

# Validation of Ecuador

## Final assessment of progress in implementing the 2019 EITI Standard

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## Acronyms

AFS	Audited Financial Statements
AML/CFT	Anti-Money Laundering/Combating the financing of terrorism
ARCERNNR	Former Agency for Regulation and Control of Energy and Non-Renewable Natural Resources ( <i>Agencia de Regulación y Control de Energía y Recursos Naturales no Renovables</i> )
ARCH	Agency for Regulation and Control of Hydrocarbons ( <i>Agencia de Regulación y Control de Hidrocarburos</i> )
ARCOM	Agency for Regulation and Mining Control ( <i>Agencia de Regulación y Control Minero</i> )
BO	Beneficial ownership
CFDD	Account for Financing the Derivative Deficit
CGE	Comptroller General's Office ( <i>Contraloría General del Estado</i> )
CME	Chamber of Mining of Ecuador
CSO	Civil Society Organisation
EITI	Extractive Industries Transparency Initiative
EMCO EP	Ecuador's Coordinator of Public Companies
ENAMI EP	National Mining Company ( <i>Empresa Nacional Minera</i> )
FATF/GAFILAT	Financial Action Task Force of Latin America
IA	Independent Administrator
IADB	Inter-American Development Bank
ICNL	International Center for Not-for-Profit Law
LOTAIP	Law on Transparency and Access to Information
MEF	Ministry of Economy and Finance
MEM	Ministry of Energy and Mines
MRNNR	Ministry of Non-Renewable Natural Resources
MSG	Multi-stakeholder group
NRA	National Risk Assessment
OCP	Heavy Crude Oil Pipeline ( <i>Oleoducto de Crudos Pesados</i> )
OGP	Open Government Partnership
PADF	Pan American Development Foundation
PE	EP Petroecuador
PEP	Politically exposed person
RBL	Resource-backed loan
SCVS	Superintendency of Companies, Securities, and Insurance (SUPERCIAS)
SDGs	Sustainable Development Goals
SOE	State-owned enterprise
SOTE	Transecuadorian oil pipeline system ( <i>Sistema de Oleoducto Transecuatoriano</i> )
SPE	Society of Petroleum Engineers
SRI	Ecuadorian Tax Service
UAFE	Unit for Economic and Financial Analysis ( <i>Unidad de Análisis Financiero y Económico</i> )
USAID	United States Agency for International Development
USD	United States Dollar

## Executive summary

Ecuador was admitted as an EITI implementing country in October 2020 with clearly identified actors and commitments to the EITI process. In the first year and a half, stakeholders from all constituencies diligently began implementation and overcame funding gaps. Coinciding with the end of this initial period of commitment were presidential elections, which saw the replacement of key government stakeholders in the EITI process with counterparts who were not familiarised with the latest EITI activities. Combined with mounting security issues, political corruption and a presidential election, divided attention to the EITI by most government stakeholders resulted in funding shortfalls and an effective lack of a functioning MSG, despite ongoing individual efforts from civil society and industry stakeholders. The recent appointment of a new EITI Champion and renewed government commitment to work effectively with industry and civil society bodes well for Ecuador's future EITI implementation.

This Validation report presents the findings of the International Secretariat's Validation of Ecuador, which commenced on 1 January 2024. The draft report was finalised for review by the multi-stakeholder group (MSG) on 16 October 2024. Following comments from the MSG received on 29 November 2024, the Validation report was finalised for consideration by the EITI Board. The assessment suggests that Ecuador has not exceeded any EITI Requirements, fully met nine, mostly met 13 and partly met 10 requirements, with two requirements assessed as not applicable.

### Key achievements

- The Cascabel Project, a large-scale mining project that was recently agreed upon by the Government of Ecuador and SolGold, represents a significant investment in the country's extractive sector and the first mining contract in the country that formally adopts the EITI Standard and the Escazú Agreement as binding principles to its continued operation. While the full text of this contract is not yet publicly available as of the writing of this Report, this milestone is thanks to the efforts of civil society, industry and government stakeholders working together to further transparency and equity in Ecuador's mining sector.
- As a relatively new EITI country, and amid political instability and a security crisis, Ecuador's MSG has persisted due to the commitment and efforts of all constituencies including industry, civil society and government-appointed EITI Champions during the period under review. The MSG continues to identify key actors to broaden MSG membership and ensure that the country's EITI implementation builds upon lessons learned. In the period since becoming an implementing country, MSG stakeholders have performed digital and in-person public outreach, including in areas where extractive activities occur. Civil society, with the funding and guidance of international development organisations, performed digital outreach to young people across the country to raise awareness and promote an informed debate about the extractive sector.
- EITI reporting and a study spearheaded by civil society have examined and published employment data in the sector disaggregated by gender and occupational level. The objective is to spark conversation around how to better incorporate women in the mining value chain and develop more inclusive policies in the sector.

## Areas for development

- Ecuador's EITI implementation could benefit from a more concerted technical and financial support from government and partners. While maintaining a stable political situation is outside of the control of Ecuador's MSG, there must be steady funding for national secretariat operations and staff to ensure that the national secretariat can continue to move the EITI process forward. In the absence of direct government funding, government stakeholders are encouraged to secure resources for funding by exploring various options for donor support and increasing counterpart funding from government.
- Ecuador has seen its public debt levels rise drastically in the last decade, and extractive resources, particularly oil, have often been pledged as repayment for loans taken by government. While Ecuador's state-owned enterprise for the oil sector, EP Petroecuador's, role and the terms of repayment are publicly available for some of these loans, greater efforts must be made to educate the public on the impact that loan servicing can have on state revenues in the form of reduced oil revenues. The MSG could use EITI reporting to conduct a comparison between the valuation of oil in resource-backed loans versus that found on the spot market to inform discussion around future loans.
- Porous borders combined with low government presence in some areas of the country have created an opportune environment for the illegal production, smuggling and sale of gold, and to a lesser degree, other precious minerals. In addition to the violence and environmental degradation that often follow in the wake of these activities, recent investigative reports, and the governments' own revenue data, highlight the lack of revenues derived from this sector, potentially pointing to improper licensing and enforcement procedures in the period under review. For all these reasons, Ecuador EITI must continue working with state-owned enterprises and government agencies, such as ENAMI and ARCOM, and other local actors to identify what kind of information is needed to understand the scale and impact of illegal mining in Ecuador's economy, the regulatory changes needed to formalise this industry and to strengthen anti-corruption mechanisms such as beneficial ownership transparency to ensure the industry contributes to the greater good of the Ecuadorian people.

## Progress in implementation

EITI Validation assesses countries against three components – “Stakeholder engagement”, “Transparency” and “Outcomes and impact”.

### *Stakeholder engagement*

Stakeholder engagement in the EITI process by industry and civil society constituencies was integral in maintaining implementation in Ecuador when changing government administrations and an ongoing security situation made it difficult for all government stakeholders to remain actively engaged. Beyond political engagement, the Ecuadorian government has not been able to financially support the national secretariat or multi-stakeholder group. Support from the Pan-American Development Fund and, for a brief period from the industry constituency, were essential for funding EITI implementation and the work of the national secretariat.

The International Secretariat commends industry and civil society engagement for its efforts in keeping the EITI process running during the disruption of government leadership, in particular in

the period before Ecuador's Validation commenced. Both constituencies maintain strong ties with their larger constituency groups outside of the multi-stakeholder group and disseminate EITI-related information while gathering views to present during EITI gatherings. Civil society members maintain a separate website to track EITI activities and have also published numerous studies with their cohorts in academia that touch on pertinent issues such as beneficial ownership and gender-disaggregated employment data.

### *Transparency*

Ecuador became an EITI implementing country in October 2020 with the goal of using the EITI to strengthen existing systematic disclosures of extractive data and to institute EITI practices and leverage the EITI Standard when negotiating new extractive agreements. Changing presidential administrations, EITI Champions and funding sources limited Ecuador EITI's ability to effectively cover all aspects of the 2019 EITI Standard. However, steps have already been taken to ensure that EITI implementation remains an iterative process that will cover more of what is required from EITI reporting with each cycle.

Laws and regulations governing the extractives sector are clearly documented and are mostly in line with what is outlined in the 2019 EITI Standard, apart from some legal barriers preventing the full disclosure of contracts and beneficial ownership information. In oil and gas, EP Petroecuador, the Ministry of Economy and Finance, the Central Bank and international oil companies operating in production-sharing agreements, among others, publish information on bid rounds, award of rights and the commercialisation process with associated costs and investments from exploration to export. Concerns on data reliability in EP Petroecuador's reporting (due to a lack of external audit) and lack of regular publication of financial statements must be addressed. EITI reporting could foster more transparency around in-kind payments of the state's share of oil production, the servicing of resource-backed loans and details on quasi-fiscal expenditures.

In mining, there are opportunities to improve the disaggregation and reliability of production and export data as well as the public accessibility of beneficial ownership information. This is especially important given alleged revenue leakages in the export of gold, with commercialisation licenses being awarded to gold-exporting companies without the means or expertise to handle the volume of exports that are recorded on paper. While license allocations related to the commercialisation and export of mineral commodities remain outside of the required aspects of the 2019 EITI Standard, export revenues fall under the purview of the EITI Standard, and it is unclear whether Ecuador's Internal Revenue Service is receiving the appropriate export revenues from these sales. By working with the Agency for Regulation and Mining Control, the Internal Revenue Service can identify leakages and improper sales practices among gold exporters that lead to revenue shortfalls.

Along with revenue leakages that have been widely documented in the export of solid minerals is a lack of control and understanding of the scale of illegal and informal mining in the country. Under-capacitated local governments, with little support from the national government, do not possess the ability to monitor these operations. The recent inclusion of ENAMI EP in the multi-stakeholder group, and the company's renewed mandate to formalise the small-scale mining sector, both through direct means and through the purchase of production, represent positive steps for the artisanal mining sector as a whole and for the role of Ecuador EITI as a facilitator of discussion and interaction between key stakeholders. Innovative reporting on the gender dimension of employment and occupational roles in the mining sector has set the stage for discussions around reshaping policy in a more inclusive manner.

In both sectors, revenues that by law must be paid at the subnational level are not comprehensively disclosed by government to requisite levels of disaggregation. Publications by some large mining companies, however, enable the public to understand the direct subnational contributions of some of the largest extractive projects in the country. Subnational transfers, on the other hand, are clearly explained through EITI reporting and are often linked to payments made to extra-budgetary funds. It is difficult to ascertain adherence to social and environmental expenditures and environmental regulations due to the lack of disaggregation of subnational payments and few publicly accessible environmental licenses and impact assessments.

### *Outcomes and impact*

The implementation of EITI in Ecuador has yielded some progress amidst challenges. Ecuadorian civil society is experiencing a resurgence after a period of deep mistrust of the government and industry.<sup>1</sup> In this context, the EITI process has served to foster a conducive environment for open dialogue, cultivating a collaborative environment between industry and civil society, leading to increased ownership of the EITI process by both groups. Certain government entities have demonstrated strong engagement. Greater political commitment could fully unlock the potential of the EITI for impact.

During the first year of EITI implementation, Ecuador's EITI, spearheaded by civil society, produced various reports and studies on the extractive sector. Efforts to address information gaps, particularly in communities near project sites, including through culturally sensitive approaches, were made digitally and in person. The National Coordinator, with funding from PADF, and the MSG carried out extensive outreach and advocacy efforts, engaging with various media outlets and journalists to highlight the importance of EITI implementation and transparency in the sector. These activities included mining policy reform proposals, the launch of the "Extractives Without Secrets" campaign, and presentations to relevant government bodies. The impact of these initiatives could have been more were it not for severe funding constraints.

Stakeholders agreed that public perception of the extractive industry in Ecuador is often negative, associating it primarily with environmental degradation. This highlights the importance of the EITI website as a valuable resource, centralising information and reports related to the extractive sector in more user-friendly formats. EITI data could explain the extractive sector in a more balanced light, recognising its contribution to the economy while recognising potential impact on the environment and the need to mitigate corruption risks. Ecuador's first EITI Report serves as an initial step toward improving public understanding by offering clearer and more accessible information on key industry actors, revenue flows, and government agencies. However, further efforts are still needed to enhance transparency and sustain good practice, particularly on systematic disclosure of data including timely and comprehensive updates on government portals.

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<sup>1</sup> This period of mistrust broadly refers to civil society relationships with government and industry in the last two decades, as opposed to the current or previous administration.



## Validation scorecard

Component & module	EITI Requirement	Progress	Score
<b>Overall score</b>		<b>Fairly low</b>	<b>69/100</b>
<b>Outcomes and impact</b>	Extra points: Effectiveness and sustainability indicators		2
	Work plan (#1.5)	Mostly met	60
	Public debate (#7.1)	Fully met	90
	Data accessibility and open data (#7.2)	Mostly met	60
	Recommendations from EITI (#7.3)	Fully met	90
	Outcomes & impact (#7.4)	Fully met	90
<b>Component score: Outcomes and impact</b>		<b>Moderate</b>	<b>80/100</b>
<b>Multi-stakeholder oversight</b>	Government engagement (#1.1)	Mostly met	60
	Industry engagement (#1.2)	Fully met	90
	Civil society engagement (#1.3)	Fully met	90
	MSG governance (#1.4)	Mostly met	60
<b>Component score: Stakeholder engagement</b>		<b>Moderate</b>	<b>75/100</b>
<b>Overview of the extractive industries</b>	Exploration data (#3.1)	Fully met	90
	Economic contribution (#6.3)	Mostly met	60
<b>Legal and fiscal framework</b>	Legal framework (#2.1)	Fully met	90
	Contracts (#2.4)	Mostly met	60
	Environmental impact (#6.4)	Not assessed	-
<b>Licenses</b>	Contract and license allocations (#2.2)	Mostly met	60
	License register (#2.3)	Mostly met	60
<b>Ownership</b>	Beneficial ownership (#2.5)	Partly met	30
<b>State participation</b>	State participation (#2.6)	Partly met	30
	In-kind revenues (#4.2)	Partly met	30
	SOE transactions (#4.5)	Mostly met	60
	SOE quasi-fiscal expenditures (#6.2)	Partly met	30
<b>Production and exports</b>	Production data (#3.2)	Mostly met	60
	Export data (#3.3)	Fully met	90
<b>Revenue collection</b>	Comprehensiveness (#4.1)	Partly met	30
	Barter agreements (#4.3)	Partly met	30
	Transportation revenues (#4.4)	Mostly met	60
	Disaggregation (#4.7)	Partly met	30
	Data timeliness (#4.8)	Fully met	90
	Data quality (#4.9)	Partly met	30
<b>Revenue management</b>	Distribution of revenues (#5.1)	Mostly met	60
	Revenue management & expenditures (#5.3)	Not assessed	-
<b>Subnational contributions</b>	Direct subnational payments (#4.6)	Partly met	30
	Subnational transfers (#5.2)	Mostly met	60
	Social and environmental expenditures (#6.1)	Partly met	30
<b>Component score: Transparency</b>		<b>Fairly low</b>	<b>52/100</b>



## How EITI Validation scores work

### Component and overall score

The three components of EITI Validation – “Transparency”, “Stakeholder engagement” and “Outcomes and impact” – each receive a score out of 100. The overall score represents an average of the component scores.



### Assessment of EITI Requirements

Validation assesses the extent to which each EITI Requirement is met, using five categories. The component score is an average of the points awarded for each requirement that falls within the component.



- **Exceeded** (100 points): All aspects of the requirement, including “expected”, “encouraged” and “recommended” aspects, have been implemented and the broader objective of the requirement has been fulfilled through systematic disclosures in government and company systems.
- **Fully met** (90 points): The broader objective of the requirement has been fulfilled, and all required aspects of the requirement have been addressed.
- **Mostly met** (60 points): Significant aspects of the requirement have been implemented, and the broader objective of the requirement is mostly fulfilled.
- **Partly met** (30 points): Significant aspects of the requirement have not been implemented, and the broader objective of the requirement is not fulfilled.
- **Not met** (0 points): All or nearly all aspects of the requirement remain outstanding, and the broader objective of the requirement is far from fulfilled.
- **Not assessed**: Disclosures are encouraged, but not required and thus not considered in the score.
- **Not applicable**: The MSG has demonstrated that the requirement doesn’t apply.

Where the evidence does not clearly suggest a certain assessment, stakeholder views on the issue diverge, or the multi-stakeholder group disagrees with the Secretariat’s assessment, the situation is described in the assessment.

## 1. Effectiveness and sustainability indicators

The country is awarded 0, 0.5 or 1 point for each of the five indicators. The points are added to the component score on Outcomes and impact.

### 1.1 National relevance of EITI implementation

This indicator considers the extent to which EITI implementation in Ecuador addresses nationally relevant extractive sector challenges and risks.

Ecuador EITI's work plan for 2020-2022 focused on ongoing efforts to fully implement the 2019 EITI Standard in the country and prepare for Validation. Political and financial instability in the latter half of the period under review prevented the MSG from publishing a 2023 work plan, though efforts are underway to draft and publish a work plan for 2023-2025, to both document what occurred in the last two years and set the path forward. While EITI implementation in Ecuador addresses some nationally relevant issues and presents a platform for dialogue among diverse stakeholders, the EITI process at the time that the 2020-2022 EITI Report was published did not include all relevant stakeholders to adequately address important areas of national relevance, such as quasi-fiscal expenditures, resource-backed loans (and the ensuing debt management) and the illicit production, smuggling and export of gold. Recent reporting by Amnesty International (see Requirement 6.4) highlights ongoing discord between government branches when it comes to shuttering gas flares close to local communities. Recent steps taken by Ecuador's MSG to include relevant government entities and the mining state-owned enterprise, ENAMI EP, in the EITI reporting process represent progress in aligning EITI implementation with national priorities as these entities could shed light on national issues involving the formalisation of artisanal gold production and sale as well as quasi-fiscal expenditures and resource-backed loans.

The Secretariat proposes that 0 additional points be added to the score on Outcomes and impact for this indicator.

### 1.2 Systematic disclosures of extractive industry data

This indicator considers the extent to which extractive sector data is disclosed systematically through routine government and corporate reporting.

Ecuador presents a somewhat complex case when it comes to the level of systematic disclosure of extractive data in that there have been spurts of effort to systematically disclose information on government websites that are not always maintained, resulting in previously available information going offline. Contracts, for example, used to be more broadly disclosed before a website update took many of these contracts offline. EP Petroecuador publishes [annual reports](#) that disclose much of the information required by the 2019 EITI Standard concerning in-kind oil revenues and subsequent payments to government. However, EP Petroecuador's audited financial statements have not been published since 2020. Nevertheless, there are systematic disclosures of other data within the scope of the EITI Standard, such as regular publications on the state of the [mining](#) and [hydrocarbon](#) sectors, oil price [information](#) over time as well as broader [activities](#) in the energy sector. Given Ecuador's recent inclusion as an EITI implementing country in 2020, the country's efforts related to systematic disclosure cannot be directly attributed to efforts of Ecuador EITI. There are opportunities to centralise current systematic disclosures that are spread across government entities and companies and improve data communication between related parties.

These efforts are not listed as action points in the current work plan but EITI reporting, including Ecuador's EITI [website](#) ease public access to systematically disclosed government information and represent a first step to these centralisation efforts.

The Secretariat proposes that 0.5 additional points be added to the score on Outcomes and impact for this indicator.

### 1.3 Environment for citizen participation in extractive industry governance

This indicator considers the extent to which there is an enabling environment for citizen participation in extractive sector governance, including participation by affected communities.

Based on stakeholder consultations and available evidence, there is an enabling legislative and regulatory environment in the extractive industries that supports the participation of citizens in decision-making processes regarding the governance of extractive resources. Despite delays in implementation, popular referendums have changed government practice when it comes to oil drilling and gas flaring in certain parts of the country and there are cases of local governments and industry working together to conclude contracts beneficial to both parties, such as the recently signed Cascabel project that includes adherence to the EITI Standard in its exploitation contract. While government has signalled a willingness, through actions and words, to enable citizen participation in extractive industry governance, the country is beset by an unstable security situation. Armed groups have de facto control over some areas of the country, including those where extractive activities occur, and are often involved in extractive activities themselves. Consultations with civil society stakeholders acknowledged this security situation but also conveyed confidence in the EITI as an apparatus to effectively transmit societal views on extractive industry governance.

Citizen participation within the remit of the EITI is characterised as continuous and imperative to the functioning of the EITI process in the country. Rapid changes in presidential and ministerial administrations have left in some instances during the period under review Ecuador's MSG with a government-appointed EITI Champion without government support, and in some periods – funding, that necessitated the increased involvement of the civil society and industry constituencies. Together with industry, civil society and national secretariat staff kept the MSG afloat until government stakeholders could increase their involvement in EITI activities. In addition to the recently signed Cascabel project, the MSG platform has enabled industry and civil society stakeholders to coordinate outreach and information dissemination campaigns to communities in regions with extractive activities.

The Secretariat proposes that 0.5 additional points be added to the score on Outcomes and impact for this indicator.

### 1.4 Accessibility and use of extractive industry data

This indicator considers the extent to which extractive sector data is accessible and used for analysis, research and advocacy.

The Law on Transparency and Access to Information (LOTAIP) is the prevailing law in Ecuador that grants citizens access to information. In the period under review, this law was used by MSG members to request information from government agencies on specific data points concerning

contracts and licenses previously shrouded by commercial secrecy. Government offices complied with these requests and there is now a citizen handbook on these matters that is published on the EITI Ecuador [website](#). Beyond individual requests, the government's open data [platform](#) provides access to a variety of extractive information. The dissemination of Ecuador's first EITI Report (whose publication was granted a six-month extension following EITI Board procedures) has been somewhat limited. The International Secretariat understands that limitations on dissemination are due to the fact that Ecuador is a new EITI country struggling with internal political and security issues as well as funding challenges. There are numerous examples of government stakeholders and civil society organisations using and analysing publicly available data, found on government websites and through EITI publications, via electronic channels and in-person. This use is somewhat limited considering that some extractive data, outside of that found in the open data portal, are not available in open format. During the period under review, civil society organisations conducted numerous awareness-building activities with local communities in extractive areas (see Requirement 7.2).

As noted in consultations with civil society stakeholders, communities consider that EITI information is often presented in ways that are not easily understood and that greater efforts should be made to teach local stakeholders how EITI data can be used to strengthen their awareness of extractive issues. Consulted industry stakeholders expressed a similar sentiment in that despite industry efforts to educate the public on the social and environmental contributions of the extractive sector, the general public largely associates this sector with environmental degradation. While Ecuador EITI serves as a platform for public debate, it has not yet led to strengthened accountability mechanisms at national or subnational levels. There is room for improvement, especially at the subnational level, to tailor the presentation of data and accompanying information from EITI reporting in order to fulfil key user needs and increase the use and interoperability of data.

The Secretariat proposes that 0.5 additional point be added to the score on Outcomes and impact for this indicator.

### 1.5 EITI-related changes to extractive industry policy and practice

This indicator considers the extent to which the EITI has informed changes in extractive sector policies and practices.

Ecuador became an EITI implementing country in 2020, and since this time, has experienced COVID-19, rotating presidential administrations and multiple prolonged states of emergency due to gang violence. In this context, Ecuador EITI and the national secretariat's efforts have focused mainly on keeping the process funded and operating. This Validation is based on Ecuador's first EITI Report, covering the period from 2020-2022, and MSG feedback on the outcomes and impact of this process noted that most stakeholders were focused on producing this report for the first time. Despite efforts supported by Ecuador EITI, particularly to suggest amendments to the mining law and support the contracting of a firm to perform an external audit of EP Petroecuador's financial statements, these efforts have not yet led to changes of practice in these areas. While there is use of EITI data by stakeholders, there does not appear to be evidence that this data was successfully used when revising or implementing extractive sector policies or practices. On the other hand, the passage of a major mining project, the Cascabel Project operated by SolGold, represents a major achievement for Ecuador's EITI implementation. This exploitation contract

explicitly mandates SolGold to adhere to the EITI Standard in conducting operations in Ecuador. This sets a precedent for other countries and companies operating in the mining sector and should be closely monitored by Ecuador MSG as it develops.

The Secretariat proposes that 0.5 additional points be added to the score on Outcomes and impact for this indicator.

## 2. Outcomes and impact

This component assesses EITI Requirements 7 and 1.5, which relate to progress in addressing national priorities and public debate.

### Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in annex to this report.

EITI Requirement and assessment	Summary of progress in addressing the EITI Requirement
<p><b>Work plan (Requirement #1.5)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 1.5 is mostly met. In August 2020, Ecuador EITI approved its first work plan for 2020-2022. The plan was developed through a consultative process involving all constituencies and development partners. Consulted stakeholders viewed the work plan as a relevant tool for EITI implementation backed by meaningful work. The work plan includes a comprehensive list of activities that are relevant to issues in the sector. Consulted stakeholders noted that addressing emerging issues within mining sector is key for the future of EITI implementation in the country. The Secretariat’s view is that the objective of ensuring that the EITI annual planning supports implementation of Ecuador’s national priorities is only mostly met.</p> <p>Consulted stakeholders from the industry constituency noted that Ecuador EITI’s 2020-2022 work plan was elaborated through consultations with all MSG constituencies. Each constituency proposed priorities, which were consolidated into the work plan’s objectives during broader MSG meetings. The process included plenary sessions with the full MSG and targeted discussions with individual sub-constituencies. The MSG approved the 2020-2022 work plan during its 3<sup>rd</sup> meeting on August 4, 2020.</p> <p>The work plan and its addendum outline five broad objectives centred on EITI Standard adherence, ensuring the long-term sustainability of EITI implementation and strengthening systematic disclosures. It also emphasises the connection between transparency and development (<i>disclosure to development</i>) to ensure meaningful impact. In the “Outcomes and impact” template, stakeholders emphasised alignment with national priorities reflected in laws such as the <a href="#">Organic Law on Transparency and Public Information Access</a> (<i>Ley Orgánica de Transparencia y Acceso a la Información Pública, LOTAIP</i>). However, it does not explicitly elaborate on how it contributes to national priorities. This presents an opportunity to better connect the work plan’s objectives with concrete national development outcomes.</p> <p>The work plan outlines objectives, specific targets, and responsible parties, mapping activities across 2020-2022. While some tasks were continuous, others were time-</p>

	<p>bound to specific quarters. Ecuador's EITI work plan acknowledges the importance of capacity building, incorporating activities such as stakeholder engagement and training. Nevertheless, the implementation of these capacity-building initiatives appears limited. In addition to capacity building, the plan sets forth strategies to enhance disclosure practices for the first EITI Report. These efforts include a feasibility study on systematic disclosures and a disclosure roadmap. To support these goals, the MSG <a href="#">requested information</a> from various entities and conducted a scoping and materiality study.</p> <p>Furthermore, the work plan includes specific activities aimed at identifying legal obstacles to EITI implementation. Proposed activities include analysing the legal framework and identifying barriers to contract transparency and beneficial ownership transparency. However, the MSG limited its efforts to data collection, without conducting in-depth analyses to pinpoint specific barriers.</p> <p>In terms of financing sources, the work plan, developed with support from the Pan American Development Foundation (PADF), also refers to contributions from the World Bank and government-provided in-kind resources. Stakeholders from all constituencies noted challenges in identifying funding for each individual activity since the work plan's inception. As a result, the plan included an aggregated cost structure by objective rather than by individual activity.</p> <p>The 2020-2022 work plan is accessible on both the <a href="#">EITI</a> and the <a href="#">Ministry of Energy and Mines</a> websites. The CSOs in the MSG established an <a href="#">EITI Observatory</a> to track and evaluate the implementation of the work plan. While some progress was made in implementing the work plan, significant challenges emerged from 2022 onward. Insufficient funding prevented the MSG from executing additional priority activities to broaden the scope and depth of EITI implementation, including expanding civil society participation beyond Quito to encompass coastal and Amazonian regions.</p> <p>Consulted stakeholders noted that the MSG is developing its 2025-2027 work plan. This will include an overview of challenges and progress for 2024. During supplementary consultations, government, industry and civil society stakeholders emphasised that illicit extraction has become a pressing national concern, that requires urgent prioritisation and coordination. There is a demand for capacity building to enhance understanding of the mining value chain and establish strong traceability, with a focus on improving expertise and decision-making related to criminal activities and transnational issues.</p>
<p><b>Public debate (Requirement #7.1)</b></p> <p><i>Fully met</i></p>	<p>The International Secretariat's assessment is that Requirement 7.1 is fully met. Ecuador EITI has made significant efforts to promote public debate, despite challenges such as a lack of funding. Key achievements include the promotion of EITI implementation through various media outlets and online channels, the participation of the MSG and civil society in outreach activities and the creation of the EITI Ecuador website. Other accomplishments include the launch of audiovisual campaigns, activities that reached diverse audiences, as well as efforts to influence policymaking. The Secretariat's view is that the objective of enabling evidence-based public debate on extractive industry governance through active communication of relevant data to key stakeholders in ways that are accessible and reflect their needs has been fulfilled.</p> <p>EITI disclosures in Ecuador were launched in 2021 through the Ecuador EITI <a href="#">website</a>, funded by PADF. The platform hosts the 2020-2022 EITI Report alongside additional sector-specific information presented in a user-friendly format. The "Repository" and "<a href="#">citizen consultation material</a>" sections link to systematic disclosures, while ensuring access to other pertinent Ecuador EITI disclosures as well as extractive sector reports.</p>



	<p>The Ministry of Energy and Mines publicised the EITI web launch and participated in a dedicated event organised by the MSG.</p> <p>During the period under review, EITI Ecuador faced challenges in its efforts to communicate key data to key stakeholders, primarily due to funding constraints. The MSG indicated through the Outcomes and impact template that, after the publication of the EITI Report in April 2023, no further dissemination activities took place. Civil society stakeholders had planned to engage subnational actors with the resources that were to be disbursed. However, these plans could not be realised because the funds were ultimately not disbursed. Some consulted civil society representatives deemed dissemination and outreach efforts relevant, but still limited given the sector's challenges. Consulted industry stakeholders acknowledged the value of the EITI Report but highlighted the need to make its content more understandable to the public. External publications highlighted the asymmetry of information among stakeholders as a key issue to address during the first three years of EITI implementation.</p> <p>Despite these challenges, the MSG, particularly civil society organisations, conducted various dissemination and outreach activities. Ecuador EITI launched an audiovisual campaign called "<a href="#">extractives without secrets</a>" targeting youth of 18-35 years. Substantial evidence shows that EITI Ecuador actively promoted implementation through various outreach and public engagement efforts during 2020 and 2021 (see <a href="#">here</a>, <a href="#">here</a> and <a href="#">here</a>). The MSG and the national coordination participated in over ten interviews with major news outlets, which were widely disseminated on platforms such as Facebook and YouTube (see examples in <a href="#">PetroEnergía</a>, <a href="#">FMMUNDO</a>, <a href="#">radio vigia</a>, <a href="#">prensa minera</a>, <a href="#">plan V</a>, <a href="#">plan V</a>, <a href="#">Energía podcast</a>, <a href="#">OGP Ecuador</a>, etc). Civil society organisations also produced videos highlighting <a href="#">the link between the Sustainable Development Goals (SDGs) and EITI implementation</a>. Recognising government-led dissemination mainly focused on social media, CSOs complemented these efforts through a proactive approach. They conducted targeted outreach in six provinces, engaging approximately 200 individuals. This helped identify information needs, particularly regarding royalty allocation and management via subnational funds. Additionally, CSOs organised two workshops with indigenous communities, attended by 25 and 30 participants, respectively, and developed a tailored methodology for engagement, surveying participants to assess the impact.</p> <p>Other remarkable efforts include publications or contributions to studies such as a survey on <a href="#">women's employability in the mining sector</a>, as well as <a href="#">guidance notes on mining sector revenue allocation mechanisms</a> – topics prioritised by local stakeholders. In 2021, the MSG approved the Strategy for Engagement with Indigenous Peoples and Nationalities, although this has not yet been made public. Ecuador also EITI explored ways to influence policymaking. The MSG presented twice to the Biodiversity Commission of the National Assembly, introducing the EITI Standard and advocating for <a href="#">mining law reforms</a> aligned with the EITI Standard (see video referred to before).</p> <p>Looking ahead, based on supplementary consultations, industry stakeholders emphasised the need to continue tailoring communication to diverse audiences, while civil society representatives highlighted the social outreach efforts of MSG-represented mining companies along with their interest in supporting CSOs dissemination activities.</p>
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<p><b>Data accessibility and open data (#7.2)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 7.2 is mostly met. Consulted stakeholders did not express any specific views on the progress towards fulfilling this requirement. The Ecuadorian government adopted an <a href="#">open data policy</a> in 2020 (amended in 2022) to ensure that public administration data is open, comprehensive, accessible, reusable, comparable, and interoperable. Ecuador EITI has also linked its website to platforms containing relevant extractive sector data. The MSG has discussed efforts needed to improve data availability in open formats during its meetings. Ecuador EITI submitted the summary data files for fiscal years 2020, 2021 and 2022, in accordance with the template approved by the EITI Board. However, the MSG is yet to make all tables and charts used in EITI reporting available in open data formats. The MSG has observed that while systematic disclosures within the scope of EITI reporting are available through government publications and are electronically readable, they are not yet fully interoperable. Examples of these disclosures include the geoportal <a href="#">mining cadastre</a>, the petroleum cadastre, and mining production data. The Secretariat’s view is that while Ecuador EITI has taken efforts to enhance access to EITI disclosures, the objective of enabling the broader use and analysis of information on the extractive industries is mostly met. There remains room for improvement in data accessibility and openness by ensuring that all EITI disclosures are published in an open format.</p>
<p><b>Recommendations from EITI implementation (Requirement #7.3)</b></p> <p><i>Fully met</i></p>	<p>The International Secretariat’s assessment is that Requirement 7.3 is fully met. Consulted stakeholders noted that Ecuador EITI has established two mechanisms to follow up on recommendations from the EITI process: quarterly civil society reports and management reports, along with technical committees that work with the national secretariat to follow up on recommendations. The MSG is working on strengthening the capacity of the national secretariat, to ensure that technical committees can effectively follow up on recommendations from EITI implementation. It is the Secretariat’s view that the objective of ensuring that EITI implementation is a continuous learning process that contributes to policymaking is fully met. The MSG is encouraged to consider integration of the recommendations from various reports as updates in MSG meetings.</p> <p>While the MSG has indicated in the outcomes and impacts template that Requirement 7.3 is not applicable (Ecuador’s first EITI Report was only published in 2023), the mechanisms for following up on recommendations are not dependent on the existence of a report. They rely on the MSG’s ongoing consideration of findings and recommendations from the EITI process. During consultations, stakeholders noted that they had established two mechanisms to follow up on recommendations. The first involves quarterly reports from civil society and management reports produced by the national secretariat (“<i>informes de gestión</i>”, see <a href="#">here</a>, <a href="#">here</a>). Management reports provide a summary of MSG activities and clear, actionable recommendations. Consulted civil society stakeholders shared examples of acting upon lessons learned based on the EITI observatory reports, such as identifying the need to update the MSG governance mechanisms. The second mechanism highlighted by stakeholders is the use of <a href="#">technical committees</a>, or “<i>mesas técnicas</i>” which coordinate with the national secretariat to follow up on recommendations. Additionally, Ecuador’s 2020-2022 work plan also included activities based on findings and recommendations from various MSG exercises, aimed at expanding the scope of EITI implementation.</p> <p>The MSG has noted that, due to a complex and volatile political landscape, actions specifically addressing recommendations from EITI reporting have been limited. Nevertheless, stakeholders successfully published Ecuador’s first EITI Report and gained valuable insights from its preparation. Ongoing discussions are focused on</p>

	<p>strengthening the capacity of the national secretariat to ensure that technical committees can effectively follow up with each constituency.</p>
<p><b>Review the outcomes and impact of EITI implementation (Requirement #7.4)</b></p> <p><i>Fully met</i></p>	<p>The International Secretariat’s assessment is that Requirement 7.4 is fully met. Ecuador has undertaken significant efforts to review the impacts and outcomes of EITI activities. Ecuador EITI’s management reports covering 2020-2021 provide a comprehensive overview of outcomes and impact of EITI implementation. These include a summary of EITI activities, and assessment of progress towards objectives and associated requirements outlined in Ecuador’s EITI work plan, including a narrative of accounts to strengthen EITI impact. Additionally, civil society contributed through the EITI observatory and a policy brief offering recommendations for sustainable EITI implementation. While there is room for a more detailed review of progress towards each EITI requirement, the Secretariat’s view is that the objective of regular public monitoring and evaluation of implementation has been fully met.</p> <p>Ecuador’s 2020-2022 national secretariat produced quarterly, half-yearly, and annual management reports that provided detailed information on various activities, milestones and impact of EITI implementation. These reports documented all meetings held, new MSG member inductions, agreement signings, champion nominations, and engagements with external stakeholders and key actors in the extractive sector. Additionally, the reports highlighted Ecuador EITI participation in national and international EITI events, tracked compliance with work plan objectives and EITI Requirements, and included information on communication product. The Ecuador EITI 2021 and 2022 management reports highlight that Ecuador EITI has been considered a relevant actor in policymaking and implementation processes. Civil society has also contributed to impact reviews through the EITI observatory (See Requirement 7.1 and 7.3), and two specific publications. These include, the <a href="#">“Evaluation on perception of relevance and challenges of EITI in Ecuador”</a> (2023) which assess MSG members’ perspective on the relevance and challenges of EITI implementation and provides recommendations to augment its value added. Additionally, a policy brief titled <a href="#">“Challenges in EITI implementation in Ecuador and recommendations to bolster value added and multistakeholder engagement”</a> supported by development partners (PADF and USAID) offers key recommendations for efficient, impactful and sustainable EITI implementation.</p> <p>Consulted development partners noted that while EITI implementation in Ecuador started strong, frequent changes in the Vice-ministry of Mines, which previously held the EITI Champion position, negatively impacted engagement and effectiveness. Industry and civil society stakeholders acknowledged that one positive outcome of EITI implementation has been the increased ownership of the EITI process by both constituencies as well as strengthened collaboration between mining industry and civil society. Key achievements, as identified by the MSG, include the establishment of the MSG, the collection and disclosure of some 2010 to 2020 hydrocarbon and mining contracts, and the implementation of a pilot information system. During supplementary consultations, stakeholders also pointed to EITI-related reports and documents, such as the <a href="#">“Analysis of the extractive industry’s relevance for the Ecuadorian Economy and EITI adherence”</a>, capacity building activities, and efforts to democratise the EITI Standard as relevant the achievements.</p>

### New corrective actions and recommendations

- In accordance with Requirement 1.5, the MSG must ensure that its work plan is clearly linked to Ecuador's national priorities for the extractive industries. The MSG should review and update its work plan at least annually, ensuring timetables are realistic. Whether its implementation faces barriers, Ecuador EITI should document those and outline plans to address ensuring flexibility to meet the objectives. To strengthen EITI implementation, Ecuador EITI could include activities in the work plan aimed at addressing mining governance issues.
- To strengthen implementation of Requirement 7.1, Ecuador should ensure that EITI disclosures, including the EITI Report are understandable, actively promoted and publicly accessible to a diverse range of stakeholders. This could involve translating EITI reporting documents, relevant to the needs of the indigenous communities, into indigenous languages, as well as using infographics and user-friendly formats. Building on existing civil society initiatives, the MSG should continue to strengthen linkages between industry, government and subnational entities to bring forward dissemination and use of EITI data among communities impacted by extractive activities, particularly among rural populations.
- In accordance with Requirement 7.2, Ecuador should make all EITI disclosures available in machine readable and open data format. To further enhance data accessibility and interoperability, Ecuador EITI should consider a strategic cross-posting initiative. This initiative would involve systematically uploading all EITI-related datasets to existing government open data platforms. This would ensure a centralised and user-friendly access point for all extractive sector data, fostering transparency and facilitating data analysis by stakeholders.
- To strengthen implementation of Requirement 7.3, Ecuador EITI is encouraged to consider integration of recommendation from reports – including EITI reporting, management reports and EITI observatory reports- into regular MSG meeting updates. Additionally, continuing to strengthen the working groups will facilitate more targeted follow-up recommendations, ensuring that the EITI implementation remains a dynamic and impactful process
- To strengthen implementation of Requirement 7.4, Ecuador MSG is encouraged to document an assessment of progress in meeting each EITI Requirement. The MSG is encouraged to continue to facilitate consultations within the MSG and in the broader community to provide feedback on the EITI process in Ecuador.

### 3. Stakeholder engagement

This component assesses EITI Requirements 1.1 to 1.4, which relate to the participation of constituencies and multi-stakeholder oversight throughout the EITI process.

#### Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in annex to this report.

EITI Requirement and assessment	Summary of progress in addressing the EITI Requirement
<p><b>Government engagement (Requirement #1.1)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 1.1 is mostly met. Given the difficult political and security context that has been ongoing since Ecuador’s admission as an EITI implementing country, stakeholders from all constituencies noted large gaps in government involvement in the period under review. Nevertheless, industry and government stakeholders noted that government engagement has been on the upswing since the Noboa administration came to office in November 2023. Taken as a whole, the Secretariat views the objective of full, active and effective government leadership of the EITI process to be mostly fulfilled given recent government commitments to improved leadership and operational engagement in facilitating all aspects of EITI implementation.</p> <p>Since Ecuador’s admission as an EITI-implementing country in 2020, there have been numerous public statements of the government’s intention to implement the EITI (see <a href="#">here</a>, <a href="#">here</a> and <a href="#">here</a>). In the period under review, there have been three different presidents of Ecuador, which has complicated the process of EITI implementation. Nevertheless, the consistent statements of support that each administration has made illustrate the ongoing commitment of the country to the EITI process.</p> <p>Concomitant with the changing of presidential administrations comes the changing of ministers, and by extension, senior individuals charged with leading EITI implementation. In the period under review, there have been seven EITI Champions, with months-long periods in which there was not an EITI Champion to lead the EITI process. While all EITI Champions have been of sufficiently senior level to resolve bottlenecks and organise across ministries and agencies, the lack of continuity has disrupted EITI activities such as work planning, assessments of outcomes and impact of implementation and most acutely, lack of continuous funding and regular MSG meetings. Stakeholders from all constituencies expressed their confidence in the individuals chosen as EITI Champion but did echo that such a high turnover rate made EITI processes more difficult, and at times led to civil society organisations and industry conducting outreach and analysis outside of the MSG structure. Commitments made by the last EITI Champion (see <a href="#">here</a> and <a href="#">here</a>) demonstrate increasing commitment from government against a more stable political and security backdrop.</p> <p>The financial, political and security situation that successive Ecuadorian governments have had to contend with during the infancy of the country’s implementation has limited the effectiveness and regularity of engagement in the EITI process (Ecuador was admitted in the midst of the COVID-19 pandemic). Most acutely, government has not provided any funding for the EITI process, the multi-</p>

	<p>stakeholder group or the national secretariat. This was raised as a concern in Ecuador’s candidature application, as discussed by the EITI Board, with a resolution entailing limited government funding, which was not carried out. Instead, the majority of funding has come from the Pan American Development Fund (PADF), which stepped in when technical issues held up funding that had been previously promised by the World Bank. Despite the intervention by the PADF, there was a period in which the national secretariat and MSG did not have funding from government or international development agencies. In order to fund the salary of the National Coordinator, as well as the EITI website, mining companies engaged in the MSG agreed to make a one-time donation to EITI implementation with the acceptance of the MSG in 2022. Industry and civil society stakeholders have warned that reliance on international development agencies as the sole source of funding for EITI implementation is not a sustainable model and that government must step in to become the technical and financial lead in Ecuador if the EITI is to be an effective tool in the country. In conversations held during the Validation mission, some international development partners agreed that their funding should not be considered a constant source of financing. Instead, these stakeholders considered project-specific grants complimentary of both their organisations’ priorities and those of EITI Ecuador to be a more viable path forward. Upcoming presidential elections could also change the level of investment and cooperation that international development partners can devote to EITI Ecuador.</p> <p>A review of MSG meeting minutes indicates that senior government officials were regular attendees of MSG meetings. Government representatives consist of officials at the vice-minister, subsecretary and director level, along with technical support staff. For the 2020-2022 EITI Report, Ecuador adopted a flexible reporting approach where government unilaterally supplied information for EITI reporting. Data supplied by government generally fulfils what is required from EITI reporting and within the timeframes mandated by the Law on Transparency and Access to Information (LOTAIP). Outside of data required for EITI reporting, there are numerous examples of government disseminating EITI data through twitter (see <a href="#">here</a>, <a href="#">here</a> and <a href="#">here</a>), <a href="#">publications</a> and interviews (see <a href="#">here</a>, <a href="#">here</a> and <a href="#">here</a>). While there is not a lot of publicly available evidence of government outreach to government stakeholders that are not members of the MSG, this appears to be due to the high turnover of both presidential administrations and EITI Champions, at least in part. Subnational governments (called Autonomous Decentralised Governments, or GADs in Spanish) included in consultations indicated in their comments on the draft Validation report that while they welcome subnational efforts undertaken by civil society (see <a href="#">here</a> and <a href="#">here</a>) to promote the benefits of EITI implementation, they do not regularly receive outreach from the central government and would like to be more involved in the EITI process.</p>
<p><b>Industry engagement (Requirement #1.2)</b></p> <p><i>Fully met</i></p>	<p>The International Secretariat’s assessment is that Requirement 1.2 is fully met. Industry stakeholders consulted confirmed their full and active participation in the EITI process and the Secretariat agrees that the objective of ensuring full, active and effective engagement of extractive companies in the EITI, through disclosures and participation in the MSG and EITI process, and that the government ensures an enabling environment for this, is fulfilled.</p> <p>The industry constituency is comprised of eight companies, with alternate members in some cases. Concerning the two extractive state-owned enterprises in Ecuador, EP Petroecuador is included in the industry constituency and it is anticipated that ENAMI EP will also be a member of this constituency going forward, though they were not MSG members in the period under review. Mining and oil and gas</p>

	<p>companies, as well as the Chamber of Mining of Ecuador (CME) and Society of Oil Engineers (SPE) make up the rest of the members of the industry constituency. There are four EITI-supporting companies operating in Ecuador (Repsol, BHP, Lundin Gold and AngloAmerican). Documentation provided for this Validation indicates that industry attended all MSG meetings and industry and civil society stakeholders noted that the technical industry coordinator works to transmit information to industry both within and outside the MSG and actively works with other constituencies to achieve consensus.</p> <p>Ecuador undertook a flexible reporting approach to the 2020-2022 EITI Report that did not ask for data submissions from companies. Given requirements by all companies to submit audited financial statements to government, the Independent Administrator deemed it prudent to unilaterally collect information from government sources in the face of time and funding constraints. Nevertheless, companies have demonstrated their full, active and effective engagement within the EITI process through outreach events to government, CSOs and local communities. The mining industry provided one-time funding to keep the EITI process going in Ecuador when other funding sources were not present. Industry has also clearly described the methods by which they gather views of their constituency outside of the MSG and how they reach consensus before presenting opinions and proposals to the MSG. Working groups are established when complex issues arise that require input from the greater constituency. Mining industry stakeholders stressed the importance of the role of civil society organisations in public debate and noted that local buy-in was essential for them to <a href="#">achieve legitimacy</a> in the eyes of the general public. These companies highlighted their sustainability <a href="#">reports</a> and roundtables with local communities as evidence of their involvement at the local level. Some mining stakeholders also brought up the importance of gender considerations both in terms of employment and the essential role of women in local communities in which these companies operate, demonstrating a level of awareness that was surely aided by an active Women in Mining civil society organisation in the country. Some mining companies have also pushed for, and demonstrate through practice, greater transparency when it comes to production, <a href="#">economic performance</a> and <a href="#">financial information</a>. Oil and gas companies echoed what was mentioned by their mining counterparts but explained that the oil and gas industry is more consolidated, with EP Petroecuador accounting for 80% of production. Nevertheless, the oil and gas industry constituency should strive to have greater representation and activity in MSG discussions and events. Oil and gas companies such as SERTECPET and SPE, which are both MSG members and represent oil production companies, expressed a willingness to work with the EITI to train their member companies on the importance of EITI reporting and how EITI implementation in Ecuador can benefit the oil and gas industry.</p> <p>While not cited by industry in documentation provided for this Validation, it is unavoidable that the lack of a national coordinator and irregular meetings by the MSG affected the ability of industry to operate in the context of EITI implementation. Mining industry stakeholders who were consulted added that the government's decision to stop the award of new mining licenses has led to a diminished interest from companies that are currently not a part of the EITI process to join the broader industry stakeholder group and contribute to EITI-related discussions. It is the International Secretariat's understanding, however, that the termination of the award of new mining licenses has not had a negative effect on ongoing operations in the country and mining stakeholders did not indicate that there are laws, regulations or administrative rules or procedures that have prevented them from</p>
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	<p>participating in the EITI process. During the Validation mission, conversations with oil and gas industry stakeholders highlighted the need for more engagement with this group to convey the importance of active participation in the MSG and the benefits it can provide to oil and gas companies operating in the country.</p>
<p><b>Civil society engagement (Requirement #1.3)</b>  <i>Fully met</i></p>	<p>The International Secretariat’s assessment is that Requirement 1.3 is fully met. Consulted civil society stakeholders, both within the MSG and in the broader civil society group, acknowledged that while there were challenges to civic space in the country, with some related to the extractive sector, these did not affect their ability to engage in the EITI process or in commenting on extractive sector governance more generally. Instances of self-censorship were not documented by civil society members engaged in the EITI process. The Secretariat notes the view expressed by civil society in consultations that the hurdles faced by this constituency, while significant, stem from limited efforts by government to facilitate civil society’s participation in the EITI process in the face of weak government control and violent third-party actors and do not represent a coordinated attempt by government to silence civil society voices. Therefore, the Secretariat considers that the objective of ensuring that civil society is fully, actively and effectively engaged in the EITI process, and that there is an enabling environment for this, is fulfilled.</p> <p><b>Composition and nomination procedures:</b> The civil society nomination procedures are detailed in the assessment of Requirement 1.4. On composition, there are three full time members on the MSG and three alternates, which represent the largest civil society organisations (CSO) in the country. These organisations serve as umbrella organisations for other civil society groups, affected mining and oil and gas communities and indigenous communities that are not part of the MSG. Stakeholders from these CSO groups outside the MSG confirmed that their views were collected as part of the EITI process and there is a technical coordinator that presents these views to the MSG. This position rotates annually. From a review of meeting minutes, it appears that CSO representatives were regular attendees to MSG meetings and given the nascent nature of Ecuador’s EITI implementation, there has not been turnover in MSG representatives from civil society. Ecuador EITI is invited to clarify whether there are term limits associated with civil society representation on the MSG.</p> <p><b>Expression:</b> While consulted members of civil society involved in the EITI process posited that there were no barriers to their participation in the EITI process, they did cite isolated incidents of wider civil society dissent against prevailing extractive sector governance decisions that were repressed by state actors, including recent cases where protests against <a href="#">mining expansion</a> and <a href="#">gas flares</a> were violently repressed by local authorities. Civil society stakeholders further explained that in parts of the country, there is weak state control where organised crime groups are involved in illegal mining and drug trafficking, which contributes to violent repression and environmental damage. International civic space rankings reflect the situation described above, with CIVICUS <a href="#">ranking</a> Ecuador’s civic space as ‘obstructed’ and noting a “serious and rapid decline in respect for civic freedoms.” Local news outlets, such as Fundamedios, <a href="#">cited</a> at least 197 incidents against freedom of speech and other fundamental freedoms in the first nine months of 2023, but noted that the main perpetrators of these actions were non-state actors and unknown individuals. Human Rights Watch also <a href="#">highlights</a> the “sharp increase of crime and gang violence” and protests that are “sometimes repressed with excessive force by security forces.” Freedom House echoes these assessments by <a href="#">noting</a> that while freedom of expression is generally respected, there are incidents of violent repression by government and criminal groups that have contributed in a</p>



	<p>downgrade of their assessment from ‘free’ in 2023 to ‘partly free’ in <a href="#">2024</a>. Despite these instances, consulted civil society stakeholders did not consider that their ability for self-expression was limited and the Secretariat has not identified any incidents or laws that affected civil society actors engaged in the EITI process. For example, despite the instances of government repression noted above, media organisations continue to report on these issues and civil society and indigenous organisations regularly express their opposition to mining activities in Ecuador, both domestically and in <a href="#">international forums</a>. Participación Ciudadanía (a civil society organisation in Ecuador) also maintains a <a href="#">monitoring website</a> related to EITI implementation, complete with analysis of MSG meetings, the work plan and efforts to complete EITI Reports. During the International Secretariat’s Validation mission to Ecuador, civil society stakeholders confirmed their freedom of expression but expressed alarm at a recent draft presidential decree that could severely limit freedom of expression, if implemented. These stakeholders explained that civic space remains vulnerable due to this decree and others like it, which give the government the ability to constrain CSO operation and expression, if exercised. While these methods of censorship were largely used in previous administrations, CSO representatives were cautious of a return of these practices.</p> <p><b>Operation:</b> Consultations with civil society stakeholders did not reveal issues in their ability to operate in relation with the EITI process. Article 66.13 of the Constitution guarantees freedom of association. In practice, however, the ICNL <a href="#">expresses</a> some concerns about executive oversight of the registration process for CSOs, noting that all CSOs must be approved by the Ministry of Economic and Social Inclusion. It does not appear that there were barriers to registration by civil society involved in the EITI process or in the larger community in the period under review, but the ICNL cautions against the level of oversight that government currently possesses over CSOs. Consulted members of civil society did not indicate that there were reporting or regulatory requirements that were applied unfairly or that there were restrictions on access to foreign funding but did note that funding shortfalls in general prevented them from operating at their full capacity. There were no documented cases of CSOs engaged in the EITI process that were subject to threats and violence non-government actors, though the International Secretariat notes that there are ongoing issues with security in many parts of the country, especially in areas where extractive activities occur.</p> <p><b>Association:</b> In addition to constitutional protections on operation and association, successive presidential administrations have passed Executive Decrees and Ministerial Decisions to regulate the civic right to association. In practice, it appears that this right is respected and civil society stakeholders who were consulted, including the wider civil society group outside of the MSG, explained the communication channels used by various civil society groups. WhatsApp chats are used to collect views from stakeholders located around the country and to consolidate views ahead of MSG meetings. Regarding composition of the MSG, consulted civil society stakeholders informed the Secretariat that a proposal to include CSO members as chair of the MSG in a rotating capacity was rejected by the majority of those represented on the MSG. Nevertheless, consulted civil society stakeholders confirmed that there were not interferences in the nomination processes of their representatives to the MSG and CSO communication channels were respected. Likewise, industry and civil society stakeholders noted numerous instances of contact and cooperation between these two constituency groups at the local level, where industry negotiates social and environmental contributions with local groups.</p>
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	<p><b>Engagement:</b> Consulted civil society stakeholders did not identify any government restrictions on engagement other than citing that the lack of continuous government presence on the MSG has hamstrung the EITI process as a whole. When MSG meetings did occur, CSOs members were full participants. Likewise, CSOs were involved in the crafting and approval of Ecuador’s work plan and Terms of Reference for the Independent Administrator. In a clear demonstration of their involvement with the EITI process, CSOs kept Ecuador’s EITI website up and running in the absence of government engagement and have even created their own <a href="#">website</a> to summarise MSG meetings and other relevant issues in Ecuador’s implementation. Despite these tangible signs of engagement on the part of CSOs, some consulted stakeholders from this constituency cautioned that without adequate financial capacity, their current level of involvement in Ecuador’s EITI implementation could be at risk. From evidence available to the International Secretariat, there is a need to demonstrate plans for addressing financial constraints to the CSO constituency, in particular, and for EITI implementation as a whole.</p> <p><b>Access to public decision-making:</b> Beyond institutional issues in the government’s engagement in the EITI process that affect all aspects of EITI implementation, there do not appear to be legal obstacles preventing civil society from using the process to influence public debate and policymaking on extractive industry governance. The constituency’s engagement with the broader civil society group in the country and presence in local communities demonstrates their ability to disseminate information and engage with those outside of the MSG. Given civil society’s active role in discussions on extractive resource governance, government should better facilitate access to information related to the extractive sector, particularly related to state-owned enterprises.</p>
<p><b>Multi-stakeholder group (Requirement #1.4)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 1.4 is mostly met. Stakeholders from all constituencies considered that the MSG is an independent entity that is comprised of key stakeholders from the three main constituencies and that these groups operate in a balanced and consensual manner. While the Secretariat agrees that the rules governing the MSG, and composition of it, are in line with Requirement 1.4, in practice, there have been periods of time where a lack of a consistent government constituency has prevented the MSG from exercising active and meaningful oversight over all aspects of EITI implementation and that the objective of the requirement is only mostly fulfilled. Most acutely, in 2023 there were no MSG meetings due to a lack of funds and government turnover that inhibited the functioning of the MSG for a quarter of the period covered by Validation. Despite this lull in activity, the International Secretariat notes a significant uptick in activity in 2024 which should be maintained going forward.</p> <p>As noted throughout this Validation Report, Ecuador experienced significant political upheaval and in the latter stages of the Validation period, high levels of gang violence that only exacerbated the tumultuous political situation. As a result, there were six EITI Champions from 2020-2023, including months-long periods in which there was not an appointed EITI Champion to lead the MSG. In the case of Ecuador, the MSG has so far been an independent entity that is not hosted by a government entity. While the logic for this was to enable unbiased decision-making, in practice, this has led to a lack of consensus on how funds should be managed, resulting in the MSG attempting to function without funding for long periods of time. Mining industry stakeholders temporarily stepped in to ameliorate funding shortfalls before the PADF offered their financial support. Still, these funding sources are not</p>

	<p>sustainable nor consistent and the long-term viability of the MSG depends on a change in funding sources and more consistent government leadership.</p> <p>The lack of secure funding has also led to an unstable national secretariat. There have been two National Coordinators, both funded through the support of PADF, and during 2022-2023, the EITI Champion served also as the National Coordinator. The current National Coordinator contract is temporary and ended before the conclusion of this Validation. The lack of continuity in the secretariat leadership further reduces the capacity to follow recommendations, document decisions and continuously hold MSG meetings. During the Validation mission, ENAMI EP demonstrated their pivotal role in sustaining EITI activities in the country through hosting International Secretariat meetings and temporarily funding the position of the national secretariat. Various stakeholders pointed to the need for sustained support, both in personnel and funding and considered that a shift in the MSG from an independent entity to one hosted by government could support the MSG's continued viability. Likewise, these stakeholders called for a co-Champion to be appointed from a second constituency group to ward against periods when a government Champion cannot be appointed due to political instability. During discussions with government stakeholders, however, the topic of direct government funding and hosting of Ecuador MSG received significant pushback. These stakeholders noted that securing direct funding from government is difficult and that reliance on government to spearhead progress on corrective actions may not be the most effective method for EITI implementation. Instead, increased involvement by state-owned enterprises, EP Petroecuador and ENAMI, was proposed by these stakeholders. From 2020 to 2024, there are published meeting minutes for 19 meetings and it is clear that when the MSG is functioning, stakeholders regularly attend and provide input in MSG meetings. However, the previously mentioned year-long gap in 2023 and the potential for further disruptions in the MSG indicate a need for new funding and management solutions.</p> <p>In terms of gender representation and diversity, the MSG is balanced, with eight women and seven men comprising the 15 main members of the MSG. Alternate members also appear to be balanced when it comes to gender. Government, industry and civil society all have MSG members of both genders. It is unclear whether there are explicit provisions in the MSG's code of conduct or terms of reference that mandate this gender balance.</p> <p>The International Secretariat's understanding is that the invitation to participate in the group was open and transparent. Industry and civil society outreach to their broader constituencies to garner views and solicit nominations to the MSG are documented via the Stakeholder engagement template, as are the nomination procedures of these two constituencies, which are codified. From documentation provided, it is not clear whether these codified policies include specific criteria for diverse representation but a review of the wider industry and civil society groups indicate that these groups are diverse and representative of the wider constituency. Each of these stakeholder groups also document how views from the larger group are collected and then transmitted to the MSG platform. It does not appear that there have been changes to the MSG composition (other than one change in industry representation due to company acquisition), which is appropriate given that the MSG was only first incorporated in 2020. Terms of Reference, both for the Independent Administrator and the MSG, can be found <a href="#">online</a>, as can the work plan for the 2020-2022 EITI Report. Terms of Reference for the operation of the MSG follow the EITI's Code of Conduct, according to the Stakeholder engagement template. Likewise, this template confirms that per diems are not paid to MSG</p>
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	members but Ecuador MSG is invited to confirm that per diems were not paid in practice.
<b>New corrective actions and recommendations</b>	
<ul style="list-style-type: none"> <li>• In accordance with Requirement 1.1, the government is required to ensure representation of government officials at senior levels on the MSG and ensure that they regularly attend MSG meetings and provide leadership on EITI implementation. Government must commit to supplying the MSG with proper personnel, including a national secretariat, and to provide both technical and financial support. Government is also required to lead in addressing administrative and legal barriers that affect full implementation of the EITI Standard.</li> <li>• To strengthen implementation of Requirement 1.2, Ecuador is encouraged to ensure that all companies, including state-owned enterprises, are fully, actively and effectively engaged in all aspects of the EITI process. Oil and gas industry stakeholders are encouraged to increase their representation in the MSG and actively participate in MSG discussions and events.</li> <li>• To strengthen implementation of Requirement 1.3, the MSG should actively monitor the security situation, particularly in extractive regions, of the country and provide assessments on whether civil society groups are able to freely operate and express themselves within this context. The multi-stakeholder group should monitor how CSO engagement in the EITI process occurs and identify any circumstances or incidents, including legislation and executive decrees, that affect CSOs capacity to freely assemble, express, operate and participate in public debate on mining governance without fear of reprisal. In the event of any breaches, the government should address these concerns to guarantee the conditions for civil society participation established in the EITI protocol for civil society.</li> <li>• In accordance with Requirement 1.4, the MSG must ensure that it has consistent and sufficient oversight on all aspects of EITI implementation, which entails having sufficient resources and addressing all administrative, political and financial barriers that prevent the MSG from performing its functions. The MSG should ensure that it has sufficient technical and financial capacity to hold regular meetings and abide by agreed-upon timeframes in which to hold MSG meetings and conduct EITI activities so each constituency can present opinions and reach consensus on pertinent extractive issues. To strengthen implementation of Requirement 1.4, the MSG is encouraged to consider adding additional government representatives to the MSG, such as the Central Bank and Ministry of Public Works, to facilitate the public understanding of government revenue flows stemming from the extractive sector.</li> </ul>	

## 4. Transparency

This component assesses EITI Requirements 2 to 6, which are the requirements of the EITI Standard related to disclosure.

### Overview of the extractive sector (Requirements 3.1, 6.3)

#### Overview of progress in the module

Ecuador systematically discloses information on exploration activities in the mining and oil and gas sectors on government websites, such as those of the Central Bank and Ministry of Energy and Mines. While technical issues were encountered on these websites during Validation, EITI reporting summarises the majority of information found on these websites. A prevailing sentiment expressed by stakeholders during consultations was that despite systematic disclosure of much extractive data and policy on government websites, including many aspects related to the sector's contribution to the economy, public consumption of this data was low. Information dissemination activities, as well as a renewed focus on the informal and formal aspects of the artisanal and small-scale mining sector would enable EITI reporting to have greater impact on issues of importance to local stakeholders.

#### Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in annex to this report.

EITI Requirement and assessment	Summary of progress in addressing the EITI Requirement
<p><b>Exploration (Requirement #3.1)</b></p> <p><i>Fully met</i></p>	<p>The International Secretariat's assessment is that Requirement 3.1 is fully met. Stakeholders held mixed views on the fulfilment of this objective, with some international development partners considering that there was an adequate overview of exploration activities in the country while the IA's own assessment in the 2020-2022 EITI Report considers that there should be greater documentation of exploration activities and that datasets be in open and interoperable format. Despite these mixed views, the Secretariat considers that the objective to ensure public access to an overview of the extractive sector in the country and its potential, including recent, ongoing and planned significant exploration activities is fulfilled with room for improved data usability and encouraged aspects of Requirement 3.1.</p> <p>Ecuador's 2020-2022 EITI Report provides an overview and history of the extractive industries. This information is also systematically disclosed on government websites, including the websites of the <a href="#">Ministry of Energy and Mines</a> and the <a href="#">Central Bank</a>. For example, the <a href="#">Boletín Institucional del Sector Minero</a> (2021) provides information about Ecuador's mining sector, including nationally-prioritised projects of strategic value, while the <a href="#">Estadística de Hidrocarburos 2022</a> provides information about the oil and gas sector. The Report describes oil and gas exploration activities in general and includes details on drilling by EP Petroecuador as well as private operators. The Ministry of Energy and Mines further discloses <a href="#">the Informe Anual del Potencial</a></p>

	<p><a href="#">Hidrocarburífero del Ecuador (2021)</a>, which provides information on oil and gas reserves and resources as well as a map showing Ecuador’s petroleum blocks according to operator. EITI reporting reflects much of this systematically disclosed information.</p> <p>Further information on mining exploration activities is systematically disclosed in periodic reports from the <a href="#">Central Bank</a>. This includes information on the location of significant mining projects in the exploration phase, estimated mine life, phase of exploration, estimated start of construction, estimated production date, expected total investment, investment to date, employment created, and total projected employment. Ecuador’s 2020-2022 EITI Report did not provide information on exploration activities related to informal sector activity, such as artisanal and small-scale mining.</p>
<p><b>Contribution of the extractive sector to the economy (Requirement #6.3)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 6.3 is mostly met. Stakeholders did not express particular views on the fulfilment of the objective to ensure public understanding of the extractive industries’ contribution to the national economy and the level of natural resource dependency in the country. The Secretariat notes significant efforts in employment disaggregation in the mining sector but considers that the objective is only mostly fulfilled given issues on comprehensiveness of the information that has been disclosed which falls short of the level of disaggregation required by the Standard. Government publications include some information on informal mining activities and it is the Secretariat’s understanding that this sector will be studied in more detail in future EITI Reports.</p> <p>Ecuador’s 2020-2022 EITI Report discloses an overview of the contribution of the extractive sector to the economy. This includes disclosure of the size of the extractive sector in absolute terms and as a percentage of GDP based on information from the Central Bank. An estimate of informal sector activity, such as artisanal and small-scale mining, is not included in EITI reporting but government <a href="#">publications</a> provide some information about this sector.</p> <p>Ecuador’s 2020-2022 EITI Report also discloses government revenues generated by the oil and gas and mining sectors, respectively. These are reported in absolute terms and as a percentage of total government revenues based on information from the Internal Revenue Service. Information on government revenues generated by EP Petroecuador is also included. Further information on government revenues generated by the extractive industries is systematically disclosed by the Central Bank.</p> <p>For the oil and gas sector, the 2020-2022 EITI Report discloses extractive exports as a percentage of total exports and in absolute terms. For the mining sector, the Report discloses extractive exports in absolute terms, which enables readers to understand these exports as a percentage of total exports. The information provided is from the Central Bank.</p> <p>For the oil and gas sector, Ecuador’s 2020-2022 EITI Report does not disclose employment in absolute terms or as a percentage of total employment. Accordingly, information was also not disclosed disaggregated by gender and occupational level. For the mining sector, however, the Report discloses employment in absolute terms and includes information on employment disaggregated by gender, education, and occupational level. Information on the</p>



	<p>gender pay gap is also provided. The Report further discloses the direct and indirect employment generated by 10 significant mining projects in the country as well as further information on those projects' gender-sensitive human resources management practices. Further information on mining employment is systematically disclosed in <a href="#">periodic reports</a> from the Central Bank.</p> <p>For the oil and gas sector, Ecuador's 2020-2022 EITI Report includes information on the major fields where production is concentrated. The Ministry of Energy and Mines provides a map showing Ecuador's petroleum blocks according to operator in <a href="#">the Informe Annual del Potencial Hidrocarburífero del Ecuador</a>. For the mining sector, the Report includes information on the key regions/areas where there are mining projects in the country as well as a map of the regions/areas and projects. Information on the area of mining concessions is also included. Further information on key regions/areas where production is concentrated is systematically disclosed in <a href="#">periodic reports</a> from the <a href="#">Central Bank</a>. The Empresa Nacional Minera also provides additional information on <a href="#">large mining projects in the country</a>, including maps of the regions/areas and projects.</p>
<p><b>New corrective actions and recommendations</b></p>	
<ul style="list-style-type: none"> <li>• To strengthen implementation of Requirement 3.1, Ecuador is encouraged to use EITI reporting to include information on including artisanal and small-scale mining potentials. The Agency for Regulation and Mining Control is encouraged to work with the Vice-minister of Mines to improve institutional capacity and information sharing related to the informal and illegal mining sector.</li> <li>• In accordance with Requirement 6.3, Ecuador is required to disclose employment data in the oil and gas sector, including a breakdown on gender, and its contribution towards total employment. To strengthen implementation, Ecuador could further disaggregate these oil and gas employment figures by company and occupation level. To strengthen implementation of Requirement 6.3, Ecuador is encouraged to provide, or referencing a trusted third-party source, an estimate of informal sector activity, including but not limited to artisanal and small-scale mining.</li> </ul>	

## Legal environment and fiscal regime (Requirements 2.1, 2.4, 6.4)

### Overview of progress in the module

Ecuador adequately discloses the legal and fiscal framework governing the extractives sector via government websites, such as that of the Ministry of Economy and Finance, though fiscal devolution from national to subnational governments could be documented in more detail. During the Validation period, some aspects of the legal framework related to the granting of solid mineral licenses and hydrocarbon contracts have been suspended due to the results of popular referendums, which have noted the public's opposition to new mining licenses and contracts and oil and gas contracts in the country. At the same time, other projects have moved forward, including the groundbreaking signing of the SolGold [contract](#), which includes a [clause](#) stipulating the contract's adherence to the EITI Standard. It does not yet appear that this contract is publicly available.



There is no explicit policy endorsing the full disclosure of mining and oil and gas licenses and contracts, though previous administrations did disclose, in full, some oil and gas contracts. However, public access to these contracts via government websites was lost with the update of government websites.<sup>2</sup> Since the disclosure of these contracts, and their subsequent disappearance, there has not been noted progress in forming government policy around contract disclosure. No contracts and licenses granted or amended since 1 January 2021 have been disclosed.

EP Petroecuador discloses unilaterally its tender processes and terms as well as some procurement contracts. It also publishes contracts related to the international sale of crude-oil. These contracts are publicly available on EP Petroecuador’s [website](#). However, the International Secretariat has no information to confirm that the oil production contracts assigned to Ecuador are publicly available on EP Petroecuador’s website. The website [Resource Contracts](#) publishes complete contracts of 37 projects in Ecuador but it is not clear whether this list reflects recent amendments and transfers.

The environmental impact of extractive activities in Ecuador has been an international topic of conversation for decades given the rich biodiversity found in the country and the active participation of indigenous and local communities in discussions on natural resource governance. Despite this history, Ecuador does not have robust systems to monitor and manage ongoing environmental impacts from extractive activities and Ecuador EITI could play a key role in the mapping and collation of companies’ environmental commitments and practices.

### Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement and assessment	Summary of progress in addressing the EITI Requirement
<p><b>Legal framework and fiscal regime (Requirement #2.1)</b></p> <p><i>Fully met</i></p>	<p>The International Secretariat’s assessment is that Ecuador has fully met Requirement 2.1. The 2020-2022 EITI Report and systematic disclosures reference the existing legal framework and fiscal regime including fiscal devolution policies, although these could be more clearly explained through EITI reporting. The Secretariat is of the view that the objective of ensuring public understanding of all aspects of the regulatory framework for the extractive industries is fulfilled but that there should be greater efforts between national and subnational governments to understand fiscal devolution practices. Consulted industry and civil society stakeholders agreed with this assessment of the objective.</p> <p>The 2020-2022 EITI Report describes the legal and fiscal regime, and confirms the practice of fiscal devolution, for mining and hydrocarbons, including the roles of government entities and a description of the different types of contracts and licenses that govern exploration and exploitation of oil, gas and minerals. While fiscal devolution occurs in Ecuador, the IA noted that rules are not centralised and information related to subnational transfers that was collected is from local government units and was not representative of the entire universe of such transfers (see Requirement 5.2). It appears that government websites, such as that of the</p>

<sup>2</sup> Public access to many of these contracts can still be found through [www.resourcecontracts.org](http://www.resourcecontracts.org)

	<p><a href="#">Ministry of Economy and Finance</a>, systematically disclose information on the legal and regulatory framework of the extractive sector, such as the Minerals Law and Petroleum Law.</p> <p>Information on ongoing and planned reforms should be highlighted through EITI reporting, with links to where reforms are <a href="#">published</a>. Likewise, MSG involvement in policy discussions, such as Ecuador EITI’s participation in discussions on the recent <a href="#">Law on the Prevention of Money Laundering</a>.</p>
<p><b>Contracts (Requirement #2.4)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat's assessment is that Requirement 2.4 is mostly met. There is no explicit government policy on contract and license disclosure and disclosure practices do not follow a set procedure, which limits fulfilment of the objective of ensuring the public accessibility of all licenses and contracts underpinning extractive activities (at least from 2021 onwards) as a basis for the public's understanding of the contractual rights and obligations of companies operating in the country's extractive industries. The Secretariat considers that the objective has been only mostly fulfilled given a lack of clarity and MSG discussion on the government's position on contract transparency and a lack of comprehensive disclosure of all extractive contracts and licenses, despite improving publication practices of petroleum contracts. In their comments to the draft Validation report, government stakeholders considered that there was no need for a specific law on contract transparency given that they considered that mining contracts are published in practice, although it is not clear whether all mining contracts have in fact been published. International development partners agreed with the Secretariat’s assessment that there should be documented MSG discussions on where government policy on contract disclosure is embodied.</p> <p>Ecuador EITI has not documented relevant government policy on license and contract disclosure for mining and hydrocarbons and international development stakeholders confirmed that there is not a centralised policy on contract disclosure. It is not clear from EITI reporting where government policy on contract disclosure is embodied given the lack of focused legislation on this matter. While numerous pre- and post-2021 contracts have been disclosed in the hydrocarbons sector, it is not clear where the impetus for this disclosure came from or whether it will continue. International development stakeholders noted that there had been even more pre-1 January 2021 oil and gas contracts that had been disclosed but that they were not migrated to new government websites when these websites were updated, emphasizing the importance of a clear government policy on contract disclosure. Given that the last bid round for oil and gas contracts was in January 2021, there are active contracts that should be disclosed. Ecuador’s EITI reporting notes that there are 38 active oil and gas contracts, yet only ten are disclosed on the government repository. Of the pre-2021 contracts that are publicly disclosed, it appears that this disclosure includes annexes, amendments and riders, but without an inventory of which contracts are published and which are not, comprehensiveness is not able to be determined. While the comprehensiveness of disclosure of post-1 January 2021 contracts is unclear, there are newly awarded and amended contracts that are available to the public on via government <a href="#">publications</a> (scroll down to “Contratos petroleros”). These disclosure practices in the hydrocarbon sector are commendable. Some petroleum contracts entered into and amended before and after 1 January 2021 are disclosed. EITI reporting lists all active petroleum contracts, though this list does not indicate which are publicly available and which are not.</p>

	<p>By contrast, the ARCERNNR hosts a <a href="#">mining register</a> that contains what appears to be a complete list of mining licenses and contracts, although it is the Secretariat's understanding that there is no public disclosure of mining contracts or licenses, including model licenses. During the Validation mission, mining industry stakeholders expressed reservations on full contract disclosure, stating that this information could be misinterpreted or taken out of context to cast mining companies in a bad light. EITI reporting does provide a description of the general criteria applicable to different mining regimes but the mining register's list does not touch on the public availability of these licenses. Information on large-scale mining projects in which ENAMI is involved can be found via <a href="#">publications</a> on their website. Another recent large-scale mining project spearheaded by SolGold, the Cascabel Project, provides a clear precedent for companies interested in promoting transparency and anti-corruption in their mining projects. Through collaboration with local civil society groups, SolGold's exploitation contract includes specific clauses that require adherence to the EITI Standard. However, to date, this contract has not been publicly disclosed and Ecuador MSG is invited to comment on when this contract will become publicly available.</p> <p>Given the lack of MSG discussion about what constitutes government policy on contract disclosure, and the lack of actual disclosure of mining contracts and licenses, it would be helpful for future discussions to document this policy and then document and explain any deviations from established procedure, with an explanation for why mining contracts and licenses are not disclosed and recommendations to disclose them.</p>
<p><b>Environmental impact (Requirement #6.4)</b></p> <p><i>Not assessed</i></p>	<p>The International Secretariat's assessment is that Requirement 6.4 remains not assessed in the period under review. While the regulatory and monitoring framework related to the environmental impact of the extractive industries in Ecuador is well-explained, there is no clear documentation about how these frameworks are implemented and used in practice for all extractive companies, and this prevents stakeholders from assessing the adequacy of this framework and companies' adherence to environmental obligations, which indicates that the objective of this requirement remains unfulfilled. Consulted government stakeholders acknowledged that while the rules are clear, they are not as easily enforced and agreed with the Secretariat's assessment. Consulted members of civil society and international development partners concurred with this assessment of the objective and noted that the true environmental impact of extractive activities is not known as there is not sufficient technical government capacity to control the environmental effects of these activities across the country.</p> <p>For example, while EITI reporting indicates that a large number of companies adhere to environmental rehabilitation programs, these companies are not identified and there is no reference to where contributions to rehabilitation funds are recorded, either through EITI reporting or through systematic disclosure. Similarly, while Environmental Impact Assessments are required for all companies performing extractive activities, these assessments do not appear to be publicly available. It is not clear whether there are planned or ongoing reform efforts related to the documentation and enforcement of environmental rehabilitation funds or environmental impact assessments. Reform efforts related to environmental consultations with affected communities and with the development of environmental indicators for the mining industry are briefly touched upon in the 2020-2022 EITI Report, but it is unclear where these reform efforts are disclosed on government websites or where they are in the debate process. EP Petroecuador, on the other</p>

	<p>hand, does provide some information on their environmental rehabilitation efforts, principally oriented toward the <a href="#">closure</a> of gas flaring sites.</p> <p>EITI reporting has not yet extended to covering sanctioning mechanisms for non-compliance nor has it provided a comprehensive overview of extractive companies' environmental liabilities. MSG comments to the draft Validation report also pointed to the lack of defined procedures for mine closure, including government entities responsible and funds allocated for closure and rehabilitation. Given that some aspects of the requirement have yet to be comprehensively addressed, Requirement 6.4 remains not assessed.</p>
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**New corrective actions and recommendations**

- To strengthen implementation of Requirement 2.1, Ecuador is encouraged to use EITI reporting to summarise efforts aimed at ongoing and planned reforms of the mineral and hydrocarbon sectors and provide reference to where further information is disclosed on government websites. Furthermore, central government stakeholders are encouraged to collaborate closely with their subnational counterparts to ensure that fiscal practices are properly understood and carried out.
- In accordance with Requirement 2.4, Ecuador should disclose the full text, including annexes, amendments and riders of all contracts and licenses governing the terms attached to the exploitation of oil, gas and mineral resources that are granted, entered into or amended from 1 January 2021. Ecuador should publish a list of all active extractive contracts and licenses, indicating which are publicly available and which are not. For all published contracts and licenses, it should include a reference or link to the location where the contract or license is published. The MSG should assess the comprehensives of the contracts that have been disclosed and document where contract and license transparency is addressed through legislation or government policy to give the public a clear understanding on whether it is required or prohibited. The MSG should explain the legal and practical barriers to the disclosure of contracts and licenses and assess whether disclosure practice deviates from legislative or government policy requirements.
- To strengthen implementation of Requirement 6.4 and considering the importance of environmental issues in extractive sector governance in the country, Ecuador is encouraged to provide an overview of actual practice related to environmental management and monitoring of extractive investments in the country. This could include information on environmental impact assessments and rehabilitation activities as well as sanctioning mechanisms for non-compliance and an overview of extractive companies' environmental liabilities.

## Licenses and property rights (Requirements 2.2, 2.3)

### Overview of progress in the module

Ecuador possesses a tiered system for the award of mining licenses, and on special occasions, contracts, that can involve direct negotiation and bid rounds, depending on the size of the licensed area and the commodity in question. While the process for the award of oil and gas contracts is more transparent and less complex than that of mining, the prevailing sentiment among consulted stakeholders was that public knowledge of contract and license allocations does not reflect documented practices. Recent public referendums that have resulted in the pause of allocations across the extractive sector highlight the need for more data to inform decisions on whether new exploration and exploitation concessions are in the best interest of all Ecuadorians.

Information on mining and oil and gas concessions is available through the mining cadastre and oil and gas register that are hosted on government websites. While there are some data gaps, Ecuador does well to provide an overview of extractive rights in the country. Ecuador’s MSG should monitor these resources to ensure that they are regularly updated in light of mining license transfers and the ordered closure of certain oil and gas activities.

### Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement and assessment	Summary of progress in addressing the EITI Requirement
<p><b>Contract and license allocations (Requirement #2.2)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 2.2 is mostly met. The objective falls short of being fully met because of gaps in the disclosures of mining license transfers in the period under review (2021) and a lack of information on technical and financial criteria used in mining bid rounds. While bid rounds in the oil and gas sector are published, not all bidders and applicants are listed. Stakeholders did not express particular views on the objective of providing a public overview of awards and transfers of oil, gas and mining licenses, the statutory procedures for license awards and transfers and whether these are followed in practice. The Secretariat considers this objective to be mostly fulfilled.</p> <p>EITI reporting explains that the process for allocating mining licenses and contracts and hydrocarbon contracts is governed by the Ministry of Energy and Mines, with the Mining Law and Hydrocarbon Law describing the legal and administrative processes for application. In mining, the 2020-2022 EITI Report and the Mining Law describe the different processes for awarding mining licenses, depending on the size of the allotment. Direct negotiation and competitive bidding are used to award mining licenses of all sizes but was not clear from a review of documents if there are technical and financial criteria used in the awards process outside of the bidder proving economic solvency. Guidelines outlining when direct negotiation or competitive bidding is to be used were not found and but in their comments to the draft Validation Report, the Ecuador MSG explained that guidelines on when to use one process over another depends on the size of the concession and whether existing exploration licenses apply to the concession area. In terms of size, small-scale concessions contain exploration and production privileges, whereas medium and large-scale concessions have distinct exploration and production contracting phases. Where a company does not already hold exploration privileges, a bid round is held. Where these exploration privileges already exist, priority is given to the company that conducted exploration activities and direct negotiation is used. During consultations, the IA noted that it was not clear the extent to which technical and financial criteria were used in the award of mining licenses through direct negotiation. While bid criteria for specific competitive bid rounds in the mining sector are publicly available, the list of applicants, outside of the winning bidder, is not disclosed. While EITI documentation did not specify whether mining license transfers are allowed – or the technical and financial criteria associated with them – consultations with government stakeholders clarified that the transfer of mining licenses is <a href="#">permitted</a> for mining concessions, including those <a href="#">involving ENAMI</a>. It is not clear if there were mining license awards or transfers that took place in 2021. More recently, SolGold was awarded a groundbreaking exploitation</p>

	<p>contract, principally for the production of copper and gold. SolGold held the exploration concession for the deposit and conducted viability studies of the area. In the MSG's comments to the draft Validation report, they explained that the granting of the exploitation contract to SolGold was to ensure the lasting commitment of both the company and the government to the production phase of this project. International development partners consulted indicated that there were no mining rights granted in 2021 but that there were transfers. Consulted subnational government representatives that form part of the Association of Municipalities of Ecuador added to the information provided by international development partners, noting petitions for mining concessions made through the mining cadastre, the technological platform through which the State grants new mining concessions, have not been adjudicated in a timely manner, resulting in an increase in illegal mining. This linkage between an increase in illegal mining due to the lack of newly awarded mining concessions was also echoed by mining industry stakeholders during the Validation mission. Consulted members of academia posited that while there has been much work to standardise and formalise contract and license allocation processes, this information is not well understood by the public and consulted government stakeholders stressed the importance of formalising mining operations operating without legal backing. There is no evidence that the MSG or IA assessed the mining license award and transfer practices to determine whether there were non-trivial deviations from standard procedure.</p> <p>In oil and gas, the 2020-2022 EITI Report and the Hydrocarbon Law describe the scenarios by which oil and gas contracts are awarded through competitive bidding, and in exceptional cases, direct negotiation. Direct negotiation is employed when a foreign state-owned enterprise, or one of its subsidiaries, is to be awarded a hydrocarbon contract. While not a state-owned enterprise, the Gunvor <a href="#">bribery case</a> involving EP Petroecuador where Gunvor used bribes to forego competitive bidding processes when obtaining oil-backed loan contracts illustrates possible risks associated with direct negotiation processes. Instances where EP Petroecuador and foreign state-owned enterprises engage in extractive contracts should be monitored closely by Ecuador MSG. Each bid round is published on the EP Petroecuador website and contains technical and financial criteria with which companies must comply to remain a viable applicant. Information on the applicants of bid rounds does not appear to be publicly accessible, though information on recipients is disclosed. Oil and gas contract transfers are permitted in Ecuador and the technical and financial criteria are described. However, the number of transfers in 2021 is not clear. Additionally, under the Lasso administration, international oil companies were given an <a href="#">opportunity</a>, which is ongoing, to modify existing service-provision contracts to production-sharing contracts. While the MSG indicates in the Transparency template that there were no non-trivial deviations in the award and transfer of contracts, the methodology used to arrive at this conclusion is not provided.</p> <p>While information on various bid rounds is published on the EP Petroecuador website, these rounds could be better organized to ease public navigation of complex documents. More broadly, the MSG should assess gaps in publicly available information required and encouraged in Requirement 2.2 and document and explain barriers preventing comprehensive disclosure, with an account of government plans to overcome these barriers and the anticipated timescale for achieving them. Commentary on the efficiency and effectiveness of systems used in license and contract allocation, and actual practices and grounds for renewing,</p>
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	suspending or revoking contracts and licenses could be explained through EITI reporting.
<p><b>Register of licenses (Requirement #2.3)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 2.3 is mostly met. The Secretariat's view is that the underlying objective of ensuring the public accessibility of comprehensive information on property rights related to extractive deposits and projects is only mostly fulfilled due to gaps in the oil and gas contract register, and contradictory and missing data points in the mining cadastre. Consulted government stakeholders agreed with this assessment of the objective given gaps in data and lack of regular update of cadastral information.</p> <p>Ecuador's mining license <a href="#">cadastre</a> is administered by the ARCERNNR while the oil and gas contract <a href="#">register</a> is overseen by the Ministry of Energy and Non-Renewable Natural Resources. The cadastre and register are publicly accessible, though the oil and gas register is difficult to navigate and it is unclear how often it is updated.</p> <p>All data points listed under Requirement 2.3.b other than application date are available in the mining cadastre and from a spot check, it appears that many companies within the agreed scope of EITI implementation are present. However, given comments made by consulted government stakeholders on lack of comprehensiveness and regular update, the International Secretariat agrees that the comprehensiveness of this cadastre cannot be confirmed. Likewise, questions remain as to the veracity of the data points present in the register given irregularities in the classification of concessions as small or large-scale based on the size of the concession. It is also unclear whether all mining agreements entered into by ENAMI and international partners and foreign SOEs are included in the mining cadastre, though ENAMI independently <a href="#">publishes</a> this information.</p> <p>In the hydrocarbon register, there is an interactive portal that may contain required datapoints listed under Requirement 2.3.b as there is an option to view active oil blocks. Further information about these blocks requires registration with the ministry and it is unclear how to register. There is a static <a href="#">version</a> of this oil and gas register that contains information on the contract holder, but other aspects of Requirement 2.3.b such as coordinates, dates of application, award and expiry or commodity are not available.</p> <p>It is not clear whether gaps in these data portals have been assessed by the MSG nor if there is a documented plan to strengthen these systems. Multiple international development partners alluded to the fact that the mining cadastre had faced funding and confidentiality concerns in the past that resulted in a former version of the cadastre being shuttered. Considering government comments on the lack of regular update of the current cadastre, the Ecuador EITI should ensure that it remains updated.</p>
<b>New corrective actions and recommendations</b>	
<ul style="list-style-type: none"> <li>• In accordance with Requirement 2.2, Ecuador is required to disclose information on the technical and financial criteria used in the mining license award process and the technical and financial criteria used in mining license and hydrocarbon contract transfer processes. When using competitive bidding, Ecuador is required to disclose information on applicants in mining and oil and gas. Guidelines delineating when one process is to be used over the other (direct negotiation versus competitive bidding) should be clearly documented. The MSG should assess barriers to the</li> </ul>	

public disclosure of license and contract allocation processes and the government's plan to overcome these barriers.

- In accordance with Requirement 2.3, Ecuador should assess barriers to public access of the hydrocarbon register and is required to publish all information listed under Requirement 2.3.b. including coordinates, dates of application, award and expiry and commodity which are all missing from the oil and gas register.

## Beneficial ownership (Requirement 2.5)

### Overview of progress in the module

Adherence to Requirement 2.5 on beneficial ownership is assessed in full in Validation as of 1 January 2022 as per the framework agreed by the Board in June 2019.<sup>3</sup> The assessment consists of a technical assessment and an assessment of effectiveness.

#### *Technical assessment*

The technical assessment is included in the Transparency template, in the tab on Requirement 2.5. It shows that Ecuador has made progress on some, but not all, of the initial criteria assessed in Phase 1 of the Validation framework for beneficial ownership transparency in force until December 2021. Given that this Validation is conducted under Phase 2 of the beneficial ownership Validation framework, there are some additional aspects from Phase 2 of Requirement 2.5 that remain outstanding.

Ecuador has a legal and regulatory framework for the collection of both legal and beneficial ownership data, which also backs the establishment and regular maintenance of registers. The Company Registry ([Superintendency of Companies, Values and Securities](#)) currently discloses legal ownership information, which in some instances can shed light on beneficial owners (public access down to an individual shareholder). This has been highlighted as an exemplary practice of transparency in the region and being the closest in terms of disclosure of beneficial owners (see [here](#) and [here](#)). On the other hand, the Ecuadorian Tax Administration ([SRI](#)) is developing a beneficial ownership register with more comprehensive provisions, but this information will only be accessible to government entities. To date, Ecuador EITI has not evaluated or documented the comprehensiveness, extent, and accuracy of extractive company registrations in the SCVS, or whether the SCVS publicly discloses the stock exchange and related filings for listed extractive companies. The MSG could agree on a categorisation of “high-risk” extractive companies and adopt a risk-based approach for this purpose.

Ecuador has undergone mutual evaluation by the Financial Action Task Force of Latin America (FATF/[GAFILAT](#)) in January [2023](#), December [2011](#), December [2007](#). The latest evaluation in [2023](#), highlighted technical deficiencies with regard to the definition of beneficial ownership, and lack of clarity whether reporting institutions use the definitions contained in the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) laws or the ones in their specific rules. The report also indicated that while there are sanctions for not reporting legal ownership, the verification of beneficial ownership information reported to the Superintendency (SCVS) and Ecuadorian Tax Service (SRI) could not be confirmed. Ecuador was assessed as “largely compliant”

<sup>3</sup> <https://eiti.org/document/assessing-implementation-of-eitis-beneficial-ownership-requirement>.

with Recommendation 24 on transparency of beneficial owners of legal entities in the 2023 mutual evaluation report.

Ecuador conducted a [National Risk Assessment \(NRA\)](#) between 2019 and 2021. This revealed that Ecuador faces a "medium-high" level of threat and vulnerability to money laundering risks. Significant risks identified include tax evasion and a rise in the number of shell companies. The SRI has been publishing on its website information on [shell companies](#). Media reports indicate that between 2020 and 2022 the SRI identified only 51 shell companies while investigative journalism has exposed [shell companies involved in over USD 500 million in untaxed gold exports](#) between 2021 and 2023. During the commentary phase, the MSG noted that the tax authority has conducted field monitoring, which identified cases where the fiscal domicile could not be located. The SRI subsequently communicated with other government entities to act against a potential tax evasion scheme and other sector-related risks, including illegal mining activities and money laundering. Other cases such as [the one involving Gunvor and EP Petroecuador](#) underlines risks associated with opaque ownership structures and the need for robust reporting obligations regarding politically exposed persons. This highlights the urgent need for improved beneficial ownership transparency in the extractive sector to prevent revenue loss, environmental damage, and corruption. Strengthening Ecuador’s compliance with international standards, such as those of the EITI and FATF, is essential to ensure that corrupt activities are identified and addressed domestically.

### Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement and assessment	Summary of progress in addressing the EITI Requirement
<p><b>Beneficial ownership (Requirement #2.5)</b></p> <p><i>Partly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 2.5 is partly met. Consulted stakeholders considered that Ecuador had made some progress toward the objective of enabling the public to know who ultimately owns and controls the companies operating in Ecuador’s extractive industries, especially through the Company Registry. The country has established a regulatory framework for collecting both legal and beneficial ownership information, with two main institutions responsible for this: the Ecuadorian Tax Administration (SRI) and the Superintendency of Companies (company registry). While the company registry discloses legal ownership, the beneficial ownership registry managed by SRI remains confidential and EITI reporting was not used as an alternative method to collect information on the natural persons, meaning that in practice there are no beneficial ownership disclosures in Ecuador. The MSG has not yet verified the accessibility, comprehensiveness, and reliability of the legal and beneficial ownership information reported by extractive companies to these entities. In both registers, there appear to be opportunities for improvement, such as tackling issues related to opaque ownership structures in the extractive sector, which are crucial to mitigate risks, such as those exposed by cases like Gunvor-EP Petroecuador and the more recent instance of shell companies exporting untaxed gold, where companies had fictitious addresses and minimal financial records. Consulted stakeholders highlighted the need for stronger</p>

	<p>government commitment. The Secretariat's assessment is that Requirement 2.5 is partly fulfilled.</p> <p>EITI Ecuador has made some progress in initiating discussions on defining beneficial ownership (BO) and politically exposed persons (PEPs), as documented in meeting minutes (see <a href="#">here</a>, <a href="#">here</a> and <a href="#">here</a>). Although the MSG has not yet agreed on a definition in line with the EITI Standard, existing legislation provides a foundation. Notably, the law on the internal tax regime and the <a href="#">2021 Organic Law for Economic Development and Fiscal Sustainability</a> mandate the establishment of a Beneficial Ownership Registry by the Ecuadorian Tax Administration (SRI). Recent SRI resolutions have broadened the scope of reporting entities, refining the definition of beneficial ownership to include other forms of control and establishing a threshold for non-tax residents with more than 10% participation (see <a href="#">here</a>, <a href="#">here</a>). The Tax Administration register requires to demonstrate the ownership chain and requires both legal persons and individuals who are beneficial owners of legal entities and structures to submit information. Additionally, SRI resolution <a href="#">46/2022 and other laws</a> indicate that access to beneficial ownership will be restricted to government entities, meaning this information is confidential, contradicting Ecuador's commitment to transparency under the <a href="#">Open Government Partnership (OGP) Action Plan</a>. During the commentary phase, the MSG noted that the treatment of politically exposed persons is addressed across various monitoring systems. However, it remains unclear how information from these systems is integrated with beneficial ownership information collected by the SRI to unify data points in a singular repository.</p> <p>Ecuador EITI has not used its EITI reporting to provide a comprehensive description of the legal framework governing beneficial ownership data collection or to document actual disclosure practices. EITI reporting was not used to collect beneficial ownership information from extractive companies within the scope of reporting. The 2020 - 2022 EITI Report only refers readers towards information on legal shareholders, which is systematically disclosed by the company registry. This includes data points such as company name, type of entity/legal status, nationality, address, stock exchange, and percentage of shareholder ownership up to the natural persons. Ecuador's MSG is yet to review if information on extractive companies disclosed through the company registry is comprehensive and reliable. During consultations, industry and civil society stakeholders acknowledged the value of this registry for tracing direct and past shareholders, including links across sectors and to foreign ownership. However, industry stakeholders highlighted areas for improvement particularly with regards to foreign entities (non-tax residents in Ecuador) that are not governed by domestic laws.</p> <p>With regards to beneficial ownership, there is potential for disclosure through the company registry, but stakeholders pointed out that the current disclosures do not consistently lead to identifying beneficial owners. Further, the company registry data collection framework does not fully align with Requirement 2.5 of the 2019 EITI Standard, as it lacks provisions for control mechanisms beyond shareholding and does not address ownership thresholds or reporting obligations for politically exposed persons (PEPs). The FATF Mutual Evaluation Report (MER) 2023 further highlights these limitations noting that the company registry does not cover control by other means (focusing on shareholders) and that the registry may not encompass all legal entities operating in the country (i.e. foundations, political parties and banks). In practice this means that the company's registry</p>
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	<p>capacity to comprehensively capture beneficial ownership for the extractive sector is limited. Development partners found the Ecuador 2020-2022 EITI Report helpful in identifying data sources for civil society.</p> <p>Consulted government stakeholders engaged in ownership data collection described ongoing inspections to the mining sector, which uncovered a growing number of registrations with the company registry. They also emphasised the need for increased collaboration with the mining SOE ENAMI EP to identify regulated and unregulated entities within the gold supply chain and the need for additional cross-checks and risk assessments for improved oversight. Collaboration with the Unit of Economic and Financial Analysis (UAFE) and participation in national and international assessments were mentioned as ongoing efforts to fulfil SCVS's supervisory role. A new Anti-Money Laundering (AML) law is also under consideration. Ecuador EITI should document these reforms.</p> <p>Ecuador's legal framework for collecting beneficial ownership is in a constant state of flux. MSG should comprehensively document the government's policies, laws, and planned reforms related to beneficial ownership with a particular focus on reporting obligations for corporate entities seeking or holding exploration or production licenses or contracts in the oil, gas and mining sector. The MSG must assess the quality and comprehensiveness of beneficial ownership data collected by the different government entities, identifying any material gaps or inconsistencies. EITI implementation offers a valuable platform to enhance beneficial ownership transparency. Civil society organizations and international organizations, such as the Open Government Partnership, Global Financial Integrity, and Open Ownership, have played an important role in pushing this agenda forward. Additionally, Ecuador is a signatory of the Opening Extractives program, although progress has been hindered by the changing legal framework and political instability, making efforts in this area more challenging.</p>
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**New corrective actions and recommendations**

- In accordance with Requirement 2.5, Ecuador EITI should agree on a clear and publicly available definition of beneficial ownership and politically exposed persons aligned with national laws and international norms and establish reporting obligations for the former. Ecuador should include detailed descriptions of relevant provisions, actual disclosure practices and any reforms that are planned or underway. In accordance with Requirement 2.5.c, Ecuador is required to request and companies to publicly disclose beneficial ownership information of corporate entities that apply for or hold a participating interest in an exploration or production oil, gas or mining license or contract and should include the identity(ies) of their beneficial owner(s), the level of ownership and details about how ownership or control is exerted. In accordance with Requirement 2.5.g, Ecuador's MSG should review the comprehensiveness of legal ownership disclosures. To strengthen implementation of Requirement 2.5 and prepare for the transition to the 2023 EITI Standard, Ecuador is encouraged to specify whether extractive state-owned enterprises are fully owned by the state and if not, should disclose beneficial ownership information for non-state owners. Ownership information should extend to how ownership or control is exerted.

## State participation (Requirements 2.6, 4.2, 4.5, 6.2)

### Overview of progress in the module

Ecuador systematically discloses some information on the transactions of state-owned enterprises (SOEs) operating in the extractive industries but EITI reporting could greatly improve public accessibility and understanding of this information by focusing on relevant issues related to state participation, such as the ongoing merger process between EP Petroecuador and Petroamazonas and [reported](#) irregularities in EP Petroecuador's subcontracting practices. For the period of 2020-2022, Ecuador's MSG identified the two main SOEs operating during the period under review, though the mining SOE, ENAMI EP, was not included in the scope of data gathering and reporting due to time constraints in data collection and in the writing of the 2020-2022 EITI Report. The country is a relatively new adherent to the EITI, and the Validation process, and has already taken steps to include ENAMI EP in the scope of future reporting.

EP Petroecuador provides some financial disclosures through annual reports, but full financial statements have not been published since 2020. These financial statements have not been audited and documented efforts to begin an external audit process in 2021/2022 have not yet yielded results, based on document review and stakeholder consultations. Available information includes payments from EP Petroecuador to the state, as well as some information on quasi-fiscal expenditures and social contributions, and procurement contracts. Nevertheless, quasi-fiscal expenditures represent an area of national interest given EP Petroecuador's role in fuel subsidies and infrastructure works. Ecuador's MSG, and EITI reporting, could expand awareness of the terms of these agreements, especially compared to the returns the country and EP Petroecuador could receive on the spot market. Comparison of these returns would also be relevant to in-kind revenues managed by EP Petroecuador, considering the limited availability of this information. EP Petroecuador's subsidisation of the domestic petroleum derivative, natural and gasoline market also bears monitoring to ensure that SOE payments are properly recorded and published. In the face of ongoing debates about the future of natural resource dependence in the country, the full scale of the country's dependence on these resources should be understood. In mining, ENAMI's efforts to formalise the artisanal mining sector and commercialise this production will help to shed light on the illicit production and export of gold and other precious minerals whose taxes and fees are often missed in state coffers.

While ENAMI's increased involvement in the EITI process is welcomed, its role in the purchase and commercialisation of artisanal and small-scale gold highlights the need for increased disaggregation of extractive revenues that accrue to the state, based on what is currently available. Considering that ENAMI will also be accounting for its own production via its joint ventures, disaggregating the revenues that flow to the state will be crucial to aid a public understanding of the scale of revenues that could accrue if gold export were properly recorded.

Despite the lack of external audit and full financial statements past 2020, the presence of annual reports on EP Petroecuador's accounts address many aspects related to state participation. However, transfers from the state to SOEs are not clear and EITI documentation notes that prior to the merger of Petroamazonas and EP Petroecuador, the former did not generate a profit and was supported by government transfers. Clarification of government support to SOEs is a key piece to understanding the relationship between these entities and should be documented.



## Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement and assessment	Summary of progress in addressing the EITI Requirement
<p><b>State participation (Requirement #2.6)</b></p> <p><i>Partly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 2.6 is partly met. Stakeholders consulted did not express specific views on whether the objective of ensuring an effective mechanism for transparency and accountability for well-governed SOEs and state participation was fulfilled but considered that much of the legal basis and regulations in practice were available on company and government websites. The Secretariat’s assessment is that the objective is not fulfilled given that some data points are not easily accessible and the mining state-owned enterprise, ENAMI EP, was not included in the scope of reporting for this Validation despite being involved in multiple extractive projects.</p> <p>In the mining sector, there is one state-owned enterprise, ENAMI EP, that was not included in the scope of reporting for the 2020-2022 EITI Report. While ENAMI is now a part of the MSG and will be included in the scope of reporting in the next EITI Report, the Secretariat considers that ENAMI should have been included in the scope of reporting for this Validation period given ENAMI’s active role in exploration activities and entrance into four exploitation contracts in 2022. Despite much of the information asked for under Requirement 2.6 being published in ENAMI’s financial statements, the 2020-2022 EITI Report does not adequately reflect ENAMI’s role in Ecuador’s mining sector nor does it summarise systematic disclosures to ease public consumption of this material.</p> <p>In the oil and gas sector, EP Petroecuador and Petroamazonas EP both operated until January 2021 when they were merged due to <a href="#">Executive Order No. 723</a>, which mandated that EP Petroecuador assume all assets and liabilities of Petroamazonas. Consulted government representatives confirmed this arrangement by which EP Petroecuador became responsible for the operations of Petroamazonas, including the exploration and production activities that were ongoing at the time of the merger. The 2020-2022 EITI Report, viability study (published in anticipation of the 2020-2022 EITI Report) and EP Petroecuador’s <a href="#">website</a> outline the company’s role in Ecuador’s oil and gas sector, with key duties consisting of entering into exploration and production contracts with international oil companies, and at times, other national oil companies. EP Petroecuador’s responsibilities do not extend to emission of laws and regulations related to the extractive sector.</p> <p>The rules governing EP Petroecuador’s financial relations – including the ability to receive transfers from government, retained earnings, distribution of the state’s share of revenues, reinvestment and third-party financing – with the government appear to be described on the company’s website, which includes a <a href="#">page</a> dedicated to providing links to where laws and regulations are located on relevant government websites. It is the International Secretariat’s understanding that EP Petroecuador is considered to be financially, economically and managerially autonomous in regard to its operations. The viability study indicates that the company received transfers from government in the period under review. However, from EP Petroecuador’s financial statements, it is not clear to the Secretariat where these transfers are documented and they are not summarised through EITI</p>

	<p>reporting, though consulted government stakeholders confirmed that EP Petroecuador’s financial statements contain this information. Also missing from financial statements and the latest EITI Report is a breakdown of the level of ownership that EP Petroecuador has in oil and companies and projects, including an assessment of changes in these ownership levels in the period under review. While information concerning EP Petroecuador’s own loans is detailed in its financial statements, it is not clear if EP Petroecuador provided loans or loan guarantees to oil and gas companies in the period under review. Information on retained earnings, reinvestment and third-party financing (though not for SOE subsidiaries) appear to be published in EP Petroecuador’s signed financial <a href="#">statements</a> and annual <a href="#">reports</a> but are not easily accessible for public consumption. Ecuador MSG should use future EITI Reports to summarise this highly important information.</p> <p>The Secretariat notes that EP Petroecuador’s financial statements, while signed, are not audited by third parties. While EP Petroecuador had previously committed to hiring an external auditor, it does not appear that this initiative was followed through upon. The independent audit of these financial statements should be a priority for EP Petroecuador given the recently concluded investigation into bribery and price-fixing between Gunvor and EP Petroecuador.</p> <p>Other encouraged aspects of this requirement, including rules and practices related to EP Petroecuador’s operating and capital expenditures and some corporate governance information on the composition of the Board of Directors and the Board’s mandate and code of conduct are published on EP Petroecuador’s website. Other encouraged aspects, such as procurement and subcontracting still appear to be missing.</p>
<p><b>Sale of the state’s in-kind revenues (Requirement #4.2)</b></p> <p><i>Partly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 4.2 is partly met. Stakeholders did not express particular views on the objective of this requirement, other than to confirm that EP Petroecuador has historically handled all commercialisation of oil revenues, whether considered in-kind or not, though the Secretariat notes that private oil companies operating under production-sharing agreements are now able to commercialise their own production. The objective of this requirement to ensure transparency in the sale of in-kind revenues of minerals, oil and gas to allow the public to assess whether the sales values correspond to market values and ensure the traceability of the proceeds from the sale of those commodities to the national Treasury. The Secretariat considers that the objective of this requirement is not fulfilled given that documentation provided for EITI reporting and stakeholder consultations confirm the applicability of the requirement despite the lack of provision of data to aid in public understanding.</p> <p>The Viability study published in anticipation of the 2020-2022 EITI Report notes that information on the commercialisation of in-kind revenues collected by EP Petroecuador is available through the Ministry of Energy and Mines (MEM) <a href="#">publications</a>, with regular update, but does not provide these figures or a link to where they can be found on the MEM website. Annual statistical publications (see <a href="#">here</a> and <a href="#">here</a>) may provide some of this information and the MSG is invited to note where data on in-kind revenues can be found. EITI reporting does not touch on in-kind revenues in the extractive sector outside of confirming their existence and stating that further efforts need to be made by the MSG to decide how these revenues should be reported. EP Petroecuador’s financial statements provide aggregate figures on commercialisation of in-kind revenues but the figures reviewed by the Secretariat were not disaggregated by those attributable to</p>

	<p>individual private companies' in-kind payments and EP Petroecuador's commercialisation of its own production. It is not clear if there are in-kind revenues collected in the mining sector, perhaps by ENAMI.</p> <p>There has not been a discussion by the MSG about the materiality of in-kind revenues and as noted above, existing information is not disaggregated in a manner that allows an understanding of volumes and values of in-kind revenues at the level of contracts or legal agreements. EITI reporting does not provide an assessment on the possibility of disclosing these in-kind revenues by type of product, price, market and sale volume, ownership of the product sold and nature of contract. These last two aspects are of particular importance given Ecuador's involvement with oil-backed loans and the recent Gunvor bribery case where EP Petroecuador provided below market value oil as repayment for loans. Clear buyer information and disaggregation are necessary to ward against these practices in the future. Likewise, there is no comment on how buying companies are selected (including technical and financial criteria) or whether buying companies have disclosed volumes received from the state or state-owned enterprises and payments made for the purchase of oil and potentially solid minerals. While EP Petroecuador discloses information about its overall sales, this data is not disaggregated to allow a public understanding of which part of this production represents the SOE's own production, or equity oil. Data reliability of in-kind revenues was not discussed.</p>
<p><b>Transactions related to state-owned enterprises (Requirement #4.5)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat's assessment is that Requirement 4.5 is mostly met. Stakeholders consulted did not express particular views on the fulfilment of the objective of ensuring the traceability of payments and transfers involving SOEs and strengthening public understanding of whether revenues accruable to the state are effectively transferred to the state and of the level of state financial support for SOEs, outside of stating that budget decisions are taken in coordination with the MEF and MEM. It is the Secretariat's opinion that while information on most of these payments and transfers are publicly available, the lack of financial statements from EP Petroecuador after 2020 prevents an up to date understanding of the SOE's financial relationship with the state, especially in light of the company's ongoing role in supporting the domestic economy's use of petroleum and petroleum derivatives.</p> <p>Despite not being included in the scope of reporting, the role of all three extractive SOEs, including ENAMI EP, are described in EITI reporting. Consulted government stakeholders confirmed that private companies' extractive payments flow straight to the MEF and that EP Petroecuador does not have a role in collecting these payments.</p> <p>EITI reporting discloses most of the payments that EP Petroecuador makes to government, clearly distinguishing between those payments particular to the SOE and those which all extractive companies are subject to. Payments specific to EP Petroecuador stem from exports of petroleum derivatives, the anticipated sale of petroleum and the direct export of petroleum. While private companies also make payments based on the export of petroleum, these payments represent the sovereignty margin applicable to the state, as noted in oil contracts, and are classified under a different revenue code. It is the Secretariat's understanding from consultations with government officials and a brief review of EP Petroecuador's most recently published financial statements that the company subsidises the country's domestic oil and gas industry in many ways, with payments made into the Account for Financing the Derivative Deficit (CFDD),</p>

	<p>managed by the Ministry of Economy and Finance. While EITI reporting notes payments made into the CFDD, it does not properly identify them as a payment made from a state-owned enterprise to government, as required in Requirement 4.5. It does not appear that EP Petroecuador received any transfers from the state or private companies in the period under review but it remains to be confirmed whether there is the possibility of EP Petroecuador or ENAMI receiving transfers from government as it appears that until Petroamazonas was absorbed by EP Petroecuador, it was receiving transfers from government.</p>
<p><b>Quasi-fiscal expenditures (Requirement #6.2)</b></p> <p><i>Partly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 6.2 is partly met. Stakeholders did not express particular opinions on the objective of ensuring that extractive-funded expenditures by EP Petroecuador, or other state-owned enterprises, on behalf of government that are not reflected in the national budget are disclosed to ensure accountability in their management, although consulted government stakeholders confirmed the existence of some such expenditures by EP Petroecuador. The Secretariat considers that the objective of this requirement is not yet fulfilled, despite some systematically disclosed information on the subject, due to a lack of MSG discussion and documentation of quasi-fiscal expenditures undertaken from 2020 to 2022 to determine the importance and financial terms of such agreements.</p> <p>Ecuador EITI acknowledges their inaction in developing a reporting process on quasi-fiscal expenditures and has committed to initiating this process in future reporting cycles. While this promise is welcome, Ecuador already discloses some information on potential quasi-fiscal expenditures, and it does not appear that these sources were reviewed in the spirit of including them in the 2020-2022 EITI Report. The MSG has not yet agreed upon a definition for these expenditures and is urged to consider the IMF’s definition to hasten the reporting process.</p> <p>Consultations with government stakeholders touched upon the subsidies that EP Petroecuador is providing to the domestic market when it comes to petroleum derivatives and domestic natural gas and oil consumption. The SOE systematically discloses information on some of these expenditures in its <a href="#">financial statements</a>, but statements since 2020 are not available and the MSG has not indicated whether this information can be found elsewhere, or whether it is recorded in the national budget. From the Secretariat’s understanding, one method by which EP Petroecuador supports the domestic market is through contributions to the Account for the Financing of the Derivative Deficit. It is not clear whether there are financial statements associated with this account or whether these contributions are first recorded in the national budget.</p> <p>In addition to establishing a definition of QFEs, Ecuador MSG must consider these expenditures in terms of their materiality for EP Petroecuador and any involved subsidiaries or joint ventures. Given Ecuador’s previous willingness to enter into financing agreements involving future payment using extractive resources, and a renewed emphasis to move away from these methods to garner higher prices on the spot market, EITI reporting and studies could be a key instrument to provide the public with reference data on the status of ongoing loans and subsidies provided by state-owned enterprises.</p>

### New corrective actions and recommendations

- In accordance with Requirement 2.6, Ecuador should ensure that all state entities that are substantially engaged in the extractive industry value chain, such as ENAMI, are considered for inclusion as material SOEs for EITI reporting. EP Petroecuador should make information related to its relationships with subsidiaries, participations and level of ownership or changes in ownership in extractive companies and projects, easily accessible to the public and Ecuador's MSG is advised to publish this information in future EITI reports. Likewise, information on practices related to the financial relationship between the government and EP Petroecuador, such as transfers of funds to EP Petroecuador (and formerly Petroamazonas) from government should be clarified. To strengthen implementation, Ecuador MSG should discuss and disclose EP Petroecuador's loans and loan guarantees with private companies, particularly related to commodity traders. Relatedly, EP Petroecuador should strive to disclose the identity and beneficial ownership of their agents or intermediaries, suppliers or contractors for material transactions. The rules and practices related to EP Petroecuador's procurement and subcontracting procedures should also be highlighted in EITI reporting.
- In accordance with Requirement 4.2, Ecuador MSG should discuss the materiality and relevance of in-kind revenues from the commercialisation of oil, and possibly solid minerals, independently of whether these are commercialised by EP Petroecuador or the Ministry of Energy and Mines, or any other party. The MSG should disclose whether these in-kind revenues are sold as part of the revenue of the state or as part of payments to companies that provide services to the state or to EP Petroecuador. These payments should be disclosed to the levels commensurate with the reporting of other payments and revenue streams. To strengthen implementation of Requirement 4.2, Ecuador is encouraged to include a description of the process for selecting the buying companies, the technical and financial criteria used to make the selection, the list of selected buying companies, any material deviations from the applicable legal and regulatory framework governing the selection of buying companies, and the related sales agreements.
- In accordance with Requirement 4.5, Ecuador MSG should establish materiality thresholds to help determine the applicable universe of SOEs and payments between private companies, SOEs and the state and publish such payments. Ecuador's MSG should determine the entire universe of payments made by SOEs to the state, and with the inclusion of ENAMI EP, should ensure that these payments are disaggregated and published by revenues derived from ENAMI's own mining contracts, production sharing agreements, and those derived from its role as a trader for artisanal gold. The MSG should document whether there are any transfers from the state to SOEs.
- In accordance with Requirement 6.2, Ecuador MSG should establish a reporting process to disclose quasi-fiscal expenditures that includes a definition of what these expenditures are and materiality thresholds. The MSG should review what information is already publicly available on government websites and use EITI Reports as a place to consolidate this material. Given various expenditures supported by EP Petroecuador, the MSG should establish which expenditures are recorded in the national budget and which are not. Where subsidiaries of state-owned enterprises and joint ventures in which these companies are present are involved in quasi-fiscal expenditures, the MSG should outline this involvement.

## Production and exports (Requirements 3.2, 3.3)

### Overview of progress in the module

Ecuador uses EITI reporting to document where data on production and export volumes and values can be found systematically disclosed on government websites but considering highlighted irregularities in this data, Ecuador’s MSG could further leverage EITI reports to document reform efforts currently underway by government entities to improve opaque export practices of gold and other precious solid minerals. Company selection for EITI reports could also focus on priority areas, such as companies associated with the production and export of gold to address what appears to be large revenue leakages. With the inclusion of ENAMI in the EITI process, further attention and documentation should be given to the informal mining sector.

### Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement and assessment	Summary of progress in addressing the EITI Requirement
<p><b>Production (Requirement #3.2)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 3.2 is mostly met. Some government stakeholders considered that the objective should be fulfilled but the Secretariat identified gaps in publicly available information that inhibit a full public understanding of production levels of all mining commodities and the valuation of produced oil and gas, as a basis for assessing expected government revenues from the extractive industries and the potential for government revenue leakages linked to under-reported production. Therefore, the Secretariat considers the objective to be mostly fulfilled. During consultations, government and international development stakeholders both agreed that opacity in mining sector production prevents a clear understanding of the revenues that should derive from this sector.</p> <p>In the oil and gas sector, Ecuador’s 2020-2022 EITI Report discloses oil and gas production volumes, including associated gas production and information for EP Petroecuador, at the aggregate level. This information is systematically disclosed in a more disaggregated manner in annual reports available on the government’s digital <a href="#">library</a>, the Ministry of Energy and Mines annual <a href="#">publications</a>, as well as in periodic <a href="#">reports</a> from the Central Bank. Disaggregation of production volumes extends to state/region, company and project/field, but production values are not disclosed, even in aggregate. Publicly disclosed production values in the oil and gas sector are relevant given Ecuador’s ongoing oil-backed loans with China and the recently resolved Gunvor bribery <a href="#">case</a> in which Gunvor received barrels of oil as repayment that were valued at below-market rates from 2012 to 2020.</p> <p>For the mining sector, Ecuador’s 2020-2022 EITI Report discloses aggregate information on production volumes for the Fruta del Norte and Mirador projects, which are the two large-scale mines reported to be in production. This information derives from a Central Bank <a href="#">publication</a> that is published every quarter, which provides more detailed information on production of solid minerals disaggregated by project. Information on production volumes for artisanal and small-scale mining are</p>



	<p>not included in EITI reporting and the available official data seems to be outdated. The MSG's comments to the draft Validation report clarified that while the Central Bank publishes production information, it is the Ministry of Energy and Mines and the Vice-ministry of Mines that generate these figures. These comments also pointed to a lack of financial and human capacity as reasons for the lack of up-to-date information on artisanal and small-scale mining. In the <a href="#">National Action Plan</a> on the use of Mercury in the artisanal and small-scale mining, in accordance with the Minamata convention, a broad approximation on annual production of gold are disclosed. However, this report was published in 2020 and does not include other commodities produced from artisanal and small-scale mining. Ecuador's 2020-2022 EITI Report does not disclose production values. Information on production volumes and values, however, is systematically disclosed in <a href="#">periodic reports</a> from the Central Bank for the Fruta del Norte (gold, silver) and Mirador (copper) projects by commodity. Government stakeholders who were consulted stated that the quality of production information is poor, especially as it pertains to the small-scale and informal sector, and this prevents a clear understanding, by both the public and by government officials. There does not appear to be documentation related to the reliability of production information or how production data has been calculated, although the source of this information is clearly cited.</p>
<p><b>Exports (Requirement #3.3)</b></p> <p><i>Fully met</i></p>	<p>The International Secretariat's assessment is that Requirement 3.3 is fully met. The Secretariat's view is that Ecuador sufficiently ensures a public understanding of export levels and the valuation of extractive exports in the mining sector, as a basis for assessing expected government revenues from the extractive industries and the potential for government revenue leakages linked to under-reported exports. Consulted stakeholders broadly acknowledged the underreporting of some artisanal mineral exports but noted that export information in the oil and gas sector is systematically disclosed. Following reports from independent media organisations on irregular artisanal exports of gold, government agencies such as the SRI and the ARCOM have publicly signalled their commitment to investigate and resolve allegations concerning a lack of associated tax payments from some companies exporting large quantities of gold. Export information in the hydrocarbon sector is publicly accessible and disaggregated, which leads the Secretariat to conclude that the objective is fulfilled.</p> <p>For the oil and gas sector, Ecuador's 2020-2022 EITI Report discloses disaggregated information on oil export volumes for private companies and for EP Petroecuador, with exports disaggregated by region of origin, commodity, company and project. Information on how oil exports were calculated is also systematically disclosed. It is the Secretariat's understanding that all-natural gas produced in Ecuador is consumed domestically. Oil export data is reported from the Central Bank on a <a href="#">quarterly basis</a> and the Ministry of Energy and Mines on an <a href="#">annual basis</a>. Ecuador's 2020-2022 EITI Report does not disclose oil export values or reproduce the data shown in systematic disclosures. EITI reporting could be used to discuss specific aspects related to petroleum exports using the data systematically disclosed in government reports.</p> <p>For the mining sector, Ecuador's 2020-2022 EITI Report discloses aggregate information on export volumes of mining commodities, which are sourced from the Central Bank. Ecuador's 2020-2022 EITI Report does not disclose export values. Information on export volumes and values, however, is systematically disclosed in <a href="#">periodic reports</a> and <a href="#">publications</a> from the Central Bank for gold, silver, lead and copper concentrate, zinc concentrate, salt, and other mineral products. The information is readily available via downloadable reports from the Central Bank,</p>

	<p>which include information on general product category, country of destination, specific product, volume, and value.</p> <p>EITI reporting provides the source of export data but it is not clear to the Secretariat whether information on how export data was calculated is publicly accessible. Likewise, it does not appear that the MSG made efforts to disclose estimates of artisanal and small-scale mining exports of solid minerals. While documentation of calculations and estimates is encouraged, but not required, the latter is of particular importance as it pertains to gold exports.</p> <p>While the 2020-2022 EITI Report documents the licensing procedures relevant to artisanal and small-scale mining, it does not touch upon the illegal production and export of both Ecuadorian gold and foreign-produced gold smuggled through Ecuador's porous borders. This subject has been studied in detail by the Organisation of American States in its December 2021 <a href="#">publication</a> on the linkages of money laundering and gold production in the country. Investigative journalism organisations based in the region, such as Ojo Público and Plan V, continue to uncover irregularities in <a href="#">export data</a> between different government entities and in the <a href="#">amount of income tax</a> that exporting companies are obligated to pay to government entities. In the MSG's comments to the draft Validation report, they note that institutional weakness in the Internal Revenue Service and ARCOM are key areas to improve to provide more institutional control of this sector. Historically, mining export licenses were granted by regional offices of the ARCENNR but it appears that <a href="#">beginning</a> in August 2024, the ACERNNR's (now ARCOM) central office in Quito will be remitting these licenses for provinces susceptible to illicit gold exports. Likewise, the SRI has <a href="#">committed</a> to creating a system to detect revenue leakages in the gold export value chain.</p> <p>Recent government actions, taken in response to independent media investigations, signal a willingness by government to address a major issue from both a domestic resource management and security perspective. However, these commitments considering irregularities in export licensing procedures and improper tax payments related to exports call into question the comprehensiveness of export volumes and values provided through EITI reporting.</p>
<p><b>New corrective actions and recommendations</b></p>	
<ul style="list-style-type: none"> <li>• In accordance with Requirement 3.2, Ecuador is required to disclose the value of production by extractive commodity (primarily in oil and gas) and ensure that these volumes and values of production are further disaggregated by project (primarily in mining). To strengthen implementation of Requirement 3.2, Ecuador is encouraged to use EITI reporting to report on informal sector activities, including an estimate of production resulting from artisanal and small-scale activities. The sources of and the methods for calculating production volumes and values, including those for the small-scale and informal mining sector, should also be disclosed.</li> <li>• To strengthen implementation of Requirement 3.3, Ecuador is encouraged to disclose the sources of and the methods for calculating export volumes and values. These are of particular importance given highlighted irregularities in export taxes paid to government entities. Ecuador is also encouraged to disclose data related to the export of artisanal and small-scale gold and use EITI reporting to document reforms in this sector given documented revenue leakages.</li> </ul>	

## Revenue collection (Requirements 4.1, 4.3, 4.4, 4.7, 4.8, 4.9)

### Overview of progress in the module

Ecuador has adopted a flexible approach to EITI reporting, unilaterally disclosing government revenues on the oil, gas and mining sector. This approach was chosen given the limited funding available for reporting which did not allow for data collection from companies and reconciliation of government revenues and company payments. The report offers insights into the number of profitable companies based on tax information disclosed by the Superintendency of Companies. Government revenue data from key entities such as the Ecuadorian Tax Service and Ministry of Economy and Finance allows to identify major revenue streams, but it is aggregated, preventing a company-by-company analysis. Ecuador's 2021 National Risk Assessment revealed inconsistencies between values recorded in the Internal Revenue Service databases and those reported by taxpayers. Therefore, EITI reporting could offer greater transparency by providing a more detailed breakdown of revenue streams for each company but also ensuring reconciliation between what companies' report paying and what the government receives. Expanding the scope to include additional government entities, such as the Central Bank—which holds critical information on exports and production—would also offer a more complete picture of the sector's overall fiscal contributions. Although most revenue information is systematically disclosed through government portals, the Ecuador 2020-2022 EITI Report adds value by collating data from various sources.

International and domestic media sources document the existence of resource-backed loans. Ecuador's debt restructuring during the reviewed period included renegotiating oil-backed loan terms. Consulted stakeholders emphasised that exports, particularly of oil, are a crucial source of government revenue. They also noted that these agreements have been quite opaque, with only a small portion of information publicly available. While the 2020-2022 EITI Report provides information on national debt, it fails to explicitly connect debt to key extractive industry concerns such as external indebtedness associated to oil-backed loans. Moreover, there is no evidence that the MSG has discussed barter-type arrangements. Thus, the Secretariat's view is that Requirement 4.3 is applicable in the period under review, and annual review of the existence and materiality of barter-type arrangements should be prioritised given its relevance to Ecuador's revenues, risks involved and the impacts on debt sustainability.

Government portals provide data on overall oil transportation volumes for years 2020, 2021 and 2022. A transportation levy imposed on oil transported through Ecuadorian pipelines, or *gravamen a la tarifa de oleoducto*, contributes to the general budget. The state-owned enterprise, EP Petroecuador, collects this levy and transfers it to the state treasury. While the 2020-2022 EITI Report includes information on the levy and reported amounts by the Ministry of Economy and Finance, information lacks a detailed breakdown of the companies and projects liable for the transportation levy. Despite the availability of public information, consulted stakeholders reported a lack of clarity regarding the flow of revenues associated with pipeline transportation. As Ecuador contemplates the [transfer of the 485km privately operated OCP oil pipeline to state ownership](#), transparent disclosure of the proposed arrangements, including clear definitions of transportation taxes, tariffs, and related payments, is essential to enhance accountability and public understanding of the fiscal implications of this transition.

Ecuador EITI has made strides to disclose company payments and government revenues in a disaggregated manner and has collaborated with the Ministry of Energy and Mines for this

purpose. Despite these efforts, the 2020-2022 EITI Report provides limited project-level data, especially concerning the oil and gas sector. Progress in identifying extractive revenue streams at the project level, as opposed to the company level, has been minimal and notably absent are disclosures for the state-owned enterprise EP Petroecuador. Ecuador published its first EITI Report within Board-approved timeframes for EITI reporting. Its 2020-2022 EITI Report was published in April 2023, following the [Board's granting of an extension](#) to Ecuador's reporting deadlines.

Efforts to establish robust procedures for ensuring the reliability of financial data disclosed in EITI Reports are still in their early stages. While progress has been made, there remains a need for strengthened quality assurances, particularly given external assessments indicating areas for improvement in audit practices. The state-owned enterprise EP Petroecuador is currently working to complete financial audits for the years 2019, 2020, and 2021. Ecuador EITI has an opportunity to use the EITI process to conduct a comprehensive review of audit and assurance practices among significant extractive companies and revenue-collecting entities.

### Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement and assessment	Summary of progress in addressing the EITI Requirement
<p><b>Comprehensive disclosure of taxes and revenues (Requirement #4.1)</b></p> <p><i>Partly met</i></p>	<p>The International Secretariat's assessment is that Requirement 4.1 is partly met. Despite consulted stakeholders noting that the 2020-2022 EITI Report contains government revenue information, the objective of ensuring comprehensive disclosure of companies' payments and government revenues was not yet fulfilled due to weaknesses in the reporting process. However, Ecuador EITI has made a positive step towards identifying material revenue streams through the scoping and materiality study. Consulted stakeholders highlighted collaboration among relevant stakeholders, but noted that institutional challenges, along with severe funding shortages, significantly disrupted the reporting process. It is essential that all companies holding contracts and licenses be requested to waive any confidentiality clauses that prevent the reporting of revenue information for the next reporting cycle. The Secretariat's view is that the objective of ensuring comprehensive disclosures of company payments and government revenues from oil, gas and mining as the basis for detailed public understanding of the contribution of the extractive industries to government revenues is partly met.</p> <p>Ecuador adopted a flexible reporting approach, relying on government disclosures without reconciliation since no company data was collected. In Ecuador, companies are required to submit their audited financial statements and annexes to the company registry. Given access to this registry, the Independent Administrator (IA) did not establish a materiality threshold. Instead, the IA analysed data from the entire sector, including mining and quarrying. The EITI Report provides aggregate data on income tax paid, income tax accrued, and net profits of companies with active production-sharing contracts. It also compares the payments of companies represented in the MSG to the total of payments from all companies in the extractive sector. However, the data is presented by revenue and does not include company-level detail.</p> <p>The Report primarily focuses on income tax and profits, without addressing other revenue streams. A separate section includes disclosures from the Ecuadorian Tax</p>

	<p>Administration, showing that value-added tax generates the highest tax revenue, followed by income tax. This indicates that relying solely on data from the company registry and focusing on net profits and income tax is not sufficient to fully capture the most significant contributors to government revenue from the extractive industries.</p> <p>For the mining sector, the EITI Report discloses the names of the largest contributors to two revenues streams, which represent 93% of the mining revenues, based on the scoping and materiality study with information from the Ecuadorian Tax Authority for 2020-2022. Additionally, the report provides disaggregated data for nine companies regarding revenue from "mining conservation patents". However, consulted stakeholders highlighted discrepancies between mining revenue figures provided by different government entities, underscoring need for MEM, SRI, and MEF to harmonise data for more accurate and comprehensive information on mining sector revenue.</p> <p>While the Report lists 12 different types of revenue streams for the oil and gas sector and three for the mining sector during the fiscal years 2020-22, based on MEF classification. However, it appears that the MSG did not fully consider the revenue streams listed in provision 4.1.c of the 2019 EITI Standard, raising concerns about the comprehensiveness of the EITI Report. For instance, the report itself cites the <a href="#">distribution of gross oil revenues outlined in the Budget Proforma</a> (a financial forecast that anticipates income, expenses, and overall financial performance over a specific period). This forecast includes other important revenue streams such as the sovereignty margin, oil royalties, net tariff payments and carry forwards, which do not appear to have been taken into account.</p> <p>The EITI Report does not address data quality assurances or the comprehensiveness of the disclosed information. Government stakeholders indicated that EITI Ecuador aimed to gather detailed tax information across different government levels, despite challenges in obtaining disaggregated data. In December-January 2021, Ecuador EITI commenced the scoping and materiality study, engaging with an experienced consultant to carry out this work. The consultant met with all relevant entities to evaluate the available information. Amidst funding shortages, the National Coordinator resigned in mid-2022 during the second consultancy. Consulted civil society stakeholders highlighted that preparing the EITI Report was challenging due to limited preparation time and a remaining budget of only 10.000 USD to complete the report. Development partners acknowledged the report's retention of crucial information, particularly in light of recent reductions in systematically disclosed data by the Ministry of Mines and Energy. Stakeholders observed that the Ministry of Energy and Mines (MEM) now only publishes information on its operational processes rather than on regulations and transparency. Additionally, the information provided by the Ministry of Economy and Finance was perceived as overly complex, and there were limited disclosures from the Ecuadorian Tax Authority (SRI), with accountability reports being less than 40 pages long.</p>
<p><b>Infrastructure provisions and barter arrangements (Requirement #4.3)</b></p> <p><i>Partly met</i></p>	<p>The International Secretariat's assessment is that Requirement 4.3 is partly met. Consulted stakeholders considered that this was a key transparency issue for the extractive sector of the country and that lack of effective coordination among government entities resulted in conflictive contract negotiation processes of natural resource management. The 2020-2022 EITI Report provides some information on external public debt and creditor breakdowns but falls short of detailing the specifics of oil-backed loans, their terms, and the values involved. The</p>



	<p>Secretariat's view is that the objective of ensuring public understanding of barter-type arrangements is not fulfilled given limited MSG efforts in addressing transparency in barter agreements through EITI implementation, despite the relevance, availability of third-party sources and documentation on government platforms, including EP Petroecuador financial statements.</p> <p>Following systematic disclosures from the <a href="#">Ministry of Finance</a>, the 2020-2022 EITI Report includes a section on external public debt with a breakdown of creditors and debt balances. However, the report does not offer further details regarding the correlation between debt and oil-backed loans, a critical issue for the Ecuadorian government in 2022, evidenced by the extensive public debate surrounding these loans and efforts by EP Petroecuador to transition more sales to the spot market. This highlights a potential area for improvement in future EITI reporting. A clear recommendation resulting from the initial scoping and materiality study is for EITI reporting to disclose the scope of the Strategic Ecuador-China Alliance, the active long-term (oil) sales contracts, the volume and values of crude delivered for anticipated sales, as well as the values of sales still to be settled in volume and value of production.</p> <p>Ecuador faces significant debt obligations and part of this debt is financed through oil exports. Public information sources indicate that barter agreements existed for the period under review and suggest that as of 2020, Ecuador had yet to deliver <a href="#">160 million barrels of crude oil</a>. For instance, between 2010 to 2016, Ecuador's Ministry of Finance signed various loan agreements or <i>long term facilities</i> (<a href="#">phase I</a>, <a href="#">phase II</a>, <a href="#">phase III</a>, <a href="#">phase IV</a>, and <a href="#">phase V</a>) with China Development Bank (CDB) totalling USD 7 billion. These agreements involve crude oil delivery contracts with PetroChina (subsidiary of CNPC) and Unipecc Asia. Among these, the Phase IV Facility under "PetroChina Intl. Sales and Purchase Contract", signed in 2016, appears to be still active and has been amended at least three times: in 2018 (Amendment No. 1), in <a href="#">2020</a> (Amendment No. 2) and in 2022 (Amendment No. 3). Various news articles covered the latest negotiation by President Guillermo Lasso's administration (see <a href="#">here</a>, <a href="#">here</a> and <a href="#">here</a>). Ecuador sought to renegotiate loan terms to increase the amount of oil available for sale on the spot market, adjust price formulas, and alleviate its debt burden. Amendment No. 3, <a href="#">disclosed by the Ministry of Economy and Finance</a>, revised the oil delivery schedule to April 2027 (instead of 2024). This document also discloses the total number of barrels to be supplied to PetroChina Intl., amounting to 190,440,000 barrels of crude oil, as well as the number of cargoes, delivery schedules, and oil volumes per cargo (pages 8-10). However, public sources indicate that there have been at least 13 different oil-backed loan agreements, most of which are not public due to confidentiality clauses. Comprehensive information on the number of other active agreements, the quantity of crude exported and the pricing details remains pending. In 2022, Ecuador's National Assembly's Political Control and Oversight Commission approved a <a href="#">report</a> about the commercialisation of crude with the Asian companies Petrochina International, Unipecc and PTT International. The report established damages to the State of USD 4.8 billion due to the application of the formulas and conditions in the contracts signed with the aforementioned companies. The prevailing message from consultations regarding resource-backed loans highlights the need for enhanced transparency in resource-backed loans and noted that the lack of coordination between different government entities lead to conflict and complex resource management contracts. They also highlighted that a significant portion of Ecuador's oil production is used for debt repayment. Development partners pointed out that these agreements have been declared confidential, and</p>
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	<p>it was only under the previous government that the extent of oil barrels committed as part of these agreements began to emerge, often revealed through investigative journalism. Some government stakeholders provided limited comments on this topic and noted that the responsibility for disclosure lies with the Ministry of Economy and Finance and the Ministry of Energy and Mines. Given that oil sales are one of the main sources of government income, EITI implementation should address barter agreements and any other agreements involving full or partial exchange for oil, gas and mining exploration or production concessions or physical delivery of such commodities.</p>
<p><b>Transportation revenues (Requirement #4.4)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 4.4 is mostly met. Ecuador counts systematically disclosed information about volumes and values of hydrocarbons transported through the state-owned pipeline SOTE. However, consulted stakeholders considered that information on transportation revenues remains unclear and there does not appear to be a consideration on the materiality of these revenues. The Secretariat’s view is that there is room for improvement to fully meet the objective of ensuring transparency in government and SOE revenues from the transit of extractive commodities as a basis for promoting greater accountability in extractive commodity transportation arrangements involving the state and EP Petroecuador.</p> <p>Ecuador systematically discloses information on the volumes transported through its pipelines via EP Petroecuador’s annual statistical reports and through the Central Bank of Ecuador “<a href="#">Oil sector report</a>” This data, disaggregated by month, is available for years <a href="#">2020</a>, <a href="#">2021</a>, <a href="#">2022</a>. The EITI Report references these figures and notes that a tax is imposed under Law 40, which is derived from the difference between the transportation tariff and the cost of transporting oil through state-owned SOTE (Sistema del Oleoducto Transecuatoriano). This means that the revenue is not calculated in function of volumes but on the difference between what companies pay to transporting oil and what EP Petroecuador or pipeline operators actually incur in transportation costs. If a company pays a tariff higher than the transportation cost, that difference is subject to taxation and it’s what enters the state’s revenue. Values related to this tax are disclosed in the EITI Report. Additionally, there is a levy (<i>gravamen a la tarifa de transporte</i>) of USD 5 cents per barrel of crude oil imposed on the transportation tariff for oil transported through SOTE (owned by EP Petroecuador). EP Petroecuador collects this levy, which is then remitted to the state. Oil transported for internal consumption is excluded from this tax. In a separate section of the report, EP Petroecuador’s contribution to the state general budget -sourced from the Ministry of Economy Finance- is presented, showing the revenue generated by this levy for years 2020, 2021, and 2022. While the report establishes the significance of this revenue stream compared to others (ranging from 0.1% to 0.3% of total revenues covered by the EITI Report), it does not appear that the MSG has considered whether these revenues are material and if so the need to publish data with a level of detail commensurate with other payments and revenue streams. Further transparency on transportation arrangements, including the companies involved and their contracts, would strengthen public oversight. To improve accessibility, future reports could include simplified summaries and visual aids to clarify how these revenues support the state budget.</p>
<p><b>Level of disaggregation (Requirement #4.7)</b></p>	<p>The International Secretariat’s assessment is that Requirement 4.7 is partly met. Stakeholders did not express any particular views on the objective of ensuring disaggregation in public disclosures of company payments and government revenues from the extractive sector. Ecuador discloses, in aggregate, government</p>

<p><i>Partly met</i></p>	<p>revenues by revenue stream from the oil, gas and mining sectors. The MSG has not documented which forms of legal agreements constitute a project. The Secretariat's view is that the objective of enabling the public to assess the extent to which the government can monitor its revenue receipts as defined by its legal and fiscal framework and that the government receives what it should from each individual project has not been fulfilled given the lack of disaggregation of all revenue streams at the levels required.</p> <p>Most of the financial data presented in the 2020-2022 EITI Report is presented by extractive sector and revenue stream, but not by company or by project. Government stakeholders confirmed this that this was due to confidentiality clauses in place. While information is presented by government entity, other relevant revenue-collecting entities, such as the Central Bank of Ecuador, were not included in the scope of reporting. Stakeholders emphasised the importance of including this institution given its role in managing production and export data.</p> <p>Only revenue stream "<i>patentes de conservación minera</i>" (mining conservation patent) is presented by company level and associated project names. The report explains that mining conservation patents are estimated per hectare and assessed at the mining concession level. The report includes partial information on projects managed by the mining SOE ENAMI EP, but not associated values. ENAMI was not considered material, and thus not in the scope of reporting for this Validation period. For the oil and gas sector, the report notes EP Petroecuador's involvement in 15 different projects. It is also stated that 12.5% of oil production royalty payments are based on a "joint production of each company, and its subsidiaries and ventures." However, the MSG does not appear to have documented what does constitute a project, i.e. if there are any operational activities that are governed by a single contract, license, lease, concession or similar agreement or by multiple agreements interconnected that give the rise to payment liabilities (and not by company).</p>
<p><b>Data timeliness (Requirement #4.8)</b></p> <p><i>Fully met</i></p>	<p>The International Secretariat's assessment is that Requirement 4.8 is fully met. The publication of the 2020-2022 EITI Report within Board-approved timelines (April 2023) ensures that public disclosures of company payments and government revenues from oil, gas and mining are sufficiently timely to be relevant for public debate and policymaking and the Secretariat considers the objective to be fulfilled.</p> <p>Ecuador's inaugural EITI Report spans the fiscal years 2020-2022. The MSG reached a consensus on the accounting period in March 2023. Per Ecuador's 2020-2022 work plan, the reporting cycle was slated for completion by the second quarter of 2022. However, the reporting deadline was missed, leading to two extensions granted to the country by the EITI Board (see <a href="#">here</a> and <a href="#">here</a>). Nonetheless, Ecuador managed to publish its report within the second deadline, encompassing two fiscal years. Consequently, the disclosures are deemed sufficiently timely to contribute meaningfully to public discourse and policy formulation, as the data presented is no older than the second-to-last complete accounting period upon publication. Looking ahead, the MSG could incorporate activities into its future work plans aimed at bolstering the timeliness of EITI data disclosures, potentially including an assessment of payments that could be reported more promptly.</p>

<p><b>Data quality and assurance (Requirement #4.9)</b></p> <p><i>Partly met</i></p>	<p>The International Secretariat's assessment is that Requirement 4.9 is partly met. Consulted stakeholders did not express particular views towards the objective of ensuring the reliability of disclosures of company payments and government revenues from oil, gas and mining. Ecuador's MSG relied on government disclosures and adopted a flexible reporting approach. However, the World Bank EITI feasibility report and third-party sources highlight weaknesses with the auditing mechanisms for the public sector. With regards to companies, consulted stakeholders noted that not all companies identified in the scoping and materiality study had their financial statements audited. The Secretariat's view is that these shortcomings hinder the objective of ensuring that revenues and company payments are subjective to credible, independent audits, applying international standards.</p> <p>The World Bank's <a href="#">feasibility study for Ecuador's EITI adhesion</a>, published in 2019, underscores that the <a href="#">Comptroller General's Office</a> (Contraloría General del Estado, CGE) is responsible for auditing public sector entities and state-owned enterprises (SOEs). The Organic Law of Public Enterprises establishes the use of international standards in the accounting practices of SOEs. However, the study notes that regulations across various government agencies are not harmonised, therefore, financial reports contain deficiencies. Additionally, the Comptroller General's Office often outsources auditing processes to private firms, based on cost considerations rather than adherence to international standards. This frequently leads to shallow audit results not adhering to international standards and that in most cases there is insufficient follow-up on identified weaknesses. <a href="#">Ecuador's Coordinator of Public Companies (EMCO EP)</a>, whose objective is to plan, articulate, coordinate, control and validate the policies and actions of all public companies, publishes online information on state-owned companies, but this data is not audited. The <a href="#">U.S Department of State 2023 investment climate statement</a> notes that SOEs' financial information is limited and lacks independently audited balance sheets. In 2023, the Inter-American Development Bank (IDB) confirmed financial support to EP Petroecuador for auditing its 2019-2021 financial statements. Consulted stakeholders from EP Petroecuador informed that the company has made efforts to audit its balance sheets but that these efforts have not yet resulted in publicly available audited financial statements.</p> <p>In Ecuador companies submit their financial statements and annexes to the company registry. However, only companies that meet specific thresholds for asset, revenue or size are required to have their financial statements audited annually. Stakeholder consultations underscored the lack of audited financial statements from companies identified in the scoping and materiality study, though the exact number of companies without audited financial statements was not specified.</p> <p>The Ecuador 2020-2022 EITI Report does not describe the types of quality assurances or provide comments on the credibility of information disclosed by government and corporate entities. For EITI to contribute to strengthening routine government and company audit and assurance systems and practices and ensure that stakeholders can have confidence in the reliability of financial data on payments and revenues the MSG should follow up the recommendations laid out in the feasibility study and undertake a review of the audit and assurance procedures in companies and government entities relevant for EITI reporting.</p>
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### New corrective actions and recommendations

- In accordance with Requirement 4.1, Ecuador, based on the relative size of extractive revenues streams to the total government revenues, is required to agree on a materiality definition and thresholds for revenue streams and company payments. Ecuador should ensure that the universe of all payments in their extractive sector has been considered and agreed, with all the revenue streams listed in provision 4.1.c of the 2019 EITI Standard considered. The MSG should disclose total government revenues and should document the rationale for excluding certain revenues in accordance with Requirement 4.1.d, Ecuador must clearly identify companies making material payments and government entities receiving material revenues from oil, gas and mining companies in line with the materiality established. Whether any gaps are identified in companies or government disclosure, the MSG should include an assessment of the impact on the comprehensiveness of the report as well as indicate coverage of reliable disclosures.
- In accordance with Requirement 4.3, Ecuador's MSG and the Independent Administrator need to gain a full understanding of the terms of relevant agreements and contracts, parties involved, resources pledged by the Ecuadorian state (e.g. crude exports) and the materiality of these agreements. Where deemed material, the MSG should ensure that EITI implementation in Ecuador addresses these agreements and discloses them with a level of detail and disaggregation commensurate with other payments and revenue streams.
- In accordance with Requirement 4.4, the MSG is required to evaluate and document materiality definition with regards to transportation revenues. Whether these revenues flows are material, these should be disclosed in accordance with provision 4.4.a, to level of disaggregation commensurate with other payments and revenue streams (i.e. by each individual project, company, government entity and revenue stream). To strengthen implementation of Requirement 4.4, Ecuador is encouraged to provide details on the companies involved in transporting oil, including tariff arrangements and contracts. Further, providing visual aids or examples to support the explanation of transportation flows would make information more accessible to the general public.
- In accordance with Requirement 4.7, Ecuador should assess whether there is in place a definition of project, based on emerging practices in different jurisdictions and consistent with globally applicable mandatory payment disclosure rules. Where a definition is not existent, the MSG should agree on a definition of project, identify revenue streams that are levied by project and disclose revenue stream by individual company, government entity.
- To strengthen implementation of Requirement 4.8, Ecuador is encouraged to improve the timelines of its annual EITI disclosure of government revenues from oil, gas and mining to ensure they are sufficiently timely to be relevant to inform public debate and policymaking.
- In accordance with Requirement 4.9, Ecuador EITI must assess whether company payments and government revenues are subject to credible, independent audits, applying international standards. In accordance with Requirement 4.9, the MSG assessment on quality assurances should inform its deliberations to ensure that the EITI reporting process produce reliable data. The MSG should adopt measures and sign off on procedures to ensure data reliability in EITI Reports. Any gaps or entities that did not meet audit requirements should be documented. To strengthen implementation of Requirement 4.9, Ecuador is encouraged to follow up with relevant institutions on the recommendations outlined in the feasibility study with regards to data reliability and quality assurances.

## Revenue management (Requirements 5.1, 5.3)

### Overview of progress in the module

Ecuador has made significant efforts to systematically disclose national budget data and methodological information. The Central Bank and Ministry of Economy publications are timely but access to these documents can be stymied by technical issues present on some government websites. In this context, EITI reporting still serves as a central point of reference for information that is otherwise difficult to access. EITI reports can supplement existing data by providing detailed information on the development of various funds sustained by extractive revenues, information currently scarce on government websites.

The future of extractive activities in Ecuador is currently under debate, with popular referendums mandating the closure of some oil wells and a limited number of new mining licenses being awarded. Ecuador's strategic priorities could change but without future extractive projects coming online, Ecuador will need to find new revenue sources. EITI reporting could serve as a space to study the changes in government revenues if moratoriums and closures persist.

### Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement and assessment	Summary of progress in addressing the EITI Requirement
<p><b>Distribution of extractive industry revenues (Requirement #5.1)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat's assessment is that Requirement 5.1 is mostly met. The objective of this requirement is to ensure the traceability of extractive revenues to the national budget and ensure the same level of transparency and accountability for extractive revenues that are not recorded in the national budget. EITI reporting provides an explanation, and figures, for extractive revenues recorded in national and subnational budgets. While rules and practices around state-owned enterprises' retention and use of extractive revenues is explained, gaps in comprehensiveness and in the concordance of extractive revenue data published by various government entities prevents the objective of this requirement from being completely fulfilled.</p> <p>EITI reporting provides an overview of the distribution of some extractive industry revenues in Ecuador, but it is not clear where this data is systematically disclosed. It is not clear whether explanations provided in the 2020-2022 EITI Report cover distribution of all extractive revenues in Ecuador and whether some revenues collected on behalf of government are retained by SOEs. Consultations with government stakeholders confirmed that extractive revenues can be retained by EP Petroecuador and that information about these retained earnings are published in annual reports. These stakeholders also confirmed that all extractive revenues flow to national or subnational budgets before being redistributed. The Secretariat understands that this confirmation indicates that funds such as the Fund for the Sustainable Development of the Amazon and the Common Fund for the Surrounding Amazonian Areas receive extractive revenues after being recorded in national or subnational budgets. The MSG is invited to</p>

	<p>comment on this conclusion. The Ministry of Finance website provides general information about the budget process, which can also be found in EITI reporting.</p> <p>While it is the Secretariat's understanding that all extractive revenues are currently collected through national and subnational budgets, the <a href="#">establishment</a> of the Fiscal Stabilisation Fund bears monitoring as this is to be financed with surplus extractive revenues. EITI reporting does not touch on this fund but the Secretariat understands that given the lack of surplus extractive revenues that no revenues have so far been transferred to this fund. The MSG is invited to provide further details about this fund in the MSG comment period.</p> <p>Regarding encouraged aspects, there is no reference to national revenue classification codes or international data standards.</p>
<p><b>Revenue management and expenditures (Requirement #5.3)</b></p> <p><i>Not assessed</i></p>	<p>The International Secretariat's assessment is that Requirement 5.3 remains not assessed, given that several encouraged aspects of this requirement remain to be addressed by Ecuador EITI.</p> <p>The Transparency template notes that extractive revenues are earmarked for specific purposes but does not indicate where figures associated with these earmarks can be found. While revenues destined for specific geographic areas are noted in the Budget Execution Report on the Ministry of Finance website, it does not appear that these earmarks relate specifically to extractive revenues. EITI reporting provides information and links to the country's budgeting and expenditure processes but it remains to be confirmed in consultations which government entity is ultimately responsible for audit processes. It is not clear whether all government entities are subject to independent audits by public audit offices.</p> <p>EITI reporting does not include information on issues of revenue sustainability and resource dependence, including assumptions underpinning forthcoming years in the budget cycle and relating to projected production, commodity prices and revenue forecasts arising from the extractive industries and the proportion of future fiscal revenues expected to come from the extractive sector.</p>
<b>New corrective actions and recommendations</b>	
<ul style="list-style-type: none"> <li>• In accordance with Requirement 5.1 Ecuador should ensure that explanatory information about how extractive revenues is recorded in the national budget, and the actual distribution of revenues, are systematically disclosed on government websites. To strengthen implementation of Requirement 5.1, the MSG is encouraged to reference national revenue classification systems, and international standards such as the IMF Government Finance Statistics Manual.</li> <li>• To strengthen implementation of Requirement 5.3, Ecuador is encouraged to systematically disclose information on earmarked extractive revenues for specific geographic areas and programmes and information on audit processes. Ecuador is also encouraged to disclose information on issues of revenue sustainability and resource dependence, including assumptions underpinning forthcoming years in the budget cycle and relating to projected production, commodity prices and revenue forecasts arising from the extractive industries and the proportion of future fiscal revenues expected to come from the extractive sector.</li> </ul>	



## Subnational contribution (Requirements 4.6, 5.2, 6.1)

### Overview of progress in the module

Ecuador possesses a detailed legal system that governs direct subnational payments and subnational transfers. Subnational transfers are performed through special funds, and these funds provide detailed and publicly accessible information on revenues received, whether in kind, how they were commercialised and how these funds were transferred to communities and their uses. Mandatory social expenditures and environmental payments are dictated by the contracts and licenses agreed upon by companies and affected communities. Taken as a whole, these systems are of high public interest given ongoing debates about the role of extractive activities in the country. Nevertheless, there is a lack of public information on the revenues collected at the subnational level due to a lack of technical capacity and communication between subnational and national entities. Transparent systematic disclosure of this information must catch up to what is mandated by law. Similarly, while social expenditures and environmental payments exist, there is little public visibility of these payments. While some companies' corporate responsibility reports are available on company websites, this is not true for all companies operating in the country. EITI reporting could play a central role in making this information publicly accessible.

### Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement and assessment	Summary of progress in addressing the EITI Requirement
<p><b>Subnational payments (Requirement #4.6)</b></p> <p><i>Partly met</i></p>	<p>The International Secretariat's assessment is that Requirement 4.6 is partly met. The 2020-2022 EITI Report acknowledges the existence of direct subnational payments and this was confirmed via consultations with all constituencies. The objective of this requirement is to allow for a public understanding of benefits that accrue to local governments via direct company payments and to strengthen management of these internally generated extractive revenues. Given the lack of public information around direct subnational payments, this objective is not fulfilled.</p> <p>Consulted industry stakeholders confirmed that they were making direct subnational payments and that they were waiting for direction from government as to how best to report these payments. The 2020-2022 EITI Report acknowledges that more work must be done to publish these payments, as they are not currently able to consolidate the data from the 23 prefectures, 221 municipalities and 821 rural parochial communities. EITI reporting notes that some of this information is available from subnational entities but that a request to the Ministry of Finance to supply this information has not been fully complied with. There is no commentary on the materiality of these payments or data quality assurances associated with these payments. The Viability study carried out by the World Bank and Ministry of Energy and Non-Renewable Natural Resources notes that subnational governments receive direct payments based on levies from construction materials and municipal patents related to extractive</p>

	<p>activities and includes a recommendation to include these payments in the 2020-2022 EITI Report.</p>
<p><b>Subnational transfers (Requirement #5.2)</b>  <i>Mostly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 5.2 is mostly met. The Secretariat’s view is that the objective to enable local stakeholders to assess whether the transfer and management of subnational transfers of extractive revenues are in line with statutory entitlements is mostly fulfilled. While the financial statements from the main funds used to facilitate subnational transfers are publicly available, this is not the case for all revenue sharing formulas and limits the ability to examine discrepancies.</p> <p>The 2020-2022 EITI Report documents some avenues for transfers from national to subnational government entities but does not cover the complete universe of subnational transfers in Ecuador. Aggregate amounts transferred from the national budget to subnational entities are available but there is no disaggregation of this data by subnational entity or beneficiary. It is also not clear if subnational transfers stemming from the Fund for the Sustainable Development of the Amazon first flow through the national budget.</p> <p>EITI reporting notes that the Organic Code of Decentralisation, Autonomy and Territorial Organisation, Article 192, requires that the central government must transfer 21% of permanent revenues and 10% of non-permanent revenues to subnational entities. The majority of the non-permanent revenues that are to be transferred are related to oil production, according to EITI documentation. The amount to be transferred depends on numerous factors, though a numerical formula is not provided.</p> <p>The Viability Study carried out by the World Bank and the Ministry of Energy and Non-Renewable Natural Resources identifies three other funds that take part in subnational transfers of extractive revenues:</p> <ul style="list-style-type: none"> <li>• The <u>Fund for Regional Amazon Ecodevelopment</u> levies a tax of US 1 dollar per barrel of oil that is extracted from the Amazon Region. The Central Bank maintains a special account into which these revenues flow. It is not clear whether financial movements in this fund are publicly available through Central Bank publications.</li> <li>• The <u>Fund for the Territorial Circumscription of the Special Amazon Area</u> that is funded by portions of royalty payments and other revenues made in the area covered by the Fund. The Fund publishes its own <a href="#">financial statements</a> that are publicly available and show transfers from the fund to subnational government entities. The revenue sharing formula and discrepancies between the formula and actual transferred amounts, disaggregated by local government unit, are provided</li> <li>• The <u>Fund for Sustainable Amazon Development</u> levies a tax of 4% of the price of the sale of a barrel of oil that is extracted from the Special Amazon Territorial Circumscription. While there are additional details to these distributions, 28%, 58% and 10% of these funds are to flow to subnational governments in the Amazon at the level of province, municipality and rural parishes, respectively. Of the funds that flow to each of these entities, 40% is distributed equally while the remaining 60% is distributed based on the population of each subnational entity. The Viability study provides some information on how these revenues are earmarked for specific areas, with</li> </ul>

	<p>30% to be invested in “areas of influence of hydrocarbon and mining exploitation projects” and 70% to be invested equally in amazon provinces. It is not clear if there are financial statements associated with this fund that show the specific financial movements. Financial movements of this fund are <a href="#">systematically disclosed</a>.</p> <p>Concerning data quality assurances, the Viability study notes that the MEM is responsible for ensuring the veracity of transfers, which are published by the Central Bank in aggregate. This Study explains that there is no tracing of how these funds are spent, managed or disbursed, which is only encouraged under Requirement 5.2. Nevertheless, there are some data quality assurances provided through <a href="#">reports</a> published by the Technical Secretary for the Territorial Circumscription of the Special Amazon area. The MSG has not agreed on a procedure for addressing data quality of subnational transfers in accordance with Requirement 4.9 nor has the MSG conducted a comparison of amounts expected to be transferred versus actual transfers. No recommendations on how to improve subnational transfers and its management were provided by the MSG in the EITI Report or other EITI documentation. In comments to the International Secretariat during the Validation mission, numerous stakeholders noted that GADs often lack the technical expertise needed to apply for subnational transfers and that this limits the transfer of funds in practice. While mandated under Requirement 5.2, technical training on the subnational level could improve the functioning of subnational transfers in practice.</p>
<p><b>Social and environmental expenditures (Requirement #6.1)</b></p> <p><i>Partly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 6.1 is partly met. EITI reporting provides some publicly accessible information on social and environmental contributions of extractive companies but this data lacks disaggregation and context. Therefore, the Secretariat considers that the objective of enabling for a public understanding of extractive companies’ social and environmental contributions and providing a basis for assessing extractive companies’ compliance with their legal and contractual obligations to undertake social and environmental expenditures is not fulfilled.</p> <p>Consultations with government stakeholders confirmed that there are mandatory social expenditures and environmental payments for mining companies that are decided through community consultations and spelled out in Community Relations Plans associated with licenses and contracts. From documentation and stakeholder consultations, it is not clear whether all oil and gas companies are required to make similar mandatory social expenditures and environmental payments. Ecuador EITI is invited to confirm whether similar arrangements are mandated for all companies in the oil and gas sector and where this data is published, if mandated. It is encouraging that EP Petroecuador’s sustainability reports are published on the Ecuador EITI <a href="#">website</a>. There is no comment on the materiality of social expenditures and environmental payments, which leads the Secretariat to consider that all social and environmental expenditures are material in the period under review. While Lundin Gold’s sustainability reports are linked on the Ecuador EITI website, Ecuador’s MSG has not made the majority of this information easily accessible to the public, through methods such as including links to these statements and reports or publishing the entire universe of this information in EITI Reports or studies conducted by the MSG. Given ongoing discussions on the role of extractive companies in Ecuador’s economy, EITI reporting stands to serve as a source of information to promote educated public debate.</p>

	<p>In mining, the 2020-2022 EITI Report provides aggregate figures on the social contributions of ten mining companies, though it is not clear whether these totals also include environmental payments. It does not appear that the figures provided in EITI reporting represent the entire universe of extractive companies making social and environmental contributions given that there are more than ten companies operating in Ecuador’s mining sector and all mining companies are required to agree on their social and environmental contributions via community consultations. It is not clear whether expenditures were provided in cash or in kind, nor is there an indication as to whether social expenditures were made to third parties. Based on information shared during consultations, the Secretariat understands that social expenditures can be made to third parties, and in kind.</p> <p>In oil and gas, EP Petroecuador’s sustainability <a href="#">reports</a> provide information to some levels of disaggregation required for social expenditures and environmental payments made by the company in the period under review. While information is available regarding the amount invested in different projects, the name and the function of the beneficiary to which the expenditure was made is not clear for each disbursement. It also appears that some of these expenditures were made in-kind and the deemed value is not provided. EP Petroecuador’s sustainability reports also discuss environmental projects that the company is involved in, yet the payments associated with these projects do not seem to be discussed, including the collecting government agency.</p> <p>The Secretariat was not able to locate the MSG’s procedure to address data quality and assurance of information on social expenditures and environmental payments, in accordance with Requirement 4.9, and considers that this procedure was not used to ensure the veracity of the social expenditures and environmental payments disclosed in the 2020-2022 EITI Report. Discretionary social expenditures and environmental payments are not discussed in EITI reporting in terms of materiality or otherwise. It appears that all social and environmental contributions are mandatory in nature but Ecuador’s MSG is invited to confirm this.</p>
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**New corrective actions and recommendations**

- In accordance with Requirement 4.6, Ecuador MSG is required to document the legal and regulatory provisions associated with direct company payments to subnational government entities and determine whether these payments are material, employing a materiality threshold agreed upon by the MSG. For those direct subnational payments considered material, Ecuador MSG is required to disclose these revenue flows with appropriate attention to data quality (Requirement 4.9).
- In accordance with Requirement 5.2, Ecuador is required to disclose all material subnational transfers, disaggregated per subnational entity, per revenue stream and per company. The MSG should determine the entire universe of subnational transfers and subnational units where these transfers are applicable. It should further ensure that all revenue-sharing formulas used in the transfer of extractive revenues from national to subnational entities are publicly available. The MSG should use EITI reporting to examine possible discrepancies between mandated transfers and what was actually carried out or cite where this has been performed by government entities. To strengthen implementation, the MSG is encouraged to agree a procedure to address data quality and assurance of information, in accordance with Requirement 4.9. The MSG should consider promoting or conducting trainings with subnational government entities to increase capacity at the subnational level on how to obtain transfers and

to educate MSG stakeholders on how subnational transfers are conducted in practice. Where subnational entities are not able to participate in documenting these subnational transfers due to practical barriers, the MSG is encouraged to clearly document these barriers in future EITI reports. The MSG is encouraged to report on how extractive revenues earmarked for specific programmes or investments at the subnational level are managed, and actual disbursements, based on information provided by the Technical Secretary of the Special Amazonic Territorial Circumscription.

- In accordance with Requirement 6.1, Ecuador should clarify whether all oil and gas companies are required to make social expenditures and environmental payments. For those companies making these expenditures and payments, Ecuador's MSG should discuss the materiality of these contributions and where considered material, should disclose these benefits. It should identify which contributions were made in-kind and to third-party beneficiaries with a clear listing of their identities. Ecuador MSG must agree upon a procedure to address data quality and assurance of information on social expenditures and environmental payments, in accordance with Requirement 4.9. Ecuador MSG should discuss the existence of discretionary social expenditures and environmental payments and clearly delineate between mandatory and discretionary contributions.

## Background

### Overview of the extractive industries

An overview of the extractive industries is accessible on the [country page](#) of the EITI webpage for Ecuador.

### History of EITI implementation

The history of implementation is accessible on the [country page](#) of the EITI webpage for Ecuador.

### Explanation of the Validation process

An overview of the Validation process is available on the EITI website.<sup>4</sup> The [Validation Guide](#) provides detailed guidance on assessing EITI Requirements, while the more detailed [Validation procedure](#) include a standardised procedure for undertaking Validation by the EITI International Secretariat.

The International Secretariat's country implementation support team include Esteban Manteca, while the Validation team was comprised of Jessica Sánchez and Riley Zecca. The internal review for quality assurance was conducted by Esteban Manteca, Bady Baldé, Gay Ordones and Christina Berger.

### Confidentiality

The detailed data collection and assessment templates are publicly accessible, on the internal Validation Committee page here.

The practice in attribution of stakeholder comments in EITI Validation reports is by constituency, without naming the stakeholder or its organisation. Where requested, the confidentiality of stakeholders' identities is respected, and comments are not attributed by constituency. This draft report is shared with stakeholders for consultation purposes and remains confidential as a working document until the Board takes a decision on the matter.

### Timeline of Validation

The Validation of Ecuador commenced on 1 January 2024. A public call for stakeholder views was issued on 1 January 2024. Stakeholder consultations were held virtually from 27 May to 4 July 2024. The draft Validation report was finalised on 16 October 2024. Following comments from the MSG submitted on 29 November 2024, the Validation report will be finalised for consideration by the EITI Board.

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<sup>4</sup> See <https://eiti.org/validation>



## Resources

- Validation data collection file – [Stakeholder engagement](#)
- Validation data collection file – [Transparency](#)
- Validation data collection file – [Outcomes and impact](#)