

Doing business in Ecuador

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Engaging refugees in the economic development of Ecuador's Esmeraldas Province would provide them with livelihoods and also combat the perception that they are a burden on society.

Esmeraldas, one of Ecuador's least developed provinces, has seen the arrival of over 6,000 refugees and 18,000 asylum seekers in the past ten years, mostly from the Pacific Coast of Colombia. Their considerable humanitarian needs have only increased over time, as have negative local attitudes towards them.

In the complex environment of Esmeraldas with its high unemployment rates and scant industry, UNHCR (the UN Refugee Agency) has engaged with government, private sector, social entrepreneurs, NGOs and academic and financial institutions in a programme that is the first of its kind in Ecuador. The goal of this initiative is to help make refugees economic actors in their communities and agents of their own integration in Ecuador, while also contributing to the development of

the province by generating employment and supporting the creation of small businesses.

The programme concentrates resources on increasing production, manufacturing and service activities, supporting markets and establishing a 'business incubator' to foment private sector development with a social component – in other words, the development of small enterprises that create employment and wealth for refugees and the local community.

The business incubator

The business incubator concept refers to an entity that helps new and start-up companies develop capacities to become successful. In North America, a number of business incubators have been set up in major business

universities or technological hubs but they have also been created to bring economic dynamism to impoverished communities there. In Ecuador UNHCR partnered with the Pontifical Catholic University of Ecuador in Esmeraldas (PUCESE) from 2011 to provide refugees, asylum seekers and vulnerable local people with entrepreneurial skills to develop their businesses in an otherwise under-developed region.¹

In Esmeraldas the business incubator² works like other business incubators but, unusually, offers refugees, asylum seekers and vulnerable local populations an opportunity otherwise inaccessible to them. Its specific objectives – over and above the business development objectives – include local integration and conflict resolution, the fostering of solidarity with

refugees, and the promotion of gender equality through female-led businesses.

The process of securing inclusion in the incubator is competitive, using an assessment of the entrepreneur's capacity and economic and social indicators. A committee composed of private and public entities determines winners against the set selection criteria. The winners receive a range of practical support for the expansion and consolidation of their businesses, including:

- training in, for example, administration, management, accounting, market assessments, business planning and marketing;
- technical assistance and monitoring by PUCESE technicians;



Refugee entrepreneur beneficiary of the business incubator.

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- and finally a grant to be used as growth capital to strengthen enterprises' expansion and consolidation.

Ecuador offers many challenges, with poverty rates for refugees and asylum seekers reaching 25%. UNHCR has mitigated the risk of leaving the most vulnerable of these refugees and asylum seekers out of this business opportunity by encouraging the new businesses to hire other refugees or vulnerable populations.

More than just business

As the idea was for refugees and local populations to share a common purpose around the business interactions, UNHCR has combined traditional business indicators with social parameters in order to monitor and analyse the impact of this model. Thus far, this initiative has supported 26 enterprises. Four that have failed did so due to deaths in the family or resettlement to a third country, not as business failures. For the surviving businesses, 13 achieved a 10% increase in earnings within the first quarter, a further three during the second quarter, and one during the third. The rest are on course to meet their financial targets in the coming year. Some have seen clear success, and have been awarded thousands of dollars' worth of state contracts. Two entrepreneurs have been selected to take part in nationwide business accelerator initiatives which will bring their products to the shelves of the supermarket chains. Data from the Esmeraldas business incubators is being compared to the Global Entrepreneurship Monitor² standards to determine how refugee-led businesses compare to the overall enterprise development. With over 95% of businesses in Esmeraldas failing within their first two years, the failure rate for UNHCR-PUCESE-supported businesses is down to 15%. Given the success of the project this year, 30 ongoing enterprises will enter the Business Incubator for further technical support and capital funding and 15 new female refugee-led start-ups will be supported.

Although the businesses are still, in some ways, lacking in terms of diversity and

innovation, they are finding market niches and capacities for growth. Moreover, some of the enterprises are entering into joint ventures together or with local entrepreneurs to generate greater capacity and scale up their business opportunities. Refugee-led businesses are generating employment for refugees and members of the local population and are combating discrimination and negative perceptions toward refugees.

Another unusual element was incorporated three years ago in the form of follow-up by a social worker to mitigate conflict within enterprises or between entrepreneurs and their families. One of the priorities had been to generate female-led businesses but issues of equal voices within the home and distribution of income had created some domestic conflict. The social worker would incorporate conflict resolution techniques so that families would be able to prosper and share the responsibilities for the house and business equitably.

UNHCR in Esmeraldas also developed a related set of partnerships – with local NGOs, government ministries, business networks, etc – that enabled it to reach beyond humanitarian and social services actors. By helping with the development of public policy in relation to economic development, by supporting small-scale agriculture, markets and service provision, by opening new marketing avenues and by securing micro-finance services (including micro insurance to protect business investments from external shocks), UNHCR secured access to economic development for refugees. UNHCR also supported the development of the provincial development strategy, which focused on agricultural production, entrepreneurial development and productive financing, thus securing the inclusion of refugees in that strategy also.

Conclusions

After four years of interventions, the main lesson to be drawn is that humanitarian aid can be directed towards the construction of small business development, not only creating wealth for individuals but also delivering social goods and promoting the

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local integration of thousands of refugees. This experience has shown that even in an economically deprived region it is possible to find ways to generate economic development opportunities for refugees and the local population. Directing humanitarian assistance at creating economic growth through small enterprise development generates economic development and also increases the capacity of the local community to continue to receive refugees. Taking into account that economic factors are often the biggest variables in the integration of refugees, it make sense to invest more in programmes that support the economic viability of refugees. The Refugee Business Incubator could be a model to be explored in other refugee

operations. We are currently approaching existing business incubators to adapt their models and services to accommodate to the particularities of refugees' situations.

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2. <http://emprendimientopucese.blogspot.co.uk/>
3. www.gemconsortium.org/

