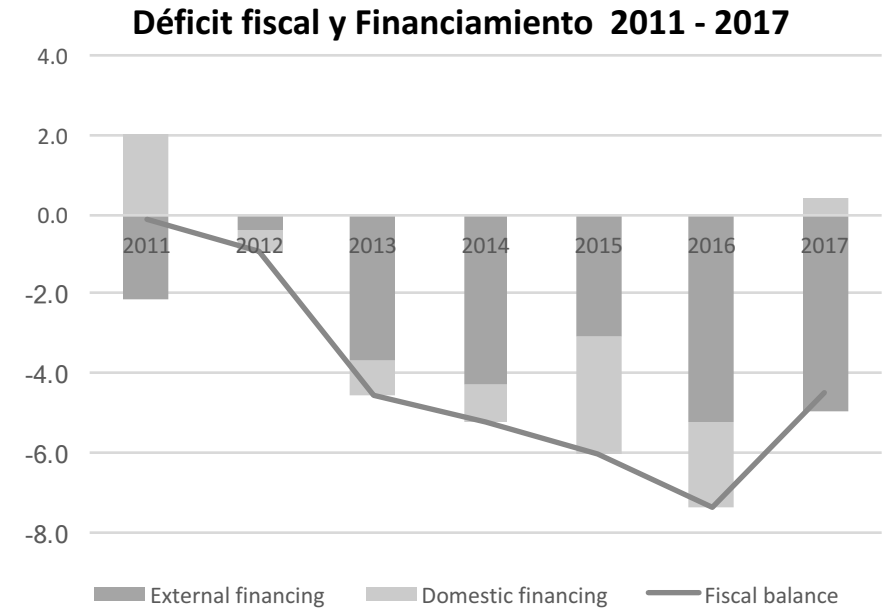
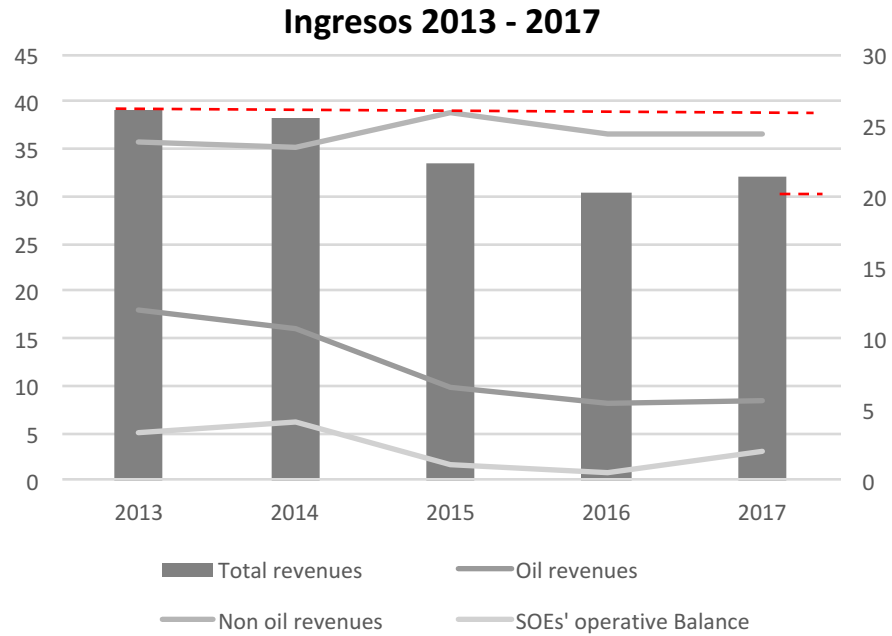


Energy Subsidy Reform in Ecuador –

Why
What
How

WHAT THE DATA SHOWS

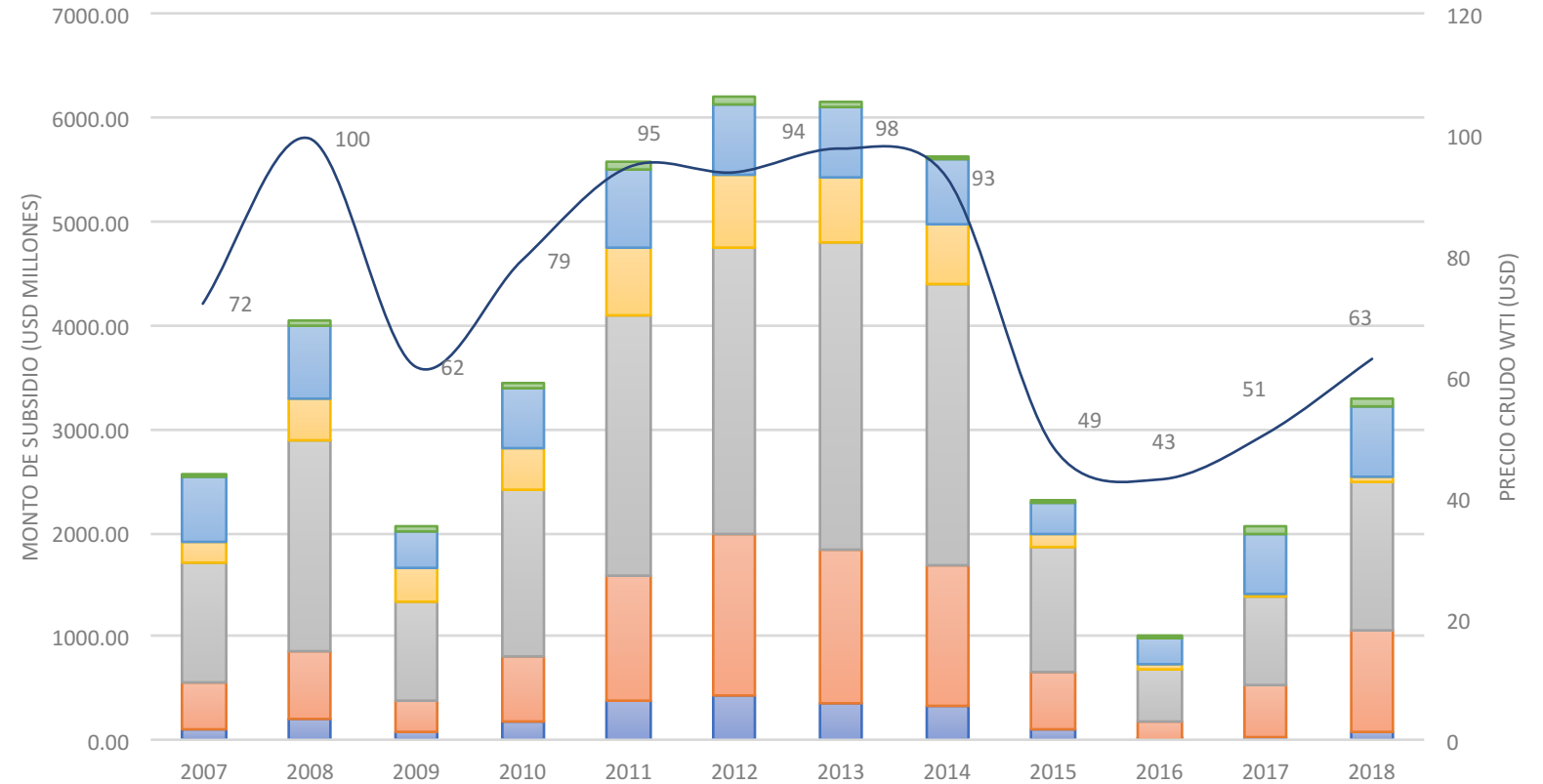
Fiscal situation is challenging



These subsidies are substantial and volatile

Follows fluctuation in the price of oil

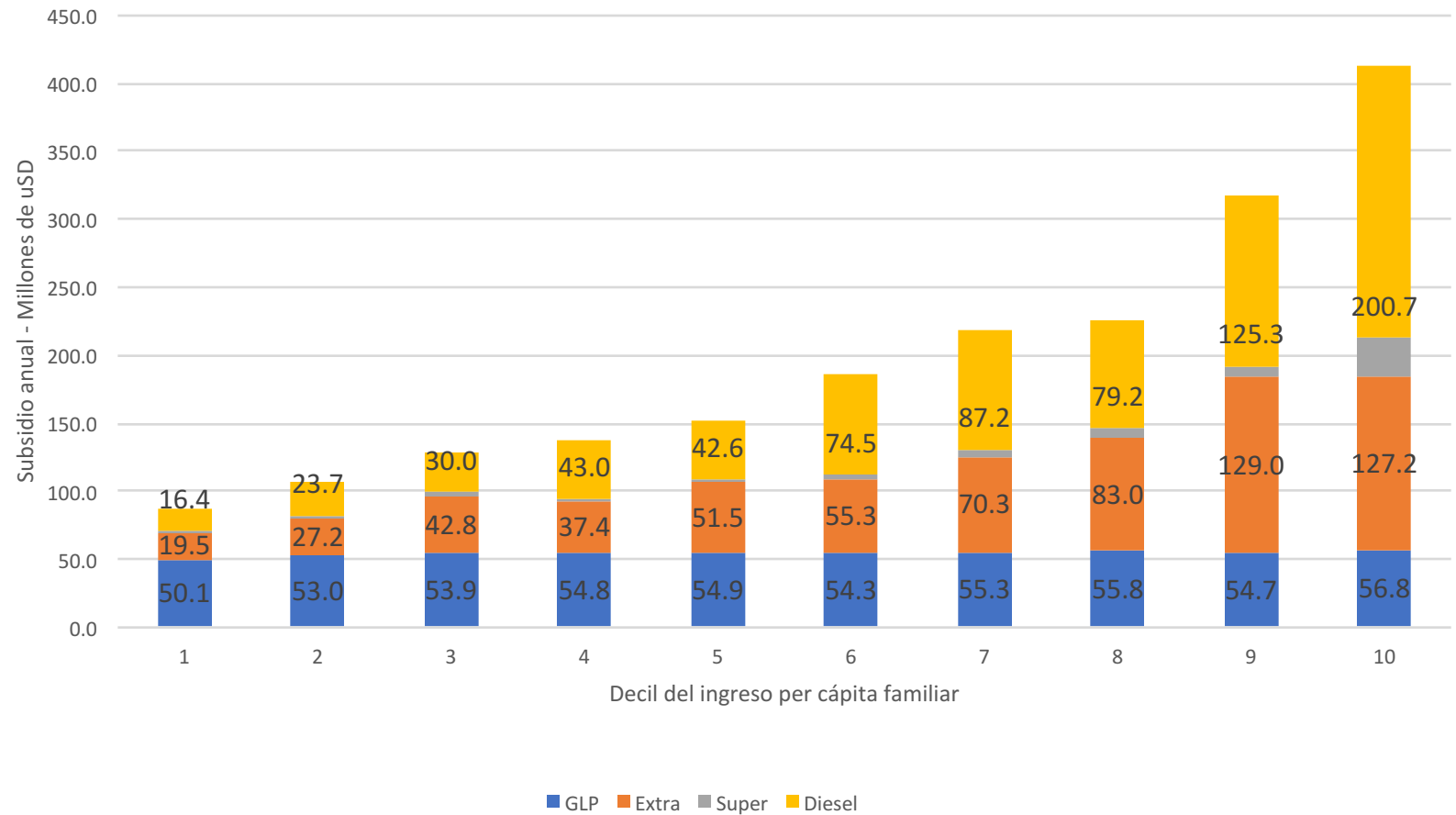
Evolución de los subsidios 2007-2018



Gasolina Super Gasolina Extra Diesel Fuel Oil #4 GLP Residuos y otros combustibles Precio WTI

They Benefit mostly upper income deciles

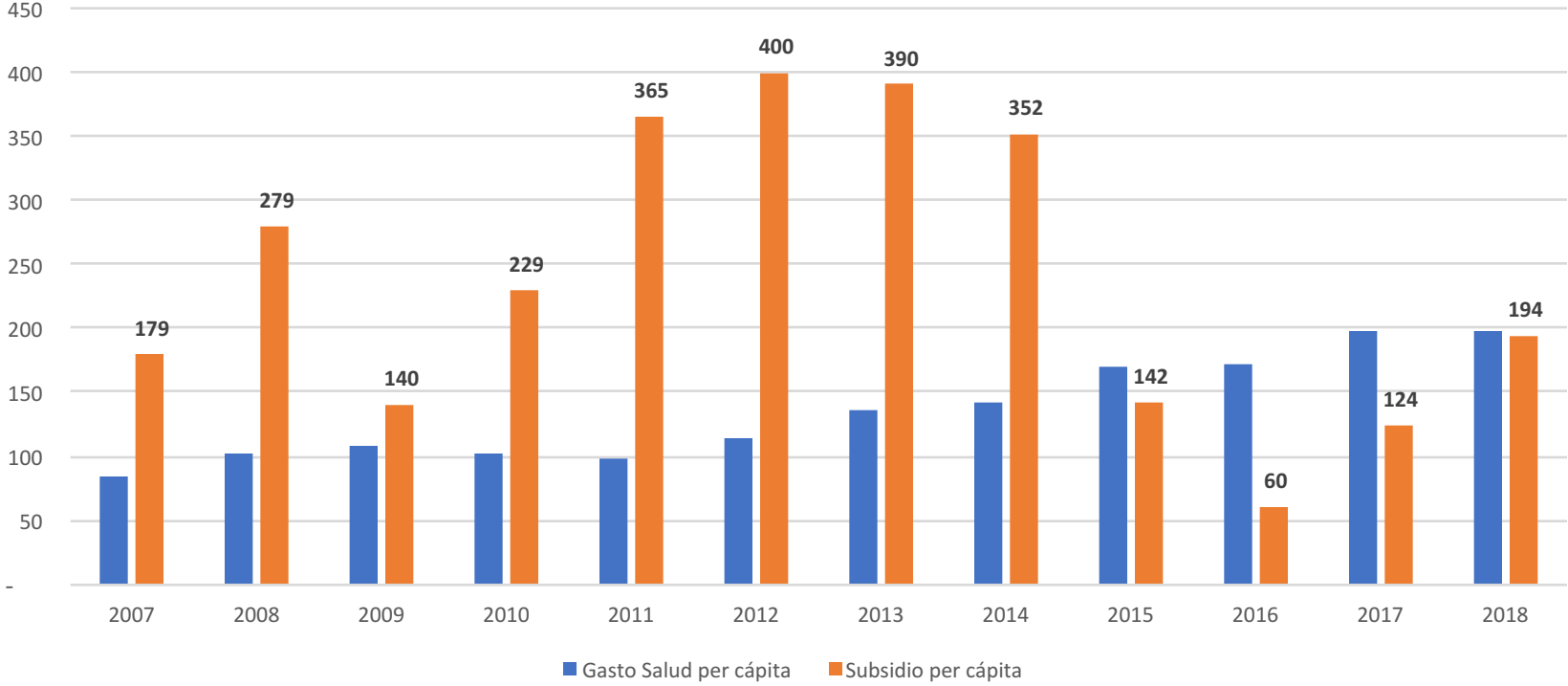
Who benefits from these subsidies



Can be as high as social spending

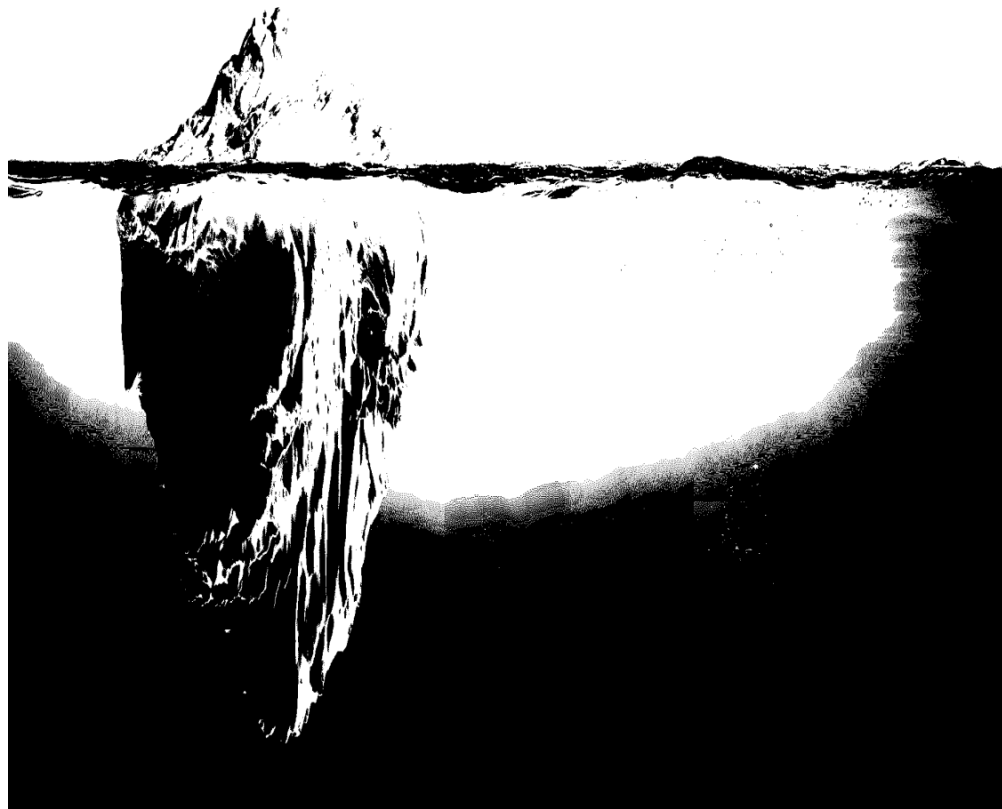
Relative to social spending

Gasto Salud vs Gasto Subsidios combustibles (per cápita)



NATURE OF THE PROBLEM

This data is just the tip of the iceberg and it is only going to get us this far.



This problem has social, environmental, health and political ramifications.

A technical solution is not enough.

We are in the Business of mobilizing stakeholders for change

STARTING POINT AND KEY STRATEGIC ELEMENTS

Starting points and strategic element

History Energy subsidy reform has historically been a delicate and traumatic process

Benefits are diffused

Benefits of the subsidies are diffuse, which makes targetting and communication much more challenging

Interest groups

Subsidies are there because they are part of the current social contract, even if implicitly. Interests of different group are in balance

Loss aversion

We Will be asking people to leave something they receive now for a Benefit that tcomes in the future and it is even more diffuse.

Current moment

Fiscal situation has opened space for this reform. But it is a period of adjustment, with consequences in growth, employment and poverty

Communication is key

La comunicación es un eje central de la reforma y debe empezar por posicionar el problema y movilizar emociones alrededor del costo de oportunidad

Coherence with other policy

La población va a demandar coherencia con otras políticas

Long term vision

Movilizar voluntades e intereses para una reforma de subsidios que han permanecido por muchas décadas no es fácil. Se debe enmarcar en una visión de país y sociedad más equitativa, eficiente y saludable

Our action plan should then:

Designed as an adaptive process balancing three factors

Balance technical soundness, political feasibility and capabilities to implement

Balance “best fit” and “best practice”

GRACIAS