

Table 1. Ecuador: Quantitative Performance Criteria and Indicative Targets for 2000 1/

(In millions of U.S. dollars)

	Prel. Apr.	Program			
		Jun.	Aug.	Oct. 6/	Dec. 6/
1. Cumulative combined public sector borrowing requirement					
Program	317	323	426	368	355
Actual	-25				
Margin (+ observed)	342				
2. Cumulative nonfinancial public sector borrowing requirement					
Program	310	337	462	424	431
Revised program 2/	310	347	452	407	371
Actual	-11				
Margin (+ observed)	321				
3. Cumulative total central government expenditure					
Program	995	1,417	1,964	2,385	2,857
Revised program 2/	995	1,428	1,955	2,368	2,797
Actual	865				
Margin (+ observed)	130				
4. Cumulative net reduction in central government non-interest domestic arrears					
Program	0	2	3	5	6
Actual	-39				
Margin (- observed)	39				
5. Cumulative disbursements of medium- and long-term external debt to the nonfinancial public sector:					
maturity of over one year					
Program	290	510	610	700	850
Actual	204				
Margin (+ observed)	86				
maturity of one to five years					
Program	40	60	70	90	100
Actual	0				
Margin	40				
6. Stock of net "excess" freely disposable international reserves of the central bank					
Program	187	155	101	154	205
Adjusted program 3/	166				
Actual	256				
Margin (- observed)	-90				
7. Stock of nonfinancial public sector deposits at the central bank 4/					
Program	334	416	411	440	487
Revised program 3/5/	486	589	584	613	660
Actual	671				
Margin (- observed)	-184				

Sources: Central Bank of Ecuador; Ministry of Economy and Finance of Ecuador; and Fund staff estimates.

1/ As defined in the attached technical memorandum of understanding.

2/ The program targets were revised from May onwards to reflect an agreement between the Central Bank and the Ministry of the Economy by the accumulation of nonrescheduleable arrears (US\$39 million).

3/ The program target was adjusted downwards by the shortfall in disbursements in program loans (US\$61 million) and adjusted upward by the accumulation of nonrescheduleable arrears (US\$39 million).

4/ Indicative target.

5/ The program indicative targets were revised upwards by US\$173.4 million at each test date to reflect a change in reporting government deposits at the central bank.

6/ Targets 1-6 are indicative and will be changed to performance criteria during the second review.

**ECUADOR—SUPPLEMENT TO THE  
TECHNICAL MEMORANDUM OF UNDERSTANDING**

The following are prior actions for the Fund's Executive Board to consider the first review of the Stand-By Arrangement:

- Congressional approval of the *Ley para la Promoción de la Inversión y la Participación Ciudadana (Ley Trole II)* such that: (i) the elimination of the financial transactions tax takes place on January 1, 2001; (ii) the usury interest rate ceiling is set at 1.5 times the central bank's active reference rate on new commercial bank loans; and (iii) shareholders will retain ownership and control of a bank if its capital adequacy ratio falls below the regulatory minimum of 9 percent, but remains above 1.8 percent, provided a capital strengthening program had been agreed with the superintendency of banks.
- Approval by the *Junta Bancaria* of a regulation reducing the provisioning that commercial banks are required to make on corporate and consumer loans that carry interest rates above 18 percent and 23 percent, respectively, according to the schedule set out in Table 1.
- Executive Board of the Corporación Financiera Nacional (CFN) will approve a resolution establishing a system for applying the "*coactiva*" to the nonperforming credits of private banks.

Table 1. Ecuador. Temporary Scale of Provisioning by  
Banks on Corporate and Consumer Loans <sup>1</sup>

(In percent)

Interest rate	Provisioning requirement	
	Corporate	Consumer
Up to 18	0.0	0.0
Above 18, below 19	5.0	0.0
Above 19, below 20	7.5	0.0
Above 20, below 21	10.0	0.0
Above 21, below 22	12.5	0.0
Above 22, below 23	15.0	5.0
Above 23, below 24	17.5	7.5
Above 24, below 25	20.0	10.0
Above 25, below 26	22.5	12.5
Above 26, below 27	25.0	15.0
Above 27, below 28	27.5	17.5
Above 29, below 30	30.0	20.0
Etc.		

<sup>1</sup> The provision requirement expires on April 1, 2001.