



**Research Article**

**THE CHANGE OF THE PRODUCTIVE MODEL AND ITS IMPACT ON THE ACTORS OF THE POPULAR AND SOLIDARY ECONOMY**

**Ibarra-Sandoval, Fredy<sup>1</sup>, Abril-Flores, Jorge<sup>2</sup>, Barrera-Erreyes, Helder<sup>3</sup>, Cisneros-Martínez, Marco<sup>4</sup> and Barrera-Erreyes, Jenny<sup>5</sup>**

Pontifical Catholic University of Ecuador/Technical University of Ambato

**ARTICLE INFO**

**Article History:**

Received 16<sup>th</sup> April, 2018  
Received in revised form 4<sup>th</sup>  
May, 2018 Accepted 12<sup>th</sup> June, 2018  
Published online 28<sup>th</sup> July, 2018

**Key words:**

Social economy, productive transformation, added value.

**ABSTRACT**

The present work considers analyzing the application of the proposal of the Ecuadorian government for the change of the productive model, going from exporting country of raw material to completed and finished products, specifically it was the scope in the actors of the popular and solidary economy of fresh and processed products belonging to the province of Tungurahua. It was conceptualized the terms of productive model, and Popular and solidary Economy for Ecuador and nearby countries. Likewise the economic and productive impact of exportation and social changes were examined. In conclusion, the process was observed for the change, in the long term, initiating for the improvement of the products, added value and the increase of exports. Of these mentioned processes the government has focused the attention in the first one, for that reason for the actors of the popular economy it was not possible to measure its impact. The applied methodology was the correlational analysis of the variables productive model and its impact in the popular and solidary economy.

*Copyright©2018 Pradhyumna Kumar K., Guruprasad M and Shahina Sk.M. This is an open access article distributed under the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.*

**INTRODUCTION**

The change of the productive model, is a proper word, it was assumed by the Ecuadorian government, in order to boost the production and economy of the country with the objective of giving the step of the primary specialization - exporting and extractivist to one that privileges the diversified production and with a great added value, through the production of knowledge and human talent (EKOS, 2014). From this we can say that the productive model is the set of interactions between the different actors of society, who use the resources they have at their disposal to generate overproduction processes in quality products, goods and services. In this sense, some of the productive companies of goods and services have begun to revolutionize their own companies using the technological point of view, for example, seafood processing companies in the Coastal region of the country have today the highest technology to process fresh products, or the use of laser technology to label organic farming products (El productor, 2016).

Ecuador has been characterized as an exporter of raw material from different sectors of the economy, among the products that stand out are: oil, shrimp, fish, cocoa, coffee, fruits (bananas), vegetables, (see table 1).

However, these resources, although largely processed inside the country: in refineries, jam processing industries, seafood burgers, among others that stand out for national consumption and to export to other countries, there is still little transformation the raw material into finished products, which provides unique added value. Until 2011, the export of products as raw material increased to 80% of total exports (SEMPLADES, 2014). This is the importance of developing with more strength the productive model in all created companies and those that may arise, so, the product that was previously given as raw material, today it becomes an opportunity to sell as finished products with high presentation which is a positive effect on the income of the country's economy.

Considering the detailed aspects, it is necessary to refer the National Plan for Good Living 2009-2013, building a Plurinational and Intercultural State, in which highlights the following:

The change of the energy and / or productive model is a long-term effort. Factors that are required to modify it will be the construction of the necessary infrastructure to enable the change, through:

- ♣ Strategic projects whose study, design and, construction require periods of several years.
- ♣ Assumes the structural change of the economy. The transformation of the specialization model, moving from a primary exporting economy to a productive economy of

\*Corresponding author: **Ibarra-Sandoval, Fredy**  
Pontifical Catholic University of Ecuador/Technical University of Ambato

industrial goods with high added value and a post-oil economy (SEMPLADES, 2009).

As a target in the National Strategy for the Change of the Productive Model (NSCPM), it is intended to increase the participation of the manufacturing industry to 14.5% over the real Gross Domestic Product (GDP), this will be gotten through the generation of strategic axes such as productive financing, business climate, incentives for private productive investment, promotion of public business, with a national component for productive transformation, promotion of sustainable foreign trade, with public and private work schemes.

Framed in this reality and with the described background, visits were made to public and private organizations through the compilation of primary and secondary information in order to obtain quantitative and qualitative data that allowed to analyze and compare how the initiative of the State is being contributed with the undertakings of the Province and above all of the small entrepreneurs who seek to compete in the market.

In this sense, the main objective of this research is: To study the impact of the change in the productive model in the exports of fresh and processed foods coming from the actors of the Popular and Solidary Economy: Tungurahua Province.

**Development**

The generality of Ecuadorian companies has emerged on a private basis and directed empirically, which has affected the quality of their products and it has influenced in the international market's with alow acceptance of their products. Therefore, the government's proposal to improve the quality of production with higher added value and the increase in product volumes through the use of more advanced technologies is a healthy alternative from the economic and financial point of view, it was given in the country until 2014, it had to import products made from Ecuador's raw material at a price three times higher than the real cost, prices ratified today (2015-2016), causing a deficit in the trade balance and placing it in disadvantage in the international market. In this sense, the following table presents some elements that corroborate the information said in the previous lines.

Products	Variations in% of exports
Oil and natural gas	37,2
Banana, Coffee and Cocoa	13,4
Meat and Fish processed	13,3
Various food products	4,6
Material to Refined products	4,2
Textiles, clothes and leather products	1,3

**Chart 1** Levels of exports in % of some Ecuadorian products2014 Source:Own elaboration based on information from the Central Bank of Ecuador (2016).

In this sense, it can be clearly determined that the country has concentrated on the exploitation of raw materials with low levels of technology until 2014, which led to a very susceptible market for products from other countries. The Non-oil Gross Domestic Product was 3.4% while non-oil exports, only 10 products accounted for 62.1% of the total in 2013. In relation to destination markets, five countries accounted for 48.4% of exports in 2013, According to this reality, the present search analyzes the effects produced by the change of productive

model in the exports of fresh and processed foods. For this, visits were made to public and private organizations, information was obtained with quantitative and qualitative data that allowed analyze and compare behaviors of current factors of the Ecuadorian economy.

From the bibliographic analysis it was possible to highlight three main themes or variables in the research topic: the change of productive model, popular and solidary economy, and production of fresh and processed products.

**Change of productive model (CPM)**

The economic and social reality of the countries is based on the productive model. For Ecuador, its transformation becomes the primordial action that will allow solving unemployment, poverty and inequality. In 2012, 44% of national production consists of primary goods, industrial goods, and services with low added value. 72% of exports are formed by primary goods, followed by industrialized goods with 21% and only 7% in services (PNDV 2013).

The previous government, based on this reality, prompted a change to the production model, understood as the set of interactions between the different actors of society that use resources at their disposal, to generate different and better elaborated production processes ; in such way it is intended to generate greater added value to national production. With this objective it proposes four axes, links or continuous processes (SEMPLADES, 2014).

The first seeks a productive diversification based on the development of strategic industries, including the refinery, shipyard, petrochemical, metallurgy and steel, as well as the establishment of activities that are not exploited in sea and land products, biofuels, wood forest products to extend the supply of products and reduce the dependence on static production based on few alternatives as a country.

The second, product diversification is intended to give added value by incorporating technology, knowledge and transformation of new and current production processes, with an emphasis on biotechnology (biochemistry and biomedicine), environmental services and renewable energy. The third is the selective substitution of imports with goods and services that have already produced and in whichit is able to replace them in the short term, and will be part of pharmaceutical industry, technology (software, hardware and IT services) and metalworking.

Finally, the promotion of exports of products with better possibilities of entering international markets and new ones, coming from actors particularly from the popular and solidary economy, or that include more added value such as fresh and processed foods, apparel and shoes production, tourism.

It is also important to emphasize that the productive model is associated with improving the economy of the country and the welfare of society. Therefore, the following section gives aspects of the Popular and Solidary Economy (PSE).

**Popular and Solidary Economy**

In several Latin American countries, the topic of Solidary Economy is mentioned and treated, in others of Popular Economy and in other countries like Ecuador combines both philosophies or types of economy. Why this distinction? To understand better this philosophy, we first analyze these two

words, as do authors such as Icaza (2003) in Brazil, where the issue of popular economy was also raised, which describes it as:

The set of economic activities and social practices developed by the popular sectors with a view to guaranteeing through the use of their own workforce and available resources, the satisfaction of basic needs, both material and immaterial.

These concepts divided into two dimensions: Economy and Popular, consider: the first dimension that transcends the purely financial concept, it focuses the life by itself of the actors (producers) of the popular economy and in the searching for better conditions in the process of human formation, such as: culture, health, housing, among others. The second dimension includes the activities carried out daily in the popular sectors, where their existence and public sense are reproduced in each historical space.

The dictionary of the real academy of the Spanish language does not define these terms together but separately of course. Economy, details how the goods and activities that make up wealth; and popular, belonging to the town. Different from the best known, or most demanded in terms of marketing.

In Ecuador, the Popular and Solidary Economy is understood as the set of economic and individual or collective forms and practices, self-managed by their owners who, in the case of collective ones, simultaneously have the quality of workers, suppliers, consumers or users of them, privileging the human, being the subject and purpose of their activity, it is also guided a to good living in harmony with nature, instead of profit and the accumulation of capital (MESI) Ministry of Economic and Social Inclusion, 2011).

In the same way, it is considered that the essence of this search is the analysis of Ecuador's exports in certain sectors of the economy, an aspect that is discussed below.

**Exports of fresh and processed products (EFPP) in the actors of the PSE**

The research project focused on the analysis of the fourth axis for the change of the productive model (SEMPLADES, 2014), specifically in the promotion of exports of new products, from actors of the Popular and Solidary Economy of fresh and processed foods. Counting on assumptions that in eight years of current government proposal (2008-2016) there are initial results, even when these are minimal, it depends on the incorporation of entrepreneurs to this type of policy in order to improve the economy of the country (National Institute of Statistics and Census, 2010)

**METHODOLOGY AND METHODS USED**

In this section, we highlight the methods used in the complete investigation, which summarizes the following: induction-deduction method, a quantitative and qualitative approach, and the type of explanatory and descriptive research, which is used to base and confirm all the theoretical methodological aspects of the study carried out.

In the collection of statistical information it was found that the majority of public institutions talk about the change of productive model (Luna, 2013), but their contribution is only a structured plan with limited or no investment in their organizations. In this sense, institutions were visited and interviews were conducted with directors and qualified staff of

people, such as: Ministry of productivity (MIPRO), Institute for Exports Promotion (PROECUADOR), National Institute of Popular and Solidary Economy (IPSE). However, only PROECUADOR has solid information related to the application of the productive model. Likewise, it was possible to confirm among the organizations that participated in the study, that all are governed (at least theoretically) under the principles of the Popular and Solidary Economy established in Article 283 of the Constitution, where they should be highlighted by:

1. The search for Good Living and common welfare, framed in the "Sumak Kawsay".
2. The primacy of work over capital and collective interests over individual interests.
3. Fair trade and ethical and responsible commerce.
4. Gender equity.
5. Respect for cultural identity.

Likewise, it also highlights that the organizational forms of the Popular and Solidary Economy (PSE), emphasize their work with the: community sector, associative sector, cooperative sector (related to production, consumption, housing, savings and credit, and services), and with the economic and popular units. Both are defined as personal, family, domestic, retailers and artisan businesses of Ecuadorians or foreigners legally established in the country. These actors of the PSE must register in the established zones in the country to have the benefits of it.

According to the latest list provided by the Superintendence of Popular and Solidary Economy, SPSE, (2016) in Tungurahua Province, until 2015 there are 505 actors (legally established), whose there are 167 savings and credit cooperatives, called popular and solidary financial societies (SFPS); 156 cooperatives related to the transport sector, housing or artisanal production (PSE); and 182 associations of artisans, agricultural production, entrepreneurs, productive women, social assistance, marketers (ASO), among others, with a registered capital of approximately 79.5 million dollars between the actors (see figures 1 and 2).

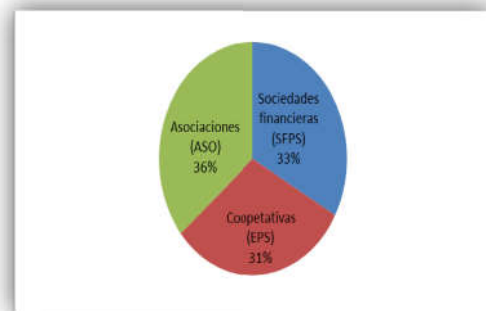
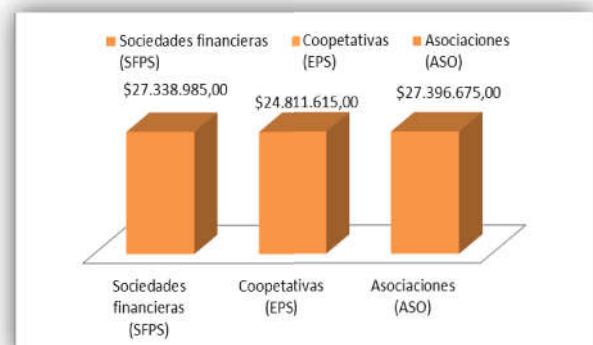


Figure 1 Actors of Popular and Solidary Economy

Source: Taken from SEPS (2015)



**Figure 2** Amounts of the actors from Popular and Solidary Economy.  
Fuente: tomado de SEPS (2015)

Of this group of actors of the PSE registered, exports are not counted to date. Of the last groups of the PSE described above, the associations of artisans, agricultural production, entrepreneurs, productive women, social assistance, traders (ASO), are those who are incorporating export alternatives in small quantities with handicraft production. For this reason, it is essential to deep in the reasons for this fact, so it was used to those who have experience in exports, obtaining information through an interview applied to exporting entrepreneurs of fresh and processed products with years of experience and knowledge of the production in associations.

Another interview was held with Tungurahua experts, experts in Popular and Solidary Economy, that are part of this integration system between the Productive Model and PSE, which provided criteria with a clearer vision of the facts about a beforehand aduring part of the insertion of the productive model in the economic policy of the country (Ecuador).

For the first case, one of the actors was the engineer Homero Medina and his members, manager of PLANHOFA company whose main shareholder (51%) is the Union of Small and Medium-sized Farmers of Tungurahua (UNAPEMAT), composed of 400 producers, also described in the magazine Líderes (2013), said that the success achieved was gotten with great effort to export pulps, jams, jellies and organic fruit concentrates with the brand "Frisco" for Germany, Belgium and France, it had an annual growth of 12 to 13% annual, and that was not better financially because in Tungurahua Province there is no organic fruit, despite of the efforts and attempts of its producers. In this sense, it is considered that in order to produce and export processed products, it is necessary to look for supplies in the coastal and amazon regions of the country and this makes the production process of the processing companies more expensive. Likewise, farmers must accomplish with the parameters of export and health products that are required by the interested countries in acquiring Ecuadorian products.

In another interview, issues related to the strategic proposal of the Government of Change of Productive Model were addressed, in which it shows as results: the lack of institutional planning of MIPRO for support in productive training and good manufacturing practices (GMP), the deficiencies in the production of crops with high technologies, difficulties in the handling and manipulation of the products, low levels of sales management, among others. So, it is considered that inadequate processes mean that these products do not complete the minimum requirements of foreign markets, which reduces export initiatives and opportunities.

Additional to this, problems such as smallholding, that is, the division of land into small plots where it is difficult to produce sustainable quantities for national and international markets (predominant in the country), high production costs, which creates uncertainty in the producers at the time of wanting to increase their volumes, and the lack of technical accounting knowledge to reduce their costs and unnecessary expenses that are generated throughout the production process.

In an interview with Lcdo. Elias Moreta, an expert in Solidary Economy, he said, the good intentions of the government in considerate Ecuadorian producer, the popular sector, but at the same time it analyzes the fades and the difficulties of the

economy of the PSE, and stands out in its criteria the following analyzes: money is provided to savings and credit cooperatives (actors of the PSE), certainly because they have backups for this, where a manager receives a salary of \$ 35,000.00, while his workers have a basic of \$ 365, where do they go?, Is that solidary?, however, When an association of small producers asks for a loan of \$ 5000.00 at 5 year term at 5%, it cannot access for the requirements and demands at cooperatives or banks, they do not have backups (land, houses) and this creates a social difference between actors.

Howdoes the amount arrive from PSE to the main popular actors? as a proposal to facilitate the change of productive model in the PSE, it should start by changing the state policy of macro (large companies) to micro (small producers), with financing and low interests, ease and timely access to agricultural loans, without greater obstacles, with peasant insurance to support their production. In this sense, the theory must become a reality, for example, public ordinances are fine (like planting native products), but without a budget it cannot be demanded and supported. Another example of this reality is the association "Compapas" from Chimborazo, they supported them to improve the seeds, but not to the commercialization of an unknown potato, it does not have national qualification, either international recognition of quality, and its costs are high. In these circumstances, the peasants are demotivated, separated, the organization loses money and only remains in good ideas, even some cooperatives that were already formed as a productive organization disappear. With these appraisals, some results obtained in the investigation are presented below.

## RESULTS

The beginning of the investigation was carried out from May 2015 to May 2016, which took into account an analysis of the actors of the PSE and the regions of exporters, where it was determined that approximately 70% of its members are part of SFPS and ASOs. However, producers and traders barely represent 30%, of which there are no exports to date (2015) so, there is no evidence of any change in the productive model of these involved people, mainly of fresh and processed products in Tungurahua Province.

Likewise, with the support of PROECUADOR, the headings and subheadings of fresh and processed products were classified with exports between 2010 and 2015, based on the fifth amendment of reforms to the national import tariff (Committee on Foreign Trade, 2012). This facilitates to have proactive information (even when these data do not mean they are part of the PSE) for decision making and to be able to work with the actors that are really working to increase exports and replace imports, which brings future benefits from the economic and financial point of view, which can be reverted to social development and for other sectors of the economy that should be promoted, for example: biotechnology, health, education, among others.

The most important facts of the study from the economic point of view, in non-oil products in the province of Tungurahua, are summarized below:

- The fresh and processed products that have the highest export levels in the province (in accordance with subheadings 0603, between 2010 and 2015), are: alive plants and floriculture products with \$ 3,920,000 in 2010 and 2 636,000 in 2015, as can be seen, there is a

decrease in exports. The commercialization of flowers and guinea pigs (processed) in the province of Tungurahua is currently being promoted, but statistical data are not available yet.

- In the under sub-heading 1211, on the other hand, there was an increase in exports of seeds and oilseeds from \$ 142,000 in 2010 to \$ 421,000 in 2015; even though the quantity is not very significant with respect to the previous item, it meant 4 times more in 4 years.
- In the heading 2106, food preparations such as proteins, concentrates, creams, ice cream, among others, fell drastically from \$ 306,000 in 2010 to \$ 66,000 in 2015.
- The exports described above find their main markets in the United States, Mexico, Holland, Japan, Colombia, Peru and Venezuela.

All the items corresponding to fresh and processed products were analyzed, according to the names (headings and subheadings) mentioned, of which only three are relevant, the subheadings described in the previous paragraph, the rest are included in chapters 1 to 21, has figures below \$ 100,000 in exports per year. In such reason it was not necessary to be considered them. As can be seen, in exports outside the actors of the PSE the amounts are small, their contribution to GDP is minimal. The impact of the change in the productive model, at least in this group of actors, which are 70% with respect to medium-sized companies in Ecuador, in this sense, is null.

As an additional fact, although it is not part of the fresh and processed products, with respect to the textile sector it had a relapse in 2015 with relation to 2016 by 22%. But it has a lot to do with the data expressed since this market reaction is the product of the devaluations in the currency of Colombia and Brazil specifically, and the problems of access and liquidity in Venezuela, which directly affected the motivation of the actors, they work so hard, that their products are exported. In the internal order, high tariff measures were established for importers of raw materials from countries of the area, which brought with it a decrease in production, and therefore, national and international sales of finished products.

The most marked decrease of fresh and processed products was in those that are considered non-traditional exports, for example: flowers and canned tuna (represented 28% of exports and in 2015 decreased to 24%). The main purchasing countries that decreased their purchases with the province and Ecuador were: Kenya and Colombia that have bought us flowers, and Thailand with canned tuna.

The exposed results corroborate the need of the country and the province to increase their production and export levels through the incentive of the productive model, research work with universities and the active participation of all companies in the country, even considering those that emerge as entrepreneurial organizations. With this reflection, we proceed to raise the final conclusions of the search.

## CONCLUSIONS

In the study of the target, it was possible to show the similarities and differences between some proposals of authors and Latin American countries in expressions of a necessary change of the productive model, understood as the added value to the primary products for greater benefit. Likewise, the application of the productive model in Ecuador was corroborated and in Tungurahua province is still very weak, it

is given by the economic situation that today is appreciated in the country.

The impact of exports of fresh and processed products in the province of Tungurahua is almost null, even less in the actors of the PSE, given the multiple reasons that crop up, among which stand out: cultural difficulties to associate, technological ignorance, limited business training of managers and the existence of "Minifundios".

It stands out that strong companies in the national market of Tungurahua province, barely manage their products to be exported abroad. Even though there are exceptions such as Prodegel (a jelly company), its technology allows it to obtain quality products, which are acquired internationally.

There are other types of sectors that can contribute to the improvement of the productive model of the province and the country that are currently stimulated but whose results are not noticeable yet, for example: construction of high-quality roads, production of cement from quality, varied and quality gastronomy, nature tourism, emphasis on education, health, basic services, territorial ordering, among others; they certainly contribute to the first links for a change in the productive model of the country. Nowadays, these products do not reach the last process, either to the conscious incorporation of their actors: export to generate higher incomes. The energy matrix in the country is an example of these transcendental changes (ANDES, 2016) where it went from being an importing to an energy exporting country.

It is the criterion of the authors of this study where the relationship of the Productive Model with the PSE, is consolidated at the productive moment and the distribution of the social benefits of the community, province, region and country.

## References

- ANDES. (26 de 02 de 2016). *Exportación de energía a Colombia*. Obtenido de <http://www.andes.info.ec/es/noticias/entre-100-200-millones-dolares-anales-recibira-ecuador-exportacion-energia-colomb>
- CFN. (14 de Febrero de 2016). *Crédito "5-5-5", Cautiva El Interés De Pequeños Y Medianos Productores*. Obtenido de [https://www.bnf.fin.ec/index.php?option=com\\_content&view=article&id=164%3Aemprendores-de-cayambe-recibieron-creditos-del-bnf&catid=27%3Anoticias-principales&lang=es](https://www.bnf.fin.ec/index.php?option=com_content&view=article&id=164%3Aemprendores-de-cayambe-recibieron-creditos-del-bnf&catid=27%3Anoticias-principales&lang=es)
- Comité de comercio exterior. (2012). *Registro oficial 859 Refo'rmase integralmente al arancel nacioanl de importaciones*. Quito.
- EKOS. (2014). *Cambio de la matriz productiva*. Obtenido de <file:///D:/PUCESA/Investigaci%C3%B3n/Impacto%20Exportaciones%20EPS/EKOS%202014.pdf>
- El productor. (05 de Febrero de 2016). *Tecnología Láser Mark para productos ecológicos*. *El productor*, pág. 1. Obtenido de <http://elproductor.com/2016/02/05/tecnologia-laser-mark-para-productos-ecologicos/>
- Icaza, A. T. (2003). *Economía popular. A outra economia*. Porto Alegre: Veraz.

- Instituto Nacional de Estadísticas y Censos. (2010). *Fascículo provincial de Tungurahua*. Ambato: INEC.
- Líderes. (2013). págs. <http://www.revistalideres.ec/lideres/asociatividad-pulpa-paris.html>.
- Luna, L. (05 de septiembre de 2013). *El cambio de la matriz productiva del Ecuador y su efecto en el comercio exterior*. Universidad de Israel. Obtenido de <http://bloguisrael.blogspot.com/2013/04/el-cambio-de-la-matriz-productiva-del.html>
- MIES Ministerio de Inclusión Económica y Social. (2011). *Ley de la economía popular y solidaria*. Ecuador. Quito: EDIEC.
- Plan Nacional del Buen Vivir (2013) Matriz Productiva y Sectores estratégicos. recuperado de <http://www.buenvivir.gob.ec/>
- Semplades. (2009). *Plan Nacioanal del Buen Vivir*. Quito: Versión electrónica.
- Semplades. (2012). *Trasformación de la Matriz Productiva, Revolución productiva a través del conocimiento y el talento humano*. Quito: Semplades.
- Semplades. (2014). *Folleto Informativo: Trasformación de la Matriz Productiva. Revolución productiva a través del conocimiento y el talento humano*. Quito: EDIEC. Obtenido de [http://www.planificacion.gob.ec/wp-content/uploads/downloads/2013/01/matriz\\_productiva\\_WEBtodo.pdf](http://www.planificacion.gob.ec/wp-content/uploads/downloads/2013/01/matriz_productiva_WEBtodo.pdf)
- Senplades. (2010). *Los nuevos retos de América Latina, Socialismo y sumak Cawsay*. Quito: Digital Center.
- Superintendencia de economía popular y solidaria. (26 de Enero de 2016). Lista de organizaciones supervisadas en la superintendencia 2015. Ambato, Tungurahua, Ecuador.

**How to cite this article:**

Ibarra-Sandoval, Fredy *et al* (2018) 'The Change of the Productive Model and its Impact on the Actors of the Popular and Solidary Economy', *International Journal of Current Advanced Research*, 07(7), pp. 14003-14008.  
DOI: <http://dx.doi.org/10.24327/ijcar.2018.14008.2522>

\*\*\*\*\*