INTERNATIONAL MONETARY FUND

IMF Country Report No. 25/199

ECUADOR

July 2025

SECOND REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, REQUESTS FOR AUGMENTATION AND REPHASING OF AVAILABILITY DATE FOR THE THIRD REVIEW, AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; STAFF SUPPLEMENT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR ECUADOR

In the context of the Second Review Under the Extended Arrangement Under the Extended Fund Facility, Requests for Augmentation and Rephasing of Availability Date for the Third Review, 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 July 18, 2025, following discussions that ended on June 10, 2025, 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 July 9, 2025.
- A **Staff Supplement**: Assessment of Financial Risks to the Fund.
- 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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International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR 25/256

IMF Executive Board Concludes Second Review of the Extended Fund Facility Arrangement for Ecuador and Approves the Request for Augmentation

FOR IMMEDIATE RELEASE

- The IMF Executive Board completed the second review of the 48-month arrangement under the Extended Fund Facility (EFF) for Ecuador and approved an augmentation of the program of about US$1 billion (SDR 750.4 million), raising total access under the program from about US$4 billion to about US$5 billion and allowing for an immediate disbursement of about US$600 million (SDR 438.4 million).
- Program performance has been strong. The authorities met all quantitative performance criteria for end-December 2024 and end-April 2025, most with wide margins, and advanced important structural reforms.
- The authorities are taking decisive actions to address challenges arising from the new global landscape, further strengthen fiscal and external buffers, and promote job-rich growth, while protecting vulnerable groups.

Washington, DC – [July 18, 2025]: The Executive Board of the International Monetary Fund (IMF) completed today the second review of the EFF arrangement for Ecuador and approved an augmentation of the program by SDR 750.4 million (about US$1 billion). The Board's approval of the review and augmentation enables the authorities to immediately draw an amount of SDR 438.4 million (about US$600 million).

Ecuador's 48-month EFF arrangement was approved by the Executive Board on May 31, 2024, providing access equivalent to SDR 3 billion (about US$4 billion) to support policies aimed at strengthening fiscal and debt sustainability, protecting vulnerable groups, rebuilding liquidity buffers, safeguarding macroeconomic and financial stability, and advancing the structural reform agenda for sustainable, inclusive, and stronger growth benefiting all Ecuadorians. The approved augmentation raises access under the program from about US$4 billion to about US$5 billion. The authorities' revised program will also catalyze additional financial support from multilateral partners.

Program performance has been strong. Despite difficult circumstances, caused in part by security challenges and electricity blackouts due to a historic drought, the authorities successfully mobilized nonoil revenue and strengthened fiscal and external buffers, while continuing to enhance the protection of vulnerable groups. The authorities met all quantitative performance criteria for end-December 2024 and end-April 2025, most with wide margins. They also advanced their structural reform agenda, achieving progress on fiscal, governance, and financial sector structural benchmarks.

In response to the new global landscape, characterized by tighter global financing conditions, heightened global uncertainty, and volatile oil prices, the authorities are implementing swift policy actions. These include the adoption of additional high-quality fiscal and structural reforms aimed at further strengthening the fiscal position, enhancing resilience, and promoting stronger and job-rich economic growth, while protecting vulnerable groups. The authorities will pursue new structural benchmarks to attract private investment into high potential sectors such as mining, hydrocarbons, and energy, as well as to foster domestic capital market development and financial deepening. Decisively advancing the economic reform agenda is expected to realize significant growth dividends over the medium term.

Economic growth is projected to recover alongside low inflation, with incipient signs that the economy has rebounded following last year's contraction. The current account balance is projected to continue to record sizable surpluses, bolstered by strong non-oil export performance, facilitating a continued improvement in international reserve buffers. The updated fiscal plan under the EFF and revamped structural reform agenda are projected to maintain public debt on a firm downward trend, supporting the authorities' objective of further lowering sovereign spreads and regaining access to capital markets next year.

Following the Executive Board's discussion today, Mr. Nigel Clarke, Deputy Managing Director and Acting Chair, issued the following statement:

"The Ecuadorian authorities have made significant progress in implementing their economic program supported by the Extended Fund Facility (EFF) arrangement. Despite challenging circumstances, they have successfully mobilized non-oil revenues, strengthened fiscal and external buffers, and cleared domestic arrears while protecting vulnerable groups. The implementation of structural reforms is also progressing well.

"The authorities are taking bold policy actions to advance fiscal reforms and address challenges arising from the new global landscape. Building on an already ambitious fiscal plan, they will boost the fiscal consolidation effort during the program period by 1.1 percent of GDP to strengthen the fiscal position and build buffers, alongside a more ambitious structural reform agenda to foster economic growth. The revised fiscal plan will maintain public debt on a downward path and support the authorities' objectives of further lowering sovereign debt spreads and regaining access to capital markets.

"The authorities continue working to ensure the protection of vulnerable groups by enhancing the coverage of the social registry and expanding targeted cash transfers. These efforts will help mitigate any adverse impact from fiscal adjustment.

"The authorities are advancing their financial sector policy agenda, implementing reforms in line with the recommendations of the 2023 Financial System Stability Assessment. They have intensified supervision and implemented capital restoration plans for some institutions. They are also working toward better aligning the interest rate cap system with market conditions. Efforts are also underway to strengthen financial regulation and oversight, enhance the resolution toolkit, and develop the domestic capital market.

"Finally, the authorities have announced a more ambitious structural reform agenda aimed at unlocking Ecuador's growth potential. It focuses on improving the security situation, strengthening energy resilience, and promoting inclusive growth and job creation. The authorities will pursue new measures to diversify the economy; attract private investment in high-potential sectors such as mining, hydrocarbons, and energy; and strengthen governance and the Anti-Money Laundering/Combatting the Financing of Terrorism frameworks."

Table 1. Ecuador: Selected Economic Indicators

		Projection	
	2024	2025	2026
Output			
Real GDP growth (%)	-2.0	1.7	2.1
Employment			
Unemployment (%)	3.4	4.0	3.8
Prices			
Inflation, average (%)	1.5	1.3	1.5
Inflation, end of period (%)	0.5	3.4	1.5
Public sector			
Revenue (% GDP)	36.8	36.3	36.1
Expenditure (% GDP)	38.1	37.2	36.2
Overall fiscal balance (% GDP)	-1.3	-0.9	-0.1
Primary balance (% GDP)	-0.2	0.2	1.0
Non-oil primary balance (incl. fuel subsidies) (% GDP)	-2.9	-2.6	-1.7
Public sector debt (% GDP)	53.8	53.2	52.1
Money and credit			
Broad money (% change) 1/	4.8	3.6	3.3
Credit to the private sector (% change)	6.2	4.5	3.1
Balance of payments			
Current account (% GDP)	5.7	4.7	3.4
Foreign direct investment, net (% GDP)	0.2	0.5	0.8
Gross international reserves (US$ billion)	6.9	9.7	11.7
External debt (% GDP)	48.0	51.3	50.8
Exchange rate			
REER (% change, depreciation-)	-0.1	...	...

Sources: Central Bank of Ecuador, Ministry of Economy and Finance, National Statistical Institute (INEC), and IMF staff calculations.

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INTERNATIONAL MONETARY FUND

ECUADOR

July 9, 2025

SECOND REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, REQUESTS FOR AUGMENTATION AND REPHASING OF AVAILABILITY DATE FOR THE THIRD REVIEW, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. The Ecuadorian authorities made significant progress in the implementation of their economic program, supported by the 48-month Extended Fund Facility (EFF) arrangement approved by the Executive Board in May 2024 of SDR 3 billion (430 percent of quota, about US$4 billion). The new global landscape presents additional challenges for Ecuador due to volatile oil prices and tighter global financing conditions. Amid a more challenging external environment, the authorities have requested an augmentation of the original arrangement from US$4 billion to US$5 billion. The authorities have affirmed their commitment to implement an ambitious reform agenda to address the external shocks and further strengthen fiscal sustainability and buffers and boost private investment and job-rich growth. The authorities' revised program will also catalyze additional financial support from multilateral partners which will help advance their ambitious structural reform agenda.

Outlook. Real GDP contracted by 2 percent in 2024 amid severe security and electricity shortages caused by a historic drought. Economic activity is showing signs of an incipient recovery. Real GDP is projected to recover by about 1.7 percent in 2025, amid continued low inflation, which would remain below that of trading partners, helping to strengthen competitiveness. The current account (CA) balance would continue recording sizable surpluses, supporting a continued improvement in reserve buffers. Overall risks to the outlook remain high and tilted to the downside but are mitigated thanks to decisive policy steps.

Program Issues. All end-December 2024 and April 2025 quantitative performance criteria (QPC) and most indicative targets (ITs) for the second review have been met, some with significant margins. The authorities have made substantial progress in the implementation of structural benchmarks (SBs), notably on fiscal, governance, and financial sector reforms. The authorities are committed to implementing new SBs to unlock the economy's growth potential. Staff assess that the exceptional access criteria continue to be met.

Approved By
Ana Corbacho (WHD) and Bergljot Barkbu (SPR)

Discussions were held remotely on May 15-16, 2025 from Washington DC, continued in Quito during May 19-24, 2025 and concluded remotely during May 27-June 10, 2025 with the staff level agreement (SLA). The team led by Patrizia Tumbarello (Head), and comprising Pablo Morra (Deputy Head), Mauricio Amaya (remotely), Vu Chau, Niels-Jakob Hansen, Giovanni Ugazio (all WHD), Juan Carlos Benitez (FAD), Francisco Vazquez (MCM, remotely), Giulio Lisi (SPR), Jorge Salas (Resident Representative), Juan Pablo Erraez, and Paola Hidalgo (Resident Representative Office) met with Minister of Economy and Finance Sariha Moya, Minister of Energy and Mining Inés Manzano, Minister of Production, Foreign Trade, Investments, and Fisheries Luis Jaramillo, Vice Minister of Economy Patricia Idrobo Oleas, Vice Minister of Finance Gary Coronel Ávila, President of the Monetary Board Tatiana Rodriguez, and General Manager of the Central Bank of Ecuador Guillermo Avellán Solines. Mr. Bernardo Acosta (Alternate Executive Director) participated in the meetings. Kristine Laluces, Nomuun Tuvaan (all WHD) and Dulce Maria Garcia (Resident Representative Office) supported the team.

CONTENTS

FIGURES

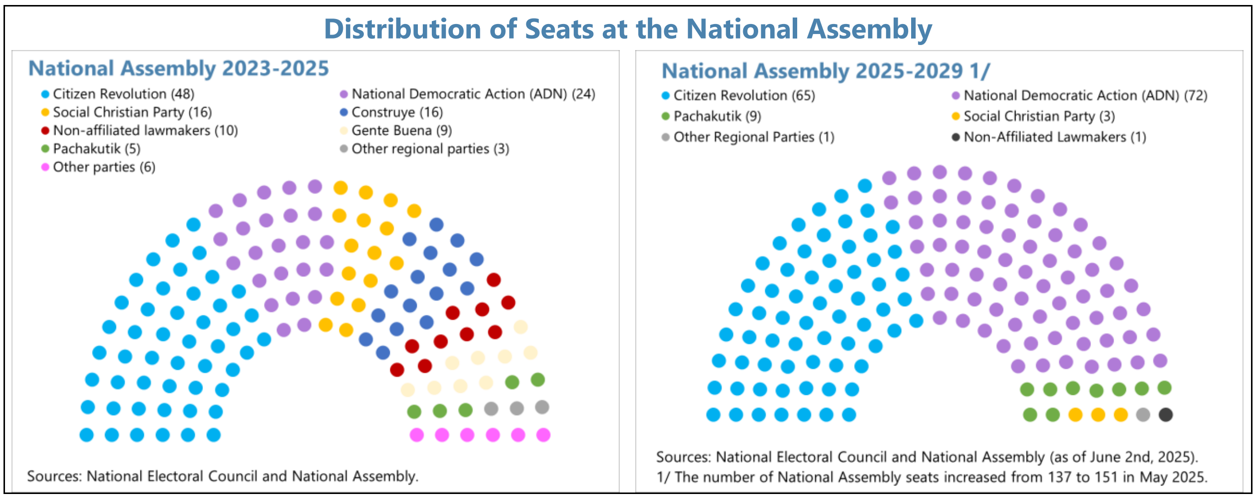
TABLES

ANNEXES

APPENDIX

CONTEXT

1. **Following President Noboa's reelection in April 2025, the authorities reaffirmed their strong commitment to the economic program supported by the Extended Fund Facility (EFF) arrangement**. President Noboa won the presidential runoff election on April 13 with 56 percent of the vote and began a four-year term on May 24. In addition, the administration significantly increased its representation at the National Assembly and built a working legislative majority. The authorities reaffirmed their plans to strengthen fiscal sustainability, regain market access, and enhance liquidity buffers to increase resilience to shocks, while protecting priority social and investment spending. Sovereign bond spreads declined sharply by over 1000 basis points after the election to about 800 basis points as of early July 2025. However, they remain elevated in part due to the heightened global policy uncertainty.



2. **The authorities have made significant progress in the implementation of their economic program under very difficult circumstances**. In 2024, the country faced a deep recession, with economic activity contracting by 2 percent partly due to severe security and energy crises. Despite the challenging circumstances, the authorities were able to mobilize nonoil revenue and implement significant reforms, including a landmark three-percentage-point increase in the VAT rate and the alignment of domestic gasoline prices with international prices. The overall deficit of the nonfinancial public sector (NFPS) declined to 1.3 percent of GDP in 2024, from 3.5 percent of GDP in 2023, with public debt declining faster than expected to 53.8 percent of GDP, helped by the stronger fiscal stance and a successful debt-for-nature swap. The CA balance posted a record surplus and reserve buffers improved. The authorities met all QPCs for end-December 2024 and April 2025, most with wide margins, and advanced their structural reform agenda, achieving progress on fiscal, governance, and financial sector SBs.

3. **Ecuador is facing renewed challenges due to the deterioration of the global landscape, but the president's new mandate offers the opportunity to decisively advance the fiscal consolidation and economic reform agenda**. The volatility in oil prices and the tightening of global financing conditions are expected to hinder prospects for re-accessing international capital

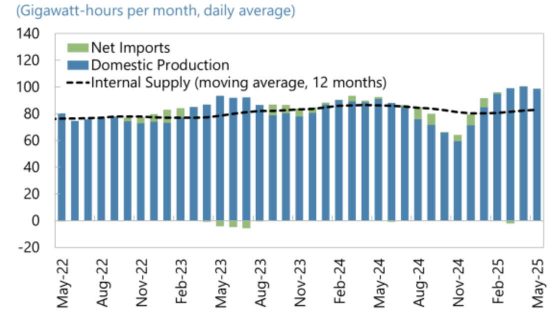
markets in the near term. Against this backdrop, an augmentation and recalibration of the EFF program is proposed to smooth the impact of the external shocks, while strengthening the fiscal position, buffers, and reform efforts. The revised plan envisages additional efforts to strengthen the fiscal balance, while protecting essential social and investment spending. President Noboa has also announced a strengthened structural reform agenda to improve the security situation, strengthen energy resilience, and boost inclusive growth and job creation, including through continued economic diversification, private sector investment, and strengthening of governance and Anti-Money Laundering/Combatting the Financing of Terrorism (AML/CFT) frameworks.

RECENT MACROECONOMIC DEVELOPMENTS

4. **After nationwide power blackouts at end 2024 caused by a historic drought, the energy supply has normalized**. Ecuador faced a severe electricity crisis in late 2024 with nationwide blackouts, caused by a historic drought that adversely affected hydroelectric energy generation. In December 2024, the supply of energy started to recover, helped by improved hydroelectric production due to increased rainfalls, the resumption of imports from Colombia (also affected by the drought in 2024), and new power generation capacity. As of April 2025, the energy supply situation has normalized. However, recent increased rainfalls have led to flooding, destroying farmland and causing localized emergencies.

Monthly Electricity Supply

(Gigawatt-hours per month, daily average)



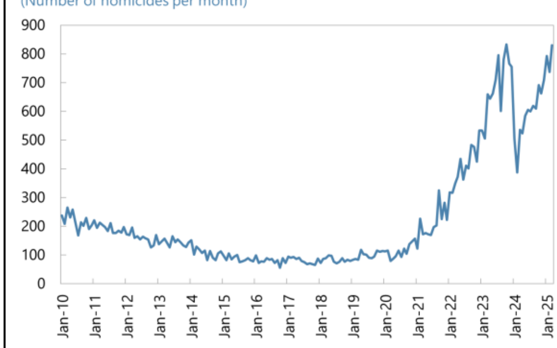
Source: National Electricity Operator (CENACE).

Notes: 1. Internal Supply = Domestic Production + Net Imports (Imports - Exports).

5. **The security situation remains precarious, concentrated in the coastal region**. After a sharp surge in recent years, especially in the coastal region, homicide rates declined in early 2024 as the authorities enacted emergency measures. However, homicide rates have picked up again, concentrated in the coastal region, and remain above their historical levels, highlighting continued challenges.

Intentional Homicides

(Number of homicides per month)



Source: Ministry of the Interior.

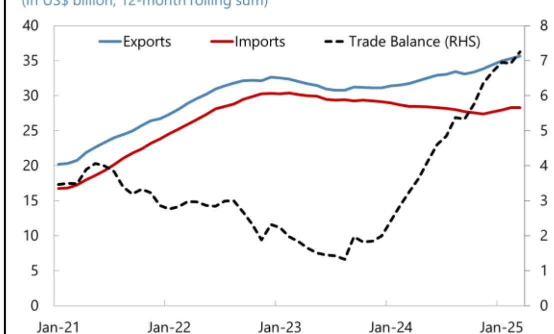
6. **Real GDP contracted sharply in 2024, but an incipient recovery is underway** (Figure 1). Real GDP in 2024 fell by 2 percent, compared with a decline of 0.4 percent projected at the first EFF review. The contraction was led by investment and domestic consumption. On the supply side, the contraction was primarily driven by mining and quarrying; construction; and technical professional activities. High frequency data point to an incipient recovery in 2025Q1 on the back of a normalized electricity situation.

7. Inflation eased in 2024 and has remained significantly below that of trading partners. After hovering at around 1.5 percent (y/y) through November 2024, inflation has fallen to 0.5 percent (y/y) as of May 2025. While the inflation easing was broad-based reflecting a weak economy, it was mainly due to large temporary reductions in electricity prices to support consumers affected by the power blackouts.

8. Despite the significant downturn, the authorities strengthened the fiscal position and improved deposit buffers in 2024, meeting program targets with wide margins (Figure 2). The overall deficit of the budgetary central government (PGE) including the oil derivatives clearing account (CFDD) declined to US$3.1 billion (2.5 percent of GDP) in 2024, from US$6.4 billion (5.3 percent of GDP) in 2023. The overall deficit of the NFPS also narrowed, to US$1.6 billion (1.3 percent of GDP) from US$4.2 billion (3.5 percent of GDP) in 2023. The fiscal outturns for the NFPS and the PGE including the CFDD were about US$0.6-1 billion (0.5-0.9 percent of GDP), respectively, better than projected at the time of the first review, mainly on account of lower nonoil capital expenditure, while tax revenue was broadly in line with projections. The strong fiscal performance supported an accumulation of NFPS deposits at the Central Bank of Ecuador (BCE) of US$850 million during 2024, exceeding the first review forecast by US$488 million despite lower-than-expected external financing flows. The stronger fiscal outcome also allowed the authorities to clear a net amount of US$350 million in arrears to the private sector, compared with an envelope of US$200 million envisaged in the 2024 fiscal plan. Data through April 2025 shows that fiscal performance remained in line with the EFF-supported program in the first months of 2025, while liquidity conditions for the government have tightened owing to delays in disbursements from international financial institutions (IFIs) due to the elections and the shift in the global landscape.

9. A record high CA surplus and multilateral loans led to a substantial increase of gross international reserves (GIR) (Figure 3). In 2024, the goods trade balance posted a record high surplus of US$6.8 billion (5.5 percent of GDP), driven by a 9.5 percent (y/y) increase in exports (including a strong rise in nonoil exports) and a 6.4 percent (y/y) contraction in imports. The robust trade flows, together with strong remittances, led to a record high CA surplus of around 5.7 percent of GDP in 2024, up from 1.8 percent of GDP in 2023. The real effective exchange rate depreciated by 1.1 percent. The rise in the CA surplus and the US$4.2 billion disbursements from IFIs contributed to a recovery in GIR to US$6.9 billion as of end-2024, from US$4.5 billion at end-2023. GIR increased to 26 (43) percent of the Fund's reserve adequacy metric excluding (including) the Liquidity Fund as of end-2024, from 17 (30) percent at end-2023. GIR increased further to US$8.3 billion as of end-May 2025, mainly driven by continued strong trade performance. While significantly improving, GIR remain below adequacy metrics.

Merchandise Trade
(In US$ billion, 12-month rolling sum)



Sources: Haver and IMF staff calculations.

10. Stronger liquidity conditions in the financial system facilitated an incipient rise in credit and a reduction in borrowing costs (Figures 4 and 5). Deposit growth rebounded strongly, reaching 16.7 percent (y/y) in April 2025, supported by external flows and the clearance of some government arrears. Credit growth picked up and reached 7.8 percent (y/y) in April 2025, led by commercial credit from private banks. Credit growth by public banks turned positive for the first time since the pandemic, and the restructured and refinanced share of total credits declined considerably. Cooperatives continued to show a differential performance with lower asset quality compared to banks. Credit by cooperatives (26 percent of financial system assets) in the consumer and small and medium-sized enterprise segments remained weak but with signs of stabilizing. Although still weaker than before the pandemic, most financial soundness indicators have improved for both banks and cooperatives in recent months, including higher capital ratios, lower nonperforming loans, and improved provisioning (Table 8).

OUTLOOK AND RISKS

11. Economic activity is recovering in 2025, but the new global landscape presents significant challenges for Ecuador. Economic activity is picking up with energy conditions stabilizing and election-related uncertainties dissipating, alongside low inflation and a high BoP surplus. However, the recovery will be slowed by headwinds from weaker external demand, higher risk aversion, and extremely high levels of global policy uncertainty. The more adverse global backdrop is expected to negatively impact exports, remittances, and fiscal revenues. In addition, the weaker global economic outlook and higher global policy uncertainty have reduced investor risk appetite and increased sovereign debt spreads for all emerging markets, particularly those with weaker credit profiles. Under the new global backdrop, staff assesses that re-accessing international capital markets at conditions compatible with debt sustainability is no longer viable in 2025 as originally planned in the EFF program.

12. The authorities' revamped fiscal and reform strategy is expected to support a recovery in growth to 1.7 percent in 2025, improving to 3 percent over the medium term. Against the deterioration of the global backdrop, the authorities have affirmed their commitment to steadfast policy implementation, a stronger fiscal package, higher buffers, and a deeper structural reform effort under the program. Growth for 2025 is projected at 1.7 percent, a less-than-full recovery from the 2024 downturn due to the deterioration of the global outlook, including lower oil prices. Growth is expected to gradually improve to 3 percent over the medium term as the economy overcomes the cyclical slowdown amid an ambitious fiscal consolidation effort and structural reforms boost job-rich potential growth (including through financial sector reforms and reforms to foster increased private investment in hydrocarbons, mining, energy, and resilience to natural disasters, see Box 2).

13. The increase in overall risks to the outlook, which remain tilted to the downside, relative to the first EFF review is mitigated by decisive policy steps (Annex I).

- **Downside risks** include (i) shortfalls in external financing, leading to lower capital expenditure especially if official bilateral financing does not materialize (with negative implications for growth), a decline in government deposits, and potential payment arrears; (ii) a further deterioration in the global economic backdrop due to higher trade barriers and deeper geoeconomic fragmentation; (iii) further tightening in global financial conditions, lower investor risk appetite, resulting in inability to regain market access according to the revised timeline envisaged under the program; (iv) a further deterioration of the security situation; (v) a renewed electricity crisis, especially if the planned additional capacity is not implemented; (vi) extreme weather events, including floods and droughts, disrupting economic activity; (vii) a weakening in the balance sheet of some financial institutions; and (viii) an increase in social discontent, hampering and/or slowing reform efforts. The materialization of one or more of these risks could adversely affect economic activity, sovereign debt spreads and the ability to regain market access, the financial sector, the fiscal balance, and the balance of payments (BoP), triggering negative feedback loops.

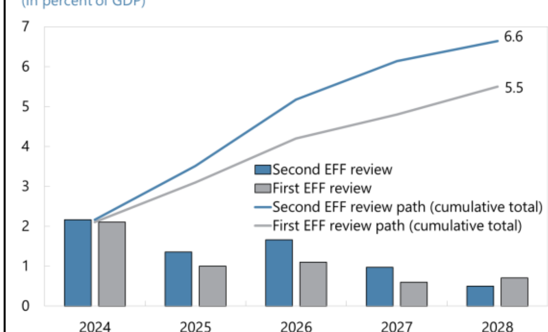
- There are also **upside risks** that could arise from stronger-than-expected global growth, an increase in oil prices beyond program assumptions, and/or an improvement in the security situation. In addition, lower domestic political fragmentation and renewed structural reform efforts could boost growth and reduce risk premia more than estimated in the baseline scenario. These occurrences would help improve Ecuador's growth prospects, fiscal revenues, and financing at more favorable terms.

POLICY DISCUSSIONS

A. Strengthening Fiscal Sustainability

14. The authorities will adopt additional fiscal measures equivalent to 1.1 percent of GDP, with the overall fiscal effort increasing to 6.6 percent of GDP over the program, to reduce the fiscal gap and build buffers in a highly uncertain global environment. Prior to the external shocks, the authorities' fiscal plan already envisaged a large fiscal adjustment effort, with the non-oil primary balance including fuel subsidies (NOPBS) of the NFPS improving by 5.5 percent of GDP over the program period. On top of this ambitious agenda, the authorities will implement an extra fiscal effort of 1.1 percent of GDP to be phased in over 2025-27 by further mobilizing nonoil revenue and prioritizing expenditure. This will increase the fiscal consolidation effort to 6.6 percent of GDP over the course of the program. The additional fiscal measures would

Fiscal Consolidation
(In percent of GDP)



Source: IMF staff estimates.

Fiscal Consolidation Plan
(Change in the non-oil primary balance including fuel subsidies, in percent of GDP)

	2024	2025	2026	2027	2028	2024-28
Revenue	**1.2**	**1.4**	**1.2**	**0.8**	**0.4**	**5.1**
Tax revenue	1.2	0.8	0.4	0.3	0.1	2.7
Other	0.0	0.7	0.9	0.6	0.2	2.4
Expenditure	**0.9**	**-0.1**	**0.4**	**0.1**	**0.2**	**1.5**
Wages and salaries	0.2	0.2	0.2	0.3	0.3	1.2
Goods and services	0.6	-0.2	0.3	0.1	0.1	0.8
Social and capital	0.3	-0.1	-0.2	-0.3	-0.2	-0.5
Other	-0.1	0.1	0.1	0.0	0.0	0.1
Total	**2.2**	**1.4**	**1.7**	**0.9**	**0.6**	**6.6**

Sources: Ministry of Economy and Finance and IMF staff calculations.

help close the fiscal gap arising from weaker global conditions and exceptionally high policy uncertainty, reduce dependency on volatile oil revenue, and boost fiscal buffers. The NOPBS is projected to rise by 1.4 percent of GDP in 2025, 0.4 percent of GDP more than projected at the first EFF review, to -4 percent of GDP, allowing the NFPS overall (primary) balance to improve to -0.9 (0.2) percent of GDP in 2025. The NFPS overall (primary) balance is projected to improve to a surplus of 1.3 (2.4) percent of GDP by 2028, with the NOPBS reaching -0.9 percent of GDP. Fiscal policy will remain anchored on maintaining public debt on a downward path. The larger fiscal adjustment would allow achieving the debt target of 40 percent of GDP mandated by the Organic Budget Law (COPLAFIP) by 2031, one year ahead of schedule, providing an additional buffer in case downside risks materialize (Annex II). The revised fiscal consolidation plan will support a stronger rebuilding of NFPS deposits, projected to reach US$9.2 billion by 2028 compared to US$8 billion at the first EFF review, to further increase resilience to shocks.

15. The fiscal plan will entail both revenue and expenditure measures, building on the reforms enacted in 2024.

- *Nonoil revenue.* The authorities' reform efforts, supported by technical assistance (TA) provided by the Fund and other IFIs, will continue to focus on boosting permanent nonoil revenue to reduce dependence on volatile oil revenue. The authorities introduced in June 2025 new fees in the e-commerce and mining sectors. Additional reforms will include, among others, streamlining inefficient tax expenditures to generate significant gains in corporate income tax yields, and revamping the fiscal framework of the mining sector to enhance its efficiency and revenue potential (***proposed SB for end-December 2025***), supported by IMF TA.

- *Other revenues.* The authorities continue to work on improving the efficiency of the oil sector, with a view to reduce the fiscal cost of oil derivatives production and distribution. In June 2025, the authorities announced the elimination of the diesel subsidy for the industrial tuna sector. Further improving the targeting of subsidies while protecting the most vulnerable and enhancing the efficiency and capacity of the oil refinery system will be essential to support the fiscal consolidation strategy going forward.

- *Expenditure consolidation.* The authorities' strategy continues to rely on a gradual rationalization of current expenditure by containing the public sector wage bill and enhancing the efficiency of public procurement. To support these efforts, the authorities have established a timeline to operationalize the National Control Subsystem (SNC) (***end-December 2024 SB, met***) and will develop the conceptual and operational framework for an upgraded Official System of Public Procurement (SOCE) (***end-July 2025 SB***).

16. The re-access to international capital markets is now expected to take place one year later, in 2026, and scaled down. The financing strategy under the EFF envisaged external bond issuance of US$1.5 billion in 2025 and US$2 billion per year during 2026-28, more than covering external gross amortizations coming due in 2026 onwards (about $800 million annually).[1] Under the

[1] The outstanding Eurobonds will amortize starting in January 2026, with a second payment in July.

new global backdrop, the revised financing strategy would defer the market access by one year, removing the market access assumption in 2025, and lower external bond issuance during the program period to US$1 billion in the second half of 2026, and US$1.5 billion in 2027, and US$2 billion in 2028. Effective policy implementation and reforms are expected to bolster market confidence about the economic outlook, supporting a faster reduction in sovereign spreads, and allowing Ecuador to regain market access at more favorable terms in the revised program scenario. The financing plan envisages an increase in IFI financing (World Bank (WB), Inter-American Development Bank (IDB), and Development Bank of Latin America and the Caribbean (CAF)) of US$600 million over the program period. The authorities have made enough progress with bilateral creditors that staff have included disbursements on official bilateral and commercial project loans in amounts that cover or exceed amortizations due to these creditors through the remainder of the program period. If the financing is not available, a greater fiscal effort may be needed to meet program targets. A dedicated working group of the authorities will be tasked with monitoring progress. Assumptions on domestic debt issuance are unchanged relative to the first review.

Estimated Gross Financing Needs and Sources

(US$ million)

	2024	2025	2026	2027	2028
Gross Financing Needs	**10,574**	**8,201**	**7,123**	**7,195**	**5,541**
NFPS Deficit	1,590	1,147	149	-974	-1,842
Amortization	8,983	7,053	6,975	8,168	7,382
Domestic	5,757	3,638	3,033	3,622	3,098
External	3,226	3,415	3,942	4,546	4,285
Gross Financing Sources	**10,574**	**8,201**	**7,123**	**7,195**	**5,541**
Domestic	4,497	2,872	2,439	2,298	1,396
NFPS deposits at BCE (- = accumulation)	-850	-557	-645	-1,523	-1,896
Loans	2,522	0	0	0	0
T-bills	1,887	1,887	1,887	1,887	1,887
Bonds	938	1,542	1,197	1,933	1,405
External	5,482	5,329	4,684	4,897	4,144
IMF	1,487	1,750	750	750	250
Multilateral (excl. IMF)	2,781	3,050	2,100	1,900	1,400
Bilateral	196	398	490	490	490
Commercial	1,004	131	344	257	4
Bonds	15	0	1,000	1,500	2,000
Other assets/liabilities, incl. statistical discrepancy	595	0	0	0	0
Memo: NFPS deposits stock (US$ million)	4,641	5,198	5,843	7,366	9,262

Sources: MEF and IMF staff calculations.

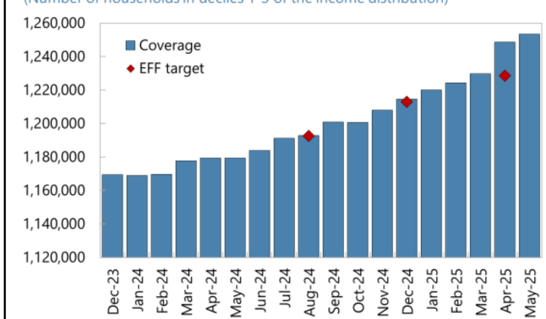
17. After the additional fiscal effort, higher IFI financing, and revised market access assumptions, staff estimates a remaining financing gap of US$1 billion in 2025-27, which is proposed to be covered by augmenting the EFF. The additional access of US$1 billion (about SDR 750 million) would be phased over 2025-27 in line with the impact of the external shocks and enactment of fiscal and structural reforms. NFPS deposit buffers would strengthen over the course of the program, with a path that would be broadly in line with the first EFF review in 2025-26 and a substantially larger accumulation in 2027-28 to reach US$9.2 billion by 2028.

18. The fiscal consolidation effort will continue to be supported by reforms to strengthen public financial management (PFM), fiscal governance, and the social security system. The authorities cleared a significant amount of arrears to the private sector in 2024, meeting the end-December 2024 IT with a wide margin. To enhance budget management efficiency, they are working to implement a system to automatize central government payments, with IMF TA support (***end-March 2025 SB, not met, proposed to be reset for end-July 2025).*** The new payment system was briefly delayed due to staff turnover. Once implemented, it will improve financial planning and cash flow management going forward. Reaching agreement between the Ministry of Finance (MEF) and the social security agency (IESS) on the healthcare obligations settlement process has taken longer than envisaged due to the complexity of the validation process on health claims and the lack of an overarching legal framework. The authorities continue working to finalize the MEF-IESS agreement on the settlement of healthcare obligations (***end-March 2025 SB, not met, proposed to be reset for end-August 2025***). Once in place, the agreement will help strengthen the liquidity position and sustainability of the IESS, while safeguarding public finances.

B. Enhancing the Social Safety Net

19. The coverage of cash transfers programs continues expanding, in line with the EFF-supported program target. The authorities met the IT set for the second review, with enrollment in cash transfer programs in December 2024 reaching 1,214,638 families—1,654 families above the target. They also met the end-April IT, with enrollment rising to 1,248,805 families, surpassing the target by 20,145 families. The authorities remain committed to continue gradually enhancing the coverage of the social safety net to protect the most vulnerable segments of the population across the country. As part of these efforts, and with support from the WB, the government recently announced the expansion of the 1,000 Days cash transfer program to include 20,000 new beneficiaries by end-2025. The program combats child malnutrition and supports eligible pregnant women and young mothers. Cash transfers programs are projected to reach 1.1 percent of GDP in 2025.

Coverage of the Cash Transfers Programs
(Number of households in deciles 1-3 of the income distribution)



Source: Ministry of Economy and Finance.
Note: Data for May 2025 is provisional.

C. Safeguarding Financial Stability

20. The easing of liquidity conditions in the financial sector lowered funding costs, but some small financial institutions continue to face challenges. The financial system has remained stable, and financial soundness indicators have improved since late 2024. However, some credit cooperatives and small private banks remain vulnerable, with weak asset quality, slim capital buffers, and low or negative profits. Recent changes in global financial conditions have had little impact on the domestic financial market due to limited reliance on cross-border funding.

21. The authorities have intensified supervision and implemented capital restoration plans for a group of troubled institutions, while continuing to rely on forbearance measures. An insolvent medium-sized credit cooperative and a small bank have been liquidated, and two troubled small banks were recapitalized by new owners. The supervision of credit cooperatives has also been tightened, with emphasis on improving provisioning, credit-granting methodologies, loan risk classification, and governance.[2] The regulatory forbearance measures introduced in November 2024 during the energy crisis were extended in April 2025 amid a weak recovery.[3] Going forward, it is important to phase out regulatory forbearance at an appropriate pace to strengthen the payment culture, enhance transparency of credit risks, and support financial supervision.

22. The authorities are working to strengthen the resolution framework. An inter-institutional group to coordinate the resolution policy agenda was created within the Financial Stability Committee (***end-January 2025 SB, met***). Other key recommendations of the recent IMF TA on bank resolution include amending the regulations on purchase and assumption to facilitate the resolution of unviable institutions and carrying out crisis simulations.

23. Implementation of the broader financial reform agenda remains important. In line with the FSAP recommendations, macroprudential capital buffer regulations were enacted in November 2024 allowing for gradual implementation to avoid potentially adverse effects on credit supply. The new regulations included minimum Tier 1 capital requirement and a capital conservation buffer in line with Basel recommendations.[4] Work should continue to revise the rules of access to the resources of the two Liquidity Funds to improve their capacity to deal with systemic events and to gradually increase the contribution rates from financial institutions. The authorities are also working to improve their stress testing toolkit, which entails enhanced inter-agency coordination and data sharing in the context of IMF TA. Work to improve the system of interest rate caps is advancing. The authorities completed a study on the system of lending interest rate caps with recommendations for designing a reform agenda (***end-March 2025 SB, completed in May 2025***). The Financial Stability Committee reviewed the study's recommendations, and the Financial Policy and Regulation Board (JPRF) will work towards implementing a simpler, more flexible interest rate methodology aligned with market conditions. In addition, the Superintendency of Banks and the Superintendency of Credit Cooperatives have established a common identifier for the clients of banks and credit

[2] The Superintendency of Popular Economy and Solidarity (SEPS), which supervises credit cooperatives, issued new regulations in recent months related to improving governance—including requirements for registration, qualification, and avoidance of conflict of interests for representatives and managers of credit cooperatives—and ensuring accurate loan risk classification.

[3] The first round of forbearance in November 2024 allowed for case-by-case refinancing and restructuring of domestic loans that were past-due between August 2023 and October 2024, including a 90-day payment deferral for loans that were current as of end-September 2024. The second, in April 2025, extended the payments' deferral to 180 days and the applicable window to September 2025.

[4] The capital surcharges on systemically important banks were broadly offset by the parallel alignment of capital requirements on their investments in own subsidiaries in line with Basel recommendations.

cooperatives, which will allow a more comprehensive assessment of credit risk and borrowers' indebtedness going forward. The authorities are also reviewing technical improvements to speed up the transmission of credit data to private credit bureaus from the current 45 days to a daily basis, which would close information loopholes in credit origination.

24. Coordinated policies are needed to develop the domestic debt market (Box 1). Developing the domestic public debt market is critical for mobilizing domestic public financing. It is also necessary for the implementation of Basel III liquidity ratios and the gradual reduction of financial repression, including interest rate controls. While recognizing that moving to a market-based primary issuance of public securities may take time, it is important to advance key supporting policies, such as the refinement of legal frameworks, consolidation of the existing domestic debt stock, development of benchmark securities, publication of an issuance calendar, and implementation of an auction mechanism for the issuance of domestic securities in the primary market. In March 2025, the authorities hired a company to modernize the payments system and overhaul the BCE's central securities depository (DCV), including its compensation, liquidation, and custody functions (***end-January 2025 SB, implemented in March 2025***). Strengthening the institutional and market infrastructure is a fundamental condition for the development of the domestic capital market. With that objective, the authorities plan to issue a regulation for domestic market auctions for bonds and treasury notes, including procedures, auction format, and rules for participation, bidding, and allocation (***proposed SB for end-November 2025***).

Box 1. Developing the Domestic Public Bond Market

The development of the domestic bond market necessitates a stable macroeconomic environment coupled with a strong market infrastructure.

The 2023 FSAP and a recent TA on the development of the domestic bond market provided recommendations to build the domestic market infrastructure.

- An important short-term objective is the implementation of competitive auctions for the primary placement of bonds and Treasury bills (CETES), which would help establish a reliable yield curve and promote transparency in pricing, while creating additional room for domestic financing. The authorities are enhancing the financial market infrastructure, including by working to upgrade the Central Securities Depository (DCV) and integrating it with a Real-Time Gross Settlement (RTGS) system, which is vital for facilitating efficient trading and settlement processes.
- There is also a need to standardize bond features and implement reopenings to develop benchmark bonds, and to use buybacks and/or exchanges to mitigate refinancing risks.
- Communication with market participants, together with the publication of a Medium-Term Debt Management Strategy and issuance calendars, is important. Improving transparency in secondary markets through collaboration with brokerage firms would ultimately enhance liquidity and attract a broader range of investors.
- Legal and regulatory reform is another crucial aspect. This includes clarifying taxation in the primary and secondary markets, implementing auctions of government securities, and strengthening the legal and regulatory framework to protect investors and ensure fair market practices.

D. Advancing Structural Reforms, Enhancing Governance, and Boosting Competitiveness and Growth

25. The authorities are working to strengthen energy resilience, increase the electricity supply, and diversify the energy matrix. Efforts to address challenges in the electricity sector are under way. Key short-term measures include the installation of new land-based or floating thermal generation plants. Work to permanently increase the capacity of an existing hydroelectric facility (Toachi Pilatón) was completed in April 2025. Furthermore, in a significant step towards increasing private investment and boosting non-conventional renewable energy, the construction of a long-delayed wind project (Villonaco III) is set to begin. The authorities are also prioritizing other solar, wind, and geothermal projects to boost energy supply over the longer term. To better ensure appropriate price incentives for cost recovery, recent measures focused on reforming the electricity prices paid by the industrial and mining sectors. To boost private investment and foster energy security and economic growth, the authorities will adopt a transparent and cost-reflective pricing mechanism, with regular reviews, for medium- and high-voltage electricity tariffs, in line with gradually reducing energy subsidies and enhancing fiscal sustainability (***proposed SB for end-August 2025***). They also plan to enact secondary regulations under existing electricity laws to allow private entities to sell surplus electricity from self-generation to the national grid (***proposed SB for end-August 2025***).

26. It is critical to continue working to boost competitiveness and growth. Along the lines of recent staff analysis (see 2024 Article IV Consultation Selected Issues), reforms should aim to address growth impediments and promote a more efficient, competitive, and productive economy.[5] This could include actions to increase labor market flexibility, reduce informality (Figure 6), facilitate female labor participation, enhance legal and regulatory certainty, improve business regulations, foster competition, and develop the financial sector (Box 2). To boost investment and growth in a sector with high potential such as mining, the authorities will implement regulations for the reopening of the mining cadaster (***proposed SB for end-June 2026***), which has been closed since 2018. They will also develop a new fiscal regime for the mining sector, with support from IMF TA (***proposed SB for end-December 2025***). The authorities' focus on pursuing new free trade agreements is also welcome to help expand and diversify exports together with continued efforts to modernize customs to further facilitate trade. [6]

27. Steps are being taken to enhance governance and boost capacity in the hydrocarbon sector. The authorities have completed the audits of the 2019 and 2020 financial statements of Petroecuador and Petroamazonas ***(end-March 2025 SB, met)***. The audit of the 2021 financial statements of Petroecuador, the first year of operation after the merger of Petroecuador and

[5] Fund research (see Chapter 3 in October World Economic Outlook, 2019) suggests that a significant reform package for the labor market, product market, or financial market could lift growth in an emerging market like Ecuador by up to 0.8, 1, and 2 percent, respectively.

[6] New trade agreements with China and Costa Rica have been ratified and entered into force in 2024. Discussions are progressing on agreements with other trade partners, including Canada and South Korea.

Petroamazonas, is expected to be completed this year (***proposed SB for end-September 2025***). The authorities are committed to auditing the financial statements for the 2022-204 period and will continue to build on this important transparency milestone to further enhance the efficiency of the oil sector, guided by the insights garnered from the audits. It will also be important to implement the authorities' plans to hire top-tier firms to continue auditing Petroecuador as well as Celec (Electrical Corporation of Ecuador) and CNEL (National Electricity Corporation). Furthermore, the authorities have announced an ambitious multi-year initiative to mobilize investments in the hydrocarbon sector, including significant private sector participation. The initiative envisages actions to boost oil production, enhance the oil refinery system, and promote the gas sector. Handing back the Heavy Crude Oil Pipeline (OCP) to a private operator would be another step in the right direction.

Box 2. Structural Reforms to Lift Potential Growth

Ecuador's economy can attain a higher level of potential growth over the medium term if it continues to undertake structural reforms in the near future. In 2024, the country's GDP per capita (adjusted for purchasing power parity) was 44 percent below the average-emerging-market level, indicating ample scope for reducing the income gap with peers and advanced economies by pursuing structural reforms.

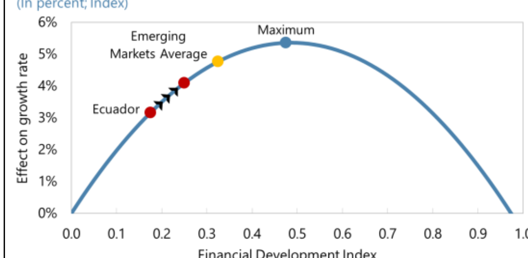
Ecuador's slow growth can be attributed to obstacles in all major drivers of potential growth, including insufficient investment, sluggish employment growth, and stagnant total factor productivity growth (IMF, 2024), which add to macroeconomic challenges posed by increasing frequency of natural disasters. The country's growth has also been held back by underdeveloped financial markets, a rigid labor market, price controls, and weaknesses in governance (WB, 2024).

The authorities are implementing important reforms to proactively address these impediments and unlock growth potential, supported by IFIs, including the IMF:

- **Financial Sector**. Financial sector development in Ecuador, as measured by the financial sector development index developed by Sahay and others (2015), is well below the average of other emerging market countries (Text Figure). The authorities are planning to gradually move toward more flexible interest rates in the financial sphere, supported by the EFF. This would allow Ecuador to increase depth, efficiency, and access to financial institutions. To deepen domestic capital markets, a critical goal, the authorities also plan to issue regulations for domestic market auctions of bonds and treasury notes, which will help develop a yield curve and improve the allocation of capital.

Financial Development Effect on Growth

(In percent; Index)



Source: Sahay and others (2015) and IMF staff estimates.
Note: Red dots indicate Ecuador's financial development without and with reforms. Y-axis show the estimated growth effect of a given level of financial development, holding constant other determinants.

- **Private Investment in Resource and Energy Sectors**. Ecuador's mining sector holds significant untapped potential. Currently, only two big mines are operating and only a small part of the country's mining potential has been tapped. Over the next five years, six additional mines are expected to come online, significantly boosting minerals output. The authorities are taking actions to further boost activity in this sector by reopening the mining cadaster (structural benchmark for end-June 2026) and developing, with IMF TA, a new fiscal framework to enhance the sector's efficiency and revenue potential (structural

Box 2. Structural Reforms to Lift Potential Growth (concluded)

benchmark for end-December 2025). The authorities also plan to implement reforms to attract private investment in the electricity sector (e.g., by enacting regulation under existing electricity laws to allow private entities to sell surplus electricity from self-generation to the national grid; and to adopt a new pricing mechanism for medium- and high-voltage electricity tariffs to gradually reduce energy subsidies.

- **Governance and Efficiency**. SOEs operate in many industries, including in several open to competition, and are subject to favorable regulations. But they are also prone to conflicts of interest and political intervention (WB, 2024). There is thus ample scope for reforms to foster efficiency, enhance corporate governance, increase accountability, and create a more level playing field. To this end, the government is working to complete financial audits of Petroecuador for the year 2021. The authorities are also preparing a framework for an upgraded Official System of Public Procurement.
- **Labor Market**. Employment growth, especially among the youth and vulnerable groups, is being stifled by rigid labor market structures, including one of the highest levels of minimum wages and dismissal costs in the region (WB, 2024). Labor market contracts are also inflexible, with hourly contracts and fixed-term contracts being forbidden. A significant labor market gap between women and men also remains with women facing lower labor force participation rate, a high incidence of informality, unpaid work, and a sizeable salary gap percent (IMF, 2024).

Assessing Potential Growth. Addressing the bottlenecks cited above, including through the full implementation of reforms supported by the EFF, could add *at least 0.5 percentage point* to growth over the medium term, according to Fund staff assessments, raising potential growth to 3 percent over the medium term on a conservative basis. This would restore Ecuador's growth closer to its level during 1980-2000 and to the average emerging market country in the decade before the pandemic (2010-19).

- The *financial sector* reforms being considered could alone add at least 0.5 percentage point to growth by reducing the gap in financial development between Ecuador and the average emerging market country for the sub-index of "institutions".[1]
- As to *governance reforms*, previous IMF analyses (IMF, 2019) indicate that a significant governance reform can raise output by 2 percent after six years, yielding an annual increase in growth of about 0.3 percentage point.
- The *reforms to attract private investment* would help bring the capital-to-labor ratio back to its pre-pandemic trend, in line with staff's baseline scenario (IMF, 2024).

Impact of Structural Reforms on Potential Growth
(percentage points)

	Effect
Financial Sector Reforms	+0.5 ppt
More market based interest rates and domestic market auctions of bonds and treasury notes	
Governance	
Financial audits of PetroEcuador; upgraded System of Public Procurement 1/	+0.3 ppt

Sources: Sahay and others (2015); World Bank (2024); and IMF (2024);
1/ Upper bound estimate.

- With respect to the *labor market,* a significant employment gap between men and women persists, and closing it over a period of 10 years could boost annual growth by up to 1.6 percent (IMF, 2024). Other economic and development policies, including reducing labor market rigidities, increasing educational attainment, and enhancing access to job opportunities for youth, are also important, while mitigating risks of youth at risk and crime.

While structural reforms can enhance long-term efficiency and resilience, they could entail near-term costs or transitional challenges that may disproportionately affect vulnerable groups. Careful sequencing, targeted support measures, and strong communication are essential to ensure an effective and successful implementation of the reform agenda.

1/ The overall financial sector index consists of sub-indices for financial institutions and financial markets, each assessed by its depth, access, and efficiency.

28. Ecuador continues its efforts to fight the financing of organized crime with robust financial integrity tools. In July 2024, the National Assembly approved an AML/CFT law, incorporating reforms in line with the Financial Action Task Force (FATF) standards ***(end-February 2025 SB, met)***. Once in effect, expected by July 2025, the updated legal framework will strengthen financial integrity tools, and its effective implementation will be key. To better tackle organized crime proceeds and weaken its financing sources and profitability, the authorities are working, with IMF TA support, on an AML/CFT Strategic Action Plan, establishing actionable policy priorities to mitigate money laundering, including by organized crime, and terrorist financing risks identified in the National Risk Assessment approved in 2024 ***(end-September 2025 SB)***. Effectively tackling the laundering of criminal proceeds requires a government-wide approach, including concerted action among relevant authorities, information sharing, and coordination.

29. The authorities are working to increase transparency and accountability to mitigate vulnerabilities to corruption. In December 2024, the National Procurement Service (SERCOP) and other institutions approved the National Integrity Strategy for Public Procurement (ENICOP), a multi-sector initiative with public and private participation, to strengthen transparency and integrity in public procurement. In June 2025, the National Assembly approved a law to strengthen the procurement framework. To help limit corruption risks, it is important to ensure the accuracy of beneficial ownership information of participants in procurement processes. Also in December 2024, the authorities approved the 2024-28 National Integrity and Anti-Corruption Plan, aimed at strengthening institutional capacity, increasing transparency, and fostering citizen participation in the fight against corruption. Key steps to further strengthen the anticorruption framework include sustaining enforcement efforts against corruption, effectively operationalizing the enhanced asset and interest declaration framework introduced by the recently approved AML/CFT law, and passing legislation to prevent conflicts of interest in public administration.

30. Building macroeconomic resilience to natural disasters is essential to reduce macroeconomic and financial risks. Ecuador is highly vulnerable to extreme weather events and natural disasters, including droughts, wildfires, floods, and landslides, the frequency and severity of which have increased in recent decades (2024 Article IV Consultation Selected Issues Paper). The consecutive historical droughts in 2023 and 2024 triggered electricity crises that severely disrupted economic activities, underscoring the country's macroeconomic vulnerabilities. Moreover, floods, landslides, and sea-level rise could erode infrastructures and cause route disruptions affecting economic activities and other critical services, such as schools and health centers. Absent reform efforts, more frequent and severe natural disasters will continue to hamper productivity and growth. The authorities have made significant progress in establishing a policy and institutional framework for their adaptation and mitigation priorities, but further work is needed to address existing institutional, legislative, data, and policy gaps and attract necessary financing to build macroeconomic resilience. The authorities are interested in requesting an arrangement under the Resilience and Sustainability Facility (RSF) in the future to advance their critical and ambitious agenda.

PROGRAM MODALITIES

31. **Balance of Payment need**. Ecuador is facing headwinds from exceptionally uncertain global environment with negative effects to Ecuadorian exports, remittances, fiscal revenues, and financing prospects. Staff estimates that, after accounting for an additional fiscal effort and a larger financing envelope of US$600 million from other IFIs, Ecuador would face a financing gap of US$1 billion in 2025-27. An augmentation of access under the EFF is proposed to address the temporary shortfall in external financing and support the fiscal adjustment plan, while strengthening reserves and deposit buffers. Staff proposes to augment overall access under the EFF by SDR 750.4 million (107.6 percent of quota). To align disbursements with reform efforts, an additional SDR 125.5 million (US$164.4 million) would be disbursed at the second EFF review, while the bulk of the augmentation would be disbursed in future reviews (Table 10) after the enactment of important fiscal reforms. It is envisaged that the remaining disbursements under the EFF, including the augmentation, will be used for budget support.

32. **Program implementation remains strong**. All QPCs through end-April 2025 have been met. Between January and April 2025, NFPS deposits at the central bank increased by US$423 million, exceeding the adjusted end-April QPC of -US$957 million. In addition, net international reserves (NIR) increased by US$828 million over the same period, overperforming the adjusted end-April IT of -US$991 million. The continuous PC on no accumulation of external arrears and no new central bank credit to the NFPS were also met. The end-April 2025 IT on the PGE arrears with the public sector was missed owing to tight liquidity conditions associated with delays in IFI disbursements due to the elections and the shift in global conditions but is expected to be compensated in the remainder of the year.

33. **QPCs are set through December 2025, with ITs covering the next twelve-month period**. Targets for end-December 2025 are adjusted to reflect the updates to the fiscal and financing plan, including the larger fiscal adjustment, the impact of shocks on fiscal and external balances, and the impact of larger Fund disbursements and other IFI financing on NIR. The attached Technical Memorandum of Understanding (TMU) clarifies definitions for the EFF reviews and defines adjustors as relevant to assess program performance.

Quantitative Performance Criteria and Indicative Targets, 2024-26

(Million of U.S. dollars, unless otherwise indicated)

	End-December 2024				End-April 2025				End-Aug. 2025	End-Dec. 2025	End-Jun. 2026
	Program 2/	Adj. 3/	Actual	Status	Program 2/	Adj. 3/	Actual	Status	Program	Program	IT
(US$ million, unless otherwise indicated)											
Quantitative performance criteria											
1. Nonoil primary balance of the budgetary central government (PGE) (floor) 1/	-2,295	-2,295	-1,801	Met	-341	-341	312	Met	-1,220	-1,964	-52
2. Overall balance of the PGE and CFDD (floor) 1/	-4,213	-4,215	-3,058	Met	-1,041	-1,181	-796	Met	-2,628	-3,795	-1091
3. Accumulation of NFPS deposits at the central bank (floor) 1/	360	154	850	Met	0	-957	423	Met	0	557	200
4. Non-accumulation of external payments arrears by the NFPS (continuous performance criterion)	0		0	Met	0		0	Met	0	0	0
5. (No new) Central bank direct and indirect financing to the NFPS (continuous performance criterion)	0		0	Met	0		0	Met	0	0	0
Indicative targets											
6. Overall balance of the NFPS (floor) 1/	-2,442	-2,444	-1,590	Met	-89				-1,103	-1,147	217
7. Nonoil primary balance including fuel subsidies (NOPBS) of the NFPS (floor) 1/	-6,528	-6,526	-6,674	Not Met	-1,151				-3,070	-5,151	-1,317
8. Change in the stock of NIR (floor) 1/	65	-141	1	Met	-34	-991	828	Met	-579	147	315
9. Stock of PGE arrears to the domestic private sector (ceiling)	662		505	Met	600		660	Not Met	400	105	0
10. Number of families in the first three income deciles nationwide covered by cash transfer programs (floor)	1,212,984		1,214,638	Met	1,228,660		1,248,805	Met	1,244,336	1,260,012	1,279,012

Sources: Ministry of Economy and Finance and IMF staff estimates.

Note: Aggregates and adjustors as defined in the Technical Memorandum of Understanding (TMU).

1/ Cumulative from January 1.

2/ Staff report for the 2024 Article IV Consultation and First EFF Review (Country Report No. 24/357).

3/ Adjusted for oil prices and disbursements from multilateral institutions.

34. The authorities continue advancing the implementation of structural reforms under the EFF-supported program. Most SBs for the second review have been implemented (two with delay), including the operationalization of the SNC to increase transparency in procurement, the tender process to select of an auditor for the 2023 and 2024 healthcare audits, the completion of the 2019 and 2020 Petroecuador and Petroamazonas audits, the enactment of new AML/CFT legislation, the establishment of an inter-institutional group within the Financial Stability Committee to coordinate resolution reforms and strategies, the completion of a study of the system of interest rates, and the signing of a contract to implement a new platform for the BCE's central securities depository. Work is advancing on the other SBs, which require additional time to be completed: the implementation of an automatized process for PGE payments (***end-March 2025 SB, proposed to be reset to end-July 2025***) and the establishment of an updated agreement between the Ministry of Finance (MEF) and social security agency (IESS) on the transfer of healthcare obligations (***end-March 2025 SB, proposed to be reset to end-August 2025***). Six new SBs have been added to the program to enhance transparency and governance, foster domestic capital market development, attract private investment, foster energy security, and unlock Ecuador's growth potential (Table 12).

35. Capacity to Repay. Ecuador's capacity to repay is subject to significant risks (¶13 and 40), critically depending on the implementation of envisaged policies and availability of external financing. Total Fund credit outstanding will peak in 2025, reaching 1032.8 percent of quota, equivalent to 7.4 percent of GDP, 98.7 percent of GIR, and 24.5 percent of exports of goods and services (Table 9). Total obligations to the Fund relative to GIR will peak in 2025 at 15.9 percent and decline steadily to 3.1 percent by 2034. Fund obligations in percent of GDP and exports of goods and services will peak at 1.3 and 4.6 percent in 2027. Important risk mitigants, including the authorities' bold policy actions, strong program performance, and reaffirmed commitment to continue implementing the policies under the revised program (¶40), would help reduce the risk to capacity to repay.

36. Financing Assurances. The program is fully financed, with firm financing commitments for the next 12 months and good prospects of adequate financing for the remaining program period (Table 6). IFIs (WB, IDB, CAF, and Latin American Reserve Fund (FLAR)) have committed to maintain or increase their support for Ecuador. Firm financing commitments for the next 12 months have also been obtained from all official bilateral creditors providing budget support. Financing is also partly predicated on assumptions of project financing from commercial and official bilateral creditors (see ¶16) and external market access of approximately US$1 billion in 2026, US$1.5 billion in 2027, and US$2 billion thereafter, which are more conservative than Ecuador's average access before the pandemic. In the event of financing plan shortfalls, alternative financing sources and/or a contingent policy response would be required in line with the contingency plans discussed with Fund staff.

37. Safeguards. A safeguards assessment undertaken in 2024 concluded that safeguards had been strengthened since 2019, particularly following the 2021 Organic Monetary and Financial Code (COMYF) reforms. The BCE took steps to implement some recommendations from the 2024 assessment and efforts should continue to fully implement governance related reforms, strengthen the central bank's financial autonomy and align the BCE annual financial statements with

International Financial Reporting Standards. Additionally, the 2021 COMYF reforms established a "backing rule" that aims to fully cover the BCE monetary liabilities and government deposits with international reserve assets to strengthen the Central Bank's balance sheet and safeguard dollarization. To ensure effective implementation, the authorities aligned the implementation of the backing rule with the 2023 reprofiling of the government's debt held by the BCE, deferring the requirement for full coverage of the first, second, and third balances to 2040. A fiscal safeguards review has also been recently completed. The main finding was that Ecuador's PFM system provides broadly adequate safeguards for the use of Fund resources for budget support, with progress achieved since the last review in 2021. In line with existing priorities for PFM reform, further work is needed to improve treasury and budget management to prevent domestic arrears accumulation.

38. Lending into Arrears. Ecuador maintains a residual amount of arrears to international private bond holders arising from outstanding claims on those international bonds that the authorities repudiated in 2008-09. At that time, most government obligations were repurchased by the government. However, US$52 million remain outstanding in the hands of individual creditors, and the authorities have been unable to identify these creditors to settle the claims. The authorities established a public procedure to follow in the event these bondholders request liquidation of the securities, which continues to operate to solve outstanding claims. Staff judges that the authorities continue to make good faith efforts to reach a collaborative agreement with the remaining creditors.

39. Article VIII/Capital Flow Management Measures (CFMs). Ecuador maintains a 5 percent tax on transfers abroad ("impuesto a la salida de divisas", ISD) for financial and current international transactions. The measure constitutes both an outflow CFM under the Fund's Institutional view on the Liberalization and Management of Capital Flows, and an exchange restriction subject to Fund approval under Article VIII, Section 2(a). The authorities remain committed to gradually phasing out the tax as macroeconomic and balance of payments stability is restored and the reserve position is strengthened, supported by the implementation of the policies under the EFF-supported program. The ISD rate for the imports of certain items was reduced in January 2025.[7]

40. Enterprise Risks. The Fund continues to face significant business, operational, financial, and reputational risks related to the EFF arrangement, which have increased since the first EFF review due to the deterioration of the global landscape. Although political uncertainty has dissipated after the presidential election in April 2025, and program implementation has been strong, other risks identified at program approval remain in place. Business risks of analytical accuracy arise from an uncertain economic outlook and exceptionally high global policy uncertainty. Operational risks involve risks to mission and field presence from the challenging security situation. Business risks of the quality of policy and technical advice stem from weaknesses in Ecuador's institutional capacity, notably lags and variability in data sources. These risks could slow program implementation and result in larger-than-envisaged financing gaps. Financial risks could arise if global economic and

[7] The ISD rate for a list of imports in the pharmaceutical sector was reduced to 0 percent from 5 percent as of January 2025 for the year 2025. The ISD for a list of imports for other productive sectors was temporarily reduced from 5 percent to 0 percent between January and April 2025, and was reduced to 2.5 percent as of May 2025 for the remainder of 2025.

financial conditions deteriorate and/or difficulties in program implementation, including due to possible social backlash under large fiscal adjustment and weak growth, delay additional international financial support (including financing commitments) and/or affect market re-access. These scenarios could also carry reputational risks for the Fund. There are also important risk mitigants, including the bold policy actions already taken by the authorities; the authorities' strong program implementation since program approval (including meeting most program targets with significant margins), and their reaffirmed commitment to continue implementing the policies under the revised program (including larger fiscal adjustment, progress towards meeting SBs, and additional structural reforms to support growth); the stronger mandate and larger support in the National Assembly attained by President Noboa in the recent elections; strong multilateral financial support; the authorities' commitment to honoring external debt obligations; the program's protection of social spending; and contingency planning, with clearly-defined triggers to enable timely and effective responses. Operational risks to field presence could be mitigated by support from Fund headquarters *inter alia* through close monitoring and dynamic adjustments to field presence. However, on balance, staff continues to judge these risks to be lower than the reputational, financial, and business risks of the Fund not continuing to support a member facing severe challenges amid exceptionally high global policy uncertainty that has already taken substantive actions to address them, demonstrated strong ownership of program objectives, and met all QPCs, most with wide margins, under very challenging economic conditions.

Box 3. Assessment of Exceptional Access Criteria

Criterion 1 – *The member is experiencing or has the potential to experience exceptional balance of payments pressures on the current account or the capital account resulting in a need for Fund financing that cannot be met within the normal limits.*

Staff assesses that this criterion is met. Ecuador continues to experience an exceptional balance of payment (BoP) need stemming from large external debt repayments and loss of market access. The authorities' stabilization plan and multilateral support have contributed to alleviate financing pressures in 2024 and rebuild reserve buffers; however, the country still faces exceptional BoP pressures exacerbated by heightened global economic uncertainties. Staff estimates that, after accounting for additional fiscal and reform efforts and additional financing from other IFIs, Ecuador would face a financing gap of US$1 billion in 2025-27. Ecuador's credit outstanding with the Fund stands at SDR6.4 billion (US$8.7 billion, or 922 percent of quota) as of end-April 2025, so IMF support requires exceptional access.

Criterion 2 – *A rigorous and systematic analysis indicates that there is a high probability that the member's debt is sustainable in the medium-term; where the member's debt is considered sustainable but not with a high probability, exceptional access would be justified if financing provided from sources other than the Fund, although it may not restore sustainability with high probability, improves debt sustainability and sufficiently enhances the safeguards for Fund resources*.

Staff assesses that this criterion is met. Under the staff's baseline scenario, the 2024 debt sustainability updated assessment (Annex II) continues to assess public debt as sustainable but not with high probability. In addition to the sustainability conclusions, staff assesses that adequate safeguards remain in place to meet EA Criterion 2 (EA2) should adverse shocks materialize. The assessment is finely balanced and hinges on the steadfast implementation of the fiscal plan and reforms supported by the program and timely disbursement of bilateral and commercial project financing, with limited margins for maneuver.

Box 3. Assessment of Exceptional Access Criteria (concluded)

To establish whether Ecuador meets EA2, staff carried out two tests that utilize the tools of the Fund's new Debt Sustainability Framework for Market Access Countries (see Review of the Debt Sustainability Framework for Market Access Countries):

- *Debt sustainability test.* The analysis examined whether Ecuador's public debt would remain sustainable in the face of a large shock at the end of the program period (defined as a shock that would propel Ecuador's debt to the 80th percentile of the debt fan-chart by 2034). Staff assesses that this condition is met.
- *FX availability test.* A shock of the simulated magnitude would imply that Ecuador would face additional financing needs. Given that debt would remain sustainable under the shock, the analysis examined whether, after such a shock, Ecuador would have sufficient FX liquidity to manage its international obligations under a set of plausible assumptions with regard to fiscal adjustment and net financing (including from liability management operations to extend maturities) from domestic and external creditors. Staff assesses that this condition is met.

Criterion 3 – *Staff judges that the member has prospects of gaining or regaining access to private capital markets within a timeframe and on a scale that would enable the member to meet its obligations falling due to the Fund*.

Staff assesses that this criterion is met. While sovereign spreads remain elevated, they have declined by over 1,000 basis points since the April 2025 presidential election. Ecuador had regularly issued international bonds until 2019, providing reasonable prospects for external debt issuance in a context of gradual macroeconomic improvement and robust policy reforms under the EFF arrangement. Since then, the authorities have implemented a nimble debt management strategy, including a guaranteed bond in 2020 and two successful debt-for-nature swaps in 2023 and 2024, respectively. Staff judges that robust implementation of the recalibrated EFF-supported plan (which increases fiscal consolidation and structural reforms and further builds buffers), the continued strong commitment to remain current on external debt obligations, and adherence to a sustainable and firmly declining debt path consistent with achieving COPLAFIP's debt ceilings ahead of schedule will help Ecuador bolster market confidence, further lower sovereign spreads, and re-access international markets as envisaged under the program's revised baseline. This assessment is subject to significant risks and depends on the steadfast implementation of the authorities' fiscal and reform plans as well as global economic and financial conditions.

Criterion 4 – *The policy program provides a reasonably strong prospect of success, including not only the member's adjustment plans but also its institutional and political capacity to deliver that adjustment.*

Staff assesses that this criterion is met. In April 2025, President Noboa won reelection, and he has forged a working majority in the National Assembly. The authorities remain fully committed to the objectives of the program and are implementing policies to ensure its success. All QPCs for end-April 2025 have been met, and the authorities have completed or are in the process of completing all SBs envisaged under the program. The government has demonstrated capacity to implement needed reforms to address longstanding fiscal and macroeconomic challenges under very difficult circumstances and strong ownership of the broader objectives of the program. While these considerations support prospects for program success, the assessment remains subject to risks related to the challenging domestic and global economic environment and Ecuador's longstanding socio-political complexities.

STAFF APPRAISAL

41. The authorities made significant progress in the implementation of their economic program supported by the EFF arrangement under very difficult circumstances. Decisive policy actions successfully mobilized nonoil revenues and boosted fiscal and external buffers. The authorities were also able to clear a significant amount of domestic arrears. All QPCs for the second EFF review have been met, and substantial progress was made in the implementation of the structural reform agenda, achieving progress on fiscal, governance, and financial sector SBs. The end-April 2025 IT on the PGE arrears with the public sector was missed owing to tight liquidity conditions associated with delays in IFI disbursements due to the elections and the shift in global conditions but is expected to be compensated in the remainder of the year.

42. The authorities are taking swift policy action to address the challenges arising from the new global landscape. They will adopt additional fiscal measures to strengthen the fiscal position and build buffers in a highly uncertain global environment. The updated fiscal plan envisages a fiscal consolidation of 6.6 percent of GDP over the program period, up from 5.5 percent at the first EFF review, along with additional structural reforms to foster economic growth. The proposed augmentation of the EFF arrangement of SDR 750.4 million (about $1 billion), together with additional support from other multilateral partners, would cover the remaining financing need. The fiscal plan maintains public debt on a firm downward path and supports the authorities' objective of further lowering sovereign debt spreads and regaining access to capital markets, which was deferred to 2026.

43. Economic growth is projected to recover gradually, alongside low inflation and a sizable current account surplus under the baseline scenario. Following a 2 percent contraction in 2024 amid severe security and electricity crises, real GDP growth is expected to recover gradually in 2025 and over the forecast period. Inflation is projected to remain low, below that of trading partners. The current account balance would continue to record sizable surpluses, supporting a continued improvement in reserve buffers.

44. Overall risks to the outlook have increased since the first EFF review and remain high. Low reserves and liquidity constraints, a large fiscal consolidation need, and potential delays in securing external financing and regaining market access represent key vulnerabilities. The proposed recalibration of the EFF arrangement aims to address these challenges by increasing buffers, achieving a fiscal surplus to durably reduce the government's financing need, and implementing reforms to promote growth. Steadfast implementation of the program is key to achieving these objectives.

45. The adoption of a strengthened structural reform agenda is important to unlock Ecuador's growth potential. The authorities will pursue new structural benchmarks to attract private investment into high potential sectors such as mining, hydrocarbons, and the energy sector, as well as to foster domestic capital market development. They are also working to strengthen energy resilience, by increasing the electricity supply, diversifying the energy matrix, and building resilience to natural disasters. Decisively advancing the economic reform agenda could realize significant growth dividends over the medium term.

46. The authorities continue expanding the social safety net. They are actively working to enhance the coverage of the social registry and expand cash transfers to vulnerable groups. These efforts are crucial to ensure that the most vulnerable populations continue to receive support, mitigating any adverse impact from fiscal adjustment and maintaining strong support for the fiscal consolidation and economic reform agenda.

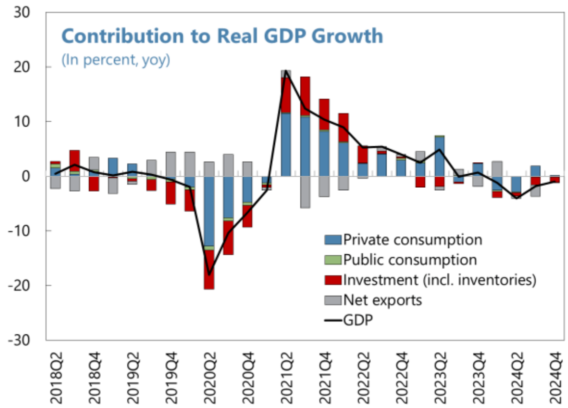
47. Efforts to bolster financial stability and domestic capital market development are welcome. The financial sector has remained broadly stable, with improvements in credit and financial soundness indicators. The authorities continue strengthening financial regulation and oversight, enhancing resolution tools, and have completed a study of the interest rate system to inform future reforms. They are also taking steps to foster the development of the government bond market, which would support the government's borrowing needs and promote further domestic capital market development.

48. Combating illicit activities and enhancing governance will support growth. Effective implementation of the recently approved AML/CFT legislation and the development of the AML/CFT Strategic Action Plan will be key to combat the financing of organized crime. In addition, the authorities have launched initiatives for strengthening procurement governance, focusing on increasing transparency and efficiency, and continue working to increase transparency and accountability to mitigate vulnerabilities to corruption. Continued efforts to reduce crime and strengthen governance are key for enhancing the investment environment and boosting growth.

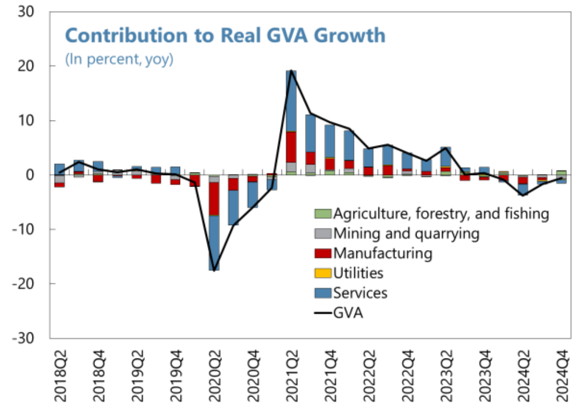
49. Staff supports the completion of the Second Review and the augmentation of the EFF arrangement with the rephasing of the availability date for the third review. Staff also recommends the completion of the financing assurances review.

Figure 1. Ecuador: Recent Economic Developments

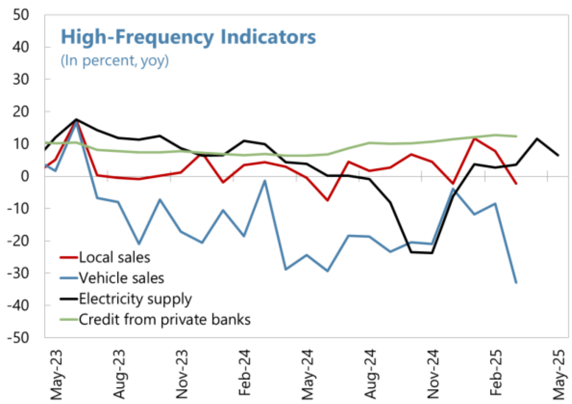
The economy contracted in the first three quarters of 2024, amid weak domestic demand…



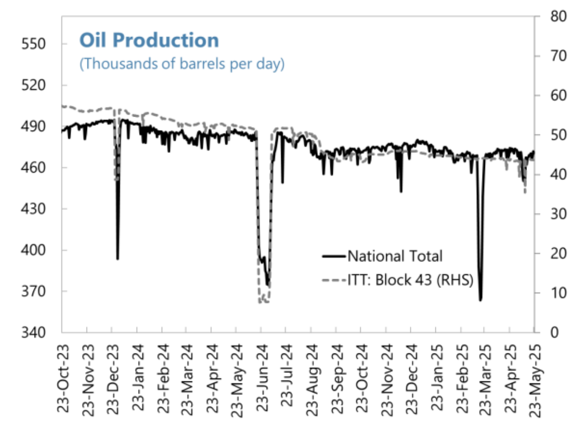
… and a broad-based contraction across sectors.



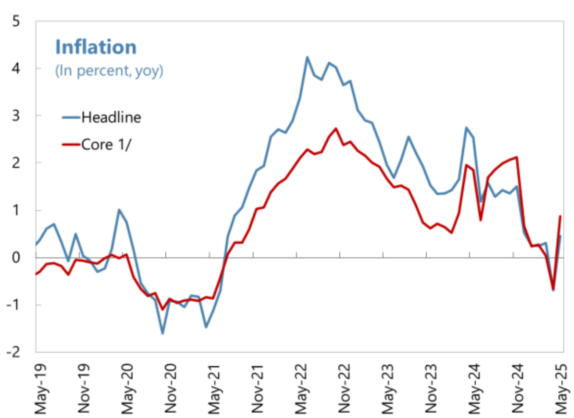
High-frequency data point to weak activity in 2024Q4 amid the electricity crisis and a recovery in 2025Q1.



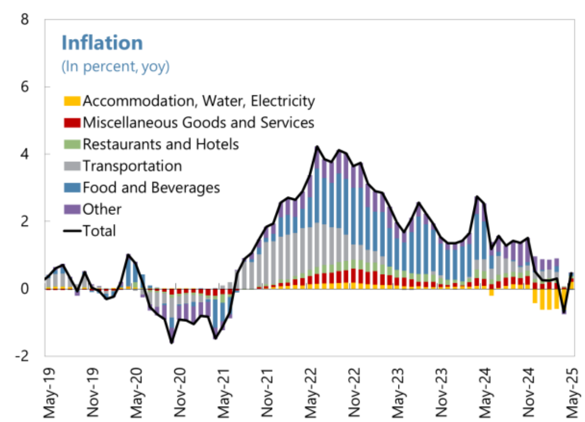
Oil production has declined, driven by lower production in the ITT field.



Inflation has ticked up recently….



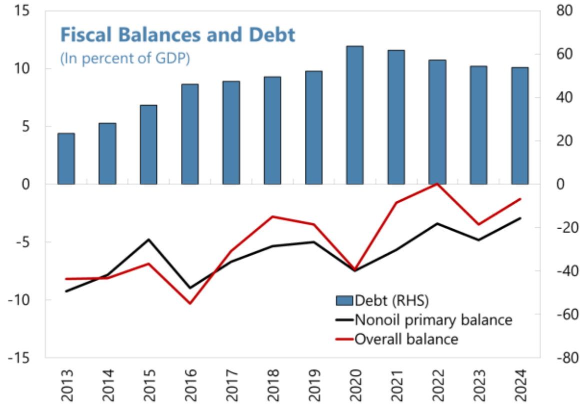
…driven mainly by a normalization in electricity prices.



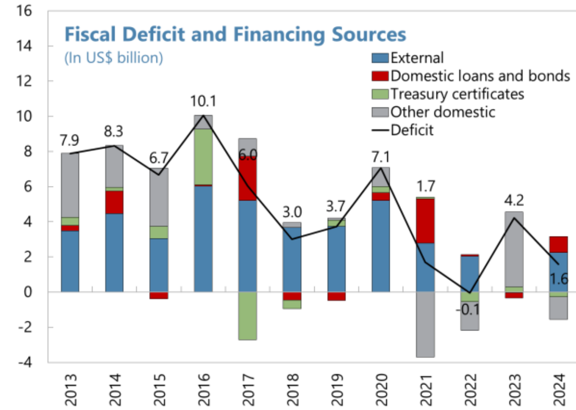
Sources: Ecuador's Internal Revenue Service, Central Bank of Ecuador, INEC, and IMF staff calculations.
1/ Core CPI excludes food (except for coffee, tea, and cocoa; and mineral water, soft drinks, and fruit/vegetable juices), gas, and fuel and lubricants.

Figure 2. Ecuador: Fiscal Developments 1/

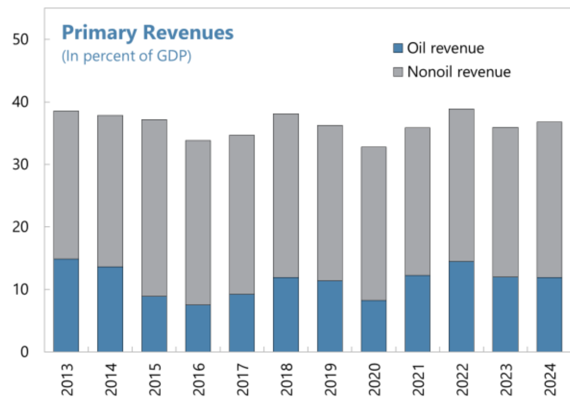
The fiscal position strengthened in 2024, with the fiscal deficit declining significantly ...



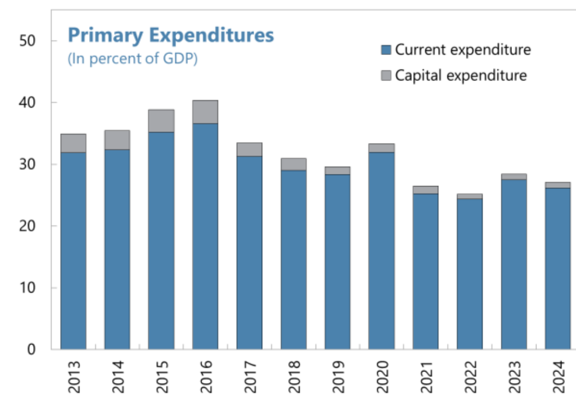
...supporting the rebuilding of fiscal buffers. The financing mix relied on support from multilateral partners.



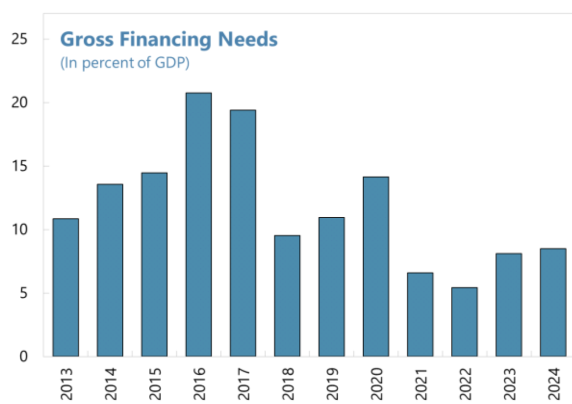
Successful revenue mobilization was achieved with the authorities' fiscal package in 2024...



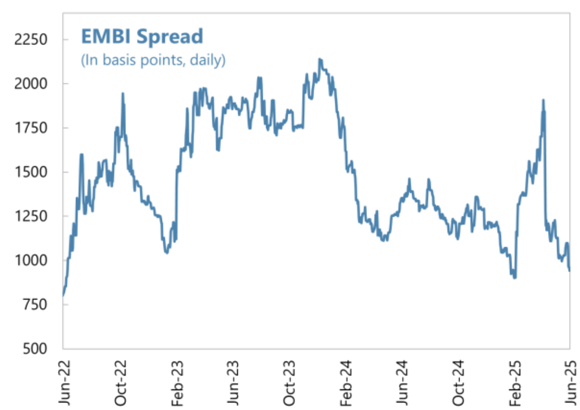
...while primary expenditures remained contained.



Despite the fiscal improvement, gross financing needs remained large.



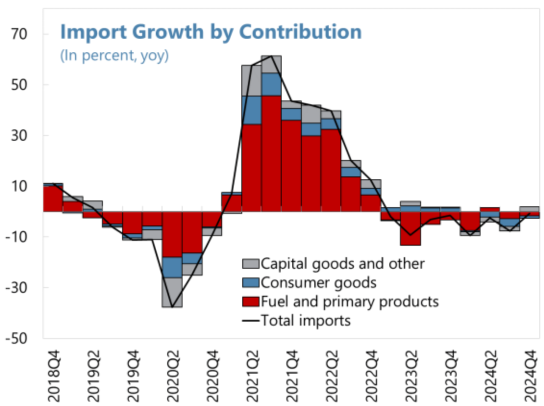
Sovereign spreads narrowed sharply after the second-round presidential election.



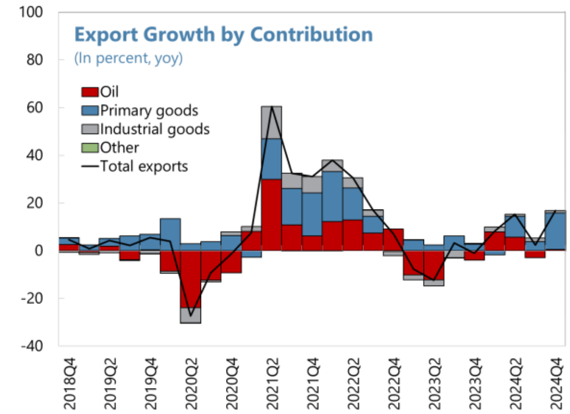
Sources: Central Bank of Ecuador, Ministry of Economy and Finance, Haver, Bloomberg, and IMF staff calculations.
1/ The data for Ecuador reflect net lending/borrowing for the Non-Financial Public Sector (NFPS).

Figure 3. Ecuador: External Sector Developments

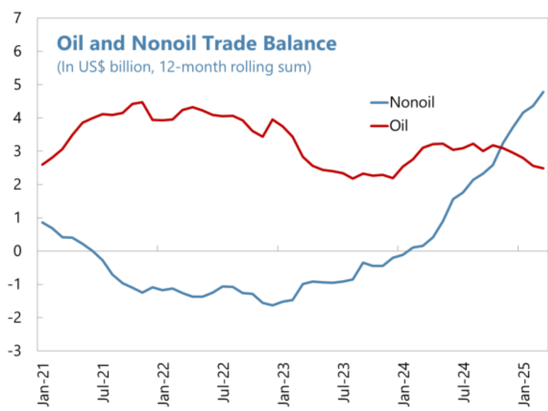
The economic contraction compressed imports in 2024....



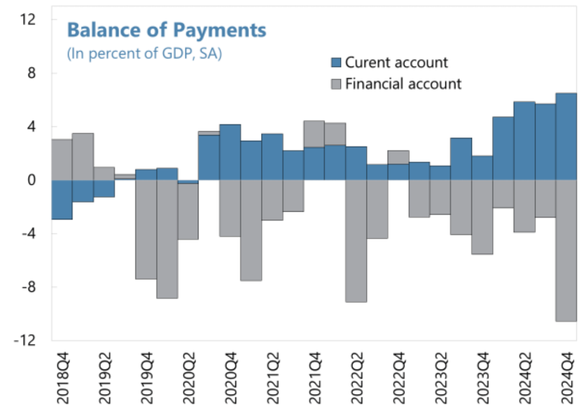
...while export growth accelerated...



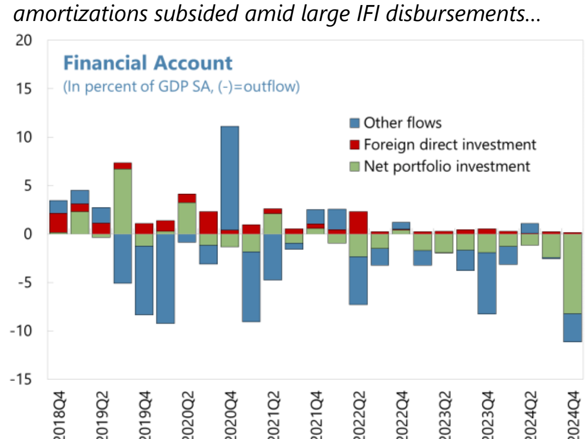
...especially for nonoil products...



... supporting a record current account surplus.



Pressures on the financial account from debt amortizations subsided amid large IFI disbursements...

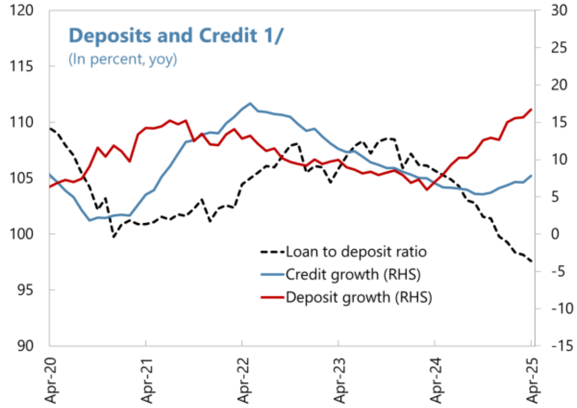


... contributing to a recovery in gross international reserves.

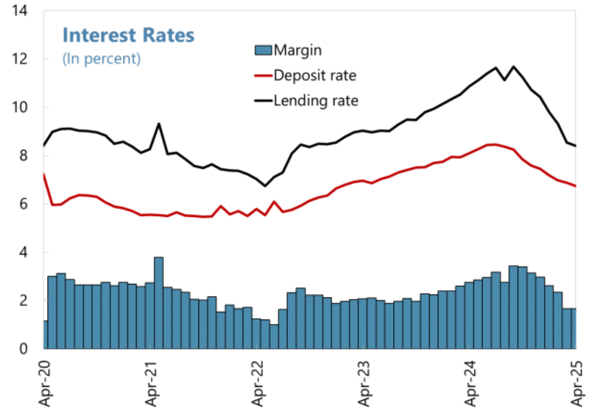
Sources: Central Bank of Ecuador, STA BOP database, Haver, and IMF staff calculations.

Figure 4. Ecuador: Financial System Developments

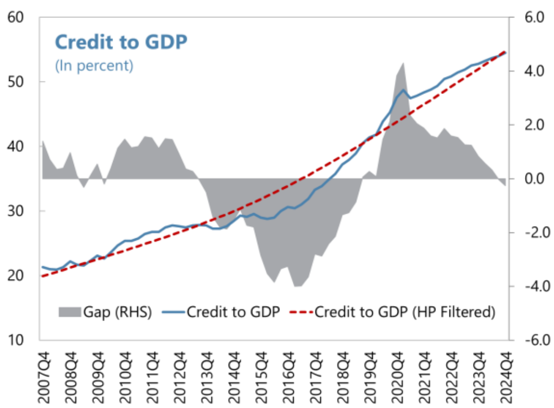
Robust deposit growth facilitated an incipient recovery in credit growth…



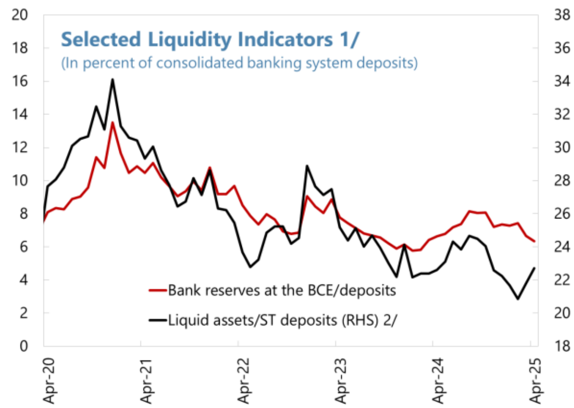
…and a decline in borrowing costs.



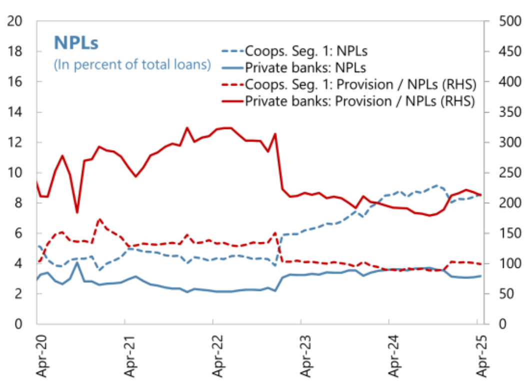
The credit-to-GDP gap seems to have closed, suggesting credit growth is in line with macroeconomic developments.



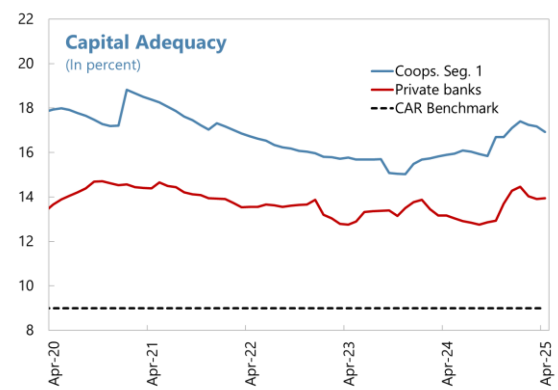
Liquidity ratios remain on a downward trend, with early signs of recovery.



Provisioning and loan quality improved in recent months.



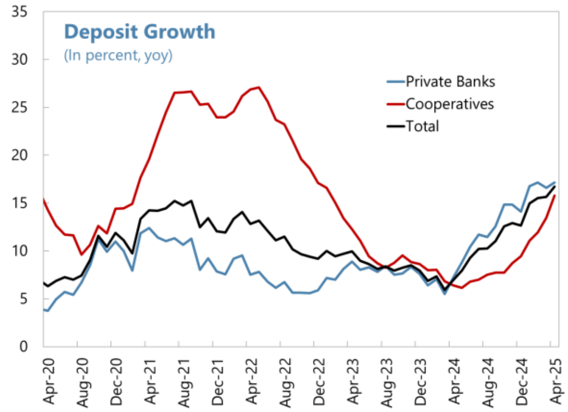
Solvency ratios have stabilized above the regulatory norm.



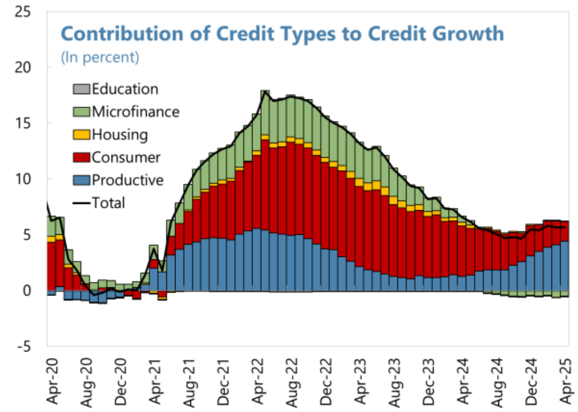
Sources: Central Bank of Ecuador, Superintendency of Banks, IMF Monetary and Financial Statistics, and IMF staff calculations.
1/ Loan-to-deposit data corresponds to Other Depository Institutions, which include private banks, Banecuador, Banco del Pacifico, private financial companies, mutualists, cooperatives, and credit card companies. Credit and deposit data correspond to the whole financial system.
2/ Data correspond to the private banks aggregate, which includes Banco del Pacifico.

Figure 5. Ecuador: Deposit and Credit Market Dynamics

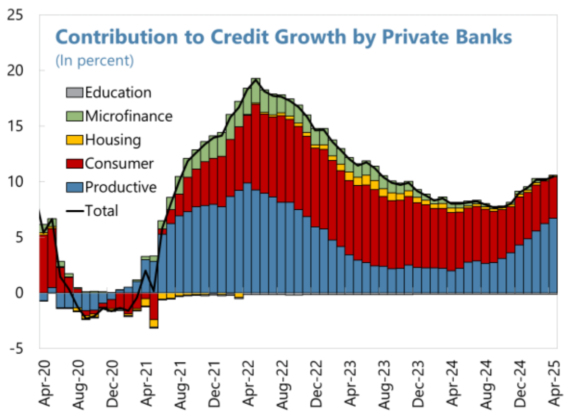
Deposit growth has been strong for both private banks and credit cooperatives.



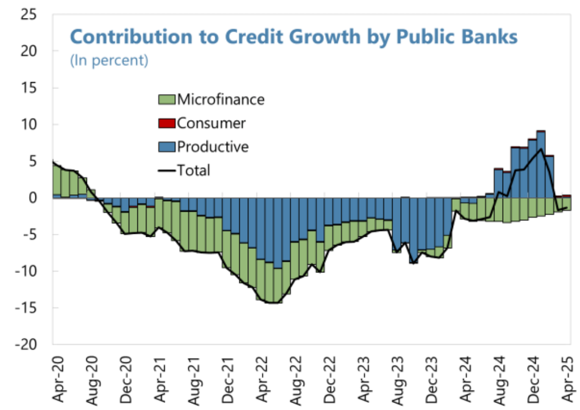
Credit growth is leveling up, led by productive credit, while microfinance credit continues to deline. 1/



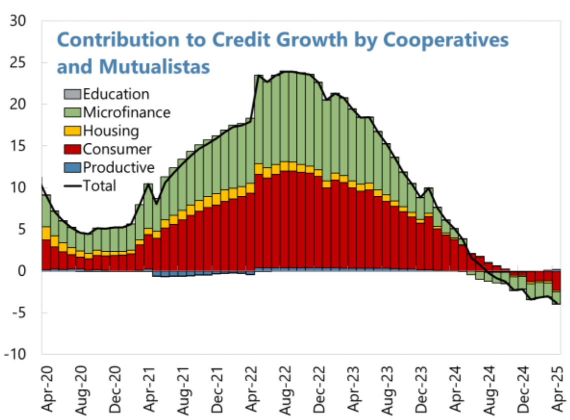
Across institutions, credit by private banks is accelerating…



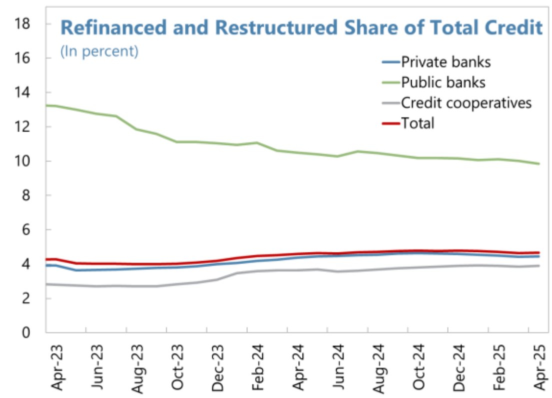
…and credit by public banks has resumed positive growth for the first time since the pandemic.



Cooperatives' credit growth remains negative.



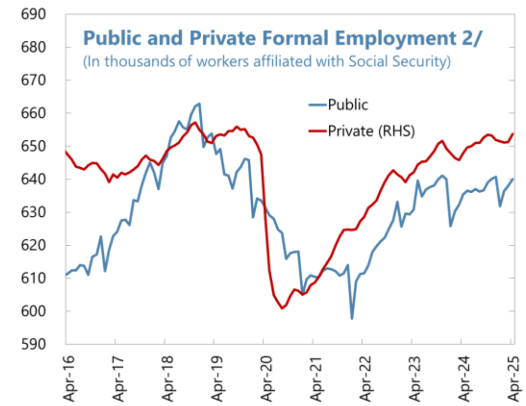
The restructured and refinanced share of credit remains stable, with notable improvement in public banks.



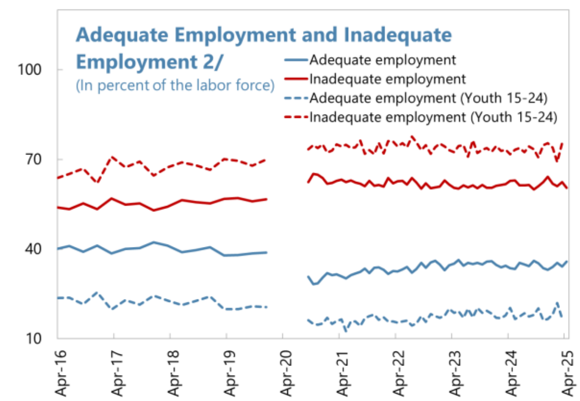
Sources: Central Bank of Ecuador, Superintendency of Banks, IMF Monetary and Financial Statistics, and IMF staff calculations.
1/ Productive credit refers to credit granted to finance productive projects, in particular the acquisition of capital goods, land, infrastructure construction, and purchase of industrial property rights.

Figure 6. Ecuador: Labor Market and Socio-Economic Developments 1/

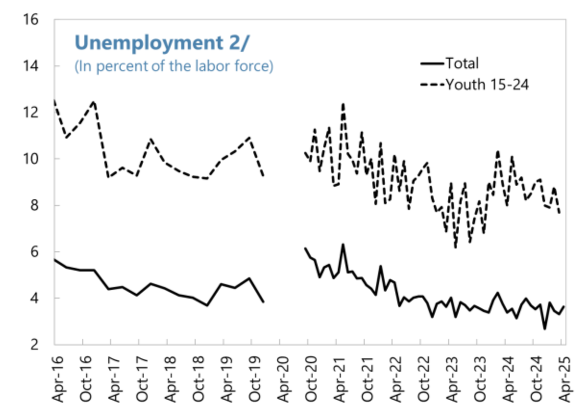
Formal private employment has returned to pre-pandemic levels, …



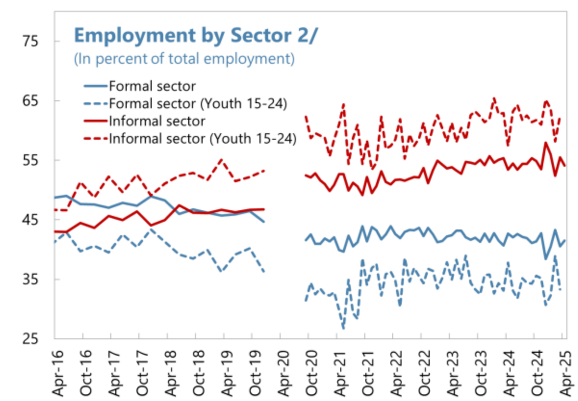
… but total employment has not, and inadequate employment has risen, especially among the youth.



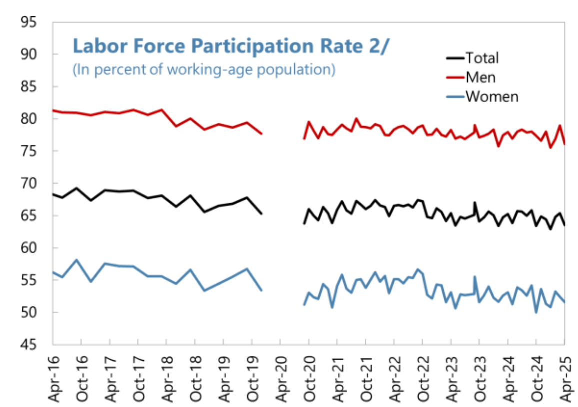
The unemployment rate is in single digits, but is significantly higher among the youth …



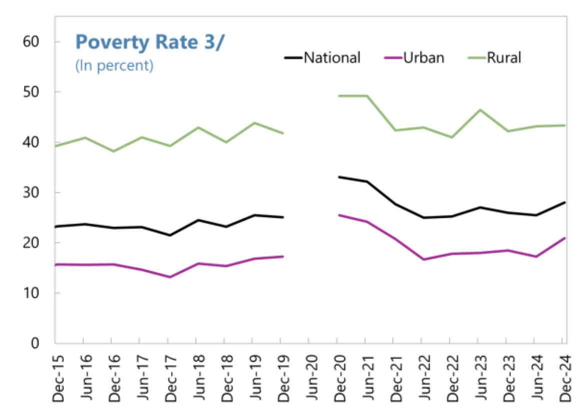
… and informality has risen, particularly among the youth.



The gender gap in labor force participation remains wide.



Poverty has recently risen, especially in urban areas.



Sources: IESS, INEC, and IMF staff calculations.

1/ For the second, third, and fourth charts, the latest data points available for the youth aged 15 to 24 correspond to March 2025.

2/ There is no data for March and June 2020 due to the Covid-19 pandemic.

3/ Calculated as the ratio between the total number of people below the poverty line and the total population. There is no data for June 2020 due to the Covid-19 pandemic.

Table 1. Ecuador: Selected Economic and Financial Indicators, 2023-30

	2023	2024		Projections 2025		2026		2027	2028	2029	2030
		CR/24/357 1/		CR/24/357 1/		CR/24/357 1/					
				(Percent change, unless otherwise indicated)							
National income and prices											
Nominal GDP (US$ million)	121,147	120,433	124,676	125,038	129,139	129,175	133,461	138,957	144,786	151,095	158,029
GDP per capita (US$)	6,793	6,703	6,939	6,907	7,133	7,080	7,315	7,558	7,814	8,092	8,399
Real GDP	2.0	-0.4	-2.0	1.6	1.7	1.8	2.1	2.5	2.6	2.8	3.0
Domestic demand (contribution to growth)	1.9	-3.2	-2.0	1.9	2.4	2.0	2.2	2.5	2.6	2.8	3.0
Consumption (contribution to growth)	2.9	-0.9	-1.3	1.1	2.8	0.8	1.3	1.0	1.0	1.0	1.0
Investment (contribution to growth)	-1.0	-2.4	-0.8	0.8	-0.4	1.2	0.9	1.5	1.6	1.8	2.1
External demand (contribution to growth)	0.1	2.8	0.0	-0.3	-0.7	-0.1	-0.1	0.0	0.0	0.0	0.0
Exports (contribution to growth)	0.3	1.6	0.5	0.3	0.8	1.3	0.4	1.3	1.7	2.1	1.8
Imports (contribution to growth)	-0.2	1.2	-0.5	-0.5	-1.5	-1.5	-0.5	-1.3	-1.7	-2.1	-1.8
Consumer price index (period average)	2.2	1.9	1.5	2.2	1.3	1.6	1.5	1.5	1.5	1.5	1.5
Consumer price index (end-of-period)	1.3	2.8	0.5	1.7	3.4	1.5	1.5	1.5	1.5	1.5	1.5
				(Percent of GDP)							
Saving-investment balance											
Consumption	79.2	77.8	78.2	77.6	78.2	77.3	77.7	77.4	77.0	76.9	76.9
Private	65.6	64.2	64.9	64.2	64.9	64.2	64.9	64.9	64.9	64.9	64.9
Public	13.6	13.6	13.3	13.4	13.3	13.1	12.8	12.5	12.1	12.0	12.0
National saving	22.5	23.8	24.2	24.0	24.3	24.3	24.6	25.0	25.5	25.7	25.8
Private	24.2	23.8	23.9	23.5	23.7	22.6	22.9	22.3	22.1	22.2	22.2
Public	-1.8	0.0	0.2	0.5	0.6	1.7	1.7	2.7	3.5	3.5	3.6
Gross investment	20.7	19.4	18.5	20.9	19.6	21.4	21.2	21.9	22.6	23.0	23.2
Private 2/	15.6	14.0	14.0	15.6	15.1	15.9	15.8	15.9	16.1	16.5	16.7
Public	5.1	5.3	4.5	5.3	4.4	5.6	5.3	6.0	6.5	6.5	6.5
				(Millions of barrels, unless otherwise indicated)							
Oil production, demand, and prices											
Oil production	173.5	173.8	174.0	172.5	173.0	174.6	175.3	176.9	176.5	177.0	177.2
Domestic consumption of oil derivatives	104.1	106.9	106.5	108.0	108.7	110.1	110.6	113.2	116.5	118.8	122.4
Oil price West Texas Intermediate (US$ per barrel)	77.6	78.5	76.6	70.2	66.1	67.4	59.5	59.6	60.2	60.6	60.9
Oil price Ecuador mix (US$ per barrel)	68.0	68.5	68.5	63.2	60.1	61.4	53.5	53.6	54.2	54.6	54.9
				(Percent of GDP, unless otherwise indicated)							
External sector											
Current account balance	1.8	4.4	5.7	3.1	4.7	2.8	3.4	3.1	2.9	2.7	2.6
Trade balance	1.8	4.6	5.5	3.3	4.7	3.0	3.5	3.2	2.9	2.6	2.5
Financial account balance	3.9	1.8	4.1	0.9	2.6	1.2	2.0	1.1	0.8	1.2	1.2
Exports of oil (US$ million)	8,952	9,053	9,572	7,824	7,915	7,579	6,868	6,904	6,971	6,977	7,005
Gross international reserves (US$ million) 3/	4,454	7,648	6,900	10,544	9,700	12,676	11,710	14,645	17,800	20,112	22,423
As a percent of the ARA metric 4/	17.0	29	26.1	39	35.6	45.2	42.3	51.6	61.1	67.4	73.6
Real effective exchange rate (2010=100)	116.5	…	116.4	…	…	…	…	…	…	…	…
Real effective exchange rate, end-of-period (depreciation,-)	-1.1	…	-0.1	…	…	…	…	…	…	…	…
				(Percent of GDP)							
Public finances											
Non-financial public sector (NFPS)											
Overall balance	-3.5	-1.8	-1.3	-1.3	-0.9	-0.2	-0.1	0.7	1.3	1.3	1.4
Primary balance	-2.6	-0.8	-0.2	-0.3	0.2	0.9	1.0	1.8	2.4	2.4	2.4
NOPBS	-7.5	-5.6	-5.4	-4.6	-4.0	-3.5	-2.3	-1.4	-0.9	-0.8	-0.6
Budgetary Central Government (PGE+CFDD)											
Overall balance	-5.3	-3.4	-2.5	-3.1	-2.9	-2.0	-1.8	-0.8	0.1	0.1	0.3
Public debt 5/	54.3	56.8	53.8	56.8	53.2	55.7	52.1	50.4	48.4	45.5	42.5
Domestic	14.6	14.6	14.0	14.0	13.3	13.6	12.9	12.6	12.2	11.5	10.8
External	39.8	42.1	39.8	42.7	39.9	42.1	39.1	37.9	36.2	34.0	31.7
				(Percent change)							
Monetary sector											
Broad money (M2) (percent change, yoy) 6/	6.7	4.8	4.8	3.8	3.6	3.3	3.3	4.1	4.2	4.4	4.6
Credit to the private sector (percent change, yoy) 7/	8.4	4.5	6.2	4.0	4.5	4.0	3.1	4.1	4.2	5.1	5.5
Net international reserves (US$ million) 8/	-7,639	-7,574	-7,638	-6,470	-7,291	-4,821	-6,017	-3,677	-385	1,956	4,436

Sources: Ministry of Economy and Finance; Central Bank of Ecuador; Haver; and Fund staff calculations and projections.
1/ Staff Report for the 2024 Article IV Consultation and First EFF Review (Country Report No. 24/357).
2/ Includes inventories.
3/ Gross international reserves excludes non-liquid and encumbered assets.
4/ Does not include the Liquidity Fund.
5/ Gross debt consolidated at the level of the NFPS.
6/ Broad money comprises monetary species in circulation, demand deposits, and quasi-money.
7/ Consolidated banking system.
8/ Program net international reserves are equal to gross international reserves less outstanding credit to the IMF, short-term foreign liabilities of the BCE, deposits of other depository institutions and other financial institutions (excl. BEDE and BIESS) at the central bank, and short-term liabilities of the central government.

Table 2. Ecuador: Real and Oil Sector, 2023-30

	2023	2024		Projections							
		CR/24/357 1/	2024	2025 CR/24/357 1/	2025	2026 CR/24/357 1/	2026	2027	2028	2029	2030
	(Percent change, unless otherwise indicated)										
National income and prices											
Nominal GDP (US$ million)	121,147	120,433	124,676	125,038	129,139	129,175	133,461	138,957	144,786	151,095	158,029
Nominal GDP	4.3	1.3	2.9	3.8	3.6	3.3	3.3	4.1	4.2	4.4	4.6
Population (millions)	17.8	18.0	18.0	18.1	18.1	18.2	18.2	18.4	18.5	18.7	18.8
GDP per capita (US$)	6,793	6,703	6,939	6,907	7,133	7,080	7,315	7,558	7,814	8,092	8,399
Real GDP per capita	1.3	-1.1	-2.7	0.8	1.0	1.0	1.3	1.8	1.8	2.0	2.3
Real GDP	2.0	-0.4	-2.0	1.6	1.7	1.8	2.1	2.5	2.6	2.8	3.0
Domestic demand	1.9	-3.4	-2.0	1.9	2.4	2.1	2.2	2.6	2.7	2.9	3.1
Consumption	3.7	-1.1	-1.6	1.4	3.3	1.0	1.6	1.2	1.2	1.3	1.2
Investment	-5.2	-12.1	-3.9	4.3	-2.4	6.6	5.4	8.8	8.9	9.2	10.3
External demand											
Exports	1.0	5.5	1.9	0.9	2.9	4.7	1.5	4.7	6.1	7.3	6.0
Imports	0.8	-4.3	1.8	2.0	5.5	5.4	2.0	4.6	5.9	7.0	5.7
Real GDP	2.0	-0.4	-2.0	1.6	1.7	1.8	2.1	2.5	2.6	2.8	3.0
Domestic demand (contribution to growth)	1.9	-3.2	-2.0	1.9	2.4	2.0	2.2	2.5	2.6	2.8	3.0
Consumption (contribution to growth)	2.9	-0.9	-1.3	1.1	2.8	0.8	1.3	1.0	1.0	1.0	1.0
Investment (contribution to growth)	-1.0	-2.4	-0.8	0.8	-0.4	1.2	0.9	1.5	1.6	1.8	2.1
External demand (contribution to growth)	0.1	2.8	0.0	-0.3	-0.7	-0.1	-0.1	0.0	0.0	0.0	0.0
Exports (contribution to growth)	0.3	1.6	0.5	0.3	0.8	1.3	0.4	1.3	1.7	2.1	1.8
Imports (contribution to growth)	-0.2	1.2	-0.5	-0.5	-1.5	-1.5	-0.5	-1.3	-1.7	-2.1	-1.8
Consumer price index (period average)	2.2	1.9	1.5	2.2	1.3	1.6	1.5	1.5	1.5	1.5	1.5
Consumer price index (end-of-period)	1.3	2.8	0.5	1.7	3.4	1.5	1.5	1.5	1.5	1.5	1.5
GDP deflator (period average)	2.3	1.7	5.0	2.2	1.8	1.5	1.2	1.5	1.5	1.5	1.5
	(Millions of barrels, unless otherwise indicated)										
Oil production, demand, and prices											
Oil production	173.5	173.8	174.0	172.5	173.0	174.6	175.3	176.9	176.5	177.0	177.2
Exports of crude oil	115.0	123.0	126.3	112.7	121.4	114.6	115.1	114.9	114.9	113.8	114.2
Exports of derivative 2/	10.6	7.0	6.6	8.5	5.0	6.7	6.5	6.7	6.7	6.7	6.5
Domestic consumption of oil derivatives	104.1	106.9	106.5	108.0	108.7	110.1	110.6	113.2	116.5	118.8	122.4
Import of oil derivatives	66.1	67.9	70.9	61.2	65.7	60.6	60.6	62.2	62.7	64.2	65.8
Oil price West Texas Intermediate (US$ per barrel)	77.6	78.5	76.6	70.2	66.1	67.4	59.5	59.6	60.2	60.6	60.9
Oil price Ecuador mix (US$ per barrel)	68.0	68.5	68.5	63.2	60.1	61.4	53.5	53.6	54.2	54.6	54.9

Sources: Ministry of Economy and Finance; Central Bank of Ecuador; Haver; and Fund staff calculations and projections.
1/ Staff Report for the 2024 Article IV Consultation and First EFF Review (Country Report No. 24/357).
2/ For derivatives, only exports of public companies are included.

Table 3a. Ecuador: Statement of Nonfinancial Public Sector Operations, 2023-30

				Projections							
	2023	2024		2025		2026		2027	2028	2029	2030
		CR/24/357 1/		CR/24/357 1/		CR/24/357 1/					
					(US$ million)						
Revenue (1)	**43,580**	**46,791**	**45,876**	**47,104**	**46,845**	**49,046**	**48,208**	**50,942**	**53,237**	**55,101**	**57,267**
Oil revenue	**14,510**	**14,800**	**14,847**	**14,251**	**14,086**	**15,105**	**13,660**	**13,854**	**14,196**	**14,410**	**14,765**
Nonoil revenue	**29,070**	**31,991**	**31,029**	**32,853**	**32,759**	**33,941**	**34,548**	**37,089**	**39,041**	**40,691**	**42,502**
Taxes	15,049	17,239	16,995	18,204	18,596	18,855	19,740	20,901	21,959	22,916	23,969
Income tax	4,635	5,567	5,382	5,576	5,658	5,821	6,630	7,179	7,586	7,916	8,279
Property tax	872	1,104	1,081	885	1,491	665	749	772	798	833	871
Goods and services	7,391	8,341	8,335	9,307	9,236	9,860	9,818	10,309	10,833	11,305	11,824
o/w Value added tax	6,269	7,525	7,549	8,108	8,120	8,519	8,605	9,046	9,517	9,931	10,387
o/w Excise tax	813	768	751	826	795	913	865	900	938	978	1,023
International trade and transactions	1,885	1,927	1,893	2,076	1,868	2,187	2,189	2,272	2,360	2,463	2,576
Other tax	266	300	303	360	343	324	355	368	382	399	418
Social security contributions	6,051	6,220	6,062	6,444	6,279	6,645	6,433	6,618	6,827	7,124	7,451
Other revenue	7,969	8,533	7,972	8,205	7,884	8,441	8,375	9,571	10,256	10,651	11,082
Interest	1,559	1,640	1,510	1,718	1,659	1,780	1,724	1,804	1,843	1,871	1,900
Other	6,410	6,893	6,462	6,487	6,225	6,661	6,650	7,767	8,413	8,780	9,182
Expenditure (2)	**47,797**	**48,978**	**47,467**	**48,674**	**47,992**	**49,326**	**48,357**	**49,969**	**51,396**	**53,079**	**55,087**
Expense	**45,712**	**46,805**	**45,586**	**46,420**	**46,047**	**46,883**	**45,946**	**47,162**	**48,228**	**49,773**	**51,630**
Compensation of employees	12,925	13,194	13,094	13,431	13,267	13,573	13,407	13,597	13,742	14,249	14,801
Use of goods and services	16,865	16,508	15,913	15,526	15,410	15,450	14,831	15,037	15,162	15,503	16,043
Oil 2/	11,806	11,937	11,392	10,748	10,430	10,570	10,040	10,201	10,283	10,412	10,718
Nonoil	5,060	4,570	4,521	4,778	4,979	4,881	4,792	4,836	4,879	5,091	5,325
Interest	2,609	2,848	2,882	2,971	3,108	3,203	3,255	3,337	3,447	3,453	3,457
Nonresidents	2,126	2,439	2,456	2,523	2,626	2,760	2,738	2,816	2,910	2,965	2,985
Residents	483	409	427	447	481	443	517	520	537	487	472
Social benefits	10,219	10,507	10,424	10,736	10,832	11,088	10,917	11,315	11,739	12,250	12,813
Social security benefits	7,164	7,278	7,285	7,553	7,444	7,802	7,632	7,938	8,267	8,627	9,023
Social assistance benefits	1,295	1,434	1,275	1,387	1,513	1,439	1,355	1,382	1,409	1,470	1,538
Employment-related social benefits	1,760	1,794	1,864	1,796	1,875	1,847	1,930	1,995	2,063	2,153	2,252
Other expense	3,094	3,619	3,273	3,482	3,430	3,484	3,537	3,876	4,138	4,318	4,516
Transfers not elsewhere classified	2,181	2,611	2,208	2,368	2,149	2,347	2,258	2,481	2,693	2,811	2,940
Current	1,017	1,089	1,095	1,006	998	872	1,029	1,052	1,072	1,119	1,170
Capital	1,165	1,522	1,113	1,362	1,151	1,474	1,229	1,429	1,621	1,692	1,770
Other	912	976	1,065	1,143	1,281	1,138	1,279	1,395	1,445	1,508	1,577
Net/gross investment in nonfinancial assets	**2,085**	**2,173**	**1,881**	**2,254**	**1,946**	**2,443**	**2,411**	**2,807**	**3,168**	**3,306**	**3,458**
Net lending (+) / Net borrowing (-) (NLB = 1-2)	**-4,217**	**-2,187**	**-1,590**	**-1,570**	**-1,147**	**-280**	**-149**	**974**	**1,842**	**2,022**	**2,180**
Net acquisition of financial assets (3)	**-538**	**362**	**-232**	**1,070**	**557**	**718**	**645**	**1,523**	**1,896**	**605**	**567**
Net incurrence of liabilities (4)	**4,348**	**2,548**	**1,918**	**2,640**	**1,704**	**998**	**794**	**549**	**54**	**-1,417**	**-1,612**
Domestic	4,377	-18	-338	-58	-209	39	52	199	195	-309	-313
External	-30	2,566	2,256	2,698	1,913	959	742	351	-141	-1,108	-1,299
Overall statistical discrepancy (-NLB+3-4)	-668	0	-560	0	0	0	0	0	0	0	0
Memorandum items:											
Primary balance	-3,167	-979	-218	-317	301	1,143	1,382	2,507	3,446	3,604	3,737
Nonoil primary revenue	27,511	30,352	29,519	31,136	31,100	32,161	32,824	35,285	37,198	38,820	40,602
Nonoil primary expenditure	33,343	34,193	33,161	34,956	34,423	35,554	35,031	36,400	37,634	39,183	40,881
Nonoil primary balance (NOPB)	-5,833	-3,841	-3,643	-3,820	-3,323	-3,393	-2,207	-1,115	-436	-363	-279
NOPB including fuel subsidies (NOPBS)	-9,098	-6,722	-6,674	-5,751	-5,151	-4,460	-3,120	-2,001	-1,256	-1,160	-976
Oil balance	2,665	2,850	3,424	3,490	3,625	4,523	3,589	3,622	3,882	3,968	4,016
Central government (PGE+CFDD) NLB	-6,449	-4,070	-3,058	-3,868	-3,795	-2,545	-2,425	-1,137	100	170	447
NFPS gross debt	65,821	68,370	67,019	71,009	68,723	72,008	69,517	70,066	70,120	68,703	67,091
Domestic	17,633	17,615	17,429	17,557	17,220	17,596	17,272	17,470	17,665	17,355	17,042
External	48,188	50,755	49,590	53,453	51,503	54,412	52,246	52,596	52,456	51,348	50,049
Nominal GDP	121,147	120,433	124,676	125,038	129,139	129,175	133,461	138,957	144,786	151,095	158,029

Sources: Ministry of Economy and Finance; and IMF staff estimates and projections.

1/ Staff Report for the 2024 Article IV Consultation and First EFF Review (Country Report No. 24/357).

2/ Includes cost of importing oil derivatives (CFDD), of oil contracts (SHE), of goods and services used in oil production, and of oil services (PEC and PAM).

Table 3b. Ecuador: Statement of Nonfinancial Public Sector Operations, 2023-30

								Projections			
	2023	2024		2025		2026		2027	2028	2029	2030
		CR/24/357 1/		CR/24/357 1/		CR/24/357 1/					
	(In percent of GDP)										
Revenue (1)	**36.0**	**38.9**	**36.8**	**37.7**	**36.3**	**38.0**	**36.1**	**36.7**	**36.8**	**36.5**	**36.2**
Oil revenue	**12.0**	**12.3**	**11.9**	**11.4**	**10.9**	**11.7**	**10.2**	**10.0**	**9.8**	**9.5**	**9.3**
Nonoil revenue	**24.0**	**26.6**	**24.9**	**26.3**	**25.4**	**26.3**	**25.9**	**26.7**	**27.0**	**26.9**	**26.9**
Taxes	12.4	14.3	13.6	14.6	14.4	14.6	14.8	15.0	15.2	15.2	15.2
Income tax	3.8	4.6	4.3	4.5	4.4	4.5	5.0	5.2	5.2	5.2	5.2
Property tax	0.7	0.9	0.9	0.7	1.2	0.5	0.6	0.6	0.6	0.6	0.6
Goods and services	6.1	6.9	6.7	7.4	7.2	7.6	7.4	7.4	7.5	7.5	7.5
o/w Value added tax	5.2	6.2	6.1	6.5	6.3	6.6	6.4	6.5	6.6	6.6	6.6
o/w Excise tax	0.7	0.6	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6
International trade and transactions	1.6	1.6	1.5	1.7	1.4	1.7	1.6	1.6	1.6	1.6	1.6
Other tax	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Social contributions	5.0	5.2	4.9	5.2	4.9	5.1	4.8	4.8	4.7	4.7	4.7
Other revenue	6.6	7.1	6.4	6.6	6.1	6.5	6.3	6.9	7.1	7.0	7.0
Interest	1.3	1.4	1.2	1.4	1.3	1.4	1.3	1.3	1.3	1.2	1.2
Other	5.3	5.7	5.2	5.2	4.8	5.2	5.0	5.6	5.8	5.8	5.8
Expenditure (2)	**39.5**	**40.7**	**38.1**	**38.9**	**37.2**	**38.2**	**36.2**	**36.0**	**35.5**	**35.1**	**34.9**
Expense	**37.7**	**38.9**	**36.6**	**37.1**	**35.7**	**36.3**	**34.4**	**33.9**	**33.3**	**32.9**	**32.7**
Compensation of employees	10.7	11.0	10.5	10.7	10.3	10.5	10.0	9.8	9.5	9.4	9.4
Use of goods and services	13.9	13.7	12.8	12.4	11.9	12.0	11.1	10.8	10.5	10.3	10.2
Oil 2/	9.7	9.9	9.1	8.6	8.1	8.2	7.5	7.3	7.1	6.9	6.8
Nonoil	4.2	3.8	3.6	3.8	3.9	3.8	3.6	3.5	3.4	3.4	3.4
Interest	2.2	2.4	2.3	2.4	2.4	2.5	2.4	2.4	2.4	2.3	2.2
Nonresidents	1.8	2.0	2.0	2.0	2.0	2.1	2.1	2.0	2.0	2.0	1.9
Residents	0.4	0.3	0.3	0.4	0.4	0.3	0.4	0.4	0.4	0.3	0.3
Social benefits	8.4	8.7	8.4	8.6	8.4	8.6	8.2	8.1	8.1	8.1	8.1
Social security benefits	5.9	6.0	5.8	6.0	5.8	6.0	5.7	5.7	5.7	5.7	5.7
Social assistance benefits	1.1	1.2	1.0	1.1	1.2	1.1	1.0	1.0	1.0	1.0	1.0
Employer social benefits	1.5	1.5	1.5	1.4	1.5	1.4	1.4	1.4	1.4	1.4	1.4
Other expense	2.6	3.0	2.6	2.8	2.7	2.7	2.7	2.8	2.9	2.9	2.9
Transfers not elsewhere classified	1.8	2.2	1.8	1.9	1.7	1.8	1.7	1.8	1.9	1.9	1.9
Current	0.8	0.9	0.9	0.8	0.8	0.7	0.8	0.8	0.7	0.7	0.7
Capital	1.0	1.3	0.9	1.1	0.9	1.1	0.9	1.0	1.1	1.1	1.1
Other	0.8	0.8	0.9	0.9	1.0	0.9	1.0	1.0	1.0	1.0	1.0
Net/gross investment in nonfinancial assets	**1.7**	**1.8**	**1.5**	**1.8**	**1.5**	**1.9**	**1.8**	**2.0**	**2.2**	**2.2**	**2.2**
Net lending (+) / Net borrowing (-) (NLB = 1-2)	**-3.5**	**-1.8**	**-1.3**	**-1.3**	**-0.9**	**-0.2**	**-0.1**	**0.7**	**1.3**	**1.3**	**1.4**
Net acquisition of financial assets (3)	**-0.4**	**0.3**	**-0.2**	**0.9**	**0.4**	**0.6**	**0.5**	**1.1**	**1.3**	**0.4**	**0.4**
Net incurrence of liabilities (4)	**3.6**	**2.1**	**1.5**	**2.1**	**1.3**	**0.8**	**0.6**	**0.4**	**0.0**	**-0.9**	**-1.0**
Domestic	3.6	0.0	-0.3	0.0	-0.2	0.0	0.0	0.1	0.1	-0.2	-0.2
External	0.0	2.1	1.8	2.2	1.5	0.7	0.6	0.3	-0.1	-0.7	-0.8
Overall statistical discrepancy (-NLB+3-4)	-0.6	0.0	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Primary balance	-2.6	-0.8	-0.2	-0.3	0.2	0.9	1.0	1.8	2.4	2.4	2.4
Nonoil primary revenue	22.7	25.2	23.7	24.9	24.1	24.9	24.6	25.4	25.7	25.7	25.7
Nonoil primary expenditure	27.5	28.4	26.6	28.0	26.7	27.5	26.2	26.2	26.0	25.9	25.9
Nonoil primary balance (NOPB)	-4.8	-3.2	-2.9	-3.1	-2.6	-2.6	-1.7	-0.8	-0.3	-0.2	-0.2
NOPB including fuel subsidies (NOPBS)	-7.5	-5.6	-5.4	-4.6	-4.0	-3.5	-2.3	-1.4	-0.9	-0.8	-0.6
Oil balance	2.2	2.4	2.7	2.8	2.8	3.5	2.7	2.6	2.7	2.6	2.5
Central government (PGE+CFDD) NLB	-5.3	-3.4	-2.5	-3.1	-2.9	-2.0	-1.8	-0.8	0.1	0.1	0.3
NFPS gross debt	54.3	56.8	53.8	56.8	53.2	55.7	52.1	50.4	48.4	45.5	42.5
Domestic	14.6	14.6	14.0	14.0	13.3	13.6	12.9	12.6	12.2	11.5	10.8
External	39.8	42.1	39.8	42.7	39.9	42.1	39.1	37.9	36.2	34.0	31.7

Sources: Ministry of Economy and Finance; and IMF staff estimates and projections.

1/ Staff Report for the 2024 Article IV Consultation and First EFF Review (Country Report No. 24/357).

2/ Includes cost of importing oil derivatives (CFDD), of oil contracts (SHE), of goods and services used in oil production, and of oil services (PEC and PAM).

Table 4. Ecuador: Nonfinancial Public Sector Financing, 2023-30

				Projections							
	2023	2024 CR/24/357 1/	2024	2025 CR/24/357 1/	2025	2026 CR/24/357 1/	2026	2027	2028	2029	2030
						(US$ million)					
Gross financing needs	**9,810**	**8,097**	**10,574**	**8,250**	**8,201**	**8,264**	**7,123**	**7,195**	**5,541**	**6,285**	**6,258**
NFPS deficit (=-NLB)	**4,217**	**2,187**	**1,590**	**1,570**	**1,147**	**280**	**149**	**-974**	**-1,842**	**-2,022**	**-2,180**
Amortization	**5,592**	**5,910**	**8,983**	**6,680**	**7,053**	**7,984**	**6,975**	**8,168**	**7,382**	**8,308**	**8,437**
Domestic	2,936	3,598	5,757	3,467	3,638	3,708	3,033	3,622	3,098	3,820	3,758
Loans	0	79	0	158	309	161	305	301	305	309	313
Securities	2,936	3,320	4,734	2,909	2,929	3,248	2,585	3,321	2,792	3,511	3,445
Treasury certificates	1,873	2,166	2,166	2,166	1,887	2,166	1,887	1,887	1,887	1,887	1,887
Bonds	1,063	1,154	2,568	743	1,042	1,082	697	1,433	905	1,623	1,558
Other accounts payable clearance 2/	0	200	1,023	400	400	300	143	0	0	0	0
External	2,656	2,312	3,226	3,212	3,415	4,276	3,942	4,546	4,285	4,488	4,679
Loans	1,867	2,181	2,148	3,052	3,268	3,291	3,055	3,678	3,470	3,670	3,855
Multilateral	1,003	1,314	1,325	2,211	2,432	2,502	2,275	2,987	2,990	2,896	3,088
Bilateral	709	406	406	392	387	401	395	400	441	550	529
Commercial	154	461	417	449	450	387	384	291	39	224	239
Securities (Eurobonds)	708	44	1,004	74	74	905	813	813	815	818	824
Other accounts payable clearance 3/	81	87	74	87	74	80	74	55	0	0	0
Gross financing sources	**9,810**	**8,097**	**10,574**	**8,250**	**8,201**	**8,264**	**7,123**	**7,195**	**5,541**	**6,285**	**6,258**
Domestic	6,775	3,219	4,351	2,339	2,872	3,029	2,439	2,298	1,396	2,905	2,878
Use of deposits	3,156	-362	-996	-1,070	-557	-718	-645	-1,523	-1,896	-605	-567
o/w Deposits at the BCE	2,864	-362	-850	-1,070	-557	-718	-645	-1,523	-1,896	-605	-567
Loans	11	0	2,522	0	0	0	0	0	0	0	0
Securities	2,918	3,580	2,825	3,409	3,429	3,748	3,085	3,821	3,292	3,511	3,445
Treasury certificates	2,166	2,166	1,887	2,166	1,887	2,166	1,887	1,887	1,887	1,887	1,887
Bonds	752	1,414	938	1,243	1,542	1,582	1,197	1,933	1,405	1,623	1,558
Other accounts payable accumulation 2/	689	0	0	0	0	0	0	0	0	0	0
External	2,626	4,878	5,482	5,911	5,329	5,235	4,684	4,897	4,144	3,380	3,380
Loans	2,611	4,878	5,467	4,411	5,329	3,235	3,684	3,397	2,144	1,380	1,380
Multilateral	1,581	4,559	4,268	3,400	4,800	2,400	2,850	2,650	1,650	1,180	1,180
World Bank (WB)	700	916	908	400	400	400	400	400	400	400	400
Inter-American Development Bank (IDB)	594	1,198	1,179	800	800	550	550	550	550	330	330
Development Bank of Latin America (CAF)	285	445	385	450	450	450	450	450	450	450	450
International Monetary Fund (IMF GRA)	0	1,500	1,487	1,250	1,750	500	750	750	250	0	0
Latin America Reserve Fund (FLAR)	0	500	308	0	500	0	0	0	0	0	0
Other	2	0	0	500	900	500	700	500	0	0	0
Bilateral	256	319	196	630	398	490	490	490	490	200	200
Commercial	775	0	1,004	381	131	345	344	257	4	0	0
Securities (Eurobonds)	15	0	15	1,500	0	2,000	1,000	1,500	2,000	2,000	2,000
Special Drawing Rights (2021 SDR allocation)	0	0	0	0	0	0	0	0	0	0	0
Other accounts payable accumulation 3/	0	0	0	0	0	0	0	0	0	0	0
Other assets (-)/liabilities 4/	1,077	0	1,300	0	0	0	0	0	0	0	0
Statistical discrepancy	-668	0	-560	0	0	0	0	0	0	0	0
Net financing	**4,885**	**2,187**	**2,150**	**1,570**	**1,147**	**280**	**149**	**-974**	**-1,842**	**-2,022**	**-2,180**
Net acquisition of financial assets	**-538**	**362**	**-232**	**1,070**	**557**	**718**	**645**	**1,523**	**1,896**	**605**	**567**
Net incurrence of liabilities	**4,348**	**2,548**	**1,918**	**2,640**	**1,704**	**998**	**794**	**549**	**54**	**-1,417**	**-1,612**
Domestic	4,377	-18	-338	-58	-209	39	52	199	195	-309	-313
External	-30	2,566	2,256	2,698	1,913	959	742	351	-141	-1,108	-1,299
						(In percent of GDP)					
Gross financing needs	**8.1**	**6.7**	**8.5**	**6.6**	**6.4**	**6.4**	**5.3**	**5.2**	**3.8**	**4.2**	**4.0**
NFPS deficit (=-NLB)	3.5	1.8	1.3	1.3	0.9	0.2	0.1	-0.7	-1.3	-1.3	-1.4
Amortization	4.6	4.9	7.2	5.3	5.5	6.2	5.2	5.9	5.1	5.5	5.3
Gross financing sources	**8.1**	**6.7**	**8.5**	**6.6**	**6.4**	**6.4**	**5.3**	**5.2**	**3.8**	**4.2**	**4.0**
Domestic	5.6	2.7	3.5	1.9	2.2	2.3	1.8	1.7	1.0	1.9	1.8
External	2.2	4.1	4.4	4.7	4.1	4.1	3.5	3.5	2.9	2.2	2.1
Other assets (-)/liabilities 4/	0.9	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statistical discrepancy (-)	-0.6	0.0	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NFPS gross debt	**54.3**	**56.8**	**53.8**	**56.8**	**53.2**	**55.7**	**52.1**	**50.4**	**48.4**	**45.5**	**42.5**
Domestic	14.6	14.6	14.0	14.0	13.3	13.6	12.9	12.6	12.2	11.5	10.8
External	39.8	42.1	39.8	42.7	39.9	42.1	39.1	37.9	36.2	34.0	31.7

Sources: Ministry of Economy and Finance; and IMF staff estimates and projections.
1/ Staff Report for the 2024 Article IV Consultation and First EFF Review (Country Report No. 24/357).
2/ Includes domestic arrears accumulation/clearance and convenio de liquidez.
3/ Includes accumulation/clearance of oil related financing.
4/ Includes accumulation of assets other than deposits and incurrence of non-debt liabilities.

Table 5a. Ecuador: Balance of Payments, 2023-30

	2023	2024		2025		2026		2027	2028	2029	2030
		CR/24/357 1/		Projections CR/24/357 1/		CR/24/357 1/					
				(US$ million)							
Current account	**2,217**	**5,280**	**7,082**	**3,886**	**6,060**	**3,642**	**4,601**	**4,373**	**4,270**	**4,086**	**4,132**
Trade balance	2,207	5,566	6,813	4,087	6,023	3,872	4,713	4,419	4,222	3,947	3,957
Exports, f.o.b.	31,484	33,423	34,699	32,645	35,268	33,851	34,275	35,557	37,347	39,326	41,619
Oil	8,952	9,053	9,572	7,824	7,915	7,579	6,868	6,904	6,971	6,977	7,005
Nonoil	22,532	24,370	25,127	24,820	27,353	26,273	27,407	28,653	30,375	32,350	34,614
Imports, f.o.b.	29,277	27,857	27,886	28,558	29,245	29,980	29,563	31,137	33,125	35,379	37,662
Oil	7,045	6,957	6,949	5,690	5,784	5,350	4,898	4,992	5,028	5,105	5,206
Nonoil	22,232	20,899	20,937	22,867	23,461	24,629	24,665	26,145	28,096	30,275	32,457
Services	-1,940	-2,316	-2,315	-2,421	-2,816	-2,514	-2,927	-3,089	-3,271	-3,485	-3,702
Credits	4,203	2,910	3,769	2,979	3,847	3,098	3,901	4,051	4,229	4,413	4,616
Debits	6,144	5,226	6,084	5,400	6,663	5,613	6,828	7,141	7,500	7,898	8,318
Primary income	-2,816	-3,157	-3,337	-3,081	-2,612	-3,158	-2,673	-2,640	-2,613	-2,576	-2,539
Credits	292	210	293	230	183	259	222	251	291	334	367
Debits	3,108	3,367	3,630	3,311	2,795	3,417	2,895	2,892	2,904	2,911	2,906
Secondary income	4,767	5,186	5,921	5,301	5,466	5,442	5,489	5,683	5,932	6,201	6,417
Of which: workers' remittances, net	4,747	5,166	5,912	5,280	5,456	5,420	5,479	5,673	5,922	6,190	6,405
Capital account	**78**	**83**	**79**	**85**	**82**	**88**	**85**	**87**	**91**	**95**	**99**
Financial account 2/	**4,741**	**2,170**	**5,093**	**1,074**	**3,342**	**1,598**	**2,676**	**1,525**	**1,206**	**1,869**	**1,921**
Direct investment, net	-475	-368	-232	-557	-708	-1,397	-1,128	-1,573	-1,979	-2,312	-2,567
Public sector, net	30	-2,566	-2,256	-2,698	-1,913	-959	-742	-351	141	1,108	1,299
Disbursements	-2,626	-4,878	-5,482	-5,911	-5,329	-5,235	-4,684	-4,897	-4,144	-3,380	-3,380
Multilaterals	1,581	4,559	4,268	3,400	4,800	2,400	2,850	2,650	1,650	1,180	1,180
Bilaterals	256	319	196	630	398	490	490	490	490	200	200
Commercial	775	0	1,004	381	131	345	344	257	4	0	0
External securities	15	0	15	1,500	0	2,000	1,000	1,500	2,000	2,000	2,000
Others	0	0	0	0	0	0	0	0	0	0	0
Amortizations	2,656	2,312	3,226	3,212	3,415	4,276	3,942	4,546	4,285	4,488	4,679
Multilaterals	1,003	1,314	1,325	2,211	2,432	2,502	2,275	2,987	2,990	2,896	3,088
Bilaterals	709	406	406	392	387	401	395	400	441	550	529
Commercial	154	461	417	449	450	387	384	291	39	224	239
External securities	708	44	1,004	74	74	905	813	813	815	818	824
Others	81	87	74	87	74	80	74	55	0	0	0
Private sector, net	5,186	5,105	7,582	4,329	5,963	3,954	4,546	3,448	3,045	3,073	3,189
Portfolio investment, net	1,462	1,314	3,091	1,439	2,556	1,433	1,986	1,024	614	321	249
Other investment, net	3,724	3,791	4,491	2,890	3,407	2,521	2,560	2,425	2,431	2,751	2,940
Errors and omissions	**-1,838**	**0**	**-62**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**-4,284**	**3,193**	**2,007**	**2,896**	**2,800**	**2,132**	**2,010**	**2,935**	**3,154**	**2,313**	**2,311**
Change in reserve assets (increase, -) 2/	**4,284**	**-3,193**	**-2,007**	**-2,896**	**-2,800**	**-2,132**	**-2,010**	**-2,935**	**-3,154**	**-2,313**	**-2,311**
IMF net credit	-228	959	951	229	742	-570	-313	-505	-1,093	-1,438	-1,610
Of which: purchases under the EFF	0	1,500	1,487	1,250	1,750	500	750	750	250	0	0
Other external financing 3/	19	0	18	0	0	0	0	0	0	0	0
Memorandum items:					(Units as indicated)						
Gross international reserves (US$ million)	4,454	7,648	6,900	10,544	9,700	12,676	11,710	14,645	17,800	20,112	22,423
In months of the following year's imports of G&S	1.6	2.7	2.3	3.6	3.2	4.1	3.7	4.3	4.9	5.2	5.6
As a percent of ARA metric, excluding the Liquidity Fund	17.0	29.1	26.1	38.7	35.6	45.2	42.3	51.6	61.1	67.4	73.6
As a percent of ARA metric, including the Liquidity Fund	30.3	42.8	42.6	52.3	53.0	58.9	60.3	70.2	80.1	87.0	94.0
Oil balance (US$ million)	1,907	2,095	2,623	2,134	2,131	2,228	1,971	1,912	1,943	1,872	1,799
Exports (US$ million)	8,952	9,053	9,572	7,824	7,915	7,579	6,868	6,904	6,971	6,977	7,005
Imports (US$ million)	7,045	6,957	6,949	5,690	5,784	5,350	4,898	4,992	5,028	5,105	5,206
Nonoil balance (US$ million)	311	3,185	4,459	1,752	3,929	1,414	2,631	2,461	2,327	2,215	2,333
Export volume growth (percent)	6.7	6.0	4.8	1.4	3.0	3.8	1.8	3.4	4.4	4.9	5.5
Nonoil	10.1	9.5	7.0	4.5	7.2	5.5	3.5	4.6	6.1	7.1	7.5
Import volume growth (percent)	2.6	-4.1	-3.3	3.1	6.1	4.4	1.6	4.1	4.9	6.6	6.2
Nonoil	1.3	-6.1	-7.3	8.2	11.1	6.6	5.0	5.1	6.6	8.1	7.5
Goods terms of trade growth (percent)	-5.8	-1.0	3.9	-2.9	-1.0	-0.4	-0.7	0.9	1.1	0.0	0.1
Foreign direct investment, net (US$ million)	475	368	232	557	708	1,397	1,128	1,573	1,979	2,312	2,567
External debt (US$ million)	59,816	65,786	59,839	68,657	66,188	71,905	67,771	68,266	69,218	70,104	70,260
Private	11,628	11,818	10,249	10,929	14,685	12,984	15,525	15,670	16,763	18,756	20,211
Public	48,188	53,967	49,590	57,729	51,503	58,921	52,246	52,596	52,456	51,348	50,049

Sources: Central Bank of Ecuador; and Fund staff calculations and estimates.

1/ Staff Report for the 2024 Article IV Consultation and First EFF Review (Country Report No. 24/357).

2/ Includes net IMF credit. Positive numbers indicate outflows.

3/ Includes foreign arrears and net flows from oil funds held abroad and flows associated with debt default and restructuring.

Table 5b. Ecuador: Balance of Payments, 2023-30

	2023	2024		2025		2026		2027	2028	2029	2030
				Projections							
		CR/24/357 1/		CR/24/357 1/		CR/24/357 1/					
	(In percent of GDP)										
Current account	**1.8**	**4.4**	**5.7**	**3.1**	**4.7**	**2.8**	**3.4**	**3.1**	**2.9**	**2.7**	**2.6**
Trade balance	1.8	4.6	5.5	3.3	4.7	3.0	3.5	3.2	2.9	2.6	2.5
Exports, f.o.b.	26.0	27.8	27.8	26.1	27.3	26.2	25.7	25.6	25.8	26.0	26.3
Oil	7.4	7.5	7.7	6.3	6.1	5.9	5.1	5.0	4.8	4.6	4.4
Nonoil	18.6	20.2	20.2	19.9	21.2	20.3	20.5	20.6	21.0	21.4	21.9
Imports, f.o.b.	24.2	23.1	22.4	22.8	22.6	23.2	22.2	22.4	22.9	23.4	23.8
Oil	5.8	5.8	5.6	4.6	4.5	4.1	3.7	3.6	3.5	3.4	3.3
Nonoil	18.4	17.4	16.8	18.3	18.2	19.1	18.5	18.8	19.4	20.0	20.5
Services	-1.6	-1.9	-1.9	-1.9	-2.2	-1.9	-2.2	-2.2	-2.3	-2.3	-2.3
Credits	3.5	2.4	3.0	2.4	3.0	2.4	2.9	2.9	2.9	2.9	2.9
Debits	5.1	4.3	4.9	4.3	5.2	4.3	5.1	5.1	5.2	5.2	5.3
Primary income	-2.3	-2.6	-2.7	-2.5	-2.0	-2.4	-2.0	-1.9	-1.8	-1.7	-1.6
Credits	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Debits	2.6	2.8	2.9	2.6	2.2	2.6	2.2	2.1	2.0	1.9	1.8
Secondary income	3.9	4.3	4.7	4.2	4.2	4.2	4.1	4.1	4.1	4.1	4.1
Of which: workers' remittances, net	3.9	4.3	4.7	4.2	4.2	4.2	4.1	4.1	4.1	4.1	4.1
Capital account	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
Financial account 2/	**3.9**	**1.8**	**4.1**	**0.9**	**2.6**	**1.2**	**2.0**	**1.1**	**0.8**	**1.2**	**1.2**
Direct investment, net	-0.4	-0.3	-0.2	-0.4	-0.5	-1.1	-0.8	-1.1	-1.4	-1.5	-1.6
Public sector, net	0.0	-2.1	-1.8	-2.2	-1.5	-0.7	-0.6	-0.3	0.1	0.7	0.8
Disbursements	-2.2	-4.1	-4.4	-4.7	-4.1	-4.1	-3.5	-3.5	-2.9	-2.2	-2.1
Multilaterals	1.3	3.8	3.4	2.7	3.7	1.9	2.1	1.9	1.1	0.8	0.7
Bilaterals	0.2	0.3	0.2	0.5	0.3	0.4	0.4	0.4	0.3	0.1	0.1
Commercial	0.6	0.0	0.8	0.3	0.1	0.3	0.3	0.2	0.0	0.0	0.0
External securities	0.0	0.0	0.0	1.2	0.0	1.5	0.7	1.1	1.4	1.3	1.3
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortizations	2.2	1.9	2.6	2.6	2.6	3.3	3.0	3.3	3.0	3.0	3.0
Multilaterals	0.8	1.1	1.1	1.8	1.9	1.9	1.7	2.1	2.1	1.9	2.0
Bilaterals	0.6	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.3
Commercial	0.1	0.4	0.3	0.4	0.3	0.3	0.3	0.2	0.0	0.1	0.2
External securities	0.6	0.0	0.8	0.1	0.1	0.7	0.6	0.6	0.6	0.5	0.5
Others	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Private sector, net	4.3	4.2	6.1	3.5	4.6	3.1	3.4	2.5	2.1	2.0	2.0
Portfolio investment, net	1.2	1.1	2.5	1.2	2.0	1.1	1.5	0.7	0.4	0.2	0.2
Other investment, net	3.1	3.1	3.6	2.3	2.6	2.0	1.9	1.7	1.7	1.8	1.9
Errors and omissions	**-1.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**-3.5**	**2.7**	**1.6**	**2.3**	**2.2**	**1.7**	**1.5**	**2.1**	**2.2**	**1.5**	**1.5**
Change in reserve assets (increase, -) 2/	**3.5**	**-2.7**	**-1.6**	**-2.3**	**-2.2**	**-1.7**	**-1.5**	**-2.1**	**-2.2**	**-1.5**	**-1.5**
Of which: IMF net credit	-0.2	0.8	0.8	0.2	0.6	-0.4	-0.2	-0.4	-0.8	-1.0	-1.0
Purchases under the EFF	0.0	1.2	1.2	1.0	1.4	0.4	0.6	0.5	0.2	0.0	0.0
Of which: Other external financing 3/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Gross international reserves	3.7	6.4	5.5	8.4	7.5	9.8	8.8	10.5	12.3	13.3	14.2
Oil balance	1.6	1.7	2.1	1.7	1.7	1.7	1.5	1.4	1.3	1.2	1.1
Exports	7.4	7.5	7.7	6.3	6.1	5.9	5.1	5.0	4.8	4.6	4.4
Imports	5.8	5.8	5.6	4.6	4.5	4.1	3.7	3.6	3.5	3.4	3.3
Nonoil balance	0.3	2.6	3.6	1.4	3.0	1.1	2.0	1.8	1.6	1.5	1.5
Foreign direct investment, net	0.4	0.3	0.2	0.4	0.5	1.1	0.8	1.1	1.4	1.5	1.6
External debt	49.4	54.6	48.0	54.9	51.3	55.7	50.8	49.1	47.8	46.4	44.5
Private	9.6	9.8	8.2	8.7	11.4	10.1	11.6	11.3	11.6	12.4	12.8
Public	39.8	44.8	39.8	46.2	39.9	45.6	39.1	37.9	36.2	34.0	31.7

Sources: Central Bank of Ecuador; and Fund staff calculations and estimates.

1/ Staff Report for the 2024 Article IV Consultation and First EFF Review (Country Report No. 24/357).

2/ Incudes net IMF credit. Positive numbers indicate outflows.

3/ Includes foreign arrears and net flows from oil funds held abroad and flows associated with debt default and restructuring.

Table 6. Ecuador: External Financing, 2023-30

				Projections							
	2023	2024		2025		2026		2027	2028	2029	2030
		CR/24/357 1/		CR/24/357 1/		CR/24/357 1/					
	(US$ million)										
Gross external financing requirements	**7,473**	**888**	**4,410**	**4,000**	**3,431**	**4,407**	**5,950**	**7,170**	**7,002**	**7,069**	**7,362**
Current account deficit	-2,217	-5,280	-7,082	-3,886	-6,060	-3,642	-4,601	-4,373	-4,270	-4,086	-4,132
Public sector amortizations	2,656	2,312	3,226	3,212	3,415	4,276	3,942	4,546	4,285	4,488	4,679
Multilaterals	1,003	1,314	1,325	2,211	2,432	2,502	2,275	2,987	2,990	2,896	3,088
Of which: IMF	228	529	536	995	1008	1070	1063	1255	1343	1438	1610
Bilaterals	709	406	406	392	387	401	395	400	441	550	529
Commercial	154	461	417	449	450	387	384	291	39	224	239
External securities	708	44	1,004	74	74	905	813	813	815	818	824
Others	81	87	74	87	74	80	74	55	0	0	0
Private sector amortizations	7,034	3,857	8,267	4,674	6,076	3,773	6,609	6,997	6,987	6,667	6,815
External financing sources	**3,189**	**4,082**	**6,417**	**6,897**	**6,231**	**6,539**	**7,960**	**10,105**	**10,157**	**9,381**	**9,672**
Public sector	2,626	4,878	5,482	5,911	5,329	5,235	4,684	4,897	4,144	3,380	3,380
Multilateral	1,581	4,559	4,268	3,400	4,800	2,400	2,850	2,650	1,650	1,180	1,180
Of which: IMF (EFF)	0	1,500	1,487	1,250	1,750	500	750	750	250	0	0
Bilaterals	256	319	196	630	398	490	490	490	490	200	200
Commercial	775	0	1,004	381	131	345	344	257	4	0	0
External securities	15	0	15	1,500	0	2,000	1,000	1,500	2,000	2,000	2,000
Others	0	0	0	0	0	0	0	0	0	0	0
Private sector	2,323	-880	917	902	821	1,216	3,192	5,121	5,921	5,907	6,193
Direct investment	475	368	232	557	708	1,397	1,128	1,573	1,979	2,312	2,567
Portfolio investment	-1,462	-1,314	-3,091	-1,439	-2,556	-1,433	-1,986	-1,024	-614	-321	-249
Other investment 2/	3,310	65	3,775	1,784	2,669	1,252	4,050	4,572	4,557	3,916	3,875
Net transfers 3/	-1,761	83	18	85	82	88	85	87	91	95	99
Change in reserve assets (-, increase)	**4,284**	**-3,193**	**-2,007**	**-2,896**	**-2,800**	**-2,132**	**-2,010**	**-2,935**	**-3,154**	**-2,313**	**-2,311**
Of which: Net IMF credit	-228	959	951	229	742	-570	-313	-505	-1,093	-1,438	-1,610

Sources: Central Bank of Ecuador and Fund staff calculations and estimates.
1/ Staff Report for the 2024 Article IV Consultation and First EFF Review (Country Report No. 24/357).
2/ Excludes private sector amortizations.
3/ Net transfers is defined as capital account flows plus unidentified flows (errors and omissions).

Table 7. Ecuador: Monetary and Financial Statistics, 2023-30

	2023	2024 CR/24/357 1/	2024	2025 CR/24/357 1/	2025	2026 CR/24/357 1/	2026	2027	2028	2029	2030
				Projections							
					(US$ million)						
I. Central Bank											
Net foreign assets	**5,976**	**8,793**	**8,104**	**11,734**	**10,728**	**13,905**	**12,772**	**15,752**	**18,953**	**21,316**	**23,682**
Of which: gross international reserves 2a/	4,454	7,648	6,900	10,544	9,700	12,676	11,710	14,645	17,800	20,112	22,423
Of which: net international reserves 2b/	-7,639	-7574	-7,638	-6470	-7,291	-4,821	-6,017	-3,677	-385	1,956	4,436
Gross international reserves at TMU prices	4,633	…	6,626	…	9,426	…	11,436	14,372	17,526	19,839	22,149
Fund credit	7,761	…	8,712	…	9,440	…	9,132	8,638	7,569	6,166	4,594
Bank reserves of ODIs and OFIs (exc. BDE, BIESS/IESS)	4,484	…	5,552	…	7,277	…	8,321	9,410	10,342	11,717	13,119
Net domestic assets	**-389**	**-1,290**	**-1,740**	**-2,761**	**-2,647**	**-3,878**	**-3,621**	**-5,478**	**-7,712**	**-8,661**	**-9,583**
Credit to the nonfinancial public sector, net	1,386	769	371	-566	-504	-1,557	-1,447	-3,272	-5,473	-6,388	-7,268
Of which: central government deposits	569	…	1,080	…	…	…	…	…	…	…	…
Credit to financial institutions	686	670	683	639	652	607	620	588	555	520	479
Other depository institutions	112	112	118	112	118	112	118	118	118	116	109
Other financial institutions	573	558	566	526	534	495	502	470	437	404	371
Credit to the private sector	8	8	7	8	7	8	7	7	7	7	7
Other, net	-2,469	-2,737	-2,801	-2,842	-2,801	-2,936	-2,801	-2,801	-2,801	-2,801	-2,801
Liabilities	**5,587**	**7,503**	**6,364**	**8,972**	**8,081**	**10,027**	**9,151**	**10,274**	**11,241**	**12,655**	**14,099**
Banks' reserves	5,484	7,401	6,255	8,866	7,968	9,917	9,035	10,153	11,116	12,525	13,964
Other depository institutions 3/	3,890	6,132	5,242	7,549	6,811	8,556	7,839	8,908	9,819	11,171	12,548
Other financial institutions 4/	1,595	1,269	1,013	1,318	1,157	1,361	1,196	1,245	1,297	1,354	1,416
Other 5/	15	16	18	16	18	17	18	18	18	18	18
II. Other Depository Institutions (ODI) and Other Financial Institutions (OFI) 3/ 6/											
Net foreign assets	**5,950**	**6,612**	**7,493**	**6,777**	**8,322**	**6,913**	**8,600**	**8,955**	**9,330**	**9,737**	**10,184**
Net domestic assets	**54,457**	**59,654**	**60,559**	**63,440**	**65,544**	**66,635**	**68,766**	**72,667**	**76,626**	**81,317**	**86,426**
Assets held at the BCE, net	3,438	5,720	4,757	7,175	6,514	8,221	7,589	8,711	9,675	11,084	12,519
Credit to the nonfinancial public sector, net	2,952	3,158	3,460	3,663	3,965	4,168	4,470	4,976	5,482	5,489	5,496
Of which: central government, net	1,772	1,984	2,493	2,299	2,842	2,614	3,191	3,541	3,890	3,890	3,890
Credit to the private sector	63,984	66,893	67,922	69,601	70,983	72,397	73,176	76,150	79,381	83,462	88,011
Other items, net	-15,916	-16,117	-15,581	-17,000	-15,918	-18,152	-16,469	-17,169	-17,912	-18,717	-19,601
Liabilities	**60,407**	**66,266**	**68,051**	**70,217**	**73,866**	**73,548**	**77,366**	**81,621**	**85,956**	**91,054**	**96,610**
Of which: Private sector deposits	60,407	66,266	68,051	70,217	73,866	73,548	77,366	81,621	85,956	91,054	96,610
III. Depository Corporations Survey											
Net foreign assets	**11,926**	**15,405**	**15,597**	**18,510**	**19,049**	**20,817**	**21,373**	**24,706**	**28,283**	**31,052**	**33,865**
Net domestic assets	**48,583**	**50,963**	**52,564**	**51,813**	**54,929**	**52,840**	**56,110**	**57,035**	**57,798**	**60,131**	**62,878**
Credit to the nonfinancial public sector, net	4,338	3,927	3,831	3,098	3,461	2,612	3,022	1,704	9	-899	-1,772
Credit to the private sector	63,991	66,901	67,929	69,609	70,990	72,405	73,183	76,157	79,389	83,469	88,019
Other items, net	-19,745	-19,865	-19,197	-20,894	-19,521	-22,177	-20,096	-20,826	-21,600	-22,439	-23,368
Liabilities	**60,509**	**66,368**	**68,161**	**70,323**	**73,979**	**73,657**	**77,482**	**81,742**	**86,080**	**91,183**	**96,744**
Memorandum items:						(Units as indicated)					
Change in Gross International Reserves (US$ million, increase, +) 7/	-4,004	3,193	2,445	2,896	2,800	2,132	2,010	2,935	3,154	2,313	2,311
Change in Net International Reserves (US$ million, increase, +)	-1,446	65	1	1,104	347	1,648	1,274	2,340	3,291	2,341	2,480
1st COMYF balance (percent) 8/	115	125	129	140	142	148	149	164	181	180	178
2nd COMYF balance (percent) 9/	36	121	155	228	249	303	323	459	614	659	695
3rd COMYF balance (percent) 10/	-18	6	15	30	30	44	43	60	72	78	83
Broad money (M2) (percent change, yoy) 11/	6.7	4.8	4.8	3.8	3.6	3.3	3.3	4.1	4.2	4.4	4.6
Credit to the private sector (percent of GDP) 12/	52.8	55.6	54.5	55.7	55.0	56.1	54.8	54.8	54.8	55.2	55.7
Credit to the private sector (percent change, yoy) 12/	8.4	4.5	6.2	4.0	4.5	4.0	3.1	4.1	4.2	5.1	5.5
Liabilities (percent of GDP)	49.9	55.1	54.7	56.2	57.3	57.0	58.1	58.8	59.5	60.3	61.2
Deposits of the private sector (percent change, yoy) 12/	7.9	9.7	12.7	6.0	8.5	4.7	4.7	5.5	5.3	5.9	6.1
ODI and OFI reserves at the central bank as a share of liabilities (percent) 3/ 4/	9.1	11.2	9.2	12.6	10.8	13.5	11.7	12.4	12.9	13.8	14.5
Liquidity Fund (US$ million)	3,451	3,589	3,589	3,712	3,712	3,837	3,837	3,988	4,151	4,320	4,494

Sources: Central Bank of Ecuador; and Fund staff calculations and estimates.

1/ Staff Report for the 2024 Article IV Consultation and First EFF Review (Country Report No. 24/357).

2a/ Excludes non-liquid and encumbered reserves included in the authorities' definition of GIR.

2b/ Program net international reserves are equal to gross international reserves less outstanding IMF credit, short-term foreign liabilities of the BCE, deposits of other depository institutions and other financial institutions (excl. BEDE and BIESS) at the BCE, and short-term liabilities of the central government.

3/ ODI include private banks, Banecuador (formerly Banco Nacional de Fomento), Banco del Pacifico, private financial companies, mutualists, cooperatives, and credit card companies.

4/ Reserves of OFIs includes deposits of Corporación Financiera Nacional, COSEDE, BIESS, BDE, and a transitory account for the payments system.

5/ Includes monetary deposits, Titulos del Banco Central de Ecuador, stabilization bonds, and accounts payable.

6/ OFI comprises Corporación Financiera Nacional and BDE.

7/ Changes in Gross International Reserves include valuation effects and could differ from change in reserves arising from BOP flows reported in Table 5a.

8/ Liabilities of this balance include the national monetary species minted by the Central Bank of Ecuador that are in circulation, Central Bank Securities (TBC), any other direct obligation with the public and the deposits of other depository institutions, which include private banks, mutual banks, savings and credit cooperatives, and public banks with demand deposits. These liabilities must be covered one hundred percent with the assets of the International Reserves.

9/ Liabilities of this balance include the deposits of other financial entities, including CFN, BIESS (Banco del Instituto Ecuatoriano de Seguridad Social), other public sector financial entities and financial intermediaries that do not take demand deposits from the public. These liabilities will be covered with the remaining reserve assets once the First Balance is covered and must be equivalent to one hundred percent of the liabilities in this balance.

10/ Liabilities of this balance include deposits of the Non-Financial Public Sector (NFPS), deposits of authorized private legal entities in the Central Bank of Ecuador and transfers through the payments system pending settlement, as well as the BCE's own external indebtedness. These liabilities must be one hundred percent covered with the assets of the International Reserves, once the Second Balance has been fully covered.

11/ Broad money comprises monetary species in circulation, demand deposits, and quasi-money.

12/ Consolidated banking system.

Table 8. Ecuador: Financial Soundness Indicators, 2019-25

	2019	2020	2021	2022	2023	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25
	(In percent, end of period)									
Banking system										
Capital adequacy										
Regulatory capital to risk-weighted assets	16.7	17.3	15.8	15.7	15.1	14.7	16.5	16.8	17.0	16.6
Asset quality and distribution										
Nonperforming loans to total gross loans	3.2	3.6	3.7	3.7	4.6	4.7	4.6	4.4	4.2	4.3
Provisions to nonperforming loans	203.0	230.7	232.9	225.9	185.9	161.5	168.4	181.7	187.6	188.1
Earnings and profitability										
Return on assets	2.0	0.7	0.7	1.8	2.2	1.7	1.7	1.6	1.8	1.8
Return on equity	8.8	3.1	2.3	9.5	11.8	9.5	9.4	8.5	10.5	10.7
Interest margin to gross income	63.7	66.1	66.3	64.3	60.4	59.8	59.8	59.4	63.2	62.1
Noninterest expenses to gross income	54.8	54.7	55.7	49.6	46.2	47.9	47.7	47.5	44.5	45.0
Liquidity										
Liquid assets to total assets	16.4	23.6	20.7	18.3	15.2	16.6	15.8	16.3	15.9	16.1
Liquid assets to short-term liabilities	35.5	48.1	36.9	34.4	29.5	32.6	30.9	30.6	30.6	30.6
Customer deposits to total (noninterbank) loans	107.2	119.8	117.2	109.0	105.1	109.0	108.9	111.1	111.1	112.3
Cooperatives (Segment 1-3)										
Capital adequacy (Segment 1)										
Regulatory capital to risk-weighted assets	17.0	17.2	17.3	16.0	15.5	16.7	16.7	17.1	17.4	17.2
Asset quality and distribution										
Nonperforming loans to total gross loans	3.9	3.8	4.2	4.0	7.0	9.0	8.9	8.0	8.2	8.2
Provisions to nonperforming loans	127.5	162.4	142.9	145.9	102.8	87.7	88.9	101.9	100.5	101.0
Earnings and profitability										
Return on assets	1.0	0.5	0.5	0.4	0.5	0.3	0.3	0.3	0.7	0.5
Return on equity	7.5	3.4	4.1	3.5	4.0	2.7	2.4	2.2	5.5	4.3
Liquidity										
Liquid assets to short-term liabilities	24.4	30.0	28.5	24.5	26.4	32.2	32.7	35.7	36.3	37.0

Sources: IMF Financial Soundness Indicators and Superintendency of Popular and Solidarity Economy.

Table 9. Ecuador: Indicators of Fund Credit, 2023-34

	2023	2024		2025		2026		2027	2028	2029	2030	2031	2032	2033	2034
		CR/24/357 1/		CR/24/357 1/		CR/24/357 1/									
Existing and prospective Fund credit (SDR million)															
Disbursements	0	1,129	1,129	939	1,315	374	561	561	185	0	0	0	0	0	0
Stock of existing and prospective Fund credit	5,925	6,650	6,650	6,829	7,206	6,407	6,971	6,594	5,778	4,707	3,507	2,687	1,935	1,310	748
Obligations	577	860	860	1,189	1,160	1,231	1,222	1,349	1,380	1,390	1,448	998	877	714	629
Principal (repayments/repurchases)	172	403	403	759	759	796	796	938	1,001	1,072	1,200	820	752	625	562
Charges and interest	406	457	457	430	401	436	426	411	380	318	248	178	125	89	67
Basic charges	276		304		242		255	246	230	196	156	117	87	61	39
Surcharges	96	110	110	126	124	129	141	134	122	95	64	34	11	0	0
Level-based	94		96		90		103	98	88	69	47	24	8	0	0
Time-based															
Fund obligations (repurchases and charges) in percent of:															
Quota	82.8	123.3	123.3	170.4	166.3	176.5	175.2	193.3	197.8	199.2	207.5	143.1	125.7	102.3	90.2
GDP	0.6	1.0	0.9	1.3	1.2	1.3	1.2	1.3	1.3	1.2	1.2	0.8	0.7	0.5	0.4
Exports of goods and services	2.2	3.2	3.0	4.5	3.9	4.5	4.3	4.6	4.5	4.3	4.2	2.8	2.4	1.8	1.6
Gross international reserves	17.3	15.0	16.6	15.1	15.9	13.1	13.9	12.3	10.4	9.3	8.7	5.6	4.7	3.7	3.1
Government revenue	1.8	2.4	2.5	3.4	3.3	3.4	3.4	3.5	3.5	3.4	3.4	2.2	1.9	1.5	1.2
External debt service, public	29.0	49.6	35.4	49.7	45.1	38.7	41.4	39.7	43.2	41.6	41.5	22.5	17.7	13.9	12.1
Fund credit outstanding in percent of:															
Quota	849.2	953.1	953.1	978.8	1,032.8	918.4	999.2	945.1	828.2	674.6	502.6	385.1	277.3	187.7	107.1
GDP	6.5	7.4	7.1	7.3	7.4	6.7	7.0	6.4	5.4	4.2	3.0	2.2	1.5	1.0	0.5
Exports of goods and services	22.1	24.4	22.9	25.7	24.5	23.3	24.4	22.3	18.7	14.4	10.2	7.6	5.2	3.4	1.8
Gross international reserves	177.4	115.8	128.0	86.9	98.7	68.0	79.5	60.3	43.6	31.4	21.0	15.2	10.4	6.8	3.7
Government revenue	13.6	14.2	14.5	14.5	15.4	13.1	14.5	12.9	10.9	8.5	6.1	4.5	3.1	2.0	1.1
External debt, public	16.4	17.4	17.8	17.1	18.6	15.8	17.8	16.8	14.8	12.3	9.4	7.4	5.6	4.0	2.4
Memorandum items:															
Quota (SDR million)	698	698	698	698	698	698	698	698	698	698	698	698	698	698	698
Gross domestic product (US$ million)	121,147	120,433	124,676	125,038	129,139	129,175	133,461	138,957	144,786	151,095	158,029	165,281	172,866	180,800	189,097
Exports of goods and services (US$ million)	35,687	36,334	38,468	35,624	39,115	36,950	38,176	39,608	41,575	43,739	46,235	47,504	49,685	51,965	54,350
Gross international reserves (US$ million)	4,454	7,648	6,900	10,544	9,700	12,676	11,710	14,645	17,800	20,112	22,423	23,763	24,853	25,994	27,187
Government revenue (US$ million)	43,580	46,791	45,876	47,104	46,845	49,046	48,208	50,942	53,237	55,101	57,267	59,895	62,644	65,519	68,526
External debt service, public (US$ million)	2,656	2,312	3,226	3,212	3,415	4,276	3,942	4,546	4,285	4,488	4,679	5,961	6,653	6,905	6,963
Total external debt, public (US$ million)	48,188	50,755	49,590	53,453	51,503	54,412	52,246	52,596	52,456	51,348	50,049	48,468	46,195	43,670	41,087
SDR per US$	0.75	0.75	0.75	0.75	0.75	0.74	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75

Source: IMF staff calculations.
1/ Staff Report for the 2024 Article IV Consultation and First EFF Review (Country Report No. 24/357).

Table 10a. Ecuador: Schedule of Reviews and Purchases 1/

Availability Date	Original Amounts		Conditions
	Millions of SDRs	Percent of Quota	
May 31, 2024	752.9	107.9	Approval of arrangement
November 15, 2024	375.9	53.9	First review and end-August 2024 performance/continuous criteria
March 15, 2025	312.9	44.8	Second review and end-December 2024 performance/continuous criteria 2/
July 15, 2025	312.9	44.8	Third review and end-April 2025 performance/continuous criteria
November 15, 2025	312.9	44.8	Fourth review and end-August 2025 performance/continuous criteria
March 15, 2026	186.9	26.8	Fifth review and end-December 2025 performance/continuous criteria
September 15, 2026	186.9	26.8	Sixth review and end-June 2026 performance/continuous criteria
March 15, 2027	186.9	26.8	Seventh review and end-December 2026 performance/continuous criteria
September 15, 2027	186.9	26.8	Eighth review and end-June 2027 performance/continuous criteria
March 15, 2028	184.9	26.5	Ninth review and end-December 2027 performance/continuous criteria
Total	3,000.0	430.0	

Source: IMF staff estimates.

1/ Ecuador's quota is SDR 697.7 million.

2/ End-April 2025 performance/continuous criteria applicable to the second review.

Table 10b. Ecuador: Proposed Schedule of Reviews and Purchases 1/

Availability Date	Original Amounts		Proposed Augmentation		Conditions
	Millions of SDRs	Percent of Quota	Millions of SDRs	Percent of Quota	
May 31, 2024	752.9	107.9	752.9	107.9	Approval of arrangement
November 15, 2024	375.9	53.9	375.9	53.9	First review and end-August 2024 performance/continuous criteria
March 15, 2025	312.9	44.8	438.4	62.8	Second review and end-December 2024 performance/continuous criteria 2/
August 15, 2025	312.9	44.8	438.4	62.8	Third review and end-April 2025 performance/continuous criteria
November 15, 2025	312.9	44.8	438.4	62.8	Fourth review and end-August 2025 performance/continuous criteria
March 15, 2026	186.9	26.8	280.5	40.2	Fifth review and end-December 2025 performance/continuous criteria
September 15, 2026	186.9	26.8	280.5	40.2	Sixth review and end-June 2026 performance/continuous criteria
March 15, 2027	186.9	26.8	280.3	40.2	Seventh review and end-December 2026 performance/continuous criteria
September 15, 2027	186.9	26.8	280.3	40.2	Eighth review and end-June 2027 performance/continuous criteria
March 15, 2028	184.9	26.5	184.8	26.5	Ninth review and end-December 2027 performance/continuous criteria
Total	3,000.0	430.0	3,750.4	537.5	

Source: IMF staff estimates.

1/ Ecuador's quota is SDR 697.7 million.

2/ End-April 2025 performance/continuous criteria applicable to the second review.

Table 11. Ecuador: Quantitative Performance Criteria and Indicative Targets, 2024-26

	End-December 2024				End-April 2025				End-Aug. 2025	End-Dec. 2025	End-Jun. 2026
	Program 2/	Adj. 3/	Actual	Status	Program 2/	Adj. 3/	Actual	Status	Program	Program	IT
(US$ million, unless otherwise indicated)											
Quantitative performance criteria											
1. Nonoil primary balance of the budgetary central government (PGE) (floor) 1/	-2,295	-2,295	-1,801	Met	-341	-341	312	Met	-1,220	-1,964	-52
2. Overall balance of the PGE and CFDD (floor) 1/	-4,213	-4,215	-3,058	Met	-1,041	-1,181	-796	Met	-2,628	-3,795	-1091
3. Accumulation of NFPS deposits at the central bank (floor) 1/	360	154	850	Met	0	-957	423	Met	0	557	200
4. Non-accumulation of external payments arrears by the NFPS (continuous performance criterion)	0		0	Met	0		0	Met	0	0	0
5. (No new) Central bank direct and indirect financing to the NFPS (continuous performance criterion)	0		0	Met	0		0	Met	0	0	0
Indicative targets											
6. Overall balance of the NFPS (floor) 1/	-2,442	-2,444	-1,590	Met	-89				-1,103	-1,147	217
7. Nonoil primary balance including fuel subsidies (NOPBS) of the NFPS (floor) 1/	-6,528	-6,526	-6,674	Not Met	-1,151				-3,070	-5,151	-1,317
8. Change in the stock of NIR (floor) 1/	65	-141	1	Met	-34	-991	828	Met	-579	147	315
9. Stock of PGE arrears to the domestic private sector (ceiling)	662		505	Met	600		660	Not Met	400	105	0
10. Number of families in the first three income deciles nationwide covered by cash transfer programs (floor)	1,212,984		1,214,638	Met	1,228,660		1,248,805	Met	1,244,336	1,260,012	1,279,012

Sources: Ministry of Economy and Finance and IMF staff estimates.
Note: Aggregates and adjustors as defined in the Technical Memorandum of Understanding (TMU).
1/ Cumulative from January 1.
2/ Staff report for the 2024 Article IV Consultation and First EFF Review (Country Report No. 24/357).
3/ Adjusted for oil prices and disbursements from multilateral institutions.

Table 12. Ecuador: Structural Benchmarks

Reform Area	Structural Conditionality	Objectives	Due Date	Status
Structural Benchmarks				
Public Financial Management	1. Publish an updated Medium-Term Fiscal Framework (MTFF) in line with program targets.	Strengthen fiscal planning and management.	End-October 2024	Met
Public Financial Management	2. Publish a Medium-Term Debt Management Strategy in line with program targets.	Strengthen fiscal planning and management.	End-October 2024	Met
Public Financial Management	3. Implement an automatized process for budgetary central government (PGE) payments, including arrears' payments.	Strengthen financial management, increase transparency, and reduce accumulation of payment arrears.	End-March 2025	Not met. Proposed to be reset to end-July 2025
Domestic Arrears	4. Share with Fund staff an updated plan to clear and prevent the resurgence of domestic arrears of the budgetary central government (PGE), including obligations to the private sector and intra-public sector claims.	Strengthen the monitoring and reduce accumulation of payment arrears.	End-November 2024	Met
Tax Reform	5. Prepare and share with the Fund a plan to mobilize nonoil fiscal revenues, including by streamlining inefficient tax expenditures and replacing transitory revenue measures with permanent high-quality ones.	Inform future efforts to broaden the tax base and streamline tax expenditures.	Mid-November 2024	Met
Fiscal Strategy	6. Enact regulation on revenue and/or expenditure measures to ensure that the 2025 fiscal plan is in line with program and MTFF commitments.	Ensure fiscal consolidation.	December 6, 2024	Met
Social Safety Net	7. Share with the Fund a plan to complete the social registry to cover families in the lowest three deciles of the income distribution throughout the country.	Enhance the social safety net.	End-October 2024	Met

Table 12. Ecuador: Structural Benchmarks (continued)

Reform Area	Structural Conditionality	Objectives	Due Date	Status
Governance	8. Establish an updated agreement between the MEF and IESS on the transfer of healthcare obligations (including both internal and external providers), building on the December 2022 agreement. The updated agreement should include a decision about the 2022 healthcare audits.	Improve expenditure control.	End-March 2025	Not met. Proposed to be reset to end-August 2025
Governance	9. Establish a timeline to operationalize the National Control Subsystem (SNC) to increase transparency in procurement.	Strengthen anticorruption framework and improve expenditure control.	End-December 2024	Met
Governance	10. Prepare and share with the Fund the conceptual and operational framework for an upgraded Official System of Public Procurement (Sistema Oficial de Contratación Pública del Ecuador, SOCE).	Increase transparency and efficiency in procurement and improve expenditure control.	End-July 2025	
Transparency and Governance	11. Initiate the tender process to select an auditor to undertake the 2023 and 2024 healthcare audits (based on the updated MEF/IESS agreement).	Improve the quality and reliability of fiscal data.	End-December 2024	Met
Transparency and Governance	12. Complete the audits of the 2019 and 2020 financial statements of Petroecuador and Petroamazonas and share the results with Fund staff.	Enhance transparency and governance in the oil sector.	End-March 2025	Met

Table 12. Ecuador: Structural Benchmarks (continued)

Reform Area	Structural Conditionality	Objectives	Due Date	Status
Anti-Money Laundering Framework	13. Enact new AML/CFT legislation to strengthen the AML/CFT framework in line with FATF standards.	Mitigate the risk of illicit flows including those related to organized crimes.	End-February 2025	Met
Anti-Money Laundering Framework	14. The National AML/CFT Coordination Committee to approve and publish a summarized version of an AML/CFT Strategic Action Plan, establishing actionable policy priorities to mitigate money laundering, including by organized crime, and terrorist financing risks identified in the National Risk Assessment approved in 2024.	Mitigate the risk of illicit flows, including those related to organized crimes.	End-September 2025	
Financial Sector	15. Establish a Financial Stability Committee in line with best international practices, comprising the BCE, MEF, JPRF, JPRM, SB, SEPS, SCVS, and COSEDE.	Enhance coordination among agencies involved in financial sector oversight.	End-September 2024	Met
Financial Sector	16. Establish an inter-institutional group within the Financial Stability Committee, comprising BCE, MEF, JPRF, JPRM, SB, SEPS, and COSEDE to coordinate resolution reforms and strategies.	Strengthen financial sector resolution framework.	End-January 2025	Met
Financial Sector	17. Issue macroprudential regulations on bank capital buffers, including surcharges on systemically important institutions and a countercyclical capital buffer.	Strengthen financial sector buffers.	End-November 2024	Met
Financial Sector	18. Prepare and share with Fund staff a study of the system of interest rates, including recommendations to improve credit allocation, financial inclusion, and economic growth, while preserving financial stability.	Foster financial sector deepening and improve economy's growth potential.	End-March 2025	Not met. Implemented with delay

Table 12. Ecuador: Structural Benchmarks (continued)

Reform Area	Structural Conditionality	Objectives	Due Date	Status
Domestic Capital Market Development	19. Sign a contract to implement a new platform for the BCE's central securities depository (DCV) to modernize the compensation, liquidation, and custody functions in line with international standards.	Foster domestic capital market development.	End-January 2025	Not met. Implemented with delay
Domestic Capital Market Development	20. Issue regulation for domestic market auctions for bonds and treasury notes, including procedures, auction format, and rules for participation, bidding, and allocation.	Foster domestic capital market development.	End-November 2025	Proposed
Mining Sector	21. Implement the regulation for the opening of the mining cadaster.	Enhance transparency and attract private investment.	End-June 2026	Proposed
Mining Sector	22. Develop a new fiscal regime for the mining sector to enhance its efficiency and revenue potential (informed by IMF technical assistance).	Enhance transparency and attract private investment.	End-December 2025	Proposed
Oil Sector Transparency and Governance	23. Complete the audit of the 2021 financial statements of Petroecuador and share the results with IMF staff.	Enhance transparency and governance in the oil sector.	End-September 2025	Proposed
Electricity Sector	24. Enact secondary regulations under existing electricity laws to allow private entities to sell surplus electricity from self-generation to the national grid.	Attract private investment. Foster energy security and economic growth.	End-August 2025	Proposed

Table 12. Ecuador: Structural Benchmarks (concluded)

Reform Area	Structural Conditionality	Objectives	Due Date	Status
Electricity Sector	25. Adopt a transparent and cost-reflective pricing mechanism, with regular reviews, for medium- and high-voltage electricity tariffs, in line with gradually reducing energy subsidies and enhancing fiscal sustainability.	Attract private investment. Foster energy security, fiscal sustainability, and economic growth.	End-August 2025	Proposed

Annex I. Risk Assessment Matrix[1]

Source of Risks	Relative Likelihood	Possible Impact	Policy Response
Conjunctural Shocks and Scenarios			
Trade Policy and Investment Shocks. Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation.	**High**	**Medium** Higher trade barriers or sanctions that impact commodity prices (in particular oil) and volumes of nonoil products (such as bananas and shrimps) could have significant ramifications on growth and fiscal and external balances. Higher oil and metal prices would have a net positive impact on Ecuador's external and fiscal balances.	Adopt policies to improve trade resilience, including enhancing diversification of trade markets and export products and limiting policy uncertainty through clearly articulated medium-term policy frameworks. In the event tensions reduce oil prices, implement fiscal contingency measures.
Sovereign Debt Distress. Higher interest rates, stronger U.S. dollar, and shrinking development aid amplified by sovereign-bank feedback result in capital outflows, rising risk premia, loss of market access, abrupt expenditure cuts, and lower growth in highly indebted countries.	**High**	**High** Higher risk aversion and tighter financial conditions could delay market access, cause capital outflows, adversely affecting the economy and financial system.	Pursue fiscal consolidation to rebuild credibility with markets. Strengthen (financial) crisis preparedness and management. Continue to address financing needs by closely working with international financial institutions and seek opportune times to re-access international markets.
Tighter Financial Conditions and Systemic Instability. Higher-for-longer interest rates and term premia amid looser financial regulation, rising	**Medium**	**Medium** Abrupt market movements could hit Ecuador through higher funding costs, and	Continue stepping up financial supervision, including by imposing capital restoration plans on troubled institutions. Strengthen financial crisis

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Source of Risks	Relative Likelihood	Possible Impact	Policy Response
investments in cryptocurrencies, and higher trade barriers trigger asset repricing, market dislocations, weak bank and NBFI distress, and further U.S. dollar appreciation, which widens global imbalances, worsens debt affordability, and increases capital outflow from EMDEs.		negative spillovers via lower growth in trading partners and lower commodity prices.	preparedness and management.
Regional Conflicts. Intensification of conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism disrupt trade in energy and food, tourism, supply chains, remittances, FDI and financial flows, payment systems, and increase refugee flows.	**Medium**	**Medium** Difficulties in finding new markets for exports hit by the disruptions can reduce trade flows and slow economic growth. Higher oil and metal prices are expected to have a net positive impact on Ecuador's external and fiscal balances.	Gradually reduce dependency on oil through economic diversification and promote private sector-led growth. Continue to diversify export markets through new high standard regional free trade agreements.
Commodity Price Volatility. Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	**Medium**	**High** Uncertainty on commodity prices will affect investment and economic activity. Financial conditions will tighten, leading to higher funding costs for banks and non-financial corporations. Fluctuations in commodity prices would impact the fiscal sector and Ecuador's balance of payments.	Pursue fiscal consolidation to restore confidence and ensure debt and fiscal sustainability. Gradually reduce dependency on oil through economic diversification and promote private sector-led growth. Continue to closely monitor financial sector stability. Continue to address financing needs by closely working with IFIs and seek opportune times to re-access international markets.
Global Growth Acceleration. Easing of conflicts, positive supply-side surprises (e.g., oil production shocks), productivity gains from AI,	**Low**	**Medium** A global growth acceleration could increase economic activity and impact the balance of payments in	Diversify the economy to reduce dependency of commodity export and to be able to take advantage of a growth pickup more broadly. Continue to diversify export markets

Source of Risks	Relative Likelihood	Possible Impact	Policy Response
or structural reforms raise global demand and trade.		Ecuador via direct trade effects—China, the U.S. and Europe are Ecuador's largest trading partners—and indirect effects stemming from the wider growth pickup.	through new high standard regional free trade agreements.
		Structural Risks	
Deepening Geoeconomic Fragmentation. Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth.	**High**	**Medium** Geopolitical tensions that impact commodity prices (in particular oil) could have significant ramifications on growth and fiscal and external balances. Tensions could also affect Ecuador via reductions in the trade volumes of nonoil products (such as bananas or shrimps). Higher oil and metal prices are expected to have a net positive impact on Ecuador's external and fiscal balances. Labor mobility curbs could hit Ecuador through lower remittances.	Adopt policies to improve trade resilience, including enhancing diversification of trade markets and export products and limiting policy uncertainty through clearly articulated medium-term policy frameworks. In the event tensions reduce oil prices, implement fiscal contingency measures.
Cyberthreats. Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets), technical failures, or misuse of AI technologies trigger financial and economic instability.	**High**	**High** Cyberattacks on critical infrastructures (including through state-owned enterprises) could jeopardize operational, energy, financial, and economic stability. Cyberattacks could also imply serious costs.	Ensuring critical systems are properly protected and backup systems are available. Insurance could help mitigate some of the fiscal risk.
Climate Change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food	**Medium**	**High** Ecuador is vulnerable to a wide range of natural hazards related to	Implement policies to build resilience in infrastructure to natural disasters. Invest to protect critical financial, transport,

Source of Risks	Relative Likelihood	Possible Impact	Policy Response
insecurity, supply disruptions, lower growth, and financial instability.		climate change, such as landslides, floods, extreme heat, and droughts. Ecuador is also exposed to volcanic and seismic activity. Such disasters could cause infrastructure damage and hit production (including in the oil and mining sectors) with knock-on effects to the fiscal, external, and financial sectors.	communication, or energy infrastructure to minimize disruptions. Build precautionary savings buffers.
Social Discontent. Real income loss, spillovers from conflicts, dissatisfaction with migration, and worsening inequality ignite social unrest, populism, polarization, and resistance to reforms or suboptimal policies. This weakens growth and leads to policy uncertainty and market repricing.	**Medium**	**High** Social unrest and uncertainty regarding future macroeconomic policies could lead to increase in interest spreads and hurt confidence and economic activity.	Design reforms such that the fiscal adjustment does not hurt the poor and the vulnerable. Continue engaging the broader public, explaining the benefits of the reform program. Prioritize social spending to achieve more inclusive growth. Continue to liberalize trade and improve the business climate to promote faster job creation, including for youth, and foster inclusive growth.
Domestic Risks			
Prolonged or Deeper Security Crisis. A renewed flare-up in domestic violence causing renewed curfews and other disruptions.	**High**	**High** High insecurity would lower domestic activity, tourism, and fiscal revenue, and deter long-term investment.	Ensure adequate fiscal spending on security, through adequate prioritization. Implement contingency fiscal measures to ensure fiscal sustainability is not undermined. Implement targeted measures to support the most vulnerable. Advance governance, AML/CFT, and inclusive growth agenda.
Renewed Political Impasse. The government is unable to complete its reform agenda due to	**High**	**High** Lack of access to international financing and lower investment. Further build-up of	Design reforms such that the fiscal adjustment does not hurt the poor and the vulnerable. Continue engaging the broader

Source of Risks	Relative Likelihood	Possible Impact	Policy Response
faltering political and public support.		arrears, which will hit the economy and lower growth.	public, explaining the benefits of the reform program. Prioritize social spending to achieve more inclusive and job-rich growth.
Unexpected and Large Disruptions in Oil Production. Repeated and long disruptions to oil production owing to natural disasters and lacking maintenance of infrastructure.	**Medium**	**High** Reduced oil production and export. Lower fiscal revenue, leading to further liquidity constraints for the government along with additional build-up in arrears.	Invest in maintenance of oil infrastructure. Advance the diversification and SOE governance agendas.

Annex II. Sovereign Risk and Debt Sustainability Framework

Ecuador's public debt continues to be assessed as sustainable but not with high probability, with the fiscal plan supported by the EFF program essential to continue rebuilding buffers and restore market confidence. The fiscal adjustment effort remains ambitious as highlighted by the realism assessment and the debt fanchart module continues to flag significant uncertainty around the debt path.

1. Background. The public debt-to-GDP ratio decreased in 2024 to 53.8 percent of GDP from 54.3 percent in 2023 (Text table). The decrease was mostly driven by a new debt-for-nature swap that lowered the amount of external debt outstanding by US$527 million and the repayment of domestic accounts payable—including in arrears, while new debt was mostly related to Ecuador's large borrowing from multilateral institutions, which was catalyzed by the Fund-supported EFF program. The significant access to multilateral financing and the strengthening of the fiscal position facilitated a large accumulation of deposit buffers. Spreads have declined to around 800 basis points as of early-July 2025.

Ecuador: Public Sector Gross Debt by Creditor
(US$ million and percent of GDP)

	2024	%GDP	% of total
Domestic Debt			
Treasury bills	1,887	1.5	2.8
Medium- and long-term debt	15,542	12.5	23.2
Total domestic	**17,429**	**14.0**	**26.0**
External Debt			
External loans (financial institutions)	**2,697**	**2.2**	**4.0**
Amazon DAC	*1,000*	*0.8*	*1.5*
China Development Bank	*772*	*0.6*	*1.2*
GPS Blue	*656*	*0.5*	*1.0*
Bank of China	*212*	*0.2*	*0.3*
Deutsche Bank	*22*	*0.0*	*0.0*
Credit Suisse	*22*	*0.0*	*0.0*
Unicredit	*13*	*0.0*	*0.0*
Eurobonds	**14,452**	**11.6**	**21.6**
Official creditors	**30,991**	**24.9**	**46.2**
Bilateral	**3,183**	**2.6**	**4.8**
China	*1,669*	*1.3*	*2.5*
France	*904*	*0.7*	*1.3*
Japan	*236*	*0.2*	*0.4*
Spain	*216*	*0.2*	*0.3*
Korea	*73*	*0.1*	*0.1*
Canada	*56*	*0.0*	*0.1*
Germany	*16*	*0.0*	*0.0*
Italy	*11*	*0.0*	*0.0*
Belgium	*2*	*0.0*	*0.0*
United States	*1*	*0.0*	*0.0*
Multilateral	**27,807**	**22.3**	**41.5**
IMF	*8,673*	*7.0*	*12.9*
IDB	*8,690*	*7.0*	*13.0*
WBG	*5,750*	*4.6*	*8.6*
CAF	*3,833*	*3.1*	*5.7*
EIB	*529*	*0.4*	*0.8*
FLAR	*308*	*0.2*	*0.5*
IFAD	*25*	*0.0*	*0.0*
Other (SDRs and OAP 1/)	**1,451**	**1.2**	**2.2**
Total external	**49,590**	**39.8**	**74.0**
Total gross debt	**67,019**	**53.8**	

Source: MEF.
1/ OAP = other accounts payable.

2. Baseline Assumptions. The fiscal and debt projections continue to be based on the successful implementation of the fiscal reform plan supported by the EFF-program. The NFPS primary balance, defined as the overall fiscal balance excluding interest revenue and interest expense, is projected at 0.2 percent of GDP in 2025, and to converge to a primary surplus of 2.4 percent of GDP in the medium term. The fiscal adjustment would keep debt on a sustained downward path with the public debt-to-GDP ratio expected to decline from 53.8 percent in 2024 to below 40 percent by 2031, reaching the COPLAFIP debt limit one year ahead of schedule. Gross financing needs (GFNs) are forecasted to decline from 8.5 percent of GDP in 2024 to 6.4 percent in 2025 and then to decline further to around 4 percent of GDP over the medium term.

3. Public Debt Definition. Public debt in the SRDSF is defined as the consolidated liabilities of the NFPS, comprising the PGE, the CFDD, social security funds, public nonfinancial corporations, and the Development Bank of Ecuador (BEDE). Instruments in the debt measure include loans, securities (bonds and Treasury bills), liabilities under oil related financing, central bank lending to the government, deposits at BEDE, and other accounts payable including arrears.

4. **Fiscal Multiplier**. The baseline scenario continues to assume a fiscal multiplier of 0.5 and a growth path that is somewhat more conservative than the benchmark metrics provided in the SRDSF to assess the realism of the fiscal adjustment (Figure 5). The impact of the negative fiscal impulse is assessed to have been highest in 2024, including with a more frontloaded consolidation effort than originally envisaged, and is expected to gradually dissipate during the program starting in 2025.

5. **Risks to the Debt Outlook and Realism**. As in the 2023 SRDSF, the realism assessment continues to illustrate that sustaining the primary consolidation envisaged under the program will be ambitious compared to cross-country historical experience. The width of the debt fanchart tool, determined by past outcomes for debt in Ecuador, shows that debt could increase significantly under an adverse yet plausible scenario, underscoring the need to continue reducing outstanding debt in the program. Downside risks to the fiscal plan mainly stem from the uncertainty of external financing sources and the implementation capacity of the fiscal program, while risks to revenues relate to the possibility of growth underperforming, including given uncertainty on the evolution of the security situation, thereby reducing tax revenue, lower oil prices under high global uncertainty, as well as possible disruptions in oil production or renewed energy shortages. Mitigating factors include the large share of multilateral and bilateral official debt, with comparatively low rollover risk and long maturities, and the relatively low GFNs in the projection, as well as the successful performance of the fiscal measures implemented so far under the program.

Figure 1. Ecuador: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	**Moderate**	The overall risk of sovereign stress is moderate, reflecting the moderate level of vulnerability assessed for the medium-term and the large adjustment needs to ensure fiscal sustainability.
Near term 1/	n.a.	n.a.	Not applicable.
Medium term	**Moderate**	**Moderate**	Medium-term risks are assessed as moderate in line with the mechanical signal. The largest risk driver in the moderate assessment is the width of the debt fanchart, representing the uncertainty surrounding the baseline forecast.
Fanchart	**Moderate**	...	
GFN	**Low**	...	
Stress test	Comm. Prices Nat. Disast.	...	
Long term	...	**Moderate**	Long-term risks are assessed as moderate. The large amortization module projects a low risk scenario under the EFF baseline, with risks increasing proportionally if adjustment falls short. The natural resources module points to the continued need to diversify fiscal revenue out of oil revenue, though pressures from reasource exhaustion are only projected to increase in the long-term.
Sustainability assessment 2/		Sustainable but not with high probability	Debt is assessed as sustainable but not with high probability, given the high downside risks faced by the baseline scenario.
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: Ecuador is at a moderate overall risk of sovereign stress and debt is sustainable but not with high probability in the baseline program forecast. Debt decreased in 2024 to 53.8 percent of GDP and is expected to remain on a downward trajectory over the medium-term provided the program fiscal plan is implemented successfully. Medium-term liquidity risks are assessed as low by the GFN module, but financing risks remain subject to high sovereign spreads. Steadfast implementation of fiscal reforms would strenghten Ecuador's public debt sustainability.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure 2. Ecuador: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	
2. Subsectors included in the chosen coverage in (1) above:						

Sector grouping	#	Subsectors captured in the baseline	Inclusion	Comments
CPS / NFPS / GG: expected / CG	1	Budgetary central government	Yes	
CPS / NFPS / GG: expected / CG	2	Extra budgetary funds (EBFs)	No	Not applicable
CPS / NFPS / GG: expected / CG	3	Social security funds (SSFs)	Yes	
CPS / NFPS / GG: expected	4	State governments	Yes	
CPS / NFPS / GG: expected	5	Local governments	Yes	
CPS / NFPS	6	Public nonfinancial corporations	Yes	
CPS	7	Central bank	No	
CPS	8	Other public financial corporations	No	

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/

4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/

5. Debt consolidation across sectors:	Consolidated	Non-consolidated

Color code: chosen coverage; Missing from recommended coverage; Not applicable

Reporting on Intra-Government Debt Holdings

Sector grouping	#	Issuer \ Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS / NFPS / GG: expected / CG	1	Budget. central govt									0
CPS / NFPS / GG: expected / CG	2	Extra-budget. funds									0
CPS / NFPS / GG: expected / CG	3	Social security funds									0
CPS / NFPS / GG: expected	4	State govt.									0
CPS / NFPS / GG: expected	5	Local govt.									0
CPS / NFPS	6	Nonfin pub. corp.									0
CPS	7	Central bank									0
CPS	8	Oth. pub. fin. corp									0
		Total	0	0	0	0	0	0	0	0	0

Source: Fund staff.

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.

2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.

3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.

4/ Includes accrual recording, commitment basis, due for payment, etc.

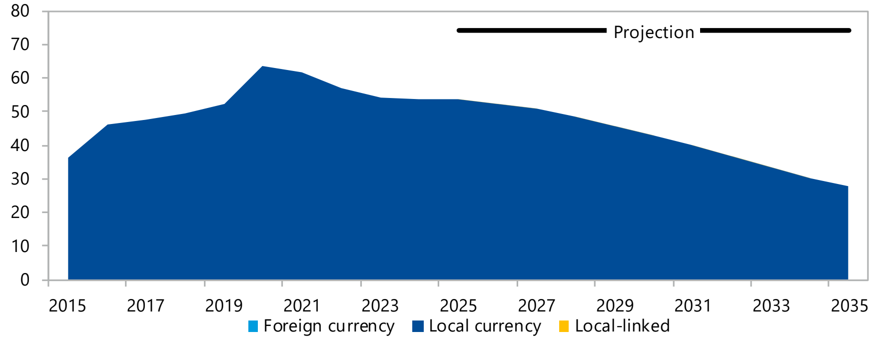
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).

6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.

7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

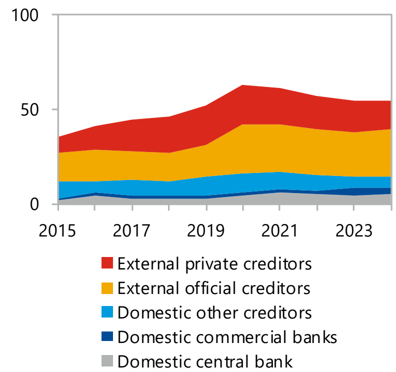
Figure 3. Ecuador: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



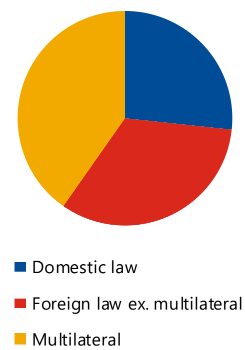
Note: The perimeter shown is nonfinancial public sector.

Public Debt by Holder (Percent of GDP)



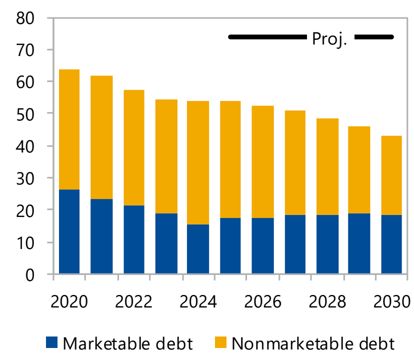
Note: The perimeter shown is nonfinancial public sector.

Public Debt by Governing Law, 2024 (Percent)



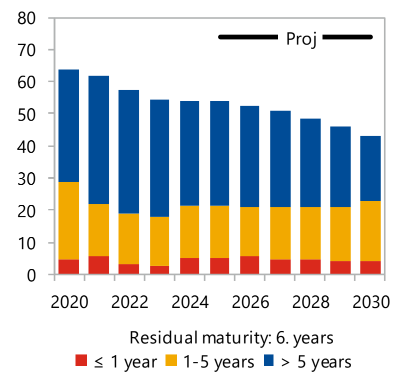
Note: The perimeter shown is nonfinancial public sector.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is nonfinancial public sector.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is nonfinancial public sector.

Source: Fund staff.

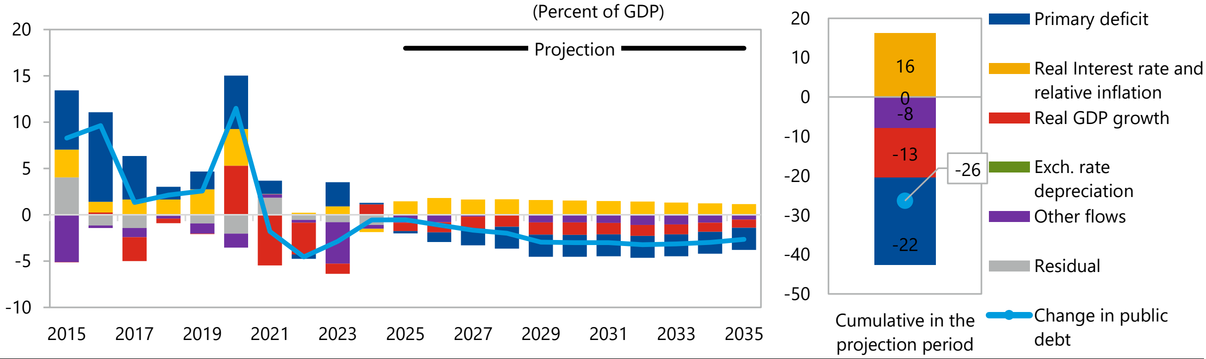
Figure 4. Ecuador: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection				
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public debt	53.8	53.2	52.1	50.4	48.4	45.5	42.5	39.4	36.2	33.0	30.1	27.4
Change in public debt	-0.6	-0.5	-1.1	-1.7	-2.0	-3.0	-3.0	-3.0	-3.2	-3.2	-3.0	-2.7
Contribution of identified flows	0.5	-0.5	-1.1	-1.7	-2.0	-3.0	-3.0	-3.0	-3.2	-3.2	-3.0	-2.7
Primary deficit	0.2	-0.2	-1.0	-1.8	-2.4	-2.4	-2.4	-2.4	-2.4	-2.4	-2.4	-2.4
Noninterest revenues	35.6	35.0	34.8	35.4	35.5	35.2	35.0	35.0	35.0	35.0	35.0	35.0
Noninterest expenditures	35.8	34.8	33.8	33.6	33.1	32.8	32.7	32.7	32.7	32.7	32.7	32.7
Automatic debt dynamics	0.8	0.5	0.7	0.3	0.4	0.3	0.2	0.2	0.3	0.3	0.3	0.3
Real interest rate and relative inflation	-0.3	1.5	1.8	1.6	1.6	1.6	1.5	1.5	1.4	1.3	1.2	1.1
Real interest rate	-0.3	1.5	1.8	1.6	1.6	1.6	1.5	1.5	1.4	1.3	1.2	1.1
Relative inflation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real growth rate	1.1	-0.9	-1.1	-1.3	-1.3	-1.3	-1.3	-1.3	-1.2	-1.1	-1.0	-0.9
Real exchange rate	0.0	...	...	...	...	...	...	...	...	...	...	...
Other identified flows	-0.4	-0.9	-0.8	-0.2	0.0	-0.8	-0.8	-0.9	-1.1	-1.0	-0.9	-0.5
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	-1.2	-1.3	-1.3	-1.3	-1.3	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2
Other transactions	0.8	0.4	0.5	1.1	1.3	0.4	0.4	0.3	0.1	0.2	0.3	0.7
Contribution of residual	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	8.5	6.4	5.3	5.2	3.8	4.2	4.0	4.4	4.5	4.2	3.8	3.3
of which: debt service	9.5	7.9	7.7	8.3	7.5	7.8	7.5	8.0	8.1	7.7	7.4	6.9
Local currency	9.5	7.9	7.7	8.3	7.5	7.8	7.5	8.0	8.1	7.7	7.4	6.9
Foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memo:												
Real GDP growth (percent)	-2.0	1.7	2.1	2.5	2.6	2.8	3.0	3.0	3.0	3.0	3.0	3.0
Inflation (GDP deflator; percent)	5.0	1.8	1.2	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Nominal GDP growth (percent)	2.9	3.6	3.3	4.1	4.2	4.4	4.6	4.6	4.6	4.6	4.6	4.6
Effective interest rate (percent)	4.4	4.6	4.7	4.8	4.9	4.9	5.0	5.2	5.3	5.3	5.4	5.5

Contribution to Change in Public Debt

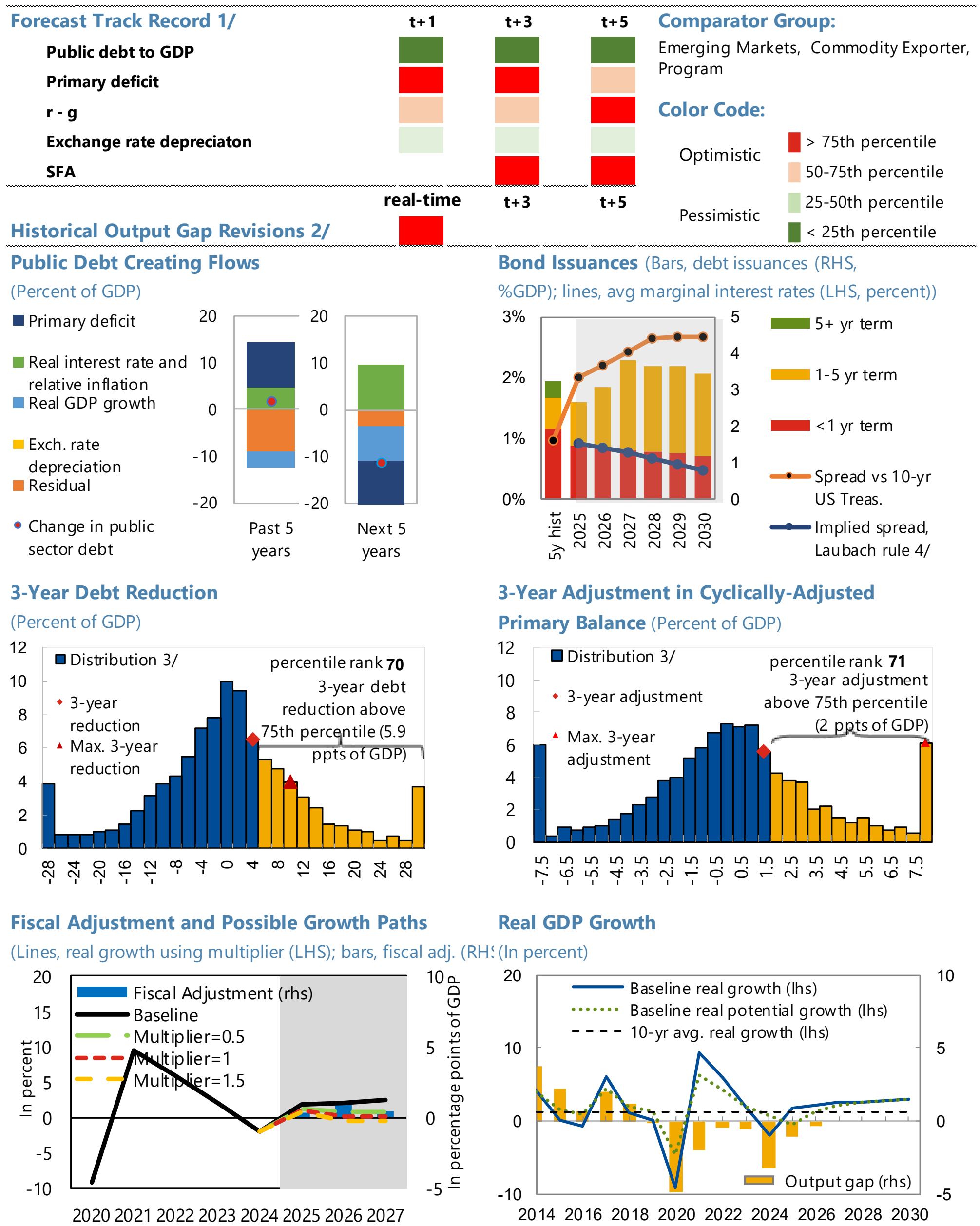
(Percent of GDP)



Commentary: Public debt would be on a downward path under the program.

Source: Fund staff.

Figure 5. Ecuador: Realism of Baseline Assumptions



Commentary: The program fiscal plan features a fiscal adjustment that is large relative to historical and cross-country comparisons. To achieve the debt reduction goals specified in the plan it will be important to avoid policy slippages.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

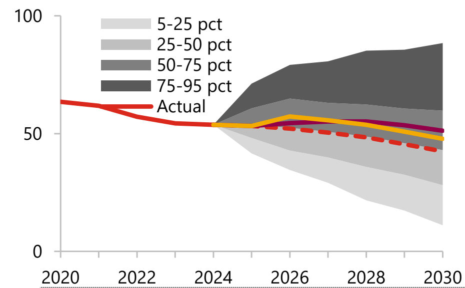
2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates

3/ Data cover annual obervations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

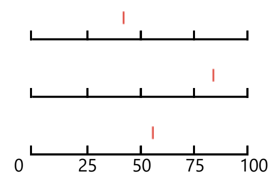
4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Figure 6. Ecuador: Medium-Term Risk Assessment

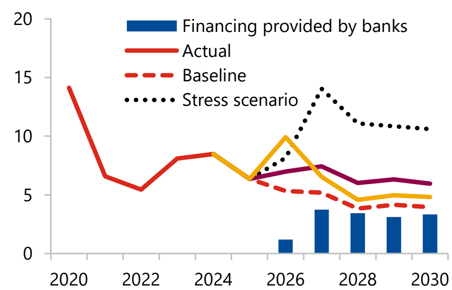
Final Fanchart (Percent of GDP)



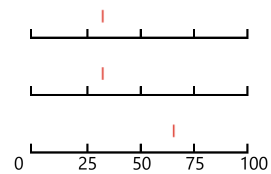
	Value	Contrib 1/	Percentile in peer group 2/
Debt fanchart module			
Fanchart width *(percent of GDP)*	77.4	1.1	
Probability of debt non-stabilizaiton *(percent)*	16.1	0.1	
Terminal debt-to-GDP x institutions index	30.8	0.7	
Debt fanchart index (DFI)		1.9	
Risk signal: 3/		**Moderate**	



Gross Financing Needs (Percent of GDP)



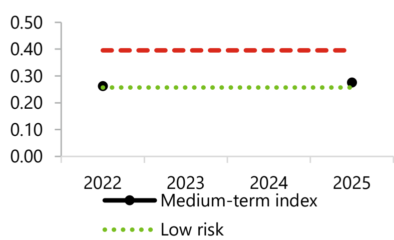
	Value	Contrib 1/	Percentile in peer group 2/
Gross financing needs (GFN) module			
Average baseline GFN *(percent of GDP)*	4.8	1.6	
Initial Banks' claims on the gen. govt *(pct bank assets)*	4.3	1.4	
Chg. In banks' claims in stress *(pct banks' assets)*	9.9	3.3	
GFN financeability index (GFI)		6.4	
Risk signal: 4/		**Low**	



Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	Value (normalized)	Weight	Contribution
Debt fanchart index	1.9	0.4	0.5	0.2
GFN finaceability index	6.4	0.1	0.5	0.1
Medium-term index		0.3		
Risk signal: 5/		**Moderate**		
Final assessment:		**Moderate**		

Prob. of missed crisis, 2025-2030, if stress not predicted: 18.2 pct.
Prob. of false alarms, 2025-2030, if stress predicted: 37.5 pct.

Commentary: The two medium-term tools assess sovereign risk as moderate, mostly driven by the width of the confidence interval in the debt fanchart tool. The stress test analysis shows that gross financing needs could increase substantially in case of an unexpected natural disaster, while the impact would be smaller following a commodity price decline.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, commodity exporter, program.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Figure 7. Ecuador: Long-Term Modules

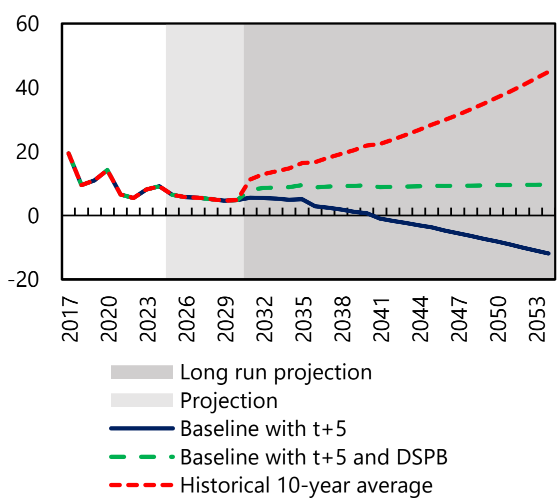
Ecuador: Triggered Modules

Large amortizations	Pensions	Climate change: Adaptation	**Natural Resources**
	Health	Climate change: Mitigation	

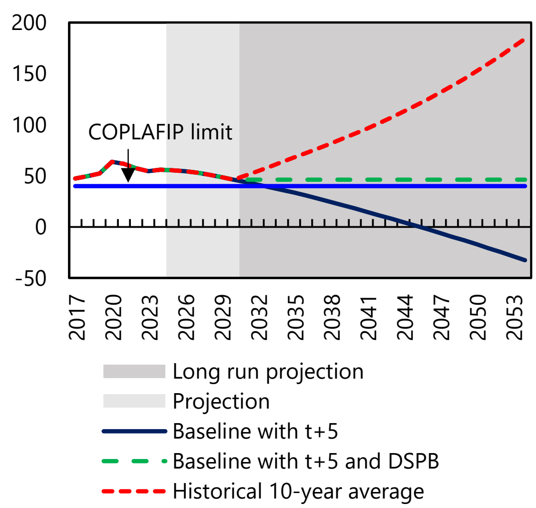
Ecuador: Long-Term Risk Assessment: Large Amortization

Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Historical average assumptions	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Overall Risk Indication		

GFN-to-GDP Ratio



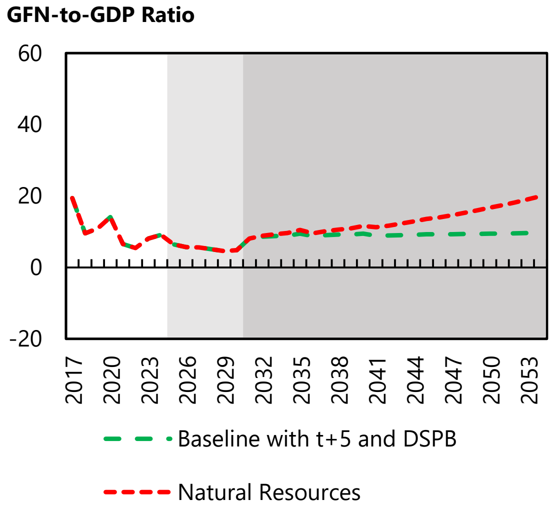
Total Public Debt-to-GDP Ratio

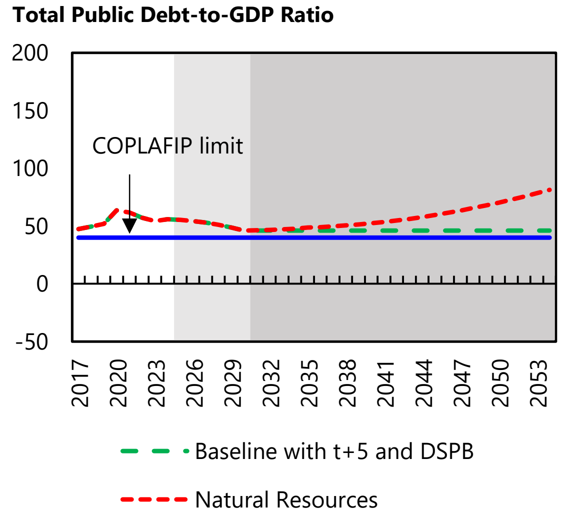


Commentary: Ecuador faces sizeable amortizations in the medium-term. Following the program completion, maintaining a fiscal stance consistent with a debt stabilizing primary balance would ensure that debt remains below the COPLAFIP limit. At the same time, the module highlights that large fiscal imbalances as experienced in the past decade could lead to a rapidly increasing debt ratio.

Source: Fund staff.

Figure 8. Ecuador: Natural Resources Long-Term Module





Commentary: Ecuador does not face immediate pressures from depleting oil resources.

Source: Fund staff.

Appendix I. Letter of Intent

Quito, July 8, 2025

Ms. Kristalina Georgieva
The Managing Director
International Monetary Fund
Washington, D.C.

Dear Ms. Georgieva:

1. With the decisive victory of President Daniel Noboa in the April runoff election, our government started a four-year term on May 24, 2025. We have continued to make important progress in the implementation of our economic reform program, supported by the 48-month Extended Fund Facility (EFF) arrangement. We have strengthened our public finances, inflation has remained low, and our international reserves have recovered on the back of a record high current account surplus. We continue to address the security and energy challenges that severely affected the Ecuadorian economy in 2024. Our economic program is currently facing new shocks stemming from oil price volatility, a highly unpredictable global environment, and adjustments in international financial markets.

2. In the face of new global shocks and challenges for the Ecuadorian economy, we remain committed to a path of fiscal sustainability that protects the most vulnerable. Disbursements from the IMF and other development partners are critically supporting our budget needs. We are rebuilding our fiscal and reserve buffers, which help increase economic resilience and safeguard the dollarization regime. To enhance economic growth and create favorable conditions for investment and employment, we are also strengthening our structural reform agenda.

3. We have accomplished the goals set for the Second Review under the EFF arrangement. All quantitative performance criteria (QPC) and most indicative targets for end-December 2024 were met. Only the indicative target on the nonoil primary balance including fuel subsidies was not met, by a small margin, due to an unexpected increase in diesel consumption caused by the 2024 electricity crisis. We continued to enhance social protection, with 1,214,638 lower-income families covered by the social safety net as of December 2024. Furthermore, we met the QPC for end-April 2025. We also have made further progress on the implementation of structural benchmarks under our policy program, and we have proposed updated timeframes to meet some outstanding commitments and new structural benchmarks to help unlock Ecuador’s growth potential.

4. Considering the new external shocks that Ecuador is facing, we are requesting an augmentation of access under the current EFF arrangement by SDR 750.4 million (about US$1 billion). We request the completion of the Second Review under the EFF arrangement, allowing for the associated disbursement of SDR 438.4 million (about US$610 million) to be made available for budget support. In addition, we request a rephasing of the availability date associated with the Third Review of the EFF arrangement from July 15, 2025 to August 15, 2025. The IMF's enhanced support is being complemented by increased financing from development partners, particularly other international financial institutions. These funds would provide resources to help address headwinds from volatile oil prices shock and the exceptionally uncertain global environment, mitigating the impact on the Ecuadorian economy and vulnerable groups, as well as to continue supporting our planned reforms and policies to promote inclusive and sustainable economic growth. We also request completion of the financing assurances review.

5. The attached Memorandum of Economic and Financial Policies (MEFP) reports on progress in implementing Ecuador's economic program and lays out the macroeconomic and structural policies that we plan to implement. We believe that the policies described in the attached MEFP are adequate to achieve the objectives underpinning the program. However, if necessary, we stand ready to take additional measures that may become necessary to achieve our program objectives. We will consult with the Fund on the adoption of these measures and in advance of any substantive revisions to the policies contained in the MEFP, in accordance with the Fund's policies on such consultations. We will also continue to provide the Fund's staff with all the relevant information required to complete the program reviews and to monitor performance on a timely basis.

6. The Government will observe the standard performance criteria against imposing or intensifying foreign exchange restrictions or introducing or modifying multiple currency practices. Equally, we will not conclude bilateral payment agreements that are inconsistent with Article VIII of the Fund's Articles of Agreement, nor will we impose or intensify import restrictions for balance of payments reasons. We are committed to gradually phasing out the tax on transfers abroad (ISD) as macroeconomic and balance of payments stability are restored and the foreign exchange reserve position is strengthened, supported by implementation of the policies under the EFF-supported program.

7. In line with our commitment to foster transparency, we consent to the publication of this letter, its attachment, and the Staff Report to keep domestic and international agents informed about our policy actions and intentions.

8. We thank you for your support and sustained partnership with Ecuador as we carry forward our efforts to tackle new global shocks, continue addressing our security and energy challenges, and achieve sustainable growth with more jobs and prosperity for all Ecuadorians.

Sincerely yours,

/s/	/s/
Sariha Moya Minister of Economy and Finance	Guillermo Avellán General Manager, Central Bank of Ecuador

Attachment I. Memorandum of Economic and Financial Policies

This memorandum describes the key policies of our IMF-supported program under a 48-month Extended Fund Facility (EFF) arrangement, approved by the IMF Executive Board on May 31, 2024.

1. **Ecuador made significant progress in implementing important structural and fiscal reforms in recent years**. The 2020-22 EFF arrangement was instrumental in helping Ecuador recover from the pandemic, strengthen fiscal sustainability, support the dollarization regime, and advance the transparency and anti-corruption agendas. In 2022, we reached an overall fiscal balance, the strongest fiscal result in over a decade. Key structural reforms included updating the Organic Budget Code (COPLAFIP) that established a prudent fiscal framework and reinforced public financial management (PFM); enacting legislation that criminalized acts of corruption (COIP); and reforming the Organic Monetary and Financial Code (COMYF) to strengthen the independence and governance of the Central Bank of Ecuador (BCE). During the EFF, we also boosted the social safety net, increasing social assistance spending to protect the most vulnerable segments of the population and making it more geographically inclusive.

2. **Political events and other shocks hindered further progress with the reform plans that started under the 2020-22 EFF arrangement**. Political uncertainty dominated most of 2023 constraining financing options and fiscal and other reform efforts. In addition, oil revenue declined due to a fall in both production and prices, while interest payments on external public debt with floating rates increased significantly amid the global monetary policy tightening cycle. Together with a sharp slowdown in economic activity, these developments negatively impacted public finances. The fiscal position weakened markedly, and treasury deposits and international reserves declined sharply during 2023.

3. **In addition, a severe security crisis exacerbated Ecuador's fiscal and economic challenges**. In recent years, Ecuador has grappled with a surge in criminal activities connected to international organized crime and drug trafficking. In early January 2024, in response to security breaches, the government declared a 60-day state of emergency (later extended for another 30 days) and an internal armed conflict, including curfews and mobility restrictions further weighing on the fragile macroeconomic situation back then. Addressing the security situation is a key priority for the well-being of our population and to help reactivate our economy. Our efforts are being supported by several development partners.

4. **During the first period of our administration (November 2023-May 2024), we took bold actions to address the fiscal and security challenges**. On the fiscal and economic fronts, we implemented a three-percentage point value added tax (VAT) rate hike alongside additional revenue measures, totaling about 2 percent of GDP, to reduce the fiscal gap. We also introduced a limited set of tax incentives to stimulate growth and promote youth employment and took steps to encourage private participation in the electricity generation sector. In January 2024, we announced the intention to target the fuel subsidies to the most vulnerable, with subsequent actions

implemented in June 2024, as described below. On the security front, we bolstered the government's capability to fight crime, including by reorienting current expenditure to boost the security envelope and enhancing the role of the military. A referendum held in April 2024 approved measures to tackle the security situation. Our decisive actions to address the fiscal and security challenges contributed to a substantial decline in sovereign debt spreads to about 800 basis points as of early July 2025. Against the background of a severe electricity crisis, driven by a historic drought, real GDP contracted in 2024. Nevertheless, inflation has remained low and, partly due to the strength of nonoil exports, the current account reached a record surplus in 2024.

5. **Addressing the causes of last year's significant electricity crisis remains critical**. We continue to tackle this issue, largely caused by climate effects on hydroelectric power generation, which normally provides around 70 percent of our total generation capacity. We are undertaking substantial efforts to enhance our electricity supply capacity both in the short term and over the medium and long term. To address the energy deficit in the short term, we are incorporating new sources of generation, including through the purchase or lease of land-based or floating thermal generation. To strengthen energy security, two laws were enacted in January and October 2024 to stimulate private investment in energy generation. These laws grant the Ministry of Energy and Mines the authority to directly delegate projects of up to 100 MW in non-conventional and transitional renewable energy. Additionally, we are promoting diversification of the energy matrix through conventional and non-conventional renewable energy projects.

6. **We are committed to continuing implementing policies to protect macroeconomic stability, strengthen fiscal sustainability, enhance the social safety net, and foster inclusive growth**. Building on the important structural reforms supported by previous IMF arrangements and the significant measures that we have already implemented, the current IMF-supported EFF arrangement intends to: (i) strengthen fiscal sustainability, while protecting vulnerable groups; (ii) rebuild fiscal and external buffers; (iii) safeguard dollarization and macroeconomic stability; (iv) enhance financial stability and integrity; and (v) continue the structural reform agenda to unlock the economy's potential, fostering strong and inclusive economic growth.

7. **We are taking actions in response to significant new global shocks**. Our economic program is currently facing new shocks stemming from volatile oil prices, a highly unpredictable global environment, and adjustments in international financial markets. Together with an updated fiscal strategy in response to these challenges, we are receiving enhanced support from the IMF and other international financial institutions. Moreover, we are strengthening our structural reform agenda to enhance economic growth and create favorable conditions for private investment and employment.

8. **The following sections of this memorandum outline our policy plans under the EFF arrangement**.

A. Strengthening Fiscal Sustainability

9. **In recent years, we have undertaken reforms to ensure the sustainability of Ecuador's**

public finances and build a more robust PFM framework underpinned by stronger institutions. Key elements introduced by the updated COPLAFIP included the establishment of a medium-term fiscal framework (MTFF), the introduction of clear anchors to reduce public debt, the setup of the National Fiscal Coordination Committee, and the introduction of a fiscal risk management exercise. Fiscal governance was further enhanced by a comprehensive revamp of fiscal statistics and cash management, supported by Fund technical assistance (TA). An updated IMF Fiscal Safeguards Review, conducted in 2024, confirmed that Ecuador's PFM system has made progress since the previous 2021 review.

10. Our fiscal policy will continue to be guided by the principle of strengthening the sustainability of public finances and reducing public debt, while protecting the most vulnerable. We will aim at placing our public debt ratio on a firmly downward trajectory, maintaining manageable gross financing needs, and respecting the expenditure growth rules and the debt limit of 40 percent of GDP by 2032 that are enshrined in COPLAFIP. We will continue to allocate fiscal space in our budgets to protect the most vulnerable segments of our population and for priority investment projects. As a sign of our commitment, we have published a MTFF that is in line with these objectives and the EFF-supported program (***end-October 2024 structural benchmark, met***). We stand ready to take additional revenue or expenditure measures should fiscal shortfalls emerge that would jeopardize the achievement of program targets. To that effect, as prior action for program approval in May 2024, we have elaborated a contingency plan.

11. The 2024 fiscal position strengthened, with a reduction of the non-financial public sector (NFPS) overall fiscal deficit of over 2 percentage points of GDP to 1.3 percent of GDP. The 2024 plan accommodated urgent spending needs to deal with the security situation and the electricity crisis, while protecting the most vulnerable segments of the population. We also started clearing domestic payment arrears, thereby improving the difficult liquidity situation facing the economy. The fiscal efforts were supported by the revenue measures enacted in 2024 as well as expenditure restraint. On the revenue side, the enacted measures led to a historic high level of total gross tax revenue. Main measures taken included a hike in the value added tax (VAT) rate and temporary contributions payable on corporate and bank profits. On the expenditure side, the strategy was underpinned by maintaining wages and goods and services broadly constant in real terms, reprioritizing some spending towards addressing the electricity crisis, while protecting space to address the security crisis and meet urgent social and investment needs. To monitor fiscal liquidity in real time, as a prior action before program approval, we prepared and shared with Fund staff a projected monthly cash flow and financing plan for the budgetary central government (PGE).

12. The global landscape in 2025 presents new fiscal challenges for Ecuador. Volatile oil prices, together with the deterioration of the global backdrop, have worsened investor risk appetite. To address the effects of these shocks, we have strengthened our fiscal consolidation plan.

13. The revised medium-term fiscal consolidation plan aims to place public finances on a sustainable path. To this end, we expect to maintain the NFPS overall deficit as a percent of GDP broadly unchanged in 2025 and reach an overall surplus of 1.3 percent of GDP by the end of the program in 2028. This is consistent with achieving a NFPS primary surplus of 2.4 percent of GDP in 2028 and a cumulative consolidation of about 6.6 percentage points of GDP in the non-oil primary balance including fuel subsidies (NOPBS) over 2024-28 relative to end-2023 (compared to a cumulative consolidation of 5.5 percentage points of GDP in the NOPBS at the time of the first review of the EFF in December 2024). This ambitious consolidation effort balances the need to strengthen fiscal sustainability, regain market access, and protect the most vulnerable, while the economy recovers. This strategy also allows us to reduce oil dependence and meet public debt limits set out in the COPLAFIP legislation. The measures that we are planning to take to achieve the projected medium-term consolidation would include the following key items:

- **Non-Oil Revenues**. Increasing non-oil revenues remains important to reduce volatility in fiscal revenues triggered by global commodity prices. We have prepared a plan to mobilize non-oil revenues to replace temporary measures with permanent high-quality ones, mainly through streamlining inefficient tax expenditures and exemptions, thereby sustaining a higher level of non-oil fiscal revenues over the medium term (***mid-November 2024 structural benchmark, met***). We will also develop a new fiscal regime for the mining sector to enhance its efficiency and revenue potential, with IMF TA support (***proposed structural benchmark for end-December 2025***).

- **Oil Revenues**. As we announced in January 2024, one of the administration's priorities is to make fuel subsidies more focused, while ensuring an appropriate social protection mechanism for the most vulnerable. In June 2024, with World Bank (WB) technical support, we enacted a reform of the price-setting mechanism for domestic sales of low-octane gasoline, aligning domestic prices with international prices, which is expected to boost oil revenue by about 0.4 percent of GDP in steady state, reducing the fiscal opportunity cost of selling oil derivatives at below market prices. In addition, the government is launching initiatives to increase net oil revenues, including by gradually increasing production (partly through greater private investments) and enhancing the capacity of the oil refinery system. Most of these subsidies benefit many who do not need the support, encourage over-consumption of fossil fuels, undermine the energy transition, damage the environment, and provide ground for corruption and smuggling, benefiting informal mining activities and drug trafficking. In line with this policy priority, in June 2025, we decided to eliminate the diesel subsidy for the industrial tuna fishing sector.

- **Public Sector Wage Bill**. We are committed to continuing efforts to contain the public sector wage bill, building on efforts made in recent years. To this end, we plan to limit increases in headcount and wages. In this spirit, we issued a norm in 2024 to enforce that all public sector wages be capped below the salary of the President. We will also review and streamline temporary contracts. The strategy will be carefully crafted to ensure the delivery of quality public services and needed hiring of additional police personnel and domestic security forces to counter the security crisis.

- **Procurement**. We aim to continue reforming our procurement system to optimize expenditure in goods and services, while ensuring the highest standards of transparency and the quality of public services. In July 2023, the National Public Procurement Agency (SERCOP) issued norms to operationalize the 2022 Procurement Law and its bylaws. Ongoing efforts to increase efficiency include the cataloguing of public procurement processes and prices, introducing standardized and bulk purchases of medicine, medical inputs, and other goods and services. In June 2024, SERCOP presented the evaluation report of the public procurement systems ("MAPS"), a joint work with the Inter-American Development Bank (IDB). An urgent economic law was approved by the National Assembly in June 2025, establishing new mechanisms in public procurement, with the goal of eradicating corruption and improving efficiency in the public sector. To promote transparency, we have created the National Control Subsystem (SNC), presided by SERCOP, and comprised by the Economic and Financial Analysis Unit (UAFE), the Internal Revenue Service (SRI), the Office of the Comptroller, the State Attorney's Office, and financial regulators. The SNC will facilitate coordination among public entities with control competencies over the public procurement system, via the interoperability of their databases. We have established a timeline to operationalize the SNC (***end-December 2024 structural benchmark, met***), and we will prepare and share with the Fund the conceptual and operational framework to upgrade the Public Sector Procurement System (SOCE) (***end-July 2025 structural benchmark***), with support from the IDB.

- **Capital Expenditure**. We will prioritize capital expenditure projects based on their estimated social and economic impact. We will also promote public-private partnerships (PPPs) and concessions to the private sector for infrastructure investment, with due account of contingent liabilities and the associated fiscal risks. The Ecuadorian Development Bank (a public bank) will channel multilateral and bilateral resources for infrastructure investment by local governments. We undertook a Public Investment Management Assessment (PIMA) in 2023 to improve our public investment process. This TA included a climate-related assessment of public investment management (C-PIMA) to help us build low-carbon and climate-resilient infrastructure. We intend to gradually implement the recommendations of the PIMA/C-PIMA assessments.

14. Specific actions to achieve annual fiscal targets will be established in the corresponding annual budgets. Given that 2025 has been an election year, the 2024 budget was extended into 2025, as stipulated by COPLAFIP. In late 2024, we enacted the necessary measures to ensure that our 2025 fiscal plan is in line with the EFF-supported program targets and the MTFF (***early December 2024 structural benchmark, met***). We will ensure that the revised budget for 2025 and the next MTFF are also aligned with the EFF-supported program targets.

15. We remain committed to clearing domestic arrears. The accumulation of public sector arrears due to tight fiscal and liquidity conditions has been weighing heavily on economic activity. As the fiscal liquidity situation improves, we will continue working on regularizing overdue obligations to the private sector and intra-public sector claims. To this effect, we have already included in the multi-year fiscal financing plan the clearance of PGE arrears with the private sector, and in November 2024 we prepared and shared with Fund staff a plan for clearing and preventing the resurgence of PGE arrears, including obligations to the private sector and intra-public sector claims (***end-November 2024 structural benchmark, met***).

16. Our financing strategy relies on multilateral and bilateral sources in the near term, while seeking to regain access to international capital markets in 2026, and gradually

developing domestic financing sources. We will pursue an active public debt management strategy with the goal of covering the public sector's financing needs at the lowest possible cost with a prudent level of risk. We have published a new medium-term debt management strategy (MTDS) in line with these objectives and the EFF-supported program (***end-October 2024 structural benchmark, met***). We are in active dialogue with our official bilateral partners to secure continued financial support. We will establish a dedicated working group tasked with overseeing and monitoring project financing transactions which will meet every two weeks. This group will ensure effective management, facilitate communication among stakeholders, and enhance the overall efficiency of financing processes to deliver project progress and disbursements in line with program assumptions. We hope to return to the international capital markets as soon as possible, as the market conditions allow. We will continue to work on developing the domestic capital market.

B. Expanding Our Social Safety Nets

17. Our goal is to ensure that the burden of fiscal consolidation is not borne by the poor and vulnerable. We have made big strides in protecting the social and economic conditions of the most vulnerable in recent years by upgrading our social registry and expanding the coverage of the social protection system with the assistance of the WB. We have also prepared a plan to further enhance the social registry and aim to cover all families in the lowest three deciles of the income distribution throughout the country *(**end-October 2024 structural benchmark, met**)*. As of April 2025, over 1.2 million family units from the bottom three income deciles already benefit from social protection transfers. We aim to extend the coverage of social protection for 47,000 additional family units per year into the social protection programs, thereby ensuring that almost all the families in the bottom two income deciles and the majority of the families in the third income decile are covered by social protection by the end of the IMF-supported program. Additionally, we are working on the permanent updating of the social registry base that includes institutional strengthening at the central level and territorial deployment work in coordination with subnational governments (GADs). Also, with the support of the WB, we have undertaken several actions to make the current social protection system more efficient and comprehensive, not only through monetary transfers but also through the provision of complementary services by the State. Social protection will continue to increase through our multiple social assistance transfer programs, listed in the Technical Memorandum of Understanding (TMU). To increase efficiency and transparency, the Ministry of Economic and Social Inclusion (MIES) has led a campaign to increase the use of banking services by recipients of these social protection transfers.

C. Enhancing the Institutional Framework, Governance, and Transparency

18. We have made significant improvements in enhancing the timeliness, reliability, and consistency of fiscal statistics. The 2020 COPLAFIP reforms included the adoption of regulations, including those that require timely collection, accurate compilation, and transparent publication of fiscal data, with adequate coverage (by subsectors of the NFPS). We have enhanced our technical and institutional capacity in fiscal data recording and reconciliation. In that regard, we established a dedicated statistics unit at the Ministry of Economy and Finance (MEF), with expertise in government finance statistics compilation. With the support of IMF TA, we have updated the training curriculum in GFS compilation and produced a training schedule, to ensure ongoing training of new and existing staff in above- and below-the-line fiscal data recording, reconciliation, and verification. An IMF long-term expert (LTX) worked during one year with the statistics unit on improving MEF's capacity in compiling, verifying, and reconciling government finance and debt statistics. Additionally, one of the objectives of the fiscal statistics team is to increase the coverage of the NFPS through the inclusion of public companies in the electricity sector and expand the statistical sample of local government companies. In February 2025, we issued a technical regulation (*norma técnica*), in line with COPLAFIP, defining the procedures for monitoring and evaluating compliance with fiscal rules.

19. Currently fiscal statistics are disseminated monthly according to a pre-established publication calendar, which is updated once a year. The time series data on revenues, expenditures, and transactions in financial assets and liabilities by each subsector of the NFPS are published monthly along with indication whether the data is preliminary or definitive. Additionally, in collaboration with the IMF's Statistics Department, an analytical report on the Budgetary Central Government GFS has been created and is published alongside the monthly time series.

20. Working closely with the IMF's Statistics Department, we have revised the historical balances of the Social Security Fund (IESS). Based on this work, we adjusted the compilation process of the IESS and corrected the transfers from the central government to IESS for accrued pension liabilities going back to 2013. We also incorporated into our expenditure and debt statistics additional healthcare transfer obligations to IESS based on a conservative estimation while healthcare audits are pending. We have included in the central government 2024 budget and MTFF the accrued pension transfer obligations and the estimation of the healthcare transfer allocations to the IESS and will continue recording conservative estimates in future budgets.

21. We are committed to making steadfast progress in establishing a revised mechanism to settle healthcare claims from IESS. This will bring legal predictability to the process of auditing and clearing verified obligations. To that effect, we will establish an updated agreement between the MEF and IESS on the transfer of healthcare obligations (including both internal and external providers), building on the December 2022 agreement (***end-March 2025 structural benchmark, not met, proposed to be reset for end-August 2025***). The updated MEF/IESS agreement will also stipulate the process to be taken to audit and settle the 2022 healthcare obligations. We will implement the resulting agreement, to prevent future arrears on healthcare obligations, improve the reliability of fiscal statistics, and strengthen the sustainability of the IESS. We have finalized the procurement to hire the external auditor to review the 2023 and 2024 healthcare obligations to IESS (***end-December 2024 structural benchmark, met***) and the audits are underway.

22. We will continue working on strengthening PFM and implementing better cash management practices. With the assistance of a PFM expert provided by the IMF, we have been able to expand our cash management planning capability and horizon to encompass the full length of the annual budget cycle. The remaining challenge is to develop further capability to update our cash management planning on a 12-month rolling basis from any given point in the budget year. The expert has also helped implement a new monitoring system to evaluate the existing stock of domestic payment arrears of the central government and selected relevant entities of the NFPS. In January 2022, we published a methodology to estimate the stock of arrears and the reporting templates to be used by public sector entities. We have estimated the stock of potential claims on PGE, including with the IESS, GADs, private sector, or others (if any) by type of expenditure, year, and beneficiaries. We have started publishing data on monthly arrears in the public debt bulletins, as per COPLAFIP law. We will design a policy so MEF can gather monthly information on arrears from other entities of the NFPS, as mandated by COPLAFIP. To further strengthen financial management, increase transparency, and reduce accumulation of payment arrears, we are working to finalize with IMF technical support an automatized process for PGE payments, including arrears' payments (***end-March 2025 structural benchmark, not met, proposed to be reset for end-July 2025***).

23. **We will continue improving the efficiency of state-owned enterprises (SOEs) and monitoring fiscal risks**. At the moment, seven public companies that were not managed efficiently are in the process of closure, such as the Public Enterprise Coordinating Company (EMCO), which was closed in 2024. For SOEs that will remain in operation, we are committed to strengthening their operational framework, reforming collective labor agreements, and implementing best practices to improve efficiency and limit contingent liabilities to the budget. These efforts will support a structural cost-optimization strategy, including a comprehensive efficiency assessment of the state, which would enable us to curtail unproductive activities and obtain efficiency gains.

24. **MEF has implemented several actions to improve public debt transparency**. Following the new debt methodological definition and with WB and Fund TA, a new Debt Bulletin was developed and is published monthly on the official website of the MEF. The Bulletin also includes detailed information on previously not included past obligations related to internal debt, arrears, accounts payable, and previous unregistered budgetary obligations. In addition, the current public external and internal debt profile is published, as well as the amortization profile by source and operation. The detailed database supporting the Bulletin is now accessible on our website.

25. **We plan to implement IMF TA recommendations on strengthening tax administration**. In 2023, we produced an assessment of our tax administration, and with the support of the IMF, we also undertook the Tax Administration Diagnostic Assessment (TADAT). We plan to implement an institutional model under the TADAT methodology to close the gaps in tax administration against best international practices, especially in control processes. Implementation, with support from the IDB, will focus on process integration, transparency, tax registration, data intelligence, and information management. Moreover, we have requested IDB's TA for the National Customs Service of Ecuador (SENAE), aiming to enhance its modernization process.

D. Strengthening the Institutional Framework and Capacity of the BCE and Safeguarding the Dollarization Regime

26. **We have made significant progress in strengthening the institutional framework of the BCE in recent years**. In 2021, we revised the COMYF with measures to support the dollarization regime, which included eliminating the possibility of direct and indirect central bank financing of the

government, restoring full reserve coverage of private and public financial institutions' deposits at the BCE; and giving technical and managerial autonomy to the BCE. The revised law also strengthened the BCE balance sheet, including by removing all legacy assets from the 1999 banking crisis. It also improved central bank transparency, by establishing an audit committee, appointing external auditors, and publishing the audited BCE financial statements on the BCE website. Besides enacting the law, we took other steps to strengthen institutional framework of the BCE by: (i) implementing a capacity development program for auditors; (ii) requiring the certification of the audit departments and individual auditors by the Institute of Internal Auditors (an international organization); and (iii) implementing some recommendations regarding our audit department from a peer-review assessment. We also have modified the BCE's organizational structure to strengthen its technical areas, and we have ensured permanent constitution of the audit committee. An updated IMF safeguards assessment in 2024 confirmed that the BCE has significantly strengthened its safeguards since the previous 2019 assessment. We aligned the implementation of the "backing rule" established in the COMYF with the 2023 reprofiling of the government's debt held by the BCE, deferring the requirement for full coverage of the first, second, and third balances to 2040. This will ensure effective implementation of the backing rule consistent with the strengthening of the Central Bank's balance sheet, safeguarding dollarization.

27. The BCE enhanced its access to contingent liquidity lines. In 2023, the Latin American Reserve Fund (FLAR) granted the BCE access to a contingent credit line of up to US$230 million. In 2022, the Federal Reserve Bank of New York (FRBNY) granted the BCE access to a Foreign and International Monetary Authorities (FIMA) Repo Facility of US$1 billion for exclusive central banking operations. This facility allows the BCE to access liquid resources for potential needs through securities repurchase operations (repo), which are part of our institution's investment portfolio. Additionally, the BCE renewed its contingent liquidity facility with the Bank for International Settlements (BIS) of up to US$840 million as a precautionary measure in case of dollar liquidity shortages. In June 2025, the BIS granted a new contingent liquidity line up to US$1.5 billion which strengthens the management of Ecuador's international reserves and provides additional liquidity buffers for the BCE. This facility could also be activated by the liquidity funds of financial institutions when proper legal reforms have been implemented by the Deposit Insurance Corporation (COSEDE).

28. The BCE reached an all-time high of US$ 1.7 billion of letters of credit. Since June 2021, the BCE has reported a significant increase in the amount of letters of credit, which increased from US$966 million in June 2021 to a historical maximum of US$1.7 billion in June 2025. Letters of credit represent a critical financial instrument for foreign trade operations, especially for fuel imports, as they facilitate payment management and help reduce pressures on national treasury and international reserves.

29. The BCE completed the base year change project of Ecuador's national accounts. With the TA from the IMF and the Economic Commission for Latin America and the Caribbean (ECLAC), the BCE concluded and disseminated in December 2023 the update of Ecuador's Annual and Quarterly National Accounts, consisting in changing the fixed base methodology to a moving base with reference year 2018. This project enabled the inclusion of a broader source of statistical indicators and reflects the country's most recent economic structure. The new methodology follows the latest international statistical practices and standards for national accounts, facilitating the development of economic research, and supporting well-informed decision-making in the public and private sectors with improved data. The IMF has also provided TA on the calculation of the demand components of the Quarterly National Accounts. In early 2025, we released the new 2018-23 Input-Output Matrices. We will continue working with IMF TA to further improve our macroeconomic statistics. In June 2025, with the technical support of international organizations, the BCE released the Bioeconomy Satellite Account which is a statistical tool aimed at recognizing the strategic value of biological resources for economic and environmental development. This Satellite Account constitutes a statistical milestone for the country and the region.

30. The BCE reported net profits and strengthened its equity. As a result of the higher levels of international reserves, the BCE reported accumulated net profits of US$1.6 billion between 2021 and 2024, and the BCE's equity increased from US$1.6 billion to US$2.8 billion. As part of the strengthening of the bank's equity, the BCE increased its general reserve fund to US$500 million, reaching 500 percent of the authorized and paid-in capital, in compliance with the requirements established in the COMYF. This progress has enhanced the bank's buffers to deal with potential future financial losses. After an unprecedented strengthening of the bank's equity, the BCE was able to transfer US$1.1 billion in profits to the MEF between 2021 and 2024.

E. Enhancing the Resilience of our Financial System and Developing the Domestic Capital Market

31. Ecuador's 2023 Financial System Stability Assessment (FSSA) comprehensively assessed the health and resilience of our financial system. The assessment covered solvency and liquidity risks, financial sector oversight, macroprudential policies, safety nets, and crisis preparedness. The FSSA also analyzed the quality of the oversight framework of payment systems, the preconditions for capital market development, and access to finance. Key recommendations included: (i) strengthening financial sector oversight and coordination among agencies involved; (ii) enhancing the prudential framework governing capital and liquidity; and (iii) fostering financial deepening and capital market development. We are gradually implementing the recommendations of this comprehensive assessment to ensure our prudential regulatory framework and financial system oversight meet international standards and best practices, supporting financial stability and efficient financial intermediation.

32. We are increasing coordination and information sharing between all the agencies involved in financial sector oversight. To this effect, we have established a Financial Stability Committee (FSC) in line with best international practices, comprising the BCE, the MEF, the Financial Policy and Regulation Board (JPRF), the Monetary Policy and Regulation Board (JPRM), the Superintendency of Banks (SB), the Superintendency of Popular and Solidarity Economy (SEPS), the Superintendency of Companies (SCVS), and the Deposit Insurance Corporation (COSEDE) (***end-September 2024 structural benchmark, met***). The Committee aims to facilitate coordination and information exchange among the agencies involved, providing a holistic perspective to financial sector surveillance, and supporting prompt policy responses to financial sector vulnerabilities. We also established an inter-institutional group within the FSC, comprising the BCE, MEF, JPRF, JPRM, SB, SEPS, and COSEDE, to coordinate bank resolution reforms and strategies (***structural benchmark for end-January 2025, met***). With TA from the IMF and the WB, we are working to strengthen the resolution framework. To enhance the resilience in our financial system, between December 2024 and May 2025 we have issued key new regulations to improve the governance and provisioning frameworks for cooperatives.

33. We are enhancing the prudential framework on capital and liquidity. We have prepared the methodologies to identify the systemically important financial institutions, and in November 2024 we enacted macroprudential regulations on capital buffers, including surcharges on systemically important institutions and countercyclical capital buffer (***end-November 2024 structural benchmark, met***). These regulations are expected to enhance the loss absorption of banks and credit cooperatives and support financial stability. In addition, we have started implementing the FSSA recommendations on liquidity, including the phased implementation of the Liquidity Coverage Ratio (LCR) for banks, expected to be achieved by 2028. We are also working to improve data requirements on liquidity and to expand the implementation of the LCR to the largest credit cooperatives. On emergency liquidity assistance, COSEDE issued a new operative manual for the Liquidity Fund's trust fund in 2024. We have also intensified supervision, including the implementation of action plans on a group of weak institutions. An insolvent medium-sized credit cooperative and a small bank were liquidated in December 2024 and April 2025, respectively. During the first half of 2025, the IMF provided TA to regulatory and supervisory institutions to improve our stress testing toolkit and to enhance our emergency liquidity assistance framework. While we are still relying on regulatory forbearance, we are cognizant that it will need to be phased out at an appropriate pace.

34. We are committed to fostering financial sector development and inclusion. Banks and credit cooperatives are subject to ceilings on lending rates differentiated by credit types and, in the case of commercial loans, also by the size of the borrower firms. The 2023 FSSA noted that the caps on lending rates in the higher interest rate environment have led to margin compression, distortions in credit supply, and restrictions to financial inclusion. A recent revision in the rule to update the interest rate caps on commercial and corporate loans led to some relief in these segments, and we are assessing their effects. Further reforms to support financial sector intermediation will help lower borrowing costs, increase access to credit, and help unlock the economy's growth potential. To this objective, and in line with our financial inclusion strategy, we carried out a study of the system of interest rates (***end-March 2025 structural benchmark, not met, implemented with delay in May 2025***). The study sets the basis for the implementation of a gradual reform to the interest rate cap system, with the objective of alleviating unwarranted credit constraints, enhancing financial inclusion, and supporting economic growth, while preserving financial stability. The Financial Stability Committee reviewed the recommendations of the study, and the Financial Board will work towards adopting a new interest rate methodology that is simpler, more flexible, and attuned to market conditions. We also plan to monitor and assess the impact of the new methodology on a continuous basis to ensure it contributes to a more efficient and inclusive financial intermediation. In parallel, our public bank CFN (*Corporación Financiera Nacional*) has continued to work on facilitating access to credit for micro, small, and medium-sized enterprises, with support from the WB, IDB, and other development partners.

35. We will continue working on developing domestic capital markets to allow financial deepening and diversifying financing sources for the government and the private sector. At present, the primary placements of government securities with private domestic stakeholders take place through the Guayaquil and Quito Stock Exchanges. We have started to standardize government securities and develop a domestic yield curve. We will issue a new regulation for domestic market auctions for bonds and treasury notes, including procedures, auction format, and rules for participation, bidding, and allocation (***proposed structural benchmark for end-November 2025)***. To foster capital market development, we are also taking actions to improve the domestic capital market infrastructure. Building on these reforms, we intend to begin regular auctions of government securities as market conditions allow. We expect these reforms to help develop a deeper domestic capital market to channel resources to the government and the private sector, contributing to increase investment, productivity, and growth.

36. We have started to make important investments in BCE's central securities depository and payment system to strengthen the domestic capital market and promote digital payments nationwide. To achieve these objectives, the BCE has signed a contract to implement a new platform for the BCE's central securities depository (DCV) to modernize the compensation, liquidation, and custody functions in line with international standards (***end-January 2025 structural benchmark, implemented with delay***). We will also work on enhancing the payments system by improving the real time gross settlement (RTGS) system at the BCE. The improvements to the payment infrastructure managed by the BCE will facilitate payments at the national level through interoperability between the different payment networks, reducing transaction costs, mitigating the risks related to the use of cash, encouraging the development of digital commerce, and promoting the revitalization of economic activity. In December 2024, the Monetary Board approved a regulation on payment systems and fintech activities, and in May 2025 the BCE approved a resolution establishing the timeline to implement interoperability among participants of the payment system for digital transfers.

F. Strengthening the Business Environment, Competitiveness, and Private Sector-led Growth

37. We are committed to restoring the competitiveness of the economy and raising the living standards for all Ecuadorians. To this end, we are taking important strides in improving transparency and economic governance, fighting crime and corruption, addressing bottlenecks for investment and employment, and making Ecuador a preferred destination for businesses worldwide, supported by our international trade agreements. A decree issued in June 2024 announced a National Policy aimed at making competitiveness-enhancing regulatory improvements. We will further facilitate environmentally sustainable investment in the mining sector, which in recent years has already increased production and exports. We are also implementing measures to boost investment in hydrocarbon sectors and electricity supply. We are working closely with development partners, including the IMF, the WB and the IDB, to carry out an agenda of structural reforms that help unlock Ecuador's growth potential.

38. We have concluded important trade agreements to foster trade integration and investments. In 2024, the National Assembly ratified trade agreements with Costa Rica and China. As a result, 84 percent of Ecuadorian products exported to Costa Rica will be exempted from tariffs. Other products will also benefit from gradual tariff reductions over the next five to fifteen years. With China as Ecuador's second-largest trading partner and the largest market for its non-petroleum exports, the benefits of the new trade agreement should be significant. The agreement will allow 99.6 percent of Ecuadorian exports to China to benefit from immediate or gradual tariff reductions. These trade deals will also increase the potential for productive FDI inflows. Ecuador is currently in the process of finalizing agreements with South Korea and Canada, and we are negotiating with other countries such as the United Arab Emirates. We are also working to deepen our trade relations with the USA.

39. We are enhancing our financial integrity and our efforts against organized crime and related illicit activities by strengthening our Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) framework. We have adopted new AML/CFT legislation to strengthen the AML/CFT framework, incorporating reforms in line with Financial Action Task Force (FATF) standards (***end-February 2025 structural benchmark, met***). Such legislation was originally developed with IMF's technical support. We will issue necessary regulations to implement the new AML/CFT legislation to ensure its effective entering into force in line with the FATF standards. We are also working to further enhance the governance and independence of the UAFE and enhance its capabilities in producing comprehensive strategic and operational financial intelligence that will be proactively disseminated to law enforcement agencies for further investigation in financial crimes. More broadly, we are taking other measures to tackle illicit financial flows. Notably, we have launched a Joint Investigation Unit to formally align efforts across key public institutions in the fight against money laundering, tax fraud, and other illegal activities that help finance organized crime. To support these efforts, we will approve, with IMF technical support, and publish a summarized version of an AML/CFT Strategic Action Plan, establishing actionable policy priorities to mitigate money laundering and terrorist financing risks, such as those identified in the National Risk Assessment approved in 2024, including measures focused on tackling organized crime-related illicit financial flows (***end-September 2025 structural benchmark***).

40. We remain committed to bringing more accountability and transparency to the public sector. To this end, we have issued our first holistic policy on public sector integrity ("National Policy of Public Integrity 2030"), covering SOEs. This policy has several strategic lines, including transparency in public spending and conflict of interests. In December 2024, we also approved the 2024-28 National Integrity and Anti-Corruption Plan, aimed at strengthening institutional capacity, increasing transparency, and fostering citizen participation in the fight against corruption. The recently approved AML/CFT law introduced an enhanced asset and interest declaration framework. To prevent and manage conflict of interests, in 2022 a Draft Law to Prevent Conflict of Interests in

Public Administration (prepared by the General Comptroller together with the Anti-Corruption Secretariat) was submitted to the National Assembly to advance public sector integrity and reduce vulnerabilities to corruption. Once in force, the law would expand the asset declarations of politically exposed persons (PEPs) to ensure it continues detecting and enforcing against illicit enrichment while also becoming a fundamental tool to detect and prevent potential conflicts of interest in the public sector. It would also encourage transparency, by mandating online public access to relevant information on the assets, incomes, liabilities, and interests in the declarations.

41. SERCOP has continued to require information on the Ultimate Beneficial Ownership (UBO) of companies awarded public procurement contracts. This information must now be submitted by state suppliers through an electronic form, which should facilitate its continuous publication on SERCOP's website. Within the SOCE, SERCOP maintains an updated section featuring the UBO information for the most recent public contracts, accessible for public consultation. The SRI is developing a Registry for Ultimate Beneficiaries, with new regulations issued in September 2024. This registry will serve to have a central repository of UBO information and cross-reference information with SERCOP and the Superintendency of Companies. In December 2024, SERCOP and other institutions approved the National Integrity Strategy for Public Procurement (ENICOP), a multi-sector initiative with public and private participation, to strengthen transparency and integrity in public procurement.

42. In another major transparency milestone, financial audits of the national oil company are under way; and we have unveiled plans to audit also two electricity SOEs. In January 2024, we hired an independent top-tier audit firm, with support from the IDB. The audits, as envisaged during the EFF-supported program that concluded in 2022, covered the 2019 and 2020 financial statements of Petroecuador and Petroamazonas, and the 2021 financial statement of the now merged entity (Petroecuador). We have completed and shared with IMF staff the 2019 and 2020 audit results (***end-March 2025 structural benchmark, met***). We are working to complete the audit of the 2021 financial statements of Petroecuador and will share the results with IMF staff (***proposed structural benchmark for end-September 2025***). We will gradually address any issues identified in the audits going forward. Similarly, to continue advancing our transparency agenda, we have announced our plans to hire top-tier firms to continue auditing Petroecuador as well as CNEL and CELEC.

43. To foster private sector-led growth, we have developed a new framework for PPPs and we are aiming to start new PPP projects soon. A law approved by the National Assembly in December 2023 laid out this new framework, complemented with regulations issued in February 2024. PPP projects in the pipeline prioritize sectors such as road infrastructure and renewable energies. A fiscal risk unit within the MEF will evaluate the viability of PPP projects, including quantification of risks to the public sector's balance sheet, and propose ways to mitigate them. These risks will be clearly presented in our fiscal risk statements, which will be annexed to the annual budgets.

44. We are also working to give a jump-start investments in new environmentally sustainable projects in mining and hydrocarbons. Our government created in 2024 an interinstitutional committee to devise near-term actions aimed at fighting illegal mining and updating the mining cadaster. We expect to reopen the cadaster by end-2025. We will implement the regulation for the opening of the mining cadaster (***proposed structural benchmark for end-June 2026***), to help unlock the high potential for private investments in new environmentally sustainable mining projects. Furthermore, a June 2024 decree issued a new regulatory framework for natural gas projects. In 2025, we have launched an ambitious multi-year plan to mobilize investments in the hydrocarbon sector, including significant private sector participation.

45. We are working to urgently address the electricity challenges and increase renewable energy generation over the longer term. Power shortages since late 2023 were largely associated with extreme climate events, affecting hydroelectric power generation, and longstanding underinvestment in the energy sector. It is therefore critical to undertake essential maintenance work on existing plants, including through private investment. In October 2024, the National Assembly approved an Organic Law to Promote Private Initiative in the Transition to Renewable Energies, aiming to boost private sector participation in the energy sector. We will enact secondary regulations under existing electricity laws to allow private entities to sell surplus electricity from self-generation to the national grid (***proposed structural benchmark for end-August 2025***) to attract private investment and foster energy security and economic growth. In October 2024, we reformed the electricity prices paid by the large-scale mining sector. We will adopt a transparent and cost-reflective pricing mechanism, with regular reviews, for medium and high voltage electricity tariffs, in line with gradually reducing energy subsidies and enhancing fiscal sustainability (***proposed structural benchmark for end-August 2025***). We continue making efforts to recover existing generation plants, rent barges, and buy generators. In April 2025, we permanently expanded the capacity of the Toachi Pilatón hydroelectric facility. For the longer term, we aim to diversify beyond hydroelectric generation, as contemplated in our latest Electricity Master Plan and the 2025-2030 Investment Plan of the Electric and Mining Sectors. The government has developed 12 projects for electricity generation through Non-Conventional Renewable Energies (NCRE)—solar, wind, and hydroelectric—with support from the IDB. These generation projects will contribute 833 MW of power, backed by private investments. Establishing a mechanism to cover commercial revenue risks, coupled with the commitment from the state and an IDB guarantee, has sparked significant interest among private investors and international development financial institutions in participating in upcoming bidding processes for electric generation and transmission projects. We have already approved environmental licenses for several renewable energy projects. The long-delayed wind project Villonaco III is set to begin construction. Other plans for geothermal projects and the development of nuclear energy, as well as to urgently strengthen our electricity transmission system, are also underway. With the IDB's support, we have started to execute a plan to strengthen electricity interconnection with Peru.

46. We have implemented measures to support migrants, entrepreneurs, and the modernization of the public sector. In February 2025, we created a mechanism to care for, protect, and facilitate the reintegration of Ecuadorian migrants. In March 2025, an organic law to support female entrepreneurs was published in the Official Gazette. Our government has also launched a digital transformation project to modernize public services and improve transparency, by working with global tech firms in areas such as custom controls, the digitalization of civil services, and healthcare processes.

47. We are strengthening our resilience to extreme weather events and natural disasters. Policy action for our adaptation and mitigation priorities is a macroeconomic imperative for Ecuador. The WB's Country Climate and Development Reports (CCDR), published in September 2024, provides an insightful analysis of the challenges facing Ecuador. Our exposure to natural disasters calls for preparation, for which the financial support of the international community would be needed, including to protect populations in vulnerable areas. We have established an institutional committee on climate finance within MEF, with the support of the IDB. We recently expanded several protected areas, including the Galapagos marine reserve, for which in May 2023 we secured long-term financing for its protection as part of the world's largest debt-for-nature swap on record. In December 2024, we completed our second debt-for-nature swap to fund the Amazon Biocorridor Program, a project aimed at conserving the Ecuadorian Amazon rainforest and its biodiversity. We are interested in a potential Resilience and Sustainability Facility arrangement to support our policy efforts to increase resilience to natural disasters.

G. Program Monitoring

48. Program implementation will be monitored through quantitative performance criteria, indicative targets, and structural benchmarks. These are detailed in Tables 1 and 2, with definitions and data requirements provided in the attached TMU. The EFF arrangement with the Fund will be subject to triannual reviews during 2025 and shift to semiannual reviews during 2026-28, with the third and fourth reviews occurring on or after August 15, 2025, and November 15, 2025, respectively.

Table 1. Ecuador: Quantitative Performance Criteria and Indicative Targets, 2024-26

	End-December 2024				End-April 2025				End-Aug. 2025	End-Dec. 2025	End-Jun. 2026
	Program 2/	Adj. 3/	Actual	Status	Program 2/	Adj. 3/	Actual	Status	Program	Program	IT
(US$ million, unless otherwise indicated)											
Quantitative performance criteria											
1. Nonoil primary balance of the budgetary central government (PGE) (floor) 1/	-2,295	-2,295	-1,801	Met	-341	-341	312	Met	-1,220	-1,964	-52
2. Overall balance of the PGE and CFDD (floor) 1/	-4,213	-4,215	-3,058	Met	-1,041	-1,181	-796	Met	-2,628	-3,795	-1091
3. Accumulation of NFPS deposits at the central bank (floor) 1/	360	154	850	Met	0	-957	423	Met	0	557	200
4. Non-accumulation of external payments arrears by the NFPS (continuous performance criterion)	0		0	Met	0		0	Met	0	0	0
5. (No new) Central bank direct and indirect financing to the NFPS (continuous performance criterion)	0		0	Met	0		0	Met	0	0	0
Indicative targets											
6. Overall balance of the NFPS (floor) 1/	-2,442	-2,444	-1,590	Met	-89				-1,103	-1,147	217
7. Nonoil primary balance including fuel subsidies (NOPBS) of the NFPS (floor) 1/	-6,528	-6,526	-6,674	Not Met	-1,151				-3,070	-5,151	-1,317
8. Change in the stock of NIR (floor) 1/	65	-141	1	Met	-34	-991	828	Met	-579	147	315
9. Stock of PGE arrears to the domestic private sector (ceiling)	662		505	Met	600		660	Not Met	400	105	0
10. Number of families in the first three income deciles nationwide covered by cash transfer programs (floor)	1,212,984		1,214,638	Met	1,228,660		1,248,805	Met	1,244,336	1,260,012	1,279,012

Sources: Ministry of Economy and Finance and IMF staff estimates.

Note: Aggregates and adjustors as defined in the Technical Memorandum of Understanding (TMU).

1/ Cumulative from January 1.

2/ Staff report for the 2024 Article IV Consultation and First EFF Review (Country Report No. 24/357).

3/ Adjusted for oil prices and disbursements from multilateral institutions.

Table 2. Ecuador: Structural Benchmarks				
Reform Area	**Structural Conditionality**	**Objectives**	**Due Date**	**Status**
Structural Benchmarks				
Public Financial Management	1. Publish an updated Medium-Term Fiscal Framework (MTFF) in line with program targets.	Strengthen fiscal planning and management.	End-October 2024	Met
Public Financial Management	2. Publish a Medium-Term Debt Management Strategy in line with program targets.	Strengthen fiscal planning and management.	End-October 2024	Met
Public Financial Management	3. Implement an automatized process for budgetary central government (PGE) payments, including arrears' payments.	Strengthen financial management, increase transparency, and reduce accumulation of payment arrears.	End-March 2025	Not met. Reset to end-July 2025
Domestic Arrears	4. Share with Fund staff an updated plan to clear and prevent the resurgence of domestic arrears of the budgetary central government (PGE), including obligations to the private sector and intra-public sector claims.	Strengthen the monitoring and reduce accumulation of payment arrears.	End-November 2024	Met
Tax Reform	5. Prepare and share with the Fund a plan to mobilize nonoil fiscal revenues, including by streamlining inefficient tax expenditures and replacing transitory revenue measures with permanent high-quality ones.	Inform future efforts to broaden the tax base and streamline tax expenditures.	Mid-November 2024	Met
Fiscal Strategy	6. Enact regulation on revenue and/or expenditure measures to ensure that the 2025 fiscal plan is in line with program and MTFF commitments.	Ensure fiscal consolidation.	December 6, 2024	Met
Social Safety Net	7. Share with the Fund a plan to complete the social registry to cover families in the lowest three deciles of the income distribution throughout the country.	Enhance the social safety net.	End-October 2024	Met

Table 2. Ecuador: Structural Benchmarks (continued)

Reform Area	Structural Conditionality	Objectives	Due Date	Status
Governance	8. Establish an updated agreement between the MEF and IESS on the transfer of healthcare obligations (including both internal and external providers), building on the December 2022 agreement. The updated agreement should include a decision about the 2022 healthcare audits.	Improve expenditure control.	End-March 2025	Not met. Reset to end-August 2025
Governance	9. Establish a timeline to operationalize the National Control Subsystem (SNC) to increase transparency in procurement.	Strengthen anticorruption framework and improve expenditure control.	End-December 2024	Met
Governance	10. Prepare and share with the Fund the conceptual and operational framework for an upgraded Official System of Public Procurement (Sistema Oficial de Contratación Pública del Ecuador, SOCE).	Increase transparency and efficiency in procurement and improve expenditure control.	End-July 2025	
Transparency and Governance	11. Initiate the tender process to select an auditor to undertake the 2023 and 2024 healthcare audits (based on the updated MEF/IESS agreement).	Improve the quality and reliability of fiscal data.	End-December 2024	Met
Transparency and Governance	12. Complete the audits of the 2019 and 2020 financial statements of Petroecuador and Petroamazonas and share the results with Fund staff.	Enhance transparency and governance in the oil sector.	End-March 2025	Met

Table 2. Ecuador: Structural Benchmarks (continued)

Reform Area	Structural Conditionality	Objectives	Due Date	Status
Anti-Money Laundering Framework	13. Enact new AML/CFT legislation to strengthen the AML/CFT framework in line with FATF standards.	Mitigate the risk of illicit flows including those related to organized crimes.	End-February 2025	Met
Anti-Money Laundering Framework	14. The National AML/CFT Coordination Committee to approve and publish a summarized version of an AML/CFT Strategic Action Plan, establishing actionable policy priorities to mitigate money laundering, including by organized crime, and terrorist financing risks identified in the National Risk Assessment approved in 2024.	Mitigate the risk of illicit flows, including those related to organized crimes.	End-September 2025	
Financial Sector	15. Establish a Financial Stability Committee in line with best international practices, comprising the BCE, MEF, JPRF, JPRM, SB, SEPS, SCVS, and COSEDE.	Enhance coordination among agencies involved in financial sector oversight.	End-September 2024	Met
Financial Sector	16. Establish an inter-institutional group within the Financial Stability Committee, comprising BCE, MEF, JPRF, JPRM, SB, SEPS, and COSEDE to coordinate resolution reforms and strategies.	Strengthen financial sector resolution framework.	End-January 2025	Met
Financial Sector	17. Issue macroprudential regulations on bank capital buffers, including surcharges on systemically important institutions and a countercyclical capital buffer.	Strengthen financial sector buffers.	End-November 2024	Met
Financial Sector	18. Prepare and share with Fund staff a study of the system of interest rates, including recommendations to improve credit allocation, financial inclusion, and economic growth, while preserving financial stability.	Foster financial sector deepening and improve economy's growth potential.	End-March 2025	Not met. Implemented with delay

Table 2. Ecuador: Structural Benchmarks (continued)

Reform Area	Structural Conditionality	Objectives	Due Date	Status
Domestic Capital Market Development	19. Sign a contract to implement a new platform for the BCE's central securities depository (DCV) to modernize the compensation, liquidation, and custody functions in line with international standards.	Foster domestic capital market development.	End-January 2025	Not met. Implemented with delay
Domestic Capital Market Development	20. Issue regulation for domestic market auctions for bonds and treasury notes, including procedures, auction format, and rules for participation, bidding, and allocation.	Foster domestic capital market development.	End-November 2025	Proposed
Mining Sector	21. Implement the regulation for the opening of the mining cadaster.	Enhance transparency and attract private investment.	End-June 2026	Proposed
Mining Sector	22. Develop a new fiscal regime for the mining sector to enhance its efficiency and revenue potential (informed by IMF technical assistance).	Enhance transparency and attract private investment.	End-December 2025	Proposed
Oil Sector Transparency and Governance.	23. Complete the audit of the 2021 financial statements of Petroecuador and share the results with IMF staff.	Enhance transparency and governance in the oil sector.	End-September 2025	Proposed
Electricity Sector	24. Enact secondary regulations under existing electricity laws to allow private entities to sell surplus electricity from self-generation to the national grid.	Attract private investment. Foster energy security and economic growth.	End-August 2025	Proposed

Table 2. Ecuador: Structural Benchmarks (concluded)				
Reform Area	**Structural Conditionality**	**Objectives**	**Due Date**	**Status**
Electricity Sector	25. Adopt a transparent and cost-reflective pricing mechanism, with regular reviews, for medium and high voltage electricity tariffs, in line with gradually reducing energy subsidies and enhancing fiscal sustainability.	Attract private investment. Foster energy security, fiscal sustainability, and economic growth.	End-August 2025	Proposed

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) sets out the definitions of the performance criteria (PCs) and indicative targets (ITs) that will be applied under the Extended Fund Facility, as specified in the Memorandum of Economic and Financial Policies (MEFP) and its attached tables. It also describes the methods to be used in assessing the program's performance and the information requirements to ensure adequate monitoring of the targets.

2. Any variable that is mentioned herein for the purpose of monitoring a PC or IT and that is not explicitly defined, is defined in accordance with the Fund's standard statistical methodology, such as the Government Finance Statistics and the Balance of Payments Manual. For any variable or definition that is omitted from the TMU but is relevant for program targets, the authorities of Ecuador shall consult with the Fund staff on the appropriate treatment to reach an understanding based on the Fund's standard statistical methodology. All references to "days" indicate "calendar days", unless stated otherwise.

3. Program exchange rates. For the purposes of the program, the exchange rates of the U.S. dollar for the duration of the program are those that prevailed on April 23, 2024, as shown in Table 1.

Table 1. Ecuador: Program Exchange Rates

US Dollar to Euro	0.94
US Dollar to Renminbi	7.11
US Dollar to Yen	154.82
US Dollar to SDR	1.31
US Dollar to British Pound	0.80
US Dollar to South Korean Won	1,380.60
US Dollar to Swiss Franc	0.91
US Dollar to Canadian Dollar	1.37
US Dollar to Danish Krone	6.99
US Dollar to Swedish Krone	10.87
US Dollar to Norwegian Krone	10.99
US Dollar to Australian Dollar	1.55
US Dollar to Mexican Peso	17.00
US Dollar to Colombian Peso	3,924.82
US Dollar to Gold prices (US$/ounce)	2,313.00

Source: Haver, as of April 23, 2024.

Table 2. Ecuador: Quantitative Performance Criteria and Indicative Targets, 2024-26

	End-December 2024				End-April 2025				End-Aug. 2025	End-Dec. 2025	End-Jun. 2026
	Program 2/	Adj. 3/	Actual	Status	Program 2/	Adj. 3/	Actual	Status	Program	Program	IT
(US$ million, unless otherwise indicated)											
Quantitative performance criteria											
1. Nonoil primary balance of the budgetary central government (PGE) (floor) 1/	-2,295	-2,295	-1,801	Met	-341	-341	312	Met	-1,220	-1,964	-52
2. Overall balance of the PGE and CFDD (floor) 1/	-4,213	-4,215	-3,058	Met	-1,041	-1,181	-796	Met	-2,628	-3,795	-1091
3. Accumulation of NFPS deposits at the central bank (floor) 1/	360	154	850	Met	0	-957	423	Met	0	557	200
4. Non-accumulation of external payments arrears by the NFPS (continuous performance criterion)	0		0	Met	0		0	Met	0	0	0
5. (No new) Central bank direct and indirect financing to the NFPS (continuous performance criterion)	0		0	Met	0		0	Met	0	0	0
Indicative targets											
6. Overall balance of the NFPS (floor) 1/	-2,442	-2,444	-1,590	Met	-89				-1,103	-1,147	217
7. Nonoil primary balance including fuel subsidies (NOPBS) of the NFPS (floor) 1/	-6,528	-6,526	-6,674	Not Met	-1,151				-3,070	-5,151	-1,317
8. Change in the stock of NIR (floor) 1/	65	-141	1	Met	-34	-991	828	Met	-579	147	315
9. Stock of PGE arrears to the domestic private sector (ceiling)	662		505	Met	600		660	Not Met	400	105	0
10. Number of families in the first three income deciles nationwide covered by cash transfer programs (floor)	1,212,984		1,214,638	Met	1,228,660		1,248,805	Met	1,244,336	1,260,012	1,279,012

Sources: Ministry of Economy and Finance and IMF staff estimates.
Note: Aggregates and adjustors as defined in the Technical Memorandum of Understanding (TMU).
1/ Cumulative from January 1.
2/ Staff report for the 2024 Article IV Consultation and First EFF Review (Country Report No. 24/357).
3/ Adjusted for oil prices and disbursements from multilateral institutions.

4. **In addition to the performance criteria listed in Table 2 above, the arrangement will include the performance criteria standard to all Fund arrangements, namely**:

- no imposition or intensification of restrictions on the making of payments and transfers for current international transactions;
- no imposition or intensification of import restrictions for balance of payments reasons;
- no introduction or modification of multiple currency practices;
- no conclusion of bilateral payments agreements that are inconsistent with Article VIII of the IMF Articles of Agreement.

These four performance criteria will be monitored continuously.

QUANTITATIVE PERFORMANCE CRITERIA: DEFINITION OF VARIABLES

A. Floor on the Non-oil Primary Balance of the Budgetary Central Government

Definitions

5. **The budgetary central government consists of the Presupuesto General del Estado (PGE)**. Revenues and expenditures related to social security, public banks, state-owned enterprises (SOEs), and decentralized autonomous governments are not considered part of the PGE.

6. The non-oil primary balance of the PGE is defined as the total revenues of the PGE excluding oil revenues and interest revenue, minus total non-oil expenditure of the PGE excluding interest expense.

7. Non-oil primary revenues are recorded on a cash basis. Revenues explicitly included are:

- Tax revenues (ingresos tributarios); and
- Other revenues (otros ingresos), including transfers, dividends, administrative fees, proceeds from asset monetization, and other.

8. Non-oil primary expenditures are recorded on an accrual basis. Expenditures explicitly included are:

- Wages and salaries (sueldos y salarios);
- Purchases of goods and services (compra de bienes y servicios);
- Transfers to international organizations, decentralized autonomous governments (GADs), IESS, other social security institutions (ISSFA and ISSPOL), SOEs, and the private sector. Transfers to private sector explicitly include the "account 99" (cuenta 99) expense items;
- Social assistance benefits;
- Employment-related social benefits; and
- Transactions in nonfinancial assets.

9. Estimated transfers to the IESS for healthcare expenses. PGE transfers to the IESS will include US$337 million in accrued estimated expenses for 2024. This estimated amount will increase every year in line with projected average annual CPI inflation and will be updated as soon as the agreement on the treatment of future healthcare expenditures between MEF and IESS is operational.

10. Government-funded, public-private partnerships (PPPs) will be treated as traditional public procurements. PGE obligations that are accrued on PPPs would be recorded transparently in budget data and measured as part of the PGE deficit as they accrue. The accrued but not settled obligations related to these PPPs will be transparently recorded either as public debt or as a contingent liability of the government (e.g., public guarantees) depending on the nature of the obligation.

11. Costs associated with divestment operations, with the liquidation of public entities, or that are otherwise awarded as part of lawsuits shall be recorded as expense. Examples include but are not limited to the cancellation of existing contracts, severance payments to workers, awards related to unfair dismissal trials.

12. All expenditures recorded as a credit in "Account 99" (due to the lack of corresponding budget allocations) will be recorded in the year the obligation was accrued or, if information on the year is not available, in the year the obligation is credited to the Account 99.

Monitoring

13. All fiscal data referred to above and needed for program monitoring purposes will be provided to the Fund within 45 days from the end of each test date as shown in Table 2. Preliminary monthly data will be provided with the lag of no more than 30 days after the end of each month.

B. Floor on the Overall Balance of the Budgetary Central Government and CFDD

Definitions

14. The budgetary central government and CFDD, for the purposes of the program, consist of the PGE and the oil derivatives financing account, namely the Cuenta de Financiamiento de Derivados Deficitarios (CFDD).

15. The overall balance of PGE and CFDD is defined as the net lending/borrowing (NLB) of the PGE and CFDD, calculated as total revenues of the PGE and CFDD minus their total spending.

16. Total revenues are recorded on cash basis. Revenues explicitly included are:

- Revenues from oil exports;
- Revenues from the domestic sales of oil derivatives;
- Tax revenues (ingresos tributarios); and
- Other revenues (otros ingresos), including transfers, dividends, interest, administrative fees, proceeds from asset monetization, and other;

17. Total expenditures are recorded on an accrual basis except for interest expense that is recorded on a cash basis. Expenditures explicitly included are:

- Wages and salaries (sueldos y salarios);
- Purchases of goods and services (compra de bienes y servicios);
- Interest expenses (intereses);

- Transfers to international organizations, local governments (GADs), IESS, other social security institutions (ISSFA and ISSPOL), SOEs, and the private sector. Transfers to private sector explicitly include the "account 99" (cuenta 99) expense items;

- Social assistance benefits;

- Employment-related social benefits; and

- Transactions in nonfinancial assets.

18. **Estimated transfers to the IESS for healthcare expenses**. PGE transfers to the IESS will include US$337 million in accrued estimated expenses for 2024. This estimated amount will increase every year in line with projected average annual CPI inflation and will be updated as soon as the agreement on the treatment of future healthcare expenditures between MEF and IESS is operational.

19. **Government-funded, PPPs** will be treated as traditional public procurements. PGE obligations that are accrued on public private partnerships would be recorded transparently in budget data and measured as part of the PGE deficit as they accrue. The accrued but not settled obligations related to these PPPs will be transparently recorded either as public debt or as a contingent liability of the government (e.g., public guarantees) depending on the nature of the obligation.

20. **Costs associated with divestment operations, with the liquidation of public entities, or that are otherwise awarded as part of lawsuits shall be recorded as expense**. Examples include but are not limited to the cancellation of existing contracts, severance payments to workers, awards related to unfair dismissal trials.

21. **All expenditures recorded as a credit in "Account 99"** (due to the lack of corresponding budget allocations) will be recorded in the year the obligation was accrued or, if information on the year is not available, in the year the obligation is credited to the account 99.

Monitoring

22. **All fiscal data referred to above and needed for program monitoring purposes will be provided to the Fund within 45 days from the end of each test date as shown in Table 2**. Preliminary monthly data will be provided with the lag of no more than 30 days after the end of each month.

Adjustors

23. **Adjustor on oil prices**: The floor on the overall balance of the budgetary central government and CFDD will be adjusted upward/downward by US$23.85 million at corresponding test dates for each US$1 per barrel that the average Ecuador mix crude oil price is above/below the program assumption defined in Table 3. This adjustor is capped at US$178.9 million at corresponding test dates. For 2025 targets, the average price of Ecuador mix oil price will be

calculated as the total value of crude oil exports divided by the total volume of oil exports over the period between January 1, 2025, and each test date.

Table 3. Ecuador: Oil Price – Program Assumptions

	Jun. 2025
Ecuador mix crude oil price (US$ per barrel)	60.08

Sources: Ministry of Finance and IMF staff estimates.

C. Floor on the Accumulation of Non-Financial Public Sector Deposits at the Central Bank

Definitions

24. The Non-Financial Public Sector (NFPS, Sector Público No-Financiero) for the purposes of the program consists of the PGE and CFDD, as defined above, Decentralized Autonomous Governments (including municipal governments, provincial governments and parish boards), Social Security Funds (including IESS, ISSFA, ISSPOL and BIESS), Non-Financial State-Owned Enterprises (SOEs, detailed in Table 4), Development Bank of Ecuador (BEDE) as well as accounts related to the payments to private operators of oil concessions (Ministerio de Energía y Recursos Naturales no Renovables). The Central Bank of Ecuador falls outside of the NFPS perimeter.

Table 4. Ecuador: Non-Financial Public Sector Corporations Covered Under the Definition of NFPS

Empresa Pública de Hidrocarburos del Ecuador Petroecuador - PEC
Empresa Pública Flota Petrolera Ecuatoriana-EP FLOPEC
Empresa Nacional de Ferrocarriles del Ecuador – ENFE (*)
Empresa Pública Línea Aérea del Ecuador TAME (*)
Muestra de Empresas Públicas Menores (Empresas de Agua Potable)

(*) SOEs in liquidation process, which will be in fiscal data until the liquidation process is completed.

25. Deposits of the NFPS at the Central Bank of Ecuador (BCE) include all depository liabilities (time and on-call deposits) at the BCE of the NFPS, as defined above.

Monitoring

26. The accumulation of NFPS deposits at the BCE at each test date will be measured as the change in the stock of deposits between the beginning of the year and the last day of the corresponding test date month as shown in Table 2.

27. NFPS deposits at the BCE data will be provided to the Fund at weekly frequency within 5 business days following the end of the week.

Adjustors

28. Adjustor on external borrowing. The floor on the accumulation of NFPS deposits will be adjusted upward/downward by the amount of NFPS borrowing from non-residents above/below that envisioned under the program, as reported in Table 5, and net of issuances related to liability-management operations that have no net impact on fiscal financing. External borrowing will comprise issuance of international bonds and other borrowing with non-official external creditors.

Table 5. Ecuador: External Borrowing – Program Assumptions
(In millions of U.S. dollars)

	Aug. 2025	Dec. 2025
Total external borrowing consistent with program targets 1/	0.0	0.0

1/ Cumulative from January 1 of each year.

29. Adjustor on disbursements from the IMF and other multilateral institutions[1]. The floor on the accumulation of NFPS deposits will be adjusted upward/downward by the amount of the excess/shortfall in program loan disbursements from the IMF and other international financial institutions (IFIs, comprising the IDB, World Bank, CAF, and FLAR), relative to the baseline projection reported in Table 6. Program loan disbursements are defined as external loan disbursements (excluding project financing disbursements and disbursements that are repaid within the same test period) from official creditors that are freely usable for the financing of the NFPS budget operations.

Table 6. Ecuador: Program Loan Disbursements by Multilateral Creditors – Program Assumptions
(In millions of U.S. dollars)

	Aug. 2025	Dec. 2025
Expected disbursement of IMF credit 1/	1,167	1,750
Expected disbursements of program loans by other IFIs 1/	1,025	2,900

1/ Cumulative from January 1 of each year.

30. Adjustor on oil prices. The floor on the accumulation of NFPS deposits will be adjusted upward/downward by US$11.93/US$23.85 million at corresponding test dates for each US$1 per barrel that the average Ecuador mix crude oil price is above/below the program assumption defined in Table 3. This adjustor is capped at US$178.9 million at corresponding test dates. For 2025 targets, the average price of Ecuador mix oil price will be calculated as the total value of crude oil exports

[1] Multilateral institutions refer to institutions with more than one official shareholder. This classification follows the authorities' definition which may not necessarily align with the creditor classification treatment for the purposes of IMF policies.

divided by the total volume of oil exports over the period between January 1, 2025, and each test date.

D. Ceiling on External Payment Arrears by the Non-Financial Public Sector

Definitions

31. External debt is determined according to the residency criterion except in the case of the debt securities for which the criterion is the place of issuance of the instrument.[2] The term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take several forms; the primary ones being as follows:

- *Loans*, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

- *Suppliers' credits*, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

- *Leases*, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the program, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.

32. Under the definition of debt set out above, arrears, penalties and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

33. External payment arrears for program monitoring purposes are defined as (i) external debt obligations (principal and interest) falling due after May 1, 2024 that have not been paid within

[2] As defined in Guidelines on Public Debt Conditionality in Fund Arrangements, Decision No. 16919-(20/103).

90 days of the due date, considering the grace periods specified in contractual agreements, as well as (ii) payment arrears on goods delivered or services rendered by external entities.

Coverage

34. This performance criterion covers the NFPS. This performance criterion does not cover (i) arrears on short-term trade credit or letters of credits; (ii) arrears on debt subject to renegotiation or restructuring; and (iii) arrears resulting from the nonpayment of commercial claims that are the subject of any litigation initiated prior to May 1, 2024.

Monitoring

35. This PC will be monitored on a continuous basis.

E. Ceiling on BCE Direct and Indirect Financing to the NFPS

Definitions

36. BCE direct financing to the NFPS and indirect financing to the NFPS through the public banks includes overdraft transfers from the BCE to the entities of the NFPS as defined above, advance distribution of unrealized profits from the BCE, the BCE acquisition of government debt on the primary market or by purchase from public institutions, and the BCE lending to public banks for the purpose of acquisition of government debt on the primary market or by purchase from public institutions.

Monitoring

37. This PC will be monitored on a continuous basis. Monthly data on amortizations and disbursements of BCE credit to NFPS and to publicly owned banks for the purpose of financing the NFPS will be provided within five business days to the Fund.

INDICATIVE TARGETS (IT): DEFINITION OF VARIABLES

A. Floor on The Non-Oil Primary Balance Including Fuel Subsidies of the Non-Financial Public Sector

Definitions

38. The Non-Financial Public Sector (NFPS) is defined as above.

39. The Non-oil Primary Balance of the NFPS is defined as primary non-oil revenues (ingresos primarios no petroleros) minus primary non-oil spending (gastos primarios no petroleros).

40. Primary non-oil revenues are recorded on a cash basis and include the following items:

- Tax revenues of the PGE and of GADs;
- Social security contributions; and
- Other revenues (otros ingresos), including administrative fees, sales of market and nonmarket establishments, and other Transfers not elsewhere classified.

41. Primary non-oil revenues explicitly exclude interest, proceeds from the sale of financial assets, revenues from the privatization of government-owned entities, revenues from oil exports, and revenues from the domestic sales of oil derivatives.

42. Primary non-oil spending is recorded on accrual basis and comprises:

- Wages and salaries (sueldos y salarios);
- Purchases of goods and services (compra de bienes y servicios), excluding purchases of goods and services and investments ("servicios petroleros") of Petroecuador, CFDD and payments to private oil companies (SHE);
- Grants;
- Social benefits, including social security benefits (beneficios de seguridad social), social assistance, and employment related social benefits;
- Dividends paid by social security funds;
- Current and capital transfers, including "Account 99"; and
- Transactions in nonfinancial assets.

43. Petroleum product subsidies include, but are not limited to, subsidies for gasoline, diesel, liquefied petroleum gas, and sectoral subsidies granted to specific industries (including for consumption of jet fuel and fuel oil). Subsidies are defined as the difference between the distributor sale price of the product and the cost of this product. The cost of the product is a weighted average between the cost of imported petroleum derivative products and the cost of domestically produced petroleum products, cost of transportation, storage, and commercialization. For the cost of domestically produced petroleum products, the export price of Eastern crude (opportunity cost) is considered as raw material, as well as the cost of refining. The import cost includes the price at FOB value plus freight and insurance.

44. The non-oil primary balance of NFPS, including fuel subsidies, is defined as the non-oil primary balance of the NFPS minus spending on subsidies on petroleum products.

45. Government-funded, PPPs will be treated as traditional public procurements. PGE obligations that are accrued on public private partnerships would be recorded transparently in budget data and measured as part of the PGE deficit as they accrue. The accrued but not settled obligations related to these PPPs will be transparently recorded either as public debt or as a contingent liability of the government (e.g., public guarantees) depending on the nature of the obligation.

46. Costs associated with divestment operations, with the liquidation of public entities, or that are otherwise awarded as part of lawsuits shall be recorded as expense. Examples include but are not limited to the cancellation of existing contracts, severance payments to workers, awards related to unfair dismissal trials.

47. All expenditures recorded as a credit in "Account 99" (due to the lack of corresponding budget allocations) will be recorded in the year the obligation was accrued or, if information on the year is not available, in the year the obligation is credited to the Account 99.

Monitoring

48. All fiscal data referred to above and needed for program monitoring purposes will be provided to the Fund within 60 days from the end of each test date as shown in Table 2. In addition to revenue and expenditure data, the data submission would also include fuel subsidies expenditures provided by Petroecuador, as well as below the line data. Preliminary monthly data will be provided with the lag of no more than 45 days after the end of each month.

Adjustors

49. Adjustor on oil prices. The floor on the non-oil primary balance including fuel subsidies of the NFPS will be adjusted downward/upward by US$23.85 million at corresponding test dates for each US$1 per barrel that the average Ecuador mix crude oil price is above/below the program assumption defined in the Table 3. This adjustor is capped at US$178.9 million at corresponding test dates. For 2025 targets, the average price of Ecuador mix oil price will be calculated as the total value of crude oil exports divided by the total volume of oil exports over the period between January 1, 2025, and each test date.

B. Floor on the Overall Balance of the Non-Financial Public Sector

Definitions

50. The Non-Financial Public Sector (NFPS) is defined as above.

51. The overall balance of the NFPS is defined as the net lending/borrowing of the NFPS. It is calculated as the non-oil primary balance of the NFPS defined above, plus the oil balance of the NFPS, plus interest revenues of the NFPS, minus interest expenditures of the NFPS. NFPS revenues and interest expenses are recorded on a cash basis, while NFPS primary expenditures are measured on an accrual basis.

52. The oil balance of the NFPS will be defined as the (i) revenues from oil exports and domestic sales of oil derivatives, minus (ii) expenditures on imports of oil derivatives (CFDD), (iii) payments to private oil companies (SHE), and (iv) goods and services expense and investments of Petroecuador, including "servicios petroleros".

Monitoring

53. All fiscal data referred to above and needed for program monitoring purposes will be provided to the Fund with a lag of no more than 90 days after the end of each test date as shown in Table 2 and preliminary data with the lag of no more than 60 days after the end of each month. In addition to revenue and expenditure data, the data submission would also include below the line data.

Adjustors

54. Adjustor on oil prices. The floor on the overall balance of the NFPS will be adjusted upward/downward by US$23.85 million at corresponding test dates for each US$1 per barrel that the average Ecuador mix crude oil price is above/below the program assumption defined in Table 3. This adjustor is capped at US$178.9 million at corresponding test dates. For 2025 targets, the average price of Ecuador mix oil price will be calculated as the total value of crude oil exports divided by the total volume of oil exports over the period between January 1, 2025, and each test date.

C. Floor on the Change in the Stock of Net International Reserves (NIR)

Definitions

55. Net International Reserves (NIR) of the central bank are computed under the program as the US dollar value of the usable gross international reserve assets of the BCE minus (i) gross reserve related liabilities of the BCE to nonresidents, and (ii) the reserve holdings of domestic banks and deposits of other financial institutions held at the BCE. Non-U.S. dollar denominated foreign assets and liabilities will be converted into U.S. dollar at the program exchange rates.

56. Usable gross international reserve assets comprise all readily available claims on non-residents denominated in convertible foreign currencies and controlled by monetary authorities, consistent with the Balance of Payments and International Investment Position Manual (Sixth Edition). Specifically, they include: (i) currency and deposits; (ii) monetary gold; (iii) holdings of SDRs; (iv) the reserve position in the IMF; (v) securities (including debt and equity securities); (vi) financial derivatives; and (vii) other claims (loans and other financial instruments).

Specifically excluded from gross international reserves are:

- Any precious metals or metal deposits, other than monetary gold, held by the BCE;
- Assets in nonconvertible currencies and illiquid assets;
- Claims on residents; and

- Any reserve assets that are pledged, collateralized or otherwise encumbered (in so far as those assets are not already excluded from gross international reserve assets of the central bank), including assets tied up in repurchase agreement transactions.

57. Gross reserve-related liabilities comprise:

- All short-term liabilities of the BCE vis-à-vis non-residents denominated in convertible foreign currencies with an original maturity of one year or less;

- Short-term loans, securities, and other liabilities (excluding account payables) of the central government with an original maturity of less than 30 days;

- The stock of IMF credit outstanding; and

- The nominal value of all derivative positions (including swaps, options, forwards, and futures) of the BCE, implying the sale of foreign currency or other reserve assets.

The reserve holdings of domestic banks held at the BCE comprise:

- All liabilities of the BCE to other depository institutions (otras sociedades de depósitos, as defined in the BCE's Metodología: Información Estadística Mensual, 4th Edition of May 2017).

The deposits of other financial institutions at the BCE comprise:

- All liabilities of the BCE to other financial institutions (otras sociedades financieras, with the exception of deposits of the BEDE and BIESS, including those held in trust funds (fideicomisos BIESS y fideicomisos IESS).

Adjustors

58. Adjustor on external borrowing. The floor on net international reserves will be adjusted upward/downward by the amount of borrowing from non-residents above/below what envisioned under the program, as reported in Table 5 above and net of issuances related to liability-management operations that have no net impact on the outstanding stock of NFPS debt. External borrowing will comprise issuance of international bonds and other borrowing with non-official external creditors.

59. Adjustor on disbursement from other multilateral institutions. The floor on net international reserves will be adjusted downward/upward by the shortfall/excess in loan disbursement by IFIs and grants, relative to the baseline projection reported in Table 6. Program loan disbursements are defined as external loan disbursements (excluding project financing disbursements) from official creditors that are freely usable for the financing of the NFPS budget operations.

60. **Adjustor on oil prices**. The floor on the net international reserves will be adjusted upward/downward by US$11.93/US$23.85 million at corresponding test dates for each US$1 per barrel that the average Ecuador mix crude oil price is above/below the program assumption defined in the Table 3. This adjustor is capped at US$178.9 million at corresponding test dates. For 2025 targets, the average price of Ecuador mix oil price will be calculated as the total value of crude oil exports divided by the total volume of oil exports over the period between January 1, 2025, and each test date.

Monitoring

61. The change in net international reserves (NIR) will be measured as the cumulative change in the stock of NIR between the beginning of the year and the last day of the corresponding test date month as shown in Table 2.

62. Foreign exchange asset and liability data will be provided to the Fund at weekly frequency within 5 business days following the end of the week.

D. Ceiling on the Stock of PGE Payment Arrears to the Domestic Private Sector

Definitions

63. The PGE is defined as above.

64. Arrears are defined as other accounts payable included in the definition of PGE debt, which are overdue for more than 90 days from the date of accrual. Stocks of "cartas de crédito" are explicitly excluded from the definition of arrears for this IT.

Monitoring

65. Below the line fiscal data referring to PGE accounts payable needed for program monitoring purposes will be provided to the Fund with a lag of no more than 60 days after the end of each test date as shown in Table 2 and preliminary data with the lag of no more than 45 days after the end of each month. The data will include a breakdown by economic sector of accounts payable (e.g., health, education, infrastructure, etc.), with an "of which" detail for amounts overdue by more than 90 days from the date of accrual.

E. Floor on Social Assistance Scheme Coverage

Definitions

66. Social assistance coverage of poor families for the purpose of the program is computed as the sum of all active beneficiary family units in the three bottom deciles of the income distribution that benefit from at least one social assistance programs. Poor beneficiary families are defined according to information in the RS2018. Coverage expansion will occur through the following social assistance programs, that are in force on the date of issuance of the program: Bono de Desarrollo Humano (BDH), BDH con Componente Variable (BDH-V), Bono Joaquin Gallegos Lara, Pension Mis Mejores Años, Pensión Toda Una Vida, Bono para niños, niñas y adolescentes en situación de Orfandad por muerte violenta de la madre o progenitora, Cobertura de Contingencias, Bono para personas afectadas por eventos de origen natural o antrópico, and Bono 1000 Días, and others monetary transfers that might set into place for strengthen the social protection net. The level (size) of benefits, understood as number of family units, of any of the cash transfer programs in the bottom three deciles of the income distribution should not be reduced (with respect to their level on May 1, 2024).

Monitoring

67. **Monthly data** on (i) number of family units in the lowest three income deciles covered by the social assistance protection programs, and (ii) monthly data on numbers of registries with information updated and validated following RS2018 by income decile will be provided to the Fund with a lag of no more than 30 days after the end of each month.

OTHER INFORMATION REQUIREMENTS

68. In addition to the data needed to monitor program conditionality, the authorities will also provide to Fund staff the following data so as to ensure adequate monitoring of economic variables:

69. In accordance with IMF Government Finance Statistics Manual (GFSM) 2014 and Public Sector Debt Guide for compilers and users total gross debt covers all liabilities that are debt instruments. A debt instrument is defined as a financial claim that requires payment(s) of interest and/or principal by the debtor to the creditor at a date, or dates, in the future. The following instruments are considered debt instruments:

- Special drawing rights (SDRs);
- Currency and deposits;
- Debt securities;
- Loans;
- Insurance, pension, and standardized guarantee schemes; and
- Other accounts payable.

70. All liabilities included in the GFSM balance sheet are considered debt, except for liabilities in the form of equity and investment fund shares and financial derivatives and employee stock options. Equity and investment fund shares are not debt instruments because they do not require the payment of principal or interest. For the same reason, financial derivatives are not considered debt liabilities because no principal is advanced that is required to be repaid, and no interest accrues on any financial derivative instrument.

For the purpose of the program, Ecuador's NFPS debt includes the following instruments:

- Deposit liabilities;
- Debt securities including short term liquidity instruments (held by nonresidents, and by residents not included in the NFPS entities);
- Loans; and
- Other accounts payables.

71. Any liabilities issued by entities of the NFPS, held as an asset by other entity of the NFPS should be netted out. Since the consolidation is done at the level of NFPS, central bank lending to the government is included in the stock of NFPS debt.

Monitoring

72. The data on NFPS stock of debt in US$ will be provided to the Fund monthly with a lag of no more than 90 days after the end of each month. The data submission will also include cross-holdings among NFPS entities.

Daily

73. Daily monetary and financial data in the template agreed with Fund staff, no later than 1 business days after the end of the day. This template at least will include: (a) movements of international reserves by inflows and outflows; (b) Main balance sheet accounts of financial institutions, broken down by private banks, cooperatives and mutuals; and (c) Daily oil production.

Weekly

74. Consolidated balance sheets of the banking system, by main accounts, including deposits in the banking system, available funds, credit to the private sector, and credit to the government.

75. BCE balance sheet. Financial Indicators: Deposits of banks at the BCE.

76. Weekly monetary data in the template agreed with Fund staff, no later than 5 business days after the end of the week.

77. Weekly data on international reserves and foreign currency liquidity, in line with SDDS requirements (see http://data.imf.org/?sk=2DFB3380-3603-4D2C-90BE-A04D8BBCE237), no later than 5 business days after the end of the week.

Monthly

78. Data on stocks and flows (above- and below the line), disaggregated by each subsector of the NFPS (budgetary central government and CFDD, rest of the central government, subnational governments, SOEs and social security) using the templates previously agreed with the IMF team. One template with the detailed data on revenues and expenditures of each of the subsectors and the consolidations between them, and the other template data by subsectors with a summary of above the line data and the comparison with the below the line data for monitoring the statistical discrepancy and data on stocks of financial assets and liabilities and the financing (below the line data) also by subsectors.

79. NFPS financing data compiled based on the detailed information on financial assets and liabilities, namely, deposits, loans, securities, equities, other accounts payable including oil related, and their amortizations, disbursements, and arrears accumulation.

80. Data on amortizations and disbursements of credit from the BCE to NFPS and to publicly-owned banks for the purpose of financing the NFPS will be provided within five business days from the end of the month.

81. PGE cash flow data from the beginning to the end of the current fiscal year, with a lag of no more than 60 days after the closing of each month. This will include expected monthly amortizations and repayments on NFPS debt as defined above.

82. Data on social spending, including Bono de Desarrollo Humano (BDH), Bono de Desarrollo Humano con Componente Variable (BDH-V), Personas con discapacidad, Pensión para Adultos Mayores, Mis mejores años, Pensión Toda Una Vida, and Bonos Mis Primer 1000 Dias, Bono para niños, niñas y adolescentes en situación de Orfandad por muerte violenta de la madre o progenitora, Cobertura de Contingencias, Bono para personas afectadas por eventos de origen natural o antrópico, as well as Bono Joaquin Gallegos Lara.

83. Data to determine the latest net SDR position at the end of each month. For the central government, this would include total external liabilities with the SDR department. For the central bank, this would include total SDR holdings. All reported data should be denominated in SDRs.

84. Provision of detailed information on collateralized debt and debt with similar arrangements, such as repo transactions and other similar debt involving the pledge, sale/resale, or encumbrance of assets within 2 weeks of signing new contracts. The information on collateralized debt and debt with similar arrangements will include all contracts related to such debt; information on the escrow accounts overseas that serve as collateral; and detailed information for each creditor on the stock of debt, its terms (including on the amounts pledged, sold/resold, or encumbered, as well as any related commitments or obligations to purchase related or unrelated goods and/or services from the lender), and expected repayment schedules.

85. Export price of Ecuador mix crude oil, with a lag of no more than 20 days after the closing of each month.

Quarterly

86. Detailed balance of payments data, no later 90 days after the end of the quarter.

87. Detailed fiscal and debt data by the subsectors of NFPS, no later than 90 days after the end of the quarter. This data includes: above and below the line data, summary of the statistical discrepancy, calendar of amortization and payment of interest by instrument of debt stock at the end of the quarter and stock of gross debt.

INTERNATIONAL MONETARY FUND

ECUADOR

ASSESSMENT OF FINANCIAL RISKS TO THE FUND

July 9, 2025

Approved By
Zuzana Murgasova (FIN) and Bergljot Barkbu (SPR)

Prepared by the Finance and Strategy, Policy, and Review Departments.

CONTENTS

TABLES

INTRODUCTION

1. **The Ecuadorian authorities have requested augmentation of access under the Extended Fund Facility (EFF) equivalent to around US$ 1.0 billion (SDR 750.4 million or 107.6 percent of quota).** Ecuador is facing headwinds from a highly uncertain global environment, with negative effects to Ecuadorian exports, remittances, fiscal revenues and financing prospects. Even after accounting for the additional fiscal effort planned by the authorities, and additional financing from other IFIs, Ecuador would continue facing a financing gap of US$ 1.0 billion in 2025-27 which is proposed to be filled by an EFF augmentation of around US$ 1.0 billion.

2. **The proposed augmentation would increase cumulative access under the EFF program to SDR 3.75 billion (537.5 percent of quota).** On May 31, 2024, the Executive Board approved Ecuador's request for a 48-month EFF-supported program with access equivalent to SDR 3 billion (430 percent of quota, equivalent to US$ 4 billion). Access was frontloaded, with a first purchase of SDR 752.9 million on program approval in May 2024 (108 percent of quota) and a second purchase of SDR 375.9 million on completion of the first review in December 2024 (54 percent of quota). Under the proposed augmentation, total access under the EFF would increase by SDR 750.4 million (107.6 percent of quota) to SDR 3,750.4 million (537.5 percent of quota) (Table 1).

Table 1. Ecuador: Proposed Access and Phasing Under the Extended Fund Facility

	Original Amounts				Amounts with Proposed Augmentation[1/]			
			Percent of quota				Percent of quota	
Availability	Date	SDR millions	Purchase	Cumulative	Date	SDR millions	Purchase	Cumulative
2024	May	752.9	107.9	107.9	May	752.9	107.9	107.9
	November	375.9	53.9	161.8	November	375.9	53.9	161.8
2025	March	312.9	44.8	206.6	March	438.4	62.8	224.6
	July	312.9	44.8	251.5	August[2/]	438.4	62.8	287.5
	November	312.9	44.8	296.3	November	438.4	62.8	350.3
2026	March	186.9	26.8	323.1	March	280.5	40.2	390.5
	September	186.9	26.8	349.9	September	280.5	40.2	430.7
2027	March	186.9	26.8	376.7	March	280.3	40.2	470.9
	September	186.9	26.8	403.5	September	280.3	40.2	511.1
2028	March	184.9	26.5	430.0	March	184.8	26.5	537.5
	Total	3,000.0	430.0			3,750.4	537.5	

Source: IMF staff estimates.
1/ After approval of the arrangement, all subsequent purchases will depend on the completion of a review and compliance with performance.
2/ The availability date associated with the Third Review was moved from July to August 2025, upon the authorities' request.

3. **This update focuses on the main economic developments since the approval of the EFF in May 2024 and assesses the financial implications of the proposed augmentation for the Fund.** The program would continue to be subject to the General Resources Account (GRA)

Exceptional Access (EA) Framework. This assessment is provided in accordance with the policy on EA and based on the assumption that all four exceptional access criteria continue to be met. [1]

RECENT DEVELOPMENTS AND OUTLOOK

A. Recent Developments

4. **The economy experienced a significant downturn in 2024, while the fiscal position and reserves position strengthened.** Real GDP in 2024 fell by 2 percent, driven by lower investment and domestic consumption, security challenges, and a severe electricity crisis in the second half of the year. Despite the challenging environment, the authorities lowered the deficits of the budgetary central government and nonfinancial public sector (NFPS) relative to 2023. Robust exports (including for non-oil products), a compression in imports, and an increase in remittances led to a record current account surplus of 5.7 percent of GDP; current account dynamics and higher multilateral disbursements contributed to a recovery in gross international reserves (GIR) to US$ 6.9 billion as of end-2024, from US$ 4.5 billion at end-2023.

5. **Election in April 2025 lowered political uncertainty and the authorities advanced implementation of their economic program.** President Noboa was reelected in Presidential runoff elections with 56 percent of the votes and parties allied to the president increased their seat representation in the National Assembly. Despite the relatively short period before the elections, in 2024 the authorities implemented key reforms in line with the objectives of the EFF-supported program, including a liberalization of domestic gasoline prices and a three-percentage points increase in VAT. The first EFF review was successfully completed in December 2024. All quantitative performance criteria for the second review have been met; the end-April indicative target (IT) on arrears of the budgetary central government (PGE) was missed amid tight liquidity conditions, while the IT on net reserves accumulation was met with large margin.

6. **However, external risks have increased substantially since the first EFF review.** While real growth is anticipated to moderately recover to 1.7 percent in 2025 supported by stabilization in electricity supply and reduction in election-related uncertainties, the economy faces considerable risks due to a substantially worsened external backdrop. The highly uncertain global economic outlook has negatively affected investors' risk appetite and reduced viability of re-accessing markets in 2025. At the time of the first EFF review, the program envisaged US$1.5 billion in external market financing in 2025 and US$2 billion per year thereafter. Under the new baseline, re-access to international capital markets is deferred by one year and reduced to US$ 1 billion in 2026, US$1.5 billion in 2027, raising US$2 billion per year from 2028.

[1] For the original assessment, see *Ecuador – Assessment of Financial Risks to the Fund* (5/31/24). For the Exceptional Access (EA) policy, please see paragraph 5 of Decision No 14064-(08/18), adopted 2/22/2008, as amended, and The Acting Chair's Summing Up of the Review of Access Policy Under the Credit Tranches and the Extended Fund Facility, and Access Policy in Capital Account Crises—Modifications to the Supplemental Reserve Facility and Follow-Up Issues Related to Exceptional Access Policy (3/5/03).

7. The emerging financing gap would be addressed through a mix of adjustment and additional financing. The revised fiscal plan includes additional fiscal measures equivalent to 1.1 percent of GDP in 2025-27, on top of the 5.5 percent of GDP improvement in the non-oil primary balance including fuel subsidies (NOPBS) during the program, which was projected at the time of EFF approval. The remaining financing gap of US$ 1.0 billion over the 2025-27, stemming from the shortfall in market financing, would be filled by the proposed augmentation.

B. Debt Situation and Outlook

8. Ecuador's public debt declined in 2024, while projected external debt service ratios remain broadly in line with comparable cases. Public debt as percent of GDP declined from 54.3 percent of GDP at end-2023 to 53.8 percent at end-2024, helped by the narrowing of the fiscal deficits and debt-for-nature swap that generated liquidity and enhanced maturity profiles. Under baseline projections, Ecuador's total external debt service burden will peak at 10.9 percent of GDP in 2027. In terms of exports of goods and services, total external debt service would peak at 38.3 percent in 2027 and decline to 25.9 percent by 2034 (Table 3). The ratio of external debt service to exports of goods and services at time of approval is just below the median for other recent GRA exceptional access cases (Figure 1). Debt service due to the Fund in 2025-34 would average 1.0 percent of GDP per year, peaking in 2027-2028 at 1.3 percent of GDP (Table 3).

9. Ecuador's public debt remains sustainable but not with high probability.[2] The fiscal and debt projections assume successful implementation of the program fiscal plan. The primary balance of the non-financial public sector (NFPS) would turn to surplus in 2025, stabilizing at about 2.4 percent of GDP starting in 2028. This fiscal adjustment is expected to contribute to a decline in the public debt-to-GDP ratio to below 40 percent by 2031, the debt limit embedded in the organic budget code. Downside risks to the fiscal and debt outlook stem from shortfalls in external financing and implementation capacity of the fiscal program and further economic shocks (e.g., from lower oil prices, a renewed electricity shortages or worsening of the security situation, as well as further tightening of global financial conditions). Risk mitigating factors in the debt sustainability assessment include the large share of multilateral and bilateral official debt, with comparatively low rollover risk and long maturities; relatively low gross financing needs in the projections; and implementation of fiscal measures so far under the program.

FINANCIAL IMPLICATIONS OF THE PROPOSED AUGMENTATION FOR THE FUND

10. The IMF's credit outstanding to Ecuador at end-May 2025 was SDR 6,375.2 million (913.7 percent of quota). Disbursements under the current EFF thus far have totaled SDR 1,128.8 million (SDR 752.9 million upon approval in May 2024 and SDR 375.9 million on completion of the first review in December 2024). Previous exposure to Ecuador originates from purchases of SDR 1.0

[2] See the Sovereign Risk and Debt Sustainability Framework (SRDSF) included in this staff report.

billion under the 2019 EFF arrangement, SDR 469.7 million under the 2020 RFI, and SDR 4.6 billion under the 2020 EFF.

11. The proposed augmentation would significantly increase Ecuador's access to Fund resources and the Fund's exposure, placing both above historical medians and close to the upper range of comparable programs since 2008.

- The proposed augmentation of access of SDR 750.4 million (107.6 percent of quota) is nearly equivalent to the 75th percentile of the distribution of the history of augmentations for SBA and EFF programs, both in nominal terms and in percent of quota (Figure 8).

- Following the augmentation, Ecuador's access under the EFF would increase to 537.5 percent of quota (from 430 percent of quota at the time of EFF approval in May 2024), below the median access (681 percent of quota) for other GRA exceptional access arrangements since 2008 (Figure 2).

- Upon approval of the second review, Fund exposure to Ecuador would increase to 953.1 percent of quota and peak at 1,067.4 percent of quota in March 2026 (compared with an expected peak of around 1,000 percent of quota in November 2025 before augmentation) assuming all purchases and repurchases are made according to schedule (Figure 3). Peak exposure would be above the median for comparators since 2008 and close to the 75th percentile (Figure 4).

12. Under the proposed augmentation, Ecuador's annual scheduled net repurchases will peak at SDR 1.2 billion in 2030. Given higher access under the augmentation, annual scheduled *net* repurchases will be lower between 2026-2027 compared with the original program. However, net repurchases will be higher from 2029 onwards relative to the original arrangement as the additional access under the augmentation is repaid (Figure 7).

13. The proposed augmentation would slightly increase concentration of Fund credit.

- After the scheduled purchase upon the approval of the augmentation, Ecuador will remain the Fund's fifth largest GRA borrower, with credit outstanding that would account for 7.4 percent of total Fund credit (Figure 6).

- Credit concentration, measured by the Fund's exposure to the top five borrowers, would increase slightly from 79.1 percent to 79.2 percent following the first purchase upon approval of the proposed augmentation (Table 4). The Fund's current level of precautionary balances (PBs) would continue to exceed credit exposure to Ecuador. Fund GRA exposure to Ecuador after the purchase upon approval of the proposed arrangement would amount to 26.3 percent of PBs (Table 4), rising to 28.8 percent in March 2026 when credit to Ecuador peaks (assuming the level of precautionary balances projected at end-April 2025, which is slightly above the medium-term PB target of SDR 25 billion).

14. The proposed augmentation would have a modest impact on the Fund's liquidity position. The Fund's Forward Commitment Capacity (FCC), which stood at SDR 162.7 billion as of May 31, 2025, would decrease by 0.5 percent following the approval of the proposed augmentation (Table 4).

15. The proposed augmentation would marginally increase lending income for the Fund. While lending income concentration risk would also be slightly higher under the augmentation, the Fund's burden sharing mechanism would remain sufficient to cover any arrears on charges and surcharges. For FY26, total projected GRA charges and surcharges for Ecuador are SDR 377 million, accounting for around 39 percent of the Fund's symmetric burden-sharing capacity of SDR 960 million as of end-May 2025).[3]

CAPACITY TO REPAY

16. Ecuador's capacity to repay the Fund remains subject to significant risks, critically depending on the implementation of envisaged policies and availability of external financing.

- Total obligations to the Fund relative to GIR will peak at 15.9 percent in 2025 and decline steadily to 3.1 percent by 2034, while Fund obligations in percent of GDP and exports of goods and services will peak at 1.3 and 4.6 percent in 2027. On an annual basis, total Fund credit outstanding will peak in 2025, reaching 1,032.8 percent of quota, equivalent to 7.4 percent of GDP, 98.7 percent of GIR, and 14.5 percent of total external debt (Table 3).

- Ecuador's peak Fund exposure in percent of quota will be above the median and close to the 75th percentile of the distribution of GRA EA cases (Figure 4). Most other metrics of Ecuador's peak Fund exposure and peak payments obligations are generally moderate compared to other GRA exceptional access cases, except for international-reserve related indicators. Ecuador's peak Fund exposure in terms of GIR, at almost 100 percent in 2025, is the third highest of comparator cases (below only that of Argentina's 2025 EFF and Ecuador's 2020 EFF, Figure 5). Peak Fund exposure in terms of total external debt is above the median of comparators, while the peak in terms of GDP is slightly below the median. With regards to peak repayments obligations, debt service to the Fund in percent of exports of goods and services and in percent of total external debt service is below the median of other GRA exceptional access cases (Figure 5).

ASSESSMENT

17. The proposed EFF augmentation would help Ecuador address the temporary shortfall in external financing. Ecuador is facing headwinds from the highly uncertain global environment, with negative effects to Ecuadorian exports, remittances, fiscal revenues and financing prospects. Even after accounting for the additional fiscal effort planned by the authorities, and additional

[3] Under the BSM, the Fund's creditor and debtor members contribute temporary financing in equal amounts to cover the amount of "deferred charges" (charges and surcharges overdue by six months of more). This is achieved through increases in the rate of charge paid by debtor members and reductions in the rate of remuneration to creditor members.

financing from other IFIs, Ecuador would continue facing a significant financing gap of US$ 1.0 billion in 2025-27. The proposed augmentation of SDR 750.4 million would help address the financing shortfall, support the fiscal adjustment plan and safeguard deposit accumulation.

18. Ecuador's capacity to repay the Fund remains subject to significant risks. Key downside risks include (i) shortfalls in external financing, leading to a decline in government deposits and potential payment arrears; (ii) further deterioration in the global economic backdrop, due to higher trade barriers and deeper geoeconomic fragmentation, (iii) lower oil prices; (iv) further tightening in global financial conditions, lower risk appetite, resulting in inability to regain market access according to the revised timeline envisaged under the program; (v) a further deterioration in the security situation; (vi) a renewed electricity crisis; (vii) extreme weather events, including floods or droughts, disrupting economic activity; (viii) an increase in social discontent, hampering or slowing reform efforts. The materialization of one or more of these risks could adversely affect economic activity, sovereign spreads, fiscal and external balances and capacity to repay. Conversely, upside risks include stronger-than-expected global growth and higher oil prices.

19. The proposed arrangement would have a modest impact on the Fund's liquidity position, while the Fund's credit exposure to Ecuador would increase further. The Fund's FCC would fall by 0.5 percent following the approval of the proposed augmentation. After the scheduled purchase upon the approval of the augmentation, Ecuador would remain the Fund's fifth largest GRA borrower, with credit outstanding that would account for 7.4 percent of total Fund credit. Fund's exposure to Ecuador will peak at a higher level relative to the original program: assuming all proposed purchases and repurchases are made according to schedule, Ecuador's GRA credit outstanding would peak at 1,067.4 percent of quota in March 2026 (compared to an expected peak of 1,000 percent in November 2025 at program approval).

20. Rigorous program implementation would be critical to mitigate financial risks to the Fund. Ecuador's capacity to repay the Fund depends critically on steadfast program implementation and availability of external financing as the country faces tight liquidity conditions in the context of a dollarization regime and substantial repayments to creditors, including the Fund. Credible reform implementation is also key to regaining access to private international bond markets and mobilize resources from other official creditors. In the event of financing plan shortfalls, alternative financing sources and/or a contingency policy response would be required in line with the contingency plan discussed with Fund staff. However, despite the authorities' strong ownership, risks to policy implementation remain high. If policy slippages—or reversals—were to materialize, the risks of arrears to the Fund would not be insignificant given large scheduled repurchases over the coming decade.

Table 2. Ecuador: IMF Financial Arrangements and Fund Exposure, 1988-2038
(In millions of SDR)

Year	Type of New Arrangement	Date of Arrangement	Date of Expiration or Cancellation	Amount of New Arrangement	Amount Drawn	Fund Exposure (EFF 2024) 1/ 2/	Fund Exposure (EFF + augmentation) 1/
1988	SBA	4-Jan-1988	28-Feb-1989	75.4	15.1	300.7	300.7 3/
1989	SBA	15-Sep-1989	28-Feb-1991	109.9	39.3	247.2	247.2
1990						186.0	186.0
1991	SBA	11-Dec-1991	10-Dec-1992	75.0	18.6	127.5	127.5
1992						72.6	72.6
1993						51.8	51.8
1994	SBA	11-May-1994	11-Dec-1995	173.9	98.9	135.7	135.7
1995						116.7	116.7
1996						100.9	100.9
1997						98.9	98.9
1998						49.5	49.5
1999						0.0	0.0
2000	SBA	19-Apr-2000	31-Dec-2001	226.7	226.7	113.3	113.3
2001						151.1	151.1
2002						226.7	226.7
2003	SBA	21-Mar-2003	20-Apr-2004	151.0	60.4	262.3	262.3
:						:	:
:						:	:
2011						0.0	0.0
2012						0.0	0.0
2013						0.0	0.0
2014						0.0	0.0
2015						0.0	0.0
2016	RFI	8-Jul-2016	8-Aug-2016	261.6	261.6	261.6	261.6
2017						261.6	261.6
2018						261.6	261.6
2019	EFF	11-Mar-2019	29-Apr-2020	3,035.0	1,011.7	1,240.6	1,240.6
2020	RFI	1-May-2020	5-May-2020	469.7	469.7	4,419.5	4,419.5
	EFF	30-Sep-2020	16-Dec-2022	4,615.0	4,615.0	4,419.5	4,419.5
2021						4,889.4	4,889.4
2022						6,096.4	6,096.4
2023						5,924.7	5,924.7
2024	EFF	31-Mar-2024	30-May-2028	3,000.0	1,128.8	*6,650.1*	*6,650.1* 5/
2025	EFF 4/					*6,829.4*	*7,205.9*
2026						*6,407.4*	*6,971.1*
2027						*5,843.5*	*6,594.0*
2028						*5,027.8*	*5,778.2*
2029						*3,930.1*	*4,706.5*
2030						*2,800.7*	*3,506.7*
2031						*2,082.4*	*2,686.6*
2032						*1,455.8*	*1,898.4*
2033						*955.8*	*1,273.4*
2034						*518.6*	*747.6*
2035						*232.8*	*310.6*
2036						*93.0*	*116.3*
2037						*15.4*	*15.4*
2038						*0.0*	*0.0*

Source: Finance Department.
1/ As of end-December, unless otherwise stated.
2/ Fund exposure is as of April 2024.
3/ Fund exposure in 1988 included outstanding credit from arrangements prior to 1988.
4/ 2024 EFF including the augmentation.
5/ Figures including transactions under the proposed program are in italics. Fund exposure is derived assuming that purchases and disbursements are made as per the schedule in Table 1 and Ecuador remains current on all its scheduled repurchases and repayments.

Table 3. Ecuador: Capacity to Repay Indicators[1/]

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Exposure and Repayments (In SDR millions)										
GRA credit to Ecuador	7,206	6,971	6,594	5,778	4,707	3,507	2,687	1,935	1,310	748
(In percent of quota)	1,032.8	999.2	945.1	828.2	674.6	502.6	385.1	277.3	187.7	107.1
Charges due on GRA credit	400.6	426.3	410.9	379.8	318.3	248.0	178.1	125.4	89.0	66.8
Debt service due on GRA credit	1,160	1,222	1,349	1,380	1,390	1,448	998	877	714	629
Debt and Debt Service Ratios										
In percent of GDP										
Total external debt	51.3	50.8	49.1	47.8	46.4	44.5	42.6	40.9	42.8	40.5
External debt, public	39.9	39.1	37.9	36.2	34.0	31.7	29.3	26.7	24.2	21.7
GRA credit to Ecuador	7.4	7.0	6.4	5.4	4.2	3.0	2.2	1.5	1.0	0.5
Total external debt service	9.9	10.5	10.9	10.4	9.9	9.7	8.0	8.1	7.8	7.5
Debt service due on GRA credit	1.2	1.2	1.3	1.3	1.2	1.2	0.8	0.7	0.5	0.4
In percent of Gross International Reserves										
Total external debt	682.4	578.8	466.1	388.9	348.6	313.3	296.1	284.6	297.8	281.6
External debt, public	531.0	446.2	359.1	294.7	255.3	223.2	204.0	185.9	168.0	151.1
GRA credit to Ecuador	98.7	79.5	60.3	43.6	31.4	21.0	15.2	10.4	6.8	3.7
Debt service due on GRA credit	15.9	13.9	12.3	10.4	9.3	8.7	5.6	4.7	3.7	3.1
In percent of Exports of Goods and Services										
Total external debt service	32.8	36.9	38.3	36.1	34.1	33.1	27.9	28.2	27.1	25.9
Debt service due on GRA credit	3.9	4.3	4.6	4.5	4.3	4.2	2.8	2.4	1.8	1.6
In percent of Total External Debt										
GRA credit to Ecuador	14.5	13.7	12.9	11.2	9.0	6.7	5.1	3.7	2.3	1.3
In percent of Total External Debt Service										
Debt service due on GRA credit	12.0	11.6	11.9	12.3	12.5	12.7	10.1	8.4	6.8	6.0
In percent of Total Public External Debt										
GRA credit to Ecuador	18.6	17.8	16.8	14.8	12.3	9.4	7.4	5.6	4.0	2.4

Source: Ecuadorian authorities, Finance Department, and IMF staff estimates.
1/ Assumes full drawings. Indicators based on the baseline macroeconomic scenario presented in the staff report.

Table 4. Ecuador: Impact on GRA Finances
(In millions of SDRs unless otherwise noted)

	As of 05/30/2025	
	Initial Arrangement 1/	**Proposed Augmentation**
Liquidity measures		
Current one-year Forward Commitment Capacity (FCC) 2/	163,937	162,672
Impact of approval on FCC 3/	-3,000.0	-750
(in percent of current one-year FCC)	-1.8	-0.5
Prudential measures		
Fund GRA credit outstanding to Ecuador upon approval 4/	6,580	6,814
In percent of current precautionary balances	26.8	26.3
In percent of total GRA credit outstanding	7.1	7.4
Fund GRA credit outstanding to top five borrowers	64,273	72,445
In percent of current precautionary balances	261.7	279.7
In percent of total GRA credit outstanding	70.0	79.1
In percent of total GRA credit outstanding upon approval 4/	70.2	79.2
ECU's GRA charges/surcharges in FY26 in percent of residual burden sharing capacity	34.5 5/	39.3
Memorandum items		
Fund's precautionary balances (projections for end-April 2025)	24,557 6/	25,900
Fund's residual burden-sharing capacity 7/	1,318	960

Sources: Finance Department, and IMF staff estimates.

Table 4. Ecuador: Impact on GRA Finances (concluded)

1/ Shows initial impact of 2024 EFF arrangement on GRA Finances.
2/ The FCC is defined as the Fund's stock of usable resources less undrawn balances under existing arrangements, plus projected repurchases during the coming 12 months, less repayments of borrowing due one year forward, less a prudential balance. The FCC does not include resources under the New Arrangements to Borrow or the Bilateral Borrowings Agreements.
3/ A single country's negative impact on the FCC is defined as the country's sum of Fund credit and undrawn commitments minus repurchases one-year forward.
4/ Projected credit outstanding for Ecuador at time of approval of the proposed arrangement, which includes the scheduled first purchase.
5/ ECU's GRA charges and surcharges are reflected as of FY25 under the initial arrangement.
6/ As of end-January 2024.
7/ Burden-sharing capacity is calculated based on the floor for remuneration which, under current policies, is 85 percent of the SDR interest rate. Residual burden-sharing capacity is equal to the total burden-sharing capacity minus the portion being utilized to offset deferred charges.

Figure 1. Debt Ratios for Exceptional Access Arrangements (at time of approval)[1/ 2/]

Total External Debt

(In percent of GDP)

Public External Debt

(In percent of GDP)

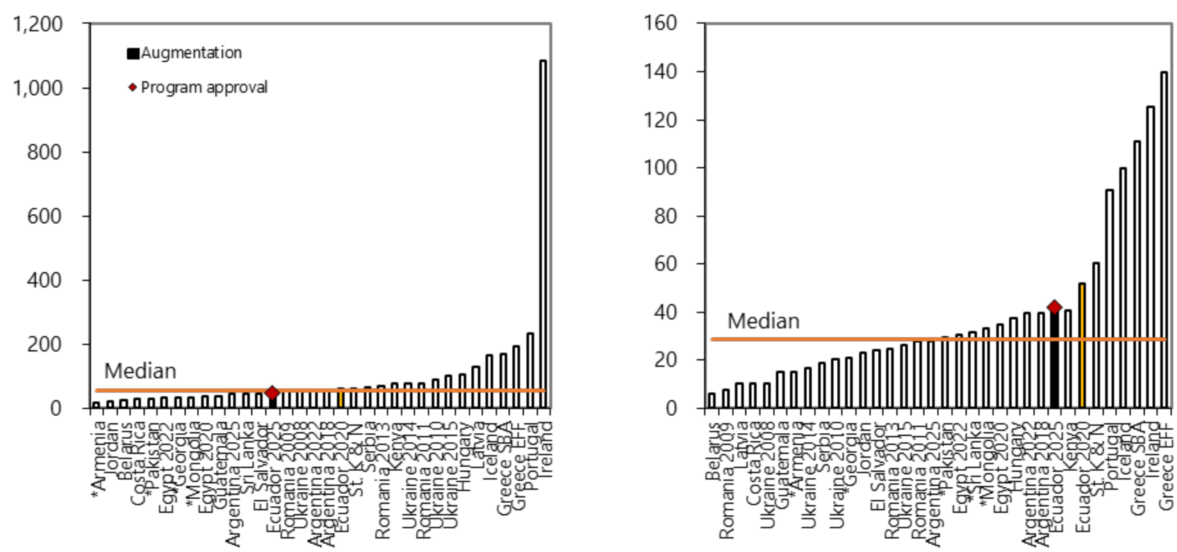


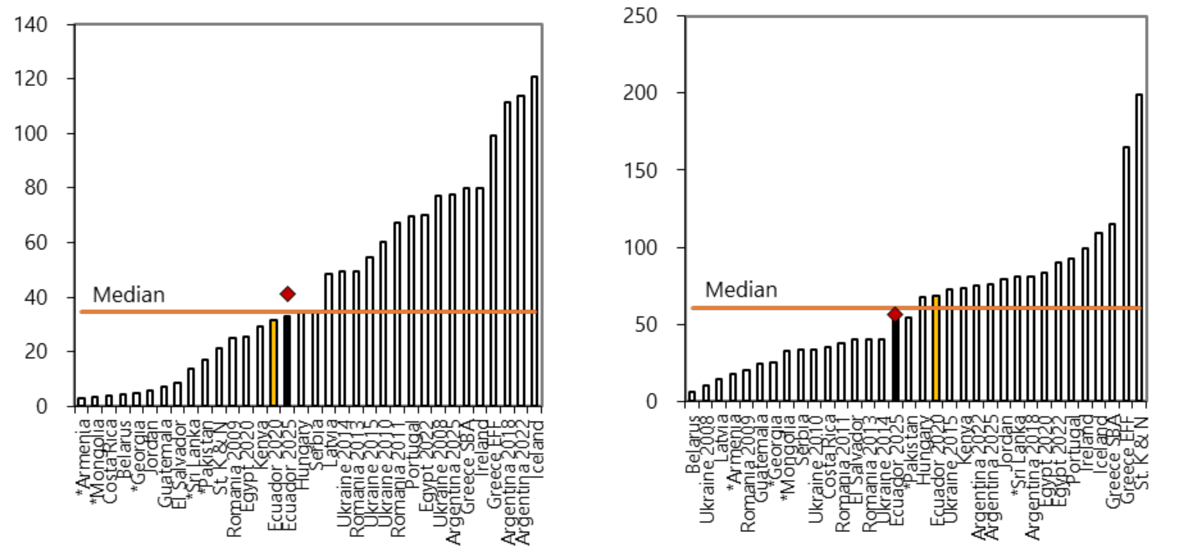
Figure 1. Debt Ratios for Exceptional Access Arrangements (at time of approval) (concluded)

External Debt Service

(In percent of Exports of Goods and Services)

Total Public Debt

(In percent of GDP)

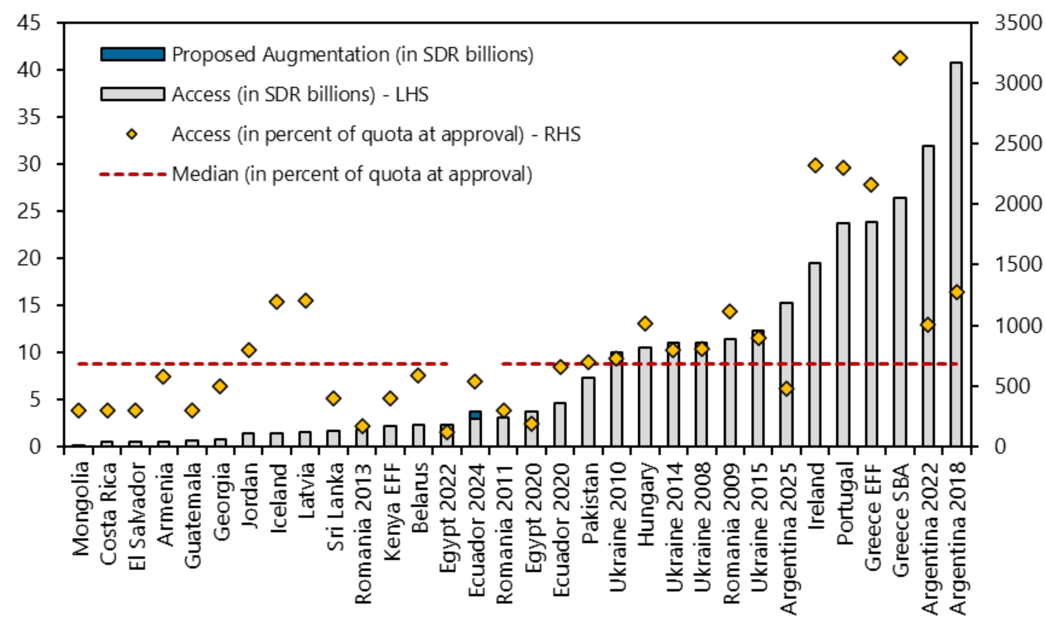


Source: Ecuadorian authorities and IMF staff estimates.

1/ Estimates as reported in relevant staff reports on the request or augmentation of SBAs or EFF arrangements approved since September 2008. For Ecuador, ratios reflect end-2024 data for the original EFF program, and end-2025 data for the EFF under augmentation.

2/ Asterisks indicate PRGT-eligible countries at the time of the program.

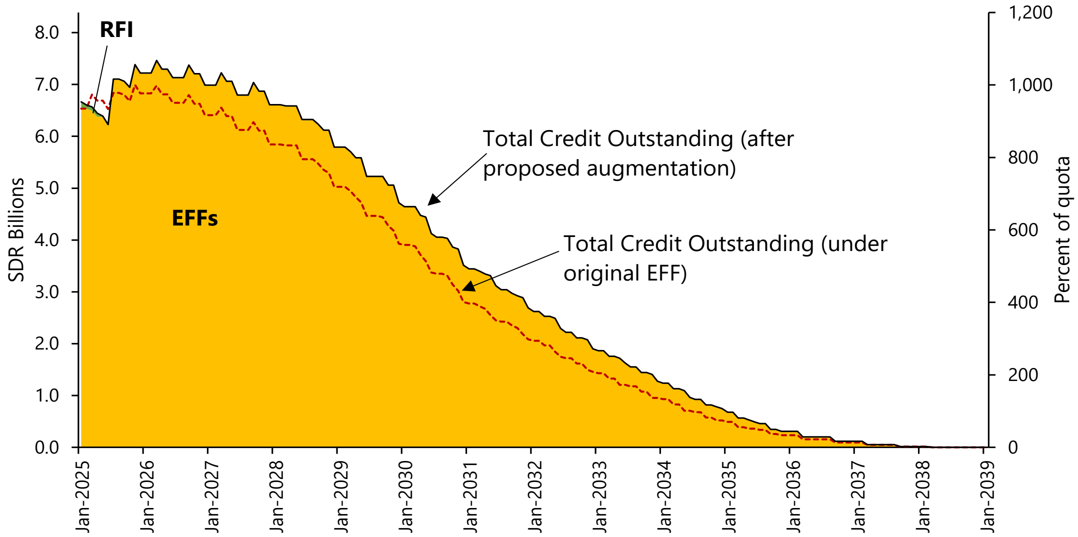
Figure 2. Approved GRA Exceptional Access Cases Since September 2008[1/]



Source: Finance Department and IMF staff estimates.

1/ FCL arrangements as well as arrangements with relatively low access in SDRs are not included.

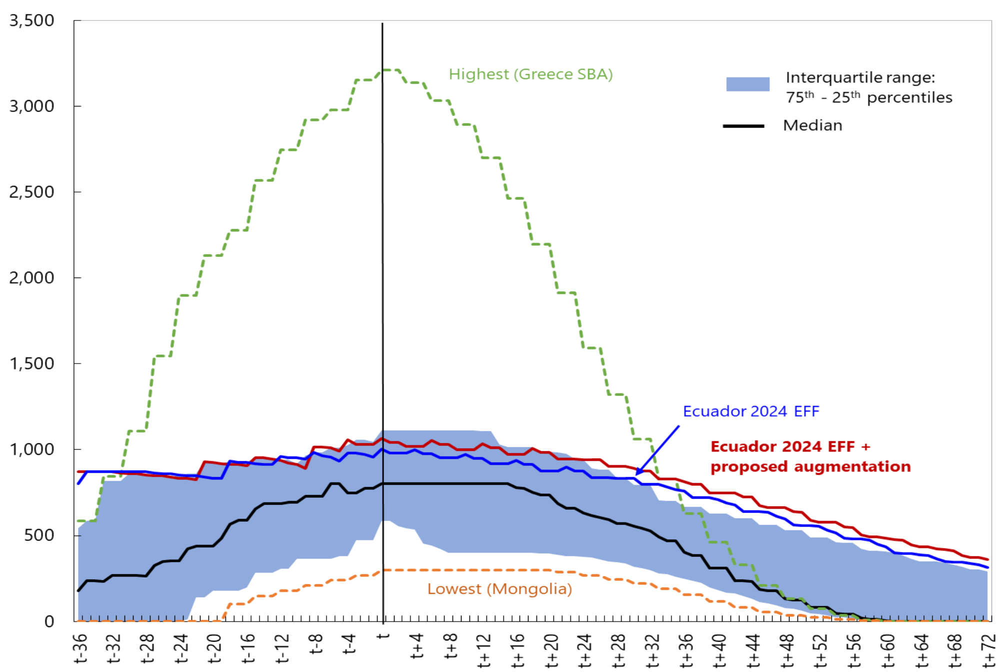
Figure 3. Projected Credit Outstanding Path Under Existing Arrangements and Proposed Augmentation



Source: Finance Department and IMF staff estimates.

Figure 4. Credit Outstanding in the GRA Around Peak Borrowing [1/ 2/]

(In Percent of Quota)



Source: Finance Department and IMF staff estimates.

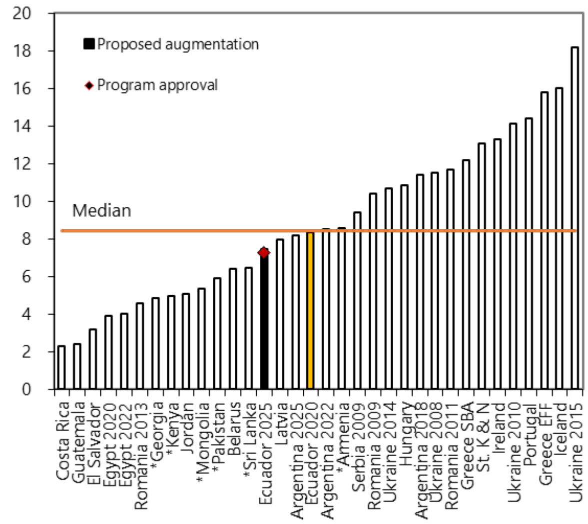
1/ Peak borrowing "t" is defined as the highest level of credit outstanding for a member. Repurchases and repayments are assumed to be on an obligations basis.

2/ Based on quotas at the time of approval. Median credit outstanding at peak is 1,074 percent of quota; average is 1,351 percent of quota.

Figure 5. Peak Fund Exposure and Debt Service Ratios for Recent Exceptional Access Cases[1/ 2/]

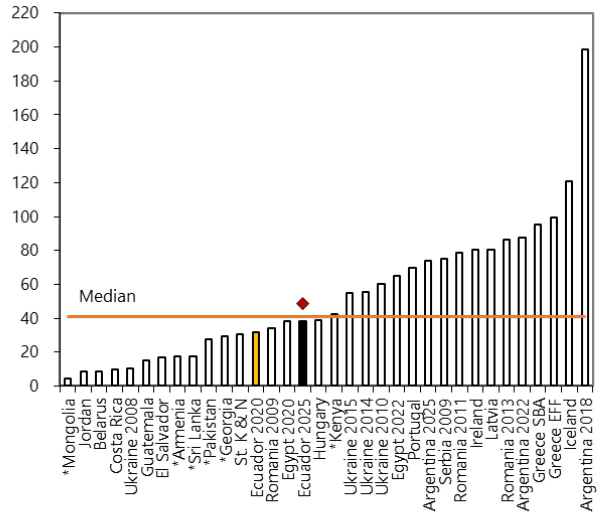
Peak Fund Exposure Ratios

In Percent of GDP

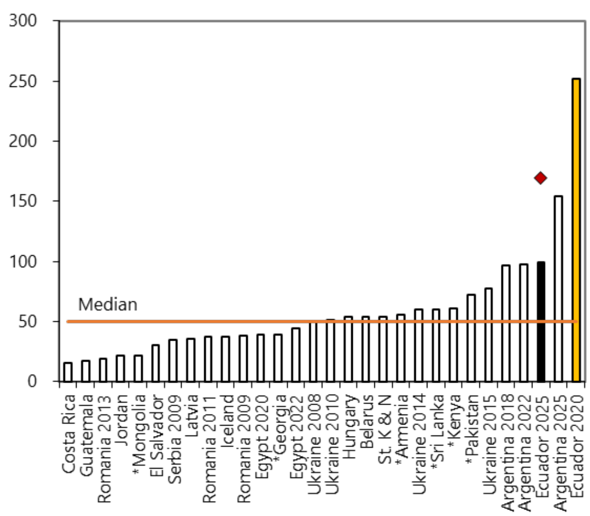


Peak Debt Service Ratios

Total External Debt Service in Percent of Exports of Goods and Services



In Percent of Gross International Reserves[3/]



Debt Service to the Fund in Percent of Exports of Goods and Services

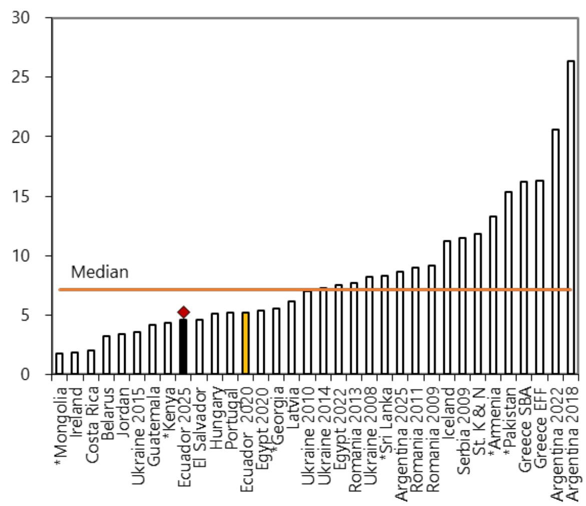
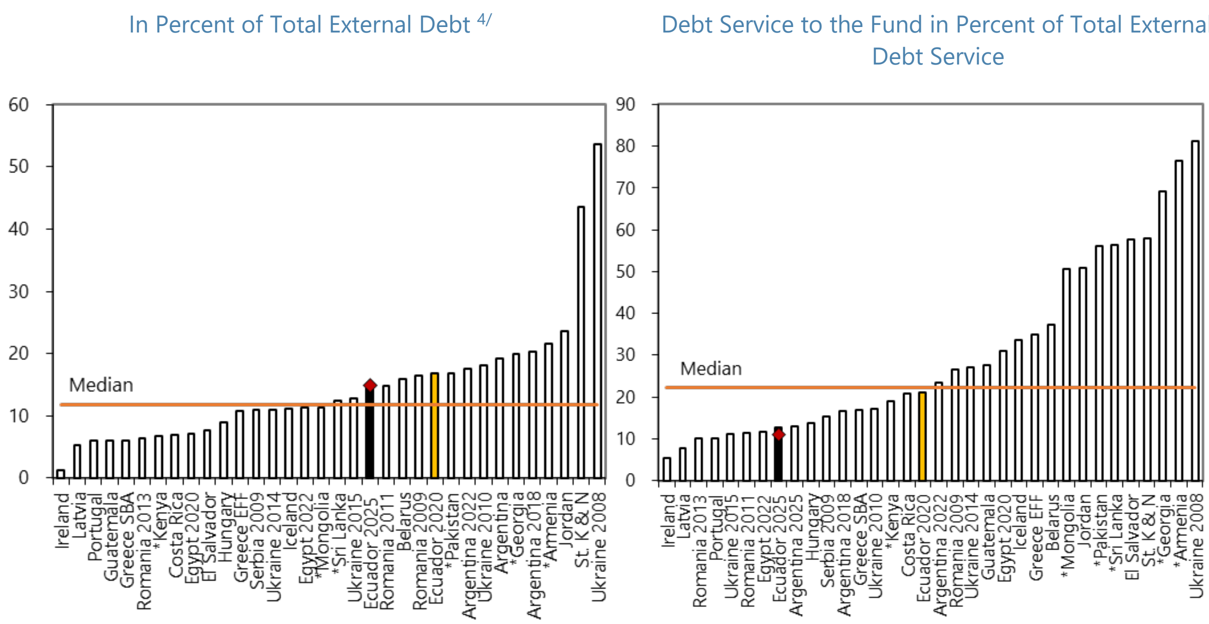
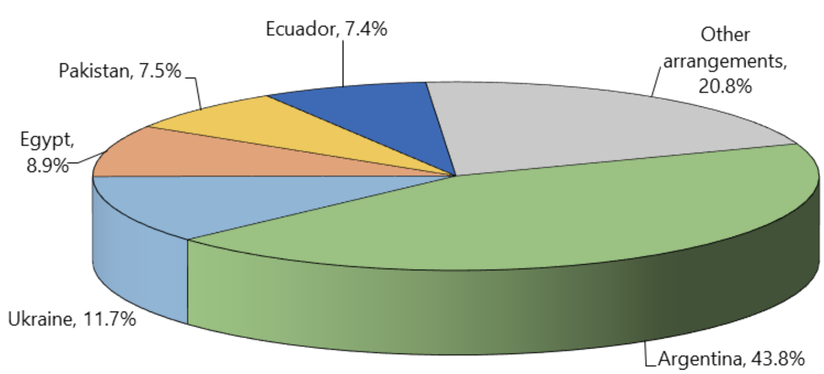


Figure 5. Peak Fund Exposure and Debt Service Ratios for Recent Exceptional Access Cases (concluded)



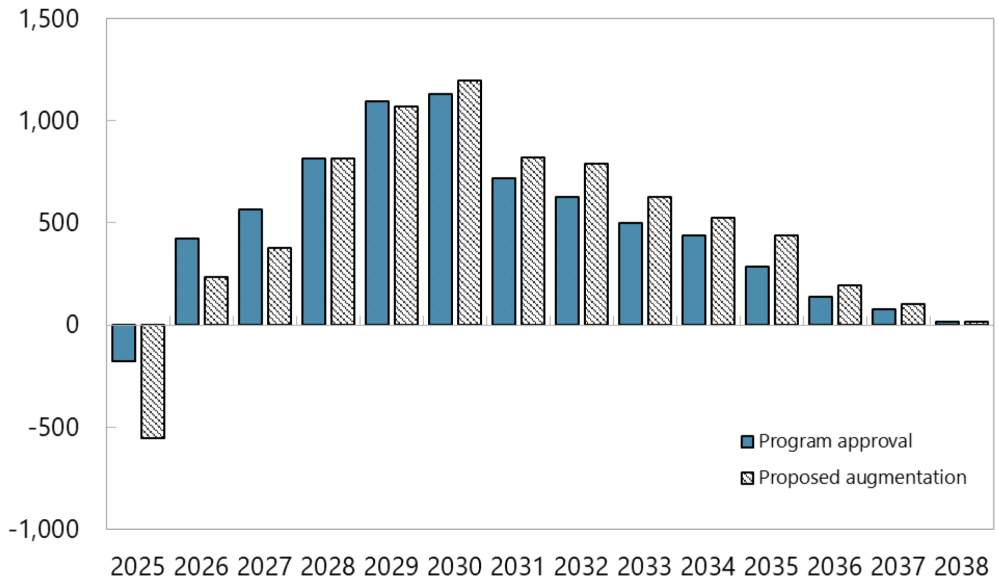
Source: Ecuadorian authorities, Finance Department, and IMF staff estimates.
1/ Estimates as reported in relevant staff reports on the request or augmentation of SBAs or EFF arrangements approved since September 2008.
2/ Asterisks indicate PRGT-eligible countries at the time of the program.
3/ Excluding arrangements with members belonging to the euro area at the time of the approval of the arrangement: Greece, Ireland, and Portugal.
4/ For arrangements of which total external debt (or debt service) ratio is not available, public external debt ratio is shown instead.

Figure 6. Credit Concentration of Fund GRA Exposure[1/]
(As a percentage of total credit outstanding)



Source: Finance Department.
1/ Total credit outstanding refers to credit outstanding as of May 30, 2025, plus Ecuador's first purchase under the proposed EFF arrangement.

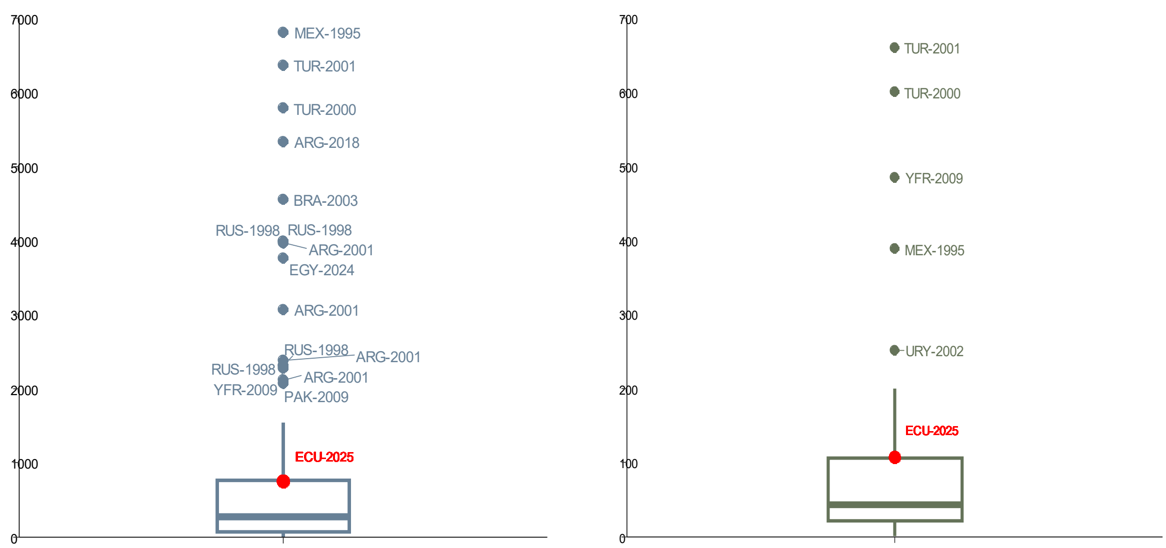
Figure 7. Net Annual Repurchases
(In millions of SDRs)



Source: Finance Department, and IMF staff estimates.

Figure 8. History of Augmentations (Distribution)[1/]

(In millions of SDRS) (In percent of quota)



Source: Finance Department, and IMF staff estimates.
1/ Includes EFF and SBA augmentations since 1990. The plots display the distribution of the dataset by showing the median (central line inside the box), the interquartile range from the 25th to the 75th percentile (the box), the "whiskers" extending up to 1.5 times the interquartile range, and points beyond that marked as outliers.

Statement by André Roncaglia, Executive Director for Ecuador,
Bernardo Acosta, Alternate Executive Director, and
Felipe Antunes, Alternate Executive Director
July 18, 2025

1. On behalf of the Ecuadorean authorities, we wish to express our sincere appreciation to management and staff for their continued support to Ecuador's economic policies and structural reform agenda. We would like to recognize the mission team for their extreme dedication and comprehensive report.

Program Performance

2. **Program implementation has remained strong despite a challenging environment**. Ecuador faced two significant exogenous shocks in 2024: a severe security crisis and nationwide power outages caused by an unprecedented drought. Nonetheless, all quantitative performance criteria (QPCs) for the second review (end-December 2024) and those originally set for the third review (end-April 2025) were met. Most indicative targets (ITs) for end-December 2024 and end-April 2025 were also met. The authorities have made substantial progress in the implementation of their wide-ranging structural reform agenda. The strong performance under the Extended Fund Facility (EFF) arrangement –despite the security and electricity crises and in the lead-up to the 2025 general elections– demonstrates the authorities' firm commitment to the program.

Recent Economic Developments and Outlook

3. **Economic activity contracted in 2024, while inflation remained low and the external sector improved markedly**. As a result of the security and electricity crises, economic activity contracted by 2 percent in 2024. Inflation stood at 0.5 percent at year-end. The current account balance reached a surplus of 5.7 percent of GDP in 2024, supported by strong nonoil export growth, declining imports, and robust remittance flows –well above the 2.1 percent of GDP surplus projected at program approval and the 1.7 percent of GDP average from 2019 to 2023. That result, along with disbursements from international financial institutions (IFIs), boosted gross international reserves from $4.5 billion at end-2023 to $6.9 billion at end-2024, greatly exceeding the $5.2 billion projected for end-2024 at program approval. For 2025, IMF staff project economic growth of 1.7 percent, while the Central Bank of Ecuador forecasts 2.8 percent growth, with continued low inflation and a strong external position supporting sustained international reserve accumulation. Economic activity grew by 3.4 percent (y/y) in the first quarter of 2025.

4. **The political landscape has become more conducive to program implementation**. President Noboa assumed office in November 2023 with limited legislative support and a short policy horizon –as he was elected to conclude the term of his predecessor, in May 2025. Amid severe liquidity needs, his administration requested the EFF arrangement in early 2024 and has duly implemented it, showing its willingness and capacity to deliver a frontloaded fiscal

adjustment. President Noboa's reelection in April 2025 for a full four-year term, along with his party's legislative working majority, has significantly reduced domestic policy uncertainty and improved prospects for sustained program implementation.

5. **While shifts in global economic conditions in 2025 have created new challenges, the authorities' firm commitment to strengthening fiscal sustainability and key international support have contained risks**. In line with the sustained macroeconomic improvement and the marked reduction in domestic risks to program implementation, sovereign debt spreads declined by over 1,000 basis points following the April elections, reaching about 800 basis points in early July. However, amid higher global policy uncertainty and tighter financial conditions for emerging markets with weaker credit profiles, sovereign spreads have not declined sufficiently to allow Ecuador to regain market access at conditions compatible with debt sustainability in 2025, as projected at program approval. Consequently, a financing gap has opened, prompting the authorities to adopt additional fiscal measures beyond the original program and to request an augmentation of the EFF arrangement and further budget support from IFIs.

Fiscal Policy

6. **Bold policies strengthened the fiscal position in 2024**. The authorities took decisive fiscal measures in 2024, including a VAT rate hike from 12 percent to 15 percent and the elimination of gasoline subsidies, and achieved a fiscal consolidation of 2.2 percent of GDP. The strong fiscal outcome enabled an accumulation of $850 million in fiscal buffers –well above the $360 million target– and allowed for 75 percent more arrears clearance to the private sector than planned. Public debt declined faster than expected to 53.8 percent of GDP and is on a firm downward path.

7. **The fiscal strategy has been revised to address the financing gap and build further buffers**. The planned consolidation of the non-oil primary balance including fuel subsidies over the program period has been increased from 5.5 percent of GDP to 6.6 percent of GDP. The updated fiscal plan will increase public sector deposit buffers by $1.2 billion by 2028, exceeding the proposed $1 billion EFF augmentation. The fiscal strategy will continue to focus on strengthening permanent nonoil revenues, controlling current spending, and protecting priority expenditures. In recent weeks, the authorities have already adopted additional fiscal measures, including the elimination of diesel subsidies for the industrial tuna sector and new fees for the e-commerce and mining sectors.

8. **The expansion of the social safety net remains a priority amid fiscal consolidation**. The authorities have continued to increase the coverage of cash transfer programs in the lowest three income deciles, exceeding the end-April program target by over 20,000 families. They also elaborated a comprehensive plan to revamp the social registry to enhance targeting and coverage of the existing cash transfer schemes. The government remains committed to shielding vulnerable groups from the potential impact of fiscal measures.

Financing Plan

9. **Continued multilateral and bilateral support remains critical**. The program is fully financed, with firm financing commitments for the next 12 months and good prospects of adequate financing for the remaining program period. In addition to an augmentation of the EFF arrangement, the authorities have sought further budget support from other IFIs. They have also assigned the highest priority and deployed maximum efforts to securing positive net financing from all bilateral creditors over the course of the program. In pursuit of this goal, the Minister of Finance of Ecuador met with key counterparts in China in mid-May. Furthermore, the President and Minister of Finance of Ecuador met with the President of China and other Chinese officials in Beijing in late-June. Chinese official and commercial financing will support priority investment projects that are included in the budget and medium-term investment plans, crucial for boosting economic growth and enhancing resilience. A joint working group has been established to monitor progress. The authorities reaffirm their strong commitment to remaining current on debt obligations and will continue to engage with all creditors in good faith.

10. **Prospects for tapping international capital markets in 2026 are positive**. Significant improvements in fiscal sustainability and the supportive political environment have already boosted market confidence. As the authorities implement their 2025 fiscal plan –which includes high-quality fiscal measures– and bolster liquidity buffers, sovereign spreads will decline further. Engagement with market participants is ongoing to prepare for a successful external debt issuance in 2026.

Financial Sector Policy

11. **The financial sector remains broadly stable, with improvements in key indicators**. Robust deposit growth, supported by external inflows and the clearance of government arrears, has led to a modest recovery in credit growth and a meaningful decline in borrowing costs. Most financial soundness indicators have improved for banks and cooperatives in recent months, including those related to loan quality, provisioning, and capital ratios.

12. **Financial sector oversight and supervision have been enhanced**. With the purpose of improving coordination among agencies involved in financial sector oversight and regulation, a Financial Stability Committee was established in August 2024. Furthermore, an inter-institutional group to strengthen the financial sector resolution framework was created within the Financial Stability Committee in January 2025. Meanwhile, the supervisory authorities liquidated two insolvent institutions –a small bank and a medium-sized cooperative–, while two troubled small banks were recapitalized by new owners. These events were contained and did not pose systemic risks. Temporary regulatory forbearance introduced in response to the electricity crisis has been extended, with a commitment to resume proper loan classification and provisioning in due course.

13. **The reform agenda to mobilize domestic private and public financing continues to advance**. Recognizing that a complex system of caps on lending rates has led to distortions and restrictions in the credit market, the authorities are committed to gradually phasing out financial repression measures and enhancing market efficiency. With that objective, the Central Bank of Ecuador completed a study on the system of lending interest rate caps, which includes recommendations for designing a reform agenda. Furthermore, given that the domestic debt market lacks liquidity and depth, the authorities have taken actions to improve the institutional and market infrastructure to develop the domestic debt market, which will be crucial to mobilize more domestic financing for public and private agents. The authorities remain committed to implementing the 2023 Financial System Stability Assessment recommendations.

Structural Reforms

14. **The governance and AML/CFT frameworks continue to be strengthened**. Strong actions have been taken to improve public procurement, including by approving a public procurement law in June 2025 and taking key steps to upgrade the public procurement system. These efforts will increase transparency, improve expenditure control, and mitigate vulnerabilities to corruption. The authorities also completed the 2019 and 2020 financial audits of the state-owned oil company, another milestone to improving transparency, accountability, and efficiency of state-owned enterprises. Furthermore, the National Assembly unanimously approved a new AML/CFT law in line with FATF standards. The authorities are committed to effectively implementing it and developing the AML/CFT Strategic Action Plan with IMF technical assistance. Combatting money laundering and organized crime financing remains a top priority.

15. **The structural reform agenda has been expanded to meaningfully boost growth**. With real GDP per capita stagnant since 2014, the authorities are determined to advance critical structural reforms that –building upon the macroeconomic stability gains– can unlock the economy's growth potential. Six new structural benchmarks have been added, focusing on generating an enabling environment to attract private investments in high potential sectors, like mining and energy. Continued IMF technical assistance, in addition to support from other development partners, will be critical for the success of this agenda.

Concluding Remarks

16. **Macroeconomic stability has improved significantly, and the domestic outlook is favorable for continued strong program implementation**. Recent and forthcoming actions confirm the authorities' commitment to durably strengthen fiscal sustainability, safeguard macroeconomic stability, and buttress job-rich potential growth. While shifts in global economic conditions require a recalibration of the EFF arrangement, the favorable domestic political environment, ambitious reform agenda, and the authorities' track record and firm commitment offer strong prospects for regaining market access in 2026. The authorities deeply value the Fund's ongoing financial, policy, and technical support.