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EBD/83/103
Correction 1

April 15, 1983

To: Members of the Executive Board
From: The Secretary
Subject: Ecuador - Exchange System

The following correction has been made in EBD/83/103 (4/7/83):

Page 1, para. 2, line 3: for "S/. 0.4 per US\$1" read S/. 0.04 per US\$1"

A corrected page is attached.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Ecuador--Exchange System

Prepared by the Western Hemisphere Department and
the Exchange and Trade Relations Department

(In consultation with the Legal Department)

Approved by E. Wiesner and Manuel Guitian

April 6, 1983

In the attached communication dated March 25, 1983, the Central Bank of Ecuador has informed the Fund of changes to the exchange market system 1/ that were introduced on March 19, 1983.

1. The official exchange rate was changed from S/. 33.00 = US\$1 to S/. 42.00 = US\$1, representing a depreciation of 21.4 per cent, and it will be depreciated by a further S/. 0.04 per US\$1 each business day with effect from March 23, 1983.
2. Seventy per cent, instead of the previous 100 per cent, of proceeds from exports other than oil and oil derivatives, bananas, coffee beans, cocoa beans, and sugar, are required to be surrendered in the official exchange market. The latter group of products remains subject to the 100 per cent surrender requirement. Public sector foreign exchange and the proceeds from official foreign capital and from over one year private credits authorized by and registered with the Central Bank are also channeled to the official market.
3. Sales of foreign exchange at the official rate by the Central Bank are to be limited to the following transactions: (a) payments for the c. & f. value of imports of goods on List I 2/; (b) debt service payments by the public sector and approved public sector expenditures; (c) certain debt service payments by the private sector; and (d) expenses for post-graduate studies and for special courses for the handicapped, and expenses relating to press, radio and television services. Payments for all other transactions are to be effected in the free exchange market.
4. The rates of prior import deposits were reduced as follows: goods on List I (A), zero; goods on List I (B), 20 per cent; and goods on List II, 50 per cent.

1/ Ecuador has maintained a dual exchange market system since November, 1971.

2/ Permitted imports are divided into two categories: LIST I consisting of essential goods (Group A) and semiessential goods (Group B); and LIST II, consisting of less essential and luxury goods.

5. "Monetary Stabilization Surcharges" on the c.i.f. value of imports are to be levied at the following rates:

<u>Products</u>	<u>Rates of surcharge</u> <u>(In per cent)</u>
List I (A)	5
List I (B)	8
List II	15

The above measures, as well as other policies, will be discussed in detail in the staff's report on Ecuador's request for the use of Fund resources under a stand-by arrangement to be circulated to the Executive Board at a later date. In the meantime, no action by the Executive Board is being proposed.

Attachment