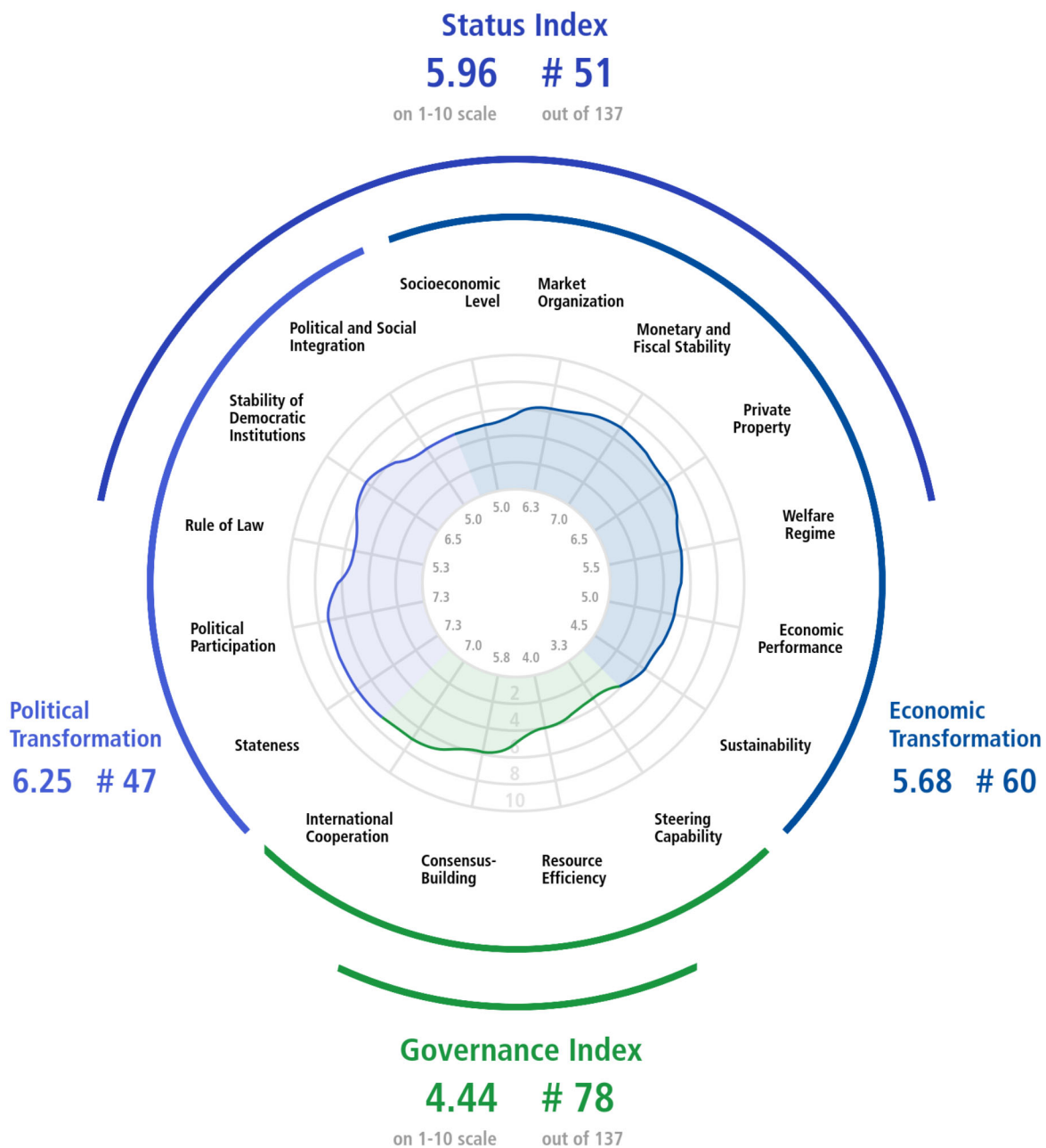


Ecuador



This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2026. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	18.1	HDI	0.777	GDP p.c., PPP \$	15840
Pop. growth ¹	% p.a.	0.9	HDI rank of 193	88	Gini Index	45.2
Life expectancy	years	77.4	UN Education Index	0.712	Poverty ³	% 10.3
Urban population	%	65.0	Gender inequality ²	0.358	Aid per capita \$	30.9

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

During the review period, Ecuador experienced a governance crisis amid the strengthening of criminal organizations that control drug-trafficking. These organizations are no longer a simple governance problem, and have an increasingly significant social, political and economic impact.

The assassination of presidential candidate Fernando Villavicencio in August 2023 and the takeover of a television station by a criminal group in January 2024 were a form of catharsis in a situation that had been worsening rapidly, as murders in the country had risen from 5.7 per 100,000 inhabitants in 2018 to around 45 per 100,000 inhabitants in 2023. The data on violent deaths confirmed the inability of the Ecuadorian state, its institutions and its authorities to guarantee order and security. This manifested brutally in massacres in overcrowded prisons due to an inefficient judicial system and a penal code that abuses pretrial detention.

This is an unequal confrontation in which criminal organizations with surplus resources face a weak, poorly managed state with limited resources. According to the police, in 2022, authorities seized 197 tons of cocaine worth about \$9.85 billion – an amount equal to one-third of the state's general budget. The data may be even worse, given that only a small percentage of drugs are intercepted by authorities.

Institutionally, the problem lies in the state's inability to exercise its monopoly on legitimate violence because of institutional incapacity, and a lack of human and material resources. Criminal groups have significant resources with which to corrupt state actors and the population. The capacity of criminal organizations to interfere in politics has grown more sophisticated, and they have created corruption schemes involving members of the government, elected politicians, party leaders and judicial authorities, which has provided them with impunity. The so-called Metástasis Case is evidence of this, as it demonstrated the direct connection between mafia groups and the judicial authorities.

In 2023, President Guillermo Lasso faced imminent impeachment, and invoked a constitutional provision that allowed him to advance presidential and parliamentary elections, popularly known as *Muerte Cruzada* (mutual death). Surprisingly, Daniel Noboa, a young businessman without a clear political program, won the election. Most of Noboa's public policy initiatives have been improvised, electorally motivated and self-interested. For example, as soon as he took office, he introduced a bill to refund taxes that could benefit his family by approximately \$100 million. To address the security crisis, Noboa launched the so-called *Fénix Plan* in early 2024. It includes deploying the military for internal security, building high-security prisons, tightening border control and expanding intelligence operations. The plan marks a shift toward a more militarized and hard-line approach to public security.

Although militarizing the country to contain violence and insecurity created an illusion about the president's capabilities, his weaknesses have become apparent at various points, from his handling of the electricity crisis to the improvised appointment of ministers and other high-ranking officials to his unstable government. Amid one of the country's worst energy crises, with blackouts lasting up to 14 hours, one of Noboa's main concerns has been preventing Vice President Veronica Abad from assuming power after he has to leave office to campaign for re-election. The clumsiness of his foreign policy has been significant, marked by episodes such as the police raid on the Mexican Embassy in Quito and the Ibero-American Summit in Cuenca, which no other Latin American head of state attended.

History and Characteristics of Transformation

Ecuador's transition from a military dictatorship to a democratic system of government occurred in 1979. The process rested on an agreement between civilian reformers and elements within the military to increase openness. However, it faced challenges because powerful conservative, liberal and other societal sectors opposed it, and were therefore excluded from influencing future policies. The political elite lacked a broad commitment to democratization and to the rules of the game, and some political actors did not view those rules as their own. As a result, the transition failed to achieve a consensus on the mechanisms for allocating and distributing political power. This hindered the consolidation, legitimacy and durability of the democratic model.

The Ecuadorian process of democratization took place against the backdrop of a long and profound economic crisis, which further impoverished vast sectors of the population. As a result, enthusiasm for democracy diminished, quickly weakening the government of Jaime Roldós (1979 – 1981). The economic crisis also resulted in a significant reduction in energy, human and material resources, while the state progressively lost control over its remaining assets. The debt crisis of the early 1980s, combined with the decline in international oil prices, exposed the fragility of Ecuador's development model. Over the next 10 years, the governments of Osvaldo Hurtado, León Febres Cordero and Rodrigo Borja made extensive efforts to stabilize the Ecuadorian economy with varying degrees of success but overall achieved very little. Economic policy measures during this time were increasingly dictated by requirements to align with IMF conditionalities.

From the mid-1990s through the early 2000s, somewhat chaotic governments prevented stability. A cycle of political crises dominated the decade following the February 1997 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 through marginally constitutional proceedings in which political actors disregarded formal procedures. Political stability seemed to return with the adoption of a new constitution and the presidency of Jamil Mahuad in August 1998. However, a combination of factors, including financial liberalization, had already destabilized the country's economy. Poor economic policy decisions and various negative external influences exacerbated the situation.

A few months after Mahuad took office, the government and society as a whole were shaken by a deep financial crisis that led to the adoption of new measures, including the introduction of the U.S. dollar as the national currency (January 2000), and ultimately to a coup d'état on January 21, 2000. Lucio Gutiérrez, a key figure in the military-backed coup, assumed the presidency in January 2003. After losing support in the parliament and across society, Gutiérrez was removed from office in April 2005 and replaced by Vice President Alfredo Palacio.

Winning 57% of the vote in a run-off election, economist and political outsider Rafael Correa assumed the presidency in January 2007. The Correa government launched a political and economic project, *Revolución Ciudadana*, which openly criticized the market economy. Without excluding the private sector, the project promoted active state intervention in both society and the economy. Correa presided over 10 years of the greatest economic prosperity in Ecuador's recent history. However, his performance was tarnished and his effectiveness was undermined by authoritarian tendencies and large-scale corruption.

In April 2017, Lenin Moreno of the governing Alianza País won the run-off election. Moreno sought to reduce dependence on Rafael Correa and the groups that supported him, signaling a shift in public policy from statism to a pro-market model. This change led to increased efforts to investigate corruption in Ecuador. The COVID-19 pandemic further exacerbated the country's challenges. During the initial wave of infections, Ecuador was one of the hardest-hit countries in Latin America, with the port city of Guayaquil experiencing an unprecedented humanitarian crisis. The Moreno administration's handling of the pandemic was extremely poor.

This changed with the May 2021 inauguration of Guillermo Lasso, whose administration launched a successful vaccination campaign that helped the country return to normalcy. However, under his presidency, criminal organizations gained strength and violence escalated. His security strategy was widely seen as erratic and ineffective, showing little resolve to fully leverage state capabilities – starting with regaining control of prisons, which had become strongholds for criminal groups. Compounding these issues were allegations linking his brother-in-law, Danilo Carrera, to individuals involved in laundering assets for the Albanian mafia, raising suspicions that Lasso was reluctant to pursue investigations to avoid implicating his inner circle.

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

Transformation Status

I. Political Transformation

1 | Stateness

The state cannot exercise its monopoly on the use of force throughout its entire territory because certain areas are controlled by criminal organizations engaged in cocaine trafficking, illegal gold mining or extortion of individuals and businesses. These actors wield considerable economic power and have formed armed groups to control territories or threaten people. The murder rate in the country rose from 5.8 per 100,000 inhabitants in 2018 to around 46.3 per 100,000 in 2023, making 2023 the most violent year in the country’s history, with 8,248 murders.

On January 22, 2024, Ecuadorian authorities seized nearly 22 tons of cocaine, which military authorities valued at \$1.1 billion, compared with 197 tons seized in 2023. In cases of extortion of companies or individuals, the Ecuadorian Organized Crime Observatory reports that the number of cases rose from 862 in 2019 to 21,811 in 2023.

Daniel Noboa’s government sought to reassert the state’s monopoly on the use of force by declaring an “internal armed conflict” on January 9, 2024. The army was tasked with retaking control of the territory and supporting the police. The militarization decree designated 22 transnational organized crime groups as terrorist organizations and belligerent non-state actors.

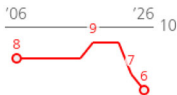
The state regained control of prisons that had become hubs for criminal organizations. Raids in high-risk neighborhoods also helped improve public perception of security and reduce common crime. While militarization neither dismantled criminal groups nor eliminated violent deaths, the homicide rate fell by 7.2 points in 2024 to 39.1 per 100,000 inhabitants – a 15% drop, with 7,033 violent deaths recorded. Prison riots continued, though their scale and intensity diminished, with four incidents reported since the declaration of internal armed conflict.

Another threat to the state’s monopoly on the use of force is illegal mining. For example, in the Punino River area of the Amazonian province of Napo, the area affected by illegal mining rose from 185 hectares in 2022 to 783 hectares in 2023. On February 15, 2024, the Ecuadorian military exchanged fire with a security group protecting the illegal mines, which included demobilized guerrillas from Colombia.

Question
Score

Monopoly on the
use of force

6



The vast majority of the population accepts the nation-state as legitimate and all citizens formally enjoy the same rights. Discrimination and a lack of equal opportunity for certain population groups result from the country's ethno-social structures and economic dynamics rather than from official policies enacted by state institutions.

The most radical sectors of Ecuador's Indigenous movement challenge the legitimacy of the nation-state. With a long history of pushing for rights and public policy, the movement is represented by major organizations such as CONAIE, FENOCIN and FEINE, which function as pressure groups. It also has a political arm, Pachakutik, with parliamentary representation. Leonidas Iza, president of CONAIE and Pachakutik's 2025 presidential candidate, represents the movement's more radical wing, advocating for greater Indigenous self-determination. However, he received just 5.25% of the vote, according to the National Electoral Council (CNE).

Since the 2008 constitution was approved, Ecuador has defined itself as a "plurinational and intercultural state," but sectors of the CONAIE have repeatedly criticized de facto non-compliance with several articles referring to this conception of the state.

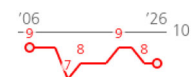
Religious freedom, and the separation of church and state have been in effect since the so-called Liberal Revolution at the beginning of the 20th century. However, Catholic dogma remains prevalent in society.

According to the 2024 Latinobarómetro survey, 65% of the population identify as Catholic and around 20% belong to other Christian denominations. The role of Catholic dogma in public policy increased during the presidency of Guillermo Lasso, who is closely aligned with the ultraconservative group Opus Dei. However, with the change of government in November 2024 and Daniel Noboa's arrival as president, the government has acted more independently of the Catholic Church and pro-life organizations, which, in March 2022, succeeded in getting the Lasso government to introduce a series of changes to the law regulating abortion in cases of rape. The president's partial veto was accompanied by a written justification in which he explicitly stated that his religious beliefs had not influenced the decision. However, the political parties and organizations promoting the law highlighted Lasso's religious faith as one of the reasons for his partial veto.

The clearest evidence of growing independence from religious organizations was the Constitutional Court's decriminalization of euthanasia in February 2024. The person who initiated the legal process was Paola Roldán, an ALS patient who launched a campaign to die with dignity and without prolonged suffering. The "pro-life" organizations were party to the process, but the rulings were not in their favor.

State identity

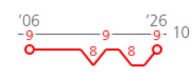
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1

No interference of religious dogmas

9



1

The country has a basic administrative structure (civil registry, municipalities, justice, police) that is present throughout almost the entire territory. The country has a tax collection system known as the Internal Revenue Service. It is among the most organized institutions in the country and has experienced less political interference than others since its creation. Almost three-quarters of the country's income comes from tax collection. In 2023, the figures were \$14.298 billion and \$16.481 billion, respectively.

Still, political instability during the review period and the state's scarce economic resources have weakened these basic administrative structures in three ways, namely staffing reductions and understaffing in state offices, budget cuts and instability in political leadership.

Added to this are the security crisis and the presence of criminal organizations that command significant resources, and have infiltrated the police, political and judicial systems, as demonstrated by the so-called Metástasis Case. This case illustrated the extent to which the judiciary was compromised when mafias captured judges and prosecutors, including the president of the Council of the Judiciary.

Recent governments have pursued a policy of “reducing the size of the state,” essentially by cutting the number of state employees. The aim is to cut spending to balance Ecuador's fiscal deficit. In addition to closing some unprofitable public enterprises, the policy is affecting other sectors, such as the health system. There are no official figures on staff reductions because the government's strategy has been to not renew temporary contracts.

Electricity access was universal, covering 100% of the population. However, the nationwide power outages in the second half of 2024, caused by the energy crisis, are evidence of a deterioration in basic administration. Although not unprecedented, the situation was exacerbated by a lack of investment and facility maintenance, defects in Chinese-built hydroelectric power stations constructed in the 2010s, and one of the worst droughts in recent years. The country has not experienced an energy crisis of this magnitude since 2009.

According to the World Bank's 2024 World Development Indicators, Ecuador reported broad access to basic services in 2022. About 95.7% of the population had access to at least basic water services, but only 67.1% had access to safely managed drinking water. For sanitation, 92.3% had access to basic facilities, but only 41.6% had access to safely managed services.

Basic administration

6



2 | Political Participation

In general, multiparty elections with universal suffrage and secret ballots are regularly held and accepted as the standard mechanism for selecting political representatives. There are no major legal restrictions on electoral freedom. The Democracy Code is the organic law that implements the political rights guaranteed by the constitution. Although Ecuador maintains the formal structures of electoral democracy, the quality of its elections is hampered by enduring administrative weaknesses, corruption and clientelist practices. These structural impediments erode trust in the electoral process, undermine political competition and inhibit the full realization of democratic accountability.

The operational side of elections (campaigning, voting, electoral register, electoral logistics) is the responsibility of an autonomous body, the National Electoral Council (CNE). To resolve electoral justice issues, there is another body, the Electoral Tribunal. Ecuadorian law guarantees all parties access to the media through publicly funded advertising. Parties cannot pay the media directly; only the CNE may do so by distributing campaign funds the state grants to all candidates.

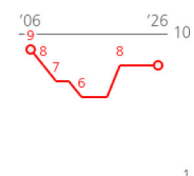
During the period under review, legislative and presidential elections were held (the first round in August 2023 and the second round in October), as well as local government elections (February 2023) and a referendum (April 2024). According to reports from the electoral authority, international observers and participating parties, all events proceeded normally. It should be noted that the presidential and legislative elections were not scheduled and resulted from President Lasso's May 2023 decision to bring the elections forward. Despite the haste, the entire process was conducted with all guarantees.

Formally, the government faces no restrictions on governing, but in certain circumstances groups can interfere with the government's or legislators' ability to govern. CONAIE and the Indigenous movement in general have become veto players in the country. They can influence and change government decisions through so-called Levantamientos – large mobilizations of Indigenous people that block roads and can paralyze cities, including Quito, the capital. During the review period, no Indigenous uprising occurred.

Because of the ongoing security crisis, the military has assumed a more prominent role and increasingly used its influence to interfere in political affairs. The most notable example is its support for President Noboa's use of questionable and potentially illegal strategies to prevent the elected vice president from assuming power during President Noboa's temporary absence while campaigning.

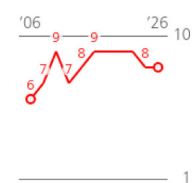
Free and fair elections

8



Effective power to govern

8



The constitution guarantees freedom of association and assembly, and these rights are largely upheld. Although these rights have occasionally faced government interference and restrictions, there are no absolute bans on political or civil society groups.

In response to security problems and the activities of criminal organizations, the governments of Lasso and Noboa have employed various means to suspend rights, including declaring states of exception or emergency in affected areas. Prisons are among the areas of greatest intervention, with inmates denied freedom of assembly within detention centers and barred from receiving correspondence until the end of the decree.

The government has increased the military's involvement in public security. According to Amnesty International, this approach has led to widespread arrests and reports of human rights violations, including arbitrary detentions and excessive use of force during protests. Moreover, human rights organizations have documented cases in which environmental and human rights defenders were arrested and prosecuted for participating in peaceful protests.

Freedom of expression is guaranteed by Ecuador's constitution. Media plurality exists, and has improved with the proliferation of online media and the transformation of traditional information channels into platforms that integrate traditional media with the internet.

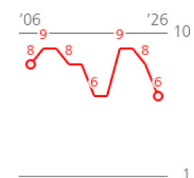
There has been little government interference with freedom of expression over the past two years. The two governments analyzed during this period have not confronted the media or attempted to control it. Media operations are governed by the Communication Law. Ecuador's legal framework also provides mechanisms to protect people from abuses committed by the media.

The greatest threat to freedom of expression comes from criminal organizations, with the most significant incident being the takeover of the TC television channel in January 2024 to broadcast threats to both the government and the public. This incident had international repercussions and prompted the government to declare an internal armed conflict.

In 2023/2024, about 14 journalists were forced to flee Ecuador because of death threats from criminal groups, according to the Protection Desk for Journalists. At least three others were relocated within the country after facing intimidation. The organization Fundamedios documented more than 220 attacks on the press in 2023, while Fundación Periodistas Sin Cadenas reported 257 incidents – more than half involved death threats. Reporters Without Borders ranks Ecuador 110th in its global press freedom index.

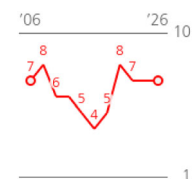
Association / assembly rights

6



Freedom of expression

7



3 | Rule of Law

Ecuador has a presidential system with effective checks and balances. However, relations between the executive and legislative branches have historically been contentious because of fragmentation in the National Assembly and the small number of deputies from presidents' parties, which has hindered presidents from implementing their agendas.

CREO (Creating Opportunities) was President Lasso's party; he governed until 2023, with CREO holding only 13 of the 137 seats in the National Assembly. After the change of government, the situation improved little, as Acción Democrática Nacional (ADN), the party of President Daniel Noboa, won only 14 seats.

Because of institutional deadlock resulting from confrontations among branches of the state, President Lasso invoked the constitutional mechanism known as Muerte Cruzada (mutual death). This mechanism allows for early elections to be held, with the president and members of the National Assembly required to leave office unless re-elected.

The new elections reorganized the relationship between the branches of government through a pact between President Noboa and the majority parties. However, President Noboa and the majority parties gradually grew apart because the National Assembly did not support President Noboa's proposals. President Noboa went so far as to offer an unusual interpretation of the legislative procedure to publish a law that had not been approved by the parliament.

The president has also shown signs of disrespect toward other democratically elected authorities. The most scandalous case is his attempt to prevent the democratically elected vice president from exercising power when the constitution dictates she should. He has done so by illegally appointing two vice presidents without the authority or legal capacity to do so.

During the review period, Ecuador's judiciary faced significant challenges, including violent attacks and intimidation targeting judicial officials, particularly those handling high-profile criminal and corruption cases. Corruption within the system also raised concerns about judicial independence, with reports of bribery influencing decisions and appointments.

Formally, the Ecuadorian judiciary is separate from the other branches of government and has its own governance structure. The Council of the Judiciary is the governing, administrative and disciplinary body of the Ecuadorian judiciary. The assumption is that this arrangement prevents interference by the executive or legislative branches.

The judicial system comprises the National Court of Justice (the country's highest court), provincial courts and magistrates' courts. The magistrates' courts deal with individual, community and neighborhood disputes and offenses, among other matters, but they cannot impose prison sentences. The Superior Council of the Magistracy appoints judges at the highest level. A merit-based evaluation system and a knowledge-based exam are used.

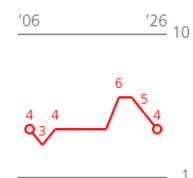
Separation of powers

7



Independent judiciary

4



Judges and court administration officials are predominantly career civil servants. Those interested in being appointed or promoted to a judicial post must pass public examinations overseen by the Judicial Council. However, these mechanisms have ceased to function because of infiltration by criminal organizations, as demonstrated by the police investigation known as the Metástasis Case, in which 29 people were arrested, including the president of the Ecuadorian Council of the Judiciary, Wilman Terán and the former police general, Pablo Ramírez, who served as anti-narcotics director and director of the country's prison service. They were joined by other judges, judicial and government officials, lawyers and leaders of criminal groups. The detainees obtained money from illegal activities, and bribes intended to corrupt officials and place certain officials in the courts handling their judicial proceedings.

In addition to these machinations, the most significant failures of the judicial system can be attributed to pressure and threats directed at judges by criminal organizations seeking favorable sentences, particularly at the lower levels of the judiciary. The trend of influencing judges through corruption or threats is likely to continue to expand because criminal organizations have enough money to buy judges and can threaten their physical safety in case of resistance.

In addition, the habeas corpus mechanism presents a serious problem. Judges in small jurisdictions not involved in the investigation of criminal cases often grant habeas corpus to members of criminal organizations, placing them in a position to overturn sentences and interfere with judicial proceedings.

Several high-profile cases indicate Ecuadorian prosecutors' proactive stance on corruption: The so-called Operation Metástasis, initiated in December 2023, led to the arrests of high-ranking judicial officials for alleged ties to organized crime and drug-trafficking. In 2024, former Comptroller General Carlos Ramón Polit was convicted in the United States for accepting bribes from the Brazilian construction company Odebrecht. Also in 2024, high-ranking public officials and members of the judiciary, including a National Assembly member and five judges, were sentenced for corruption and links to organized crime.

On the other hand, there are persistent systemic problems that undermine the rule of law. In June 2024, the National Assembly denied the National Court's request to prosecute a corruption case involving the vice president's son. Moreover, the government actively undermined anti-corruption efforts. On January 23, 2023, Anti-Corruption Secretary Luis Verdesoto – who held the rank of a minister – resigned, stating that the government did not support his allegations of corruption in public companies. Following his departure, the position remained vacant, effectively dissolving the secretariat. In the Encuentro case, former senior officials, the president's brother-in-law and close associates – such as Hernán Luque, former head of EMCO EP and a trusted Banco de Guayaquil figure – were investigated and prosecuted.

Prosecution of
office abuse

5



Ecuador's constitution protects civil rights, but these rights are not adequately respected and protected. Although mechanisms and institutions exist to punish and redress civil rights violations, they are not always effective because of a slow and overburdened judiciary.

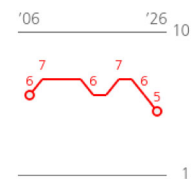
In response to security problems and the actions of criminal organizations, the governments of Lasso and Noboa have employed various means to suspend rights, such as states of exception or emergency, in the affected areas. The most far-reaching restriction was the “internal armed conflict” declared by President Daniel Noboa on January 9, 2024, which instituted a nationwide state of emergency and restricted rights for 60 days. The declaration also restricted the inviolability of the home and imposed a curfew from 11 p.m. to 5 a.m., during which time only authorized vehicles were permitted on the streets.

Discrimination based on ethnicity or sexual identity persists largely because of deeply rooted social and cultural structures rather than laws that explicitly promote such discrimination. In December 2024, four Afro-Ecuadorian boys, ages 11 to 15, were detained on suspicion of robbery. Several days later, they were found dead on a rural road. They had been severely tortured, dismembered and burned. Sixteen members of the military have since been detained, and charged with forced disappearance and likely extrajudicial killing.

Overall, Ecuador's civil rights landscape has deteriorated, marked by increased state repression, ongoing violence and insufficient protections for marginalized communities.

Civil rights

5



4 | Stability of Democratic Institutions

Ecuador has formal democratic institutions that result from electoral processes at all levels of government. In addition to the democratic election of the executive and legislative branches, the country has a long tradition of local and provincial elections dating back almost to the beginning of the republic. However, significant differences exist between municipalities because of variations in city size. Large cities such as Quito, Guayaquil and Cuenca have mayors who exert significant influence on the government. Smaller cantons, on the other hand, have more limited resources and power.

Conflicts between the executive and legislative branches have been a long-standing feature of the Ecuadorian political system, although they declined under President Rafael Correa, who was able to centralize power due to his party's electoral success. At other times, conflicts between the branches generated deep institutional crises that endangered the government and even the democratic regime itself. For example, none of the three presidents elected between 1996 and 2000 completed their terms in office.

Performance of democratic institutions

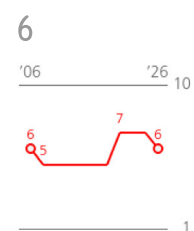
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During Guillermo Lasso's presidency, Ecuador faced a crisis fueled by corruption scandals within his administration and growing insecurity and violence. The government was unable to secure parliamentary support. As a result, a constitutional mechanism was used to hold early elections and establish new majorities. This shows that institutional mechanisms are effective in resolving crises.

Overall, most relevant actors accept democratic institutions as legitimate. However, conceptions of what democracy should be vary, particularly regarding the relationship between majorities and minorities, and are reflected in majoritarian visions of democracy that often show little respect for the plurality of political actors. Democratic procedures are instrumentalized by stretching constitutional limits. For example, President Noboa avoided formally requesting a leave of absence to run for re-election. Instead, he relied on legal maneuvers that circumvented regulations intended to prevent the misuse of state resources. He also appointed a vice president by executive decree, despite the presence of a democratically elected vice president whom he had prevented from fulfilling her duties. Nevertheless, the Constitutional Court is largely accepted as an arbiter in matters of checks and balances.

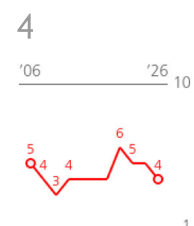
Commitment to democratic institutions



5 | Political and Social Integration

The Ecuadorian party system is weakly institutionalized. Most parties are personalist organizations activated only during electoral periods. They function largely as labels created to contest elections, serving as platforms for candidates outside the party. Most are of recent origin, lack social roots and do not maintain permanent organizations nationwide. There are significant levels of fragmentation and volatility. For example, CREO, the party of former President Lasso, went from holding 10% of the seats in 2021 to losing all representation in the 2023 legislative elections.

Party system



Ecuador's party system centers on the party of former President Rafael Correa, now called Revolución Ciudadana, which was known as Alianza País until Correa's break with his successor and fellow party member Lenín Moreno. In 2023, the party won 48 out of 137 seats, the largest share in the legislature. It also won the local elections in February 2023, securing the mayoralties of the country's two largest cities and nine provincial governments.

Revolución Ciudadana is also the political force around which the party system revolves, as the Ecuadorian political system has a cleavage centered on President Rafael Correa. Other parties gaining strength are those formed in opposition to Correísmo, such as CREO in the 2023 elections and, more recently, the ADN – a personalist vehicle named after its leader, Daniel Noboa Azín, which lacks a clear political ideology. In the 2023 elections, ADN ran as part of an electoral coalition and obtained 22 out of 137 seats. In Ecuador, parties of presidents and presidential candidates tend to benefit from the coattail or down-ballot effect, which refers to the tendency for a popular party leader to attract votes for other candidates of the same party in an election.

In the 2023 elections, the effective number of parties was 4.76, with 12 parties represented in the parliament. Among parties that have existed for more than 10 years and have secured parliamentary representation are Pachakutik, the Social Christian Party (PSC) and the Patriotic Society Party.

Ecuador has a variety of interest groups that reflect diverse social interests, but their overall influence on the political system remains limited. Business organizations have lost strength because of the gradual decline in the country's modest industrial base and the growing presence of transnational companies. This has also contributed to weakening labor unions. While numerous sectoral organizations exist within the private sector, their agendas are highly particularistic and carry little political weight. Unionization in Ecuador remains low and has declined in recent years, with union density estimated at under 4% of the workforce. This reflects restrictive labor laws, informal employment and limited collective bargaining power.

The Indigenous organization CONAIE is the most influential interest group in Ecuador, thanks to its ability to mobilize protests and pressure governments effectively. Since the first Indigenous uprising in 1990, CONAIE has pressured governments to change economic policy, and it has been especially active on fuel price increases, privatization and cuts in social services.

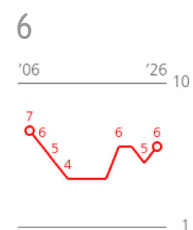
Environmentalists were another group that was very active during the period under review. They initiated a popular consultation to halt oil exploitation in Block 43 of the ITT (Ishpingo-Tiputini-Tambococha) oil field. In the referendum held on August 20, concurrent with the presidential and parliamentary elections, they secured 58.9% in favor of their proposals. However, the government has not complied with the decision and continues to exploit Yasuni's oil.

According to Latinobarómetro survey data, the proportion of Ecuador's population who approve of democracy rose from 52% to 69% between 1996 and 2017, notably peaking at 71% in 2015 – a period marked by increased authoritarianism under Rafael Correa. Support for democracy declined sharply in 2020, with only 37.7% of respondents agreeing that democracy is preferable to any other type of government, compared with a regional average of 54.8%.

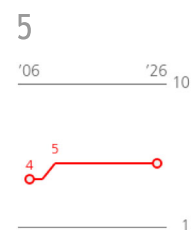
According to the 2024 Latinobarómetro, only 42% consider democracy preferable to any other form of government (2023: 37%), while 21% believe that in some circumstances an authoritarian government may be preferable to a democratic one (2023: 19%). In addition, 34% reported that they do not care about either a democratic or a nondemocratic regime (2023: 37%), highlighting the weakness of democratic institutions.

The lack of support for democracy, with its rules and norms, is also reflected among political and social actors. Even President Noboa does not respect procedures and norms, and his failure to do so does not result in sanctions from the electorate, as reflected in his electoral support and the public reaction to the use of militarized procedures that violate human rights to control crime. Public discourse favors the

Interest groups



Approval of democracy



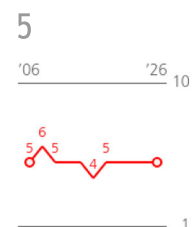
view that criminals lose their rights once they have violated those of their victims. On the other hand, the contentious politics of social movements, especially CONAIE, are legitimized in a discourse that disregards democratic procedures and institutions.

There is a wide range of autonomous and self-organized groups, associations and organizations; however, social trust in Ecuador primarily refers to bonding rather than bridging social capital. Significant levels of primary solidarity are observed between and within groups and structures, but these links rest on family or identity ties rather than on interpersonal trust marked by the inclusion of those outside the primary reference group and the acceptance of norms and institutions that regulate interpersonal relations, which creates social capital.

According to the Latinobarómetro 2024 survey, only 8% of the population believe most people can be trusted. This represents a significant drop in interpersonal trust compared with findings from the same survey in 2011, when 24% of respondents agreed that “most people can be trusted.” In 2018, the figure was 14%.

Moreover, people face unfavorable conditions for turning interpersonal trust into social capital because doing so requires an enabling environment where organizations and associations are inclusive and not influenced by corporate or criminal interests. Finally, prevailing stereotypes and biases toward Indigenous and Afro-Ecuadorian communities continue to contribute to a broader culture of distrust.

Social capital

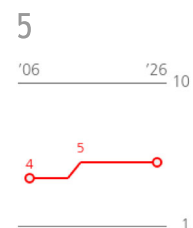


II. Economic Transformation

6 | Level of Socioeconomic Development

According to the World Bank, Ecuador is an upper-middle-income country. On the Human Development Index, it ranked 83rd in 2022 with a score of 0.765 (indicating high human development, according to UNDP). The Gini index shows a high level of inequality, with a coefficient of 44.6 in 2023, though this was not among the highest in Latin America. The overall loss in HDI due to inequality was 17.7% in 2021.

INEC compiled data on multidimensional poverty in December 2022 (the last census year). The dimensions considered were education, employment, social security, health, water and nutrition, habitat, housing and the presence of a healthy environment. According to the data, 38.1% of the population lives in multidimensional poverty, while 16.6% of the population lives in extreme multidimensional poverty. Significant differences are observed between rural and urban areas, highlighting the geographic dimension of unequal access to goods and services. In rural areas, the figures for multidimensional poverty and extreme multidimensional poverty are 70.1% and 41.3%, respectively.

Question
ScoreSocioeconomic
barriers

When analyzed by gender, the data show that income poverty affects more women (26.2%) than men (24.7%). For multidimensional poverty by ethnic self-identification, the 2022 rate is also higher among Indigenous people (77.4%), Montubios (64.9%) and Afro-Ecuadorians (43.4%). These data indicate the existence of greater gaps among women and ethnic minorities, especially Indigenous populations.

There is also a significant gap in the average education level between Indigenous and non-Indigenous populations. Being Indigenous or Afro-descendant in Ecuador increases the likelihood of living in poverty. For example, while 29.7% of children from the mestizo majority lived in poverty in 2022, poverty rates were significantly higher for Indigenous children (67.0%), Afro-Ecuadorians (45.9%) and Montubios (5.9%).

UNDP's Gender Inequality Index (score of 0.362 in 2021) indicates that women's status in Ecuador lags behind that in countries with similar socioeconomic characteristics and in neighboring countries.

Economic indicators		2021	2022	2023	2024
GDP	\$ M	107179.1	116133.1	121147.1	124676.1
GDP growth	%	9.4	5.9	2.0	-2.0
Inflation (CPI)	%	0.1	3.5	2.2	1.5
Unemployment	%	4.6	3.8	3.5	4.8
Foreign direct investment	% of GDP	0.6	0.8	0.4	0.3
Export growth	%	9.4	7.9	0.8	1.8
Import growth	%	21.4	9.5	0.6	1.7
Current account balance	\$ M	3040.9	2249.5	2350.7	7067.9
Public debt	% of GDP	61.8	57.2	54.3	53.8
External debt	\$ M	58116.0	60683.8	60563.6	-
Total debt service	\$ M	6597.5	5328.0	6652.8	-

Economic indicators		2021	2022	2023	2024
Net lending/borrowing	% of GDP	-2.9	0.0	-	-
Tax revenue	% of GDP	12.7	13.1	-	-
Government consumption	% of GDP	14.4	13.5	13.6	13.3
Public education spending	% of GDP	3.6	3.6	3.9	-
Public health spending	% of GDP	5.2	4.6	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	2.3	2.2	2.3	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

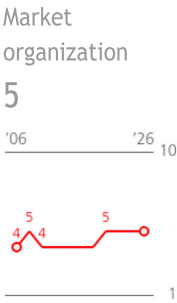
7 | Organization of the Market and Competition

The market operates under a weak institutional framework that applies unequal de facto and de jure rules to participants. President Guillermo Lasso attempted to liberalize markets and improve competitive conditions, particularly in public sector markets, but his proposals failed because of his brief term in office and lack of legislative support.

As a consequence of the electricity crisis that affected the country in 2023 and 2024, Daniel Noboa’s government deregulated parts of the electricity market. However, the results are not yet evident because investors lack confidence in dealing with the public sector.

Most prices are set by the market, although the state intervenes in some regulated areas, such as the fuel sector. Price-fixing agreements between companies are illegal. The last two governments have attempted to encourage the creation of companies but have been unsuccessful. Complex licensing procedures and high costs for startups complicate the business climate. New companies must register with the following entities: the Superintendency of Companies, Securities and Insurance; the local government; the tax agency; and the Social Security Institute (IESS).

Because the market is small, it has many operational flaws, and shows a tendency toward monopoly and oligopoly. The population is only 18 million, with a 2024 growth rate of 1.6% and a low average income. In Ecuador, 5.2 million people live in poverty, with incomes of less than \$91.43 per month, according to INEC data as of December 2024. In addition to being small, this market is dominated by well-established companies in various sectors, including commerce, construction materials and banking.



Individuals and companies can transfer profits out of the country upon payment of the general tax on capital outflows. Initially set at 5%, the rate was cut to 3.5% under the government of Guillermo Lasso, then raised again to 5%. The Lasso and Noboa governments promised to eliminate it but did not do so because it prevents speculation, promotes monetary stability and safeguards U.S. dollar reserves, which the country requires to maintain dollarization. This tax does not penalize foreign investment.

Informality remains a significant obstacle to market development. More than half of employed Ecuadorians work in the informal sector. INEC data show that, in December 2024, 58% of workers worked in the informal sector. The so-called bazaar economy is prominent in the country.

Because of political instability during the period under review, the competition law has not been amended, despite being a policy priority for Guillermo Lasso's government. Because of the country's electricity emergency, Daniel Noboa's government liberalized the electricity sector, which had been under a strong state monopoly.

The Organic Law of Regulation and Control of Market Power is the legislative framework governing competition and market operations. The Superintendency for the Control of Market Power (SCPM) investigates and adjudicates antitrust cases and legal violations related to market abuse, restrictive practices, cartels, unfair competition and excessive economic concentration. In addition, the SCPM represents Ecuador in the International Competition Network.

Although established in 2012, the SCPM has yet to reach a satisfactory level of institutional development. The SCPM functions as an administrative body, and its superintendent is appointed by the Council of Citizen Participation and Social Control from a shortlist proposed by Ecuador's president. Legislators are authorized to initiate proceedings to remove the superintendent. The SCPM includes the First Instance Resolution Commission (CRPI), composed of three commissioners appointed by the superintendent, who are responsible for investigating and resolving competition-related matters. According to an OECD and IDB analysis, the CRPI lacks sufficient time, personnel and resources to conduct in-depth analyses. In addition to budgetary and staffing problems, there are concerns about the independence of the CRPI from the superintendent.

On the other hand, Ecuador has laws that promote diversification of media ownership and prohibit banks from owning companies engaged in financial activities (e.g., management, stock market investment and leasing).

Competition policy

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One of the biggest challenges facing Ecuador's foreign trade is preventing cocaine trafficking via exported goods, which necessitates tighter controls and potentially jeopardizes access to certain markets.

Between January and October 2024, Ecuador's exports totaled \$28,252 million, an 8.5% increase from the same period in 2023. In 2024, the export sector performed well, largely due to record sales of cocoa, one of Ecuador's main export products.

Liberalizing international trade remains one of Ecuador's pending reforms. Although Guillermo Lasso's government signed several free trade agreements, significant tariff restrictions remain. They are considered necessary because the country's dollarized economy requires mechanisms to control imports and prevent capital outflows that could reduce liquidity. In 2023, the average most-favored-nation tariff rate was relatively high at 11.1% compared with those of Ecuador's neighbors in the Pacific Alliance (e.g., 6.0% for Chile, 6.7% for Colombia and 2.3% for Peru). In addition, several non-tariff barriers may pose further obstacles. These include customs barriers, import bans and restrictions on agricultural products, as well as import licenses and quotas (e.g., for tires).

Ecuador has one major export product – oil – and its trade is highly influenced by political factors. At the end of January 2020, Ecuador definitively exited OPEC to improve crude oil production, generate more public revenue and strengthen fiscal sustainability. In addition, Ecuador's main exports include bananas, shrimp, cocoa and flowers. However, the country's exports have been affected by the ongoing war in Ukraine, as Russia, among other countries, was a prominent export market.

Ecuador's banking system and capital market are moderately differentiated and unevenly aligned with international standards, though supervision has improved over time. Compliance with the Basel III framework has not yet been achieved. Banking regulation is interventionist, with the state making the important decisions in the financial system. It sets guarantees, interest rates, the sectors to which loans are extended and even salary limits.

The Monetary and Financial Code regulates the financial system, which consists of public and private financial institutions, such as banks, financial societies, cooperatives and mutual societies, as well as financial service institutions, insurance companies and enterprises ancillary to the financial system. Banks are the largest and most important market participants, accounting for more than 90% of financial operations. The Monetary and Financial Policy Board is responsible for developing, regulating and auditing credit, exchange, financial, insurance and securities policies. Supervisory and oversight entities include the Superintendency of Banks (banks, mutual insurance companies and financial societies), the Superintendency of the Popular and Solidarity Economy (credit unions, mutuals and building societies), and the Superintendency of Companies, Securities and Insurance (insurance companies).

Liberalization of foreign trade

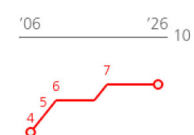
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Banking system

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Of the 24 private banks in the country, 20 generated profits and four reported losses. The system's total profits are \$580.6 million, 14% lower than the previous year. The largest share of profits is concentrated in the 10 largest banks.

Ecuador's security and economic crises have weakened the quality of banks' portfolios and increased delinquency rates, leading to a slowdown in lending. The annual loan growth rate declined from 15.9% in November 2022 to 9.9% in 2023 and 8% in 2024 – a drop of nearly eight percentage points over two years. As of November 2024, 58% of the total loan portfolio (\$26.4 billion) was directed toward productive sectors (including small and medium-sized enterprises, housing and microcredit), while 42% (\$19.1 billion) went to consumer loans. According to the World Bank, the non-performing loan ratio stood at 3.7% in 2022 and the capital-to-asset ratio was 11.2%.

During the review period, deposit growth accelerated. The annual growth rate was 6.2% in November 2022 and 6.7% in November 2023. In November 2024, the rate had more than doubled to 14.7%.

8 | Monetary and fiscal stability

Since 2000, the U.S. dollar has been legal tender in Ecuador. As a result, the government has little room to maneuver or intervene in monetary policy. The 2008 constitution eliminated the central bank's full autonomy, but neither Moreno nor Lasso interfered with its operations. Monetary stability largely rests on the absence of internal monetary autonomy due to the economy's dollarization. Ecuador cannot devalue its currency to improve its international competitiveness.

According to INEC, average cumulative inflation in Ecuador between January and November 2024 was 1.26%, up from the 1% average for the same period in 2023. Prices have increased due to climatic phenomena and the government's economic measures, such as the gradual elimination of gasoline subsidies and an increase in VAT. According to the World Bank, the real effective exchange rate, which depends on inflation differentials and trading partners' currency fluctuations, was 114% in 2024 (base year: 2010).

In general, the government's budgetary policy promotes fiscal stability. Projections indicate the central government's fiscal deficit will decline from 5.1% of GDP in 2023 to 2.3% in 2024. Tax collection in Ecuador reached a record high in 2024, mainly due to eight tax measures implemented by President Daniel Noboa in the Economic Efficiency and Employment Generation Law, in force since December 2023, and the Law to Confront the Internal Armed Conflict, in force since March 2024. Between January and November 2024, the Internal Revenue Service collected \$18,537 million in taxes, 16% more than in the same period of 2023, of which \$1,119.8 million resulted from the VAT increase alone. Additional revenue has been

Monetary stability

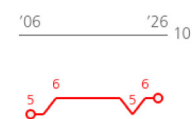
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Fiscal stability

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generated by the elimination of fuel subsidies. However, there was a \$3.1 billion deficit in 2024. According to Ministry of Finance data, the country has run a deficit for more than 12 years.

Government spending increased notably in 2024. Between January and November, budget expenditures reached \$20.75 billion, up 7.8% from the same period in 2023. The rise was driven mainly by higher spending on public sector salaries, social bonuses and subsidies for vulnerable groups, along with additional costs related to the Fénix security plan. The low level of confidence in the Ecuadorian state is reflected in country risk data. However, there was a reduction from 2,055 points in 2023 to 1,193 by the end of December 2024, as tax measures aimed at increasing revenue mitigated fears of default.

Investment in infrastructure, however, remained sluggish. Only 61% of the \$2.12 billion allocated to the 2024 Annual Investment Plan (PAI) had been executed by November. To cover the fiscal deficit, the government relied heavily on domestic debt, issuing \$1.55 billion in bonds in December, which the IESS primarily purchased. As a result, internal debt to the IESS rose from \$9.81 billion in 2023 to an estimated \$12 billion by the end of 2024. External debt also grew, reaching \$49.5 billion in December, up from \$46.88 billion in 2023. The weighted interest rate on Ecuador's external debt rose from 3.61% in November 2022 to 4.87% in November 2023. Total reserves declined from \$6,490.9 million in 2022 to \$2,698.9 million in 2023.

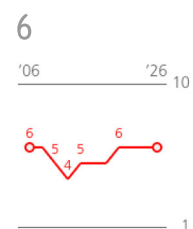
9 | Private Property

The 2008 constitution guarantees several forms of property (private, state, mixed, public, communal and cooperative), highlighting the social function of each. Because of their pro-market orientation, the Lasso and Noboa governments foster a climate of trust and respect for property rights. However, intellectual property is poorly protected, with insufficient efforts to crack down on counterfeit clothing and accessories, and on unauthorized editions of books and films.

Ecuador ranks 98th out of 129 countries in the 2024 International Property Rights Index. Among countries in the region, Ecuador ranks a relatively low 15th out of 20. Property rights suffer from political interference, delays and deficiencies in the judicial system, all of which are compounded by widespread corruption.

One of the biggest problems affecting private property in Ecuador is the rise in crimes such as extortion and kidnapping, which continued to increase even during the militarization and state of emergency decreed by President Noboa. The Ecuadorian Observatory of Organized Crime reports that the number of extortion cases in Ecuador increased from 862 in 2019 to 21,811 in 2023.

Property rights



Article 283 of the constitution emphasizes that private enterprise is not central to the Ecuadorian economy. It states that the economic system is based on social principles and solidarity. It seeks a dynamic, balanced relationship between society, the state and the market, in harmony with nature. Its objective is to guarantee the production and reproduction of the material and immaterial conditions that make a good living possible. The economic system will comprise public, private, mixed, popular and solidarity-based forms of economic organization and others as the constitution may determine. The popular and solidarity economy will be regulated in accordance with the law, and will include the cooperative, associative and community sectors.

During the commodities boom, Ecuador's public business sector expanded. However, after President Correa's departure, many state-owned enterprises were shut down because of financial inviability or efforts to reduce the fiscal deficit under subsequent administrations. Today, 17 public companies remain, primarily in the oil, electricity, banking and telecommunications sectors. Efforts to privatize them or open them to private investment have failed – the most recent being the attempted sale of Banco del Pacífico under President Guillermo Lasso, which was derailed by political turmoil.

The private sector is the backbone of most economic activity. The two governments during the review period were generally favorable to business interests. Lasso proposed an ambitious plan for reform and economic dynamization but was unable to implement it. President Noboa, who in a little more than a year in office has managed to pass six economic bills that include incentives for business, has had better luck. Perhaps the most important is the Organic Law of Economic Efficiency and Employment Generation, which proposes structuring public-private partnerships to circumvent the constitutional prohibition on privatizing strategically important state enterprises.

The effects of this reform have yet to materialize, as employment has not yet recovered and the energy crisis has exacerbated the economic situation, leading to layoffs and company closures. On January 10, 2024, following the declaration of emergency and on an urgent basis, the Organic Law of Energy Competitiveness was approved, allowing private sector investment in the electricity sector.

According to 2019 data from the SME Observatory of the Universidad Andina Simón Bolívar, the distribution of companies by size is as follows: 90.9% are micro companies, 7% are small companies, 1.6% are medium-sized companies and only 0.5% are large companies. However, large companies account for 72.3% of total corporate sales (turnover) in the country.

Private enterprise

7



10 | Welfare Regime

With the 2008 constitution, social security coverage was extended de jure to the entire population. However, the necessary mechanisms and resources have not yet been established, nor has the necessary infrastructure been developed. Moreover, the economic crisis has halted some expansion plans. The constitution also establishes that health spending should be 4% of GDP and sets a gradual increase plan that has never been fulfilled. In 2023, the health budget was 3.1%, an amount that was later cut. This affects the public hospital system, which also suffers from a deficient management model, and has been infiltrated by corrupt networks involved in procuring medical supplies and medications.

The Ecuadorian Social Security Institute (IESS) primarily covers workers in the formal sector of the economy. Enrollment is mandatory for all workers, and workers' and employers' contributions finance pensions and health services. The IESS provides 16 million medical and health services annually. The Seguro Social Campesino also serves rural workers under a different regime.

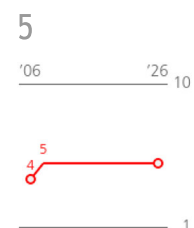
The institution has a budget of approximately \$10 billion to provide health services and pensions for retirees, orphans and widows, while also functioning as a lending institution for housing and consumer loans. Of this amount, 66% covers the salaries of nearly 600,000 retirees and pensioners. Despite its high budget, the IESS is constantly in crisis because the state has long used IESS funds to finance itself. The state sells public debt bonds to the IESS using retirement system funds and does not pay its employer contributions.

In 2023 and 2024, the IESS health care delivery system faced a crisis because private service providers working with IESS were not being paid for treatments such as dialysis or for complex diseases such as cancer. By 2024, IESS had accumulated \$1.34 billion in debt to private hospitals, and to hospitals owned by foundations and charities. For this reason, many specialized hospitals will stop providing services to IESS patients, whose treatments have been interrupted.

According to official data, 3.8 million affiliates were registered in 2024, of which 43,382 were new. This represents a 24% increase compared to 2023. In addition, 11,361 new voluntary affiliates were registered, representing a 387% increase.

Ecuador has a conditional cash transfer program for vulnerable families (i.e., families living below the poverty line). The amount ranges from \$55 to \$150 per month. The transfer is conditional on families meeting certain targets (e.g., health care, education, housing and elimination of child poverty). However, most of these conditions are not verified because monitoring is costly. In April 2024, the program reached 611,306 recipients – a decrease of 80,918 (11.69%) compared with April 2023 – despite an increase in poverty. This may be because authorities were charging people who were not entitled.

Social safety nets



Foreign citizens, both in theory and in practice, have access to health services provided by the Ecuadorian Ministry of Health. However, both Ecuadorians and foreigners face difficulties receiving adequate medical care and accessing medicines because patients must purchase them at their own expense. Private charities and philanthropic institutions, such as the Junta de Beneficencia de Guayaquil, provide assistance in these cases.

While no legal framework explicitly undermines equal opportunities, structural factors result in systemic exclusion that restricts social mobility and limits equal opportunities. The 2008 constitution introduced gender parity (50:50, including alternation) on candidate lists for the national parliament, but because of a placement effect on the lists, only 44% of the National Assembly elected in 2023 were women. A similar phenomenon occurs with presidential and vice-presidential candidates. The law stipulates gender parity, but in reality women often hold less important positions. For the 2025 presidential election, of the 16 binomials, only two have women as presidential candidates.

The national illiteracy rate fell from 6.8% in 2010 to 3.7% in 2022. Although historically higher among women than men, women's illiteracy has declined over the last 12 years. Of the 199,484 people who emerged from illiteracy, 109,235 are women. By ethnic self-identification, compared with 2010, decreases in illiteracy among Indigenous (from 20.4% to 11.9%), Montubio (from 12.9% to 8.4%) and Afro-descendant (from 7.6% to 4.3%) populations stand out. The illiteracy rate among rural residents is 6.8% (311,520), compared with 2% among urban residents (160,708).

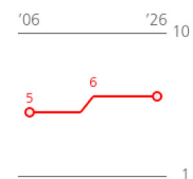
Access to decision-making positions remains limited, and Indigenous and Afro-descendant individuals often face political marginalization and barriers to participation in national-level institutions. Marginalized groups, especially Indigenous and Afro-Ecuadorians, are overrepresented in informal, low-paying jobs, and under-represented in technical and professional roles. Discrimination and a lack of access to quality education contribute to these gaps.

11 | Economic Performance

Ecuador's economy relies heavily on exports of primary products, making it vulnerable to external shocks. In addition, the country has a history of macroeconomic instability, with the most significant indicators being a persistent fiscal deficit and a tendency toward indebtedness. Dollarization, adopted in 2000, contributes to economic stability but deprives the country of monetary policy tools that would, for example, allow it to stimulate exports by reducing production costs or devaluing the currency.

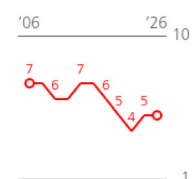
Equal opportunity

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Output strength

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During the review period, the country benefited from an upswing in cocoa production. Ecuador's exports of goods and services totaled \$28,252 million between January and October 2024 (8.5% more than in the same period in 2023), an increase largely driven by higher cocoa prices and demand. Cocoa exports totaled \$2,547 million, a little more than double the \$983 million in 2023. Imports fell in 2024, reflecting lower demand. Total imports were \$22,678.5 million, a 6.5% decrease from 2023. Thanks to this reduction, the country posted a positive trade balance.

GDP per capita based on purchasing power parity was about \$15,870 in 2023. During the review period, the economy showed signs of recession, despite improvements in certain indicators such as tax collection. The IMF forecasts that the country's GDP will fall 0.4% in 2025. The country's poor economic situation has also been affected by the serious electricity crisis, and the insecurity and violence linked to drug-trafficking, which remain unresolved.

Consumption has also not recovered when comparing 2024 data with 2022 and 2023. This is attributed to economic and political uncertainty, power outages and price increases caused by indirect taxes such as VAT. One of the main sectors affected by the slowdown in consumption is manufacturing, which experienced a \$1.03 billion decline in sales in January–October 2024 compared with the same period in 2023.

Employment has not improved either, despite the Noboa government introducing tax incentives for companies to hire more workers. In November 2024, the employment rate was 33.7%, down from 35.8% in November 2023. Adequate employment is defined as earning at least the basic salary (\$460 per month in 2024) and working 40 hours a week, according to the National Institute of Statistics and Census (INEC).

Between January and November 2024, average accumulated inflation in Ecuador was 1.26%, up from 1% in the same period in 2023.

12 | Sustainability

The Ministry of Environment, Water and Ecological Transition is responsible for environmental policy and programs that protect ecosystems and promote the sustainable use of natural resources. A persistent problem has been the frequent turnover of ministers overseeing this branch.

President Daniel Noboa prioritized the environment in his government program. However, there have been no concrete proposals. His first minister was dismissed after four months, a period during which she made a series of errors in her public statements and appearances before the National Assembly. In that short time, she approved widely criticized mining projects that generated significant social conflict, such as the El Domo-Curipamba project, located in Las Naves (Bolívar) and managed by the company Curimining. In July 2023, two people were arrested and at least 13 injured during protests.

Environmental
policy

4

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Thanks to the mobilization of civil society, Ecuador became the first country in the world to vote to end oil production in a referendum held on August 20, 2023. With 58.95% of the votes, voters ordered the closure of the oil wells and the dismantling of Block 43-ITT in Yasuní National Park, considered the heart of the Ecuadorian Amazon. As a result, oil reserves worth \$13.8 billion will remain underground. Daniel Noboa's government initiated the closure of the oil field after the Constitutional Court ruled that the decision should be implemented within one year. However, the government said it would be impossible to meet that deadline and that five years would be necessary.

In addition to the usual problems associated with oil exploitation zones, Ecuador faces a major environmental problem caused by illegal mining. There are illegal mining camps in 17 of Ecuador's 24 provinces, spanning the coast, highlands and Amazon. The government says illegal mining is expanding because of increased funding from drug-trafficking, leading to its classification as a national security threat.

According to 2021 OLADE data, 81% of electricity generated came from renewable sources, with hydroelectric power accounting for 79.4% of that figure. However, Ecuador's overall energy mix remains heavily dependent on oil, which accounts for about 75% of total energy consumption.

The country is home to 29 hydropower plants, which contribute about 20% of total energy production and about 60% of electricity generation. Chinese financial institutions have financed six of Ecuador's eight flagship hydroelectric projects, supporting a strategy initially proposed by the Correa government to transform the energy mix. However, less than a decade after inception, these projects have caused numerous adverse environmental impacts stemming from design, construction and planning errors. These effects include the drying up of rivers, alterations to riverbeds and landslides in areas where excavation has occurred. The inefficiency of the system was demonstrated during the recent drought.

Ecuador has one of the world's highest proportions of protected natural areas, with approximately 19% of its territory under some form of protection, encompassing both terrestrial and marine areas. However, safeguarding these areas effectively is a challenge. The Galapagos, for example, is under pressure from a massive tourism industry and illegal industrial fishing.

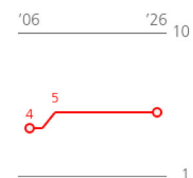
During the review period, Ecuador had two administrations and neither presented significant public policy initiatives to improve the education system. Education spending was also reduced as part of broader cuts due to the fiscal crisis.

According to the constitution, 6% of GDP should be allocated to education. If the constitutional allocation were followed, the education budget would be \$7,303 million, but only \$4,642 million was budgeted in 2024 for initial, basic and high school education. Allocations to 28 universities have also been cut by approximately \$161 million. According to World Bank data, public spending on education has declined from 5.3% of GDP in 2014 to 4.1% in 2020 and 3.81% in 2024.

According to data from the National Institute of Statistics and Census (INEC), in 2022 (the year of the last census), the gross enrollment rate in tertiary education (universities and vocational training) was 44%, almost three percentage points higher than in 2021. The dropout rate among first-year students is approximately 21%. The number of researchers remains relatively low, at 0.62 researchers per 1,000 members of the economically active population in 2022. The number of national patent applications has decreased and was expected to total 68 in 2022, well below the record of 95 set in 2016. According to Scopus data, approximately 93% of Ecuador's total scientific production over the last 40 years is concentrated at the 20 universities with the highest number of publications. Of these, 13 institutions are public and depend significantly on funding from the state.

Education policy /
R&D

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Governance

I. Level of Difficulty

Historically, the country has faced significant structural constraints in governance. After a period of prosperity fueled by the commodity boom, the country is now experiencing a deep economic and political crisis. The difficulties stem mainly from the country's vulnerability to external economic shocks and its dependence on economic cycles. Geographically, the country lies in a volcanic zone, and faces a constant threat of volcanic eruptions and earthquakes (e.g., the magnitude 6.6 earthquake on March 19, 2023).

Ecuador also suffers from the climatic effects of El Niño, including torrential rain and flooding. Despite a significant decrease in recent years, poverty and inequality persist due to reproductive mechanisms often beyond the government's direct influence, especially as they intersect with ethno-social, regional and gender-related characteristics. According to the INEC, in December 2022 (the last census year), 38.1% of the population lived in conditions of multidimensional poverty, while 16.6% lived in extreme multidimensional poverty, which represent a severe constraint for governance.

The current security crisis in Ecuador has increased social and state mistrust. The country has a tradition of grassroots organizations, but their practices do not foster trust in institutions, interpersonal relationships or social capital. For example, Indigenous organizations prioritize their own communities and rely on resources other than formal ones. The state's historical weakness has also encouraged self-government as a way to solve problems. Communities are largely capable of governing themselves.

The Catholic Church, Evangelical churches and a significant network of NGOs (focused on development, environmental care and/or human rights) have played a role in promoting local unions, rural organizations and Indigenous groups. As in other countries in the region, interpersonal trust is very low, with only 8% of the population believing that most people can be trusted, according to the Latinobarómetro 2024 survey.

Structural
constraints

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Civil society
traditions

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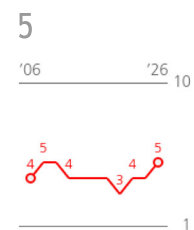
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The country's most significant divide is the ethnic division between white and mestizo segments of the population, on the one hand, and Indigenous peoples, on the other. This confrontation has a long history, and has laid the foundations for a social structure based on racism and a discriminatory system that transcends social and economic spheres.

Recently, insecurity has become a major problem because of the state's inability to control crime, especially in marginalized urban areas. The murder rate in the country rose from 5.7 per 100,000 inhabitants in 2018 to around 45 per 100,000 in 2023, making 2023 the year with the most murders in the country's history. Other forms of crime, such as extortion, must also be considered. According to the Ecuadorian Organized Crime Observatory, reported cases of extortions in Ecuador rose from 862 in 2019 to 21,811 in 2023.

The Indigenous movement, through its umbrella organization, CONAIE, serves as the primary channel for ethno-social conflict in Ecuador. Because institutions in the political system fail to respond, it uses confrontational politics to advance its demands. The protests follow a pattern: 1) reaction to the government's economic measures, with fuel price hikes as the catalyst; 2) prolonged mobilizations (more than 10 days); 3) violence by sectors participating in and infiltrating the protest, and strong repression by the state; 4) attempts to force the incumbent president to resign; and 5) negotiated solutions that eliminate the measures. This pattern reflects institutional failures, with confrontational protests recurring in response to economic measures, often escalating into violence and repression before being resolved through negotiated concessions. These recurring cycles of protests reflect institutional weaknesses, restrict the scope of governance and lead to political instability.

Conflict intensity



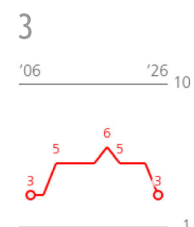
II. Governance Performance

14 | Steering Capability

A lack of prioritization has been evident during the review period. Political weakness and failure to adapt to the economic, social and political context during Lasso's presidency meant he did not finish his elected term. Conditions did not improve with the election of President Noboa, a candidate without a clear approach to governance, as evidenced by the improvised way he assembled his government team, made up of people with no training or experience in government. This is reflected in the extremely high turnover of ministers and senior officials. For example, the state oil company, which generates a large amount of state revenue, had five managers over the two years of Noboa's government.

Question Score

Prioritization



Another example of a lack of prioritization is the mismanagement of the electricity crisis. Although problems with electricity supply were anticipated, the government failed to take effective measures to prevent or at least mitigate the crisis. The measures it did take were inefficient or improvised.

There is no clear direction on economic matters and measures recommended by international organizations have been applied only to a limited extent. Another area that has not been prioritized is security policy and the fight against organized crime. Instead of adopting long-term strategies, repressive measures have been used.

The country's energy crisis is the clearest evidence of the government's inability to set strategic priorities and coordinate action. The first blackouts began under the government of Guillermo Lasso, who launched some proposals that were not implemented because of his departure from office and contract irregularities. An August 2024 report by the comptroller found failures in the concession of a project to Energyquil.

During the campaign, Daniel Noboa promised to solve the energy crisis, incorrectly claiming it was simply an electricity transmission problem. Once in office, instead of resolving the crisis, his administration made it worse. Ecuador experienced its worst months in October and November 2024, as a severe drought led to power outages lasting up to 14 hours. This has been exacerbated by instability in the Ministry of Energy, which has already had four ministers, including two acting ministers. Although the government has taken measures to address the crisis by contracting additional electricity generation, these measures have not progressed at the expected pace.

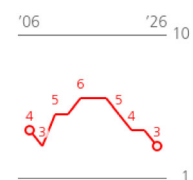
An initial attempt to contract 341 megawatts failed, with only 100 megawatts achieved by renting an electricity-generating barge. The contract experienced a series of failures and delays. Although the government conducted a second round of contracting, the full capacity agreed upon is not expected to be generated until January to March 2025.

The spearhead of Noboa's strategy to overcome the country's electricity crisis was the passage of the so-called No More Blackouts Law. The law has accelerated private investment in new nonconventional renewable generation plants (solar and hydroelectric) of any size. However, the law's effects are not yet visible. Generation projects require a series of studies that take time. Noboa's government presented a second energy bill to amend the No More Blackouts Law. The bill proposed raising the size of private sector projects focused on solar, wind or hydroelectric power from 10 to 100 megawatts – a change that makes investment more attractive to companies but does not address the issues with the original law.

Apart from the difficulties arising from the two governments' lack of political and technical capacity, the problems in implementing public policies can be summarized as follows: 1) restrictions due to the government's need to achieve macroeconomic equilibrium and to comply with agreements with international organizations; 2) high

Implementation

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turnover of ministers and government officials, many of whom have no experience in the public sector; and 3) a lack of solid and permanent support in the National Assembly to pass laws that would allow implementation of government proposals.

President Lasso's inability to adapt politically contributed to the collapse of his government. He pushed through a series of measures without building consensus, which steadily weakened his administration. In addition, he failed to learn from the experiences of other governments brought down by corruption scandals. He initially appointed someone to investigate corruption. However, when allegations surfaced involving a longtime close collaborator and his brother-in-law's ties to individuals connected to drug-trafficking, Lasso chose not to investigate. Instead, he forced the whistleblower to resign. These missteps accelerated his downfall. Facing an impending impeachment trial in the National Assembly, he dissolved the legislature and called early elections.

President Noboa, Lasso's successor, has also failed to capitalize on the experience accumulated by state officials and apply it to state management. The clearest example was the attack on the Mexican Embassy, which caused an international crisis. The foreign service explained to the president that his action violated international law and would lead to international isolation, but he ignored the warnings.

As a result of reducing the size of the state, the government's evaluation and control structure was dismantled, and the two governments made numerous and constant ministerial changes, which affected the continuity of public policies.

15 | Resource Efficiency

The government makes efficient use of only part of the available human, financial and organizational resources. There is no clear, regulated system for access to the civil service in Ecuador. By contrast, there are constant staff cuts as part of government policies to reduce spending. The two governments during the period under review strongly advocated a minimal state and promoted privatization as well as the elimination of certain administrative entities. However, they did not achieve the desired results because Lasso lacked the parliamentary support to modify certain laws and because Noboa's government had not been in power for very long..

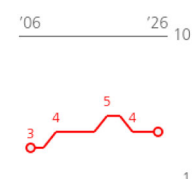
Both governments have been determined to reduce the fiscal deficit, but the economy is not growing and indebtedness is increasing because of the state's limited sources of income. Under the Noboa government, tax collection has increased.

The Comptroller General's Office is responsible for public accounting but does not intervene in decisions about the quality of spending or investment.

Ecuador has a system for monitoring bureaucratic procedures and public policies called Government by Results (GPR). GPR is an online platform provided by a Mexican company, which is also used by other governments. This system enabled

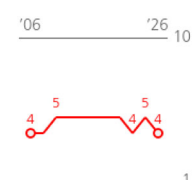
Policy learning

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Efficient use of assets

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monitoring by the National Planning Secretariat, but its use was limited because the Lasso government significantly reduced current expenditure and investment budgets, with Noboa following a similar path.

The constitution mandates creating plans for the country's development objectives and for the efficient use of assets. The National Planning Secretariat is responsible for this task. Under Article 280 of the constitution, the Secretariat prepares the national development plan (the instrument to which all other public policies, programs and projects are subordinated). Monitoring the plan's progress is mandatory in the public sector.

During the review period, policy coordination under the two governments has been very poor because of a lack of economic, political and human resources. The two governments have been very similar in their governance styles and approach to the state. Both presidents and most ministers come from the private sector, and have no experience with or knowledge of how the state and government function. They do not have the backing of strong parties made up of people experienced in government who can form work teams. The high turnover of ministers under both governments contributes to the lack of policy coordination.

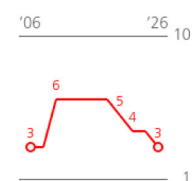
The Attorney General's Office (Fiscalía General del Estado) is an autonomous institution responsible for investigating and prosecuting criminal offenses, including corruption. The Comptroller General's Office oversees the use of public funds and public procurement processes, and operates under the Comprehensive Organic Criminal Code, which also defines corruption-related offenses. Both institutions are appointed by the Council for Citizen Participation and Social Control (CPCCS) – an autonomous body that leads Ecuador's Transparency and Social Control Function, appoints the ombudsperson, public defender and superintendents, and is involved in selecting electoral and judicial authorities.

Prosecutor Diana Salazar has been a key figure in investigating corruption in state structures and criminal organizations. Meanwhile, Mauricio Torres, the current comptroller general, heads the Transparency Function and participated in the launch of the National Anti-Corruption Plan on December 9, 2024, in coordination with President Noboa.

Under Guillermo Lasso, the Anti-Corruption Secretariat was created to develop public policy strategies and analyze corruption networks. However, when reports pointed to irregularities within his administration, the head of the secretariat was forced to resign. These efforts continued under President Daniel Noboa, who rebranded the body as the Secretariat of Public Integrity and maintained the anti-corruption agenda, though tangible results have been limited. Noboa has been criticized for abuse of power – attempting to pardon tax debts involving his family and obstructing the vice president from fulfilling her duties.

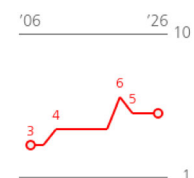
Policy coordination

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Anti-corruption policy

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While Ecuador has several integrity mechanisms in place – including campaign finance oversight by the National Electoral Council (CNE), new bans on donations from private companies, and anti-money-laundering efforts led by the Financial and Economic Analysis Unit (UAFE) – they are undermined by weak enforcement, politicization, lack of professional capacity and widespread corruption.

The Constitutional Court has been a vital check on executive power, particularly during periods of institutional crisis. Nonetheless, corruption remains entrenched. Although those prosecuted for corruption are barred from public office, selective enforcement and inconsistent accountability continue to erode the rule of law. Despite these formal mechanisms, political will and institutional capacity remain insufficient to ensure effective deterrence and punish public officials who abuse their power.

16 | Consensus-Building

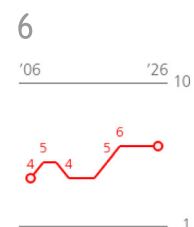
Ecuador's political actors formally adhere to democracy. However, they disagree on what form democracy should take and on the rules of the game. One barrier to building consensus is a populist dynamic, exemplified by the political confrontation surrounding former President Correa, which has become a source of division. The fragility of the party system is also relevant, as it limits the presence of actors who represent social demands and promote public dialogue. The president does not build consensus or support because he lacks political capital. He came to power with the explicit support of the former president and his party. According to the 2024 Latinobarómetro survey, 42% of those surveyed support democracy and 21% support an authoritarian government. Moreover, 34% said they do not care whether the government is democratic or authoritarian.

There seems to be consensus on the economy's dollarization, which has become a factor in Ecuador's economic equilibrium. However, clashes have arisen over the appropriate levels of state intervention in the economy, as reflected in the 2022 protests against the government's plans to reduce subsidies and liberalize the market.

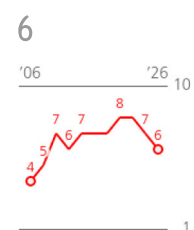
No relevant actor openly supports anti-democratic ideologies or advocates for an authoritarian regime. However, President Daniel Noboa has exhibited authoritarian tendencies, as reflected in his administration's disregard for rules, laws and procedures. For example, he has not adhered to the rule prohibiting campaigning while in office, having used public resources for his campaign. He has delegated executive powers to someone he appointed vice president, even though there is a democratically elected vice president.

On the other hand, certain sectors of society are willing to sacrifice freedoms for government efficiency or order, as evidenced by the broad support for Correa's government, despite its authoritarian tendencies, and use of heavy-handed anti-crime policies that curtailed rights and freedoms.

Consensus on goals



Anti-democratic actors



The democratic framework and established procedures are precarious, and political actions that challenge the rule of law are common. This is evident in repeated disruptions to the institutional order that have resulted in the removal of three former presidents (Bucaram, Mahuad and Gutiérrez) between 1997 and 2005. These disruptions appear to highlight a lack of democratic commitment among influential political and social actors.

Conflicts between capital and labor interests are not very salient in the country because of the limited formal labor market. This is reflected in the fragility of unions. Nonetheless, conflicts arise from social, economic and ethnic divisions. The government lacks policies to manage these conflicts. Negotiations with pressure groups often follow open conflicts, as seen in the protests of June 2022.

There are also discrepancies among the country's regions that result in a confrontation between Guayaquil – the main city in the tropical region bordering the Pacific – and Quito, the capital. Centralization is often criticized. These imbalances have produced a stratified and unequal society, which has extended into the political system through a Manichean and polarized mode of conflict resolution that favors populism.

Like other presidents, Daniel Noboa's government used popular consultations as a mechanism for legitimation and plebiscitary support while proposing reforms to constitutional and legal provisions. The April 21, 2024, consultation focused on eliminating restrictions on tackling drug-trafficking, so the president sought to allow foreign military bases, extradition and the use of the military for police tasks. The public voted in favor of these proposals. However, the public opposed a proposal to deregulate the labor market, which would have permitted workers to be hired on an hourly basis, as well as another reform, which would have subjected Ecuador to international commercial courts.

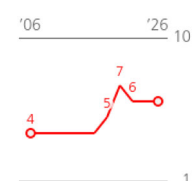
Prior to this, on February 5, 2023, a referendum was held on institutional reform. The questions and issues presented in the referendum were prepared by the government with support from external experts, but without the participation of civil society organizations.

The government argued that it wanted citizens to participate, but in reality public participation was seen as a mechanism for legitimation. The 2023 referendum was presented politically as an indicator of support for or rejection of the Lasso government; the majority of voters rejected the government's eight proposals.

Few political parties and civil society organizations are strong, resulting in fluid relationships with social grassroots organizations. Nevertheless, these relationships are sometimes used to obtain favors. With the exception of Pachakutik's links with the Indigenous movement, very few parties have organic links with social organizations.

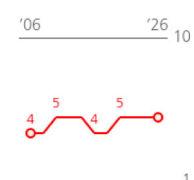
Cleavage /
conflict
management

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Public
consultation

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Given the particular character of Ecuador's pre-1978 "soft" authoritarian rule, the country does not have a history of widespread human rights violations, such as those seen in other Latin American countries. Reconciliation, as understood in transition research, is not a significant issue.

Reconciliation

n/a

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n/a

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17 | International Cooperation

The Lasso and Noboa governments have focused on maintaining good relations with creditors and on meeting IMF objectives. The previous government signed an agreement with the IMF in September 2020. Other financing sources have also been used effectively, including those offered by the Development Bank of Latin America, with which six contracts were signed in July 2024 totaling \$483 million.

Effective use of support

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The other line of international support that governments have used is collaboration with the U.S. government on drug-trafficking. This collaboration intensified under Noboa's administration, which authorized the use of a military base in the Galapagos Islands for U.S. anti-narcotics operations.

However, in other areas where building international support networks was also possible, Daniel Noboa's government failed to take advantage of opportunities to do so, largely because of foreign policy missteps that alienated it from the regional context. A clear example was the Ibero-American Summit held in Cuenca in November 2024, which no Latin American presidents attended.

Overall, the integration of international support has been mixed. While Ecuador has received assistance from multilateral organizations such as the IMF and the World Bank, the use of this support has at times been undermined by short-term political calculations, inconsistent policies, and in certain cases governance challenges such as corruption and rent-seeking. This has limited the long-term effectiveness of international cooperation efforts.

Ecuador has ratified all U.N. human rights treaties, including additional protocols. The 2008 constitution guarantees the direct application of international human rights instruments and defines a wide range of human rights. The country is generally a reliable member of international organizations at regional and global levels. It has acceded to and ratified most existing international agreements, and generally complies with most international standards.

Credibility

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During the review period, both governments have sought to regain the trust of international financial markets, and restore credibility with credit rating agencies and private financial institutions. Despite his domestic policy mistakes, President Lasso's

market-oriented and pro-liberal democracy stance has enhanced his international credibility with the United States and the European Union. Meanwhile, authoritarian countries such as China have shown pragmatism by prioritizing economic issues over political ones, as evidenced by the China-Ecuador Free Trade Agreement, which came into force in May 2024.

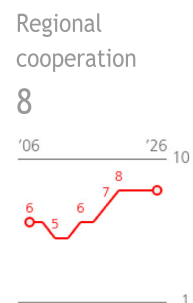
However, the government of Daniel Noboa lost credibility with other countries after ordering a police raid on the Mexican Embassy in Ecuador, where former Vice President Jorge Glas was seeking asylum. The government argued that Glas, having received a final court sentence, was not entitled to asylum. The move was condemned by nearly all governments and contributed to Ecuador's growing diplomatic isolation. This was evident at the 2024 Ibero-American Summit in Ecuador, which no heads of state attended.

Another incident that raised questions about President Noboa's international credibility involved Ecuador's delivery of Russian-made weapons to Ukraine under an agreement with the United States. The deal was later canceled after Russia retaliated by imposing sanctions on Ecuadorian products, including bananas – a key export linked to the president's family business.

Ecuador's access to aid through international cooperation has been significantly limited. For this reason, its foreign policy has focused on participation in multilateral meetings of regional integration organizations and on bilateral meetings with strategic partners. To strengthen relations with other countries, President Noboa has made 13 trips abroad, including eight trips to the United States (many of which were for private reasons). His second most visited country is Spain. In all, he has visited nine countries and 10 cities, with his trips to Latin American destinations reflecting his strategic priorities. He traveled to Argentina for the presidential inauguration of Javier Milei and to El Salvador for the presidential inauguration of Nayib Bukele. He has held meetings with the governments of neighboring countries. He traveled to Lima to attend the Presidential Meeting and the 15th Ecuador-Peru Binational Cabinet. His visit to Colombia aimed to persuade Colombia to sell electricity to Ecuador amid the energy crisis. Ecuador has also secured a loan from the European Investment Bank to finance its portion of a power system with Peru.

In July 2024, presidents Dina Boluarte of Peru and Daniel Noboa agreed to collaborate against transnational organized crime. They signed a joint declaration addressing cooperation on migration and illegal mining. They also discussed enhancing economic integration, including processing Ecuadorian oil at Peru's Talara refinery.

In security policy, Ecuador played a central role in establishing a regional security alliance focused on combating organized crime and enhancing regional security cooperation.



Strategic Outlook

The country's future performance now hinges on how President Daniel Noboa, re-elected in April 2025, addresses the two most pressing challenges for Ecuador: confronting the escalating crisis caused by organized crime and cocaine trafficking, and finding a sustainable path out of the prolonged economic crisis.

Noboa's policy of militarization and using states of exception has contributed to a reduction in violent deaths and common crime. However, it has not been entirely effective, given that the criminal industries that feed the violence remain buoyant. Among other things, demand for cocaine is increasing in Europe and other markets; illegal mining is uncontrollable given the lack of cooperation from buyers; and human trafficking is fueled by major migration routes that pass through the country and by the poor economic situation and the security crisis.

Ecuador is unable to stabilize its economy or generate inclusive growth that offers real alternatives to meet the population's needs. This increases the risk of recruitment by criminal organizations and of a growing wave of international migration. Ecuador is caught in a crisis beyond its control and functions as a weak link in the global value chain. The country bears the brunt of negative externalities such as violence and institutional erosion. In contrast, others benefit from positive externalities, among them tax havens and consumers in the Global North, who enjoy access to cocaine without facing associated violence.

Police and military action alone, or "iron fist" policies, will not work. The wars on drugs in Colombia, Mexico and the United States have proved this. As long as cocaine remains a widely consumed illegal substance, it will generate substantial profits. Organizations that control the drug trade use profits to finance the diversification of criminal activities and to undermine the states that seek to eradicate these organizations.

The new government must focus on controlling corruption, and investing in people, education, youth employment and rural development to curb the recruitment of young people into criminal networks. In economic policy, the Noboa government faces two challenges: stabilizing the deteriorating fiscal situation and reviving economic growth. These will require restoring investor confidence and building political support for crucial structural reforms.