

PPIAF Assistance in Ecuador

Over the past decade Ecuador has been characterized by high levels of political instability, an economic crisis, and financial volatility, which resulted in the country adopting the U.S dollar as its official currency, and seven different presidents serving in the last 11 years. However, in the last four years, the country has experienced a period of relative political and economic stability. It is now classified as an upper middle-income country with a GNI per capita of US\$4,510 in 2011.

The current President, Rafael Correa Delgado, who took office in January 2007, proposed to lead significant constitutional reforms as well as to strengthen the economy and government's planning capacity. As a result of these policies, public spending increased by 305% between 2005 and 2010. High oil prices have allowed the country to increase fiscal spending and public investment in programs and projects, particularly in infrastructure and social programs. Between 2001 and 2008, the Ecuadorian economy grew at an average rate of 5%. In 2009, as a result of the global financial crisis, GDP growth dropped to 0.4%. However, GDP growth recovered to 3.6% in 2010, and inflation has remained relatively low since the country adopted the U.S. dollar in 2001.

Technical Assistance to Ecuador's Transport Sector

Urban transport

Ecuador's urban transit services have deteriorated in the past two decades, in part caused by unintended consequences of the sector liberalization during the 1980s. In 1999 the cities of Quito, Guayaquil, and Cuenca ratified a constitutional mandate to decentralize urban transport regulation, leaving the municipalities responsible to set regulation governing transport services and contracting. These three cities started structural reforms to overhaul the urban transport sector in order to promote public over private transportation. Quito and Guayaquil built segregated bus ways to increase system capacity, while Cuenca compelled private operators to renew their fleet.

In 2006 the government of Ecuador and the Mayors of Quito and Cuenca requested PPIAF support to consolidate a new framework for urban transport services. First, the objective was to design a new regulatory framework for private participation in urban transport services, aimed at increasing competition in the licensing and awarding process to private operators. The resulting report included an integrated diagnosis that covered legal, technical-operational, and financial aspects for each city; a vision for each system covering the same areas and defining the strategic pillars for improvement; and specific guidelines for each city with recommendations for strategy implementation.

Second, the PPIAF activity also aimed to support the consensus building process within the local authorities and among the stakeholders, including the incumbent operators. Support to the proposed reform, particularly among the bus operators, was to be generated through workshops and town-halls. These workshops and town-hall meetings were designed to inform and discuss the details of the reform with all key stakeholders. They were held with the participation of operators, public officials, and technical experts.

Third, the activity was also designed to improve the institutional capacity of the agencies in charge of planning, monitoring, and controlling the urban transport system in the two cities of Quito and Cuenca. A better government capacity in the design and operation of transport services and related private infrastructure provision, and in the regulation of private service providers, was achieved through the training of around 50 officials in the municipal governments in the specific regulation, enabling them to oversee and control urban transport related services.

The key outcome indicators identified were a new set of rules for private participation in urban transport services, providing an incentives structure to improve the service provision, and increasing private investments. This could manifest itself in new legislation or regulation by the government.

While the workshops were successfully conducted and met with keen interest, the status of the implementation of the new regulation remains unclear today.

Results of PPIAF's Activities in Ecuador's Transport Sector

Category	Outputs
Enabling environment reform	
<i>Policy prepared/legal and regulatory changes recommended</i>	<ul style="list-style-type: none"> • Draft regulatory framework (including the legal, financial, institutional, and relevant technical aspects) for private participation in urban transport services for the cities of Quito and Cuenca, March 2008
Capacity and awareness building	
<i>Workshops/seminars</i>	<ul style="list-style-type: none"> • Stakeholder seminars for training and consensus building, March 2008
Category	Outcomes
Capacity and awareness building	
<i>Technical capacity enhanced</i>	<ul style="list-style-type: none"> • Improved capacity of municipal government officials in the planning, monitoring, and controlling of urban transport services, March 2008