

Ecuador – Strategy
February 3, 2023

Ecuador: Elections incoming

- **Ecuador’s dual elections and referendum are bound to happen this Sunday, on Feb- 5th, with the administration’s hopes riding on the latter.** Mr. Lasso does not have much riding in the sectional elections, as his party currently holds only one province (in alliance with the PSC), and just 34 mayors out of the 221.
- **Taking a look at recent polls, the outcome of the elections is riddled by uncertainty, with many citizens still unsure about which candidate to support.** In this context, the key seats open for the taking are the cantons of Quito and Guayaquil, while at the province level, the Guayas and Pichincha prefectures are bound to be hotly disputed.
- **Zooming in on the Guayas province, polls point towards an easy PSC victory in Guayaquil, with a more disputed race going on for the province.** In an extremely uncertain and volatile context, what does seem relatively ironclad is Mrs. Viteri’s (PSC) reelection as the Mayor of Guayaquil. . At the provincial level, however, the race is expected to be more closely cut, with Mrs. Susana Gonzalez (PSC) looking for reelection, against a competitive candidate in Mrs. Marcela Aguiñaga (Revolución Ciudadana),
- **In the city of Quito the race is wide open, and with voter indecision standing at extremely high levels.** In Quito, Clima Social polls convey Mr. Jorge Yunda (PK) is poised to edge Mr. Pabel Muñoz (Revolución Ciudadana, correist). However, there is an extra caveat fueling uncertainty in the race. Mr. Yunda is currently being processed by the TCE, as he refused to accept his impeachment in his previous mandate as Quito’s mayor.
- **At the provincial level in Pichincha, the race is also very open, and the administration’s candidate, Mr. Pozo, could eventually turn to be the dark horse in the race for the prefect seat.** Correist Mrs. Paola Pabon is presented as the frontrunner followed by Mr. Churuchumbi (Pachakutik). However, another poll carried by Cedatos instead puts Mr. Pozo as the frontrunner, who could source some strength from the large undecided camp.
- **On positive news for the administration, the popular consultation seems to be headed towards approval in all or most questions.** Three polls carried out by IPSOS, Cedatos and Clima Social point at a clear victory for the yes in most questions in the referendum.
- **So, all in all, the administration has little to lose in the sectional elections and should be favored by the referendum’s result.** With little to lose and a lot to gain, the administration could snatch some surprise wins, while the risks to the downside remain limited, given the little regional power currently in the administration’s hands.

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LATAM Strategy – Ecuador

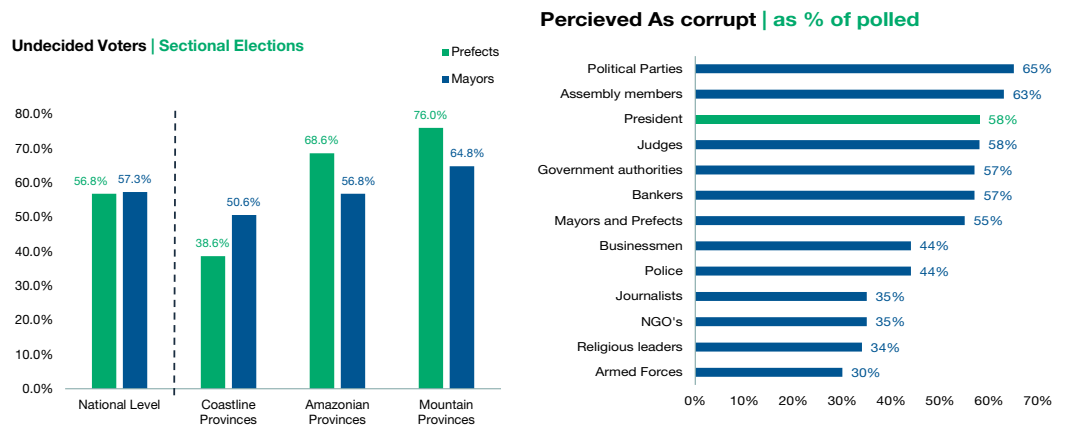
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Ecuador: Elections incoming

Sectional elections are scheduled for the 5th of February

Ecuador's dual elections and referendum are bound to happen this Sunday, on Feb- 5th, with the administration's hopes riding on the latter. On Sunday, Ecuadorians will choose their local representatives at three different levels. The country is divided politically and administratively into 24 provinces, 221 cantons and 1,499 parishes. Each of the provinces, with the exception of Galapagos, institutes a prefect and a provincial assembly. In addition, the cantons which compose the province each elect a mayor in addition to municipal assembly made up of urban and rural councilors, whose number is consistent with the areas' urbanization. The cantons are in turn subdivided into parishes, directed by members of the parish councils. Each of these authorities are elected by popular vote every four years, with the elections coming between presidential elections. In addition, the administration compounded the elections with a popular consultation, which will allow Ecuadorians to vote in favor or against eight proposals to amend legislation regarding varied issues.

Figure 1: Uncertainty remains extremely high across the board



Source: TPCG Research based on Cedatos and FCD

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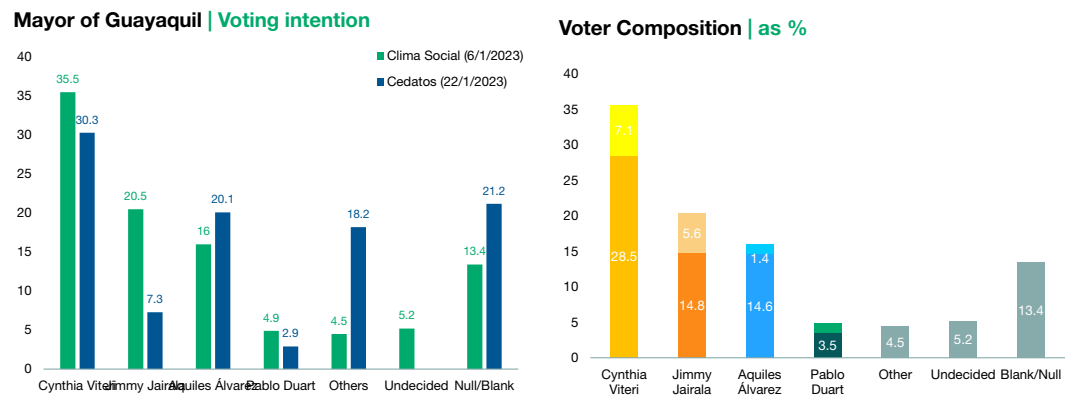
Mr. Lasso does not have much riding in the sectional elections, as his party currently holds only one province (in alliance with the PSC), and just 34 mayors out of the 221. The current distribution of the 23 prefects puts the Social Christian Party as the political actor with the largest stake in Sunday's elections, as they currently hold 8 prefect seats (3 on their own, 5 in alliances), mostly concentrated on the provinces closest to the country's coastline. In addition, they hold one of the two heavyweight provinces, Guayas. Furthermore, they control 46 cantons (9 on their own, 34 in alliances), including the second most important city in Ecuador, Guayaquil, capital of the Guayas province. The other party which is deeply involved in the electoral bout in Pachakutik, as the indigenous movement currently holds 5 prefect seats. The list then includes the correista Revolucion Ciudadana, which has another 3 provinces, while the rest are distributed between the rest of the traditional political parties and local movements and alliances. In this context, the

election is bound to mark the fate of the PSC and Pachakutik parties, as they must retain their power bases in the provinces, which can be used as platforms to propel solid national elections.

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In this context, the key seats open for the taking are the cantons of Quito and Guayaquil, while at the province level, the Guayas and Pichincha prefectures are bound to be hotly disputed. With Quito and Guayaquil being the largest cities in the country, and the capitals of the Pichincha and Guayas province, the electoral race zeroes in said districts. Currently, both the mayor of Guayaquil and the prefect of Guayas belong to the PSC, them being Mrs. Cynthia Viteri and Mrs. Susana González Rosado. Historically, these seats belonged to the PSC, which counts with a very strong support base in the province, but especially in Guayaquil, as the mayor has belonged to the PSC since 1992, with Mr. Jaime Nebot being mayor for 4 consecutive terms. Instead, the picture in Pichincha and Quito is more ambivalent. The province was won in 2019 by Mrs. Paola Pabon, which will now strive for reelection, while the situation in the city of Quito is more complex. In 2019, Mr. Jorge Yunda won the mayoral seat for the city, as part of the Movimiento PAIS, a political party with ties to correism. However, in 2021 he was impeached by the municipal assembly, as he was involved in corruption scandals of different severity, including some related to the purchase of medical supplies during the COVID pandemic. After some skirmishes in court, Mr. Santiago Guarderas assumed as his successor, completing his tenure. Now, Mr. Yunda is once again a candidate for the position, but this time disputing it in the name of Pachakutik.

Figure 2: The PSC is bound to retain its stronghold in Guayaquil



Source: TPCG Research based on Clima Social and Cedatos

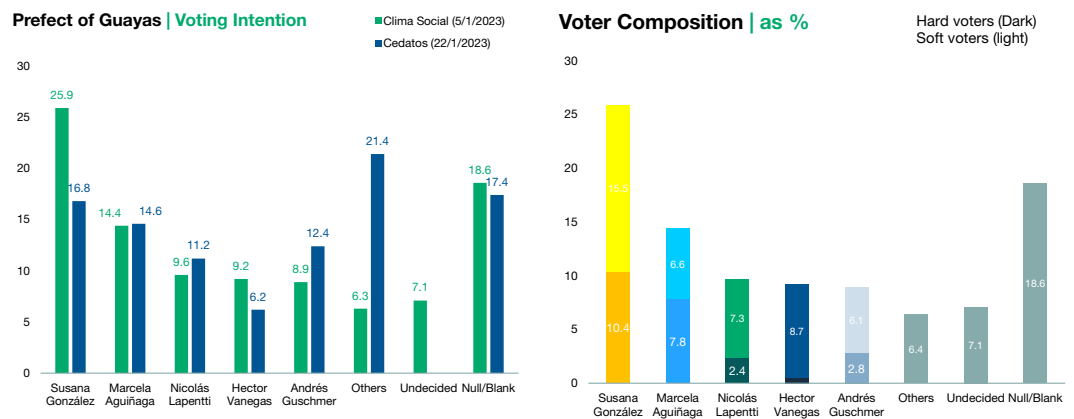
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Taking a look at recent polls, the outcome of the elections is riddled by uncertainty, with many citizens still unsure about which candidate to support. A recent poll carried out by Cedatos indicates the electorate is heavily unsure as to which candidate to pick. Uncertainty towards which prefect to choose amounts to 56.8%, while for mayors said percentage is even higher, standing at 57.3%. This in turn implies elections will be decided on Sunday, as most races are too tight to call with certainty, as the last minute decision of many Ecuadorians could tilt the scales to either one side or the other. Uncertainty is significantly lower in the coastal provinces (30% for prefects, 50.6% for mayors), than in both the Amazonian (68.6% ; 56.8%) and mountain provinces (76.% ; 64.8%). This could slightly benefit the PSC, as it holds most of its seats close to the coastline, and their candidates seem to be frontrunners in some of the mentioned areas. However, with uncertainty standing at extremely high levels, the results of the elections could tilt either way. This is relatively good for Mr. Lasso, as even as if he nor his party are key agents in this electoral bouts, the high volatility could shift the balance of power amongst the “softer opposition”, including the PSC and Pachakutik, possibly presenting the administration with a possibility to profit from the results. This also compounds with a recent poll from the Citizenship and Development foundation, which evaluates the perceived corruption in Ecuador. 93% of the polled believe that corruption is a major problem in Ecuador. Of the evaluated institutions, political parties are deemed the most corrupt, with 65% of the polled maintaining that said institutions are corrupt. They are closely followed by assembly members, at 63%, then by judges with 58%, which is also the rating of the president. Prefects and Mayors enjoy marginally better ratings, at 55%. This poll sheds some light on the high uncertainty weeks before the elections, which seems to stem from the low positive image the political space enjoys in the Ecuadorian society.

Zooming in on the Guayas province, polls point towards an easy PSC victory in Guayaquil, with a more disputed race going on for the province.

Zooming in on the Guayas province, polls point towards an easy PSC victory in Guayaquil, with a more disputed race going on for the province. In an extremely uncertain and volatile context, what does seem relatively ironclad is Mrs. Viteri's (PSC) reelection as the Mayor of Guayaquil. Polls from both Clima Social and Cedatos convey she enjoys an ample lead against her competitors. The former puts her voting intention at 35.5%, followed by Mr. Jairala (Centro Democrático) with 20.5% and Aquiles Álvarez (Revolución Ciudadana), the correist candidate, with 16%. The Cedatos poll points at a similar scenario, with Mr. Viteri enjoying a 30.3% voting intention, now followed by Mr. Álvarez at 20.1% and Mr. Jairala further away with 7%. Both polls give her at least a 10 point lead against her nearest rival. In addition, said polls identify a relatively smaller amount of undecided voters than in the rest of the electoral races with the Clima Social poll putting the sum of Undecided, blank and null votes at 18.6% (5.2% Undecided). Furthermore, Mrs. Viteri enjoys a solid base of hardcore supporters, as her hard vote totals 28.5%, with just 7.1% being soft voters, according to Clima Social. All in all, it seems that the long reign of the PSC in Guayaquil is poised to continue. At the provincial level, however, the race is expected to be more closely cut. The PSC candidate, Mrs. Susana Gonzalez is looking for reelection, and according to Clima Social, enjoys a 25.9% voting intention, surpassing Mrs. Marcela Aguiñaga (Revolución Ciudadana), the correist candidate, which currently has a voting intention of around 14.4%. Undecided voters total 7.1%, while in addition to null and blank votes, they amount to 25.7% of the polled. However, the Cedatos poll puts Mrs. Gonzalez support at 16.8%, vs Mrs. Aguiñaga's 14.6%, inferring the race should be competitive. In addition, the latter enjoys a slightly harder support (54% of her voters), versus the PSC's candidate (40%), making the race very interesting, as even as the PSC should retain Guayaquil, it could lose the control of one of the most important provinces to Correism.

Figure 3: The province of Guayas could be hotly disputed



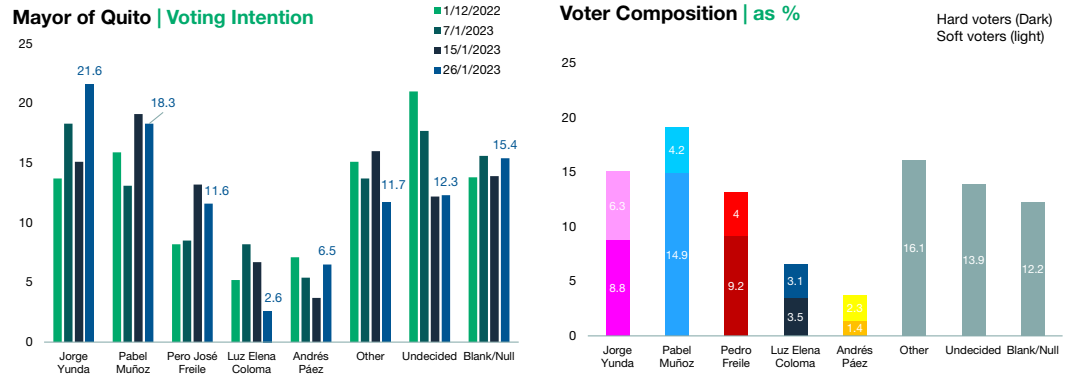
Source: TPCG Research based on Clima Social and Cedatos

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In the city of Quito the race is wide open, and with voter indecision standing at extremely high levels. Clima Social polls convey Mr. Jorge Yunda (PK) is poised to edge Mr. Pabel Muñoz (Revolución Ciudadana, correist). The former enjoys a voting intention of 21.6%, while the latter's stands at 18.3%. However, the trend marked a victory for Mr. Muñoz in previous polls. Up until the 15th of January, he led with 19.1% voting intention, vs Mr. Yunda's 15.1%. Still, the race is extremely open, with undecided voters standing at 12.3%, in addition to another 15.4% worth of blank and null votes, so the election could go either way. In addition, Mr. Pedro Freile (Ecuadoran Socialist Party) could also snatch a victory in the election, with his voting intention standing at 11.6%. The government's candidate, Mrs Luz Elena Coloma polls at 2.6% voting intention, with Mr. Freile's candidacy snatching a significant part of the electorate from her, as they both enjoy a similar voter base, in socioeconomic and anti-correism terms. Looking at the two frontrunners, Mr. Muñoz enjoys a harder voter base (80% of his voting intention is considered "hard", against Mr. Yunda's 60%). In a context where undecided voters should be key to resolve the election, said group is heavily polarized. In Clima Social's poll from the 6th of January, heavily anti-correist undecided voters amounted to 11.8% of the polled, correist undecided voters amounted to 8.1%, while "neutral" undecided added up to 14.2% of voters. While undecided correist voters should support Mr. Muñoz, him being the headline correist candidate, the more neutral caucus should tilt in Mr. Yunda's favor, while the anti-correist voters could be a wildcard, as some could be tempted to support Mr. Yunda to avoid a correist victory, but with the latter's connections to correism, they could opt for a different candidate

altogether. Mr. Yunda could be marginally preferable for the administration, as he is poised to be less of a correist hardliner than Mr. Muñoz, but it is unlikely he will sympathize with the current government.

Figure 4: The Quito electoral race is shrouded by uncertainty amidst controversy with Mr. yunda’s candidacy



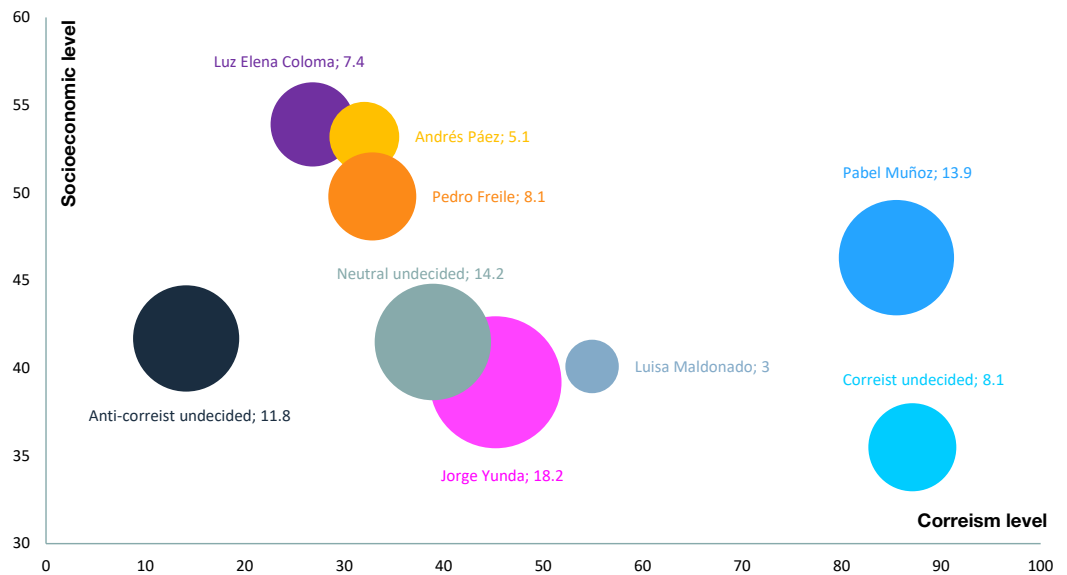
Source: TPCG Research based on Clima Social

However, there is an extra caveat fueling uncertainty in the race. Mr. Yunda is currently being processed by the TCE, as he refused to accept his impeachment in his previous mandate as Quito’s mayor.

However, there is an extra caveat fueling uncertainty in the race. Mr. Yunda is currently being processed by the TCE, as he refused to accept his impeachment in his previous mandate as Quito’s mayor. A judicial tribunal had ruled against him, prohibiting him from being a candidate for two years. Now, the case has moved up to a second instance, which has not ruled against him, allowing Mr. Yunda to present himself as a candidate for the elections anyhow. So, if the TCE rules against him before the election’s results are announced, he won’t be able to take his place as the new mayor of Quito. In that scenario, the results of the election will not directly determine who becomes the mayor of Quito, as it is not allowed for the candidate with the second most votes to assume the position. The capital would then be managed by the 21 elected members of the cantonal assembly, which would have to choose a new mayor. If the TCE does not rule against him before the elections, then he will be able to take his place as mayor and start working, albeit, when the sentence is passed, he could be impeached, placing a Damocles head over his head, as the TCE does not have a time limit to emit a final ruling.

Figure 5: Undecided voters have the power to tilt the election either way

Voter dispersion | Correism and socioeconomic levels

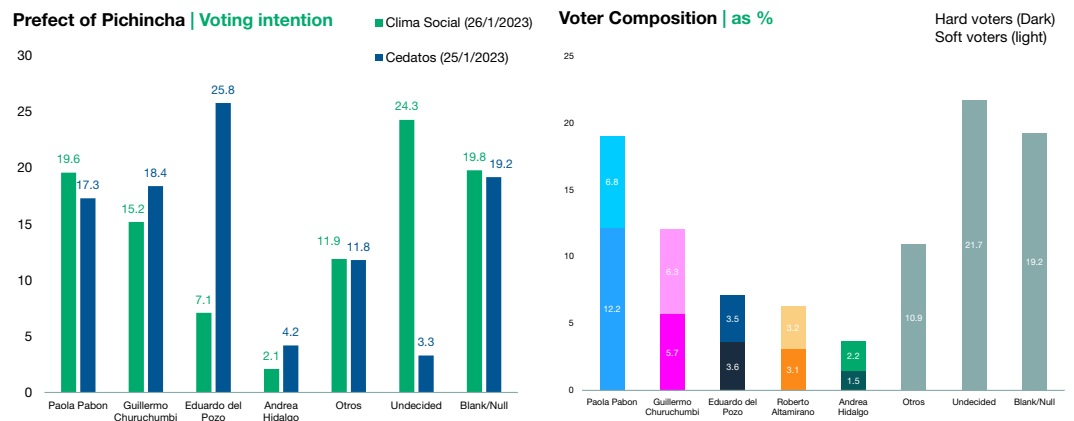


Source: TPCG Research based on Clima Social and Cedatos

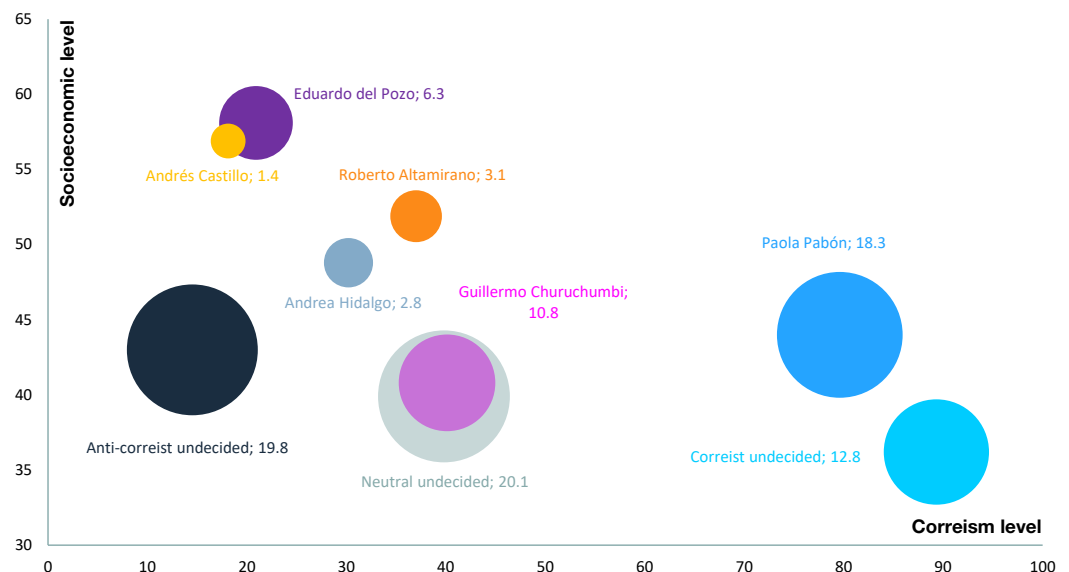
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At the provincial level in Pichincha, the race is also very open, and the administration's candidate, Mr. Pozo, could eventually turn to be the dark horse in the race for the prefect seat. Mrs. Paola Pabon is the frontrunner according to a several polls from Clima Social, representing the correist Revolución Ciudadana, with a 19.6% voting intention, followed by Mr. Churuchumbi, who runs as Pachakutik's representative with 15.2%. Further away stands Mr. Eduardo del Pozo, who runs for CREO, the administration's party, with 7.1%. Undecided voters amount to 24.3%, while Blank and Null total 19.8%. So, voter volatility is extremely high. Another poll carried by Cedatos instead puts Mr. Pozo as the frontrunner, with 25.8%, followed by Mr. Churuchumbi with 18.4% and Mrs. Pabon with 17.3%, and 22.5% of undecided/null votes. Mrs. Pabon, who is running for reelection, enjoys the largest percentage of hard voters, with 64%, vs 47.5% for Mr. Churuchumbi and 51% for Mr. Pozo, according to Clima Social. By the 6th of January, the 52.7% of undecided/null votes were composed by a 20.1% neutral majority, closely followed by a 19.8% anti correist bloc, and finally 12.8% of correist sympathizers. In the event that neutral votes rallied to Mr. Churuchumbi's cause, anti correist to Mr. Pozo and correists to Mrs. Pabon, the election would leave Mrs. Pabon with 31.1% of the votes, Mr Churuchumbi with 30.9% and Mr Pozo with 26.1%. If Mr. Pozo can also draw some extra support from the neutral undecided, he could eventually snatch a win for the administration. However, this scenario does seem unlikely, as Mr. Lasso's disapproval ratings should weigh on the candidate and will have stiff competition from both Pachakutik and correism, which will be concentrated in defending their seat.

Figure 6: In the Pichincha province the administration could snatch a surprise win



Voter dispersion | Correism and socioeconomic levels

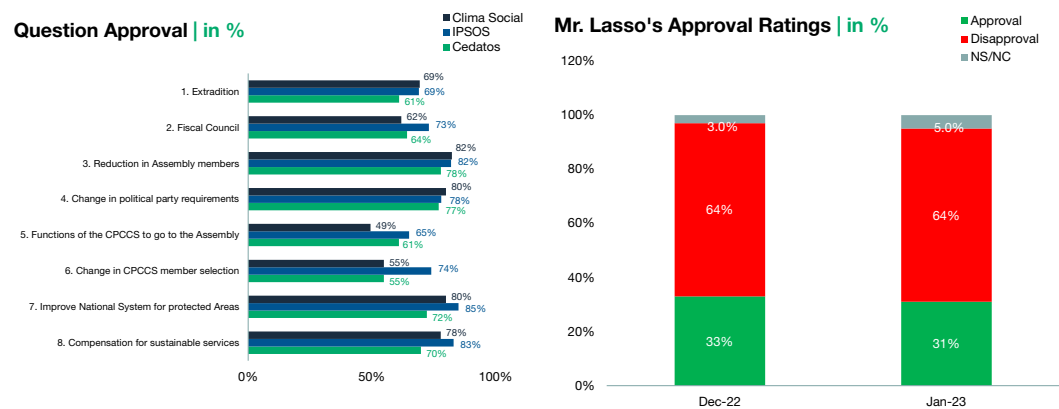


Source: TPCG Research based on Clima Social and Cedatos

On positive news for the administration, the popular consultation seems to be headed towards approval in all or most questions.

On positive news for the administration, the popular consultation seems to be headed towards approval in all or most questions. Three polls carried out by IPSOS, Cedatos and Clima Social point at a clear victory for the yes in most questions in the referendum, conveying there is some robustness behind the estimations. The questions that enjoy the highest average support are the reduction in Assembly members, with an average support of 81%, the change in the requirements for political party formation and maintenance, with 78%, the improvement of the National System for protected Areas (79%) and the provision of compensation for sustainable services (77%). In this context, the topics which enjoy the largest support have to do with the protection of the environment, increasing the efficiency of the political system, reducing assembly member numbers and political parties, all items which the government tires to identify with. Instead, in the other side of the spectrum, the questions which enjoy the least support include: passing the capabilities of the CPCCS to the Assembly (58%), the change in CPCCS member selection (61%) the extradition of Ecuadorians who are related to drug or people trafficking crimes (66%) and the creation of a new fiscal Council (66%). It is worthy of noting that the question that has the least approval is related to increasing the Assembly's capabilities, while the one with the most support is related to reducing the number of members in the Assembly, which probably has to do with the strong perception of the organ as very corrupt, as discussed above. All in all, most questions seem to be headed for a comfortable approval, which should help the administration bolster its popularity. It should help the administration to show the population supports its agenda, which could prove useful to unlock the gordian knot the opposition tied within the Assembly.

Figure 7: The approval chances for all referendum questions seem robust



Source: TPCG Research based on IPSOS, Clima Social and Cedatos

So, all in all, the administration has little to lose in the sectional elections and should be favored by the referendum's result.

So, all in all, the administration has little to lose in the sectional elections and should be favored by the referendum's result. The sectional elections are headed to be a battle amongst the opposition rather than with the administration. The stakes for Mr. Lasso's party are very low, holding nearly no provinces or cantons of importance. The party with the biggest stakes is the PSC, which has to hold several of its provinces, and whose territorial support is very significant. Pachakutik and correism come in behind as the largest agents interested in the elections. But a defeat of the PSC might prove functional to the administration, especially if it is not in the hands of correism. The PSC's position in the Assembly has shifted in the Assembly, now actively attacking the administration, as their voter base is relatively similar, which threatens the PSC, which is likely to benefit from the government losing support, as some of it should spill over to its side. So, a weakened PSC is also beneficial to the administration, given the former do not lose votes to the correist bloc. After all, it was their alliance with Mr. Lasso's CREO which gave them the victory in the last elections, so if they feel weakened they might consider entering an alliance with the administration once again. All in all, we believe the PSC should be able to maintain some of its power base in the coastline, while the administration, even if it is unlikely, could add the victory of Mr. Pozo as prefect of Pichincha to a solid result in the referendum questions. All in all, with little to lose and a lot to gain, the administration could snatch some surprise wins, while the risks to the downside remain limited, given the little regional power currently in the administration's hands.

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