

I. COUNTRY REFORM PROGRESS

The project financed by the Global Public Finance Partnership (GPFP) has supported important fiscal developments in Ecuador. Overall, progress in both the mining fiscal regime and public finance management reflected ongoing efforts to improve revenue mobilization and spending management.

On the revenue front, capacity development (CD) was instrumental in strengthening the mining sector's fiscal framework, leading to the submission of key reforms to Congress in November 2025 that should mobilize additional revenue. Planned CD will continue in line with Ecuadorian authorities' interest in further assistance, especially to review tax expenditures.

For public financial management, planned CD activities on budget and treasury management in 2025 were postponed due to elections and changes in the Ministry of Finance's leadership. Notwithstanding, previous CD delivered by a short-term expert in August and September 2024 supported treasury management and arrears prevention, cementing the way forward to comply with structural benchmarks in the context of the IMF's Extended Fund Facility (EFF) with Ecuador. The IMF's Fiscal Affairs Department (FAD) anticipates resuming CD work on budget and treasury management, along with additional support from short-term experts in 2026. Remaining CD activities related to treasury, budgeting, and fiscal risk management are scheduled to continue into FY27.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY26: An FAD mission analyzed Ecuador's mining fiscal regime and 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. Following some of the recommendations put forward by the mission, Ecuadorian authorities submitted to Congress a set of reforms to the Mining Regulation in November 2025 aiming to simplify the calculation of the royalty base and strengthen the framework for the implementation of the sovereign adjustment mechanism. FAD has also analyzed and provided recommendations on Ecuador's tax reform initiatives. Ecuadorian authorities have mentioned their intention of requesting additional support on the review of tax expenditures.

Previous Progress: The team has supported the government in enhancing tax policy design by providing feedback on reform proposals through the IMF's Western Hemisphere Department country team.

Next Steps: Follow-ups on the adoption of recommendations to improve the mining fiscal regime and support requests to evaluate and streamline tax expenditures.

SM II: Spending Module II – Managing Public Finance

Key Progress in FY26: The CD activities on budget and treasury management were postponed due to the elections in 2025 and changes in the vice ministry of finance, still uncompleted.

Previous Progress: A short-term expert delivered CD on treasury management and arrears prevention in August and September 2024. This stream of CD continued under IMF's own financing to assist the authorities with the IMF program benchmarks.

Next Steps: FAD met with the authorities and is expecting the HQ mission on budget and treasury management and support from short-term experts in the first quarter of 2026. The rest of CD including treasury, budget and fiscal risks will be phased out to FY27.

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	A CD mission was conducted in June 2025 to review the country's fiscal mining regime. A major recommendation from the FAD mission was for the authorities to introduce a sovereign adjustment mechanism, as outlined in the Constitution, to help ensure appropriate revenue collection from mining activities. Ecuadorian authorities are currently revising the Mining Regulation to incorporate these changes. 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 plan to evaluate 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 Macrofiscal Frameworks - SMF		Rating - 2
Outcome	Rating	Narrative
Strengthened identification, monitoring, and management of fiscal risks	2 Partially Achieved	Discussions with the newly created Fiscal Risks unit started last year. The Medium-Term Fiscal Framework report is using the FAD fiscal risk assessment tool (CD provided in the past) but no CD provided in the last months. The project will deliver on fiscal risks management mainly in FY27.
SM II: Objective –Strengthen Budget Management - SBM		Rating - 2
Outcome	Rating	Narrative

Strengthened asset and liability management processes	2 Partially Achieved	The first year FAD delivered TA on the cash forecast and treasury financial plan. The TA on budget preparation and execution and interaction with treasury management was postponed in 2025 due to elections and government changes. It is expected to resume in 2026.
Strengthened budget execution and control processes	2 Partially Achieved	The first-year activities of the project focused on budget execution rigidities to improve investment spending execution and on the arrears' prevention strategy. In 2026, activities are expected on budget execution control and treasury operations.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
RM I, SM II: N/A	N/A	N/A
Political Support		
RM I: Increased political instability and security concerns could make passing critical legislation more uncertain	Medium	Closely work 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.
RM I: Elections in February 2025 may prompt delays in politically sensitive reforms	Medium	Consult with IMF country team to assist authorities in recognizing the relevance of reforms and preparing policy options before the elections. Renew contact with the new authorities after elections and prepare a visit.
SM II: Elections in April 2025 and new government has prompted delays in CD activities as minister and viceminister of finance have changed. Overall commitment to reforms is maintained under the program.	Medium	Consult with IMF country team to assist authorities in recognizing the relevance of reforms and preparing policy options in this period. Renew contact with the new authorities.
Management and Technical Staff Support and Commitment		
RM I, SM II: Competing demands for key staff's attention might result in low engagement.	Low	Discuss with authorities to establish clear priorities and coordinate with the IMF's area department and resident representative
Resource Adequacy		
RM I, SM II: N/A	N/A	N/A
Other Risks		
RM I, SM II: N/A	N/A	N/A

V. PROJECT MANAGERS: CONTACT INFORMATION

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