ECUADOR

Diversity of opportunities for sustainable development
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Section 1: General View

Ecuador: Diverse opportunities for sustainable investment

"The world wants to eat Ecuador’s high quality produce all year round"
- Natural, fresh and healthy foods
- Sustainable, environmentally and socially responsible products
- Ecuador is an agrobiodiverse country, with food distinguished by its quality and produced all year round
- Agreement among value chain actors for a strategy of differentiation by sustainable quality
- Investments are needed that are aimed at:
  - Sustainable production technologies
  - Premium quality value added
  - Certification and traceability
  - Marketing for export expansion

<table>
<thead>
<tr>
<th>Capital:</th>
<th>Population: 18.3 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quito</td>
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<table>
<thead>
<tr>
<th>Language:</th>
<th>Literacy rate: 93.6%</th>
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<tbody>
<tr>
<td>Spanish</td>
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<table>
<thead>
<tr>
<th>Time zone:</th>
<th>Total area: 25.6 million hectares</th>
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<tr>
<td>GMT-5</td>
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<tr>
<th>Currency:</th>
<th>Agricultural area: 5.2 million hectares</th>
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<tr>
<td>US Dollar</td>
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Sources: Banco Central de Ecuador (2022), Instituto Nacional de Estadística y Censos (2021)
The Presidency of the Republic of Ecuador has established the “Strategic Production and Diversification Plan for Agricultural Value Chains”, which aims to diversify the supply of agricultural exports.

**Prioritized Crops**

**Non-traditional**
- Avocado
- Dragon Fruit
- Soursop

**Traditional**
- Cocoa
- Coffee
- Banana

**Goal**
- Increase FOB value by 10%
Section 2: Investment Climate

Ecuador in International Indicators:

Doing Business in Ecuador

GDP indicator

Global Innovation Indicator

Knowledge and technology products
Creative products
Institutions
Human capital and research
Infrastructure
Business sophistication
Market sophistication

Sources: Deloitte (2022) y OMPI (2022)
Why invest in Ecuador?

Comparative advantages

- Climate, soil and water allow production year round
- Luminosity and temperature difference between day and night favor premium quality products
- Match between growing demand for natural foods and sustainable production
- Equatorial geographic location and proximity to the Panama Canal

Competitive advantages

- Connectivity that facilitates the timely mobility of goods and services (5 ports, 21 airports - 4 international, 10 thousand km of roads)
- Opening to the world with 15 trade agreements, including China (Last year 11 deals, 4 have increased)
- Simplified procedures for establishing Simplified Share Companies (SAS). Time 2 to 3 days
- Regulatory framework favorable to investment (reduction of Income Taxes and Foreign Exchange Outflows). Reduction from 3 to 5 points
- Unanimously-approved reform to the Organic Law of Popular and Solidarity Economy (LOEPS) facilitates the creation and operation of cooperatives, potential business partners in linking producers to agro-export businesses and improving their access to financing
Ecuador follow up to Hand in Hand Investment Forum 2022

Ministry of Agriculture and Livestock led investment projects

• In the context of HIH, the government has allocated around to USD 244 million to 2022-2025 period, to support four projects focused in agriculture, livestock, forestry and technical assistance activities.

• US$ 57 million have been spent (2022 and 2023), benefiting more than 200,000 producers in the prioritized territories. These resources were used for the delivery of subsidies, incentives and technical assistance.

• Additional support was also provided for avocado and cocoa investments for a total value of USD 0.6 million (Government, EU and FAOEC).
Hand in Hand Ecuador, Approach 2023

Investment Strategy for Agro-Productive Value Chains in Hand in Hand Territories (FAO/MAG/CORPEI) within the context of the Agricultural Policy 2020-2030 and Strategy of the Presidency of the Republic

Objective
Prepare a proposal for resource mobilization for the rural sector with a value chain approach at the territorial level

Prioritized chains
Avocado*, cocoa*, dragon fruit*, coffee, soursop and plantain

Approach
Investment opportunities: production, marketing, value added, innovation, youth/women

Methodology
Identify investment opportunities Identify possible investment lines; Generate spaces for dialogue

SPACES FOR DIALOGUE

Sectoral Forum
Sep/Oct 2023

International Forum
Oct 2023

National Forum
Nov 2023

*Participation in the International Investment Forum
Section 3: Investment Note HiH - Cocoa

Goals for 2026

**Performance**
- 170% increase (0.56 to 1.5t/ha) under climate-smart technology

**Producer prices**
- 14% increase via better quality, sustainability certification and inclusive businesses

**Sustainability**
- 60% reduction of GHG emissions in cultivation through circular economy
- 60,000t of certified sustainable cocoa

Market Analysis

**Demand:**
Annual growth of cocoa global demand was 3% (ITC, 2022), and 6% of the Ecuadorian cocoa (BCE, 2022).

**Key Advantage:**
- High quality cocoa with competitive costs and reaching Green European Agreement requirements in partnership with small enterprises and producers.

![Average cocoa yield (t/ha) in Ecuador](source: ESPAC, 2021)
Section 3: Investment Note HiH - Cocoa

**Total Investment**
- **US$ 67,618,000**
- **US$ 20,400,000** (Government Investment 2022-2023)
- **US$ 47,218,000** (Investment gap)

**Impacts**

- **Direct beneficiaries:** 20,000
- **Indirect beneficiaries:** 74,000
- **Expected per capita income increase:** 1,449 US$/per ha/monthly
- **CO2 captured:** In review
- **Verified sustainability:** In review

*Calculated based on the number of direct beneficiaries multiplied by the number of household members of the producer: 3.7 (Source: INEC, 2020).
Investment Plan Ecuador - Cocoa

1. Intervention: Sustainable technology for increased performance
   - Credit for climate-smart technologies and training
   - Implementation of Good Agricultural Practices (GAP)
   - Linkage with anchor companies

   Cost (USD) US$ 32.76 million
   IRR (%) 24%
   VAN US$ 42.4 million
   B/C: 1.25

   Sustainability benefits
   Direct Beneficiaries: 20,000
   Indirect Beneficiaries: 74,000
   GAP certified and deforestation-free crops: 20,000 ha

2. Intervention: Quality through adoption of good marketing and post-harvest practices
   - Transfer of good commercial (GCP) and post-harvest practices
   - Adaptation of Collection Centers
   - Training of GCP inspectors
   - Implementation of a National Traceability System

   Cost (USD) US$ 8.7 million
   IRR (%) 48%
   VAN US$ 22.6 million
   B/C: 1.22

   Sustainability benefits
   Direct Beneficiaries: 20,000
   Increase in per capita income: US$1,449
   Cocoa volume with traceability: 30,500t/year
   Collection centers with GCP: 7

3. Intervention: Innovation in circular businesses
   - R&D&I for processed by-products (e.g. pulp and cob), market testing, incubation and acceleration: 4,940,000 US$
   - Installation of pilot plant: 560,000 US$
   - Transfer of results for replication with private investors: 200,000 US$

   Cost (USD) US$ 5.7 million
   IRR (%) 8%
   VAN US$ 277,000
   B/C: 1.24

   Sustainability benefits
   Beneficiaries: 20,000
   500 cob and pulp suppliers
   14 producer associations and 10 industrial companies trained

Total investment: US$ 67.6 M
Government investment 2022-2023: US$ 20.4 M
Investment gap: US$ 47.2 M
IRR: 27%
Beneficiaries: 94,000
Direct Beneficiaries: 20,000
Indirect Beneficiaries: 74,000
Monthly income per ha: US$ 1,449
CO2 captured: 27%
Sustainability benefits
Direct Beneficiaries: 20,000
Indirect Beneficiaries: 74,000
CO2 captured: 27%
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Sustainability benefits
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Installation of pilot plant: 560,000 US$
Transfer of results for replication with private investors: 200,000 US$
Section 3: Investment Note HiH Avocado
Goals for 2026

Production and performance
Increase export crops by 100%, from 1,500 to 3,000 hectares
Increase yield by 88%, from 8 to 15 t/ha.
Achieve a production potential of 39,000 t by 2030

Sustainability
2,000 hectares with produce of quality, sustainability and traceability.

Market Analysis

Demand:
- Global demand with annual growth of 4% (ITC, 2023) and export potential to the EU (8%/year), the USA and more than 40 open markets

Key Advantage
- High-quality Andean avocado with harvest departure before Peru, and with associated suppliers
Section 3: Investment Note HiH - Avocado

**Total investment**
US$ 27,853,485

**Government investment 2022-2023**
US$ 1,100,000

**Investment gap**
US$ 26,753,385

**Nurseries**
US$ 2,548,260

**Production**
US$ 20,030,725

**Quality and Sustainability**
US$ 4,174,500

**Impacts**

- **Direct beneficiaries**: 1,024
- **Indirect beneficiaries**: 3,788

**Expected per capita income increase**: 998 US$/month/ha

**CO2 Captured**: in review

**Sustainability verified**: in review

*Calculated based on the number of direct beneficiaries multiplied by the number of household members of the producer: 3.7 (Source: INEC, 2020).*
Intervention: Certified avocado nurseries

- Establishment of 6 certified avocado plant nurseries
- Development of nursery capacities in grafting and propagation techniques

Cost (US$) US$ 2.5 million
VAN US$ 319,000
IRR (%) 28%
B/C: 1.14

Sustainability benefit
Direct beneficiaries: 1,024
Direct employment: 24 nursery workers
Climate smart agriculture: 1,500ha

Intervention: Credit for sustainable crops

- Hass Avocado Technified Credit Fundstance: 19,030,725 US$
- Technology transfer in climate-smart agriculture and Good Agricultural Practices (GAP), including approval with updated GLOBAL GAP: 1 million US$

Cost (USD) US$ 20 million
VAN US$ 30.4 million
IRR (%) 29%
B/C: 1.5

Sustainability benefits
Direct Beneficiaries: 1,550
Increase in per capita income: US$998/per ha/month

Intervention: Differentiation through traceability of origin and sustainability

- Development of a system agreed upon by value chain actors, regulations and tool(s) for traceability
- Production certification
- PDO, GAP or Global GAP plantation certification

Cost (USD) US$ 4.17 million
VAN US$3 million
IRR (%) 22%
B/C: 1.6

Sustainability benefits
Direct Beneficiaries: 1,150
Employment: 23 inspectors
Sustainability verified with GAP, GLOBALGAP or PDO:
40,500t of avocado/year
3,000 hectares of avocado
Section 3: Investment Note HiH Dragon Fruit
Goals to 2029

Increase current productivity from 8 t/ha (100% increase) so that by 2029 there would be 48,000 tons (production potential)

Production and performance

- Increase yield by 100%, from 8 to 16 t/ha.
- Achieve a production potential of 48,000 t by 2029

Sustainability

- 2,000 hectares with produce of quality, sustainability and traceability

Market Analysis

Demand:

- Palora yellow dragon fruit (Denomination of Origin) is preferred for its sweet flavor in the US, Hong Kong, Singapore, Canada and EU, along with 15 other countries

Key advantages:

- Amazonian dragon fruit with sustainable certification (deforestation Free) and territorial identity and with potential for inclusive partnerships with small producer associations
**Section 3: Investment Note HiH - Dragon Fruit**

**Total investment**: US$ 52,530,000

**Government investment 2022-2023**: US$ 32,000,000

**Investment gap**: US$ 20,530,000

**PRODUCTION**

US$16,000,000

**Quality and Sustainability**

US$ 4,530,000

**Impacts**

- **Direct beneficiaries**: 2,000
- **Indirect beneficiaries**: 7,400
- **Expected per capita income increase**: 1,384 US$ ha/month

*Calculated based on the number of direct beneficiaries multiplied by the number of household members of the producer: 3.7 (Source: INEC, 2020).
Investment Plan Ecuador - Dragon Fruit

1. Intervention: Sustainable technology for increased performance
   - Credit for climate-smart technology and training
   - Implementation of Good Agricultural Practices
   - Linkage with anchor companies

   Cost (USD) US$ 16 million
   IRR (%) 36%
   VAN US$ 58.9 million
   B/C: 1.29

   Sustainability benefits:
   - Beneficiaries: 2,000
   - Increase in per capita income: US$1,384/ha/month
   - GAP certified and deforestation-free crops: 2,000 ha

2. Intervention: Traceability and sustainability certification
   - Development of a system agreed upon by value chain actors, regulations and tool(s) for traceability: 1,500,000 US$
   - Analysis of carbon and water footprint by type of producer and recommendations for improvement: 1,500,000 US$
   - Certification of PDO, GAP or Global GAP plantations: 1,530,000 USD

   Cost (USD) US$ 4.53 million
   IRR (%): 44%
   VAN: US$ 1.6 million
   B/C: 1.49

   Sustainability benefits
   - Beneficiaries: 3,270
   - BPA certified and deforestation-free crops: 3,000 ha
   - National Traceability System implemented

3. Intervention: Agroindustry in review

US$ 52.5 M Total investment
US$ 32 M Government investment 2022-2023
US$ 20.5 M Investment gap
9,400 Beneficiaries
US$1,384 monthly income per ha
In review CO2 captured

Beneficiaries: 2,000
Indirect Beneficiaries: 7,400

CO2 captured 41%
IRR 9.400
BPA 2022-2023
US$ 52.5 M
US$ 32 M
US$ 20.5 M
9,400
US$1,384
In review
Investment summary Ecuador

An approach to sustainable agroexports that responds to new consumer demands for sustainable production technologies, premium quality value added, certification, traceability and marketing for export expansion.

**Cocoa**
- Total investment: US$ 47,218,000
- Investment opportunities:
  1. Production: US$ 32,760,000
  2. Circularity: US$ 5,700,000
  3. Marketing: US$ 8,758,000
- Beneficiaries: 94,000
  - 20,000: Direct Beneficiaries
  - 74,000: Indirect Beneficiaries
- Average IRR: 27%
- Expected per capita income increase: US$1,449/ha/year

**Avocado**
- Total investment: US$ 26,753,425
- Investment opportunities:
  1. Nurseries: US$ 2,548,260
  2. Production: US$ 20,030,725
  3. Quality and Sustainability: US$ 4,174,500
- Beneficiaries: 4,812
  - 1,024: Direct Beneficiaries
  - 3,788: Indirect Beneficiaries
- Average IRR: 26%
- Expected per capita income increase: 998 US$/ha/month

**Dragon fruit**
- Total investment: US$ 20,530,000
- Investment opportunities:
  1. Production: US$ 16,000,000
  2. Traceability and certification: US$ 4,530,000
- Beneficiaries: 9,400
  - 2,000: Direct Beneficiaries
  - 7,400: Indirect Beneficiaries
- Average IRR: 41%
- Expected per capita income increase: US$1,384/ha/month