



INTERNATIONAL MONETARY FUND



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IMF Executive Board Approves US\$ 364 Million in Financial Support for Ecuador

The Executive Board of the International Monetary Fund (IMF) today approved a disbursement of SDR 261.63 million (about US\$364 million) for Ecuador under the Rapid Financing Instrument (RFI). This financial support will help the country meet an urgent balance-of-payments need due to the April 16, 2016 earthquake that caused significant damages to infrastructure, housing and agriculture.

The RFI¹ provides rapid and low-access financial assistance to member countries facing an urgent balance of payments need, without the need for a full-fledged economic program or reviews. It can provide support to meet a broad range of urgent needs, including those arising from commodity price shocks, natural disasters, conflict and post-conflict situations. Financial assistance under the RFI is provided in the form of immediate disbursements.

Following the Executive Board's discussion of Ecuador, Mr. Min Zhu, Deputy Managing Director and Acting Chair, issued the following statement:

"The April 16 earthquake that hit Ecuador caused significant humanitarian losses and damage to infrastructure, housing, and agriculture. It created new fiscal pressures and an urgent balance of payments need at a time when Ecuador's economy is still suffering from the effects of lower oil prices, a strong U.S. dollar, low international reserves, and limited access to international financing.

"The authorities quickly responded with an emergency fiscal package to fund the relief efforts, including a temporary increase in the VAT rate and a one-time solidarity surcharge tax on wages, corporate profits, and personal assets. They are committed to re-prioritize capital spending and halt low-priority projects not related to earthquake reconstruction, in case of financing shortfalls. They have also expressed willingness to implement additional

¹ Access under the RFI is limited to 37.5 percent of quota per year and 75 percent of quota on a cumulative basis. The level of access in individual cases depends on the country's balance of payments need. Financial assistance provided under the RFI should be repaid within 3¼ to 5 years. A member country requesting RFI assistance is required to cooperate with the IMF to make efforts to solve its balance of payment difficulties and to describe the general economic policies that it proposes to follow. For more on the RFI, read the [Factsheet](#).

income and expenditure measures if needed to bring the fiscal position in line with available financing and avoid increasing the stock of arrears.

“Given the risks facing Ecuador, there is a need for policies to address short- and medium-term macroeconomic imbalances and vulnerabilities. In addition to realigning the fiscal position with available financing, steps are needed to protect financial stability and ensure sufficient levels of liquidity in the banking system and improve competitiveness. Over the medium term, fiscal policy will need to rebuild adequate buffers to create space for countercyclical policy,” Mr. Zhu said.