



April, 2012

## FACT SHEET

### Improving Access to Financial Services

Economic growth often reduces poverty, but to ensure that the poor are proactively included in market development, micro and small enterprises (MSEs) need access to financial services in an environment that allows them to prosper. El Salvador's current and future competitiveness in international markets, as highlighted in the Partnership for Growth agreement between El Salvador and the United States, depends on the success of the entire private sector.

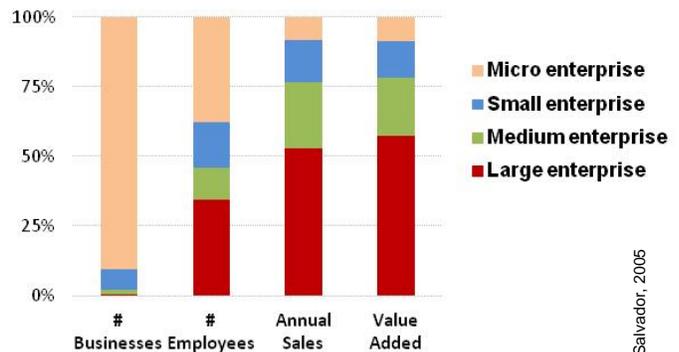
MSEs in El Salvador generate over 50 percent of employment nationwide and as such represent a critical business sector that warrants dedicated policies and initiatives to enhance its competitiveness. This means that more micro and small businesses should not only increase their current productivity but will also need to grow into medium and large businesses in the future.

By partnering with local organizations to improve the loans and financial services offered to MSE's, the USAID Improving Access to Financial Services Project is designed to address the financial needs of this market sector. Relatively small amounts of timely credit, supported by appropriate supplemental services, allow MSEs to succeed and to serve as a catalyst for increased employment and a stimulus to local economies.

#### Current Activities

- *Assessing the Needs of MSEs* – USAID is in the process of determining which financial services and training opportunities potential MSE participants will need, in order to select appropriate partner organizations for the project.
- *Institutional Strengthening* – USAID will provide training to representatives from financial institutions using the GOALS approach (Growth, Operations, Assets, Liabilities, Safety). This course will enhance participants' abilities to identify the financial risk involved in lending to small and microenterprises and explore new credit products in order improve their ability to provide quality services for these businesses.

**Distribution of Salvadoran Market by Business Type**



*Micro and small enterprises make up over 95% of the total number of businesses in El Salvador, and employ over 50% of the people employed in businesses across the country. USAID seeks to improve this sector's access to financial services so that they can improve and grow their businesses, providing more employment and contributing to the economy of El Salvador.*

Source: Ministry of Economy of El Salvador, 2005

- *Improving the Legal Framework for Mobile Banking* – Making loan payments can be logistically difficult for micro and small businesses, especially for those in rural areas that may be far away from a bank branch. Mobile banking allows businesses to pay their loans using a computer or mobile telephone, thus saving time and transportation costs. In coordination with the Central Reserve Bank (CRB) and the Superintendency of the Financial System (SFS) of El Salvador, USAID is working to design norms and regulations that support mobile banking in the country

## Expected Outcomes

- At least 80 financial staff from regulatory and supervisory bodies will be trained in topics such as analysis, evaluation, and measurement of financial and operational risks, group lending, information sharing techniques, and new products, especially mobile banking.
- At least eight non-bank financial institutions, such as credit unions, cooperatives, and NGOs, will be strengthened. The project hopes to promote meeting SFS requirements so that these organizations can be regulated by the SFS by the end of the project.



Photo: bayu harsa / Photo Xpress

*Mobile banking will allow micro and small businesses to make payments on their loans, without taking time away from running their businesses or needing to transport large amounts of cash to the bank.*

**Total Program Investment:** \$2,837,510  
**Time Period:** December 2011 – April 2014  
**Geographic Areas:** Nationwide  
**Contractors:** Global Business Solutions, Inc. and Weidemann Associates, Inc. (Sub-Contractor)  
**Partners:**

- Central Reserve Bank;
- Superintendency of the Financial System;
- Financial Intermediaries such as banks, micro-finance institutions, and credit unions.

**Contact:** Sandra Lorena Duarte  
 USAID/El Salvador  
 503-2501-3362  
 sduarte@usaid.gov

- At least 300 staff from microfinance organizations and associations will be trained in new methodologies and products appropriate to MSEs.
- At least 800 MSEs will have access to a loan from project partner organizations.
- At least two new financial products or instruments for MSE's will be developed or improved, such as savings programs, microinsurance, and mobile banking.