

South-South Exchange: Inclusive Business Learning Journey in Ecuador

SNV in Mozambique and Zimbabwe are carrying out a research project, funded by the Ford Foundation, on Inclusive Business (IB) in the agricultural and tourism sectors. The research focuses on IB in practice, the enabling environment, possibilities for certification and mainstreaming IB. One component of the project includes benchmarking with best practices from another region. The Knowledge Institute for Inclusive Development in Latin America, SNV's think tank that leverages the organization's experience in poverty reduction and makes it available for public and private actors interested in successfully working with low-income actors and markets, hosted a learning journey and organized visits to key public and private actors in IB in Ecuador.

Private and public sector representatives from Zimbabwe and Mozambique visited Ecuador in late July to learn about promoting policies and an enabling environment for inclusive business (IB) based on concrete examples implemented over the past few years in the country and in the Andean region, in general. Along with SNV advisors from Mozambique and Zimbabwe, representatives from institutions such as the Investment Promotion Center (CPI), Confederation of Business Associations (CTA), National Directorate for Promotion of Rural Development (DNPDR), and the Agriculture Promotion Center (Cepagri) of Mozambique and the Ministry of

Industry and Commerce of Zimbabwe participated in this learning journey.

The week started out with introductions on IB in Latin America with a specific focus on Ecuador. One of the questions that the participants wanted answered was "how has IB developed in Ecuador?" To try to answer this question, the delegation met with the Director of Inclusive Commerce at the Ministry of Foreign Affairs, Commerce and Integration to talk about its emphasis on incentivizing exports from small and medium-sized enterprises through their network of commercial offices throughout the world.



The delegation went on to interview the Director of the National Program for Rural Inclusive Business (PRONERI), a program managed through the Ministry of Agriculture initially developed to help the private sector include low-income communities in their value chains. The program focuses primarily on community, cooperative and value chain development.

Some of the IBs developed in Ecuador were motivated by import quota and substitution policies wherein companies have to first absorb local production before importing. The group visited Pronaca, Ecuador's largest food processing company, to see first-hand how they handled the import substitution policies by setting up a system to buy directly from small-scale corn producers and offer technical assistance to them for improved quality and productivity.



Other IB initiatives in Ecuador were motivated by other factors such as in Novacero, a steel company, when faced with high demand due to a construction boom they realized that they needed to look for new sources of scrap steel to increase production. The delegation visited two of their collection centers - small, family-owned businesses that the company has helped start. One collection center visited employs 10 people in addition to all the family members. In total, between all 25 collection centers, Novacero collects about 200 tons per day.

With the information from direct interviews with the public sector and in-depth visits to companies with IB

initiatives, the group sat down to see what lessons learned they could take back to their countries to improve IB practices and policies. One participant remarked, "We have a critical role as participants in this journey to take back and formulate the best structure of our network on IB."

The delegation's conclusions from the visit included the following:

- The relative importance of low-income suppliers of raw material integrated into a company's supply chain, compared with established suppliers, determines the company's investment in their IB initiatives and subsequent success;
- The critical role governments have to play to encourage IB while at the same time not getting in the way of its development;
- Starting IBs with large, multinational corporations is one way but not the only way; SNV's experience in Latin America has shown encouraging results institutionalizing IB programs in small and medium-sized companies, as well.

This South-South exchange brought forth new opportunities on the horizon for IB. The group concluded that IB is not a linear process; it requires adaptations and diverse approaches. It takes commitment and trust, not only from the company but also from the low-income communities. In the end development is about being locally-led and sustainable; IB is one of the ways to do it.