

Ecuador: IMF completes second review and approves extension

On May 25, the IMF Executive Board completed the second review under the Stand-By credit for Ecuador and approved its extension to December 31, 2001. The full text of News Brief No. 01/47 is available on the IMF's website (www.imf.org).

The Executive Board's decision enables Ecuador to draw up to SDR 37.8 million (about \$48 million) from the IMF. Stanley Fischer, First Deputy Managing Director, said: "The IMF welcomes the progress Ecuador has made in recent months, recouping policy slippages of the last year. Economic activity has picked up, unemployment has fallen, and inflation has decelerated sharply. In addition, the fiscal and external positions are stronger than expected and pressures on the banking system have eased. The authorities have shown considerable resolve in implementing politically difficult policy decisions needed to strengthen the public finances and the banking system, and the program is now back on track. Nevertheless, much more remains to be done to continue fiscal consolidation, strengthen the financial sector, and implement structural reforms.

"The recent reduction of energy subsidies and the increase in the value-added tax rate, together with improvements in tax administration, are crucial to sustaining a viable fiscal position by helping reduce dependence on volatile oil revenues, compensating for revenues lost from the abolition of the financial transactions tax and import tariff surcharge, and allowing for a stronger social safety net and improved public infrastructure. With tight control over spending, the fiscal deficit in 2001 is expected to be contained to about

1/4 of 1 percent of GDP. "The steps taken to strengthen the banking system include establishing a bank liquidity fund, liberalizing bank fees and interest rates, recapitalizing Filanbanco, and relaunching the scheme to restructure large household and corporate debts to banks. These measures should give further reassurance to depositors, improve private sector balance sheets, and boost credit to the private sector needed to sustain the economic recovery.

"While the limited progress on structural reforms is of concern, the IMF is encouraged by the agreement reached with a private oil consortium to construct a second oil pipeline and the good prospects for increased private sector participation in the electricity and telecommunications industries. However, Ecuador's political parties need to reach a consensus on the need for structural reforms to allow the country's economic performance and social indicators to catch up with those of many other countries in Latin America. Further substantial progress is needed to increase the flexibility of markets and strengthen the banking system to allow dollarization to be a success in the long term.

"Ecuador's medium-term prospects for achieving fiscal and external sustainability have improved following the debt relief obtained from private and official borrowers and the increase in fiscal revenue projected to result from the new oil pipeline. However, a strong fiscal effort still remains necessary. The IMF welcomes the authorities' plans to deepen fiscal reform by reforming the oil stabilization fund, reducing tax revenue earmarking, and introducing fiscal responsibility legislation," Fischer said. ■

Boorman to leave IMF after Annual Meetings



Jack Boorman, the Director of the IMF's Policy Development and Review Department, announced to the staff of his department on May 14 that he would be leaving the IMF later in the year. He indicated that he had been considering leaving for some time and had told IMF Managing Director Horst Köhler of his decision in February. At that time, he confirmed that he would continue in his position through the ongoing transition to new management, but that he wished to leave soon after the Annual Meetings.

A U.S. national, Boorman joined the staff of the IMF in 1975 from a position of Advisor to the Central Bank of

Indonesia. He stayed on in Indonesia and served as the IMF's Resident Representative from 1976 to 1978. Upon returning to Washington, he served as a division chief in both the Asian and European Departments and as Assistant Director in the European Department before becoming Deputy Director of what was then the Exchange and Trade Relations Department (now Policy Development and Review Department) in 1987. He has served as Director of the Policy Development and Review Department since 1990. (An interview with Boorman, in which he discussed the important progress being made in the area of debt relief for the heavily indebted poor countries, was published in the *IMF Survey*, December 11, 2000, page 385; the *IMF Survey* May 7, 2001, page 160, carried a report on Boorman's address to the Bretton Woods Committee on the IMF's Contingent Credit Lines Facility.)