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COM(2026) 463 final

2026/0287 (NLE)

Proposal for a

COUNCIL DECISION

on the conclusion of the Sustainable Investment Facilitation Agreement between the European Union and the Republic of Ecuador

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

On 29 July 2025, the Commission adopted a recommendation for a Council Decision[1] authorising the opening of negotiations for a Sustainable Investment Facilitation Agreement with Ecuador (referred to as "SIFA" or "the Agreement"). On 20 October 2025, the Council of the European Union authorised the opening of negotiations and adopted negotiating directives.[2] The negotiations for the SIFA were concluded on 23 January 2026.

This Agreement aims to improve Ecuador's investment climate through commitments on investment facilitation, such as increased transparency and predictability for investment-related laws and regulations, simplification of investment authorisation procedures, and improving public-private dialogue through investor focal points and stakeholder involvement. The ultimate objective is to foster a more transparent, efficient and predictable investment climate, and therefore support Ecuador in attracting foreign direct investment whilst upholding standards concerning the environment, labour rights, and climate. In doing so, this Agreement promotes sustainable development, economic growth, and job creation.

The attached proposal for a Council Decision constitutes the legal instrument authorising the conclusion of the Agreement. The EU-Ecuador SIFA will enter into force on the first day of the second month following the date on which the EU and Ecuador have exchanged written notifications certifying that they have completed their respective requirements and procedures for signature and conclusion of the Agreement.

• Consistency with existing policy provisions in the policy area

The objectives of this Agreement are consistent with the Treaty on European Union (TEU), which provides that the EU should *"encourage the integration of all countries into the world economy, including through the progressive abolition of restrictions on international trade."*[3]

This Agreement builds on and complements the Multiparty Trade Agreement between the EU and the Andean countries, to which Ecuador is Party. The Multiparty Trade Agreement includes provisions on services and investment, including commitments on market access and national treatment for EU investors. This Agreement is an opportunity to deepen the investment relationship between the EU and Ecuador, and support EU investors in taking further advantage of opportunities created by the Multiparty Trade Agreement by improving the regulatory framework and procedures for investments.

The SIFA is fully consistent with, and complementary to the future Investment Facilitation for Development Agreement which has been negotiated within the World Trade Organization.[4]

• Consistency with other Union policies

The objectives are consistent with other EU policies, including the EU's development policy.

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1 Recommendation for a Council Decision authorising the opening of negotiations with the Republic of Ecuador for a sustainable investment facilitation agreement, COM(2025) 427 final.

2 Council Decision (EU) 2025/2278 of 20 October 2025 authorising the opening of negotiations with the Republic of Ecuador for a sustainable investment facilitation agreement, OJ L, 2025/2278, 7.11.2025, ELI: http://data.europa.eu/eli/dec/2025/2278/oj.

3 Article 21(2)(e) TEU.

4 https://www.wto.org/english/tratop_e/invfac_public_e/invfac_e.htm

This Agreement advances the objectives of the Competitiveness Compass of 29 January 2025, which mentioned the need for the EU to *"[seek] new ways of deepening partnerships and [create] benefits for our businesses*", including through SIFAs.[5] It also follows-up on the Trade and Sustainable Development review Communication of 2022.[6]

This Agreement is in line with the Communication on "A New Agenda for Relations between the EU and Latin America and the Caribbean",[7] which stated that "*[t]he EU will continue to work with LAC partners to help create the conditions for sustainable investment, including through Global Gateway and the support of open, stable, and predictable legal frameworks, the removal of discriminatory barriers, and the implementation of investment facilitation.*"

This Agreement complements the EU-LAC Global Gateway Investment Agenda, through which "*the EU can leverage quality investments to help address LAC's infrastructure needs, support the development of human capital, including empowerment of people, especially women, youth and the most vulnerable, and strengthen the enabling business and regulatory environment, with the aim of creating local added value, growth and quality jobs*."[8]

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Substantive legal basis**

The SIFA falls within the Common Commercial Policy, hence the substantive legal basis is Article 207 TFEU.

- **Procedural legal basis**

In accordance with Article 218(6) TFEU, where the agreement relates to matters outside of the common foreign and security policy, the Council is to adopt a decision concluding the agreement on a proposal by the Commission as negotiator.

Given that Article 207 TFEU is the substantive legal basis, the Council is to adopt the decision concluding the agreement after obtaining the consent of the European Parliament, in accordance with Article 218(6), point (a) TFEU.

The procedural legal basis for the proposed decision on concluding the agreement is Article 218(6), second subparagraph, point (a) TFEU.

- **Union competence**

The SIFA covers the facilitation of foreign direct investment. The conclusion of trade agreements relating to foreign direct investment falls within the Common Commercial Policy under Article 207 TFEU. It therefore falls within the exclusive competence of the Union in accordance with Article 3(1) TFEU.

5 Communication from the Commission on a Competitiveness Compass for the EU, COM(2025) 30 final.

6 Communication from the Commission to the European Parliament, the Council and the Economic and Social Committee: "The power of trade partnerships: together for green and just economic growth", COM(2022) 409 final.

7 Joint Communication to the European Parliament and Council on A New Agenda for Relations between the EU and Latin America and the Caribbean, JOIN(2023) 17 final.

8 Ibid.

- **Subsidiarity (for non-exclusive competence)**

Not applicable.

- **Proportionality**

This Agreement is in line with the principle of proportionality, as the conclusion of an international agreement is the main instrument for assuming reciprocal rights and obligations with a subject of international law, such as a foreign country.

- **Choice of the instrument**

This proposal is in accordance with Article 218(6)(a) TFEU, which envisages the adoption by the Council of decisions on the conclusion of international agreements after obtaining the consent of the European Parliament. No other legal instrument exists that could be used in order to achieve the objective expressed in this proposal.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

Not applicable.

- **Stakeholder consultations**

The Commission carried out a public consultation in 2021 as part of the ex-post evaluation of the Multiparty Andean Community-EU Trade Agreement, which included stakeholders' views on investment in the covered countries, including Ecuador.

- **Collection and use of expertise**

This proposal relies on external expertise gathered in the context of a project carried out by the World Bank and commissioned by the European Commission. The report notably identified that investors[9] put forward, as critical factors affecting their investment decisions in developing countries, the lack of transparency and predictability in dealing with public agencies, the sudden change in the laws and regulations, and the delays in obtaining government permits and approvals. These are the areas that are covered by the SIFA.

- **Impact assessment**

Investment facilitation commitments in the SIFA focus on the application of good governance principles and good regulatory practices, including transparency, predictability, and administrative efficiency, in a partner country's investment framework (investment laws, regulations, and procedures). The impact of these investment facilitation measures relates largely to the implementation of the Agreement by a partner country and the long-term improvement in its investment environment. The overall impact is also affected by individual investments that such an improved investment framework may attract. The SIFA codifies practices that are already well-established within the EU.

In addition, the initiative benefits from several existing assessments carried out over the years, including a Sustainability Impact Assessment that covered EU-Andean Community trade

[9] See World Bank, *Retention and Expansion of Foreign Direct Investment, Political Risk and Policy Responses*, http://documents1.worldbank.org/curated/en/387801576142339003/pdf/Political-Risk-and-Policy-Responses.pdf

(2009), a report assessing the economic impact of the Trade Agreement between the European Union and Ecuador (2016), and the ex-post evaluation report of the EU-Andean Community Trade Agreement (2021).

- **Regulatory fitness and simplification**

This proposal is on the adoption by the Council of a decision authorising the conclusion of the SIFA with Ecuador. The proposal does not entail exchange of data, automation of processes, use of digital systems or the provision of public services. Consequently, the "digital by default" principle does not apply, as it does not introduce specific digital requirements.

- **Fundamental rights**

The initiative fully respects the Charter of Fundamental Rights of the European Union.

4. BUDGETARY IMPLICATIONS

This Agreement does not have budgetary implications.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

The Agreement includes institutional provisions that lay down the structure for the implementing bodies to continuously monitor its implementation, operation and impact.

The institutional chapter of the Agreement establishes a "Committee on Investment Facilitation" that has as its main task to ensure that the Agreement operates proprerly and effectively. The Agreement also establishes a Civil Society Dialogue that takes place on an annual basis in conjunction with the meeting of the Committee on Investment Facilitation.

- **Explanatory documents (for directives)**

Not applicable.

- **Detailed explanation of the specific provisions of the proposal**

The overall objective of this Agreement is to facilitate the attraction and expansion of investment between the EU and Ecuador for the purposes of economic diversification and sustainable development.

The Agreement includes three substantive chapters on investment facilitation:

- Transparency and predictability of investment measures, for example through the online publication of investment laws and regulations, stakeholder consultations on draft measures, as well as promoting the use of single information portals for investors;
- Streamlining of authorisation procedures, including through good regulatory practices, clearer requirements, and fostering e-government; and
- Focal points and involvement of stakeholders, notably to facilitate interactions between investors, stakeholders, and the administration.

The Agreement also reinforces the sustainable development dimension in the EU-Ecuador investment relationship through a chapter on investment and sustainable development. This chapter includes commitments not to weaken environmental or labour laws with the aim of attracting investment, and not to derogate from such laws, as well as commitments to effectively implement international labour and environmental agreements, including the Paris Agreement. The Agreement requires the Parties to promote responsible business practices by investors and strengthens bilateral cooperation on investment-related aspects of climate change and gender equality policies.

The Agreement also includes a chapter on “[d]ispute avoidance and settlement”, which seeks to promote cooperation between the Parties and mutually-agreed solutions in the event of disputes, but also includes the possibility of State-to-State Dispute Settlement as a last resort.

Lastly, the Agreement includes an Annex on Sustainable Energy and Raw Materials, with the objective of facilitating investment between the EU and Ecuador in these sectors with a view to favouring the energy transition and improving environmental sustainability.

Overall, through investment facilitation the Agreement can lead to improvements in Ecuador’s investment climate, benefitting foreign and domestic firms alike. Consequently, foreign investors will be encouraged to stay longer, making a longer-term contribution to the Ecuadorean economy. Besides supporting existing investors, the Agreement also aims to attract new investors to Ecuador, and notably small and medium size enterprises, which tend to have more difficulties in navigating through lengthy, opaque, and complex procedures to invest abroad. The Agreement promotes legal certainty for investment in all sectors, and is therefore expected to contribute to Ecuador’s economic diversification.

- **Text of the Agreement and notifications**

The text of the Agreement is submitted to the Council together with this proposal.

In accordance with the Treaties, it is for the Commission to proceed to make the notification provided for in Article 57 of the Agreement, in order to express the consent of the Union to be bound by the Agreement.

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 207(4), first subparagraph, in conjunction with Article 218(6), second subparagraph, point (a) thereof,

Having regard to the proposal from the European Commission,

Having regard to the consent of the European Parliament[10],

Whereas:

(1) In accordance with Council Decision […] of […][11], the Sustainable Investment Facilitation Agreement between the European Union and the Republic of Ecuador ('the Agreement') was signed on […], subject to its conclusion at a later date.

(2) The Agreement should be approved,

HAS ADOPTED THIS DECISION:

Article 1

The Sustainable Investment Facilitation Agreement between the European Union and the Republic of Ecuador is hereby approved.

Article 2

This Decision shall enter into force on the day of its adoption[12].

Done at Brussels,

For the Council
The President

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[10] [Opinion] [Consent] published in OJ L, ….

[11] OJ L, ….

[12] The date of entry into force of the Agreement will be published in the *Official Journal of the European Union*.