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No Way Out

The Economic and Political aspect of an IMF intervention in Ecuador

I. Introduction

Ecuador, is a country whose turbulent political history has shaped a suboptimal political culture fueled by populism, corruption and self interest whilst starving of patriotism and honor. In less than 200 years as a republic Ecuador has had 4 dictators (two of those have been military dictatorships), 68 presidents , 82 presidencies and 21 constitutions. The astonishing amount of constitutions Ecuador has gone through is clear evidence of the self interest and tyranny that eats out Ecuador's politics, since most of the constitutional reforms and changes were not an act of good faith but rather a strategy to have more power and control over governmental branches. This political climate fallout has heavily affected the economic well being of Ecuador. During the last five years Ecuador has suffered a severe economic crisis caused by fluctuating oil prices, low export competitiveness compared to regional export products, corruption, high fiscal expenses and a bloated public sector, leaving the already fragile and oil dependent economy in a desperate state. The economic crisis in Ecuador caused by past governments, combined with a fundamentally weak and flawed political structure leaves Ecuador in a place where an IMF loan is the best option for long and short term stability.

II. The stolen decade

In 2007 Ecuador elected Rafael Correa as president, a populist left wing candidate whose ideals were compliant to the Twenty First Century Socialism that had been implemented in South American nations like Venezuela and Bolivia. The first term of Correa's presidency was strong, high oil prices (Ecuador main export) and high fiscal expenditure caused Ecuador's GDP to grow by 7.868% in 2011 (World Bank). Because of this Ecuador seemed like a stable nation which led to an easy re-election for Correa. Behind Ecuador's apparent success, there was an extremely fragile economy being managed by a man inebriated with pride and desire for power. His first year in office, although economically stable, was more of a chess game. Correa strategically moved each piece of the Ecuadorian governmental system in order for him to succeed as a ruler, although it is important to note Correa's definition of success is different and way more cynical than the one we all have. He started by "reforming" the constitution in 2008, "reforming" in quotations because what he did was not just change certain aspects of the constitution, what he did was just what he needed in order to satiate his thirst for power but still be a popular leader . Masqueraded by Correa's main argument that the new constitution would "curtail neoliberal policies and implement social and economic strategies that would benefit the majority of the country's people" (Beker 47) whilst protecting and respecting autochthonous communities land rights, political views and cultures; there were 4 key aspects that allowed Correa's power to grow. First there was the creation of the "Consejo de Participación Ciudadana y Control Social" (CPCCS) which served as a new branch of the government in charge of naming all the control authorities (attorney general, comptroller, council of the judiciary etc.), second it established stronger hierarchy in the judiciary system giving more power to higher ranking friendly judges, third it restarted presidential terms through a loophole which allowed him to stay ten years in power and fourth it passed a communications reform that according to Jose Miguel Vivanco, South America's director at Human Rights Watch "would make it easier for the government to impose arbitrary restrictions on the media and routinely use the military in public security operations, at the same time making it harder for citizens to file complaints about abuses". Correa's plan worked to perfection, he named one of his minions as president of the CPCCS who handed the control authorities positions on a silver platter to Correa's most loyal men and women. As it was mentioned previously, the increased strength in the judicial system hierarchy gave more power to those higher up the ladder and at the top of the ladder sat the attorney general who was placed there by the CPCCS which gave Correa and his men a high degree of judicial immunity. Lastly, the new communications law limited freedom of speech and shunned the private communication entities who disagreed or shone any light on Correa's corruption scheme. Today that decade marks the darkest time for journalism and free speech in Ecuador, Teleamazonas and Ecuavisa the biggest private networks of Ecuador where usually under attack by the government, the newspaper "El Hoy" declared bankruptcy as it could not pay the arbitrary fines placed by the government, over 25 journalists prosecuted and some journalists who knew too much about Correa where never seen again. Combine the amount of power that the new constitution gave Correa's government and a majority in the National Assembly and the result will be a seemingly all powerful government that can do as it pleases.

Although Correa had shaped the state in such a way that it will almost always benefit him there was still a key issue to be handled; how to maintain the popular vote? Being a heartfelt populist Correa shifted the whole economic structure of Ecuador to an extremely unstable and short term gains based structure that allowed him to maintain and even gain popularity. In only 5 years Correa doubled fiscal expenditure, directing a record 44% of Ecuador's GDP to public expenditure. Correa bloated the state by creating 12 new ministries and increasing the amount of public employees by 22%. He started massive projects such as the Coca Codo Sinclair hydroelectric project, the "Refineria del Pacifico" an oil refinery in the coast of Ecuador and more than 1000 km of highways per year. This combined with his exceptional political proficiency (proper of populist leaders) kept the support of the majority of the, mostly poor and little educated, Ecuadorian population. Although this strategy worked fantastically inside of Ecuador, foreign investors were not so gullible. General mistrust in the Ecuadorian judicial system, poor debt record payment and the "Impuesto a salida de divisas" (ISD), which charged a flat fee of 5% to any amount of capital leaving the country, were detrimental to FDI in Ecuador. As a consequence FDI plummeted, reaching only 0.239% of GDP in 2010, one of the lowest levels of FDI in all of Latin America.

Nevertheless, this was not what sank the Ecuadorian economy, this was just the weight that kept it sunken. The tipping point came in 2014 when global oil prices decreased, at that time 28% of the Government's revenue came from oil (Noriega, 2), this dependence on oil took a hefty toll on the Ecuadorian economy. GDP growth went down from 3.79% in 2014 to 0.099% in 2015 until it eventually ceased to grow, reaching a percentage growth of -1.266% in 2016 (World Bank). This was a knife to the neck of Correa's government since taking harsh non popular economic measures in the form of decreasing the size of the state, cutting spending or removing subsidies would threaten his popularity. With his popularity on one side of the balance and the country's economic well being on the other side, Correa chose to do what every populist in the short yet tumultuous history of this continent has chosen. Correa decreased government spending by only 3.91% in 2015 and 1.06% in 2016 (Datosmacro), and in order to keep the economy somewhat alive he indebted the nation to China. Several Chinese loans and a massive negotiation, which has since backfired, in which China invested in Ecuador 18,020 million dollars in the form of infrastructure and energy, in exchange for 1,310 million crude oil barrels paid from 2017 to 2024, meant that approximately 80% of Ecuador's crude oil was pre-sold to China. The Chinese investments' benefit to Ecuador was also limited since most of the labor in said investments was Chinese which meant the Ecuadorian job market did not profit from these investments. This caused external debt to grow to unseen levels making up to 46% of the GDP. It is important to have in mind that according to the Constitution the highest percentage of GDP external debt can reach is 40%, which means that somehow Correa hid the debt. Just when you may think no more damage can be done to a nation in such little time, we must talk about corruption. (Which makes the perfect transition point to the next kick in the groin Correa's government gave Ecuador.)

Previously in this subsection, major projects such as the Coca Codo Sinclair hydroelectric, an oil refinery and an extensive array of highways were mentioned. Those projects served as the perfect corruption platform for Correa and his allies.The "Refineria del Pacifico" constructed by no one else than Odebrecht was calculated to have a 23% overprice accounted to bribes and negotiations. In fact Jorge Glas ex-vice president in the second term of Correa was sentenced to prison due to illicit enrichment in the construction of this project. It must be noted that, although bribes and down payments were disbursed, the refinery was never built. To keep things short and simple, since I would have to write a third testament if I wished to explain every corruption case in Correa's government file, the other projects' stories did not differ by much. They were overpriced and full of bribes. Last year the National Anti-Corruption Council estimated that Correa's government stole 35.695'874,839 USD in ten years. Today Correa, his allies and his minions are fugitives hiding in other nations enjoying the fruits of their labour. Correa's government is truly something to admire. It is worthy of a Hollywood movie, preferably with George Clooney and Brad Pitt as a sequel of the Ocean's trilogy, because no one has ever performed such a perfect crime. He started by setting everything up, proceeded to rob all that he could and dipped at the last second leaving the next government to deal with all the problems he caused.

The misfortune of Correa's careless crimes landed on the hands of Lenin Moreno, former vice president of Rafael Correa in his first term, but who has turned against the former leader just like in a telenovela. Although he is no saint, his government has been successful serving justice to some of Correa's corrupt officials. With this said, Moreno's government has been characterized by a feeling similar to one of a hangover, trying to forget and mend what is left of a party that lasted a decade. 2018 was an extremely difficult year for this government. The debts to pay were remarkably high, the central bank of Ecuador stated that officially the external debt of Ecuador amounted to 46% of the GDP, although a private comision hired by Moreno's government stated that the real external debt reached 49% of the GDP. The second and third trimesters of 2018 presented a balance of payment deficit of -127.4 and -126,4 million USD respectively. Government income was also limited since oil, which is Ecuador's biggest export, was pre-sold to China. To add to the troubles, production volume of oil barely increased because the Refineria del Pacifico project was never built and an older refinery which was refurbished by

Chinese investors was only working at 70-80% capacity. Therefore, in 2017 Ecuador was already behind in oil payments to China, meaning that virtually all of Ecuador's crude oil production of 2018 was property of China. This caused a severe deficit in the governmental budget. Inflows of capital were at a record low and expenses were at an all time high due to the bloated state left by Correa's administration. Salaries amounted to 46% even up to 50% of the governmental expenses depending on the month (Banco Central del Ecuador). This left Moreno with no choice other than to file for an IMF loan.

III. Previous IMF Intervention

Ecuador and the IMF have had a love hate relationship through the life of the latter. Ecuador has had 18 previous IMF loans, the first one in 1961 in the government of Jose Maria Velasco Ibarra and the last one in 2003 in the government of Lucio Gutierrez. With a total of 1,265,780 thousand SDRs lent by the IMF. It is well known that the IMF did not have a good introduction into the Latin American economy. Subjective conditions and a "cookie cutter" approach resulted in a wave of criticism which eventually led to a change in the way the IMF manages its loans. In Ecuador's case, the decade of the 60's was when this small agricultural nation with a population of just 4.5 million, had its first disbursement of IMF loans. These loans were a double edged weapon at that point in time since they served as a political strategy to fight the feared communist wave in Latin America. The conditions for a 10 million dollar stand-by credit were tightly wound to capitalist ideals; limiting imports, devaluating the national currency whilst also putting a cap on that devaluation, limiting the amount of financing from the Central Bank to the government, new requirements for legal reserves of commercial banks and periodical reports about the “stabilization program” . These conditions were conceptually viable and some were even effective and still hold relevance today, for example, limiting the amount of financial transfers between the Central Bank and the government was effective in managing inflation and corruption. However, social, economic and fiscal aspects were not taken into account. “Inflation was rising and revenue falling, in large measure because of capital flight, an antiquated tax system, uncontrolled smuggling from Colombia, and deteriorating terms of trade” (Kofas, 62). It was common for early IMF loans to have this cookie cutter approach in which certain aspects of different societies and cultures were not taken into account when setting conditions. The general disregard to these aspects mentioned by Kofa, accompanied by a good deal of corruption in Velasco’s administration especially in the financial sector, caused this first point of contact with IMF credit to be less effective than expected. The biggest problem perhaps is that the same conditions were set for several future credits, which supports the widespread argument that the IMF was not effective at all. Data from 1961 to 1994 shows that IMF credits were neither harmful nor beneficial, but it also shows a lack of discipline from Ecuador. According to El Comercio and El Universo only one out of the sixteen loans (1963 credit for 6 million USD) was paid on time, and only 4 (1961,1963, 1983 and 1985) were totally canceled from 1961 to 1994. In contrast with this, Ecuador failed to accomplish the conditions set in the negotiations with the IMF due to discrepancies between Government and Congress when signing the implementation of structural and economic reforms . Saying IMF loans were effective from 1961 to 1994 is as subjective as saying they were ineffective. There is no empirical evidence supporting either claim and more importantly there is nothing to compare it to, there is no way of seeing what would have happened if no credit was given in extreme crisis moments.

From 1994 to 2003 two IMF credits were given to Ecuador, one in 2000 and one in 2003, the credit on 2000 holds the spot for the highest credit the IMF has given to Ecuador with an amount of 226,730,000 USD. The reason loans from 1961 to 1994 are analyzed separately from those granted in 2000 and 2003 is because the IMF underwent a structural change after the 1990's debt crisis in Latin America and East Asia. Although the causes for these crises were not at all similar the IMF took a similar approach in both cases, this led the IMF into an epoch of harsh criticism and a general negative reputation. During these early interventions the IMF was characterized by its cookie cutter approach, disregard to context and tough economic reforms which many times caused economic pain. Graiiam Bird and his paper: " IMF programs: Do they work? Can they be made to work better?" had an important impact in the way the IMF was structured and managed. Bird proposed several innovations in order to increase the IMF's credit success, the most important changes Bird suggested were: pre-conditionalities, strengthening conditionalities through ownership, harder penalties if creditor nations do not comply and more personalized conditions. As a result of this and many other external pressures the IMF changed the way credits were managed. The main shift was in the relationship with the creditor nations. By giving the creditor nation more ownership in regards to the conditions, goals and terms the IMF strengthened the concept of bilaterality in their agreements, with the hopes of steering away from one-size-fits-all policies and cultural or contextual ignorance that could harm instead of help developing nations.

In 1999 Ecuador went through what is now referred as the "banking holiday". Risky behavior by banks and a severe devaluation of Ecuador's ex-currency the Sucre, led to the bankruptcy of several banks in a lapse of a few days. Thousands of people lost their savings and the private financial sector of Ecuador fell to the ground. The social outcome of this crisis was a massive wave of migration towards Europe and the United States. The economic solution to it was a change of currency to the US dollar as an effort to strengthen and stabilize the falling economy. The combination of the banking holiday, low global oil prices and the natural phenomenon of "El Niño" all in less than a year left Ecuador in a deplorable state. The GDP contracted by 9.654 Billion USD, unemployment was on the rise, the banking sector was extremely weak, there was a large fiscal deficit and the external debt was not getting any smaller.

In early 2000 president Mahuad was deposed right after he decreed the dollarization of the country and the problem landed in the hands of vice-president Gustavo Noboa and his government. Noboa proposed the " Ley Fundamental para la Transformación Económica del Ecuador" a law that would allow an economic transformation with the hopes of bringing economic stability back to Ecuador. The goal of this legislation was to "pave the way for the official dollarization of the economy announced on January 9, 2000, a more flexible labor market, a strengthened framework for addressing the problems of the financial sector, and should facilitate increased private foreign and domestic investment in key sectors of the economy" (Guzman, 1). It also gave foreign markets and private investors a positive and safer view of Ecuador's economic structure. Later that same year Noboa's government requested the IMF an initial 226 million dollar credit in order to implement the economic transformation. The IMF agreed to the request and started negotiations for a stand-by credit of 226 million USD. The following conditions were the most relevant: recover fiscal equilibrium, set a cap on public debt, increase VAT , creation of a liquidity fund, cap on public deficit, cap on Government spending and detailed reports on ongoing projects. Noboa's legislators kept close ties to IMF officials in charge of this loan, negotiations were far from easy due to internal discrepancies in Ecuador's Congress. A majority of the Congress opposed the conditions the IMF proposed, because of this renegotiations became an ongoing practice between the IMF and Noboa's government. Although the conditions were not optimal the IMF stayed true to its new ideals, giving Ecuador more ownership over the proposed economic reforms and being more flexible and understanding of the political situation at the moment. It was finally agreed that part of the credits disbursement would be delayed by a year and that some initial conditions would be discarded. Contrary to what Ecuadorian loan history dictates Noboa paid the full credit back to the IMF, giving a glimpse of hope for the new IMF-Ecuador relationship. The short term results of this initial loan speak for themselves (it is important to note that this was only a year and a half after the banking holiday which devastated the economy). From 2000 to 2002 GDP grew a 4.06%, FDI went from -0.128% to 2.201% of GDP, external debt went from 70.1% to 46.4% of GDP and public debt went from 12.1% to 8.4% of GDP (Central Bank of Ecuador).

The success of this initial loan prompted president Lucio Gutierrez, elected in January 2003, to continue the loan program with the IMF. Later that year Gutierrez signed an agreement for a second loan of 240 million USD. With this secondary loan new conditions were negotiated, the most important being: maintaining the US dollar as official currency, controlling inflation, strong fiscal position, reduction of debt, investment increase and lower interest rates. The goals for these loans were similar to those of the Economic Transformation Law, with special focus on returning liquidity and trust to private banks, having fiscal surplus, increasing foreign and domestic investment and lowering inflation. Once again, Gutierrez's political party, a minority in Congress, faced difficulties in the implementation and legalization of the economic reforms requested by the IMF which affected the long term effect of these in Ecuador. Nevertheless, on a more positive note, the goals set by Gutierrez and the IMF were accomplished. The loan ended abruptly in 2005 as consequence of the destitution of Lucio Gutierrez from the presidency due to the “revolución de los forajidos”. This social movement took the streets of Ecuador when Gutierrez decided to forgive and bring back from exile corrupt ex-president Abdala Bucaram. With 205 out of the 240 million USD received, the IMF credit ended, the social disturbance in Ecuador caused a delay in the payment of the loan but the loan was paid in its totality by the end of 2006. The results of this loan reinforced the success of the “new” IMF in Ecuador. By the end of 2005 banks had an average liquidity of 31.34% (Asobanca), an impressive figure considering that in 1999, when thousands of people lost all their savings, a wave of mistrust in banks nearly killed the private financial sector of Ecuador. 2005 also presented a fiscal surplus of 0.73% of GDP. Although FDI decreased to 1.189% of the GDP compared to the 2.687% share of GDP in 2003, domestic investment reached 22.083% of GDP in 2005 versus 18.44% of GDP in 2003. It is important to note 2003 and 2004 were years with an exceptional focus on bringing oil multinationals to the country which spiked up FDI. Inflation rate fell from 9.36 in 2003 to 3.13 in 2005 reflecting a responsible and controlled use of the financial reserves heavily influenced by the IMF conditions. Both of these credits also had collateral benefits to the recovering economy of Ecuador. The injection of millions of dollars into the economy helped the newly dollarized nation acclimate to this new currency, boosted growth and decreased unemployment from 5.76% to 3.77% (World Bank).

IV. IMF to the rescue

In March 2019 president Lenin Moreno signed an agreement for a new credit under the IMF extended fund facility for 4.2 billion USD over the next three years. As previously explained Ecuador is again in a desperate moment caused by a growing economic crisis and an unstable political environment. The first action was to set objectives for the extended fund facility credit. Managing director Christine Lagard stated: “The Ecuadorian authorities are implementing a comprehensive reform program aimed at modernizing the economy and paving the way for strong, sustained, and equitable growth. The authorities’ measures are geared towards strengthening the fiscal position and improving competitiveness and by so doing help lessen vulnerabilities, put dollarization on a stronger footing, and, over time, encourage growth and job creation.” IMF’s conditions are closely linked to the “comprehensive reform program” mentioned by Lagard in her statement. Inside this reform program the most important points are: reduce debt to GDP ratio through a combination of a wage bill realignment, a gradual reduction of fuel subsidies, re-prioritizing capital and goods and services expenditure and tax reforms. The capital saved and generated by these reforms should then be used as social assistance. Although these were the main initial conditions government officials committed to further economic reforms such “supporting job creation, restoring competitiveness and catalyzing private sector-led growth while increasing transparency and forcefully countering corruption. A more efficient tax system, public wage restraint, facilitating the hiring process, and a more efficient energy sector” (IMF negotiation briefing). Parallel to these IMF influenced efforts Moreno’s government continued previous economic restorations such as the strengthening of medium-term fiscal policy, stricter fiscal controls and better public financial management which will stimulate the effectiveness of fiscal policy. The first fraction of the credit was disbursed in june 2019, a total of 251.14 million USD were approved by the IMF board after the initial economic measures taken by Moreno were considered sufficient. The first decrease in fuel subsidies, the improving fiscal situation, the decrease in borrowing costs and the increase in federal reserves gave the impression Ecuador was following the IMF conditions and heading towards a better more stable economic perspective. This 251.14 million USD was aimed at paying off fiscal debt whilst rationalizing fiscal spending, increasing fiscal transparency through tougher and more regular control and oversight of capital inside the Government and strengthening the private financial sector.

Nevertheless, new economic measures were not always popular with the people. October 2019 marked a turning point for Ecuador's loan program with the IMF. The announcement that an unproductive and costly fuel subsidy will no longer exist sparked a wave of violent protests and social unrest in the capital city of Quito, and in the close sierra communities. The "Confederación de Nacionalidades Indígenas del Ecuador" or CONAIE, a political confederation of indigenous nationalities of Ecuador, led the protest with the argument that removing the fuel subsidy will negatively affect agricultural communities and the poorest percentile of the nation. They called a national strike which lasted two weeks. Ironically, this strike meant an economic loss of 821 million USD for Ecuador, according to Veronica Artola acting manager of the Central Bank of Ecuador. The subsidy reform was well received by the chamber of commerce, chamber of industrials and the private sector. Economic studies have revealed that 85% of the subsidized gas benefits the richest percentile of the Ecuadorian population, that the LPG (liquified petroleum gas) subsidy benefits the richest percentile five times more than it does the poorest percentile of the population, that from 2005 to 2018 the cost of the subsidy is equal to the 80% of GDP, and practically all of the external debt, and that 114.6 million of gallons are smuggled to Colombia,Although the CONAIE only represents 6% of the nation, this protest was fueled by Correa's people trying to depose Moreno and it also paved the way for a new anti-IMF, anti-imperialist feeling to take off. Thus the IMF retired the condition due to the social consequences it had. This led to more negotiations between the IMF and the Ecuadorian government with the goal of managing this unproductive subsidy. Currently the subsidy is still active but the IMF has stated: "The Government continues to negotiate a revised fuel subsidy decree with a broad representation of civil society and hopes to reach an agreement in the foreseeable future". After the tension dropped in Quito and the Sierra region, the CONAIE took the lead in the anti-IMF movement with help of the well known anti-imperialist narrative. This political group stated that the IMF does not consider the political, economic and social ideals of the Ecuadorians, that the economic reforms proposed by the IMF will only benefit big private companies and the "elites" of the ecuadorian society, and that it is only a tool of control used by the United States in hopes of strengthening capitalism around the world. A totally valid view considering the freedom of speech all Ecuadorians are entitled to, the problem is that the CONAIE does not propose any viable alternatives. They have proposed socialist inspired reforms such as increasing income tax and load the crisis in the shoulders of the richest percentile, but have yet to show any numerical evidence on how a higher income tax would generate enough capital to drag Ecuador out of the economic crisis, or how it would solve other problems such as the bloated state or the falling investment. They have also mentioned other loan options such as China, but history has taught us that Chinese loans are not efficient and many times can be dangerous for the economy. What groups like this fail to see is the extent of the economic crisis, explained in the first section of this paper, and the new identity of the IMF that moves away from the arrogance and insensibility that it was known for in its first years. They also fail to remember that this “new” IMF has already helped Ecuador as explained in section two of this paper.

Ecuador needs the IMF credit more than it thinks. While it is true that there are many options for credits and loans, Ecuador has a systematically flawed political structure that requires the discipline and economic reforms the IMF offers. It is hard to picture how much harm previous corruption, populist measures and tyranny have caused Ecuador. Today Ecuador could receive billions of dollars from any creditor in the world, but this would not mean a cure for the economic crisis. Ecuador’s economic system is fundamentally flawed, as seen in section one. There are no foreign investment incentives in a nation which has unexploited gold mines such as the best cacao in the world, one of the best fisheries in the Pacific, almost every climate in the world due to its location in the Equator and the vast difference each region offers. In this small nation you can find the closest point to the sun in the morning and be by the sea in the afternoon, meaning it is a prime location for almost any crop and for tourism. Yet, it has one of the lowest FDI rates in all of South America. The Government spends most of its capital trying to sustain itself due to the sheer size of it. The labor law is extremely inefficient promoting an ineffective working culture and making the creation of jobs expensive for small, middle and even big businesses. The country has no safety net because corruption and greed have caused governments to spend more than they have, depleting the already small reserve. Today, apart from these fundamental flaws, there is also less revenue since oil was pre-sold to China in exchange for investments that had a really low yield .

With this new deal the IMF plans to rebuild said broken foundations, because long term economic growth in Ecuador can only be reached if those foundations are rebuilt. The conditions proposed by the IMF and stated above, clearly show that the main goal is to restructure the Ecuadorian economy and move away from the harmful, short sighted and populist economy present today. Any other loan might provide enough capital to pay the external debt or invest in lucrative oil activities. But without fiscal discipline and without supervision it will all fall back into this vicious cycle similar to that of a “get rich quick” scam, which will bring a lot of capital into the country in a short amount of time. Expecting that the flow of capital will be stable the Government will indebt itself and invest in popular projects, because there is lots of capital there is more to spend so it will grow the state, it will inject as much money into the economy as possible and it will start having a rich country lifestyle. But when the capital flow diminishes, the nation will not be able to support the lifestyle it previously had. Taking the economic measures to live with a lower income is political sucide so politicians get their hands into capital reserves, they grow the debt and they pass on the problem to the next leader. This cycle limits capital reserves growth, increases debt and leaves long term growth in oblivion. The only way to break this cycle is to leave that political ego aside, to reform the economy in such a way that it forces leaders to act in favor of long term growth rather than short term popular success. If today the IMF has the strength, influence and capital to break this cycle in Ecuador, perhaps the only danger of this intervention is in the future. Who is to say a future government would not change the constitution and reform the economy for personal reasons and wreck everything that has been built? Especially in Ecuador this is a real possibility. Sadly the short sightedness of previous leaders and the lack of long term growth have yielded a nation ruled by ignorance and hunger, and there is no better recipe for populism and tyranny than this. Nonetheless is unproductive to live with fear of what would happen in the future and limit growth and prosperity because of this. I'd rather believe that Ecuador is in a rightful path and with the help of this loan it could restructure the economy and start heading towards long term growth.

Today the deal with the IMF is still battling the remaining "Correista" shrapnel left in Congress (now called Assembly). In December 2019 a revised tax reform was approved, the main points of which are: an increase in 10% of the special consumption tax, VAT for digital platforms, the refinancing of student loans, no VAT for certain agricultural instruments with less than 300 horsepower and no advance of income tax for beginning businesses. Although the tax reform was approved 70 out of the 133 members of congress voted against a Central Bank reform that aims to manage the use of capital reserves, an organic budget code reform and a labor law reform. The Ecuadorian Government is now revising these reforms hoping they will be approved in the foreseeable future. This is clear evidence that although slowly, the IMF conditions are being fulfilled.

V. Conclusion

Ecuador is a nation with a lot of potential but previous leaders have built an unstable platform for this country to stand in. A recent economic crisis tumbled this unstable platform hurling the nation into one of the worst crises it has had. Corruption, greed and mismanagement left Ecuador depleted, with no reserves and an extremely high debt. This led president Lenin

Moreno to file for an IMF loan. Although the IMF has had a somewhat troubled past with Ecuador due to cultural ignorance by the IMF and indiscipline on the side of Ecuador. This institution's relationship with Ecuador has vindicated itself after the 2000-2003 loans, which proved to be a success for Ecuador and for the IMF's new structure. Ecuador today is again in a deepening hole and trapped in a vicious cycle caused by the shortsightedness of past leaders. The only way to get out of this hole is to break out of that vicious cycle which is fed by ignorance, lack of education and poverty. To break out of that cycle Ecuador needs long term growth, it needs the stability it has never had and today it has a unique opportunity to achieve it. It has a rare opportunity to rebuild its foundations, to make them strong, resilient and most importantly, permanent. The way Ecuador can rebuild these foundations is through a set of strong economic and social reforms which will prioritize long term growth, discipline and transparency. The IMF offers a platform that has enough strength and knowledge to carry out this necessary yet difficult reforms. It can be said, taking a more cynical view, that more than the money Ecuador needs the discipline that comes with an IMF loan. Although slow, today Ecuador is on a path towards economic stability, there is no doubt there are going to be challenges along this tough road, but the hope is that patriotism and transparency rise above greed and corruption in order to lead this nation towards a better future where the IMF is no longer needed.

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