



Context

In Ecuador, the region of Atuntaqui has a rich tradition in textile and garment production. However, strong competition from Asian manufacturers, coupled with massive inflation, led to a dramatic setback for the entire industry, including the loss of its traditional export markets. Quality and productivity needed to be improved to regain competitiveness and ensure the economic survival of the region.

Strategy

Together with the Ministry of Trade and Commerce, UNIDO introduced a cluster approach to improve competitiveness and market access and helped establish business networks among leading enterprises. In the beginning, 16 companies introduced new cutting and design techniques. They were followed by other businesses that sought similar technological improvements. After that, networked firms started to save costs by purchasing in bulk.

UNIDO also helped local institutions become service providers to the garment companies. For example, with UNIDO's help, the Chamber of Commerce of Atuntaqui purchased new design and manufacturing technology. Likewise, vocational schools developed an apprenticeship scheme that requires hands-on experience, which can be obtained in the cluster. UNIDO also facilitated training courses on management, production processes, cost reduction, product development and commercial strategies, with an emphasis on products that appeal to fashion-conscious shoppers. Today, half of the garment businesses in Atuntaqui are computerized. Most importantly, suppliers of raw materials have opened retail shops in Atuntaqui to also benefit from the cluster's increased production capacity.

Results

The enterprises working in the cluster have achieved:

- 60 % increase in employment
- 60 % increase in sales
- 15 % increase in employees' salaries
- 15 % reduction of production time

Impact/Outlook

UNIDO's support was a catalyst for an ambitious socio-economic reform in Atuntaqui. The authorities are now actively involved in the implementation of a local economic development strategy. Every year, a fair, which showcases local products, attracts more than 100,000 visitors to Atuntaqui. This in turn has positive spill-over effects on other sectors, such as the tourist and food industry. Concurrently, Atuntaqui has the lowest unemployment rate in the country.

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At a glance:

Goal:	Market access for garment producers
MDG:	1. Eradicate Extreme Poverty and Hunger
Thematic area:	Poverty Reduction through Productive Activities
Donors:	UNIDO, Government of Ecuador
Partner:	Ministry of Trade and Commerce of Ecuador
Budget:	USD 1,000,000
Status:	Project status: completed
Duration:	Duration: 2004-2007