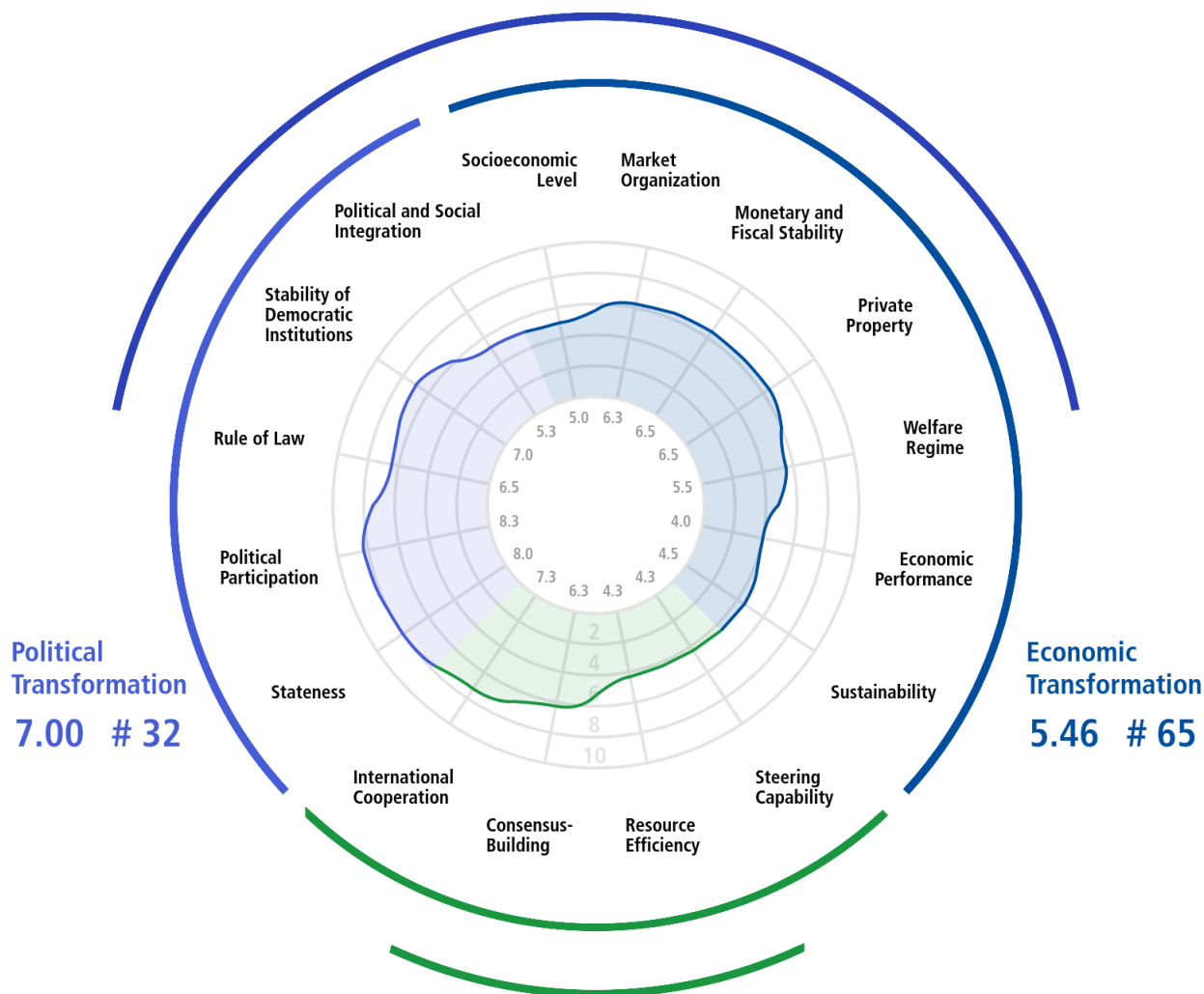


Ecuador

Status Index

6.23 # 44

on 1-10 scale out of 137



Political Transformation
7.00 # 32

Economic Transformation
5.46 # 65

Governance Index

4.88 # 67

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. 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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Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Claudia Härterich

Phone +49 5241 81 81263
claudia.haerterich@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	17.6	HDI	0.759	GDP p.c., PPP \$	10896
Pop. growth ¹	% p.a.	1.5	HDI rank of 189	86	Gini Index	45.7
Life expectancy	years	77.0	UN Education Index	0.702	Poverty ³	% 9.8
Urban population	%	64.2	Gender inequality ²	0.384	Aid per capita \$	30.2

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

During the review period (i.e., the second half of Lenín Moreno's 2017 to 2021 term) Ecuador slipped into a profound crisis, induced by adverse world market conditions. In October 2019, the government decided on a package of austerity measures that aimed to reduce the huge fiscal deficit inherited from its predecessor, including the elimination of gasoline subsidies. Transport unions, students and the country's largest indigenous organization, the Confederation of Indigenous Nationalities of Ecuador (Confederación de Nacionalidades Indígenas del Ecuador, CONAIE), immediately engaged in protests, which were oppressed, and ended in eight dead and 1,340 injured (including protesters and police). While Moreno later rescinded the austerity measures and held on to power, the crisis did not seriously affect Ecuador's – albeit defective – democracy.

The COVID-19 pandemic has further exacerbated the country's problems. Ecuador was one of the hardest-hit countries in the Americas during the first wave of the virus, with the port city of Guayaquil suffering an unparalleled humanitarian emergency due to the much-publicized accumulation of cadavers in homes and on the streets. The local government's response was erratic, and the national government showed an inability to address the public health crisis. This coincided with outstanding debt payments and a risk of default on outstanding bond payments. At the beginning of the pandemic, the country was in the midst of a deep economic crisis provoked by a fall in oil prices, high fiscal spending, the beginning of the repayments on previous government debts and the depletion of internal credit lines. The government focused its efforts on refinancing the fiscal deficit, despite its political weakness (President Moreno lacks leadership, clear initiatives and the support of a legislative bloc). However, Moreno was able to renegotiate debt owed to bondholders, China and the IMF.

This process took place during an adverse scenario in which fiscal contraction measures and the economic slowdown caused by COVID-19 resulted in an economic downturn of -9.3% at the end of 2020. According to UNICEF, poverty increased 10% in 2020, affecting 1.8 million citizens (or 450,000 families). The poverty rate increased from 27.2% to 37.6% and extreme poverty rose from

10.7% to 19.2% due largely to the increase in unemployment. Face-to-face courses at all education levels have been stopped since March 2020 due to COVID-19, which will have long-term effects. These three indicators have a direct impact on growing inequality.

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 on the basis of an agreement between civilian reformers and elements within the military that were intent on greater openness. However, the transition suffered because powerful conservative, liberal and other societal sectors were opposed to 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 regard as their own. Thus, the transition failed to achieve a consensus on the mechanisms for allocating and distributing political power. In turn, this restricted the consolidation, legitimacy and durability of the democratic model.

The Ecuadorian process of democratization took place against the background of a long and profound economic crisis, which further impoverished vast sectors of the population. The consequence was a delegitimization of the democratic model, as large sections of the population did not consider it capable of solving the most urgent economic problems. The economic crisis led to a considerable reduction in material, human and power resources, while the state increasingly lost control over the remaining assets. The debt crisis of the early 1980s revealed the frailty of this development model. During the following 10 years, the governments of Osvaldo Hurtado, León Febres Cordero and Rodrigo Borja made great efforts to stabilize the Ecuadorian economy to varying levels of, and overall very little, success. However, economic policy measures were increasingly determined by IMF alignment requirements. Under the somewhat chaotic governments of the 1990s, no fundamental stability was achieved.

A cycle of political crises dominated the eight years from 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, after a few months, the government and society as a whole were shaken by a 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. From 1998 to 2000, these developments resulted in Ecuador's worst economic crisis of the 20th century. Triggered by a combination of factors, the Ecuadorian economy was already crisis-prone by the mid-1990s. Poor economic policy decisions and various negative external influences exacerbated the difficult situation. The liberalization of the Ecuadorian financial market also led to a prolonged financial crisis that began in the mid-1990s. 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% in a runoff election, Rafael Correa assumed the presidency in January 2007. The Correa government launched a political and economic project, “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 was in office during the 10 years of the greatest economic prosperity in Ecuador’s recent history, showing 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 from the governing Alianza País won the runoff elections with 51% of the votes against opposition candidate Guillermo Lasso (49%). During his first two years in office, Moreno worked to end dependency on Rafael Correa and the groups that supported Correa. This implied a radical shift in the type of public policies from statism to a pro-market model, which promoted investigations into corruption. In addition, Moreno changed the institutional basis that supported power during Correa’s mandates through a referendum.

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

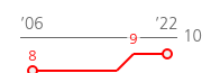
There are few threats to the state monopoly on the use of force in Ecuador. The state has a presence throughout the country, albeit an uneven one, and there are few groups, if any, that challenge the state monopoly on the use of force over its territory in a permanent, systematic and organized manner. Drug-traffickers do not control large production areas and, according to United Nations Office on Drugs and Crime (UNODC), Ecuador only represents 0.04% of the region's total coca crops. However, the country's major problem is illegal mining. In 2020, there were holdings with extraction points in eight of the 24 provinces. For example, in the northern part of the Esmeraldas province, 52 illegal holdings were registered. Former members of FARC and/or Chinese mafias control these areas. Even though the government intervened, with the army attempting to regain the control of the territory after a mine collapse, illegal activities have not stopped. In October 2019, demonstrations against the government's economic measures lasted for 11 days. The government used military and police force to regain control of the territories, especially in the center of Quito, the capital of the country. These events remain politically controversial.

No relevant group in society questions the legitimacy of the nation-state and all citizens enjoy the same rights. Discrimination and the lack of equal opportunities is a consequence of ethno-social structures and the country's economic dynamics rather than a cause of the official policies implemented by state institutions. The indigenous movement is the main actor that questions the legitimacy of the nation-state. In particular, the indigenous movement criticizes the state for its lack of attention to the needs of indigenous citizens, and the structural exclusion and marginalization of indigenous peoples. Therefore, during periods of crisis, the indigenous movement is the main actor that organizes demonstrations, as in October 2019.

Question
Score

Monopoly on the
use of force

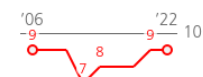
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State identity

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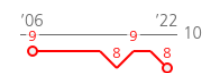


1

Religious freedom, and the separation of church and state have existed since the beginning of the 20th century, even though Catholic dogmas are widely present within society. According to a survey conducted by Click Report, in January 2021, 96.57% of respondents declared that they believe in God. In September 2019, religious groups opposed a law reform that would have legalized abortion in cases of rape. The National Assembly eventually rejected the proposal. Abortion and other sexual issues were also discussed along with the reform of the Public Health Code. Representatives of the Episcopal Conference of the Catholic Church expressed concerns about contraceptive methods (especially for teenagers), assisted reproduction, the use of abortion during obstetric emergencies and sexual identities. Despite COVID-19 restrictions, conservative groups (self-described as “pro-life”) organized demonstrations and protests. The bill did not pass due to the president’s veto. Vice President María Alejandra Muñoz has been the main supporter of fundamentalist Catholics in the government and even threatened to resign if the Health Code was approved. (In November 2020, in the middle of the health crisis, she traveled with her family to the Vatican to see the Pope and receive the pontifical blessings).

No interference of religious dogmas

8



1

The presence of public administration and infrastructure in Ecuador increased due to investments made during the commodities boom, which mainly focused on road construction, education and health care infrastructure, and hydroelectric production plants. However, in that period, the organization of social services (education and health care) weakened due to sudden regulatory changes and restructuring. The economic crisis during the review period has further weakened Ecuador’s administrative structures, with public spending cuts resulting in civil servant layoffs and the closure of several institutions. Public spending will be cut further due to the agreement the government signed with the IMF to finance the fiscal deficit. However, basic services, although deficient, are available in almost all the regions of the country, especially in the urban areas.

Basic administration

6



1

The Internal Revenue Service (Servicio de Rentas Internas, SRI) is the public institution in charge of tax management. It is one of the country’s most organized institutions and since its creation it has not suffered as much political interference as others. The SRI has contributed to a permanent increase in receipts. However, the problem with taxes in Ecuador is related to the existence of rules that enable tax evasion and the circulation of (black) money outside of fiscal control. The rule of law as a mechanism of performance in public administration is fragile. The same applies to other aspects of the functioning of state and society. Cronyism and bribes still predominate in public administration and in the justice system to speed up bureaucratic processes.

According to ECLAC data, Ecuador is within the average of Latin America regarding access to safe drinking water in urban areas (circa 75% in 2017) and to sanitation (85% in 2015). These figures have probably not improved because renewed

investment is not forthcoming due to the fiscal deficit. Furthermore, corruption continues to affect administrative functioning, as evidenced during the COVID-19 pandemic by the overpriced purchases and the low-quality of materials purchased. In hospitals in Guayaquil, the city most affected by the pandemic in Latin America, surcharges paid on body bags reached 1,283% to 1,311%. However, this was not the only example of corruption during the health crisis. Irregularities were detected in the purchase of medicines in public hospitals in Guayaquil and in the construction of hospitals in Manabí.

2 | Political Participation

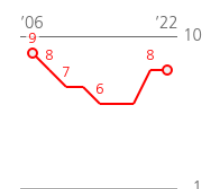
In general, multiparty elections are held regularly and are accepted as a means of filling political positions. There are no major legal restrictions on electoral freedom in Ecuador. Before January 31, 2021, the most recent national election was the April 2017 presidential runoff, won by Lenín Moreno of the ruling Alianza País with 51% of the vote against opposition candidate Guillermo Lasso (49%). The elections were largely deemed free and fair by international observers, although some expressed concern about the use of state resources in Moreno's favor. (Shortly after the current review period, national elections were held on February 7, 2021. These, too, were largely considered free and fair by international observers).

One weakness, however, has been the performance of the National Electoral Council (CNE), with CNE chairmen engaging in internal disputes that eventually escalated over the qualification process for presidential candidates in the February 2021 elections. The biggest problem in this matter is the complexity of the electoral administration system and its registration procedures, as well as the mandatory primaries, which is problematic for Ecuador's weak political parties. Although a permanent CNE has finally been appointed, its legitimacy is in doubt because it was appointed by the provisional Council for Citizen Participation and Social Control.

In addition, there were two cases that call into question the electoral process, although they are related more to the candidates rather than to the arbitrariness of the CNE. First, there was Correa's attempt to run for vice president. Correa did not register in person (a procedure that had been instituted under his administration) because in order to avoid prison he had fled Ecuador. An unclear process to replace the vice-presidential candidate was initiated after the primaries had already taken place. The second case involved five-time presidential candidate Álvaro Noboa, who ran with a party to which he did not belong and did not meet all of the requirements to participate. Nevertheless, Noboa appealed to the Electoral Contentious Tribunal (TCE) and the human rights commission, which led to a dispute between the TCE and CNE.

Free and fair elections

8



1

Another factor regarding the proper conduct of the elections was the debate over whether the elections should be postponed because of the COVID-19 crisis. Ultimately, the elections proceeded, with measures implemented to prevent the spread of COVID-19. However, these measures meant that the campaign was more expensive and restrictive, which proved especially challenging for candidates with fewer resources.

Moreno's government is relatively weak and lacks a solid government team and consistent public policy proposals. Consequently, Moreno's government lacks effective power, even though it was legitimately elected. Moreno has not been able to execute power in an independent manner, which has strengthened the presence of religious lobbies, as evidenced by the public debate around abortion (see "No interference of religious dogmas"). However, the biggest constraint on the president's power has been the agreement with the IMF, which cut public spending and increased taxes as a condition for the necessary loans to cover the fiscal deficit.

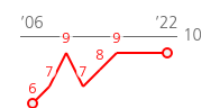
On a structural basis, there are no veto actors capable of performing outside of Ecuador's institutions, but there is an alliance between private, corporate interests and parties with democratic representation. Parties exchange parliamentary support for control of certain areas of public administration with the government. For example, about 20 deputies allegedly obtained positions in hospitals for friends and acquaintances in their provinces in exchange for their votes in the Assembly. The allegations concerned the division of administrations of health facilities and negotiations for the purchase of medicines and supplies. Another method used by parties and representatives is to appoint as heads of institutions individuals they know in order to sell favors and impunity to other political actors and criminal groups.

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 October 2019, large-scale protests extended for more than 10 days in Quito, as well as in other cities like Ambato, Guayaquil, and across the provinces of Azuay, Cotopaxi and Tungurahua. These protests were organized against the elimination of fuel subsidies and other measures that the government had announced in order to improve the country's economic situation and comply with its IMF agreements. Demonstrations were led by the indigenous organization CONAIE, though in Quito several radical left-wing groups protested violently using homemade explosives, setting fire to the Contraloría building (Court of Accounts) and the building of the Teleamazonas television channel. Despite the government ultimately agreeing to restore fuel subsidies, the confrontations between government forces and protesters resulted in eight dead and 1,340 injured (including protesters and police), according to the Office of the Ombudsman. In May 2020, there was a further cycle of protests,

Effective power to govern

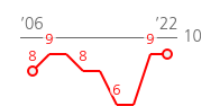
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1

Association / assembly rights

9



1

although these subsequent protests were less intense because the pandemic was at a critical stage. Protests began on May 1 (Labor Day) and continued throughout the month, with actions of varying intensity demonstrating against public sector layoffs and the labor crisis caused by the COVID-19 crisis.

The government has pursued legal charges for conspiracy against three political leaders of the opposition, who were held in pretrial detention for a long period. One of the leaders, Paola Pabón, is the prefect of the Province of Pichincha.

On March 16, 2020, the government declared a state of emergency, Decree 1017, which was extended twice and eventually ended in September following a ruling by the Constitutional Court (see “Separation of powers”). In January 2021, the court also blocked a renewed state of exception. Decree 1017 suspended certain individual rights under the constitution, including the right to association and assembly. The decree also granted the government the authority to use digital tools to monitor individuals under mandatory isolation or quarantine. Temporary restrictions on movement and assembly remain in place, and schools remain closed. The measures met the requirements of legality, necessity, proportionality and were of non-discriminatory character.

Freedom of expression is ensured by the constitution. In Ecuador, there is media plurality, which has improved even more with the proliferation of online media, and the conversion of traditional information channels into platforms that combine traditional media with the internet. Over the last two years, challenges to freedom of expression have been minimal and not substantial. The information context has been much more consistent since the Communications Law was reformed. On the other hand, the normative framework in Ecuador establishes a protection mechanism for individuals against abuses perpetrated by media outlets.

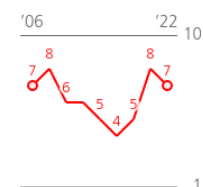
However, Moreno’s government has directly and indirectly increased its attacks on media outlets. The most direct attack was against Pichincha Universal, which was banned, and accused of “inciting discord” for its information and editorial line, especially during the October protests. It should be noted that this media outlet is owned by the provincial government of Pichincha, which is ruled by the opposition.

Fundamedios is an organization that registers all types of “alarms” against freedom of expression, either committed by state actors or the general public. These alarms range from simple verbal or social media threats to physical attacks and other crimes. In 2020, there were a total of 960 attacks against media outlets, journalists, activists and citizens, which represents 91% of the alarms registered by Fundamedios that year. There were 37 attacks on media outlets and six cases of attacks on graphic reporters.

According to IDEA’s Global State of Democracy, Ecuador scored 0.59 for media integrity (out of a maximum of 1), ranking as a mid-tier country in this section.

Freedom of
expression

7



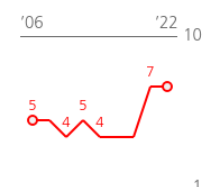
3 | Rule of Law

According to its constitution, Ecuador has a presidential system with effective separation and division of powers. The parliamentary weakness of President Moreno, who controls a group of around 30 representatives out of 137 members of the National Assembly, has meant that the independence of the legislative has increased. This can be noted in the Congress's rejection of several proposed economic bills or the approval of laws such as the Health Code that the president eventually vetoed. The National Assembly's independence was also evident in the removal of Minister María Paula Romo, one of the cabinet's most powerful authorities, who was in charge of cabinet relations with the National Assembly. During the pandemic, online mechanisms were used to enable legislative work to continue while minimizing face-to-face meetings. Despite criticism of the process of appointing senior judges, there is no evidence that the judiciary is under the control of the presidency. However, some members of the opposition believe that the judiciary, the Public Prosecutor's Office and courts are being used to prosecute former government members through so-called lawfare. Former President Correa and 22 individuals, including several business leaders, were found guilty of exchanging public work contracts for electoral campaign funding.

The Ecuadorian government restricted several rights in order to fight the COVID-19 pandemic and declared a "state of exception" on March 16, 2020. In mid-June, the state of exception was extended for 60 days. The decree suspended certain individual rights under the constitution and granted the government the authority to use digital tools to monitor individuals under mandatory isolation or quarantine. On August 14, the state of emergency was extended until September 15. The measure expired on September 11, following a ruling by the Constitutional Court, which determined that the mid-August extension was the last allowed under constitutional provisions. On December 21, the government tried to declare a new state of exception, which the Constitutional Court suspended, declaring it to be unconstitutional in January 2021. The government complied with the decision. Conflicts between the executive and parliament impeded several further measures. The president threatened the dissolution of the parliament, which rejected the proposed Humanitarian Support Law and the Public Finances Law. There are concerns that the government's response to the COVID-19 pandemic (e.g., the purchase of food packages for vulnerable families, and COVID-19 tests and vaccine doses) has been undermined by corruption.

Separation of powers

7



Judicial power and performance have been questioned by groups linked to former President Rafael Correa, who argue that judicial procedures for corruption actually represent political persecution. The independence of the judiciary has increased, but it still suffers from many functional flaws, as judges and other judicial officials are susceptible to pressure and threats from criminal and smuggling mafias due to limited resources. In contrast to previous administrations, President Moreno has exerted less pressure over judges and lawyers, which has had a positive effect on the independence of the judiciary, especially with respect to judges' autonomy in passing sentences.

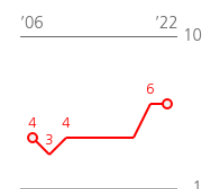
On the other hand, the judiciary has intervened in the cases against Paola Pabón (prefect of Pichincha), Virgilio Hernández and Christian González, who are accused of inciting rebellion. The accusations relate to their participation in the October 2019 protests. The defendants have been placed in pretrial detention, with the cases yet to be resolved. According to the judicial authorities, pretrial detention was necessary in order to prevent the defendants leaving the country given that other individuals have fled the country and sought asylum abroad after being charged with rebellion or corruption. For example, the majority of the 20 people convicted in the trial in which former President Correa was sentenced to eight years in prison fled the country and are not serving their sentences, including Correa himself.

The pandemic has affected judicial procedures because legal proceedings are mainly conducted in person. New online mechanisms have increasingly been implemented in order to prevent procedures being paralyzed. However, lengthy delays were recorded at the beginning of the pandemic as procedures adjusted to the circumstances. According to the Global State of Democracy, Ecuador scored 0.56 for access to justice (out of a maximum of 1). According to Latinobarómetro 2018, 59% of respondents think judges and magistrates are involved in corruption. This is the highest percentage recorded for an institution in Ecuador, higher than that recorded for the police or public servants. According to LAPOP data, on a scale of zero to 100 in which 100 means that “the courts guarantee a fair trial,” Ecuador scored only 43.8 in 2019.

Ecuador's judiciary is sufficiently differentiated. The Judicial Council is the governing, administrative and disciplinary body of the Ecuadorian judiciary, which consists of the National Court of Justice (the final judicial instance in the country), the provincial courts and the courts of peace. The latter deal with individual, community and neighborhood conflicts and violations, and, among other things, cannot impose prison sentences. Those interested in being appointed or promoted to a judicial position must pass the public examinations regulated and supervised by the Judicial Council. Throughout 2020 and 2021, the National Court of Justice (CNJ) held a selection process for the appointment of judges. This process has been questioned due to failures in the computer and rating systems. In addition, the selection process highlighted the low level of professional qualifications among

Independent
judiciary

6



candidates, which resulted in some positions remaining vacant due to the lack of specialist candidates. The judicial system in Ecuador allows sentences to be appealed through the cassation system and in some cases for appeals to be lodged with the Constitutional Court.

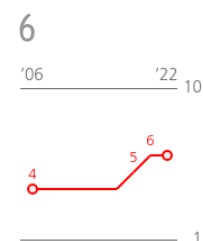
The government has initiated investigations into allegations of corruption that occurred under the former executive. The most symbolic case that took place in the review period is known as “sobornos,” a bribe network that was used to finance the governing party. Former President Correa was sentenced to eight years in prison for his involvement in the case along with 20 other government members and business leaders. However, most of the group fled the country in order to avoid prison. Other corruption cases have also been prosecuted during the review period. For example, a former Alianza País deputy was charged with creating a corrupt network in his province around the construction of a hospital of the Ecuadorian Institute of Social Security. During the COVID-19 emergency, corrupt networks associated with public procurement committed offenses regarding the purchase of sanitary materials. Nevertheless, they were detected and thanks to this a series of conspiracies were dismantled, including a case involving the family of former President Abdala Bucaram.

While the government has not actively tried to obstruct investigations into allegations of corruption (as the former government did), the government has allowed networks of patronage among representatives and other political actors to persist that support corruption. Therefore, there is a contradiction since abuse of power is prosecuted but is also allowed to prosper at the same time. According to LAPOP data (2019), roughly two out of three Ecuadorians (64.3%) think that more than half of the country’s politicians are involved in corruption. The same survey shows that 25% of respondents believe that paying a bribe can be justified.

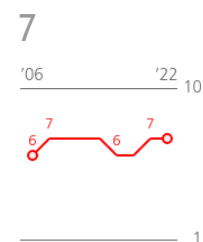
In Ecuador, there is no history of massive human rights violations, such as those that have occurred in other Latin American countries. Despite the constitutional protection of civil rights in Ecuador, they are not properly respected and protected. Though the mechanisms and institutions to prosecute, punish and redress violations of civil rights are in place, they are not consistently effective due to a slow and overburdened judiciary. Discrimination on the basis of ethnicity or sexual identity persists and has to do with racism and the structural patriarchalism in society rather than the existence of laws providing for explicit systems of discrimination.

The worst civil rights violations took place during the October protests, when eight people died (by accident or as a consequence of repression) and 1,340 individuals were injured (including demonstrators and police), according to the Office of the Ombudsman. María Paula Romo, the responsible minister, was dismissed by the legislative due to the police action. The causal factors were the use of expired tear gas to disperse the October 2019 protests and actions taken at several universities where protesters were staying.

Prosecution of office abuse



Civil rights



Restrictions imposed on civil (political) rights by the government during the pandemic are explained in “Association / assembly rights.” Overall, these limitations were proportional and in compliance with the law. In addition, according to the Global States of Democracy Indices, in April, the Constitutional Court upheld the fundamental right to an effective remedy for human rights violations during the state of emergency. The court ordered the Judicial Council to take clear and timely measures to ensure access to justice after the courts were closed in mid-March for all but the most urgent matters. In mid-May, the suspension of time limits for court proceedings was lifted after the courts reopened.

4 | Stability of Democratic Institutions

Ecuador counts on formal democratic institutions whose functioning has improved during the review period, mainly because the executive allows other powers of the state, fundamentally the legislative, to fulfill their role as a space of co-legislation, control and plural representation. The changes in the judiciary have been noted in previous sections pointing out that, despite difficulties and limitations, its autonomy increased.

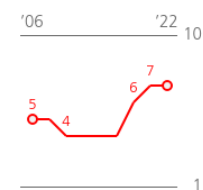
Despite the political weakness of Moreno’s government and the economic crisis, institutions have withstood the pressures coming from different sides. The October 2019 protests have been the most substantial challenge that Moreno has had to face, especially given that over the last 25 years Ecuador had three presidents who were not able to end their mandates due to demonstrations. During this period, the vice president resigned in order to run for president, even though he eventually did not present his nomination, but the vacancy was filled using the usual procedure that ended up with the nomination of María Alejandra Muñoz. It is important to note that she was the fourth vice president of the country since the first two left office following allegations of corruption and the third one resigned.

One of the country’s weakest institutions is the National Court of Justice. The court needed to appoint 16 judges to various rooms. However, some positions remain vacant due to the low level of qualifications and educational attainment among applicants.

Ecuador has a long-standing tradition of local and provincial level elections, which extends back almost to the beginning of the republic. Nevertheless, one must take into account the many differences between municipalities due to the size of cities. Cities like Quito, Guayaquil and Cuenca have mayors who are important actors within national politics, and their municipalities are powerful constituencies within national public policymaking. On the other hand, there are small cantons with few resources and weak institutionalization.

Performance of democratic institutions

7



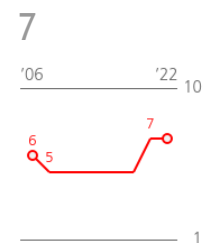
The majority of relevant actors have not shown a destabilizing attitude toward the regime, despite the economic crisis, the political weakness of Moreno's government (which has an approval rating below 10%) and the October 2019 demonstrations. During the most critical moment of the protests, the most radical sector of the indigenous movement questioned democracy and brought up the possibility of removing the government. However, these proposals did not catch on due to the counterbalance of sectors in favor of dialogue with the government. Another group that has put institutions at risk and questions the government are political supporters of former President Correa. They consider Moreno to be a traitor and have not hesitated to put institutions at risk while seeking his dismissal. However, their initiatives have been unsuccessful so far. According to 2018/19 LAPOP data, 54.4% of respondents support democracy, an average figure for the region. Nonetheless, the percentage of support for institutions that shape democracy is lower. On the other hand, almost half of respondents (43.3%) would tolerate a coup d'état in cases of corruption or crime. This figure shows that the problem of democratic commitment in Ecuador goes beyond veto players and is related to social factors.

5 | Political and Social Integration

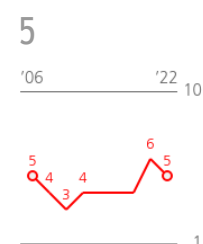
Ecuador does not have a strong party system. Most parties are recent electoral organizations that lack strong social roots, and local and personal organization. Fragmentation and volatility have increased significantly, and polarization has fluctuated since the end of Correa's government. In the run up to the 2021 elections, the instability of the party system was again evident. Most of the parties that fielded candidates did not even have representatives in the legislature, while some nominated an outsider as a candidate.

Until 2017, support for the then-hegemonic Alianza País was a mixture of support for the party and support for Correa. During the same period, new parties emerged, such as CREO (Movimiento Creo, Creando Oportunidades) and SUMA (Movimiento Sociedad Unida Más Acción), whose main characteristic was their opposition to Correa's government. In the 2017 elections, the effective number of parties increased to 2.72, while the number of seats controlled by Alianza País decreased to 74, with CREO becoming the second political force in Ecuador. Other political parties also gained deputies, including Pachakutik, which has contested elections since 1994 and has strong ties to indigenous movements; the social democratic Izquierda Democrática; former President Lucio Gutiérrez's Sociedad Patriótica; and former President Abdalá Bucaram's populist Fuerza Ecuador (Ecuador Force). The break between Moreno and Correa led to a split within the Alianza País, with Moreno leading 40 deputies, while the "Correístas" regrouped under the name Movimiento Revolución Ciudadana (Civic Revolution Movement) and ran for election under the name Fuerza Compromiso Social (Social Force). The 2021 elections brought further fragmentation, with the effective number of parties rising to 4.75 and a total of 12 parties represented in the new parliament, five of which are new. Meanwhile, Alianza País did not win one seat.

Commitment to democratic institutions



Party system



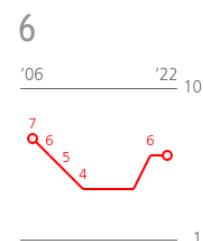
Over the past 10 years, polarization increased until 2017, as Alianza País gradually consolidated its hegemonic power, but decreased significantly between 2017 and 2021, only to flare up once again during the 2021 election campaign as Correistas and non-Correistas once again faced off. The low level of institutionalization of the party system means that it is susceptible to clientelism, although clientelism was less pronounced during the period under review. Normally, clientelism is used to favor the party in power as the government controls state resources, but this has been hampered by the growing distance between Alianza País and the Moreno government. In addition, most parties lack the organizational apparatus that can serve as a network to connect with the voter base and exploit clientelism.

There is an average range of interest groups in Ecuador, which reflect a large range of social interests, though rather few interests dominate. The most influential interest group in Ecuador is the indigenous organization CONAIE thanks to its ability to mobilize groups and pressure the government. For example, the government agreed to suspend the economic measures that had led to the October 2019 protests following negotiations with CONAIE leaders. Under Moreno's government, entrepreneurs' organizations regained strength, and succeeded in developing direct links with the president and influencing government policies. Meanwhile, other traditional groups, such as the chambers of production and trade unions, lost relevance and political position. Cooperation patterns between interest groups are not very pronounced.

Catholic and Evangelical parents and families, acting together with the Ecuadorian Episcopal Conference, have formed an increasingly influential interest group over recent years. The seed of this group are the parents' associations of Catholic and Evangelical schools, as well as parish groups. The main objective of the group is to prevent the introduction of what they call "gender ideology" into educational programs as well as to prevent an amendment of the abortion law that would legalize abortion in cases of rape and incest (see "No interference of religious dogmas"). During this period, the transport unions gained force and mobilized against hikes in fuel prices and were the first to secure an agreement with the government after several days of unrest.

Several interest groups (e.g., environmentalists), unfortunately, saw their strategies for action diminish under Correa's government. Currently, civil society is more fragmented and the trend toward further polarization cannot be ruled out.

Interest groups



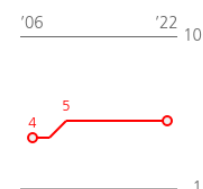
Approval of democratic norms and procedures tends to be low. According to 2018/2019 LAPOP data, 38.7% of respondents are satisfied with democracy. On a scale of zero to 100, support for the (democratic) system scores 52.1 and support for institutions scores 60.7. In the measure of trust in institutions, the National Assembly scores 43.7, political parties 32.3, the president 40.3 and elections 49.6. The most recent Latinobarómetro data (2018) show that 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. It is all the more surprising that in 2018, approval of democracy fell to 50%, clearly coinciding with the change in government, while satisfaction with the functioning of democracy is even lower, at only 36%.

These fluctuations in the support for democracy could be explained by considering at least two elements. First, citizens might confuse their view and support for the political regime (democracy) with government performance. While the Correa government enjoyed a high level of public support (73% in 2013), support for Moreno has been rather mediocre (46% in 2018). Second, the increase in the approval of democracy may be the result of propaganda since Correa portrayed his administration as one turning the country into a real democracy and referred to previous regimes as non-democracies. The evaluation of the “citizen’s approval of democratic norms and procedures” in a country such as Ecuador is complex, since the data does not always show clear trends; thus, when asked whether democracy is the best system of government despite its problems, according to 2018 data, 68% “strongly agree” or “agree,” which is above the regional average (65%). However, 19% prefer an authoritarian government, which is also above the regional average (15%). When asked if they prefer to have a democratic or a non-democratic regime, it does not matter for 26% of the Ecuadorian respondents. Therefore, a very large percentage of the population is not committed to basic democratic values, which implies non-compliance with norms or lack of respect for freedoms. It is worth noting that populism has a fundamental role in the history of the country, the last experience in this sense is Correa’s administration.

According to Latinobarómetro (2018), trust in specific institutions is also rather low, though mostly situated on the average of the Latin American countries surveyed: government 25% (LAC: 22%); election authority 25% (LAC: 28%); parliament 25% (LAC: 21%); judiciary 23% (LAC: 24%); political parties 18% (LAC: 13%). The most-trusted institutions are the church with 62% (LAC 63%) and the military with 61% (LAC 44%) – somewhat in-between are the police (46%) and the media (42%).

Approval of
democracy

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Due to the lack of more recent data, the Latinobarómetro 2018 question on interpersonal trust (“Generally speaking, would you say that you can trust most people, or that one can never be too careful when dealing with others?”) will be used as a proxy to define social capital. Only 14% of Ecuadorians trust others. 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.” But, 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 interests and, at the same time, where they have a certain level of independence from the state. This is difficult to achieve in a society with a ubiquitous state presence that owns many of the companies that the country depends on for the provision of goods and services.

Furthermore, racist perceptions of the indigenous and African-American populations are reflected in the fact that they are denigrated as untrustworthy as a means of legitimizing discrimination against them. Nevertheless, according to anthropological studies, significant levels of primary solidarity can be observed across and within groups and structures. The pandemic has revealed the self-organizing capabilities for traditional forms of health care.

II. Economic Transformation

6 | Level of Socioeconomic Development

Ecuador is an upper middle-income country. According to the World Bank, income per capita in 2019 was approximately \$6,400, which is below the Latin America average. In the Human Development Index, Ecuador ranked 86th in 2019 with a score of 0.759 (high human development, according to UNDP). Using the Gini coefficient, it is observed that Ecuador has a high inequality coefficient (45.4 in 2018), although it is not one of the highest in Latin America. The overall loss in HDI due to inequality has been 18.8%, which is less than most other countries in the region.

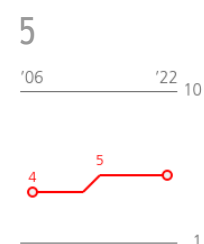
In order to measure poverty, as of December 2019, the Census Bureau of Ecuador considers a person to be income poor when the per capita household income is lower than \$84.82 per month and extreme poor when it is lower than \$47.80 per month. According to these criteria, 25% of the population is poor, with the poverty rate being significantly higher in rural areas (41.8%) than in urban areas (17.2%). According to UNICEF projections, 8.9% of the population live in extreme poverty at present and this rate could double because of the COVID-19 pandemic. However, no official data on levels of extreme poverty during the COVID-19 pandemic is available as yet. According to ECLAC, Ecuador is likely to suffer an estimated 10.6% contraction in GDP per capita in 2020 as a consequence of the coronavirus. The recovery will not be easy since the pandemic arrived in the midst of a profound economic crisis caused by the fall in oil prices and resulting reduction in fiscal revenue.

Social capital



Question Score

Socioeconomic barriers



The UNDP's Gender Inequality Index (0.384 in 2019) shows that the situation of Ecuadorian women is quite uneven when compared with countries with the same socioeconomic features and with bordering countries. However, it is worth noting that the situation has slightly improved compared to the previous report. In addition to these objective indicators, it may be pointed out that in countries such as Ecuador, or in Latin America in general, there are subjective elements contributing to perpetuating inequality and poverty. For example, poverty affects indigenous people and Afro-descendants more than any other group; they have more difficulties to overcome poverty because of racial prejudices of societies, which contribute to making poverty a structural problem.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	104295.9	107562.0	108108.0	98808.0
GDP growth	%	2.4	1.3	0.0	-7.8
Inflation (CPI)	%	0.4	-0.2	0.3	-0.3
Unemployment	%	3.8	3.5	3.8	6.2
Foreign direct investment	% of GDP	0.6	1.3	0.9	-
Export growth	%	0.7	1.2	3.6	-2.1
Import growth	%	12.2	4.4	0.3	-7.9
Current account balance	\$ M	-157.3	-1332.8	-59.0	2473.6
Public debt	% of GDP	44.6	49.1	51.4	61.2
External debt	\$ M	41158.7	44943.9	51883.5	56190.5
Total debt service	\$ M	6619.5	9144.7	9389.9	9300.4
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	14.6	14.7	14.4	14.7
Public education spending	% of GDP	4.6	4.6	4.2	4.1
Public health spending	% of GDP	4.4	4.2	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	2.4	2.4	2.2	2.4

Sources (as of December 2021): 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

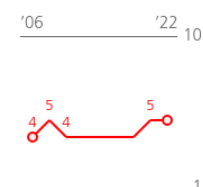
Despite improvements under the Moreno government, market competition still operates under a weak institutional framework, with uneven rules for participants, especially given the existence of a large informal economy. The Moreno government has proven supportive of a market economy and has developed measures to promote it, in sharp contrast to the Correa government, which advocated for a strong state through the creation of public companies. The country has improved its cooperation with the international community regarding market competition. For example, Ecuador voluntarily participated in a peer review conducted by the OECD and the IDB. In addition, Ecuador is subject to international arbitration procedures and has signed investment protection agreements with its main commercial partners. The agreements with the IMF require Ecuador to increase market competition and implement liberalization policies in all sectors. An urgent measure introduced to contain the economic crisis and fallout from the COVID-19 pandemic was the liberalization of labor relations, which allows employers and workers to reach agreements over working conditions outside of the legislative framework. Those measures were introduced within the framework of the so-called Humanitarian Aid Law. However, the Ecuadorian market's main problem is the tendency to form monopolies and oligopolies (whether public or private), since the market is relatively small.

The informal sector and the so-called bazaar economy have a strong presence. Ecuador has a normative framework to protect these practices and safeguard the right to work, even at the constitutional level. The statistics system in Ecuador is unclear about the presence of informal employment and uses an ambiguous series of labels that conceals its existence. According to the Census Bureau, in September 2020, “appropriate employment” (i.e., full formal employment) represents 32.1% of the total workforce. Similarly, according to the ILO, informal employment in the non-agricultural sector amounted to 65.8% of total employment in 2019.

The unfavorable business climate is reflected in the Doing Business 2020 report, which states that it takes 11 procedures, 48.5 days and a cost of 33.0% of income per capita to start a business in Ecuador, with Ecuador ranking 177 out of 190 countries. In contrast, starting a business requires eight procedures, 26 days and 9.4% of income per capita in neighboring Peru (rank 133), and seven procedures, 10 days and 14.1% of income per capital in Colombia (rank 95). With an overall score of 57.94, Ecuador ranked 129 out of 190 economies overall in the Doing Business 2020 report.

Market
organization

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The Organic Law for Regulation and Control of Market Power is the legislative framework that regulates competition and the functioning of the market. The Superintendence for the Control of Market Power (SCPM in its Spanish acronym) is the institution that investigates and adjudicates antitrust matters and legal violations regarding abuse of market power, restrictive practices, cartelization, unfair competition and excessive economic concentration. However, the superintendence was only created in 2012 and has not yet achieved an adequate level of institutional development. The SCPM is an administrative organism, and its chief is appointed by the Citizens Participation and Social Control Council from a list of three candidates nominated by Ecuador's president. The superintendent can be dismissed through a process launched by legislators. The SCPM includes the First Instance Resolution Commission (CRPI in its Spanish acronym), which comprises three commissioners appointed by the superintendent, and investigates and resolves competition issues. According to an OCDE and IDB analysis of the SCPM's performance, the commission is not granted the necessary time, personnel or resources to study cases in depth. In addition to budget and personnel problems, there are concerns regarding the capacity and impartiality of the commission, since the SCPM acts as both judge and defendant.

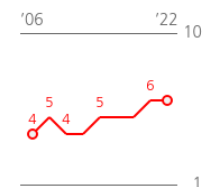
On the other hand, Ecuador has laws that promote the diversification of mass media ownership and prohibit banks from owning companies that are engaged in financial activities (e.g., the financial management of foreign exchange, the stock market or investment values, or leasing). Within the country's framework of agreements with the World Bank and IMF, the 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).

Ecuador has been a member of the WTO since 1996 and seeks to comply with its standards. One of the measures implemented by Moreno's government in order to revitalize the economy in October 2019 was the reduction or elimination of duties on imported technology. However, large tariff restrictions remain in place since the dollarized Ecuadorian economy needs control mechanisms to prevent imports shooting up and U.S. dollars flowing out of the economy, which would reduce liquidity in the economy. The simple average MFN applied tariff is relatively high compared to its Pacific Alliance neighbors at 12.3% in 2019 and 18.2% for agricultural products (Chile: 6.0%/6.0%; Colombia: 5.4%/14.3%; Peru: 2.4%/2.8%). The current account balance in 2018 was negative (-\$908 million) but turned positive in 2019 (\$237 million) and – although trade volume reduced dramatically – 2020 (\$776 million) (ECLAC data).

Ecuador's main export product is oil, and its trade is strongly influenced by political considerations. At the end of January 2020, Ecuador definitively left the OPEC in order to increase crude production, and thus raise more government revenue and improve fiscal sustainability. However, a series of restrictions, regulations and

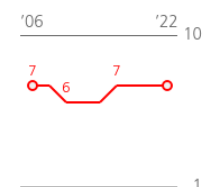
Competition policy

6



Liberalization of foreign trade

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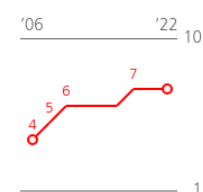
administrative inefficiencies, and a lack of transparency in customs, which make free trade difficult, persist. In addition, there is a 5% tax on capital outflows. One of the current government's projects is to open up markets, as such the government has approached the Pacific Alliance, a trade integration project in which Ecuador already has observer status. However, opening markets in order to mitigate the commodity crisis was a decision taken by the previous government, which negotiated and signed a trade agreement with the European Union. Nevertheless, none of these projects has so far succeeded due to the region's political crisis, which has been exacerbated by the COVID-19 pandemic.

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 is composed of public and private financial institutions (banks, financial societies, cooperatives and mutual societies), financial services institutions, insurance undertakings and enterprises ancillary to the financial system. Banks are the largest and most important market participants, accounting for more than 90% of operations. The Monetary and Financial Policy Board is responsible for developing, regulating and auditing credit, exchange, financial, insurance and security policies. The supervisor and the control organisms are the Superintendence of Banks (banks, mutual insurance companies and financial societies), the Superintendence of Popular and Solidarity Economy (credit unions, and mutual and building societies), and the Superintendence of Companies, Securities and Insurance (insurance companies).

Total banking assets reached \$44.6 billion in 2019, with an annual growth of 8.8%, according to Asobanca. On the other hand, banking liabilities increased by 8.7% between 2018 and 2019, reaching \$39.5 billion. Throughout the decade prior to the pandemic, the bank capital to assets ratio hovered around 12% (11.9% in 2019), while non-performing loans largely ranged between 3% and 4% (2.9% in 2018 and 3.2% in 2019). However, defaults have increased since the health emergency started. The non-performing loan (NPL) ratio in September 2020 was 4.1%, which is an increase of 1.1 percentage points compared to August and 1.1 percentage points compared to September 2019. In October 2020, hedging reached 184%, meaning that banking provisions against non-performing portfolios are 1.8 times higher. All of this adds up to the measures implemented by the government, such as the reduction of capital requirements to offer banks more liquidity during the pandemic.

Banking system

7



8 | Monetary and fiscal stability

Since 2000, the U.S. dollar has been the legal tender in Ecuador. As a result, the government has little room to maneuver or intervene in monetary policy. According to ECLAC, under the Moreno government, inflation hovered around 0% (-0.2% in 2017, 0.3% in 2018, -0.1% in 2019 and an estimated -0.9% in 2020). The 2008 constitution eliminated the central bank's full autonomy, but the current president has not 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. Among other things, Ecuador is unable to devalue its currency in order to improve conditions for international competition.

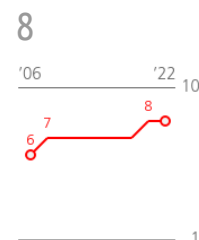
The problems regarding monetary balance are connected to internal debt. The Correa government borrowed from the pension and central bank reserves, raising the internal debt to \$17 billion. However, Moreno's government has attempted to re-establish fiscal balance and guarantee dollarization. As such, it is preparing a law that will be discussed at the beginning of 2021, which aims to grant greater autonomy to Ecuador's central bank.

The government's budgetary policies generally promote fiscal stability, but the current government is struggling to come to grips with the legacy of the preceding Correa government. Laboring under a \$12 billion fiscal deficit (approximately one-third of the national budget), Ecuador voluntarily sought assistance from the IMF. This is in addition to the country's low reserves, which in 2019 were around \$1.9 billion. The overall fiscal balance remained problematic with deficits of 3.2% of GDP in 2018 and 2019, and is projected to have risen to 8.9% in 2020, according to the October 2020 IMF report.

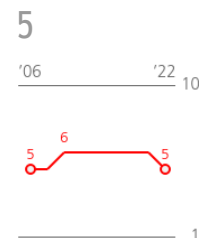
Between April and June 2020, in the midst of the COVID-19 pandemic, the government presented two emergency bills for stabilization: the Organic Law for the Ordering of Public Finances and the Humanitarian Law. The first seeks to maintain a balanced budget through a fairly orthodox vision of macroeconomic balances, and to guarantee the autonomy of the social security agency and the central bank (institutions that under Correa had become a type of contingency fund for the government). The second law is focused on labor market deregulation and flexibility, and supporting companies to pay the Ecuadorian Social Security Institute (Instituto Ecuatoriano de Seguridad Social, IESS) and the Internal Revenue Service (Servicio de Rentas Internas, SRI).

Ecuador's public debt increased steeply under the Correa government from 17.3% of GDP in 2011 to 41.3% in 2017. Under the Moreno government, there was a brief relief in 2018 (42.2%), but debt increased to 47.8% in 2019 and an estimated 54.9% in 2020. For 2019, about 70% (\$40 billion) is external debt. In addition, the state has pending payments over coming years that will reach \$8–9 billion annually,

Monetary stability



Fiscal stability



representing 25–30% of public revenues. In short, Ecuador has once again suffered a debt crisis without a productive model upon which it can reform the system. Moreover, it once again needs foreign bailout money in a context where unemployment has been growing steadily since 2016, putting at risk the reduction in poverty achieved over the past three decades. External debt was restructured following negotiations with multilateral development banks, which agreed payment relief of \$16.5 billion over the next 10 years, capital reduction of over \$1.5 billion, a 12.7-year payment delay, interest rate reduction from 9.2% to 5.3%, and a grace period of five years in capital and almost two years in interest. Nevertheless, economic resources are insufficient, and Ecuador will still need to borrow.

9 | Private Property

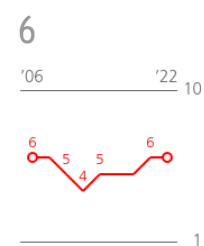
The 2008 constitution guarantees a series of forms of property (private, state, mixed, public, community and cooperative) with an emphasis on the “social function” – similar to the German constitutional provision, though perhaps with more far-reaching consequences concerning, for example, land tenure – that each should carry out.

More recently, there is a more confidential climate of respect for property rights, protected by the corresponding legal body on behalf of the state. They are also respected by the majority of citizens, although they show less respect for state property, as becomes evident when observing the theft of urban and administrative equipment. Furthermore, intellectual property is not properly protected, since counterfeiting of clothing and accessories or unauthorized editions of books and films are not prosecuted.

Ecuador currently ranks 87th out of 131 countries in the 2018 International Property Rights Index. Compared to other countries in the region, Ecuador ranks low at 13 out of 21 countries.

This position is not mainly due to structural factors, but rather to actions of the previous government, which questioned private property and made several confiscations. Property rights not only suffer from political action, but also from failures and delays in the judicial system called upon to guarantee property rights, with the aggravating factor of permanent suspicions of corruption.

Property rights



Despite state interventions and the creation of state-owned enterprises under Correa (there are currently 18 SOEs, mainly in the oil, electricity and telecommunications sectors), the private sector has remained the backbone of most economic activity in Ecuador and has since been strengthened. The Moreno government has been particularly supportive of the interests of entrepreneurs. The government granted tax benefits to entrepreneurs, increased the flexibility of labor relations and passed the Productive Development Law to stimulate private investment. One of the government's priorities during the pandemic was to save the business fabric of the economy, as the executive saw this as a way to protect employment. However, the government was criticized because the reforms introduced in the Humanitarian Aid Law aimed to make labor relations more flexible, which would transfer the burden of the crisis to workers. Since the constitution does not allow for the privatization of SOEs, the Moreno government resorted to alternative measures to open up SOEs to private interests, such as public-private partnerships and long-term concessions for a number of companies (e.g., hydroelectric plants).

10 | Welfare Regime

With the 2008 constitution, social security coverage was de jure extended to the entire population, but some necessary mechanisms, infrastructure and resources have not yet been implemented. The virulence of the pandemic has exacerbated the deficits in the health care system, even though during the commodity boom investments were made in medical equipment and infrastructure.

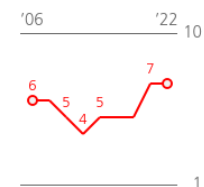
The Ecuadorian Institute of Social Security (IESS) primarily covers workers within the formal sector of the economy. Affiliation is compulsory for every worker and is funded by workers' contributions. It has a budget of about \$8.5 billion for 2020, 7.7% of Ecuador's GDP. However, projections fall short because of the increase in health care spending due to the pandemic, the debt of the Ministry of Finance, the impact of the Humanitarian Law and the reduction in contributions. The IEISS offers health care services, retirement, orphanage and widowhood pensions, while 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 2017, it covered 6.2% of the economically active population.

The number of social security affiliations has decreased due to the reduction in employment during the pandemic. A general projection estimates that by December the system will lose around 500,000 affiliations. In May 2020, social security affiliations included 2,441,316 dependent workers, 267,691 independent workers, 235,603 workers in the semi-contributory regime, 151,278 voluntary contributors and 383,365 citizens within the rural social insurance.

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

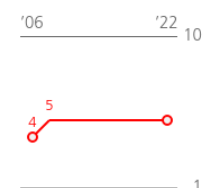
Private enterprise

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Social safety nets

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(e.g., in health care, education, housing, eradication of child labor and family assistance). Due to the coronavirus crisis, between December 2020 and October 2021, the beneficiaries of bonds and subsidies issued by the Ministry of Economic and Social Inclusion (MIES) will receive \$90, paid in six installments of \$15 every two months.

Foreign citizens have, in theory, access to the health care services of the Ecuadorian Health Ministry. During the migration crisis, there were attention points at the border. However, the hospital bottlenecks due to COVID-19 have left migrants helpless. Nevertheless, this problem concerns not only medical attention but also access to drugs since patients are expected to buy medicines themselves. There are private charities that offer attention, and some small initiatives have been set up by economically better off Venezuelan professionals in order to assist their compatriots.

A concerning issue is the number of Venezuelan immigrants in Ecuador. They have no access to state protections and are largely supported through civil society, church and local government charity.

The COVID-19 pandemic has highlighted several structural inequalities that affect access to resources and opportunities, particularly access to health care, education and housing services. The increase in inequality will be a short to medium-term effect.

There is not a legal structure of exclusion affecting equal opportunities; 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. In the case of indigenous people, their situation remains unsatisfactory. There is a sizable gap in the average level of education between the indigenous and non-indigenous population. Being indigenous in Ecuador increases the chance of being poor. The majority of the indigenous population live in rural areas, and 41.8% of the inhabitants of these areas are poor and 18.7% live in extreme poverty. However, in urban areas, 17% of the population is poor and 4.3% live in extreme poverty.

In order to measure how different inequalities in poverty manifest, the Census Bureau collects data on multidimensional poverty. The dimensions considered are education, employment and social security; health, water and food; and habitat, housing and healthy environment. When this data is computed, 38% of the population live in multidimensional poverty and 16.9% in extreme multidimensional poverty. On this indicator, the differences between rural and urban areas increase, which demonstrates the unequal access to goods and services. In rural areas, the figures for multidimensional poverty and extreme multidimensional poverty are 71.1% and 42%, respectively.

Equal opportunity

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The 2008 constitution introduced a gender parity (50:50, including alternation) for lists of candidates to the national parliament. However, because of some effects of the electoral system, of 137 seats, only 52 (38%) are occupied by women in the parliament of Ecuador, a high percentage from a comparative perspective. There is almost parity concerning the ratio of female to male enrollment (GPI), with a slight advantage for women concerning tertiary education (1.1). The overall literacy rate in 2017 was 92.8% but was slightly higher for women (93.8%) than men. Women comprise about 41% of total labor force.

11 | Economic Performance

The reliance on the export of primary products has meant that the economy is vulnerable to exogenous shocks and macroeconomic instability throughout its history. According to the ECLAC, GDP per capita contracted by 10.6% because of the coronavirus, following slowdowns in 2018 (-0.5%) and 2019 (-1.6%). An economic recovery will not be easy since the pandemic arrived in the midst of a profound economic crisis caused by the fall in oil prices and resulting reduction in fiscal revenue. Furthermore, even though the fiscal deficit was renegotiated, it still rose from 42.2% in 2018 to 47.8% in 2019 to 54.9% in 2020 (ECLAC).

In addition, while the dollarization of the economy contributes to economic stability, it prevents Ecuador from reducing production costs and promoting exports through devaluing the currency. Furthermore, Ecuador is relatively unattractive for foreign investment, with foreign investment amounting to only 1.6% of GDP in 2019, according to the World Bank. The current account deficit diminished over the last few years, falling from \$1.33 billion in 2018 to \$53 million in 2019. In 2020, the current account balance even returned a surplus of \$426 million, albeit coupled with a sharp decline in trade volume (ECLAC data). According to ECLAC data, inflation remained low (0.3% in 2018, -0.1% in 2019 and -0.9% in 2020).

The impact of the COVID-19 crisis on the labor market has been very severe. Between June 2019 and June 2020, about 1.27 million jobs were lost, a 16.1% interannual contraction, according to the National Survey of Employment, Unemployment and Underemployment (ENEMDU). The groups most affected by the deterioration in the labor market are women, young people, the elderly and, more generally, workers in precarious and unstable occupation categories, characterized by informality.

Output strength



12 | Sustainability

The Ministry of the Environment is responsible for environmental policy and programs for the protection of ecosystems and the sustainable use of natural resources. Its programs have been hit hard following staff and institutional cuts, which the government implemented as part of its austerity plan. In 2020, 390 employees were laid off due to an institutional merger with the National Water Secretariat. Most concerning, foresters and technicians that work in protected areas were laid off.

Environmental policy is another void in President Moreno's administration. Although at the beginning of his term, Moreno moved closer to environmental activists (in contrast to the previous government) and included a point on oil exploration and mining in protected areas in the February 2018 referendum, the passage of time and the continuation of the previous government's extractive economic model have revealed that these actions were a strategy to distance himself politically from Correa. Among the government's environmental errors during the review period has been the lack of an effective strategy to protect the Galápagos territory from industrial fishing and Chinese boats, which are extremely polluting and predatory, and the inability to stop illegal mining, which destroys and pollutes riverbeds.

Ecuador's energy mix remains largely dependent on oil, which accounts for about 75% of total energy consumption. The country has 29 hydropower plants, which account for about 20% of total energy production and about 60% of electricity generation. Chinese financial institutions have financed six of the eight emblematic hydropower projects in Ecuador to consolidate a strategy proposed by the Correa government to change the energy matrix. Nevertheless, less than 10 years after their initiation, the projects have had many negative environmental effects due to design, construction and planning errors. These effects include the drying up of rivers, the alteration of riverbeds and collapses in areas where excavations have taken place.

Of all the countries in the world, Ecuador has one of the highest proportions of protected natural areas, with about 19% of the territory under some form of protection, including land and maritime areas. However, it is very difficult to provide adequate protection to these areas. According to the Environmental Performance Index 2020, Ecuador ranks 56 out of 180 countries.

Environmental
policy

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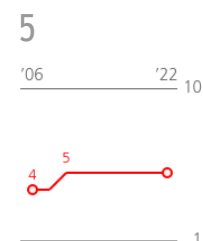
Since mid-March 2020, Ecuador has switched from face-to-face classes to online education at all levels in response to COVID-19. This has widened the education gap, as a result of material and cultural differences between families, as online education requires parents to organize an internet connection for their children – which is expensive even for middle-income households – and a communication device (e.g., a computer, tablet or smartphone). Many families do not have these devices, a problem that is exacerbated for families with multiple children or parents who work from home. In 2019, 41% of households (50% urban and 18% rural) had a laptop or desktop computer, while 46% (56% urban and 22% rural) had access to the internet, according to the Census Bureau.

According to Ministry of Education projections, 70% of students had difficulty accessing online classes during the pandemic. This is exacerbated by the weak signal in rural areas with high poverty and indigenous populations. Because of the correlation between poverty, educational attainment and cultural capital, children in low-income households are less able to follow online instruction. The COVID-19 crisis will have long-term effects on this generation of schoolchildren, as it will not only be difficult to make up for the lost school year, but also to restore children's socialization networks and self-confidence.

Added to this are shortcomings in the Moreno government's approach to management, constant changes in the Ministry of Education, and cuts to programs and civil servants that prioritize austerity over policy coherence. According to the World Bank, public spending on education was 5% of GDP in 2015. Meanwhile, the Ministry of Education estimates that spending on education was about \$5 billion in 2018. In 2014, the primary enrollment rate was 95.2%, the secondary enrollment rate was 64.7% and the tertiary enrollment rate was 21%, which marks an improvement on the 2006 data (INEC). The literacy rate was 94.1% in 2017, according to the INEC. Ecuador scores 0.702 in the UN Education Index, having improved more than neighboring Bolivia, Colombia and Peru since 2010, and placing it among the better performing countries in the region.

The pandemic implied a reduction of 10% in the budget for universities in 2020, a contraction that involved the suspension of funding for I&D programs and the integral revision of the emblematic Yachay Tech University model. All of this negatively affects the quality of the university system and increases discrepancies with private institutions that have their own resources. At the Central University of Ecuador alone, the contracts of 750 occasional professors were not renewed. Research and development spending is rather low (0.4% of GDP in 2014).

Education policy /
R&D



Governance

I. Level of Difficulty

The COVID-19 pandemic has deepened the country's structural difficulties regarding economic contraction, poverty and unemployment. According to IMF projections, the Ecuadorian economy will contract 11% in 2020, with poverty and unemployment expected to suffer a sharp increase. According to the UNICEF, poverty will increase 10% in 2020, which corresponds to 1.8 million people (or 450,000 families). The poverty rate will increase from 27.2% to 37.6% and extreme poverty will rise from 10.7% to 19.2% largely due to the increase in unemployment. According to data from the Ministry of Labor, between January and October 1, 2020, 598,506 formal contracts expired. The increase in inequality is reflected in Ecuador's Gini index, which increased from 0.47 in 2019 to 0.52 in 2020.

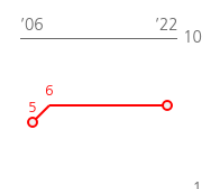
In 2020, Ecuador had the second most deaths caused by COVID-19 per million inhabitants in the Americas. By December 31, 2020, about 115,500 deaths were registered on national territory, in contrast to the trends and projections of previous years that suggest the figure should have been around 75,000. Therefore, there were around 40,000 excess deaths, and at least about 24,000 as a consequence of the coronavirus.

Historically, the country exhibits relatively high structural constraints on governance. Ecuador is a middle-income country with a per capita GDP of \$6,183 in 2019, according to the World Bank. After a period of prosperity due to the commodities boom, the country is now experiencing a profound economic and political crisis. Difficulties are mainly political and related to the country's vulnerability to external economic shocks and dependence on economic cycles. The literacy rate among people between 15 and 24 years old was 99.3% in 2017, according to the ECLAC. However, the pandemic is likely to have a negative impact on all education levels. Schools have remained closed since the beginning of the pandemic, which has deeply affected households that do not have access to the necessary technological devices and resources. Geographically, the country is located in a volcanic area, and faces a permanent threat of volcanic eruptions and earthquakes. Ecuador also suffers from the climatic effects of El Niño, including heavy rains and flooding.

In the years prior to the pandemic, structural poverty and inequality were reduced, especially in economic terms. However, ethno-social differentiation remains as a structural element of exclusion.

Structural
constraints

6



The economic crisis has revived civil society organizations that were demobilized after the prosecution that took place between 2007 and 2017, as exemplified by the October 2019 protests. However, the COVID-19 pandemic has limited their activities.

Ecuador has a tradition of grassroots organizations, but practices do not contribute to building confidence and trust in institutions or to interpersonal trust and the accumulation of a democratic social capital. Examples of this are the indigenous organizations that are focused on their communities and use extra institutional resources as a means of pressure. The historical weakness of the state has incentivized self-government as a solution to the problems. In fact, communities are largely capable of self-governance.

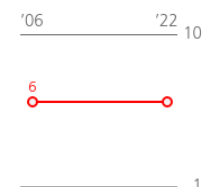
The Catholic Church has also intervened to promote local unions, and rural and indigenous organizations. LAPOP 2019 data for Ecuador show that when taking interpersonal trust as an indicator of social cohesion, the country is relatively weak and fragile, with Ecuador ranking among the last quintile of countries in this indicator between 2014 and 2019.

The mobilizations of October 2019, which lasted more than 10 days, are an example of the intensity of conflict in Ecuador and the levels of violence it can reach. According to the Ombudsman Office, eight people died (by accident or as a consequence of repression) and 1,340 were injured (protesters and police).

During this process, discontent caused by the economic crisis combined with discontent for the government's adopted measures, and the deeply rooted ethnic cleavage between indigenous groups and the white/mestizo society. This ethnic division has its roots in the colonial period, is present in all social structures, and is evident in the political and economic exclusion of indigenous peoples. Another latent conflict, with a low public profile, is insecurity. Insecurity will increase due to unemployment, the economic and health crisis, and the lack of state capacity to control crime, especially in marginalized urban areas. In 2019, the homicide rate increased from 5.8 cases per 100,000 inhabitants to 6.3. Even though these figures are low compared to those of other countries in the region, the problem is the concentration of homicides in specific areas. All this adds up to the increasing frequency of assassinations, with hitmen used to settle scores between smugglers. A lot of money from smuggling is laundered through Ecuador due to the economy's dollarization.

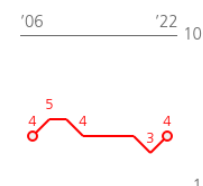
Civil society traditions

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Conflict intensity

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II. Governance Performance

14 | Steering Capability

Programmatically, the government's current development plan (Plan Nacional para el Buen Vivir 2017 – 2021) offers a plausible agenda for structural reforms that point in the direction of a more economically diversified, ecologically sustainable and socially just development model. However, the government has not been able to transform this plan into a coherent strategy, as recent government decision-making focuses on short-term, politically motivated adjustments to the difficult economic situation and divisions within the ruling party.

In order to understand the government's lack of prioritization capacity, it is necessary to recognize that President Moreno changed the government's objective once he came to power. He does not have a clear development strategy for the country and has been changing positions in an unclear manner. Moreno was elected with a plan to continue the policies of Correa's governments, but once in power he shifted to a less statist model. His only success so far has been to renegotiate the debt. He does not have the support of a cohesive political group with a clear public policy objective. For example, he has had four economy ministers, of whom the first two were radical defendants of a statist economic model, while the second two have been supporters of pro-market policies and the maintenance of macroeconomic balance. The Health Ministry, which is in charge of COVID-19 prevention policies, has also had four different ministers under Moreno. The penultimate dismissal followed a confrontation with Vice President Acuña, who authorized the vaccination of members of the Club Rotario in Guayaquil in contradiction of the criteria established by the government.

Moreno established a strategic alliance with economic groups from Guayaquil, which hold state positions and use the government as a tool to access public positions. Moreno is not supported by a particular group in parliament. At the beginning, he had the support of Alianza País representatives, who broke away from Correa, and of other parties with whom he held circumstantial alliances. As time went by, Moreno even lost the support of his own party, which meant that he was unable to pass important laws and eventually led him to disaffiliate himself from Alianza País.

Therefore, achieving macroeconomic balance has been the main priority of Moreno's government for the last three years. In order to do so, he has reduced the size of the state by cutting public spending rather than increase tax revenue. The government implemented a series of tough measures to restructure government expenditure that involved massive public sector layoffs and the closure of state-owned companies,

Question
Score

Prioritization

5

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arguing that this approach was the only way to achieve fiscal and macroeconomic balance over the long term. However, due to the lack of resources and the health crisis in 2020, the government has not followed a clear strategy.

Another government priority has been to reorganize debt. In addition to an agreement signed with the IMF, at the beginning of August 2020, the government announced an agreement with bondholders for \$17.4 billion.

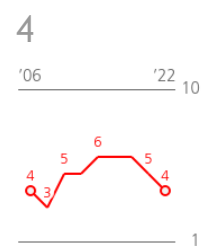
Problems with defining clear strategic priorities beyond “Buen Vivir” spilled over into problems with implementation. The major priority of Moreno’s government was to renegotiate the debt with bondholders and to achieve an agreement with the IMF. However, social reactions (e.g., the October 2019 protests) have meant that the total application of the measures will be impossible. Nevertheless, the government was able to maintain its agreement with the IMF and private creditors. Despite National Assembly and citizen demands to not repay the debt in order to manage the health emergency, the government was so focused on demonstrating its willingness to repay the debt that it paid \$324 million on sovereign bonds that expired on May 24. This payment has been widely criticized by the opposition.

There has also been a leadership and strategy problem in the government, and lack of experience in the cabinet. The interests behind the coalitions that support Moreno are heterogeneous, and so it is difficult to reach agreements about the implementation of political and economic reforms. Agreements are sometimes achieved due to the distribution of institutional control between representatives that generates corruption over the long term.

In addition to the lack of a united cabinet, the main obstacle to the implementation of the government’s reforms has been the resistance of social sectors led by the indigenous movement and the lack of support from Congressional parties, since the president does not have a stable legislative majority. Coinciding with the fragile management of the pandemic and the upcoming 2021 elections, the parties have distanced themselves even more from the president and his aim to pass a dollarization protection law to avoid government use of central bank funds (one of the compromises with the IMF).

Crisis management has been erratic. Since the president falls within the category of vulnerable persons, he entrusted the implementation of the plan to then Vice President Otto Sonnenholzner, who left office in July 2020 when the pandemic was at a critical moment. In addition, the lack of economic resources led to the layoff of health professionals in the middle of the pandemic, and poor coordination between national and local authorities further worsened the situation.

Implementation



The huge problems with policy learning are especially due to the lack of continuity in state structures, and inability of public administration to implement procedures and adapt to changes when needed. The economic and health crisis has dismantled the expertise accumulated by previous governments for public policy design and implementation. The current executive has reduced state services due to the lack of resources. The coronavirus crisis manifested the deficits in public administration and services, because – even though the working conditions were extreme and deaths caused by COVID-10 exceeded any expectations – the management of the infrastructure built during the oil boom was inefficient and lacked oversight.

However, the current economic crisis and the fiscal deficit following years of prosperity are the main indicators of the lack of learning. This crisis is similar to the one that took place after the oil boom of the 1970s. At the beginning of the 21st century, during the commodities boom, the same mistakes were made, and Correa’s government spent all the resources without taking economic cycles into consideration. The former government spent the achievements of 10 years of prosperity without accounting for economic cycles, opting for a public investment model that did not work out due to the productive features of the country and its dollarized economy. In 2017, when Correa left office, Ecuador’s total reserves were only \$1.7 billion, the lowest in Latin America and the Caribbean.

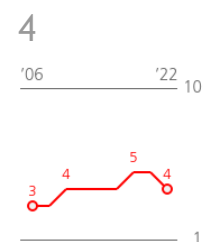
In the renegotiation of the debt and in the agreements with international credit organizations, the same mistakes as in the 1980s and 1990s were made. Beyond the discussion about whether the financial conditions are more or less favorable, state institutions have been dismantled, and no consensus between social and political actors that could ensure the sustainability of the adopted measures has been reached.

15 | Resource Efficiency

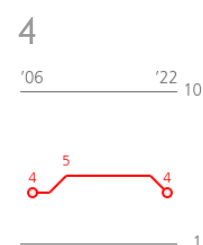
The constitution recognizes planification as an organization mechanism for the country’s development goals. The body in charge is the SENPLADES. The SENPLADES designs the national development plan (i.e., the instrument under which public policies, programs and projects are subordinated) according to article 280 of the constitution. Its monitoring will be mandatory for the public sector and indicative for the rest. The budgetary framework and regulation of public finances depends on the Organic Law for the Public Finances Regulation, which came into effect on June 24, 2020. The law includes tools to regulate public revenue, public spending and government loans. It expands on the contemplated articles 292–299 of the constitution.

During the review period, the resources available to the Ecuadorian government have changed for three reasons: the fiscal deficit, fall in oil prices and COVID-19 pandemic. In this context, an agreement with the IMF was negotiated to reduce public spending, which involved shutting down state organisms and laying off public sector

Policy learning



Efficient use of assets



employees. In 2019, 25,000 public servants were fired within the process of optimization and reduction of the state that the government of Lenín Moreno implemented. These layoffs continued in 2020 with the suspension of the public railway company and the national airline, and the elimination of public organisms whose competences were transferred to other departments within the same ministries. Contracts in the health care sector were not renewed in the middle of the pandemic. This process was not made from a general or planned view. No effort was made to optimize resources. Instead, the approach was to reduce spending in the fastest way possible. The loss of human and institutional resources has had a negative impact on the efficient use of resources and on public policy coordination.

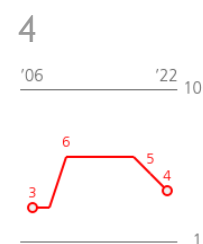
In regard to the budget, the president has limited room for maneuver since the country has a serious fiscal deficit problem, which needs to be resolved by reducing public debt. This is the reason why the government has submitted to the demands of financial agents. The government's priority has been to re-establish macroeconomic balance, although so far it has been unsuccessful.

The lack of coordination has been exacerbated by the restructuring of public administration in order to reduce public expenditure. Many administrative structures have lost their *raison d'être* or have disappeared and have not been replaced by another mechanism. After these reforms, the administration is not clearly structured and its configuration does not enable an efficient management in accordance with professional rationality criteria, since strategic positions are filled without the selection criteria being clear in most cases, because they are not people from the president's party or leading figures in the management of their areas. After the rupture with the "correísta" wing, the government party lost a part of its technocratic and political capital. Policy coordination implies having a government plan and, at the moment, it is not clear whether the government has one.

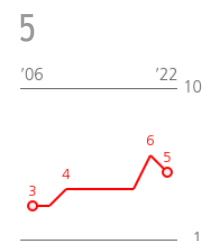
The initial reaction of the government to the pandemic was erratic and led to the dismissal of the minister in charge. The lack of coordination between the local governments responsible for the crisis management and the implementation of health security measures are examples of the low levels of coordination within government due to the president's lack of leadership (with an approval rate of less than 10%) and the lack of ministerial continuity (there have been four ministers of economy and finances, and four vice presidents).

Although several integrity mechanisms are in place, serious problems exist including inconsistent implementation and enforcement, the pervasive politicization of these instruments, deficiencies in equipment and professionalism, and, not least, rampant corruption itself. The Moreno government has at least changed the operational nature of the integrity mechanisms. In order to get rid of his predecessor's allies who were at the helm of most transparency institutions, Moreno – supported by the 2018 referendum that included a specific question and therefore authorized it – initiated the removal of the Council for Citizen Participation and Social Oversight (CPCCS) by Congress, which led to the creation of the Transitory Council for Citizen

Policy coordination



Anti-corruption policy



Participation and Social Oversight (CPCCS-T). Since its establishment under the 2008 constitution, the CPCCS – which was more of a super-superintendency than a proper anti-corruption agency – was tasked with fighting corruption, promoting civic participation and social oversight, and appointing members to the other autonomous state agencies (e.g., the Ombudsman Office, the Comptroller General’s Office and the superintendencies) on the basis of merit. A recent study by the Blavatnik School of Government notes that the CPCCS completely neglected its functions and, on the contrary, “virtually annulled oversight.”

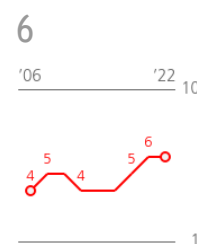
So, while Moreno’s move was clearly also politically motivated, it ended about 10 years of standstill. The CPCCS-T, whose mandate ended with the election of seven new council members in 2019, is judged to have been successful by the Blavatnik study cited above, as it at least paved the way for more independent transparency and greater institutional oversight. As a result, several existing and newly created integrity mechanisms have had a stronger impact, although implementation and enforcement across issue areas is uneven.

In addition to the Prosecutor General’s Office, which is charged with prosecuting criminal offenses, the Comptroller General’s Office is the body responsible for monitoring the proper use of public funds and its activities are regulated by a special law. The Integral Penal Organic Code typifies offenses related to corruption. One of the measures taken by the government was to prohibit persons prosecuted for corruption from holding public office. The campaign spending control system is the responsibility of the CNE, which has a monitoring unit and a special control law; new norms allow for greater transparency and accountability, including a ban on corporate campaign financing, but enforcement depends on the CNE’s capacity. The banking system has to implement a number of safeguards to prevent money-laundering. One bulwark is the Financial and Economic Analysis Unit (UAFE), which has implemented far-reaching regulations to control and prevent money-laundering in its fight against money-laundering. Nevertheless, observers agree that Ecuador urgently needs to update its integrity mechanisms to effectively combat corruption.

16 | Consensus-Building

Among the political actors in Ecuador, there is a kind of formal compromise to democracy. Nevertheless, there seems to be a certain degree of disagreement about what regime form democracy should take and what should be the rules of the game. One of the constraints on consensus-building has been the populist political dynamic of the country, reflected in the Manichean and polarized logic fostered over the last 10 years, and evident in the political confrontation regarding former President Correa, who has become a sort of cleavage. The fragility of the party system is also relevant, since it limits the existence of actors that collect social demands and promote dialogue in the public interest. The president does not generate consensus or support because he lacks his own political capital. He came to power thanks to the explicit support of the former president and his party.

Consensus on goals



There is also confrontation regarding state intervention in the economy, as was reflected in the protests in 2019 against the government's plan to contain the economic crisis and agreement with the IMF. However, there seems to be a consensus around the continued dollarization of the economy, which – due to the lack of a monetary policy or increase in production prices – has become a factor of economic equilibrium in Ecuador.

No relevant actors are openly anti-democratic or promote an authoritarian regime. However, there are relevant sectors of society that are willing to give up freedoms in the name of government efficiency or order, as was evidenced by the high levels of acceptance for Correa's government despite his authoritarianism. In Ecuador, democratic rules and procedures are fragile and forms of political action that do not follow the rule of law are common. This can be observed in the high number of interruptions to the institutional order, which led to three former presidents (Bucaram, Mahuad and Gutiérrez) leaving office between 1997 and 2005. These interruptions would seem to confirm the lack of a democratic vocation among relevant political and social actors.

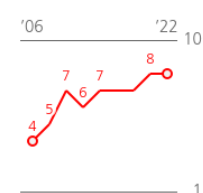
According to LAPOP 2019 data, 50.4% of Ecuadorians justify a military coup when there is a lot of crime, while 43.3% justify it in cases of high corruption. In both cases, the level of support increased between 2014 and 2019. Support for military coups d'états is highest among young people between 16 and 25 years old, people with a secondary education, and people in the third wealth quintile. In Ecuador, support for the idea that the president can dissolve the National Assembly during a very difficult period increased 2.2 percentage points between 2016 and 2019. In this case, people between 16 and 35 years old are less likely to support a possible closure of the National Assembly by the president.

The government lacks policies to manage ethnic conflict and negotiations appear as a result of conflicts, as happened with the October 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. 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, which has laid the foundations for a social structure based on racism, and a discriminatory system that transcends the social and economic spheres. There are also differences between various regions of the country, which translate into a confrontation between Guayaquil (the main city in the tropical region bordering the Pacific) and Quito (the capital). The level 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.

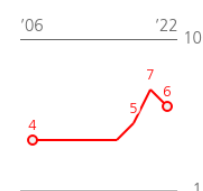
Anti-democratic actors

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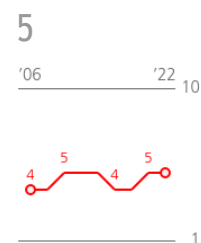
Cleavage / conflict management

6



Moreno’s weak leadership has tended to neglect institutionalized civil society participation. During the period under review, the government mostly reacted to political developments and formulated its few measures autonomously. There is a lack of political parties and strong civil society organizations. However, this also implies that the few existing relations with social organizations are fluid. Nevertheless, these also are sometimes used as a tool in exchange of favors. With the exception of Pachakutik’s links to the indigenous movement, very few parties have organic links with social organizations. Under Moreno’s government, entrepreneurial organizations succeeded in introducing their demands by developing direct links with the president.

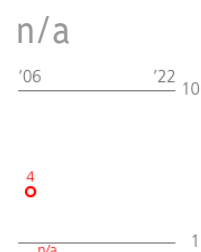
Civil society participation



After a long period of de-mobilization, social organizations are strengthening again as a resistance to the adjustment measures that the president is taking or could take in the economic field. Indigenous organizations and public sector unions began to mobilize but their influence remains limited. Despite this situation, there is only limited dialogue between civil society and political leaders, especially from the government. The difficulty lies above all in the president’s limited room to negotiate his measures. The recent street protests are a reflection of the lack of institutional spaces for civil society participation given the government’s decision to adopt measures unilaterally. Furthermore, many sectors of civil society employ an anti-system and anti-politics discourse.

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

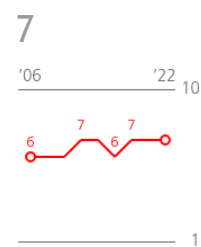
Reconciliation



17 | International Cooperation

Moreno’s government does not have a broad development strategy. It is important to recall that Moreno won the elections having promised to continue the Correa government’s program, but Moreno abandoned the program without adopting a new coherent body of measures. His only mid to long-term objectives have been to renegotiate the debt and achieve macroeconomic balance with IMF support.

Effective use of support



Ecuador is a medium-high income country and consequently no longer receives official development aid. According to the World Bank, official development aid, measured as a percentage of GNI, was 0.378% in 2018. The country is going through an economic crisis due to the fall in oil prices and the lack of international reserves resulting from the development model applied during the commodities boom. During the review period, the government has prioritized cooperation with economic and

credit organizations. A \$400 million credit was agreed with the Development Bank of Latin America (CAF) in 2020 to tackle the health and economic crisis produced by the coronavirus. In addition, a cooperation framework for 2019 to 2023 was agreed in 2019 with the World Bank Group. Other examples include the 2020 agreement with the IMF to finance the fiscal deficit and restructure the economy, and the debt financing agreement signed with China, one of the country's biggest creditors.

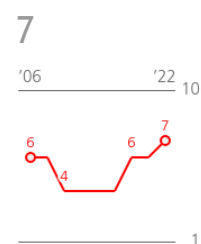
Ecuador is a largely reliable member of various international organizations at the regional and global level. It has joined and ratified most existing international agreements, and in general complies with most international norms. The government has made substantial efforts to regain credibility since 2016.

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 Moreno government has largely revised the restrictions placed on civil society and freedom of the press by Correa, and (with a few exceptions) has complied with the norms in practice. The latter became more pronounced in the wake of the 2019 crisis (repression, selective harassment).

Throughout this period, the government has made efforts to regain the confidence of international financial markets and credibility with international credit organisms, especially with the IMF in October 2020 and the World Bank 2019–2023 partnership framework. Both documents represent a landmark for Ecuador following the disturbed relations between the Correa government and international financial organisms. These are the first two cooperation agreements signed by Ecuador in 12 years. The government's search for credibility contributed to the renegotiation of debt with private bondholders, which materialized in August 2020 and impacted positively on the country's reputation. This stands in sharp contrast to the 2008 default on debt which the Correa government had deemed to be illegal and illegitimate, and which was then repurchased in 2009 when the bond prices decreased.

The government supported the continuity of Almagro as the secretary general of the Organization of American States (OAS), and initiatives such as the Lima Group and the Pacific Alliance (see "Regional cooperation"). One of the government's efforts was to strengthen links with relevant countries and international organizations. However, the pandemic and the marginal relevance of President Moreno at the international level have meant that success in international relations has been limited. Evidence of the shift in the president's approach to the international sphere was illustrated by the award granted by the Americas Society/Council of the Americas, the biggest Latin American lobby in the United States.

Credibility



In contrast to Correa’s policies, the Moreno government has been more committed to regionalism and has clearly positioned itself on the side of center-right governments in the region. It cooperated with its counterparts in neighboring Colombia and Peru, and continued its membership in the Andean Community, the OAS and other regional integration bodies. Ecuador has since left both the Venezuela-led ALBA and Union of South American Nations (UNASUR) and joined the Pacific Alliance and the Lima Group.

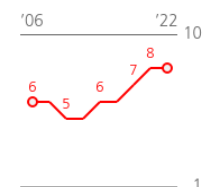
The Ecuadorian government actively participated in the Lima Group meetings that recognized the government of Juan Guaidó in Venezuela at the beginning of 2019, an initiative that was also supported by the Colombian government. The regional agenda lost impetus due to the Chilean and Peruvian crisis, the coronavirus pandemic, the crisis in Bolivia and subsequent victory of Arce, and the changes in the Argentinian and Mexican governments. These facts undermined the commitment to center-right regional blocs that the Ecuadorian government supported, as some of the main proponents had to solve their own internal problems, while others were simply replaced by leftist governments.

COVID-19 limited coordination with neighboring countries and led to stricter border controls. For example, Peru imposed strict border controls when Guayaquil was the most affected city in Latin America. The flow of Venezuelan migrants to Peru and Chile through Colombia and Ecuador was one of the main issues on the regional agenda in recent years. However, this process suffered greatly due to the visa requirement introduced by Peru in June 2019. Cooperation with Colombia regarding security and smuggling issues is very active, especially regarding mafias and FARC dissidents who operate on both sides of the Colombia-Ecuador border. Moreno’s last international meeting was with the president of Colombia in December 2020.

Following the recent political turn, the government has looked to strengthen relations with the United States, which had weakened under the former government. Key to this was the active support given by the government of Ecuador to the re-election of the OAS general secretary, despite the candidature of an Ecuadorian, and the election of Mauricio J. Claver-Carone as the IDB president. In April 2019, Ecuador revoked Julian Assange’s asylum status after Assange had spent years in the Ecuadorian Embassy in London. In May 2019, Quito and Washington signed an agreement providing for the return of USAID to Ecuador. In December 2020, a “mini-deal” on trade was signed – in effect, a protocol updating the agreement between the United States, and the Ecuadorian Trade and Investment Council (TIC) – with four new annexes concerning customs administration and trade facilitation, regulatory practices, anti-corruption, and SMEs.

Regional cooperation

8



Strategic Outlook

Elected on April 11, 2021, the new government of Guillermo Lasso, a conservative politician opposed to government intervention in the economy, will benefit from the renegotiation of debt with bondholders and the ambitious plan to achieve macroeconomic balance. In addition, he is likely to maintain the agreements with the IMF and its policies. However, Lasso will face severe political, social and economic constraints. At the political level, he faces an opposition majority in which Correísmo is the leading force, with 43 out of 137 deputies, compared to only 29 deputies in the coalition that supports him (CREO and PSC). The other strong parliamentary bloc is the center-left bloc, which comprises Izquierda Democrática and Pachakutik, with 43 deputies. In this scenario, the government will have to look for an agreement with the leftist parties, which could force it to take more concerted and less extreme measures. If this agreement is not reached, his four years in office could consist of a confrontation between the executive and legislative branches, a common scenario in Ecuador due to the fragmentation of the party system.

The biggest challenge, however, will be achieving economic recovery due to the country's structural difficulties. Despite efforts to end the budget deficit and achieve structural balance, the decline in revenues due to the pandemic has worsened the economic situation. This is in addition to the structure of the productive system, which depends on commodities and is highly vulnerable to external shocks. Dollarization provides an element of stability to the country given its fragile institutions. However, it also makes it difficult to implement stimulus measures, since the country does not have control over monetary policy. The country needs to create employment given that the labor market has been profoundly affected by COVID-19, particularly for the most vulnerable groups characterized by informality.

Regarding the COVID-19 pandemic, apart from the health, economic and social impacts, the vaccination program is severely delayed in Ecuador, which will slow social and economic recovery. As of mid-June 2021, only 6% of the population had been fully vaccinated. In addition, the state will have to look for plans to reduce the impact of the pandemic on sectors such as education. In person tuition for students has been suspended for more than a year. One of the biggest unknowns is what the government will do to address the crisis, as Lasso does not believe in government intervention. One of the facts that this crisis has shown is that a solid state is necessary to reduce all kinds of inequalities, especially in a country as unequal as Ecuador.

One of the latent threats to the country is smuggling, with smugglers using Ecuador as an export and money-laundering center thanks to the advantages that dollarization offers. The conflict between the cartels is a clear sign of a problem that is yet to be adequately addressed.