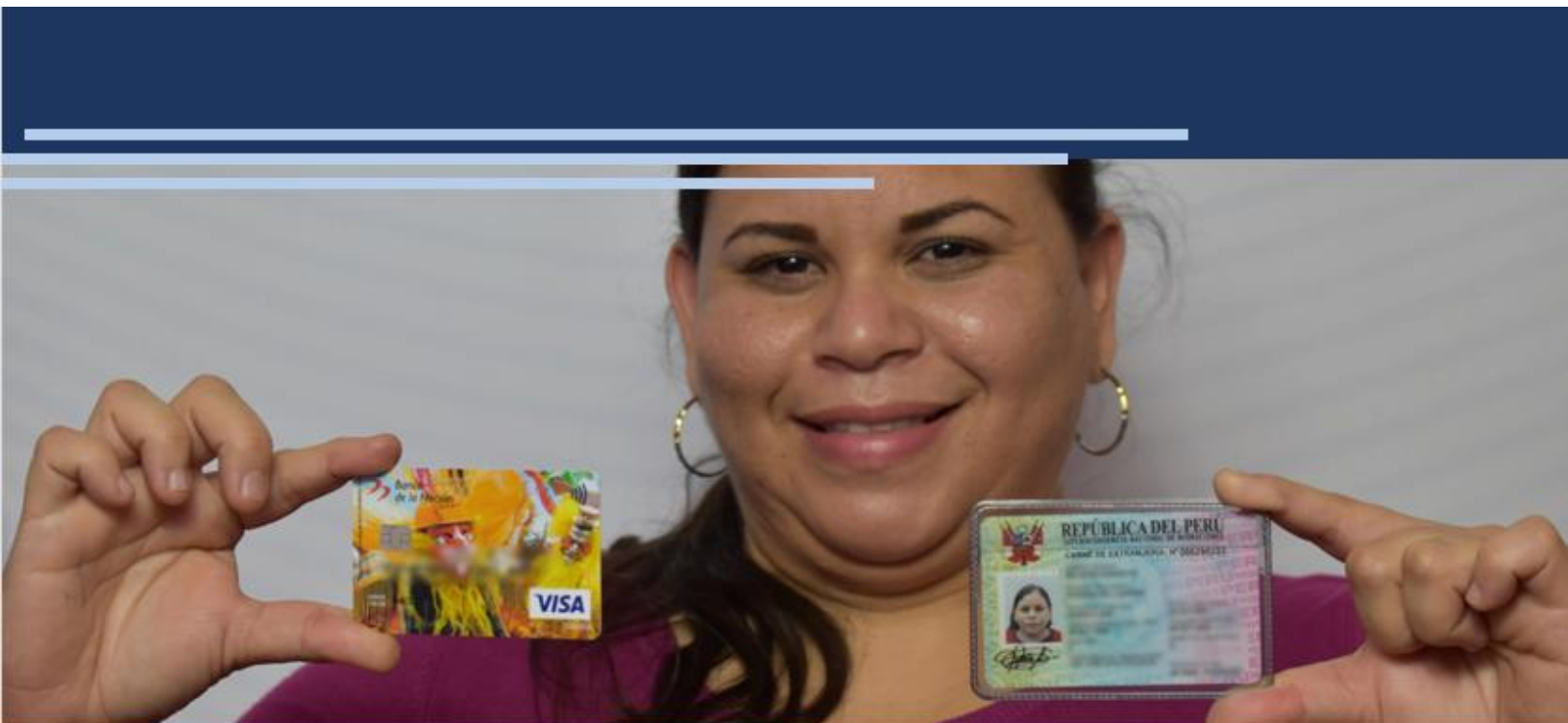


MAKING THE CASE

Peru and Ecuador

Case Studies on Inclusive Economic Development



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1.0

Background



1.1. Economic Overview

The Venezuelan crisis has led to a mass migration of refugees to Peru and Ecuador, increasing pressure on social services, housing, and employment resources.¹ Today, Peru and Ecuador are experiencing increased violence, crime, and limited formal employment opportunities.² Migrants encounter hurdles such as xenophobia, gender-based violence (GBV), and exploitation in informal sectors.³

Regarding the host countries' economic challenges, as of March 2024, 71.2% of Peru's workforce and 54.2% of Ecuador's workforce are employed in the informal sector, exposing them to high poverty rates, low social protections, job insecurity, and indecent wages. Both countries' high levels of informality also underscore the importance of creating formal job opportunities that provide social safety nets.

1.2 How is the region building a more equitable economic environment?

The Economic Inclusion Project (EIP) emerged in 2020 in response to the Venezuelan migrant crisis and economic conditions in Ecuador and Peru. Implemented by the World Council of Credit Unions (WOCCU) and funded by USAID, the project aims to strengthen economic opportunities for Venezuelan migrants and their host communities by increasing entrepreneurship, employment, and financial inclusion, as well as GBV prevention. It consists of various sub-projects and routes for validating documentation and identity,⁴ financial inclusion,⁵ and labour market inclusion.⁶

140,000

People with financial services

17,000

Entrepreneurs supported

6,000

Venezuelans with certificates

The project goals for the 2023-26 phase are as follows:

- **Provide formal financial services to 140,000 people:** Improve financial security and reduce reliance on informal financial sources through EIP financial entity partners (2020-23: 110,000 people).
- **Facilitate training, self-employment, and business opportunities for 17,000 entrepreneurs:** Focus on empowering migrants and vulnerable groups, incorporating financial education (2020-23: 12,000 people).
- **Support the title recognition of diplomas, professional or technical certifications for 6,000 Venezuelans:** Enable access to new or better employment opportunities (2020-23: 2,000 people). Transfers were delivered digitally starting in 2018 through M-PESA, a mobile money service that is used by 91% of mobile phone users in Kenya.⁷

First, EIP offers workshops, advice, and funding to entrepreneurs to create sustained income through self-employment. Second, through collaboration with private-sector companies, the program identifies market needs and provides skill-building and recruitment support. Third, the project supports credit unions and financial institutions in the development of products adapted to the diverse needs of the target population to lower access barriers and provide safe banking options. Lastly, the program offers psychosocial support and financial services for survivors of GBV to foster economic independence and resilience.⁸

The project's success relies on a coordinated effort from over 60 partners and allies in finance, government, education, and civil society across Ecuador and Peru, each contributing expertise in areas like livelihood support, education, financing, and digital access. It leverages cross-cutting components for climate change adaptation and mitigation, gender disparities, and youth unemployment. This holistic approach, led by WOCCU, provides migrants with stability and incentives to integrate into the economy, achieving a scale and impact that no single entity could accomplish alone.⁹

2.0

Built For All: Applied



“Poverty cannot be reduced only through financial inclusion,” says Oscar Guzman, Director of EIP at WOCCU. EIP specifically supports Venezuelan migrants, refugees, and local vulnerable groups towards economic security, finding and keeping work. Financial entities that recognize foreign documentation allow migrants access to financial services. Skill recognition opens the doors to new or better employment opportunities and formal businesses.

Nine years of experience in similar projects have shown: A clear vision and a team with aptitude and the right attitude are keys to success.¹⁰ Results from the *EIP Study of Integration of Migrants and Refugees* show a higher level of integration within the economic dimension,¹¹ 25% higher incomes (30% for women) for participants than the control group¹², and a \$70 return in GDP for each dollar spent on the project.¹³ Since EIP was initiated in June 2020 until March 2023, 12,278 migrants and locals were able to access entrepreneurship or employment opportunities.¹⁴

2.1 Pillar One: A Level Playing Field for Work and Competition

Strengths: Pathways to Entrepreneurship and Employment

New entrepreneurs not only receive training and mentorship through EIP initiatives but also create a business plan that helps them deeply understand their own business in strategic, commercial, and financial aspects, encourages sustainable market linkages, and identifies opportunities for financing. As entrepreneurship represents one of the main mechanisms of EIP, more than 1,800 entrepreneurs have benefited from the opportunity to compete for seed capital.¹⁵ Additionally, for those who do not receive seed capital, EIP acts as a connection to financial institutions and provides continued entrepreneurship support.

EIP partners with the private sector and NGOs to increase employment access for migrants and locals by identifying qualified candidates and connecting them with demand through job boards and engaged private recruiting. This approach has effectively reduced employment barriers, fostering greater economic inclusion for marginalized groups, especially Venezuelans.

Opportunities

Increasing and strengthening partnerships with microenterprises, which form a large part of the labour force for locals, migrants, and refugees, can be a productive

next step. In Peru, 42% of GDP is generated by Small and Medium-sized Enterprises (SMEs), which make up 88% of private jobs.¹⁶ Additionally, 94.2% of registered Micro, Small, and Medium Enterprises (MSMEs) in Peru (in 2022) were micro businesses.¹⁷ Similarly, of the 900,000 businesses in Ecuador, 90% are microenterprises, 7% are small enterprises, and 2% are medium enterprises.¹⁸ Together, these account for 60% of all jobs.¹⁹

An ambitious goal of the second phase of EIP is to enhance climate change adaptation and resilience by raising awareness and providing training to partners and beneficiaries.²⁰ This could also be achieved in conjunction with the Ministry of Labour and Employment Promotion and the Ministry of Environment, who are developing policies to generate employment in this area. EIP can rally its partners to increase the availability of green loans, which directly support projects with clear environmental impacts.

Lessons for Action

Peru's weak public institutions limit private-sector investment. Improving public infrastructure and services could strengthen human capital and investor confidence, though political instability remains a barrier. Similarly, while Ecuador has been addressing corruption within the government,²¹ it remains an issue affecting the country's institutions, reputation, and investor confidence. With EIP working closely with the private sector to increase employment opportunities, private sector investments rely heavily on a trustworthy and stable political environment.

2.2 Pillar Two: Equitable Access to Resources and Opportunities

Strengths: Increasing Financial Inclusion and Title Recognition

In line with the Built for All (B4A) core philosophy of equitable access to resources and opportunities, this project has helped a large number of Venezuelan migrants, refugees, and low-income locals access financial services. EIP initially assessed the need for financial services and found that 70% of Venezuelan migrants were searching for savings and debit options, with the remaining 30% seeking an average credit limit of \$1,500, making them an unusually low-risk banking group.²² The demanded products already existed, yet it was the accessibility and administrative abilities of banks that needed to be developed.

In the first phase of EIP, more than 100,000 people gained access to formal financial services such as bank accounts, credit services, and loans. These resources not only

helped them avoid high-cost, informal financial channels but also allowed them to integrate more effectively into the local economy. Additionally, 15,598 beneficiaries received financial education and literacy training, and 8,546 loans were issued, amounting to \$11,232,748.²³

EIP also promotes the financial independence of immigrants through academic and professional title recognition, a significant obstacle, especially in professional fields. Unrecognized qualifications and skills often force migrants to take on low-paying jobs in the informal economy. During the first phase, 2,037 Venezuelans revalidated diplomas and professional or technical certifications.²⁴

EIP's labour market studies show that the number of qualified Venezuelans is still not enough to close labor gaps for teachers and nurses in Peru and Ecuador lowering concerns over job losses or wage dumping in those fields.²⁵ Support measures for credential recognition have effectively lowered the structural barriers to migrants' formal economic participation and simultaneously alleviated skilled labour shortages, although many bottlenecks remain with regulatory entities.

Opportunities for Improvement

EIP could build on its existing partnerships to offer additional job matching services. With extensive connections and knowledge on labor gaps and skills requirements, EIP can become an excellent source for low-skilled individuals and recent immigrants to orient themselves and choose a field of work. This could provide vulnerable individuals with greater access to the labor market and ensure they are aware of the best opportunities.

Likewise, a potential job finding and education pathways program for secondary students in low-income neighbourhoods may raise awareness and provide incentives for financially disadvantaged adolescents to pursue a promising career of their own.²⁶ Both the funding and the knowledge embedded in EIP are vital factors to success.

Lessons for Action

As of June 2024, 165,354 additional persons were connected to financial services,²⁷ ensuring financial inclusion for many vulnerable individuals across Peru and Ecuador. Furthermore, identifying the gaps in the labor market and direct low-skilled immigrants or locals could increase labor market efficiency and adequation.

2.3 Pillar Three: Collective Stewardship of Shared Resources for Future Generations

Strengths: Tackling Intergenerational Poverty and Informality

EIP has indirect effects through social mobility and better-quality access to public infrastructure. Latin America is known for its significant income inequalities and low social mobility.²⁸ Therefore, children born to low-income parents will struggle to achieve better outcomes than their parents. EIP addresses this issue indirectly by supporting migrant and low-income entrepreneurs, specifically focusing on youth economic inclusion.²⁹ Existing research, including a World Bank study about the Mexican labor market, has demonstrated that increased entrepreneurship generates higher incomes and greater social mobility in Mexico.³⁰ EIP's initiatives also support social mobility and income equality, as more equal societies are associated with higher social cohesion.³¹ All these indirect impacts can have long-lasting positive socioeconomic benefits.

Guzman further points out the transversal benefits of changing the views on formality.³² WOCCU employs an educational approach aimed at changing people's minds and habits. As part of EIP, entrepreneurs are encouraged to see formality not merely as a legal mandate but as a door-opening opportunity. Access to trade fairs, export opportunities, and startup funding are only available to formalized enterprises under the project umbrella. Through this approach, 70% of EIP-funded enterprises have achieved formality, compared to less than 30% of businesses in Peru.³³

Opportunities for Improvement

Through its initiatives, EIP fosters inclusive growth and increases formality in low-income areas, resulting in higher tax revenues and public investment. Channeling this fiscal firepower and building local advocacy networks are key steps towards better infrastructure and public services. This could lead to long-term benefits for all inhabitants of these communities, both local and migrant.

Lessons for Action

By targeting and investing in the most vulnerable individuals and households through its array of initiatives, EIP could generate long-term benefits that are beyond the scope of economic and financial inclusion and security.

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