



World Business Council for  
Sustainable Development



## Enabling a favorable environment for inclusive business to take root: the case of Ecuador

As announced back in May 2007, in the framework of its collaboration in Ecuador, the WBCSD-SNV Alliance has successfully advocated for the incorporation of the concept of inclusive business, i.e., sustainable business opportunities that are good business and benefit low-income communities, in the new national social development agenda. The article below outlines the process followed and the lessons learned from this engagement.

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Many of the inclusive business ideas generated in the framework of the WBCSD-SNV Alliance's work in Latin America are facing hurdles from the overall business environment and regulatory regime. From the outset, one of the pillars of the work program has therefore been to engage business and societal stakeholders (national government agencies, development actors, and non-governmental organizations) to identify the critical challenges and develop common advocacy messages to address them in a collaborative manner. This included the initial step of analyzing each focus country's business framework conditions and set advocacy priorities at the national level.

In Ecuador, a team composed of SNV advisors, the Alliance's National Business Facilitator, and the WBCSD's national partner, the Consejo Empresarial para el Desarrollo Sustentable (CEMDES), began to engage the new government of Rafael Correa (elected in late 2006 and President since mid-January 2007), sensing that there was an opportunity to be seized to integrate inclusive business as a core pillar of the new government's efforts to address socio-economic challenges.

In effect, the Alliance team in Ecuador was able to position the concept of inclusive business as a means to build a constructive and pragmatic relationship between public and private sector. A key argument used was the fact that there could be no sustainable economic and political inclusion, two key issues during the Presidential campaign, without economic inclusion, and the latter could not be possible without the engagement of the business community.

### **Process followed to engage government and business**

- (1) Late 2006: review of the proposed government agenda presented by the Presidential candidates during the election campaign.
- (2) Early 2007: matchmaking between President Correa's policy agenda and the theory underpinning the concept of inclusive business.

- (3) As of early 2007: identification of key policy advisors around the President who would be willing and able to build a bridge between the Alliance and the new government. This led to the creation of a loose advocacy network between government, business, and development actors, which in turn facilitated the alignment of the various views and interests.
- (4) Presentation of the proposal to the governmental authorities, with the aim of having them take ownership of the initiative and working towards incorporating it in the Presidential policy agenda.

In May 2007, the proposed program was approved at the Ministerial cabinet level. The Alliance followed up with advisory services to government contacts in order to develop the initiative's public vision. This was most notably the case in view of making sure that the government develops an economic inclusion strategy that incorporates the concept of inclusive business.

Following several consultations with the Alliance aimed at identifying the gaps, bottlenecks and opportunities to promote and implement an inclusive business program, the government identified specific areas for economic and policy support from the public sector. At the same time, the Alliance also engaged key actors within the Ecuadorian business community to identify their needs and concerns in terms of the hurdles posed by the investment climate and the lack of incentives to engage in inclusive business ventures.

Both the public and private sectors increasingly warmed to the concept, as it opened new avenues for engaging in constructive and mutually beneficial relationships, thereby facilitating the alignment of the various interests. In this context, it was important to make sure that political actors would recognize the political leverage that they could gain via this initiative.

In August 2007, President Correa eventually publicly declared his willingness to make the concept of economic inclusion a part of the social development agenda, with a view to overcoming the country's high level of inequality and poverty.

Correa presided over the signing of a Memorandum of Understanding (MOU) whose signatories included SNV; CEMDES; Ecuador's Trade and Export Agency (CORPEI); the Ministries of Agriculture, Social Development Coordination, Economy, and Economic and Social Inclusion; the National Bank for Development and the National Finance Corporation; and representatives of leading Ecuadorean companies including Amanco, Nobis, Floralp, Supermaxi, Pronaca and Toni.

### **What will the national strategy deliver?**

Four core pillars make up this national strategy:

- Inclusive Business, with a focus on prioritized agricultural value chains for the benefit of low-income communities via credit lines as well as financing for technical assistance and infrastructure measures. This includes financial incentives for companies to integrate small producers in their value chains

- Nutrition Development Program, which links small dairy producers to the provision of school breakfasts for children
- Inclusive Trade Fairs, where the public sector invites micro-entrepreneurs to present what goods and services they have to offer, with the aim of integrating them in the public procurement process
- Threading Development Program, designed to generate jobs and income for artisans through the provision of uniforms to school children

Overall, the government has set aside credit lines amounting to US\$ 87 million for the next four years. Its aim is to create some 250'000 new direct and indirect jobs over the same time span.

Under the leadership of Nathalie Cely, the Ministry for Social Development Coordination (MSDC) has formulated the policies for economic and social inclusion for the current administration, and is responsible for coordinating with other ministries the implementation of a National Program for Economic Inclusion.

The Alliance is actively collaborating with the MSDC on the design of an inclusive business public policy agenda as well as on the implementation of the National Program for Economic Inclusion by defining methodologies and processes that will assure the success of inclusive business opportunities.

For their part, the President of Ecuador as well as the Ministers of Production Coordination, Agriculture, and Social Welfare are actively promoting the strategies, and have resources available to implement the strategy. Furthermore, international development agencies, most notably the European Commission and the Inter-American Development Bank, are preparing projects to consolidate this process.

### **Lessons learned by the Alliance**

- It is essential to identify key actors within government when drawing up an advocacy strategy.
- Validated and systematized case studies that show concrete results are crucial to achieve credibility in the eyes of the government.
- Political events, such as the election of a new President, create opportunities to position the concept of inclusiveness as a constructive solution to bridge the divides and lack of trust between business and government.
- In order to achieve long-lasting results, the buy-in of the public *and* private sectors, as well as civil society, is indispensable.

Ecuador is currently experiencing a period in which the role of the state and its institutions are being redrawn. This has most notably prompted progressive business leaders to promote the concept of economic inclusion, not only out of a concern for the rather socialist campaign proposals advocated by Correa, but also out of a necessity to demonstrate that business is good for Ecuador's development. The inclusive business "product" being developed by the Alliance matches the aforementioned concerns by the business community. In addition, the government was offered a possibility to create the political impetus for public-private partnerships that create win-win solutions.

For its part, the advocacy work outlined above has allowed the Alliance to be regarded as an efficient broker between business and government actors. Preliminary studies indicate that this national strategy will have a considerable impact on facilitating access to markets for the low-income segment, and in the alleviation of poverty.

**More information:**

- For more information on the Alliance's work in Ecuador, please contact [Lourdes Luque de Jaramillo](#), National Business Facilitator, WBCSD-SNV Alliance in Ecuador, or [Christian Marlin](#), Regional Manager for Market Access, SNV
- [Analysis of Ecuador's business framework and advocacy priorities](#) for the WBCSD-SNV Alliance.
- The Alliance's efforts to localize value creation in Ecuador's agricultural sector – [the example of the cocoa sector](#)