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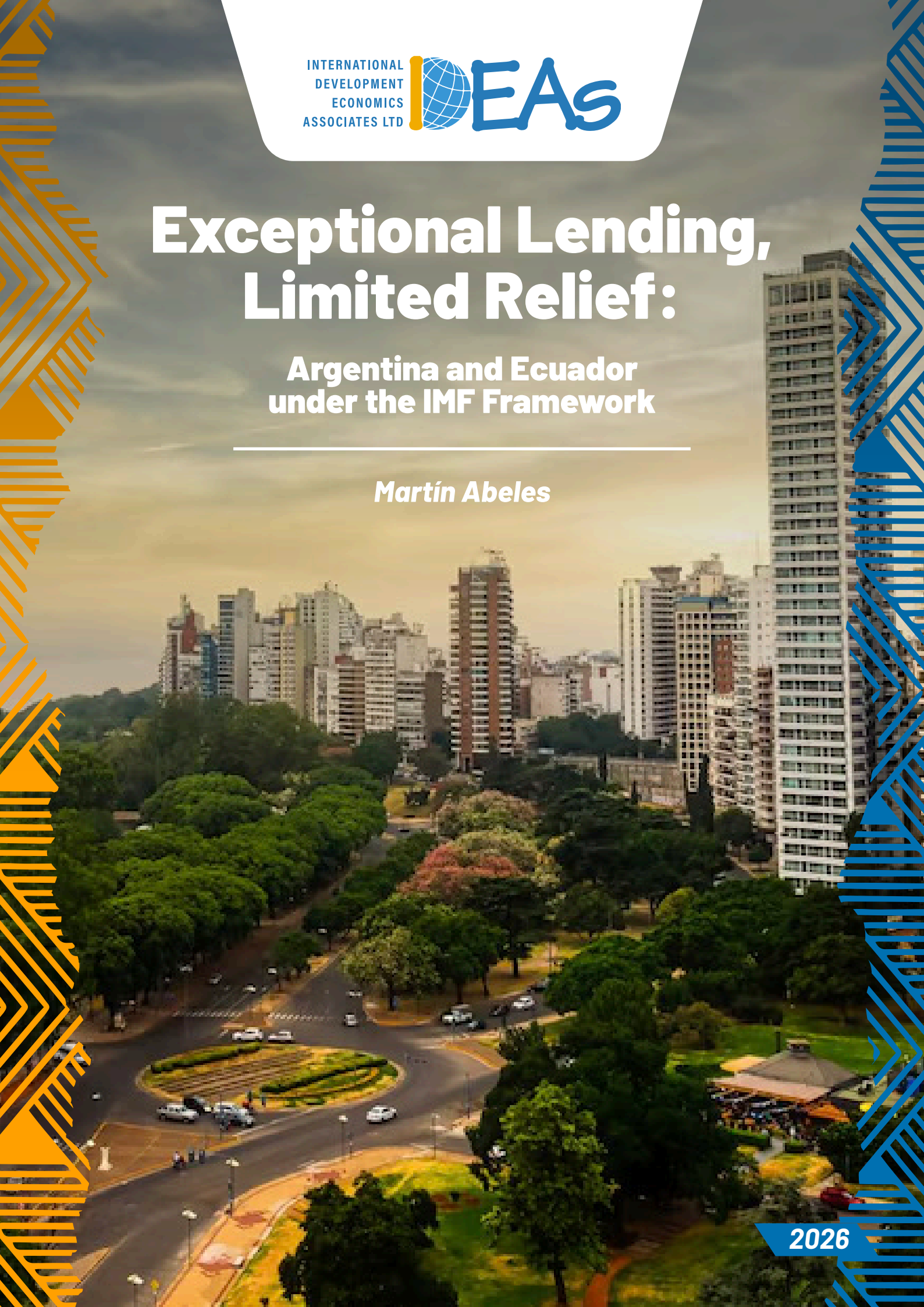
Exceptional Lending, Limited Relief:

Argentina and Ecuador under the IMF Framework

Martín Abeles



2026

THE IDEAs WORKING PAPER SERIES Paper no. **09/2026**

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Martín Abeles[1]

Abstract

This paper analyses the evolving relationship between Argentina, Ecuador, the International Monetary Fund (IMF), and private creditors over the period 2018–2026. It shows how both countries became the largest recipients of IMF financing in Latin America under conditions of exceptional access, while undertaking sovereign debt restructurings with strong IMF involvement. Despite the scale of official support and the widespread use of modern restructuring tools such as Collective Action Clauses, the outcomes point to limited and uneven debt relief, persistent external fragilities, and continued exclusion from international capital markets. The analysis exposes how IMF-supported restructurings delivered relatively modest reductions in debt burdens compared to earlier, more confrontational episodes (Argentina 2005–2010; Ecuador 2008), suggesting that Fund involvement may constrain the scope for deeper relief. The findings also underline how program conditionality—centred on fiscal adjustment and structural reforms—has reduced policy space and reinforced dependence on official financing. More broadly, the brief situates IMF engagement within a geopolitical context, emphasizing the role of U.S. strategic interests in enabling exceptional lending arrangements in Latin America and the Caribbean. It concludes that the absence of an effective international sovereign debt restructuring framework continues to skew outcomes toward private creditors, and that more decisive debt restructuring strategies—less conditioned by IMF influence—may be required to restore growth, sustainability, and macroeconomic autonomy.

JEL Classification

F34 F33 G15 H63 O54

Key words

Latin America; Argentina; Ecuador; International Monetary Fund; debt sustainability; sovereign debt restructuring; conditionality.

How to cite: M. Abeles (2026) Exceptional Lending, Limited Relief: Argentina and Ecuador under the IMF Framework, IDEAs Working Paper n°9, International Development Economics Associates.

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[1] This working paper has been prepared for the Experts meeting and the International Conference on Senegal's debt crisis, organized by IDEAS-Africa Network (IDAN) under the patronage of the Prime Minister of Senegal, May 11-13, 2026, Dakar, Senegal.

1. Introduction

The IMF's relationship with Latin America and the Caribbean (LAC) is long, complex, and has evolved considerably over time. From its founding through the early 1970s, the institution acted as a short-term balance-of-payments financier for countries running current account deficits. Its main instrument during this period was the traditional Stand-By Arrangement, typically paired with short-term macroeconomic adjustment and stabilization rather than long-term development. During this initial phase, the IMF focused its engagement on the region's largest economies: Argentina, Brazil, Chile, Colombia, Mexico, Peru, and Venezuela.

Following the collapse of the Bretton Woods system and the end of the dollar-gold standard in the early 1970s, as elsewhere in the Global South, the IMF's role in the region expanded appreciably (Kregel and Chandrasekhar, 2025). The institution increasingly intervened to support countries facing sudden stops in capital flows, while also becoming a key actor in sovereign debt renegotiation processes. In this new phase, the Fund scaled up the size of its programs, lengthened their duration, and broadened conditionality to include far-reaching structural reforms, while also expanding concessional lending to lower-income countries.

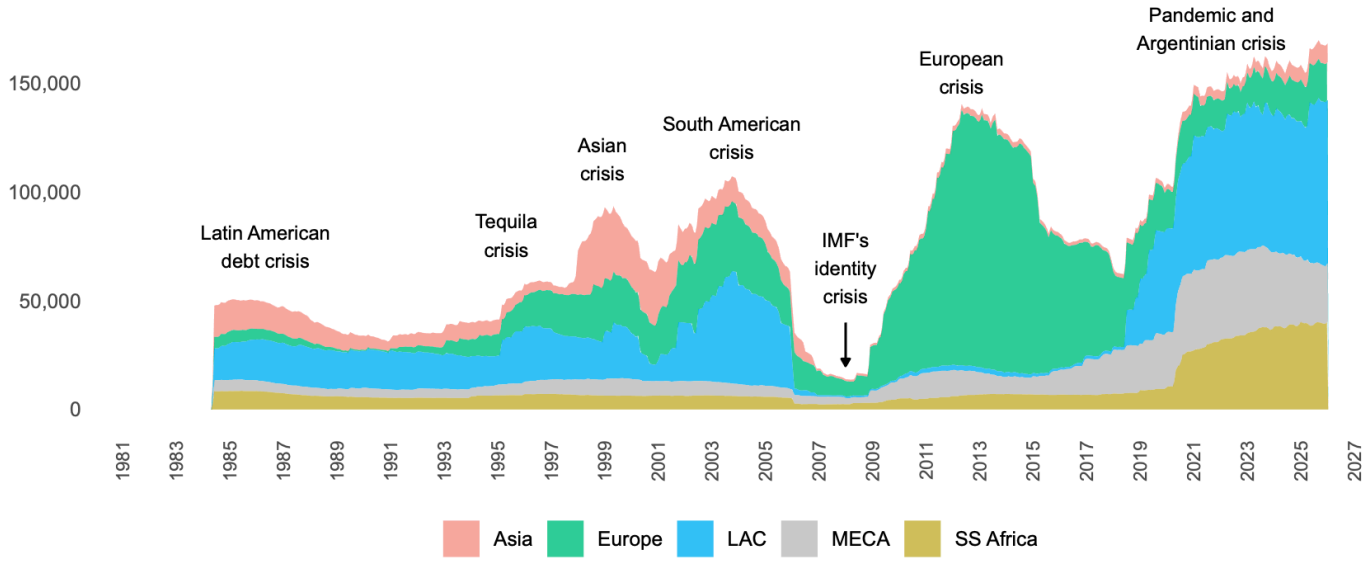
During the Latin American debt crisis of the 1980s, the IMF emerged as both lender of last resort and de facto coordinator of negotiations between debtor governments and private creditors. This role was to some extent institutionalized through the Baker Plan (1985) and the Brady Plan (1989), both led by the U.S. Treasury. The depth of the region's dependence on IMF financing during this period is underscored by the fact that the three largest recipients of IMF resources in the world at the time were Mexico (12%), Brazil (8%), and Argentina (8%).

The IMF's influence remained substantial throughout the 1990s, providing large-scale financing while actively promoting a reform agenda centred on trade and financial liberalization, labour market deregulation, pension reform, and the privatization of state-owned enterprises. In much of the region, these prescriptions carried severe social and economic costs, contributing to rising inequality, curtailing policy space and frequent balance-of-payments crises that ultimately culminated in sovereign debt defaults.

The bitter legacy of these programs—particularly those of the 1980s and 1990s—led many countries in LAC to deliberately distance themselves from the IMF during the first decade of the twenty-first century. Several governments chose to repay their outstanding obligations ahead of schedule, effectively dissolving their financial ties with the institution. Argentina and Brazil, both of which fully repaid their IMF debts in 2005, stand out in this regard. At the same time, a number of countries restructured their private debt without IMF involvement, often under conditions that—as opposed to later similar situations in which the Fund did get involved—proved compatible with a return to economic growth. Argentina and Ecuador stand out as the most emblematic examples of this alternative path.

After an extended period during which the Fund experienced what many analysts called an "identity crisis" as many countries including those in the Latin America and Caribbean region repaid their loans and avoided seeking Fund assistance, the IMF's presence in the LAC region resurged sharply from 2018 onward. This renewed engagement occurred in a context of sluggish growth, rising external debt, and heightened financial vulnerability across the region (Abeles and Cherkasky, 2020). Against this fragile backdrop, the COVID-19 pandemic was the first major shock to drive countries toward the Fund: 21 countries in the region signed 25 credit agreements, accounting for 69% of total IMF lending committed during that period. A second wave followed the outbreak of the war in Ukraine, which severely affected food- and energy-importing countries. During this phase, 10 countries in the region entered 14 IMF agreements, concentrating 67% of the Fund's total lending committed at the time.

Figure 1. Outstanding Credit by Region *(Millions of USD)*



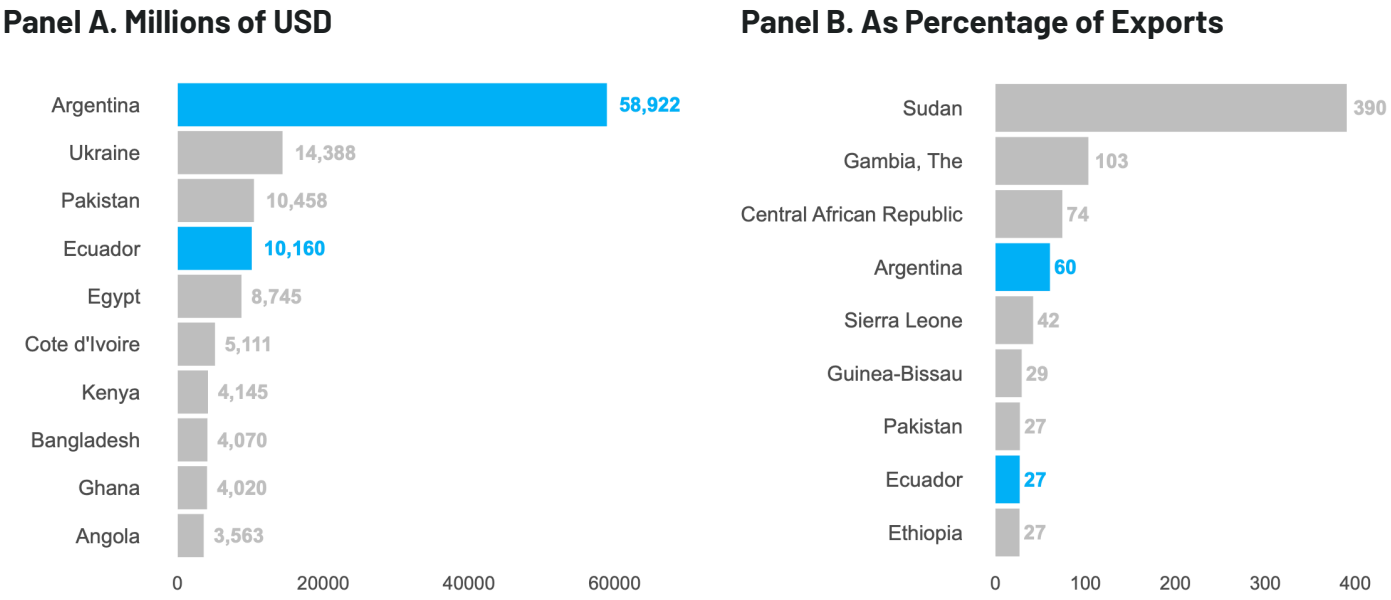
Source: IDEAs based on IMF.

As of early 2026, 17 of the LAC region's 32 IMF member countries hold some form of active credit agreement with the institution, making the region the largest recipient of IMF financing globally, with 45% of total outstanding IMF lending. Much of this outsized share is attributable to Argentina's program—the largest in the Fund's history—alongside Ecuador's. That said, the number of countries with active agreements has been trending upward, reflecting the region's mounting economic difficulties. According to specialized press reports, Bolivia entered into negotiations to request an Extended Fund Facility (EFF) arrangement in early 2026, and the possibility of some form of program for Venezuela has also been floated. A further factor that could drive the number of Fund programs even higher is the escalating conflict derived from the U.S.-Israeli attack on Iran[2].

The IMF's expanded footprint over the past decades can also be read through a geopolitical lens, particularly in light of the United States' strategic interests in the region, rooted in geographic proximity and access to critical natural resources. Notably, the two largest IMF credit agreements of this period were extended to countries emerging from the collapse of progressive governments, where financial support functioned as a tool for consolidating political transitions. These was the case of Argentina in 2018 and Ecuador in 2019, both under President Trump's first administration. Both countries hold EFF arrangements whose financing has been expanded through successive reviews, combining short-term fiscal adjustment requirements with long-term structural reform commitments.

[2] As reflected in remarks by IMF Managing Director Kristalina Georgieva at the 2026 Spring Meetings, where she indicated the Fund anticipates new assistance requests in the range of $20 to $50 billion (https://www.imf.org/en/news/articles/2026/04/15/tr-04152026-press-briefing-transcript-imf-mds-press-briefing-on-the-gpa-sms-2026).

Figure 2. Outstanding Credit by Region as at February 2026



Source: IDEAs based on IMF database.

Against this historical and political backdrop, this report focuses on the two most heavily indebted countries to the IMF in the region. Section 2 examines Argentina´s experience, Section 3 analyses Ecuador's, and Section 4 draws a comparative analysis of both cases and extracts some general conclusions.

2. Argentina

Argentina is the IMF's single largest debtor, with outstanding loans totalling $59 billion, around 1,300% of its quota within the institution and equivalent to 60% of exports and primary income in the current account. The loan extended in 2018, and its subsequent expansion in 2025, constitutes the largest financing packet ever granted in the Fund's history. Argentina is also among the 11 IMF member countries subject to surcharges, reflecting exceptionally high levels of borrowing from the General Resources Account (in excess of 300% of quota), and one of only four such cases in LAC, alongside Costa Rica, Ecuador, and Suriname.

Over the course of its history, Argentina has entered into 23 IMF agreements, most of them—19 in total—Stand-By Arrangements, the Fund's most traditional lending instrument, with the remaining four corresponding to Extended Fund Facility (EFF) programs. The country's contemporary relationship with the IMF restarted in 2018 with a Stand-By Arrangement amounting to $48.6 billion, which was only partially disbursed before the onset of a new debt crisis in 2019. This was followed by an EFF agreement in 2022, designed primarily to refinance the outstanding obligations stemming from the previous 2018 program, and later by a new agreement reached in 2025 that expanded IMF financing by an additional $20 billion. To date, around 60% of this latest program has been disbursed, placing Argentina in the compliance phase, where continued access to Fund's resources is contingent on meeting the program's policy conditionalities.

Table 1. Argentina's IMF Arrangements (2016–2026)

Agreement Type	Agreement Date	Maturity Date	Amount Agreed		
			USD millions	*% of quota*	*% CC income*
SBA	20-Jun-18	19-Jun-21	48,609	1.110	58
EFF	25-Mar-22	24-Sep-24	43,848	1.001	41
EFF	11-Apr-25	10-Apr-29	20,976	479	20

Source: IDEAs based on IMF.

The following sections review key milestones in Argentina's relationship with the IMF over the past two decades, situating them within the broader context of the country's debt dynamics.

2.1. Debt Background

In 2005 and 2010, Argentina's progressive governments under Néstor Kirchner and Cristina Fernández undertook a comprehensive restructuring of its public debt following the country's 2001 default. The restructuring proved successful, as it normalized 93% of outstanding liabilities and laid the ground for nearly a decade of strong economic growth. However, a group of speculative investment funds—commonly referred to as "vulture funds"—had acquired defaulted bonds at steep discounts and subsequently demanded repayment at full face value. Their claims were upheld by a U.S. Federal Court in New York State in 2012 and were confirmed on appeal in 2013, effectively obliging Argentina to repay the full principal plus accrued interest and penalties.

Even if it had wished to do so, Argentina would have been structurally unable to comply with the ruling, as the bonds exchanged in the 2005 and 2010 restructurings contained a "Rights Upon Future Offers" (RUFO) clause, which guaranteed creditors who engaged in the previous debt restructurings the right to receive any more favourable terms offered to other bondholders in the future. Paying the vulture funds in full would therefore have triggered the RUFO clause, reopening the entire stock of previously restructured debt, and jeopardizing the integrity of the two previous exchange operations.

This dispute was historically significant, representing the first instance in which a legal conflict between a sovereign state and its private creditors was litigated through the full judicial system. The outcome forced both parties into increasingly adversarial positions, before a political or diplomatic resolution became the only viable path forward (Val, 2024). In response, Argentina pursued a range of strategies, including coordinated diplomatic action at the multilateral level. Alongside the G77+China and with the backing of several LAC partners, it spearheaded efforts at the United Nations to establish an international legal framework for sovereign debt restructuring and to curb the behaviour of holdout creditors (Guzmán and Stiglitz, 2016). These efforts culminated in the adoption by the UN General Assembly of Resolution 69/319 in September 2015, which sought to secure the "Basic Principles on Sovereign Debt Restructuring Processes." While symbolically important, the non-binding nature of the resolution meant that the new principles had no immediate practical impact on the dispute itself.

The conflict was ultimately resolved through the expiration of the RUFO clause in 2015, ten years after the restructuring process had begun, combined with a market-compliant shift under the neoconservative government of Mauricio Macri (2016-2019). Seeking to regain access to international capital markets rapidly, the Macri administration opted to settle with the vulture funds on the terms required by the New York court ruling, followed by separate settlements with other holdouts that had likewise rejected the earlier exchanges.

2.2. The 2018 EFF Agreement

Following the resolution of the legal dispute with holdout creditors and Argentina's return to international credit markets, the country experienced a rapid and destabilizing accumulation of public debt. Between 2016 and 2018, gross public debt of the central administration rose sharply, from 56.2% of GDP in 2015 to 86% of GDP in 2018, driven primarily by a surge in external borrowing from private creditors, which grew from 16.1% to 39% of GDP over the same period. This rapid debt accumulation, combined with a widening current account deficit and a tightening of global financial conditions (as reflected in rising international interest rates), culminated in a sudden stop in private financing.

Faced with this crisis, the Macri administration negotiated a Stand-By Arrangement with the IMF that carried extraordinary financial and political significance, as it was the largest program ever approved by the institution at the time, totalling some US$56.3 billion. While the agreement included standard demands for fiscal 'consolidation'— particularly through cuts in certain subsidies and capital expenditures— it also contained a set of unprecedented concessions for a Fund-supported program, most notably unusual latitude for intervention in the foreign exchange market.

The primary objective of this exceptional level of financial support was to generate a so-called "catalytic effect" on private capital flows—that is, to reverse the capital outflows that had prompted the loan request in the first place. IMF programs pursue this goal through two main channels. First, by reinforcing international reserves, the Fund aims to signal sufficient liquidity and resilience to deter further private capital flight. Second, by imposing market-oriented policy conditionalities, it seeks to reassure investors that the borrowing countries will generate adequate external surpluses to service their debts and will not impose restrictions on capital movements or profit repatriation.

In Argentina's case, this catalytic effect failed to materialize. Private capital outflows intensified during the first two years of the program, fuelling exchange rate instability which ultimately forced the government to reintroduce capital controls. At the same time, Argentina failed to regain access to international debt markets, leaving it unable to refinance maturing obligations and increasingly dependent on official financing. Rather than restoring confidence, the Fund program in Argentina coincided with a further deterioration of financial stability.

This experience revived long standing debates over the effectiveness of Fund programs' catalytic role, particularly in cases involving exceptionally large-scale lending, as was the case in Argentina (and in Ecuador, as will be explained below). Krahnke (2023) argues that this catalytic effect becomes weaker in large programs for three main reasons: (i) the IMF's preferred creditor status raises anticipated losses for private investors in the event of default; (ii) the Fund's bargaining power diminishes as its exposure to a single borrower grows, increasing the borrower's leverage within the program, that is, giving the borrower greater room to deviate from conditionalities, what may be frowned upon by private potential financiers; and (iii) large IMF disbursements, when combined with persistent structural vulnerabilities, can create exit opportunities for investors rather than incentives to remain invested. More critical perspectives go further, contending that the adjustment and financial liberalization conditionalities associated with IMF programs actively undermine repayment capacity, exacerbate financial volatility, and produce outcomes that run counter to the program's stated stabilization objectives (Stiglitz, 2002; Stiglitz & Ostry, 2022; Ghosh, 2019).

By the time the Macri administration left office in 2019, Argentina had entered selective default and was burdened with liabilities heavily concentrated in foreign-currency-denominated instruments. In its final months, amidst intense exchange-rate instability and mounting financial pressures, the Macri government unilaterally extended the maturities on a set of short-term domestic bonds, a debt reprofiling that breached the original contractual terms and was consequently classified as Selective Default by Standard & Poor's. By the third quarter of 2019, gross central government debt had risen to 91.6% of GDP (up from 52.6% in 2015), with nearly three-quarters of that stock denominated in foreign currency (73.6% of GDP).

2.3. The 2020 Private Debt Restructuring

When Alberto Fernández's progressive government took office in December 2019, it faced challenges on multiple fronts in addressing Argentina's debt overhang. The most urgent of these, however, was the stock of privately-held external debt, which had become patently unsustainable. This led to a new restructuring process that, unlike the previous episodes of the 2000s, benefited from a key juridical advantage: the bonds subject to renegotiation included Collective Action Clauses (CACs) which ensured that, once specified acceptance thresholds were reached—either at the level of individual bond series or in aggregate—the restructuring terms would become legally binding on all creditors. By activating these clauses, the government ultimately achieved coverage of 99% of eligible liabilities.

This restructuring delivered considerable relief across multiple dimensions. It reduced the average interest rate from 7% to 3%, generated significant relief on maturities falling due over the subsequent five years ($42.5 billion) and over the following ten years ($37.7 billion), and included a modest haircut of 1.9% in the debt's principal. The restructuring aimed to ease the short- and medium-term debt service burden, supposedly creating fiscal space for economic recovery, while seeking to place public debt on a more sustainable footing. In particular, the new interest profile was supposed to be calibrated to be broadly consistent with realistic assumptions about medium term economic growth and export capacity, rather than with overly optimistic market expectations.

The complexity of this restructuring stemmed from the different legal jurisdictions and currencies under which the different government bonds had been issued. Renegotiation conditions were especially stringent for bonds issued under New York law and for those denominated in foreign currency. Within the New York law bonds, additional complications arose from differences in the design of CACs. Bonds issued under the 2005 and 2010 exchanges required approval of 75% of outstanding capital, and at least 66% of each individual series, while bonds issued between 2016 and 2018—following the post Greek crisis tightening of global CAC standards— allowed approval under lower aggregate thresholds, either through 66% of total outstanding debt and 50% of each series, or 75% of the aggregate stock.

Throughout the debt restructuring process, the IMF publicly backed Argentina at every stage, including through its own Debt Sustainability Assessments, which Argentine authorities actively leveraged as a negotiating tool to secure more favourable terms from private creditors. The Fund's supportive posture was primarily shaped by its own exceptionally large exposure to a single member country, the proven failure of the previous IMF-backed program (despite the country's adherence to its policy prescriptions), and the extraordinary economic disruption caused by the COVID-19 pandemic. Together, these factors aligned the Fund's institutional self interest with Argentina's need for debt relief, shaping a stance that seemed to depart from the IMF's more restrictive behaviour in earlier restructuring episodes.

Successfully navigating this fragmented legal architecture, together with IMF backing, seems to have been central to the strategy that ultimately attained near universal participation in the restructuring. Yet, despite the high level of acceptance, the operation proved insufficient to restore Argentina's access to international capital markets. This outcome comprises a market-based indication that the debt relief achieved was probably inadequate, particularly when contrasted with the 2005 and 2010 restructurings, which delivered a cumulative write-down of some 20.5% of eligible debt (Guzmán, 2016). It thus appears that, even with the widespread adoption and institutionalization of CACs, the absence of a robust international legal framework for sovereign debt restructuring continues to tilt negotiations in favour of private creditors. This is illustrated by the experience of Argentina, where market re access failed to materialize despite the high levels of creditor participation.

2.4. The 2022 and 2025 EFF Agreements

A year and a half after the private debt restructuring, the Fernández administration reached a new credit agreement with the IMF to address the repayment profile inherited from the failed 2018 program. This agreement took the form of an Extended Fund Facility (EFF) totalling $45 billion, with disbursements scheduled over the following two and a half years to align almost exactly with the repayment obligations falling due under the 2018 Stand-By Arrangement. The program also included a four-and-a-half-year grace period on principal repayments, with final maturities falling due ten years after the last disbursement. As a result, Argentina's foreign currency debt service profile shifted from being heavily concentrated between 2021 and 2023 to a more dispersed schedule spanning the period 2024-2034. While the EFF substantially eased near term balance of payments pressures, it did so at the cost of renewed fiscal adjustment commitments.

In 2025, the neoliberal government of Javier Milei reached a new credit agreement with the IMF explicitly aimed at strengthening Argentina's external position. Unlike the 2022 agreement, which had been structured to refinance the liabilities inherited from the failed 2018 Stand-By Arrangement, this new program was deliberately designed to secure additional financing. This extraordinary support came in the context of a strong political alignment with the United States under President Trump's second administration, echoing the circumstances that had facilitated the approval of the 2018 loan during Trump's first term. The new agreement amounted to US$20 billion and was again exceptional by any historical standard: at the time of approval, Argentina's outstanding obligations to the IMF stood at 975% of quota (US$43.5 billion), well above the 600% threshold that would ordinarily trigger heightened access limits.

The program was also exceptional for the unusually large size of its upfront disbursement, with US$12 billion—equivalent to 60% of the total program—released at the time of approval. The IMF itself acknowledged that this was unprecedented among its largest General Resources Account operations. The initial disbursement not only exceeded the average for the largest EFF programs (20%), the largest Stand-By Arrangements (29%), and Argentina's own 2018 agreement (30%), but also surpassed the previous record, set by a loan to Turkey in 2022 (57%). This front loading reflected both the authorities' acute short term financing needs and the Fund's willingness to assume heightened exposure once again—which could not have happened without unconditional support by the United States.

At the time of writing (April 2026), the IMF approved a new disbursement under the program despite Argentina's failure to meet its reserve accumulation target, having complied only with the fiscal performance criterion. This permissive application of conditionality has not altered the underlying dynamics: the agreement continues to fail in stopping—or at least reducing—private capital outflows, which reached record levels over the past year, and Argentina has yet to regain access to international debt markets to refinance maturing obligations. As a result, the country remains dependent on official financing, bringing the Argentina–IMF chapter full circle—marked once again by exceptional support, fragile credibility, and unresolved external constraints, all under the auspices of the United States.

3. Ecuador

Ecuador is the second most heavily IMF-indebted country in LAC, with outstanding loans of $9.9 billion, equivalent to 1,000% of its quota, and approximately 27% of its exports and primary income on the current account. Like Argentina, Ecuador is among the 11 IMF member countries subject to surcharges, due to the high volume of its borrowing from the General Resources Account (exceeding 300% of quota).

Like Argentina, Ecuador has entered into 23 IMF credit agreements over the course of its history, although with a different temporal and institutional profile. Eighteen of these were Stand-By Arrangements signed between 1961 and 2003, reflecting a long-standing but intermittent relationship with the Fund. The remaining five agreements consist of Extended Fund Facility (EFF) programs and emergency credit lines negotiated over the past two decades, marking a renewed and more intensive phase of engagement. Ecuador resorted to emergency IMF financing on two occasions: in July 2016, following a major earthquake along its coastline, and in May 2020, in response to the COVID-19 pandemic. Both events sharply increased fiscal needs and left the country's external position highly vulnerable. The sequence of EFF arrangements began in 2019, was expanded by 50% through a new EFF in September 2020 and partially refinanced again in May 2024 through a third EFF, leaving Ecuador simultaneously indebted under multiple IMF programs and fully subject to ongoing conditionality during the disbursement phase of the latest agreement.

Table 2. Ecuador's IMF Arrangements (2016–2026)

Agreement type	Agreement date	Maturity date	Amount agreed		
			USD millions	*% quota*	*% CC income*
RFI	8-Jul-16	-	360	37.5	1
EFF	11-Mar-19	10-Mar-22	4,173	435	16
RFI	1-May-20	-	646	67.3	3
EFF	30-Sep-20	29-Dec-22	6,345	661.5	28
EFF	31-May-24	30-May-28	4,125	430	11

Source: IDEAs based on IMF.

In what follows the key milestones in this relationship over the past two decades are reviewed, alongside the relevant background to Ecuador's debt situation.

3.1. Debt Background

In late 2008, Ecuador initiated a sovereign debt restructuring process that was unusual both in its motivation and its framing. Unlike most debt workouts, the operation was not triggered by an unsustainable debt burden—public debt as a share of GDP barely exceeded 20% at the time—but by the political determination that part of those liabilities had been contracted illegitimately, giving rise to a deliberate and explicit unwillingness to pay rather than an inability to do so (Val, 2024; Feibelman, 2010; Buchheit & Gulati, 2009).

This position was grounded in the work of the Comprehensive Public Credit Audit Commission (CAIC), established in July 2007 by President Rafael Correa. The Commission was tasked with examining the legal, financial, and socioeconomic dimensions of Ecuador's public borrowing practices, and with assessing the legitimacy, legality, transparency, effectiveness, and efficiency of public debt accumulation (CAIC, 2008). The CAIC conducted a thorough review of available data on commercial, multilateral, and bilateral debt covering the previous three decades. Its final report, released in October 2008, concluded that a significant portion of Ecuador's external debt was illegitimate, finding that issuance and restructuring processes had disproportionately benefited domestic elites, foreign creditors, and the broader international financial system at the expense of the Ecuadorian population (Feibelman, 2017).

Acting on these findings, President Correa announced in November 2008 the suspension of debt service on the obligations deemed illegitimate, a move that triggered a sharp fall in bond prices. With securities trading at just above 20% of face value, the government launched a buyback program in 2009 (Buchheit & Gulati, 2009). The strategy combined a clear signal that unbought bonds would not be honoured with the possibility of activating exit consent clauses to discourage holdouts (Val, 2024). Despite the legal and financial risks involved, participation reached 91% at a repurchase price of 35 cents on the dollar, allowing Ecuador to retore $3.2 billion in external liabilities. The remaining untendered debt was subsequently repurchased in 2014, fully closing one of the most assertive and consequential debt restructuring episodes in recent sovereign debt history.

3.2. The 2019 EFF Agreement

The first EFF agreement was reached in March 2019, following a gradual re engagement with the IMF initiated by President Lenín Moreno's administration as early as October 2017. This financing arrangement came against a backdrop of significant economic vulnerability, characterized by a persistent fiscal deficit, rising public debt, an appreciation of local costs in dollar terms, and critically low international reserves. These vulnerabilities were partly rooted in the sharp drop in oil prices in 2014–2015, which reduced both foreign exchange and fiscal revenues, drove up Ecuador's debt financing costs, and were only partially reversed in subsequent years. The situation was further compounded by the 2016 earthquake, which had already prompted emergency IMF support. At the time of the loan request, gross international reserves scarcely covered one month of imports, underscoring the extreme fragility of Ecuador's external position. Although the current account appeared broadly balanced, the Fund assessed that the oil price-adjusted balance remained out of equilibrium, while sustained private capital outflows recorded over the four preceding years constituted an additional source of external stress (Weisbrot and Arauz, 2019).

The 2019 EFF amounted to $4.2 billion, equivalent to 435% of Ecuador's quota, the maximum level permitted under normal access conditions at the time. The program was anchored around two broad sets of policies. The first focused on reducing public expenditure, particularly through cuts to the public wage bill and economic subsidies. The planned reduction in the public wage bill was to be achieved through cuts to individual salaries and the dismissal of 140,000 public sector employees. Subsidy reduction involved the elimination of retail fuel, industrial gas, and electricity subsidies. The fiscal adjustment framework included a minimal increase of 0.4% of GDP in social spending during the first year and a better "targeting" of social assistance outlays to offset the removal of fuel subsidies. While several analysts pointed to internal inconsistencies in the fiscal external financing framework—particularly the assumption that the projected fiscal surplus would generate an increase in public sector deposits that would be counted as international reserves—the thrust of the strategy was clear: to compress domestic absorption and thereby improve the current account through a reduction in imports, at the cost of subdued growth and deteriorating labour market conditions (Weisbrot and Arauz, 2019).

The second set of policies involved structural reforms aimed at reshaping Ecuador's economic model under dollarization. These included proposed changes to labour legislation, concessions of state-owned enterprises, and the dismantling of foreign exchange regulations. The proposed labour reform included extending the probationary period, reducing employee severance costs, and introducing part-time work arrangements without bonus entitlements. The concession of public assets—referred to in the program as the "monetization" of public asset flows—covered airlines, public utilities, and other state-owned enterprises. On the regulatory front, the agreement stipulated the elimination of a 5% tax on financial transfers abroad, including payments for certain imports, further liberalizing cross border financial transactions.

Taken together, these structural measures pursued two interconnected objectives. The first was an "internal devaluation", whereby reductions in dollar-denominated domestic costs would compensate for the impossibility to adjust the nominal exchange rate under a dollarized regime. The second objective was to restore investor confidence and reverse private capital outflows. The program's macroeconomic projections hinged critically on the assumption that financial capital inflows averaging $1.7 billion per year would materialize between 2020 and 2024, following average outflows of $4.1 billion per year between 2015 and 2018. These projected inflows were expected to be driven by new private borrowing and capital repatriation. In the absence of such inflows, the program's already modest growth and employment projections would have been markedly weaker, highlighting the extent to which the strategy relied on a rapid and optimistic reversal in private financial behaviour (Weisbrot and Arauz, 2019).

3.3. The 2020 Agreements and Private Debt Restructuring

In 2020, Ecuador was among the countries most severely hit by the COVID-19 pandemic, as oil prices collapsed. This shock forced the country to seek emergency IMF financing to cover exceptional pandemic-related expenditures, while simultaneously creating serious debt sustainability challenges vis à vis private creditors, the Fund, and bilateral lenders. In May 2020, Ecuador reached an agreement on a Rapid Financing Instrument (RFI) to address its most pressing financial needs and shortly thereafter launched a private debt restructuring process with IMF support. The restructuring was concluded on August 1st of that year—just days before Argentina's own restructuring was finalized on

August 31st. Ecuador's restructuring covered $17.4 billion in liabilities and delivered meaningful cash flow relief, including a $1.5 billion reduction in principal, a reduction in the average interest rate from 9.2% to 5.3%, a near-doubling of average maturities from 6.1 to 12.7 years, and the introduction of extended grace periods—with no payments due for five years and no interest payments for two years.

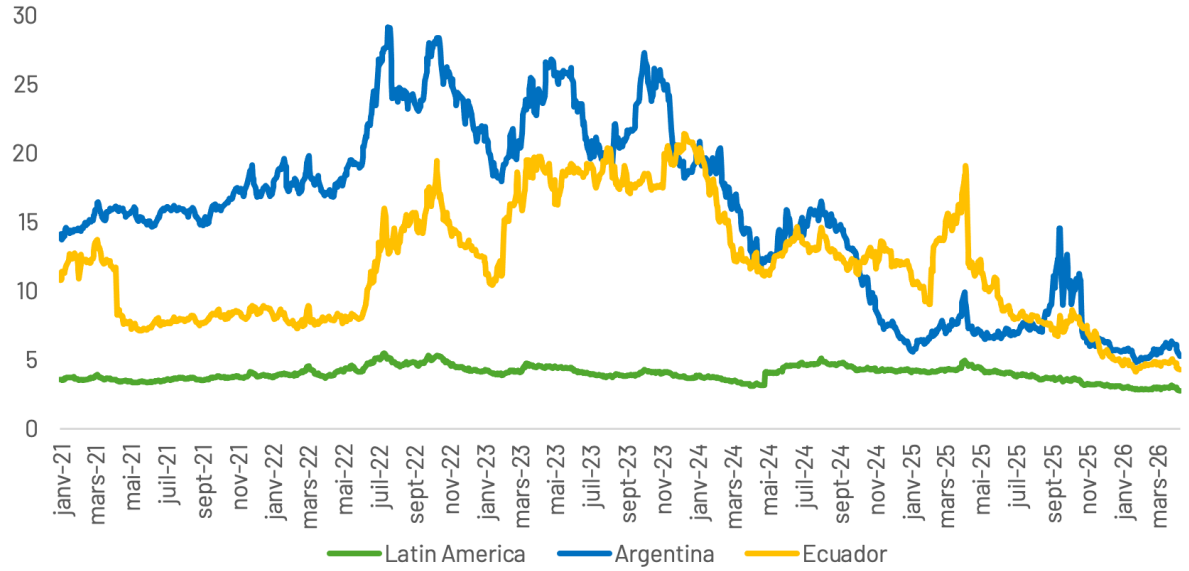
With the private debt restructuring completed, Ecuador moved swiftly to negotiate a new EFF agreement with the IMF to refinance upcoming maturities and expand the financing envelope secured during the pandemic. In late August 2020—roughly two months after the private restructuring—the IMF approved a new EFF totalling $6.3 billion (661% of quota), some 50% larger than the 2019 agreement ($4.2 billion, equivalent to 435% of quota). While the earlier program had been requested at the maximum amount permitted under normal access limits (435% of quota), the 2020 agreement exceeded that ceiling (600% of quota), and therefore qualified as exceptional access. This made the preceding private debt restructuring a critical prerequisite since, under IMF rules, one of the four conditions required for the IMF to grant exceptional access is that the debt be assessed as sustainable with high probability; or, if this cannot be established, that other financing sources provide sufficient safeguards to protect the Fund's exposure.

3.4. The 2024 EFF Agreement

In May 2024, Ecuador requested a new EFF agreement amid heightened economic vulnerability that accompanied the months following the start of President Daniel Noboa's administration in December 2023. In the preceding year, the country had confronted a challenging confluence of adverse shocks, including lower oil prices relative to the peak reached in 2022 following the outbreak of hostilities in Ukraine, elevated international interest rates, and worsening social tensions that had escalated into a broader security crisis. On the economic front, the neoliberal Noboa administration implemented a series of measures aimed primarily at adjusting fiscal and external imbalances, including an increase in Value-Added Tax (VAT), reductions in energy subsidies combined with some improved targeting, and higher taxation on financial transfers abroad. These measures were well received by international financial investors, contributing to a reduction in the country risk premium from around 20 percentage points to approximately 11 percent. Even so, Ecuador remained in a position of economic fragility and lacked access to international debt markets, prompting the request for the May 2024 EFF agreement, totalling US$4.1 billion.

Ecuador's situation improved over the course of 2025, with conditions strengthening further in recent weeks as oil prices rose following the U.S.-Israeli attack on Iran. This improvement contributed to a decline in the country risk premium to below 5 percentage points and, according to press reports, has opened the door for Ecuador to explore a return to international capital markets. According to Bloomberg (2026), Ecuador is reportedly preparing to issue US$4 billion in bonds—US$2.2 billion maturing in 2034 and $1.8 billion maturing in 2039—with expected yields ranging between 8.75% and 9.25%. If completed, this operation would represent the largest bond issuance in Ecuador's history and its first return to international debt markets since the 2020 restructuring—albeit still at relatively high interest rates. At the time of writing, however, the execution of this issuance remains uncertain.

Figure 2. Yield Spreads *(In percentage points)*



Source: IDEAs based on J.P. Morgan.

4. Conclusions

The cases of Argentina and Ecuador reveal a set of recurring dynamics that may offer applicable lessons for other countries that combine high levels of external indebtedness to international financial markets with prolonged reliance on IMF programs.

First, in both cases, recourse to the Fund followed crises rooted not only in current account imbalances but, more fundamentally, in sustained private capital outflows and prolonged exclusion from international debt markets. In Argentina, capital flight was closely linked to a government endorsed strategy that encouraged carry trade operations following the liberalization of exchange controls in 2016–2017, compounded by a long standing preference for saving in foreign currency. In Ecuador, outflows took the form of dollar hoarding under dollarization, further amplified by the accumulation of external assets by domestic banks. In both economies, financial instability stemmed less from public "profligacy" than from structurally entrenched patterns of private financial behaviour that conventional monetary and exchange rate frameworks proved ill equipped to fix.

Second, the initial IMF agreements were negotiated by governments with a clear neoliberal orientation and closely aligned with the United States. In both cases, U.S. geopolitical interests shaped the environment in which exceptional levels of IMF support were approved. This geopolitical alignment helps explain the scale, speed, and permissiveness of Fund lending, particularly when contrasted with the institution's restrictive posture toward governments pursuing more progressive or heterodox strategies—as had previously been the case in both Argentina and Ecuador.

Third, both countries undertook IMF backed private debt restructurings in 2020. In neither case did the debt relief achieved prove sufficient to meaningfully expand policy space or enable a durable return to international capital markets. These outcomes stand in stark contrast to earlier restructurings—Argentina in 2005 and 2010, Ecuador in 2008—conducted without IMF involvement, under more confrontational negotiating strategies, and with substantially deeper debt relief. A key lesson here is that these earlier restructurings succeeded not by restoring market confidence overnight, but by creating the conditions for sustained growth. Equally important, these outcomes were politically viable because they rested on strong popular backing, rooted in widespread disaffection with legacy neoliberal reforms, which enabled governments to sustain more confrontational negotiating strategies.

Fourth, the IMF programs in both countries failed to meet two core success criteria. On the financial side, neither Argentina nor Ecuador have yet regained proper access to international debt markets: sovereign spreads remained persistently high, preventing even rollover financing. Dependence on the Fund therefore deepened, resulting in larger, longer, and increasingly binding programs. On the real side, growth outcomes were consistently weak. Since entering IMF programs, Argentina has grown at an average annual rate of just 0.7%, and Ecuador at 1.1%. While IMF projections for the medium term are more optimistic, they sit uneasily alongside the intensification of fiscal and monetary adjustment demands imposed on economies still in the disbursement phase of their programs.

Taken together, these case studies point to a set of broader lessons about the political economy of sovereign debt restructuring. While the IMF may present itself as a collaborative partner in private debt workouts, framing its participation as an effort to ease countries' debt burdens—and thus, indirectly, safeguarding its own balance sheet—its involvement seems also shaped by a clear interest in limiting losses for private creditors. This somewhat dual—not necessarily consistent—orientation constrains debtor countries' bargaining space and tends to tame restructuring outcomes, when much deeper relief would be macroeconomically justified.

Indeed, IMF financing and IMF supported restructurings have repeatedly fallen short of their stated objectives of restoring economic growth and re establishing fluid access to international capital markets. Argentina entered an IMF program in 2018 amid acute financing pressures, yet its economy has barely grown since and has failed to regain access to private debt markets. Ecuador signed an agreement in 2019 and has since experienced only modest growth and likewise remained unable to issue debt in international markets at economically viable interest rates. Rather than catalysing recovery, both countries accumulated larger and more prolonged obligations to the Fund, subject to increasingly stringent conditionalities—with short-term consequences derived from the fiscal and monetary tightening they impose, and long-term costs occasioned by sustained pressure to compress public investment in infrastructure, education, and science and technology.

Sustained growth requires either aggressive private debt restructuring or a substantial reduction in obligations to the Fund itself. Given the IMF's preferred creditor status and its near universal record of full repayment, the binding constraint lies in the Fund's influence over the terms and limits of private restructuring. The greater challenge seems to lie, therefore, in pursuing bolder private debt restructurings unencumbered by the Fund's "amicable" influence. Without meaningful debt relief, the prospects for economic growth will remain severely constrained, and IMF programs risk becoming—once again—mechanisms of prolonged dependency rather than "catalytic" pathways to recovery.

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Annex

Argentina							
Variable	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Growth (% annual)	-2.6	-2.0	-9.9	10.4	6.0	-1.9	-1.3
Current account balance (% of exports and primary income)	-32.5	-4.0	3.9	7.4	-3.7	-23.1	5.5
External debt stocks (% of exports and primary income)	333.0	325.3	374.6	273.1	232.7	281.3	234.8
External debt stocks (% of GNI)	54.9	65.2	68.1	51.6	40.1	40.0	39.1
IMF purchases (DIS, current US$)	28,623	16,166	0	0	23,419	12,673	5,443
Interest payments on external debt (% of exports and primary income)	17.7	16.3	11.3	6.6	6.6	14.1	12.3
Total debt service (% of exports and primary income)	51.5	50.8	43.1	30.6	31.7	51.4	38.3
Total reserves (% of total external debt)	23.8	16.0	15.4	16.1	18.0	9.1	12.2
Total reserves in months of imports	7.1	5.9	7.1	5.6	4.8	2.5	3.6
Use of IMF credit (DOD, current US$)	28,113	44,131	45,964	40,953	45,536	40,804	40,559
Concessional debt (% of total external debt)	0.1	0.1	0.1	0.1	0.1	0.1	0.1

Ecuador							
Variable	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Growth (% annual)	1.0	0.2	-9.2	9.4	5.9	2.0	-2.0
Current account balance (% of exports and primary income)	-6.4	-2.1	8.9	10.3	6.1	6.5	18.2
External debt stocks (% of exports and primary income)	175.1	198.0	249.1	197.6	164.4	170.7	155.4
External debt stocks (% of GNI)	43.0	49.7	60.9	55.1	53.1	52.1	49.7
IMF purchases (DIS, current US$)	0	1,398	4,611	809	1,615	0	1,499
Interest payments on external debt (% of exports and primary income)	10.5	10.8	6.9	6.9	5.3	7.8	7.4
Total debt service (% of exports and primary income)	35.6	35.8	41.1	22.4	14.4	22.9	21.9
Total reserves (% of total external debt)	4.8	5.7	12.6	13.6	13.9	7.2	11.4
Total reserves in months of imports	0.9	1.2	3.6	3.1	2.6	1.4	2.2
Use of IMF credit (DOD, current US$)	364	1,716	6,365	6,843	8,113	7,949	8,673
Concessional debt (% of total external debt)	1.2	1.1	1.0	0.9	0.8	0.9	0.9

Source: World Bank and IMF.

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