

I. COUNTRY REFORM PROGRESS

This Global Public Finance Partnership (GPFP) project continues to make progress in supporting the authorities' efforts in domestic revenue mobilization and modernizing the public financial management (PFM) system.

Two missions from the IMF's Fiscal Affairs Department (FAD) on tax policy reviewed Ecuador's mining fiscal regime and tax system. The June 2025 mission recommended changes to attract investors and protect revenue, most of which were adopted in December 2025, leading to expected increases in GDP revenue from mining. Subsequent missions helped authorities analyze and streamline tax expenditures, resulting in VAT reforms in April 2026. Previously, FAD assisted with tax policy design, and authorities began revising investment contracts with World Bank support. Going forward, FAD will continue helping evaluate tax expenditures.

IMF capacity development (CD) on PFM improved treasury management and prepared an arrears prevention and clearance strategy with the ministry of finance. Subsequent short-term expert missions since 2024 prepared an Excel-based cash plan, a methodology for reducing budget rigidities arising from earmarking of financing sources, and a system to improve transparency in prioritizing payments. Several benchmarks of the IMF program on budget, treasury, and fiscal risks were assisted by complementary IMF desk review. Building on this work, in April 2026, a headquarters mission worked on integrating macro-fiscal processes, budget preparation, execution and cash management, with the aim of operationalizing the fiscal rules' constraint, overcoming budget rigidities and avoiding financing pressures that may lead to creating expenditure arrears. In particular, the assistance targeted calculation of budget quotas for commitment control, supported publication of methodological differences among reports, and including accounts payable in the budget space. The mission also worked on improving institutional arrangements, such as the technical fiscal policy committee, identifying IT system modernization priorities, such as cash planning and entities' information flows.

In the next fiscal years, the PFM work will focus on the implementation of budget and treasury management recommendations and strengthening fiscal risks management through HQ-led and short-term expert (STX) missions.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY26: Two FAD missions analyzed Ecuador's fiscal mining regime and tax system. The first in June 2025, focused on assessing the mining fiscal regime. The mission proposed a set of recommendations to promote a fiscal regime that can attract long-term investors whilst safeguarding revenues from international tax planning by investors. Most of FAD's recommendations were incorporated in the mining regulation amendments made in December 2025. The amendments to the mining regulation are expected to yield 0.4 percent of GDP in additional revenue in 2027, and 0.1 percent of GDP going forward. In March 2026, a mission supported authorities in developing a cost-benefit analysis approach to assess tax expenditures with a view of streamlining them. In April 2026, Ecuadorian authorities reduced the number of goods subject to the VAT zero rate and have also enforced VAT on sport gambling.

Previous Progress: FAD had supported the government in enhancing tax policy design by providing feedback on reform proposals through the IMF area department. Authorities, with the support from the World Bank, started revising investment contracts with a view to assessing whether they meet their intended goals.

Next Steps: FAD will continue supporting Ecuadorian authorities in the evaluation of relevant tax expenditures and capacity building in modeling revenue in the mining sector using the Fiscal Analysis of Resource Industries methodology.

SM II: Spending Module II – Managing Public Finance

Key Progress in FY26: A HQ mission in April 2026 worked on improving the link between budget preparation, execution and treasury processes, including commitment control and an action plan to implement the arrears prevention and clearance strategy. This mission took place with a delay due to the elections in 2025 and subsequent turnover in the vice ministry of finance. The mission worked on commitment control from an operational perspective and on improving treasury and budget management integration to avoid cash and financing pressures while complying with the fiscal ceilings. It identified concrete measures to improve the PFM system that were agreed with the vice minister of finance. Further support was requested for the upcoming years to accompany the reforms with this project.

Previous progress: Two missions (August-September 2024) provided CD on improving budget execution processes for public investment, a methodology for cash planning, and the arrears strategy. The missions prepared an Excel-based cash plan with an improved methodology, and a methodology for reducing budget rigidities from earmarking of financing sources. Also, the short expert missions worked on payments automatization and prioritization to reduce human intervention.

Next Steps: Several benchmarks of the IMF program on budget, treasury and fiscal risks were assisted by complementary IMF desk review that are being followed up by this GPFP project. Missions (two STX and one HQ mission in FY27 and one HQ mission and/or STX missions in FY28) are planned on fiscal risks management, budget and treasury management, as follow up of FY26 recommendations.

III. LOGICAL FRAMEWORK

Country – Ecuador		
RM I: Objective – Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 2
Outcome	Rating	Narrative
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	2 Partially Achieved	Two CD missions were conducted in June 2025 and March 2026 to review the country's fiscal mining regime, tax expenditures and efficiency of the tax administration. The 2025 FAD mission recommended the authorities implement a sovereign adjustment mechanism, as outlined in the Constitution, to help ensure appropriate revenue collection from mining activities.

		Ecuadorian authorities revised the Mining Regulation in December 2025 to incorporate these changes. The amendments to the mining regime are estimated to provide a yield of approximately 0.4 percent of GDP in 2027. Authorities are actively reviewing tax expenditures. A 2026 FAD mission supported the development of a cost-benefit approach to assess tax expenditures and provided a set of recommendations to improve the design of these measures. In addition, Ecuadorian authorities are revising the tax incentive system for investment contracts with support from the World Bank. The planned changes will introduce stricter conditions for accessing tax incentives. In addition, authorities are evaluating existing investment contracts to determine if the specified conditions have been met; if not, they will recover forgone revenues and terminate the relevant contracts.
SM II: Objective – Strengthen Macroeconomic Frameworks – SMF		Rating - 2
Outcome	Rating	Narrative
Strengthened identification, monitoring, and management of fiscal risks	2 Partially Achieved	Ministry of Economy and Finance created a Fiscal Risk unit inside the Public Finance Department and has initiated the coordination process to conduct risks assessments. Initial risk assessment is being conducted by this unit and reported in the medium-term fiscal framework fiscal risks section. FAD will provide CD in FY27 on fiscal risks analysis and reporting. Training was provided through the IMF regional capacity development center during FY26 outside of this project.
SM II: Objective – Strengthen Budget Management – SBM		Rating - 2
Outcome	Rating	Narrative
Strengthened asset and liability management processes	3 Largely Achieved	Coordination in the vice ministry of finance has improved in 2026, the top-down process is working well, and the financial plan is a working document while arrears reporting and clearance improved. A mission delivered on a methodology on revenue and expenditure forecast on a cash basis and helped prepare the treasury financial plan in FY25. FY26 CD focused on integrating budget and treasury processes to help prevent arrears and manage cash and budget pressures.
Strengthened budget execution and control processes	3 Largely Achieved	In FY25, the CD worked on reducing budget execution financing earmarking rigidities. It also assisted in preparing the financial plan, the arrears' strategy and automating the payment system (as structural benchmarks).

		In FY26, CD focused on the implementation of the PFM Law to improve commitment control and prevent arrears. This CD will be followed in FY27 with STX missions. Some progress made in 2026 on top-down commitment control and clearance of GAD and IESS accounts payable through agreements.
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IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
Political Support		
RM I: Increased political instability and security concerns could make passing critical legislation more uncertain	Medium	Work closely with the IMF Resident Representative to monitor the political environment and timely identify risks. Maintain regular high-level meetings in parallel to the engagement with senior management and technical staff to keep momentum for reforms. Support the government with stakeholders' consultations.
SM II: Elections in April 2025 and change in the vice minister of finance prompted delays in CD activities. Overall commitment to reforms is maintained under the program.	Low	Consultations with IMF country team help the authorities to recognize the relevance of PFM reforms. The new vice minister of finance in 2026 has renewed contact with FAD and CD is ongoing.
Management and Technical Staff Support and Commitment		
RM I: Competing demands for key staff's attention might result in low engagement on tax policy measures.	Low	Discuss with authorities to establish clear priorities and coordinate with the area department in the context of the Extended Fund Facility program's priorities and structural benchmarks.
SM II: Competing demands for key staff's attention might result in lower engagement. Turnover in directors' positions.	Medium	Discuss with authorities to establish clear priorities. Coordinate with IMF area department. A new IT system needs to be in place and represents an opportunity for reforms' integration.
Resource Adequacy		
RM I: Staff turnover may limit CD absorption.	Low	Disseminate CD materials and ensure there is a wide audience.

V. PROJECT MANAGERS: CONTACT INFORMATION

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