

INTERNATIONAL COOPERATIVE ALLIANCE

DECLARATION ON THE ELEVENTH TRANSITORY PROVISION OF THE ORGANIC LAW ON PUBLIC INTEGRITY OF ECUADOR

18 July 2025

The International Cooperative Alliance (ICA), established in 1895 as the global representative body of cooperatives, comprising today cooperative institutions from 104 countries, wishes to formally express, through a resolution adopted unanimously at its Board Meeting held on 2 July 2025, its profound concern regarding the Eleventh Transitory Provision of the Organic Law on Public Integrity of the Republic of Ecuador, approved by the National Assembly on 24 June 2025 and published in the Official Gazette on 26 June 2025. The matter was tabled for information during the ICA General Assembly of the ICA held in Manchester on 2 July 2025.

The resolution expressing concern regarding the recent legislative developments affecting savings and credit cooperatives in Ecuador was following a motion submitted by Presidency and the Board of the ICA Americas, in response to a request from representatives of the cooperative movement in Ecuador, where cooperatives play a vital role in financial inclusion, local development, and poverty alleviation. With over 6 million members and approximately 30% of financial system assets, cooperatives remain key contributors to Ecuador's economy and social cohesion.

Concerns About the Legal Basis and Implications

At the core of the ICA's concern is the requirement set out in the Eleventh Provision for the conversion of certain savings and credit cooperatives into companies. It is important to note that these cooperatives operate independently of state ownership or direct public participation. Thus, the rationale for mandating such conversions appears insufficiently grounded in legal or economic necessity, undermines the guiding principles and vitiates the Constitution of the Republic of Ecuador.

Moreover, this measure appears to contradict the spirit of the United Nations General Assembly's declaration of 2025 as the International Year of Cooperatives, which underscores the role of cooperatives as key partners in sustainable development and encourages their promotion and protection by national governments.

Respect for Cooperative Identity and Legal Principles

Savings and credit cooperatives are distinct from other forms of financial institutions, as cooperatives are guided and governed by values and principles that prioritize democratic member control, autonomy, and service to community. Their focus is not on individual profit, but on the well-being of the members. The ICA believes it is imperative that national legislation maintain and respect the cooperative identity, including their legal autonomy and self-determination.

In this regard, the Eleventh Provision contravenes the Fourth Cooperative Principle – Autonomy and Independence¹ – and may undermine the ability of cooperative members to determine the future of their institutions through democratic means. This development also appears inconsistent with several provisions of Ecuador’s Constitution—particularly Articles 283, 309, 311 and 321—which recognize and uphold the plural nature of the country’s economic structure, including the cooperative sector. The provision in the Eleventh Provision, which mandates the conversion of cooperatives into companies, appears to depart from its legislative intent and spirit—particularly as Articles 283 and 309 of the Constitution, which affirm the pluralistic nature of the economic system, are explicitly cited in the recitals of the legislation.

International Legal Standards and Ecuador’s Commitments

As a long-standing supporter of the International Labour Organization (ILO) Promotion of Cooperatives Recommendation No. 193² of 2002, Ecuador together with 144 other governments and other organizations³, has affirmed its commitment to creating a favorable legislative and policy environment for cooperatives. The ICA respectfully recalls the following key provisions of Recommendation 193 as the firm basis for the need for corrective measures to the Eleventh Provision:

Paragraph 10 encourages governments to formulate cooperative legislation in consultation with cooperative organizations and in a manner aligned with cooperative values and principles.

Paragraph 6 calls for oversight and regulation to be appropriate to the nature of cooperatives, respecting their autonomy and applying standards no less favorable than those for other forms of enterprise.

¹ Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy. Read full Statement on the Cooperative Identity <https://ica.coop/en/cooperatives/cooperative-identity>

² https://normlex.ilo.org/dyn/nrmlx_en/f?p=NORMLEXPUB:12100:0::NO::P12100_INSTRUMENT_ID%2CP12100_LANG_CODE:312531%2Cfr

³ <https://webapps.ilo.org/public/english/standards/relm/ilc/ilc90/pdf/pr-23vote.pdf>

Paragraph 12 *obliges governments to adopt measures that facilitate the access of cooperatives to investment finance and credit, including facilitating an autonomous system of finance for cooperatives, including savings and credit, banking and insurance cooperatives.*

Regrettably, the legal reform in Ecuador appears to diverge from these standards. The absence of explicit legal protection for cooperative autonomy and independence in Ecuadorian law was already noted in the [ICA's 2020 Legal Framework Analysis](#).

While the ICA acknowledges that effective oversight of the financial sector is necessary, any regulatory approach must be proportional, inclusive, and respectful of the unique nature of cooperative institutions. The proposed conversion of cooperatives into companies will have the unintended effect of excluding a trusted and historically rooted model from the national financial landscape. This concern is further amplified by Ecuador's recent endorsement of the Fourth International Conference on Financing for Development (Seville), which reaffirmed the importance of supporting cooperatives and the social and solidarity economy in achieving sustainable development.

The international implications of the Eleventh Provision are significant, particularly in light of the cooperative movement's vital role within the global economic landscape, as evidenced by the International Cooperative Alliance (ICA) which is the custodian of the cooperative values and principles enshrined in the 1995 Statement on the Cooperative Identity, that shape their legal frameworks and governance models across jurisdictions.

In this context, the Rapporteur of the Economic and Social Committee of the European Union has highlighted⁴ the importance of institutional diversity in financial systems, as outlined by the European Systemic Risk Board (ESRB). The ESRB underscores that a robust financial regulatory environment must preserve a range of institutional forms to effectively mitigate systemic risks. Crucially, the Rapporteur has emphasized the need to avoid undue homogenisation of regulated entities and their activities, thereby reinforcing the importance of a diverse and resilient financial ecosystem.

The International Cooperative Banking Association (ICBA), established in 1922, underscores in its *Cross-Country Study*⁵ *on Regulation and Sustainability of Cooperative Banks* the critical importance of applying the principle of proportionality within financial regulation. The study articulates that an effective regulatory framework must acknowledge the unique characteristics of cooperative banks and calls upon regulators to adopt appropriately differentiated approaches. Such tailored regulation is viewed as essential not only for preserving the integrity and resilience of cooperative

⁴ Opinion of the European Economic and Social Committee on 'Promoting a more inclusive and sustainable Banking Union by improving the contribution of community banks to local development and building a socially responsible international and European financial system' <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020IE0995>

⁵ 2021 ICBA. Regulation and Sustainability of Cooperative Banks.
<https://www.icba.coop/master/document/images/image1869.pdf>

banking institutions but also for safeguarding broader financial stability. This is particularly pertinent given that, in the jurisdictions examined, cooperative financial institutions represent between 5% and 40% of the market share. Their continued viability is especially vital in view of their pronounced role in supporting sectors such as agriculture and small and medium-sized enterprises (SMEs), which are foundational to inclusive and sustainable economic development

Call for Dialogue and Cooperation

The ICA expresses its readiness to engage in constructive dialogue with the Government and Legislative Assembly of Ecuador. We respectfully offer the expertise of our international cooperative law specialists to assist in designing a balanced legal and regulatory framework—one that strengthens the cooperative model while supporting transparency, accountability, and financial stability.

We remain confident that the Government of Ecuador will uphold its constitutional commitments, international obligations, and long-standing tradition of cooperative development in a manner that values the diversity and resilience of its economy.

Thank you.

Ariel Guarco
President

Jeroen Douglas
Director General

Endorsed by:

Prof. Hagen Henry, Chairperson of the ICA Cooperative Law Committee (Global)

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