



SUPPORTING DYNAMIC VENTURES IN ECUADOR

Diagnosis of the Dynamic Venture
Ecosystem, Regional Context,
and Public Policy Options

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and Public Policy Options

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Executive Summary

Eccuador has one of the highest rates of entrepreneurial activity in the world (its TEA index ranged between 29.6% and 36.2% from 2016 to 2025) and, at the same time, one of the smallest venture capital markets in the region: \$12.5 million across ten transactions in 2025. That gap is not a contradiction but the result of grouping three distinct realities under a single word: roughly 3.6 million people engaged in subsistence activity, a population of formal microentrepreneurs under the RIMPE tax regime, and a core of some 600 dynamic ventures built to grow, innovate, and compete in broad markets. This report concentrates exclusively on the third.

A dynamic venture is a young company, or startup, built on three things: a differentiated or innovative value proposition, a founding team with the skills to execute it, and a business model that can scale and attract outside capital. It is defined not by sector or by technology but by its expected trajectory: to grow, hire, and compete in markets broader than the local one. It is the smallest of the populations covered by the term entrepreneurship, but international evidence shows it is the segment that contributes most to skilled employment, exports, and innovation.

The country's challenge is not to create more companies but to convert the ones it already creates into global dynamic ventures. To measure this, the report adopts a framework developed by the IDB (Ernest and Crespi, 2025) that allows Ecuador to be compared with its peers by following a company's path in three steps: how many new formal companies are created each year relative to the size of the economy (business fertility), how many of the existing companies are dynamic ventures (density), and what

proportion of new companies manages to raise capital from investors (conversion rate). The result of this analysis for Ecuador paints a clear picture: the country creates more companies every year, but fewer and fewer of them become companies that grow and attract capital. That combination describes what the methodology calls a thin market: few companies are ready for investment, and little specialized capital is available for those that are. The two constraints reinforce each other, which is why policy interventions that act on only one side rarely work.

On the support side, Ecuador has a decade of experience with organizations that back startups: accelerators, incubators, universities, and local agencies that build entrepreneurial culture, networks, and training. In 2025 that ecosystem showed it can coordinate: a single national call, led by AEI and its allies through the *Misión Emprende 593* program, drew more than 4,100 applications. On the capital side, the country has a nascent investor association, ECUACAP, institutional funds such as BuenTrip, and international organizations that open doors to foreign capital, such as Endeavor Ecuador. The market, however, still depends almost entirely on outside funds, which underscores the opportunity to mobilize Ecuadorian capital toward the segment.

The good news is that all these factors are within the reach of national public policy, and countries in the region have already addressed them with tested, validated instruments. The cases of Chile (CORFO, Start-Up Chile), Colombia (Bancóldex, iNNpulsa), Peru (COFIDE), Brazil (Criatec), Israel, and the United Kingdom share five common factors: (1) the State acts as a catalyst and not as a direct investor; (2) investment selection rests with private fund managers and specialized committees; (3) the

instruments mobilize additional private capital rather than substituting for it; (4) they operate with long-term horizons and institutional stability; and (5) their results are measured with market metrics and independent evaluation.

Ecuador has already built the entry gate (the SAS¹ multiplied company formation, the LOEI² created the institutional framework, and the Fintech Law provided for the regulatory sandbox). In 2026 it also reordered the institutional architecture of entrepreneurship: the creation of the National System for Employability, Entrepreneurship, and the Future of Work is the first executive decision in five years to place entrepreneurship back on the interinstitutional coordination agenda. What remains is the second generation of reforms. These could be seen as the “scaling reforms” which include: a local fund vehicle with tax transparency, incentives for early-stage investors, treatment of the ISD³ for qualified vehicles, implementing rules for the sandbox, and a clear institutional lead for the dynamic segment. On that basis, this report proposes five recommendations that act on the two axes and pursue two objectives: to reverse the decline in the conversion rate and to bring mobilized venture capital closer to the range in which Peru and Uruguay operate today.

The report’s five recommendations are organized around a single purpose: that Ecuador, which is already one of the countries where the most people start businesses, also becomes one of the countries where the most companies grow. The first is to give the State a single entity responsible for the dynamic venture segment, with public targets and accountability, so that entrepreneurs and investors know whom to turn to and what to expect. The second is to make investing in a young Ecuadorian company as simple and attractive as investing in the region’s

other markets, by updating the rules for investment funds and for those who put in capital at the early stages. The third is to give the country a venture capital industry of its own (Ecuadorian fund managers, funds, and angel investors) capable of financing the growth of national companies, using public and multilateral resources to attract several private dollars for every public dollar, as Chile and Colombia achieved. The fourth is for incubators and accelerators to graduate investment-ready companies, and for that opportunity to reach every province, not just Quito and Guayaquil. The fifth is to build the next generation of Ecuadorian founders: more science, technology, engineering, and math (STEM) and English in the classroom, first jobs in demanding companies, and a diaspora encouraged to come back as partners, mentors, and investors.

The challenge is not to create more companies.

It is to help the companies that already exist become dynamic companies.

None of these measures requires subsidizing companies or having the State pick winners: the public sector sets the rules, leverages private capital, and creates the conditions for an industry that sustains itself. The policy’s legacy is a community of local investors that finances the country’s growth. Ecuador has already shown that it can legislate quickly on this matter and has just reordered its institutional architecture; the instruments designed today, with clear rules and stability, can make this the decade in which high-growth Ecuadorian companies take off.

¹ Sociedad por Acciones Simplificada (SAS) is a Simplified Joint-Stock Company similar to LLC

² Ley Orgánica de Emprendimiento e Innovación (LOEI) is the Entrepreneurship and Innovation

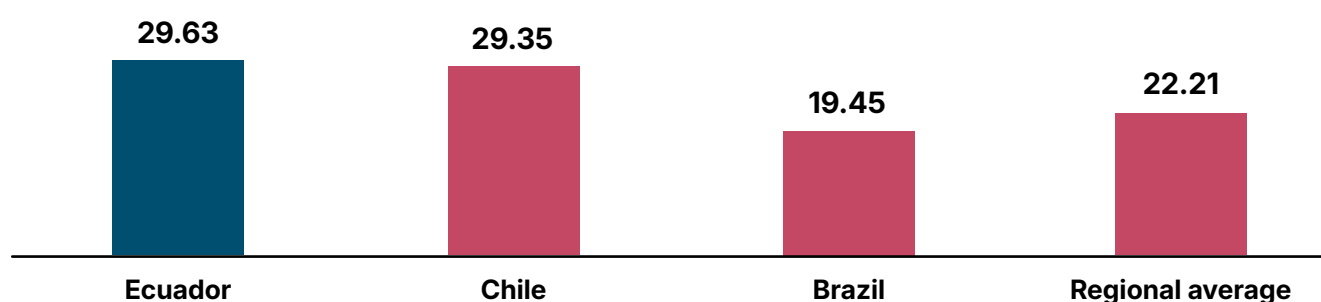
³ Impuesto a la Salida de Divisas (ISD) is the Tax on Currency Outflows

The Paradox of Ecuadorian Entrepreneurship

One statistic is cited in Ecuador often and with pride in speeches, rankings and headlines: the country is one of the world's leaders in entrepreneurship. The claim rests on a real figure. According to the *Global Entrepreneurship Monitor* (GEM), Ecuador registers a Total Early-stage Entrepreneurial Activity (TEA) rate of 29.6%, one of the highest in the world (GEM, 2025). The TEA measures the share of the adult population (aged 18 to 64) that is starting a business or running a recently founded one (up to 3.5 years old). Three out of every ten Ecuadorian adults report that they are establishing a

business or have recently done so. According to GEM 2025, Ecuador ranks second among countries with the highest TEA, having ranked first the previous year. Over the past decade, Ecuador has remained among the top ten positions in the ranking. No other country in the region surpasses it in TEA, as Figure 1 shows. Chile, the most mature ecosystem in the region, registers 29.35%; Brazil, which has the largest number of companies valued at over one billion dollars (known as "unicorns"), reports 19.45%; and the regional average barely reaches 22.21% (GEM Ecuador, 2025, Table 5).

Figure 1. Early-stage entrepreneurial activity: Ecuador vs. the region (%)



Source: GEM Ecuador 2025

Ecuador's high TEA rate has not translated into an ecosystem that produces companies that scale globally, nor into a sustained rise in the number of companies or in formal employment. That exposes a structural gap. If Ecuador has been one of the most entrepreneurial countries in the world for a decade, why does it not have a greater

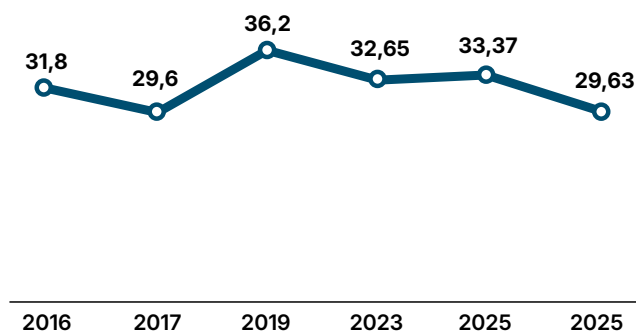
density of global companies, and why has it produced only one unicorn?

As long as the paradox persists, the ecosystem will keep waiting for the results these statistics promise. Those results will only come from a clear, deliberate strategy, backed by public policy, support programs, and the mobilization of resources.

The Paradox in Numbers

Over the past decade, Ecuador has persistently remained among the countries with the highest early-stage entrepreneurial activity. In the six measurements available between 2016 and 2025, the early-stage entrepreneurial activity (TEA) rate ranged between 29.6% and a historic peak of 36.2% in 2019 (GEM, 2016–2025). In simple terms, roughly one in three Ecuadorians reported starting a business or managing a recently created one. Figure 2 shows this evolution. A high TEA, however, measures the decision to start a business, not the capacity of those initiatives to consolidate, generate formal employment, or attract investment. The central question is not whether Ecuadorians start businesses, but what results that entrepreneurial activity produces.

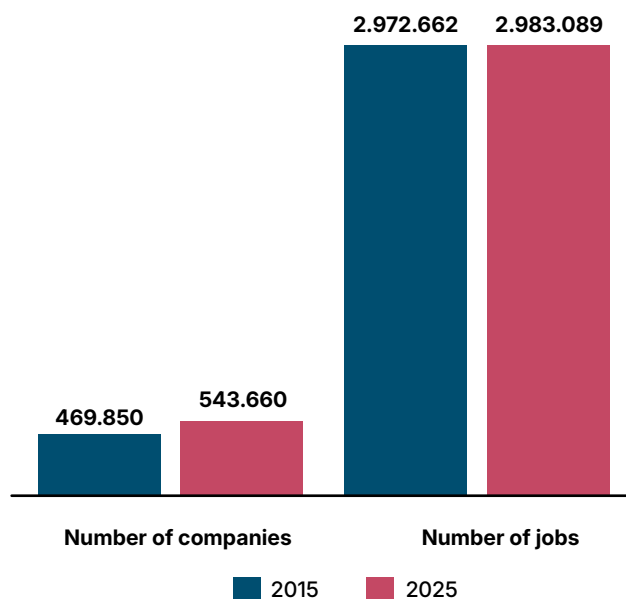
Figure 2. Evolution of the TEA in Ecuador (%)



Source: GEM Ecuador, various cycles. Note: Ecuador did not participate in 2018 or 2020–2022; the series is not interpolated.

The national statistics published by the National Institute of Statistics and Censuses (INEC) show that, although the number of companies grew a moderate 15% over the past decade, the country still registers roughly the same 3 million formal jobs it had in 2015 (see Figure 3) (INEC, 2026).

Figure 3. Number of companies and jobs

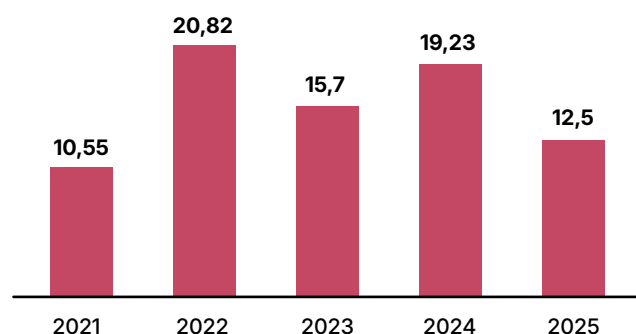


Source: INEC, REEM 2025.

In parallel, the venture capital⁴ deployed in Ecuador during 2025 amounted to \$12.5 million, spread across ten transactions (ECUACAP, 2022–2025). To put this volume in perspective, according to LAVCA the average “Series A” round in the region stands at around \$10 million, which means that a single round by one regional company can rival all the capital deployed in Ecuador in a year (LAVCA, 2025). Figure 4 shows the evolution of venture capital since the Ecuadorian Private Capital Association (ECUACAP) began publishing the information in 2022. Apart from two atypical transactions, the series is flat: annual venture capital deployed in the country, whether local or from foreign funds backing Ecuadorian startups, rarely exceed \$21 million (ECUACAP, 2022–2025).

⁴ Spanish term for “Venture Capital” (capital de riesgo); retained here where sources use it.

Figure 4. Venture capital deployed in Ecuador, 2021-2025. (In millions of \$)



Source: ECUACAP, reports 2022-2025. The adjusted series excludes two atypical transactions: Kushki's \$186 million Series B round (2021 and 2022) and Deuna's \$30 million Series A round (2022).

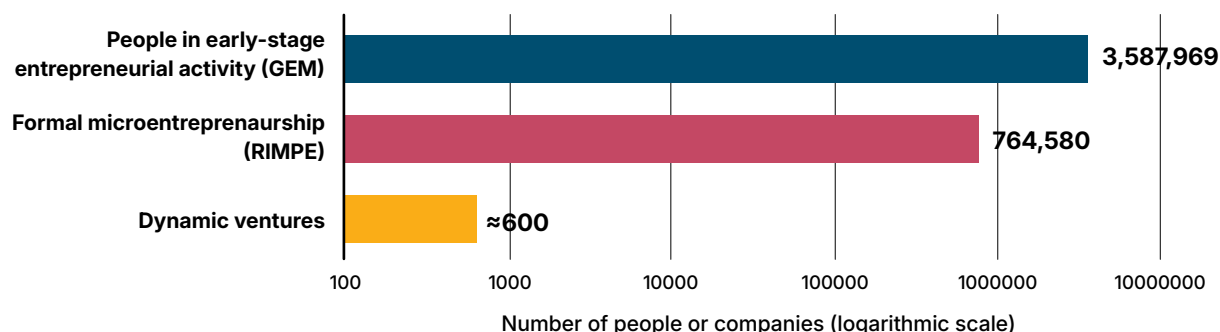
Taken together, these indicators show a gap between the high incidence of early-stage entrepreneurship and the observed results in business consolidation, registered employment, and venture capital mobilization. Three sources measure different entrepreneur populations: the GEM's TEA comes from a survey of people aged 18 to 64, INEC's Statistical Business Register (REEM) is an administrative record of companies and formal employment positions, and ECUACAP counts investment transactions. The variables cannot establish a direct causal link, but their evolution raises a central question: what factors prevent a greater proportion of Ecuadorian ventures from formalizing, surviving, and reaching scale?

Three Segments Under a Single Word

The gap described above becomes clearer once the word "entrepreneurship" is unpacked. In Ecuador the label covers activities and economic units with very different characteristics, objectives, and needs. This is more than a question of terminology: it shapes how public policy is designed, how resources are allocated, and how support mechanisms fit together. Three distinct populations coexist under the same term.

For analytical purposes, this study distinguishes three segments. The first corresponds to the people involved in early-stage entrepreneurial activity, estimated at close to 3.6 million according to the results of the *Global Entrepreneurship Monitor* (GEM Ecuador, 2025; see Table 5). The second is made up of the approximately 765,000 taxpayers registered under the Simplified Regime for Entrepreneurs and Popular Businesses (RIMPE) (INEC, 2026). The third, and the main focus of this study, corresponds to dynamic ventures, which include the startups and scaleups represented by approximately 300 technology ventures identified in the most recent ecosystem mappings (BuenTrip Hub, 2026) and some 300 additional companies with business models in different verticals.

Figure 5. Number of companies by segment



Source: GEM Ecuador 2025 (3,587,969 = 29.63% of the population aged 15–64); INEC REEM 2025; BuenTrip Radar v26.0 (296 technology ventures) + ~300 estimated.

These segments differ significantly in scale, objectives, constraints, and growth potential. Figure 5 illustrates their relative orders of magnitude and makes clear why a single policy can hardly respond effectively to the needs of all of them. While all three segments are relevant to the Ecuadorian economy, this report concentrates on the third: dynamic ventures with the potential for innovation, scaling, and the generation of economic impact.

The evidence shows that a significant share of entrepreneurial activity in Ecuador consists of subsistence enterprises, both informal and formal, whose primary objective is to generate income rather than build businesses with growth potential. As shown in Table 1, most entrepreneurs start their

activities due to a lack of formal employment, operate without employees, serve highly local markets, and exhibit low levels of internationalization and employment creation expectations. Similarly, Table 2 highlights the fragility of the formal microenterprise segment under the RIMPE regime, where the total number of taxpayers declined between 2022 and 2025, and fewer than four out of ten enterprises managed to remain in the higher-scale category. Taken together, these data underscore the economic and social relevance of these populations for millions of Ecuadorian households, while also highlighting the need to distinguish them from dynamic entrepreneurship and to design public policies, support instruments, and success metrics that are aligned with their characteristics and constraints.

Table 1. Ecuadorian entrepreneurial activity in detail

Indicator	Value	Reading
Starts a business because “jobs are scarce”	91.5%	The dominant motivation is necessity, not opportunity
Self-employed, with no hired workers	71.1%	Seven out of ten employ no one else
Sells only in their area of residence	96%	The market is the neighborhood
Has customers outside the country	13%	Internationalization still limited; the export measure is far lower
Expects to create more than 19 jobs in 5 years	1%	The ambition to scale is statistically marginal
Business closure rate	13.5%	The highest in the region (average: 8.6%)

Source: GEM Ecuador 2024/2025.

Table 2. Evolution of companies under the RIMPE regime (\$ thousands)

Year	Popular Business	Entrepreneur	Total
2022	798,840	102,820	901,660
2023	698,130	77,320	775,450
2024	712,600	52,410	765,010
2025	712,180	52,400	764,580
Change 2022–2025	–10.8%	–49.0%	–15.2%

Source: authors’ analysis based on REEM microdata 2024 and 2025.

Dynamic Ventures

The third segment, and the focus of this study, is made up of dynamic ventures: companies designed to grow, innovate, and expand into larger markets. Although they represent a very small fraction of the Ecuadorian entrepreneurial population, they are the ones with the greatest potential to generate quality employment, raise productivity, incorporate innovation, and attract investment.

Dynamic Ventures

According to PRODEM, dynamic ventures are young companies with significant growth potential, able to generate employment, innovation, and above-average productivity, and to evolve from a microenterprise into an SME or a larger-scale company (Prodem, 2026).

What distinguishes these ventures is neither the sector in which they operate nor their

initial size, but the characteristics of their business model. They are companies conceived to scale, serve broad markets, and sustain growth rates higher than those of traditional businesses. Technology startups are the most visible core of this segment, especially in areas such as financial services, business solutions, e-commerce, and digital technologies. Dynamic ventures, however, is not limited to the technology sphere. It can also emerge in sectors such as biotechnology, the circular economy, advanced manufacturing, knowledge-based agroindustry, or any activity with the capacity for accelerated growth and expansion beyond local markets.

For the purposes of this study, dynamic ventures are identified through five principal characteristics: growth intent, scalability, an expandable market reach, knowledge or innovation intensity, and the need for capital to finance expansion processes. Table 3 summarizes the criteria this report uses to identify them.

Table 3. The five criteria of the dynamic venture segment

Criterion	What it requires	What it is not
Growth intent and design	Growth is the objective of the model	A business conceived exclusively for the owner's livelihood
Scalable business model	Selling more does not require proportionally more cost or more people	The service that grows only with its owner's hours
Expandable market	The potential customer lies beyond the neighborhood and the country	The business whose ceiling is local
Asset-light or knowledge-intensive	The value lies in software, brand, method, or science	The operation whose growth demands proportional physical capital
Investability by venture capital or equivalents	Growth exceeds what cash flow and credit can finance	The company that grows soundly on reinvestment and banking

Source: Authors' analysis.

Within this segment, companies at different stages of development coexist. *Startups* are in the process of validating their business model and building a market. *Scaleups*, by contrast, have already demonstrated commercial traction and face the challenge of financing their growth, internationalization, and consolidation.

Ecuador's own experience shows that this type of company can emerge here and compete internationally. The most visible case is [Kushki](#), founded by Ecuadorian entrepreneurs and turned into the first unicorn associated with the country. This precedent confirms the existence of high-caliber talent and entrepreneurial capabilities.

It also raises a central question for the ecosystem: why are these cases so rare? Answering that question requires analyzing whether the conditions of the enabling environment favor the creation, growth, and scaling of dynamic ventures. That is precisely the objective of the present study.

The Focus of This Report

The discussion above shows that the concept of entrepreneurship covers three segments with profoundly different characteristics, objectives, and needs. Policies aimed at self-employment, financial inclusion, or the formalization of small businesses respond to challenges distinct from those faced by innovative companies with accelerated growth potential.

For this reason, the remainder of the report concentrates exclusively on dynamic ventures. From this point forward, the term “venture” will refer to *startups*, *scaleups*, and other innovative companies with the potential for expansion, job creation, and value generation.

The study does not set out to analyze all of the country's entrepreneurial activity, but to identify the conditions that enable or limit the emergence and growth of dynamic ventures. Seen this way, the central question is no longer how many Ecuadorians start businesses, but how many ventures manage to grow, innovate, raise capital, and compete in national and international markets.

Kushki shows that Ecuador can produce world-class technology companies. The fintech scaled from local operations to build a regional digital payments platform, reaching a valuation above \$1 billion and becoming Ecuador's first unicorn. Kushki has raised investment from leading regional funds such as Kaszek Ventures, Clocktower Ventures, SoftBank Latin America Fund, and DILA Capital.



Why Support Dynamic Ventures?

The International Evidence

The international evidence consistently shows that economic growth, innovation, and job creation are not distributed uniformly across all companies. Instead, a relatively small share of young, fast-growing firms accounts for a disproportionate share of the results.

In OECD countries, high-growth firms represent between 4% and 10% of companies but generate around half of all new employment (Criscuolo, Gal, and Menon, 2014). In the United States, companies that raise venture capital represent barely 0.11% of firms created and create between 5% and 7% of the employment of their cohorts. Their weight in employment, in other words, is some fifty times greater than their numerical weight in the business population (Puri and Zarutskie, 2012).

The evidence also shows that economic growth is associated principally with young companies that manage to expand, rather than with small companies that merely survive (Haltiwanger, Jarmin, and Miranda, 2013). The focus of public policy, therefore, lies not only in increasing the number of ventures, but in improving the ecosystem's capacity to put a greater proportion of them on sustained growth trajectories.

The role of venture capital is particularly relevant in this process. Various studies have found that the availability of this type of

financing is associated with higher levels of innovation, job creation, company formation, and knowledge production (Kortum and Lerner, 2000; Samila and Sorenson, 2011). Moreover, each direct job created by a *startup generates between two and five indirect jobs in the services around it*, depending on the context (Moretti, 2012).⁵

Although only a small number of companies access venture capital, its impact often extends far beyond the firms that receive direct funding.

In the United States market, the deepest in the world in venture capital, companies that at some point received this type of investment today represent around 41% of stock market capitalization and 62% of the research and development (R&D) spending of public companies (Gornall and Strebulaev, 2021).⁶

Only a small fraction of companies ever raises this financing, but its impact usually reaches well beyond the firms that receive it, helping to build new markets, specialized suppliers, and innovation ecosystems.

⁵ The multiplier of five corresponds to the United States. For economies with high informality, the conservative range is two to three.

⁶ Descriptive, not causal, evidence, and it should be cited as such.

The Regional Evidence

The region has its own success stories of venture-backed startups, though fewer of them. The iconic case is [Mercado Libre](#) (Argentina), founded with venture capital in 1999, which employed more than 84,000 people at the end of 2024 and became the most valuable publicly listed company in Latin America (Mercado Libre, 2024).⁷

Other examples are [Nubank](#) (Brazil), the *fintech* that banked more than one hundred million customers whom traditional banking excluded for decades, and [Globant](#) (Argentina), which employs nearly 30,000 software professionals across the region.

The Chilean case, home to the most established ecosystem for dynamic companies in the region, offers the clearest quantification of the effect a few companies can have. According to Endeavor Chile (2024), *scaleups* represent approximately 1% of the country's companies but generate close to 43% of new employment (see Figure 7). These results suggest that, even though few in number, dynamic companies can exert a significant influence on economic growth and productivity.

The multiplier effect of venture capital is also beginning to be observed in the region, though unevenly. Over the past decade,

venture capital in Latin America grew considerably, rising from around \$600 million a year to roughly \$4 billion to \$5 billion a year (LAVCA, 2015-2025). This growth, however, has been uneven across countries. Some economies have managed to consolidate specialized investment markets and a critical mass of dynamic ventures, while others still capture only a small share of these resources.

According to the report *Fundraising for Venture Capital Funds in Latin America and the Caribbean* (IDB Lab, 2024), 32% of the regional funds that applied to IDB Lab's annual call identified Ecuador as a primary target market. The figure reflects intentions declared during fundraising and shows that Ecuador is on investors' radar. That interest, however, has not translated into actual investment.

The Regional Learning

The evidence presented so far shows why dynamic ventures matter for economic growth. The next question is whether public policy can influence the emergence and scaling of these companies. The international experience suggests that it can. Entrepreneurship ecosystems develop mainly through private initiative, but there are many examples of public interventions that have accelerated the formation of venture capital markets, strengthened entrepreneurial capabilities, and increased the number of companies with growth potential.

Mercado Libre is a clear example of that multiplier effect: dozens of its employees went on to found new startups. The "MeLi Mafia" was also the cradle of Kaszek Ventures, the largest venture capital manager in the region, founded by Hernán Kazah and Nicolás Szekasy, co-founders of Mercado Libre, where they served as COO and CFO. Rappi (Colombia) likewise produced around a hundred startups founded by former employees across seven countries, a phenomenon known colloquially as "the Rappi Mafia" (Endeavor Insight; Accenture; Gompers, Lerner, and Scharfstein, 2005).



⁷ Stock market capitalization is a volatile market figure, to be dated at the cutoff.

Table 4. Instrumentos de política pública dedicados al segmento de alto impacto

Country	Instrument	Essential design	Documented result
Chile	CORFO, fund lines (1997)	Long-term credit to private funds; the State does not select companies	\$955M across 60 funds; employment ×2.8 in backed firms; "created the industry"
Chile	Start-Up Chile (2010)	Subsidy without <i>equity</i> plus structured acceleration	The services cause growth; capital alone does not
Colombia	Bancóldex Capital (2009)	Institutional anchor investor plus professional fund managers	\$45M mobilized \$437M: 9.7 times
Peru	Entrepreneurial Capital Fund (2020)	Public fund of funds; a fiduciary that does not decide; independent committee	First local fund managers anchored; \$25M committed
Brazil	BNDES Criatec (2007)	Seed funds with contracted private managers	Employment +61% with a control group; 106 companies
Israel	Yozma (1993)	Co-investment with a call option for the private partner; planned State exit	Industry catalyzed; 8 of 10 funds bought back

Source: Authors' analysis.

In Latin America, several countries have implemented specific instruments to address the constraints faced by dynamic ventures. The instruments differ in design and scope, but they share one objective: to connect ventures that have growth potential with appropriate capital and business support services. That experience offers useful lessons about which interventions help build more dynamic ecosystems.

Chile is one of the region's most influential precedents. Beginning in the late 1990s, Chile developed a sustained strategy to strengthen the venture capital industry and support the growth of innovative companies. Other countries followed similar paths with different instruments and results.

These examples share three characteristics that are critical for Ecuador's ecosystem:

1. The instruments do not select companies: they select fund managers and/or set rules, and let the market find the

companies. The result is that the State leverages private capital rather than substituting for it.

2. There is no competition with microenterprise policy. Each area has separate agendas, with budgets, metrics, and horizons of its own.
3. All were established with a long-term logic and institutional architecture: the maturation of a venture capital industry takes more than a decade, and the countries that achieved it shielded their instruments from political cycles.⁸ These programs also went through phases of underperformance and redesign (e.g., CORFO reformulated its venture capital lines at least three times between 1997 and 2010), which reinforces the lesson that iterative learning is part of the design, not a failure of it (Lerner, 2009).

⁸ Figures averaged across the region.

The Ecuadorian Challenge

Ecuador's market is small: a dollarized economy of eighteen million people, in which 0.5% of companies are large and corporate demand for technology is still nascent. These conditions limit how far many business models can scale in the domestic market. The central challenge, then, is to help entrepreneurial activity convert into dynamic companies that can grow and compete in broader markets. Understanding what shapes that transition is essential to identifying the ecosystem's constraints and designing more effective interventions.

Measuring the Ecosystem with the Right Yardstick

A significant difficulty in analyzing dynamic ventures is that the traditional business performance statistics were not designed to measure them. Surveys of entrepreneurial activity record people involved in business initiatives, without necessarily distinguishing between a subsistence venture and a company with accelerated growth potential. Administrative records, for their part, count incorporated companies but offer limited information on their scaling potential or access to financing.

To overcome these limitations, Ernest and Crespi (2025), from the Inter-American Development Bank (IDB),⁹ developed a methodology aimed specifically at measuring an ecosystem's capacity to generate dynamic ventures. The approach rests on a simple but powerful idea. The aim is not to identify in advance which companies will succeed, but to assess whether the ecosystem creates the conditions for private stakeholders to find them, finance them, and help them grow.

The methodology, detailed in the following section, analyzes the ecosystem as a funnel and seeks to measure not only how many companies are born, but how many advance toward stages of greater sophistication and scalability. Applying this framework to the Ecuadorian case shifts the discussion from the volume of entrepreneurship to its quality and capacity for growth.

Quantifying Dynamic Ventures in Ecuador

The methodology developed by Ernest-Crespi evaluates an ecosystem's capacity to transform entrepreneurial activity into companies with growth potential. Rather than measuring only how many companies are created, the approach seeks to understand how many manage to advance toward stages of greater sophistication, scalability, and attractiveness to investors. To do so, the methodology analyzes the ecosystem as a funnel composed of three dimensions: the creation of new formal companies, the generation of ventures with growth potential, and the conversion of these into companies capable of accessing specialized financing. Table 5 summarizes the indicators used.

Applying this quantitative methodology to the Ecuadorian case required adapting some of the information sources used in the original Costa Rica study. Business fertility uses the World Bank's *"New Business Density"* indicator as a proxy. The density of dynamic ventures and the conversion rate were estimated from venture capital investment records reported by ECUACAP and other ecosystem sources.

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Table 5. Components of the Ernest-Crespi Methodology (2025)

Indicator	Definition	What it measures
1. Business fertility	New limited liability companies registered per 1,000 working-age persons (15 to 64)	The base of the funnel: how many formal companies are created
2. High-potential density	Venture capital-backed companies per million inhabitants	The tip of the funnel: how many reach the investability threshold
3. Conversion rate	High-potential ventures per 1,000 companies founded	The efficiency of the funnel

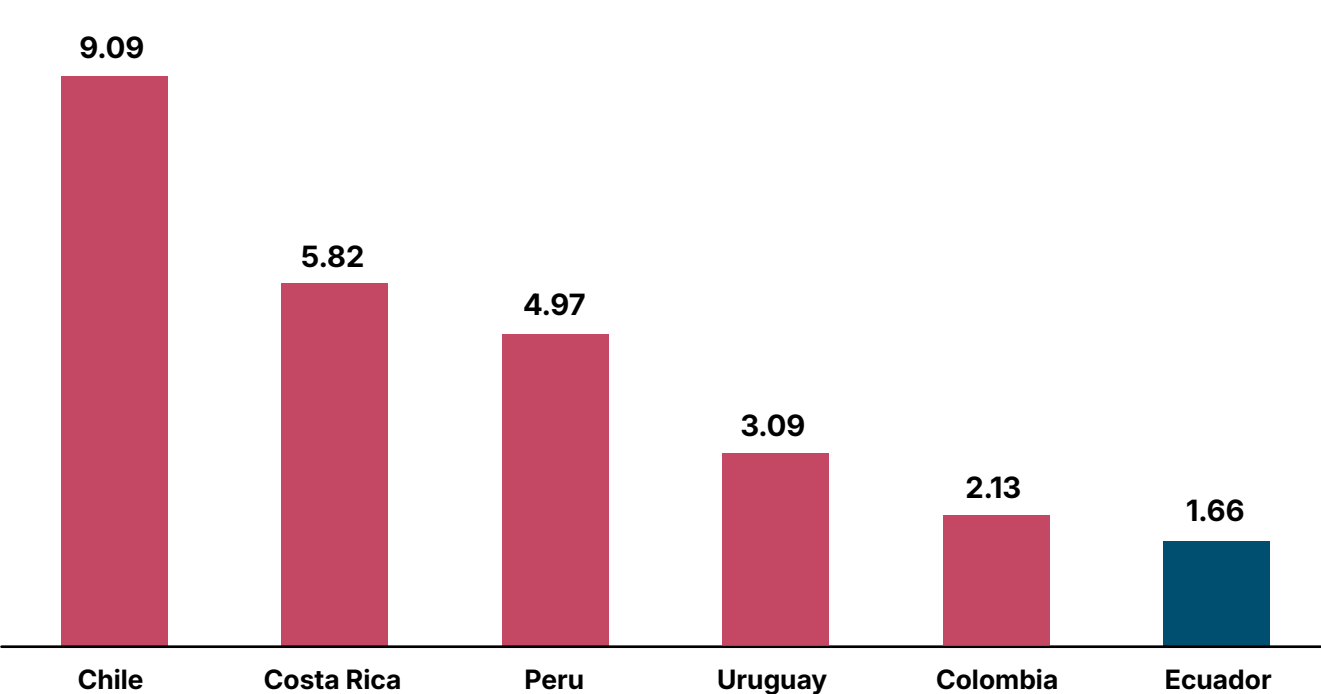
Source: Ernest and Crespi (2025).

Indicator 1: Business Fertility

The first result shows that Ecuador registers relatively low business fertility compared with other countries in the region.

In 2023, 1.66 new limited liability companies were created per 1,000 working-age persons, the lowest value among the countries included in the regional comparison.

Figure 6. Regional comparison of business fertility

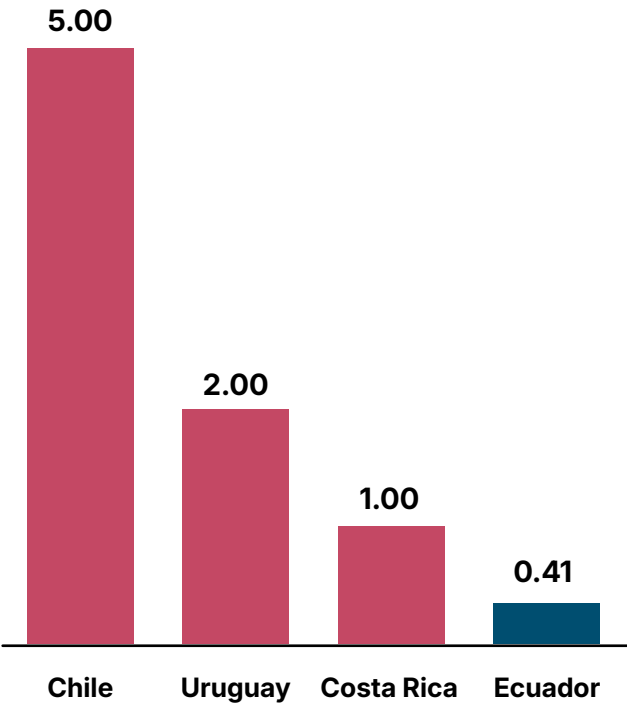


Source: World Bank, Entrepreneurship Database, 8th edition. IC.BUS.NDNS.ZS (density per 1,000 persons aged 15 to 64) and IC.BUS.NREG (count). Common comparison year 2023.

Indicator 2: Density of Dynamic Ventures

The most striking finding comes from the indicators linked to dynamic ventures. The country registered ten venture capital transactions in 2025, roughly 0.41 financed companies per million inhabitants. That is below Costa Rica and far below Chile.

Figure 7. Regional comparison of high-potential density

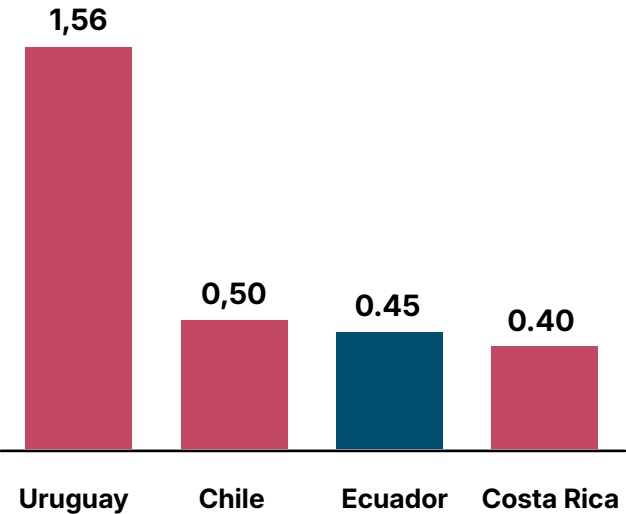


Source: Authors’ analysis.

Indicator 3: Conversion Rate

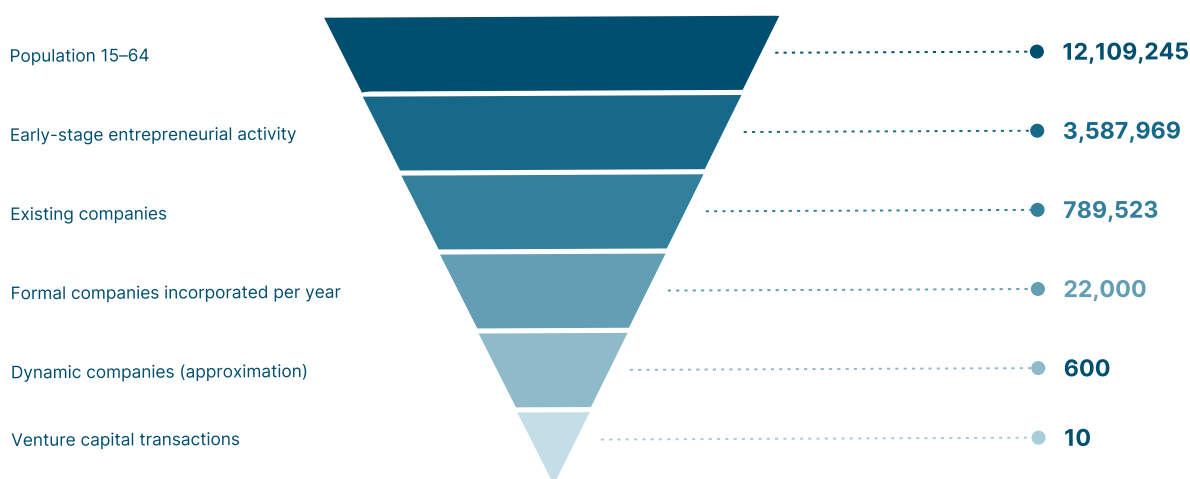
The conversion rate confirms this trend. In Ecuador in 2025 it stands at 0.45 transactions per 1,000 companies founded. That puts Ecuador below Uruguay (1.56) and Chile (0.50), and barely above Costa Rica (0.40), the lowest of the three comparators in the original study. New formal companies are created every year, but only a very small fraction develops far enough to attract specialized investment. In practice, the main bottleneck is not company creation. It is the capacity of those companies to grow, innovate, and become investable.

Figure 8. Regional comparison of conversion



Source: Authors’ analysis.

Next Figure summarizes this dynamic. Ecuador has a broad base of entrepreneurial activity and a significant number of economic units. As one advances toward formalized companies, dynamic ventures, and venture capital transactions, however, the funnel narrows significantly.

Figure 9. Conversion funnel of dynamic companies in Ecuador (2025)

Source: Authors' analysis based on previously cited sources.

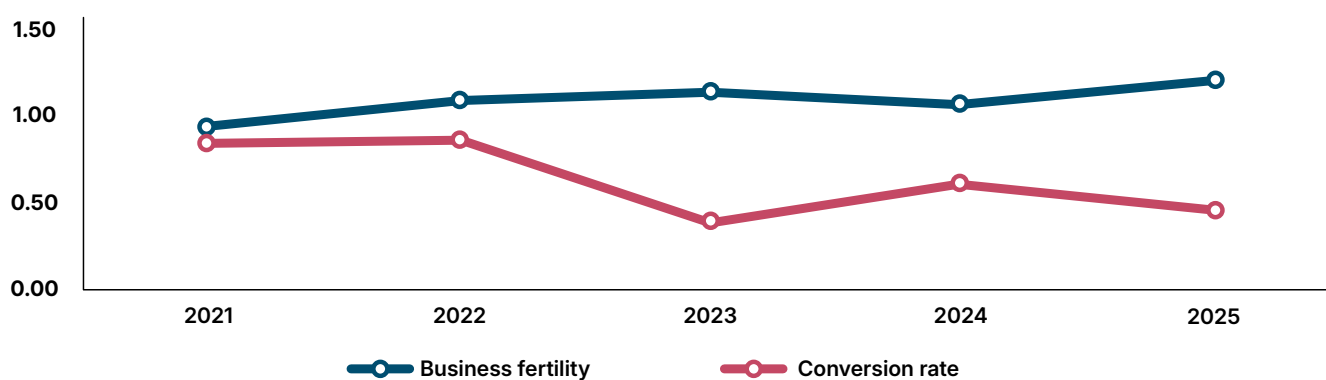
The principal conclusion is that Ecuador is not constrained in generating entrepreneurial activity. The constraint lies further along the process: the capacity to transform that activity into companies with growth potential and access to capital.

From the perspective of the Ernest-Crespi methodology, this pattern is consistent with an ecosystem where barriers to entry have fallen, but where constraints persist that limit the growth and scaling of companies.

Findings

The evolution of the indicators reinforces this interpretation. Between 2021 and 2025, business fertility increased 28.8%, while the conversion rate declined 46.4%. In other words, the country is creating more formal companies, but a smaller proportion of them manages to raise capital.

The creation of the Simplified Joint-Stock Company (SAS) shows that a well-designed reform produces fast, measurable results. Replicating that approach in access to financing, markets, specialized talent, and scaling mechanisms is the opportunity this report identifies.

Figure 10. Comparison of Ecuador's fertility and conversion (2021 to 2025)

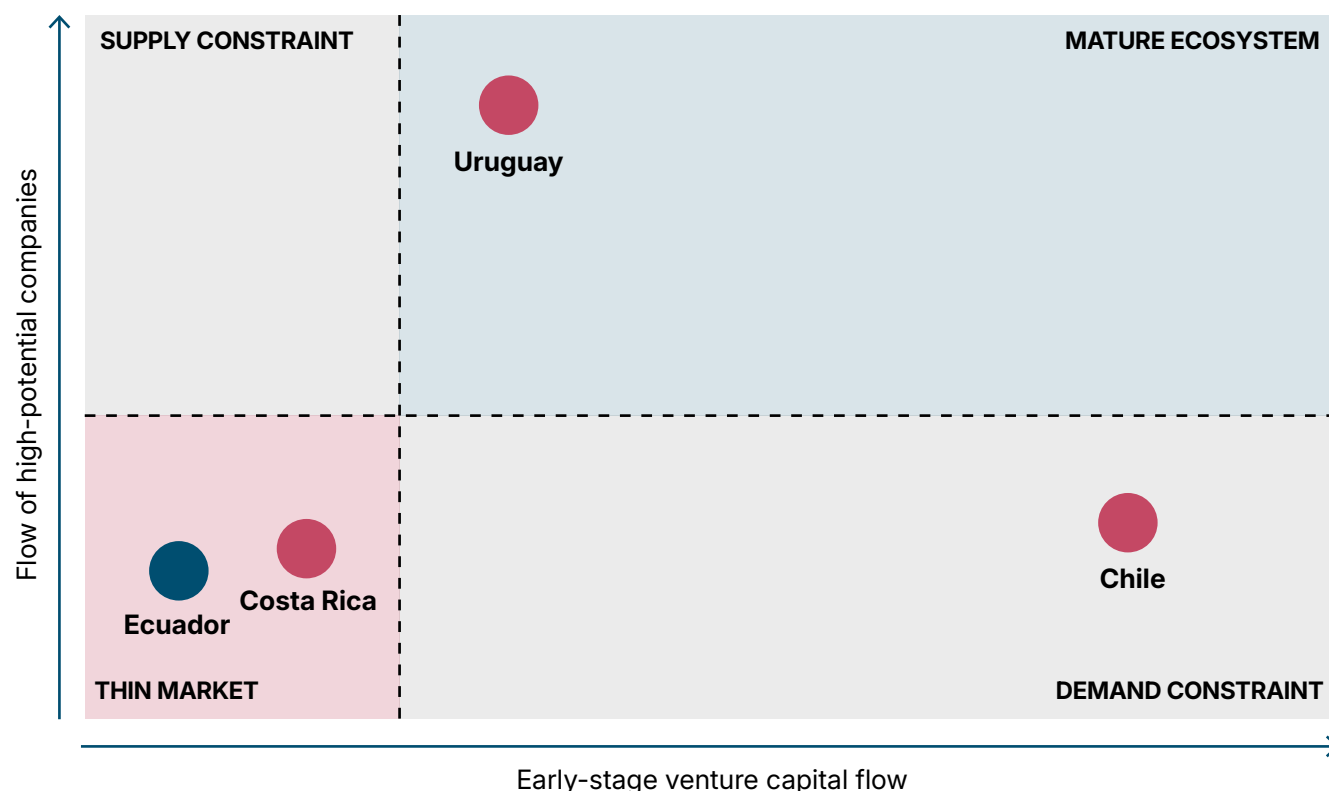
Source: Authors' analysis.

The Matrix: Situating Ecuador

The combination of a low density of investable ventures and limited availability of early-stage capital places Ecuador in

what Ernest and Crespi call a thin market. In such ecosystems, few companies become attractive to investors, and few investors are willing to finance early stages.

Figure 12. Venture capital investment flow vs. flow of high-potential companies



Note: Country positions in the matrix are indicative, based on available data, and are intended to offer a relative perspective.

Source: Authors' analysis.

This double constraint generates a cycle that is difficult to break. When few investable companies exist, funds deploy fewer resources. At the same time, when available capital is scarce, fewer companies manage to grow into attractive candidates for investment.

As a result, isolated interventions tend to have limited effects. The challenge is to strengthen both at once: the supply of dynamic ventures and the mechanisms that give them access to financing.

The Three Axes: Companies, the Support Ecosystem and Capital

First Axis: The Flow of High-Potential Companies

The first axis of the Ernest-Crespi framework analyzes the ecosystem's capacity to generate ventures with growth potential. This flow depends both on the conditions of the environment and on the organizations that identify, train, incubate, accelerate, and support companies in their initial stages.

Second axis: the ecosystem supportive

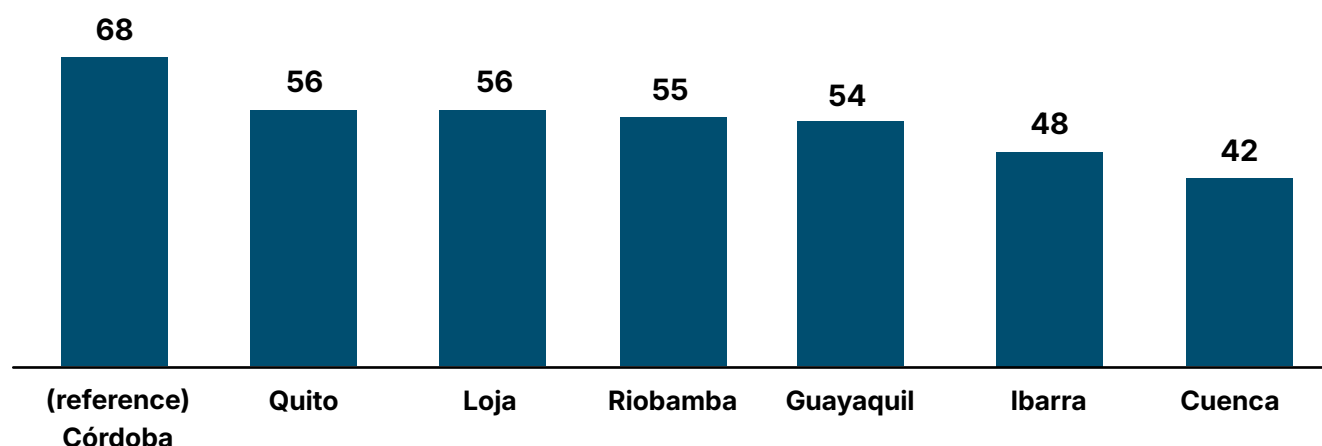
Over the past decade, Ecuador has progressively built a support infrastructure for entrepreneurship. Organizations such

as the [Alianza para el Emprendimiento e Innovación \(AEI\)](#), [Impaqto](#), [BuenTrip](#), [ConQuito](#), [Endeavor](#), and various universities have contributed to consolidating a network of stakeholders oriented toward training, acceleration, coordination, and the promotion of entrepreneurship. Although the ecosystem remains small compared with the region's more developed markets, it today has specialized institutions, coordination mechanisms, and support spaces that did not exist ten years ago. Table 7 summarizes the ecosystem's principal functions and makes it possible to identify both its strengths and its gaps (for more detail, see Annex 1).

Table 6. Density and gaps of the support system, by function.

Function	Documented density	The gap
Support (acceleration, incubation, community)	Half a dozen operators in Quito; municipal institutional capacity in Guayaquil; university anchors in Loja and Cuenca	No performance census: cohorts, graduation, and survival of the companies supported are not measured
Coordination and measurement	A national entrepreneurship alliance since 2013; a private capital association; six cities in the regional measurement	Self-reported results figures, without independent verification
Academia	A national measurement consortium; university incubation in Loja	Technology transfer undocumented: offices, licensing, and spin-offs yet to be surveyed
Local financing	One consolidated fund (BuenTrip Ventures); impact vehicles (IMPAQTO Capital, CREAS); international institutional LPs	No formal angel network; no second consolidated fund; no family offices mapped
Public sector	An active municipal agency in Quito; municipal programs with international cooperation	CONEIN (created by the LOEI, 2020) exists in law but is still being activated. Since June 2026 the Interinstitutional Committee for Employability and Entrepreneurship (ED 419) has operated under the Ministry of Labor and Human Development, with a mandate for employability and self-employment (first and second segments).
Exits	None documented	No exit/liquidity event registered in the ecosystem's record

Source: Authors' analysis.

Figure 12. Conditions for dynamic entrepreneurship: according to the GEIAL/Prodem index

Source: GEIAL/Prodem, ICEC 2025.

Among support stakeholders, density is most pronounced in Quito and emerging in Guayaquil. On the coordination side, the country has AEI, a national alliance with more than one hundred allied organizations that reports more than 15,000 entrepreneurs supported. It also has a private capital association that publishes the industry's annual report, and a measurement community that keeps six Ecuadorian cities on the regional comparative platform (ECUACAP, 2022-2025; GEIAL/Prodem, 2025). In academia, universities sustain the national measurement of entrepreneurship and anchor the ecosystems beyond the two poles of Quito and Guayaquil.

If the ecosystem has support institutions, coordination capacity, and reasonable results in the dimensions of training and entrepreneurial culture, an obvious question then arises: why does the generation of investable ventures remain limited?

The available evidence suggests that the answer does not lie principally in the quality of the support programs. The international experience demonstrates that well-designed acceleration and incubation services can contribute significantly to the growth of the companies they support, but they are not the

only factor. The Chilean case, for example, shows positive impacts when these services are combined with effective mechanisms for access to financing and scaling.

The Ecuadorian challenge appears to lie further along the chain of business development: in funding. The ecosystem trains, supports, and accelerates ventures, but these end up flowing into a relatively small and shallow capital market. In 2025, nine of the ten venture capital transactions were at very early stages. The only growth round, a Series A, took 80% of the capital, which reveals the absence of an intermediate rung. Many companies therefore find support in their first stages but struggle when they need resources to scale: the support system produces companies with potential and then has few ways to carry them into the next stage of growth. The result is an ecosystem where activity is visible and programs are numerous, but where scaling mechanisms remain limited.

There is also a second structural challenge. The identification, acceleration, and support of dynamic ventures requires specialized resources and highly qualified teams. In small markets, however, the economic returns derived from these

activities are usually insufficient to sustain the ecosystem's intermediaries on their own. Consequently, many organizations depend on public programs, international cooperation, or institutional funding to operate. That keeps support activities running, but it prevents the emergence of a system that sustains itself on the success of the companies it backs.

The principal conclusion of this first axis is that Ecuador's problem is not a lack of organizations or of basic capacity for business support. The ecosystem has a critical mass of organizations, a track record of more than a decade, and reasonable results in indicators of entrepreneurial culture and coordination. Its capacity to translate that effort into investable, scalable companies, however, remains limited. The bottleneck appears precisely in the transition between business support and access to growth capital.

A Positive Signal: The Alignment of 2025

Despite the limitations described, recent events show encouraging signals about the ecosystem's capacity for mobilization. In 2025, AEI launched "*Misión Emprende 593*," a national call that integrated the efforts of dozens of corporate stakeholders, among them Corporación Favorita, Banco Pichincha, Visa, Grupo Futuro, Xtrim, and Equisuiza. Other ecosystem stakeholders focused on acceleration, such as ConQuito and Endeavor Ecuador, also participated in the programs. Universities such as UDLA and other regional stakeholders also backed the AEI initiative. It combined online training, mentoring, and regional Pitch Days in Quito, Guayaquil, and Cuenca, and closed with more than 4,100 applications from across the country. The call demonstrated three things: real demand for business support, corporate interest in the ecosystem's development, and a capacity

for coordination among public, private, and support stakeholders.

More important still, it established that a significant supply of entrepreneurial talent exists, distributed across the country's regions. The open question is not whether entrepreneurs with potential exist, but whether the ecosystem can turn them into companies that grow, attract investment, and compete in regional and international markets. That is precisely the point of connection with the second axis of the analysis: the availability of capital to finance that growth process.

Third Axis: Early-Stage Venture Capital

If the first axis analyzes the ecosystem's capacity to generate ventures with growth potential, the second examines the availability of capital to finance them. The two are interdependent. An ecosystem can train entrepreneurs and accelerate companies, but without mechanisms to finance the later stages of growth, few of those companies will convert into dynamic ventures.

Ecuador today has an emerging venture capital industry. There are local funds in operation, a sectoral association that publishes periodic information on the industry, and a growing community of specialized investors (ECUACAP, 2022-2025). The scale of the market, however, remains small compared with the region's principal ecosystems. Local funds manage relatively modest amounts, and the total volume of deployed investment remains low even by Latin American standards.

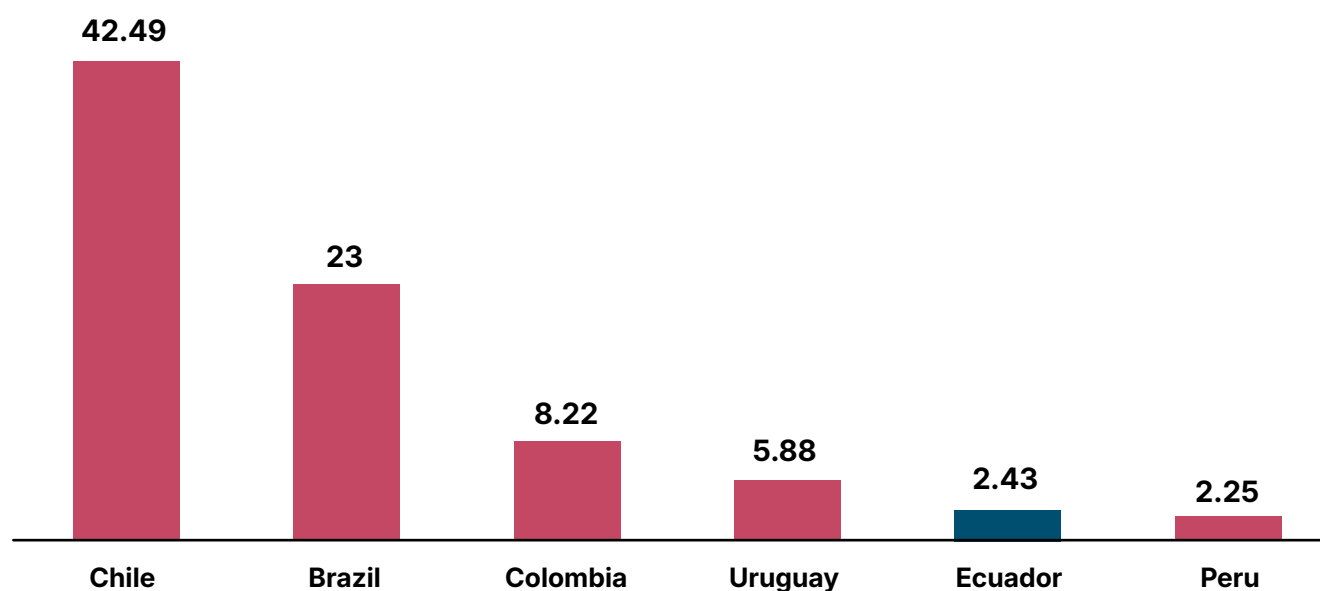
This situation is reflected in the most recent results. During 2025, ten venture capital transactions were registered for a total of approximately \$12.5 million. Moreover, a significant proportion of the resources

that reach Ecuadorian ventures comes from international investors and funds, which underscores the limited depth of the domestic market.

The regional comparison puts this difference in perspective. Measured in investment per inhabitant, Ecuador sits significantly below countries such as Chile,

Brazil, Colombia, or Uruguay (Figure 13), several of which started fifteen years ago from levels comparable to Ecuador's today. What those countries have in common is that, over the past two decades, they built specific instruments to channel resources toward dynamic ventures and to draw professional investors into the ecosystem.

Figure 13. Venture capital per inhabitant: the regional distance (ln \$ per inhabitant)



Source: Authors' compilation based on national industry series.

The principal difference is the presence of mechanisms that connect both sides of the market. Various countries in the region have implemented instruments intended to reduce the industry's initial risk, attract institutional investors, strengthen fund managers, and broaden access to financing for early-stage companies. Chile, Colombia, and Peru represent examples of this approach.

The international evidence shows that the development of a venture capital industry

usually requires a combination of public and private instruments over prolonged periods. There is no single recipe, but the regional experience suggests that the countries that managed to build deeper markets shared some common elements: the existence of anchor investors, co-investment mechanisms, incentives to attract specialized fund managers, and regulatory frameworks that facilitate the participation of institutional investors.

Table 8. Comparison of public policy instruments in Ecuador vs the region

Instrument	Operating regional precedent	Ecuador
Public fund of funds	CORFO (Chile, 1997); Bancóldex Capital (Colombia, 2009); FCEI-COFIDE (Peru, 2020)	To be developed
Public co-investment with angels and funds	CORFO; ANII (Uruguay)	To be developed
Early-stage grants without equity	Start-Up Chile (2010); ANII (Uruguay)	To be developed for the dynamic segment. Exists for rural agroindustry through the EMPRENDER Project (MPCEIP-IFAD, 2025).
Tax incentive for angel or venture investors	Brazil, LC 155/2016; Argentina, Law 27,349 (75% deduction)	To be developed
Stock option regime	Brazil, LC 182/2021; Chile	To be developed
Institutional investors enabled	Colombia (Law 2112/2021); under construction in Peru	To be developed
Generic tax on capital outflows	None of the six comparators has one	5% Currency Outflow Tax (ISD)

Source: Authors' analysis.

In Ecuador, several of these mechanisms are still nascent or nonexistent. This does not imply that the market's development depends exclusively on new rules or public instruments, but it does suggest that the financial infrastructure for supporting dynamic ventures remains limited compared with other ecosystems in the region.

A Market Dependent on External Capital

The practical consequence is that many Ecuadorian companies with growth potential end up depending on foreign investors to finance their next stages of expansion. This situation is common across Latin America, but it is particularly marked in small ecosystems. In practice, the startups that access institutional capital usually adopt corporate

structures compatible with the requirements of international investors. They do so to reach jurisdictions seen as more predictable and standardized for investor protection and for executing future rounds. As a result, a significant part of financing activity occurs outside the local jurisdiction, even when the company's operations, talent, or origin remain in the country.

More than an exclusively legal problem, this phenomenon reflects the integration of Latin American dynamic ventures into international capital markets. It also highlights, however, the need to strengthen the conditions that allow a greater proportion of the value, knowledge, and financing generated by these companies to remain connected to the national ecosystem.

A Constraint Shared Across the Country

The limited depth of the capital market also helps explain a paradox observed in several Ecuadorian cities. The comparative data show that localities such as Loja, Riobamba, and Cuenca present relatively favorable conditions for dynamic ventures in terms of entrepreneurial culture, human capital, institutional coordination, and business capabilities. These conditions, however, do not translate into proportional results in scalable ventures.

The available evidence suggests that one of the most consistent constraints across all the cities evaluated is access to financing. In several cases, this dimension scores significantly below the other conditions of the ecosystem. The challenge is not necessarily to replicate complete ecosystems in every city, but to connect existing capabilities more effectively with national and international acceleration and investment mechanisms.

Main Finding of the Second Axis

The analysis of the second axis leads to a conclusion similar to the one obtained in the first. Ecuador does not start from zero. There are entrepreneurs, support organizations, funds in operation, and successful experiences of coordination. The depth of the capital market, however, remains insufficient to sustain business growth trajectories at scale.

Few investable firms.

Limited specialized capital.

Both constraints reinforce each other.

The challenge is to simultaneously strengthen the supply of dynamic ventures and access to financing.

Overall Findings

The principal challenge, then, is not generating new ventures or adding more support organizations. It is the void between companies that reach early validation and the financing that would let them scale. That is exactly what defines what the Ernest-Crespi methodology calls a thin market: too few investable companies and too little specialized capital, with each shortage reinforcing the other.

The Human Capital of Dynamic Venture

The preceding sections showed that the principal challenge of the Ecuadorian ecosystem is not a lack of entrepreneurial drive, but its limited capacity to turn that drive into dynamic companies. Neither capital nor support organizations is enough on its own. The ecosystem's fundamental raw material is people: founders, technical teams, fund managers, and investors.

The international evidence indicates that the most dynamic ecosystems combine three conditions: (i) human capital with technical and entrepreneurial capabilities; (ii) work experience in high-performance organizations; and (iii) mechanisms that allow that talent to take risks and remain in the ecosystem. The analysis of the Ecuadorian case suggests that all three conditions present weaknesses that limit the generation of high-growth ventures.

Training and Capabilities

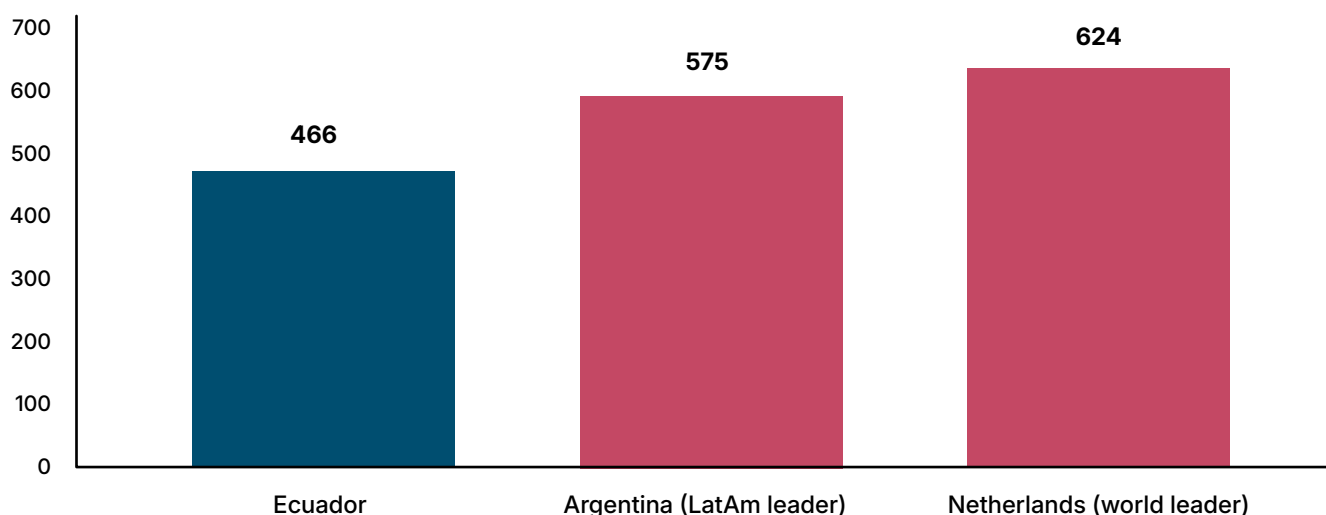
Dynamic ventures operate in increasingly global, knowledge-intensive markets. Skills such as English, scientific and technical training, and the ability to work with international clients, investors, and partners therefore matter a great deal.

Here Ecuador lags persistently, and the gap starts at school and carries through higher education. International measures show weak results in core competencies in mathematics, reading, and science (PISA

2025), in English proficiency (EF EPI, Figure 15), and modest performance on indicators of innovation and scientific output.

The most recent evidence on the school-level base comes from PISA 2025, published in September 2026, in which Ecuador participated for the first time in the main study alongside 91 countries and economies. Ecuadorian fifteen-year-old students obtained 366 points in mathematics, 385 in reading, and 393 in science, against OECD averages of 463, 461, and 482, respectively. Only 20% reached the minimum proficiency level in mathematics, 38% in reading, and around 40% in science. In the new domain of computational problem-solving, the country obtained 422 points against a mean of 500 (OECD, 2026; Ineval, 2026).

For dynamic ventures this matters because mathematical reasoning and scientific understanding are the foundation on which engineers, data scientists, and technology founders are trained. Taking part in PISA is itself a significant step: for the first time the country has an internationally comparable baseline, and the Ministry of Education has announced a National Learning Strengthening Plan centered on a competency-based curriculum, which opens the possibility of aligning education policy with the talent agenda this report proposes (see R5).

Figure 14. Comparative Performance in the 2025 EF EPI Tests

Source: EF Education First, EF EPI 2025 (Ecuador Fact Sheet; EF Argentina). Self-selected sample; interpret as an upper bound.

As for tertiary education, the gross enrollment rate rose from 30.1% in 2016 to 40.8% in 2022, the result of 898,689 students enrolled out of 2,201,163 young people of the corresponding age (SENESCYT-SIIES, 2022). The regional differences are stark. The tertiary degree attainment rate, for example, is 53.3% in Pichincha against barely 19% in Morona Santiago. That expansion has been financed with a university budget that has held up through fiscal consolidation (\$1,322 million in 2023 and \$1,319 million in 2024; Ministry of Economy and Finance, appearance before the National Assembly, January 2024), which suggests that the next priority is not necessarily more money but redirecting part of the existing budget toward STEM and entrepreneurial skills.

In science, Ecuador faces two related gaps: the first is information and the second is investment. First, the country still does not publish a standardized measurement of the annual flow of graduates in science, technology, engineering, and mathematics (STEM). This is a variable that the

comparative evidence identifies as critical for evaluating the availability of specialized talent. Second, the official information on research and development (R&D) investment was last updated in 2014, when spending reached \$450 million, equivalent to 0.44% of GDP. That level stood below the minimum target of 0.55% established in the Code of the Social Economy of Knowledge and below Brazil's 2025 figure (1.19%)¹⁰.

That year closed a cycle of strong expansion in public investment in science, driven by initiatives such as *Prometeo* and *Yachay*, which multiplied the number of researchers by 3.7 in five years. This buildup of capabilities, however, did not translate visibly into the creation of new companies. Those researchers are still within reach for startups: they are an underused asset that dynamic venture policy can connect to the market. Reviving the ACTI survey, an instrument INEC and SENESCYT have already designed and tested, would likewise be a low-cost, high-value way to steer talent policy with current evidence on the country's scientific spending and capabilities.

¹⁰ <https://data.worldbank.org/indicator/GB.XPD.RSDV.GD.ZS?locations=OE>

International indicators such as the Global Innovation Index place Ecuador at position 113 of 139 economies (2025 edition; 105 of 133 in 2024). Accumulated scientific production stands at 60,731 documents in Scopus, corresponding to 0.2% of the world's knowledge production in 2024, below Peru's 0.26%. Ecuadorian patents, likewise, have historically remained below one hundred per year. Taken together, from the school base (PISA) to scientific production (Scopus, patents), the data indicate that the education system does not yet produce, in sufficient volume, the capabilities on which dynamic ventures are built.

Beyond enrollment, the challenge is building skills that match what innovation-intensive sectors need, and creating career paths that let people gain that experience inside the country. The constraint may also come from the demand side: a significant share of graduates in technical fields ends up in sales or supervisory roles unrelated to their training, because too few companies can absorb that talent. Resolving the issues with the supply of skills and the demand from companies is a task this report recommends taking on before designing training programs at scale.

Work Experience as a School for Entrepreneurs

Founders that scale companies usually learn the trade inside demanding organizations: *startups and scaleups* in hypergrowth, technology units, or leading corporations. These pass on operational *know-how*, standards, and networks, and the confidence to strike out on their own.

In Ecuador, that kind of experience is still out of reach for most young people: of the roughly 3.7 million young people aged 18 to 29, 2.2 million are part of the economically active population, and their unemployment rate was 7.9% in May 2026, more than

double the national rate of 3.1% (INEC, ENEMDU, May 2026). In a survey of 1,011 young people, lack of experience was the main barrier to employability (28.6%), and 59.8% said they depend financially on their parents (*Children International* and Empleo Joven Ecuador, 2025). When 91.5% of entrepreneurs say they start businesses because jobs are scarce, necessity entrepreneurship is the direct consequence of that youth labor market.

As a result, the ecosystem generates relatively few opportunities where future founders can acquire the capabilities that normally feed the next generation of dynamic companies.

Risk, Incentives, and Talent Retention

Building a dynamic venture means taking on significant risk. Founders typically spend several years on projects with high uncertainty and no guaranteed return. For that to happen at any scale, successful ecosystems create mechanisms that lower the cost of taking that risk and allow the benefits to be shared when companies succeed.

In Ecuador, several of those mechanisms remain limited. The scant use of employee equity instruments (i.e. stock options and/or vesting plans), the reduced depth of the capital market, and the limited number of companies capable of offering professional growth trajectories restrict the incentives to remain in the entrepreneurial ecosystem.

These constraints coincide with growing global competition for highly qualified talent. International remote work opportunities and the emigration of young professionals increase the pressure on a local market that already struggles to absorb and retain specialized profiles.

Main Finding: An Incomplete Talent Pipeline

The evidence suggests that the principal human capital constraint on dynamic ventures is not a lack of entrepreneurial initiative, but the weaknesses that accumulate along the pipeline that develops founders and high-potential teams. The gaps show up at every stage: building skills, getting relevant work experience, finding mechanisms for taking risk, and having reasons to stay in the ecosystem. None of these limitations explains on its own the performance of dynamic ventures in Ecuador. Together, however, they help explain why high entrepreneurial activity does not translate automatically into a greater number of innovative, scalable companies. Strengthening human capital is not just a matter of training more entrepreneurs. It means building a full path: people develop skills, accumulate experience, find opportunities to grow, and reinvest what they have learned in the next generation of companies. That path is one of the most valuable assets of the ecosystems that have built durable dynamic venture and innovation industries.

The Financing Gap and the Cost of Capital

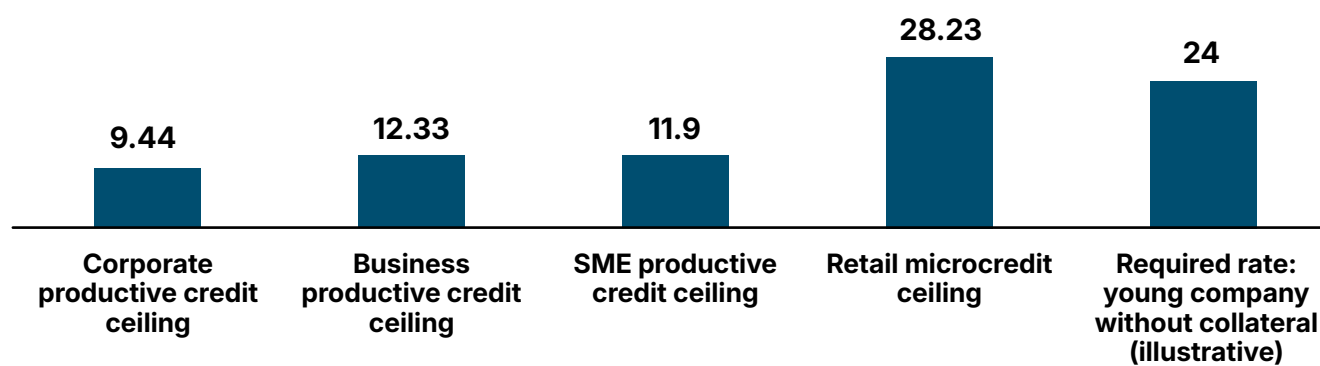
Ecuador's business financing gap is significant. The International Finance Corporation (IFC) estimates the financing gap of Ecuadorian MSMEs at \$17,681 million, the equivalent of 17% of GDP. The financial system provides some \$8,453 million against a potential demand of \$26,134 million (Figure 16) (IFC and SME Finance Forum, 2025).

The gap shows up on the demand side and in prices. On the demand side, the World Bank's enterprise survey finds that 52% of small Ecuadorian companies have access to a bank loan, against 72% of medium-sized and 79% of large ones; and the country's companies self-finance 64.4% of their investment, with banks contributing barely 18.6% of the amount (World Bank, 2024).

What makes the gap worse is that in Ecuador the price of credit has a legal ceiling. The maximum-rate regime, administered by the

Financial Policy and Regulation Board (JPRF), sets the highest rate a lender may charge in each credit segment. The regime protects consumers and microenterprises, and this report does not propose changing it: the proposal is limited to adding a dedicated segment for growth debt to companies that already have institutional investors. The loosening of productive credit ceilings since 2023 shows that the regime allows for gradual adjustment. The microcredit and consumer ceilings, where young companies usually end up classified, have not been revised since 2022 (JPRF, 2022), which leaves room for a dedicated growth-debt segment without touching the general regime. For a young company the consequence is simple: when the rate its risk profile requires exceeds the ceiling of the segment the bank must file it under, the bank does not lend.

Figure 15. Maximum interest rate by segment vs. rate required by a young company



Source: Ceilings: BCE/JPRF Dec-2025.

For dynamic ventures, however, the problem runs deeper still. These companies usually lack the attributes a traditional bank needs in order to extend credit: they are young, they own few physical assets that can serve as collateral, and they operate business models in which growth comes before the stable generation of cash flows. From a bank's perspective, the very characteristics that make a dynamic venture attractive also make it a difficult client. Many of these companies end up stranded in a zone where credit never reaches, however strong their growth potential.

The business evidence points in the same direction. While large, consolidated companies have relatively broad access to credit, small and young ones depend principally on their own resources. This does not necessarily represent a failure of the financial system. Rather, it reflects the structural difficulty of using debt to finance projects whose value rests on intangible assets, innovation, and accelerated growth.

Venture Capital Trends in Ecuador

According to the data published by ECUACAP, venture capital invested in Ecuadorian startups has contracted sharply, in line with the regional pullback after 2022, falling from \$150.8 million in 2022 to \$12.5 million in 2025. Since 2023, more than half of the money registered has been invested in companies outside the country. Local rounds have also shrunk: the typical round fell from \$900,000 in 2024 to \$170,675 in 2025, and almost half of the 102 rounds of the period were below \$500,000. Meanwhile, barely four large rounds took two-thirds of all the capital.

The data are unequivocal: for half a decade the market has depended on a handful of players. In 2021 and 2022, a single company (Kushki) received most of the capital. Likewise, in 2025, a single round (Jelou's

\$10 million Series A) explains 80% of what was invested in the country. Without that round, the year would have added barely \$2.5 million in capital deployed to Ecuadorian startups. On the investor side, one firm accounts for close to a third of all activity, and in five years only two rounds were syndicated among local investors. These figures describe a market still in its early days: small, concentrated in a few transactions and, for that very reason, with ample room to grow if the instruments this report identifies are activated (ECUACAP, Venture Capital investment reports for Ecuador 2022-2025).

The Logic of Venture Capital

Because dynamic ventures are structurally excluded from the credit system, they are financed with venture capital (VC) in most markets around the world. VC follows a risk-and-return logic that is very different from banking's. Where a bank tries to minimize losses on its loans, venture capital treats loss as part of the model, hence the name. Understanding that logic means setting aside banking's statistics, which see the economy as a bell curve, and adopting venture capital's, which see the population of companies as a power law. The venture investor assumes that a handful of investments will generate almost all of the returns, and can therefore afford to let most of them fail.

In practically every economy, a very small fraction of companies accounts for a disproportionate share of the value created, the employment generated, and the innovation produced. Venture investors seek precisely to identify and finance those few companies capable of multiplying their size in relatively short periods.

In fact, the Ecuadorian business structure already exhibits this characteristic. A small proportion of companies accounts for the majority of sales and of the economic value generated. The difference is that those companies reached that position over decades of growth driven by retained earnings and traditional credit. Dynamic ventures attempt to get to the same destination in a fraction of the time, and it is precisely that acceleration that which venture capital finances.

The Power Law in Venture Capital

To understand the dynamics of the power law, one must look at its performance in markets with data at volume. Analyzing the cohort of 4,369 U.S. startups founded in 2018, as of January 1, 2025, 61.9% had closed and only 1.6% had gone public or reached unicorn status (Carta, 2025). That is thirty-eight closures for every resounding success. The returns of venture capital funds replicate this power law. In the 2019 vintage of U.S. funds, the median fund accumulates total value equivalent to 1.33 times the capital contributed, while the top decile reaches 3.01 times and the bottom quartile barely 1.02 times. That value, moreover, is mostly unrealized: less than half of the funds of that vintage have returned any capital to their investors, and the median of distributions remains barely above zero (Carta, *VC Fund Performance*, Q4 2025). For decades, the portfolio rule that governs the industry has been well known: of every ten investments, the reasonable expectation is that six or seven will be lost entirely, two or three will return what was invested, and a single success will pay the returns of the entire fund.

To evaluate venture capital with the yardstick of credit is to misunderstand the logic of this asset class. This is central to the design of public policy for attracting capital to dynamic

ventures. Every policy proposal has to be anchored in how venture capital actually works, and three features define it.

The first is the posture toward risk: an equity holder shares in the company's value with no ceiling, so a single extraordinary investment can pay for all the other losses in a portfolio. The second is the design of the financing: venture capital delivers money in stages, and each stage is an experiment that is cheap to abandon, which effectively converts radically uncertain projects into a sequence of limited bets where early failure costs little and, as progress is made, the probability of success is amplified (Kerr, Nanda, and Rhodes-Kropf, 2014). Finally, the third is that the venture investor contributes not only money but also experience, governance, monitoring, and networks, and the causal evidence shows that this active involvement produces more innovation and a higher probability of success (Bernstein, Giroud, and Townsend, 2016).

The Real Challenge: The Cost of Capital

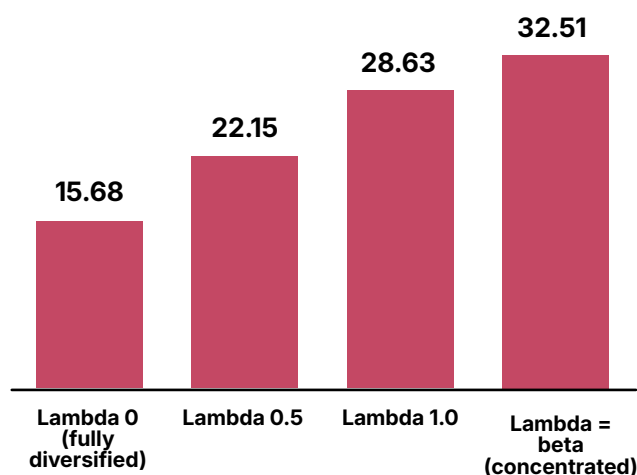
If there is a need for financing and a financial logic designed specifically to serve it, a fundamental question then arises: why does the Ecuadorian venture capital market remain so small? The answer appears to lie in the cost of capital. Investing in dynamic ventures in Ecuador means taking on business, liquidity, regulatory, and country risk all at once. Investors therefore require returns well above those in more developed markets or elsewhere in the region.

The financial analysis conducted for this study shows that the return demanded by a venture capital investor in Ecuador can double that observed in neighboring markets under comparable assumptions. This difference does not arise solely from the quality of the companies or the capabilities of the entrepreneurs, but from the general environment in which capital

operates. Factors such as the small number of successful exits, the market's relative thin offering, the limited participation of institutional investors, and certain regulatory costs raise the minimum profitability needed to justify an investment.

Equity venture capital is not the only instrument in a dynamic venture's financing mix, though it is the central one. Three less common complements are worth noting. *Venture debt* is debt extended to companies that already have venture capital investors and serves to extend the cash runway between rounds without diluting the founders. Revenue-based financing advances capital against a percentage of future sales and is suited to companies with recurring revenue and predictable margins. Grant funding is typically a public resource: it finances research and development and projects in strategic sectors such as deep *tech*, energy, defense, and biotechnology, where the time to maturity and the technological risk exceed what private capital will absorb at early stages. In Ecuador all three instruments are nascent, and their development depends to a great extent, on the prior existence of an equity capital market to anchor them. For that reason this section concentrates on the cost of that capital.

Figure 16. Cost of equity capital in Ecuador, measured as the required rate of return (%)



The Financial “Missing Middle”

The result is a void between traditional debt and venture capital. On the one hand, dynamic ventures do not meet the conditions needed to access conventional credit. On the other hand, the cost of equity capital is high enough to limit the number of investors and funds willing to operate in the market. The result is a segment of companies that has the potential to grow but struggles to access instruments compatible with its risk profile.

This situation helps explain why Ecuador simultaneously registers high entrepreneurial activity and a low density of investable ventures. The problem is not only the scarcity of available capital. It is the absence of mechanisms that connect companies with growth potential to investors willing to take that risk.

What the Diagnostic Reveals

The principal conclusion of this analysis is that the financial constraint on dynamic ventures cannot be understood exclusively as a lack of resources. The problem is more structural. The combination of country risk, illiquidity, scarce exits, low market depth, and limited participation of specialized investors pushes the cost of capital to levels that hold the industry back. That is also why the Ecuadorian venture capital market remains small. It is not simply a matter of attracting more funds or more investors; it is a matter of creating conditions in which the arithmetic of investment works.

From this perspective, the international experience offers a clear lesson. The ecosystems that managed to develop robust venture capital industries did not do so by subsidizing individual companies. They did so by progressively reducing the factors that make capital expensive, improving exit mechanisms, attracting institutional investors, and strengthening the connection between dynamic ventures and sources of financing. In

other words, the challenge is not to create more ventures. It is to create the conditions for a greater proportion of them to access the capital they need to grow.

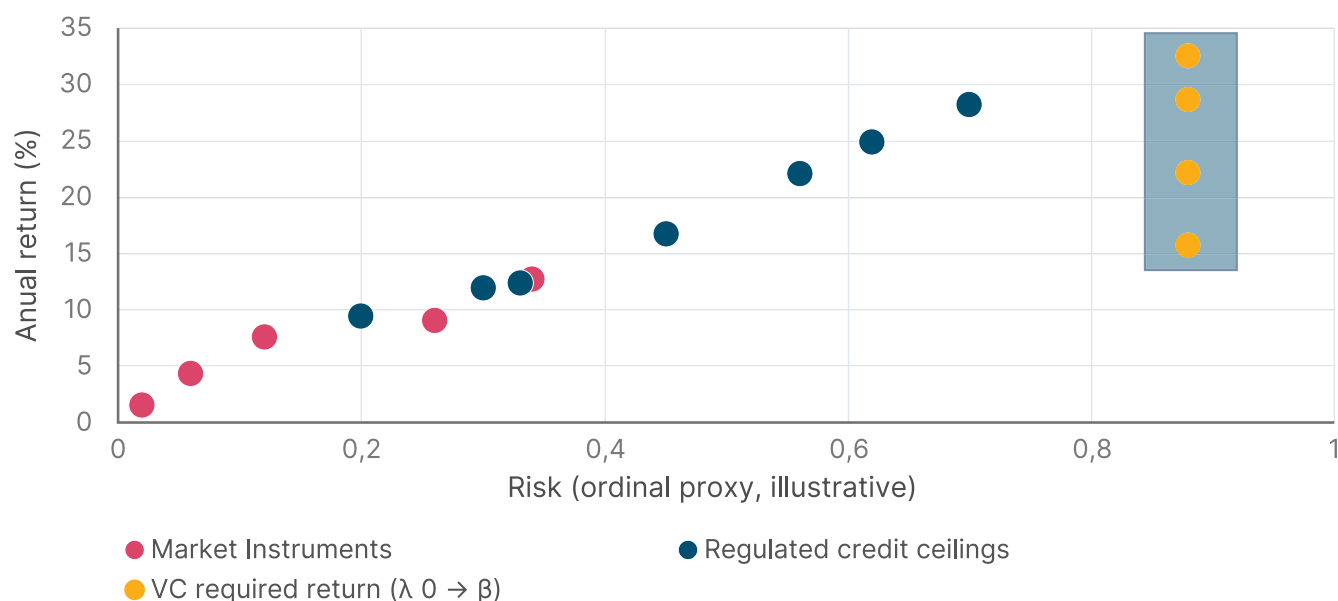
It helps to see how this compares with the other assets in Ecuador's formal financial system. Figure 20 maps twelve instruments of the system, ordered by risk and return: deposits at the base, fixed income in the middle range, and the regulated credit ceilings stepping up through the rest, from corporate credit at 9.44% to retail microcredit at 28.23%. The upper bound of that frontier is defined by the regulator, because every point on the credit curve is a legal ceiling, which means it is also within the regulator's reach to enable the instrument that is missing today. On that frontier, as defined today, venture capital still has no place of its own. Its lowest required return, the 15.68% of the fully diversified investor, falls into a void: 3.8 percentage points above the SME ceiling of 11.90%, and below the microcredit range, which serves another population with other amounts (ceilings: Central Bank of Ecuador, 2025; JPRF, 2022; required return: own calculation with parameters from

Damodaran, 2026). That is the "*missing middle*" of the Ecuadorian financial system: a stretch of prices without a single formal instrument, which widens to more than fifteen points if the marginal investor is local.

A more subtle reading of the chart is the most important: for a diversified investor, the return that venture capital demands in Ecuador sits significantly below the highest ceiling of the formal regime itself. The Ecuadorian problem is not the range of returns, its the absence of mechanisms that can charge it the risk they mean taking on.

What does this mean in the return calculation of a fund? Take the industry's standard assumptions: 65% of investments are lost, 25% return their capital, and 10% win, with a seven-year horizon and the usual management fees (2% annually and 20% of portfolio returns). To deliver the minimum return of the band, the fund needs to see its capital multiply more than four times (a 4x return), this in turn requires its best investment to return close to forty times (40x) what was invested.

Figure 20. Required return vs risks of financial instruments in the Ecuadorian formal system



Source: Authors' analysis.

At Ecuadorian scale, this is equivalent to an outcome the size of the only unicorn the country has produced, per fund. A hypothetical local fund of \$15 million would need its investment in its best company to be worth between \$50 and \$125 million, against a backdrop where the entire Ecuadorian market that mobilizes \$12.5 million a year (ECUACAP, 2022-2025). The economics of venture capital, at the implicit returns the Ecuadorian market imposes today, do not work. This explains the low level of venture investment: it is not that funds do not want to come, but that with this math they cannot make the risk-return calculation worth it.

What the Cost of Capital Reveals: The List of Requirements

The population of Ecuadorian dynamic companies is not yet investable at scale — not because of the quality of the companies, but because the math and logic of capital do not work out at the prices the current environment sets: a ceiling regime with no price for growth debt, a country risk premium that doubles the required return, illiquidity

a tax that eats into the result. The good news is that each of those terms is under the control of national public policy, none requires subsidizing companies, and all have been corrected before by States in the region. Table 8 shows how each component can be mitigated.

Public policy that acts on those terms is not intervention in the capital market; it lets the market's own logic reach a segment that today is mostly excluded from support measures. What making corrections in the cost of capital for VC buys can be estimated: under conservative assumptions for an economy with high informality, every million dollars of venture capital deployed generates approximately five direct jobs in the financed companies and twice that counting the stimulus to other local suppliers. In an ecosystem mobilizing \$100 million annually, which is the range in which Peru and Uruguay operate today, it would be possible to create more than one thousand new formal jobs every year, without counting the effect of the company that breaks out and multiplies that value by another order of magnitude (Moretti, 2010).¹¹

Table 8. The X-ray converted into requirements: term, instrument, precedent

Term of the equation	Instrument that modifies it	Operating precedent
Expected loss on debt (the dominant term in the price of young credit)	Partial portfolio guarantees and first-loss tranches; does not require touching the ceiling regime	Regional guarantee funds; indexed formulas from Colombia and Peru
Illiquidity premium and absence of exits	Secondary sale mechanisms, an acquisitions market, a stock registry for scaleups	Alternative securities markets of Peru and Colombia
Fiscal toll on distributions (0.65 pp of annual IRR)	ISD treatment for qualified investment vehicles	Ecuador is the only one of its comparators that charges it
Effective required return on private capital	Patient public co-investment that absorbs part of the risk of the first funds	CORFO, Bancóldex, FCEI-COFIDE, Yozma

with no exits that makes it costlier still, and

¹¹ This is an order-of-magnitude exercise with editable assumptions, not a projection.

The Latin American experience offers Ecuador an important advantage: most of the instruments aimed at promoting dynamic ventures have already been tested in comparable contexts. The cases of Chile, Colombia, and Peru show different trajectories, but they converge on a common conclusion: successful ecosystems build two capacities simultaneously. On one hand, they generate a constant flow of companies with growth potential. On the other hand, they develop mechanisms to mobilize capital toward those companies. When either of these elements is missing, the ecosystem grows below its potential.

The evidence also shows that design matters more than the volume of resources. The programs with the best results are not those in which the State directly selects companies to finance, but those where public resources attract private capital, build up specialized fund managers, and reduce early-stage risk. In other words, the most effective role of the public sector has been to catalyze markets, not to replace them.

What the Regional Cases Show

Chile was the first country in the region to develop a consistent strategy for both axes. Through CORFO it built an industry of venture capital funds and later complemented that intervention with Start-Up Chile to strengthen the flow of dynamic ventures. The result was the creation of an early-stage investment industry that is today a regional reference. Table 9 summarizes the experiences of the three countries along each axis.

Colombia followed a different strategy, combining regulatory reforms, support for company creation, and co-investment mechanisms through Bancóldex and iNNpulsa. Coordinating these instruments mobilized private capital and built one of the most active venture capital markets in the Andean region. Peru moved first on generating ventures and only later on specialized financial instruments. Its experience shows that strengthening only one of the axes is not enough. Despite a decade of support for entrepreneurship, the availability of capital remains a significant constraint for many Peruvian startups.

Table 9. Regional experiences in activating venture capital

Country	Axis 1: flow of companies	Axis 2: flow of capital	Documented result
Chile	Start-Up Chile (2010): +1,600 companies; causal evidence for the services	CORFO (1997): \$955 M in 60 funds by 2021	Industry created; employment 2.8x; institutional investors still absent
Colombia	iNNpulsa (2012); SAS (2008)	Bancóldex (2009): 45 M mobilized 437 M (9.7x)	Highest Andean VC/GDP; institutional investors enabled (2021)
Peru	StartUp Perú (2012)	FCEI (2020): \$25 M, 49% cap, independent committee	Gap 20 times the instrument; 97% foreign capital
Ecuador	No dedicated instrument at scale	No public capital vehicle in operation	Instrument yet to be designed

Lessons and Best Practices from the Region

What Do the Successful Cases Have in Common?

Beyond their differences, the cases analyzed share five characteristics:

- 1 The State acts as a catalyst and not as a direct investor in companies.
- 2 Investment selection rests with private fund managers and specialized committees.
- 3 The instruments seek to mobilize additional private capital, not to substitute for it.
- 4 The initiatives operate with long-term horizons and institutional stability.
- 5 Results are measured with market metrics and independent evaluation.

The evidence suggests these principles explain the results better than the amount of money invested.

What Do These Lessons Imply for Ecuador?

The main lesson is not that Ecuador should copy a specific model. The instruments used by Chile, Colombia, or Peru responded to different contexts and moments. All of them, however, recognized the same reality: dynamic ventures requires building

business capabilities and access to capital simultaneously.

From this perspective, the Ecuadorian situation presents an opportunity. The country already has a broad entrepreneurial base, consolidated support organizations, and some notable experiences of public-private coordination, including initiatives driven by local stakeholders and international organizations. The challenge is to strengthen the mechanisms that turn that potential into investable, scalable companies.

The regional experience also identifies mistakes that can be avoided. Chief among them: sizing instruments too small for the problem, letting the State pick companies directly, and expecting full results within a single government cycle. The cases analyzed show that a venture capital industry takes a decade or more of institutional continuity, which makes the decision to start one an act of legacy: the instruments designed today with clear rules and institutional shielding will be the ones that sustain Ecuador's business growth in the decade of the 2030s.

The main regional lesson is simple: dynamic venture ecosystems do not emerge on their own. They are built through the sustained interaction of companies, investors, support organizations, and public policies designed to reduce barriers, mobilize capital, and facilitate business growth. Ecuador can draw on these lessons without repeating the learning curve its neighbors have already climbed.

The Regulatory Framework

Over the past decade, Ecuador has made important regulatory advances in promoting entrepreneurship. The Organic Law on Entrepreneurship and Innovation (2020) and the *Fintech* Law (2022) resolved historic obstacles associated with company creation and the recognition of new business models. A review of the life cycle of dynamic ventures, however, shows that most of these advances are concentrated in the initial stages of creation and formalization, while significant gaps persist in the stages of growth, capital attraction, and scaling.

The Organic Law on Entrepreneurship and Innovation (LOEI)

The principal contribution of the Organic Law on Entrepreneurship and Innovation was the creation of the Simplified Joint-Stock Company (SAS), a corporate form that significantly reduced the costs and times of business incorporation. The instrument's rapid adoption demonstrates that it responded to a real market need. The adoption figures speak for themselves: from 44,488 cumulative SAS in September 2023 to 84,976 in May 2026, 47% of all active companies in the country, with more than 17,000 incorporated in 2024 alone (Superintendency of Companies; Primicias, 2025; El Universo, 2026).

For the dynamic venture segment, the SAS has an attribute less cited than its speed: it allows different classes of shares and broad flexibility in the bylaws, which is exactly what is needed to implement venture capital term sheets. The SAS is the *de facto* corporate standard for Ecuadorian startups, and it shows that the country's legal framework can enable this market. The law also brought

sound supporting pieces: a crowdfunding framework that was a regional pioneer, the National Entrepreneurship Registry, and the recognition of Benefit and Collective Interest Companies (BIC), which together strengthened the conditions of entry into the ecosystem (LOEI, 2020). The conditions that ease entry are present, the gaps begin at the next stage.

The Scaling Support Agenda

While the LOEI facilitated the creation of companies, several of the instruments that are found in more developed ecosystems have yet to be adopted, and they are the ideal following act for the next generation policy agenda.

- The first is an adequate framework for stock options, the mechanism used globally to attract and retain talent in young, high-growth companies. The absence of a specific tax treatment limits the capacity of Ecuadorian *startups* to compete for specialized professionals.
- The second is incentives for early-stage investment. Brazil and Argentina offer proven tax models for stimulating angel investment and venture capital that Ecuador can adapt.
- Finally, certain regulatory elements today make international investments more expensive; their revision would improve the country's relative attractiveness for specialized venture capital vehicles.

Governance of the Ecosystem

The LOEI created the National Council for Entrepreneurship and Innovation (CONEIN)

as a coordination body, with its technical secretariat in the then Ministry of Production. Its original design assigned it neither autonomy nor its own budget, and its last session with a public record dates from July 2021 (ED 68, 2021; MPCEIP, 2021), which leaves a body that already exists in law and can be reactivated with a renewed mandate.

In June 2026, Executive Decree 419 created a new National System for Employability, Entrepreneurship, and the Future of Work, directed by the labor ministry, and an interinstitutional committee in which the production ministry participates with voice but without vote. The decree represents the first executive decision in five years to place entrepreneurship back on the interinstitutional coordination agenda. Because it does not modify the LOEI or the CONEIN and operates with existing resources and structures (ED 419, 2026), it leaves room for the dynamic segment to be folded into that new framework with its own mandate and its own funding.

The result is an institutional architecture in transition toward full coverage of the three segments. The CONEIN is still being activated, and the new Committee focuses its mandate on employability, self-employment, and support for vulnerable populations. That orientation rightly serves the first two segments defined in the section “Three Segments Under a Single Word.” Dynamic ventures still need policies and instruments dedicated to the specific needs of the segment and of the capital that supports it. It also requires a designated lead, which is an opportunity to design something that complements existing structures and completes coverage of the country’s three entrepreneurship segments.

The ministerial reorganization of that same month transferred the CONEIN’s technical secretariat to the new Ministry of Economic and Productive Development and concentrated employability and self-employment policy in the Ministry of Labor

and Human Development (ED 425 and 427, 2026). The reorganization brings productive policy closer to the budget, a condition that regional peers (CORFO, Bancóldex, COFIDE) show is indispensable for financing scaling instruments. It is important that the scaling agenda also be represented in the new Committee. The same executive route makes it possible to assign a clear institutional lead for dynamic ventures, as recommendation R1 proposes.

The Delaware Phenomenon

One thing frequently misread in the regional debate is why dynamic ventures internationalize their legal structure. As startups gain access to institutional investors, it is common for them to adopt corporate structures in jurisdictions such as Delaware. This practice is not exclusive to Ecuador, nor does it necessarily represent a loss for the country. It is the prevailing standard in the global venture capital industry, because investors know those legal frameworks and can rely on their corporate rules. From a public policy perspective, the challenge is not to prevent these structures, but to make it easy for companies with operations, employment, and value generation in Ecuador to access international capital without facing unnecessary regulatory costs or complexities.

The Fintech Law

The Fintech Law was an important step in the legal recognition of new financial companies and in modernizing the digital ecosystem. It likewise supported significant advances in payments interoperability and financial inclusion. Some tools, such as regulatory sandboxes, are already provided for in the law and need only their implementing regulations. For example, the step Colombia took with “La Arenera,” which required no legal reform. Activating them would give both the regulator and entrepreneurs more room to test new business models under supervision. Some

provisions, however, sit awkwardly with the flexibility the SAS introduced, particularly for financial startups that require more adaptable structures during their first stages.

What Do the Regional Peers Show?

The comparison with Chile, Colombia, Brazil, and Peru shows that Ecuador has made important advances in simplifying company creation and in the regulatory recognition of new sectors. It maintains gaps, however, in

areas critical to business scaling:

- Stock options for employees.
- Incentives for angel investors and entrepreneurial capital funds.
- Specialized legal vehicles for investment funds.
- Participation of institutional investors.
- Fully operational regulatory sandboxes.
- Agile insolvency and second-chance mechanisms.

Table 10. What Ecuador resolved and what its peers resolved

Dimension of the cycle	Ecuador	The regional peer that resolved it
Incorporating the company	Resolved: SAS (2020), de facto standard	Colombia did it first (SAS, 2008) and exported the model
Existing as a regulated sector	Resolved: Fintech Law (2022)	Brazil, Mexico, and Colombia legislated earlier
Compensating talent with equity	No viable tax treatment	Brazil, Marco Legal das Startups (LC 182/2021)
Tax incentive for early-stage investors	Nonexistent	Brazil (LC 155/2016); Argentina (Law 27,349); Peru (Law 30309, R&D)
Legal vehicle for funds and fund managers	No limited partnership-type figure with fiscal transparency	Chile (Single Funds Law, 2014); Brazil (FIP)
Institutional investors enabled	Not enabled	Colombia (Law 2112/2021)
Repatriation of returns	5% ISD applicable to investment vehicles; a national precedent of sectoral exemptions exists on which an exemption for qualified funds can be built	None of the peers charges a generic outflow tax

Dimension of the cycle	Ecuador	The regional peer that resolved it
Regulated experimentation	Sandbox provided for; operational regulation pending	Colombia (La Arenera); Brazil (sectoral sandboxes)
Insolvency and second chance	No agile regime	Chile (Law 20,720, 2014); Colombia (Law 1116, 2006); Brazil (Lei 14,112, 2020)
Governance with instruments	CONEIN (legal framework in force); the ED 419 Committee operating since 2026 with a mandate for employability and self-employment (first and second segments), and an institutional base onto which the dynamic segment can be incorporated (ED 419, General Provisions Two and Five)	CORFO; Bancóldex-iNNpulsa; COFIDE-FCEI; ANII

Main Finding

The evidence suggests that Ecuador has built the entry gate to dynamic ventures reasonably well and is in a position to undertake the second generation of reforms: those that support companies from their creation through to capital access and scaling. The first generation (SAS, Fintech Law, LOEI) has already demonstrated that the country can legislate quickly on this matter. The next step is to create the conditions for the startups it has already produced to scale, attract investment, and become high-growth companies with global ambition.

Recommendations for a Dynamic Venture Policy

The recommendations that follow are aimed exclusively at developing the dynamic venture ecosystem and strengthening its capacity to generate companies that scale, innovate, and compete in broader markets. According to the global and regional evidence presented in this report, these companies make a disproportionate contribution to the creation of skilled employment, exports, and innovation.

Ecuador sits in the thin-market quadrant of the comparative matrix (Figure 12): few companies reach the investability threshold, and little early-stage capital is available to finance them. Each side of the market is limited by the other. In that condition, isolated interventions tend not to work, because a fund without a flow of investable companies deploys no capital, and a company-generation program without capital produces companies that do not scale.

Each measure in this section meets three criteria:

- It acts on a constraint identified in this report's diagnostic, which is named at the start of each measure.
- It has a documented regional or international precedent. The precedent is cited only to show that the problem has a known solution, not as the recommendation itself. The design of Ecuadorian mechanisms must be developed with the national stakeholders who will have to operate them and, where possible, in direct consultation with the international counterparts that executed the precedents.
- It is executable by an identifiable entity of the ecosystem.

Taken together, the recommendations act on both axes of the study's matrix and pursue two objectives: to reverse the decline in the conversion rate, and to bring the venture capital mobilized closer to the range in which regional reference economies such as Peru and Uruguay operate today.

Following this approach, the recommendations are:

R1. Establish a Single Institutional Lead with Execution Capacity

The Government took the first step in 2026 by reordering the institutional architecture of entrepreneurship. The next step is to assign the dynamic segment explicitly to a single institutional lead, with a mandate to improve the enabling environment, mobilize and attract venture capital, and support scaling. That entity must be clearly separated from the employability and self-employment agenda of Decree 419. Once established, the entity must:

- Set up an executing arm with its own resources: a trust or technical entity with independent professional governance, to administer the instruments in recommendations R3 and R4. The operating model can draw on proven cases such as CORFO, Bancóldex-iNNpulsa, COFIDE-FCEI, and Uruguay's ANII, which combine technical management with financing capacity.

- Publish regular progress on the indicators highlighted in this study (business fertility, density, and conversion rate) and on capital mobilized, and subject every instrument to independent evaluation with an explicit mandate to adjust or close it.
- Issue the implementing rules for the regulatory sandbox already provided for in the Fintech Law and put it into operation, with public cohorts, an announced calendar, and rule-based graduation to a full license, using Colombia's "La Arenera" as a reference.

R2. Approve the Investment Regime Legislative Package

The cost of equity capital for a young Ecuadorian company is higher than an investor's arithmetic can tolerate. That cost, however, breaks down into components that public policy can correct one by one, and none of them requires subsidizing companies. They must be handled as a single legislative package, because their effects are cumulative and a partial fix is undone by the pieces left in place: a tax incentive for investment yields little if the ISD and the absence of exits keep eroding the return. Acting on the cost of capital requires the following:

- Create a local fund vehicle of the limited-partnership type, with tax transparency (e.g., Chile's Single Funds Law (2014) and the Brazilian FIPs).
- Extend the Currency Outflow Tax (ISD) exemption already available to other categories to qualified investment vehicles, at no significant fiscal cost given the market's current size (\$12.5 million a year). The ISD serves fiscal and stability purposes; the proposal is limited to a narrowly scoped exemption for qualified vehicles.
- Create the early-stage investor incentive (e.g., the precedents of Brazil's LC 155/2016 and Argentina's Law 27,349).

R3. Establish a Public Fund of Funds and Its Chain of Exits

The diagnostic shows that the constraint on the second axis is not the absence of entrepreneurs or of support stakeholders, but the depth of capital: a market of \$12.5 million per year, dependent on external funds, does not by itself generate the supply of specialized capital the dynamic segment needs.

Mobilizing that capital is therefore a necessary condition. But the regional evidence is equally clear on how to do it: public capital only pays off when it leverages private capital instead of substituting for it. Institutions such as CORFO in Chile, Bancóldex in Colombia, and FCEI-COFIDE in Peru did not pick companies; they picked fund managers and co-invested as minority partners, so that every public dollar attracted several private ones and the industry stayed in the market's hands. That logic of leverage and not that of the State as an investor organizes the three actions of this recommendation.

- Establish a public fund of funds that invests as a minority, patient partner in local venture capital funds, conditioning each commitment on the manager raising a minimum share of private capital, with a preferential buyback option for the private managers. The public contribution improves the fund's economics while the flow of investable companies matures, and its scheduled exit ensures that the instrument catalyzes a private industry instead of replacing it.
- Coordinate a national network of angel investors and a public-private co-investment program in which the State supports, but does not lead, the first institutional tickets: the private investor decides and the public contribution matches a fraction of the ticket, multiplying

the capital that reaches each company without displacing the market's judgment.

- Build the chain of exits: partial portfolio guarantees and first-loss tranches from development or multilateral banking, venture debt, secondary sale mechanisms and, eventually, an alternative stock registry following Peru and Colombia. Each of these instruments uses a limited amount of public resources to unlock a greater volume of private capital; with exits available, the illiquidity premium falls and returns are recycled toward the next generation of funds.

R4. Bring Seed Capital and the Support Axis to the Scale of the Segment

The support ecosystem has a decade of foundations and produces entrepreneurial culture, networks, and training, but it does not yet graduate companies that attract capital. Current instruments, including public ones such as the EMPRENDER Project, which serve early-stage companies in agriculture, must move to the next rung the dynamic segment needs: supporting scalable companies with cohort tracking and connections to investors. That is where the global and regional evidence shows a well-designed public intervention has the greatest return. The divergence between rising fertility and falling conversion measures that gap exactly.

- Condition public funding of incubators and accelerators on verifiable results of their graduates (e.g., sales, employment, investment raised) and not on the volume of activities, giving operators an incentive to invest their own capital in their incubated companies.
- Adopt a common cohort-tracking platform for all certified operators, with periodic diagnostics of capital supply and demand. The precedent is the 2026 COFIDE-PECAP

diagnostic, which today orders the Peruvian agenda.

- Incorporate the regional dimension: cohorts and service windows beyond Quito and Guayaquil, anchored in the local economic promotion agencies, with the same certification and tracking standards.

R5. Complete the Founder Pipeline

The Ecuadorian constraint is not a lack of willingness to start businesses, but a founder pipeline with identifiable gaps: weak results in English (EF EPI) and in core competencies (PISA 2025), and the absence of first work experiences in demanding companies. Capabilities come before capital, and no financial instrument pays off if the flow of well-prepared founders does not grow. This recommendation comes last because of its generational horizon, not because of its importance: precisely because it takes time, it should be started immediately.

- Design a program of entrepreneurial culture and capabilities in STEM degree programs, with an intensive English component and problem-based learning, in collaboration with international reference universities.
- Create the first-experience link: internships and first jobs in scaleups and corporate innovation units. The 2025 alignment showed that corporate capital is willing to finance talent identification; what is missing is a permanent pipeline.
- Treat the emigration of talent as circulation and not as flight: an active network of Ecuadorian founders and operators abroad, soft-landing mechanisms for their return, and the participation of the diaspora as mentors and angel investors.

Reflections for the Design of Interventions

The starting point of this study is a structural gap: Ecuador registers one of the highest early-stage entrepreneurial activity rates in the world, yet venture investment remains low and few dynamic ventures emerge. The analysis in this report suggests that this is not the result of a lack of entrepreneurial initiative. Rather, it reflects the coexistence of different types of entrepreneurship under a single statistical category and the absence of differentiated instruments to serve their specific needs.

The principal conclusion is that the country's challenge is not to increase the number of people who start businesses, but to increase the ecosystem's capacity to turn entrepreneurial initiatives into innovative, scalable companies that attract investment. The central problem, in short, is conversion rather than creation.

The results place Ecuador in the thin-market category, defined by a double constraint. On one hand, few companies reach the growth and sophistication that specialized investment requires. On the other hand, the supply of venture capital remains too small to support companies as they scale. Both limitations reinforce each other: fewer investable companies reduce the market's attractiveness to investors, while the scarcity of capital limits the growth opportunities of the companies with the greatest potential.

The study also shows that no isolated intervention is sufficient to resolve this dynamic on its own, which makes the interinstitutional coordination offered by the Committee created in 2026 especially valuable. The regional evidence indicates that

the most successful ecosystems combined actions aimed simultaneously at developing entrepreneurial talent, strengthening support organizations, broadening access to financing, and building regulatory frameworks compatible with the needs of high-growth companies. The experience of countries such as Chile, Colombia, and Peru demonstrates that these processes require coordination between public and private stakeholders, continuous learning, and long-term horizons.

A second important conclusion is that the design of interventions matters as much as the resources mobilized. The cases analyzed show that the most effective instruments tend to concentrate on correcting market failures, reducing coordination costs, and mobilizing private investment, rather than on directly selecting beneficiary companies. The international evidence also underscores the importance of progressively adapting instruments as the ecosystem matures and generates new needs.

In this context, the indicators developed within the Ernest-Crespi methodological framework offer a useful tool for guiding decision-making and evaluating results. Business fertility, the density of dynamic ventures, and the conversion rate allow the ecosystem's evolution to be monitored with internationally comparable metrics, and they shift the debate from the quantity of ventures toward their capacity for growth and scaling.

Finally, the principal lesson of the international experience is that building a dynamic venture and venture capital industry is a long-term process. The countries that managed to consolidate robust ecosystems

did so over one or two decades, through stable institutions, predictable rules, and mechanisms capable of transcending political and administrative cycles. The PISA 2025 results confirm that the talent pipeline must be repaired from the school level up, which reinforces the generational horizon of R5.

Consequently, the challenge for Ecuador is not only to design new instruments, but to build the institutional conditions that allow them to be sustained over time. The evidence analyzed suggests that a real opportunity exists to advance in that direction. The country has a broad entrepreneurial base, consolidated support organizations, capabilities distributed across several cities, and growing interest from public, private, and international stakeholders. Turning those assets into more dynamic ventures will depend, ultimately, on the capacity to sustain a consistent, measurable strategy over time.

Annex 1: Map of Support Stakeholders in the Ecuadorian Ecosystem

This annex summarizes the map of stakeholders in the dynamic venture ecosystem identified by the project. The mapping covers organizations that perform key functions in Ecuador's entrepreneurship and innovation ecosystem — accelerators, incubators, investors, universities, conveners, public bodies, and other support spaces

— and it is selective. It aims to show the functional and regional diversity of the ecosystem, based on the survey conducted and on publicly available evidence as of the publication cutoff. It should not be read as an exhaustive census or as a certification of any organization's activity, performance, or relative importance.

Function	Stakeholder	Coverage	Principal role
Venture capital and private capital	BuenTrip Ventures	Ecuador / regional	Early-stage VC focused on software and Latin American founders.
Impact capital	IMPAQTO Capital	Quito / Andean Region	Impact fund for scalable startups; complements investment with hands-on support.
Impact capital	Creas Ecuador	Quito / Ecuador	Impact investment vehicle; current member of ECUACAP.
Private equity	BuenaVista Capital Partners	Quito / Ecuador	PE firm focused on Ecuadorian growth-stage companies.
Regional VC with an Ecuador focus	iThink VC	Regional	Invests pre-seed and seed in emerging LatAm markets, with an explicit focus on Ecuador.
Regional impact investment	New Ventures Capital	Regional / Ecuador	Impact investment manager and platform with activity and ecosystem building in Ecuador.
Angel investment	Startups & Ventures	Quito / national	Angel investor club and platform connecting investors with ventures.
Family office / private capital	Telefunken Capital	Ecuador	Family office; member of ECUACAP.
Acceleration and tech ecosystem	BuenTrip Hub	Quito / national	Acceleration, capital readiness, network, and community for technology startups.
Acceleration / impact	IMPAQTO Labs	Quito, Cumbayá, Cuenca / regional	Incubation, acceleration, and training for impact businesses.
Corporate acceleration	Kruger Labs	Quito / regional	Corporate accelerator and innovation; member of ECUACAP.
Scaleups	Endeavor Ecuador	National	Selection, mentoring, networks, access to capital, and programs for high-growth companies.
Acceleration / coordination	AEI / GuayaLab	National / Guayaquil	Ecosystem coordination and a strengthening program for ventures in Guayaquil.
Public incubation	ConQuito	Quito	Pre-incubation, incubation, international acceleration, technical assistance, and FonQuito seed capital.

Function	Stakeholder	Coverage	Principal role
University incubation	COSMOS - UDLA	Quito	Incubation, pre-acceleration, mentoring, coworking, networking, and connection to investment.
University incubation	Nest.Lab - USFQ	Quito	University program for future founders and startups with growth potential.
University incubation / acceleration	i3Lab - ESPOL	Guayaquil	Incubation, acceleration, open innovation, technology transfer, and coworking.
University incubation / acceleration	Prendho - UTPL	Loja	Incubator and accelerator of dynamic and cultural entrepreneurship.
Regional development	CorpoAmbato	Ambato / Tungurahua	Regional agency with entrepreneurship, innovation, productive laboratories, and coordination.
University incubation	Center for Entrepreneurship and Innovation - UNESUM	Jipijapa / Manabí	Training, innovation, and incubation; participates in the university incubator network.
Innovation infrastructure	CEDIA	Cuenca / national	Research, academia, and innovation; listed on the official map of innovation spaces.
Regional innovation	CO-CREARI	Imbabura	Innovation and entrepreneurship center listed by Idearium.
Regional innovation	CIEDES	Cotopaxi	Innovation and entrepreneurship center for economic and social development listed by Idearium.
Innovation / support	BioLegal	Pichincha	Corporate stakeholder and space listed by Idearium; member of ECUACAP.
Local support	Emprende La Libertad	Santa Elena	Municipal coworking space/innovation agent listed by Idearium.
Local government	ÉPICO	Guayaquil	Municipal programs for entrepreneurship, innovation, and economic development.
National coordination	AEI	National	Coordination network among companies, academia, the public sector, and support organizations.
Capital industry	ECUACAP	National	Venture capital and private equity association; produces reports and connects fund managers, investors, and the ecosystem.
Ecosystem measurement	GEIAL / Ecuador nodes	Several cities	Comparative diagnostic of systemic conditions for dynamic ventures.
Academic measurement	GEM Ecuador	National	University consortium producing evidence and annual measurement on entrepreneurship.
Policy / registry	SENESCYT - Idearium	National	Public registry of innovation and technology transfer spaces.

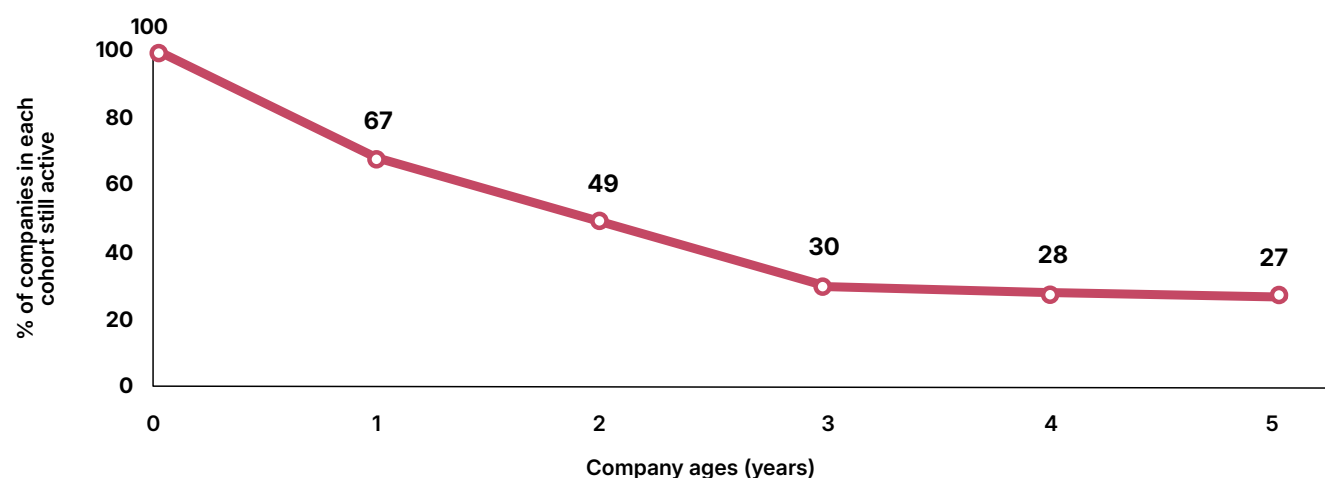
Function	Stakeholder	Coverage	Principal role
Productive policy	Ministry of Economic and Productive Development (absorbed the MPCEIP and the MAG by ED 425, June 2026)	National	Productive policy, business registries, Technical Secretariat of the CONEIN, and entrepreneurship-related programs (EMPRENDER-IFAD Project).
Employability and self-employment governance	Ministry of Labor and Human Development, Interinstitutional Committee for Employability and Entrepreneurship (ED 419, 2026)	National	Stewardship of the National System for Employability, Entrepreneurship, and the Future of Work; Entrepreneurship or Self-Employment Cycle; Implementation Plan expected for December 2026. The dynamic segment lies outside its current scope.
Public financing / guarantees	CONAFIPS	National	Second-tier financing and guarantees channeled through the popular and solidarity financial sector.
Public credit	BanEcuador	National	Productive and venture credit, not equivalent to venture capital.
Internationalization	FEDEXPOR	National	Technical assistance, export capabilities, programs, and connection to markets.
Entrepreneurial culture	Junior Achievement Ecuador / Fundación Crisfe / Fundación Activaos	National	Training, entrepreneurial culture, and educational or productive inclusion programs.

Annex 2: Survival and Transition Analysis of the Ecuadorian Business Population

Business transition rates calculated from REEM records make it possible to follow cohorts of companies over five years and determine whether they survived and whether they grew. Of every cohort of new companies, 67% reaches the first year, 49% the second, and barely 27% the fifth: mortality

is concentrated in the first two years of life (Figure 22) (INEC, microdata 2006-2025). Of those that survive, almost none moves up in size: only 1% to 1.3% of microenterprises grow into a larger size class within five years, and only 6.3% of small companies do (INEC, microdata 2006-2025).

Figure 1. Years of a company's life and survival rate (%)



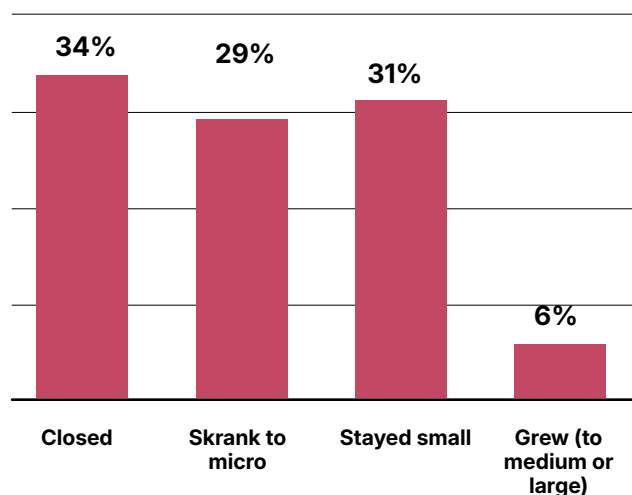
Source: INEC, REEM microdata (panel 2006-2025), project processing.

The national statistics also make clear that the companies that survive rarely grow. Figure 23 shows the five-year outlook for a small Ecuadorian company: 6% grow in size, 31% stay where they are, 29% shrink to microenterprise, and another 34% disappear entirely (INEC, microdata 2006-2025). Small companies therefore face growth constraints that public policy has yet to characterize precisely — itself a significant finding. Shrinking is almost five times more likely than growing (moving from small to micro versus from small to medium), and disappearing is almost six times more likely.

Scaling is rare in the statistical record, and the immobility is structural. The average large

Ecuadorian company is twenty years old, and only 8.8% of large companies are under five years old: growth in the Ecuadorian economy happens rarely and takes decades for those who achieve it (INEC, microdata 2006-2025). The national statistics also point to international connections as a critical factor in scaling: only 1.5% of small companies export, against 22% of large ones.

Figure 2. Business trajectory of the small company (2015-2025) (In % of small companies)



The result of this is a business and productive fabric shaped like an inverted pyramid: microenterprises are 93% of all companies but generate less than 1% of sales, while large companies are 0.9% of the business population and account for 75.7% of sales and 46.1% of registered employment (INEC, 2026).

The inescapable conclusion from this structural immobility and high propensity to shrink or dissolve is that the formal Ecuadorian business fabric is an exercise in survival. The reasons behind these dynamics will occupy academics and State agencies for years, but in simple terms the phenomenon has an economic explanation. Formalizing carries clear costs: the tax burden, accounting, compliance, time, and exposure to labor liabilities. With an almost 73% probability of shutting down within five years, and only 6 in every hundred managing to grow, the real cost of formality is a disincentive for most. The arithmetic shows that informality responds to economic incentives, not to a lack of entrepreneurial culture. Despite the evidence that companies born with at least one formal employee double their probability of survival (57.3% vs. 26.9%) (INEC, microdata 2006-2025), the cost barriers shut out the millions operating at subsistence scale.

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