CASE STUDY

SAN PEDRO SULA, HONDURAS

LESSON: How to pair policy wins with tools that help people capitalize on reform
Right to earn: Honduras’ Fundación Eléutera breaks down barriers to entrepreneurship

Entrepreneurship—and a regulatory climate that encourages small business growth—are important everywhere. But in Honduras, entrepreneurship isn’t just about earning a living. It’s often the difference between surviving or not. There is no lack of talented, hard-working people in Honduras, yet high poverty and unemployment rates continue to plague the country. That’s why Fundación Eléutera took on a reform campaign to make it easier and more affordable to start a business. Because of their success in reducing government barriers to entry, Hondurans are finding it easier to build better jobs, greater wealth, and improved lives in their home country.
ABOUT FUNDACIÓN ELÉUTER A

The mission of Fundación Eléutera is to promote the ideas of freedom to the public, media, policymakers, and other civil society organizations in Honduras.
Using free-market solutions to fight poverty: Making it quicker, easier, and cheaper to start a business in Honduras

It’s hard to fight for ideas in a country overwrought with poverty and crime. But those ideas—specifically those that champion liberty and the human spirit—are the ones that will elevate the most people out of their dire circumstances.

That’s why Fundación Eléutera created its “Reducing Bureaucracy Reduces Poverty and Violence” campaign. Through its implementation, this project is breaking down barriers for entrepreneurs in Honduras.

Honduras has plenty of talented, hard-working people in Honduras. One reason many of these would-be workforce members can’t find work is the significant barriers to entry for starting a business, which has left many Hondurans—especially those less fortunate—unable to pursue careers or earn a living. The situation is so dire that many are fleeing the country for better prospects. To change this, Eléutera has worked with the government of Honduras to improve and promote Mi Empresa en Línea (My Company Online), a website that reduces the amount of time, money, and paperwork required to register a business in Honduras—now, becoming a business owner is more attainable than it has ever been.

“At Fundación Eléutera we believe that free enterprise and simplification for the creation of new companies is the most sustainable alternative for the reduction of poverty and violence,” said Elena Toledo, CEO of Fundación Eléutera. “We see it every day with people who benefit from the knowledge we share with them on the platform. The approval of a business is reduced from 7 days to 1 day, and it is reduced from $800 to $15 USD. The creation of their own company gives back dignity to the human being, and we look for the simplest ways so that everyone can do it and prosper as a society.”

Here’s how Eléutera’s work changed the startup landscape in Honduras:

- Thanks to Fundación Eléutera’s continued advocacy for improvements to, and promotion of the website, the cost of registering a business has been cut by 80 percent and the process has been simplified so that it is much easier for people to start their own companies, employing themselves and others in Honduras. The cost is now the equivalent of $40 USD, down from $250 USD.
- Now, Hondurans only need three documents and access to a computer with internet access to enter www.miempresaenlinea.org. In 25 minutes, they can get authorized to register their business.

KEY TAKEAWAYS

Eléutera’s work is creating change in Honduras’ entrepreneurial and economic culture, and important predicate for stemming the country’s outflow of residents to other countries.

Eléutera’s campaign offers lessons on how to:

- Ensure people are able to capitalize on significant policy reforms by building the tools they need to succeed
- Create an infrastructure to bring opportunity to disadvantaged citizens and people likely to emigrate without hope for the future

Eléutera’s success continues to shift the culture in Honduras, showing that it’s possible to dream and achieve in a culture that has been downtrodden by violence and corruption for decades. Read on to learn more.
THE CONTEXT: With the world’s highest murder rate, half its population in poverty, Honduras needs free-market change

Honduras is one of the poorest countries in Latin America and has one of the world’s highest murder rates. More than half of the population lives in poverty and per capita income is one of the lowest in the region. Poverty rates are higher among rural and indigenous people and in the south, west, and along the eastern border than in the north and central areas where most of Honduras’ industries and infrastructure are concentrated. The increased productivity needed to break Honduras’ persistent high poverty rate depends, in part, on further improvements in educational attainment. Although primary-school enrollment is near 100 percent, educational quality is poor, the drop-out rate and grade repetition remain high, and teacher and school accountability is low.

Honduras’ population growth rate has slowed since the 1990s, but it remains high at nearly 2 percent annually because the birth rate averages approximately three children per woman and more among rural, indigenous, and poor women. Consequently, Honduras’ young adult population—ages 15 to 29—is projected to continue growing rapidly for the next three decades and then stabilize or slowly shrink. Population growth and limited job prospects outside of agriculture will continue to drive emigration. Remittances represent about a fifth of GDP.

Honduras is also in the bottom 50 percent of countries when it comes to the ease of doing business, according to the World Bank’s “Doing Business Index.”

But Eléutera knew that if they provided the right catalyst, they could effect change and ignite a new generation of small business owners. Entrepreneurship is the trend in Latin America. Latin America was the second most enterprising region in the world in 2017.

Research from The World Bank found that four of every 10 Latin American youth report a desire to become an entrepreneur, but not all of them take that first step, in large part because of barriers to
entry like the ones that existed in Honduras prior to Eléutera’s reforms.

Lesson: Policy reform is important, but change can ring hollow without tools to help people capitalize

Reducing the cost of registering a new business is a major milestone. But to help Hondurans make good on their newly accessible and affordable entrepreneurial opportunity, would-be business owners needed the tools to capitalize.

That’s why the creation of the Mi Empresa en Línea website is such an important and innovative step. Prior to the reduction of the registration cost and before Eléutera’s website launched, the only way to legally register a business required the hiring of a notary and dozens of documents that took tremendous time and effort to obtain.

Eléutera tore down that model and built something entirely new. Eléutera is seeing results already, as people who previously could not afford to or didn’t know how to set up their own business are using Eléutera’s Mi Empresa en Línea website to launch.

Lesson: If you build it, they will come

A culture of violence, poverty, and political corruption in Honduras makes going out on a limb and trusting a stranger’s intentions a difficult choice. But Eléutera has developed a reputation as an honest broker, making it easier for the group to connect with people in need of assistance getting their dreams off the ground.

Erick Galeas, a migrant and single dad who returned to Honduras after a year and a half of living in the U.S. illegally, is one of many Hondurans who felt safe working with Eléutera. Galeas used Mi Empresa en Línea to start a new business that is helping him provide for his family.

“We registered Erick’s business, and about two weeks ago he came to visit us,” said Elena Toledo, CEO of Fundación Eléutera. “He already has a bank account in the name of his business, and that day he was going to collect his first check for an order that was made to his business.”
Galeas is just one of countless Hondurans that have been empowered through Eléutera’s work, many of whom would have been barred from legal employment opportunities were it not for Mi Empresa en Línea.

**Lesson: Job-creating policy reforms are of the utmost importance in countries with returning migrants**

Hondurans make up a significant portion of emigrants to other countries, primarily the United States. But many, like Galeas, end up returning home. Recently, it was reported that 7,000 Hondurans voluntarily returned home after abandoning the U.S.-bound migrant caravan. Opportunity is hugely important in ensuring that returning migrants have a shot at prosperity instead of being faced with the decision to leave again.

Eléutera registered Galeas’ business. In April of 2019, he paid a visit to Eléutera’s office and shared that he had secured a business bank account, and that day he was going to collect his first check for an order that was made to his business.

Entrepreneurship and the ability to forge a living for oneself is one of the most powerful tools available to lift people out of poverty and into prosperity. Opportunity and the ability to earn a living change the equation for people who would otherwise choose to leave in search of greener pastures.
POINTS TO PONDER

1. Fundación Eléutera created a website to make it easier for Hondurans to start businesses. What are other ways that think tanks can utilize technology to help prospective business founders?

2. The website (Mi Empresa en Línea) removed significant barriers to opening a business in Honduras, but without a desire from Hondurans to operate businesses, the project would have been unsuccessful. What can nonprofits do to ensure that the conditions are right before implementing such a project as a website or other initiative?

3. In the case study, it mentions that the World Bank found that 4 out of 10 Latin American youth have a desire to become an entrepreneur—what can a think tank in Latin America do to grow this number (or at least ensure it does not fall)?

4. What are some other ways that nongovernmental organizations can work with the government to improve and promote initiatives, as Fundación Eléutera did with Mi Empresa en Línea?

To read more Think Tank Impact case studies, visit: ATLASNETWORK.ORG/CASE-STUDIES