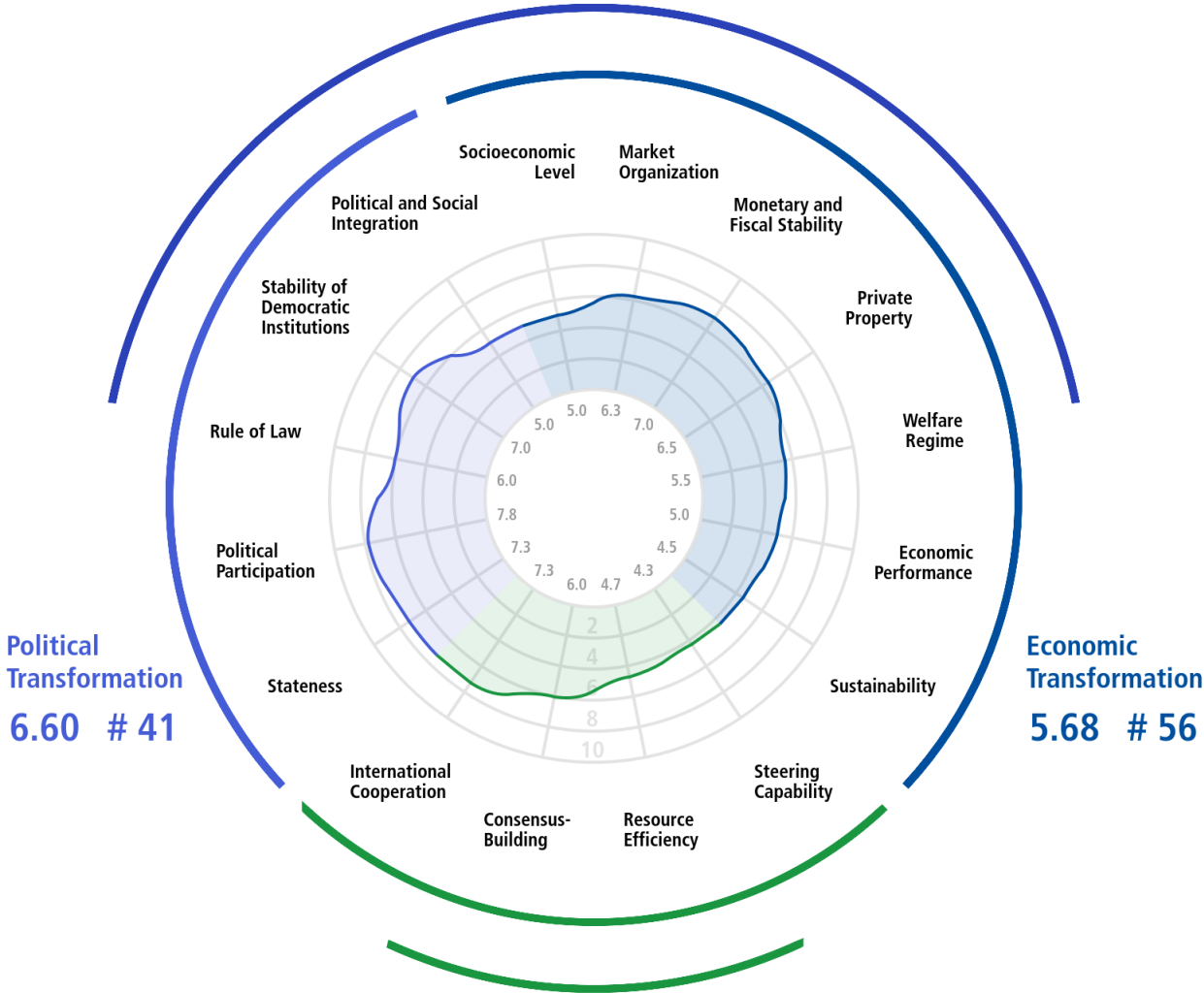


Ecuador

Status Index

6.14 # 46

on 1-10 scale out of 137



Political Transformation
6.60 # 41

Economic Transformation
5.68 # 56

Governance Index

4.93 # 59

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	18.0	HDI	0.740	GDP p.c., PPP \$	12822
Pop. growth ¹	% p.a.	1.1	HDI rank of 189	95	Gini Index	45.5
Life expectancy	years	73.7	UN Education Index	0.700	Poverty ³	% 9.5
Urban population	%	64.6	Gender inequality ²	0.362	Aid per capita \$	16.8

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

The review period coincides with the beginning of the government of Guillermo Lasso, who assumed the presidency on May 24, 2021. He took office after a polarized run-off election, which he reached only after narrowly defeating the Pachakutik party's third-place candidate in the first round. One consequence of this polarized election is that the parliamentary blocs are highly fragmented, with the groups opposing Lasso's government in the majority. This has made it difficult for the president's public policy proposals to be approved, as they have not received legislative support. Additionally, an opposition-supported constitutional mechanism to reduce the length of the government's term and call for elections was proposed, but this lost by a narrow margin.

At first, the government focused on carrying out a successful mass vaccination campaign against COVID-19, which greatly contributed to the initial consolidation of the government, as it demonstrated efficiency in pandemic management – a realm where the preceding Lenín Moreno administration had been disastrous. However, the political and social capital gained by the government thanks to the vaccination efforts quickly dissipated due to setbacks caused by the economic crisis and deficiencies in public services. These setbacks were a result of the government's downsizing process, which was intended to reduce public spending and alleviate the fiscal deficit.

This said, the government made progress in achieving economic equilibrium with the support and financing of multilateral economic organizations. However, the severe economic situation, the new international economic situation marked by the war and the change of the economic cycle in China, and the chronic lack of productivity of the national economy have led to ongoing social discontent.

One of the government's biggest challenges has been managing the prison crisis caused by criminal organizations primarily involved in drug trafficking, which has had increasingly detrimental effects on state institutions and society more generally. Since May 2021, during Lasso's current presidency, Ecuador has experienced five major prison massacres, resulting in the deaths of 276 individuals. Moreover, there have been over 50 violent incidents of varying severity across different prisons. However, the most severe prison crisis to date started three years ago, in May 2019, when former President Lenín Moreno declared a state of emergency in the country's prisons.

The most relevant sociopolitical events during the review period were the protests in various social and political sectors led by the Indigenous movement. Their main objective was the elimination of specific economic measures, particularly the increase in fuel prices. After more than two weeks of protests and at least eight deaths, the conflict was resolved through negotiations involving the government's commitment to address the protesters' concerns.

Shortly after the end of the review period, an impeachment trial targeting the president was approved on a weak legal basis. However, Lasso – also on shaky grounds – used the “mutual death” provision in the constitution to dissolve parliament, leading to general elections for the president and parliament and an interim government led by Lasso himself. As his successor, on November 23, 2023, Daniel Noboa took office as President of Ecuador until May 24, 2025.

History and Characteristics of Transformation

Ecuador's transition from a military dictatorship to a democratic system of government took place in 1979. The transition process was carried out based on an agreement between civilian reformers and elements within the military that aimed for increased openness. However, the transition faced challenges because powerful conservative, liberal and other societal sectors opposed it and were therefore excluded from influencing future policies. The political elite lacked widespread appreciation for democratization and the rules of the game, which some political actors did not see as their own. As a result, the transition failed to achieve a consensus on the mechanisms for allocating and distributing political power. Consequently, this hindered the consolidation, legitimacy and durability of the democratic model.

The Ecuadorian process of democratization took place against the backdrop of a long and profound economic crisis, which further impoverished vast sectors of the population. As a result, the democratic model was delegitimized, as many people saw it as incapable of solving urgent economic problems. The economic crisis also resulted in a significant reduction in material, human and power resources, while the state progressively lost control over its remaining assets. The debt crisis of the early 1980s exposed the fragility of this development model. Over the next 10 years, the governments of Osvaldo Hurtado, León Febres Cordero and Rodrigo Borja made extensive efforts to stabilize the Ecuadorian economy with varied degrees of success, but overall achieved very little. Economic policy measures during this time were increasingly dictated by requirements to align with IMF conditionalities. Due to the somewhat chaotic governments of the 1990s, no fundamental stability was achieved.

A cycle of political crises dominated the eight years after February 1997, following the resignation of President Abdalá Bucaram, who was forced out of office by the parliament and pressure groups. National Congress President Fabián Alarcón succeeded him, albeit as a result of marginally constitutional proceedings in which political actors ignored official procedure. Political stability seemed to return with the adoption of a new constitution and the presidency of Jamil Mahuad in August 1998. However, a combination of factors, including financial liberalization, had already destabilized the country's economy. Poor economic policy decisions and various negative external influences exacerbated the difficult situation. A few months after Mahuad took office, the government and society as a whole were shaken by a deep financial crisis that led to the adoption of new measures, including the introduction of the U.S. dollar as the national currency (January 2000), and ultimately to a coup d'état on January 21, 2000. Lucio Gutiérrez, a key figure in the military-backed coup, took over the presidency in January 2003. After losing support in the parliament and among society, Gutiérrez was removed from office in April 2005 and replaced by Vice President Alfredo Palacio.

Winning 57% of the vote in a run-off election, Rafael Correa assumed the presidency in January 2007. The Correa government launched a political and economic project called "Revolución Ciudadana" that openly criticized the market economy. Without excluding the private sector, the project promoted the active intervention of a strong state within society and the economy. Correa presided over the 10 years of the greatest economic prosperity in Ecuador's recent history, demonstrating his willingness to transform the country through socially oriented public policies and infrastructure investment. However, his performance was tarnished and lost its efficiency due to authoritarian tendencies and large-scale corruption.

In April 2017, Lenín Moreno of the governing Alianza País won the run-off elections. Moreno aimed to reduce dependency on Rafael Correa and the groups that supported him, signaling a significant shift in public policy from statism to a pro-market model. This change led to increased efforts in investigating corruption in Ecuador. The COVID-19 pandemic further exacerbated the country's challenges. During the initial wave of the virus, Ecuador was one of the hardest-hit countries in Latin America, with the port city of Guayaquil experiencing an unprecedented humanitarian crisis. The Moreno administration's handling of the pandemic was extremely poor. However, with the change of government in May 2021, the Lasso administration launched a successful vaccination campaign that enabled the country to return to a state of normalcy.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

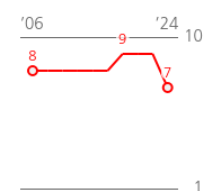
The state's monopoly on the use of force is one of the elements that has significantly deteriorated during the review period, as an increasing number of criminal organizations are emerging. These organizations are frequently engaged in drug trafficking but also engage in other activities that challenge the state's monopoly on the use of force, such as extorting individuals, merchants and businesses. According to the UNODC World Drug Report 2022, Ecuador is the country from which the third-largest amount of cocaine enters international markets, following Colombia and Brazil. Another indicator of the overall increase in cocaine trafficking is that in 2020, Ecuador had the third-largest amount of cocaine seized globally, at 6.5%, trailing behind Colombia at 41% and the United States at 11%. The speed at which criminal organizations are expanding their control over the territory and the state's inability to control the territory with the police are both worrisome.

Examples of extreme violence and the state's loss of territorial control include conflicts between criminal groups over the country's 36 prisons, which collectively hold more than 32,000 inmates. Since 2020, over 400 prisoners have died in various clashes between competing criminal groups vying for internal control of prisons and for drug trafficking supremacy more broadly. These groups, particularly Los Choneros and Los Lobos, which are respectively linked to the Medellin and Sinaloa drug cartels, also compete for control of Guayaquil, the country's main port and second-largest city. These groups are also present in other coastal provinces such as Esmeraldas (on the border with Colombia), Manabí, Los Ríos and El Oro. According to InSight Crime, Ecuador had one of the fastest-rising murder rates in the region in 2021 and 2022. The country's approximately 4,600 homicides represented an increase of over 80% compared to 2021, or 25.9 murders per 100,000 people.

Question
Score

Monopoly on the
use of force

7



The vast majority of the population accepts the nation-state as legitimate, and all citizens enjoy the same rights. Discrimination and the lack of equal opportunities are consequences of ethno-social structures and the country's economic dynamics rather than the results of official policies implemented by state institutions. However, within the Indigenous movement, which consists of the Confederación de Nacionalidades Indígenas del Ecuador (CONAIE), the Confederación Nacional de Organizaciones Campesinas, Indígenas y Negras (FENOCIN), and the Federación Ecuatoriana de Indígenas Evangélicos (FEINE), there are some radical actors who question the legitimacy of the nation-state. The movement itself has a political party called Pachakutik, which has been the second-strongest force in the National Assembly since May 2021. Among its other goals, Pachakutik envisions more self-determination for Indigenous peoples.

With the arrival of Leonidas Iza as CONAIE president in 2021, the most radical sector of the organization gained control of the CONAIE group, which questions the Ecuadorian national state more structurally. Since the passage of the 2008 constitution, Ecuador has been defined as a “plurinational and intercultural state,” but parts of CONAIE have repeatedly criticized the de facto non-fulfillment of several articles that refer to this conception of the state.

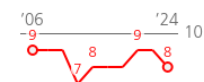
The repression of the 2019 demonstrations and the lack of compliance with the agreements with the government contributed to the radicalization of the movement, as evidenced by the 2022 demonstrations. In June 2022, these demonstrations led to nationwide protests that brought activities to a near-total standstill. On June 28, 2022, the National Assembly voted to remove President Guillermo Lasso but failed to secure sufficient votes to carry this out. By June 30, the protests had come to an end, as dialogue had been established between the government and the Indigenous movement to work toward development agreements. However, in February 2023, CONAIE abruptly ended the dialogue.

Religious freedom and the separation of church and state have been in place since the beginning of the 20th century, even though Catholic dogmas are widely present in society. The role of Catholic dogmas in public policy has to some extent increased during the government of President Guillermo Lasso, who considers himself close to the ultraconservative organization Opus Dei. For instance, the president partially vetoed the law regulating abortion in case of rape, following a Constitutional Court ruling decriminalizing the termination of pregnancy for rape survivors. The president's veto included a text in which he explicitly stated that his religious beliefs had not interfered in the decision. Nonetheless, the political parties and organizations promoting the law highlighted Lasso's religious faith as one of the causes of his partial veto.

However, it is important to note that these state actions are supported among a portion of the Catholic population. In fact, this conservative government position has been equally observed by other presidents, such as Rafael Correa (2007 – 2017), who in

State identity

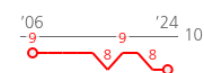
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1

No interference of religious dogmas

8



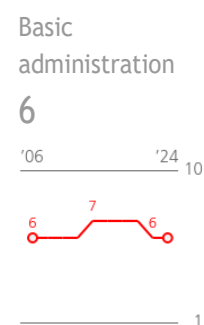
1

2015 included abortion in the Penal Code. Over the last decade, the conservative ProVida movement has been increasingly influential. Beyond this specific issue, the Catholic Church maintains a strong presence in the political sphere. The Catholic Church mediated the agreements between the government and the Indigenous movement to stop the protests in June 2022. In addition, the Catholic Church led the dialogue process that functioned for three months until development agreements were reached. According to the 2020 Latinobarómetro, 68.8% of the Ecuadorian population self-report as Catholic, approximately 11% as non-believers, and the remaining share practices other Christian religions.

Economic reforms aimed at balancing the fiscal deficit and addressing the post-pandemic decline in revenues have resulted in reductions in social services and investment following the expansion witnessed during the commodities boom. Among the sectors most adversely affected is health care. While public spending in Ecuador did increase by \$65.1 million (0.2%) in 2021, this was actually a decline relative to the country's GDP. In 2020 and 2021, this figure stood at 36.5% and 35.5% of GDP, respectively, reflecting a decrease of 2.8%. As for access to services, the data for 2020 indicates relatively high levels. The majority of the population has access to electricity (98.9% in 2020), and though 95.4% has access to water, only 66.8% of that is considered safely managed. Similar trends can be observed with regard to access to sanitation, with only 41.6% being safely managed despite 91.55% of the population having access to this service.

The Internal Revenue Service (Servicio de Rentas Internas, SRI) is the public institution responsible for tax management. It is one of the country's most organized institutions and has experienced less political interference than others since its creation. Between January and November 2020, tax revenues totaling \$13.85 billion were collected, which is 14.7% more than the previous year. In 2022, this level of revenue increased once again. The SRI has contributed to a consistent growth in receipts. However, the issue with taxes in Ecuador is related to the existence of regulations that enable tax evasion and the circulation of money that remains outside of fiscal control.

The same applies to other aspects of the functioning of the state and society. Cronyism, corruption and bribes are still common in the public administration and the justice system, used at times to speed up bureaucratic processes. It is important to note that the level of public spending in 2022 was low relative to decades past, revealing a government preference for ensuring the level of the international monetary reserve, to the detriment of responding to social demands.



2 | Political Participation

In general, multiparty elections with universal suffrage and secret ballot are held regularly and accepted as a means of filling political posts. There are no major legal restrictions on electoral freedom. Ecuadorian legislation guarantees access to the media for all parties by paying for advertising with public funds. The parties cannot pay the media directly – only the National Electoral Council (CNE) is allowed to do so via the distribution of campaign funds. However, there are some constraints on the fairness of elections with regard to campaigning and de facto media access, which were also evident in the last national elections on February 7, 2021 (and the subsequent second round of presidential elections on April 11, 2021). International observers eventually concluded that the national elections were free and fair, although there was only a small margin of votes (less than 33,000) between the second- and third-place finalists – current President Guillermo Lasso and Pachakutik Chairman Yaku Pérez.

The CNE's mismanagement of information regarding the results contributed to temporary confusion. Diana Atamaint, president of the CNE, shared the results from a statistical report conducted with a sample of the real results, which showed Pérez taking the second-place slot and thus advancing to the run-off. Since the difference between the two finalists was so narrow, the results of the report were below the margin of error and should not have been presented. Additionally, Pérez remained in second place for most of the actual vote count due to delays in Guayas, Ecuador's most populous province, where Lasso received three times as many votes as Pérez. Although manipulation of the system has been denied, some Pachakutik supporters continue to claim that fraud was perpetrated in favor of Lasso.

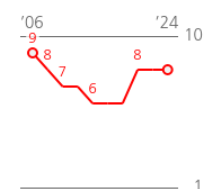
At the end of 2022, preparations for local elections and a referendum were already underway. On election day, February 5, it was observed that the same constraints on the fairness of elections existed.

At the beginning of his governmental term (May 2021), Guillermo Lasso successfully organized the vaccination program against COVID-19 within a short period of time. These results led to a high level of popularity for him. However, Lasso's lack of substantial experience in the public sector is apparent, as his presidency was his first elective office. Despite leading the CREO party, he did not have an experienced team and lacked measures tailored to the country's context. His team and public policy proposals originated from a think tank founded by Lasso, Ecuador Libre, which advocates for a Hayek-inspired economic model for Ecuador.

In addition, one of the limits to Lasso's political project is the institutional veto wielded by the National Assembly, where his party holds a clear minority. Lasso's party has only 13 out of the chamber's 137 seats, so he needs to create alliances with other parties and lobbies. Nevertheless, in May 2021, Lasso reached an alliance with

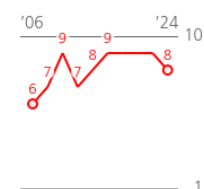
Free and fair elections

8



Effective power to govern

8



Pachakutik (an Indigenous party) and other center-left parties. With this alliance, Guadalupe Llori, an Indigenous leader from the Amazon region, was elected president of the National Assembly. However, she was removed on May 31, 2022. Then, on June 28, 2022, the National Assembly voted to remove President Guillermo Lasso but did not garner enough votes to approve the measure. Shortly after the end of the review period, in February 2023, a significant group of assembly members proposed an impeachment trial against President Lasso.

In fact, this history of conflict expresses hidden alliances between private corporate interests and parties with democratic representation. Parties sometimes exchange parliamentary support for control of certain areas of national or local government public administration. Another tactic used by parties and representatives is appointing individuals they know as heads of institutions in order to sell favors and offer impunity to other political actors and criminal groups.

Over time, CONAIE and the Indigenous movement have become veto actors in the country because they have the capacity to influence governmental decisions through lobbying via levantamientos – large mobilizations of Indigenous people that block roads and are capable of paralyzing cities, including Quito, the capital.

However, the largest constraint on the president's power has been the agreement with the IMF, which required reductions in public spending and tax increases in exchange for loans to cover the fiscal deficit.

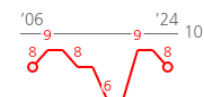
The constitution guarantees the freedoms of association and assembly, and these rights are mostly enforced. Association and assembly rights have occasionally been subject to interference and government restrictions, but there are no outright prohibitions on independent political or civil society groups.

In response to the internal crisis generated by protests led by the Indigenous movement between June 13 and June 30, 2022, the government declared a state of emergency in various provinces. Consequently, a curfew was imposed to restrict the movement of people. These restrictions were implemented to safeguard strategic facilities, such as those involved in oil production, keep roads open and protect cities where protests were occurring. The strikes were particularly violent, resulting in seven reported deaths, 331 injuries, 158 arrests and five reported missing persons among the demonstrators. Conversely, the police and military reported one death and over 300 injuries on their side.

The president has also used the state of exception and the curtailment of rights as tools to control the waves of crime and violence caused by the confrontation between criminal gangs. This confrontation has resulted in massacres in prisons and streets, as well as the murder of policemen.

Association /
assembly rights

8



1

Freedom of expression is ensured by the constitution in Ecuador. Media plurality exists and has improved through the proliferation of online media and the transformation of traditional information channels into platforms that integrate traditional media with the internet. Challenges to freedom of expression have been minimal and largely insignificant over the past two years. The information environment has been more consistent since the reformation of the Communications Law. Additionally, the legal framework in Ecuador offers a mechanism to protect individuals from abuses committed by media outlets.

One of the virtues of President Lasso's administration has been its ability to avoid overt pressure and confrontation with the media, even in light of significant criticism. The threats to press freedom primarily originate from criminal groups. While as yet unproven, there is a distinct suspicion that the murders of journalists in the province of Manabí were carried out by drug traffickers. This particular region holds substantial power and business opportunities for them, given its close proximity to the port of Manta – a major departure point for drug shipments.

In general, restrictions on freedom of information have decreased under the Lasso government. However, in cases of complaint, the judicial system is slow and seems to face interference from interest groups. The self-censorship mechanism may also come into play in relation to criminal groups. According to Fundamedios, a non-governmental organization that monitors the freedom of the press in Ecuador and records a comprehensive catalogue of attacks against the media and freedom of expression more generally, non-state aggressors were responsible for 56% of the cases in 2022 (196 attacks), followed by state aggressors accounting for 28% (99 attacks), and unidentified aggressors for 16% of the cases (56 attacks). In 2021, state agents were the main aggressors, responsible for 45% of the cases. The same report indicates that the aggressors associated with the state are primarily representatives of local authorities and lower-ranking officials.

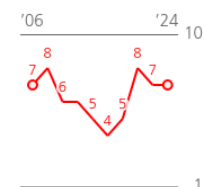
3 | Rule of Law

De jure, Ecuador has a presidential system with effective separation of powers and checks and balances. However, de facto, this system does not function without significant flaws due to power struggles, regardless of the rule of law.

One of President Lasso's objectives is to restructure the relationship between branches of government, and, for this reason, he called for a referendum (which was held on Feb. 5, 2023). In addition to reducing the number of parliamentary deputies, he intended to modify the functioning of the Council of Citizen Participation and Social Control (CPCCS), an institution created by the 2008 Correista constitution that is in charge of appointing members of the oversight, electoral and judicial authorities. This is a very controversial institution because it has not functioned independently and autonomously and has served to place people close to the government, interest groups or parties in key state positions. However, none of the (eight) referendum proposals were approved, partly due to the government's low levels of popularity.

Freedom of expression

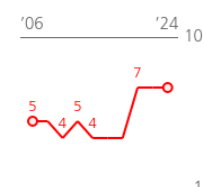
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Separation of powers

7



1

CREO, President Lasso’s party, has only 13 out of 137 deputies in the National Assembly, which means that the independence of the legislature – and thus its power, and that of some of the parties represented – has increased. The Assembly even invoked the constitutional mechanism known as “Muerte Cruzada” (mutual death), which allows the Assembly to remove the president of the republic from office at the same time that it dissolves itself and to call new elections as soon as possible. The motion was introduced by the opposition faction Unión por la Esperanza (Unes), which is close to former President Rafael Correa. In the end, the issue fell only 12 votes short, as it required the approval of two-thirds of the parliament, or 92 of the 137 deputies. However, the result of the final vote was 80 in favor, compared to 48 against and nine abstentions.

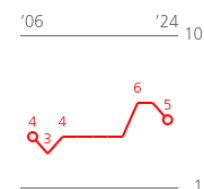
With regard to the judiciary, the Constitutional Court has repeatedly intervened to review laws, such as the law on abortion. In cases affecting the authorities, the higher courts have more independence than their lower peers, as they are not directly subject to pressure from criminal organizations, and their judgments do not reach such groups. However, the judiciary has lost independence at the lower levels because courts have no capacity to resist the threats and corruption capacities wielded by criminal organizations.

Ecuador’s judiciary is adequately differentiated. The Judicial Council serves as the governing, administrative and disciplinary body of the Ecuadorian judiciary, which comprises the National Court of Justice (the final judicial instance in the country), provincial courts and the courts of peace. The courts of peace handle individual, community, and neighborhood conflicts and violations, among other matters, but do not have the authority to impose prison sentences. The Superior Council of the Judiciary appoints judges at the highest level. A merit-based evaluation system and a knowledge test are utilized. Judges and judicial administration officials are predominately career civil servants. Individuals interested in appointment or promotion to a judicial position must successfully navigate the public examinations overseen by the Judicial Council.

During the review period, the greatest failures of the judicial system can be attributed to the pressure and threats directed at judges by criminal organizations seeking to obtain favorable sentences. Lower-level judges in particular have received such threats, and corruption has increased due to the economic power of drug traffickers. However, alongside threats, there have been proven cases of corruption in which there has been clear collaboration between judges and criminal organizations. Undoubtedly, this is a trend that will continue to expand, as criminal organizations with sufficient stores of money to buy judges, and which can threaten their physical integrity in case of resistance, are only becoming more powerful.

Independent judiciary

5



During the review period, several judges were murdered, including one in the city of Lago Agrio, while others were injured or managed to escape attacks. Several lawyers who were part of the defense teams of people accused of drug trafficking were also murdered.

There is a serious problem with the habeas corpus mechanism. Judges in small jurisdictions, not linked to the analysis of criminal cases, often grant habeas corpus and are consequently in a position to reverse sentences. This has happened in drug trafficking and corruption cases.

Ecuador has had an Anti-Corruption Secretariat since May 2022. However, it is not involved in the prosecution of corruption but rather in the creation of public policy models that can prevent this phenomenon by analyzing public and private corruption networks. Nonetheless, it has the ability to gather information on alleged irregularities or acts of corruption within the public administration and bring this to the attention of the competent judicial and/or administrative authorities. By the end of October 2022, anti-corruption files had been started on 40 public entities. The Prosecutor General's Office is an autonomous institution that conducts pre-procedural and procedural penal investigations for corruption cases.

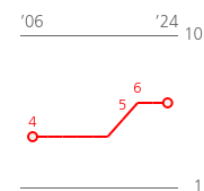
Oversight of procurement processes involving public resources falls under the responsibility of the Comptroller General. According to the 2020 Latinobarómetro survey, the public believe that key figures in politics were involved in corruption, including the president (then Moreno) (48.3%), his officials (48.3%) and legislators (58%).

During the review period, several cases of corruption related to public employment, or the president's collaborators given power within institutions in exchange for money, were made public. However, these cases had not yet resulted in any penalties by the period's close, despite the involvement of elected local authorities. Additionally, it has been reported that several legislators have received material goods in exchange for supporting the president's measures.

On January 23, 2023, the Anti-Corruption Secretary Luis Verdesoto resigned from the Anti-Corruption Secretariat after only eight months in office and two weeks after the publication of revelations regarding an alleged corruption network in public companies, which are being investigated by the Public Prosecutor's Office (the "Encuentro" case). One week before his resignation, Verdesoto announced that he would begin intervening in public entities over alleged corruption cases and that he would submit a report on the status of the investigation to Lasso and the public on January 23. In the Encuentro case, former high-ranking officials are under investigation, and the name of the president's brother-in-law has also been mentioned. However, Lasso has maintained that alleged corruption among former officials should not be generalized to create a perception of the government as a whole. According to Verdesoto, the state oil sector is the largest source of corruption risks.

Prosecution of
office abuse

6



Despite the constitutional protections afforded to civil rights in Ecuador, they are not properly respected and protected. Though mechanisms and institutions to prosecute, punish and redress violations of civil rights are in place, they are not consistently effective, due to a slow and overburdened judiciary. Discrimination based on ethnicity or sexual identity persists and is linked to racism and the structural patriarchy in society rather than the existence of laws providing for explicit systems of discrimination. In 2022, a total of 405 violent deaths of women were recorded, 78 of which were classified as femicide (according to the Judiciary Council). This data differs from that compiled by civil society organizations, which recorded 327 femicides during 2022 (according to the Foundation Aldea).

During the protests organized by the Indigenous movement and other social groups in June 2022, liberties were restricted through the creation of a state of emergency, which allows for infringements on the freedom of assembly and the imposition of curfews. Seven persons died, 331 protesters were injured, and there were 158 arrests and five people reported missing due to police activities. The government has also used the powers granted under the state of emergency during the prison riots and to contain episodes of criminal violence. Additionally, InSight Crime reports that Ecuador had one of the fastest-rising murder rates in the region in 2021 and 2022. The approximately 4,600 homicides in 2022 represent an increase of more than 80% compared to 2021, or 25.9 murders per 100,000 people.

4 | Stability of Democratic Institutions

The government of Guillermo Lasso, which coincides with the reporting period, has been engaged in efforts – without major results – to improve the functioning of the democratic institutions and reduce conflicts between the executive and legislature that obstruct the implementation of the government’s public policy. This problem is enhanced by the minimal parliamentary presence of CREO, Lasso’s political party.

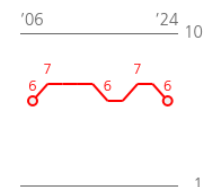
The conflict between the executive and legislative branches has been a long-standing feature of the Ecuadorian political system, though it was reduced during the era dominated by President Rafael Correa, who concentrated power thanks to his party’s electoral success.

Ecuador has formal democratic institutions whose functioning improved during the review period, mainly because the executive allows other branches of the state, primarily the legislature, to fulfill their co-legislative and representative roles. The changes in the judiciary have been noted in more detail in previous sections; however, despite difficulties and limitations, its autonomy has increased.

Ecuador has a long tradition of local and provincial elections extending back almost to the beginning of the republic. However, it is important to consider the significant differences between municipalities due to variations in city size. Cities such as Quito,

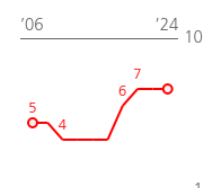
Civil rights

6



Performance of democratic institutions

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Guayaquil and Cuenca boast mayors who hold substantial influence in national politics, and these municipalities serve as influential constituencies for national public policymaking. Conversely, smaller cantons have more limited resources and relatively weak institutionalization.

In general, democratic institutions are accepted as legitimate by most relevant actors, but conceptions of what democracy should be vary. Accordingly, democratic procedures are at times instrumentalized for mere power struggles, stretching constitutional limits. Nevertheless, the judiciary – while usually a weak institution – has been more or less accepted as an arbiter in matters of checks and balances.

Some sectors within the Indigenous movement and left-wing factions strongly criticize the conservative government of Guillermo Lasso and oppose his policies. During the national strike of June 2022, the Indigenous organization CONAIE, along with other social and left-wing actors, sought the removal of the president. However, negotiations between the government and the leading organizations of the movement redirected the demands through institutional channels (although CONAIE eventually withdrew from this dialogue in February 2023). Additionally, Correa’s party also pursued its objectives through institutional means, aiming to activate the presidential deposition mechanism known as “Muerte cruzada” (mutual death). This mechanism seeks to expedite elections and subsequently remove legislators.

There is some evidence that the majority parties in the National Assembly do not fully accept the rules of democracy, as seen in the various attempts to remove President Lasso de jure or de facto, to which end they have tried several strategies, some of doubtful legality. On the other hand, CONAIE leaders and participants in the 2022 protests indicated that the objective was to remove the president through pressure from the streets. (Shortly after the end of the review period, a trial seeking to impeach the president was approved on a weak legal basis. In response, Lasso – also on shaky grounds – himself invoked the “mutual death” provision in the constitution to dissolve parliament, leading to general elections for both president and parliament, and an interim government led by Lasso himself.)

5 | Political and Social Integration

The low level of institutionalization within the party system means that it is susceptible to clientelism – although clientelism was less pronounced during the period under review than previously. Normally, clientelism is used to favor the party in power, as the government controls state resources. However, most parties lack the organizational apparatus that can serve as a network to connect with the voter base and thus exploit clientelism.

Ecuador lacks a robust party system, with most parties being recently created electoral organizations that do not have deep social roots or local and personal

Commitment to democratic institutions

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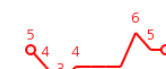


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Party system

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organizations. Levels of fragmentation and volatility have significantly increased, and polarization has fluctuated since the end of Correa's government. The instability of the party system was evident once again during the lead-up to the 2021 elections. The candidacies registered for the local elections that were to be held in February 2023 followed the same trends, reflecting a rise in personality-driven campaigns and confirming that most parties are primarily focused on winning votes. Many of the parties that fielded candidates did not even have representatives in the legislature, and some of them chose outsiders as their candidates.

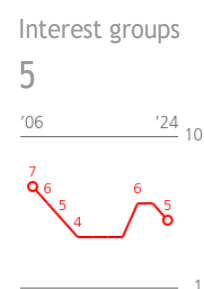
Until 2017, the then-hegemonic Alianza País was a blend of genuine party support and personal support for Correa. However, following the split between Correa and former President Moreno, the party came under Moreno's control but fell into near insignificance during the 2021 elections; after Moreno's withdrawal, it was renamed Mover in 2021. Rafael Correa has since established a new party called Revolución Ciudadana (RC), which holds 47 out of the 137 seats in the National Assembly. CREO (Movimiento Creo, Creando Oportunidades) is President Lasso's party, known primarily for its opposition to Correa's administration. Despite winning the presidential election, it has limited popular support, evident in its minimal congressional footprint (only 10% of seats).

In the 2021 elections, the effective number of parties increased to 4.76, and a total of 12 parties are represented in the parliament, five of which are new. Besides those led by Correa and President Lasso, the most significant parties with parliamentary representation are Pachakutik (24 out of 137 seats), PSC (16 out of 137) and ID (15 out of 137). The remaining seats belong to small parties.

In Ecuador, there is a number of interest groups that reflect various social interests, although a few specific interests dominate the sector. The Indigenous organization CONAIE is the most influential interest group in Ecuador, thanks to its ability to mobilize groups and pressure the government. President Guillermo Lasso comes from a banking background and maintains good relations with the private sector. These relations are direct and based on a confluence of approaches, since business lobbies and unions do not possess significant power within the political system. They exist and attempt to be active but lack sufficient capacities.

Other social organizations that have been very active at other times, such as environmental, student or women's groups, did not mobilize during this period. These organizations are still weak and have not been able to restructure after the pressure experienced during the Correa administration. Undoubtedly, they have also been affected by the pandemic and the country's governance crisis, which have made politics very focused on the survival of the president.

Cooperative relations are weak and primarily stem from the fact that small social organizations participate in the large protests organized by CONAIE.



The most recent Latinobarómetro survey data (2020) show that the share of the population expressing approval for democracy increased from 52% to 69% between 1996 and 2017. Moreover, this indicator peaked at 71% in 2015 at a moment of heightened authoritarianism in Ecuador. After falling to 50% in 2018, in 2020 only 37.7% of respondents defended the idea that democracy is preferable to any other kind of government. Only Honduras, with 36.4% of respondents expressing this opinion, is below Ecuador, while the regional average is 54.8%. A total of 18.8% of respondents think that an authoritarian government can be preferable to a democratic one under some circumstances. In addition, 43.6% of Ecuadorians agree with the following statement: “For people like me, it doesn’t matter whether we have a democratic or non-democratic regime.” Furthermore, 10.4% are indifferent. According to these figures, we can see that the percentage of citizens who do not actively support democracy is larger than the percentage declaring their support.

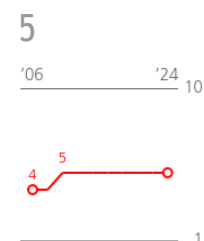
According to the same Latinobarómetro survey, levels of trust in specific institutions are also rather low, though mostly near the average of the Latin American countries surveyed. For example, 9.9% said they trusted the government, 15.6% the election authority, 12.8% the parliament, 17.6% the judiciary and 8.8% the political parties. The most trusted institutions are the church (59.5%), the military (47.1%) and the police (33.6%).

LAPOP 2021 data indicates that 63% of Ecuadorians agree with the idea that democracy is preferable to any other form of government. On the other hand, 44% of respondents declare they would tolerate a military coup in cases of corruption. To understand the fluctuations in support for democracy, it is important to note that citizens might confuse their view and support for the political regime (democracy) with the government’s performance. While Correa’s government enjoyed a high level of public support (73% in 2013), support for Lasso is low, as are current levels of support for democracy. But even aside from these explanations, there is no doubt that levels of support for democracy in Ecuador are low overall.

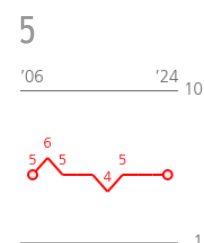
There is a wide range of autonomous, self-organized groups, associations and organizations, but social trust in Ecuador mainly refers to bonding rather than bridging social capital. According to anthropological studies, significant levels of primary solidarity can be observed across and within groups and structures.

According to the Latinobarómetro 2020 survey, only 9.4% of Ecuadorians trust others, which reveals the low level of public security in Ecuador. This percentage shows a significant drop compared to data from the same survey in 2011, when 24% of respondents answered, “you can trust most people,” whereas in 2018 the percentage was 14%. However, for interpersonal trust to transfer into social capital, an enabling environment is needed in which organizations and associations are inclusive and not influenced by corporate or criminal interests.

Approval of democracy



Social capital



Furthermore, racist perceptions of the Indigenous and African-American populations are reflected in the fact that they are denigrated as untrustworthy in order to legitimize discrimination against them.

II. Economic Transformation

6 | Level of Socioeconomic Development

Ecuador is an upper-middle-income country, according to the World Bank. GDP per capita, based on purchasing power parity (PPP), was approximately \$11,661 in 2021. In the Human Development Index, Ecuador ranked 95th in 2021, with a score of 0.740 (indicating high human development, according to UNDP). When examining the Gini coefficient, it is evident that Ecuador has a high level of inequality, with a coefficient of 47.3 in 2020, although this was not among the highest in Latin America. The overall loss in HDI due to inequality was 18.4% in 2021.

According to the National Institute of Statistics and Census of Ecuador, in June 2021, the national poverty rate was 32.2%, whereas the extreme poverty rate was 14.7%. In urban areas, the poverty rate was 24.2% and the extreme poverty rate was 8.4%, whereas in rural areas, the poverty rate reached 49.2% and the extreme poverty rate was 28%. Data from the Institute of Economic Research provides evidence that Indigenous Ecuadorians had the highest poverty levels in 2021. Specifically, 75.4% of that population experienced multidimensional poverty in 2020. In 2021, this percentage increased to 78.6%. While Indigenous peoples and African Americans are already objectively more affected by poverty than any other group, they also face greater difficulties overcoming poverty due to racial prejudice within society. This contributes to the further structural entrenchment of poverty.

The UNDP's Gender Inequality Index (with a score of 0.362 in 2021) indicates that the status of women in Ecuador trails that in countries possessing similar socioeconomic characteristics and in neighboring nations.

Question
Score

Socioeconomic
barriers

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Economic indicators		2019	2020	2021	2022
GDP	\$ M	108108.0	99291.1	106165.9	115049.5
GDP growth	%	0.0	-7.8	4.2	2.9
Inflation (CPI)	%	0.3	-0.3	0.1	3.5
Unemployment	%	3.8	6.1	4.5	4.0
Foreign direct investment	% of GDP	0.9	1.1	0.6	0.7
Export growth	%	3.6	-5.4	-0.1	2.5
Import growth	%	0.3	-13.8	13.2	4.5
Current account balance	\$ M	-153.4	2207.9	3100.5	2203.1
Public debt	% of GDP	51.4	60.9	62.3	57.7
External debt	\$ M	51895.5	56332.1	58259.4	-
Total debt service	\$ M	9387.7	9295.8	6599.9	-
Net lending/borrowing	% of GDP	-4.3	-7.2	-2.9	-
Tax revenue	% of GDP	13.3	12.5	12.9	-
Government consumption	% of GDP	14.4	16.4	15.3	14.8
Public education spending	% of GDP	4.2	4.1	3.7	3.6
Public health spending	% of GDP	4.8	5.0	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	2.2	2.4	2.2	2.2

Sources (as of December 2023): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Despite improvements under the Moreno government (2017 – 2021), market competition still operates under a weak institutional framework with uneven rules for participants. President Guillermo Lasso is a strong supporter of the market economy and has taken a series of initiatives to improve its functioning. However, he has not succeeded in implementing significant and far-reaching reforms due to a lack of parliamentary support. For example, in November 2022, the parliament repealed the Organic Law for Economic Development and Fiscal Sustainability, which was promoted by President Lasso.

Market organization

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Almost all prices are set by the market, and the state intervenes in some regulated areas, such as the fuel sector. Agreements between companies to fix prices are illegal. Complex licensing procedures and high costs for startups complicate the business climate. New companies have to register with at least the Superintendency of Enterprises, Securities and Insurance; the local government; the tax agency; and the Social Insurance Institute (IESS). In addition, the Ecuadorian market is relatively small (approximately 17 million residents with a growth rate of 1.5%), in which firmly consolidated companies hold dominant positions in various sectors. Individuals or companies can take profits out of the country upon payment of the general capital outflow tax. This was originally 5% but has been reduced to 3.7%. The Lasso government aims to lower it to 2% by the end of 2023. This tax was created with the purpose of protecting the dollarization system and has nothing to do with penalizing foreign investments.

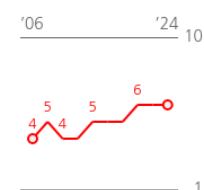
Informality remains a serious issue for market development. More than half of employed Ecuadorians work in the informal sector, according to the June 2022 National Survey of Employment, Unemployment and Underemployment conducted by the National Institute of Statistics and Census. In 2021, 49.9% worked in the informal sector. However, an increase was expected in 2022, with the share of informal workers reaching 51.6%. The Institute follows a particular methodology to construct labor market indicators, which is why data from the International Labour Organization (ILO) for 2021 show higher levels of unemployment in Ecuador (68.6%). The informal sector and the so-called bazaar economy are very prominent in the country. Ecuador has a legal and constitutional framework that protects these practices and safeguards the right to labor.

President Lasso's weak parliamentary position has hindered his ability to implement reforms essential to enhancing competition. The institutional structure remained unchanged during the review period because Lasso was unable to reform the Organic Law for Regulation and Control of Market Power, which serves as the legislative framework for regulating competition and market operations. The Superintendency for the Control of Market Power (SCPM) is responsible for investigating and adjudicating antitrust cases and legal violations related to market abuse, restrictive practices, cartels, unfair competition and excessive economic concentration. Moreover, the SCPM represents Ecuador in the International Competition Network.

However, despite being established in 2012, the superintendency has not yet achieved a satisfactory level of institutional development. The SCPM operates as an administrative body, with the superintendent being appointed by the Citizens Participation and Social Control Council from a list of three candidates nominated by Ecuador's president. Legislators have the authority to initiate a process to dismiss the superintendent. The SCPM includes the First Instance Resolution Commission (CRPI), consisting of three commissioners appointed by the superintendent, which is responsible for investigating and resolving competition-related matters. According to

Competition policy

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an analysis by the OECD and IDB, the CRPI lacks sufficient time, personnel and resources to conduct in-depth analyses of cases. In addition to budget and staffing challenges, concerns exist regarding the independence of the CRPI from the superintendent.

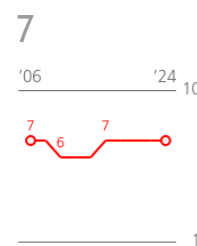
On the other hand, Ecuador does have laws that promote the diversification of mass media ownership and prohibit banks from owning companies engaged in financial activities (e.g., the management of foreign exchange, stock market investment or leasing). Within the country's framework of agreements with the World Bank and IMF, but also acting from its own conviction, Lasso's government announced a plan to encourage private participation and economic diversification in sectors in which state entities enjoy a quasi-monopoly (e.g., electrical energy). However, there was no progress in this area during the review period due to the COVID-19 pandemic and subsequent international market conditions, which complicated the privatization processes.

One of Lasso's pending reforms is the liberalization of international trade. To this end, his government has signed free trade agreements with China and is negotiating a similar accord with Mexico. There were clear improvements in the country's balance of trade in the January to April 2022 period. A surplus of about \$1.35 billion was registered, \$97 million more than the result obtained in 2021, representing a 7.8% increase in the commercial balance.

However, significant tariff restrictions remain in place since the dollarized Ecuadorian economy requires control mechanisms to prevent a surge in imports and an outflow of U.S. dollars, which would reduce liquidity. In 2021, the average most-favored nation (MFN) applied tariff rate was relatively high compared to Ecuador's Pacific Alliance neighbors, standing at 11.2% and 17.4% for agricultural products (Chile: 6.0%/6.0%; Colombia: 5.8%/14.2%; Peru: 2.4%/2.8%). Additionally, there are various non-tariff barriers, including restrictions, regulations, administrative inefficiencies and a lack of customs transparency, that may pose further obstacles. Among these are customs barriers, import bans and restrictions on agricultural products, as well as import licensing or quotas (e.g., for tires).

Ecuador has a prominent export product – oil – and its trade is significantly shaped by political factors. In late January 2020, Ecuador executed a definitive exit from OPEC, aiming to enhance crude production, generate more government revenue and bolster fiscal sustainability. Additionally, Ecuador exports other products such as bananas, shrimp, prawns, cocoa and flowers. Due to the ongoing war in Ukraine, the country's exports have been impacted, as Russia and other countries in its region had been prominent markets.

Liberalization of
foreign trade



Ecuador's banking system and capital market are moderately differentiated and unevenly oriented to international standards, while supervision has improved over time. The Monetary and Financial Code regulates the financial system, which consists of public and private financial institutions such as banks, financial societies, cooperatives and mutual societies, as well as financial services institutions, insurance companies and enterprises ancillary to the financial system. Banks are the largest and most important market participants, accounting for more than 90% of financial operations. The Monetary and Financial Policy Board is responsible for developing, regulating and auditing credit, exchange, financial, insurance and securities policies. Supervisory and oversight entities include the Superintendency of Banks (banks, mutual insurance companies and financial societies), the Superintendency of Popular and Solidarity Economy (credit unions, mutual and building societies), and the Superintendency of Companies, Securities and Insurance (insurance companies).

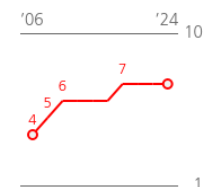
The 24 national private banks together generated about \$604 million in profits (utilities) between January and November 2022, a 78% increase over the same period in 2021, when the figure was about \$339 million. Ecuador's bank-capital-to-assets ratio was 11.6% in 2021, and the share of bank non-performing loans was 3.7%. According to the Superintendency of Banks, the liquidity ratio of private banks in August 2022 was 25.2%, while the solvency ratio reached 13.6%, surpassing the minimum legal requirement of 9%. One of the achievements of Lasso's government, with positive repercussions on the solvency and stability of the financial system, has been the fiscal consolidation of Banco del Pacífico – a state-owned institution and the second-largest bank in the entire financial system.

8 | Monetary and fiscal stability

The U.S. dollar has been the legal tender in Ecuador since 2000. As a result, the government has little room to maneuver or intervene in monetary policy. According to ECLAC, the inflation rate has been among the Americas' lowest, hovering around 0% until 2020, then rising to 1.9% in 2021 and a preliminary 4% in 2022, still the third-lowest in the region behind Panama at 1.7% and Bolivia at 2.9% (note: the World Bank reports only 0.1% for 2021). The 2008 constitution eliminated the central bank's full autonomy, but neither Moreno nor Lasso intervened in the tasks of the bank. Monetary stability is largely based on the lack of domestic monetary autonomy due to the economy's dollarization. Ecuador is unable to devalue its currency in order to improve its international competitiveness. According to ECLAC, the real effective exchange rate index (2015 = 100) has remained almost unchanged, with slight upticks in 2021 (103.6) and 2022 (104.8).

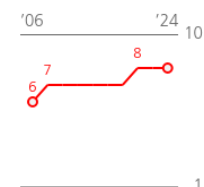
Banking system

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Monetary stability

8



In general, the government's budget policy promotes fiscal stability. Ecuador ended 2022 with a fiscal deficit of between \$2.2 billion and \$2.5 billion as forecast by the IMF. This highlights a strong commitment to deficit reduction. However, the country's comparatively low income and economic weakness forces a reliance on external credit. Thanks to the agreement signed by the government with the IMF in September 2020 and its fulfillment of the associated commitments, \$7 billion was disbursed in December 2022. Nonetheless, political risks, especially due to the president's lack of parliamentary support and the ongoing social conflict, mean the country continues to pay a substantial and fluctuating risk premium on its debt.

Aggregated public debt, which includes all nonfinancial public sector obligations, reached about \$74 billion in June 2022 – \$46.5 billion of which is external debt and \$27.6 billion is internal debt. Between June 2021 and June 2022, total debt showed a 2% increase. According to the World Bank, foreign debt represents 55.7% of gross national income, a 2.7% increase compared to 2020. Additionally, it is worth noting that international reserves have grown, totaling \$6.1 billion in 2021.

9 | Private Property

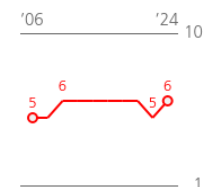
Due to his pro-market orientation, Lasso's government offers a climate of confidence and respect for property rights. The 2008 constitution guarantees a series of property forms (private, state-owned, mixed, public, communal and cooperative), highlighting the social function of each.

One of the biggest problems relating to private property in Ecuador is the increase in crime. If we take the increase in homicides as a proxy for the country's rising crime rate overall, we see that in 2022, a total of 4,603 violent deaths were recorded, or 25 cases per 100,000 inhabitants. In 2021, the violent death rate was 13.7 per 100,000 inhabitants. The percentage increase was 82.5%.

In addition, intellectual property is not well protected, as there is insufficient effort to crack down on counterfeit clothes and accessories and non-authorized editions of books and movies. Ecuador was ranked 100th out of 129 countries in the 2022 International Property Rights Index, a setback compared to its ranking of 87th out of 131 in 2018. Among the countries in the region, Ecuador ranks relatively low, placing 13th out of 21. This position is not due to structural factors but rather to confiscations and other actions by the Correa government that undermined private property. Property rights not only suffer from political action but also from delays and deficiencies within the judicial system, with the aggravating circumstance of widespread corruption.

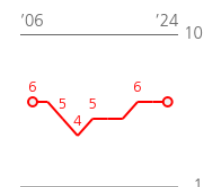
Fiscal stability

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Property rights

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Despite state interventions and the creation of state-owned enterprises under Correa (there are currently 17 SOEs, mainly in the oil, electricity and telecommunications sectors), the private sector has remained the backbone of most economic activity. The Lasso government has been particularly supportive of the interests of entrepreneurs. The government granted tax benefits to entrepreneurs and increased the flexibility of labor relations, but its capacity to implement reforms that allow private businesses to compete with the public sector in areas such as electric energy has been very limited since Lasso does not have parliamentary support.

According to 2019 data from the SME Observatory of the Universidad Andina Simón Bolívar, the distribution of companies by size is as follows: 90.9% are microenterprises, 7% are small enterprises, 1.6% are medium-sized enterprises and only 0.5% are large enterprises. However, large enterprises account for 72.3% of revenue volume.

Privatization of state-owned enterprises (SOEs) is prohibited by the constitution. Thus far, the Lasso government's attempts to expand long-term concessions and joint venture agreements have been unsuccessful. In March 2022, President Lasso introduced the draft Organic Law for Attracting Investment, Strengthening the Stock Market, and Digital Transformation to the Assembly in an effort to implement the government's key proposals. However, the draft was ultimately rejected. Between assuming office in May 2021 and the end of the review period, President Lasso presented only seven bills to parliament due to his lack of a majority. Of those, only three laws were passed, with just one pertaining to the economy. The government has experienced greater success in liquidating SOEs, a process that was initiated during the tenure of former President Moreno. According to the website of the government agency EMCO EP, three companies have already been liquidated, and eight others are currently undergoing the liquidation process.

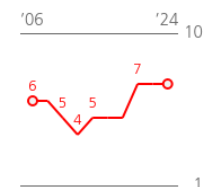
10 | Welfare Regime

Under the 2008 constitution, social security coverage was extended de jure to the entire population. However, some necessary mechanisms, infrastructure and resources have not yet been implemented.

Ecuador also has a public hospital system, which has deteriorated during the reporting period due to a deficient management model, budget reductions and corruption. For example, around \$3.4 million were directed to hospitals and health care centers between January and May 2022. This was a significant decline compared to January to May 2021, when \$25 million was spent. This reduction in public spending, which entailed a failure to implement budget provisions, reflects management problems and the government's desire to minimize investment items in order to cut public spending.

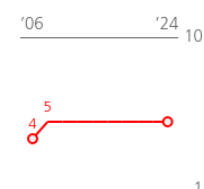
Private enterprise

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Social safety nets

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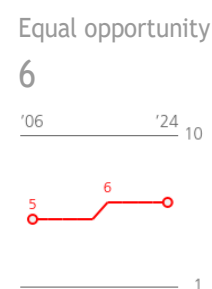
The Ecuadorian Institute of Social Security (IESS) primarily covers workers within the formal sector of the economy. Affiliation is compulsory for every worker, and pensions are funded by workers' contributions. The system has a budget of about \$10.2 billion for 2022. The IESS offers health care services and pensions for retirees, orphans and widows, while also functioning as a credit institution for housing and consumer loans. There is also the Peasant Social Security system, which deals with rural workers under a different regime. In 2021, the social security system included about 2.77 million regularly employed workers and independent workers, 329,813 domestic workers schemes, 192,555 voluntary contributors and 372,669 heads of households within the rural social insurance program. The IESS is in serious difficulties due to an actuarial deficit that has been identified in several technical studies and corroborated by the International Labour Office.

Ecuador has a conditional cash transfer program that provides families living in vulnerable conditions (i.e., living under the poverty threshold) with between \$50 and \$150 per month. The transfer is conditional on families fulfilling certain objectives (e.g., in the areas health care, education, housing, the elimination of child labor, and family assistance). However, most of these conditions are not subject to verification due to the high cost of such activities.

Foreign citizens, both in theory and in practice, have access to the health care services provided by the Ecuadorian Health Ministry. However, there are issues facing both Ecuadorians and foreigners in terms of receiving adequate medical attention and accessing medications, as patients are required to purchase medicine on their own. Private charities sometimes provide assistance in such cases.

There is no legal structure of exclusion that undermines equality of opportunity. On the contrary, the main restrictions arise from the structure of exclusion that has developed over the history of the country and that is expressed in ethno-social patterns that also include patriarchal elements. The situation of Indigenous people remains unsatisfactory. There is a significant gap in the average level of education between the Indigenous and non-Indigenous populations. Being Indigenous or of African descent in Ecuador increases the chance of being poor. For example, while 29.7 % of children from the mestizo majority lived in poverty in 2022, the poverty rates were significantly higher for Indigenous (67.0 %), Afro-Ecuadorian (45.9 %) and Montuvian (50.9 %) children.

The Census Bureau collected data on multidimensional poverty in December 2022. The dimensions considered were education, employment and social security, health, water and nutrition, habitat, housing, and the presence of a healthy environment. According to the data, 38.1% of the population lives in conditions of multidimensional poverty, while 16.6% lives in extreme multidimensional poverty. Significant differences are evident between rural and urban areas, highlighting the geographical dimension of unequal access to goods and services. In rural areas, the figures for multidimensional poverty and extreme multidimensional poverty are 70.1% and 41.3%, respectively.



The 2008 constitution introduced gender parity (50:50, including alternation) for lists of candidates to the national parliament. However, loopholes in this system mean that out of 137 seats, only 60 (43.8%) are occupied by women in parliament. There is almost parity in the ratio of female-to-male school enrollment, with a slight advantage for women in tertiary education (1.1:1). The overall literacy rate in 2017 was 92.8%, but this was slightly higher among women (93.8%) than men. Women comprise about 41% of the total labor force.

11 | Economic Performance

The strong reliance on the export of primary products has meant that the economy is vulnerable to exogenous shocks and macroeconomic instability throughout its history. The dollarization of the economy today contributes to economic stability but prevents Ecuador from reducing production costs or promoting exports by devaluing the currency.

According to ECLAC, GDP per capita growth did not recover significantly after the 2020 slump (-9.2%), showing moderate positive growth of 2.8% in 2021 and 1.3% in 2022. GDP per capita in 2021 was \$11,661, \$189 below the pre-pandemic level of \$11,850.

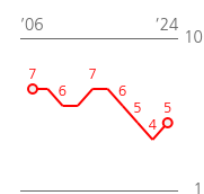
Tax collection improved in 2022. The Internal Revenue Service (SRI in Spanish) collected about \$11.8 billion between January and August 2022, an increase of 28.6% compared to the same period in 2021, when the corresponding figure was about \$9.2 billion.

However, the increase in public debt is worrisome, as borrowing has been necessary to cover the fiscal deficit (3.9% of GDP in 2021). According to ECLAC, public debt has consistently risen over the past 10 years, reaching 63.1% of GDP in 2020 and 61.8% in 2021. Aggregate public debt reached \$74 billion in June 2022; \$46.5 billion of this is external debt, and \$27.6 billion is internal debt. Between June 2021 and June 2022, total debt has registered a 2% increase.

According to ECLAC, the inflation rate has been among the lowest in Latin America, hovering around 0% until 2020, then rising to 1.9% in 2021 and a preliminary 4% in 2022. After three negative years between 2017 and 2019, the current account balance returned to surpluses of \$2.96 billion in 2020, albeit coupled with a sharp decline in trade volume (ECLAC data), \$2.95 billion in 2021 and \$2.69 billion in 2022. The FDI balance was \$775 million in 2020 (about 0.8% of GDP), \$1.46 billion in 2021 (1.4%), and turned negative with \$2.0 billion in 2022 (-1.9%). The unemployment rate increased dramatically to 6.2% in 2020 (from 3.8% in 2019) and returned only slowly to pre-pandemic levels (4.5% in 2021 and about 4.2% in the first half of 2022, according to ECLAC).

Output strength

5



12 | Sustainability

The Ministry of Environment, Water, and Ecological Transition is responsible for environmental policy and programs aimed at protecting ecosystems and promoting the sustainable use of natural resources. However, its management has not proven very effective. In 2022, it spent only 27% of its entire budgetary allocation during the first half of the year. Under the leadership of the Lasso government, it has at least initiated the National Plan for Climate Change Mitigation (PLANMICC). This plan aims to decrease the country's reliance on fossil fuels and is seen as a means of fulfilling its national and international obligations.

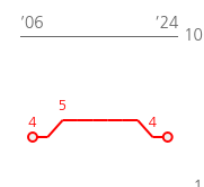
In addition to the usual problems with oil exploitation zones, Ecuador faces a significant environmental issue caused by illegal mining. Illegal mining camps are found in 17 out of Ecuador's 24 provinces, spanning the coast, highlands and the Amazon. The government states that illegal mining is expanding due to increased funding from drug trafficking, leading to its classification as a national security threat. Ecuador's energy mix remains heavily reliant on oil, which accounts for approximately 75% of total energy consumption. Data from OLADE in 2021 reveals that 81% of electricity generated came from renewable sources, with hydroelectric power constituting 79.4% of that figure. The country is home to 29 hydropower plants, contributing around 20% of total energy production and approximately 60% of electricity generation. Chinese financial institutions have financed six out of the eight flagship hydropower projects in Ecuador, supporting a strategy initially proposed by the Correa government to transform the energy mix. However, within less than a decade since their initiation, these projects have led to numerous adverse environmental impacts resulting from design, construction and planning errors. These effects include river desiccation, riverbed alterations and collapses in areas where excavation activities have taken place.

Of all the countries in the world, Ecuador has one of the highest proportions of protected natural areas, with approximately 19% of the territory under some form of protection, including land and maritime areas. However, it is challenging to effectively safeguard these areas. In the 2022 Environmental Performance Index, Ecuador fell in the rankings to the 66th position out of 180 countries.

Education is another sector in which the Lasso government has reduced investment in infrastructure and current spending. Despite the needs of this sector, spending in the first half of 2022 amounted to only 38% of the entire budget. According to data from the World Bank, the country has been decreasing public spending on education, with the share falling from 5.3% of GDP in 2014 to 4.1% of GDP in 2020. The overall literacy rate was 93.6% in 2020. Ecuador achieved a score of 0.700 on the 2021 UN Education Index.

Environmental
policy

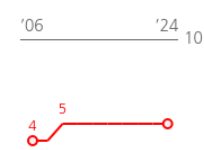
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Education policy /
R&D

5



1

According to data from the National Institute of Statistics and Census (INEC) in 2022, the gross enrollment rate in tertiary education (universities and vocational training) was 44% – nearly three percentage points higher than in 2021. The dropout rate during students’ first year is about 21%. The number of researchers in the country remains relatively small, corresponding to 0.62 people per 1,000 members of the economically active population in 2022. The number of national patent applications has declined and was only 68 in 2022, well below the record of 95 in 2016. In order to fulfill a campaign promise, the president eliminated the “Ser Bachiller” exam, which previously granted access to university, resulting in no available data on the skills and competencies of high school graduates.

Governance

I. Level of Difficulty

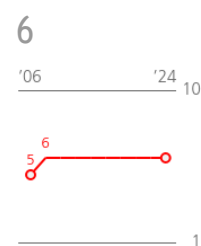
Historically, the country has had relatively high structural constraints on governance. According to the World Bank, Ecuador is a middle-income country with a per capita GDP of \$11,661 in 2022. After a period of prosperity due to the commodities boom, the country is now experiencing a profound economic and political crisis. Difficulties are mainly related to the country's vulnerability to external economic shocks and dependence on economic cycles. Geographically, the country is located in a volcanic area and faces an ongoing threat of volcanic eruptions and earthquakes (such as the 6.6 magnitude earthquake on March 19, 2023). Ecuador also suffers from the climatic effects of El Niño, including heavy rains and flooding (such as the landslides and floods produced by Cyclone Yaku in the winter of 2022/2023).

Despite a significant decline in recent years, poverty and inequality are persistent phenomena due to reproductive mechanisms that often lie beyond the direct influence of the government – especially as they intersect with ethno-social, regional and patriarchal characteristics. According to the National Institute of Statistics and Census of Ecuador, the national poverty rate was 32.2% in June 2021, while the extreme poverty rate was 14.7%. However, in rural areas, the poverty rate reached 49.2%, and the extreme poverty rate stood at 28.0%. Furthermore, there are significant deficiencies in education and infrastructure, and the extensive informal sector (which accounted for 68.6% of total employment in 2021) contributes to a persistent and detrimental state of low-level equilibrium, hindering productivity and sustained growth.

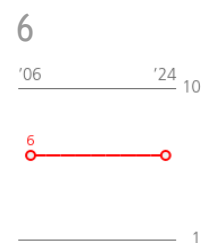
Civil society has been slow to recover from more than a decade of the Correa government (2007 – 2017), which led to its demobilization due to state control and persecution. Although a decree prohibiting such organizations from participating in politics was repealed under Moreno, only a few organizations, such as CONAIE, have been able to build on earlier traditions.

The current security crisis in Ecuador has heightened levels of social and state distrust. The country has a tradition of grassroots organizations, but their practices do not foster confidence and trust in institutions, interpersonal relationships or democratic social capital. One example of this is seen in Indigenous organizations that prioritize their own communities and rely on resources outside of formal institutions to exert pressure. The historical weakness of the state has also encouraged self-governance as a means of problem-solving. Communities are largely empowered to govern themselves.

Structural
constraints



Civil society
traditions



LAPOP 2019 data for Ecuador shows that the country is relatively weak in terms of interpersonal trust. Ecuador consistently ranked among the last quintile of countries in this indicator from 2014 to 2019. The Catholic Church, the evangelical churches and a significant network of non-governmental organizations (focused on development, environmental care and/or the defense of human rights) have also played a role in promoting local unions, rural organizations and Indigenous groups.

The political and social conflict that led to the October 2019 mobilizations and has persisted since that time flared up again in June 2022. The pandemic did no more than introduce a pause between these two moments. In addition, insecurity has now become one of the principal problems due to the state's inability to control crime, especially in marginalized urban areas. In 2022, the homicide rate increased to 25.9 cases per 100,000 inhabitants, up from 5.8 cases per 100,000 in 2019. The Latin American average is 17.2. All this adds up to the increasing frequency of assassinations, with hitmen used to settle scores between smugglers. Considerable sums of money from smuggling are laundered through Ecuador due to the economy's dollarization.

That said, although social and ethnic differences are pronounced, political actors have limited success in instrumentalizing existing cleavages and largely do not incite violence.

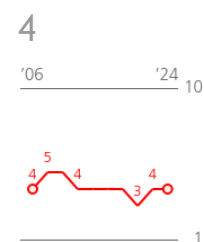
II. Governance Performance

14 | Steering Capability

Guillermo Lasso assumed power with a government plan replete with hyper-liberal economic and political proposals. However, once in office, these proposals continually collided with the economic, social and political realities of the country, as well as the restrictions imposed by the rules governing the state and the administration.

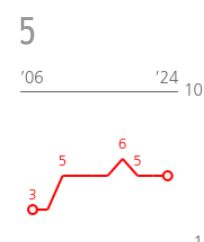
Once in government, Lasso's team had to present the National Development Plan (Plan de Creación de Oportunidades 2021 – 2025), which, by law, the president is obliged to present for approval by the Assembly. This National Development Plan document showed a clear departure from Lasso's campaign proposals and included interventionist public policies and social policies that included subsidies and taxes. The final document of the plan brought together a series of proposals for regulatory public policies, even though the government indicated that it did not want an interventionist state. All of this is documented in chapters presided over by quotes from Leonard Read, a prominent libertarian economist in the United States, and from Ayn Rand, an intellectual who defends rational egoism, individualism and laissez-faire capitalism.

Conflict intensity



Question Score

Prioritization



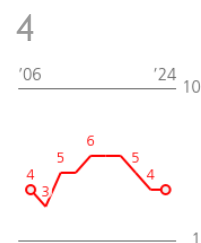
Initially, the government at least showed clarity in its priorities, as seen in the vaccination campaign against COVID-19 and its commitment with the IMF to maintain macroeconomic equilibrium. Nevertheless, there are major gaps in other areas, such as health, education and infrastructure, in which the government has demonstrated clear deficits. However, it is important to note that this approach is consistent with the government's political and economic perspective, which considers the private sector to be the primary channel responsible for generating wealth, ultimately leading to higher incomes and increased access to services.

However, the massive protests in June 2022 prompted a renewed shift in strategic priorities. As part of efforts to settle the social situation, the government responded by establishing a dialogue process between itself and the Indigenous movement. This process aimed to facilitate the negotiation of development agreements. Later, the Ecuadorian bishops' conference helped broker a total of 218 agreements on economic, social and legal matters. Some of these agreements significantly deviated from the government's original agenda. However, by February 2023, only 10% of these agreements had been implemented, according to CONAIE (the government, on the other hand, claimed that the implementation rate was 90%). Following this point, Lasso experienced a decline in his approval ratings, from over 70% at the beginning of his term to between 13% and 18% by the end of the review period.

Apart from the difficulties generated by the government's lack of political and technical capacities, the main problem in implementing public policy is the government's need to achieve macroeconomic equilibrium and fulfill agreements with international organizations. For example, at the end of the first semester of 2022, several ministries showed low levels of budgetary execution: the Ministry of Economic and Finances had spent just 19.9% of its allocation, the Ministry of Labor at 21.4%, and the Ministry of Public Works and Transport at 28%. Surprisingly, the Ministry of Urban Development and Housing, the Ministry of Energy and Non-Renewable Natural Resources, and the Secretariat for Management and Development of Peoples and Nationalities had all spent less than 10% of their annual budgetary allocation in half a year.

In March 2022, the National Assembly rejected the proposed Organic Law for the Attraction of Investments, Strengthening of the Securities Market, and Digital Transformation, which was intended to implement a number of key government proposals. The government's limited capacity is evident in its presentation of only seven bills during the review period, of which only three were approved.

Implementation



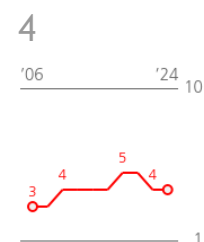
Lasso's government has learned from previous processes and has prioritized fulfilling the agreements with the IMF. However, he has repeated some mistakes made by former governments. The first and most significant mistake is the management of executive-legislative relations, as the conflict with the parliament has prevented him from advancing his proposals. Additionally, Lasso did not sufficiently consider the negative effects of the radical deregulation model and reductions in state employment, both of which had previously been attempted in Ecuador in the mid-90s. As a result of the reduction in the state's size, the government's evaluation and monitoring structure was dismantled. Furthermore, the Lasso government has experienced numerous changes of ministers, which has affected the continuity of public policies.

15 | Resource Efficiency

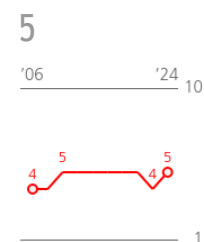
The government efficiently utilizes only a portion of the available human, financial and organizational resources. Lasso strongly advocates for a minimal state and promotes privatization and the elimination of some administrative entities. However, he has not achieved the desired results due to a lack of parliamentary support for his proposals to modify certain laws. Slight improvements have been observed in budget management, with the budget deficit falling from 3.5% to 2% of GDP in 2022. Although public debt has increased in absolute terms, it has fallen slightly to 56% of GDP from 58.6% in 2021, due to stronger growth. However, the country's limited revenue streams make Ecuador reliant on external loans. Political uncertainties, particularly the president's lack of support from parliament and social conflict, the resolution of which generated enormous costs in 2022 have also hindered substantial progress. In November 2022, parliament repealed a tax reform introduced by Lasso via decree in 2021 that aimed to enhance tax collection.

The Comptroller General is responsible for public accounting but is not involved in deciding on the quality of spending or investment. Ecuador has a system for tracking bureaucratic procedures and public policies called "Government by Results" (GPR). GPR is an online platform offered by a Mexican company that is also used by other governments. This system allowed monitoring by the National Planning Secretariat, but its use is limited because the government has significantly reduced current expenditure and investment budgets. The constitution mandates the creation of plans for the country's development goals and the efficient use of assets. The body in charge of such activity is the National Planning Secretariat. According to Article 280 of the constitution, the Secretariat designs the national development plan (i.e., the instrument under which all other public policies, programs and projects are subordinated). Monitoring of the plan's progress is mandatory within the public sector.

Policy learning



Efficient use of assets



The government continued with plans to reduce the state apparatus that began under the administration of Lenín Moreno. This has involved shutting down administrative entities and SOEs and laying off public sector employees. In June 2022, President Lasso issued Decree 457, which allows him not to renew the contracts of nonpermanent state workers and not to fill positions that come open due to retirements or vacancies. Lasso's measures were intended to reduce spending as quickly as possible, but they provoked massive protests and contributed to a deterioration in service quality, especially in the health sector.

The level of policy coordination is very poor due to Lasso's lack of economic, political and human resources, and especially due to his lack of understanding of the state, the government and its dynamics. The president comes from the private sector, where he was a banking executive. Furthermore, he does not come from a solid political party with members experienced in the public sector. His team comes from a think tank that he created himself called "Ecuador Libre," which promotes liberal thinking inspired by Hayek and rejects the state and its capacity to design public policy.

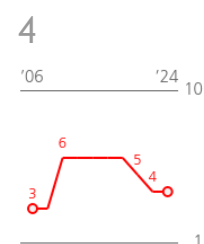
When Lasso took office, he realized that the public sector has its own dynamics and cannot be managed like a bank. His liberal advisers were unable to govern Ecuador effectively, a country with a political, economic and social complexity that differs greatly from Hayek's vision. Therefore, they initially needed to bring in new members from outside that context who had political experience in public policy design. However, this approach has proven unsuccessful due to the underlying tensions between these two groups and the departure of those with experience in public policy management from the government.

This has led to low levels of coordination between ministries and limited initiative. The government's poor coordination ability was reflected in failed attempts to win approval for initiatives in parliament, where Lasso was unable to construct a solid support coalition. One of the most significant events was the removal from office of Minister of Finance Simón Cueva, a technocrat with a recognized career in the public sector who did not take part in "Ecuador Libre." He was replaced by a former president of a Guayaquil lobby known for his stances against tax payment and state regulation.

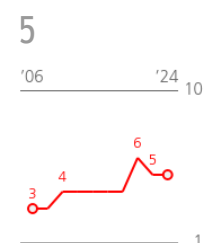
The government of Guillermo Lasso created an anti-corruption technical secretariat with the mission of understanding the mechanisms through which corruption operates in the state. However, when the secretariat's reports indicated corruption within the government, the president compelled the resignation of the individual in charge.

In addition to the Prosecutor General's Office, which is responsible for prosecuting criminal offenses, the Comptroller General's Office is the entity tasked with monitoring the proper use of public funds, with its activities regulated by a special law. The Integral Penal Organic Code defines crimes related to corruption.

Policy coordination



Anti-corruption policy



Individuals prosecuted for corruption are banned from holding public office. The campaign spending control system falls under the responsibility of the CNE, which comprises a monitoring unit and operates under a special oversight law. New regulations now enable greater transparency and accountability, including a prohibition on corporate campaign financing. However, the effectiveness of these measures depends on the CNE's capacity for enforcement. The banking system must implement various safeguards to prevent money laundering. One such safeguard is the Financial and Economic Analysis Unit (UAFE), which has implemented extensive regulations in its fight against money laundering. Nevertheless, observers concur that Ecuador must urgently update its integrity mechanisms to combat corruption effectively.

Although a number of integrity mechanisms are in place, serious problems persist, including inconsistent implementation and enforcement, the pervasive politicization of these instruments, deficiencies in equipment and professionalism, and rampant corruption itself. During the Lasso government, there have been instances of corruption among officials close to the president, but he has not been sufficiently proactive in denouncing and overseeing them.

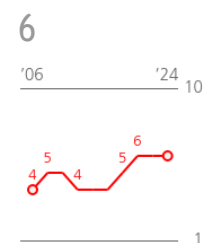
16 | Consensus-Building

Latinobarómetro data shows that nearly 50% of respondents lack strong support for democracy. About 16.4% believe that “Under some circumstances, an authoritarian government can be preferable to a democratic one,” while 37.9% responded, “For people like me, it doesn't matter whether we have a democratic or non-democratic regime.”

Among the political actors in Ecuador, there is a formal adherence to democracy. However, there is some disagreement about the form democracy should take and about the rules of the game. One constraint on consensus-building has been the populist political dynamic in the country, as evidenced by the political confrontation regarding former President Correa, who has become a source of division. The fragility of the party system is also relevant, as it limits the presence of actors who represent social demands and promote public dialogue. The president does not generate consensus or support because he lacks political capital. He attained power with the explicit support of the former president and his party.

There appears to be a consensus on the dollarization of the economy, which has become a factor in economic equilibrium in Ecuador. Nevertheless, there has been confrontation over the appropriate levels of state intervention in the economy, as reflected in the 2022 protests against the government's plans to reduce subsidies and liberalize the market.

Consensus on goals



According to LAPOP 2021 data, 39% of the population feels a military coup would be justified in case of a health crisis such as COVID-19. Meanwhile, data from Latinobarómetro shows that nearly 50% of the population does not strongly support democracy. A total of 16.4% believe that, “Under some circumstances, an authoritarian government can be preferable to a democratic one,” while 37.9% responded, “For people like me, it doesn’t matter whether we have a democratic or non-democratic regime.”

No relevant actors openly support anti-democratic ideologies or advocate for an authoritarian regime. However, certain sectors of society are willing to sacrifice freedoms in favor of government efficiency or maintaining order, as evidenced by the widespread acceptance of Correa’s government despite its authoritarian tendencies. In Ecuador, the democratic framework and established procedures are precarious, and occurrences of political actions that defy the rule of law are common. This has been evident in the frequent disruptions to the institutional order, which resulted in the departure of three former presidents (Bucaram, Mahuad and Gutiérrez) from office between 1997 and 2005. These interruptions seem to underscore the absence of a democratic commitment among influential political and social actors.

The most significant cleavage in the country is the ethnic division between a white/mixed-race group and Indigenous peoples. This confrontation has a long history and has laid the foundations for a social structure based on racism and a discriminatory system that transcends the social and economic spheres. The government lacks policies to manage ethnic conflict, and negotiations appear as a result of conflicts, as happened with the June 2022 protests. Conflicts between capital and labor interests are not very relevant in the country due to the weakness of the formal labor market. This can be observed in the fragility of labor unions.

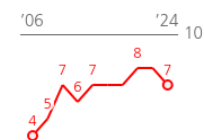
There are also differences between various regions of the country, which result in a confrontation between Guayaquil – the main city in the tropical region bordering the Pacific – and Quito, the capital. The degree of centralization is often criticized. These inequalities have produced a stratified and unequal society, which transfers to the political system through a Manichean and polarized structure that promotes populism.

On February 5, 2023, a referendum was held to address institutional reform issues. The questions and issues addressed were prepared by the government with the support of external experts but without the participation of civil society organizations. The government argues that it wants citizens to participate, but in reality, this participation is seen as a mechanism for electoral legitimization. The 2023 referendum was politically cast as indicating support or rejection of the government; the majority of voters rejected all eight government proposals.

The street protests in June 2022 reflected the absence of institutional avenues for civil society engagement due to the government’s unilateral adoption of measures. Moreover, numerous sectors within civil society employ anti-system and anti-politics rhetoric. Following almost two weeks of intense violence, the government eventually

Anti-democratic actors

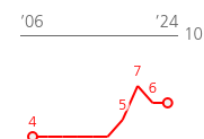
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Cleavage / conflict management

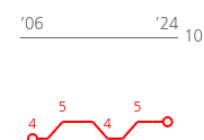
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Public consultation

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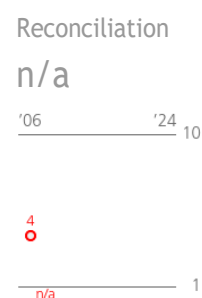


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entered into negotiations and accepted some proposals made by civil society organizations. However, this does not signify the existence of smooth dialogue and receptiveness on the part of the government. The organizations that endorsed the agreement with the government in June consistently condemn the government’s failure to fulfill its obligations.

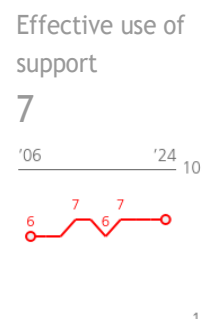
There is a lack of political parties and strong civil society organizations. However, this also implies that the few existing relationships with social organizations are fluid. Nevertheless, these are sometimes used as a tool in exchange for favors. With the exception of Pachakutik’s links to the Indigenous movement, very few parties have organic links with social organizations.

Given the particular character of Ecuador’s pre-1978 “soft” authoritarian rule, Ecuador does not have a history of widespread human rights violations as seen in other Latin American countries. Reconciliation, as understood by transition research, is not really an issue.



17 | International Cooperation

After assuming office during the pandemic, the Lasso government focused primarily on vaccination, as well as on the candidate’s major campaign promises of fiscal stabilization and strong economic liberalization. After overcoming the pandemic and renegotiating loans with China and the IMF, the government also shifted its attention to the fight against drugs and insecurity. Although a clear road map had yet to be defined by the period’s end, the administration effectively utilized international assistance in three main aspects.



1) The anti-COVID vaccination plan was one of the first actions of Lasso’s government. In addition to having the support of the World Health Organization’s COVAX initiative, the government negotiated with Russia and China to obtain the Sputnik V and CanSino vaccines.

2) Fulfillment of the objectives set with the IMF. The previous government signed an agreement with the IMF in September 2020, and the current government has maintained institutional continuity, demonstrating its commitment to the objectives set, particularly with regard to international financial assistance.

3) Thanks to assistance from the U.S. government and international agencies like the United Nations Office on Drugs and Crime (UNODC), the incidence of drug seizures in Ecuador has significantly increased. As a result, the country now ranks third in the world behind the United States (11%) and Colombia (41%) in terms of the largest cocaine seizure volumes. Ecuador accounts for 6.5% of these seizures globally.

Ecuador has ratified all UN human rights treaties, including the additional protocols. The 2008 constitution guarantees the direct application of international human rights instruments and, in turn, defines a broad range of human rights. The country is a generally dependable member of various international organizations at the regional and global level. It has joined and ratified the majority of existing international agreements and, in general, adheres to most international norms.

Lasso's political stance – market-oriented and in favor of liberal democracy – has increased his international credibility with the United States and the European Union. Meanwhile, authoritarian countries such as China have shown pragmatism by prioritizing economic issues over political ones. The government has made efforts to regain the confidence of international financial markets and restore credibility with international credit organizations and private financial organizations. The fact that Guillermo Lasso comes from the banking sector has helped in this regard.

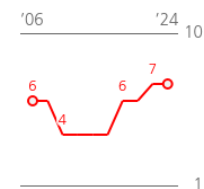
The Lasso administration has made adequate use of international cooperation, prioritizing relations with the United States, while also seeking rapprochement with China and other politically and economically important countries for Ecuador. Undoubtedly, the government's greatest success in terms of cooperation was with the anti-coronavirus vaccination plan, which was one of its first actions. In addition to having the support of WHO's COVAX initiative, the government negotiated with Russia to obtain Sputnik V vaccines, as well as with China.

Ecuador is a middle-income country, which has significantly limited the type of aid it can receive through international cooperation. As a result, the president has prioritized the promotion of the country through participation in multilateral meetings of regional integration organizations and bilateral meetings with strategic partners. To seek trade and cooperation agreements, the president has made official visits to several countries, with the most significant visits occurring in February 2022 to China, in November 2022 to Mexico, and in December 2022 to the United States.

The government has been successful in obtaining the support of international lending agencies such as the IMF, the World Bank, the IDB and the CAF, which is reflected in the lines of credit it has had at its disposal.

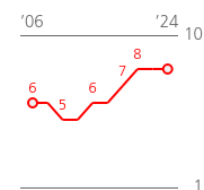
Credibility

7



Regional cooperation

8



Strategic Outlook

Ecuador's future is marked by significant political, economic and social uncertainty. As of the end of the review period on January 31, 2023, tensions between the executive and legislative branches had escalated. In 2023, this conflict was further intensified by parliamentary investigations into President Lasso regarding allegations of corruption, which led to impeachment proceedings scheduled for a vote on May 16. However, on May 17, President Lasso responded by invoking the constitutional mechanism known as the “muerte cruzada,” which allows for the dissolution of parliament and mandates new elections for both branches of government. This mechanism gave the president the advantage of ruling by decree for at least six months.

Extraordinary elections were held on August 20 (parliamentary and first round of presidential elections) and October 15 (second round of presidential elections). They resulted in the victory of right-wing Daniel Noboa against left-wing Luisa González of Revolución Ciudadana, the party of former President Rafael Correa. However, Noboa's electoral platform won only 14 out of 137 seats in parliament, leaving him in a similar straitjacket of divided government as his predecessor.

Shortly after taking office on November 23, the security situation deteriorated dramatically, prompting Noboa to declare a state of emergency in January 2024 and declare that the Ecuadorian state is at war with non-state war actors. Under these circumstances, Noboa enjoys the backing of parliament and the general population for implementing extraordinary measures, but it remains uncertain whether he will be able to find majorities to enact essential economic and social reforms.

On the economic front, the situation will not improve in the immediate future as long as the prices of the products exported by the country are not improving, and there is no clear strategy on the part of the government or its minister of economy. In addition, the deteriorating security situation further undermines the confidence of international investors, which the Noboa government seeks to improve. Ecuador's country risk has increased recently, increasing the cost of the country's borrowing and thus further increasing its already large debt and the risk of default.

The most important political, economic and social issue to be resolved is undoubtedly the security situation. Criminal violence, citizen insecurity and drug trafficking have increased rapidly in the country, to the point of making it the Latin American country with the greatest increase in violent deaths in 2022. This is creating a social crisis that the previous government was unable to manage due to the weakness of the police and the judicial system. In environments where criminal organizations are powerful, police and judges are unable to withstand the threats and bribery they face. Undoubtedly, one of the greatest dangers in Ecuador is the growing presence of organized crime, given its ability to control and disrupt society and corrupt state institutions.