



# Ecuador – Establishment of Business

## Fact Pack

Swedish Trade Council in Argentina

November 2007



# THE SWEDISH TRADE COUNCIL MAKES IT EASIER FOR SWEDISH COMPANIES TO GROW INTERNATIONALLY

## Sweden:

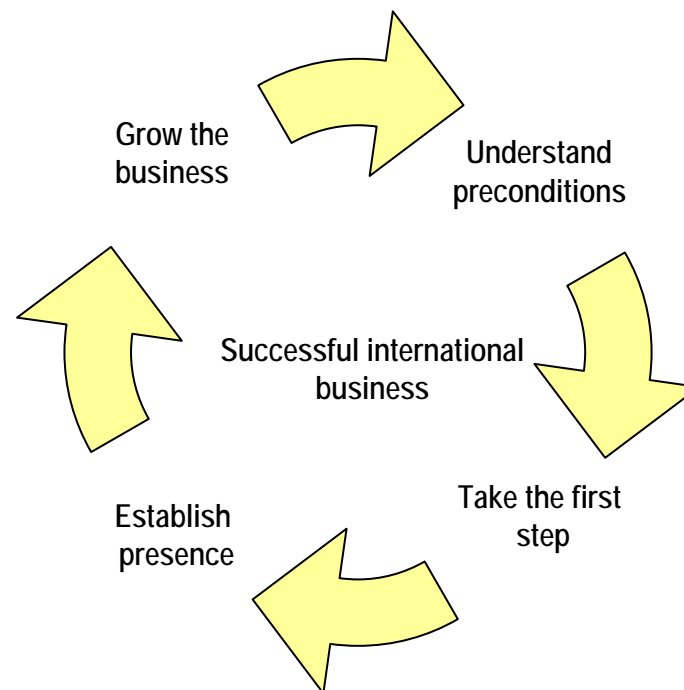
- Headquarters in Stockholm, 80 employees
- 22 regional export advisers
- All Trade Commissioners regularly visit different parts of Sweden

## Abroad:

- 60 places, 400 employees in 52 countries
- Through partners and networks we cover more than 100 countries

## Argentina:

- Office in Buenos Aires
- 5 employees



Vision of the office:  
STC in Buenos Aires is the primary consulting partner for Swedish companies doing business in Ecuador

## ECUADOR IN BRIEF

Area: 283.560 km<sup>2</sup>

Inhabitants: 13.8 million

Constitution: Democratic republic

Head of State: President Rafael Correa

Languages: Spanish, Amerindian languages

Inhabitants per km<sup>2</sup>: 49/km<sup>2</sup>

Currency: US Dollar

GDP 2006: 41.4 BUSD

GDP per capita 2006: 3057 USD

Inflation(2006): 3.3 %

Main exports: Oil and Agricultural Goods

Main imports: Capital goods for the industry

Swedish Exports to Ecuador 2006: 206 MSEK

Swedish imports from Ecuador 2006: 98 MSEK





# FORMS OF ESTABLISHMENT IN ECUADOR

The seven main ways of conducting a business in Ecuador:

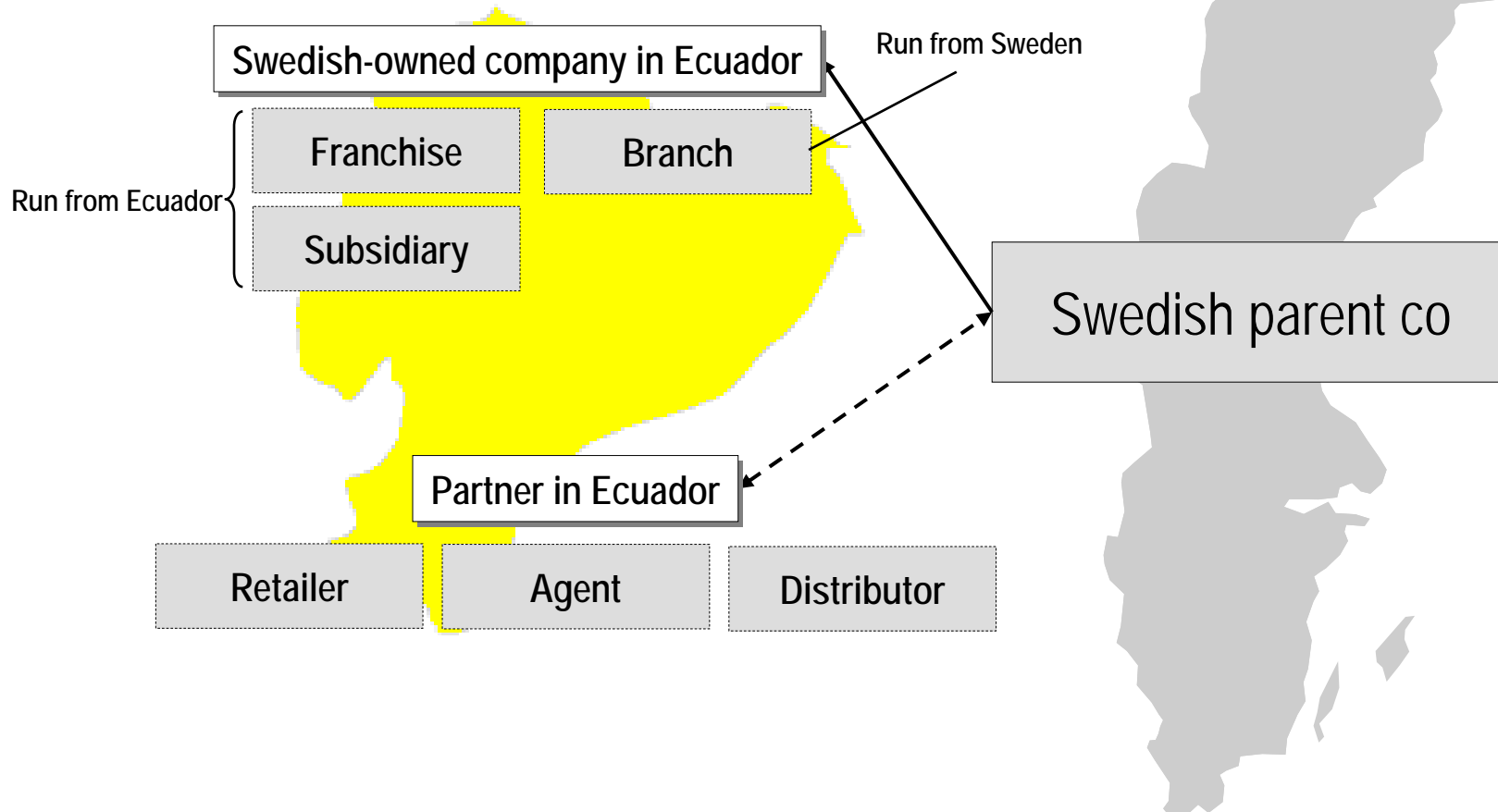
1. Agent or Distributor
2. Franchise
3. Branch Office (Filial)
4. **Joint Ventures** – Not recognized as legal business structures in Ecuador, but increasingly common in the country for specific foreign trade activities

Following structures are under government of the Companies Law

4. Corporation
5. Limited Liability Company
6. Partnership
7. Mixed Economy Company

## WHAT SIZE AND SHAPE SHOULD THE SET-UP HAVE?

- Risk, control, locally run or run by Swedish parent – it all matters





# COMPANY REGISTRATION IN ECUADOR

## - Documents to be submitted to the Superintendence of Companies

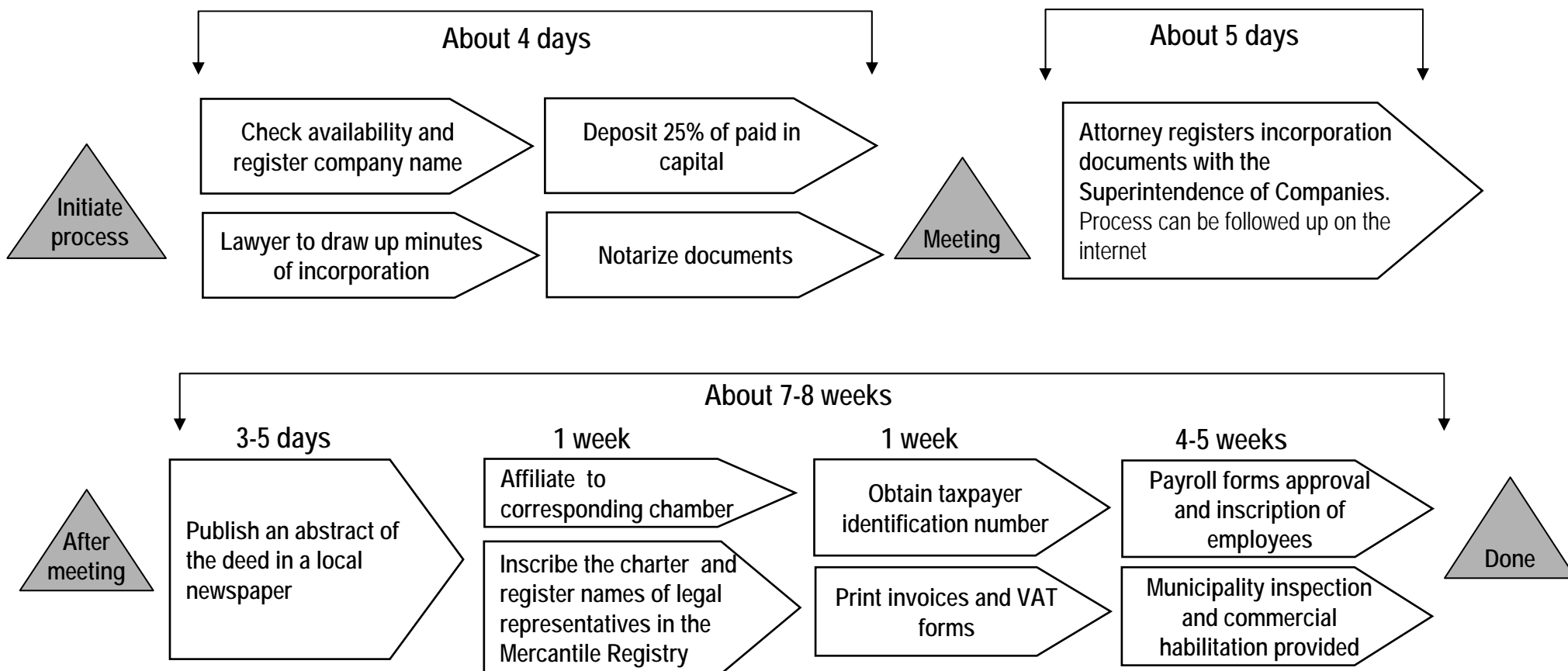
Incorporation procedure	Information to be submitted	Cost
<ul style="list-style-type: none"> <li>• Registration process is usually done through a local lawyer, an international or local accounting firm, or professional advisers.</li> </ul>	<ul style="list-style-type: none"> <li>• Varies according to the type of entity to be registered, but in general:                             <ul style="list-style-type: none"> <li>– Company name (previously checked is inexistent)</li> <li>– Deed of incorporation</li> <li>– Company by-laws</li> <li>– Documents proving payment of taxes</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Lawyer fee: around 500 USD (*)</li> <li>• Check existing names and register company name: no charge</li> <li>• Notary fee: around 75 USD (*)</li> <li>• Superintendence fee for approval of registration: no charge</li> </ul>

(\*) Depending on market conditions

**Registration process can be followed from the internet**

# ESTABLISHING A CORPORATION TAKES ABOUT 2-3 MONTHS

- Overall cost maybe over 800 USD



Process is simple, but may be delayed by bureaucratic inefficiency



## MAIN PROCEDURES AND CONTACTS FOR ESTABLISHING A COMPANY IN ECUADOR

Procedure	Person/Office
Check uniqueness of proposed company name	IEPI
Register company name	Superintendence of Companies
Publish abstract of the deed	Daily local newspaper
Affiliate to a proper chamber	Variable on location and activity of the company
Inscribe charter, resolution and register names of legal representatives	Mercantile Registry
Obtain taxpayer number	Service of Internal Rent (SRI)
Obtain employers ID and approval for payroll forms	Ecuadorian Institute for Social Security
Inscribe employee contracts	Ministry of Labor
Submit Municipality inspection and obtain commercial license	City Municipality

# HUMAN RESOURCES IN ECUADOR

- Ecuadorian Employment Code is strict

General	Cost	Regulations
<ul style="list-style-type: none"> <li>• Labor force: 4.4 mill people</li> <li>• Unemployment rate: 10,6%</li> <li>• National minimum monthly wage:                             <ul style="list-style-type: none"> <li>– 170 USD for a 8 hour working day in daytime (198 USD including benefits), but there are also sector minimums.</li> <li>– Working between 7pm-6am has 25% surcharge on monthly pay</li> <li>– 50%-100% surcharge on pay per hour for extra hours(*)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Insurance, pension contributions:                             <ul style="list-style-type: none"> <li>- 21.5% pay on wages for Social Security (12.15% employer, 9.35% employee)</li> <li>- Bonus in April/December equivalent to a minimum and an effective monthly wage</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Contract of employment may be both written or oral.</li> <li>• 3 month maximum for probation period</li> <li>• Redundancy payment/indemnity is mandatory if dismissal is not approved by the Ministry of Labor: one monthly wage per year worked (up to 25 wages)</li> <li>• Working hours: Maximum 40hours per week, maximum of 12 extra hours per week</li> <li>• 15-30 days paid annual vacation</li> </ul>

(\*) Calculated exempting benefits

**Widespread emigration in the last years led to some scarcity of highly skilled workers**



# ECUADOR PROVIDES BUSINESS OPPORTUNITIES

- Ecuador shows positive rates for GDP change over the last years
- Inflation remains low
- FDI is growing
- Manufacture industries are growing and demand increasing volumes of imports
- Trade conducted in US dollar: no currency risk

... which has contributed to...

...the fact that more than **10** Swedish companies are registered in Ecuador and some other are there as sub suppliers or via distributors.

**STC Argentina is the natural partner for all Swedish companies who wants to establish or develop their business in Ecuador**



## USEFUL CONTACTS

- Ecuador Invest (link to production chambers) [www.ecuadorinvest.org](http://www.ecuadorinvest.org)
- Ecuadorian Institute for Intellectual Property [www.iepi.ec](http://www.iepi.ec)
- Superintendence of Companies [www.supercias.gov.ec](http://www.supercias.gov.ec)
- Mercantile Registry of Quito [www.registromercantilquito.com](http://www.registromercantilquito.com)
- Mercantile Registry of Guayaquil [www.registromercantilguayaquil.com](http://www.registromercantilguayaquil.com)
- Service of Internal Rent [www.sri.gov.ec](http://www.sri.gov.ec)
- Ecuadorian Institute for Social Security [www.iess.gov.ec](http://www.iess.gov.ec)
- Ministry of Labor [www.mintrab.gov.ec](http://www.mintrab.gov.ec)

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