

# ECUADOR

UNITARY COUNTRY

LATIN AMERICA

## BASIC SOCIO-ECONOMIC INDICATORS

Income group - **UPPER MIDDLE INCOME** Local currency - **US Dollars (USD)**

### POPULATION AND GEOGRAPHY

AREA: **256 370** km<sup>2</sup>

POPULATION: **16.3** million inhabitants (2014),  
an increase of 1.6% per year (2010-14)

DENSITY: **64** inhabitants/km<sup>2</sup>

URBAN POPULATION: **63.7%** of national population

CAPITAL CITY: **Quito** (10.42% of national population)

Sources: IMF-GFS, World Bank Development Indicators, Banco Central del Ecuador, ILO

### ECONOMIC DATA

GDP: **180.8** billion (current PPP international dollars)  
i.e. 11 092 dollars per inhabitant (2014)

REAL GDP GROWTH: **3.7%** (2014 vs 2013)

UNEMPLOYMENT RATE: **3.8%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **773** (BoP, current USD  
millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **29%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.732** (high), **rank 88**

## TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
<b>221</b>	<b>-</b>	<b>22</b>	<b>243</b>
<b>MUNICIPALITIES</b> (MUNICIPIOS/CANTON) ± <b>1 METROPOLITAN DISTRICT</b> (DISTRITO METROPOLITANO DE QUITO) AVERAGE MUNICIPAL SIZE: <b>73 756 INHABITANTS</b>		<b>PROVINCES</b> (PROVINCIAS)	

**MAIN FEATURES OF TERRITORIAL ORGANISATION.** Ecuador is a unitary state, with a two-tier structure of decentralization. The country is divided into 22 provinces (*Provincias*) which are formed by one or several *canton*. According to the 2008 Constitution, these provinces may also gather to create an autonomous region, but with only geographical significance. The lower level of decentralization is constituted by 221 municipalities called Canton or Municipios. These entities are further subdivided into around 1500 parishes (*parroquias*) which are small politico-territorial divisions that may be classified into rural or urban parishes. They are under the authority of a municipality which has the power to create or modify them. This subsidiary tier of decentralization aims to be an intermediary between people and municipalities. The 2008 Constitution consecrated the previous legislation dedicated to decentralization, as the government launched a national plan on decentralization in 2012. This plan, created under the realm of the Buen Vivir program for the reinforcement of democratic State in Ecuador, aims to deepen the decentralization and deconcentration processes. It relies on the provisions of the organic code on LGUs, with the creation of a National Council of competences, a technical body composed of one representative of each level of local government, which coordinates the process of transfer of powers from the central government to LGUs. This Council was responsible for the definition of the National Decentralization Plan through a participatory process including all stakeholders (mayors, prefects, presidents of parishes, civil society, etc.).

**MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES.** The National Decentralization Plan aims to organize and plan the devolution of powers and resources from the central state to the LGUs for the next decades. The Organic code on territorial organization and decentralization stipulates that the division of local responsibilities is mainly driven by principles of subsidiarity and complementarity, as well as balanced development of territories and equal access to basic services for all. The code also clearly defined the competences of the different subnational governments and refers to a "National Skills System". These competences are classified into different categories: Exclusive whose ownership belongs to only one level of government, but whose management can be performed concurrently on several levels, as it is the case of urban sustainability and land use in municipal governments or support for agricultural activity in the case of provincial governments; Concurrent, whose ownership belongs to several levels of management and are managed concurrently; Additional, which can be transferred to a government gradually and under the principle of subsidiarity, as they are part of the sectors or common materials and not expressly assigned by the Constitution and law; Residual, defined by law as custodial and exclusive powers of the central government not being allocated in Constitution and not being part of the strategic sectors, that hence may be assigned to a particular government by the National Council of competences.

## SUBNATIONAL GOVERNMENT FINANCE

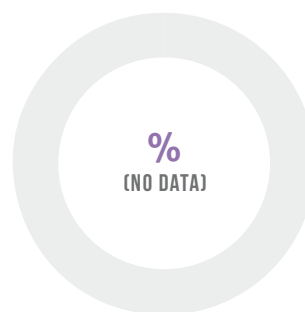
EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
<b>TOTAL EXPENDITURE (2013)</b>	<b>4.4%</b>	<b>11.9%</b>	<b>100%</b>
<b>CURRENT EXPENDITURE</b>	1.0%	-	23.3%
<b>STAFF EXPENDITURE</b>	0.5%	6.0%	12.4%
<b>INVESTMENT</b>	2.8%	31.8%	63.1%

Overall subnational expenditures accounted for almost 12% of general government expenditures in 2013, corresponding to 4.4% of national GDP. This is a relatively high share, given that national expenditures in this year accounted for up to 36.81% of GDP. Specifically, subnational governments were responsible for 31.8% of overall public investment (63.1% of subnational expenditures).

## EXPENDITURE BY FUNCTION

## % SUBNATIONAL GOVERNMENT EXPENDITURE

- GENERAL PUBLIC SERVICES
- DEFENCE
- SECURITY AND PUBLIC ORDER
- ECONOMIC AFFAIRS
- ENVIRONMENTAL PROTECTION
- HOUSING AND COMMUNITY AMENITIES
- HEALTH
- RECREATION, CULTURE AND RELIGION
- EDUCATION
- SOCIAL PROTECTION



A surprisingly large part of Ecuadorian public investments appears to be carried by local governments. The recently renewed decentralisation process resulted in an increasing devolution of competences, hence devolution of spendings to the local governments especially for the Provinces.

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2013)	4.5%	14.3%	100%
TAX REVENUE	0.8%	4.9%	18.1%
GRANTS AND SUBSIDIES	3.5%	-	78.2%
OTHER REVENUES	0.2%	-	3.8%

LGU's revenue are defined by the organic code on decentralisation. They are coming from own financial resources, transfers from the general government budget, other transfers and donations, and different other incomes. As autonomous local governments, rural parishes benefit from own income, and from revenue delegated by other levels of government.

**TAX REVENUE.** Local governments own revenues are mainly coming from taxes, with LGU having the power to create taxes for specific purposes on their own territories. According to the organic code on decentralization, tax application shall be guided by the principles of generality, progressiveness, efficiency, administrative simplicity, retroactivity, transparency and revenue adequacy. Main taxes are : the tax on inheritances, bequests and donations; tax on property and on motor vehicles; the special consumption tax on motor vehicles (aircrafts, helicopters, yacht, ect.). Regional, provincial, municipal and metropolitan autonomous governments can create, modify or delete, by their own regulations, taxes and special contributions of general or specific improvements for services that are under their responsibility and for the works to be executed within the scope of their powers or territorial constituency.

**GRANTS AND SUBSIDIES.** Transfers for central State constitutes the main financial resources for LGUs in 2013. Three types of transfers can be distinguished : permanent grants from State current budget, which are entrenched by the national budget law ; transfers defined to compensate the costs induced by the charges devolved to local governments through the decentralisation process ; and transfers aiming to compensate for inequalities of development among local governments territories. LGUs may also receive non-permanent capital transfers. Yet, the subnational governments of Quito and Guayaquil receive the greatest share of transfers. In 2013, current grants accounted for only 13.8% of total grants, against 86.2% for capital grants.

**OTHER REVENUES.** Local autonomous entities may also perceive fees and special contributions; incomes from the sale of goods and services; investment income as well as revenues from the sale of non-financial assets and recovery of investments; raffles and sweepstakes revenues ; fines. In addition to these resources, local governments can receive funds from participation to the exploitation or industrialization of non-renewable natural resources, or from financial funds.

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	-	-

According to the organic code on decentralization, the local government debt cannot exceed 100% of their revenues, and annual debt service shouldn't be over 40% of the revenues. The code also states that loans may only be contracted to fund local investments, and guarantees supporting external borrowing can only be obtained through the Central bank.

A joint- study of:



**Sources:** Ministerio de Finanzas, available on <http://www.finanzas.gob.ec/estados-financieros/> • <http://www.buenivir.gob.ec/> ; • Secretaria nacional de planificacion y desarrollo on <http://www.planificacion.gob.ec/> • Codigo Organico Organizacion Territorial Autonomia Descentralizacion (COOTAD), available on [http://www.finanzas.gob.ec/wp-content/uploads/downloads/2012/09/CODIGO\\_ORGANIZACION\\_TERRITORIAL.pdf](http://www.finanzas.gob.ec/wp-content/uploads/downloads/2012/09/CODIGO_ORGANIZACION_TERRITORIAL.pdf) • H Batallas Gomez (2013), El actual modelo de descentralización en el Ecuador: un desafío para los gobiernos autónomos descentralizados, FORO Revista de Derecho, n.º 20, UASB-Ecuador / CEN, Quito • Instituto nacional de estadística y censos.