



ECUADOR

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SIXTH REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND FINANCING ASSURANCES REVIEW—SUPPLEMENTARY INFORMATION

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1. The second and last prior action for the Sixth and Final Review has been completed. The Ministry of Economy and Finance (MEF) and the Social Security Institute (IESS) have prepared an inter-institutional agreement that outlines administrative actions that IESS and MEF will follow to audit, verify, and settle healthcare obligations of the central government to IESS. The agreement requires IESS to send MEF the approved and paid healthcare claims on a quarterly basis going forward, and for MEF to make the necessary transfers to IESS in maximum 105 days. The agreement also establishes monthly transfers from MEF to IESS for the State's pension obligations (beyond the scope of the prior action). As such, the authorities have presented administrative actions aimed at strengthening the framework for the State obligations on the healthcare expenditure starting in 2023, such that obligations of the central government to IESS are reported, recorded, and cleared in a more timely and transparent way. The authorities view the Agreement as sufficient to validate and settle MEF's healthcare obligations to IESS, and no legislative amendments are needed for the agreement to be binding and enforceable. Moreover, the agreement between MEF and IESS is designed to provide IESS with a strong incentive to effectively conduct the audits on a continuous basis, fulfilling the procedures established in existing legal frameworks, and to submit the audit results to MEF for reimbursement on a regular basis. This prior action was also a corrective action to address the recent misreporting. Staff will monitor implementation in the context of the Post Financing Assessment and encourages the authorities to closely oversee implementation to prevent any issues that may arise from capacity constraints.