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# FINANCIAL SERVICES FOR SMES PROGRAM

QUARTERLY REPORT  
JANUARY 1, 2008 – MARCH 31, 2008

**March 31, 2008**

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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## EXECUTIVE SUMMARY

This past quarter the USAID Financial Services for Small and Medium Enterprises (SME) Program began the transition from the “building” phase of the project to the “execution” phase of the project. The (calendar) year 2007 was largely focused on building or creating integrated SME service capacities in financial institutions, which involved targeted efforts in SME products, risk management and specialized areas (the latter including dedicated staff, budget, technological infrastructure and systems, among other elements). The (calendar) year 2008 will focus largely on putting the SME capacity that has been created or upgraded in months preceding into active operation, or execution. Whereas in earlier quarters, the onus has been on the Program to provide quality assistance in the development of SME capacities in pertinent areas (such as SME products, risk and specialized areas, as mentioned), the onus going forward, beginning this quarter, is to ensure these capacities are put into practice by partner financial institutions and actively benefit local SME customers.

Against this backdrop, we achieved the following under PIR 1: Functional and Sustainable SME Lending Capacity Developed in Financial Institutions and SME Access to Credit and Other Services Increased this quarter:

- HSBC Bank undertook substantial staff training and upgrading in advance of their SME pilot project with the assistance of Program consultants
- Banco de America Central further consolidated the Propemi portfolio and staff complement with the assistance of Program consultants as it geared up to roll out a general SME business initiative
- Banco Hipotecario further refined its SME services platform with the assistance of Program specialists
- Banco Agricola and Banco Cuscatlan expressed interest in resuming Program assistance

We also continued and intensified our systemic support activities, which included (a) a highly successful special event on the economic and financial climate, as well as (b) a very timely and high quality technical initiative geared to improving the SME regulatory framework for bank financing in El Salvador. The former activity (a) was in response to growing concerns over the economic slowdown in the U.S. as well as global financial turbulence, and these developments’ implications for El Salvador. It focused on the heightened need to support and strengthen the local SME segment in particular. The latter activity (b) was carried out by a seasoned Colombian banking regulatory veteran, in coordination with the Salvadoran Financial System Superintendence (SSF), as well as the Salvadoran Banking Association (ABANSA) and several financial intermediaries, including Program partner institutions. These very well received systemic activities will be discussed in greater detail in the pertinent sections of this report.

We continued to provide assistance to one of our microfinance institution (MFI) partners (Apoyo Integral) as they awaited final approval for regulated/deposit taking status from the SSF. We were unexpectedly confronted by a sudden decision to temporarily suspend preparatory activity for regulated status by the other MFI (AMC), although we have identified a pair of substitute candidates (Caja de Credito Soyapango and Caja de Credito

Sonsonate) for regulation, in coordination with Program partner Fedecredito. We are currently planning to move forward with these candidates as we do not view AMC as being likely to be willing to seek to achieve regulated status by the time this project ends.

We undertook additional activity with Fedecredito this past quarter, more specifically a seminar on developing an SME finance marketing and product strategy for workers' banks and cooperatives, which was extremely well received also.

It should be noted that the first quarter of the calendar year tends to be a more sluggish period in terms of financial activity than other quarters, and this particular year this tendency was possibly even more pronounced due to concerns related to economic slowing in the U.S. and its implications for El Salvador. Nonetheless, the Program registered net increases in all its key indicator categories.

As a result of Program assistance, and notwithstanding the effects of the economic slowdown in the U.S. and growing concerns as to its potential repercussions in El Salvador, an SME banking dynamic continues to grow and build momentum as we move into the execution phase of our initiatives with partner banks. Most of these partners continue to show strong commitment to Program objectives, having made substantial investments in SME platforms jointly developed or refined with Program assistance. They have also started to increase their proportionate share of technical assistance costs with the Program, reflecting a high level of satisfaction with the quality of the assistance that the Program has provided.

# **I. INTRODUCTION TO USAID'S FINANCIAL SERVICES FOR SMES PROGRAM**

## **A. Background**

Chemonics International Inc. in conjunction with our consortium members Crimson Capital, Enterprising Solutions Global Consulting, International Consulting Consortium (ICC), Shorebank International, and Skol & Associates, is pleased to present our quarterly report for the Financial Services for SMEs program for the period January through March 2008. In Section I, we provide an overview of the objectives of the project and activities to date. In Section II, we provide a detailed summary of the main activities and accomplishments during the period.

While El Salvador has developed a strong macroeconomic framework that has encouraged stability, allowed for dollarization, and encouraged lenders to make funding available, it has been unable to attract much investment, create new jobs, and make further inroads to reduce poverty. Growth and job creation will likely come from the diversification and expansion of more competitive SMEs in manufacturing, services, and agriculture. With the introduction of CAFTA, these SMEs are well positioned for significant growth and even greater contributions to El Salvador's economy over the next decade.

Despite their potential, however, SMEs face a number of challenges to reach new markets and grow their businesses. In a 2002 survey conducted by FUNDAPYME, an overwhelming number of SMEs cited the lack of access to financial services as the major constraint to the growth of their businesses. USAID/El Salvador has identified two major developmental challenges in the financial sector:

- SMEs lack access to appropriate financial products and services.
- Non-Bank Financial Institutions (NBFIs) lack access to commercial sources of funds and savings.

USAID's Financial Services for SMEs program is addressing these problems by working with commercial financial institutions to increase access to credit and other financial services for small and medium enterprises as well as further strengthen the provision of microfinance in El Salvador by assisting two microfinance institutions (MFIs) to become regulated NBFIs under the SSF.

## **B. Program Objectives**

The specific objective of the Financial Services for SMEs Program is to enable no less than seven FIs to expand lending and other financial services to underserved markets and introduce viable loan products that better serve the financing needs of SMEs. The Program is expected to increase the number of new SME borrowers by at least 10 percent. The Program is also expected to increase the volume of loans to SMEs by at least 20 percent. In addition, the Program will assist two microfinance institutions to obtain regulated NBFi status under the SSF.

Bearing in mind USAID’s SO 2, *Economic Freedom: Open, Diversified Expanding Economies* and IR 2.3 *Broader Access to Financial Markets and Services*, the Program will work to achieve two PIRs based on program objectives and the tasks identified in the scope of work.

**Figure 1. Financial Services for SMEs Revised Results Framework**



### C. Strategic Approach

The strategic logic of the project is built upon the following four key elements (as explicitly noted in earlier work plans):

- a) Creating conditions for change by raising awareness among Financial Institutions (FIs) that the SME segment is a growing and potentially profitable one
- b) Supporting the creation or consolidation of dedicated SME areas within FIs (functioning with dedicated staff, budget, policies and systems, etc.)
- c) Ensuring that appropriate SME risk management systems are in place to minimize losses and build confidence in this business over time
- d) Helping to identify, develop, or adapt appropriate products to meet the financial needs of SMEs.

A good part of the first year of the project was dedicated to (a) and (b) above, whereas Year 2 focused largely on (c) and (d), while continuing to ensure that (b) was properly consolidated. Year 3, which began in February 2008, will focus on ensuring that all the preceding is not only properly consolidated, but put into operation as pilot programs are launched and SMEs products and services rolled out on a larger scale.

### D. Program Results to Date

As part of work planning for Year 3, during this quarter the Program team conducted a review of technical assistance, successes, results, and challenges to date. In general, the program has met or exceeded all targets set for FY 2007. Appropriate risk management systems exist in four of five partner FIs. Three of five have functioning SME areas with dedicated staff. In addition these same institutions have developed sustainable SME

lending capacities. Four of the five institutions have developed specialized SME product portfolios with program assistance. The Program has helped increase productivity and reduce the costs of serving SMEs for our bank partners (via the introduction of more standardized and automated procedures in the product and risk areas, among other things), and has facilitated the development of more demand-driven financial solutions for the SME market (via a more extensive range of SME financial products). The preceding should serve to benefit SME customers in a number of ways: through better service, lower interest rates and a much better ability on the parts of banks to tailor financial solutions to specific SME needs.

To date, the program has provided technical assistance to six commercial banks, four workers' banks, and a national Federation of Workers' Banks and Credit Cooperatives. This represents a total of 11 financial institutions that the Program has worked with directly to expand SME lending. In addition, the program has helped two microfinance institutions in their quest to achieve regulated non-bank financial institution status under the SSF. Having worked

with 13 institutions directly, the program has met its target of helping at least 9 institutions expand financial services to underserved markets in El Salvador.

<b>Select Program Achievements to Date</b>
<ul style="list-style-type: none"> <li>• Banco de America Central (BAC), Banco Cuscatlan, HSBC, and Banco Promerica have experienced a shift in mindsets and a strategic reorientation towards the SME segment. In the case of BAC, this reorientation was particularly dramatic and resulted in the integration of nearly 2,000 SMEs into the formal banking sector through the acquisition of PROPEMI.</li> <li>• BAC, HSBC, and Banco Hipotecario have fully functioning SME areas with dedicated staff.</li> <li>• All of our partner banks have developed and/or improved SME risk management systems.</li> <li>• BAC, Banco Cuscatlan, HSBC, and Banco Promerica have developed SME-specific product portfolios.</li> <li>• With the exception of Banco Cuscatlan, all FI partners have increased lending to SMEs.</li> <li>• FEDECREDITO successfully replicated trainings developed by Shorebank in Year 1 for several of its other Workers' Bank and cooperative members and strong SME portfolio growth continues in the original four trained Workers' Banks.</li> <li>• An SME Banking Committee was created within the Salvadoran Banking Association (ABANSA) to convene around issues affecting SME finance.</li> <li>• MFI partner Apoyo Integral submitted its application to the SSF to become a regulated NBF.</li> </ul>

In its last year, the Program will continue to increase the number of SMEs with access to finance, the volume of financial services delivered to SMEs, as well as improve the quality of financial products and services directed at the SME segment. We will also continue to seek opportunities to link SMEs receiving technical assistance directly with our FI partners.

### **E. Lessons Learned and Strategy Going Forward in Year 3**

While the Program largely met its quantitative and qualitative targets for FY 2007, we did fall short of several important milestones in Year 2:

- Pilots at HSBC and Promerica did not launch in September 2007 as planned, due to longer lead times than anticipated being needed to make the necessary internal realignments at these institutions;
- The pilot at Cuscatlan returned disappointing results, and later due to staff restructurings was terminated;
- Apoyo Integral submitted its application to the SSF to become a regulated NBF in 2007, but has yet to receive approval, owing to the longer than anticipated time

required for the SSF to complete the various inspections and reviews needed to finalize the formal approval;

- AMC reneged on its commitment to becoming a regulated NBFY by March 2008, after significant investments by the program; we were advised that their board took the decision to wait till a later date to seek regulated status, on the assumption that the policy environment after next year's election results is likely to be more advantageous for them.

In the course of reviewing progress towards targets and milestones, several interesting lessons learned emerged from the challenges listed above:

- All executives in the chain of command at partner banks must be committed to entering the SME segment and engaged in the process to ensure transfer of institutional knowledge.
- Buy-in with staff and executives in branches must be generated and adequate training must be provided to them prior to roll out of the pilot programs.
- Follow up must be programmed as a separate activity and given as important weight as the initial TA activity.

Drawing on these lessons learned, the Program will continue to work towards its goals for Year 3, which are to ensure our active bank partners 1) Launch SME pilot programs by May/June of 2008; and 2) Roll out SME products and services on a broader scale by September 2008.

In order to have the greatest impact on SMEs, this year the program will strategically focus technical assistance on those bank partners with the highest levels of:

- Leadership
- Commitment on the part of executives at all levels
- Reciprocity, both in terms of integration of program recommendations and cost sharing
- Potential impact
- Need.

The institutions we have identified that best meet the above criteria include: Banco de America Central, Banco Hipotecario, Banco Promerica, and HSBC. Program assistance will be targeted in Year 3 and will focus on ensuring that these bank partners successfully pilot and more broadly roll out SME products by the end of FY 2008.

While we do not plan to continue to provide additional training or assistance to FEDECREDITO in SME lending, we will be assisting two of FEDECREDITO's member to achieve regulated financial institution status. We will also provide follow up with AMC to assist it in responding to SSF recommendations prior to its receiving regulated status.

## **II. PROJECT ACTIVITIES AND ACCOMPLISHMENTS**

This past quarter saw continued emphasis on ensuring that end products under our Key Results Area (KRA) were reinforced within partner financial institutions and begun to be put into operation via pilot projects and similar initiatives. KRAs include 1) the creation of dedicated SME areas (with dedicated staff, budget, policies and systems), 2) risk management methodologies and systems, and 3) SME product portfolios. These three KRAs are the fundamental building blocks of an SME initiative, and are essential to its proper design, development and execution. Without a focused and specialized SME area, SME risk management system and range of SME oriented credit and non credit products it is virtually certain that an SME business initiative will not succeed in any given institution. All three of these are critical. A range of SME products (encompassing working capital and investment credit, funds transfer and current account management, specialized financing such as leasing and trade financing and the like, for application as solutions to a range of SME financial needs), supported by focused and thorough SME credit approval and risk management systems, in the context of a specialized SME area in the entity concerned, are what is needed for an SME business initiative to succeed. With program assistance, our FI partners continued to consolidate these elements into integrated SME service platforms. Business initiatives utilizing these platforms are now in their early phases or will be shortly. Rollout of these SME products and services, via pilot projects, commenced with several of our banking partners and is expected to intensify next quarter.

The past quarter (January-March 2008) also saw the integration of a major SME acquisition by one of our Program partners, as well as further advances toward achieving regulated status by one of the two MFI participants in our program. Finally, it saw the continuation of systemic support efforts such as a special event on March 11, 2008 entitled “The Economic and Financial Setting and SMEs: Challenges and Opportunities,” as well as technical assistance with the SSF and ABANSA geared to improving the regulatory framework for SME credit activity.

Momentum toward increasing SME services continues to be strong with partner banks, and competition for this segment continues to intensify. While there are some concerns related to environmental factors (such as the effects of the sub-prime crisis in the U.S. and global markets, as well as possible consumer and mortgage finance “bubbles” in El Salvador), we anticipate this SME business dynamic will continue to gather strength with partner banks in months to come. One reason for our confidence is that experience has shown the SME segment to be a stable one in troubled as well as good economic periods, a message which our event of March 11 helped to underscore.

### **A. PIR 1: Increased Access for SMEs to Credit and other Financial Services**

It is useful to recap what we have achieved with partner banks over the course of the Program to this point. First phase activities exposed our partners to solid SME banking models in order to demonstrate the benefits of serving the SME segment as a viable and profitable business proposition. Second phase activities involved establishing SME focused business units, while third phase activities involved developing SME specific risk management systems and product portfolios. These activities are summarized at

further length below. The fourth phase, in which we now find ourselves with the bulk of our bank partners, involves putting all the preceding into actual operation via SME pilot projects. Moving forward, the Program will transition assistance to adjustment and fine tuning of SME service platforms utilizing lessons learned from SME pilot experiences, and eventual wide-scale rollout of SME business initiatives with FI partners.

Banks that have been involved in the preceding activities include:

- Banco Agricola
- Hong Kong Shanghai Banking Corporation (HSBC)
- Banco Cuscatlán
- Banco de America Central (BAC)
- Banco Hipotecario
- Banco Promerica.

As we noted in our last quarterly report, and also mention above, we have now largely concluded our interventions in the SME unit, product and risk (key results) areas with most bank partners. As we move from the “building” to the “execution” phase of the Program, we feel it useful to review what we have accomplished in terms of establishing the foundations on which to implement our strategy of increasing SME Access to Finance. Specific achievements under each of the Program’s three Key Results Areas are therefore recapitulated briefly, bank by bank, in the following sections.

#### **A1. KRA 1.1 Dedicated SME Areas Functional in Partner Financial Institutions**

The first phase of bank technical assistance focused on diagnoses of the banks’ current SME configurations (or lack thereof) and development of SME units and/or strategies.

In addition to individual technical assistance, there were certain general events and joint initiatives where all partners of the program were enabled to participate or otherwise benefit. These began with a work study trip to Colombia and continued with special purpose forums on SME finance and client culture (at both the general and the institutional level), as well as the completion and distribution of the SME Market Study by local consultant Luis Membreño and associates. All of this took place in 2006.

As a result of the activities mentioned above, a number of benefits accrued to program partners:

- They were exposed to best practices in Latin America in SME unit, client and risk management
- They were provided detailed input on SME perceptions of the local banking sector, as well as problems and limitations in accessing credit
- They were given insights and intelligence on SME financing and non-credit product needs and priorities
- They were given strategic guidance and concrete recommendations as to how to develop and implement SME units and/or initiatives, institution by institution

All six partner banks established SME areas at one point or another, although certain of these experienced setbacks and delays, hence were not considered definitive for purposes of official Program results. Still, the Program directly assisted all of them at one point or

another to either set up or to fortify these areas. Program interventions have more broadly included capacity development in the systems, software, policies, procedures, human resource management and training areas, among others. They have also involved the development and fostering of an SME oriented client culture. While the establishment of dedicated SME areas has largely been concluded, this past quarter the Program continued to assist wherever needed to help consolidate these areas bank by bank.

With the exception of some expected follow-on work at Banco Hipotecario and renewed consolidation of SME areas within Banco Promerica and Banco Cuscatlan in response to personnel shifts, this KRA is substantially complete in our estimation.

## **A2. KRA 1.2 Appropriate SME Risk Management Systems Operational within Partner Financial Institutions**

Program assistance has contributed to the development and integration of SME risk management systems into platforms for SME service soon to be piloted and rolled out. These systems will be key pieces of SME pilot projects as well as general SME business development efforts. They will enable these institutions to process a much larger volume of SME credit proposals in a more automated and hence, timely and cost effective fashion while ensuring a higher quality of risk management and control at the same time. They should enable these institutions to start to break out of the laborious manual processes and collateral based credit practices of the past.

No activities were undertaken in this area during this quarter, but key achievements in past quarters include the following:

*Banco Cuscatlan.* Consultant Esteban Salazar finalized a model for Banco Cuscatlan for evaluating SME credit risk in the second quarter of FY 2007. Program specialists helped further refine this model in subsequent months.

*Banco de America Central.* As part of the bank's contribution to Program efforts to build its SME lending capacity, Banco de America Central invested more than \$34,000 unilaterally in the development of an SME risk management system during 2007, using consultants referred to them by the Program. This system will be incorporated into the bank's new SME business expansion effort.

*Banco Hipotecario.* In the course of 2007, finance specialists Alfredo Otero and Jose Basagoitia reviewed Hipotecario's SME risk evaluation systems. During the first quarter of FY 2008, Shorebank consultant Alan Martinez concluded a comprehensive assessment of the bank's current credit risk model for SMEs.

*Banco Promerica.* Consultant Nelson Ramirez finalized a parametric model for evaluating and classifying SME lending risk in the third quarter of FY 2007.

*Banco Salvadoreño.* Consultant Max Errazuriz finalized a new SME credit and risk model for SME lending, and developed an action plan for implementing it throughout the bank as part of a broader SME business expansion plan in the course of 2007.

*Fedecredito.* Fedecredito has continued to replicate Shorebank courses for its membership. These courses were geared to building SME lending and risk management capacities in participating institutions. At least eight member entities (workers' banks and cooperatives) have benefited from this ongoing training. We are noting a marked increase in SME clients and credit extension at these entities as a result.

*Risk workshop.* In the second quarter of 2007, an SME credit risk workshop was held for representatives of all six of our partner banks and other stakeholders. This workshop provided an innovative framework for SME risk management, based on international and regional best practices. It also provided all participants with MS Excel based tools for applying the approach prescribed in practice.

With the exception of targeted technical assistance planned for Banco Hipotecario, Banco Promerica, and possibly Banco Agrícola, milestones in this KRA have largely been met in our estimation.

### **A3. KRA 1.3 Appropriate SME Products Developed or Improved and Successfully Launched**

In calendar year 2007, Program consultants developed, adjusted and fine-tuned product portfolios in BAC, HSBC, Banco Promérica, and Banco Cuscatlán. A similar effort with Banco Hipotecario is pending. Their efforts have been incorporated into SME pilots and other initiatives already launched or actively planned by partner banks. These SME product portfolios are essential elements for pilots or broad based business initiatives underway or in preparation at these institutions. They will enable client executives to offer a broad range of financial solutions to SME clients through needs assessments and appropriate product placement. This is one of the cornerstones of the imminent SME business initiatives of our partner banks

*Banco de America Central (BAC).* During the current reported quarter, Program consultant Juan Carlos Ramirez developed a strategy for marketing the bank's SME product portfolio to SME clients of PROPEMI as well as to BAC clients as the bank's 2008 SME business expansion campaign gets underway. BAC acquired PROPEMI (an MSME finance entity with 1,700 SME clients and a \$54 million SME portfolio) in late 2007 from FUSADES as part of BAC's strategic reorientation around the SME client segment. The bank is now beginning to put a new SME business strategy into operation throughout its branch network (which now also incorporates the PROPEMI offices as well as the BAC branches). One of the major benefits for PROPEMI's small enterprise clientele will be their ability to access the extensive product portfolio of BAC, which was developed with Program assistance over the course of 2007.

*HSBC.* Program consultants Gustavo Riveros and Mauricio Ramirez worked with executives and risk analysts in the five branches selected by HSBC for pilot program launch to enhance their understanding of SME clients and client management, consultative sales, effective risk management, and the newly developed SME product portfolio. This on-the-job training for the executives and analysts followed a series of in classroom courses presented by the bank, and reinforced best practices in SME client management presented in those courses. Mr. Riveros and Mr. Ramirez shadowed branch staff and mentored them through the processes of identification, sales, application,

approval decision, and management of SME clients. This training will be further reinforced by follow-on trainings scheduled in early next quarter.

*Fedecredito.* A two day seminar entitled “Financial Product Innovation and Strategic Planning for Small Enterprises” was conducted this past quarter at Fedecredito for participants from select member institutions by Program consultant Patricia Lopez. The seminar, which involved breakout groups and interactive events as well as formal presentations, was attended by 28 persons from eight credit unions and two workers’ banks with small enterprise lending initiatives. Feedback from Fedecredito and participants was very positive with respect not only to the quality, but to the practical applicability of the substance of the event. It was stressed to the participants that small enterprises are an attractive business segment not only in good times, but in economically challenging and troubled times as well.

Additional achievements in this area during past quarters include:

*Banco Cuscatlán.* Consultant Patricia Lopez work provided the bank with a new SME product menu and customer service protocol (“De la Mano con La PYME” – or “Hand in Hand with SMEs”) for attracting and serving more SME clients. These are now part of the bank’s marketing template. These interventions enabled Banco Cuscatlan to launch a high profile SME services pilot program involving three branches (Caribe, San Luis, and Roosevelt) late last year. Ms. Lopez trained staff in, as well as developed marketing materials and strategies for, the SME products and services used in this pilot. While there have been major staff retrenchments and organizational restructurings at this institution in recent months, all of which resulted in disruptions to the SME pilot program (see section II C. below), latest indications suggest Cuscatlan remains committed to the SME segment and intends to perpetuate what has been built at the institution with Program assistance, as well as to augment it with assistance from Banamex Mexico (the regional office of Citigroup).

*Banco Promerica.* Consultant Eduardo Angel developed an SME product portfolio for the new SME unit of the bank in the last quarter of FY 2007. Additionally, Crimson Capital expert Stewart Cole concluded a series of SME purchase order finance (POF) product development interventions in Banco Promérica during the first quarter of FY 2008.

*Banco HSBC.* Consultant Manuel Alegre conducted a review of the bank’s product portfolio in the second quarter of fiscal year 2007. The adjustments he recommended have been accepted and will be put into effect in the course of the implementation of the bank’s new integrated SME business unit beginning in April 2008.

#### **A4. SME Pilot and Program Rollout Status**

*Banco Promérica.* Whereas Banco Promérica had originally planned to launch its SME pilot project this past quarter (please see prior quarterly report), having designated branches and key personnel to this end, due to a major staff restructuring this process has been delayed at this institution. Our key counterpart at Promerica, Ingrid Duran, has been replaced by parties unfamiliar with the Program. Program specialists have gone to great

lengths to orient the new counterparts as to Program activities and continue to consult closely with the bank. Activities are planned to resume next quarter.

*HSBC.* HSBC continued to actively prepare this quarter to launch its SME pilot program. HSBC plans to roll out the SME pilot initiative in the upcoming quarter. The bank has designated 5 branches for this activity. It has identified 40 client managers for micro and small enterprises, plus 12 client managers for medium sized enterprises. It has already begun the process of training this contingent this past quarter (using Program consultants Gustavo Riveros and Mauricio Ramirez), and will collaborate with the Program on field training and fine tuning once the pilot is in process of implementation. The pilot will incorporate the innovations developed over the course of the past several months for the bank by Program consultants in such areas as product portfolios, systems and procedures, and credit processing.

*Banco de America Central (BAC).* BAC continued to consolidate its acquisition of PROPEMI, which per all indications is going well. Wider-scale roll out of their SME business initiative is currently slated for May. Program consultant Juan Carlos Ramirez continued to work with this institution this past quarter, and has begun to collaborate with the BAC organization on the expansion of the SME platform (using the template developed here in El Salvador) to the entire Central American region (see section II C below).

*Banco Cuscatlán.* Cuscatlan launched its SME pilot in three branches in the fall of 2007. However, owing to major staff retrenchments mandated by Citigroup worldwide, the bank's current status is uncertain (see section C below). However, Cuscatlan has advised us it continues to be committed to the SME client segment, and desires to continue with Program assistance. See following sections for additional detail.

*Banco Hipotecario.* Banco Hipotecario is already an SME-oriented institution with an extensive branch network and staff. The Program has worked actively with Banco Hipotecario to upgrade and improve existing capacities to better serve the SME segment. We expect this process to continue and intensify in the next quarter.

## **A5. Systemic Support**

This quarter, the Program supported a number of systemic initiatives to create a more positive and enabling environment for SME finance.

*Special event.* The Program conducted a seminar on March 11 entitled “*The Economic and Financial Climate and Salvadoran SMEs: Challenges and Opportunities.*” The purpose of the event was to raise awareness of the critical importance of supporting the SME segment in light of possible negative effects of the recession in the United States as well as the impacts of global financial volatility in El Salvador. Four prominent local and international speakers made presentations to roughly 125 attendees, ranging from bank partners to government officials to other stakeholders in the local SME market. Key conclusions of the event included the following:

- That it is more critical than ever to increase the country's productive capacity and enterprise competitiveness, and the SME segment is key to that endeavor;

- It is contingent on banks to continue to develop their SME credit capacity, now perhaps more than ever; and
- It is necessary for the financial sector regulatory body to develop more effective supervisory practices for the segment.

Participant feedback on the quality and utility of the event were highly positive.

*SME finance regulatory environment.* This past quarter, Program consultant Fabio Villalba conducted an in depth assessment of the current SME banking regulatory regime and made a presentation to the Superintendent of the Financial System (SSF), Luis Armando Montenegro, as well as to a separate group of senior SSF officials. This presentation focused on the conclusions of his assessment and recommendations for improvements to the regulatory environment for SME finance. It stressed the importance of transitioning from the current “norms compliance”-based supervisory regime to “risk supervision”-based regime as recommended per Basil II principles. It also stressed the need to make the current SSF norms more realistic and tailored for SMEs. Mr. Villalba recommended intensified dialogue among the SSF, ABANSA and member banks with the goal of collaborating to improve SME norms. Superintendent Montenegro completely concurred with the consultant’s recommendations, and has asked the Program to help coordinate working sessions between the SSF and ABANSA to that end. The Program is following up on this issue currently with both bodies (see section III A. below).

*ABANSA SME Committee.* Fabio Villalba also presented his analysis of the current regulatory regime for small and medium enterprise lending in El Salvador to participants from ABANSA SME Committee member banks during this past quarter. Forty two persons attended this presentation, which stressed the importance of transitioning to “supervision by risk” per Basil II principles as opposed to simply maintaining a traditional “norms-compliance” based supervisory regime. It also highlighted that personnel of the SSF are still not sufficiently aware of the SME segment nor its importance to the Salvadoran economy. Again, Mr. Villalba recommended intensified dialogue among the SSF, ABANSA and member banks with respect to SME activities.

*SME guarantee funds.* Following the submission of the report by Program consultant Gabriel Reyes, it was agreed to approach both the Central American Bank for Economic Integration (BCIE) and the Multisectoral Investment Bank (BMI) of El Salvador about possible follow up actions to help foster the development of an improved MSME credit guarantee fund scheme in El Salvador. Representatives of the USAID Development Credit Authority (DCA) unit in Washington also expressed possible interest in supporting this initiative. A possible work study trip for BCIE officials to the Colombian national and regional guarantee fund system is currently being considered. In the course of follow up relating to this possibility, BCIE has expressed strong interest in participating in this initiative while BMI has shown less responsiveness. We hope to define a limited action plan for this activity by the end of the next quarter.

## **B. PIR 2: Two NBFIs Newly Regulated**

*Apoyo Integral.* Apoyo Integral is currently awaiting final approval from the SSF for its application to become a regulated NBF. In preparation for achieving regulated NBF

status, the Program worked with Apoyo Integral this quarter to develop systems and procedures for managing the added risks of becoming a deposit-taking institution, as well as strategies for maintaining a strong client base.

Program consultant Guido Cordero provided technical assistance and training in *Risk Management for Regulated Entities*, helping Apoyo Integral identify and address new risks associated with becoming a regulated NBFIs. Mr. Cordero conducted a diagnostic of the MFI's existing risks with regards to transitioning to a regulated, deposit-taking entity. He then provide on-site training for Integral's executive team on the institution's main risks, their impact and frequency, as well as provided recommendations and proposed action items to minimize these risks.

ICC expert Socorro Heysen also presented a training on the principles of Basel I and II Accords and how they apply to regulated institutions in El Salvador for Apoyo Integral's Board of Directors and management personnel this quarter.

Additionally, local Program consultant Karla Perez began designing a training program for Apoyo Integral's operational and financial staff in the implementation of SSF regulations and norms for regulated Savings and Credit Societies. This training will be finalized and presented to Integral staff in the early part of next quarter.

ACCION International's team led by Jacqueline Urquiza finalized a review of desertion rates at Apoyo Integral to determine why clients were leaving the institution and whether they were taking their business to other MFIs. The study also looked at Integral's best clients and why they continued to do business with the institution. Using this analysis, ACCION helped Integral develop a series of strategies and action items for improving client loyalty building and retention. These strategies will enable Integral to maintain a loyal client base throughout its transition to a regulated, deposit-taking entity.

AMC. The SSF granted official approval for NGO Adel Morazan to be the majority shareholder in a regulated Savings and Loan Association during the first quarter of FY 2008, and during this past quarter finance specialist Jose Basagoitia proposed an accelerated initiative to AMC to submit a formal request for regulated status as a Savings and Loan Association. Notwithstanding the preceding, we were unexpectedly notified by AMC's board of directors that they wished to suspend preparations for regulated entity status until September 2008. Inasmuch as that time frame will not allow us margin sufficient to achieve regulated status by the time the program ends, Program staff worked this quarter to identify alternative institutions which are already working towards applying for regulated NBFIs status and which could benefit from Program assistance (see section III B below).

### **C. Major Successes and Lessons Learned**

We have continued to make progress with our institutional and systemic initiatives, while experiencing some delays in pilot and general implementation with the former, yet we intend to do our best to ensure momentum is maintained as we move forward with these initiatives.

*Successes.* An especially striking success has involved the acquisition of PROPEMI by BAC. The merging of PROPEMI's SME client base was finalized this quarter. Thanks in part to Program consultant Juan Carlos Ramirez, who worked actively to assist BAC in the integration of PROPEMI's products and clients, all indications are that the synergies that BAC anticipated through the acquisition of PROPEMI are being realized. While it is typical for there to be some reduction in numbers of clients and business volumes in the course of merging two institutions (due to operational/service disruption, staff attrition, client uneasiness and the like), in the case of BAC/PROPEMI the results continue to be very encouraging. We have seen increases in both total numbers of SME borrowers (to 2,043 from 2,026) and loans (to 3,311 from 3,297) on a consolidated basis for the quarter ending 3/31/08 from the one ending 12/31/07. This is a testament to the quality of merger execution, in which the Program has continued to play an important supporting role as noted above. We continue to see a solid commitment with BAC senior management to not only maintain, but to increase the value of the PROPEMI franchise.

It should furthermore be noted that these developments have catalyzed a re-orientation of the BAC strategy in Central America more broadly around the SME client segment. Program efforts in El Salvador were key elements in this strategic re-orientation, which was endorsed by BAC regional management as well as by General Electric Capital Corporation (GECC), which is BAC's strategic partner as well as substantial minority shareholder. Banco de America Central (BAC) recently acquired Banco Mercantil (Bamer) in Honduras. This acquisition stems from this strategic reorientation around SMEs (Bamer having a significant SME business and loan portfolio).

Our systemic events and special initiatives with the SSF and ABANSA were especially successful and well received by their intended beneficiaries. We have also experienced considerable success in getting our partners to increase the cost sharing for project technical assistance, and to commit resources of their own to building and improving their SME areas. The cost sharing report submitted with this quarterly report clearly underscores their commitment.

*Challenges.* We have been monitoring the growing financial crisis in global (mainly US) financial markets stemming from the sub-prime mortgage implosion. To the extent this crisis is likely to have international ramifications (including in El Salvador, where there already are high levels of both consumer and mortgage debt). As such, we are monitoring new developments closely. It should be noted that profitability of our bank partners is declining, while portfolio quality is eroding and past due loan levels are rising in El Salvador at present. While these trends haven't reached alarming levels to this point in time, they require continued monitoring going forward, as they could impact partner bank performance under the Program (and may already have in certain instances, such as with Banco Promerica). Still, we are confident that our partner banks will continue to see the benefits of preserving the many advances they have made through Program assistance and that the SME segment represents both an attractive business and relatively good risk quality proposition at the same time. This message was delivered during our event of March 11 and appeared to be well received by the participants from partner institutions.

We saw spillover of this global crisis mainly with Banco Cuscatlán, which was acquired by Citigroup last year. Our counterpart at this bank, Lorena Rubio was retrenched (along

with several other senior executives of this institution) late last year, due in large part to Citigroup's global difficulties stemming from the sub-prime financial crisis. Nonetheless, bank representatives recently (and repeatedly) assured us they remain committed to the SME segment and to building on the foundation laid with our Program. They plan to hire additional staff for SME business development. The following section details possible next steps that we are contemplating.

We are also concerned at recent staff re-shufflings at Banco Promerica, which has delayed the implementation of the SME pilot initiative at this bank. New staff members hired or reassigned to the SME area have been extensively briefed as to our activities by Program representatives to the end of ensuring continuation of our initiative. We suspect that loan portfolio quality problems could be partly responsible for these developments at this bank, and shall monitor this element with particular care going forward.

While our other bank partners, BAC, HSBC, and Banco Hipotecario, have experienced minor delays in the initiatives they are jointly undertaking or contemplating with the program, they continue to evolve in the right direction and to show commitment to the SME segment.

Finally, we were faced with having to replace one of our MFI candidates for regulation (AMC), due to the unexpected decision of their board to suspend the regulatory preparation process until late this year. Two replacement candidates have been identified, and activities with these institutions are now commencing.

### III. ACTIVITIES PLANNED FOR NEXT QUARTER

In the coming quarter, we expect to see SME pilot and/or wide-scale roll out campaigns launched or intensified in at least three partner banks. Planned activities with our institutional partners currently include the following:

#### A. PIR 1: Increased Access for SMEs to Credit and other Financial Services

*Building partner bank staff capacity and other activities related to SME pilot projects and broader initiatives.* With Banco de America Central (BAC), HSBC, and Banco Hipotecario, we are anticipating SME pilot project launches, SME business expansion, or fine tuning this upcoming quarter. We are currently planning if not actively working toward further capacity building with their SME client, credit and technical support staff. We are looking, among other things, to support the further development of marketing and promotional campaigns and to help certain Program partners monitor incipient pilot projects for effectiveness, recommending adjustments and refinements wherever needed.

In addition to work on pilot programs and other new SME business initiatives, the Program is planning some final area (KRA) specific interventions with certain partner institutions, including Banco Hipotecario, HSBC, and Banco Promerica in the product development, sales, and credit risk and collection areas. Specifically, Shorebank consultants Manuel Alegre and Alan Martinez will work with Banco Hipotecario in May to improve the bank's risk management systems and work flows as well as to design an improved portfolio of products for SMEs. The Program is also organizing a work study trip to Ecuador to expose HSBC executives to best practices in SME credit risk and delinquency management, and collection practices using the example of Banco de Pichincha. Consultant Gustavo Riveros will also travel to El Salvador in May to train executives in Hipotecario, HSBC, and Promerica in consultative sales strategies for SMEs. Mr. Riveros will also continue to assist HSBC in April by mentoring and training executives, risk analysts, and credit officers to enhance competencies related to SME client, sales, and product management and mentor small working groups to reinforce competencies enhanced during this training.

We have also been in discussions also with Banco Agricola with respect to their reviving collaboration with the Program. We have made a proposal geared to helping them to develop an SME risk management template adapted to the Salvadoran market for presentation to Bancolombia, their majority shareholder since last year. We provided them an Excel SME risk model this past quarter as a first step in this process.

*Systemic Support.* The Program has reached agreement on a strategy for improving regulatory norms for the SME segment with ABANSA Executive Director Carlos Caceres. The strategy will involve developing and presenting a work plan to the SSF for jointly effecting improvements to SME norms and regulations. The plan stems from consultant Fabio Villalba's recommendations for intensified dialogue among the SSF, ABANSA and member banks with the goal of improving the current regulatory framework for SMEs which was agreed to by SSF Superintendent Luis Armando Montenegro (see section A.4 above). The proposed work plan will largely revolve around Mr. Villalba's recommendations as detailed in his final report. ABANSA and the SSF

have both expressed interest in contracting Mr. Villalba directly (separately and/or jointly) to guide this process as it moves forward, in light of their agreement and strong satisfaction with his observations, key conclusions, and proposed road map for effecting desired changes. We plan to have the proposed work plan completed and presented to the SSF by the end of the next quarter.

Program multi-media consultants Jordan Gantz and Miles Sedgwick will be traveling to El Salvador the week of April 14 to commence the production of a video to be entitled “Coming Full Circle: USAID’s Impact on the Salvadoran Financial Sector.” This video will focus on USAID’s efforts toward financial sector development over the last two decades in El Salvador, and will cover, among other things, the creation of PROPEMI in 1986, the CRECER and FOMIR programs, as well as our current SME finance Program and the acquisition of PROPEMI by BAC, which the Program helped catalyze. The video will show how USAID contributed to both financial sector and individual micro and small enterprise development over the course of the past twenty years, by way of strategic, long term interventions. The video is intended for a global as well as local target audience, and will stress the human as well as economic impacts of USAID programs and investments in financial sector development.

## **B. PIR 2: Two NBFIs Newly Regulated**

*Apoyo Integral.* Technical assistance is now substantially complete and we are awaiting final approval for regulated status from the SSF for this partner.

*Fedecredito.* Following the withdrawal of AMC (see section II B above), Program partner Fedecredito has formally proposed that two of their members, the Caja de Credito de Soyapango and the Caja de Credito de Sonsonate, be considered for Program assistance geared to helping them achieve regulated/deposit taking status from the SSF. A preliminary diagnostic is being conducted to ascertain the type of technical assistance they would require to secure approval for such status. We anticipate this being concluded and technical assistance commencing next quarter. We are aiming for the cajas to achieve regulated status by year end.

## V. PERFORMANCE MONITORING

To continue with the initiative to demonstrate to the Program's partner banks the importance of the accuracy and punctuality of the data set that they – monthly or quarterly – provide to this office, finance specialist Alfredo Otero and M&E specialists Rutilio García and Silvia López, made individual presentations of Program results to Banco Promérica and Banco Hipotecario on April 3<sup>rd</sup> and April 10<sup>th</sup>, respectively. The Banks' Presidents as well as current Program counterparts attended these presentations in each institution. One of the main purposes of the presentations was to share each individual bank's progress relative to other Program partner banks (taking care to respect the confidentiality of the information presented and compared). The presentations included results information from September 2006 to December 2007 to provide a good picture of the change in the institutions during that period of time with respect to other banks. The objective of sharing this information was to motivate and/or accelerate the banks to continue advancing with planned Technical Assistance activities.

Topics like compliance with deadlines for data submission, minimum information necessary to process data properly, and accuracy of information, were also raised during the presentations. In both cases, attendees from the banks showed a high level of willingness to improve both the quality of information and the timeliness of submission of data, as well as an open attitude to reflect on data that surprised them during the presentations (i.e. delinquency rates, interest rates, loan terms). The banks also showed a good disposition to continue working with this Program and asked to have this kind of information updated on as regular a basis as possible. The monitoring and evaluation team and finance specialists, will continue to make similar presentations to those made to Promérica and Hipotecario this quarter in order to emphasize the importance of submission of timely and accurate data sets not just for the Program, but for the banks themselves.

### A. Quality of Data

It is good to mention that quality of data as much as timeliness of submission has been improved during the past quarter's data processing. However, the following issues did arise:

1. Banco Cuscatlán did not submit its data set for the past quarter January-March 2008 even it was sent a message to ask their database. The information presented remains what it was for the quarter July-September 2007, being the last data available for the Program; adjustments will be made as soon as data set is received.
2. Information was not requested of Banco Agrícola, because at the request of the bank, the Program has not provided any direct technical assistance to this institution since June 2007. The information presented corresponds to the close of the quarter April-June 2007.
3. The rest of our bank partners (Banco de América Central, Banco Hipotecario, Banco HSBC, and Banco Promérica) submitted their data sets on time. Most of them submitted the information as requested.
4. Banco HSBC is still incapable of segregating data by gender. Also, some inconsistencies arose in the bank's data especially in those fields which show

interest rates and loan terms. The data set had to be requested once again to clarify the issues. Information on DCA indicators for the past Quarter is included in tables below.

5. FEDECREDITO also submitted its data set on time but in the “gender” field, there were 154 records with invalid information. By segregating by gender the rest of the records from the total database, the missing information was calculated and completed. The database provided by FEDECREDITO included Banco Izalqueño, BancoFit, and Banco de los Trabajadores Salvadoreños (BANTSOY).

## B. Clarification of Indicators

The table on page 23 provides consolidated information for each of the 17 program indicators as well as key information like baselines, targets for Fiscal Years, increases/decreases during the quarter, and cumulative totals.

As of March 2008 the number of active **New SME Borrowers** reached **3,522**, which is equivalent to **78.27** percent of the total target set for FY 2008. All of the Program’s partner banks which reported data have increased their borrower numbers, although only slightly in many cases. The main reason for this behavior is that historical patterns indicate this quarter to be the slowest seasonal period of the year. With HSBC and BAC piloting and more widely rolling out SME services next quarter, we expect to see more significant increases in future quarters.

**New SME Loans** reached **7,496** which represent **103.46** percent of the target set for FY 2008. Similar to New SME Borrowers, partner banks have increased the numbers of loans granted, although less aggressively than hoped. The average new loan amount stayed roughly the same at \$22,700.

In monetary terms the Indicator **Total Value of Active New Loans** reached **95.28** percent of the targeted goal for FY 2008, at over **\$168 million** in new loans directed exclusively to SMEs.

The Indicator **QI.1, Functional and Sustainable Capacity in FIs Created and Consolidated**, shows for the past quarter that **4 institutions** have the necessary methodology and infrastructure to properly serve SMEs. These four institutions include: Banco HSBC, Banco Hipotecario, Banco de America Central and Banco Promerica.

Indicator **QI.2, Number of Dedicated SME Areas Functional** ended the past quarter with **4** institutions with functioning SME areas with dedicated staff. These institutions are: Banco Hipotecario, Banco HSBC, Banco Promerica and Banco de America Central. Banco Cuscatlan had a dedicated SME area, but it is currently in flux as a result of restructuring and staffing changes.

Indicator **QI3, Number of SME Credit Risk Management Systems Operational** shows that **5** institutions have implemented appropriate systems to handle SME credit risk. The systems are focused on SME Clients and were developed with Program assistance.

**90 Day Delinquency Rate** Indicator as of March 2008 resulted in a general average of **2.42** percent rising above the 2 percent target set for the life of this Program. This delinquency rate continues to show an increase in most of our partner institutions. This is somewhat common in institutions entering new markets as they adjust to new risk scenarios. We also believe this may be due to slowing economic growth which has created more difficult repayment situations for a large number of SMEs. While we are still in discussions with individual institutions as to the reasons behind increases in their particular delinquency rates, there is a general consensus in the market that current economic conditions, in particular a slackening of consumer purchasing, is impacting local SMEs performance and condition.

Indicator “**Number of People Trained**” ended with **232** for the Quarter January-March 2008 which means that to this time the Program has reached the **162.50** percent of its target goal for FY 08. The Program has also reached and exceeded its total goal set for the life of the Program by **8.33** percent. Trainings were presented in FEDECREDITO, HSBC, Apoyo Integral, and the SSF this quarter. The Program also organized an event entitled: “The Economic and Financial Climate and Salvadoran SMEs: Challenges and Opportunities.” More than 100 attendees participated in the event. This was an important event because it addressed possible negative effects of the recession in the United States and global financial volatility and raised awareness about the critical importance of supporting the SME segment in El Salvador. Four prominent local and international speakers made presentations.

Indicator **PS1. Number of appropriate SME Products Developed/Improved and Piloted**, ended with **36** new products exclusively directed to SMEs Clients. These products were selected or developed based on assessments by Program consultants of SME Client financial needs. They were created or adjusted in such way as to enable SME clients to have access to a range of financing alternatives, based on their individual requirements and circumstances. The banks with these products include: Banco de America Central, Banco Cuscatlan, Banco Hipotecario, Banco Promerica and Banco HSBC.

The number of **New Micro Borrowers** reached **13,895** representing **198.50** percent of the FY 08 target. **New Micro Loans** reached **13,881** representing **158.64** percent of the FY 08 target. Both institutions saw an increase. The number of **Loans Less of or Equal to \$400**, representing those loans made to the very poor, was **4,278** which is **174.61** percent of the FY 08 target.

## ANNEX A. QUARTERLY INDICATORS TABLES

USAID Code	Indicator	Description	Baseline values (Jun 06)	Target				RESULTS			Percent FY2008 Target Reached	Percent contract target reached (Feb 09)
				FY 2006	FY 2007	FY 2008	LOP FY 2009 (Feb 09)	As of Dec07	This Quarter	Cumulative total as of Mar08		
<b>PIR 1: Functional &amp; Sustainable SME Lending Capacity Developed in Fis &amp; SME Access to Credit and other Financial Services Increased</b>												
	OI.1	Increase in sales of SME clients		Increase over time								
	OI.2	Increase in number of employees of SME clients		Increase over time								
IR 3.3a	OI.3	Number active new SME borrowers	10,939	438	2,500	4,500	6,900	3,476	46	3,522	78.27%	51.04%
IR 3.3b	OI.4	Number active new SME loans	16,612	1,750	4,025	7,245	11,100	6,555	941	7,496	103.46%	67.53%
IR 3.3c	OI.5	Value active new SME loans (000)		\$ 48,993	\$ 97,980	\$ 176,370	\$ 211,645	\$ 149,011	\$ 19,029	\$ 168,040	95.28%	79.40%
IR 3.3e	T.1	Number people trained	-	200	600	1,000	1,500	1,393	232	1,625	162.50%	108.33%
<b>KRA 1.1. Dedicated SME Area Functional</b>												
	QI.1	Functional and sustainable capacity in FIs created or consolidated		0	3	4	5	3	1	4	100.00%	80.00%
	QI.2	Number of dedicated SME areas functional		0	3	4	5	3	1	4	100.00%	80.00%
<b>KRA 1.2 Appropriate SME Risk Management System Functional</b>												
	QI.3	Number SME credit risk management systems operational		0	3	4	5	5	0	5	125.00%	100.00%
IR 3.3d	RE.1	Delinquency rate of regulated FIs (PaR 90)	1.94%	<2%	<2%	<2%	<2%	2.27%	0.15%	2.42%		
<b>KRA 1.3 Appropriate SME Products Developed/Improved and Successfully launched</b>												
	PS.1	Number appropriate SME products developed/improved and piloted		0	3	9	12	28	8	36	400.00%	300.00%
<b>PIR 2: Two NBFIs Newly Regulated</b>												
IR 3.3f	OI.9a	Number active new micro borrowers	19,779	3,000	5,000	7,000		12,996	899	13,895	198.50%	
IR 3.3g	OI.9	Number active new micro loans	26,144	3,500	6,000	8,750		13,064	817	13,881	158.64%	
	OI.10	Number active micro loans < \$400	9,065	1,050	1,750	2,450		4,681	(403)	4,278	174.61%	
	RE.6	NBFI operational self-sufficiency		>100%	>100%	>100%		115.08%	-1.28%	113.80%		
	RE.7	NBFI financial self-sufficiency		>100%	>100%	>100%		111.03%	0.15%	111.18%		
	QI.4	Number of partner NBFIs regulated		0	0	2		0	0.00	0	0.00%	
<b>Development Credit Authority (DCA) Loan Monitoring</b>												
	DCA 1.	Utilization Rate		15.70%				35.10%	7.50%	42.60%		
	DCA 2.	Number of new loans placed under the guarantee						2	11	13		
	DCA 3.	Value of new loans placed under the guarantee						\$ 85,000	\$ 288,214	\$ 373,214		
	DCA 4.	Cumulative number of loans placed under the guarantee		14				71	13	84		
	DCA 5.	Cumulative value of loans placed under the guarantee		\$ 348,400				\$ 2,806,475	\$ 599,314	\$ 3,405,789		
	DCA 6.	Average number of SME employees		98								
	DCA 7.	Amount of sales of SMEs enjoying DCA facility benefits		\$ 98,310								

OI.3	Baseline Total (Jun 06)	December 2007					March 2008					Change of the Quarter				
		Total	M	%	F	%	Total	M	%	F	%	Total	M	%	F	%
Number of Active SME Borrowers																
Banco Cuscatlán *	936	910	709	77.91%	201	22.09%	910	709	77.91%	201	22.09%	0	0	#DIV/0!	0	#DIV/0!
Banco Agrícola **	3,315	3,715	2,396	64.50%	1,319	35.50%	3,715	2,396	64.50%	1,319	35.50%	0	0	#DIV/0!	0	#DIV/0!
Banco de America Central ***	252	2,026	1,545	76.26%	481	23.74%	2,043	1,548	75.77%	495	24.23%	17	3	17.65%	14	82.35%
Banco Hipotecario	1,725	2,477	1,966	79.37%	511	20.63%	2,445	1,968	80.49%	477	19.51%	(32)	2	-6.25%	(34)	106.25%
Banco HSBC Salvadoreño	2,310	2,847	2,321	81.52%	526	18.48%	2,965	2,401	80.98%	564	19.02%	118	80	67.80%	38	32.20%
Banco Promerica	578	404	281	69.55%	123	30.45%	272	200	73.53%	72	26.47%	(132)	(81)	61.36%	(51)	38.64%
FEDECREDITO	1,614	2,036	737	36.20%	1,299	63.80%	2,111	778	36.85%	1,333	63.15%	75	41	54.67%	34	45.33%
<b>SUB - TOTAL SME</b>	<b>10,730</b>	<b>14,415</b>	<b>9,955</b>	<b>69.06%</b>	<b>4,460</b>	<b>30.94%</b>	<b>14,461</b>	<b>10,000</b>	<b>69.15%</b>	<b>4,461</b>	<b>30.85%</b>	<b>46</b>	<b>45</b>	<b>97.83%</b>	<b>1</b>	<b>2.17%</b>
AMC, de R.L.	108	232	154	66.38%	78	33.62%	308	188	61.04%	120	38.96%	76	34	44.74%	42	55.26%
Apoyo Integral	101	340	211	62.06%	129	37.94%	353	239	67.71%	114	32.29%	13	28	215.38%	(15)	-115.38%
<b>SUB - TOTAL Micro Loans</b>	<b>209</b>	<b>572</b>	<b>365</b>	<b>63.81%</b>	<b>207</b>	<b>36.19%</b>	<b>661</b>	<b>427</b>	<b>64.60%</b>	<b>234</b>	<b>35.40%</b>	<b>89</b>	<b>62</b>	<b>69.66%</b>	<b>27</b>	<b>30.34%</b>
<b>TOTAL</b>	<b>10,939</b>	<b>14,987</b>	<b>10,320</b>	<b>68.86%</b>	<b>4,667</b>	<b>31.14%</b>	<b>15,122</b>	<b>10,427</b>	<b>68.95%</b>	<b>4,695</b>	<b>31.05%</b>	<b>135</b>	<b>107</b>	<b>79.26%</b>	<b>28</b>	<b>20.74%</b>

OI.4	Baseline Total (Jun 06)	December 2007					March 2008					Change of the Quarter				
		Total	M	%	F	%	Total	M	%	F	%	Total	M	%	F	%
Number of Active SME Loans																
Banco Cuscatlán *	1,645	1,711	1,340	78.32%	371	21.68%	1,711	1,340	78.32%	371	21.68%	0	0	#DIV/0!	0	#DIV/0!
Banco Agrícola **	4,894	5,427	3,558	65.56%	1,869	34.44%	5,427	3,558	65.56%	1,869	34.44%	0	0	#DIV/0!	0	#DIV/0!
Banco de America Central ***	344	3,297	2,599	78.83%	698	21.17%	3,311	2,581	77.95%	730	22.05%	14	(18)	-128.57%	32	228.57%
Banco Hipotecario	2,866	4,270	3,499	81.94%	771	18.06%	4,333	3,558	82.11%	775	17.89%	63	59	93.65%	4	6.35%
Banco HSBC Salvadoreño	3,908	5,529	4,575	82.75%	954	17.25%	6,261	5,083	81.19%	1,178	18.81%	732	508	69.40%	224	30.60%
Banco Promerica	889	588	451	76.70%	137	23.30%	630	439	69.68%	191	30.32%	42	(12)	-28.57%	54	128.57%
FEDECREDITO	1,856	2,345	859	36.63%	1,486	63.37%	2,435	916	37.62%	1,519	62.38%	90	57	63.33%	33	36.67%
<b>SUB - TOTAL SME</b>	<b>16,402</b>	<b>23,167</b>	<b>16,881</b>	<b>72.87%</b>	<b>6,286</b>	<b>27.13%</b>	<b>24,108</b>	<b>17,475</b>	<b>72.49%</b>	<b>6,633</b>	<b>27.51%</b>	<b>941</b>	<b>594</b>	<b>63.12%</b>	<b>347</b>	<b>36.88%</b>
AMC, de R.L.	108	304	188	61.84%	116	38.16%	331	207	62.54%	124	37.46%	27	19	70.37%	8	29.63%
Apoyo Integral	102	350	218	62.29%	132	37.71%	376	234	62.23%	142	37.77%	26	16	61.54%	10	38.46%
<b>SUB - TOTAL Micro Loans</b>	<b>210</b>	<b>654</b>	<b>406</b>	<b>62.08%</b>	<b>248</b>	<b>37.92%</b>	<b>707</b>	<b>441</b>	<b>62.38%</b>	<b>266</b>	<b>37.62%</b>	<b>53</b>	<b>35</b>	<b>66.04%</b>	<b>18</b>	<b>33.96%</b>
<b>TOTAL</b>	<b>16,612</b>	<b>23,821</b>	<b>17,287</b>	<b>72.57%</b>	<b>6,534</b>	<b>27.43%</b>	<b>24,815</b>	<b>17,916</b>	<b>72.20%</b>	<b>6,899</b>	<b>27.80%</b>	<b>994</b>	<b>629</b>	<b>63.28%</b>	<b>365</b>	<b>36.72%</b>

OI.9	Baseline Total (Jun 06)	December 2007					March 2008					Change of the Quarter				
		Total	M	%	F	%	Total	M	%	F	%	Total	M	%	F	%
Number of Active Micro Loans																
AMC, de R.L.	10,062	13,051	4,755	36.43%	8,296	63.57%	13,341	4,859	36.42%	8,482	63.58%	290	104	35.86%	186	64.14%
Apoyo Integral	16,082	26,157	6,578	25.15%	19,579	74.85%	26,684	6,815	25.54%	19,869	74.46%	527	237	44.97%	290	55.03%
<b>TOTAL</b>	<b>26,144</b>	<b>39,208</b>	<b>11,333</b>	<b>28.90%</b>	<b>27,875</b>	<b>71.10%</b>	<b>40,025</b>	<b>11,674</b>	<b>29.17%</b>	<b>28,351</b>	<b>70.83%</b>	<b>817</b>	<b>341</b>	<b>41.74%</b>	<b>476</b>	<b>58.26%</b>

OI.9a	Baseline Total (Jun 06)	December 2007					March 2008					Change of the Quarter				
		Total	M	%	F	%	Total	M	%	F	%	Total	M	%	F	%
Number of Active Micro Borrowers																
AMC, de R.L.	8,525	11,507	4,254	36.97%	7,253	63.03%	11,846	4,366	36.86%	7,480	63.14%	339	112	33.04%	227	66.96%
Apoyo Integral	11,254	21,268	5,546	26.08%	15,722	73.92%	21,828	5,787	26.51%	16,041	73.49%	560	241	43.04%	319	56.96%
<b>TOTAL</b>	<b>19,779</b>	<b>32,775</b>	<b>9,800</b>	<b>29.90%</b>	<b>22,975</b>	<b>70.10%</b>	<b>33,674</b>	<b>10,153</b>	<b>30.15%</b>	<b>23,521</b>	<b>69.85%</b>	<b>899</b>	<b>353</b>	<b>39.27%</b>	<b>546</b>	<b>60.73%</b>

OI.10	Baseline Total (Jun 06)	December 2007					March 2008					Change of the Quarter				
		Total	M	%	F	%	Total	M	%	F	%	Total	M	%	F	%
Number of Active Micro Loans <= \$ 400.00																
AMC, de R.L.	3,460	4,636	1,483	31.99%	3,153	68.01%	4,489	1,393	31.03%	3,096	68.97%	(147)	(90)	61.22%	(57)	38.78%
Apoyo Integral	5,605	9,110	1,630	17.89%	7,480	82.11%	8,854	1,560	17.62%	7,294	82.38%	(256)	(70)	27.34%	(186)	72.66%
<b>TOTAL</b>	<b>9,065</b>	<b>13,746</b>	<b>3,113</b>	<b>22.65%</b>	<b>10,633</b>	<b>77.35%</b>	<b>13,343</b>	<b>2,953</b>	<b>22.13%</b>	<b>10,390</b>	<b>77.87%</b>	<b>(403)</b>	<b>(160)</b>	<b>39.70%</b>	<b>(243)</b>	<b>60.30%</b>

\* Information as of September 2007.

\*\*Information as of June 2007.

\*\*\*Information includes PROPEMI portfolio.

**Indicator OI.4 Number of Borrowers disaggregated by Gender and Enterprise size  
As of March 31, 2008**

<b>Banco Cuscatlán *</b>	Male	709	77.91%	Small	Male	138	70.77%
					Female	57	29.23%
					<b>Total Small</b>	<b>195</b>	<b>100.00%</b>
	Female	201	22.09%	Medium	Male	571	79.86%
Female					144	20.14%	
<b>Total Medium</b>					<b>715</b>	<b>100.00%</b>	
<b>Totals</b>	<b>910</b>	<b>100.00%</b>			<b>910</b>		
<b>Banco Agrícola **</b>	Male	2,396	64.50%	Small	Male	1,563	61.46%
					Female	980	38.54%
					<b>Total Small</b>	<b>2,543</b>	<b>100.00%</b>
	Female	1,319	35.50%	Medium	Male	833	71.08%
Female					339	28.92%	
<b>Total Medium</b>					<b>1,172</b>	<b>100.00%</b>	
<b>Totals</b>	<b>3,715</b>	<b>100.00%</b>			<b>3,715</b>		
<b>Banco de America Central ***</b>	Male	1,548	75.77%	Small	Male	1,456	75.21%
					Female	480	24.79%
					<b>Total Small</b>	<b>1,936</b>	<b>100.00%</b>
	Female	495	24.23%	Medium	Male	92	85.98%
Female					15	14.02%	
<b>Total Medium</b>					<b>107</b>	<b>100.00%</b>	
<b>Totals</b>	<b>2,043</b>	<b>100.00%</b>			<b>2,043</b>		
<b>Banco Hipotecario</b>	Male	1,968	80.49%	Small	Male	1,740	79.96%
					Female	436	20.04%
					<b>Total Small</b>	<b>2,176</b>	<b>100.00%</b>
	Female	477	19.51%	Medium	Male	228	84.76%
Female					41	15.24%	
<b>Total Medium</b>					<b>269</b>	<b>100.00%</b>	
<b>Totals</b>	<b>2,445</b>	<b>100.00%</b>			<b>2,445</b>		
<b>Banco HSBC Salvadoreño</b>	Male	2,401	80.98%	Small	Male	1,518	79.60%
					Female	389	20.40%
					<b>Total Small</b>	<b>1,907</b>	<b>100.00%</b>
	Female	564	19.02%	Medium	Male	883	83.46%
Female					175	16.54%	
<b>Total Medium</b>					<b>1,058</b>	<b>100.00%</b>	
<b>Totals</b>	<b>2,965</b>	<b>100.00%</b>			<b>2,965</b>		
<b>Banco Promerica</b>	Male	200	73.53%	Small	Male	95	81.20%
					Female	22	18.80%
					<b>Total Small</b>	<b>117</b>	<b>100.00%</b>
	Female	72	26.47%	Medium	Male	105	67.74%
Female					50	32.26%	
<b>Total Medium</b>					<b>155</b>	<b>100.00%</b>	
<b>Totals</b>	<b>272</b>	<b>100.00%</b>			<b>272</b>		
<b>FEDECREDITO</b>	Male	778	36.85%	Small	Male	778	36.85%
					Female	1,333	63.15%
					<b>Total Small</b>	<b>2,111</b>	<b>100.00%</b>
	Female	1,333	63.15%	Medium	Male	-	0.00%
Female					-	0.00%	
<b>Total Medium</b>					<b>-</b>	<b>0.00%</b>	
<b>Totals</b>	<b>2,111</b>	<b>100.00%</b>			<b>2,111</b>		
<b>TOTALS</b>	Male	10,000	69.15%	Small	Male	7,288	66.35%
					Female	3,697	33.65%
					<b>Total Small</b>	<b>10,985</b>	<b>100.00%</b>
	Female	4,461	30.85%	Medium	Male	2,712	78.02%
Female					764	21.98%	
<b>Total Medium</b>					<b>3,476</b>	<b>100.00%</b>	
<b>Totals</b>	<b>14,461</b>	<b>100.00%</b>			<b>14,461</b>		

<b>Baseline numbers of SME Borrowers</b>	<b>10,939</b>
<b>Number of New SME Borrowers</b>	<b>3,522</b>

\* Information as of September 2007.

\*\*Information as of June 2007.

\*\*\*Information includes PROPEMI portfolio.

**Indicator OI.4 Number of Loans disaggregated by Gender and Enterprise size  
As of March 31, 2008**

<b>Banco Cuscatlán *</b>	Male	1,340	78.32%	Small	Male	193	69.68%
					Female	84	30.32%
					<b>Total Small</b>	<b>277</b>	<b>100.00%</b>
	Female	371	21.68%	Medium	Male	1,147	79.99%
Female					287	20.01%	
<b>Total Medium</b>					<b>1,434</b>	<b>100.00%</b>	
<b>Totals</b>	<b>1,711</b>	<b>100.00%</b>			<b>1,711</b>		
<b>Banco Agrícola **</b>	Male	3,558	65.56%	Small	Male	1,962	61.99%
					Female	1,203	38.01%
					<b>Total Small</b>	<b>3,165</b>	<b>100.00%</b>
	Female	1,869	34.44%	Medium	Male	1,596	70.56%
Female					666	29.44%	
<b>Total Medium</b>					<b>2,262</b>	<b>100.00%</b>	
<b>Totals</b>	<b>5,427</b>	<b>100.00%</b>			<b>5,427</b>		
<b>Banco de America Central ***</b>	Male	2,581	77.95%	Small	Male	2,346	76.84%
					Female	707	23.16%
					<b>Total Small</b>	<b>3,053</b>	<b>100.00%</b>
	Female	730	22.05%	Medium	Male	235	91.09%
Female					23	8.91%	
<b>Total Medium</b>					<b>258</b>	<b>100.00%</b>	
<b>Totals</b>	<b>3,311</b>	<b>100.00%</b>			<b>3,311</b>		
<b>Banco Hipotecario</b>	Male	3,558	82.11%	Small	Male	2,761	80.71%
					Female	660	19.29%
					<b>Total Small</b>	<b>3,421</b>	<b>100.00%</b>
	Female	775	17.89%	Medium	Male	797	87.39%
Female					115	12.61%	
<b>Total Medium</b>					<b>912</b>	<b>100.00%</b>	
<b>Totals</b>	<b>4,333</b>	<b>100.00%</b>			<b>4,333</b>		
<b>Banco HSBC Salvadoreño</b>	Male	5,083	81.19%	Small	Male	2,534	78.57%
					Female	691	21.43%
					<b>Total Small</b>	<b>3,225</b>	<b>100.00%</b>
	Female	1,178	18.81%	Medium	Male	2,549	83.96%
Female					487	16.04%	
<b>Total Medium</b>					<b>3,036</b>	<b>100.00%</b>	
<b>Totals</b>	<b>6,261</b>	<b>100.00%</b>			<b>6,261</b>		
<b>Banco Promerica</b>	Male	439	69.68%	Small	Male	262	72.78%
					Female	98	27.22%
					<b>Total Small</b>	<b>360</b>	<b>100.00%</b>
	Female	191	30.32%	Medium	Male	177	65.56%
Female					93	34.44%	
<b>Total Medium</b>					<b>270</b>	<b>100.00%</b>	
<b>Totals</b>	<b>630</b>	<b>100.00%</b>			<b>630</b>		
<b>FEDECREDITO</b>	Male	916	37.62%	Small	Male	916	37.62%
					Female	1,519	62.38%
					<b>Total Small</b>	<b>2,435</b>	<b>100.00%</b>
	Female	1,519	62.38%	Medium	Male	-	0.00%
Female					-	0.00%	
<b>Total Medium</b>					<b>-</b>	<b>0.00%</b>	
<b>Totals</b>	<b>2,435</b>	<b>100.00%</b>			<b>2,435</b>		
<b>TOTALS</b>	Male	17,475	72.49%	Small	Male	10,974	68.86%
					Female	4,962	31.14%
					<b>Total Small</b>	<b>15,936</b>	<b>100.00%</b>
	Female	6,633	27.51%	Medium	Male	6,501	79.55%
Female					1,671	20.45%	
<b>Total Medium</b>					<b>8,172</b>	<b>100.00%</b>	
<b>Totals</b>	<b>24,108</b>	<b>100.00%</b>			<b>24,108</b>		

<b>Baseline numbers of SME loans</b>	<b>16,612</b>
<b>Number of New SME Loans</b>	<b>7,496</b>

\* Information as of September 2007.

\*\*Information as of June 2007.

\*\*\*Information includes PROPEMI portfolio.

**Indicator OI.5 Total value of active new loans to SMEs  
As of March 31, 2008**

<b>Finance Institution (FIs)</b>	<b>SME Portfolio</b>	<b>%</b>
Banco Cuscatlán *	\$ 146,728	16.25%
Banco Agrícola **	\$ 254,500	28.19%
Banco de America Central ***	\$ 85,618	9.48%
Banco Hipotecario	\$ 170,615	18.90%
Banco HSBC Salvadoreño	\$ 193,559	21.44%
Banco Promerica	\$ 33,561	3.72%
FEDECREDITO	\$ 18,336	2.03%
<b>Total</b>	<b>\$ 902,917</b>	<b>100.00%</b>
Baseline Value	\$ 734,877	
Total Value of New Loans	\$ 168,040	

\* Information as of September 2007.

\*\*Information as of June 2007.

\*\*\*Information includes PROPEMI portfolio.

**Indicator RE.4 Delinquency rate of USAID-assited regulated  
Financial Institutions (FIs) - 90 days  
As of March 31, 2008**

<b>Finance Institution (FIs)</b>	<b>Actual as of Dec 07</b>	<b>Change of the Quarter</b>	<b>Actual as of Mar 08</b>
Banco Cuscatlán	2.17%	N / A	N / A
Banco Agrícola	N / A	N / A	N / A
Banco de América Central *	3.04%	-0.67%	2.37%
Banco Hipotecario	1.42%	0.06%	1.48%
Banco HSBC Salvadoreño	2.38%	0.83%	3.21%
Banco Promérica	5.10%	-1.83%	3.27%
FEDECRÉDITO	1.21%	0.14%	1.35%
Delinquency General	2.27%	0.15%	2.42%

\*Information includes PROPEMI portfolio.

<b>Event: Training on SME Product Development - Workers' Banks and FEDECREDITO Personnel</b>			
Date: January 22-23, 2008	Male	Female	Total
Training Center at FEDECREDITO	16	13	29
Totals	16	13	29
	55%	45%	

<b>Event: Coaching Program for HSBC Bank - Commercial Banking Executives and Risk Analysts</b>			
Date: February 11-15, 2008	Male	Female	Total
6 Branches of HSBC selected	4	10	14
Totals	4	10	14
	29%	71%	

<b>Event: Workshop on Basil II Accord Principles - MFI High Level Executives of Apoyo Integral</b>			
Date: February 26, 2008	Male	Female	Total
Apoyo Integral	17	5	22
Totals	17	5	22
	77%	23%	

<b>Event: Training on Risk Management and on Organizational Structure of Colombia's Superintendent of the Financial System - SSF's Supervision Area Personnel</b>			
Date: March 10, 2008	Male	Female	Total
SSF	25	15	40
Totals	25	15	40
	63%	38%	

<b>Event: "The Economic and Financial Climate and Salvadoran SME's: Challenges and Opportunities" - Program's Associated Institutions and other invitees</b>			
Date: March 11, 2008	Male	Female	Total
Presidente I Hall, Sheraton Presidente Hotel	53	51	104
Totals	53	51	104
	51%	49%	

<b>Event: Training on "Norma NPNB 4-02" - Apoyo Integral's Auditing, Risks and IT Areas Personnel</b>			
Date: March 15, 2008	Male	Female	Total
Apoyo Integral	6	0	6
Totals	6	0	6
	100%	0%	

<b>Event: Training on "Norma NCB-22" - Apoyo Integral's Several Areas Personnel</b>			
Date: March 17, 2008	Male	Female	Total
Apoyo Integral	8	4	12
Totals	8	4	12
	67%	33%	

<b>Event: Training on "Norma NPNB 4-04" - Apoyo Integral's Auditing, Risks and IT Areas Personnel</b>			
Date: March 18, 2008	Male	Female	Total
Apoyo Integral	5	0	5
Totals	5	0	5
	100%	0%	

<b>People trained for quarter Jan-Mar 2008</b>			
	Male	Female	Total
	134	98	232
	58%	42%	
Number of events	8		

<b>Cummulative People trained (February 2006 - March 2008)</b>			
	Male	Female	Total
	837	788	1625
	52%	48%	
Number of events	43		

**Indicator OI.9a Number of Active New Micro Borrowers of USAID-assisted microfinance institutions (MFIs)  
As of March 31, 2008**

<b>Microfinance Institution (MFIs)</b>	<b>Gender</b>	<b>Quantity</b>	<b>%</b>
Micro Borrowers			
AMC, de R.L.	Male	4,366	36.86%
	Female	7,480	63.14%
	<b>Total</b>	<b>11,846</b>	<b>100.00%</b>
Micro Borrowers			
Apoyo Integral	Male	5,787	26.51%
	Female	16,041	73.49%
	<b>Total</b>	<b>21,828</b>	<b>100.00%</b>
Micro Borrowers			
TOTALS	Male	10,153	30.15%
	Female	23,521	69.85%
	<b>Total</b>	<b>33,674</b>	<b>100.00%</b>
<b>Baseline Value</b>		19,779	
<b>Number of New Micro Borrowers</b>		13,895	

**Indicator OI.9 Number of Active New Micro Loans of USAID-assisted microfinance institutions (MFIs)  
As of March 31, 2008**

<b>Microfinance Institution (MFIs)</b>	<b>Gender</b>	<b>Quantity</b>	<b>%</b>
Micro Credits			
AMC, de R.L.	Male	4,859	36.42%
	Female	8,482	63.58%
	<b>Total</b>	<b>13,341</b>	<b>100.00%</b>
Micro Credits			
Apoyo Integral	Male	6,815	25.54%
	Female	19,869	74.46%
	<b>Total</b>	<b>26,684</b>	<b>100.00%</b>
Micro Credits			
TOTALS	Male	11,674	29.17%
	Female	28,351	70.83%
	<b>Total</b>	<b>40,025</b>	<b>100.00%</b>
<b>Baseline Value</b>		26,144	
<b>Number of New Micro Loans</b>		13,881	

**Indicator OI.10 Number of active Micro Loans <= \$ 400.00**  
As of March 31, 2008

<b>Microfinance Institution (MFIs)</b>	<b>Gender</b>	<b>Quantity</b>	<b>%</b>
AMC , de R.L.	Micro Loans <= \$ 400.00		
	Male	1,393	31.03%
	Female	3,096	68.97%
	<b>Total</b>	<b>4,489</b>	<b>100.00%</b>
Apoyo Integral	Micro Loans <= \$ 400.00		
	Male	1,560	17.62%
	Female	7,294	82.38%
	<b>Total</b>	<b>8,854</b>	<b>100.00%</b>
TOTAL	Micro Loans <= \$ 400.00		
	Male	2,953	22.13%
	Female	10,390	77.87%
	<b>Total</b>	<b>13,343</b>	<b>100.00%</b>
<b>Number of Baseline</b>		9,065	
<b>New Micro Loans</b>		4,278	

**MFIs Financial Indicators**  
As of March 31, 2008

AMC , de R.L.	Operational Efficiency	112.05%
	Financial Self-Sufficiency	108.14%
Apoyo Integral	Operational Efficiency	115.55%
	Financial Self-Sufficiency	114.22%

**Additional Loans Information**  
As of March 31, 2008

Institution	Size	Average amount disbursed	Average Interest rate	Average loan term in months
Banco Cuscatlán *	Small	\$ 58,322.44	9.41%	66
Banco Agrícola **	Small	\$ 28,064.60	10.68%	105
Banco de America Central ***	Small	\$ 27,952.40	12.12%	45
Banco Hipotecario	Small	\$ 33,455.09	9.01%	55
Banco HSBC Salvadoreño	Small	\$ 14,394.47	13.96%	59
Banco Promerica	Small	\$ 32,419.16	12.34%	50
FEDECREDITO	Small	\$ 9,110.10	23.12%	32
AMC, de R.L.****	Small	\$ 13,037.91	17.89%	53
Apoyo Integral ****	Small	\$ 18,570.28	17.30%	66
<b>Average</b>		\$ 23,812.16	13.37%	60

Institution	Size	Average amount disbursed	Average Interest rate	Average loan term in months
Banco Cuscatlán *	Medium	\$ 127,541.47	8.65%	59
Banco Agrícola **	Medium	\$ 104,940.50	9.02%	83
Banco de America Central ***	Medium	\$ 46,051.25	9.19%	24
Banco Hipotecario	Medium	\$ 133,690.97	8.72%	35
Banco HSBC Salvadoreño	Medium	\$ 68,970.25	10.75%	47
Banco Promerica	Medium	\$ 129,575.24	10.97%	51
FEDECREDITO	Medium	N / A	N / A	N / A
AMC, de R.L.****	Medium	N / A	N / A	N / A
Apoyo Integral ****	Medium	N / A	N / A	N / A
<b>Average</b>		\$ 97,706.35	9.64%	57

<b>Average Total</b>	\$	48,139.91	12.14%	59
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\* Information as of September 2007.

\*\*Information as of June 2007.

\*\*\*Information includes PROPEMI portfolio.

\*\*\*\*MFIs only includes SME portfolio.

<b>Indicators DCA As of March 31, 2008</b>	
Utilization Rate	42.60%
Number of new loans placed under the guarantee	13
Amount of new loans placed under the guarantee	\$ 373,214.00
Cumulative Loans placed under guarantee	84
Cumulative amounts placed under guarantee	\$ 3,405,789.34
Average number of SME employees*	
Amount of SME sales*	

\*Information was not provided by the Bank. Does not apply.

## COST SHARING

FOR THE SIX MONTH PERIOD ENDING 31-Mar-2008

USAID Life of Activity (LoA):	\$ 4,457,069	ACTIVITY NAME: Financial Services for SMEs Program	
COST SHARING LoA:	\$ 215,317	ACTIVITY NUMBER: EEM-E-02-05-00006-00	
TOTAL ACTIVITY:	\$ 4,457,069	ACTIVITY END DATE (AED): 30/06/2009	
COST SHARING AS % OF LoA:	5%	EXCHANGE RATE: NA	

DESCRIPTION	(1)	(2)	(3)	(4)	(5)
	COUNTERPART PLANNED		COUNTERPART ACTUAL		(4)-(2) ESTIMATED <SHORTAGE> OR EXCESS
	LoA	TO DATE	THIS SIX MONTH PERIOD	CUMULATIVE TO DATE	
<b>CASH CONTRIBUTION BY SOURCE</b>					
Banco Agricola	35,886	22,429	-	2,262	(20,167)
Banco de America Central	35,886	22,429	1,130	9,123	(13,306)
Banco Cuscatlan	35,886	22,429	2,055	6,942	(15,487)
Banco Hipotecario	35,886	22,429	8,247	16,506	(5,923)
Banco Promerica	35,886	22,429	11,845	18,186	(4,243)
Banco Salvadoreno (HSBC)	35,886	22,429	11,524	26,483	4,054
Apoyo Integral			-	-	-
Superintendencia del Sistema Financiero			-	-	-
Fedecredito			500	500	500
<b>SUB-TOTAL CASH CONTRIBUTION</b>	<b>215,317</b>	<b>134,573</b>	<b>35,301</b>	<b>80,001</b>	<b>(54,572)</b>
<b>IN-KIND CONTRIBUTION BY SOURCE</b>					
Banco Agricola	-	-	-	1,415	1,415
Banco de America Central	-	-	-	1,220	1,220
Banco Cuscatlan	-	-	-	2,273	2,273
Banco Hipotecario	-	-	1,400	4,809	4,809
Banco Promerica	-	-	-	1,023	1,023
Banco Salvadoreno (HSBC)	-	-	-	591	591
Apoyo Integral	-	-	-	2,505	2,505
Fedecredito	-	-	-	-	-
Superintendencia del Sistema Financiero	-	-	3,220	3,220	3,220
<b>SUB-TOTAL IN-KIND CONTRIBUTION</b>	<b>-</b>	<b>-</b>	<b>4,620</b>	<b>17,056</b>	<b>17,056</b>
<b>TOTAL COST SHARING</b>	<b>215,317</b>	<b>134,573</b>	<b>39,921</b>	<b>97,057</b>	<b>(37,516)</b>
ACTUAL COST SHARING AS % OF PLANNED LoA				<b>45%</b>	
ACTUAL COST SHARING AS % OF PLANNED TO DATE				<b>72%</b>	

COMMENTS:

In-kind contributions estimates by the banks themselves in these investments, and based in most cases on written contracts/invoices.  
 Cash contributions at the end of March 2008 were expected to be roughly 0.625% of total planned cash contributions by the banks.  
 While cash contributions fell short, direct investments by the banks in their SME programs more than made up for the shortfall.

I HEREBY CERTIFY THAT:

- (1) IN-KIND COST SHARING HAS BEEN VALUED ACCORDING TO USAID GUIDELINES
- (2) IN KIND COST SHARING HAS BEEN REDUCED BY \$171,214 per USAID review on Jan 08.
- (3) THE REPORTED COST SHARING WERE MADE ACCORDING TO THE AGREEMENT AND ARE ADEQUATELY SUPPORTED IN OUR RECORDS
- (4) ALL SUPPORTING DOCUMENTATION WILL BE AVAILABLE TO USAID OR ITS REPRESENTATIVES FOR REVIEW AND/OR AUDIT PURPOSES

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