

Ecuador

Local Business Development Program



Ecuador, located between two of the world's leading producers of coca and cocaine, is faced with the threat of a rapidly growing illicit drug economy. Although Ecuador has sound agricultural production, its high rural poverty levels indicate a need for targeted rural economic development to mitigate the effects of the narcoeconomy.

To address these needs, ACDI/VOCA, under AED's Financial Integration, Economic Leveraging, Broad-Based Dissemination (FIELD-Support) Leader with Associates award, is implementing the USAID-funded Local Business Development program (locally known as PRODEL, for Programa de Desarrollo Económico Local) to increase incomes and create employment for families along the northern and southern border areas by facilitating the expansion of private enterprises, and by strengthening local private producer groups and associations. The program recognizes the importance of both private and public sector actors in overcoming obstacles to

PRODEL aims to create broad, sustainable impact for Ecuadorians.

long-term growth such as physical isolation, lack of knowledge of end-market requirements, difficulty in accessing financing for working capital or investments, or difficulty in attaining economies of scale for profitable participation in value chains.

To achieve the program objectives, PRODEL uses a value chain approach, identifying and addressing major opportunities and constraints to growth while ensuring sustainable impact at the household level. Specifically, the program targets interventions at lead firms (or anchor firms) and the linkages within that anchor firm's business system, reaching ultimately to microenterprises and their families. Program interventions address constraints to the anchor firm's ability to grow while facilitating the growth of its suppliers and buyers, hence impacting the whole value chain.

PRODEL uses its Enterprise Partnership Fund to provide technical and cofinancing assistance to anchor firms, tailored to their specific needs. The assistance packages include a combination



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Project Profile

of market development, financing, accounting, management assistance and skills training depending on the specific challenges facing each firm. PRODEL collaborates with banks, finance companies and microfinance institutions to facilitate the provision of additional credit to participating anchor firms and producer groups.

Due to PRODEL's success, USAID awarded an extension in 2009 to continue program activities for an additional three years. The second phase of PRODEL focuses on five key areas:

- » Promoting anchor firm and value chain competitiveness
- » Upgrading vertical and horizontal linkages
- » Fostering the provision of financial services
- » Expanding and transferring the value chain model
- » Pulling in local service providers

PRODEL's enterprise development strategy aims to have a broad, sustainable impact in the target populations. The program will generate new and more lucrative opportunities for families to develop their own businesses or obtain jobs within the legal sectors of the economy. Ultimately, PRODEL strives to foster a competitive private sector environment in Ecuador that can stimulate and promote employment and increase incomes in the northern and southern border regions to combat the effects of the expanding drug economy.

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