the country and its future. They evaluated the opportunities to invest in our economy that have very strong enterprises in a dollarized economy, being able to generate financial products with high added value. Within the group, Fiduciaria Atlántida is the manager of trusts and funds. We closed 2021 with 250 trusts and approximately USD350 million in assets under management. This is an excellent result, considering that we have been in the market for four years.

What projects are you carrying out to innovate through your clients' data?

Right now, we are completing one of the most advanced technological tools related to trusts and the fulfillment of obligations given by our settlers in Ecuador. The processes and the technology used allowed us to have proper and relevant information. In the funds industry, even though we have a participation between 2-3% of the market, we have a growth of over 100% per year, with assets under management of around USD25 million. We work extensively with technology to allow people to experience working with Fiduciaria Atlántida. We expect to have great years ahead.

What trends are you seeing in Ecuador in terms of escrow and real estate investment?

We are currently seeing new opportunities in the market, the rebirth of new products that were being halted. We are expecting legislative changes in the next years. Businesses are changing in Ecuador. In the past six months, we have been working with individuals in real estate market who are seeing Ecuador as a destiny of investments specially from our neighbors Peru and Colombia. ✖



The Trans-Andean Oil Pipeline pictured on the slopes of the Andes. It links Amazon oilfields with a coastal refinery

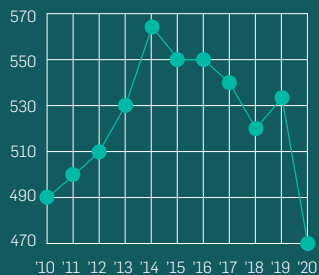
RAW MATERIAL PROCESSED BY REFINERY (OCTOBER -DECEMBER 2021)

SOURCE: PETROECUADOR



- 63% Esmeraldas
- 25% Libertad
- 12% Amazonas

TOTAL PETROLEUM AND OTHER LIQUIDS PRODUCTION ('000 BARRELS PER DAY)



OIL TRANSPORTED IN 2021 (MLN BARRELS)

SOURCE: PETROECUADOR

October	14.28
November	13.9
December	4.84





Hydrocarbons

DOUBLE BET

Domestic oil production for 2021 was 172.6 million barrels, equal to average daily production of 470,00 barrels, 1.4% lower than daily production in 2020 and 10.9% lower than in 2019. Private companies had a production of 36.6 million barrels in 2021, or an average of 100,000bpd, registering an increase in average daily production of 2.5% compared to 2020, although 10.6% lower than 2019.

The reduction in national oil production in 2021 was due to a stoppage in the vicinity of the Eden Yuturi field, Block 12, a short circuit at the CELEC generation plant, which caused the closure of several wells in the Tambococha and Tiputini fields, and the stoppage of crude oil transport by the Trans-Ecuadorian Oil Pipeline System (SOTE) and the Heavy Crude Oil Pipeline (OCP) due to force majeure.

The biggest development in the sector in recent years was the absorption of Petroamazonas by Petroecuador, leaving the latter as the only state-owned company in oil production. The new Petroecuador is expected to expand its portfolio to include petrochemicals and geothermal development in the future.

After this move, the Ecuadorian oil sector is enthusiastic about the future, as there are plans afoot to double production. Ecuador is seeking

an investment of USD12 billion to double its oil production in the next five years based on a strategic plan set out by Petroecuador. General Manager Ítalo Cedeño announced that the company seeks to double its oil production from the current 400,000 barrels, equivalent to 80% of national crude production, to more than 800,000 barrels in 2026 thanks to eight exploration and production, refining, and transport projects with private-sector participation.

By 2022, the Ecuadorian state oil company plans to add an additional 100,000bpd to production, with an investment of USD437 million.

One of the main challenges to be tackled, however, is refining. Ecuador produces fuel oil, which is cheap compared to importing expensive derivatives, which, when mixed with locally produced ones, results in petrol and diesel with Euro 3 standard. The country, however, needs to reach Euro 5 to considerably reduce its environmental footprint.

In all, Ecuador seeks private investment to enhance its refinery capacity and take over its main plant in Esmeraldas. This is expected to happen over 2022 through public tender processes, which will also include the offer of new oil blocks and the operation of oil-related facilities. ✖

ramping UP ACTIVITIES

Petroecuador is working on its goal to significantly increase production in oil and natural and associated gas to boost Ecuador's national production overall.

Ítalo Cedeño
GENERAL MANAGER,
PETROECUADOR



How will proposed drilling efforts in Petroecuador's fields benefit the country?

Ecuador's economy will benefit from increased oil production. We have an ambitious goal in the next five years to go from 400,000bpd, which the company is currently producing, to 800,000bpd through new investments in exploration and production. With the right decisions and the support of state institutions in the form of suitable laws and regulations, we will be able to bring in world-renowned companies and their capital to the country. All these actions are aligned with the policies of the national government, led by President Lasso. We are already heading in that direction, and we are working together with my team on strategies that allow us to develop and extract oil. We do not have an option, as it is now or never. Our aim is also for EP Petroecuador to become a hydrocarbon company and for the equivalent barrels of oil to be incorporated into our nation-

al production, including the production of natural and associated gas.

How do you plan to increase the company's production in five years?

This will be made possible through joint operation through consortiums in association with private companies that invest their capital and technology in the oil fields of EP Petroecuador. For example, we have received letters of interest from companies in rehabilitating 100 closed wells in a first phase and capture the associated gas in the production facilities of the Amazon region. In addition, we have identified eight main components of the strategic plan: an increase in production; the incorporation of associated gas and liquids to production processes; the evaluation and development of the mega blocks, East Center, blocks 43, 31, and 16, and West Center (Pungarayacu) and Costafuera (Amistad); the industrialization of the Esmeraldas Refinery; the conversion of the La Libertad and Monteverde refineries into the international mega hydrocarbons storage center; asphalt production; natural gas and fertilizers; and the development of the Lago Agrio-Coca and Machala-Guayaquil GNV. With this, we will increase production, modernize facilities, make them more productive, and develop additional resources for the benefit of Ecuador.

Another important oil project for Ecuador is Ishpingo-Tambococha-Tiputini (ITT). How are you involved in its development?

Currently, we are starting the operation of the first well on the Ishpingo A Platform, Tower 66, with a production of 3,600bpd, which is operated by the contracting company CNPC Chuanqing

Drilling Engineering Company Limited (CCDC). It will contribute some 50,000bpd additional oil barrels per day of the 100,000bpd barrels of oil equivalent that the company expects to have by the end of 2022. Subsequently, EP Petroecuador will begin drilling the Ishpingo 6H well. A total of 36 wells have been planned (of which 35 are producers and one gravel re-injector) per platform, within a period of two years. Likewise, this project is developed by Ecuadorian technicians using the best specialized practices in the industry, in accordance with the provisions of the Constitution and environmental regulations.

What strategy is Ecuador using to sell its crude?

In April, we carried out a transparent public tender for the export of Ecuadorian Oriente and Napo crude oil in the medium term. EP Petroecuador awarded the refining companies Marathon Petroleum Supply LLC. 7,920,000 barrels of Oriente crude oil and Petroperú SA 3,960,000 barrels of Napo crude oil, which offered an additional premium of USD +0.75 per barrel and USD +0.72 per barrel, respectively. Also, since April, the ARGUS digital platform has been publishing daily spreads for Ecuadorian Oriente and Napo crudes. Their statistics will be based on the data that will be delivered by EP Petroecuador. The purpose is to make this information transparent, which serves as a basis for marketing Ecuadorian crude internationally. Regarding spot sales, two processes have already been carried out this year. The aim is to have at least 10% of the exportable balance of Ecuadorian crude on the market to obtain more revenues and benefits for Ecuador. ✖

BIO

Ítalo Cedeño holds a degree in petroleum engineering from Escuela Superior Politécnica del Litoral (ESPOL). He did his postgraduate studies from Harvard University in Boston; Arthur D Little in Cambridge; and LUZ of Venezuela for his MS in program in petroleum. He has more than 40 years of experience in the hydrocarbons sector around the world, in which he has held important positions in the public and private sectors such as head of production methods at Shell-Maraven in Venezuela, project director for international acquisitions at Conoco in the US, and general manager of Petromanabí in Ecuador, among others. He actively participates in panel sessions, conferences, and events related to the industry.

MODEL *for others*



Schlumberger Ecuador has become a reference for the corporation worldwide in terms of its sustainability efforts, digital technologies, and community programs.

Carlos Sarmiento
MANAGING DIRECTOR FOR
COLOMBIA, ECUADOR, AND PERU,
SCHLUMBERGER

How important is Ecuador in Schlumberger's portfolio? Ecuador is extremely important for us. We have here the best type of performance model, whereby we are paid only for what we develop or produce. This generates a high level of alignment with the country's and Schlumberger's objectives. In Ecuador, we bring in top technology that allows us to maintain a solid learning process thanks to the contracts we have for further application here and internationally. It is a critical place for us, and we have great resources in Ecuador because of our alignment with the country. Schlumberger Corporation has its eyes on us, and we are extremely proud of our achievements. We have been in the country for almost 90 years and have been using this performance model for the last 10 years. We have been delivering results. For example, in January, we completed 10 years of a contract that we signed in 2012. We received a field that was declining, with a rate of 43,000bpd, took it to more than 90,000bpd, and right now it stands at 60,000bpd. To do that, we have made many investments in primary and secondary recovery. We apply digital technologies that are state of the art, such that our fields here have become a laboratory whose results are shared elsewhere. We also support the communities around us. This is not necessarily a contractual requirement, but we do it because we believe in it. We are also aligned with the government not only in the short term but also for the medium and long terms. We recently signed an MoU with the Ministry of Environment and Ecological Transition, the first ones to do so, to map together the transition to net-zero with the support of academics, our technological centers, and others. Ecuador gives a Punto Verde Certification for technologies that are much better at reducing CO2 emissions. We now have 10 such technologies. Schlumberger was by far the first one in the industry, and others have tried to follow, but our technologies are powered by our Transition Technologies Portfolio, so we continue to work on that in many ways.

What distinguishes Schlumberger from other top players in the game here?

First, we always look for alignment with the bigger government objectives. Second, we truly care for the communities around. We go above and beyond what the contracts require, and from a corporate perspective we are the example to be followed, especially in terms of sustainability, which is a key element worldwide. Our global efforts are looking at what we have done here to replicate it elsewhere. In education, we support more than 30 schools with computer labs, sponsoring internet and including them in a network of STEM workshops benefiting over 16,000 students and teachers. We work together with San Francisco de Quito University to develop and give children the opportunity to work in STEM subjects. In fact, together we have implemented the first School Fab Lab in Latin America to create STEM learning spaces with new technologies such as 3D printing, VR, robotics, and much more. We are working together with the university to break gender stereotypes and work with underserved schools in a diverse and inclusive environment to reduce inequality and encourage these children studying in the areas where we operate, so that we can inspire them and plant the right seeds.

What concrete steps are being taken to lead the energy industry into cleaner production?

Schlumberger was one of the first companies to really measure the impact, for stages I, II, and III. We belong to the Scientific-Based Target Organization, so we have our targets measured worldwide, and our objectives are based on that. We truly want to achieve net with little compensation. We are not talking about zero balance; our objective for 2050 is net zero. Now, we have Transition Technologies Portfolio and a Schlumberger New Energy department, so there is a clear indication that all the technologies developed by Schlumberger include an element of reducing CO2 emissions. ✕

Employees feature over

140

nationalities working in more than

120

countries

Schlumberger del Ecuador SA has more than

85

years of uninterrupted service in the country

BIO

Carlos Sarmiento is currently the Managing Director for Ecuador, Colombia, and Peru. He graduated as a mechanical engineer and among other qualifications holds an MBA – RSM from the Erasmus University of Rotterdam. Since he started at Schlumberger in 1995, Sarmiento has held positions such as field engineer, operations manager, country manager, human talent manager, and commercial and sales manager for Latin America, which has led him to take on assignments in Venezuela, Brazil, the US, and currently Ecuador.

INTERVIEW

A gas pump pictured at a petrol station in Tungurahua Province, central Ecuador. Following social unrest at increasing fuel costs, President Lasso fixed the price of petrol at the pump at USD2.55 a gallon in late 2021.



growth PLANS

Sertecpet provides its tools, products, and services to add value to clients' operations and remain a key partner.



Eduardo López Robayo
CEO,
SERTECPET

What strategies are you using to stay ahead as a disruptive force in the industry?

As leaders, we have an enormous responsibility to lead toward a long-term vision, namely sustainability. Professionals, companies, and governments must instill a management model that incorporate the best criteria and governance practices to achieve their objectives and meet the society demands in terms of environment protection and the value adding, by means of employment generation, adequate wages, labor respect, and ensuring good practices. For that challenge, Sertecpet has developed a compliance matrix not only to comply with the laws in the countries where the company operates but as an integral form of compliance. That is why we have focused on ensuring that all our processes are certified by the most demanding standards and certifications in the world in terms of quality, environment, good practices, and anti-corruption throughout the production chain. Sertecpet follows the API 18 LCM standards that is basically the lifecycle of the services and the products, as well as other equivalent standards, such as API 37001 which certify Sertecpet good processes and practices. Sertecpet is the first company in Ecuador to adopt this standard as a certification. It is part of the company culture even if these certifications do not generate a benefit or royalty per se, but give us reliability and recognition in the market.

Over its 31-year history, Sertecpet has been noted for its resiliency, particularly during the pandemic. What have been the ingredients to its success?

The ability to overcome difficult times and challenges is due to Sertecpet management capacity and model, human talent who are committed to excellence, supported by all the appropriate technological tools without neglecting any financial elements in the operation of the business itself. Resilience is a key factor of maturity and a strategy to understand and overcome any crisis. In 31 years of existence, Sertecpet had to be extremely

resilient to handle political situations and economic crises in the countries where it operates because we do believe that the organization is made for the future generations. It is worthwhile mentioning that regardless the lack of support and political constraints Sertecpet was able to develop innovative solutions to grow because Sertecpet has an enormous responsibility to Ecuador and to the countries where it operates. The best practices, the recognition by all of its certifications, including various higher score European management model awards that Sertecpet won in 2020, such as the EFQM, provides legitimacy of Sertecpet management model vis-à-vis the European model.

What innovative solutions has your renowned R&D department discovered recently?

Along the years, Sertecpet R&D department not only have developed products but have also patented them in the US, Canada, Russia, and more than 20 countries. There are several developments and application of oil and gas wells which allows Sertecpet to bring knowledge to the world and go out with its own tools, products and services. We can add value to our clients' operations. The most important thing about Sertecpet of way to do is that we are constantly working on how to bring a new product, a new service, with a differentiating technological value of innovation. This is built into our company's DNA.

What is your 2050 plan?

By 2050, Sertecpet will be on the technological radar within the change in its energy matrix which leads us to develop clean energy more and more. To achieve this goal, Sertecpet has established alliances with companies and first-class organizations. Our 2050 vision is to reach this goal of growth, generate thousands of jobs, have a global international presence, and generate value in each country where we are in. We want to be recognized as an ally and strategic partner in each country that the company operates. ✕

Established in

1990

1st

**multinational
Ecuadorian-based
industry to provide
integrated energy
solutions worldwide**

BIO

Eduardo López Robayo assumed his current position in 2010. Previously, he was appointed constitutional representative of the president of Ecuador to the board of directors of Petroecuador in 2003. In 2004, he became the Minister of Energy and Mining. López Robayo has a degree in commercial engineering from the Universidad Javeriana, Ecuador. He also studied geology, mining, petroleum, and environment while pursuing a degree in petroleum negotiation management in the engineering department of the Central University of Ecuador.

INTERVIEW



100% Ecuadorian workforce

Brings international technology to local oil industry

BIO

Sigmar Cruz Román is a petroleum engineer with 21 years of experience in the hydrocarbon extractive industry. He is a graduate of the National Polytechnic School of Ecuador and holds a master's degree in petroleum and natural gas from the University of Buenos Aires. For four years, he was the asset manager of Block 57 and manager of special contracts for mature fields and consortiums in the state-owned company Petroamazonas EP. For 11 years, he held positions as superintendent of Amazon District Operations in the state-owned company Petroecuador EP, as well as senior coordinator of the petroleum engineering department and production and development specialist in the state-owned company. He is currently CEO of the Shield Pipes, which provides goods and services to strategic sectors in Ecuador.

How does the technology brought by Shield Pipes to the Ecuadorian market support the local oil industry?

Shield Pipes is a 100% Ecuadorian company founded in 2009, resulting from the initiative of a group of professionals in the oil industry to provide quick and quality solutions for the industry's needs. Shield Pipes meets the industry's need with a 100% national labor force. We provide job openings primarily to professionals coming from the Amazon region, a zone that has generously provided us with non-renewable natural resources since 1967. In this way, we are giving back to the nation. To provide quality goods and services, Shield Pipes is certified with the seal of quality granted by Mucho Mejor Ecuador and holds the Quality Integrated System ISO 9001 and Environmental Management ISO 14001 certificates. In this way, we can guarantee the quality of the goods manufactured and the oil services provided and that all the processes are completely environmentally friendly. Shield Pipes protects thermally the materials that are susceptible to wear and to corrode, using the unique technology in the country through thermal coating technology in titanium alloy HH1 (Thermal Spray). This is a successful alternative to cover and protect the housings of electrosuimmersible equipment because it is much more resistant than the stainless steel, monel, or inconel, of which it is originally made or coated. Our goal is to go even further, with an innovative technology of titanium technical coating, extending its useful life by more than five-fold. Shield Pipes currently use the HH-1 coating technology to build different types of centralizers that act as friction reducers, enabling smoother slides in the well without having to use friction-reducing chemicals.

Ecuador is currently committed to increasing its oil output. How can Shield Pipes contribute to this process?

For us, it is great news that the government wants to double production through drilling. The way to achieve this is by preventing wells that have already been drilled from going into workover before expected. We are contributing on both fronts: drilling with our technology that improves sliding in the

UNIQUE *technology*

Shield Pipes brings added value to the Ecuadorian oil market by using unique technology in the country through thermal coating technology in titanium alloy HH1 (Thermal Spray).

Sigmar Cruz Román
CEO,
SHIELD PIPES

well; and preserving sensitive downhole equipment with special thermal coating technology and even centralizing with friction reducers to prevent damage to the electrical wiring of downhole electrical equipment. If a well is already producing, the goal is to make it last as long as possible and prevent it from going into workover prematurely. If we take care of these two aspects, we can increase production.

How do you ensure that your practices are environmentally friendly?

Any company that wants to develop processes must have an ISO certification, that guarantee the good performance of procedures for the production of quality goods and provision of services that respect international standards of health, safety, and the environment, as it is the case of Shield Pipes. ISO 9001 has to do with quality standards, both in goods and services, and ISO 14001 focuses on the environment. All processes must be environmentally friendly; otherwise, they do not belong in our company. In all our operations for construction of friction reducing centralizers with unique HH1 technology, we apply measures that enable us to quantify our emissions and the type of waste we generate. Everything must be aligned with the pollution preventing policy. The only way to regulate this is via such certifications that establish clear mandatory environmental management and safety policies

What are your objectives in the short term?

Shield Pipes works to keep up with international technology trends, and that currently involves nanotechnology, making it possible to create particles infinitely smaller than regular ones in processes involving Thermal Spray, achieving higher compaction and resistance in the application of high wear resistant coatings and improved friction-reducing properties. Our strategy is always to approach solutions with unique technologies; this opens doors for us. Shield Pipes works to seek technological innovation and provides integral solutions to strategic sectors such as hydroelectric energy production and mining. ✖

EFFECTIVE PERFORATION

Unique HH1 "Thermal Spray" metal coating technology.
Effective friction reducing coatings.

Drill pipe



ESP equipment housing



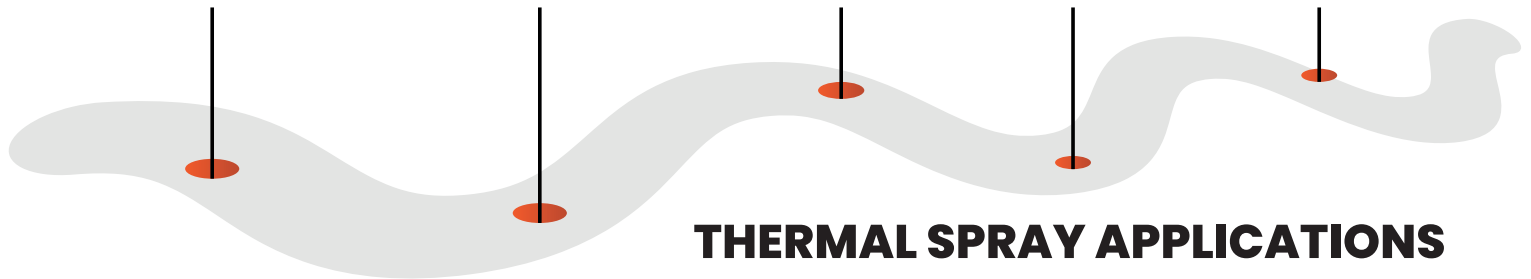
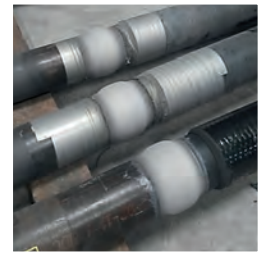
Casing/Liner



ESP equipment centralizer



Centralizers to protect Swell packers/ ICD's



THERMAL SPRAY APPLICATIONS

- SHIELD Pipes is a 100% Ecuadorian company that provides goods and services with innovative technology in metallic thermal coating for tools and equipment susceptible to aggressive conditions of wear, corrosion and friction.
- Its unique HH1 (titanium alloy) anti-friction metallic coating technology drastically reduces the friction generated in pipes (Drill Pipe, Casing, Tubing) running in high deviation or horizontal wells. There is no need to use friction reducing chemicals in the well.
- We build tools with anti-friction technology to protect electrosuimmersible equipment components: electric cable, housings, motor, pump, seals, etc.
- We use advanced Torque&Drag software to determine stress points within the wellbore that can affect completions integrity.
- Our services are focused on strategic sectors: oil, mining and hydroelectric energy production.



OFFICE

Mariana de Jesús E7-8 y La Pradera, Business Plus Building, Office 205
(Quito - Ecuador)

OPERATIONS BASE (WORKSHOP)

Kilómetro 7-1/2 Vía Lago Agrio, Francisco de Orellana
(Coca - Ecuador)

TRAINED *workforce*



ITP is a technical training organization created with the aim of satisfying the training needs of the Ecuadorian and international oil sectors.

Golda Rodríguez
DIRECTOR GENERAL,
TECHNICAL INSTITUTE OF PETROLEUM,
MINES, AND INDUSTRIES (ITP)

***Ready to support
the development
of responsible
mining***

***Training and
upskilling
Ecuadorian
workforce***

How has ITP evolved since its beginning almost 20 years ago?

ITP's mission is to provide a quality service that contributes to the human and professional growth of each of our clients, ensuring that we satisfy their needs, through the ethical, moral, and professional work of each of our collaborators. We have evolved greatly over the years. In the first year alone, we gave courses to 100 people, though 2021 we reached 12,500 students. At the beginning, ITP was focused on the oil industry, and we have grown to cover training needs of more than 80% of oil service companies in Ecuador. In 2022, we expect to increase trained people by 20%. We offer courses to companies or individuals related to the oil industry through both public and private companies, as well as the mining sector and other industrial activities.

How did the institute adapt to the pandemic?

We had to act quickly. We had an individual in 2019 who came in, made an assessment, and recommended some tools that helped us to overcome the challenges. We created a platform that has been running since June 2020. In addition, we held Zoom video calls with between 200 and 500 people, where engineers gave advice in order to sell the online course. That is how we were able to move forward. We gave specialized courses on mining. We once had an instructor from London who could speak Spanish, and he gave a lecture via Zoom that was attended by 500 people. Thanks to the platform's dynamic, the attendees were able to talk and discuss. I firmly believe we will be able to support the government and the companies that need us to train the workers and have a better Ecuadorian workforce.

What is your strategy to stay ahead of the curve?

It is all about constant work, having a solid image and relationship with our clients, as well as our

staff, who I consider valuable. This is how we got more 80% of the nation's oil and how ITP seeks to work more intensively with mining companies. Moreover, we have streamlined our strategy into three areas: academic-technical, commercial, and finance. The one that is continually updated is the academic one, where there are the most staff. Going virtual is a great tool, as well as a challenge, since it gave us the opportunity to continue lessons during the pandemic. However, face-to-face lessons are still preferable in this line of work. The students need to learn how to handle the equipment as a part of their training.

What are your goals for the coming years?

I would like ITP to be firmly established in the mining industry. Moreover, we would like to get the required technology in the mining, oil, and industry areas in order to train workers who to carry out the more manual tasks. We need investments to make all this happen. We want to remain focused on logistics, instructors, facilities, and more. Apart from that, Ecuador is working to attract investment into the oil sector, with recent rounds of contracts for drilling and more to come. These investments create the need for more local workers, and foreign companies that enter the country want to focus on this core business. We provide a certified workforce for them to run their business. We have about 150 instructors focusing on security and health, for example. They also include in their courses information about working at Ecuador's high altitude. We have been holding as many as 20 courses at the same time across the country. We even hold them in the drilling fields, where we can bring our technicians, drivers, and equipment. At our main facility, we also have three simulators where people come every week to virtually and safely experience the possible situations that happen at a drilling unit. As the oil industry is undergoing rapid digitalization, we also include these trends in our courses. ✖

BIO

Golda Rodríguez has been Director General of ITP since its establishment in 2009. Prior to that, she was as an auditor for Deloitte Ecuador and a manager for different departments at Porta Celular, today known as Claro. She has been actively involved in the drilling sector, having represented drilling and workover services in the Ecuadorian market.

BLACK GOLD

Ecuador has come up with a roadmap to double its crude oil production during President Lasso's time in office.

PRESIDENT LASSO BECAME THE STAR OF THE SHOW at COP26 in Glasgow when he opened the summit by announcing his nation's intention to go green in a big way. Indeed, there have been many signs following the summit that Lasso's administration is taking real measures to make the Latin American nation's economy more eco-friendly. Ecuador still sticks to its commitment to unconditionally reduce its greenhouse gas emissions around 25% by 2025. However, this does not mean the country will shut down its oil industry, which has been a driving force of Ecuador's economy for many years. While the country is determined to make many of its industries carbon neutral and reduce the effects of Amazonian oil exploration activities, the oil industry itself is not seen as necessarily evil. Ecuador does not see any contradiction between taking a green turn and upgrading its oil industry.

In 2021, Ecuador announced its plan to double its oil production in the space of four years. The country had left OPEC a year ago to unshackle itself from OPEC's quotas and frequent production cuts. The Andean nation's economy was affected by COVID-19 in 2020-2021; in 2020, GDP saw a 7% decline, and 2021 was no better. With oil prices moving up in 2022, Ecuadorian decision makers are determined to ride on the back of rising crude oil prices to kickstart and restructure the economy.

The government's rationale for ramping up production is that oil may soon lose its value as a major source of energy, and it should be exported as much as possible while it is still valuable. Juan Carlos Bermeo Calderón, Minister of Energy and Non-Renewable Natural Resources, told the media in 2021 that "oil has to be exploited now because tomorrow it will not be needed."

Ecuador's oil industry has for years suffered from over-regulation, aging infrastructure, and mismanagement. President Lasso, who won the election in 2021, believes his country's petroleum industry has much room for improvement. As one of his earliest acts in office, Lasso signed an executive decree (No. 95) to kickstart a series of reforms and developments in the petroleum industry, improving the sector's previously poor outlook. However, it will not be an easy feat. In 2021, Ecuador exported just under 500,000bpd, and ramping up that figure to 1 million barrels is not simply a matter of twiddling a dial and pumping out more oil from the reservoirs. A total overhaul of the petroleum infrastructure and visionary policymaking are needed.

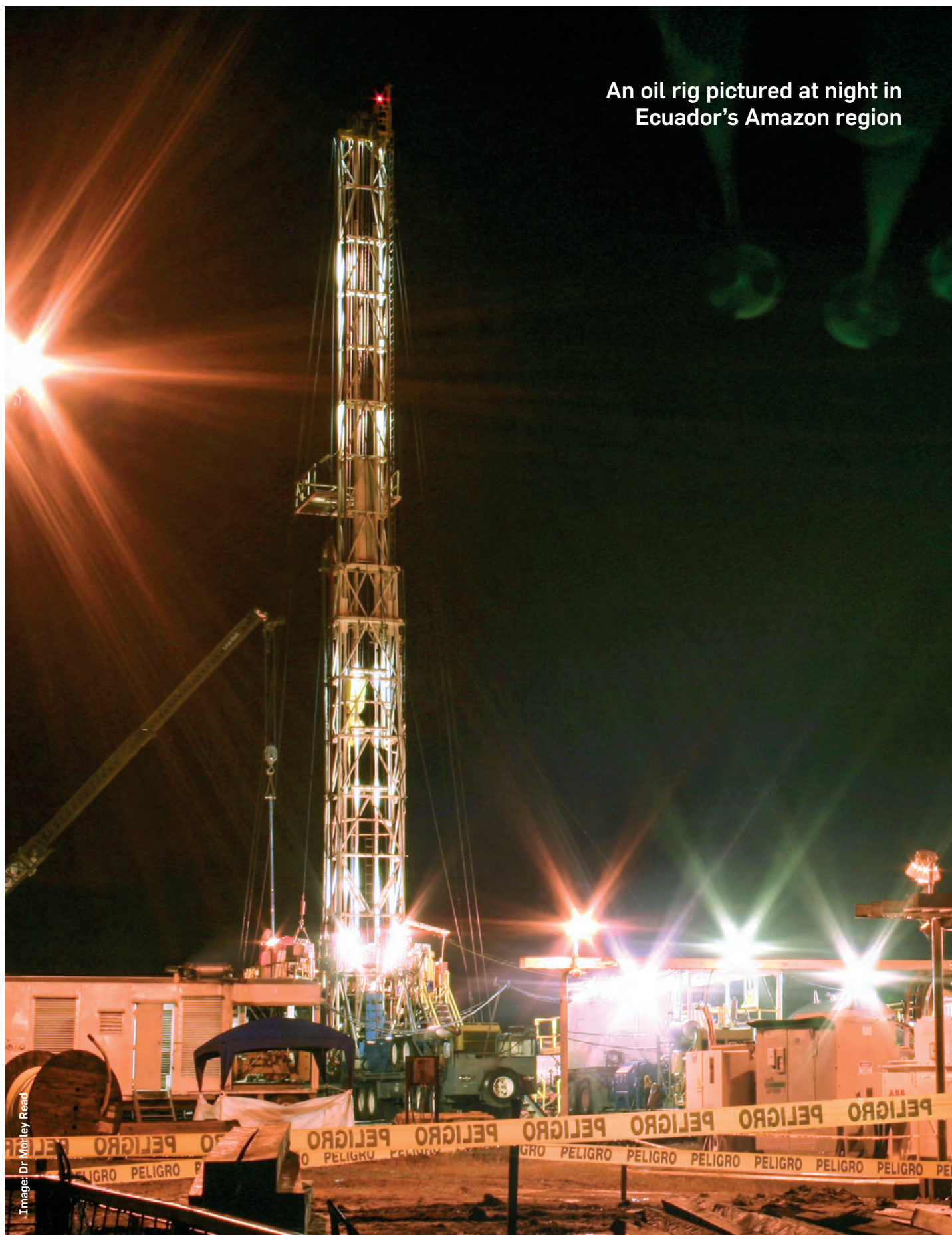
In late 2021, the Minister of Energy told TBY that "to reach 1 million bpd, we have to set gradual benchmarks for partial compliance goals and to ensure accountability over time," also adding that his ministry was planning to reach the 500,000bpd mark before the end of 2021. That milestone was indeed achieved; Ecuador produced 502,000bpd in December 2021, and the next target is 583,000bpd for 2022. The 1 million bpd target also means that drilling projects must start in new places of the country.

Exploration activities are underway in different regions of Ecuador. In 2022, Petroecuador will drill some 40 new oil wells in Ishpingo-Tambococha-Tiputini (ITT) in the Amazonian basin. The region is expected to be oil rich, containing at least 1 billion barrels of crude oil, although exploration activities will be fraught with complications as the wells are dangerously close to the Yasuní National Park, which is protected both for its biodiversity and indigenous people. The Minister of Energy has reassured the media that the project will proceed under the "best technical, environmental, and social conditions."

Inviting private and foreign companies to invest in the industry is one of the possible solutions, and if the contracts are formulated fairly, they can lead to a win-win situation for both Ecuador and the investors. S&P Global, a Manhattan-based business intelligence firm, has estimated that the realization of President Lasso's proposal to double crude exports will come with a "price tag of USD12 billion." Foreign investors also care about transparency, absence of corruption, and a guarantee that their investment will not be affected by currency devaluation. To achieve a higher level of investor confidence, the current administration has put in place anti-corruption measures such as the ISO anti-corruption protocol, as well as the dollarization of contracts. Using an anchor currency in contracts is now a selling point for the Ecuadorian oil sector.

It is expected, as such, that foreign companies will try to increase their market share in oil exploration and production in Ecuador. "Petroecuador produces around 80% of the total oil production of the country. There are plans to increase that production by promoting private investment," said Pablo Luna Hermosa, general manager of Petroecuador to TBY, adding that Petroecuador's "objective is to meet the production goals set by the government. In this way, foreign investors will be able to have greater legal security, which is important and profitable for both the state and the company." ✖

An oil rig pictured at night in Ecuador's Amazon region





Ana Idrovo
CEO,
MASGAS



Juan Cevallos
PRESIDENT,
IMPORTADORA JUAN CEVALLOS

INDUSTRY PROVIDERS

Working to supply industry with products and excellent service, these companies have made a name for themselves for their quality and responsibility.

What makes MASGAS stand out from its competitors?

ANA IDROVO We are differentiated by our personalized service; we like to have a close relationship with our customers. We are a family-owned business, as are most of the gas stations. We understand the dynamics and local idiosyncrasy. Therefore, we provide quick solutions to any problem that may arise. We have also undergone a rebranding to focus on millennials. One thing that differentiates us from others is that our clients are repeat clients. We have also updated ourselves thoroughly. We do not want to create advertising campaigns that only seek to sell something; we want a campaign that makes people happier. Businesses are not only here to sell. There are other factors on which you can have an influence. For example, we have a student grant program for gas station workers. Education is the key to help a society to improve. We are highly focused on our responsibility to ensure that the country—and Latin America—continues to grow. 2020 was extremely complex for everyone due to the pandemic, though this is a fortunate sector. There were some essential services allowed to oper-

ate, with gas stations being one of them. We are essential to ensure mobility in the country.

How did Importadora Juan Cevallos begin importing oil products?

JUAN CEVALLOS I have always liked sales, and the company was born in a financial crisis. We suffered many challenges due to the instability of the currency at the time and started selling all kinds of products. As time went by, we decided to specialize. In 2006 or 2007, we met the company Ulma Group in Spain, and I started to bring in high-quality Spanish products. They were difficult to sell in Ecuador at that time, because at the time, the oil industry was focused on low prices and not quality. It took us a while to introduce these products, but we decided to invest in campaigns to popularize these products. Gradually, people in the oil fields began to assimilate our products. As time went on, we focused on products of the highest quality. We contacted companies in Argentina and started importing pipes from the Czech Republic and Belarus. That is how this path began, and we have been consolidating. It gives us peace of mind to know

the products will not fail. This used to occur when we sold products that were not of sufficient quality, and we decided to change our focus and work only with the best products. We like to sell quality.

Where do you see room for growth in the market?

AI The gas stations of Petroecuador that are being sold used to belong to private companies. Some of those stations were part of our network. We would like to see the possibility of the former owners of those gas stations acquiring them. In our case, we are seeking to grow by the establishment of new MASGAS stations.

JC Ecuador wants to increase crude oil production by 8%. The value of crude oil has remained at around USD80, which is a good level. Now is the time for the government to invest in increasing production in the interest of the whole country. Crude oil is the country's main income. It is important for us to collaborate so that production can increase. In 2022, we have invested to have all the pipelines and valves to implement them at the right time.

How do you want to position the company in the future?

AI We are an Ecuadorian company, and we started from scratch. Now, we want to position ourselves as any international firm. That means we will operate with international standards. We do not only want to have an image and the operation equivalent to that of a multinational company. We want to be a company that is committed to the country, provides jobs and training for our workers, and creates a better Ecuador, as well as a better world.

JC It is important to look at the long-term results, and we are working in line with government policies. We want to see what projects are presented for 2022, 2023, and 2024 and plan to be part of those processes. We want to know new markets and offer new products. There are many products in this oil and gas industry. I am fairly optimistic and believe in my country. We have always chosen to invest here. We are committed to the reactivation of the country. In 2022, we want the company to regain the number of workers it had before the economic crisis. We are optimistic about 2022 and beyond. ✖

LUNDINGOLD

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Mining

MORE TO COME

Mining exports closed the year at an all-time record of USD2 billion, 99% higher than in 2020, according to the Ministry of Energy and Mines. Minerals today are Ecuador's fourth main export, thanks to the output of large-scale mines Fruta del Norte (USD740 million) and Mirador (USD840 million) and the continued growth of small-scale mining activities (USD513 million). By 2025, there are estimates indicating that a sustained growth in mining exports could potentially lead to USD4 billion in exports.

Investment in the mining sector over 2021 declined significantly due to the finalization of the construction of the Mirador and Fruta del Norte mines. Nevertheless, Ecuador remains mostly undiscovered for mining, leaving the door open for further investments should enough legal certainty be provided. On top of Fruta del Norte and Mirador, there are three strategic mining projects under development: Loma Larga, San Carlos Panantza, and Rio Blanco, as well as so-called second-generation projects: Cascabel, Cangrejos, Curipamba, La Plata, Llorimagua, and Ruta de Cobre.

The next mine to be built in Ecuador is Curipamba. TBY talked to Álvaro Dueñas, Country Manager of Adventus Mining Corporation, who noted that "Within our initial plans, 2023 is an important year because we will start building the mine. Hopefully, in 2024, we will start production. Even before starting construction, we have already demonstrated that investors believe in Ecuador,

and in the project. This is a project fully funded by shareholders and important companies globally. And it is the best way to demonstrate the credibility that Ecuador currently has in the mining sector, and of the project itself."

The Ecuadorian mining sector has welcomed the results of the Fraser Institute's Annual Survey of Mining Companies for 2021, which assesses how mineral endowments and public policy factors such as taxation and regulatory uncertainty affect exploration investment. Ecuador's score grew 26% compared to 2020, from 57.95 to 72.79, making it one of the most attractive mining investment destinations, placing the country 24th out of 84 overall.

Speaking on plans for the future of the sector, Nathan Monash, President of the Board of the Mining Chamber of Ecuador (CME), told TBY: "It is important to continue working hand in hand with the national government and create an enabling environment to continue developing the sector. It is essential that Ecuador continues to receive foreign investment in the early phase of the development of a mining project, namely exploration. For this, the reopening of the cadastre is a key priority. Additionally, CME will seek clarity on how the industry will continue to progress in light of recent rulings from the Constitutional Court. The next step is therefore the establishment of a law addressing this topic, one that ensures respect of the rights of all stakeholders and allows for the responsible development of the mining sector." ✖

A view inside a gold mine in Ecuador's Portovelo canton

EVOLUTION OF ECUADOR'S FRASER INSTITUTE MINING RANKING

SOURCE: FRASER INSTITUTE

SCORE OUT OF 100	
2019	56.8
2020	57.95
2021	72.79

RANKING	
2019	57/76
2020	58/77
2021	24/84

TOP MINING EXPORT DESTINATIONS, 2021 (USD MLN)

SOURCE: MINISTRY OF ENERGY

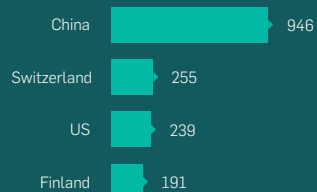


Image: juantolosa

untapped POTENTIAL

With Ecuador experiencing a great period for the mining sector, the Ministry of Energy and Mines is looking to attract responsible investors that will contribute to the well-being of the country.



Xavier Vera Grunauer
MINISTER OF ENERGY
AND MINES

What have been some of the key points of the last year in office, and what is your plan of action for the ministry in the coming years?

It is important to highlight that Executive Decree 151, which President Lasso issued in August 2021, is unique in Ecuadorian public policy because it clearly demonstrates the support of the president for the mining sector. This executive decree has five pillars, including the regulatory framework and legal insurance, the development of mining projects, and new investments. Another significant point is the transversal collaboration between the defense ministry and the government to eradicate the illegal exploitation of minerals. I should also highlight our efforts to increase transparency. Ecuador is the 55th country to join the Extractive Industries Transparency Initiative (EITI), which is an organization that pursues transparent state processes. President Lasso has given us clear signs that transparency is a fundamental pillar of this government, as part of which we will promote legal and responsible mining. We have also renewed our agreement with the Association of Mining Engineers of Ecuador (AIME) to incentivize best practices. We are also working closely with the Institute of Geological and Energy Investigation (IGE) to sign an agreement with a consortium of colleges including the University of California, Berkeley, Georgia Tech, Colorado University, and the University of Illinois in Urbana Champaign to teach mining, environmental, and hydraulic techniques. It is essential to train our local engineers to increase job growth. Additionally, we have instituted a public-private advisory council with six leading mining embassies. We want to ensure that in the next 15 years, Ecuador will achieve the same level of exports as Peru or Chile of USD20-30 billion annually.

Ecuador has beaten all the odds in terms of the export of minerals. What will you do to maintain these levels of revenue and exports of minerals?

The initial estimates set by the Ministry of Energy and Mines of USD1,600 million for mining exports in 2021 were exceeded by 31%, closing 2022 with a historical record of USD2,092 million, 99% higher

than the export figures in 2020. The expectation is for exports to increase because, in the coming years, we will see important investments in mining projects. An extremely long-term project will enter into production and exploitation, and in 2023 we hope to commence exploitation in Azuay province. Subsequently, in 2024, Curipamba, in the province of Bolívar, and La Plata, in the province of Cotopaxi, will begin exploitation. With these projects, we will increase Ecuador's capacity to export minerals, and the goal is to see exports of USD4 billion by 2025. Given sufficient investment, we could easily surpass banana exports, and I expect to surpass shrimp exports within the tenure of the incumbent government.

How will mining eventually contribute to the growth of employment?

According to information from INEC, suitable direct employment in the mining sector in September 2021 was at 40,000. If we consider indirect employment, this figure is closer to 150,000. By 2025, we expect a figure of around 300,000. This is important, because mining has a real, tangible effect on employment and the well-being of citizens. From there, the question is what the projections look like for the coming years. The geological potential of Ecuador is immense. In fact, the embassies of mining countries have informed the president that just 10% of the territory of Ecuador has been studied. Small-scale mining has a wide spectrum in mining work and represents approximately 25% of total exports. We want this to increase, because in terms of direct employment small-scale mining represents 25% of the 40,000-strong workforce. In reality, there is a huge quantity of work, and for this we are in the process of signing an agreement with the Central Bank. In theory, the bank will buy bars that are 60% gold and 40% other metals. The bars will then be sold to a refinery, for example in Switzerland. These refineries will produce bars of 99% purity to comeback to Ecuador's monetary reserves. President Lasso wants the reserves, which currently stand at USD5 billion, to reach USD8 billion. ✖

Ecuador's new administration's action plan is betting on gold to revitalize the economy

BIO

Xavier Vera Grunauer earned an undergraduate degree in civil engineering at the Catholic University of Santiago de Guayaquil (UCSG), an MS in geotechnical engineering at the National University of Mexico (UNAM), and a PhD in geotechnical engineering, with minors in seismology and structural engineering, at the University of California, Berkeley. He has over 24 years of professional experience in the field of civil engineering and earned a diplomate, geotechnical engineering (D.GE) certification from ASCE. He has worked on various engineering projects such as civil, petrochemical, mining, offshore, and port projects in Ecuador, the US, Mexico, and Peru. He was a member of the Committee of the Ecuadorian Construction Norm and lead author of the geotechnical and foundations chapter and co-author of the seismic hazards and earthquake resistant design chapter (officially presented in 2014). He co-led the US-Ecuador GEER team for the Mw 7.8 Earthquake on April 16, 2016. Vera Grunauer is also the CEO of Geostudios, a geoscience consulting firm.

EXEMPLARY *activities*



Nathan Monash
PRESIDENT OF THE BOARD,
MINING CHAMBER OF ECUADOR
(CME)

The Mining Chamber of Ecuador's mission is to promote the development of the entire sector while ensuring it always operates with environmental responsibility and provides benefits to the community.

BIO

Nathan Monash, Vice President of Business Sustainability, has developed sustainability strategies and corporate governance structures for mining companies operating in North America, South America, Europe, Africa and Australia. He is the author of several publications on these topics and has worked for companies such as AngloGold Ashanti, the International Finance Corporation, Rio Tinto Alcan and for the World Economic Forum. He currently leads the integration of sustainability processes into all areas of Lundin Gold, ensuring the long-term viability of both the business and the communities in which the Company operates. Monash is currently President of the Board of the Mining Chamber of Ecuador.

How would you define the mission of the chamber?

CME represents the entire mining industry, and our mission is to promote the development of the entire sector. CME seeks to continue to promote an industry that operates with environmental responsibility, provide benefits to the community, and acts with transparency. As we look to the future, large-scale mining will bring the greatest level of investment, and it is a part of our industry that is just now starting production in Ecuador.

Can you tell us more about the mining projects in Ecuador?

There are two mines that are already operating: Fruta del Norte is managed by Lundin Gold and has been operating since 2019. In 2021, it produced more than 428,000 ounces of gold, which is a significant level of production, with important contributions to the national—and especially provincial—economy. Mirador is a large-scale copper mine that has also been operating since 2019 and is exporting large quantities of copper. Río Blanco is a different case. It started operations but has since halted due to a court order some years ago. This is a case that has not yet been resolved, and the goal of the Chamber of Mining is for Río Blanco to operate again and continue to contribute positively to local communities and the country.

What strategies did the chamber employ to support companies in the sector in difficult times?

Ecuador was affected by an economic contraction of almost 8% in 2020 and the two large-scale mines temporarily closed in response to COVID-19, just as they were gaining some momentum. A large-scale mine is not a switch that can be immediately turned on and off and so it took time to reach full production levels even once they restarted later in 2020. The CME has played an important role in promoting good practices within the sector, especially in response to the pandemic. The role of the chamber has been key as we coordinated and facilitated donations and support from our members, which represent

the majority of the industry.

What is your assessment of the main advantages of investing in Ecuador's mining sector?

There are many reasons to invest in Ecuador, one of which is the dollarization of the economy. Additionally, the clear commitment of the national government to promote the development of a responsible mining industry is key. The national government is actively promoting foreign investment to further develop the mining sector. As it does so, it is essential for the industry to continue to work with transparency and demonstrate its environmental stewardship. Responsible companies minimize impacts and proactively protect the environment. CME has a strong communication campaign and seeks to engage with stakeholders to explain proper environmental management in the industry. We address water management, for example. This is an area where the industry is having quite positive impacts. It is essential that the CME communicates effectively and extensively about the sector's activities.

What are the goals of the chamber for 2022?

It is important to continue working hand in hand with the national government and create an enabling environment to continue developing the sector. It is essential that Ecuador continues to receive foreign investment in the early phase of the development of a mining project, namely exploration. For this, the reopening of the cadastre is a key priority. Additionally, CME will seek clarity on how the industry will continue to progress in light of recent rulings from the Constitutional Court. The next step is therefore the establishment of a law addressing this topic, one that ensures respect of the rights of all stakeholders and allows for the responsible development of the mining sector. 2022 represents a key moment in the development of the Ecuadorian mining sector. There is great geological potential in Ecuador, and though little of the country has been explored, we have found multiple world-class deposits. ✖

mining RESPONSIBLY



Ron Hochstein
PRESIDENT & CEO,
LUNDIN GOLD

Lundin Gold's operations at Fruta del Norte have made it one of the top 10 gold producers in Latin America.

How have operations developed since 2019, when it was still in the initial phases?

Since 2019, there have been many changes. On November 14, we celebrated our second year of operations. One of the things I am proudest of is our production of over 320,000oz of gold in the first three quarters of 2021. Fruta del Norte (FDN) is now one of the top 10—possibly top five—gold producers in Latin America while only in its second year of operations. In addition, we were able to put together a protocol to deal with COVID-19 that allowed us to reopen during the pandemic. If we had not taken this initiative, the operation could have been shut down for much longer. We took the bull by the horns, presented this protocol to the government and said it is important that mining resumes again for the country. In fact, the protocol that we put together was used by the government to show many other industries what they should be doing. This demonstrates the critical part of responsible mining. We have matured as an operation and are now contributing to the national economy. The salaries in the canton of Yantzaza, which is where we are in, have doubled because of responsible mining including local procurement and local hiring and the contributions of FDN to local taxes.

Is there potential for more elephant deposits in Ecuador?

Absolutely; the country is blessed in so many ways. Currently, Colombia, Peru, and Chile have some of the largest mining deposits in the world, and some of them have been operating for decades. Geology does not know borders. For FDN, the objectives are really to continue with operational excellence. Within Ecuador's growth, we want to do more exploration around FDN. And then, we have a large regional exploration program. Our goal is to find another, if not more, deposits like Fruta del Norte.

The gold market has also been fairly bullish lately. How has Lundin Gold benefited from this?

I have been in the mining industry for a long time, though this is actually the first opportunity that I have been involved in where we timed it right. When we started production, gold prices were going up. In terms of our operating costs, our All-In Sustaining, which is a standard gold metric, we are running at about USD770 per ounce while gold is at USD1,800. By keeping our costs low, we will pay more income taxes to the government.

How was Lundin Gold able to help Zamora-Chinchipe during the pandemic?

Our first priority was to ensure the safety of all the communities along our transportation routes. Second, we focused on the local communities. One of our best programs was Médico del Barrio. We provided support to the program by taking doctors to the communities. Even after the pandemic, we facilitated transportation for medical aid and supplies for people with health issues beyond the virus. We made contributions of disinfectants, machines, medical supplies, and more. Plus, we worked with mining companies SolGold and Newcrest to build an ICU unit in a new hospital in Yantzaza. The Ministry of Health provided the training, and we purchased all the equipment and everything else that was required. It was the first ICU unit in the entire province. Furthermore, in October 2021, we developed a school program called Estamos Conectados to help students in remote areas gain access to distance learning. We worked with the Ministry of Telecommunications, the Ministry of Education, and telecommunications suppliers including Brightcell, CNT, Teleco-net, and Electro-tel. We purchased over 1,450 tablets for every child from kindergarten to grade 12. We gave each child in these 21 local communities their own tablet, and there is now internet service. Those providers also provide discounted rates for familial usage. Additionally, we provided training to the teachers in schools. Such projects show how responsible mining can really change people's lives. ✖

Headquartered in Canada

One of the most recognized, respected, and powerful resource groups globally

FDN is one of the largest and highest-grade undeveloped gold deposits in the world

BIO

Ron Hochstein has a wealth of experience in the mining industry. He has worked for the Lundin family directly and as a consultant for over 20 years. Prior to becoming President & CEO of Lundin Gold, he served as President & CEO of Denison Mines Corp. (TSX, NYSE MKT) for seven years, having joined a predecessor company to Denison in 1999. Earlier in his career, he was a project manager with Simons Mining Group and worked at Noranda Minerals as a metallurgical engineer. He has a BSc in metallurgical engineering and an MBA. He became President & CEO in 2014 and was instrumental in the acquisition of Fruta del Norte.

INTERVIEW



Federico Velásquez
VICE PRESIDENT OF
OPERATIONS AND
CORPORATE AFFAIRS,
SOLARIS RESOURCES

BETTER *synergies*

Solaris Resources brings its extensive know-how to identify the full mining potential of prospective projects as well as ensure the surrounding communities are fully involved in the process from the very beginning.

BIO

Federico Velásquez has over 20 years of experience in international relations in the areas of natural resource regulation and management. He holds a master's degree in conflict analysis and management and has held positions as vice president & director of corporate relations - Equinox Gold Corp, global head of corporate affairs - Anglo American Metallurgical Coal, director of global corporate affairs - AltaGas Ltd, and director of operations - Ministry of Natural Resources, British Columbia-Canada, among others. He has received several awards for his work in sustainability and environmental protection programs, the management and governance of natural resources on ancestral territories, and his work with indigenous communities, among many other accolades.

What were the main factors that led to Solaris' decision to invest in Ecuador?

It is evident that Ecuador had reached a point of maturity where it understood that mining is an important sector for the development of any country, and that logically it needed government support and strategy to be able to advance. Second, when we arrived, we saw the need for change, yet that is about maturity, which is why we decided to keep a low profile and focus on the bigger issue—the social aspect. With that approach, Solaris aimed to specifically understand if we could eliminate the social risks that were present at that time. I came from a background in conflict resolution in different parts of the world and had the opportunity to learn about Warintza and get to know the board members. Today, our work is to participate in what we have created, which is a board of directors comprised of key members of the Warintza project. Community members and company representatives sit on this board. Gradually, the new Ecuadorian government came to understand the importance of mining and, more importantly, that Warintza will be the ambassador for the new model of sustainable and responsible mining that can be a change for Ecuador and make it an example for the rest of the world of how things are done well.

What does Warintza mean for Solaris and Ecuador in terms of developing the mining industry in the country?

Warintza is located about 60km north of Lundin Gold's Fruta del Norte gold mine, which produced more than 425,000oz in 2021. The Mirador copper-gold mine is located only 30km to the north. Both mines began production in 2019. In geological terms, Warintza alone has the potential to be a globally recognized phenomenon and has achieved global inter-

“We want to make Ecuador an example for the rest of the world of how things are done well.”

est, in both financial and technical terms. Solaris has helped Warintza achieve unprecedented growth in Ecuador. We are the company with the highest global value in Ecuador, and this is largely due to the company that manages Solaris—the Augusta Group, run by our chairman and board member, Richard Ward, as well as our CEO, Dan Earle. Both have worked together for many years and have helped the Augusta Group gain global recognition as an entity that brings greater value to its shareholders due to its negotiating capacity, technical know-how, and ability to understand the geological phenomena that allows it to develop a project in the best possible way. So, when a series of projects are presented, and ours is at the forefront, multinationals immediately turn to the Solaris project because they know they are looking at a project that has fulfilled its promise. It has achieved its goal of being able to determine the full mining potential, which is different from the geological potential, because it has also been able to reduce political and social obstacles.

What can define the Warintza-Solaris model?

Solaris has experience in highlighting properties whose mining potential has not yet been fully recognized. Solaris' goal is to expand this potential during the exploration phase operation in order to attract an operator that will then develop it to its full potential as a project. The

advantage of this model, which is transcendental and unique, is that during the exploration stage companies will not have any problems.

What relationships has Solaris formed with the Shuar community? How has the project achieved its target community values?

The Warintza copper mining project, located in the province of Morona Santiago, is in the initial exploration stage and is progressing with the support of the Warints and Yawi of the Shuar community in the area of influence. A key word of great significance throughout the entire operation is consent. Consent comes from the idea that you can accept some-

thing or not; and if you do, then it is immediately understood that you have legitimate decision-making power over that activity. In other words, this is the recognition that the Shuar are unique, sovereign people with the ability to decide. We give people the ability to decide and recognize they have to sit at the table and talk it out with equal decision-making power. The dialogue can then change, and synergies for unification can begin, which is exactly the opposite of what they were initially seeking.

What potential interest is there to continue working in Ecuador in the future?

Solaris is in talks with Empresa Nacional

Minera (Enami) and other companies to see where we can participate, apply our model, and find development opportunities to fully utilize the country's geological potential. We have received invitations from different Shuar and indigenous associations to work with them in their territories. We would love it if a simple invitation would be enough; however, we must first verify ownership of the concession so as not to step on the toes of another company. Nonetheless, just the fact that we have been approached by Indigenous communities and invited to sit down and work together is a compliment to the team for everything we have been doing and the great work we have achieved. ✖

Luis Tsuink

SOLARIS
RESOURCES

Warintza

Cobre para el futuro
del Ecuador

www.solarisresources.com

Javier Robalino Orellana from Robalino Law recounts Ecuador's efforts thus far to refine its policies in order to fully grasp the immense possibilities offered by its natural wealth in resources.

REDEFINING ECUADOR'S MINING POLICY

THE GLOBAL DISTRIBUTION of non-renewable natural resources and its regional, national, or sub-national allocation underscores the random and unpredictable convergence of natural phenomena and human interventions that shaped their current geopolitical conditions. The unpredictable, and at times foreseeable, circumstances that distributed them amongst nation-states, however, must not eclipse the determination of government policies directed at exploiting the advantageous, and dare we say good fortune, such natural endowments bestowed upon a handful of countries.

Ecuador belongs to the fortunate few gifted with world-class mineral deposits. Natural endowment of plentiful mineral deposits is summarized in the 23.06-million-ounce Casacabel copper-gold-silver project, the 17-million-ounce Au Cangrejos and Gran Bestia gold-copper Projects, 7.8-million-ounce Au Condor gold-silver project, and the 3.38-million-ounce Au Loma Larga gold-silver-copper project. These four projects alone contain 50 million ounces of gold between them and an additional 13.2 million tons of copper and minor amounts of silver.

Favorable conditions such as these require assertive policy decisions in order to adequately, and efficiently, funnel revenue streams from their exploitation toward the plethora of social and economic projects needed to curve Ecuador's inequality. Such assertiveness is underscored in Executive Decree 151, sanctioned by President Lasso during the first months of his term in office.

Natural resource endowment is merely a variable in the complex web of economic development. Mining in Ecuador, when compared to the oil and gas industry, is still secur-

ing its foothold. However, its role as a current and future pillar of the national economy is evident. Recent data from Ecuador's Mining Chamber suggests approximately 350,000 new jobs will be created, as an estimated USD6 billion of fresh FDI flows to Ecuador (CME 2022).

Executive Decree 151, titled "Mining Industry Action Plan," revamps public efforts toward the sector. Particularly, it underscores the need for coordinated institutional efforts and an efficient response by its bureaucratic machinery. Moreover, it highlights a much-needed strategic shift in policy by constructing a macroeconomic paradigm in which the nation's natural resources drive the country's economic and social development.

In an effort to leverage on Ecuador's favorable conditions, government actions suggest a consolidated effort is underway. One in which, Ecuador's endogenous endowments, infrastructure, connectivity, geographical position and inflation free economy may flourish. At a regional level, each jurisdiction will forge the means it deems necessary. The current global stage features perils and challenges, in which the shadow of escalating conflict, economic stagnation, and virus mutation loom over current and future policy decisions. Whilst these challenges are compounded by the prevailing political, social, and economic conditions present in each country, current and past adversities have redefined, and will, redefine, the region as a whole.

Circumstance, merit, and fortune are swirled together, challenging past efforts that demand innovation, as government efforts seek to implement new policies and boost pro-mining legislation. Whilst these efforts

are simultaneously needed and well received, it is worth highlighting that Ecuador displays favorable conditions when attracting FDI. Legal structures such as investment contracts, tax incentives, free economic zones, amongst others, highlight such benefits. However, firm political steering has historically, and most likely currently, been a decisive ingredient in transforming the nature's bounty in human well-being. ✖

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GOLDMINE *of information*



Diego Benalcázar
SVP, LUMINA GOLD CORP &
PRESIDENT, LUMINEX
RESOURCES CORP

Beyond mere exploration and mining, Luminex seeks to advance its project technically, environmentally, and socially to further boost the mining sector in Ecuador.

BIO

Diego Benalcázar has over 25 years' experience in mineral exploration, mining property evaluation, and acquisitions throughout Latin America and the Caribbean. He has held managerial and consulting positions with several international mining companies, including Homestake International Minerals Ltd. He currently serves as President of Luminex Resources Corp. & Senior Vice President of Lumina Gold Corp. As a former president and member of the board of directors of the Ecuadorian Chamber of Mines, Benalcázar has actively represented the mining industry in discussions with the government. He holds a BA in geology from North Carolina State University and has completed the program for management development at Harvard Business School.

Lumina Gold has raised USD24 million to drill an additional 30,000m for the PFS stage and thus advance the Cangrejos project in Ecuador. What activities does the company plan to use its net proceeds with that?

We have a plan and budget to advance Cangrejos to the level of pre-feasibility. It will require both infill, hydrogeological and geotechnical drilling. This is complemented with a large amount of technical, metallurgical and engineering information. On the metallurgical part, we do many more tests and chapters that will bring the level of precision to a 75-80%, meaning how much metal we are able to recover from the process. The additional drilling meters will sustain the numbers that were included in the preliminary economic assessment level, so we need to better define the size, shape, and stability of the future open pits. Currently, we are emerging from the pandemic, though we did not stop working and continued with our operations. We have an active reforestation program for the future buffer zones of the project. We also continue with our social and community programs.

Why is this particular gold-copper considered one of the top 15 independent projects worldwide?

It is due to the size of the resource, as it contains future reserve that will have at least a 25-year mine life, for an average production of 366,000 ounces per year. Only 28 active primary gold development projects can produce more than 250,000oz of gold, and it is the fifth-largest primary gold development project controlled by an independent company. Therefore, it is a unique project scale on the global stage. We will start gathering more information about the real size of the deposit with this new drilling program and the pre-feasibility phase.

Can you tell us about Luminex's progress on the Condor project?

The opportunity to advance the Condor project during the pandemic was important. In July 2021, Luminex Resources published a PEA for Condor North. We established a well-defined resource of 2.3 Au Moz and 12.8 Ag Moz (indicated) and 4.3 Au Moz and 18.1 Ag Moz (inferred) that

“We have a plan and budget to advance Cangrejos to the level of pre-feasibility.”

can be transformed into a future process that will produce all the financial indices on a commercial project with an average payable production of 187,000oz gold and 758,000oz silver. We know how much CAPEX it will require (USD607 million), the estimated lifespan of the project (12 years), the net present value according to the current price of the commodity and different scenarios for this. We know how much it will produce per year, and all of this data that is important to follow the next steps. This will generate a substantial number of local employments. We have been able to understand that there are different deposits that can be included because the metallurgical specs are similar.

What is the ultimate goal for your current projects?

For Cangrejos, we want to have information that will allow us to advance the project technically, environmentally, socially, and politically. For the next year and a half that we have a budget to advance the project to pre-feasibility, it is important for us to maintain the same pace of information that we produce. An open-pit project is a low-grade, high-volume process. We would have to move 40,000 tons per day at the beginning and end up with 80,000 tons per day after year six to have on average a production of 366,000oz per year. For Luminex Resources and its portfolio of properties, to go beyond initial exploration phases and hopefully to feasibility as we are advancing the most important one so called Condor. Our initial exploration projects are complementary to sustain the pipeline of projects in Ecuador, and discovery continues to be key. We have many projects that are being explored, drilled, and taken to scoping or PEA levels, and the industry needs to continue to discover resources that can become mines in the future; otherwise, the sector would be unsustainable. ✕

FOCUS

Opportunities in mining

GOING UNDERGROUND

After nearly a decade of stagnation, the mining sector in Ecuador is finally ready to show off its economic potentials, while operating in the most responsible way.

IN 2006, LOCAL ECUADORIAN MINING COMPANY Aurelian Resources Inc came across a staggeringly large gold and silver deposit in the southeastern province of Zamora-Chinchiipe. The deposit was named Fruta del Norte (FDN) and was recognized as a world-class discovery, containing at least 10 million ounces of gold and still more quantities of silver. Although FDN was expected to be a game changer in the sector, attracting foreign investment and mining giants to the country, only a year after the discovery, new laws came into effect that curbed mining activities. FDN changed hands several times—first to Kinross and then to Lundin Gold—but it would not become properly operational for well over another decade.

Ecuador has a highly diverse terrain for a country of its size and an immense wealth of natural resources. Aside from petroleum, Ecuador has, over the years, been an exporter of gold, silver, and copper, among other minerals. Although the mining industry was effectively comatose between 2007 and 2015 due to a mixture of poor policymaking, unstable markets, and worries about the environmental and social consequences of industrial mining, the sector experienced a rebirth around 2018 with the launch of new mining projects and the awarding of several permits for the first time in nearly a decade.

President Lasso's administration, which came to power in 2021, has been open about its pro-mining stance from the beginning, assuring investors that sustainable mining activities will be encouraged over the next four years. Ecuador's mining sector is therefore expected to take off soon. These four years is a window of opportunity for the sector to prove its commitment to sustainability, while raising its contribution to the GDP. The current opportunity for growth is something the sector has never really enjoyed before. In all fairness, mining has never achieved its full potential in Ecuador under any administration. Although geologists had long suspected the presence of large reserves of precious metals (gold and silver) as well as other minerals such as uranium, lead, zinc, and copper, most mines were located in remote, impassable regions, which further complicated matters.

The years of stagnation have undeniably weakened the industry and held it back. If the nation's mining sector wants to realize its full potential, the infrastructure needs to be upgraded in terms of drilling, tunneling, and extraction equipment. The mining know-how, too, has developed over the last decade or so. Advancements

in geophysics and electronics have given the industry better tools for mineral exploration, terrain modeling, and computer-assisted mine design. The Ecuadorian mining sector simply has too much to catch up on.

Nevertheless, the industry has been moving forward with confidence. Ron Hochstein, president & CEO of Lundin Gold, which has been operating the FDN gold mine since the beginning of the mining renaissance in Ecuador, told TBY that "since 2019, there have been many changes. On November 14, we celebrated our second year of operations. One of the things I am most proud of is our production of over 320,000 ounces of gold in the first three quarters of 2021." Hochstein believes that the mining industry has been quick to resume its activities while readjusting itself to the realities, standards, and practices of the 2020s. The sector, according to Hochstein, has progressed not only in terms of production quantity and quality but also in its eco-friendliness and responsible treatment of people.

To streamline the development of mining while ensuring the eco-friendliness of mining operations, President Lasso issued an executive decree (no. 151) in August 2021. "This executive decree is unique in Ecuadorian public policy because it has given us, in a transparent form with a lot of potential, the support of the president for the mining sector," Xavier Vera Grunauer, Minister of Energy and Mines, told TBY, while pointing out that the executive decree emphasizes five points including the "regulatory framework," "the insurance laws," "the development of mining projects," "new investments," and putting a stop to "illegal exploitation of minerals."

While the first two pillars keep the social and ecological impacts of mining in check and make mining a responsible enterprise, the latter three principles will pave the way for the growth of mining in Ecuador during this window of opportunity after many years of stagnation. Keith Barron, CEO & Chairman of Aurania Resources, a mining exploration company with a long history of working with communities in Ecuador, endorses the new government's pro-mining stance, saying "it is fantastic. We are receiving extensive support from the government, not just on a federal basis but right down to the governor and local levels. Permits are being streamlined, so all the red tape and bottlenecks that were happening before have largely gone away." ✖

THE MIDAS TOUCH

President Lasso has issued a new executive order in an effort to boost the mining sector while also formalizing it and encouraging a more sustainable and environmentally friendly approach.

FIVE PILLARS OF EXECUTIVE DECREE NO. 151

Emphasize
regulatory
framework

Strengthen
insurance laws

Develop mining
projects

Encourage new
investment

Stop illegal mining
exploitation of
minerals



PHOTO ESSAY

Ecuador's Untapped Potential for Mining

MUCH TO DIG FOR

Located in the Andean Mountain range, Ecuador is the only country that has so far remained relatively untouched by mining activity. Less than 10% of its territory has been explored for this purpose, yet some of the biggest mines in the world are thought to lie in the country. Ecuador's unquestionable mining potential and investment framework was discussed at a recent TBY event. Here are a few select photos from the occasion.



PANEL 1: INVESTMENT OPPORTUNITIES IN ECUADORIAN MINING

Moderator: Rebeca Illescas Consultant - Former Minister of Mines

Panelist: Francisco Briones, Cabinet Undersecretary General of the Government of Ecuador

Panelist: Roberto Salas Guzmán, Technical Secretary for Public-Private Partnerships and Delegated Management

Panelist: Álvaro Dueñas, Country Manager, Adventus Mining Corporation

Panelist: Diego Benalcázar, SVP, Lumina Gold & President, Luminex

Panelist: Ricardo Obando, Country Manager, LOWELL - SOLARIS



Roundtable

Ecuador's Untapped Potential For

**PANEL 2: SUSTAINABLE MINING: THE WAY FORWARD**

Moderator: Mónica Ospina, Distinguished Lecturer at the Canadian Institute of Mining and CEO of O-Trade

Panellist: Gustavo Manrique Minister of Environment, Water and Ecological Transition

Panellist: Xavier Vera Grunauer, Minister of Energy and Mines

Panellist: Jason Ward, Executive Director SOLGOLD

Panellist: Rodrigo Darquea, Head of Corporate Affairs, BHP

Panellist: Scott Campbell, Country Manager, Dundee Precious Metals

CUSTOMERS *first*



More than having the best rigs and support equipment, Globexplore owes its great success to its experienced and dedicated team.

Armando Lucero
DIRECTOR OF OPERATIONS,
GLOBEXPLORE

Globexplore has earned over 50 positive letters of recommendation from many of the most respected mining and exploration companies in the world. What have been the main secrets of its success?

We have always focused on being a customer service-driven company. While this sounds simple, our success is a reflection of a deep corporate culture with many moving parts that all move in the same direction towards exceeding our clients' expectations. Over many years we have built a team driven by performance and quality directed with the sole purpose to serve and fulfill our clients' needs and help them find the next ore deposit. We are a service provider that solves problems and challenges for our clients rather than create them. We consistently provide our clients with the highest quality equipment, supply chain, and experienced professionals that complete every hole, on time and on target. Every client we have worked for would hire us again and recommend our performance. There are few drilling contractors that have a rock solid, reliable reputation like this. We invest in the most modern rigs and support equipment in our industry and pay our team higher wages and bonuses to train, retain, and attract the best people. Many of our long-term clients rely on Globexplore because we truly are versatile experts in performing the seven various drilling techniques commonly needed. A drilling company's performance can literally make or break the success of a drill campaign, project, or even entire companies. There are many drilling companies that might offer different types of drilling, but there are few that can actually verify their productive, quality performance with over 50 letters of recommendation on each one of these specialized drilling techniques. In fact, we are not aware of another one.

What has been Globexplore's strategy to attract and develop specialized talent in this industry?

Investing in the best rigs and support

equipment is worthless without having the most talented and experienced team to operate and service them. We invest heavily in training and building our team from the ground up. Our team is motivated by knowing they have the opportunity to grow with the company. We pay salaries and bonuses above the standard, and we care about our team and their families. Our team knows that a career in mining and especially drilling can be cyclical and unreliable as contracts come and go. Therefore, with our consistent stream of contracts, even during the down turns in our industry, our team appreciates the stable and secure work we provide them with. We increased the size of our fleet by 33% during the last downturn to meet client demand. We thrived because our clients were extremely concerned about their budgets and completing their drill programs on time and within budget is more crucial and important than in good times. We treat every client and every contract as if it was the only one we have. This is how dedicated we are for our clients' success, and in return this keeps our team securely employed even during downcycles.

More mining companies now have higher environmental standards. What efforts has Globexplore made to meet these standards in recent years?

We have invested in newly advanced technologies in hydraulics and engine performance that is providing us with more power to drill deeper with less risks in deviation and getting stuck in complicated ground conditions while at the same time burning significantly less fuel. We are also recirculating and using less water consumption. Our polymers and drill muds are completely biodegradable and non-harmful for the soils and ground water. Our drill pad mats and trays under every rig do not allow one drop of engine oil or coolant into the soil. We enter and leave every drill site as if we were never there. We are already testing technologies and plan to be running "Tesla-type rigs" by 2030. ✖

BIO

Armando Lucero got his start in the drilling industry in 2006 and has held several field and management positions in his career. He is a professional engineer and holds a degree in industrial and production applications. He has several years of experience in the areas of operations, maintenance, logistics, and administration. He has spearheaded the company's growth into specialized drilling services such as True Man-Portable and deep-hole drilling, among others.

committed TO EXCELLENCE

DPM plans to develop the Loma Larga mine in line with the highest standards of environmental stewardship and stakeholder engagement to generate value for everyone involved.

Scott Campbell
COUNTRY MANAGER,
DUNDEE PRECIOUS METALS (DPM)



What was the rationale behind DPM's acquisition of Loma Larga?

This project is well-aligned with our core strengths and unique capabilities in developing world-class assets and applying industry-leading ESG solutions. It has similar geology, mining method, and processing flow sheet to DPM's Chelopech underground copper-gold mine, which DPM has developed into a world-class, modern operation with a strong operating track record. We employ cutting-edge technology that improves our environmental performance, safety, and efficiencies. Chelopech was one of the first mines with underground wireless connections. Some other examples of innovation include autonomous aerial survey drones and mechanized emulsifiers. We have significant experience in building and operating a mine in a sensitive natural environment. Ada Tepe became the first new mine to commence operations in Bulgaria in over 40 years, following DPM's highly successful engagement with the Bulgarian government and local stakeholders and the implementation of industry-leading solutions to protect the environment. Ada Tepe has been highlighted as a best practice in biodiversity management in a European Commission report and has helped to revitalize the surrounding community, which has the highest population growth rate in the country, as a significant number of residents who had previously immigrated abroad have now returned to the community to live and work. A portion of Loma Larga's production will include complex concentrate, which can be processed at DPM's Tsumeb smelter in Namibia or other outlets. Ecuador is looking at and committed to the development of a sustainable mining industry, and as an

environmentally and socially responsible mining company, DPM can contribute to that.

What is the importance of the Loma Larga project in Dundee Precious Metals' operations in the short and long term?

Loma Larga is a high-quality, advanced stage project with the potential to add meaningful production growth to our portfolio and provide further investment in the mining industry in Ecuador. The project is the right size, in terms of capital investment, for DPM. We expect to produce approximately 285,000 ounces of gold annually over the next three years. Loma Larga has the potential to produce approximately 200,000 ounces of gold per year for the first five years at a low all-in sustaining cost, which would continue to support DPM's peer-leading cost profile. In addition to Loma Larga, we also have an advanced stage project in Serbia, as well as brownfield and greenfield exploration prospects.

What is your overview of Loma Larga development and special features of the Dundee Precious Metals mining development model?

Our approach to developing Loma Larga will be consistent with DPM's commitment to adopting the highest standards of environmental stewardship and stakeholder engagement. Our purpose as a company is to unlock resources and generate value to thrive and grow together, not simply an extraction of minerals. In that sense, we will be looking at developing opportunities for stakeholders that are interested to grow with us. We are focused on developing trusted in-country partnerships and building economic capacity in the local communities where we operate. This means that we

will prioritize hiring local employees and procuring services locally. Only when this is not possible will we look to the international market. At our other operations, more than 99% of our workforce is comprised of local nationals, including 98% of supervisor-level positions. We will provide the necessary training for future employees and service providers to be able to work at the required level. We are highly focused on environmental stewardship and are proud of our track record in this area. Ensuring we are protecting the environment is a prerequisite for DPM. We will look at developing the project as an example of natural and industrial habitats successfully coexisting. The project will be almost entirely surrounded by national park and protected territory, but DPM is experienced in building and operating a mine in a sensitive area. Health, safety, and the well-being of employees, contractors, and the surrounding communities are paramount for DPM. ✕

BIO

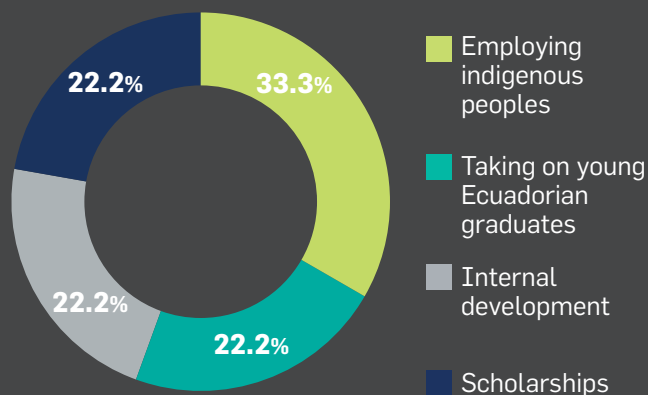
A geologist by training, Scott Campbell has 25 years of progressive experience in the resource and construction industries in Latin America. He has served in senior leadership positions at Barrick Gold for 13 years in Argentina and Peru and was vice president of South American projects at Pan American Silver Corp. He holds a bachelor of science degree in Earth sciences from Dalhousie University and graduate degrees from Harvard Business School and UC Berkeley. His background has brought him to Ecuador to serve as Country General Manager, specifically to lead the development of the strategic Loma Larga project in Ecuador.

TBY ANALYTICS ECUADOR 2022: MINING

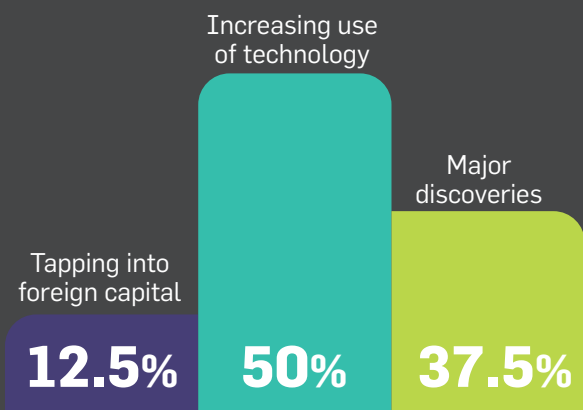
We posed a number of questions to our interviewees in the mining sector. These are their responses.



What is the main thrust of your efforts to employ Ecuadorians?



What is the main focus of your operations in Ecuador?



growth STRATEGY

BHP is convinced that developing local mining in a responsible way with the participation of different actors and institutions in society can benefit thousands of Ecuadorians.

Rodrigo Darquea
HEAD OF CORPORATE AFFAIRS,
BHP



What is the significance of BHP's presence in Ecuador?

BHP has a long history working in Ecuador during the 1980s and 1990s and returned to Ecuador to open offices in 2017. BHP supports the country and believes in its potential. Ecuador is geographically located in an area of high geological interest for mining; having only been minimally explored, important deposits have already been discovered. BHP has a simple and diverse portfolio of tier one assets. They are long life, low cost, and expandable. To extract the most value and the highest returns from our assets, we apply our values and culture, operate them safely and productively, and deploy technology. Our growth strategy is based on what we at BHP call "future-facing commodities": nickel for batteries, potash for sustainable agriculture, and copper for electrification and decarbonization. Based on this strategy, we have revised our portfolio over recent years and have stepped away from resources such as energy coal. The world needs more copper, and in Ecuador we are looking for tier 1 copper deposits with a long-term future and that will make an important impact on supply. I am delighted as an Ecuadorian who has seen, in more than 16 years working at BHP, the economic and social value generated by the company, that we are investing in Ecuador with the intention of responsibly bringing the resources that the world needs (copper) and, at the same time, generating opportunities for Ecuadorians. It is a dream.

What investments can BHP bring to Ecuador, and what could be the economic impact of them?

I asked in our last meeting with the Ecua-

dorian government, "Why don't we make of Ecuador a global example of how the mining industry should operate?" The mining industry is just beginning in Ecuador, and we can benefit from the learnings of the past, the implementation of the best social and environmental practices, and the use of the most-advanced technology available these days. Creating social value is fundamental, and I would love to support the implementation in Ecuador of the work that we are doing in Chile, in terms of creating a positive economic impact on local communities. The Mining Cluster, for example, has been channeling the potential of this industry by encouraging investment, for the construction of human, productive, technological and innovation capacities in the country. We can see the results now with more and more Chilean suppliers providing quality products, services and technology to the mining industry in the region. Ecuador needs investment, quality employment, knowledge, technology and skills to strengthen its fight against poverty, for the protection of the environment and for the improvement of the quality of life of its inhabitants. The development of the mining industry in a responsible way, with the participation of the different actors and institutions in Ecuadorian society, can generate a virtuous circle that has the potential to benefit thousands of Ecuadorians, including those who live in the most remote parts of the country.

What sustainability model could BHP develop in Ecuador in terms of community development and environmental protection?

This is my passion. The company's purpose is to bring people and resources

together to build a better world. You cannot develop this industry if you do not bring value to all sectors and areas of interest. Our activities need to benefit suppliers, employees, government, customers and the community in general. This is the core of sustainable mining, and as a company we have been working on this for 137 years and have learned many things during this time. We know that when we invest in a country, we become an intrinsic part of its surroundings, its economy, its community and society as a whole. The sustainable mining that BHP wants to do in Ecuador is a long-term activity that will last decades. Social value underpins everything we do and it's about our planet, our people and prosperity of all. ✕

BIO

Rodrigo Darquea joined BHP in Chile in 2006, after which he took on various positions in different teams in Singapore, Australia, and Brazil. In May 2021, after almost 20 years overseas, he returned to Quito to lead the Corporate Affairs Team that is accountable for BHP's global exploration activities. Darquea has been director of the Chamber of Mines of Ecuador since 2021. He holds a bachelor in business administration and a major in finance from Universidad Adolfo Ibáñez, Chile.

INTERVIEW



BIO

Santiago Yépez Dávila is currently Country Manager at Lucky Minerals Inc., a Canadian based mining company. He is a mining advisor with over 14 years of experience and specific expertise in developing the mining business in Latin America. He was previously president at the Ecuadorean Chamber of Mines and a member of the board at the American Mining Association. He was previously CEO of Empresa Nacional Minera (ENAMI EP). He holds a doctor of law and a master's of finance from Pontificia Universidad Católica del Ecuador as well as a graduate degree in the management of mining projects from Universidad Central de Chile.

Santiago Yépez Dávila
COUNTRY MANAGER,
LUCKY MINERALS

How has the Fortuna project evolved over the past two years?

Lucky Minerals is a 100% junior mining company. It is a company that discovers projects, and given the dynamics of the sector in Ecuador, we are perhaps the smallest exploration company. In Ecuador, there are large companies such as BHP, First Quantum, and Newcrest conducting explorations. Our expertise lies in going out to the field and discovering projects with our boots on the ground and with no large administrative and bureaucratic structure. After acquiring the Fortuna project, we have found extremely important and prospective targets that will lead us to start a drilling phase in the first semester of 2022. Ecuador, without a doubt, is a country with a privileged geology. It also has the appropriate infrastructure, which makes the development of projects less expensive. That has finally allowed us to start generating important news about a discovery about six months ago, an ambitious discovery in our

mining concession Fortuna 3, and the target is called Wayka.

What changes has the mining sector seen with the Lasso administration?

It is a more open government, and not only in terms of the mining sector. It is more open to foreign investment. It wants to generate productivity. The mining sector initially had certain doubts and fears about Lasso during his presidential campaign, though these concerns were dispelled with Executive Decree 151. This decree has been one of the most important endorsements of the mining sector in recent years. The national government seeks to encourage the development of a thriving and transparent mining industry. The government wants large-scale mining that protects water sources and whose wealth reaches the communities. This will support the wealth of the state. The president has also requested that companies multiply investment. Given that Lucky Minerals is a young company, we have the advantage of agility and a lack of bureaucratic barriers. We are heavily committed to fulfilling the Sustainable Development Goals. ✖



DRILLING & ANALYTICS



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strategic VALUE

Adventus Mining Corporation's Curipamba mining project has the potential to provide not only great results for the company, but also deliver exponential benefits to the surrounding communities and Ecuador as a whole.

Álvaro Dueñas
COUNTRY MANAGER,
ADVENTUS MINING CORPORATION



How is the Curipamba mining project expected to contribute to the mining sector in Ecuador and to wider national development?

It has been a long journey, and Freddy Salazar has been responsible for the development of this project for many years. It has been almost 16 years since the project began. As Adventus, we are helping by developing and supporting over the last four years, with something which is not irrelevant, as we are providing the funds as well as the know-how in terms of the development of the construction of the mine and its production. This is a beautiful project as we are doing a mid-scale mine, with spectacular results in terms of internal rates of return. In financial and CSR terms, it is an excellent project, and, therefore, our shareholders and investors believe in the project. We have a project with many expectations, and many people are waiting for it to achieve its most important phases: construction and production. Within our initial plans, 2023 is an important year because we will start building the mine. Hopefully, in 2024 we will start production.

What added value does Curipamba bring to the sector?

Even before starting construction, we have already demonstrated that investors believe in Ecuador and in the project. This is a project fully funded by shareholders or important companies globally. And it is the best way to demonstrate the credibility that Ecuador currently has in the mining sector and of the project itself. The fact that all the investors that were part of the last portion of the exploration phase were willing to invest more confirms how good the project is. Indeed, it stands to contribute to the mining industry, strategic sectors, and the development of the local economy.

What does it mean for the project to have the support of Consorcio Nobis, one of the most established business conglomerates in Ecuador?

The Nobis group that belongs to Isabel Noboa holds a share of Adventus Mining Corporation, not just for the Curipamba. As it is shareholders of Adventus, it also receives a percentage of the other projects we have in Santiago and Pijili. The investment made by Isabel Noboa and the Nobis group indeed is a great endorsement and marks its first and only investment in the mining sector. It

is a group that believes in Ecuador and continues to invest locally, which is vital for the country. And given its key role in Ecuador, this is also a strategic group for us. ✕

BIO

Álvaro Dueñas holds a PhD in jurisprudence from the Catholic University of Ecuador, with a postgraduate degree in negotiation and conflict management from Harvard University and a specialization in mining from Saint Vincent College, Alex G. McKenna School of Business. He is currently Country Manager for Ecuador of Adventus Mining Corporation, a Canadian mining company. His former positions include country manager for Ecuador of the Chilean state mining company CODELCO, founding partner of CONSENSOS, undersecretary of Foreign Trade and Investment (2006-2007), certified mediator of the Arbitration and Mediation Centre of the Quito Chamber of Commerce, arbitration secretary of the Arbitration and Mediation Center of the Ecuadorian-American Chamber of Commerce, consultant to the IDB, and legal and negotiation advisor to the Negotiating Team of the FTA with the US. He has over 20 years of experience in conflict management and community relations for several public and private companies.

THE PLACE *to be*



HJ Becdach has developed a name for itself in events, bringing together the movers and shakers in different sectors.

Hassan Becdach
CEO,
HJ BECDACH

Hosts the largest expo for oil and power in the country

Catalyst of MICE tourism in Ecuador

How would you characterize the evolution of HJ Becdach since its inception?

In 41 years, HJ Becdach has done an important job for the benefit of the company, families, executives, and country. We have been able to invite in many investors over the years through premium events such as Ecuador Oil & Power, of which we are now holding the 25th edition, and Expominas, which has been held for the past 14-15 years. When Expominas started, the mining industry in Ecuador was only just emerging, and the first edition was done with the participation of just six companies. For the 2021 edition, we will have over 300 companies present. As the mining sector in the country grows, so does Expominas, which is also the case for the oil industry. HJ Becdach sets itself apart because it is a reference point in the energy sector, be it oil, gas, power, renewable sources, or mining. During Expominas, all components of energy are involved. The participating companies work with oil and power, energy and electricity, renewable sources such as wind and solar, and with carbon, green energy, and electric mobility. We will also present all the mining companies and companies that provide services to the mining and oil industries. There are huge expectations for the event, as it symbolizes economic reactivation post pandemic.

What can we expect from Expominas this year?

It is the biggest event held in Quito in almost two years, since the pandemic began. During the program's three days, we will have keynote speeches, technical conferences, panels, and forums. We will host over 160 keynote speakers and hundreds of conferences held in-person in four conference halls, which will simultaneously be transmitted online, making them hybrid conferences that everyone around the world can attend. Our slogan is "Ecuador becomes the world energy center," be it through mining, oil, gas, or electricity. This is the Ecuador we want to present. We will have over 300

companies visiting from nine countries and visitors from across the world and every province in Ecuador. Our visitors will range from interested professionals and engineers to people related to the oil and mining industry in some capacity. Throughout the three days it will be possible to see the magnificent latest technology, showcasing not only environmental care, but also the social responsibility efforts of participating companies. We have even invited high school and university students for a closer look at the various new professions they may wish to enter and to see what it means to be part of the energy sector.

What role will the industry play in the country's economic reactivation?

Mining is the fourth-largest sector in terms of exports and became so within a short period. We have two exporting mining companies: Lundin Gold with its Fruta del Norte gold deposit and ECSA Ecuacorriente with its Mirador copper field. With some of the exports reaching the USD1,800-million mark, in four- or five-years' time we estimate producing from an additional four or five mining fields. By 2025, Ecuador will be able to export between USD4,000 and USD5,000 million per year, or even higher. Mining investments are long term and high risk, not just here but worldwide. If you are going to be investing for such a long time, you require legal certainty, access to a trained workforce, and you need to have access to technology that will enable you to take care of the environment, while offering ideal results in mineral discoveries. Ecuador is a blessed country; in every province and every field it has a diversity of minerals. Ecuador has the same level of minerals that Chile and Peru have. What do companies interested in investing do? They chose the country with the best legal certainty, with easier investment procedures. With this, there will be many more companies coming to invest in Ecuador. ✖

BIO

A leading Ecuadorian businessman in the organization of fairs, events, and congresses, Hassan Becdach's social skills and enthusiastic work ethic have enabled him to bring in foreign investment and create employment.

A mining operation pictured
in the Andes



INTERVIEW



Carlos de Miguel III
GENERAL MANAGER,
HANRINE EXPLORATION AND
MINING (A WHOLLY OWNED
SUBSIDIARY OF HANCOCK
PROSPECTING PTY. LTD.)

MAKING *a change*

With the immense mining potential in Ecuador, Hanrine Exploration and Mining is keen to work with the country and industry to encourage further growth and change people's lives.

BIO

Carlos de Miguel III, General Manager of Hanrine Exploration, is a respected multinational executive with over two decades of experience across six continents in the energy, maritime, critical infrastructure, risk engineering, and global security sectors. He has held positions with two of the oldest and most prestigious banks in the world, Barclays and Goldman Sachs, and holds an undergraduate degree from the Wharton School of the University of Pennsylvania, a member of the exclusive Ivy League.

What factors have been decisive in Hanrine Exploration and Mining's commitment to develop projects in Ecuador, and how important can the country become in the company's project portfolio?

There are two areas of the world that are copper rich for advanced exploration: Ecuador and the Democratic Republic of the Congo. In Ecuador, we have President Guillermo Lasso, who is very supportive of mining. We have monthly meetings with the CEOs of various companies with President Lasso and his cabinet, and he is always looking for ways to actively support the industry. He is looking at mining as the new oil. Ecuador, which has essentially been closed to mining for the last 50 years, can now not only focus on mining but build it in a responsible way with state of the art technology and be a major copper producer in the world. Hanrine Exploration and Mining sees great potential in Ecuador. If we look to the south in the Ring of Fire, the Andean Copper Belt, and so on, there are important copper projects in Argentina, Chile, and Peru. We see them again in Colombia, Mexico, up to the US, going up to Canada. In Ecuador, the Minister of Energy and Mines and the Minister of Environment are working to lower barriers to entry so that large multinationals can enter, conduct exploration, build mines, and produce, all the while adding value to the country, such as jobs and hopefully a refinery in Ecuador. These are all things that can significantly change Ecuador's future.

What investment potential is there for Hanrine Exploration and Mining—as a subsidiary of Hancock Prospecting—to advance work on existing concessions as well as acquire new concessions in Ecuador?

Hanrine is a wholly owned subsidiary of Hancock Prospecting Pty. Ltd., which is primarily in the iron ore business. It produces over 85 million tons of iron ore a year over two major projects. It has been investing in many different countries, areas, and minerals. Copper is of great strategic

interest to Hancock, and in Ecuador we have some junior mining companies that have done a phenomenal job in initially exploring and hence, de-risking tenements to an extent, and developing certain compelling data that larger companies such as us can now develop further. There are opportunities for strategic acquisitions or joint ventures to invest in advanced exploration. Later, if projects turn out to be feasible, they may build a mine. If we have two, three, or four large-scale copper mines in Ecuador, we may build a smelter, which would create thousands of jobs with significant value added by smelting in country. The ore would come from Ecuador and the metal would be produced in Ecuador. We are one of the very few companies whose staff is comprised entirely of Ecuadorians. We do not bring in people from overseas to work here full time. We work with Ecuadorians, who are amongst the hardest-working, smartest, and open-minded people you will ever meet.

How is Hanrine Exploration and Mining helping to prevent illegal mining?

Illegal miners, with the pandemic and economic difficulties, are looking for work. We are trying to educate the communities that such activities are illegal. Local communities do not benefit as much—if at all—from illegal mining. The communities we work with are now completely against illegal mining and 100% in favor of responsible mining. President Guillermo Lasso, his cabinet, and the military in Ecuador have been doing a phenomenal job in combating illegal mining. They go into remote areas to intervene, arrest illegal miners, and confiscate or destroy their equipment. They are maintaining order in remote parts of the country. People do not understand that mining makes many of the things in our daily lives possible, and we need to educate rural communities on the importance of mining and what it can mean for the future and for future generations. ✕



Keith Barron
CEO & CHAIRMAN,
AURANIA RESOURCES

Can you provide an overview of the exploration front for Aurania?

Both Richard Spencer and I have been active in Ecuador for many years, and we know the country extremely well. An opportunity emerged when Ecuador opened the mining cadastre in 2016 after it had been closed for eight years to acquire property here, and we pounced on it. We applied for 280,000ha, which is what we have been actively exploring for over four years now. We receive extensive support from the government, not just on a federal basis but right down to the governor and local levels. Permits are being streamlined, so all the red tape and bottlenecks that were happening before having largely gone away. It is not 100% yet. There is still work that needs to be done, but it has improved significantly. We have both met with President Lasso, and the message for us is that mining will be the future economy of this country. There is incredible value locked in the ground here that needs to be used to the benefit of the country. Our goal as an exploration company is to make a major discovery; that is what we have been working toward all this time.



Cesar Torres
LATIN AMERICA MINING
MANAGER,
MACCAFERRI

How did the company start its operations in Ecuador?

From the beginning, Maccaferri has been an industrial company that delivers to its customers engineered solutions that are innovative, safe, and environmentally friendly. For nearly 140 years, Maccaferri has provided innovative solutions to the construction, geotechnical and mining industries around the world. In addition, the company is constantly looking for new territories where our solutions and products could be used and that is why in 2010 Maccaferri opened the first office in Ecuador. The company started working with retaining walls, hydraulic channels and erosion control projects. However, we have always seen mining as an interesting industry. The company was already offering mining services in Peru and saw an opportunity to expand mining operations to Ecuador. There are interesting mining projects in Ecuador, such as Mirador and Fruta del Norte, and since we have developed many solutions for mining sector in Peru, we wanted to do the same in Ecuador. For example, when a company has a particular problem, we develop a solution based on engineering analysis. Our plus is that we understand the project from the engineering point of view. We have a full portfolio with complementary solutions that help the mining companies with their daily problems.

Oswaldo Sandoval
CEO,
GEOINT



How did GeoInt become one of the most recognized GIS companies in Ecuador?

In 2006, I had worked for many consultancies for mining or petroleum companies, and I always intended to start my own business. So, with two friends we decided to build the company in an industry that appeared very promising without much competition. We had experience in Geographic Information Systems (GIS), and our own skill sets, and we pivoted our focus on oceanography and petroleum issues. We won an important contract with Petroamazonas (now EP Petroecuador) and worked with it for a long time until 2015, when oil prices fell sharply; however, that company still uses our systems. We have to deliver top-quality service and solutions, which has long been our primary objective. The oil industry is driven by standards, which is why we have had to embrace those standards and abide by them. Among other companies, we often collaborate with ESRI. Additionally, we have traveled extensively to the US and, therefore, have established many relationships with companies of a similar stature as Maxar Technologies and Google Maps. These partnerships help us to employ satellite imagery to perform our services.



Rodrigo Figueroa Benítez
DIRECTOR OF
OPERATIONS,
FIBESA

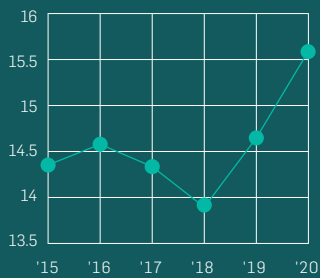
How did FIBESA become the leading importer and distributor of chemical products for the Ecuadorian mining industry?

FIBESA is a family-owned company. My father, the founder, started by making trips with basic necessities to the mining settlements in the south of Ecuador 30 years ago. At the time, there was a mining boom, especially in Zamora, which is where Lundin Gold Ecuador is located right now. He saw the need for various mining chemicals and subsequently found an importer for it. From this small operation of buying small quantities and selling them, he started the business here in Zaruma, which is where our headquarters are based. He started working under the name FIBESA, an acronym for our family name: Figueroa Benítez S.A. We have been here for the last 25 years because it is the center of all mining operations in the south of Ecuador. One of our main partners in Ecuador is Quimpac, a producer and distributor of many products like different acids and caustic sodas. We work closely with it because it can guarantee the quality of its products. We supply its products to our existing network. It is one of our key partners in the country.

Panama hats, a symbol of Ecuador, pictured at a toquilla straw factory in Cuenca

SHARE OF VALUE ADDED BY THE MANUFACTURING INDUSTRY IN GDP

SOURCE: STATISTA



GDP BY SECTOR

SOURCE: STATISTA



- 52.63% Services
- 32% Industry
- 9.8% Agriculture



Industry & Commerce

PRODUCTION & PRODUCTIVITY

Ecador has started an ambitious industrial clusterization strategy to boost its industrial competitiveness in international markets and encourage the growth of nascent industries locally. According to government plans, these clusters could include up to 20 sectors, including forestry, coffee and processed products, textiles and fashion, logistics, plastics, technology, chocolate, rice, alcoholic beverages, oilseeds and oils, creative industries, dairy industry, tuna, health innovation, super foods, financial, banana, responsible mining, industrial hemp, and real estate development.

One of the main private-sector associations in Ecuador, the Chamber of Industry and Production, recently turned 85. On this occasion, Executive President Pablo Zambrano Albuja told *The Business Year*: “We are working hard in two fields: competitiveness and productivity. We are now starting a program especially with big companies to share knowledge in these two fields with small and medium businesses. We are promoting the use of technology, because if companies are not aware of the importance of using technology, they will not be able to survive in the next 20 years. Currently, we are establishing a program with telecoms companies that are providing internet services, cloud services, and all

the electronic tools that we need right now. For example, the dairy industry is using databases and traceability to track where the milk is coming from, where the farm is located, what the cows are eating, and so on; basically, you can trace the entire production chain. Additionally, we are also thinking a lot about sustainability.”

A key aspect of this chapter looks at how Ecuadorian companies are embracing sustainability and circular economic models. To this end, for example, Ecuadorian mattress producer Chaide y Chaide told *TBY*: “From an environmental perspective, we continuously strive to reduce our carbon footprint, and we have been carbon neutral certified since 2020 in specific industrial operations. In line with our goal to reduce GHG emissions, 60% of our energy consumption is generated by solar energy since 2021. We are also undertaking a circular economy plan, where our goal is to accomplish cradle-to-cradle production. Not only we are developing mattress recycling operations, but we are also working on a cleanup project in the Galápagos Islands, where we plan to collect disposed used mattresses and adequately repurpose or recycle them. Finally, certain fabrics used in the fabrication of our mattresses are made of threads from recycled plastics thrown into the ocean.” ✖

INTERVIEW



Pablo Zambrano Albuja
EXECUTIVE PRESIDENT,
CHAMBER OF INDUSTRY AND
PRODUCTION (CIP)

VOICE *of reason*

Celebrating its 85th year, the Chamber of Industry and Production is helping members become more sustainable and embrace digital transformation to remain relevant.

BIO

A lawyer with a doctorate in jurisprudence from the Pontifical University of Ecuador, Pablo Zambrano Albuja also has a master's in law from Universidad Andina Simón Bolívar. He is also a doctoral candidate in constitutional law at the University of Buenos Aires. He has attended specialized courses in business administration at the International Labor Organization and in organizational leadership at the INCAE Business School. In 2014, he was made executive vice president of CIP, prior to which he was CIP's legal director. In 2018, he was made Executive President. He has also been a professor at various universities across the country for two decades.

How has the chamber evolved in its 85 years of history to tackle the 4th Industrial Revolution?

We are working hard in two fields: competitiveness and productivity. We are now starting a program especially with big companies to share the knowledge in these two fields with small and medium businesses. We are promoting the use of technology, because if companies are not aware of the importance of using technology, they will not be able to survive in the next 20 years. Currently, we are establishing a program with the communication companies that are providing internet services, cloud services, and all the electronic tools that we need right now. For example, the dairy industry is using databases and traceability to track where the milk is coming from, where the farm is located, what the cows are eating, and so on; basically, you can trace the entire production chain. Additionally, we are also thinking a lot about sustainability.

What strategic alliances has the chamber developed to strengthen the Ecuador 2030 Initiative?

We are promoting with our affiliates the use of sustainable production and the concept of sustainability. We will celebrate our 85th anniversary, and in October we held a special event with the UN Development Program and the Inter-American Development Bank, who are promoting and financing sustainability programs. We want to share the best practices of the oil, mining, food and beverage, and forestry industries. We want to show that we can produce without causing harm to the environment and lowering our impact on the environment. There are many sectors in which companies can invest in and grow and become successful. For example, agribusiness is the top industry. Ecuador has increased the export of shrimp, banana, cocoa, fresh cut flowers, and fisheries. Besides oil, mining and other industries also have great potential in Ecuador. President

Lasso recently announced that he wants to double oil production in Ecuador, so this is positive news for investors. Ecuador has to take advantage of its oil reserves, because in 10 years or so carbon and oil will no longer be accepted by society. Additionally, the commercial policy in Ecuador has to be active and smart and promote markets for Ecuadorian producers. Right now, we are in the middle of a negotiation with Mexico that is interesting because it is a big market. After that negotiation, Ecuador could be a member of the Pacific Alliance. We are also in the middle of negotiations with the US, another interesting market. We need to focus on markets that will increase our exports.

Given that you were reelected as President of the Chamber of Industry and Production, what is your vision for this term?

From a manufacturer perspective, we have high expectations of the new government, specifically in terms of what we want to do. We want to increase our share in the GDP. Right now, the industry amounts to 13%. There is a great deal of work that we can do, so it is important to have a clear policy from the government to work on competitiveness. In 2021, we published a study called Sustainable Enterprises that we carried out with International Labor Organization. There are 17 pillars that we studied, such as economics, rule of law, labor law, and commercial issues. This study is a roadmap for competitiveness in Ecuador. In the case of Quito, there are many problems, the first of which is unemployment. Another issue is the administrative vision of the city, and we have at least 20 public companies. From our perspective, this model should be changed, and we should use PPPs. It will take two to three years to recover the solid numbers of the city. In addition, Quito provides 25% of the GDP of Ecuador, so it is really important that the city has a vision for the future. ✖

being THE BEST

In addition to ensuring its production practices comply with sustainable industrial standards, De Prati also has initiatives to support vulnerable women entrepreneurs and local suppliers in Ecuador as well.

Priscila Altamirano
EXECUTIVE PRESIDENT,
ALMACENES DE PRATI



What is De Prati's plan for the future, and what marks the company's presence in Ecuador?

De Prati started in Ecuador in 1920 by an Italian couple that arrived in Cuenca. In 1940, they opened a shop in Guayaquil for imported fabrics to sell. That is how De Prati's story began some 80 years ago. This Italian couple created the first commercial credit system in the country. Since 1968 to date, it has more than 1 million clients with active direct credit. De Prati started in Guayaquil with the opening of our first store, Luque. In 1996, we arrived in Quito with our first shop in Centro Comercial Quicentro Norte. Today, we have 14 stores—six in Guayaquil, seven in Quito, and one in Manta—plus the online store DePrati.com. The website, which was created in 2007, created an opportunity for the company to transform digitally, and this transformation was boosted by the pandemic. Our core business is women's, men's, and children's clothing, and 75% of it gets produced locally. We indirectly generate local employment for 23,000 individuals through our suppliers.

How does De Prati work to create a productive capacity locally, and what positive impact does it have on a social and environmental level?

De Prati visits its suppliers' factories to ensure they comply with the baselines of industrial security and that there are no child workers. We certificate and qualify our suppliers. Regarding social impact, we developed a social program for women manufacturing clothes. We teach women from vulnerable sectors of Guayaquil, Quito, and Manta to do manufacturing. Then, there is an entrepreneurial

module, where we teach people how to create a business and handle social networking. We have transformed the lives of over 900 women who have impacted their families and their circle. From an environmental aspect, we developed our collection called Change, where we have already chosen around 30 local suppliers. They work solely with organic and recycled materials and natural accessories. This collection created an incredible impact on our clients, and everything was sold out.

How would you evaluate changes in consumer trends brought about by the pandemic?

When the pandemic started, people were confined to their homes, and we saw a boom in technology sales. We started to develop "comfort" collections. Once the lockdown ended, and life returned to normal, our strengthened technology remained. There is now a trend to change decorations and better organize spaces in people's homes. The pandemic accelerated digitalization around the world. As part of its vision for the future, in 2007, the company created the platform DePrati.com, which has gained us a lot of experience through these 15 years. The pandemic found us with a strong and consolidated webpage. For us, there has been a process of educating our clients and having them trust a digital platform and the safe payment methods that we offer.

What plans does De Prati have in the short term for Ecuador?

De Prati has an expansion plan to ensure better coverage in the country in terms of stores. In early 2023, we will open a shop

in Machala. We have high expectations in Machala and see great market potential. We are activating in Santo Domingo, Cuenca, and Ambato. Additionally, with our focus on omnichannel, De Prati's priority is to improve and optimize logistics. We have started a project to invest in a new distribution center for the company. Additionally, we want to strengthen our program for women manufacturers. Our goal is to have this program in every city that we have a store in and encourage vulnerable women to become entrepreneurs. At De Prati, it is all about the company's culture, what differentiates it, and makes us who we are. This company, with its values, has transformed the lives of our collaborators. Everything is thanks to this culture of believing in our people and their development. ✖

BIO

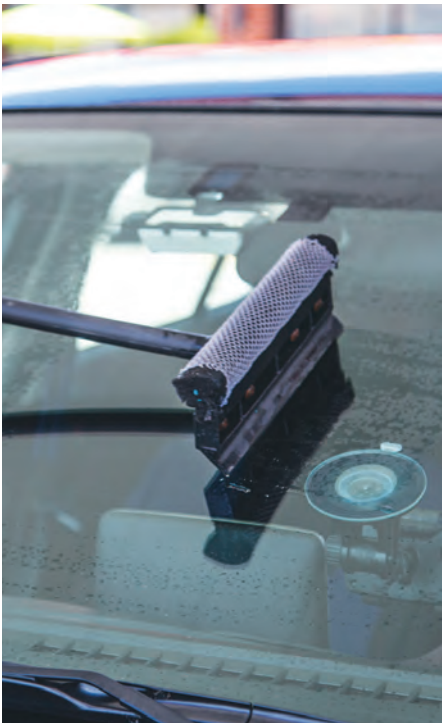
Priscila Altamirano has been with Almacenes De Prati for more than 20 years and has been its President since 2016. Previously, she was commercial vice president & vice president of purchasing. Under her leadership, Almacenes De Prati has managed and developed the digital transformation of its business with an omnichannel approach. She holds an MBA from Universidad Santa María de Chile and a diploma in strategic sales management from Tecnológico de Monterrey.



Market leader with 44 years of experience

Crilamyt is an Ecuadorian company that process automotive windshields for 44 years. Our company uses for this type of glass the best worldwide raw material, top edge technology, quality certifications and efficient processes.

Another type of products that Crilamyt produces for specialized markets are bullet proof glasses with high standards and warranty.



greater CONTRIBUTIONS

Holcim Ecuador has taken several decisive steps in terms of sustainability, having invested millions to reduce its carbon footprint and improve its production methods.

Dolores Del Carmen Prado Marengo
CEO,
HOLCIM ECUADOR



How does Holcim work to promote the empowerment of women?

I have been working at Holcim, where I started in the commercial area in Nicaragua, for 24 years. Some years later, I had the opportunity to be promoted to general manager in Nicaragua and then CEO. I was Holcim's first female CEO in the world, and that showed the potential to empower women within Holcim. Later, I was the CEO of El Salvador and then of the Central American cluster, Nicaragua, El Salvador and Costa Rica, my next step was Ecuador, where I arrived in 2021 the same year that Holcim Ecuador was celebrating its 100th anniversary. On top of that, Holcim Ecuador has a female president of the board of directors, Caterina Costa and our leadership team is over 60% women. I am extremely happy to be here and contribute to bring more women to our operations.

What factors will boost demand in the construction sector?

Cement consumption was typically 70% for public infrastructure projects and 30% for private projects; however, today public infrastructure does not even reach 20%, because the government of Ecuador is in the process of reducing its public spending. We are much more focused now on private companies and individuals building their homes. One thing that is activating is that remittances have increased more than 70%, both from the US and Europe. Those people want to return to live in Ecuador at some point and are building their houses here. That is also a dynamizer of that small construction, this is an example of the new opportunities in our industry.

How would you assess Holcim Ecuador's commitment to society and the environment?

Holcim is heavily committed to sustainability, our goal being Net Zero by 2050 along with partial steps by 2030. Among them, we have to make products with a smaller carbon footprint, and one of the ways to do that is to have less clinker, which is the main material that releases pollution into the environment. There must be cooperation between academia, the government, and even financial institutions. This topic has yet to fully reach Ecuador, and that has to be strengthened. For example, the municipality of Guayaquil throws out 4,500 tons of garbage daily. Holcim has a company, Geocycle, through which we bring the garbage and convert it into clean energy. Right now, we are asking for an investment of USD16-19 million to make a commitment with the municipality of Guayaquil to manage 10% of the garbage that Guayaquil produces and convert it into energy. We have become the company with more Punto Verde certifications by the Environmental Ministry for our cleaner production projects, such as recyclable water projects in all our plants, energy and waste reduction, among others

What is your view on the economic situation in Ecuador, and what are your plans for Holcim in the country?

Holcim Ecuador believes in this country and keeps investing to grow in our operations and service to our clients. In the last few years, we invested almost USD7 million in a raw material conveyor belt in a plant that is almost 4km long, where before we used to use many trucks

to bring its raw material. Now, all this is transported on completely closed conveyor belts, which is a purely environmental investment because it prevents pollution. In 2021, we inaugurated a new aggregates plant, Loma Alta, with an investment of USD10 million, and it is the first plant with over 50% women. If we manage to materialize the project with the municipality of Guayaquil, we will be able to manage 10% of the garbage and turn it into clean energy. Another thing is that 60% of the executive committee, 67% of the leadership committee, and 60% of Holcim's workforce are women. Not only is there gender diversity, but everyone is young, and it is easier to handle the transformation of our industry to make it more sustainable. ✖

BIO

Dolores Del Carmen Prado Marengo has more than 35 years of management experience, 22 of them in the LafargeHolcim group, where she started as commercial manager in her native Nicaragua. She later held positions as country manager, general director of Nicaragua, and later CEO of El Salvador. For the last five years, she has been CEO of the Central America Cluster comprising El Salvador, Costa Rica, and Nicaragua. As of 2021, she has been in charge of the executive management of Holcim Ecuador, a position that for the first time is held by a woman and coincides with the first centenary of the company. She holds a degree in business administration and a postgraduate degree in marketing and sales from the Polytechnic University of Nicaragua.

QUALITY *and* *experience*



Crilamyt has worked hard to become the leaders in laminated glass for structural buildings and automobile manufacturing in Ecuador.

Guido Paez Puga
CEO,
CRILAMYT

Supplies windshields to more than 95% of bus builder companies in Ecuador

Original equipment manufacturer of windshields for local vehicle assembly

BIO

Guido Paez Puga was appointed CEO of Crilamyt in 2021. He is an economist and has a background in finance and commercial areas with more than 30 years of experience. He has a degree in business administration from Winthrop University in the US. He was formerly government commercial manager at Telefónica Ecuador after being CEO of Mercedes Benz in Ecuador for 15 years.

What values have the company maintained since it was founded?

One thing that this company has demonstrated over the years is that we have not lost our identity. That is reflected within the group of people that work and collaborate everyday with Crilamyt. There are people who have been here for 30-35 years. This is a family company that is looking to adapt to modern times and has moved to a corporate governance model. Therefore, we hired an outside professional business administrator. Crilamyt is recognized as an experienced and highly professional company that pioneered the automotive glass industry in the country. We are the leaders in selling laminated glass for structural buildings in different segments and windshields for vehicles, which is our core business at the moment. My responsibility is to lead the company to new times, without losing, by any means, the DNA that has been carried over 44 years.

What role does innovation play, and how are you helping the company be more competitive?

The first thing that we are doing is looking internally and making sure the production process is as efficient and effective as possible. We want to ensure that we run smooth production lines with no glitches; we are currently competing with countries that have different production economies of scales such as China, Mexico, and Brazil; and we all are required to comply with the same legal regulations. Unfortunately, currently in Ec-

uador competition is not fair, as several importers are misusing certain duty regulations, which puts us at a critical disadvantage.

What is behind the Crilamyt's accomplishment in becoming the market leader?

Quality and experience. We have 44 years of compromise with our customers with the knowledge that we must deliver a safe and high-quality product. We use the best raw materials available on the market and are constantly upgrading our equipment in our production lines in order to comply with our commitment to our customers. Crilamyt is currently an original equipment manufacturer company (OEM) for local vehicle assembly lines like KIA and Hyundai. We comply with national and international product standards contained under ISO9001 and INEN 1669 certifications.

How do you plan to position Crilamyt on the international stage in the coming years?

Crilamyt seeks to become an extremely efficient and competitive company in the future. We will develop new commercial products inherent to our core business. We also want to maintain our local leadership but will be looking for business opportunities within the region. We have the experience and spirit required to go international and compete with high-quality products and customer service. Currently, we are providing glass to the Medellín bus rapid transport system in Colombia. ✖



Raúl Estevez
SALES AND INNOVATION MANAGER,
CHAIDE Y CHAIDE

What does Chaide y Chaide mean to the local textile industry and mattress production capacity?

Chaide y Chaide is a 100% Ecuadorian company. We have been in the national market for 47 years employing about 540 people and generating thousands of indirect jobs. We have two manufacturing plants, one located in Quito, and the other one in Guayaquil, from where we distribute to over 600 retailers around the country. This is a year of countless opportunities and challenges after the pandemic. The health and textile sectors, and more specifically, the mattress industry, including pillows and sleep products, demonstrated better results on average. Fortunately, our industry barely suffered. Even though sales declined in 2020, we have experienced a speedy recovery. Considered as an industry closely related to health and well-being, we have been able to better achieve positive results by creatively overcoming obstacles like supply chain interruptions and raw material shortages.

How is Chaide working in terms of sustainability from both a social and environmental perspective?

We have various sustainable initiatives which focus on two key areas: environmental and social. From an environmental perspective, we continuously strive to reduce our carbon footprint, and we have been carbon neutral certified since 2020 in specific industrial operations. In line with our goal to reduce GHG emissions, 60% of our energy consumption is generated by solar energy since 2021. We are also undertaking a circular economy plan, where our goal is to accomplish cradle to cradle production. Not only we are developing mattress recycling operations, but also we are working on a clean-up project in the Galápagos Islands where we plan to collect disposed used mattresses and adequately repurpose or recycle them. Finally, certain fabrics used in the fabrication of our mattresses are made of threads from recycled plastics thrown into the ocean. We also supply our main dining hall with organic produce from less privileged communities, making them part of our production chain and at the same time helping their business grow. In addition, we collect the plastic packaging used to cover our mattresses and donate them to a foundation called Hermano Miguel, where they repurpose these plastic bags. ✖

GRUPO FUTURO

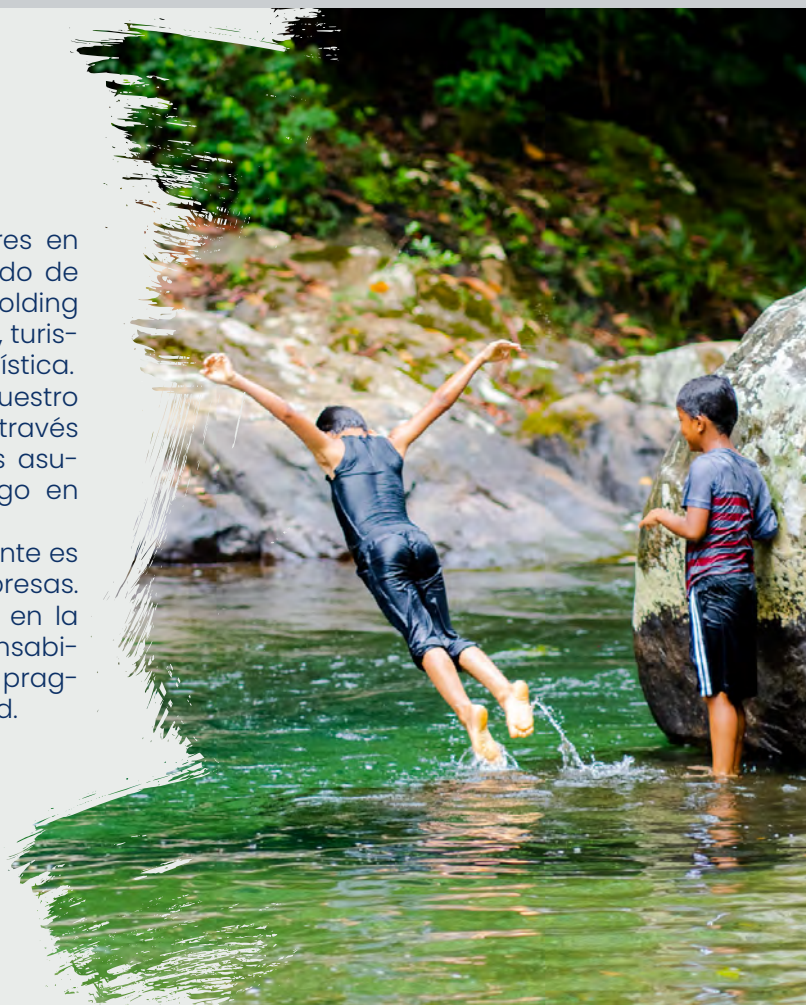
Grupo Futuro es un Holding de empresas líderes en Ecuador que cuenta con un portafolio diversificado de inversiones. Su enfoque estratégico consolida el holding de empresas líderes en seguros, servicios médicos, turismo, agricultura tecnificada y energías limpias y logística.

Con una trayectoria de 50 años, mantenemos nuestro espíritu emprendedor y capacidad innovadora. A través de nuestras empresas generamos oportunidades asumiendo posiciones de responsabilidad y liderazgo en todos los sectores donde incursionamos.

Nuestro compromiso con la sociedad y el ambiente es un eje fundamental del Grupo Futuro y sus empresas. Creemos en el impacto positivo de los negocios en la sociedad y el ambiente, y asumimos nuestra responsabilidad corporativa desde un enfoque innovador y pragmático basado en los principios de la sostenibilidad.

📍 Av de las Palmeras N45-74 y las Orquideas.
Edificio Metropolitano Touring.

www.FUTURO.COM.EC



A CIRCULAR *economy*



Bernardo Pérez
GENERAL MANAGER,
AGLOMERADOS COTOPAXI

Aglomerados Cotopaxi focuses heavily on taking care of the environment while conducting its operations, even winning an award from the UN for its water governance agreements.

What has been the contribution of Aglomerados Cotopaxi to the overall growth of the wood industry in Ecuador?

Aglomerados Cotopaxi is an Ecuadorian company dating back 44 years that has always been focused on sustainability. Today, Aglomerados Cotopaxi's forest plantations occupy 44,500 acres, and the entirety of our timber is sourced from plantations. We have always been at the forefront of technology, exporting different products to over 10 countries. We have a strong relationship with distributors across South, Central, and North America. Aglomerados Cotopaxi believes in the country and has continued investing in it.

How does Aglomerados Cotopaxi work to reduce its environmental footprint?

Over time, Aglomerados Cotopaxi is seen more often like a forest bioeconomy. We have numerous water resources that start in our forest plantations and supply clean water to nearby communities. We have significant alliances for water management with the communities to preserve the quantity and quality of these resources, which allows us to maintain good relationships with our neighboring communities, that rely on agriculture, and for whom water is of utmost importance. We even won a prize from the UN in recognition of our water governance agreements. We use wood biomass as fuel instead of petroleum derivatives. We use biological pest control instead of using pesticides. We take care of the quality of the soil with the use of specialized machinery. We reduce the footprint because during the 20 years that our trees have been growing in our plantations which they are already in their third rotation, we have fixed a lot of carbon that has not returned to the atmosphere thanks to the responsible and integrated forest management of the entire operation.

What is the importance of the circular economy regarding the wood sector and Aglomerados Cotopaxi?

Wood is one of the most circular products in the world. It is a renewable resource, and every tree is used to manufacture many products, in the case of Aglomerados Cotopaxi it is used to make pallets, panels, and other solid timber products. We use the whole tree for manufacturing,

"We have always been at the forefront of technology, exporting different products to over 10 countries."

biomass and substrate. The scraps are used for power generation. Aglomerados Cotopaxi has a program to continuously reduce the use of fossil fuels and instead rely more on wood as the source of our energy. On the other hand, wood products can be recycled and reused. You are not generating a waste or pollution problem, as wood can be recycled or used as a fuel source. This is what makes wood such a circular product.

What is the positive effect of the new commercial agreements of the Ecuadorean government, and how can Aglomerados Cotopaxi benefit from this?

Aglomerados Cotopaxi will benefit from a pro-business and pro-investment government. The trade agreements are the result of political vision. Most entrepreneurs and business leaders are finally feeling represented, to a certain extent, in what we look for as a country. The new political vision of this government is to sign numerous trade agreements within a short period of time. There are currently 10 countries waiting to discuss a trade agreement in the next few years. We are close to closing the deal with Mexico, and will shortly start doing so with China. Today, Ecuador exports over USD600 million per year in wood products. Ecuador is the largest banana exporter in the world and the largest shrimp exporter as well. Both of these products are top world contenders thanks to the vision, drive, and resilience of investors. Ecuador has an important agri-business export presence, especially led by private-sector investments, without any subsidies or other help from the governments. This shows two things: the potential of the country and the drive of its entrepreneurs. Despite the various political scenarios we have lived in the past, entrepreneurs and business leaders have always driven the economy and believed in the country. ✕

BIO

Bernardo Pérez is General Manager of Aglomerados Cotopaxi. He has more than 20 years' experience in wood panel companies, where he has developed distribution channels and alliances with wood retail stores for Ecuadorian panels in markets all over the world. He currently serves on the boards of directors of companies in Ecuador and Colombia and has been a private-sector representative for FTA negotiations between Ecuador and its trading partners. Pérez holds a BA from Babson College.



Marco Moncerrate
GENERAL MANAGER (ECUADOR),
GRUPO TESTEK

BIO

Marco Moncerrate is a materials engineer and sales professional with more than seven years of experience working in key organizations in industrial sectors such as oil and gas, energy, mining, aeronautics, metalworking, and education, among others.

How important is Ecuador in Testek's portfolio of operations?

Ecuador is one of the biggest operations within the Group, and it has immense potential. We are the only company in Ecuador completely specialized in non-destructive testing that has as a direct employee a Level 3 inspector of the American Society for Nondestructive Testing (ASNT). Our technical manager is Level 3 in ultrasound and penetrating dyes. The past few years have been a series of ups and downs, but we firmly believe in this country. With the vision of the current administration aimed toward opening up economically and the search for foreign investment, now is the perfect moment to put in all the possible effort in our operations in Ecuador, so we can grow along with this wonderful country.

What segments are you focused on in Ecuador?

We offer custom-made technological solu-

tions to meet the needs of the main industries, such as oil and gas, power generation, and mining. Our main business is to sell technology, be it non-destructive testing equipment, ultrasound equipment, or dynamic machinery inspection technology for turbines or engines. The training is part of how we accompany our clients and the added value we offer them. However, we also serve the education sector, metal-mechanic, and aeronautical. Our solutions are always aimed at helping our clients meet their operational goals, increase their profits and lower their costs, and have a positive impact on the global business profitability. We achieve this through technological solutions that allow us to safeguard the integrity of the companies' infrastructures and actives, supporting them on the quality control of their processes and products, and providing high-quality, timely, and precise services, giving them the possibility of being renowned and credible within the industry. These solutions are based on non-destructive testing technology, material analysis, and specialized protective coating systems. This are all provided with the intention of guaranteeing the operational continuity and the safety of the activity of every company we work with. ✖



MOBILE OPERATORS BY MARKET SHARE (2021)

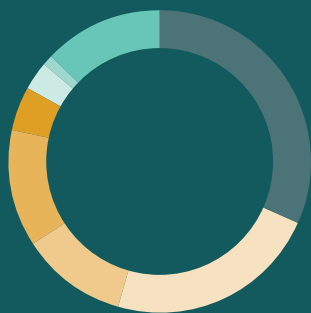
SOURCE: ARCOTEL



- 51.7% Claro
- 30.7% Movistar
- 17.6% CNT

ISPs BY MARKET SHARE (2021)

SOURCE: ARCOTEL



- 31% CNT EP
- 22.2% Megadatos
- 11.1% Setel
- 12% Conecel
- 4.6% Puntonet
- 3.1% ETAPA
- 1% Pacheco Luis
- 12.4% Others

INTERNET USAGE SNAPSHOT

SOURCE: DATAREPORTAL

10.17M

internet users in Ecuador
in January 2021

Number of internet users in
Ecuador increased by

147K (+1.5%)

between 2020 and 2021

Internet penetration in
Ecuador stood at

57.3%

in January 2021

Telecommunications towers pictured in Guayaquil
at sunset



Image: Mihai-Bogdan Lazar



Telecoms & IT

NEW FRONTIERS

Ecuatorian telecoms and IT are attracting record amounts of private investment. In 2021, the sector saw USD400 injected, with the figure expected to reach USD1 billion over 2022. Elsewhere, e-commerce continues its meteoric rise in the country, with transactions estimated at over USD2 billion in 2021.

Indeed, the private sector is confident about the evolution of IT in the country. Katherin Miño Sánchez, CEO of Puntonet, a leading company in the Ecuadorian IT market, told TBY: “Having a government that considers the private sector an ally for the development of its projects is positive, as is the fact that it takes into consideration the opinions of the private sector. SMEs have an important involvement in Ecuador, and we should help them solve their digital illiteracy. The private sector is extremely optimistic about these projections, and our governing body represented by the Ministry of Telecommunications supports such plans, including the 1% universal tax, which will enhance the growth of connectivity. The governing body is looking to consolidate its efforts, with the aim of reducing the digital gap. We can enhance social growth through technology. We should also focus on checking the prices we pay. Right now, the telecommunications sector has probably the highest tax burden of the region; however, we expect this to fall in the coming years through partnerships between the private

and public sectors.”

Not surprisingly, COVID-19 has seen an increase in digitalization efforts across the economy, including SMEs. In fact, according to research carried out by Microsoft in the country, for nine out of 10 Ecuadorian SMEs, the pandemic accelerated the digital transformation process. In this sense, more than 92% of SMEs invested in technologies in the last year. Among the technologies they consider a priority are laptop computers (77%), software for video calls (31%), as well as cloud storage/computing (58%), and software for collaborative work (31%).

On the other hand, the relevance of cybersecurity as a fundamental part of SME strategy and operation is steadily growing. According to the survey, 83% of SMEs have made cybersecurity a priority, while 66% plan to invest in cybersecurity technologies in their businesses, and 79% said they have changed cybersecurity policies to accommodate remote working.

Digitalization is becoming a growing business for traditional telecommunication service providers. Ecuador currently counts on three main operators: Telefónica and Claro, which both belong to private international companies, and the state-owned CNT. There have been speculations about the privatization of CNT or even another operator entering the market, although as of May 2022 there has been no final decision. ✕

INTERVIEW



Vianna Maino
MINISTER OF
TELECOMMUNICATIONS AND THE
INFORMATION SOCIETY

STAYING *connected*

As part of Ecuador's rapid digitalization revolution, the Ministry for Telecommunications and the Information Society is focusing on connecting the unconnected, training citizens in ICT, and promoting a digital and cyber-secure government, among others.

BIO

Vianna Maino holds a PhD in jurisprudence with extensive experience in the public and private sector. Her specialization in public-private partnerships and modernization has enabled her to make high-impact investments and projects viable in Ecuador. She has extensive knowledge in regulation and concessions in the areas of infrastructure, technology, telecommunications, energy, postal, port, and airport transport. As of May 2021, she leads Minister for Telecommunications and the Information Society, the entity responsible for issuing public policies and plans for the digitalization of the country.

As Minister of Telecommunications, what is your vision for the future of Ecuador's digital strategy?

In Ecuador, we are striving to make technology and telecommunications the backbone of the national economy. Our vision focuses on expanding connectivity to historically neglected areas as a priority, digitalizing processes and systems, training thousands of Ecuadorians in ICT, and improving the digital security and modernity of the government, as part of Ecuador's emergence as an information society and knowledge-based economy.

Digital solutions were vital during the pandemic. What new strategies did the ministry adopt?

Since I assumed the leadership of the ministry, we have connected all the country's vaccination points, and distributed information on their locations, as well as the dates, times, and types of vaccines available. Databases were the foundation of the success of this process. We have also reached out to sections of the population that have less access to the internet, using text messages on the number 171, to inform them of their place and date of vaccination. This was thanks to the support of private operators. Before our government, less than 3% of the population had been vaccinated. We set ourselves the ambitious goal of vaccinating 9 million people—50% of the population—in the first 100 days of administration. This milestone was reached with great efficiency, making Ecuador a benchmark for the world. To a large extent, this goal was achieved by integrating the entire vaccination process.

What are the main challenges facing the ministry today, and how are you preparing to overcome them?

Ecuador is experiencing its first digital revolution. In that sense the challenges are manifold. Among the most important are connecting the unconnected, training citizens in ICT, promoting a digital and cyber-secure government, and attracting technological investment. Within this framework, and in just over 10 months, we have provided 1.9 million people with internet and mobile phone coverage. We have trained 250,000 people, mostly from rural areas, to help them become part of the new digital economy, through platforms such as Claro, Facebook (Meta), Telefónica, and Google, among others. Within the framework of digitizing the

“We have trained 250,000 people, mostly from rural areas, to help them become part of the new digital economy.”

government and making it more secure, we are working with experts from the EU through its CIBER4DEV Project, with which we began a close collaboration for cybersecurity in 2021. The IDB, ITU, OAS, World Bank, and US government have also contributed to this work. Finally, private investment and the potential for innovation that it presents is among the challenges we must face. In 2021 we saw investment in telecommunications and ICT of close to USD400 million. We hope that by 2022 the figure will approach USD1 billion.

One of the country's most ambitious current projects is the Galápagos fiber-optic submarine cable system. What are the expected outcomes of this project and how do you plan to achieve them?

There is a project underway for a submarine cable to connect the Galápagos Islands with the rest of world. It is run by a private company, and the project is currently in its technical study phase and will be operational by the end of 2023. It will benefit more than 32,000 inhabitants of the Santa Cruz, San Cristóbal, and Isabela Islands, as well as more than 250,000 tourists a year.

What would you hope your legacy as minister to be?

To have taken Ecuador into the world technological vanguard through synergy between government, business, and citizen. And from our field of action, being a facilitator of innovation, the development of the private sector and taking advantage of new technologies. In that manner the virtuous circle of progress could finally benefit our citizens, especially those that have until now been underserved. That defines a country whose development will be driven by technology and telecommunications without leaving anyone behind. Indeed, that will be the legacy of the government of President Lasso through our ministry. ✖



Katherin Miño Sánchez
CEO,
PUNTONET

MARKET *leader*

Puntonet has been working to expand Ecuador's fiber-optic network to rural areas, reduce digital illiteracy among SMEs, and improve connectivity overall.

BIO

Katherin Miño has a master's degree in strategic management from the Polytechnic University of Catalunya and a master's degree in finance from SEK International University (Ecuador). Her bachelor's in business management was obtained from the Central University of Ecuador. She is regarded as a referent in the telecoms environment in Latin America, being one of the few women in leadership roles within telecommunication companies in the region. She has more than 20 years of professional experience in Puntonet.

How has Puntonet been developing in the last few years, considering the rapid acceleration of companies' digitalization processes?

Puntonet has had a fairly aggressive evolution over the last few years. Some years ago, we began a digital transformation project focused on the understanding of the company's business model and its essence. From there, we centered our development on technological systems and information in order to build a more client-based solution. Puntonet has become a technological renovation bridge, regarding the connection between connectivity and telecommunications with society. Puntonet continues to work on its strategic plan, and we have modeled and shaped it according to the context and market conditions. By having a technological platform, as well as infrastructures for fiber optics, cloud computing, and security, we can make quicker decisions and develop our actions based on our customers' needs. This is extremely important.

How has Puntonet adapted to the different economic and strategic sectors of the country?

Puntonet has two business lines: the residential segment and corporate. The pandemic resulted in an enormous increase of residential internet lines in the last two years, as everyone turned to remote working; however, the corporate sector had to start adding new technologies, which Ecuador was lagging in. When you start working on data governance, you first need to understand the source of your data and how you will use it, in order to establish a proper flow of data that ensures its quality. We would like for this digital ecosystem not to rely solely on hardware and connectivity, but rather be the core of a more complex system of data that derives in sustained insights about our clients. We are currently seeing an alignment and synergies between the public and private sectors, which was impossible some time ago. The idea is to work together to reduce the digital gap. Starting in April, Puntonet is expanding the fiber-optic network to rural areas, since over 50% of the landline connec-

tions are concentrated on urban areas. The Ministry of Production also provides income tax reductions for those who invest in this area, which are beneficial for the company.

What is your view on the current economic momentum of optimism experienced by Ecuador?

Having a government that considers the private sector an ally for the development of its projects is positive, as is the fact that it takes into consideration the opinions of the private sector. SMEs have an important involvement in Ecuador, and we should help them solve their digital illiteracy. The private sector is extremely optimistic on these projections, and our governing body represented by the Ministry of Telecommunications supports such plans such as with the 1% universal tax, which will enhance the growth of connectivity. The governing body is looking to consolidate efforts, with the aim of reducing the digital gap. We can enhance social growth through technology. We should also focus on checking the prices we pay. Right now, the telecommunications sector has probably the highest tax burden of the region; however, we expect this to fall in the coming years through partnerships between the private and public sectors.

What are the priorities for Puntonet for 2022-2023?

We will focus on territorial expansion. We are currently present in 20 cities, and we will open operations in another 10. We are carrying out research with advanced analytics to understand the current situation and determine how we can provide customers with products that truly meet their needs. We are building a personal connection between internet and customers. As an example, we now have a similar tool to the one Uber uses, which allows a customer to identify the technician coming to their house. We are giving them the peace of mind that they are truly opening their doors to an employee of the company that is providing technical support, which demonstrates our compromise with the service and experience we provide. ✖

INTERVIEW

supporting GROWTH

Movistar Empresas is working to not only bring digital connectivity to rural areas of Ecuador, but also offer sophisticated solutions for the private sector as part of their digital transformation.

Diego Calderón
VICE PRESIDENT,
MOVISTAR EMPRESAS



How is Movistar Empresas working to resolve the digital gap in rural areas of Ecuador?

The objective of Movistar Empresas is to make the world more humane by connecting the lives of people. In 2019, a company called Internet for Everyone (IPT) was created in Peru to democratize access to the internet in rural areas of the country. The company has achieved 4G internet access in over 13,000 communities, and now 2.4 million Peruvians living in rural areas have access to mobile connectivity. One of the most relevant points is that IPT was established as a rural mobile infrastructure operator (OIMR), a model that allows it to install telecommunications infrastructure in locations where internet access has been limited. For the rural areas of Ecuador, we are deploying networks in 13 rural parishes, adding more than 200km of coverage with which we have brought digitalization to more than 50,000 Ecua-

dorians in remote places of the country. Movistar Empresas Ecuador is openly pushing for the infrastructures to be shared in rural areas and to enable them to ultimately benefit from the possibilities of 5G coverage that we hope will arrive in Ecuador.

How is Movistar Empresas helping Ecuador's digitalization process?

It is essential to break the digital barriers in Ecuador, which means not leaving anyone out. At a global level, Movistar Empresas manages three great sectors, mobiles, connectivity, and the digital world that encompass five factors: cybersecurity, the cloud, IoT, big data, and advertising. Our solutions for the digital world can be applied to any kind of industry and of any size. There are many SMEs in Ecuador; in fact, 65% of our clients are SMEs. All of the information and management applications for SMEs can be saved in the cloud provided by Movistar Empresas, and the same applies to cybersecurity. We can provide this as a service provided at reasonable costs for the company. Investment in cybersecurity, managed in Quito, is of benefit to both smaller and larger businesses.

How is Movistar Empresas in Ecuador adapting to those sectors crucial to national development?

For example, Movistar Empresas developed a system for the Ministry of Tourism two years ago based on big data and AI. This allows us to see the interior migration of Ecuadorian people or foreign nationals within the country. In the fishing sector, we are working on private LTE communication lines that allow a com-

pany to use our technology to have a private line and allow control over the management and business system. We have also developed other systems related to geolocation for advertising solutions in the financial sector, mainly so sector players can be more precise in choosing where to locate their agencies. In the financial sector, we have worked extensively with a mix of cybersecurity and the cloud that is called SD-WAN. Working with us, clients can manage their own telecommunications infrastructure, making it much more efficient.

What are your short to long-term plans in Ecuador?

The objective is to continue supporting national development and growth. Movistar Empresas in Ecuador seeks to be an ally of companies in their digital transformation and establish connectivity for the entire population. We have an ambitious plan for indoor and outdoor coverage on the coast in general, specifically in Guayaquil. We hope to have concluded indoor coverage in May and outdoor coverage in September or October of 2022. We are making a large investment in Guayaquil specifically for this. We are also working in other coastal areas. A new structure called Movistar Empresas Hispan has the same objective to potentialize all the products of Movistar Empresas in Latin America. Additionally, when we talk about cybersecurity, for example, we offer the services of Ecuador and Latin America through knowledge sharing. While Movistar Empresas is based in Latin America, it is also active in five key markets including Spain, the UK, Germany, and Brazil. ✖

BIO

Diego Calderón is an electrical engineer (summa cum laude) from the National Polytechnic School of Ecuador and holds an MBA from IDE Business School. He has taken numerous courses at national and international level with Oxford University, Oxford Leadership Academy, IMD Global Business School, IESE, IEDE, and INCAE. In 2006, he joined Telefónica Ecuador (OTECEL S.A.) as senior manager of strategic planning and quality. He then became vice president of operations and customer service, vice president of corporate commercial and customer service, and vice president of Telefónica Business Solutions. Since 2020 he has been Vice President of Movistar Empresas. He was also director of Fundación Telefónica, its social arm, between 2020 and 2021.



Ernesto Kruger
CEO,
KRUGER CORPORATION



Andrés Maldonado
MANAGING DIRECTOR
(ECUADOR),
IBM

SOFTWARE

Given the immense rate of digitalization in Ecuador, software companies help firms apply the most appropriate technologies and achieve their digital transformations.

How do you help accelerate the digital transition of Ecuadorian companies?

ERNESTO KRUGER K-blockchain is a framework using the latest blockchain technology, and we intend for this disruptive technology to be within everyone's reach. This disruptive technology is relevant to many elements that we need today, such as digital identity, traceability, and management of processes and procedures. For example, we have put into practice the traceability of agricultural products in Latin America including cocoa, shrimp, and cannabis, or fishery products in Europe. We have also implemented loyalty programs. These are just some of the things we are doing with blockchain. It is all about trying to form economic financial ecosystems with various players, and it has been quite useful because it generates this revolution. In Latin America, it is slightly more delayed, but there are individual drivers in different countries.

ANDRÉS MALDONADO In Ecuador, we have had interesting experiences in areas such as blockchain, mainly with food companies. We have an interesting example

of a shrimp company that uses a blockchain version called IBM Food Trust, which specializes in monitoring food production chains. The main objective is to showcase the level of quality of their products in the market and differentiate themselves from international competitors. This is an interesting case in which we were able to apply certain technologies with them with concrete commercial and export objectives. This was one of the first cases in South America, which we are extremely proud of. At a global level, we have invested to create tools, products, and services aimed at helping our clients pursue digital transformation with no worries.

What solutions do you offer to protect data?

EK Our security unit is based in Spain. Beyond that, we provide preventive protection services to problems such as ransomware. Then, with certain strategic tools and trained people, we carry out defensive actions. There are also offensive actions, because we have to determine where the threat is coming from, how to proceed, and negotiate. There is a structure that handles not only the technolog-

ical process but also the operationalization of a crisis that has occurred. Finally, it is important to understand that the issue of cybersecurity is a weapon, a military-grade weapon. As such, you have to treat it very delicately.

AM Cybersecurity is a key aspect of IBM Ecuador to ensure that clients that are openly going to the market will not fall victim to cybersecurity breaches that are so common today. IBM has a Security Operations Center (SOC) network in Latin America, Asia, and Europe that is connected. This network is useful in helping our clients proactively identify incidents. For example, if there is a massive malware attack in Spain, we can anticipate our response by warning clients in Latin America via an early warning system of potential risks. IBM has made significant investments in such solutions and made these services available for clients in Ecuador and across the region.

What are your priorities for 2022?

EK We are extremely interested in growing in Mexico and the US. In addition, we want to acquire a company in Spain and have an investment fund invest in us. We call it being an exponential company. As well, we have certain civic-minded initiatives within the company. We are staying in Ecuador because the environment feels better. Right now, we have to invest in the country and help the government to invest. Kruger is able to help modernize the state through technology. We are involved in several blockchain initiatives for the state: public procurement, health, social security, and others that will be beneficial to the country.

AM IBM Ecuador will continue to position its capacities regarding open hybrid cloud, AI, and security, the key aspects that the market needs to capture increasing profits, become more efficient, and continue to transform. We want to continue working closely with our clients, fully understanding the technologies that better apply to their business, realities, and current situations and walking hand-in-hand with them to achieve their digital transformations. These technologies will be part of our clients' needs, and we have the abilities to help them on their journey to digital transformation. The hybrid cloud, AI, security, and blockchain are important points on our agenda, not only for 2022 but looking forward up to 2025. ✖

Puntonet outlines the benefits of migrating to cloud technologies for companies as well as the challenges in ensuring a secure environment for users in order to obtain the maximum benefits from cloud computing.

CLOUD AND CYBERSECURITY: CATALYTIC TECHNOLOGIES FOR BUSINESS GROWTH

CLOUD computing is not a new technology, but a new way of taking advantage of computing services and resources. Cloud computing arose from the need to democratize technology and allow companies with fewer resources to access technology that previously used to be available only to large companies. It also allowed for payment to be made for its use on demand, opting for the creation of more flexible, fast, and secure business models.

One of the barriers to massive implementation of cloud computing has been security, since the general perception is that information protection is virtually in the hands of the service provider. This myth has been dispelled with the range of cloud computing models available: private and public clouds. A multi-cloud environment, a combination of both models, is one of the most widely implemented due to its positive relationship between security and performance.

Although the migration of companies to cloud environments brings with it opportunities to use capacities and speeds not available inhouse, we must look back to see the risks associated with both the use of technologies and the people who control them. Having visibility of these risks and controlling them generates trust; in other words, applying security allows companies to build digital trust.

Several aspects must be evaluated to build digital trust when adopting any of the available cloud computing models:

Shared security responsibility model: This determines responsibilities for both the provider and the company. In this new digital environment, it is valuable for the provider to have security certifications related to its cloud services.

Security architecture: Security technologies are most effective when considered from the beginning of a company's architecture, infrastructure, or processes. It is less expensive to implement security at the end of the cycle.

Visibility: Cloud environments include a variety of applications and modules with different characteristics. Therefore, it is advisable to have a map of information assets and their dependence on the contracted cloud environment.

There is comfort and availability when implementing security in cloud environments. This can be achieved without greater complexities and investments in systems and architectures that allow management of the complete cycle of identities and access control, as well as updates and patching, Zero Trust solutions, threat monitoring, and response to incidents, to mention a few.

The main conclusion is that, from a security point of view, economies of scale and flexibility in the cloud are both favorable and effective elements. Massive concentrations of resources and data are a more attractive target for attackers, but cloud-based defenses can be more robust, scalable, and cost effective. ✕



APPS

By focusing heavily on the customer experience and convenience, these apps saw a big boom in business in line with the rapid acceptance of e-commerce across Ecuador.



Alejandro Freund
COUNTRY MANAGER
ECUADOR,
RAPPI



Alejandro Figari
MANAGING DIRECTOR
ECUADOR,
PEDIDOSYA



Pierangela Sierra
CEO & FOUNDER,
TIPTI



Stefano Dino-Guida
CEO & FOUNDER,
DELIVEREO

IN ECUADOR, we have the best KPIs among all of Rappi's operations. We have the lowest cancellation rate and the lowest defect rate. We are the top one or two in all operational KPIs. Ecuador was different because we started operations in November 2019, and the pandemic hit in March 2020, so we were five months into the operation. In Ecuador, we had a small base when we started. The number of delivery people quadrupled, and we jumped from 100,000 downloads to over 1 million. We had about 500 deals with restaurants and allies when we started, and we went to over 3,500. Our orders increased by eight or nine times from March 2020 to December 2020. In Ecuador, it is a different case, though in Rappi in general that is the rate we were growing at even without the pandemic. Our value offer is unique; we save time for our users so that they can use it for what they like the most. We are multi-vertical and multi-Latino, that makes us a "super app" for people to access instant deliveries of practically everything, from supermarkets to restaurants, snacks, and pharmacies.

PEDIDOSYA is transforming the delivery industry in Latin America. One of our main goals as a leading multi vertical app is to simplify our clients' day-to-day necessities with a seamless and safe delivery app. One of the main aspects that we focused on after the acquisition is to ensure that every restaurant, local store, or shop that Ecuadorian consumers want to buy from is available on the app. The main challenge is that when you double, triple, or quadruple the number of partners registered on the app, you need to ensure the same quality level to a much wider array of people. That is why we currently have more employees in PedidosYa than we had before. In addition, we are opening our coverage areas to many more cities than what we had before and expanding into additional provinces. That has been the biggest change and challenge in our strategy. We will have every restaurant and store available in the country, and we want our service to be available to everyone in Ecuador, as it is one of the countries in the region that the company is focusing heavily on because of its immense potential for

TIPTI, an abbreviation of Tiempo Para Ti (Time for yourself), is one of the fastest-growing online delivery platforms for groceries and retail products in Ecuador. Customers can purchase groceries, medicine, liquor, and other specialized products on our platform. During the pandemic, it played a significant role in maintaining social distance to prevent the spread of infection. In 2018, the company started with seven employees in Quito, and it subsequently expanded to Guayaquil. Now, we are in 14 cities in Ecuador and more than 350 employees. During the pandemic, we remain steadfast on our DNA, which is to always provide the best service possible to our customers and have specialized shoppers with gastronomy knowledge to provide value-added services for our clients. We did not stop hiring or providing training during the pandemic to ensure we have the best talent on our team. Breaking records in growth in a short amount of time was not easy. We had to deliver the same number of orders in March 2020 as we had done in all of 2019. We had to recruit talent and execute a business plan that we had de-

DELIVEREO originally started as a marketplace app, and our strategy was to build up the market. Many of the big players were not present in the market at the time, and we assumed they would come in much later. However, they arrived within six months, and we needed to pivot from simply being a marketplace app and decided to enter the B2B sector. We are B2B2C because we deliver to the end customer. The end customers are not our clients, but our clients' clients. Our clients are the companies that deliver their products. Our sales pitch for our clients is that most marketplace apps position clients' brands within theirs; Rappi or Glovo place huge brands that are at least 50-80 years old within their own brands. That is our first pitch. The second pitch is that clients give up 10-30% of their margins to be in this space, which could otherwise be invested into their own channels directly to consumers. We can then do the logistics just as efficiently as Rappi or Glovo. Currently, we are focusing on reaching a critical mass in Ecuador, and we hope to enter Uruguay and Argentina next.

FOCUS

E-commerce

AN E-WORLD OF OPPORTUNITIES

After the impact of the pandemic, e-commerce is experiencing a moment of expansion that seeks to consolidate itself through the digitalization process that Ecuador has been undergoing for years.

ECUADOR IS ALSO PART OF THE TRANSFORMATION that the e-commerce wave is bringing to the world. With a figure of USD2.3 billion in 2020, the country recorded online sales that were 39.5% higher than the USD1.65 billion in 2019, according to data from the Chamber of Electronic Commerce of Ecuador (CCCE). This is a significant increase that partly suffered a boost from the effect of the COVID-19 pandemic; however, it was already a growing trend for years. For more annual data, digital sales were USD949 million in 2017 and USD1.37 billion in 2018.

The CCCE forecast is for 20% YoY growth in 2021, with final data not yet available at the time of going to press. As in the rest of the world, pandemic lockdowns also played a role in encouraging Ecuadorians to shop via their computers and smartphones. But there are several fundamental components of the country's economy that were already laying the groundwork for e-commerce adoption to move forward.

There are some 12 million internet users via computer, approximately 69% of the population, while there are up to 15.6 million internet connections via cell phone, 89% of the population. This context, coupled with the impact of the pandemic, has motivated many companies to get started in online advertising. According to a survey conducted by the CCCE of 126 companies in May 2020, when COVID-19 had already been disseminated, 40% of respondents stated that their next change in the company would be to create a tool that would enable e-commerce.

"We saw great demand during the pandemic, and we did not falter on hiring and providing training to ensure we have the best talent on our team," said Pierangela Sierra, CEO at Tipti, a fast-growing online delivery platform for groceries and retail products in Ecuador. The company, which received an award from the Ecuadorian chamber of commerce for best mobile initiative, currently has about 350 employees, up from 30 in March 2020. "We see great opportunities to grow the tech industry because there are many needs that could be addressed with these ventures," she said.

One area where startups can make a significant change is in financial inclusion. According to data from the Central Bank of Ecuador, as of September 2020, 72% of citizens had a savings account, a percentage that is still far from that of developed countries. In an attempt to close this gap, the Colombian unicorn Rappi is focusing on a new ser-

vice called "Rappi Bank" that seeks to move the continent forward in financial inclusion. And Ecuador is also part of those plans.

"Bank penetration is still extremely low in Latin America," said Alejandro Freund General Manager of Rappi in Ecuador. In an interview with The Business Year, Freund said that Rappi Bank is a partnership with local banks that has already turned the company into the second issuer of credit cards in Mexico and Colombia each month. "We will see our valuation increase by a few fold once the Rappi Bank vertical materializes. We are definitely planning for this in Ecuador," he said.

With a valuation of USD5 billion, Rappi is an on-demand delivery company that during the pandemic experienced a significant surge in demand that caused the number of delivery drivers to quadruple in just a few months. "We jumped from 100,000 downloads to over 1 million. We had about 500 deals with restaurants and allies when we started, and we went to over 3,500," said Freund, who added that orders also increased as much as ninefold from March 2020 to December 2020 in Ecuador.

Another company that has accelerated its growth with the abrupt wave of digitalization sweeping the country is PedidosYa, a pioneer of q-commerce (quick commerce) in Ecuador. This type of commerce aims to deliver products almost instantly. "We deliver groceries directly from stores fully operated by us, generating a completely different experience of what consumers were experiencing before with traditional brick-and-mortar stores," said Alejandro Figari, managing director of PedidosYa in Ecuador. In that country, it operates ten dark stores that optimize the ordering process to complete delivery in 10 minutes.

All these advances in the digital economy are opening the doors to generate thousands of jobs and foster regional development. Businesses such as restaurants, stores, pharmacies and supermarkets can increase their sales thanks to the expansion of sales channels that allow them to transport their products to end customers. Meanwhile, the work of riders appears as a new type of employment that generates new job opportunities for Ecuadorians. "We will have every restaurant and store available in the country, and we want our service to be available to everyone in Ecuador; as it is one of the countries in the region where the company is putting heavy focus on because of its immense potential for growth," Figari concluded. ✖

E-commerce is on the rise in Ecuador, boosted by a tech-savvy population and the necessity of COVID-19 lockdown



VOICES FROM THE SECTOR



Alexis Martínez
CEO,
BOU

What differentiates you from your competitors?

We saw room to improve logistical services, and our entire focus is a direct-to-consumer model. We specialize in e-commerce solutions and work with retail companies that sell online. Our goal is for companies to focus on the core of their business and their sales, while we take care of all their logistics management, from storing and packing to shipping and making the delivery experience positive for their customers. It is difficult for retail companies to quickly serve their online customers because their logistics system is focused on satisfying large volumes to distribution centers and points of sale, and not a direct-to-consumer model. We have fulfillment centers in strategic locations in the city where you can reach the customer in minutes and with less environmental impact. We offer a sustainable system at the core of the project. We believe in the power of the circular economy; we are building a new beta for packaging of all single-use products can be returned and reused. Our intention is for them to return to the circle so we do not generate a lot of waste. We want to improve people's quality of life with our solutions.



Ramiro Castillo
MANAGING DIRECTOR,
THOUGHTWORKS

Could you tell us about the mission and vision of Thoughtworks?

Our mission is to make an extraordinary impact on the world through technology. There are five lenses or perspectives that we use to categorize our operation and reason for being successful. The first goal is to revolutionize the technology industry with vanguardist approaches such as Data Mesh, evolutionary architectures, and all the integration of data within the business ecosystem. Another of the lenses is to be able to have a wide diversity in our organization. The third objective is to position ourselves as a sustainable, buoyant, and growing business. The fourth factor is being strategic allies that allow our clients to achieve their goals, new trends that they want to mark, and all those ambitious opportunities that they seek and need an ally that can accompany them. Our fifth lens, which also encompasses the extraordinary impact, is precisely connected with seeking a more equitable and fair environment through the technological mechanism. Thoughtworks started in Chicago in 1993 as a consulting and software implementation company. Our essence of technological excellence was consolidated over the years, and over time our operation began to expand in the US. We currently having a presence in 17 countries.



Daniel Navarro
CEO,
NEXSYS ECUADOR

How did Nexsys Ecuador become the wholesaler leader in technology distribution?

Nexsys was established in Colombia in 1989, and Ecuador was one of the first countries Nexsys expanded into in 2000. The concept of Nexsys from the beginning was to be a company that brings technology closer to Latin American markets. This is a challenge that we committed to 33 years ago. To do this, Nexsys started improvising and perfecting a model of added value in line with the consumption level and what the market, both private and public, needed. Our company started in 1989 by selling software only. We started with IBM since we were novices in Ecuador. Nexsys always strives to apply technological democracy in markets. The pandemic affected many lives on a general level, though it made people adapt quickly to the use of technology. Today, it is a global change, which Nexsys supported to accelerate it and get more people and companies to use technology. This also made Nexsys fundamental for the support of learning. In Ecuador, we have encouraged many technology companies to develop technological hardware. Nexsys is currently present in 21 countries and 31 cities of Latin America.



Gianfranco Di Girolamo
FOUNDER,
SOLUCIONES DE ÚLTIMA
TECNOLOGÍA (SOUTEC)

How have Soutec's operations evolved over the years?

Eight years ago, the company was born in Miami. Here in Ecuador, we have been developing the commercial market for a year and a half. We focus heavily on the development of culture and on our people from the point of view of management and personnel management. From a commercial point of view, we also started to develop a different model. We started in the US, because the concept of managed technology services is being developed there, namely IT managed services provider. Currently, we have around 44 active contracts with different companies in Latin America under this concept. We work with large corporations and have seen extremely positive results, with more companies joining.

What are your upcoming projects?

We are extremely excited and are always doing new things. Innovation is in our DNA. Since last year, we began working on what is called B Corporations or triple-impact companies that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose. We want to shape ourselves to become a socially and environmentally responsible company.



Christian Torres
CEO & CO-FOUNDER,
KRIPTOS

How does Kriptos protect documents and make information classified using AI?

Information is everywhere. If we take into account Word, PowerPoint, and PDFs, we do not know how many documents are on our computers or how they are transferred. When it comes to an organization, we are talking about potentially millions of documents that might be extremely sensitive. Even if one of those documents leaks, it could result in problems of compliance, penalties for the company, and reputational costs because of this leak. Kriptos gives us an overview of where your sensitive data is, who has access to it, and how people share that information from one point to another. It also provides information on how to protect it. Generally, most users do not apply good practices when they want to protect information. That is where we help the business. We not only help them identify the sensitive data but also give them the tools to protect the information. We are compatible with the biggest cybersecurity tools on the market.

Are there plans for a greater expansion?

It is important that Kriptos' technology is global and not used solely in one region. For that reason, we will enter the US. As a tech company, it can be easier because we can then move anywhere with a product that AI algorithms trained in English and Spanish.

DOMESTIC AIR PASSENGER TRANSPORTATION BY DESTINATION

SOURCE: GENERAL DIRECTORATE OF CIVIL AVIATION



- 44.2% Quito
- 27.6% Guayaquil
- 7.9% Baltra
- 6% Cuenca
- 3.4% San Cristobal
- 2.5% Loja
- 2.4% Manta
- 5.9% Others

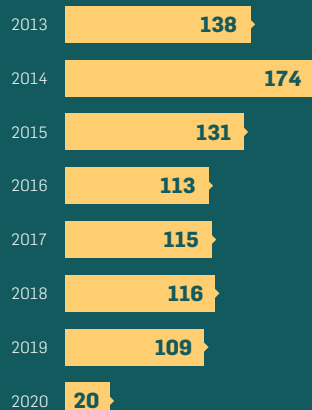
DOMESTIC AIR CARGO BY DESTINATION (%)

SOURCE: GENERAL DIRECTORATE OF CIVIL AVIATION

Quito	12.7
Guayaquil	12.8
Baltra	29.7
San Cristobal	11.5
Taisha	2.8
Macas	0.7
Others	29.8

NUMBER OF PASSENGERS CARRIED BY RAIL ('000s)

SOURCE: ECUADOR RAILWAYS PUBLIC COMPANY



A newly paved road pictured with the imposing Cotopaxi Volcano looming in the distance



Image: Andres Court



Transport

THE OPEN ROAD

Ecuator's transport sector is a great example of successful PPPs, especially in the field of ports. Sea infrastructure is top notch in Ecuador, with the deep-water port of Posorja being one of the main projects that the country has undertaken in recent years.

A joint venture between Nobis Holding de Inversiones and Dubai-based DP World, Posorja is the first fourth-generation port in Ecuador and allows for a more efficient handling of capacity and larger ships, including super-post-Panamax vessels. "We are the terminal with the highest productivity as a port, with over 35 movements per hour per crane. Customer service is also quick. We are building a free zone, which has been planned for a few years now, and we expect to complete its construction this year. We are on a positive path, increasingly integrating what we have with other things that are coming, like DP World NVOCC (on-vessel-operating common carrier) and soon DP World Transportation," noted Carlos Merino, CEO of DP World Ecuador, to TBV.

The cities of Manta and Machala have also seen great progress in their port capacity following the concessions to international logistics groups through PPPs. The port of Machala is operated by Turkish Yildirim Group and port of Manta by Chilean Agunsa.

Regarding road transportation, the Ministry of Transport and Public Works announced that

it seeks to concession 718km of the more than 10,000km of the country's road network, which is expected to have an investment of EUR300 million in 2022 for maintenance.

As per air transportation, Mariscal Sucre International Airport in Quito is Ecuador's main air gateway, currently served by four passenger airlines traveling to seven domestic destinations and 13 airlines heading to 11 foreign destinations. Airlines operating in the country greatly welcome the government's decision to eliminate the so-called ISD, or foreign exchange outflow tax, for airlines, which is viewed as a great step toward strengthening air connectivity, promoting an open-skies policy, and making Ecuador more attractive to new routes.

This chapter also covers Ecuador's automotive industry. After the pickup in sales following the trade agreement with the EU, which reduced import tariffs, car distributors have high expectations for Ecuador's new commercial policy, which places heavy focus on trade with car-producing countries such as Mexico, China, and the US. Vehicle sales are picking up according to the Association of Automotive Companies of Ecuador (AEADE), which announced that during 1Q2022, 32,075 units were sold, representing an increase of 21.6% compared to the same period in 2021 and 4.6% compared to 2019. This increase was driven both by the growth of light vehicles as well as heavy vehicles. ✖

INTERVIEW



PAYING *off*

DP World invested heavily in Ecuador to build a deep-water port and free zone in line with its bullish predictions for the country's logistics sector.

BIO

Carlos Merino came from DP World in Peru, where he worked for two years in the business integration project DP World Paíta. He has led other projects in the Americas region and was CEO of Terminales Portuario Euroandinos (TPE). He has 16 years of experience in business strategy in ports, terminals, and logistics. He holds a master's degree in business administration from Babson College in the US, a bachelor's degree in industrial engineering, and participated in the Trade X-Powering Growth program with DP World Hub.

Carlos Merino
CEO,
DP WORLD ECUADOR

How did the decision to invest in Ecuador fit within the history of DP World?

DP World determined that Ecuador was in need of a deep-water port. It also predicted developments in terms of the growth of vessels. By building a deep-water port, DP World not only helps the economy in terms of imports and exports but also increases the amount of cargo at the country level, attracting another type of cargo that was not seen before: transshipment. We have a logistics center in Durán, located 10 minutes from Guayaquil. We have a company that is a non-vessel-operating common carrier (NVOCC) that integrates the needs of the end customer with the capabilities that DP World has in the country. Gradually, we are meeting the needs of a BCO to get from end to end. We started the construction of the free zone and logistics park in December. If we tie up the concepts of transshipment and a free zone, the strategy is progressing well. Being able to convert those materials that can come here, not necessarily for the local industry, but through transshipment, makes the possibilities of transformation within this free zone more real. And the location of the port means that these finished products can go to another market.

What opportunities do you see for mining?

There are many opportunities, though large-scale mining is exported as bulk cargo. In the early stages of a mining industry, you will see many containers, as in the case of Puerto Bolívar in Ecuador. When there are already many millions of tons, they are normally specialized ports that export these minerals in bulk; however, today we are developing something that will last for many more years: container loading. We are also looking closely at bulk cargo. The capacities in Ecuador are not enough for the growth potential that the country will have, and we are looking closely at it.

What logistics products is DP World working more intensively on?

Less than two years ago, we built and put into operation the logistics center in Durán, which serves the banana industry in terms of container consolidation,

“We are the terminal with the highest productivity as a port, with over 35 movements per hour per crane.”

where we have cross-docking within these facilities. At the same time, we have decentralized the empty container depot management part. We have a warehouse in Posorja and a warehouse in Durán. The NVOCC is the entry point for the client to request sea freight—and air freight to a smaller extent—and that helps us to get in contact with the client and add the other capacities that we have built or that we are currently building.

What can we expect from DP World in 2022 and 2023?

We are the terminal with the highest productivity as a port, with over 35 movements per hour per crane. Customer service is also quick. We are building a free zone, which was planned for a few years now, and we expect to complete its construction this year. The fact that a company as large as DP World decides to change its customer matrix, from shipping lines to cargo generators, is a huge deal. We are on a positive path, increasingly integrating what we have with other things that are coming, like DP World NVOCC and soon DP World Transportation. We want to integrate all capacities to offer clients a broader portfolio of services, which can be summed up in a single line: give them what they need. Companies like DP World not only have the infrastructure but can also trigger many more exports in terms of know-how and offering capacities to current and potential exporters of each developing country, as in the case of Ecuador. There are currently policies being developed in Ecuador to increase investments and form FTAs with countries. For years, DP World has believed that something positive was imminent in Ecuador. So, DP World's bet has paid off, and the results we expected are bearing fruit. ✖

SUPERSYSTEM

Latin America's oldest capital city will inaugurate its first metro line toward the end of 2022, making journeys around the city considerably shorter.

MANY LARGE CITIES AND CAPITALS across the world are immediately identifiable by their metro system. The London Underground, for example, with its red and blue station signs has become one of the most iconic visual features of London. The New York City Subway, too, is part of the great city's identity and way of life, just as is Tokyo's admittedly overcrowded but lively metro system.

With the capitals and megacities of many developing countries expanding remarkably over the past two decades, the need for an efficient and affordable mass transit system has arisen. The experience of those megacities has shown that metro systems are the best bet for a growing city with difficult traffic jams.

Istanbul, for instance, was suffering from notorious traffic jams in the 1980s, which made navigation in the city almost impossible at certain hours of the day. With the inauguration of the Istanbul Metro in 1989-1990, however, things took a turn for the better. Likewise, Mexico City's Metro (1969), Chile's Metro de Santiago (1975), and Metro de Panamá (2014) have all been undeniable successes in Latin America, with daily riderships of up to 60% of their respective city's population.

The capital of Ecuador, San Francisco de Quito, often simply referred to as Quito, is an expanding city with a population of 2,800,000—over 3 million including the Greater Quito metropolitan area. And it has not escaped the notice of Ecuador's urban planners that the oldest capital city of Latin America is in need of a metro system.

Quito's unique geography makes commuting more complicated. Limited by Andean foothills to the west and the east, Quito is nearly 45km long and only 5km wide. As the city continues to grow vertically, traveling between the two extremes will take still more time. Commuting from somewhere in the northern parishes of the stripe-shaped city to the southern neighborhoods (or vice versa) can easily take an hour and a half. A proper metro system could reduce that time to just 30 minutes.

Plans for the main north-south line of Metro de Quito (MDQ) have been on the drawing board for at least a decade, and several international organizations have stepped up to make the USD2-billion plan a reality. Construction operations began in 2016 by the Spanish company, Acciona, with the rolling stock and electronic control system commissioned around the same time. Although the initial aim was to inaugurate Metro de Quito's Line 1 in 2020, issues such as the pandemic led to a delay.

The 15 stations of Line 1, strategically located across some 25km, however, are currently perfectly serviceable, the rolling stock, including 16 trains, have been delivered and ready, and the metro system is set to come online toward the end of 2022.

Line 1 of MDQ begins at El Labrador in the northern parish of La Concepción and continues southward to Quitumbe, making a stop along 13 other stations en route. Up to five additional stations are pencilled in the design of Line 1 that can be constructed in the future based upcoming urban planning necessities and decisions.

Two of the stations, La Magdalena and El Recreo, which are both located in the heart of the city and close to its business districts, have the potential to turn into intersections between Line 1 and new lines that may intersect the main line in the future. However, as Quito is a strip-shaped city, stretching from north to south, east-west lines are currently not a priority in the design of the city's metro system.

Line 1 must work in an integrated manner with the city's bus system, despite some inevitable competition between the two mass transportation systems for ridership. Figuring out an optimal, smart, and integrated schedule between MDQ's future operator and the city's local public bus transportation authority can help both mass transit systems maintain their ridership statistics, while reducing commuting times between strategic points across Quito. The public bus system may need to upgrade its routes with the inauguration of MDQ, and though it may be slightly inconvenient, it will be crucial for the capital city's transportation and economy.

There is one last remaining conundrum. The municipality has not yet made a decision with regard to the operator of MDQ's Line 1, with its 15 stations and 16 trains. Initially, the plan was to put the municipality itself in charge of the job, but many believe a public-private partnership with a foreign company is a better idea. It is estimated that a public-private partnership can save up to USD14 million over the next decade, which is no small sum in Quito.

No company in Ecuador has thus far run a metro system, and a foreign partner with some experience in the sector can eliminate the need for wasteful trial-and-error experiments in managing the system. At last report, MDQ's board had acknowledged the need for international technical assistance, while reassuring the public that regardless of any management models that may be chosen, the metro will start operations before the end of 2022. ✖

INTERVIEW



Santiago Gómez de la Torre
CEO,
TABACARCEN

NEW *demands*

After quickly adjusting to the new demands of logistics during the pandemic and investing in technology, Tabacarcen emerged even stronger and more successful.

How did Tabacarcen contribute during the COVID-19 pandemic?

In March 2020, Quito introduced a strict curfew restriction, and Tabacarcen had to make the decision to either adjust to the curfew or pause all operations. As paused operations was not an option due to the importance of our operations in the logistics chain. We decided to incorporate the CDC recommendations and protocols, which we adapted to our own reality. We came up with strict protocols that allowed for continuity in the company. Knowing the direct link between cargo and saving lives, we worked seven days a week and 12-14 hours a day for eight months, mainly in adapting our infrastructure, re-engineering our processes, and adapting ourselves to the new normal while serving all logistics users. We were able to work with Ecuadorian ambassadors in Europe and assist them free of charge to import donated medical equipment from several countries. Also, we worked on multiple operations of the donations received by the Ministry of health and foreign embassies of multiple countries. This was our direct way of supporting our country during the pandemic. COVID-19 caused various financial issues mainly in 2020, though in 2021 there was a swift change, and it became the historic peak year for air cargo in the country, with more than a 30% increase in terms of tons moved.

How did cargo activity evolve in Ecuador?

Up until 2019, air cargo was common and substantially the same both in quantity and the type of products. After 2020, all air cargo had been transformed with products that were usually sea freight cargo. The main factor that led to this change was sea freight prices, which increased dramatically, in addition to the change in Ecuadorian foreign policy by the government becoming more open to the world. Both events had caused a great impact in the amount and variety of products that are currently transported by air. The trust that a new economic growth period is on its way and the effects of the sea freight crisis is leading to a direct reaction in the level of cargo. This has changed logistics for good. New,

“We came up with strict protocols that **allowed for continuity in the company.”**

demanding customers are no longer willing to wait several months to receive their imported products, and we must be able to recognize and understand that.

How has the logistics center evolved?

In Latin American airports, cargo handling centers have not changed that much for many years. We decided to change this and focused our time and resources on the construction of a semiautomatic handling center that started construction in the most severe period of the pandemic. In 2021, we opened our new center, and though it took some extra time to adapt to the new processes, we are extremely pleased to have done it. The new center and system facilitates the movement of cargo while increasing traceability. Now, our human resources are more focused on service that on moving boxes. This change will eventually take place in every airport in the region, as it results in greater efficiency, security, and safety to the operations.

What is your vision for the economy of Ecuador in the long term?

The president has done a brilliant job in generating confidence and the appropriate mechanisms to attract foreign investment. There is more trust in the country than ever before, and this obliges us to prepare for the future to come, as more and more tons of cargo will be moved by our airport. In preparation of such a future, we have many projects, one of them extremely ambitious, that will make Quito a hub in Latin America. At the same time, we are working on other projects to continue technology implementation that will facilitate commerce, which is our main duty and obligation to the city. We bet for technology once and we will continue on that path in the years to come. ✖

BIO

Santiago Gómez de la Torre is the CEO of Tabacarcen Logistic Center. He has extensive knowledge of the industry, after working at the airport for more than 17 years. He has worked in various fields and acquired know-how in international legal contracts, managing large facilities, and financial structuring, among others. He has played a key part in Tabacarcen's growth.



Pablo Ochoa
GENERAL MANAGER,
AVIOANDES



Gustavo Junovich
COUNTRY MANAGER,
ECOPTER

HELICOPTERS

Ecuador's booming mining and tourism sectors offer many opportunities for helicopter services, which can do more than just ferrying people.

What is the background of the company?

PABLO OCHOA Avioandes has been in the market for over 14 years, supporting air operations for strategic sectors with helicopters and planes. Our main market has been the strategic sectors of oil, mining, and tourism. Our intention has always been to provide all players in these sectors with fresh alternatives, especially Ecuador-based alternatives, to develop their projects. We started with an integrated management system and three ISO certifications as a benchmark. Then we obtained international certifications such as BARS, and IS-BAO, which we have held for about six years in a row. Our participation in the market has been well-received and has allowed us to continue in the business.

GUSTAVO JUNOVICH Ecopter has almost 20 years of experience combined in Chile, Peru, and Ecuador. We have been in Ecuador for three years now. We work with the mining sector to transport passengers and cargo, and we also carry out geophysical surveys. We install equipment in helicopters to enable it to X-ray the ground to determine where and what minerals are present in the region. One important as-

pect is aero-medical evacuation, which is either for the mining company's own staff or from the oil sector. We conduct four or five aero-medical evacuations every two or three weeks. Beyond this, the services that we are able to provide are always to the highest possible safety standards. We have passed the Basic Aviation Risk Standards (BARS) audit, the gold standard in engineering issues and operational safety.

How has the growing importance of the mining sector affected Avioandes?

PO Currently, mining is the highest producer and consumer of services locally within the different strategic sectors. In 2022, companies are already beginning to execute their projects to the point that Avioandes is committed to several companies whose projects are already underway. Today, we are operating at 60-70% of our total capacity, and we will operate at at least 90% of our total capacity by the end of the year. Our expansion plans include acquiring large-capacity aircraft with the capacity to transport 11 tons, and a second helicopter with the capacity to transport 4.5 tons. We can cover whichever needs an oil or mining company doing business here may have with our current

fleet. Furthermore, we are also considering double-engine helicopters for IFR operations. These additions would bring extra muscle toward meeting the needs of the industries we serve and those we will serve in the future.

How do Ecopter's powerline inspection drones provide solutions to different sectors?

GJ The companies that the drones are aimed at are in strategic sectors such as mining, oil, gas, and construction, as well as insurance companies. For the latter, we fly drones over a construction site, for example, to check that everyone is wearing helmets, reflective jackets, and so on. The drone looks at these details, and, with AI, it can send an alert if someone is not wearing their helmet or so on. We have also merged with another company called Automap, which is a mapping company. For example, it can create a map of a dam, and develop simulations of possible accidents, and how the dam could affect nearby cities or forests, as far as the water can reach. Also we do Powerline inspections and more with a single drone.

How do you plan to support the tourism industry in Ecuador going forward?

PO For about six years, Avioandes has been offering a service that falls under tourism, namely, the Tour of the Volcanoes of the Andean Mountain Range by helicopter. We can visit three or four volcanoes in a 40-50 minute flights, which is impressive. Ecuador has immense tourism potential, which is why we are also working toward supporting our airplanes. We also use them in conjunction with tour operators to offer travel packages towards this reactivation of the tourism sector coming up worldwide. As for predictions for this year and 2023, we are renewing and adding aircraft to our fleet, which will allow us to be an alternative for all these companies.

GJ We would love to capitalize on the booming tourism sector with helicopter rides, and there have been many requests for this. However, in Quito, for example, there is no helicopter landing pad. This is one of the things that is missing in Quito and needs to be improved. However, we are more focused on our long-term vision. We want to be a reference in the industry. We are on the right path, improving things as we go, while ideas continue to come in, and they are always getting better. ✖



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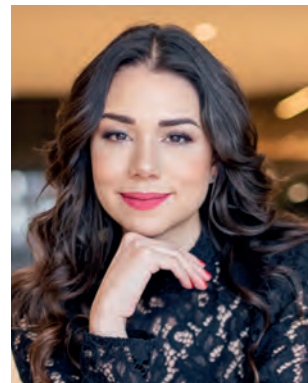
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smooth GOING

Having helped international luxury brands such as Lamborghini, McLaren, and Maserati gain exposure in Ecuador, Rosati Motors is focusing on retaining their positions in the country in the long term.

Sofía Coloma
GENERAL MANAGER,
ROSATI MOTORS



What has marked the trajectory of Rosati Motors as a luxury automotive dealer?

Rosati Motors was founded in 2018 and operations commenced when it was granted the representation rights for Maserati and Lotus. With the representation for our main brand, Maserati, which represents around 90% of our sales, operations started around mid-2018. Since then, we have been growing by including new brands. In 2020, coinciding with the pandemic, we were also granted distribution rights for Lamborghini. Then, in 2021, we included McLaren in our portfolio. Having received the vote of confidence for the distribution of Lamborghini and McLaren, we are currently working on positioning these brands.

What factors have led luxury brands to venture into the Ecuadorian market?

Jaime Ballesteros, the main partner, has around 30 years of experience as an importer and distributor in the automotive industry. These premium brands recognized his professional capabilities and saw that Rosati Motors was the ideal company to represent their brand. Another thing that made it possible for us to get the Maserati distribution was that he is also a partner of Maserati Peru, which has delivered excellent results, so they confirmed this was the right company profile to represent the brand in Ecuador. We had bigger companies and corporations behind the brand, which already represent other brands of the FIAT group, which Maserati is part of. Peru has had excellent results, but they were surprised when Ecuador started selling. We might not have the same sales volume, but our results were excellent when compared to a ratio to the total popula-

tion, considering we were just starting.

How will the Ecuadorian market react to new luxury brands and exclusive models?

There are several brands we would like to include. We have Lotus with their electrical models that have just been launched, one of them an SUV. We believe Ecuador is an SUV market, as the Levante model of Maserati takes up 90% of our sales. We intend to continue working with McLaren and Lamborghini. In the long term, we would like to include Aston Martin. They are waiting for the market to become more mature, for more opportunities, so that the brand can better position itself. The country's risk has reduced, which has been beneficial for us and has opened doors, but we need to continue working so that brands that are not yet confident in entering the market might change their minds in the medium and long term.

How responsive is the Ecuadorian consumer to electric cars?

There are two different consumer profiles. One is afraid of change, and part of Rosati Motors' mission is changing consumers' mindsets, though this will only happen once we have the products and they can see how the vehicles operate. The second type of consumer loves the idea, is open to these changes, and is waiting for the models to arrive. The socio-economical aspect benefits us, thanks to the changes in the legal framework that have been introduced by the current administration, linked to a tax reduction for hybrid and electrical vehicles. We rely on these models because it is convenient for us both in terms of profitability and benefit for our clients.

How is the slogan "More of Ecuador in the world, and more of the world in Ecuador" taking shape within Rosati Motors?

Rosati Motors is a portal through which international luxury brands such as Lamborghini, McLaren, and Maserati gain exposure in Ecuador. We have already achieved this goal, yet the next step is to position those brands and maintain their position in the long term. We hope to continue being backed by the government and keep seeing more positive changes that facilitate our work, bringing more brands, and opening new markets here. Part of what we contribute to Ecuador is making brands such as these want and be able to have a presence here by changing the consumers' viewpoint to believing they deserve such brands. ✕

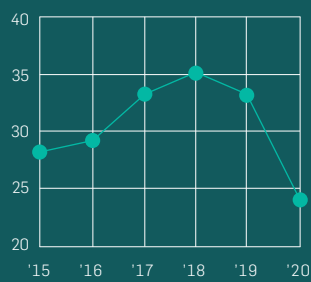
BIO

Sofía Coloma is an Ecuadorian businesswoman specializing in management, leadership, and positioning of luxury brands in the Ecuadorian market with a professional career of more than 13 years of experience and growth in commercial, administrative and managerial areas of various industries. Industrial designer and business administrator are the basis of her training. Currently, she is in her fourth year as President & General Manager of Rosa-Timotors, official representative of Maserati and importer of Lamborghini, McLaren for Ecuador. She is studying for an executive master's degree in business management focused on senior management.

A view of Quito, Ecuador's capital city and the closest capital city to the equator

BUILDING PERMITS
ISSUED (MLN)

SOURCE: CEIC



REAL ESTATE PRICES BY
LATAM CAPITAL (USD
PER SQM)

SOURCE: TBY RESEARCH

Mexico City	2,420
Panama City	1,680
Bogotá	1,239
Quito	1,225
Lima	1,896
Santiago	3,441
Buenos Aires	2,600

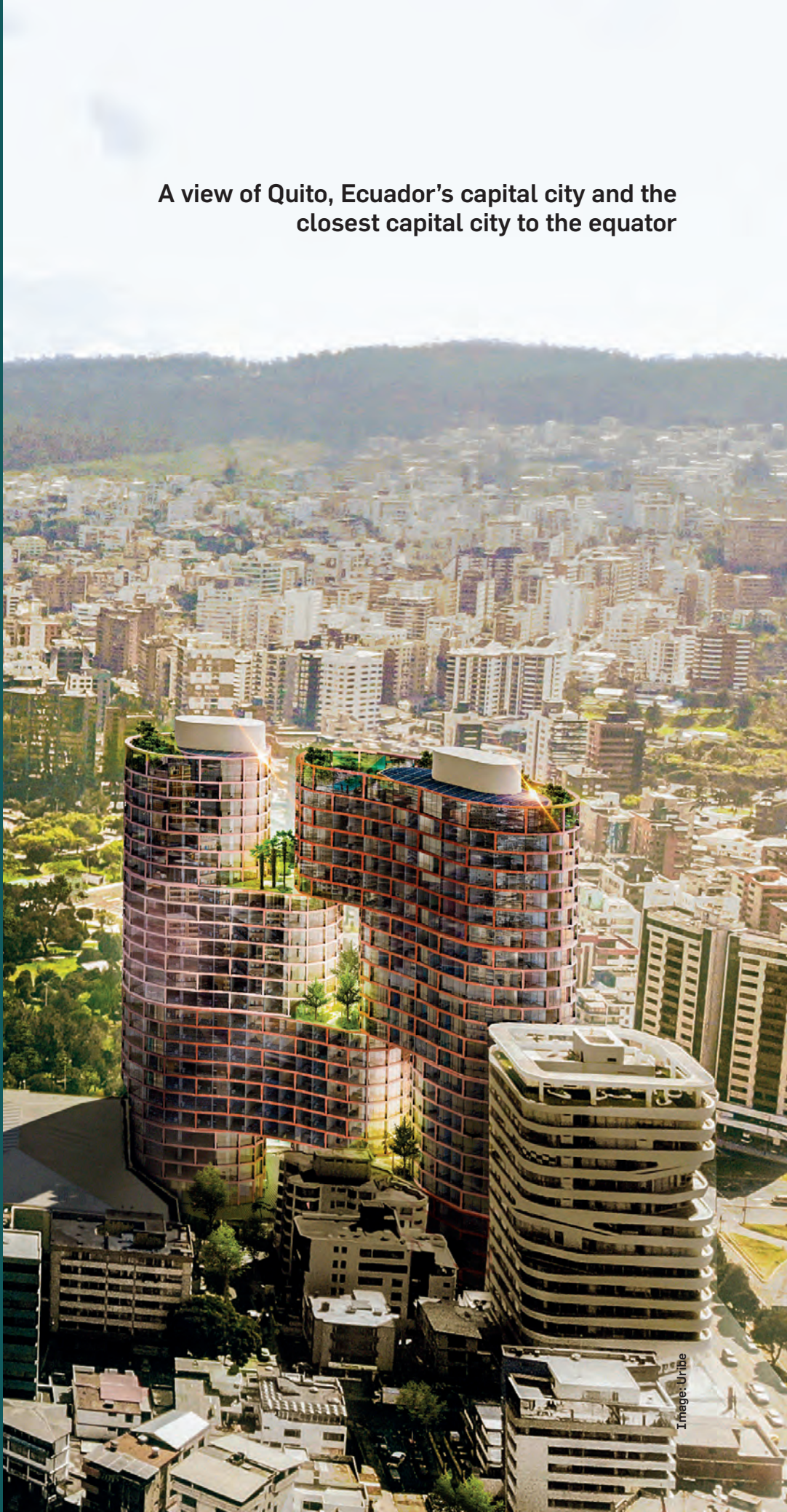


Image: Urthe



Construction & Real Estate

PREPARING TO EXPAND

The real estate sector in Ecuador bore a significant portion of the COVID-19 brunt. However, the early digitalization of the sector allowed it to manage the period successfully. Indeed, digital solutions only expanded over the course of the last two years, with innovations such as virtual house viewing and online credit assessment now here to stay.

In 2021, the trend of buying houses recovered and resulted in an 18% YoY growth in new housing construction contracts. In 2021, the placement of mortgage loans in the country reached USD1.7 billion, which represents an increase in mortgage loan placement of 54.9% (USD626.7 million) compared to 2020. During this period, private financial institutions increased their share of total mortgage credit placed to 67%, while state-owned bank BIESS reduced its share to 33%. Private investment and public-private partnerships are two of the mechanisms that are expected to continue to drive the recovery of the real estate and construction sectors in 2022 and 2023.

And new headline developments are also on the way, one of the most significant being the first skyscraper in Ecuador to be built near Santa Ana Port in Guayaquil. Called Maxximus, the develop-

ment will be 170m high. It is a joint venture between real estate developer Nobis, led by Isabel Noboa, and Pablo Campana's Millenium.

During the course of our research for this publication, TBY also talked to one of the main developers of Quito's real estate market: Uribe & Schwarzkopf, whose General Manager Joseph Schwarzkopf highlighted how "Quito keeps growing, and the area of Carolina is the best. We predict the city will reach 4 million people in five years. We are also doing a major project in Guayaquil, and it is aligned with the ideas that we have developed in Quito. We want to break the design barriers and do something different." In this context, developers are creating new products to lure international investors. Given Ecuador's dollarized economy, real estate investments offer a safe option compared to other Latam countries, which can suffer from currency devaluations.

All that said, Ecuador has clear challenges in its housing sector, which is marked by a considerable deficit of units. The government expects to invest USD3.4 billion to build 200,000 homes in rural areas between 2021 and 2025 and provide them free of charge. This is expected to go some way to lowering the deficit and supporting society's most vulnerable. ✖

INTERVIEW

HOUSE *of your own*



More than just providing social housing solutions, the Ministry of Housing and Urban Development is looking further into the future to ensure that it also creates an entire ecosystem with job creation and attracting investment.

Dario Herrera
MINISTER OF HOUSING AND URBAN
DEVELOPMENT

Ambitious projects to promote foreign investment and create habitat solutions for low-income citizens

What is the roadmap of this administration in order to deliver more homes?

We have redefined the scope of our program and are looking to provide 429,000 of what we call habitat solutions. Ecuador has 4.7 million homes, but there is a quality deficit of about 2.7 million homes, which are homes that need to be repaired or upgraded. More than just building 200,000 rural homes, we are looking at developing 429,000 habitat solutions, which includes four different areas. The first of the four programs are houses. The second are kits that will directly attack the deficit problem, and there are four types of kits: secure water or safe water; sewer solutions; remodeling; and in-home enhancement. We are looking at about 227,000 kits. The third program is about providing 129,000 land titles for homes that are already built or consolidated, and the fourth is special habitat projects. This mixture of solutions was designed to tackle and reduce the quality and quantity of the deficit in Ecuador within budget and following a timeframe. We have inherited a large debt, and therefore we are developing the proper incentives so the private sector can contribute to building these solutions for social housing with help from the program.

Can you talk about the first phase of the plan of Ecuador: Destino de Inversión Inmobiliaria (Ecuador: Real estate investment destination)?

The Ministry of Housing and Urban Development in Ecuador has always been seen as the ministry that builds small houses for poor people; however, people who live in social housing need to work. You cannot solve any problems by giving out free housing if the people living there do not have jobs. There is a dual purpose in wanting to make Ecuador a real estate investment destination. Ecuador is now on the radar when it comes to being an investment destination for real estate. It is about creating an ecosystem and production system. Take, for example, tourism on the coast.

If we promote hotels and timeshares, they will encourage a need for commercial facilities. The commercial facilities will then require housing because people are working there. That is where social housing can come in.

What is the desired goal in terms of job creation in this plan?

If everything works out well, the plan will create 282,000 direct adequate jobs in the next four years. We have a formula to come up with this number: six jobs created per year for every three social homes measuring at least 56sqm. These are formal jobs, meaning that they will pay social security. Then, there will also be three times as many indirect jobs generated related to the construction industry. These indirect jobs are across sectors, like hardware stores, notaries, real estate agents, food deliveries for lunch the construction site, and so on. We positively affect over 24 economic systems and sub-systems within the economy. The construction impact is extremely important for the economy. There is a program in place for the last 31 months called the interest rate subsidy, which subsidizes the interest rate for the purchase of a new home. Within the seven months that we have been operating, we have registered 11,120 new homes to be built, or 48% of the total in 31 months. We went from 496 registrations per month to over 1,500 houses. We call that the "Lasso effect" because people trust that the regulations are working. We want to send a message to investors abroad that this ministry has gone from zero to where we are now by simplifying processes and eliminating bureaucratic procedures. Everything is now done online. By increasing the number of projects registered, we have more investors investing in social housing that are selling to clients who will eventually receive a credit with an interest rate subsidized by the government. This project has created 46,000 new jobs in just seven months. ✖

BIO

Dario Herrera has a license as Operator of the Guayaquil Stock Exchange, multiple certificates, and training diplomas in branches related to strategy, projects, finance, and real estate marketing. He has held management positions in several companies dedicated to the beverage industry and commerce in Manabí, known as the Grupo Herrera. He has dedicated himself to real estate, developing investment projects in the residential, commercial, and hotel sectors in the US, Belize, and Ecuador. He was vice president of business development of the Real Estate Montecristi S.A., owner of the Montecristi Golf Resort & Villas project, and has served as managing partner of Point Investment, LLC in the US.

going to GUAYAQUIL

Uribe & Schwarzkopf strives to develop projects that will change the skyline of the city with innovative architecture while also protecting the environment.



Joseph Schwarzkopf
GENERAL MANAGER,
URIBE & SCHWARZKOPF (US)

How would you characterize the company's evolution and the relationship with Quito over the years?

We have evolved through time. Our architectural projects have become the face of the city, and we have been growing alongside the city. We started doing new styles of architecture 10-12 years ago and developed innovative buildings while concurrently changing our clients' mindsets to include amenities to improve people's lives, such as pools and gyms. We are now building communities that have everything one needs. Our mission is to do things differently, and we want to create the new skyline of the city. We want every project to have its own language in architecture and work with different clienteles of all segments and ages, while also protecting the environment. Creativity and doing things differently have been key to keeping us competitive. In real estate and development, one's only asset is their brand. You need to inspire confidence in clients. We have a great deal of creativity and talent that is changing the city. Quito has great potential to be a trendy city in terms of design and gastronomy.

What projects do you have in mind in terms of the push toward a circular economy?

Our clientele increasingly desires to live in a project that is sustainable, has certifications, is responsible for the environment, and is part of a circular economy. We consider all this when we start designing, because this is the future. Young people especially demand this when they buy, so commercially it makes sense to not lag behind.

What are your expansion plans?

We are doing a major project in Guayaquil, and it is aligned with the ideas here. We want to break the design barriers and do something different. We are in talks with two famous international architects. The project is in an up-and-coming area, but it is the best place in Guayaquil, so it is a challenge. We

want to build parks around, work on mobility, and push the city to improve the area overall. We have a solid brand action in Guayaquil; people know us, because they may have seen our designs in Quito, so we will work on breaking into the market there. Quito keeps growing, and the area of the Carolina is the best. We predict the city will reach 4 million people in five years. We do not see ourselves working internationally; in our line of business it is difficult to do so.

Are there any collaborations with 'starchitects' you would like to highlight?

We will launch a project in 2022 with Mad, a Chinese-American architecture firm that works frequently in New York and California. It is spectacular, and we are a fan of its work. We are working on a 36-story building, and it will be the highest in Quito. In Guayaquil, we are in talks with two firms. We want to import talent and work with different companies. Every project should have its own identity, and we do not like repetition. In Quito, we have many projects by interesting architecture firms, which inspires Ecuadorian architects to be better, because they see the innovative projects that are raising the bar, so they need to be at the same level.

How would you like to position the company in the upcoming years?

We need to align our communication and positioning of the brand, because even though it is a well-known brand, we are missing that human touch that connects developers with its neighbors. We are working on a campaign for next year to ensure all our projects are present in public spaces. We have a museum of contemporary art already designed that we plan to donate to the city. We also have a non-profit art gallery called N24 in La Floresta and a restaurant that will re-open in December. It is essential to find ways to improve the communities where we build. ✕

Completed over 200 building projects in Quito over 50 years

Partners with leading architects and designers from Quito and around the world

Its buildings have become new highlights of Quito's growing skyline

BIO

Joseph Schwarzkopf graduated with a degree in finance from Florida State University. Prior to his current position, he was manager of Constructora Miraciolo, commercial director of Paseo San Francisco, and executive president of Hotel Le Parc. He is also an active member of the Young Presidents Organization.

BUILDING *solutions*



Since the beginning, the implementation of innovative construction techniques and the use of state-of-the-art technologies have made SEMAICA the company it is today.

Fernando Correa
CEO,
SEMAICA

66 years in the market

At the forefront of digital transformation and environmentally conscious movement in construction

BIO

Fernando Correa is a civil engineer, specialized in construction and design of sustainable buildings thanks to his time at Worcester Polytechnic Institute, US. He has a master's in project management and engineering systems from the University of Cornell, a certification in business management from Universidad San Francisco de Quito, and a specialization through the master's program of business management at Harvard Business School. He has served as president of the Consejo Ecuatoriano de Edificación Sustentable (CEES) and on the boards for Servialimentos, de Urgenpro, de Textiles Texsa, de Enkador, and GONZYOLA Cia., among others. He is a third-generation manager for SEMAICA.

What has sustained the success of SEMAICA over three generations?

I would say it is due to resilience; this is the case for many family-owned businesses in Ecuador. The crisis has been a status quo in Latin America; however, a part of our Enterprise culture is to apply lessons learned and new approaches to solve the challenges ahead, using forward-looking strategies. This mindset characterizes our agility to overcome each hardship quickly, it was proven successful during the pandemic, by responding promptly and effectively. The pandemic was an undoubted statement of the changing world we live in. SEMAICA has built prestige during decades completing 100% of its work to customer satisfaction. Since its beginnings, the implementation of innovative construction techniques and the use of state-of-the-art technologies have made it the solid company it is today. Quality standards and certifications such as ISO 9001:2015, EDGE, LEAN, Eco-efficiency, among others, make us stand out in the construction industry because it not only construction that built to last and high-quality works but aims at developing a more sustainable environment.

Have there been any major advancements in your plans to participate in extractive services?

SEMAICA has been in the market for more than 66 years, and during this period we have evolved into a six-company holding to better suit the needs of the Ecuadorian market, satisfy the needs of our clients in different fields, and work on our continuous growth policy. We build mining infrastructure, projects for oil and gas and renewable energy industries, as well as engineering and construction of infrastructure for underground and open-pit mining, together with their ancillary facilities. We operate mining projects. We also represent, distribute, and install specialized supplies for the oil and gas and renewable energy industries. In addition, we are present in the technological sector, we execute and develop AI technological projects, with support from their adoption

to their implementation and maintenance. As we believe the extractive industries are the new age of Ecuadorian development, SEMAICA is committed to being a big part of it.

How will SEMAICA participate in the national push to become a circular economy?

SEMAICA's efforts to reduce its carbon footprint are remarkable, as evidenced by the certifications obtained with the EDGE and LEED platforms. Furthermore, we recently became one of the 100 companies that participated in an initiative of the Ministry of the Environment called Ecuador Zero Carbon Program, where we will initially measure the carbon we produce in our administrative operations to lower the indicators to the maximum. We are also part of the Ecuador Green Building Council, a member of the Global Compact. Although we face great challenges in this area, we are confident that our commitment to the environment is solid, and that each one of us is a key player in this change.

Can you highlight any other projects SEMAICA is working on now?

We recently completed the third campus of the Universidad de las Americas UDLA, and it was a rewarding experience. While we were designing and constructing the building with our client, we agreed to intensify the sustainability effort. Currently, we are building a hotel in Quito that has also obtained the first Edge Advanced certification for a hotel in all Latin America. I am proud of these projects because of the environmental concepts they embrace, as well as the design and construction techniques. In addition, we initiated the construction of educational infrastructures with the government, designed to maximize the well-being of the most disadvantaged, which will continue until the end of this year. We are also committed to presenting solutions for social housing projects. In 2022, we want to participate and do it well. Education and housing are our goals for 2022. ✖



Daniel Elmir
CEO,
ELMIR GRUPO INMOBILIARIO Y
CONSTRUCTORA ZAHLE



Rodrigo Andrade
CEO,
VIP CONSTRUCTORA

CONSTRUCTION

Looking at up and coming trends in construction such as sustainability and modern techniques, construction firms are keen to leave their mark on Ecuador's landscape.

What path has the company followed since its establishment?

DANIEL ELMIR Grupo Elmir was founded in 1995 for the real estate sector. My family came to Ecuador from Lebanon in 1912, and we have been here for more than 100 years, generating all kinds of businesses. We have been in the textile industry, rice industry, commerce, agro-industrial, and construction sectors. We started as a small family business and have grown to become a fairly solid company in the market, with a solid track record in the market. We have seen the change in the city toward smaller houses and buildings, and now there are large and sustainable buildings. We generated the first eco-efficiency ordinance at the national level, which means buildings can be built taller, as long as they meet sustainability parameters.

RODRIGO ANDRADE We have delivered 48 buildings in the country in our 19-year history. We have unique and disruptive buildings. Diamond Signature is one of them. It is a remarkable building because we completed it during the pandemic. It is the only building surrounded on three sides by the Metropolitan Park, which

has 650sqm of green area. There is small park inside the building, where we preserve trees over 40 years old. We not only conserved trees, but also planted about 120 small trees as well. We are nature lovers. Another amazing building is Grand Diamond Beach, the highest building of the coast of Ecuador, this building won several international awards at the Build America Awards in 2020. Some 70 experts worldwide analyze everything related to sustainable construction, eco-efficiency, design, structure, and the nature it possesses. And now, the world knows about the building.

What is the importance of innovative projects for the company?

DE Efyra is also an important milestone for us because in addition to the evolution of the type of construction toward sustainable construction, Efyra is a generational replacement. Up until Kyria, my dad was the main architect and manager of the company, and now we have passed to the second generation with my sister Marcela. This new building is completely different; we are doubling the height and adding eight additional floors. We are also using all our gathered

experience. We have designs that are among the best in the country in terms of functionality adapted to the new reality of modern architecture. The support of suppliers has been extremely important for us, especially with the Ecuadorian companies that have supported us. They understood the dynamics and are moving in the same direction that we are all working toward: being sustainable in general.

RA We are committed to continue investing in the country and are developing a 25,000-sqm project called Diamond Design. It is an equally disruptive project in which we will build, for the first time in the country, a swimming pool suspended on the fifth floor. There will be two building towers and the pool in the middle on the fifth floor. We employ processes that make us do our best to reduce our carbon footprint. They are sustainable buildings, in which we use recycled materials, as far as possible. We use German pipes and formwork, which have an important eco-environmental composition. We will also generate energy through solar panels. We will conserve as much as possible those trees that are 40-50 years old. Environmental management is done with extreme care. We want to demonstrate that as Ecuadorians we are capable of being at the level of any construction, design, or creation worldwide.

What is the main objectives of Grupo Elmir for 2022?

DE In 2022, we hope to launch a few additional projects. We are also looking at the possibility of expanding to other cities, the coast, and in the mountains and continue to create jobs. We want to create first-class, sustainable housing units and generate employment. We plan to change the way we approach projects. We will make use of bank leverage with all the issues of debt securitization to carry out larger projects.

RA Our main objective for this year is to satisfy the needs of our clients, focusing on our main distinction, which is a personalized service throughout the construction process, and also following our construction planning, we have the challenge of Diamond Design, a real estate jewel in the urbanization Granda Centeno and also our new Diamond Garden project that is located in one of the most prestigious valleys that is Cumbayá. ✖

REAL *estate engineering*



Xavier Romero
PRESIDENT,
ROMERO & PAZMIÑO

To set itself apart in a competitive sector, Romero & Pazmiño's proposition is to bring technical expertise to every aspect of the real estate development process.

BIO

Xavier Romero is a civil engineer with a master's degree in construction management and a specialization in business management from Universidade Federal do Rio Grande do Sul, Brazil. He completed the management training program in finance specialization at Chemical Banking Corporation. He is a Certified Quality Engineer of the American Society for Quality (ASQ). With six years of experience in the banking world, he is currently chairman of the board of Romero & Pazmiño Ingeniería Inmobiliaria (Ecuador) & Managing Partner of Romero & Pazmiño Investments in the US. A founding partner of Romero & Pazmiño, he established the company 21 years ago with an entrepreneurial and process-based approach.

What is the history of Romero & Pazmiño as a construction company in Ecuador?

My partner, Alejandro Pazmiño, and I come from the finance sector though I am a civil engineer, and he is an economist. When we decided to create Romero & Pazmiño 21 years ago, we looked at what our value proposition would be and our strategy to compete in a market that already had well-positioned developers with many years of experience. Our vision was to bring technical expertise to every aspect of the real estate development process, from project conceptualization, structuring, and management to after-sales customer service. We call that "ingeniería inmobiliaria," or real estate engineering. When a company starts acquiring a certain relevance because of the volume of projects it has executed and is working on, the financial management component becomes fundamental. We have an AAA certification, given by a renowned risk assessment agency, which made possible a high-rated first bond issuance two years ago. At the present time, we are in the market with a second bond issuance that is also AAA certified.

What projects have been milestones for the company over its history?

The first milestone project executed by Romero & Pazmiño was in the north of Quito in an area called Carretas, near the Carcelen hub. It was an 88-house project, which was an interesting number considering the size of our company at that time. The first project we executed consisted of 34 houses which required a relatively lower level of funding

What benefits does Ecuador provide for real estate investment, and how is Romero & Pazmiño feeling the market sentiment at the moment?

We went with two vice-presidents of an important local bank and met with bankers in Colombia, where the real estate business is much more developed.

This benchmarking process has proven to be extremely valuable for us. To open a discussion about a real estate project in Colombia, you need to bring to the table USD7-8 million to buy a sizable piece of land. In Bogotá, when you go to the north of the city toward Chía, you can see one development after another, each one bigger than the one before, with interesting value propositions. The houses are extremely well made, the common areas of the condos are impressive, and the amenities for the owners are very appealing. In Ecuador, real estate development is not as competitive, which has allowed us to capitalize on the lack of a more sophisticated market. We mainly focus on large town house condos that we can execute extremely well. We work only in Quito, where the local demand is high, and there is still available land. Our strategic vision in Ecuador is to keep our operation in Quito, but we have recently expanded our operations by investing in a project in Coral Springs in north Miami that will start in May, 2022. While Miami real estate is a sellers' market at the present time, in Ecuador, buyers have the upper hand. There are many unsold units here. In Miami, we made a relatively small investment, scaled to what we can handle. We want to get to know the market as well as the regulations and permits.

What are your long-term perspectives?

If we have a stable government, the outlook is interesting. Ecuador is a place where there is still much to do. When I compare our market to the one in Colombia, I would say we are 10 years behind in terms of real estate development. However, there is huge potential in Ecuador. Hopefully, an administration that makes the correct decisions can boost the sector and make it a focal point for economic reactivation. We need to have government policies that do not depend on the administration in power at any given time. ✖

BUILT TO LAST

A raft of infrastructural investments of public and private funding, along with government commitment to social welfare, promise rejuvenation for Ecuador's construction sector.

COVID-19 HAS CLEARLY IMPACTED not just the majority of industrial sectors, but also the very notion of how business should be done. Realists have quietly welcomed the rethink—a rapid, and likely permanent, shift toward the digitalization of Industry 4.0 on the one hand, and the rise of the circular economy underpinned by sustainable business practice on the other. This sentiment is echoed by Fernando Correa, the CEO of civil engineering outfit Semaica. “The pandemic has taught us that the world is moving rapidly, and if a company is merely matching that pace, it will not survive.”

ROUNDING THE EDGES

The government is right in front leading the charge toward a more circular economy. Correa is currently the chair of the Ecuadorian Green Building Council, of which his company was a founding member more than a decade ago. “Every single project we design pushes for all sustainable principles in water and energy efficiency and the treatment of materials [which] is where circularity comes into effect.”

The net-zero commitment reflects the overarching sustainability goals of 2050. Companies such as Semaica are a “catalyst for sustainability in all forms in the construction sector.” The firm has curbed industrial energy consumption through solar paneling while diverting the unused inventory of one project to others to increase circularity.

THE BIG SNEEZE

Ecuador's construction market output in 2020 was valued at USD17.4 billion, though due to pandemic conditions was forecast printing solitary growth of just over 1% in 2021. In 2020, infrastructure related construction accounted for the lion's share of the sector after comes came commercial, residential, energy and utilities, industrial, and institutional building. The current geopolitical crisis outwardly risks broader international ramifications, though *ceteris paribus*, industry data predicts annual average construction growth at over 3% for 2022-2025. The forecasted growth rests upon investments in key state infrastructure such as transportation, oil, energy, education, and housing. And with the world having likely seen the worst of the pandemic, tourism—and hence retail activity—numbers in Ecuador are destined to remain northbound.

IN THE PIPELINE

With President Lasso determined to ease the strain on the public purse through private sector participation, public-private partner-

ship (PPPs) are anticipated in the core sectors over the 2021-2025 period. Announced in August 2021, the road and rail networks alone have a USD5-billion rehabilitation scheme earmarked to 2025, this in addition to railways and the port system. Regarding roads, the Ministry of Transport and Public Works is pursuing a freeway scheme for the Rumichaca-Riobamba stretch of the Panamericana highway with an investment of UD967 million.

On the tracks, a tender is penciled in for 2H2022 to rehabilitate Ecuador's mostly single line north-south rail system linking Colombia and Peru. The 90-km project with an estimated investment of UD2.5 billion has wooed eight firms. On the energy front, the sell-off of major state-owned assets such as the Esmeraldas oil refinery foretells heightened activity encompassing the construction sector. Meanwhile, an energetic remedy is on the cards for utilities-related construction. The 2012-2022 Transmission Program and the National Transmission System (SNT) Replacement and Expansion Program features an estimated USD241-million investment.

LEARNING CURVE

The government has pledged to shore up health and education, having respectively allocated USD2.4 billion and USD1.5 billion of the budget to public welfare and educational advancement. The latter component will see investment in educational, research and healthcare facilities. Correa told TBY how Semaica “recently completed the third campus for Universidad de las Américas,” itself interesting for being the “first university to obtain Edge Advanced certification for sustainability.” The project galvanized the firm's commitment to sustainability, as reflected in hotel project in Quito designed to merit Edge Advanced certification, the first such hotel in Latin America.

HOME RUN

In Ecuador, housing demand has significantly outgrown supply. Therefore, as a critical pillar of the social welfare program, the government has focused on affordable housing projects to close the gap in the residential construction market. Duly, in 2020, Ecuador issued a Sovereign Social Bond valued at USD400 million in the international market bearing the guarantee of the Inter-American Development Bank (IDB).

In light of current geopolitical circumstances where volatility itself is a constant, even the best-laid plans are hostage to fortune. Yet, Ecuador's broad investment in national infrastructure stands to provide sufficient kinetic energy for construction sector growth over the medium term. ✖

INTERVIEW



Juan Carlos Alarcón Chiriboga
CEO,
MUTUALISTA PICHINCHA

A ROOF *over one's head*

As part of its commitment to people, in addition to building private homes Mutualista Pichincha has also worked with the government to develop and finance low-income housing projects.

BIO

Juan Carlos Alarcón Chiriboga has been CEO of Mutualista Pichincha since 2016. He is a Commercial Engineer with a specialization in finance from Escuela Politécnica del Ejército del Ecuador. He holds an MBA and a specialization in finance, both from the Monterrey Institute of Technology. He also studied at Middle Tennessee State University and attended several courses on banking, financial markets, and business administration at Lehman Brothers, Georgetown University, Global Financial Trading & Technology, and IDE Business School. He has been a speaker at several seminars, including Euromoney Seminars & Latin Finance - SILAS, US. He has served as an executive in companies such as Banco del Estado de Ecuador, Banco Agrícola y de Comercio Exterior, Bancomex, Grupo Financiero Ecuafactor, and Flota Petrolera Ecuatoriana.

Mutualism is deeply rooted in Ecuador's economy. What has been the role of Mutualista Pichincha in its consolidation and growth?

Savings and loan associations (Mutualism) began in Ecuador in 1961 with Mutualista Pichincha, and in 2021 we turned 60. We are the first, biggest, and most important savings and loan association in the country. As an organization, Mutualista Pichincha is not an entity where businesses only own capital goods; on the contrary it is a capital entity owned by individuals in service of people. The savings and loan system in Ecuador centers in the well-being of Ecuadorian families; we are heavily focused on providing support for everyone to acquire their most precious asset: housing. The main objective of Mutualista Pichincha is housing for everyone and families' well-being.

What are Mutualista Pichincha's plans to increase the housing financing market in Ecuador?

Currently, the government has an important plan called "We create housing" that aims to support families that do not own a house. In addition to our participation in the private housing market, Mutualista Pichincha has worked jointly with the government in developing and financing low-income housing projects by providing adequate and affordable habitat solutions with all the basic facilities for a person to live in a dignified place. Along with our corporate values, for the next two years and the following ones, we have decided to invest USD90 million in developing low-income housing projects. In addition, we designed what we call the constructor financial institution with a 360-degree offer that includes the commercialization of properties, where we have a promotion plan to support real estate developers by assisting them with sales. On top of this, we pre-qualify the clients, monitor payments of the prominent buyers, and help them handle their credit procedures. Moreover, we support the buyers by coordinating the legal procedures with lawyers, the purchase and sale promises, and their respective registration. We finance construction for the real estate developer as much as the buyer. We give a line of credit for construction that repays us as work develops. During construction, we grant the developer a grace period for paying the capital until the work is finished. Furthermore,

"The main objective of Mutualista Pichincha is housing for everyone and families' well-being."

we have incorporated other mechanisms to expedite the credit disbursement to clients so that developers do not incur further delays in sales.

How does Mutualista Pichincha approach the environmental sustainability aspect?

The reason behind Mutualista Pichincha's existence is people; we always need to think about people. Being socially responsible is not necessarily about the environment, as it is only one part of it. In 2019, Mutualista Pichincha was chosen as the leader for SDG 11, which is Sustainable Cities and Communities, the most compatible SDG to our activity. While leading the SDG 11 for two years, Mutualista Pichincha delivered four specific outcomes, including a study to the Minister of Urban Development and Housing called "Private sector position in relation to the national urban agenda." Another one summarizes recommendations of how to live adequately with everything that has to do with housing sustainability.

What is your current outlook of Ecuador without taking into consideration politics?

Ecuador is living a moment of rebirth in terms of finance, the economy, and society. Ecuador is becoming a society where freedom allows people to reinforce their knowledge. It empowers people to take risks because they know they will advance with their projects. It encourages people to dream of a future that depends mainly on their effort. When people have optimism, they feel content and have positive perspectives. They feel the economy will improve and that there's a future with hope. They believe their children will have a good life; economy generates emotions in people. Now in Ecuador, people believe in the long term which makes them invest in their future. The more they invest, the more they generate employment. The more responsible society becomes, the more it will continue to progress. These are all triggers that allow individuals and companies to create more long-term strategies. ✖



Carlos Mejía Carrión
GENERAL MANAGER,
ETERNIT ECUATORIANA

BIO

Carlos Mejía Carrión has been the General Manager of Eternit Ecuatoriana since June 2018. He has been working at the company since 2003 in several areas: export, commercial, and manufacturing. He is an engineer in process management from ESPOL and holds a post-graduate degree in management from USFQ.

Can you elaborate on the history of Eternit and how it became a reference in the materials industry?

Eternit was founded in Guayaquil in 1954 with a factory for construction materials. In 1970, Ecuador had an oil boom and, along with it, a housing boom at a national level that led to the company establishing another factory in Quito. Eternit Ecuatoriana is today the leading national company in the fiber cement roofing market. The company manufactures and commercializes products that meet national and international standards. In the last 70 years or so, we have contributed to the development and growth of the country, updating processes to become a plant with state-of-the-art and fully automated technology. In addition, we have innovated our portfolio, such as plastic roofs, light construction systems, paints, and, most recently, an eco-friendly industrialized

housing prototype for social housing. We not only focus on products but also offer protection, durability, economy, tradition, and, above all, being responsible for the environment.

What methods do you use to keep Eternit's practices sustainable and eco-friendly?

Eternit is committed to preserving the environment. For example, we apply technologies and measure our operations to allow us to re-use resources like water. We focus on having a circular economy. Many of our products that use manufactured fiber cement are recycled cardboard. Before, we had a percentage of about 60% virgin materials and 40% recycled, and based on new research, we have been able to reverse these figures to 20% and 80%, respectively. In addition, we are aligned with rigorous local and international regulations that carry out actions to reduce our environmental footprint. Eternit has discontinued manufacturing processes that include mineral fibers, replacing them with synthetic fibers. This has allowed us to develop new products with new characteristics and have an eco-efficient and environmentally friendly product. ✖



Image: Michael Muller

A dairy facility belonging to Alpina

TOP-3 AGRICULTURAL EXPORTS

SOURCE: FEDEXPOR

SHRIMP EXPORTS BY DESTINATION, 2021

	Value (USD BLN)	Increase in value (%)	Increase in volume (%)
China	2.2	21	8
US	1.3	74	53
EU	1	34	21

TOTAL SHRIMP EXPORTS
USD5.323BLN

CANNED FISH EXPORTS BY DESTINATION, 2021

	Value (USD MLN)	Increase in value (%)	Increase in volume (%)
EU	623	10	3
UK	136	31	27
US	110	2	-7

TOTAL CANNED FISH EXPORTS
USD1.263BLN

BANANA EXPORTS BY DESTINATION, 2021

	Value (USD MLN)	Increase in value (%)	Increase in volume (%)
EU	964	0.5	4
Russia	699	4	6
US	511	-14	-20

TOTAL BANANA EXPORTS
USD3.485BLN



Image: Alpina



Agriculture, Aquaculture and Fisheries

AH, GROW ON

Ecuator's agricultural sector accounts for 8% of GDP and is the country's largest employer. Additionally, the vast majority of non-oil exports are agricultural products. The country's total exports set an all-time record in 2021, reaching a value of close to USD26.7 billion, up 31% YoY.

The non-oil, non-mining export sector accounted for 60% of total exports in a year of recovery in oil exports and growth in mining exports. The main exported products were: shrimp (USD5.3 billion), bananas (USD3.4 billion), canned fish (USD1.2 billion), cocoa (USD940 million), and flowers (USD927 million), while export destinations were the US (USD3.6 billion), Europe (USD3.4 billion), China (USD2.7 billion), Russia (USD1 billion), and Colombia (USD823 million). Local producers are also looking for new products in high demand in international markets that can be cultivated and exported, including avocados, berries, and mangoes.

The Ecuadorian agro-export sector has been faced with rising costs of international transportation. The average transport cost from Ecuador was USD5 for an import costing USD100. From the second half of 2020, as a result of lockdowns around the world, the mismatch of container supply and demand caused the cost of transport to rise progressively to USD10.96 for an import costing USD100 in December 2021, with China-South America routes among the most affected.

The scenario is also being affected by the instability arising from the Russia-Ukraine conflict. In terms of products, exports to Russia were con-

centrated in bananas (70%), shrimp (14%), and flowers (10%). These sectors would therefore be the most affected by the escalation of the international conflict. According to Fedexpor, the banana and flower sectors have calculated losses of USD85 million as of April 2022.

Likewise, the shrimp industry has shown losses of USD10 million due to the closure of ports and limitations in its supply chain. Commenting on these factors, Vicente Wong, CEO of Reybanpac, one of Ecuador's main producers of bananas, declared: "Managing the sector has been difficult since 2020 due to rising costs across all levels. Another relevant factor is that in parallel to the competitiveness plan for the sector, negotiations are underway to reach trade agreements in other markets, such as China, Japan, Turkey, and South Korea. Together with the government, there is an opening that enhances the growth of the sector in said markets. It is necessary to declare competitiveness a priority and insert it into the national government's plan to prop up the banana sector as a great generator of foreign exchange, employment, and taxes."

However, despite this primary sector's strong performance, concerns remain. As some interviewees commented, the sector needs to walk more decisively toward agro-industrialization and digitalization as means to gain competitiveness in international markets and counteract the dollar effect. Ecuador's dollarized exports make them more expensive in consuming markets compared to other agricultural exporters, where currencies have devalued against the dollar in recent years. ✖

COMPARATIVE *advantages*



Pedro Álava
MINISTER OF AGRICULTURE AND
LIVESTOCK

Given Ecuador's immense potential in the agriculture and livestock sectors, the Ministry of Agriculture and Livestock is working to boost Ecuadorian exports around the world.

BIO

Pedro Álava holds a master's in irrigation and drainage (water science) from the University of California at Davis and a degree in agricultural engineering from the faculty of agronomy and veterinary of the University of Guayaquil. He has published on drip irrigation design for green spaces and sports fields.

What is your assessment of the current government's measures to increase Ecuador's role as an agro-export power?

The measures taken by the Lasso government to increase Ecuador's role as an agro-export power are successful in keeping with the policy of "More Ecuador in the world and more of the world in Ecuador." Through this policy, available Ecuadorian agricultural products are varied and meet high-quality international standards.

How is the Ministry of Agriculture and Livestock working to diversify and expand the basket of agricultural products exportable from Ecuador?

The Ministry of Agriculture and Livestock is leading the priority program Strategic Production and Diversification of Agricultural Chains. This program seeks to diversify the agricultural exportable selection of non-traditional products such as avocado, pitahaya, and hemp, among others and strengthen the country's traditional products such as coffee, cacao, and bananas. By implementing an intelligent agricultural information system, which any person, investor, or producer, can use, it will contribute to GDP growth.

How would you assess Ecuador's potential for investment in the agriculture and livestock sectors?

Ecuador has significant comparative advantage compared to other countries in the region, among which is its privileged geographical location. Its agricultural products and livestock are of a higher quality than average. The strong confidence of the international markets in the excellent management of the Ecuadorian economy is indisputable, as the Country Risk Index went from 17.33% in 2016 to 7.99% in 2022, an approximately 54% reduction in a period of less than one year of Lasso's government. To this must be added the excellent business environment in Ecuador, afforded by political stability and strong legal security. All these factors attract investors.

What are the prospects for agro-export cultivation of cannabis in Ecuador?

The prospects of exporting cannabis are one of the best, since Ecuador already has legal regulations for the cultivation of hemp, from which cannabis is extracted, with a THC of no more than 1%. Additionally, this crop is in the basket of non-traditional produce that the Ministry of Agriculture and Livestock is promoting. Due to Ecuador's excellent location on the Equator, its cultivation has better yields than any other country. Finally, according to conservative calculations made, the internal rate of return on this crop is more than 60%. ✕

buoyant SUCCESS

Santiago Salem
PRESIDENT,
INDUSTRIAL PESQUERA SANTA
PRISCILA

Santa Priscila is one of the biggest companies in the world in shrimp production and also a leading producer of saltwater tilapia.



What advantages does Ecuador offer for shrimp production that have allowed Santa Priscila to gain such a strong positioning?

In Ecuador, the weather conditions are predictable. This gives Ecuador sufficient advantage to be a leader in many areas such as agriculture and aquaculture, for example. Industrial Pesquera Santa Priscila has been producing and exporting shrimp since 1976, and we have grown to export regularly to China, Europe, the US, Latin America, and Asia. We are specialists in producing and supplying IQF whole shrimp, cooked quality, fresh frozen in brine in seven minutes, or block frozen. Our shrimp are grown free-range in a healthy, controlled oceanic stream environment, fed a natural diet of seaweed and vegetable grains, and are 100% hormone and antibiotic free. Our shrimp are cold packed the same day they are caught to ensure the best cold chain and quality in the value chain. In addition to being shrimp producers, Industrial Pesquera Santa Priscila produces fresh and frozen tilapia. In our exotic fruit division, we produce and export mango. Sales have gone from USD125.4 million in 2012 to USD1,009 million in 2021 (including USD5 million from tilapia sales). Currently, shrimp is the country's main non-oil export item, with USD5,058.82 million sold in 2021 amounting to 1,855.63 million pounds of shrimp. This was a growth in value of 29% compared to 2020, though the most striking thing is that of this amount, 20% was sold by Santa Priscila.

Santa Priscila is also in the tilapia production business. How did the company start in this?

Ecuador started producing tilapia, when there were issues in the shrimp business. Santa Priscila started the tilapia business in 1989-1990, bringing the first species from Panama. We saw a boom in tilapia consumption in the US and were number one there for six years. Our tilapia are grown free range in a healthy and controlled environment, from natural oceanic streams, and fed with 100% vegetable algae and grains. They are rich in collagen and Omega 3 and provide our diet with a high percentage of protein.

How is Santa Priscila incorporating the digitalization aspect into every part of the value chain?

Santa Priscila places great importance on technology. Digitalization is part of every aspect, with the addition of innovation, technology, and efficiency. For years, we based our reputation and brand's values on our environmental conditions and the product's profile with indicators such as flavor and size. As our market share grew, so did expectations, and we discovered that the most premium markets with the strictest product quality standards placed great importance on sustainable business practices and overall production conditions. These markets developed certifications to ensure quality and process control. Ecuador's agro-industrial sector has been innovating for a long time, and we had placed our main focus on improving and maintaining our product's quality. Therefore, it was a natural transition to include business practices within our scope. For example, blockchain was not introduced to create traceability itself,

but rather to guarantee and strengthen the existing traceability processes and certify that we maintained certain standards throughout the industrial process such as water quality, environmental impact, and work conditions. We have implemented blockchain by creating a digital profile for any specific product and along every step of the value chain. Every interaction with the product by a stakeholder creates a log and a time stamp that is stored in a database hosted in public servers, creating a public record of a product's journey. Ecuador has pioneered the industrial scale use of blockchain globally, and there is still room to grow. Likewise, sustainability is equally important for us. In 2012, Santa Priscila took on the care and protection of 1,400ha of mangroves and more than 120ha of protected forest. In 2013, it began to change its energy matrix, with the first electrification system on 50ha of shrimp farms, reducing non-renewable energy consumption. ✖

BIO

Santiago Salem is founder of Industrial Pesquera Santa Priscila and has grown the company since 1976 to become the country's largest shrimp producer and processor.

INTERVIEW



Vicente Wong Naranjo
CEO,
REYBANPAC

LEADING *by example*

Reybanpac continues to work on maintaining its good agricultural practices and environmentally and socially responsible production to ensure banana production in Ecuador remains competitive globally.

What challenges does the instability in Eastern European markets present for the Ecuadorian banana sector?

The war in Ukraine has had a considerable impact on the Ecuadorian banana sector. In the first six weeks of the conflict, Ecuador stopped receiving USD30.84 million free on board (FOB), a reduction of 41.77% in the volume of boxes compared to the same period in 2021. This situation not only affects Ecuador at the foreign exchange level, but also directly threatens the employment of 50,000 agricultural workers in rural areas who supplied the Russian market. Faced with this situation, dialogue between the public and private sectors is important in order to find mechanisms to mitigate the effects of the war on Ecuadorian agribusiness. It is necessary to prevent as much as possible the sector's situation from becoming even more critical and risking its sustainability. Managing the sector has been difficult since 2020 due to rising costs across all levels. Another relevant factor is that in parallel to the competitiveness plan for the sector, negotiations are underway to reach trade agreements in other markets, such as China, Japan, Turkey, and South Korea. Together with the government, there is an opening that enhances the growth of the sector in said markets. It is necessary to declare competitiveness a priority and insert it into the national government's plan to prop up the banana sector as a great generator of foreign exchange, employment, and taxes.

Ecuador is currently experiencing a moment of transition to an economic model led by the private sector. How can the banana sector support this trend?

Historically, bananas have always been an important driver of the Ecuadorian economy and the main generator of employment in rural areas. The challenge is to improve our levels of competitiveness and ensure the sustainability of the business. Many Ecuadorian producers are setting a good example when it comes to good agricultural practices and environmentally and socially responsible production. In the case of Reybanpac, we have international certifications and follow audit processes that validate and

make our management transparent. Among our most recent achievements is the carbon-neutral product certification we obtained last year for our Cavendish banana. From there, we have continued to take steps along that line. In the social sphere, Ecuador is a country that, through its legislation, guarantees a living wage for its workers. Despite this, based on our culture of transparency toward our clients and other stakeholders, we underwent an external audit process with Ernst & Young that confirmed Reybanpac's salaries exceed the living wage by at least 38%, according to the Anker methodology that promotes the Sustainable Trade Initiative. The Ecuadorian banana sector has already taken significant steps in the social, labor, and environmental spheres. Of course, it is important to increase the percentage of banana-producing companies that incorporate sustainable practices.

What results would you highlight from Reybanpac's social responsibility programs?

In April, we published our 2021 sustainability report, where we share the results achieved. Regarding the environment, I would like to highlight the savings in water consumption thanks to modernization of our irrigation system and use of recirculation plants during the packing phase. There has been a significant reduction in the percentage of application per hectare of pesticides and a carbon-neutral product certification. We have also worked hard on training programs for our collaborators, adding in 2021 the start of the Productive Technical Baccalaureate, which grants a professional technical degree specialized in bananas. Through the Wong Foundation, the social arm of our business group, we maintain permanent educational programs for children and young people from the surrounding communities. And in the context of the pandemic, an educational resilience plan was implemented to support those boys and girls who were at risk of dropping out of school due to their difficulties in accessing virtual classes, among other problems resulting from the context. These are some of the programs that we have carried out and that we continue to develop as part of our sustainability plan. ✕

BIO

Vicente Wong Naranjo is an economist and second-generation executive of Favorita Fruit Company, which owns Reybanpac, a leading banana producer and exporter in Ecuador. In 2018, he was named along with his brother, Rafael Wong, best industrialist of the year by the Chamber of Industries of Guayaquil.

high STANDARDS

NIRSA is the largest tuna company in Ecuador and one of its biggest employers, with more than 5,000 employees across the country.



Roberto Aguirre Román
CEO,
NIRSA

What factors have boosted the growth of the tuna industry in Ecuador, and how has NIRSA been part of this process?

Tuna is a product consumed all over the world. The fishing industry Ecuador started in the 1950s, focusing on two products: shrimp and tuna. NIRSA, with a 64-year history, is one of the most important companies in the country dedicated to the capture, processing, and commercialization of tuna. Today, NIRSA is more than a fishing company. Our business is food. We are manufacturers of Alimentos Real, a well-known brand of value-added products that for more than 60 years have occupied a privileged place in international markets and on the tables of Ecuadorians. Likewise, our products are marketed under different private brands of importers and supermarket chains that make up our clients. We own the largest Ecuadorian-flagged fishing fleet in the country and employ more than 8,000 people. We are committed to innovation to reach more homes around the world, caring for our community and being leaders in environmental issues because we depend on healthy seas for a sustainable business.

How would you assess NIRSA's current export operations in term of countries?

The quality of Ecuadorian products is the reason why other countries choose us; the success of NIRSA's internationalization is due to its long-term view, the constant search for opportunities, and the extreme care in the quality of all its processes. NIRSA's Real brand reaches other countries such as Peru, the US, Spain, China, and Bolivia, among others. The company has positioned Ecuador's tuna fishing industry among the most important in the world. It has consolidated its position in the international showcase to North America, Central America, South America, the EU, and Asia, among others, thus positioning its leadership in more than 35 countries worldwide as a benchmark in good fishing practices.

How does NIRSA work to guarantee a high standard of security and product import protocols throughout the value chain?

NIRSA has several international certifications that mandate special conditions along every step. The first has to do with people, which is the main focal point of the company. It ensures compliance with labor regulations, schedule factors, and so on, all fully compliant with Ecuadorian law. In some cases, it goes even beyond, like in the US, when one takes up the subject of the Worldwide Work Organization or from the client. There are companies that dedicate more time to verifying the human factors of people than production. Furthermore, in terms of infrastructure, the company has its own complete port facilities only 400m away from the processing plants. The frozen tuna received from our vessels and external suppliers is analyzed by our Quality Control department before and during unloading, ensuring the best raw material, and then selected by species and size, prior to entering the 12,000 MT capacity freezers.

How is NIRSA generating a bigger impact on the country's economy?

The new government has invested heavily in a more business friendly environment with new laws and giving special attention to investments as source of jobs creation. Now, four out of 10 people are officially employed, and this must be improved to at least seven people. All of the government's initiatives are going well. Companies are growing steadily, especially in the last two years, and some companies are strongly impacting growth. Regarding the fishing industry, there have been increases in production of 15-20% from capture to processing operations. In addition, businesses growth will generate more taxes to the state to cover the fiscal deficit problems and invest in social projects in the country. It is an optimistic time for Ecuador. We invite everyone who wants to invest in the country to come here. This is the time to invest in Ecuador. ✕

Exporting tuna products to more than 35 countries worldwide

This is the time to invest in Ecuador

Manufacturers of Alimentos Real

BIO

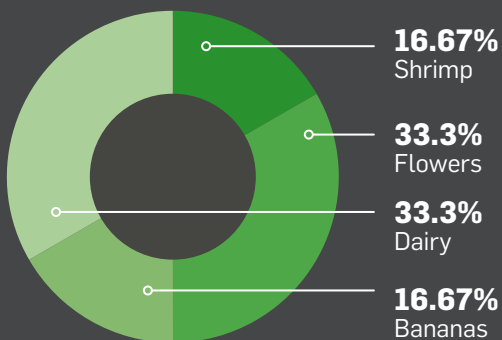
Roberto Aguirre is the CEO of NIRSA. Founded in 1957, this corporate holding has more than 60 years of history in the market, both on a national and an international scale. Its leading tuna brand is Real. Its production includes tuna, sardines, mackerel, shrimp, oil and fish powder and reaches four continents. NIRSA is headquartered in Guayaquil.

TBY ANALYTICS ECUADOR 2022: AGRICULTURE

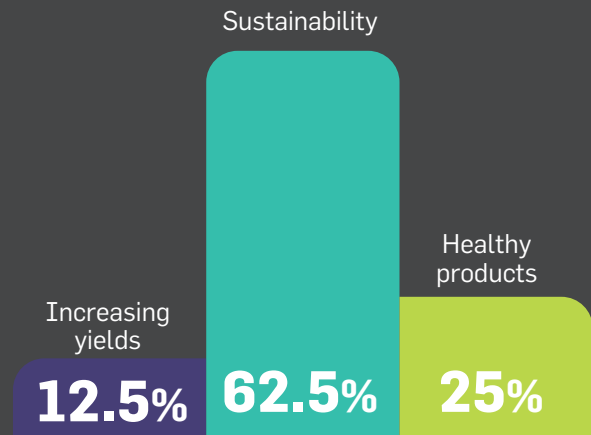
We posed a number of questions to our interviewees in the agriculture sector. These are their responses.



In your view, which agricultural category has the most potential?



What is the main focus of your operations?



customer IS KING

Nestlé plans to remain close to its customers by adapting to their needs and adjusting its portfolio in line with global trends.



Christof Leuenberger
CEO,
NESTLÉ ECUADOR

Nestlé has been in the homes of Ecuadorian families for more than 60 years. How did it conquer the market?

We started with imports of our flagship product, which is milk powder, so it was natural. This led to the establishment of the first Nestlé Ecuador office in Guayaquil. We now have two business divisions in Guayaquil and two in Quito. In fact, in December we started operating from our new offices in Guayaquil. This is important, because the political center of the country is in Quito, and the commercial center is in Guayaquil. We want to balance that. There is a strong cultural difference, so we need to take both into consideration. We have grown our presence through acquisitions of organic growth to an extremely broad portfolio. This would not have been possible if the Ecuadorian consumer had not made that journey with us.

If the pandemic has taught us anything, it is the value of our health. How will Nestlé keep its products healthy?

This is something that has been coming for some time now in the last 10-20 years. We are working heavily on that. The pandemic has significantly changed consumers' behavior toward health; people are focusing on nutrition and healthy eating as a way of preventing illnesses. That is different from a general interest in healthy food—it is a concrete action. In that sense, we are quickly evolving our portfolio toward healthier options. It is an exciting journey. The US is much further ahead of the curve, but not here. That poses some challenges for us, which we happily take on. The consumer is always at the center of everything we do. We have clear indication of where to evolve our portfolio. Growth is more mindset than metrics. We can grow in our most traditional products through more distribution and better communication. We can also grow in new categories, like new health. I see room for growth everywhere. We

need to be closer to consumers, not just in Quito and Guayaquil but more in the provinces. We can grow everywhere.

How will Nestlé Ecuador participate in the initiative toward a more sustainable and circular economy?

This is more than an initiative—it is a group commitment. We have our global commitments, like carbon neutrality by 2050, packaging, and so on, and we are implementing those changes here. In Ecuador, we have committed to three things in the mid to short term: plastic neutrality in 2021, fit for purpose in 2022, and 100% recyclable packaging in 2023. Ecuador is one of the 12 Nestlé market countries worldwide to pioneering the concept of plastic neutrality. This means if we sell 1,000 tons of plastic to the market, we commit to getting at least 1,000 tons back into the recycling circle. We will reach plastic neutrality this year, so we will meet our objective. It is not only about getting plastic back and recycling it—it is about working together with partners to build a recycling network. This is the problem in countries such as Ecuador where you do not actually know where you can recycle. In 2022, we want to have all of our packaging fit for purpose, which means we only use the amount of plastic that is functionally needed and saving large amounts of plastic every year. That will happen fully in 2022. By 2023, all our packaging should be recyclable. Today, about 14% of our plastic is still non-recyclable because of the composition of the material. There is still some research to be done. In fact, on a global level, Nestlé opened a packaging institute three years ago that looks at how every plastic we use can be recycled. This is our contribution as Nestlé to the larger society in the country. We also influence other companies to think about what they are doing, which is another side benefit of our commitments. ✕

More than

90%

of Nestlé Ecuador's sales correspond to products produced locally

BIO

Christof Leuenberger has been CEO of Nestlé Ecuador since 2020. He graduated with a MBA from University of St. Gallen, Switzerland and joined Nestlé in 1997 as marketing basic trainee at the company's headquarters. He has assumed various positions in different countries around the world with Nestlé, among them regional business head Latin America for Nestlé Professional based first in Mexico and then Panama, and regional business manager responsible for managing Nestlé's business in countries such as Mexico, Central America, Ecuador, Colombia, and the Caribbean. In addition, he had overall responsibility for the Americas zone for the culinary, dairy, and ice cream product categories. Since 2018, he has been part of the board of directors of Terrafertil S.A.

INTERVIEW

QUEST

to be the best



Leveraging on its expertise and know-how as the biggest baking company in the world, Grupo Bimbo has made a name for itself in the Ecuadorian market.

Randall Quesada Lobo
MANAGING DIRECTOR,
GRUPO BIMBO

197

production plants
located in

32

countries around the
world on

4

continents

Committed to zero net
carbon emissions by

2050

BIO

Randall Quesada Lobo is a chemical engineer, with an MBA with an emphasis in finance. His 19 years of work experience were always within Grupo Bimbo, where he had the opportunity to live in Guatemala, Mexico, Brazil and Ecuador and held temporary assignments in the Middle East and Morocco. In all that time he held positions in the area of technical training, production supervision, sales, business, marketing directions. He is currently General Manager of Bimbo Ecuador.

How would you describe the evolution of the relationship between Grupo Bimbo and Ecuador?

The evolution of the relationship between Bimbo Group and Ecuador has been a virtuous one, where the company and the country are seeking continuous improvement for both, through constant investment and innovation from our side to make the Ecuadorian baking market more attractive and competitive. We have Ecuador's considerable human talent pool, and we combine this with innovation and our know-how and experience as the largest baking company in the world. What we do is bring ideas from different countries and mature them locally. For example, since we acquired Supán, we have continuously invested an average of USD4 million per year in the country, which is considerable. We have developed new categories such as cookies and cakes which is a relatively new segment for us, and we have invested in technology for bread-making ingredients. Therefore, we are reaping the synergy of a country with a high level of human and natural wealth and a company with high innovative power and business acumen. One of the advantages of the Bimbo Group is that we have 140,000 collaborators in 32 countries coming up with ideas and creating trends. We work in the US, Europe, China, Africa, and Latin America, and we see many extremely interesting concepts emerge every day. We also promote the internal ideas of local talent, from among the collaborators of Bimbo Ecuador.

Where do you see room for growth in the market?

The pandemic taught us many things. Firstly, we need to continue growing our geographical presence. We discovered that we have a solid presence, but there are gray areas that we are not reaching as yet. In the next few months, we will expand our distribution span, resulting in an almost complete coverage of the country, be it through direct or third-party service. We will collaborate with new clients, as they are an important source of employment in the production chain of all the countries we operate in. Our main goal is to serve

them directly and provide them with excellent customer service. We will also continue to create synergies with the successful products of other companies, which will be a new activity for 2022, as well as our innovative efforts. Additionally, we will bring in new ideas based on categories that are successful abroad and implement them here. There is a great deal of innovation and growth in the number of distributors as well as a focus on new launches.

How will Grupo Bimbo participate in Ecuador's transition to a circular, sustainable economy?

At the global level, we are affirming a commitment to being a carbon-neutral company by 2050. Our objectives for 2025 as part of this sustainability effort are that 100% of our packages must be recyclable, biodegradable, or compostable, we need to reduce our plastic use, and 100% of bread packaging must be part of the circular economy. In Ecuador currently, 94% of our packaging is recyclable, 30% is biodegradable—which we hope to reach 100% by 2022, and we are working to develop compostable packaging. Additionally, Bimbo Ecuador will have its first electric distribution vehicles in operation in 2022, marking a great step forward.

How would you like to position the Bimbo Group in the coming years?

The first thing for the future is to increase the empowerment of our collaborators at all levels of the company; we want them to feel free to express their opinions, to transform, propose, and build toward the objectives we have always shared. The second part of this vision is to consolidate the objective of the Bimbo Group as a global company in Ecuador. We want to become a sustainable, highly productive, and completely a human-oriented company. We are highly committed to the pillars of the Bimbo Group: pursuing nutritional transformation, being in harmony with the environment, and being a good neighbor, namely having a socially responsible corporate profile. ✕

quality FIRST

By working on sustainability and innovation, Alpina is banking on growing further in Ecuador and developing an entire value chain of food brands in the country.



Ximena Wagner
GENERAL MANAGER,
ALPINA ECUADOR

Alpina has been in the homes of Ecuadorian families for about 25 years. How would you characterize the relationship between the company and Ecuador?

Alpina believes in Ecuador, and we believe that this country will continue to grow. For the past 25 years, we have developed a sustainable operation here. We are supporting the communities in Carchi and Machachi, where we have two facilities and three distribution centers. We are fully committed to this country. We believe in its resources, in its human capital, and in the products we can produce here, which is why we have operations here. Even though we have Swiss-Colombian roots, our production is here. The future outlook for Alpina Ecuador, for the country and for the economy here, look even better.

What is your strategy to grow in Ecuador?

In terms of sales, we want to grow at least 7% next year. We have different strategies to achieve that growth, and I would define it in two words: innovation and sustainability. In terms of innovation, we have different products, and it is not just us, but our competitors as well that are innovating, because we need to keep up with the changing times and demands. We are innovating to provide our consumers with whatever they want. Online systems are growing in Ecuador, so e-commerce is growing. That is why we are focusing on understanding our consumers and their habits to provide them an innovative portfolio in terms of product, packaging, and more. We also want to grow in the sustainable area, which is not new for us. We have been concerned about the environment and our responsibility to our communities, and this is an area that we want to grow. Right now, we buy milk, which is our main raw material for our dairy business, from more than 180 different farmers and suppliers, who are part of 18 associations. That's one of the ways we can grow in the country: by supporting our community. Alpina buys 140,000 liters of milk daily, valuing their

work and providing growth opportunities for the entire value chain.

How did the pandemic affect your team, and what did you learn?

At the beginning, there was a lot of uncertainty for many companies, although we had to commit to our purposes. First, we had to ensure the health of our people, so we changed our production procedures, safety measures and social distancing rules. Our priority was their health first. Second, we are a food company; our purpose is to feed people. We had to adapt and be extremely flexible. We changed many procedures to ensure that consumers could access their products and gain their trust in order to offer a service aligned with new technologies. In fact, we were one of the companies able to supply food even when our competitors could not. The pandemic was beneficial for us in terms of our ability to demonstrate what we are capable of doing. Culture and people make a big difference, because the pandemic brought out the best in us during the worst situation.

Alpina is at the forefront of sustainable initiatives in the dairy industry. Can you detail what you have implanted in Ecuador?

In Ecuador, we have seven specific commitments in terms of the environment and social impact. In terms of social impact, in October we signed agreements with food banks, both in Quito and Guayaquil, which is a major milestone for us. For food companies, donating food is the best way of providing support. We also wanted a partnership and thus formed an agreement to start supporting their programs by volunteering and providing other support. It is good for us to show that we can contribute to the community in a different way. To provide another example, we give all our farmers training and teach them how to grow. They have their own small businesses, and we want their businesses to grow. ✖

Feeds consumers at all stages of their lives with high-quality products and innovation

Focusing on preserving the environment and ensuring sustained growth

BIO

Ximena Wagner is an industrial engineer from Universidad de Los Andes, Colombia, with an MBA from the University of Manchester. She is a professional with more than 10 years' experience in corporate finance, M&A, and business strategy across financial services and consumer goods industries. She currently leads Alpina's operation in Ecuador with the purpose of strengthening the business through a sustainability and innovation strategy.

SUSTAINABILITY *first*



Tatiana Calderón
GENERAL MANAGER,
BASF ECUADOR

In line with global trends, BASF has diversified its portfolio to provide more solutions focused on sustainability, innovations, and digitalization.

What is BASF's history in Ecuador?

We have been in the country for 55 years and see great opportunities in Ecuador. It is not only an oil country, but it also has strong agriculture and aquaculture sectors. BASF has highly relevant solutions for almost of all industries in the country. We support Ecuadorian exporters for them to reach their destinations with high quality products that differentiate Ecuador. For example, about 60% of our agricultural solutions portfolio is focused on protecting the main diseases that affect banana plantations. During the pandemic, we became closer to the flower sector to provide training to agricultures to improve their production efforts. In addition, we have put in great effort to work on the inclusion of women in the agriculture sector. Our team specializing in flowers is 100% female. We have witnessed significant growth there. We have also strengthened our presence in the aquaculture industry growing along with exporters and consolidating as their main supplier.

What sector has the largest growth potential?

We believe agriculture has a great potential in Ecuador due to the great weather conditions in our country and we are committed to provide technification, digitalization, and sustainable solutions to the agriculture business. Aquaculture keeps growing, and we are growing with them through a closer relationship to better understand and support our customers. We also see that the industrial sector in Ecuador has a significant growth potential. We are delivering our solutions to local producers in many industrial segments such as personal care, home products, furniture, human nutrition, animal nutrition, plastic recycling among others.

You have worked in BASF for 18 years. How has the company evolved during that time?

We have diversified our portfolio to provide more solutions focused on sustainability, innovations, and digitalization. We are also seeing more women in leadership roles at a global level. In Ecuador, about 33% of the decision-making positions are held by women, and this is a figure that we want to continue to improve in the near future. Safety has always been imperative

“We are delivering our solutions to local producers in many industrial segments.”

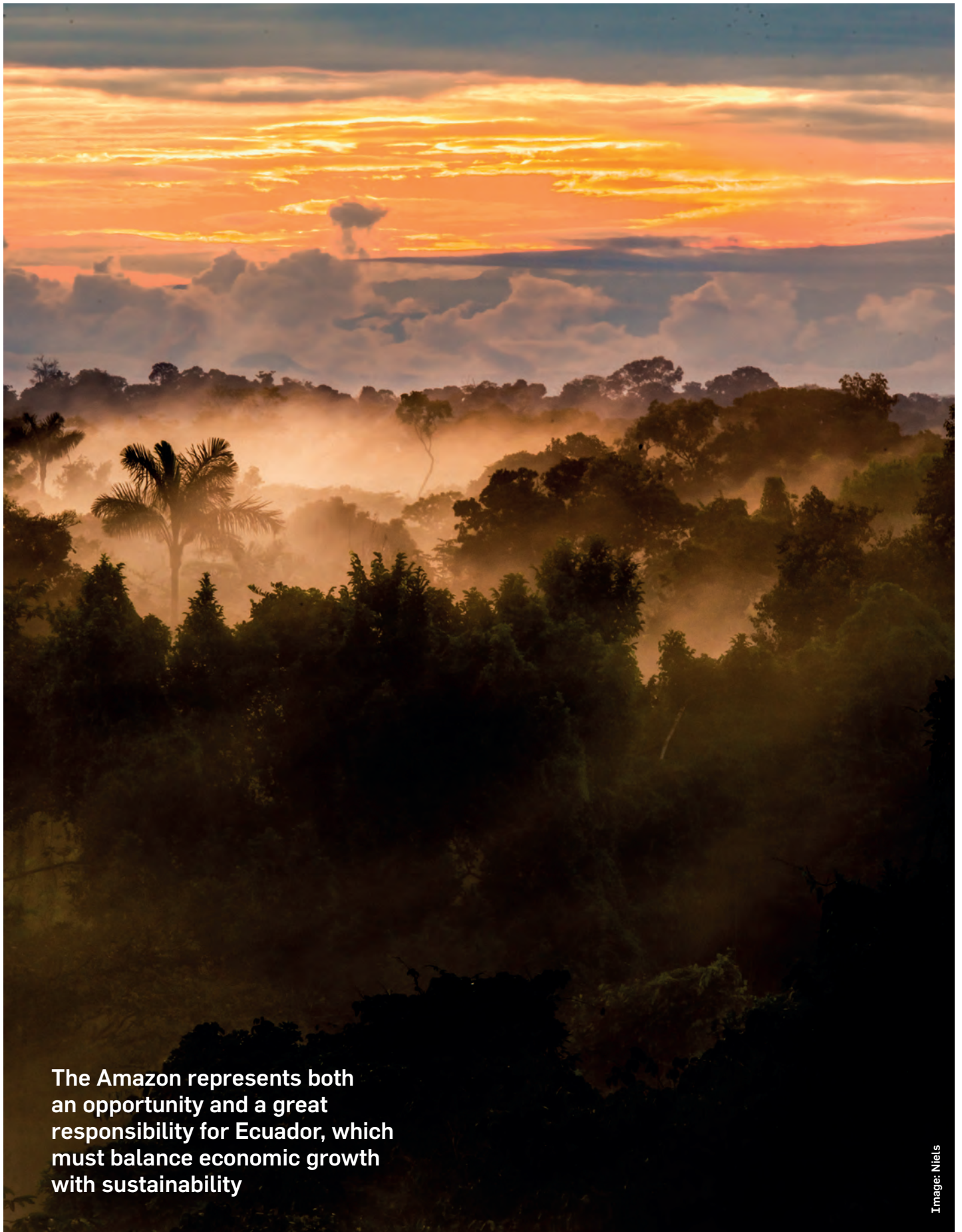
to our company. Because of the pandemic, we are now providing psychological support to workers. We have been awarded by Aproque because of how we took care of our team during the pandemic. For a long time, people have been a crucial point of BASF's strategy, and the company has worked toward consolidating the best team. When I started in BASF, the company had an oil operations division. That is no longer part of our portfolio, and we have made important investments in batteries (among other more sustainable areas) to support environmentally friendly energy initiatives. We have solutions for wind farms and the recycling process of plastics. This is close to our purpose: We create chemistry for a sustainable future and that is something our team is proud to be part of. We received an award from First Job that acknowledges us as the best companies for younger workers during 2021.

How is the company working to push toward a circular economy in Ecuador?

When we talk about the circular economy, we need to consider the complete chain from the production of raw materials to its final disposition. We have solutions that integrate those concepts in several industries, and we also support our customers with eco-efficiency analyses to understand better where should they focus their efforts to become more sustainable companies. For example, we were the first in Ecuador to deliver agrochemicals via drones reducing the impact of people manipulating chemical products and its dosage. We have vegan solutions for our customers in the personal care business. We have compostable plastics. If 2020 taught us anything, it is that we must be more responsible. Sustainability has been at the core of the solutions that BASF has provided around the world. We live our purpose to create chemistry for a sustainable future. ✖

BIO

Tatiana Calderón is a senior executive with experience in the commercial and marketing area. She leads BASF's operations in Ecuador, consolidating the team for sustained business and sales growth, and enabling new business in the country for growth in different strategic industries. She achieved a 22% growth in sales during her first year of management.



The Amazon represents both an opportunity and a great responsibility for Ecuador, which must balance economic growth with sustainability

INTERVIEW



BIO

Alejandro Martínez is the Executive President of Expoflores and Vice President of the Ecuadorian Federation of Exporters (FEDEXPOR).

Alejandro Martínez
EXECUTIVE PRESIDENT,
THE ASSOCIATION OF PRODUCERS
AND EXPORTERS OF FLOWERS (EXPO-
FLORES)

How does Expoflores operate in terms of its business model?

Expoflores is a non-profit trade association founded about 36 years ago. Here, we have the complete cluster because we have the breeders, growers, freight forwarders, airlines, suppliers, and strategic partners that work within the sector. We have 265 members here, and most of them are growers. In terms of the cluster, we gather 90% of the breeders, 72% of the productive hectares, about 80% of freight forwarders, and about 15-20% of the suppliers. Given that flowers are mainly an export product; we export 99.3% of our production. We focus heavily on global consumption trends, value chains, and political trends because all these affect us either positively or negatively in terms of consumption. We also keep logistics in mind because it is dynamic by nature. We gather ideas from different growers and try to implement those in the real world. Finally, we strive to maintain flu-

id communication with our three main clients: our internal clients, namely our members; our external clients, which is the market; and government/society, because they know what is going on in the sector.

What is your vision for Expoflores?

The expectations of the growers and other members of Expoflores will increase. Right after Valentine's Day, we released our five-year long, big data initiative. One will be able to see the pricing today per stem, per length of stem, per variety to any part of the world, the freight on it, what is going on with that specific variety on that specific land, and much more information. All that data plus the data from whatever we do locally here will go to US and European customs, so that the import timing will be an hour and a half instead of being six hours on average. Then, we will release a tracking system for consumer who can track a specific stem all the way to the crop, how it got there, how the farm is doing carbon neutral, go live and see the farm where you actually bought the flowers from, and how the workers there are doing. That is our next goal, and the expectations will be high. ✖



BIO

Isabel Pazmiño assumed the vice presidency of the Diakonía food bank board in 2021. Previously, she was a member of the board for many years and a volunteer at the Foodbank since 2011. She is a commercial engineer from Universidad Católica Santiago de Guayaquil, where she was part of the AIESEC in Ecuador (NGO) in different leadership roles in local and national levels. She has completed the Business Owner Program from IDE Business School and did a diploma in social training by Unión Social de Empresarios de Mexico. Pazmiño has 16 years of management experience in a family shrimp farm company and 10 years in an import and distribution company of auto parts.

Isabel Pazmiño
VICE PRESIDENT,
BANCO DE ALIMENTOS - DIAKONÍA

What is the work of Banco de Alimentos in Guayaquil? What are some of your achievements in its scope of work?

We are an initiative under the Archdiocese of Guayaquil, now represented by Monseñor Luis Gerardo Cabrera. Diakonía food bank started operating in Guayaquil in 2011. We work by collecting this food through individuals and institutions to reach out to those most in need. During the last 11 years, we delivered 10150 tons of food to more than 50,000 people. We have also faced two major crises. The first one was the earthquake that hit Ecuador in 2016; back then, we delivered 650 tons of food to affected areas. The second crisis came with the COVID-19 pandemic. Since then, we have distributed over 4,609 tons of donated food to eight provinces, benefiting 2.14 million people. In the first five years, we distributed 220 tons of food. Then, the earthquake came, and it was the catalyst for us to expand our labor. We did triple the work we had done in previous years in only a few months. We not only distributed food but also organized all sorts

of donations and realized the importance of the logistical handling of food banks in these times of catastrophe.

How would you describe Diakonía's programs?

The initial Diakonía volunteers started raising money in flea markets; however, after the earthquake, we created more specific programs. Our breakfast program called Barrigas Contentas Corazones Llenos (Full Belly, Happy Heart) supplies breakfasts for a group of underprivileged children sponsored by Kellogg's and Bimbo. Fruver is another program that we launched a few years ago; it aims to rescue fruit and vegetables from the largest market in Guayaquil. We also have alliances with businesses that sell clothes, shoes, and homeware products. We collect these products and distribute them to those in need. Another of our most meaningful programs is Vita Sanus, a medicine bank created in alliance with Difare group. It works by delivering usually expensive medication (at no cost) to underprivileged populations. We currently have 159 beneficiary institutions. Some include soup kitchens and organizations that support children's spiritual and academic formation by teaching them and helping with homework. ✖

Farmland pictured in rural Ecuador



VOICES FROM THE SECTOR



Andres Loyo
CEO,
GREEN GARDEN
CORPORATION

What changes in consumption trends did you notice during the pandemic?

As a food supplier, we knew we could not stop working, as it was our duty to supply the demands of the national market. Now, we want to live better and eat healthier; that is the general goal as a society. People are seeking healthier products that help their overall well-being. We have also experienced this within the business with Green Garden. This was our vision 20 years ago, and now we are capitalizing on it. The brand is already positioned in the market and known for having healthy products that precisely address these new health trends. In fact, Green Garden lives healthily, and that is what we will continue to focus on.

How much emphasis do you place on innovation?

We have developed an important innovation and development team for some time now that is multi-sectoral and multidisciplinary. This team has significantly helped us to understand the market trends and customers' needs. We have a great team and having a great professional team in our company has been a fundamental part of our success.



Hugo Banguera
GENERAL MANAGER,
AGROBASALTO

What market opportunities motivated you to establish the company?

We have always focused on the organic aspect and discovered a way to fertilize the soil, plants, and crops in a more organic way, without affecting the environment. Researching and traveling to see how this was being applied in other countries gave us the opportunity to study and work on this more. We have discovered that, for example, minerals that come from mines can be applied to shrimp farms or the agricultural sector for crops such as the African palm or the banana tree. These elements strengthen, protect, and help the environment. Using natural, mineral products to replace chemical ones will lead us along the correct path.

What main challenges did you face when introducing your mineral-based fertilizers in the market?

Our job has been extremely difficult, and we have gone through the good, the bad, and the ugly to make people understand that our mineral and organic products have similar or even considerably better effects than the products we have been used to. Through lectures, conferences, and educational talks, we convince people to stop using chemicals. It has been difficult, but we are on the right path.

José Antonio Vargas
PRESIDENT OF INTERNATIONAL
BUSINESS,
SEMVR A



SEMVR A exports to over 40 countries. Can you elaborate on your position within the market?

SEMVR A began exports in 1986 starting with frozen vegetables and then frozen fruit and fruit pulp. We are now in 45 countries, and it has not been an easy process. We currently have three production centers to export products, and in 2022 we are investing in improving the quality of our products and the services we offer. This will differentiate us from our competitors.

What kind of projects will SEMVR A be investing in over the coming year?

We are finalizing a large investment. We are overhauling two of our freezing centers that produce both fruits and vegetables. On March 1, we opened a new storage facility for frozen products that will be one of the largest in the country, perhaps even the region. We are also installing an IQF freezing tunnel in one of our facilities to connect our entire frozen business. We have grown by double digits in relation to frozen banana and are the leaders in the market. This investment is the result of our decision to keep growing our business and keep serving our customers in the long term.



Damián Baeza
GENERAL MANAGER,
PRODUCTORA
CARTONERA S.A.

Ecuador is working to diversify its food exports. How is this being reflected in Procarsa's business?

The local paper and cardboard industry is mostly connected to the local banana export industry, as well as that of shrimp and tuna, which are the top three food exports of Ecuador. Procarsa is now supporting local producers of mango through its products and technology. The same is true for dragon fruit and broccoli. There is greater demand for paper and cardboard from us, as we are linked to the growth of such exports. With this growth and increase in demand, we consider factors of sustainability. Procarsa uses 100% recyclable paper, and 70% of the boxes that we produced are made with recycled paper. When we talk about a circular economy and a sustainable world, we have been doing this for many years. We are doing a campaign currently with FSC and German cooperation in Germany and Austria, where the boxes that arrive in Europe are fully recycled. This does not add any extra costs and is part of the circular economy. Procarsa seeks to add to the reputation of Ecuadorian exports as being sustainable by bringing in eco-friendly packaging.



Johann Zeller
DIRECTOR,
GRUPO GUANGALA

What factors have helped boost cacao exports from Ecuador?

Ecuador has, by far, the most productive agriculture by acre, and dollarization has been beneficial for many agroexport products, though not necessarily for cocoa. However, it has provided the country with stability. Grupo Guangala always strives to find ways to add value and reduce costs. Our industry worked on better dryers, fermentation methods, key machinery, and finding better ways to ferment cocoa. We have detailed our product against what the client wants.

Can you tell us about the operation of the company in Ecuador and its export activity?

We have always worked with a few clients that we serve extensively. We have been working with Japan since 1981. Grupo Guangala started a relationship with Mitsubishi and Itochu and export approximately 4,500 tons to Japan. Japan imports roughly 9% of our imports. We work with the entire industry there. We develop most of the flavored cacao that it uses. We provide them with the quality and cocoa flavor that they need to make the mixer so that they can have their preferred chocolate. In Europe, we mostly work with Ferrero. In the short term, we will continue to produce about 7-8% of Ecuador's cacao.



Bernardo Malo
CEO,
REFIN

With the new trade agreements, how can Ecuador boost the exports of mango?

We have a trade agreement with the EU that has been extremely important, though Ecuador does not have agreements with the US, its main partner, some Asian countries, or Mexico. Mexico is also a potential market of great purchase and consumption. Depending on each product, there are popular products in that market, some of which we make in Refin. The products that go to the Chilean market are gaining popularity, and we could sell more to these countries if we were more competitive.

How does mango production along the Ecuadorian coast create employment and opportunities?

Some 97% of mango exports is produced in Guayas, and its harvest is done in a socially sensitive manner. Mango harvest is an important source of support for countless families who depend on this. It is an activity that, due to its seasonality, coincides with a time of the year that is well received by the community because much emphasis has been given to everything that has to do with ethical and social responsibility seals. It is definitely a trend, and mango is following that line.



Alfredo Ziade
GENERAL MANAGER,
COFIMAR

What is the current breakdown of Cofimar's export market?

About 25 years ago Ecuador produced an average of 35 million pounds of shrimp per month, today's numbers for Ecuador show an increase to an average of 170 million pounds per month. A few years ago, exports breakdown was between 70% to the US and the remaining 30% to Europe, but today's numbers are more like 47% to Europe, 45% to Asia, and 8% other countries.

How do you guarantee high-quality products to export to Spain, the US, or other Asian markets?

Cofimar has extract protocols in place to protect our product from COVID-19, and we're working with companies like BASC and BRC. We also have security measures in place on how our product is produced—temperature for example is always a major concern—COVID-19 tests, chemical checks for packaging, and after passing all these protocols, we send this information to our buyers. Cofimar has invested heavily in technology, which helped us with automation in our packing facilities. Our machines can be programmed to feed the production line with product or for example change the water. There is also one line that is capable of peeling and cleaning the shrimp, freeze them in one-pound bags, ready for supermarkets.

FOCUS

Medical cannabis

WONDROUS PROPERTIES

With its growing de-stigmatization and comprehensive legal framework, the cannabis industry is gaining traction in Ecuador.

RECOGNIZED FOR ITS MEDICINAL PROPERTIES since ancient times, cannabis has seen impressive growth in the treatment of diverse diseases and symptoms from cancer, chronic pain, depression, and epilepsy to multiple sclerosis, acquired immunodeficiency syndrome (AIDS), and Alzheimer's, to name but a few.

Globally the medicinal cannabis market scaled USD7.8 billion in 2020, and sector research by IMARC Group puts growth at a CAGR of 15.3% over 2021-2026. Narrowing the focus, the Latin American cannabis market is projected at USD12.7 billion alone by 2028, with USD8.5 billion accounted for by the medicinal variety. Ecuador, in the footsteps of pioneering Colombia, is well positioned to harvest some of the spoils.

PASSING THE LAW

The fundamental consideration for a nation to develop its cannabis industry is the legal footing. Aside from the US and Canada, legalization to varying degrees exists in South America, namely Argentina, Chile, Colombia, Peru, Uruguay (fully legal), and in September 2019, Ecuador, for medical purposes. Subsequent legal reform reflecting the sheer developmental pace of the industry has been swift.

Reform of the Criminal Law, enacted on June 21, 2020, heralded the development of the cannabis and hemp industry by decriminalizing possession of drugs containing cannabis or derivatives for therapeutic, palliative, or medicinal use and for alternative medicine. At the agro-industrial end of non-psychoactive cannabis and hemp, in late 2019 the imports of hemp seeds, and its production, marketing, and export were legalized, with the Agriculture Ministry issuing 46 10-year licenses across the hemp value chain.

Then on October 19, 2020, the Ministry of Agriculture issued Ministerial Agreement No. 109-2020, regulating the import, planting, growing, harvest, post-harvest, storage, transportation, processing, marketing, and export of non-psychoactive cannabis or hemp and hemp for industrial use. It stipulated the conditions for growers to obtain seven applicable licenses. These cover imports of non-psychoactive cannabis and hemp seeds for commercialization, their cultivation, breeding, and processing. It also required that cannabis products have less than 1% THC content.

On February 25, 2021 the Agency for Health Regulation, Control and Surveillance (ARCSA) issued Resolution No. ARCSA-DE-002-2021-MAFG with the "Sanitary Technical Norm for the regulation and control of products for human use and consumption containing non-psychoactive cannabis or hemp, or its derivatives." This covered the production, import, and commercialization of finished products with the concentration of THC specified at less than 1% for each category to cover processed foods and supplements, cosmetic products, medical devices, hygienic products for industrial

use, pesticides for both household and industrial use, household hygiene products, and absorbent personal hygiene products. Pharmaceutical products with a THC concentration equal to or greater than 1% are regulated as drugs subject to control.

APPLIANCE OF SCIENCE

Ecuador's foray into the cannabis industry has caught investor attention, and the nation could yet emerge as a cannabis and hemp R&D cluster. Enter multinational CannLiv, which set foot in Latin America through CannLiv Sur America in Colombia in 2018 followed by Ecuador in March 2021. In a TBY interview, founder & CEO John David Carrasco explained how, "One of the things we were able to do was establish a research agreement with Pontificia University Católica del Ecuador [possessed of] the only Level 3 lab in the country." At the cutting edge, research teams collaborate on nanotechnology, where for example, "we have 12 products for a cosmetic line, after two years of R&D [and are] currently using nano-CBD."

TRUE POTENTIAL

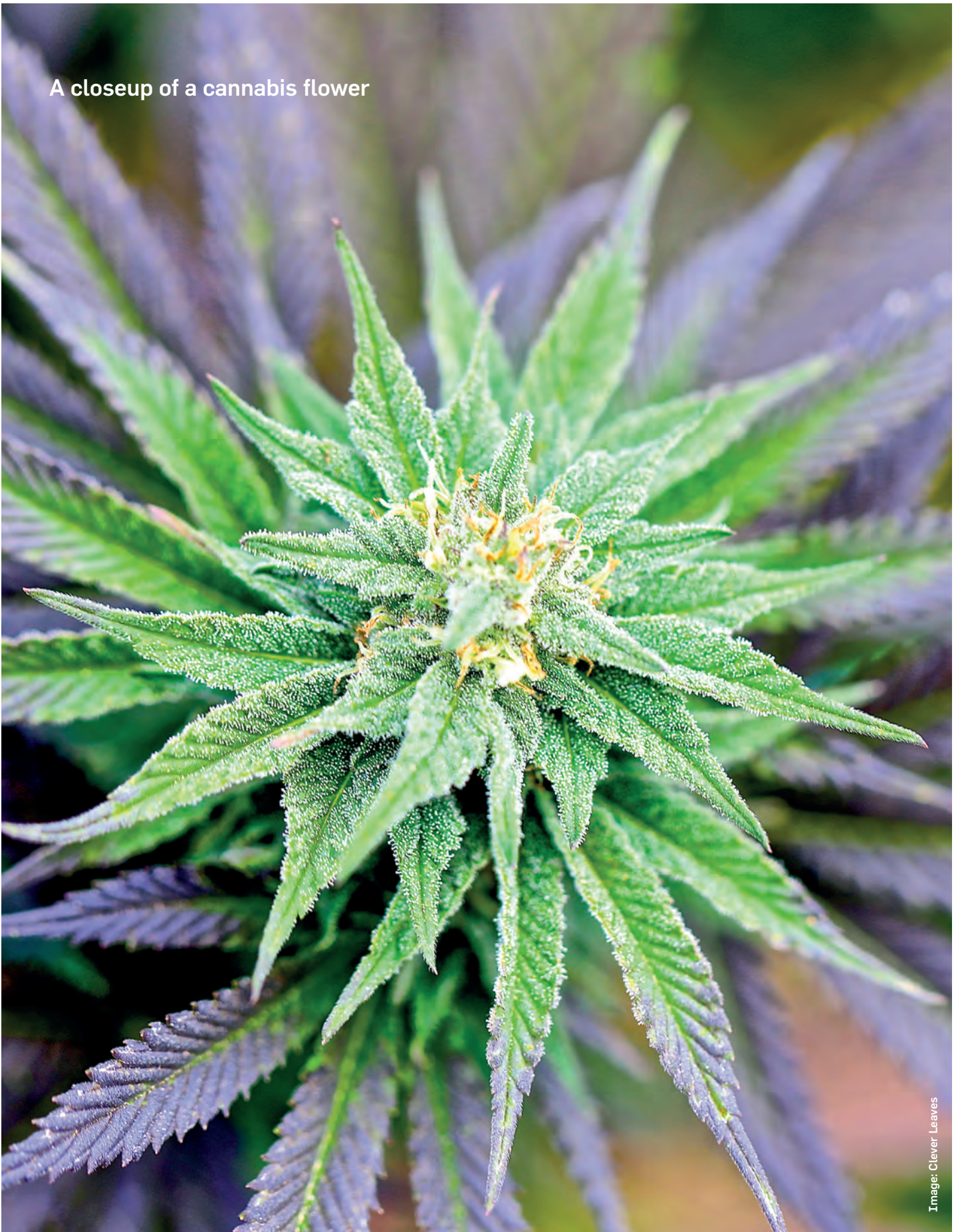
As its name implies, proximity to the equator gives Ecuador the advantage of consistent, year-round crop harvesting. Then, there is the advantage of coastal access to the vast North American market with its burgeoning demand for medicinal cannabis. Indeed, shining a bright green light on the sector, the US Food and Drug Administration (FDA) has approved the commercialization of numerous medicines of marijuana-based formulation. Notable, too, is a trend for clients to source product from several suppliers, supportive of the local industry.

SOWING THE SEEDS

Subsequent to the legal roadmap, faith in the industry's potential has prompted a speculative shift away from traditional flower growing, notably roses, to hemp. Moreover, Ecuador saw an 8% YoY drop in flower exports in 2020, as demand tanked in the key US, European, and Russian markets amid COVID-19. Attention has turned to a niche market of hemp flowers offering a palliative effect when smoked, without psychotropic effects. Significantly hemp flowers, unlike cannabis, can be processed using existing flower sector infrastructure. In contrast, CBD oils need industrial machinery to separate oil from plant material. The notable export market for hemp is Switzerland (chocolate flavoring optional).

As the social stigma falls, and its applications become more widely accepted, Ecuador stands to develop a significant presence in the medical and cosmetic cannabis markets. And with relevant laws now covering the entire value chain, expectations are justifiably, and legally, high. ✖

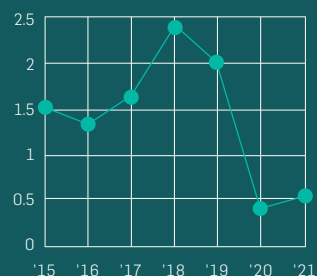
A closeup of a cannabis flower



Galápagos fur seals are typically found on the rocky shores of the western islands of the Galapagos archipelago.

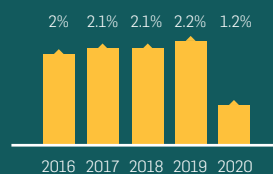
TOURIST ARRIVALS (MLNs)

SOURCE: MINISTRY OF TOURISM OF ECUADOR



TOURISM CONTRIBUTION TO GDP

SOURCE: MINISTRY OF TOURISM OF ECUADOR



TOURISM RECEIPTS (USD BLN)

SOURCE: WORLD DATA

2014	1.49
2015	1.56
2016	1.73
2017	2.02
2018	2.28
2019	2.29





Tourism

GROWING AGAIN

Ecuator's tourism sector was hit badly by the COVID-19 pandemic. However, the long-term impact was somewhat mitigated by the implementation of one of the region's best vaccination campaigns.

In conversation with The Business Year, Niels Olsen, Minister of Tourism, said: "The vaccination campaign has been entirely relevant and fundamental to reactivating the tourism industry. When our administration began on May 24, 2021, we were focused on several fronts. First in the financial relief for the tourism sector, which was greatly affected during the pandemic, requiring economic alleviation to continue operating. In addition, we resumed work on promoting the country itself because Ecuador spent several years without international promotion in the US, Canada, and Europe. When it comes to vaccinations, we became the first destination in the entire region to have its touristic sector fully vaccinated ahead of other sectors because the government understood the importance of international and national tourist safety."

Already entering the reactivation phase, Ecuador's "four worlds" program seeks to lure about 2 million tourists by 2025. To this end, the Ministry of Tourism set out the Promotion Plan 2022-2025 with a budget of USD47.3 million, of which USD41.6 million will be allocated to national pro-

motion and USD5.6 million to innovation and new products. The plan kicks off in 2022, with modest spending in international promotion and USD5.2 million invested. However, it will gain momentum in the coming years as the international tourism sector recovers. The country's promotional budget will focus 70% its efforts on international tourists from markets such as the US and Europe, with the aim of attracting more foreign currency and injecting it into the Ecuadorian economy. Meanwhile, 30% will be directed at the domestic market, which has proven to be highly dynamic during the pandemic as Ecuadorians have chosen to travel to local destinations.

Also, Ecuador wants to promote travel facilitation and is rolling out its "nomad" visa to encourage digital workers to settle in the country. The visa grants the right to remain for up to 24 months and is the first of its kind in the region.

A key aspect of Ecuador's tourism sector is bringing investments to modernize existing infrastructure or to create new ones up to the standards of international travelers. One project gaining international interest is the so-called Tren de la Producción y Turismo, of Production and Tourism Train, in which six international companies have shown interest in taking over the concession and investing USD2.5 billion to make 1,600km of new track operational. ✖

INTERVIEW



SUNNY skies ahead

Ecuador's Ministry of Tourism has several initiatives in the pipeline to capitalize on the recovering international tourism sector as well as continue to cater to national tourism.

BIO

Niels Olsen graduated from LSU in the US with a degree in business administration and marketing and was a member of the Society of Entrepreneurs of Latin America at Stanford University. After graduation, he became the marketing manager of Sweet and Coffee, where he was inducted into the Marketing Hall of Fame. In Australia, he studied for a master's degree in sustainable tourism at Monash University. He also worked for the Melbourne Museum of Sport and excelled in a research project for the Fiji Ministry of Tourism. He returned to Ecuador in 2015 and embarked on his most important project: Hacienda La Danesa.

Niels Olsen
MINISTER OF TOURISM

What has been the impact on Ecuador's tourism industry by the effective vaccination campaign? The vaccination campaign has been entirely relevant and fundamental to reactivating the tourism industry. When our administration began on May 24, 2021, we were focused on several fronts. First in the financial relief for the touristic sector, which, as we know, was greatly affected during the pandemic, requiring economic alleviation to continue operating. In addition, we resumed work on promoting the country itself because Ecuador spent several years without international promotion in the US, Canada, and Europe. When it comes to vaccinations, we became the first destination in the entire region to have their touristic sector fully vaccinated ahead of other sectors because the government understood the importance of international and national tourist safety.

What is your evaluation of the recovery in air connectivity?

The government has proposed a wholly open and aggressive policy to improve the routes and frequencies of flights from Ecuador to the world. A few months after the government entered office, we removed the 5% ISD tax on international airlines to sign open skies agreements with the US and other nations, which has enabled the opening of new routes. For example, Avianca is now connecting Ecuador to Costa Rica and flying from Guayaquil to New York. There are also plans with airlines such as LATAM to resume flights to the US shortly. Jet Blue has also recovered all of its frequencies from Ecuador to the US, such as KML and Aeromexico. Meanwhile, American Airlines now has a more extensive inventory than before the pandemic. Domestic connectivity between March 2021 and March 2022 increased 74%, which means we have now risen from 165 weekly flights to 245.

What plans do you have to keep developing the national tourism sector?

Of the USD47.5 million that, as a country, we will be investing in attracting new tourists, 30% will be invested in the domestic market to drive national tourism forward. During the pandemic, the private touristic sector was supported by Ecuadorians. On behalf of the government and the Ministry of Tourism, we have thanked citizens many times for helping domestic tourism and traveling locally, visiting the beach to

“Domestic connectivity between March 2021 and March 2022 increased 74%, which means we have now risen from 165 weekly flights to 245.”

see the whales, swimming with the rays, and visiting Amazonia, the mountains, and the farms. Ecuadorians have supported the touristic sector. Therefore, within the budget, we have several initiatives, ranging from creating a new four-day national tourism fair which will provide a vital opportunity for service providers to build commercial relationships with buyers. In addition, during the weekend, the fair will be open for all Ecuadorians to showcase the unique experiences that the country offers. We are working on a national campaign to continue driving national tourism forward. And meanwhile, with the new tax law passed in December 2021, the value-added tax VAT has been reduced from 12% to 8% to provide some economic relief to Ecuadorians.

How are you planning the international promotion of Ecuador for the coming years?

Ecuador will participate in over 10 international events shortly. In January 2023, we will attend Fitur with a stunning stand and with the private sector. In 2022, we will invest USD5.5 million, of which USD2.2 million will be invested in the US and Canada, which account for the most significant number of tourists visiting Ecuador. In February 2022, we took part in the Groups fair in Texas to improve connectivity and invite additional airlines to connect to Ecuador. In March 2022, we were in Panama, in the SAHIC, to attract tourism investments. In April 2022, we had the Seatrade conference geared at improving the nation's nautical connectivity through a greater volume of cruises visiting Ecuador. By May, Ecuador will participate in AdventureELEVATE, a high-level, non-profit tourism organization arranged by ATA. We will also be present in London for the LATA and the WTM, at a fair organized by Signature and Virtuoso, which caters to high-end tourism in the US. We also have two important events, AIMEX in Las Vegas and FIEXPO in Panama, to attract more congresses and expos here. ✖

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and in public areas. Executive rooms and the Presidential Club offer luxury and exclusivity.

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INTERVIEW



Raúl Arturo García Gutiérrez
PRESIDENT,
PICHINCHA CHAMBER OF
TOURISM

NATURAL *wonders*

The Pichincha Chamber of Tourism acts as the middleman between the authorities and the industry, while also developing activities to promote tourism, providing investment advice, legal support, and much more for its members.

BIO

Raúl Arturo García Gutiérrez is one of Ecuador's most renowned tourism professionals with a long and very successful career in the sector for more than 40 years of active presence in all geographic regions of the country and a globetrotter who has represented Ecuador's public and private tourism sector in multiple international events, forums, seminars and specialized fairs in countries around the world. He is a prominent businessman, tourism entrepreneur, and tourism union leader and is one of the most respected representatives of the Ecuadorian tourism industry.

What does the Pichincha region mean for Ecuador's tourism industry?

Pichincha and its capital Quito are Ecuador's main entry point, and the one that connects our wonderful country to our neighbors; we are a small country where everything is close at hand. Also, Quito acts as the gateway and distributor of many tourists to Galápagos and the Amazon, as well as to different regions of the country. In just a few hours, you can be in the Amazon, or a city like Cuenca, or Guayaquil, and also reach the Galápagos Islands. In Ecuador, everything is close to Quito, and the city has always been a sort of entry point to this beautiful country, not only for tourists but also for businessmen and world travelers. Our role as the Chamber of Tourism is to help our associates. In the past, they had to be associated with us to be in our tourism registry, but now, only those who wish to participate in the chamber do so and continue being protagonists in the tourist activity of our country. Thus, the chamber acts as a sort of nexus between the authorities and the industry, helping the former remain informed on the realities of the tourism industry. The Chamber of Tourism also trains and develops activities to promote the different sectors of tourism for the associated members, such as international and national fairs and promotional events, investment advice, legal support, employment service, and the constant work with various authorities to improve tourism.

To what extent has domestic tourism gained importance in Ecuador and how is it expected to develop?

Ecuador has learned that domestic tourism is highly valuable, and we have learned to appreciate and keep it working. For example, about 1.2 million Ecuadorians preferred to travel elsewhere and spend their money a few years ago. In 2019, about USD1.5 billion were spent abroad. Today, we have realized that domestic tourism can greatly help the industry's survival, and we are learning to maintain it. There

is a certain profile of tourist keen to travel to the mountain, breathe fresh air, and learn to value our nation's nature. This has also helped expand our gastronomy, and beyond every street product, restaurant, or vista there's a story to discover and share. This has caused an amazing reunion among our people, and makes for a valuable plus for our country.

How do you see Ecuador's tourism industry evolving as the country works to become more open in fields such as aviation or investment?

The Pichincha Chamber of Tourism president and administration have registered significant achievements. The vaccination process was widespread and positive for everyone, shining a welcome light on Ecuador, both for our health culture and reputation for safety measures.

The incumbent government has also lifted a tax, the ISD or Tax on funds sent abroad, which is a tax on repatriation of money for airlines. This has huge significance and has been a huge help for tourism. These two points are fundamental in terms of support. Minister Olsen has secured about USD50 million for promotion over the next four years, or about USD15 million per year. This means that many strategic marketing plans, including, invitations to events, fairs, and conventions, are taking form. Of course, this will be significant for Ecuador. It is worth to mention the positive future of tourism for Ecuador after the pandemic with better strategies to achieve it. Ecuador is on its way to a better future. The recent holidays of Easter 2022 are proof of the dynamism of tourism in Ecuador. Official figures indicate that there were more than one and a half million tourist movements in the country with a dynamization of around 30 million approximately. Quito performed well in terms of activity at hotels, restaurants and tourist operations. However, there is still a long way to go to reach pre-pandemic levels, for which public-private collaboration is needed in order to move forward and improve results. ✕



Fidel Murgueytio Moncayo
GENERAL MANAGER,
MAXITRAVEL

BIO

Fidel Murgueytio Moncayo graduated from Universidad Tecnológica Equinoccial with a degree in tourism business administration and natural areas management. He has 21 years of experience in the tourism sector, the last 17 of which he worked as an entrepreneur. He manages Maxitravel Mayorista de Turismo, a leading company in the mobilization of passengers with charter flights and representative of airlines at national level. He has been awarded by airlines and hotel chains in the Caribbean on several occasions, standing out in Curaçao, Cartagena, and Panama, among others, for being the number one client thanks to the high turnover of passengers.

What is the business core for Maxitravel?

Maxitravel has been in the Ecuadorian market for 15 years, and we are currently the leading representatives of airline companies and flights to the Caribbean and the US. The main objective is to help Ecuadorians visit other destinations at affordable prices. Traveling offers many benefits, and people return with different life perspectives. We help people in Ecuador travel to destinations that were before out of reach. We have helped millions of people travel to these different places, all of this through our distribution channel that includes a large number of international travel agencies that support the sales of our products. We are

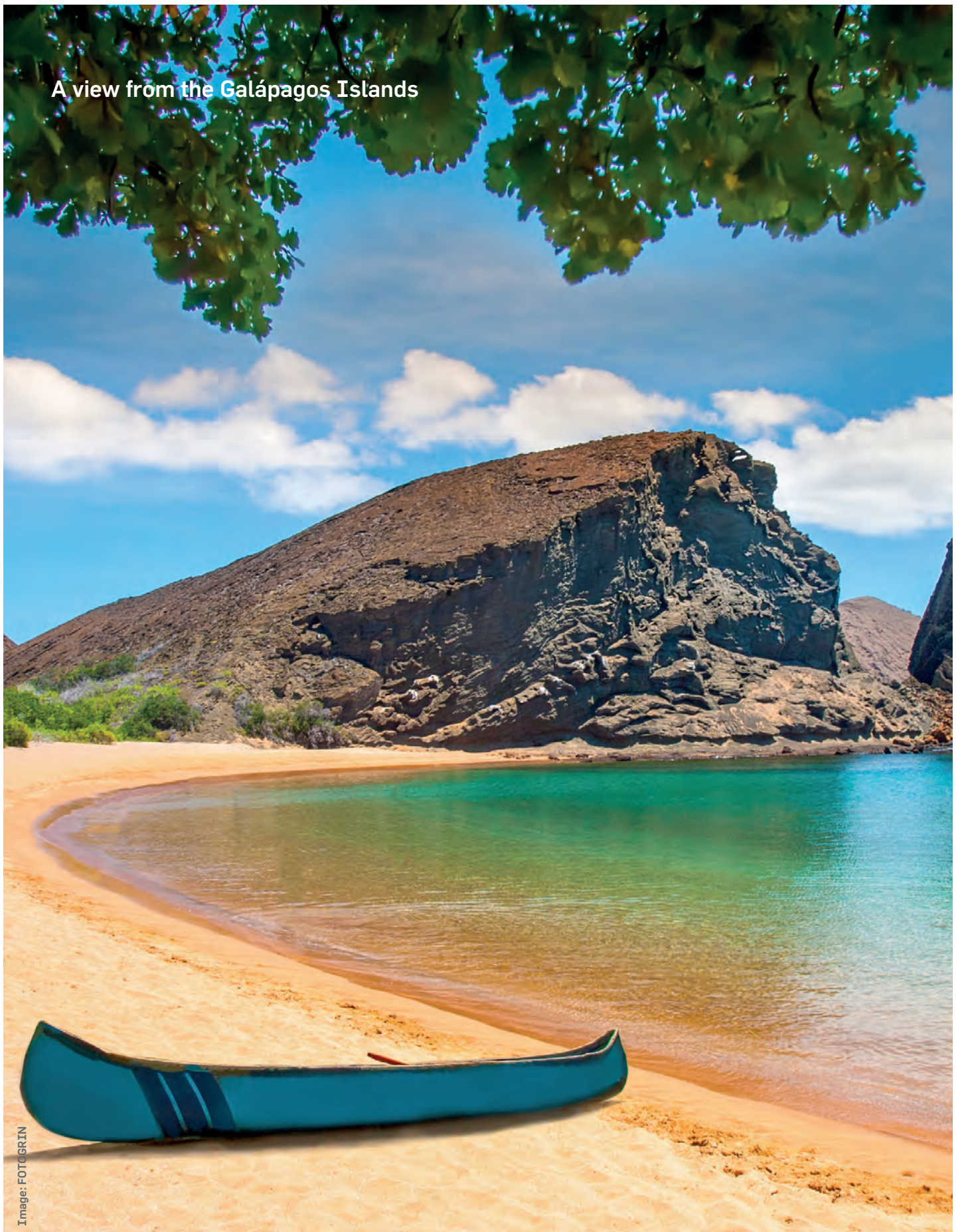
based in Quito but have offices in the main cities of Ecuador. Some 90% of our business is focused on helping people travel to other destinations, and this is our biggest strength.

How has Ecuador's tourism outbound capacity evolved in the past decade?

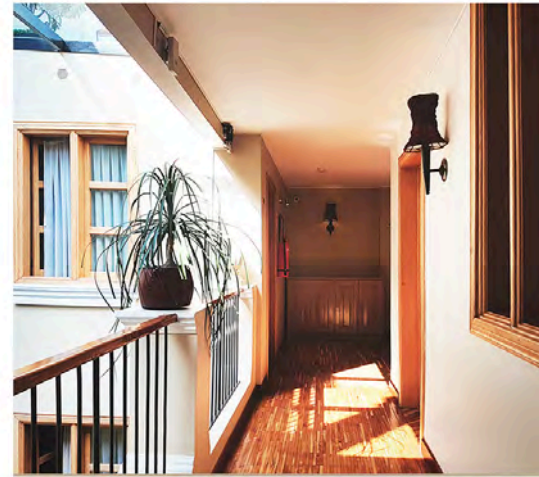
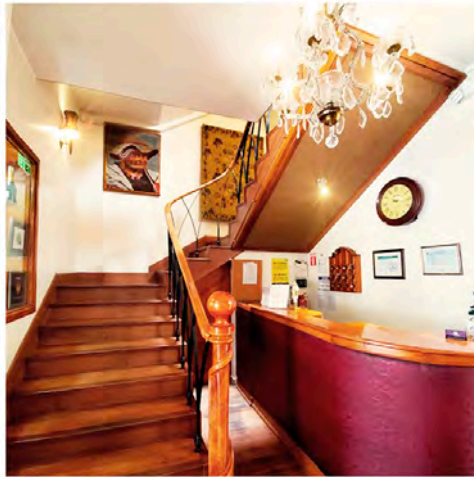
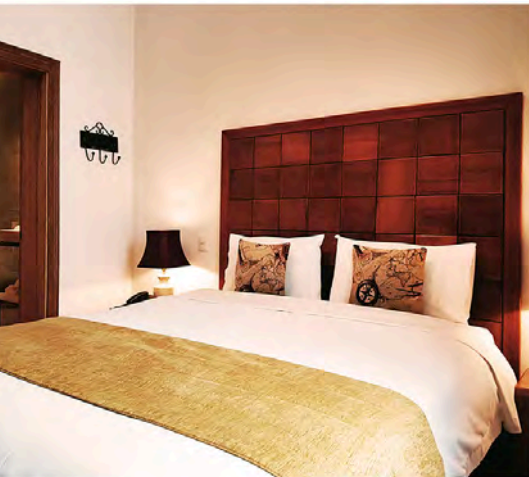
The conduct of Ecuadorian travel has changed significantly. First, traveling was previously a luxury due to financial segmentation. However, today the middle class travels most frequently to other places and for cultural reasons. It is not now a matter of status but a need. When you travel, you disconnect in some way from reality, and now it is understood that it is necessary to save part of your incomes just to travel. Before the pandemic, there were 1.3 million travelers from Ecuador to other destinations, and this figure has grown more and more every year. Ecuadorians typically do not like to repeat destinations. Every year, they want to visit a new place. Another characteristic is that they are not looking for an all-inclusive hotel; they tend to be interested in getting to know a place and the culture of the destination. They also tend to be big shoppers and travel with a budget for shopping purposes, especially women. ✖



A view from the Galápagos Islands



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FOCUS

A train for Ecuador

A THOUGHT OF TRAIN

It has been an uphill struggle for Ecuador's railway system, but pardon the pun, there is now a glimmer of light at the end of the tunnel.

THE ECONOMIC STATUS OF AN ENTERPRISE doesn't get more definitive than liquidation, which is precisely what happened to Ecuador's national railway. In a buildup to effective derailment, the expedient decision had been made in 2008 to declare the national railway network a national monument protected under law, with infrastructure and rolling stock to be safeguarded against wholesale sell-off in the event of liquidation.

Having ceased operations in March 2020, the very month the World Health Organization declared COVID-19 a "pandemic," liquidation of the public railway company was a done deal shortly thereafter, amid losses that would amount to USD144 million between 2012 and September 2020. Inherent issues of unpaid wages and lack of maintenance were compounded by the dearth of tourists, not to mention deflated oil revenue, as the world sank into lockdown.

Having existed for just a decade, liquidated Ecuador Railways Public Company (FEEP) had been set up in 2010 to assume control of the assets and operation of the previous state-owned railway incarnation EFE. That entity had been all but dormant in the wake of the battering delivered by El Niño weather damage in 1996-97. FEEP had ostensibly operated the short-distance and longer multi-day tourist trains, a mandate that featured the 447km flagship Tren Crucero Quito-Duran (Guayaquil) service crossing the Andes to the Pacific.

GETTING BACK ON TRACK

Ecuador's 966-km 1,067mm-gauge rail network had actually seen notable modernization between 2010 and 2015, as 507km were wholly renewed with an investment of around USD385 million. Yet, by 2019 just 380km remained operational. In short, investment was simply not generating returns.

The government wants the rail rehabilitation to feature a shift in energy matrix to electric traction trains, thereby decarbonizing a notable part of the transport matrix. The envisaged network is intended to be a Swiss Army knife with a blade, or track, for diverse user profiles.

One key objective is to reprieve the tourist train market as the pandemic wanes; the rehabilitation of the tourism-rich areas of La Moya and Jatari Campesino where hundreds of artisans lost their income is targeted accordingly. The overarching vision in which the Technical Secretariat of Public-Private Associations (APP) plays a

notable role is for both passenger and freight traffic to take advantage of tomorrow's rail system; it even anticipates the transport of mining material and solid waste. The intention is to change the rail width, which is anticipated requiring a minimum of five years. Ultimately, the rail program is but a key part of President Lasso's overarching commitment to infrastructure development to optimize national connectivity and create employment. All are conceived using the PPP model with a minimum investment of USD5 billion envisaged.

THE TENDER ARRIVING AT PLATFORM...

Predictably the favored model is a PPP earmarked by the Ministry of Transport and Public Works (MTOP) at USD2.5 billion in value to ensure full rehabilitation of the nation's 966km railway system. The ministry intends to hold the tender in 2H2022 having by then formulated definitive plans and tender structuring. The proposed line would pass through the four ports of San Lorenzo, Posorja, Guayaquil, and Puerto Bolívar, as well as nine dry ports that are notable commercial stops. The government considers it expedient to build on existing infrastructure, while adding supplementary segments spanning east and west.

The rail system is essentially a single line running from north and south between Ecuador's borders with Colombia and Peru. If successful as a catalyst for GDP growth, the rail network could provoke investor interest in the auxiliary road system that also requires modernization. Official numbers suggest that 5,200km of roads require improvement to maximize the impact of the rail project.

MTOP announced diverse preliminary foreign interest in 2021, including Ameireh Consulting International (Jordan), Esteban Coello (Spain) and Jaime Nogales (Ecuador), Peruvian Trains & Railways (Peru), and Reliance (US), which submitted proposals, as well as Servicios de Consultoría y Gestión (Ecuador), Shining Consultants (Hong Kong), and Sinara (Russia). To expedite the tender process and removing ambiguity, MTOP has assumed control of the incumbent, yet liquidated, rail operator. Meanwhile, red tape in terms of required reporting has also been reduced to facilitate the process.

It seems then that Ecuador will soon have the opportunity to rebuild its failed rail system to modern specifications, a system that must then prove sustainably profitable as a viable contributor to the nation's transportation matrix. ✖



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