

Launching New Ventures in Nicaragua

By Gideon Culman



Santos Reyes (front row, center) stands with some of his employees at Calzados Reyes, a shoemaking company that is expanding with help from the Global Development Alliance.

By the time Santos Reyes was seven, he was shining shoes for a living. Eager to improve his life, he learned how to make shoes by hand and started his own small business. As an adult father of two, Reyes returned to school and earned a high school equivalency and an undergraduate degree in International Business.

While finishing his studies, Reyes's faculty thesis advisor urged him to contact Agora Partnerships, a nonprofit organization with offices in Washington,

D.C., and Managua, Nicaragua that provides socially responsible entrepreneurs with the tools, networks, and access to growth capital to improve on their chances of success.

Not long after, Reyes began working with a team of Agora's volunteer MBA consultants to help him refine his plan to grow his small shoemaking company, Calzados Reyes. In total, he spent over 200 hours with consultants from top business schools including Columbia, Georgetown, University of Virginia, and Duke.

Thanks to "Launching New Ventures in Nicaragua," a \$1.7 million Global Development Alliance (GDA) between USAID, Agora Partnerships, TechnoServe, the Fundación Roberto Terán, and the Agora Venture Fund, Reyes is now connected to a distributor that will triple his volume of sales, and his company has received over half of a \$90,000 investment commitment in both equity and debt. Already, he has built a new shoemaking factory and hopes to triple his number of employees from current levels.

The Launching New Ventures in Nicaragua Global Development Alliance provides education, financing, and ongoing support to competitive businesses that are committed to growing and effecting positive change within the community.

Almost half of Nicaragua's 5.6 million people are unemployed or underemployed. Against this backdrop, the alliance partners aim to create a culture of entrepreneurship by helping aspiring entrepreneurs overcome four key barriers to success: market entry, education, financing, and execution.

Closed social and business networks make it hard for new companies to survive in Nicaragua. “When entrepreneurs don’t have the right network, the education, or the vision to start a business,” says Agora Managing Partner Ben Powell, “they don’t even try, even though they might be successful. Too many entrepreneurs are on the sidelines.”

“When I thought about growing my company, it made me nervous and I lacked the confidence,” explains Reyes. The alliance “helped give me the skills and the vision to lift my company to a new level.”

Over the past two years, the USAID alliance with Agora has worked with dozens of entrepreneurs, including a manufacturer of bamboo houses, a producer of salt licks, a podiatrist’s clinic, and a taxi company that transports tourists to locations throughout Nicaragua.

“The CAFTA-DR Free Trade Agreement opens the door to new markets for Nicaragua. The goal of this alliance is to help increase the productivity and competitiveness of Nicaragua’s small and medium-size enterprises to take advantage of the opportunities of CAFTA-DR,” said Alex Dickie, USAID mission director to Nicaragua. “These businesses can play a catalytic role in their community by creating jobs and being a role model.”

“We can show Nicaraguans who use very rudimentary production processes that there is another way, and that they, too, can be successful if they are willing to grow,” says Reyes’s wife Jacqueline. With the help of the alliance, Calzados Reyes hopes to “change our business from a simple shoemaking workshop into a modern shoemaking factory.”

The alliance identifies specific areas that each entrepreneur needs to work on to improve operations and then assembles teams of MBA students to provide tailored and structured consulting to the entrepreneurs. The students get valuable hands-on experience and the entrepreneurs come away with a tremendous amount of empowering skills and knowledge.

Since companies often need more than just consulting, Agora created a venture fund that invests in small businesses capable of creating economic and social value. “We invest in companies that need long-term capital and that are too big for microfinance and too small for traditional venture capitalists,” says Ricardo Terán, who heads Agora’s Managua office. Through the venture fund, the alliance finances companies requiring anywhere from \$20,000 to \$250,000 in capital, sums typically unavailable to small-scale entrepreneurs.

Every new formal sector job provides employees with social benefits that they could otherwise not access. Many new employees find themselves able for the first time ever to afford tuition for their children, buy medicine for relatives with reoccurring illnesses, and invest in the future of their families. The alliance partners are striving to provide ongoing support to new ventures to ensure their continued success.