



Ecuador P3 Market Snapshot

Ecuador is the eight largest economy in Latin America with a GDP per capita of US 6,217 (2017) and offers plenty of potential business opportunities. From 2008-2015, Ecuador experienced high levels of growth mainly driven by increased fiscal revenues from high oil prices and public investment in infrastructure-related sectors. Since 2016, oil prices reduction revealed the need to strengthen the country's fiscal position, increase productivity and stimulate national and international private investment. A transition to a private sector-led growth model through strengthening of the Public-Private Partnership (P3s) model is one of the priorities of the Ecuadorean government.

Since being elected in April 2017, the new President of Ecuador has undertaken several actions to dismantle the legacy of the country's 10-year-long left-wing rule and is making efforts to open its public policies towards a closer cooperation with private companies to boost the country's productive sector. In addition to this, actions taken against corruption in public sector companies and the open invitation to private national and international enterprises to invest in the country within a framework of structural reforms are significant changes in the Ecuadorean market.

Ecuador has recently announced its intention to become an active member of the Pacific Alliance in the near future as well as its interest in a potential future adherence to the OECD.

Infrastructure Sector Highlights

Ecuador's infrastructure sector has received huge investment during the last ten years, which makes Ecuador a country full of future business opportunities, both for large- and small-scale infrastructure projects. The current government has been working in strategies to attract investment, with a portfolio of projects with special emphasis on transportation, electricity, water, construction and telecommunication.

So as to materialize these projects Ecuador needs private sector participation. Most of them are being promoted through P3s which is supported by a sound legal framework issued in 2015, which seeks to attract investment and delegate to private sector activities related to public services. The P3s law provides legal security in contractual relationships and several tax incentives such as exoneration of 10 years in the Income Tax from the first year of operation; exoneration of the 5% Tax on the Capital Outflows on imports, financing and dividend payments; exoneration of tariffs on imports related to the project; VAT exemption on project related imports and guarantee of international arbitration in the case of disputes.

Furthermore, Ecuador is working with the support and technical cooperation of several multilateral organizations to promote projects under P3 model that may help to modernize and expand the country's infrastructure and productivity. An Inter-Institutional Committee has been created to evaluate and approve the implementation of potential P3 projects.



Main Opportunities

Transportation: In the last decade, Ecuador focused on the expansion of the state road network of approx. 9.9000 km and is searching national and foreign investment to maintain and improve its road infrastructure. The Ministry of Transport and Public works is leading 21 road projects, which represents 38% of the state road network, under the P3 model. Ecuador plans to save about U\$ 1.9 billion in road infrastructure investments and about U\$ 500 million in maintenance through P3 model.

Ecuador has two international airports in Quito and Guayaquil, being Quito 's airport the one with the most incoming air cargo activity. New projects for the improvement and expansion of these airports are expected in the future.

Three transportation projects have already been approved through P3 model and are being operated by private companies: Port of Puerto Bolívar operated by Turkish company Yilport, worth U\$ 750 million; Port of Posorja built by DP world from Dubai with an investment of U\$ 1.2 billion and; Road Rio Huaquillas built by a Colombian-Ecuadorian consortium worth U\$ 665 million.

Electricity: During the past decade Ecuador invested a total of U\$ 8,928 million in hydroelectricity generation projects which led to an increase electricity coverage from 89% in 2001 to 97.3% in 2017. The electricity sector is one of the main sectors of investment in the upcoming years including the improvement of energy distribution, the completion of the 500 KW line and the completion of five hydroelectricity plants in construction. New electricity projects will be needed in the future as demand continues to grow. The sector is developing competitive bids for new generation projects for more of U\$ 1

billion and work is being done to promote projects under P3 model for generation, operation and maintenance.

Water: Provincial and municipal governments are responsible for the provision of drinking water, water sanitation services and irrigation projects. However, due to budgetary restrictions the participation of other institutions from the central government and private sector companies is required. Three water infrastructure projects have been prioritized for the use of water resources worth an investment of U\$ 727 million. These projects were contracted with companies from China and Spain through P3s. The Municipality of Quito is also seeking to build a wastewater treatment plant for the city through a P3. This project involves an investment of U\$ 900 million and includes an underground tunnel of 26 km and three hydroelectric plants.

Doing Business in Ecuador

Ecuador offers real, medium and long term investment opportunities for those companies looking to expand their presence in the region. The new government is making important efforts to attract new investors, improve local business environment as well as to reduce paperwork required to do business in the country.

Companies interested in doing business in Ecuador need to develop a long-term strategy and commitment to the market. As in many other countries in the region, building personal connections with key local players and potential partners is essential to succeed in Ecuador. Having a local partner is highly recommended as it will facilitate communication and will enable a better understanding of the local business culture.

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Canada's expertise in the use of P3s is an asset that can be shared with Ecuador with a view to identify business opportunities while the implementation of P3s projects is at an initial stage. Canada can position itself as a partner of first choice for Ecuador.

For additional information please contact:
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