

**Ecuador: Sixth Review under the  
Extended Arrangement under the  
Extended Fund Facility and  
Financing Assurances Review-Press  
Release; Staff Report; Staff  
Statement; and Statement by the  
Executive Director for Ecuador**



# ECUADOR

December 2022

## SIXTH REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; STAFF STATEMENT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR ECUADOR

In the context of the Sixth Review under the Extended Arrangement under the Extended Fund Facility and Financing Assurances Review, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 14, 2022, following discussions that ended on November 1, 2022, with the officials of Ecuador on economic developments and policies underpinning the IMF arrangement under the Extended Fund Facility. Based on information available at the time of these discussions, the staff report was completed on November 29, 2022.
- A **Staff Supplement** updating information on recent developments.
- A **Staff Statement** updating information on recent developments.
- A **Statement by the Executive Director** for Ecuador.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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## **IMF Executive Board Concludes Sixth and Final Review of the Extended Fund Facility for Ecuador**

### **FOR IMMEDIATE RELEASE**

- The IMF Executive Board concluded the sixth and final review of the 27-month Extended Fund Facility (EFF) for Ecuador, allowing for an immediate disbursement equivalent to SDR 497 million (about US\$700 million).
- Ecuador's EFF-supported economic program has helped stabilize the economy, strengthened fiscal and debt sustainability, bolstered the foundations of the dollarization regime, expanded the coverage of social assistance programs to protect the vulnerable, promoted a transparent and more efficient management of public resources, and laid the foundations for sustainable and inclusive growth.
- Building on the progress made under the program, continued efforts are needed to cement fiscal and debt sustainability, enhance financial sector resilience, further strengthen transparency and governance, improve data quality, and accelerate reforms to boost growth potential.

**Washington, DC – December 14, 2022:** The Executive Board of the International Monetary Fund (IMF) concluded today the sixth and final review of the extended arrangement under the Extended Fund Facility (EFF) for Ecuador. The Board's decision allows for an immediate disbursement of SDR 497 million (about US\$700 million). The authorities plan to use the disbursement for budget support.

By concluding this final review, Ecuador has completed its first Fund-supported program in more than two decades. The 27-month EFF arrangement was approved by the Executive Board on September 30, 2020 (see Press Release No. 20/302) for SDR 4.615 billion (about US\$6.5 billion or around 661 percent of Ecuador's quota).

The program aimed to support Ecuador's economic recovery from the pandemic, ensure fiscal and debt sustainability, expand the coverage of social assistance programs to protect the vulnerable, promote an efficient and sustainable management of public resources, strengthen the institutional basis for the dollarization regime, advance the transparency and anti-corruption agenda, and lay the foundations for job-rich and inclusive growth.

Building on the progress made under the program, continued efforts are needed to cement fiscal and debt sustainability, enhance financial sector resilience, further strengthen transparency and governance, improve data quality, and accelerate reforms to boost growth potential.

Following the Executive Board discussion on Ecuador, Ms. Antoinette Sayeh, Deputy Managing Director and Acting Chair, issued the following statement:

"Ecuador has reached a major milestone with the completion of the EFF-supported program – the first completion in two decades. The program has helped mitigate the socioeconomic effects of the pandemic and other external shocks, maintaining macroeconomic stability.

“Prudent fiscal management allowed the authorities to meet all end-August 2022 quantitative performance criteria and the public sector is expected to achieve its first surplus since 2008. The social safety net was further strengthened and is now reaching over 80 percent of low-income families, even in remote areas.

“Structural reforms implemented under the EFF-supported program will serve Ecuador well for years to come. The ongoing operationalization of the reformed organic budget code established a prudent fiscal framework, while the progressive tax reform is critical for yielding higher revenues for the sustainability of social inclusion programs. Governance and anti-corruption frameworks have been enhanced, and the independence of the central bank has been strengthened. The recent case of misreporting was addressed by the completion of all corrective actions that were due this year.

“Fiscal policy should remain prudently managed over the medium-term to cement fiscal and debt sustainability. Containing the public wage bill and improving procurement practices would keep debt on a firmly downward path without compromising the quality of services. Reforming fuel subsidies would reduce the sizeable subsidy bill and generate meaningful savings, while better cash management would help address domestic arrears accumulation. Steady progress on improving fiscal data quality should also continue.

“The financial sector has remained stable but continued vigilance is warranted, especially as crisis support measures are rolled back. The removal of the latter would also provide an opportunity to close regulatory gaps between banks and large cooperatives.

“Further efforts would help improve the legal framework for anti-corruption and AML/CFT. In this regard, enacting the conflict of interest and AML/CFT laws that were submitted to the National Assembly should be a priority. Finally, completing the financial audits of the national oil company and social security fund would be important to provide a clearer picture of the public sector balance sheet and associated contingent liability risks.”



# ECUADOR

November 29, 2022

## SIXTH REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND FINANCING ASSURANCES REVIEW

### EXECUTIVE SUMMARY

**Context.** Economic recovery is ongoing. Real GDP is expected to expand by 2.7 percent in 2022, slightly lower than expected in the last review due to the protests-related disruptions in June and slower growth in trading partners. Inflationary pressures have risen, driven by higher food and transport prices and non-tradeable services, with the headline inflation expected to reach 3.8 percent yoy at end-2022. Tighter financing conditions for all EMs, and an increasingly challenging domestic political environment sharply increased spreads and postponed international market access. The government remains committed to the Fund-supported program under the Extended Fund Facility (EFF) of SDR 4,615 million (661 percent of quota, about \$6.5 billion) that was approved by the IMF Executive Board on September 30, 2020. Upon completion of the Sixth and final Review under the EFF-supported program—the first IMF program Ecuador will have completed in more than two decades— an additional SDR 497 million (about \$700 million) would be made available.

**Program Implementation.** All quantitative performance criteria (QPCs) and all but one indicative targets (ITs) for this review were met with sizeable margins, thanks to higher-than-expected oil prices and expenditure restraint. Most structural benchmarks (SBs) and corrective actions (CAs) to address the latest misreporting were implemented, albeit with delays, mostly due to turnover at senior levels in key agencies. The exceptional access criteria continue to be met (Annex I).

## Approved By

**James Morsink (WHD)  
and Bjoern Rother  
(SPR)**

Discussions were held in Quito, Guayaquil, and in Washington, DC and via videoconferences during October 18–November 1, 2022. The report was prepared by a team comprised of Ceyda Oner (head), Anastasia Guscina (deputy head), Giovanni Ugazio, Asli Şenkal (all WHD), Majdi Debbich (SPR), Pablo Druck (MCM), Mariano Moszoro (FAD), Ivana Rossi (LEG), Mariana Sabates Cuadrado (STA), Jorge Salas (Resident Representative), Juan Pablo Erráez, Paola Hidalgo (all Resident Representative Office), with support from Natalia Martinez-Camelo, Kristine Laluces (all WHD) and Lizeth Crow (Resident Representative Office). Staff from FAD, LEG, and STA joined meetings. Bernardo Acosta and Ricardo Velloso (OED) joined the discussions.

## CONTENTS

<b>CONTEXT</b>	<b>4</b>
<b>RECENT DEVELOPMENTS AND OUTLOOK</b>	<b>5</b>
<b>PROGRAM IMPLEMENTATION</b>	<b>9</b>
<b>POLICY DISCUSSION</b>	<b>11</b>
A. Improving Fiscal Sustainability with Equity	11
B. Improving Fiscal Frameworks, Governance, and Transparency	14
C. Strengthening the Central Bank and Safeguarding Financial Stability	15
D. Improving Governance, Competitiveness and Boosting Growth Potential	16
<b>PROGRAM ISSUES</b>	<b>17</b>
<b>STAFF APPRAISAL</b>	<b>18</b>
<b>FIGURES</b>	
1. Recent Economic Developments	22
2. External Sector Developments	23
3. Financial System Developments	24
4. Fiscal Developments	25
5. Competitiveness	26
<b>TABLES</b>	
1. Selected Economic and Financial Indicators, 2020–27	27
2a. Operations of the Consolidated Nonfinancial Public Sector, 2020–27 (in U.S. Dollars)	28

2b. Operations of the Consolidated Nonfinancial Public Sector, 2020-27 (in percent of GDP) ____	<u>29</u>
3. Nonfinancial Public Sector Financing, 2020-27 _____	<u>30</u>
4. Balance of Payments, 2020-27 _____	<u>31</u>
5. External Financing, 2020-27 _____	<u>32</u>
6. Monetary and Financial Statistics, 2020-27 _____	<u>33</u>
7. Financial Soundness Indicators, 2016-22 _____	<u>34</u>
8. Indicators of Fund Credit, 2020-2030 _____	<u>35</u>
9. Quantitative Performance Criteria and Indicative Targets, end-August 2022 _____	<u>36</u>
10. Schedule of Reviews and Purchases _____	<u>37</u>
11. Prior Actions and Structural Benchmarks _____	<u>38</u>

## **ANNEXES**

I. Assessment of Exceptional Access Criteria _____	<u>44</u>
II. External Sector Assessment _____	<u>48</u>
III. Sovereign Risk and Debt Sustainability Assessment _____	<u>53</u>
IV. Reprofiting of Debt to Chinese Institutions _____	<u>60</u>
V. Risk Assessment Matrix _____	<u>62</u>
VI. Country CD Strategy Note _____	<u>65</u>

## **APPENDIX**

I. Letter of Intent _____	<u>72</u>
Attachment I. Memorandum of Economic and Financial Policies _____	<u>75</u>