USAID MONITORING, EVALUATION, AND LEARNING INITIATIVE STUDY OF USAID/EL SALVADOR DEVELOPMENT CREDIT AUTHORITY (DCA) IN EL SALVADOR

January 2021

This publication was produced at the request of the United States Agency for International Development. It was prepared independently by ME&A, Inc. DCA Evaluation Team: Maynor Cabrera, Team Leader, William Lazaro Apolaya, Economic and Methodological Expert, and Gustavo Quan, Quantitative and Business Management Analyst.

USAID MONITORING, EVALUATION, AND LEARNING INITIATIVE STUDY OF USAID/EL SALVADOR DEVELOPMENT CREDIT AUTHORITY (DCA) IN EL SALVADOR

Re-Submitted: January 10, 2021

Contract Number: AID-OAA-I-15-00024/AID-519-TO-16-00002
Activity Start Date and End Date: August 1, 2016 – March 31, 2022
Contracting Officer's Representative (COR): Annie de Valencia

Submitted by: Randal Joy Thompson, Chief of Party
USAID Monitoring, Evaluation, and Learning Initiative
ME&A
4350 East-West Highway, Suite 210
Bethesda, MD 20814
Tel: 301-652-4334
Email: rthompson@engl.com

Cover photo: Small businesses are the focus of the DCA program.
The picture is from: https://www.flickr.com/photos/fotospresidencia_sv/37161430360/

ABSTRACT

The purpose of this study was to inform USAID/El Salvador about the performance of its Development Credit Authority (DCA) loan guarantee program, specifically, the extent to which 1) DCA-supported banks have modified their lending behavior; 2) investments made by small and medium enterprises (SMEs) receiving DCA-guaranteed loans have contributed to increased sales and employment, and 3) the coronavirus disease 2019 (COVID-19) pandemic affected SMEs, and how they adapted.

Overall, the DCA loan guarantee program has had a positive impact on target sectors and borrowers who implemented loans in El Salvador from January 2012 to September 2020. DCA loans made to small and medium sized enterprises (SMEs) facilitated increased sales, the number of clients, and the number of new jobs according to borrowers who responded to the study online survey (OLS). Borrowers reported in interviews that the quality of their products also improved and allowed them to move into new markets. By September 30, 2020, over 1,135 borrowers had received DCA-backed loans totaling $55.3 million. The study found that the DCA program agreements fostered lending behavior changes in banks that resulted in the inclusion of more small and medium enterprises (SMEs) and higher-risk borrowers who would not have received loans without the program. Evidence from the study indicates that the banks are likely to continue lending to these higher-risk borrowers, although possibly at higher interest rates. The information obtained from the OLS showed that the borrowers receiving DCA-backed loans channeled the loan proceeds mainly towards working capital and, to a lesser extent, towards machinery and equipment acquisition. DCA loans provided essential support during the COVID-19 pandemic, supplying funds to weather the economic slowdown and make the SMEs more resilient.

The study recommends that USAID encourage banks to provide more loans to SME's working in sectors highlighted as growth industries by the El Salvador Government, including tourism, information technology and communications, agriculture, and construction; to purposely target more women-owned SMEs, including those working in micro artisanal businesses; include more financial modalities; continue the flexibility for continencies offered during COVID-19; provide more guidelines to implementing banks and targeted technical assistance to businesses; and create a more comprehensive monitoring system to complement the CMS.

CONTENTS

LIST OF TABLES

LIST OF FIGURES

ACRONYMS

BAC	Spanish acronym for *Banco de America Central* (Bank of Central America)
BANDESAL	Spanish acronym for *Banco de Desarrollo de la República de El Salvador* (Development Bank of the Republic of El Salvador)
CDMYPE	Spanish acronym for *Centro de Desarrollo de Micro y Pequeñas Empresas* (Center for the Development of Micro and Small Enterprises
CONAMYPE	Spanish acronym for *Comisión Nacional de la Micro y Pequeña Empresa* (National Commission of Micro and Small Enterprises)
COVID-19	Coronavirus Disease 2019
CMS	Credit Management System
CSO	Civil Society Organization
DCA	Development Credit Authority
DFC	U.S. International Development Finance Corporation
G&T	G&T Continental
ICT	Information and Communications Technology
IMF	International Monetary Fund
INSAFORP	Spanish acronym for *Instituto Salvadoreño de Formación Profesional* (Spanish Institute for Professional Training)
IR	Intermediate Result
KII	Key Informant Interview
OLS	Online Survey
PESS	Spanish acronym for *Plan El Salvador Seguro* (Plan for a Secure El Salvador)
PII	Personal Identifiable Information
RQ	Research Question
SME	Small and Medium Enterprise
ST	Study Team
SOW	Statement of Work
TA	Technical Assistance
USAID	United States Agency for International Development
USD	United States Dollars

EXECUTIVE SUMMARY

INTRODUCTION

This Executive Summary presents an overview of the primary findings, conclusions, and recommendations of the study of the United States Agency for International Development in El Salvador's (USAID/El Salvador) Development Credit Authority (DCA) loan guarantee program. The purpose of this study is to inform USAID/El Salvador regarding: 1) how the DCA program has been implemented, 2) the extent to which the program has achieved its objective to increase credit access in new sectors, and 3) how the program has contributed to small and medium enterprise (SME) development in terms of new jobs created and increased sales. The study provides evidence to inform future interventions under the approved USAID/El Salvador Country Development Cooperation Strategy (CDCS) 2020-2025 that will support diverse key business sectors and investments and promote country economic growth. The study was performed from August 1st to November 8th, 2021.

RESEARCH QUESTIONS

The study sought to answer four primary research questions (RQs):

- RQ 1: What are the internal and external factors fostering or hindering financial institutions from implementing DCA activities as planned?
- RQ 2: To what extent have financial institutions modified their lending behavior,[1] such as entering new sectors or increasing lending to previously underserved sectors, due to the DCA agreement?
- RQ 3: Considering appropriate attribution and based on the elimination of alternative explanations of results, to what extent have borrowers increased investments contributed to changes in production, sales, jobs, and revenues?
- RQ 4: To what extent has the coronavirus disease 2019 pandemic (COVID-19) affected SMEs, and how have they adapted their business/financial plans in response to COVID-19?

BACKGROUND

The objective of the DCA loan guarantee program in El Salvador was to increase small and medium enterprises' (SMEs') access to financial products, mainly in new or target sectors, by reducing banks' risk through a guarantee agreement. It sought to enable USAID's banking partners to provide better credit terms to SMEs, including 1) making substantive investments to improve and increase production; 2) using resources more efficiently, and 3) making loans to new clients or in higher amounts to borrowers who do not have sufficient collateral. The DCA guarantee program emphasized support to formal SMEs[2] with particular attention to activities that comprise part of a global supply chain[3] and clean energy projects. The first agreement with Banco de America Central (BAC) included loans to micro-enterprises. As of

[1] Lending rates, interest rates, time taken to provide the loan, and client approach.

[2] According to the agreements small enterprises are those with up to 50 employees or annual sales up to one million dollars, and medium enterprises are those with up to 100 employees and annual sales up to seven million dollars.

[3] The global supply chain includes exporters, and importers of goods and services, manufacturers, subcontract manufacturers (maquilas), tourism enterprises including hotels and agribusiness, as stated in Agreements No.519-DCA- 17-005 A, B, C, D, and Agreement 519-DCA-18-006. In Agreement 519-DCA-11-003, defined those activities as "exporters and importers of goods and services, subcontract manufacturers and tourism enterprises including hotels."

September 2020[4], USAID/El Salvador had five active DCA agreements with five banks, including BAC, Banco Davivienda, Banco G&T Continental, Banco Azul, and Banco Promerica. One agreement with BAC had already expired. By September 30, 2020, over 1,135 borrowers had received DCA-backed loans totaling $55.3 million.

RESEARCH METHODOLOGY

The study used a mixed-methods data collection design consisting of 1) document review, 2) an online survey (OLS), 3) key informant interviews (KIIs), and 4) Credit Management System (CMS) information[5]. Overall, the study team (ST) conducted 40 KIIs with 57 individuals and completed 89 OLS via Google Forms from August 23, 2021, to October 1, 2021.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

RQ 1: What are the internal and external factors fostering or hindering financial institutions from implementing DCA activities as planned?

RQ 1 Findings

Several internal and external factors both facilitated and hindered the implementation of DCA activities. Internal factors that facilitated the financial institutions' implementation of DCA activities included an efficient loan approval process that did not require significant changes in their procedures or additional compliance costs or paperwork. The program made it easy for the banks' to adapt the program to their routine operations and provided affordable conditions for granting loans to SMEs without excessive administrative surcharges and at competitive interest rates. Since banks have already operational SME credit programs, they found it relatively easy to adapt to the DCA, especially those banks with more developed SME credit programs. These internal factors generated decisive benefits for SMEs overall and women-owned SMEs in particular because they may not have received credit under normal conditions due to lack of or insufficient collateral.

Internal factors hindering DCA implementation included the rigidity of the original agreement signed in 2017 that did not include all economic sectors and the limited financial products containing only term loans that did not allow banks to accommodate all SME needs. The IT loan registration platform was not user-friendly and did not generate formal documents supporting the loan guarantee coverage, according to banks. In addition, changes in the strategic orientation of one bank, G&T, hindered it from implementing DCA activities as planned. The CMS system is not comprehensive enough to allow USAID to monitor whether loans are achieving USAID goals and results indicators and whether borrowers are satisfied with the loan process or have suggestions to improve it.

External factors fostering the programs' implementation included USAID policy changes to the DCA program in 2020 in response to the COVID-19 pandemic that improved the flexibility of lending requirements to four banks by increasing the percentage of the loan covered by DCA guarantees from 50 percent to 70 percent and eliminating clauses restricting lending to businesses from specific economic sectors and 50 municipalities. Changes in the 2020 amendment favored greater competition in the Salvadoran financial sector and incentivized banks to implement DCA. In addition, USAID's decision to eliminate the requirement for a minimum percentage of loans to be made to clean energy projects, contributed to keeping credit concessions flowing in BAC and Banco Azul even when external economic conditions worsened due to COVID-19.

[4] The scope of work (SOW) specified September 2020, covering the fiscal year from October 1, 2019 to September 30, 2020.

[5] The CMS was developed in 2002 to help manage USAID credit programs for the DCA. CMS collects information from its beneficiaries, whether they are individuals or businesses. USAID uses that data to monitor the DCA program. However, the CMS does not monitor the DCA program in the depth required to ensure that it has the impact desired. See https://www.usaid.gov/privacy-policy/pia-summaries/cms

External factors that hindered the DCA guarantee program, included 1) the COVID-19 economic slowdown, which caused distress and insecurity in borrowers and made the renewable loan tier stall, and 2) political uncertainty. In addition, crime continued to be a negative external factor for businesses including those receiving DCA loans.

RQ 1 Conclusions

The DCA guarantee program included more internal factors that fostered than external factors that hindered the implementation of the program as planned. Positive internal factors in banks provided increased access to loans for SMEs. Negative internal factors included a rigid initial agreement, limited financing modalities, an IT registration module system included in CMS was not user friendly, and a CMS reporting module system that was not comprehensive enough to facilitate USAID's in depth monitoring of the program. A positive external factor that fostered the program's implementation was the flexibilization of loan terms during COVID-19. External factors included the pandemic and the consequent decline in the economic system as well as crime. Such benefits are important, especially during times of uncertainty due to pandemics and the lower business loan growth such as in 2020. Nonetheless, the benefits of DCA program in El Salvador could be increased if there was a more comprehensive monitoring plan to complement the existing CMS monitoring system that would allow USAID to more closely monitor results indicators and feedback from borrowers.

RQ 1 Recommendations

- Although bankers valued the DCA program's flexibility and observed tangible benefits for themselves and borrowers, USAID must negotiate with banks to provide credit to underserved borrowers, such as women, first-time borrowers, and economic sectors identified by the Salvador Government as having high growth potential, such as tourism, information technology and communications, agriculture, and construction. Due to the partial guarantee, all borrowers paid lower loan interests, and when it was necessary to execute the guarantee, they did not lose part of or have to provide assets as collateral. So, because those benefits acted as an implicit subsidy, this support should prioritize underserved sectors. Having better guidelines and a monitoring plan, as described below, would make it possible to make the best use of the advantage of the guarantee and provide loans to clients that are already consolidated and who do not represent an additional risk for the banks.

- A guarantee program of the magnitude of DCA should have a monitoring plan to complement the CMS with performance indicators of activity outputs and outcomes linked to intended results, with annual targets, including information about jobs and sales generated by the loans, and with instruments to obtain feedback from borrowers. The DCA scheme should allow making corrections or adjustments along the way to improve results and evaluate the results achieved by the program and by each bank.

- USAID should provide a system to capture all information and provide feedback to banks with the information USAID collects. To have a monitoring plan affordable for banks, the borrowers should be required to provide their input when needed as a condition of their coverage by the partial guarantee. The monitoring system should include satisfaction surveys. A comprehensive monitoring plan should be a minimum standard to verify that the program is obtaining the expected results, both for the borrowers and the banks.

- USAID fulfilled due diligence before starting agreements. However, USAID needs regular and systematic feedback from banks about their strategic business orientation and if they need assistance to serve SMEs better. If SMEs are not a priority of banks, but they are willing to incorporate these segments, USAID should strengthen their efforts to build the bank's capacity to do so. USAID may suggest renegotiating the terms of the agreement or relocating funds to another bank if necessary.

- USAID should evaluate including new financing modalities. Both borrowers and bank officials suggested promoting other financing modalities beyond available options, such as revolving credit and debt consolidation.

RQ 2: To what extent have financial institutions modified their lending behavior,[6] such as entering new sectors or increasing lending to previously underserved sectors, as a result of the DCA agreement?

RQ 2 Findings

Financial institutions have modified their lending behavior by increasing their lending to SMEs as a result of the DCA agreement and serving sectors that demanded more attention such as the export chain and tourism sectors. The banks said the DCA loan guarantee program stimulated *"comprehensive improvement for companies, entrepreneurs, banks, and the country."* The total value of the loans under the DCA guarantee program from 2012 to September 2020 was approximately $55.3 million. The year with the most loans made, and the highest loan disbursement total was 2018, with 262 loans made valued at $13.6 million. Loans backed by the DCA guarantee totaled approximately 29 percent of the $191.4 million in total business loans made during September 2020. Banks also recognized that they obtained benefits because they have expanded their customer coverage, which increased bank profits.

Overall, small enterprises received the most loans. More than 86 percent of loans went to small enterprises, five percent to micro-enterprises, and nine percent to medium enterprises, although the distribution differed for each bank. Overall, first-time borrowers in El Salvador fared reasonably well compared to the worldwide average of DCA guaranteed loan recipients (Amha et al., 2016, p. 22). Most of the first-time borrowers' loans went to trade or commerce and other services. Loans to prioritized activities—including agriculture, energy, information, and communications technology (ICT), and tourism—were higher for first-time borrowers than experienced ones. Generally, DCA-supported banks did not specifically target women-owned businesses, although these businesses did receive some of the loans.

The probability that supported banks would have changed their lending behavior without the DCA guarantee is low. Besides small entrepreneurs, women-owned businesses would have been more disadvantaged without the DCA guarantee because collateral requirements are higher for these borrowers. During COVID-19, banks would not have lent to the same type of clients without the DCA guarantee. Banks also reported that they would have lent to their clients with better credit credentials in any case but with less favorable loan terms than offered through the DCA guarantee program.

Banks affirmed that they would serve the same type of more disadvantaged clients in the future without the DCA guarantee, but with less favorable terms. Banks reported that they were now more comfortable than before DCA to work with some lending risks that they would have refused to work with before the DCA guarantee.

Banks are satisfied with the business creation resulting from the DCA program, but a significant number of customers were already part of the bank's customer base. Consequently, the volume of business increase did not necessarily result in substantial growth in the number of the banks' customers because only 388 of 1,135 loans were given to first-time borrowers.

RQ 2 Conclusions

Overall, banks with DCA loan guarantees have modified their lending behavior and increased their lending to SME's as a result of this program. Without the DCA guarantee program, many small business

[6] Lending rates, interest rates, time taken to provide the loan, and client approach.

borrowers, especially women and residents of high violence risk areas, would not have been served by the banks. During COVID-19, the exclusion from borrowing could have been even higher without the DCA guarantee program.

While the share of loans to first-time borrowers was higher than with DCA loan guarantees in other countries, the inclusion of sectors other than commerce has been quite limited. In the future, without the existence of the guarantee program, banks will be able to make use of the learning obtained during the program pertaining to the management of risks with small businesses. However, as the conditions for loans will be less favorable, a group of customers is likely to be left out, mainly those smaller customers with a higher perception of risk. The greater inclusion of loans to women-owned businesses remains a pending task.

RQ 2 Recommendations

- Promote women's inclusion and create a segment of funds allocated exclusively for female-owned businesses, with resources and better terms, e.g., lower interest rates, to promote this type of business and unleash opportunities.
- Promote the inclusion of high potential economic growth activities like those prioritized by the Government of El Salvador: information technology and communications, agriculture, construction, and keep promoting tourism.
- Due to the importance of commerce in El Salvador, it would be essential to keep a good share of loans to working capital, but not at the cost of funding priority or underserved sectors.

RQ 3: Considering appropriate attribution and based on the elimination of alternative explanations of results, to what extent have borrowers increased investments contributed to changes in production, sales, jobs, and revenues?

RQ 3 Findings

The majority of borrowers who responded to the OLS reported that the DCA loans increased their sales, the number of their clients, and the number of new jobs. Borrowers reported in interviews that the quality of their products had also improved and allowed them to move into new markets. The information obtained from the OLS showed that the borrowers receiving DCA-backed loans channeled the loan proceeds mainly towards working capital and, to a much lesser extent, towards machinery and equipment acquisition. Among the 89 borrowers who responded to the OLS, 82.4 percent reported that the loans increased their sales, while 76.5 percent said that the loans increased the number of their clients. In the interviews, borrowers noted that the loans had contributed to improving the quality of their products and allowed them to expand into new markets. Although the results were positive for first-time borrowers, they were less favorable for those borrowers who had received previous loans. A minority of the borrowers made sales abroad, including 18 out of 71 borrowers, equivalent to 20 percent of the OLS respondents.

Entrepreneurs reported that the three leading factors associated with sales increase included: 1) better customer service, 2) improved product quality or service offered, and 3) the implementation of marketing plans. Other factors included 1) incorporating new distribution channels, 2) expanding into other markets, and 3) offering better prices to customers. The most frequently cited positive external factor was access to financing followed by opening new markets. A similar proportion of entrepreneurs considered the cost of inputs as a positive factor as those who thought it a negative factor. The state of the economy elicited a more significant number of opposing opinions between those who viewed it as a positive factor and those who viewed it as a negative factor. As negative external factors, ten interviewees pointed mainly to insecurity, directly associated with gangs.

The DCA program was estimated to have created up to 6,400 new jobs with a total amount of loans of US$55.4 million from January 2012 to September 2020. So, every million dollars of investment generated an equivalent to 115 jobs. The increase in jobs impacted largely formal jobs, full-time jobs, populations at risk of migration, and women. Other groups such as returned migrants, disabled people, and the lesbian, gay, bisexual, transgender, queer, intersex, and asexual (LGBTQIA+) communities received less jobs than other groups.

Most borrowers responding to the OLS already had experience with loans, either with the bank or with other financial institutions. The responses to the survey and the interviews indicated that most of the borrowers would have sought loans from another private or public bank, financial cooperatives, or other lending institution had they not received a DCA guarantee loan. Many interviewees affirmed that they already had a history with the bank and would not have difficulty securing a loan. However, they confirmed that their DCA-backed loan offered better terms than they otherwise would have received, like lower interest rates, fewer collateral requirements, and longer loan terms.

Borrowers' opinions about their DCA-backed loans were positive overall. They valued these loans vis-à-vis other loan options because the interest rates were lower than the competition, the bank advised them well, and the disbursement was agile, although it helped if they were already clients of the bank. Additionally, the four DCA agreements signed in 2017 included a group of loans for renewable energy. The average cost reduction attributed to the investment made by this type of loan was 16.1 percent.

Only 42.7 percent of the OLS survey respondents received technical assistance (TA) from banks. Fewer respondents still received any TA from other organizations, such as the National Commission of Micro and Small Enterprises (CONAMYPE) and the Center for the Development of Micro and Small Enterprises (CDMYPE). Despite the small coverage of the TA, the survey data show a positive relationship between sales increase with the TA received.

RQ 3 Conclusions

Investments made under the DCA guarantee program contributed to an increased number of clients, sales, employees, and jobs. The internal factors of the borrowers' businesses that contributed to better results in terms of sales were mainly improvements in customer service, marketing plans, improvements in product or service quality, and expansion into other markets.

DCA made a significant contribution, but it was not the only contribution to increases reported. DCA is an essential factor, but it is not the only one and necessarily interacts with internal factors. DCA was the most favorable option for most entrepreneurs, and, for a small group, it would have been the only one. Even though the sample is small, renewable energy loans showed promising costs reduction, sales increase, and jobs creation. Although TA was greatly underutilized, the OLS showed a positive relationship between TA received and sales increase, illustrating an essential part of the program.

RQ 3 Recommendations

- New guarantee agreements should include a TA component sponsored by USAID or in partnership with another institution.
- The TA component should be part tracked by the monitoring plan and should include performance indicators. As noted, most of the borrowers did not receive TA for various reasons.
- It is crucial to deliver TA in a format compatible with schedules and topics important for their SME's business. This will ensure the training adapts to the clients' needs and not the other way around.
- Moreover, USAID may consider adding benefits in credit conditions to encourage participation in TA programs. Furthermore, USAID should perform a periodic diagnostic of knowledge needs, for example, every three years to update or validate TA contents.

RQ 4: To what extent has the coronavirus disease 2019 pandemic (COVID-19) affected SMEs, and how have they adapted their business/financial plans in response to COVID-19?

RQ 4 Findings

According to the OLS, the COVID-19 pandemic negatively impacted most of the respondents' businesses by requiring closures that caused a drop in sales and higher costs and forced them to lay off employees. Businesses suffered financial problems regarding portfolio recovery, fixed costs that continued to generate accounts payable, lack of liquidity, supply problems (closed borders and delayed purchase orders), and issues with workers (resignations and low productivity). Only six respondents to the OLS reported that COVID-19 did not negatively impact their businesses because they either closed for a short time or not at all, and their type of industry benefited from the closure of other companies.

The borrowers who were negatively affected by COVID-19 reported in the OLS that they carried out the following actions in order of importance to protect their businesses: 1) restructuring operations focused on reducing costs, 2) opening new lines of business or distribution of the products or services offered, 3) use of financing sources, 4) security measures for the protection of the health of employees and clients, and 5) adjustments in the way of work of the personnel. Most of the support they received during the pandemic came from government policies and deferral of payments. A small group of respondents noted that they restructured their loans.

The DCA loans received long before the COVID-19 pandemic did not help these businesses endure the shock of the pandemic. Some respondents in this group reported that having received the loan previously had made them a more robust company to be ready for a situation like the pandemic. A second group of respondents reported that they had sufficient liquidity to keep the business running thanks to the DCA loan, including the payment of accounts receivable and payroll. A third group of respondents reported that the DCA loan provided them working capital to keep the business running without difficulty. Overall, 48 out of 89 borrowers said in the OLS that the DCA loan helped them better cope with the challenges caused by the pandemic.

RQ 4 Conclusions

Most borrowers were affected by COVID-19 because lockdown measures to prevent disease contagion did not allow them to keep their businesses open. The impact of COVID-19 closures resulted in lower sales and higher costs. However, the effect varied according to the enterprise economic activity because for some groups, COVID-19 was beneficial because their services and/or products were in high demand during the pandemic or because they reoriented their activities and the change was good for them.

On balance, recipients of DCA-backed loans benefited from an improved ability to cope during the COVID-19 pandemic. The loans received better prepared some borrowers to deal with the effects of the crisis, and in some cases, helped solve or prevent liquidity problems. The specific support received due to COVID-19 from the banks with a DCA agreement was provided to a small group that applied for refinancing or debt consolidation. According to the responses received in the OLS, most borrowers attribute the greatest support they received during the pandemic was provided by measures the government took to protect the economy.

RQ 4 Recommendation

- USAID should consider the automatic activation of contingent clauses that make the guarantee agreements more flexible under exceptional circumstances, as happened during the COVID-19. These clauses may allow banks not only to refinance debts and extend the credit term, but make temporary suspension payments during a contingency. Including these clauses would be necessary to serve SMEs better under unforeseen negative scenarios, like an economic slowdown or a crisis affecting a specific sector.
- Agreements may also include the application of the clauses mentioned above (refinancing, extended term, or payment suspension) for specific cases if a bank risk assessment determines that it is a better option than executing the guarantee.

1.0 PURPOSE & RESEARCH QUESTIONS

This report presents the primary findings, conclusions, and recommendations from the study of the United States Agency for International Development in El Salvador's (USAID/El Salvador) Development Credit Authority (DCA) loan guarantee program. The purpose of this study is to inform USAID/El Salvador regarding: 1) how the DCA program has been implemented, 2) the extent to which the program has achieved its objective to increase credit access in new sectors, and 3) how the program has contributed to small and medium enterprise (SME) development in terms of new jobs created and increased sales. The study provides evidence to inform future interventions under the approved USAID/El Salvador Country Development Cooperation Strategy (CDCS) 2020-2025 that support diverse key business sectors and investments and promote economic growth in the country.

1.1 STUDY AUDIENCE

This study was prepared for USAID/El Salvador, specifically the Office of Economic Growth and Education, the Regional Program Office, and the U.S. International Development Finance Corporation (DFC) in Washington, DC. As noted in the study Statement of Work (SOW),[7] the Mission will also disseminate the lessons learned and best practices identified in this study to potential stakeholders to help inform future activities.

1.2 RESEARCH QUESTIONS

The study sought to answer four primary research questions (RQs) and associated sub-questions as identified by USAID/El Salvador in the study's SOW and listed below. In answering the RQs, the study team (ST) has attempted to disaggregate the analysis and findings by gender and other historically excluded groups (youth, people with disabilities, *etc.*) wherever possible.

- RQ 1: What are the internal and external factors fostering or hindering financial institutions from implementing DCA activities as planned?
- RQ 2: To what extent have financial institutions modified their lending behavior[8] such as entering new sectors or increasing lending to previously underserved sectors, as a result of the DCA agreement?
    - RQ 2.1: What is the likelihood that the financial institutions would have changed their behavior in the absence of the DCA?
    - RQ 2.2: If with the DCA the financial institutions are now lending to a risky sector or a new business, what is the likelihood that they will keep doing it the same way or differently when the DCA ends?
    - RQ 2.3: How many new clients have the banks acquired due to the use of the guarantee?

[7] USAID. Statement of Work (SOW). 2021. Development Credit Authority (DCA). USAID Mission, San Salvador, El Salvador.
[8] Lending rates, interest rates, time taken to provide the loan, and client approach.

- RQ 3: Considering appropriate attribution and based on the elimination of alternative explanations of results, to what extent have borrowers' increased investments contributed to changes in production, sales, jobs, and revenues?
  - RQ 3.1: To what extent has the loan contributed to changes in the following themes? a) employment in its targeted sectors and supply chains, and b) sales and revenues?[9]
  - RQ 3.2: To what extent is the effect of the investment leveraged by additional technical assistance from USAID or others?
  - RQ 3.3: Has the borrower been able to increase their client portfolio as a result of the investment made under the guarantee? If so, how many new clients?
- RQ 4: To what extent has the coronavirus disease 2019 (COVID-19) pandemic affected SMEs, and how have they adapted their business/financial plans in response to COVID-19?
  - RQ 4.1: Which flexibilities to the loan requirements made by the bank as a result of COVID-19 most benefited the borrower?[10]
  - RQ 4.2: How have the credits the SMEs received alleviated the effects of the pandemic?

2.0 PROJECT BACKGROUND

2.1 DEVELOPMENT CREDIT AUTHORITY

The objective of the DCA[11] loan guarantee program in El Salvador was to increase SMEs' access to financial products, mainly in new or target sectors, by reducing the banks' credit risk through a loan guarantee agreement. It enabled USAID's banking partners to provide loans in higher amounts, at more favorable terms, and with lower collateral requirements to SMEs, enabling them in turn to invest in improving and increasing production and deploying resources more efficiently. The DCA guarantee program emphasized support to the tradable sector, defined as "the set of activities that can be part of global supply chains," and to women-led SMEs.

As of September 2020, USAID/El Salvador had six active DCA agreements with five financial institutions, including Banco de América Central (BAC), Banco Davivienda, Banco G&T Continental, Banco Azul, and Banco Promerica. As of the same date, the five DCA-supported banks had made 1,135 loans backed by USAID/El Salvador DCA guarantees with a total value of $55.3 million.

---

[9] Sales and revenues will be considered synonyms for the purpose of this study. SOW includes specific questions about domestic and international sales and number of clients.

[10] Including if due to COVID-19 the banks charged lower the interest rates to borrowers or if they offered another kind of arrangement to cope with economic crisis due to pandemics.

[11] USAID's Development Credit Authority (DCA), along with the Overseas Private Investment Corporation, was transformed into the U.S. International Development Finance Corporation (DFC). However, this study will use the term DCA to refer to the guarantees to increase SMEs access to financial products.

Table 1: DCA Information as of September 2020

Guarantee Number	Financial Institution Partners	Life of DCA	Time Elapsed	Total Amount of DCA Guarantee	Amount Used (Loans Granted)	Number of Loans Placed	% Of Allocated Funds	Funds Available Under the Guarantee for Disbursement
519-DCA-11-003	BAC	2011/09/26-2021/09/26	94.2%	$9,796,000	$9,784,663	158	99.88%	0
519-DCA-13-004	Banco Davivienda	2013/09/27-2021/09/27	88.50%	$25,000,000	$21,935,452	693	87.74%	$3,064,548
519-DCA-17-005 (A)	BAC	2017/09/28-2032/09/28	21.6%	$22,790,839	$12,450,090	194	54.63%	$10,340,749
519-DCA-17-005(C)	Banco Promerica	2017/09/28-2032/09/28	21.6%	$15,500,000	$4,583,000	17	29.6%	$10,917,00
519-DCA-17-005(B)	Banco G&T Continental	2017/09/28-2032/09/28	21.6%	$15,500,000	$2,512,270	26	16.21%	$12,987,730
519-DCA-18-006	Banco Azul	2018/09/27-2038/09/27	10%	$15,345,940	$4,075,900	47	24.56%	$11,576,540
			Total:	**$103,932,779**	**$55,341,375**	**1,135**		**$48,591,404**

Source: USAUD

Within USAID/El Salvador's CDCS 2020-2025, DCA activities contribute to Development Objective 2 (DO 2), "Jobs and Income Potential Improved Increased for Likely Migrants," and responds directly to Intermediate Result 2.1 (IR) 2.1: "Inclusive economic opportunities increased in select high-growth sectors," and to Sub-IR 2.1.1, "Business enabling environment improved." DCA activities are also part of the Mission's Private Sector Engagement strategy, which is one of the six components of USAID's Bolstering Self-reliance.

3.0 EVALUATION METHODS & LIMITATIONS

3.1 DATA COLLECTION METHODS

The evaluation used a mixed-methods data collection design consisting of the four qualitative and quantitative data collection methods listed below. The data collection methods were selected to ensure the highest quality and rigor in answering the RQs. They include:

a. Document review, *i.e.*, technical papers, DCA agreements, testimonials provided by implementing partners, *etc.*, (see next section),
b. Online survey (OLS),
c. Key informant interviews (KIIs), and
d. Credit Management System (CMS) information.

The CMS was developed in 2002 to help manage USAID credit programs for the DCA. CMS collects information from its beneficiaries, whether they are individuals or businesses, to monitor loans placed under DCA. A personal identifiable information (PII)-removed version of the CMS was used for this study.[12]

Each of these four data collection methods is described at length below. (See Annex 2 for a table listing the RQs and sub-RQs along with their sources of information.)

3.1.1 Document Review

The ST reviewed several documents pertaining to the DCA loan guarantee program and USAID/El Salvador strategy. These documents included the CDCS 2020-2025, Journey to Self-Reliance Strategy and Learning Agenda, USAID Private Sector Engagement Policy, 2013 USAID DCA Evaluation Report, and the DCA agreement with each participating bank.

3.1.2 Online Survey

The OLS provided quantitative evidence for the RQs. The OLS questionnaire was composed of 65 questions grouped in seven sections:

a. General information,
b. Loan description,
c. Benefits perceived by the loan,
d. Credit experience,
e. Technical assistance (TA) received,
f. Perception of the loan received, and

[12] See https://www.usaid.gov/privacy-policy/pia-summaries/cms

g. COVID-19 effects on business.

OLS respondents answered the survey via Google Forms, face-to-face interviews, or phone interviews. The ST contacted bank executives and sent them the questionnaire link or arranged conference calls or on-site visits with research and borrowers for OLS completion. The survey period was from August 23 to October 1, 2021.

3.1.3 Key Informant Interviews

The ST conducted 40 KIIs with 57 individuals representing key USAID staff, bank representatives, and borrowers (preferably the SME owners). Additionally, the ST conducted 34 KIIs with borrowers. Banks helped to contact borrowers with illustrative cases that provided more in-depth information about the experience with the DCA program. KIIs took place from August 10 to October 1, 2021. Due to COVID-19 concerns, all KIIs were done virtually. (See Annex 4 for a list of persons interviewed and Annex 3 for an English-language version of the KIIs discussion guides for banks, borrowers, and USAID officials.)

3.2 SAMPLING METHOD

The ST prepared the sample using CMS data to select OLS respondents. Even though this was a non-probabilistic sampling, the ST purposefully included a beneficiary population with different characteristics, including sex, previous bank experience, and enterprise size. Besides, the ST included a sample of proportional inverse share of borrowers according to the number observed per bank. We used the following criteria:

- *Sample for banks with less than 20 borrowers (Promerica, G&T, Banco Azul)*: Included 100 percent of borrowers.
- *Sample for banks with more than 20 and less than 50 borrowers (Banco Azul):* Included 60 percent of borrowers, randomly selected.
- *Sample for banks with 50 or more borrowers (Davivienda and two separate agreements with BAC):* Included eight groups classified by three criteria: borrowing experience (first-time borrowers and those with previous experience with loans), size of the business (small or medium), and sex of the business owner (male, female). For example, Group 1 included first-time borrowers of small businesses owned by a female. Within each of these groups, the ST randomly selected the SME owners to respond to the OLS.

The ST planned at least four interviews per bank or the equivalent of 20 percent of OLS surveys. However, it faced a higher-than-expected non-response rate with both OLS and KIIs. For the OLS, 89 of 200 persons who sent the survey completed the survey for a response rate of 44.5 percent (Table 2). For the KIIs, the ST completed 34 of 44 requested interviews for a response rate of 77.3 percent. Notwithstanding, the number of survey and KIIs responses from SME borrowers was sufficient to analyze the DCA guarantee program and to respond to each of the RQs.

Table 2: Sample of SME Borrowers Participating in the OLS and KIIs per Bank

Bank	Borrowers as of Sep. 2020	% Of Total	Completed OLS	Completed KIIs
AZUL	47	4.1	13	6
BAC (1st Agreement)	158	13.9	13	5
BAC (2nd Agreement)	194	17.1	18	6
DAVIVIENDA	693	61.1	19	13
G&T CONTINENTAL	26	2.3	7	3
Promerica	17	1.5	4	1

Bank	Borrowers as of Sep. 2020	% Of Total	Completed OLS	Completed KIIs
Total	**1,135**	**100.0**	**89**	**34**

Source: CMS and fieldwork. OLS (August 23 to October 1, 2021) and interviews (August 10 to Oct 1, 2021)

3.3 DATA ANALYSIS METHODS

Quantitative data analysis methods for RQs 3-4 consisted of summary statistics from the OLS and CMS data. When appropriate, quantitative data analysis also included contingency tables to analyze how different groups respond to various questions. Qualitative analysis for RQs 1-4 identified specific themes and sub-themes within the responses and assessed their relative importance in answering the RQs. First, the ST summarized the responses according to different categories. Second, the team identified patterns. Third, the team analyzed the response categories and patterns. Fourth, the ST discussed the likely answers to each RQ. Finally, the ST took the results of the analysis of the previous steps and provided specific and detailed answers to each of the RQs. To answer RQ 3, the ST conducted a contribution analysis of the data collected during the fieldwork. (Annex 8 describes the ST's contribution analysis and methods.)

3.4 METHODOLOGICAL LIMITATIONS

The study methodology involved the following methodological limitations:

- *Absence of a counterfactual to assess attribution*: The nature of the DCA guarantee program makes the construction of statistically valid counterfactuals necessary to "attribute" outcomes to program activities impractical. To address this limitation, the ST conducted a contribution analysis methodology to generate an evidence-based and rigorous approach for estimating the program's unique contribution to observed outcomes, among other competing explanations.
- *Sampling issues*: The OLS response rate was lower than anticipated, especially for Davivienda borrowers, where the response rate was less than 20 percent. Moreover, COVID-19 effects influenced the responses and made it challenging to make onsite visits.
- *Study findings are based on subjective perceptions of key informants interviewed using qualitative data collection methods*: The study sought to compensate for this limitation through triangulation achieved by generating data from multiple sources, using multiple data collection methods, including OLS and CMS information.

3.5 STUDY TEAM

The ST included the following persons:

- **Maynor Cabrera**, the study's team leader, is a financial inclusion specialist responsible for overseeing and coordinating all activities related to this study and ensuring the production and completion of quality deliverables professionally. He participated in the design of the methodology, performed data collection and analysis, and drafted reports.
- **William Lazaro Apolaya**, economic and methodological expert, provided guidance to the team on economic and social issues, contributed to the study design and preparation of instruments, performed data collection, conducted data analysis, and prepared inputs for reports.
- **Gustavo Quan**, quantitative and business management analyst, guided the team in business issues; contributed to study design and preparation of instruments; prepared input forms for data collection; cleaned data; prepared reports, tables, and graphs with information collected; conducted data analysis; and prepared inputs for reports.

4.0 FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

4.1 RQ 1: WHAT ARE THE INTERNAL AND EXTERNAL FACTORS FOSTERING OR HINDERING FINANCIAL INSTITUTIONS FROM IMPLEMENTING DCA ACTIVITIES AS PLANNED?

4.1.1 Findings

Internal factors that have fostered financial institutions to implement DCA activities as planned

Several internal factors fostered the implementation of DCA activities. Bank officials reported in interviews that they valued the DCA guarantee program because it did not require significant changes in credit approval procedures, nor did it create additional compliance costs or paperwork for loan guarantee approval. They found the program easy to implement, while the operational process to approve the loans was *"fast and not bureaucratic"* and did not involve a steep learning curve. Once the bank credit committee approved the loan, the financial institution only had to communicate the additional loans that the DCA guarantee covered to USAID. The absence of extra paperwork for loan approval further meant no additional transaction costs to the banks for lending under the program. Consequently, banks were not required to charge higher interest rates to borrowers to cover additional costs. For their part, borrowers said that, although they considered interest rates for DCA guaranteed loans to be high, they were still paying less interest than other financial market options.

The day-to-day operations of the banks did not change as a result of the DCA guarantee program. Since all the banks already had an operational SME credit program, they found it relatively easy to adapt to the DCA. However, some SME lending programs were more developed than the others since certain banks have worked for more years in the SME market, especially BAC and Davivienda. Banco Azul was established in 2013 and has less experience, G&T de-emphasizes its SME lending program, and Promerica's program is still small. While none of the banks stated that they had to make drastic changes in their policies, they made minor adjustments to work with new sectors with a perspective of improving their learning and knowledge about these sectors with an open mindset. Only one bank (Promerica) mentioned that it had to make policy changes to lend to smaller clients under DCA. In addition, Davivienda implemented a three-tier strategy aimed at 1) working capital, 2) reverse factoring, and 3) import and export credits. The strategy aimed at working capital was so successful that it depleted their funds. However, the other two tiers still have funds to allocate.[13]

Lower guarantee or collateral requirements were also an essential feature of DCA-guaranteed loans that generated opportunities for clients who might have otherwise been disqualified due to insufficient guarantee or collateral. For example, one borrower mentioned that *"he did not own assets to use as collateral, because even his house is under a mortgage."* According to World Bank Enterprise Survey 2016, the collateral value as a loan share is high in El Salvador, around 250 percent for small businesses at private commercial banks and even higher for female-owned SMEs. Also, banks mentioned that they charge their regular clients lower interest rates for DCA-guaranteed loans.

USAID policy changes to the DCA program in 2020 increased the flexibility of lending requirements in response to the COVID-19 pandemic. But this was an exception to the rule. This flexibilization increased the percentage of the loan covered by DCA guarantees from 50 percent to 70 percent and eliminated

---

[13] The other tiers include reverse factoring and export credits.

clauses restricting lending to businesses from specific economic sectors and 50 municipalities. Bank representatives noted that they likely would not lend to the same borrowers in 2020 without the guarantee due to increased uncertainty and higher perceived risk. From March to September 2020, supported banks granted 60 DCA-backed loans for $4.6 million.

Internal factors that have hindered financial institutions from implementing DCA activities as planned

Banks found the original agreement signed in 2017 to be rigid because it did not include all economic sectors. Financial products included in DCA are limited because they contain only term loans. Banks mentioned that having only one financial product does not allow them to accommodate SME needs. Besides, Azul, BAC, and G&T argued that the guarantee program should enable the beneficiaries to consolidate debts, especially when it comes to productive activities. In practice, some DCA loans have been used to consolidate debt. One response from OLS said that the loan was for debt restructuring, and three borrowers during the interview mentioned that the loan was used to restructure previous debts. Still, there should be an explicit program for this purpose if USAID considers it appropriate not to adopt the term loan to consolidate debts from other periods. Besides, borrowers have also suggested promoting longer terms and keeping interest rates lower for small businesses. Davivienda and two borrowers in KIIs mentioned that including a revolving credit fund may be more tailored to the needs of merchants and those requiring working capital.

Banks claimed that some administrative systems could be better. The loan guarantee registration procedure could be more user-friendly since it currently does not provide a formal document supporting the loan guarantee coverage.

The CMS system is not comprehensive enough to provide USAID the information it needs to effectively monitor the DCA program. Although the CMS system is updated twice a year, it does not include any information that would allow USAID to learn about any outcomes derived from lending. There are no performance indicators, nor annual targets nor feedback from customers.

One bank (G&T) shifted its lending strategy towards medium firms and corporations while putting its credit program for women, *G&T Mujer*, on hold. Their DCA-backed portfolio has not shown significant growth since then.

External factors that have fostered financial institutions to implement DCA activities as planned

COVID-19-related changes to the agreements created an opportunity for clients to receive loans from banks when the COVID-19 pandemic induced a contraction in credit concession. These changes were important because credit to business sectors in the country grew at only 3.2 percent in 2020 compared with 6.4 percent in 2019, *"a lower growth rate when compared with the previous year, which evidenced a slowdown as a consequence of the health emergency caused by COVID-19"* (Banco Central de Reserva, 2020, p. 42). BAC also responded that competition has increased for capturing SME clients. This situation has been favorable to DCA results, in their view. Because banks are competing for market share, they look for more clients; six borrowers during KIIs mentioned that the bank approaches them to offer loans even without needing to ask.

External factors that have hindered financial institutions from implementing DCA activities as planned

The second DCA agreement included loans directed to the renewable energy sector. However, due to the situation derived from COVID-19, granting credits to this sector was no longer possible, partly due to the uncertainty generated and the fact that lending priorities had changed. Likewise, as mentioned by bank executives, the fall in economic activity was significant during 2020. According to the World Economic Outlook of October 2021 (International Monetary Fund [IMF], 2021), the fall amounted to 7.9

percent from 2019.

Insecurity caused by gangs and extortions made it difficult for banks to operate in municipalities included in the agreements signed in year 2017[14] Borrowers were harmed by the growing crime in El Salvador, as confirmed in KIIs with banks and borrowers and bankers, the OLS. The authors Ulku and Zaourak (2021, p. 34) concluded that *"crime is by far the biggest obstacle for businesses in El Salvador as reported by Salvadoran firms,"* and *"half of firms in El Salvador see crime is a major constraint, according to the World Bank Enterprise Surveys."* The IMF (2018) reported that *"ninety percent of SMEs were subject to extortion according to estimates by the CONAPES and the Chamber of Commerce and Industry."*

During the KIIs, bank representatives emphasized the political uncertainty in the country, which affects business opportunities and a climate of political tension that has prevailed during the DCA guarantee program. Financial regulation, moreover, makes it more difficult to grant credit to specific sectors. An example of this is the regulation on money laundering, which complicates lending to the dairy products and second-hand clothing sectors. Likewise, bank representatives mentioned that there is uncertainty about what regulatory changes may come.

4.1.2 Conclusions

The ease of adapting to the banks' operations provided favorable conditions for granting DCA loans to SMEs. Nonetheless, positive results are a function of strengthening SME lending programs that banks already have in operation, a factor that negatively affected those banks with less mature programs, like Azul, G&T, and Promerica. In other words, the DCA agreement acted as a multiplier of the banks' SME initiatives. The DCA guarantee program did not alter banks' overall strategy, such as when G&T decided to focus on larger enterprises.

USAID's decision to make the second DCA agreement more flexible was helpful for borrowers once economic conditions worsened due to COVID-19. However, this meant that the sustainable development of the loan guarantee program never took off as initially expected. The program did play a crucial role during the pandemic once other credit sources contracted. The flexibilization of the conditions of agreements signed in 2017 contributed to keeping the lending pipeline open, notwithstanding COVID-19.

The existence of a DCA guarantee generated decisive benefits for small companies and especially women because they would not have received credit under normal conditions due to a lack of or insufficient collateral. These benefits were particularly important during the period of uncertainty created by the pandemic.

However, the benefits of DCA program in El Salvador could be higher if there was a monitoring plan to complement existing CMS monitoring system. Besides, even though USAID made a due diligence process when the agreements were signed, strategic changes occurred as when G&T shifted its strategy toward medium enterprises. USAID needs regular and systematic feedback from banks about their strategic business orientation and if they need assistance to serve SMEs better. Also, the agreements lack a feedback mechanism to get information about borrowers satisfaction with the DCA program.

4.1.3 Recommendations

- Although bankers valued the DCA program's flexibility and observed tangible benefits for them and borrowers, USAID must negotiate with banks to provide credit to underserved borrowers, such as women, first-time borrowers, and economic sectors identified by the Salvador government as high-growth sectors. Due to partial guarantee, all borrowers paid lower loan

---

[14] Fifty municipalities comprised El Salvador's Plan for a Secure (PESS). For agreements signed in 2017 for Banco Azul, BAC, G&T, and Promerica, section 16 prioritized global supply chain projects operating in those municipalities. It is important to note that the Government of El Salvador security plan changed its name to Plan Control Territorial starting in 2019.

interests, and when it was necessary to execute the guarantee, they did not lose part or have no assets put as collateral. So, because those benefits acted as an implicit subsidy, this support should prioritize underserved sectors. Having better guidelines and a monitoring plan, as described below, would make it possible to make the best use of the advantage of the guarantee and bet on clients that are already consolidated and do not represent an additional risk for the banks.

- A guarantee program of the magnitude of DCA should have a monitoring plan with performance indicators of activity outputs and outcomes linked to intended results, with annual targets for the whole program and per bank. Monitoring plan should include information about jobs and sales generated by the loans, and with instruments to get feedback from borrowers. DCA scheme should allow making corrections or adjustments along the way to improve results and evaluate the results achieved by the program and by each bank.
- USAID should provide a system to capture all information and provide feedback to banks with the information they collect. To have a monitoring plan affordable for banks, the borrowers should give input when needed as a condition to be covered by the partial guarantee, including satisfaction surveys. A monitoring plan should be a minimum standard to verify that the program is obtaining the expected results, both for the borrowers and the banks.
- USAID made a due diligence process before starting an agreement. However, the cooperation agency needs regular and systematic feedback from banks about their strategic business orientation and if they need assistance to serve SMEs better. If SMEs are not a priority of banks, but they are willing to incorporate these segments, USAID should strengthen their efforts to bank's capacity-building. USAID may suggest renegotiating the terms of the agreement or relocating funds to another bank if necessary.
- USAID should evaluate including new financing modalities. Both borrowers and bank officials suggested promoting other financing modalities beyond available options, such as revolving credit and debt consolidation.

4.2 RQ 2: TO WHAT EXTENT HAVE FINANCIAL INSTITUTIONS MODIFIED THEIR LENDING BEHAVIOR SUCH AS ENTERING NEW SECTORS OR INCREASING LENDING TO PREVIOUSLY UNDERSERVED SECTORS, AS A RESULT OF THE DCA AGREEMENT?

4.2.1 Findings

According to the bank informants, the banks did not make substantive changes to their lending policies or behaviors because of the DCA program and only made minor changes to serve sectors that demand more attention, like the export chain and tourism, *i.e.*, restaurants, hotels, and regional transport and export companies. Only Promerica changed its risk policy and drafted a procedure manual to embrace the DCA program, while the other banks did not alter their overall credit policies.

Davivienda bank, to deliver DCA-backed loans to their clients, developed three types of loans: working capital, reverse factoring, and credit for exports and imports. The working capital loans were successful, while implementation of reverse factoring loans, which required lending policies changes, have progressed at a slower pace as well the trade-credit loans, focused more on medium-sized enterprises.

As seen in Table 3, more than 86 percent of DCA-backed loans went to small companies, 9 percent went to medium enterprises, and 4.9 percent went to micro-enterprises, although the specific distribution differed for each bank. There are also significant differences in the loan sizes. The median value for loans to small enterprises was $29,000 compared to $100,000 for medium enterprises, again with a substantial cross-bank variation. At Davivienda, the median loan size for small companies was $20,000 compared to $65,000 at Promerica. On the other hand, the median loan size for medium enterprises ranged from $50,000 at Davivienda to $200,000 at G&T.

Table 3: Number and Distribution of Loans Granted by Business Size, per Bank (2012-2020)

Bank	Number of Loans by Business Size				Distribution of Loans (%)			
	Total	Micro	Small	Medium	Total	Micro	Small	Medium
Total	**1,135**	**56**	**977**	**102**	**100.0**	**4.9**	**86.1**	**9.0**
Azul	**47**	0	38	9	**100.0**	0.0	80.9	19.1
BAC	**352**	56	246	50	**100.0**	15.9	69.9	14.2
Davivienda	**693**	0	659	34	**100.0**	0.0	95.1	4.9
G&T Continental	**26**	0	21	5	**100.0**	0.0	80.8	19.2
Promerica	**17**	0	13	4	**100.0**	0.0	76.5	23.5

Source: ST estimations based on personal identifiable information (PII)-removed CMS records.
Note: Microenterprises were part only of the first DCA agreement.

Overall, the DCA guarantee program did not target women, although some banks did. According to the CONAMYPE SME survey 2017 (CONAMYPE, 2018, p. 20), women-owned businesses constituted around 26 percent of small businesses in the country, while their share in DCA loans was only 22 percent. Thus, women's share of DCA-backed loans was lower than their share in the ownership of small enterprises nationwide. Nonetheless, the share of Banco BAC's and Banco Azul's DCA-backed loans going to women-owned enterprises exceeded the 26 percent threshold at, respectively, 33.0 percent and 27.7 percent.

Table 4: Number and Distribution of Loans Granted by Sex of the Owner, per Bank (2012-2020)

	Number of Loans by Sex of Owner			Distribution of Loans (%)		
	Total	Male	Female	Total	Male	Female
Total	**1,135**	**883**	**252**	**100.0**	**77.8**	**22.2**
Azul	47	34	13	100.0	72.3	**27.7**
BAC	352	236	116	100.0	67.0	**33.0**
Davivienda	693	580	113	100.0	83.7	16.3
G&T Continental	26	20	6	100.0	76.9	23.1
Promerica	17	13	4	100.0	76.5	23.5

Source: ST estimations based on PII-removed CMS records.

According to the CMS, loans for first-time borrowers totaled 388 (34 percent) of the DCA lending portfolio compared to 747 (66 percent) for borrowers with previous lending experience. Overall, the share of first-time borrowers in the El Salvador DCA program compares favorably with the worldwide average of DCA guarantee programs of 22.7 percent (Amha et al., 2016, p. 22). For some banks—like BAC, G&T, and Promerica—the share of first-time borrowers was even higher at over 40 percent. Most of the first-time borrowers' loans went to trade or commerce and other services. Loan proceeds invested in prioritized activities (*e.g.*, agriculture, energy, information, and communications technology [ICT], and tourism) were higher for first-time borrowers than for experienced ones.

Table 5: Number and Distribution of Loans Granted to First-Time Borrowers and Economic Activity, per Bank (2012-2020)

	First-Time Borrowers						Previous Loan Experience					
Economic Sector/Bank	Azul	BAC	Davivienda	G&T	Promerica	Total	Azul	BAC	Davivienda	G&T	Promerica	Total
Agriculture	-	3	-	-	-	**3**	-	5	-	-	-	**5**
Construction	-	-	1	-	-	**1**	2	2	2	1	-	**7**
Education	-	-	-	-	-	**-**	-	3	-	-	-	**3**
Energy	-	2	-	-	2	**4**	-	1	-	-	-	**1**
Health	1	1	-	-	-	**2**	1	-	-	-	-	**1**
ICT	-	2	-	-	-	**2**	-	-	1	-	-	**1**
Infrastructure	-	-	-	-	-	**-**	-	1	-	-	-	**1**
Manufacturing	-	15	10	4	1	**30**	-	23	25	1	-	**49**
Other Service	-	28	54	5	1	**88**	5	20	101	1	5	**132**
Tourism	-	2	-	-	1	**3**	-	2	-	-	-	**2**
Trade/Commerce	2	93	128	9	1	**233**	33	127	343	4	2	**509**
Transportation	-	8	12	1	1	**22**	3	14	16	-	3	**36**
Total	**3**	**154**	**205**	**19**	**7**	**388**	**44**	**198**	**488**	**7**	**10**	**747**

Source: ST estimations based on PII-removed CMS records.

4.3 RQ 2.1: WHAT IS THE LIKELIHOOD THAT THE FINANCIAL INSTITUTIONS WOULD HAVE CHANGED THEIR BEHAVIOR IN THE ABSENCE OF THE DCA?

4.3.1 Findings

The following quote by Davivienda bank officials aptly summarizes the consensus opinion among banks regarding SME lending: *"To be honest, the probabilities would be low, [...] if the program had not existed, to provide access to loans for many SMEs."* BAC officials similarly asserted that *"In many cases, clients do not have or no longer have guarantees. So, under the DCA program, they have been able to obtain financing even if they do not have such a guarantee."* According to Promerica officials, *"If it had not been for this guarantee, we would not have been able to support the operation, […] due to lack of SME guarantee, would not have been possible."* G&T officials were more specific, pointing out that, prior to the DCA program, the bank could only grant loans to seven or eight out of 26 SMEs due to their lack of a guarantee.

As G&T stated, women are excluded from credits because many of them do not have enough collateral, and a large share of micro or small businesses are female-owned. So, getting loans for women entrepreneurs is even more challenging. G&T officials stress that programs like DCA were an excellent complement because the guarantee provision and the orientation to SMEs favor females, as their program *G&T Mujer* had.

Another group that would have been negatively affected without the DCA guarantee program were enterprises located in high-risk areas, such as those prioritized by agreements signed in 2017[15]. of the PESS In this sense, BAC officials expressed that the bank would have found complex taken care of those clients based *"in vulnerable areas, identified as dangerous due to the crime that exists there [...]."*

Promerica reported that they adjusted their credit policies to include target clients of the DCA. Additionally, banks said that their learning derived from working closer to SME's had increased.

On the other hand, all banks were very blunt, saying that during 2020 without the DCA program, they would not have been able to lend to the same type of clients during COVID-19. They would not have been able to lend to these clients due to their higher risk perception.

Banks would have served the rest of the clients with better credit credentials but under tighter conditions. The responses from all the meetings held with bank officials indicated that they, in general, would have served the same type of client as included under the DCA guarantee program. However, they mentioned that the conditions would be less favorable since they would have to charge higher interest rates and longer loan terms. Although banks manage other guarantee facilities for clients, like the Development Bank of the Republic of El Salvador (BANDESAL), competitive interest rates require a slower and more cumbersome approval process than that observed in DCA.

4.4 RQ 2.2: IF THE DCA THE FINANCIAL INSTITUTIONS ARE NOW LENDING TO A RISKY SECTOR OR A NEW BUSINESS, WHAT IS THE LIKELIHOOD THAT THEY WILL KEEP DOING IT THE SAME WAY OR DIFFERENTLY WHEN THE DCA ENDS?

4.4.1 Findings

All banks mentioned that they would continue to serve the same clients, including SMEs, even without the DCA guarantee program, albeit under less favorable conditions, including higher interest rates and, in

[15] Fifty municipalities comprised El Salvador's Plan for a Secure (PESS). For agreements signed in 2017 for Banco Azul, BAC, G&T, and Promerica, section 16 prioritized global supply chain projects operating in those municipalities. It is important to note that the Government of El Salvador security plan changed its name to Plan Control Territorial starting in 2019.

some cases, shorter loan terms and more stringent guarantee requirements.

Supported banks agreed that the learning derived from the DCA program has changed how they will manage risk lending to small enterprises in the future. That is, in the process of lending to clients they would not otherwise have served absent the DCA program (*i.e.*, small businessmen, women, and, especially, those who reside in high-risk crime areas), the banks have learned to manage credit risk with small enterprises Thus, when the guarantee expires, they expressed a willingness to continue lending to these same clients, albeit with more stringent conditions, such as higher interest rates.

According to Promerica officials, for example, *"Definitely yes, a client generates a record, and this does open the doors, there is knowledge, there is a closeness on the part of the bank. Then, the bank develops a relationship with the client, allowing us to give them credit when the guarantee is not operating."* G&T expressed its intention to maintain credits such as the "Green Line," which provides loans for renewable energy. It also plans to resume the line of G&T Women; however, this will be postponed until after its ongoing merger process is finalized. For its part, Davivienda says it will focus on female-headed business and promote digital inclusion: *"We will have an even more pronounced focus on women. […] We are also going to continue working on making SMEs more digital. Given that SMEs do not have a substantial degree of (technological) adoption in El Salvador."*

Yet, as a caveat, at least two banks—Davivienda and BAC—mentioned that USAID was going to extend the DCA guarantee program. This knowledge may have influenced their stated willingness to continue serving risky sectors or new businesses because they are assuming the existence of a loan guarantee. Even when asked by the ST, the banks only responded that they are willing to serve the same type of borrowers under the new guarantee program.

4.5 RQ 2.3: HOW MANY NEW CLIENTS HAVE THE BANKS ACQUIRED DUE TO THE USE OF THE GUARANTEE?

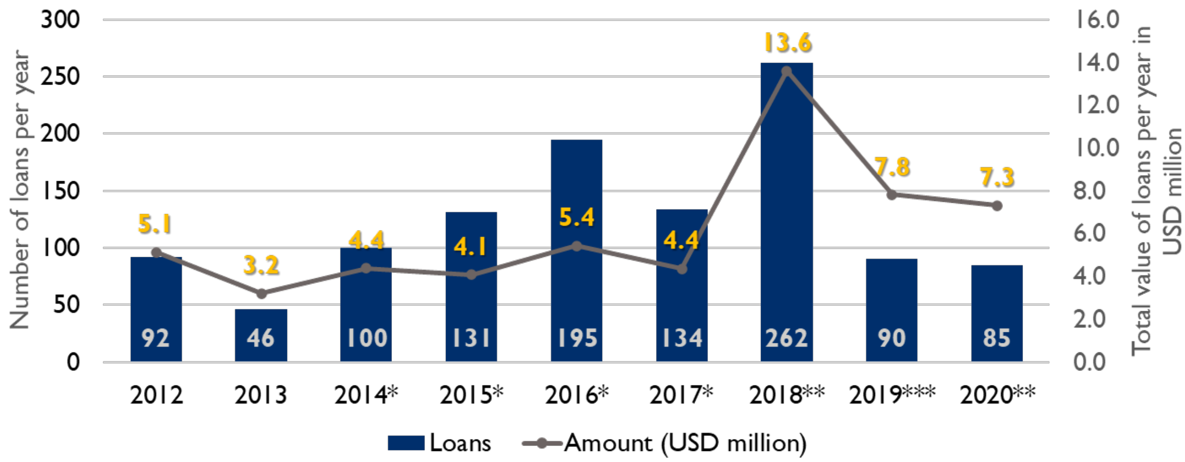
4.5.1 Findings

Bank officials reported that they have acquired new clients due to their use of the DCA guarantee, including in the SME segment, and have also expanded their customer coverage, translating in turn to increased bank profits. Bank officials agree that the DCA guarantee program has provided *"comprehensive improvement for companies, entrepreneurs, banks, and the country."*

From Bank Azul's perspective, *"The DCA program results were excellent because they enabled credit access to clients who did not present real guarantees, a situation that opens the possibility for entrepreneurs and companies."* An informant from Davivienda similarly said that *"We reach clients that before we are not serving them with credit and the proof of this is that with the USAID guarantee we obtained 700 new financings…some of them had an account or something like that, but not financing. So, I think that's an important number."*

Overall, banks made around $55.3 million in DCA-backed loans from 2012 through September 2020, with a single-year high of 262 loans totaling $13.6 million in 2018. Among supported banks, the value of their DCA-based loans constituted 28.9 percent of the $191.4 million of total business loans issued over September 2020.

Figure 1: DCA Guarantee Program – Number of Loans and Total Disbursement in USD Millions (2012-2020)



Source: ST estimations based on PII-removed CMS records.
Note: *year with 2 banks, **year where 3 banks were granting loans, and ***loans correspond to four banks.

As seen in Table 6, Davivienda made the largest number of DCA-backed loans at 693, while BAC had the highest volume of DCA-backed loans issued at $22.2 million. At the other end of the spectrum, Promerica granted the fewest number of loans at 17, while G&T Continental issued the lowest volume of loans at $2.5 million.

Table 6: DCA Guarantee Program – Quantity and Total Value of Loans per Bank (2012-2021)

Bank	No.	Total (USD)
Azul	47	$4,075,900
BAC	352	$22,234,753
Davivienda	693	$21,935,452
G&T Continental	26	$2,512,270
Promerica	17	$4,583,000
Total	1,135	$55,341,375

Source: ST estimations based on PII-removed CMS records.

In considering the above figures, it is important to note that 14 borrowers said they were already bank clients, either from a previous loan, credit card, or current account. For example, two borrowers of different banks said they had overdue loans that banks refinanced using a DCA-backed loan. So, the number of loans does not necessarily equate to new clients, although they do represent incremental income to the bank.

4.5.2 Conclusions for RQ 2, RQ 2.1, RQ 2.2, and RQ 2.3

The DCA guarantee agreements exerted influence on banks to slightly modify their behavior regarding the inclusion of small enterprises. The greater inclusion of women is still a pending task. While the share of first-time borrowers was, on average, higher than other DCA guarantee programs implemented in other countries, the inclusion of sectors other than commerce was limited.

Thus, the sectors prioritized by DCA-backed loans were not necessarily those oriented to innovative higher growth activities nor those highly integrated into international value-added chains. Government of El Salvador Plan Cuscatlan has identified and prioritized the following economic sectors, considering them as the new engines of economic growth in El Salvador: tourism, information technology and communications, agriculture, and construction.

Without the DCA guarantee program, many small business borrowers, especially women and residents of high violence risk areas, would not have been served by the banks. During COVID-19, their exclusion from borrowing could have been even higher.

Absent a guarantee program in the future, the banks should be able to make use of the learning obtained during the program to manage better the risks associated with small businesses lending. However, as the conditions for loans will be less favorable, some customers will still likely be left out, particularly those smaller customers such as those with a higher perception of risk, like women, first-time borrowers, and small businesses.

Banks were satisfied with the business creation generated under the program. However, a significant number of DCA-backed loan recipients were already part of the banks' customer bases, in which case, the number of new loans made did not necessarily translate into new bank customers. Consequently, the volume of business increase did not necessarily result in substantial growth in the number of the banks' customers because 388 of 1,135 loans were given to first-time borrowers.

4.5.3 Recommendations for RQ 2

- Promote women's inclusion and create a segment of funds allocated exclusively for female-owned businesses, with resources and better terms, e.g., lower interest rates, to promote this type of business and unleash opportunities.
- Promote the inclusion of high economic growth activities like those prioritized by the Government of El Salvador: information technology and communications, agriculture, construction, and keep promoting tourism.
- Due to the importance of commerce in El Salvador, it would be essential to keep a good share of loans to working capital, but not at the cost of funding priority or underserved sectors.

4.6 RQ 3: CONSIDERING APPROPRIATE ATTRIBUTION AND BASED ON THE ELIMINATION OF ALTERNATIVE EXPLANATIONS OF RESULTS, TO WHAT EXTENT HAVE BORROWERS' INCREASED INVESTMENTS CONTRIBUTED TO CHANGES IN PRODUCTION, SALES, JOBS, AND REVENUES?

4.6.1 Findings

The OLS asked respondents how they invested their DCA-backed loan proceeds. Their responses, summarized in Table 7, indicate that they channeled their investment mainly towards working capital (74.2 percent), purchases of machinery and equipment (34.8 percent), business expansion (16.9 percent), and facilities/premises improvement (9.0 percent). Two factors help explain this result. First, the most important economic activity supported by DCA-backed loans is commerce. Working capital is a financial need inherent to the type of business. Second, Banco Davivienda, the largest DCA lender, had a program dedicated exclusively to working capital, which used up all its funds.

Table 7: Investment Destinations of DCA-Backed Loans

Type of Investment	Number of Borrowers	% of Borrowers
Total	**89**	**100**

Type of Investment	Number of Borrowers	% of Borrowers
Working capital 1/	66	74.2
Purchase of machinery and equipment	31	34.8
Business expansion	15	16.9
Facilities or premises improvement	8	9.0
Others 2/	4	4.5

Source: Own estimates based on borrowers' surveys (August 23 to October 1, 2021).
Note: percentages do not add 100% because some borrowers reported multiple uses for the type of investment made with the loan.
1/ Includes "purchasing merchandising" and "all of the above."
2/ Refinancing or debt restructuring, photovoltaic plant construction, and tax payments.

According to OLS respondents, the primary benefits derived from their DCA-backed loans were that these loans enabled borrowers to increase sales (82.4 percent), clients (76.5 percent), and net employment (76.5 percent) (Table 8). The percentage of respondents citing increased sales is higher than those citing increased clients because some borrowers could sell more to their pre-loan customer base. On the other hand, only 23.5 percent of OLS respondents used their loans to increase production. Helping to explain this last result is that many borrowers work in commerce, and thus they are not engaged in producing goods or services but only in generating added value through distribution. Finally, just over one-half of OLS respondents received TA from the banks.

OLS respondents with previous lending experience were more likely to report that their DCA-backed loans had enabled them to increase their customers, sales, and production. They were also more likely to have received TA. However, a larger percentage of first-time borrowers reported that they increased net employment at their enterprise due to investments made with their DCA-backed loans.

Table 8: Change in Sales, Customers, Production, Net Jobs and Reception of TA by Loan Experience

	Total	Previous Lending Experience	First-Time Borrowers
Increased customers? /1	**51**	**28**	**23**
No	12	5	7
Yes	39	23	16
(% of Yes)	76.5	82.1	69.6
Increased sales? /2			
No	7	3	4
Yes	42	25	17
(% of Yes)	82.4	89.3	73.9
Increase production? /3			
No	5	2	3
Yes	12	7	5
(% of Yes)	23.5	25.0	21.7
Increase net jobs? /1			
No	12	7	5
Yes	39	21	18
(% of Yes)	76.5	75.0	78.3
Received TA? /1			
No	24	11	13
Yes	27	17	10

	Total	Previous Lending Experience	First-Time Borrowers
(% of Yes)	52.9	60.7	43.5

Source: Own estimates based on borrower's surveys (August 23 to October 1, 2021) and PII-removed CMS records
Note: Previous table does not include Davivienda borrowers and those without a code to associate OLS with CMS information.
1/ only 51 OLS responses could be matched with CMS data to match with first-time borrowers' question.
2/ only 49 valid responses, two did not respond.
3/ only 17 responded to this question because they did not produce goods and services.

As explained above, most DCA borrowers already had lending experience, either with the bank or with other financial institutions. During the KIIs, borrowers explained that to stay afloat and continue growing, they need a bank ally that supports them in their projects and projections as a company and as entrepreneurs.

Only 13 of the 89 OLS respondents from all banks previously had been disqualified for a loan. However, a small group of three KIIs said that the bank that granted the DCA-backed loan was the first that *"opened the doors for them, and others had closed them."* Likewise, they mentioned that this loan opened the doors to getting loans from other banks.

Only 18 of the 89 OLS respondents (20.2 percent) made sales abroad. A higher share of those who sold only in national markets reported increased clients, sales, and job creation compared to those integrated into international value-added. Although entrepreneurs covering only the local market show a higher proportion of better results in terms of clients, the share of the business generating net jobs is slightly higher (74.2 percent vs. 72.2 percent).

Table 9: Change in Sales, Customers, Production, and Net Jobs Sales Destination

	Clients Increased? /1		Sales Increased? /2		Net Jobs Created? /1	
	No	Yes	No	Yes	No	Yes
Percentage of valid responses						
International and national	38.9	61.1	38.9	61.1	27.8	72.2
National	22.5	77.5	10.4	89.6	25.4	74.6
Total	25.8	74.2	16.5	83.5	25.8	74.2
Number of valid responses						
International	7	11	7	11	5	13
National	16	55	7	60	18	53
Total	**23**	**66**	**14**	**71**	**23**	**66**

Source: Own estimates based on borrower's surveys (August 23 to October 1, 2021)
Note: 1/ 89 valid responses, 2/85 valid responses, four did not answer

Exploring factors that would have influenced the increase in sales, the OLS asked respondents which factors most influenced this outcome. Their responses, seen in Table 10, reveal three primary factors: better customer service (37 percent), marketing plans implemented (32 percent), and improved product or service quality (32 percent). Next in importance were new distribution channels (27 percent), expanding into other markets (23 percent), and offering better prices to customers (18 percent).

Table 10: Internal Factors that Contribute to Sales Change

	Sales Increased? (%)	Sales Increased? (#)

	No	Yes	Total	No	Yes	Total
Customer service changes	14%	37%	33%	2	26	28
Marketing plans	21%	32%	31%	3	23	26
Quality service and product	21%	32%	31%	3	23	26
Distribution channels	21%	27%	26%	3	19	22
Expansion to other markets	0%	23%	19%	0	16	16
Price changes	7%	18%	16%	1	13	14
Alliances	0%	11%	9%	0	8	8
Diversify products	0%	11%	9%	0	8	8
Increase client base	7%	1%	2%	1	1	2

Source: Own estimates based on borrower's surveys (August 23 to October 1, 2021)

During the interviews, borrowers mentioned that the interaction with their customers is another positive contributing factor. Likewise, facilities upgrades, in search of efficiency improvements and a strong company work ethic contributed to increased sales conditions and market competitiveness. The same factors have helped the borrowers thrive, even in times of crisis, as noted in the following quote, *"Well, at the moment there is a good organization of the company, a good approach towards future profits, future yields."*

Securing new suppliers and entering new markets, not only at the local level, were still other contributing factors. As one female business owner said: *"We needed to look for new options. We are now importing products because we realize that buying only local products makes it very difficult for us to compete."*

In addition to the above internal factors (i.e., internal to the borrowers' enterprises), the OLS explored which external factors (i.e., external environment) contributed to the improved business outcomes. Figure 1 shows how OLS respondents rated different external factors in terms of their positive impact on sales. The favorable external factor with more responses was financing access, with 30 of 89 respondents identifying this factor affecting sales increase. Overall average business credit growth from private financial institutions in El Salvador was 5.6% during 2012-2019, i.e., considering the years of DCA analyzed within this report. This average compares favorably with the years before DCA (2005-2011) when credits to private sectors grew at an annual average rate of 1.9%. The second relevant factor identified by 25 respondents was that new markets had been opened for their products. Of the respondents, 18 only sell at the national level, and 7 sell their products abroad. As for the third factor, respondents perceived the economic situation as a positive factor because average economic growth during 2012-2019 (2.4%) was slightly higher than 2005-2011 (2.0%). The rest of the responses consist of input costs, market competition changes, government policies, and other factors that were favorable for sales increase. The other factors included more remittances as a boost to domestic demand and the fact that COVID-19 was beneficial for businesses that marketed products needed during the pandemic, such as medical supplies and basic staples.

Figure 2: External factors for which sales increased after business invested

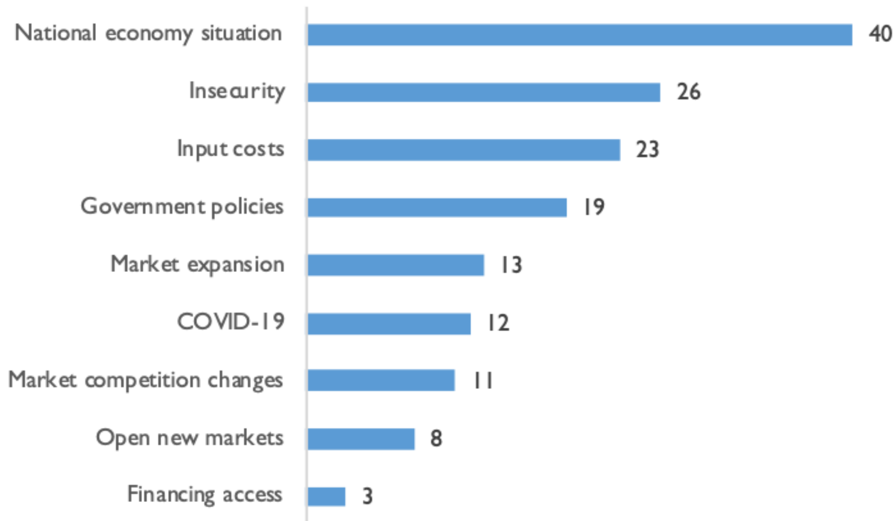
Source: Own estimates based on borrower's surveys (August 23 to October 1, 2021)

The OLS asked what factors had influenced a drop in sales after investing. The most mentioned factor was the situation of the economy. Even though El Salvador's economic growth average was higher in 2012-2019 compared with 2005-2011, the economy showed a sharp fall due to COVID-19. During 2012-2019, some economic activities had poor growth, like manufacturing and agriculture and information and communication services[16]. An equivalent to 75% of the OLS responses from manufacturing businesses and the only response from the agricultural sector flagged the economic situation as unfavorable. Although 12 responses from the commerce sector mentioned that the economy was a negative factor, they represent only 28% of the 43 responses obtained from that sector.

Insecurity is leading the second group of negative factors with 26 responses. According to UNDP estimates[17], the annual average homicide rate fell from 67.3 per 100,000 citizens in 2010-2011 to 35.7 per in 2019. Even if this rate dropped, it is still high, as is the extortion rate with a high degree of under-reported crime to authorities (Global Initiative, 2019). The third most relevant of the negative factors were input costs. There was a rise in the cost of productive inputs, with 23 responses backing up this claim. During KIIs, five entrepreneurs who received loans from Banco Azul, Davivienda, and BAC reported that the cost of supplies had risen significantly since 2019 and even more since COVID-19. Additionally, other OLS responses identified harmful factors such as government policies, the expansion of the markets in which entrepreneurs operate, and COVID-19.

[16] According to the Central Bank, agriculture grew only annually at 0.3% during 2012-2019, manufacturing grew at 1.7%, and information and communications did at an annual 0.1% rate.
[17] See https://infosegura.org/perfiles/el-salvador/

Figure 3: External factors that negatively affected sales after the business investment was made



Source: Own estimates based on borrower's surveys (August 23 to October 1, 2021)

Another approach to exploring the benefits of loans was to ask OLS respondents what they would have done if the bank had not approved their DCA-backed loan. As bank Promerica officials commented, *"Many of the clients don't have collateral to support them. So, they must use either Cajas de Credito, credit cards, or even usurers who give capital to SMEs but at high rates."* Or as noted by officials of the G&T Mujer program, *"A borrower mentioned that she was so proud of herself. Told me that without you, I don't know what I would have done."*

The responses to OLS indicate that almost two-thirds of respondents would have asked for a loan from another private or public bank, financial cooperative, or other financial institution (Table 11). Only one of the 89 respondents mentioned either the possibility of closing the company or asking their family for support had they not received a DCA-backed loan.

Table 11: Actions if DCA Loans Were Not Granted

	Percent of Responses	Number of Responses
Nothing	2.2%	2
Close business	1.1%	1
Ask loan from private bank	61.9%	55
Ask loan from public bank	4.5%	4
Ask loan from financial cooperative	6.7%	6
Ask loan from another financial institution	18.0%	16
Ask for family support	1.1%	1
Other	4.5%	4
Total	100.0%	89

Source: Own estimates based on borrower's surveys (August 23 to October 1, 2021)

Five borrowers confirmed in KIIs the benefits from DCA-backed borrowing shown in the OLS results. As one businessman noted,

> *"Even though the entrepreneurs stated that they had other alternatives, they recognized a series of benefits derived from the program. They have benefited from the funds to increase their inventory levels, hire more salespeople, sell more, expand the business or plant, and get liquidity. It allowed them to relax financial pressures, then reorganize themselves to work with their funds. It has also allowed them to grow, for example, with the launch of a new brand, with better prices and sufficient capital to drive the launch, and expansion in terms of staff and physical space. In addition, lower financial costs allowed to have better results."*

A women business owner echoed the above sentiment observing, *"We have grown gradually, we have been increasing our assets every year and our employees' payroll. We had two employees, and today we are a team of about thirty people."* In addition, borrowers asserted that they can now commit to more suppliers with the capital acquired by the loan, which translates into higher profits. As expressed by a women business owner, *"… thanks to the [DCA] credit we could place more orders in such a way that that increased the possibility of a sale."* In many cases, borrowers increased their recruitment roster due to opening new sales markets, further consolidating their companies. For others, particularly small producers, these funds *"allowed them to establish better negotiation terms to purchase supplies and raw materials."*

For some borrowers, the motivation to acquire a loan was the desire to improve their businesses by purchasing equipment and merchandise from wholesalers to get better prices and conditions, with the idea of growing as a company. Another borrower viewed the loan as a form of seed capital, *"We increase the productivity thanks working capital so that I can bring more products, and I can open myself more with companies."*

Overall, borrowers expressed positive opinions about the DCA-backed loans, mentioning, in particular, their lower interest rates, good advice provided by the lending banks, and an agile disbursement process. The fact that most borrowers were already clients of the banks also helped.

Additionally, the four DCA agreements signed in 2017 included a group of loans targeted for renewable energy. According to the OLS, nine borrowers reported receiving renewable energy loans. The average cost reduction attributed to the investments made with this type of loan was 16.1 percent. Of the nine borrowers reporting a renewable energy loan, eight increased their sales, and seven hired new workers as a result.

4.7 RQ 3.1: TO WHAT EXTENT HAS THE LOAN CONTRIBUTED TO CHANGES IN THE FOLLOWING THEMES: A) EMPLOYMENT IN ITS TARGETED SECTORS AND SUPPLY CHAINS, AND B) SALES AND REVENUES?

4.7.1 Findings

Just under 80 percent of OLS respondents reported increased sales after receiving their DCA-backed loan, although this percentage varied from bank to bank ranging from a low of 69.2 percent of Azul borrowers to a high of 85.7 percent of G&T borrowers.

Table 12: Number and Distribution of Borrowers Reporting a Sales Increase

Bank	Number				Percentage			
	Total	NA	No	Yes	Total	NA	No	Yes
Total	**89**	**4**	**14**	**71.0**	**100.0**	**4.5**	**15.7**	**79.8**
Azul	13	0	4	9.0	100.0	0.0	30.8	69.2
BAC	47	4	5	38.0	100.0	8.5	10.6	80.9
Davivienda	18	0	3	15.0	100.0	0.0	16.7	83.3
G&T	7	0	1	6.0	100.0	0.0	14.3	85.7

Bank	Number				Percentage			
	Total	NA	No	Yes	Total	NA	No	Yes
Promerica	4	0	1	3.0	100.0	0.0	25.0	75.0

Source: Own estimates based on borrower's surveys (August 23 to October 1, 2021).

In the OLS, borrowers were asked to estimate their sales volume 12 months before the loan and their sales volume 12 months after receiving the loan. Using this method, the average increase in sales was $108,000. Using this figure and the proportion of companies reporting increased sales, the ST projects the total value of the sales derived from the DCA to be in the range of $105 million. (See Table 13 for calculations.)

Table 13: Projected Sales Increase

Bank	Average Sales Increase/1	Projected Borrowers with Increased Sale /2	Estimated Total Sales Increase (US$ million) /3
Total	**108,589**	**930**	**103.7**
Banco Azul	261,967	33	8.6
Banco de América Central	75,096	285	21.4
Banco Davivienda	123,173	577	71.1
G&T Continental	5,500	22	0.1
Banco Promerica	191,000	13	2.5

Source: Own estimates based on borrower's surveys (August 23 to October 1, 2021).

Note: 1/ Average Sales is the total sales increase reported in OLS divided by the number of borrowers reporting a sales increase in OLS.

2/ Projected borrowers with an increased result from multiplying the total borrowers per bank (Table 6) by the share of the OLS respondents per bank that reported having a sales increase (last column in Table 13).

3/ Estimated total sales increase is the average sales increase multiplied by the projected borrowers with a sales increase.

Increased sales are expected to translate into increased hiring. Based on OLS responses, the ST estimates that borrowers created, on average, eight new jobs after receiving their DCA-backed loan. From this figure and the proportion of firms reporting a net job increase, the ST projects the total number of net jobs created to be around 6,415 with a total amount of loans of US$55.4 million from January 2012 to September 2020. So, every million dollars of investment generated an equivalent to 115 jobs.

However, it is essential to note that during the KIIs, some borrowers mentioned that the DCA-backed loan allowed them to retain workers they would have otherwise terminated during the most severe months of the COVID-19 pandemic, even if they did not hire new employees. To the extent this is true of other borrowers, this implies that the number of net jobs created may well exceed the 6,415-figure project above.

Table 14: Projected Net Jobs Created

Bank	Average Net Jobs Created /1	Estimated Borrowers That Created Net Jobs 2/	Total Net Jobs Created /3
Total	**8**	**834**	**6,415**
Azul	10	25	250
BAC	6	270	1,620
Davivienda	8	500	4,000
G&T Continental	7	22	154
Promerica	23	17	391

Source: Own estimates based on borrower's surveys (August 23 to October 1, 2021).

Note: 1/ Average net jobs created are the total net jobs divided by the number of borrowers reporting net jobs creation, as reported on OLS.

2/ Estimated borrowers that created jobs resulted from multiplying the total borrowers per bank (Table 6) by the share of the OLS respondents per bank that reported jobs creation (last column in Table 13).

3/ Estimated total net jobs created is the average net jobs created multiplied by the estimated borrowers that created net jobs.

The characteristics of jobs created by DCA-backed lending can be seen in Table 15 by bank and the type of employee. It is important to highlight the number of formal and full-time jobs generated. Second, the net jobs created for the young population who had completed secondary education is significant because this segment of the people has a higher likelihood to emigrate from El Salvador to look for opportunities. Third, female participation is also relevant because more than half of the jobs were for women.

Table 15: Projected Net Jobs Created, per Bank and Type of Employee

Bank	Net jobs	Formal	Part-time	Full-time	Temporary	Women	LGBTIQ+	Disabled Employee	Returned Migrants	Young	Secondary Education Completed	Tertiary Education Completed
Total	**6,415**	**6,264**	**1,481**	**4,862**	**1,372**	**3,452**	**54**	**282**	**246**	**4,366**	**4,149**	**894**
Azul	250	193	28	200	40	110	0	10	15	68	98	25
BAC	1,620	1,404	216	1,431	486	594	54	54	81	1,323	1,134	108
Davivienda	4,000	4,200	1,100	3,000	500	2,650	0	200	150	2,550	2,600	600
G&T	154	147	132	180	40	81	0	4	0	165	176	84
Promerica	391	320	5	51	306	17	0	14	0	260	141	77

Source: ST estimates based on borrower's surveys (August 23 to October 1, 2021).
Note: Jobs created by category were estimated multiplying the average net jobs created per category in each bank by the estimated borrowers that created net jobs, as was shown in Table 15, the third column.

4.8 RQ 3.2: TO WHAT EXTENT IS THE EFFECT OF THE INVESTMENT LEVERAGED BY ADDITIONAL TECHNICAL ASSISTANCE FROM USAID OR OTHERS?

4.8.1 Findings

Overall, a minority (42.7 percent) of OLS respondents reported receiving TA from the banks (Table 16). Banks deliver TA through, for example, seminars, breakfast meetings, web conferences, and direct support from bank executives to clients. There is a wide gap between the percentage of borrowers receiving TA from banks and TA from other institutions (Table 17). Respondents mentioned CONAMYPE, Salvadoran Institute for Professional Training (INSAFORP), and BANDESAL). Not only were borrowers less likely to receive TA from other institutions, but in the KIIs, they also had a hard time remembering which TA they had received. Likewise, many OLS respondents reported not receiving TA from their bank does not imply that it is not available, but rather often the modality in which the bank provides it, or the borrowers' schedules, prevent them from participating, according to KIIs.

Of the banks with DCA guarantees, BAC had the highest percentage of borrowers who reported receiving TA (59.6 percent), followed by G&T (42.9 percent), Davivienda (27.8 percent), Azul (15.4 percent), and Promerica (zero percent).

Table 16: DCA Program – Banks' Technical Assistance Received by Borrower, per Bank

Banks	Received TA from Banks			Received TA from Bank (%)		
	Total	No	Yes	Total	No	Yes
Total	**89**	**51**	**38**	**100.0**	**57.3**	**42.7**
Azul	13	11	2	100.0	84.6	15.4
BAC	47	19	28	100.0	40.4	59.6
Davivienda	18	13	5	100.0	72.2	27.8
G&T	7	4	3	100.0	57.1	42.9
Promerica	4	4	0	100.0	100.0	0.0

Source: Own estimates based on borrower's surveys (August 23 to October 1, 2021).

Table 17: DCA Program – Other institutions' Technical Assistance Received by Borrower, per Bank

Bank	Received TA from Institutions			Received TA from Institutions (%)		
	Total	No	Yes	Total	No	Yes
Total	**89**	**74**	**15**	**100.0**	**83.1**	**16.9**
Azul	13	9	4	100.0	69.2	30.8
BAC	47	40	7	100.0	85.1	14.9
Davivienda	18	15	3	100.0	83.3	16.7
G&T	7	6	1	100.0	85.7	14.3
Promerica	4	4	0	100.0	100.0	0.0

Source: Own estimates based on borrower's surveys (August 23 to October 1, 2021).

Promerica mentioned that, although it initially had some TA activities, it suspended them due to the COVID-19 pandemic. G&T provided TA while the G&T Woman program was in force, which included, in addition to TA, administrative assistance and marketing assistance. Banco Azul has a LIDERA corporate social responsibility program that provides individualized advisory assistance. Before the pandemic, Banco Azul provided in-person workshops, but now the training is conducted virtually. According to the bank, almost 2,000 entrepreneurs have benefited from this initiative, including training, diplomas, and specialized technical consultancies. The Azul LIDERA diploma consists of various modules: accounting and finance, marketing, and prevention of money laundering, among others. One borrower reported signing up for Banco Azul's TA training modules; however, he could not attend due to schedule conflicts.

BAC's PROPEMI division has a Business Development Center, which is a school for entrepreneurs of a non-vocational nature. Participants receive workshops with tips to improve their business conditions. BAC also offers seminars, conferences, workshops, business talks, and business roundtables.

When asking borrowers about bank TA, some pointed out that they could not attend due to time constraints. One borrower characterized the TA *"more as supervision than assistance"* intended more to ensure that things were working well as opposed to building borrower capacity. Borrowers generally described bank TA as spaces that enabled training focused on topics like personnel management, how to improve the company, business tips, *etc.*

Davivienda executives emphasized that they include a liaison executive in all loan operations who advises borrowers about the process in terms of amount definition, destinations, and access to financing. In addition, they have a SME club that carries out business rounds and other types of events called "multi-oferta empresarial," during which the bank promotes additional financial products, such as credit cards and insurance. Also, Davivienda has been organizing workshops since 2005 about accounting, financing, marketing, *etc.* Davivienda also has a complete diploma in administration and finance. Finally, it has a women's SME program, including a women's business leadership program offering topics like intuitive communication, leadership in times of crisis, and keys to leadership for women.

In KIIs, several Davivienda borrowers acknowledged receiving courses to strengthen their knowledge and commercial capacities, including, in one instance, training in digital marketing. Other borrowers likewise reported receiving TA, while others had been offered TA but were unable to participate. One borrower received TA both from the bank and from other training institutions, including in the former case a three-day conference on managing finances and taxes. According to this borrower, the TA has helped him better manage and grow his business.

The share of borrowers that received TA, according to OLS, was higher (48.5 percent) for those with more clients versus those not reporting an improvement in their client portfolio (26 percent). The same situation was observed regarding TA received from other institutions than banks with a DCA agreement: for the first group, only 18.2 percent of borrowers receive TA, for the second group, only 13.0 percent.

4.9 RQ 3.3: HAS THE BORROWER BEEN ABLE TO INCREASE THEIR CLIENT PORTFOLIO AS A RESULT OF THE INVESTMENT MADE UNDER THE GUARANTEE? IF SO, HOW MANY NEW CLIENTS?

4.9.1 Findings

Seventy-four (74) percent of OLS respondents reported increasing the number of their clients thanks to their DCA-backed loan, including 85.7 percent of G&T borrowers, 78.7 percent of BAC borrowers, 72.2 percent of Davivienda borrowers, 61.5 percent of Banco Azul borrowers, and 50 percent of Promerica borrowers (Table 18).

Table 18: DCA Program – Borrowers Reported Clients Increased, per Bank

Bank	Frequency			Percentage		
	Total	No	Yes	Total	No	Yes
Total	**89**	**23**	**66**	**100.0**	**25.8**	**74.2**
Azul	13	5	8	100.0	38.5	61.5
BAC	47	10	37	100.0	21.3	78.7
Davivienda	18	5	13	100.0	27.8	72.2
G&T Continental	7	1	6	100.0	14.3	85.7
Promerica	4	2	2	100.0	50.0	50.0

Source: Own estimates based on borrower's surveys (August 23 to October 1, 2021).

Note: the question was: "Has the credit granted had an impact on the number of customers the company has?"

As in the case of sales and net jobs generated, the ST estimated the possible overall impact on the number of customers generated by the DCA program. It is essential to clarify that not all clients are comparable. For some small entrepreneurs, a client may represent a small sale to the final consumer. In contrast, for medium-sized companies, their clients included regional distributors or construction projects. That said, considering the additional clients per borrower reported in the OLS and the percentage of OLS respondents who said they increased their number of clients, the ST applied that percentage to the total borrowers per bank, producing a projected total of 168,313 new clients gained through DCA-backed loans (Table 19). This number of clients is a function of the clients generated per loan, which was highest for BAC and lowest for Banco Promerica. It also depends on total borrowers per bank, where BAC and Davivienda had the highest number, and Promerica had the lowest numbers. From there, it appears that BAC borrowers would have generated a cumulative total of 109,969 new clients, Davivienda 46,000, and Promerica only 18.

Table 19: DCA Program – Estimated Total Clients, per Bank

Bank	Average New Clients per Loan /1	Projected Borrowers That Increased Their Clients /2	Estimated Total New Clients /3
Total	**285**	**837**	**168,313**
Azul	290	29	8,410
BAC	397	277	109,969
Davivienda	92	500	46,000
G&T	178	22	3,916
Promerica	2	9	18

Source: Own estimates based on borrower's surveys (August 23 to October 1, 2021).

Note: 1/ Average new clients are the total new clients divided by the number of borrowers reporting a sales increase, as reported on OLS.

2/ The projected borrowers that increased their clients resulted from multiplying the total borrowers per bank (Table 6) by the share of the OLS respondents per bank that reported a sales increase (last column in Table 19).

3/ Estimated new clients is the average new clients per loan multiplied by the estimated borrowers that increased their clients.

4.9.2 Conclusions for RQ 3, RQ 3.1, RQ 3.2, and RQ 3.3

Investments by SMEs with DCA-backed loans enabled them to increase their number of clients, sales, and net jobs. Considering that the main activity of these borrowers was commerce, only a small group of borrowers experienced production growth. The benefits were positive both for those with and without previous credit experience; however, the results were slightly higher for sales and clients in the second group but similar for net jobs created in both groups.

Internal factors at borrowers' businesses that most contributed to increased sales were improvements in customer service, implementation of marketing plans, improvements in product or service quality, and expansion into other markets. The most valued external factor was access to financing, highlighting how DCA was an important factor in improving business conditions. Insecurity was the main negative factor that affects small businesses.

Coinciding with the above, DCA made a significant contribution, but it was not the only one. This conclusion is congruent with the reading of what the borrowers would have done without DCA. From the group interviewed, but also from the CMS data, most borrowers already had experience with banks and had other alternatives to seek financing. They recognized that DCA was a more favorable option and that it has allowed them to take better advantage of opportunities. Even borrowers considered that the interest rate was too high, but they also believed DCA offered benefits. In other words, DCA was the most favorable option for most entrepreneurs, and, for a small group, it would have been the only one.

The DCA program contributed to net jobs generation. However, the benefits were moderate because most of the loans were for the working capital of the trade/commerce sector and small businesses. These small benefits were also since few loans were oriented to growth expansion, like machinery purchase, opening new branches, or plant expansion.

Because the groups with better results in terms of net jobs generation were formal jobs, full-time jobs, young populations, and those with completed secondary education, even though the number of employees is not high, it can help to reduce migration. Furthermore, women's inclusion in terms of net jobs is better when compared to loans given to women-owned businesses, so the gender benefits of DCA are visible in terms of women's jobs.

The presence of TA was not particularly noticeable per the interviewees and those who responded to the survey. However, Azul, BAC, and Davivienda have comprehensive programs to support SMEs in business administration and loans. A more remarkable absence was conspicuous: TA programs not linked to banks. Even though those borrowers reporting more clients have more access to TA from banks with DCA agreements and also from other institutions, not all TAs are oriented to get most of the investment, and borrowers find it difficult to attend to the TA offered. As a result, the effect of TA does not look like a strong factor that could explain better results of the investment because TA has low coverage, and only a few of the seminars, courses, or advice supported the business itself.

4.9.3 Recommendation for RQ 3

- New guarantee agreements should include a TA component sponsored by USAID or in partnership with another institution.
- This component should be part of the monitoring plan to include performance indicators. As noted, most of the borrowers did not receive TA for various reasons.
- Thus, it will be crucial to delivering TA for a format compatible with schedules and topics valuable for their SME's business. This will ensure the training adapts to the clients' needs and not the other way around.
- Moreover, USAID may consider adding benefits in credit conditions to encourage participation in TA programs. Furthermore, USAID should perform a periodic diagnostic of knowledge needs, for example, every three years to update or validate TA contents.

4.10 RQ 4: TO WHAT EXTENT HAS COVID-19 AFFECTED SMES, AND HOW HAVE THEY ADAPTED THEIR BUSINESS/FINANCIAL PLANS IN RESPONSE TO COVID-19?

4.10.1 Findings

COVID-19 had a significant impact on the Salvadoran economy during 2020. Reyes et al. (2021, pp. 9-13) found that 70 percent of the companies in Central America were temporarily closed, which affected small companies more intensely, according to a Chamber of Commerce and Industry of El Salvador (CAMARASAL) survey they cite. In addition, these authors mention that around 20 percent of Salvadoran companies were affected by liquidity problems.

Most of the businesses that responded to the OLS said they were affected by COVID-19. Of 89 responses received, 70 mentioned being affected, equivalent to 78.7 percent of responses. This situation resulted from a sharp drop in the Salvadoran economy (8.9 percent according to the IMF's World Economic Outlook, October 2021). On the other hand, six KII informants stated that their businesses were not affected by COVID-19 for several reasons: the type of industry benefited from the closure, and they did not close, or the closure was short. Other businesses did not mention that they had more sales or greater profitability, but they reported not having closed. Although most borrowers were adversely affected by COVID-19, some, including the six mentioned above, had better results thanks to the pandemic because they were selling products whose demand increased, such as medical supplies.

According to the OLS (Table 20), borrowers were mainly affected in terms of a drop in sales, higher costs, and employee lay-offs. Other effects experienced by the businesses included financial problems in terms of portfolio recovery, fixed costs that continued to generate accounts payable, the lack of liquidity, business shutdowns, delayed business openings, supply problems (closed borders and delayed purchase orders), issues with workers (resignations and low productivity), canceled contracts, interruption of certification processes, no in-person classes, electricity tariff changes, and margin reductions because of higher cost or lower (more competitive) prices.

Table 20: How Businesses Were Affected by COVID-19 During 2020

	Count	%
Sales reduction	55	78.6
Increasing costs	36	51.4
Laid-off employees	18	25.7
Others*	16	22.9
Difficult to comply with financial obligations	15	21.4

Source: Own estimates based on borrowers surveys (August 23 to October 1, 2021)
Note: *others include financial distress, logistics problems, labor issues

Borrowers' interviews shed light on some difficulties experienced. One interviewee expressed that *"shortly before the strict quarantines we had already hired personnel and purchased equipment, the projects had to be postponed or canceled. This situation forced us to make cash flow expenditures, extend deadlines, wait for the projects to be approved again."* The aspect that harmed them the most was the closure of operations. Even when some managed to return to their economic activities, sales were lower, as noted by another borrower, *"…50% of sales fell, commitments increased because, let's say, some debts accumulated that leverage has served for that purpose."*

However, the pandemic favored some borrowers, mainly those who did not have to close due to the type of product or service they sold (products or services related to health, transportation, hardware, delinquent portfolio purchases, and some essential products). COVID-19 favored other businesspeople due to their economic activity; they never closed operations and were given a work permit, as reported by one borrower: *"We were positively affected, sales rose to 160 percent because we were a necessary item because we transport food products."* However, there was always the insecurity of the possibility of contagion for borrowers and their employees.

Other borrowers looked for alternatives: *"Notice that I was greatly affected, but also we, we did not sit idly by, there were more clients for us because all the dentists were forbidden to work, they only left emergency cases, so we did that part of emergency cases. Thus, we started to sell masks, gloves, brackets, and a bunch of biosafety supplies. This change has helped us move forward."* Another borrower changed her strategy towards her production to biosafety utensils, turning a bad situation into good profits for her company, expressing excitement that *"the company has been incredibly blessed."* Likewise, businesses had to use forms such as teleworking and reduction of the face-to-face payroll, as well as home sales. In most of the interviews, they considered that although they were initially affected by a more devastating scenario than the one observed, the uncertainty affected them significantly, as they mentioned.

4.11 RQ 4.1: WHICH FLEXIBILITIES TO THE LOAN REQUIREMENTS MADE BY THE BANK AS A RESULT OF COVID-19 MOST BENEFITED THE BORROWER?

4.11.1 Findings

According to OLS, around 62 percent of borrowers with active loans during COVID-19 reported having received bank support. Of these, 75 percent went through deferral payments, and 7 percent restructured their loan or secured a new loan. It is essential to mention that the deferral of payments refers to the government's measures to relieve the pandemic, *i.e*., a three-month grace period for loan installments.

Table 21: Borrowers Reporting That Received Bank Support During COVID-19

Banks	Number of Borrowers			Percentage		
	Total	No	Yes	Total	No	Yes
Total	**76**	**29**	**47**	**100.0**	**38.2**	**61.8**
Azul	13	7	6	100.0	53.8	46.2
BAC	39	17	22	100.0	43.6	56.4
Davivienda	14	4	10	100.0	28.6	71.4
G&T	7	1	6	100.0	14.3	85.7
Promerica	3	0	3	100.0	0.0	100.0

Source: ST estimates based on borrowers' surveys (August 23 to October 1, 2021).

As for whether the bank provided borrowers with any additional support in the context of the pandemic, the most concrete support consisted in offering them different credit lines for restructuring and helping to advise borrowers on managing their payments with the bank. When the borrower requested refinancing, the banks reviewed a financial plan of the business' cash flow to approve it after analyzing its viability. However, the predominant response suggests that the primary support was limited to meeting the presidential decree, granting as a grace period for paying the quotas, the three months corresponding to the quarantine period. In addition, the borrowers received support from BANDESAL through the FIREMPRESA trust. As explained by the Central Reserve Bank (2021),

> *"The trust for the economic recovery of Salvadoran companies (FIREMPRESA) was created with the purpose of benefiting the economic recovery of micro, small and medium enterprises with different programs: 1) subsidy to pay payroll, for an amount of US$140 million, 2) granting of loans to companies, for an amount of US$360 million and 3) productive financing for entrepreneurs and small merchants of the informal sector for an amount of US$100 million."*

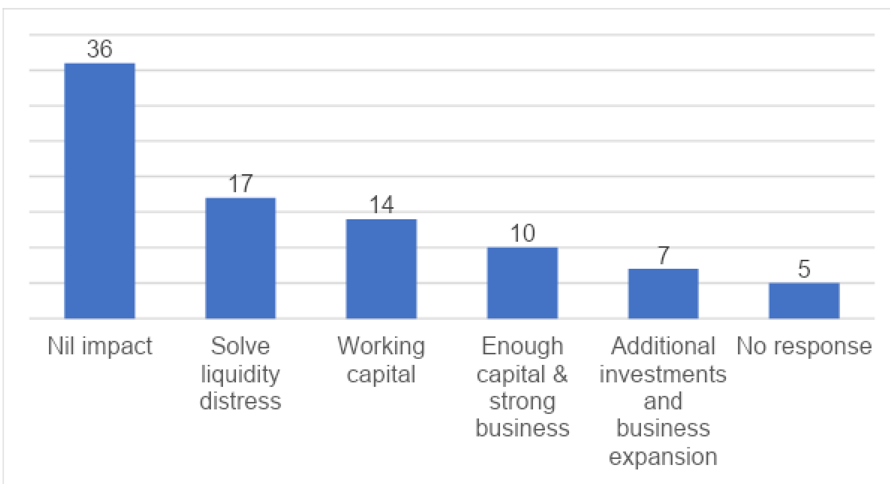
The borrowers who were affected by COVID-19 in their businesses carried out the following actions in order of importance to survive the shock created by the pandemic: restructuring operations focused on reducing costs, opening new lines of business or distribution channels for products or services offered, use of financing sources, security measures for the protection of the health of employees and clients, and adjustments in staff working routines. Cost reduction measures included shift reorganization, cost control measures, postponed commission payments, limited sale products, and postponed planned expansions. Later, the opening of new business lines led to diversifying the number of products and services, enabling new distribution channels through virtual channels, and taking advantage of social networks. In the case of personnel changes, it implied teleworking, rotating shifts, and providing transportation for personnel. Finally, the use of financing sources ranged from the contracting of loans, including the consolidation or restructuring of debts, renegotiating lines of credit with suppliers, and making use of family savings.

4.12 RQ 4.2: HOW HAVE THE CREDITS THE SMES RECEIVED ALLEVIATED THE EFFECTS OF THE PANDEMIC?

4.12.1 Findings

Thirty-six (36) out of 89 respondents (40.5 percent) to the OLS who had received a DCA loan well before the pandemic reported that the loan had no impact on helping their business face COVID-19. For a second group, 17 OLS responses (19.1 percent) stated that they had the liquidity to keep the business running thanks to the loan, including the payment of accounts receivable and payroll. A third group of 14 survey respondents (15.7 percent) mentioned that the loan allowed them working capital to keep the business running without difficulty. Another group of ten respondents (11.2 percent) commented that the loan had strengthened the company, and they had sufficient capital to deal with a situation such as the pandemic. A group of seven respondents (7.9 percent) stated that the DCA loan allowed them to make additional investments and expand their business. Finally, a group of five respondents (5.6 percent) indicated that the loan helped them invest in the expansion of the business, and lastly, five did not answer this question.

Figure 4: DCA Guarantee Program – How the DCA Loan Helped Your Business to Face COVID-19



Source: ST estimates based on borrowers surveys (August 23 to October 1, 2021).

4.12.2 Conclusions for RQ 4, RQ 4.1, and RQ 4.2

Most borrowers were affected by COVID-19 because lockdown measures to prevent disease contagion did not allow them to have their businesses open. The impact was observed in lower sales and higher costs. However, the effect varied according to the enterprise economic activity because for some groups, COVID-19 was beneficial because their services and/or products were in high demand during the pandemic or because they reoriented their activities and the change was good for them.

The specific support received due to COVID-19 from the banks with a DCA agreement was provided to a small group that applied for refinancing or debt consolidation. According to the responses received, most borrowers attribute the support derived from the pandemic to the government. Although ten borrowers thought that the approval came directly from the banks since they noted that they had given them a three-month grace period. In addition, six borrowers who had a current loan highly valued the advice and support provided by the banks. In summary, the concrete support was not extensive. Still, it was essential to have loans during the most severe months of 2020 due to the uncertainty and limited availability of financing sources.

On balance, recipients of DCA-backed loans benefited from an improved ability to cope during the COVID-19 pandemic. The loans received better prepared some borrowers to deal with the effects of the crisis, and in some cases, helped solve or prevent liquidity problems. Other borrowers had working capital to continue operating, and a smaller group could even make additional investments. In selected cases, borrowers who had received their loans long ago had used the loans for investments that made them more robust companies which were more able to weather the pandemic—although most of the borrowers said it had no effect.

4.12.2 Recommendation for RQ 4

- USAID should consider the automatic activation of contingent clauses that make the guarantee agreements more flexible under exceptional circumstances, as happened during the COVID-19. These clauses may allow banks not only to refinance debts and extend the credit term, but make temporary suspension payments during a contingency. Including these clauses would be necessary to serve SMEs better under unforeseen negative scenarios, like an economic slowdown or a crisis affecting a specific sector. Agreements may also include the application of the clauses mentioned above (refinancing, extended-term, or payment suspension) for specific cases if a bank risk assessment determines that it is a better option than executing the guarantee.

ANNEXES

ANNEX 1: STATEMENT OF WORK

STATEMENT OF WORK (SOW)
USAID/El Salvador
Development Credit Authority (DCA)

A. Purpose of the Study

The purpose of this study is to inform USAID on how the DCAs have been implemented and achieved their objective (increase access to credit in new sectors), and to analyze their contribution to small and medium enterprise (SMEs) development based on new jobs generated and increase in sales. The study will provide evidence to inform future interventions under the approved Country Development Cooperation Strategy (CDCS) that support diverse key business sectors and investments that promote economic growth in the country.

The principal audience of this study internally will be USAID, particularly the Office of Economic Growth and Education, the Regional Program Office, and the U.S. International Development Finance Corporation (DFC) in Washington DC.

The study is scheduled to occur in the third quarter of FY 2021.

B. Background Information about DCA Activities in El Salvador as of September 2020

Guarantee Number	Financial Institution Partners	Life of DCA	Time elapsed	Total amount of DCA guarantee	Amount used	Number of loans placed	% Of	
519-DCA-11-003	Banco de America Central (BAC)			$9,796,000	$9,784,663	158	99.88%	0
519-DCA-13-004	Banco Davivienda			$25,000,000	$21,935,452	693	87.74%	$3,064,548
519-DCA-17-005 (A)	Banco de America Central (BAC)		21.6%	$22,790,839	$12,450,090	194	54.63%	$10,340,749
519-DCA-17-005(C)	Banco Promerica		21.6%	$15,500,000	$4,106,560	17	26.49%	$11,393,440
519-DCA-17-005(B)	Banco G&T Continental		21.6%	$15,500,000	$2,512,270	26	16.21%	$12,987,730
519-DCA-18-006	Banco Azul	2018/09/27-2038/09/27	10%	$15,345,940	$3,769,400	43	24.56%	$11,576,540
			Total:	**$103,932,779**	**$54,558,435**	1,131		**$49,363,007**

Within USAID/El Salvador's CDCS 2020-2025, DCA activities contribute to Development Objective 2 "Jobs and Income Potential Improved Increased for Likely Migrants"; and responds directly to Intermediate Result (IR) 2.1 "Inclusive economic opportunities increased in select high-growth sectors", and to Sub-IR 2.1.1 "Business enabling environment improved".

DCA activities are also part of the Private Sector Engagement which is one of the six components of USAID's Bolstering Self-reliance.

The objective of the DCA guarantees is to increase SMEs access to financial products by reducing bank's risk through a guarantee agreement. It enables USAID's banking partners to provide credit to SMEs so they can make substantive investments to improve and increase production, use resources more efficiently, and make loans in higher amounts to those borrowers who do not have sufficient collateral.

DCAs emphasize support to the tradable sector, defined as "the set of activities that can be part of globally supply chains", as well as support to women-led SMEs.

Through DCA loans, USAID supports SMEs in diverse sectors, such as:

- Loans invested in the tradable sector, i.e., activities that are part of a global supply chain including exporters, and importers of goods and services.
- Loans invested in working capital, investments in machinery, equipment, facilities, business growth, expansion, tourism enterprises including hotels and agribusiness.

During period September 2012 to [September 2020], USAID/El Salvador had six active DCA agreements with five financial institutions (Banco de América Central, Banco Davivienda, Banco G&T Continental, Banco Azul, and Banco Promerica) and over 1,000 borrowers have received loans backed by USAID/El Salvador DCAs.

C. Research Questions

There are four main research questions (RQs):

RQ 1. What are the internal and external factors that foster or impede the financial institutions to implement the DCA activities as planned?

RQ 2. To what extent the financial institutions modified, mainly as a result of the DCA agreement, the lending behavior, entering new sectors or increasing lending to previously underserved sectors?

2.1 What is the likelihood that the financial institutions would have changed their behavior in the absence of the DCA?

2.2 If with the DCA the financial institutions are now lending to a risky sector or a new business, what is the likelihood that they will keep doing it the same way or differently when the DCA ends?

2.3 How many new clients has the bank acquired due to the use of the guarantee?

RQ 3. Considering appropriate attribution and based on the elimination of alternative explanations of results, to what extent has borrowers' increased investments contributed to changes in production, sales, jobs, and revenues?

3.1 To what extent has each DCA agreement contributed to changes in employment in its targeted sectors and supply chains?

3.2 To what extent the effect of the investment is leveraged by additional technical assistance from USAID or others?

3.3 Has the borrower been able to increase their client list as a result of the investment made under the guarantee? If so, how many new clients?

RQ 4. To what extent has COVID-19 affected SMEs (from the point of view of the SMEs (from the point of view of the borrowers and lenders), and how have they adapted their business/financial plan in response to COVID-19?

4.1 Which flexibilities to the loan requirements made by the bank (as a result of COVID-19) most benefited the borrower?

Data to answer RQ 3 will be collected from the borrowers based on the information that they are able to provide:

- Type of investment and estimated date of completion of the investment (number of months after getting the loan)

- Perception question: How does the borrower perceive that his/her company benefited from having access to credit?
- Average number of customers before the loan and average number of customers after the investment
- Average amount of production of the last 12 months before receiving the loan and average amount of production of the first 12 months after the investment (if the borrower is a producer)
- Average amount of sales (disaggregated by domestics and exports) in US$ of the last 12 months before receiving the loan and average amount of sales of the first 12 months after the investment. The amount of sales changed because of changes in the number of products, changes in prices, or a combination?
- Number of net jobs created (new jobs minus jobs eliminated) within 12 months after the investment started (disaggregated by formal-informal, full time-part time, temporary-fixed, jobs that require a higher education degree-jobs or that do not require to have a higher education degree). The number of men, women, youth (under 30), people with disabilities, and returned migrants employed on those new jobs.
- How long after receiving the loan they started seeing an increase in the profit (revenues minus costs)?
- Did the borrower have previous experience in requesting loans or savings with banks (and loan sharks/usura) before receiving the loan from this bank or this is the first time? Did the borrower increase the financial products with the bank after the loan? Does the borrower have new loans with other banks after getting the loan with this bank? Does the borrower perceive that s/he will need future financial assistance in the short (next 12 months) or medium term (between one and three years)?
- Did the borrower receive technical assistance (training, mentoring) from CDMYPE, CONAMYPE, Voces Vitales, or from the bank's technical assistance programs, that help him/her make better investments with the loan?
- Perception question: what would the borrower have done differently if s/he would have not received the loan?

D. Evaluation Methodology, Data Collection, and Analysis

The study will be undertaken with support from the five current financial partners in DCA agreements in El Salvador. SMEs that have been granted loans under the guarantee will also be interviewed to gain deeper insight on the overall impact access to credit has on SMEs development and job generation.

- **Desk review of relevant documents**

As minimum, the ST shall review the following documents:

- Country Development Cooperation Strategy 2020-2025
- Journey to Self-Reliance Strategy and Learning Agenda
- USAID Private Sector Engagement Policy
- 2013 USAID DCA Evaluation Report
- DCA Agreement with each bank

- **Key informant interviews and surveys**

The ST will interview stakeholders, through key informant virtual interviews and surveys. USAID and the financial institutions will provide key informant contact information once the study begins.

At minimum, the ST will interview:

- Key USAID staff
- Representatives of the financial institutions
- SMEs borrowers.

The Banks will provide a database (personal identifiable information removed) of all the borrowers to be interviewed. Borrowers that received a loan between September 2012 and [September 2020] will be considered. The database includes the following variables:

- Sex and age of the borrower
- Municipality of the SME
- Size of the SME
- Date and amount of the loan
- Economic sector

The anticipated minimum number of SMEs borrowers to be surveyed is 200. The percentage of clients per bank may vary but should never be higher than 50 clients per bank.

- **Site visits and direct observation**

The ST, in consultation with USAID/El Salvador and/or the financial institutions, will consider if site visits are feasible and will select relevant site visits based on a sampling plan. All the SMEs to visit must be located in urban areas and easily reachable by car departing from San Salvador. Due to COVID-19 pandemic, virtual visits are expected to take place in most cases.

Team planning meetings

An initial team-planning/ kick off meeting will be held in El Salvador between USAID/El Salvador and the ST before the submission of the Study Plan so that USAID/El Salvador can clarify any questions from the ST, expectations, and guidelines. The expected results of this meeting are to:

- Clarify each team member's role and responsibilities
- Confirm the anticipated timeline and deliverables
- Discuss data collection tools and methodologies by study question to be presented in the Study Plan
- Identify communications logistics and how the ST, USAID/El Salvador, and the financial institutions will communicate with each other

Additional meetings may be held as deemed necessary by USAID/El Salvador and/or the ST.

E. Deliverables (this section it was not included in the DCA SOW short version)

It is estimated that not more than 75 working days of services from the starting date of the study will be required to complete a high-quality study as required under this SOW. During that time frame, the ST shall submit the following deliverables:

1. A **Study Plan**, in Word Gill Sans font size 12, to be completed by the ST after the Team Planning Meeting, no later than 5 calendar days after the starting day of the Study. The ST is encouraged to propose analysis methods in this Study Plan that Expert(s) considers can yield stimulating, robust evidence in answering each of the research questions.

USAID will receive the Study Plan via electronic mail and review it to provide comments no later than 5 working days after receiving the document. The Study Plan will provide details of how the various deliverables, tasks, and activities will be undertaken. It must include at least:

- Timeline and/or Milestone Plan, including tentative starting time for data analysis and duration of each activity conducted under the study.
- ST composition, roles, and responsibilities.

2. A Preliminary **Findings Briefing** for USAID staff, and other stakeholders that USAID/El Salvador consider necessary on the preliminary findings, results, and data-based recommendations and conclusions for data-driven decision making identified by the Expert(s) immediately after finalizing the data analysis phase and before starting the draft report. According to the audience, the briefing may be conducted in English or Spanish using USAID approved slide templates. Only the Team Leader needs to be present for this briefing; however, all the members of the ST may also attend. The Preliminary Findings Briefing will be used by the Expert(s) as a feedback exercise to prepare the Draft of the Final Report.
3. A **Draft of the Final Report** in Word, Gill Sans font size 12, submitted for review due no later than 5 calendar days after the Preliminary Findings Briefing. RPO in USAID/El Salvador will be responsible for coordinating the peer-review process with different offices within the Mission for comments. RPO will consolidate all comments and send the draft back to the ST within 7 working days. At a minimum, and in accordance with the USAID Evaluation Policy and ADS 201, the Final Report and its draft versions must include the following sections:

- Executive Summary of the purpose, background, evaluation questions, findings, conclusions, and recommendations;
- Study purpose and questions;
- Through description of the study design and any challenge/limitations, with emphasis on the timeliness and methods for data analysis;

All reports and papers will be considered draft versions until they are approved by USAID. These draft documents must be labeled with the word "DRAFT" in watermark.

F. **ST**

Team Leader/Financial Inclusion Specialist

Minimum qualifications

Education: Bachelor's degree in economics, Finances, Business Administration, Accounting, Industrial Engineering, or other disciplines related to financial inclusion or economic development. Master, Ph.D., or Doctorate degree or professional with Doctoral candidacy is a plus. Formal training in monitoring and evaluation is preferred.

Language Proficiency: American English Level IV and Spanish Level IV

Work Experience: At least eight years of relevant prior experience conducting economic studies or assessing financial inclusion experiences. At least five years of experience participating in evaluations using both quantitative and qualitative methods for development objectives and monitoring projects and programs, preferably in Latin America. Experience in Central America is a plus. At least eight years of project management experience. Experience with management of multidisciplinary teams is a plus.

Position Description: The Team Leader will be responsible for overseeing and coordinating all activities related to this study and for ensuring the production and completion of quality deliverables in a professional manner, in conformance with this SOW.

Two Researchers

Minimum qualifications

Education: Bachelor in Statistics, Social Research, Engineering, Economics, Business Administration, or other fields related to data analysis. Master's degree is a plus. Formal training in monitoring and evaluation is preferred.

Language Proficiency: Spanish Level IV and American English Level III.

Work Experience: At least five years of progressively responsible, professional-level experience in performance and impact evaluations, sector assessments, perception surveys; preferably in Central or Latin America. At least one of the Specialists must have experience in the use of GIS software and statistical programs.

Position Description: The Researchers will design the data collection tools and protocols, estimate the samples, clean, and analyze data, and prepare any visualization or cartography of the data.

ANNEX 2: RESEARCH QUESTIONS AND SOURCES OF INFORMATION

RESEARCH QUESTION	SUB-QUESTIONS	SOURCE OF INFORMATION
QUESTION 1		
RQ 1. What are the internal and external factors that foster or impede the **financial institutions** to implement the DCA activities as planned?	**Internal factors** • What aspects of the DCA program (guarantees) do you think have contributed to their results? • What changes have the bank helped achieve DCA program results, i.e., increased loans to unserved sectors? • In addition to granting them the loan, what facilities have been given to the borrowers of these loans? • Compared to other available guarantees, do you find the DCA process cumbersome or more manageable than other options? • What changes would you suggest for better implementation in the event of a new guarantee program? **External factors** • During the period in which the loans were granted or during the life of the agreement, what external factors would have impacted the program's performance? Please do not consider the effects of Covid-19, which will be addressed later. • What did the bank do to mitigate the risks of harmful external factors?	Representatives of the financial institutions Key USAID staff

RESEARCH QUESTION	SUB-QUESTIONS	SOURCE OF INFORMATION
QUESTION 2		
RQ 2. To what extent the **financial institutions** modified, mainly as a result of the DCA agreement, the lending behavior, entering new sectors or increasing lending to previously underserved sectors?	● In addition to granting them the loan, what facilities have been given to the borrowers of these loans? ○ Have they been given better terms on loan (lower rates or longer terms)? How much is the rate offered compared to the one that was handled, how long the terms increased ○ Credit approval is faster or less demanding stationery by the borrower. About how much was the time reduction? ○ They have been given technical assistance and of what kind. How does technical support vary by company type? Or is it the same for everyone? How decisive has this assistance been? ● How did the bank modify its credit practices to incorporate customers from new and underserved sectors of economic activity into its portfolio? How many new customers and from which sectors of economic activity would have emerged from the DCA program? ● How did the bank modify its credit practices to incorporate customers from sectors with a higher risk into its portfolio? ● Are consider these changes part of the regular practices of the bank? ● What is the probability that the bank would have granted loans to some companies for their risk rating, according to the bank's standards, without the existence of the DCA program? ● What aspects of the DCA program do you think could have been improved or not have been as was expected? ● If customers do not have the DCA program in the future, what kind of customers could be affected? ● If customers did not have the DCA program in the future, do you think the bank would serve the new segments of customers served due to the DCA program? ● If customers did not have the DCA program in the future, what changes implemented due to the DCA program will stay, and what would change?	Representatives of the financial institutions Key USAID staff

RESEARCH QUESTION	SUB-QUESTIONS	SOURCE OF INFORMATION
	• How did the bank provide technical assistance to borrowers? In your opinion, has this assistance been sufficient, and what could have been missing?	
2.1 What is the likelihood that the financial institutions would have changed their behavior in the absence of the DCA?	• What is the likelihood that the bank would have served these economic sectors without the existence of the DCA program? Why?	
2.2 If with the DCA the financial institutions are now lending to a risky sector or a new business, what is the likelihood that they will keep doing it the same way or differently when the DCA ends?	• What is the probability that the bank would have provided loans to riskier sectors without the existence of the DCA program? Why?	
2.3 How many new clients has the bank acquired due to the use of the guarantee?	• ¿How did the DCA program contribute to increasing the number of customers of the bank?	

RESEARCH QUESTION	SUB-QUESTIONS	SOURCE OF INFORMATION
QUESTION 3		
RQ 3. Considering appropriate attribution and based on the elimination of alternative explanations of results, to what extent has borrowers' increased investments contributed to changes in production, sales, jobs, and revenues?	● What do you think about the results of the DCA program? Why do you consider them that way? ● How do you think borrowers have benefited from the loans? (Delve into the benefits of changes in employment generated, production, sales, and profits) ● What do you suppose they would have done without this facility? **ONLY SMEs BORROWERS** ● Name of interviewee ● Position in the Company ● How would you describe the economic activities you do? ● What is the main activity of your company? ● Amount of loan received from the bank (in dollars) ● What did your company use this loan for? **Benefits of the loan** ● Type of investment made. ● Estimated date of completion of the investment. ● Your sales are domestic or international or both. ● Average additional international sales in US$ accumulated attributed to the investment made by the loan. ● Average additional national sales attributed to the investment made by the loan. ● Internal reasons why the sales amount changed after the investment. ● Reasons external to the company why the total sales changed. ● Are you engaged in the production of goods and services? ● What kind of goods and services does it produce? ● Average value of additional production accumulated attributed to the investment made by the loan. **INTERVIEW SUB-SAMPLE SMEs** ● Can you explain to me what led you to decide to apply for credit support from Bank "X"?	Representatives of the financial institutions Key USAID Staff SMEs borrowers' sample

RESEARCH QUESTION	SUB-QUESTIONS	SOURCE OF INFORMATION
	● Without considering the effects of Covid-19, what do you think are the company's benefits by accessing this loan from Bank "X"? For each of the uses indicated (example: improvements in production, improvements in sales, employment generation, increase in profits, etc. ask How is this achievement evidenced? ● What other factors (internal and external to the company) facilitated the company's results. For each of the factors mentioned, can you explain in more detail what actions you took to ensure that this factor or accomplishment is achieved? ● What other factors (internal and external) hindered business results? For each of the factors mentioned, can you explain in more detail what actions you took so that this factor does not hinder you in achieving the achievement(s) indicated?	

3.1 To what extent has each DCA agreement contributed to changes in employment in its targeted sectors and supply chains?	**ONLY SMEs BORROWERS**
	
	Jobs created.
	● Total, net jobs created thanks to the investment made with the loan
	● Of the net jobs created, please mention the number of those that are:
	    ● Formal / informal jobs
	    ● Full / Part time
	    ● Fixed / Temporary
	    ● Requiring or NOT a higher education degree
	● What characteristics do the persons occupying the new jobs created have? (If information is available)
	● Women / Men / LGBTIQ+
	● Persons with disabilities
	● Returned emigrants hired * (total)
	● Persons aged 15 to 24, persons aged 25 to 44, persons aged 45 to 64, persons over the age of 65 and over
	● People with incomplete basic education, people with full basic education level, persons with incomplete secondary level, people with full secondary level	

3.2 To what extent the effect of the investment is leveraged by additional technical assistance from USAID or others?	**ONLY SMES BORROWERS** **Credit experience** 1. Before receiving the loan from this bank, Did the company have previous experience applying for loans?	

RESEARCH QUESTION	SUB-QUESTIONS	SOURCE OF INFORMATION
	2. Did your company increase financial products with the bank after the loan? 3. After obtaining the loan with this bank, has the company taken out new loans? 4. After obtaining the loan with this bank, the company with which entity or person has contracted loans? 5. What are these new loans intended for? **Technical assistance received.** ● Did the company receive technical assistance (training, mentoring) from the bank, which helped it make better investments with the loan? ● Specifically, what was the technical assistance received? ● In which phase was the assistance received? To put together the application? Immediately after the loan was obtained? When was the equipment bought, or was the investment made? ● Did the company receive technical assistance (training, mentoring) from institutions such as CDMYPE, CONAMYPE, Voces Vitales, or from programs that help make better investments with the loan received from the bank? ● Specifically, what was the technical assistance received? ● Date you received such advice (month and year) **INTERVIEW SUB-SAMPLE SMEs** ● If you have had experiences with other loan applications, how has credit support with bank X differed from your different experiences. ● Do you think this loan gave you greater flexibilities compared to other loans received? If so, could you give us examples of which conditions were most flexible and that were most suited to the turn of your business? ● How was the technical assistance received from the Bank? In addition to the Bank, they received technical assistance from other entities (public or private). Which ones? when? How did this additional technical assistance benefit you?	

RESEARCH QUESTION	SUB-QUESTIONS	SOURCE OF INFORMATION
	• In addition to the loan received from the Bank, did they receive financial support from other financial institutions (public or private)? When? How did this financial support benefit them?	
3.3 Has the borrower been able to increase their client list as a result of the investment made under the guarantee? If so, how many new clients?	**ONLY SMES BORROWERS** • Average annual number of additional customers attributed to the investment made by the loan.	
<u>Perception Question</u> How does the borrower perceive that his/her company benefited from having access to credit?	**ONLY SMES BORROWERS** **Perception of the loan received.** • How did the company benefit from accessing this Bank loan? • How would you rate the process implemented by the Bank for the company to be able to access this loan? Why do you rate it that way? • What would the company have done differently if it had not received the loan from this Bank? • Do you perceive that the company will need future financial assistance in the short term? (In the next 12 months) • For which areas do you think you will need financial assistance in the next 12 months? • Do you perceive that the company will need future financial assistance in the medium term? (In 1 to 3 years) • For which areas do you think you will need medium-term financial assistance? (Between one and three years) **INTERVIEW SUB-SAMPLE SMEs** Regarding the loan received, what recommendations would you give the Bank to optimize their processes: documentation to be delivered to access the loan, waiting for time to access the loan, technical assistance, monitoring of activities, etc.)	

ANNEX 3: DATA COLLECTION INSTRUMENTS

A. QUESTIONNAIRE ONLINE SURVEY FOR THE BORROWERS

Study on financing for small and medium-sized enterprises in El Salvador.
This survey form is part of a study that the consulting firm Mendez & England is preparing for the United States Agency for International Development (USAID) to understand better the impact of bank financing access to new sectors, particularly small and medium enterprises in El Salvador. We thank them for their collaboration in providing the information that will be useful for preparing the study.
The survey has an estimated duration of forty (40) minutes. It is recommended that once you start filling out the form, continue until it is completed since the results are not saved by the application we are using. We recommend that you review the instructions before filling out the survey. If you have any problems or doubts about filling out the questionnaire, please contact email@engl.com or call 7162-7777
***The information you provide is confidential and will only be used to elaborate aggregate statistical indicators.*

Section 1. General data of the interviewee

Question 1. Name of the interviewee *

Question 2. Position within the Company *

Question 3. What is the Company's main economic activity? *

Mark only one oval.
- Agriculture, Livestock, Fishing
- Commerce
- Industry
- Energy Projects
- Restaurants and hotels
- Tourism services
- Transport
- Other Services
- Other Economic Services (specify)____

** For clean energy projects only

Question 4. Was the loan destined for a clean energy project?

Mark only one oval.
- Yes *Pass to Question 7*
- No *Pass to Question 8*

Question 5. Has the investment helped to reduce costs in your company, and by what percentage?

Section 2. Details about the loan

Question 6. Please insert the reference number assigned by the bank *

The bank sent the number via email, by which they contacted you.

Question 7. Type of investment made (you can check more than one) *

Select all options that apply

- Purchase of machinery or equipment
- Working capital
- Improvements to the premises or office facilities.
- Business growth
- Other: ___________________________

Question 8. Estimated date of completion of investment *

() # months after receiving the disbursement

Question 9. Has the credit granted had an impact on the number of customers the company has?

- Yes ----- *Pass to Question 14*
- No ------ *Pass to Question 15*

Question 10. The average annual number of new clients served because of the loan: *

( ) percentage growth in customer volume

Sales

Question 11. Your sales are domestic or international or both *

Mark only one oval.

- Only National
- Only International
- National and international

Question 12. Has the credit granted had an impact on your sales?

- Yes ------ *Pass to Question 17.*
- No ------ *Pass to Question 19*

Question 13. For how many months have you experienced this increase in your sales due to the investment made with the loan?

[] (DON'T KNOW OR NO RESPONSE)

Question 14. During the specified months, by how much have your sales increased in US$ thanks to the investment made with the loan? *

If you have no sales, put 0 in the answer.

[] (DON'T KNOW OR NO RESPONSE)

Question 15. Internal reasons why the number of sales increased after the investment was made *

Select all options that apply

- Price changes
- Marketing and promotion plans
- Changes in product and service quality
- Changes in customer service
- Distribution or marketing channels
- Alliances with other companies
- Expansion to other national or international markets
- Sales did not increase or decrease
- Other: ________________________________

Question 16. Reasons external to the company for which the number of sales increased after the investment was made *

Select all options that apply

- Situation of the national economy
- Changes in competition
- Opening of new markets
- Insecurity
- Government policies
- Cost of production inputs
- Access to financing
- Other:

Question 17. Reasons external to the company that negatively affected its sales after the investment was made *

Select all options that apply

- Situation of the national economy
- Changes in competition
- Opening of new markets
- Insecurity
- Government policies
- Cost of production inputs
- Access to financing
- Other:
- No Reasons

<u>Production</u>

Question 18. Are you engaged in the production of goods and services?? *

Mark only one oval.

- Yes *Pass to Question 26*
- No *Pass to Question 29*

*** If you are a commercial company, answer NO*

Question 19. The average value of cumulative production during the last 12 months before receiving the loan (in dollars) *

Value may be [] daily, [] monthly average [] accumulated over twelve months [] other, specify ________________.

Question 20. The average value of accumulated production during the last 12 months after the investment (in dollars) *

Value may be [] daily, [] monthly average [] accumulated over twelve months [] other, specify ________________.

Net jobs created

Question 21.

Total net jobs created because of the loan investment *
Net jobs created refers to the number of new jobs minus jobs eliminated.

Of the net jobs created, please mention the amount of those that are:
Question 22. Formal employment *

Question 23. Part-time *

Question 24. Fixed *

Question 25. Temporary *

What are the characteristics of the person(s) occupying the newly created job(s)?
Question 26. Women * (total number of women)

Question 27. Lesbian, gay, transgender, transsexual, transvestite, intersex, and queer (LGBTIQ+) population (total)

Question 28. Persons with disabilities * (total)

Question 29. Returned emigrants hired * (total)

Question 30. Young people (15 to 29 years old) (total)

Question 31. Persons with completed bachelor's degree (total)

Question 32. Persons with finished university level (total)

Question 33. How long (in months) after receiving the loan did they begin to see an increase in the company's profits (revenues minus costs)? *

Mark only one oval.

- In the first month

- At three months
- At six months
- At nine months
- At 12 months
- At 15 months
- At 18 months
- More than 18 months

Section 4. Credit experience

Question 34. Before receiving the loan from this bank, did the company have previous experience applying for loans? *

Mark only one oval.

- Yes
- No *Pass to Question 49*

Question 35. To whom had they applied for these loans? *

Select all options that apply

- This same bank
- Another commercial or private bank
- Public sector financial institution
- Financial cooperatives
- Other financial institutions
- Loan sharks
- Family
- Other:

Question 36. ¿ Did your company increase its financial products with the bank after the loan? *

Mark only one oval.

- Yes
- No

Note: some clients are not clear on what financial products are. To clarify, a list in case it helps.

- *Checking accounts, savings deposits, time deposits*
- *Credits*
- *Insurance*
- *Other: securities administration, safety deposit boxes, foreign exchange trading, trusts, others, point-of-sale terminals, etc.*

Question 37. After obtaining the loan with this bank, has the company contracted any new loans? *

Mark only one oval.

- Yes *Pass to Question 51*
- No *Pass to Question 53*

Question 38. With which entity or person have you contracted the new loan(s)? *

Select all options that apply.

- This same bank
- Another commercial or private bank
- Public sector financial institution
- Financial cooperatives
- Other financial institutions
- Loan sharks

- Family
- Other:

Question 39. To which items were these new loans allocated? *

Select all options that apply.
- Purchase of machinery and equipment
- Working capital
- Improvements to the premises or office facilities.
- Business growth
- Other:

Section 5. Technical assistance received

Question 40. Did the company receive technical assistance (training, mentoring) from the bank that helped it make better investments with the loan? *

Mark only one oval.
- Yes
- No *Pass to Question 56*

Question 41. Specifically, what did the technical assistance received consist of? *

Question 42. The date on which the advice was received (month and year) *

Note: they do not always remember when it was, and some have received more than one loan. What is important is that it coincided with the loan period.

Another comment is that banks have many technical assistance options, but clients do not have the time.

Question 43. Did the enterprise receive technical assistance (training, mentoring) from institutions such as CDMYPE, CONAMYPE, Voces Vitales, other institutions, or programs that help make better investments with the loan received from the bank? *

Mark only one oval.
- Yes
- No *Pass to Question 59*

Question 44. Specifically, what did the technical assistance received consist of? *

Question 45. The date on which the advice was received (month and year) *

Section 6. Perception on loan received

Question 46. How did the company benefit from accessing this loan from the Bank? *

Question 47. How would you rate the process implemented by the Bank to enable the company to access this loan? *

Where 1 is Very inadequate, 2 inadequate, 3 Adequate, 4 Very adequate and 5 Excellent.
Mark only one oval.

1	2	3	4	5
Very Inadequate				*Excellent*

Question 48. Describe or explain why you qualify as such? *

Question 49. What would the company have done differently if it had not received the loan from this Bank? *

Mark only one oval.

- Nothing
- The company would have closed
- Would have gone to another commercial or private bank.
- Would have approached a public sector financial institution.
- Would have turned to financial cooperatives.
- Would have approached other financial institutions
- Would have asked family members for support
- Other:

Question 50. Before the loan, you received from this bank, had you applied for credit at other institutions and been denied?

Mark only one oval.

- Yes
- No *Pass to Question 65*

Question 51. If your credit application was denied, please explain why.

Question 52. Concerning the other options you had to access a loan, what facilities did this bank provide you with to opt for the loan? *

Select all options that apply.

- Lower interest rate
- Better loan repayment terms
- Less paperwork
- Lower warranty requirements
- Less time to access the loan
- Flexibility in loan uses
- None
- Other:

Question 53. For which areas do you think you will need financial assistance in the next 12 months? *

Select all options that apply.

- Purchase of machinery and equipment
- Working capital
- Business growth
- None
- Other:

*** Some may not need financial support because they are already heavily in debt; I have put "none" on others. Or "do not need financial support."*

Question 54. Do you foresee that the company will need future financial assistance in the medium term? (In 1 to 3 years) *

Mark only one oval.

- Yes
- No   Pass *to* ***Question 56.***

Question 55. For which areas do you think you will need financial assistance in the medium term? (Between one and three years) *

Select all options that apply.

- Purchase of machinery and equipment
- Working capital
- Business growth
- Rotation of business
- Other:

Section 7. Effects of COVID-19

Question 56. Did the COVID-19 pandemic affect the operation of the company? *

Mark only one oval.

- Yes   Pass to Question 58
- No

Question 57. Why do you consider that the pandemic did not affect the company's operation *

Question 58. In what areas was the company affected? *

Select all options that apply.

- Increased costs
- Decrease in sales
- I failed to meet my financial commitments
- I chose to lay off workers
- Other:

Question 59. Because of the pandemic, has the company adapted its business-financial plan? *

Mark only one oval.

- Yes
- No

Question 60. What actions did you develop to address the COVID-19 situation?

Question 61. How did the credit you received help you cope with the effects of the pandemic?

Question s/n Did your loan term end before the start of the pandemic? *

Did your loan terminate before March 2020?

Question 62. Did the bank support you in the face of the needs generated by the COVID_19 situation? *

Mark only one oval.

- Yes
- No *Concludes the form*

Question 63. What was the Bank's support for the needs generated by COVID_19? *

Question 64. How would you rate the support received from the bank for the needs generated by COVID_19? *

Where 1 is Very inadequate, 2 inadequate, 3 Adequate, 4 Very adequate and 5 Excellent.
Mark only one oval.

1	2	3	4	5
Very Inadequate				*Excellent*

Question 65. Explain why you qualify it as such? *

THANK YOU

B. INTERVIEW GUIDE FOR BANK REPRESENTATIVES

Explanation of the purpose of the interview

This interview is part of a study that the consulting firm Mendez & England is preparing for the United States Agency for International Development, USAID. Its objective is to analyze how the DCA program has been implemented, how it has achieved its objectives (increasing access to credit to new sectors or with better terms) and to determine its contribution to small and medium-sized enterprises in El Salvador and measure the impact of this type of mechanism.

In the case of banks, we are interested in knowing what factors have influenced the implementation of the DCA, now DFC, the effects that the program has had on the granting of loans and what the difference would have been for the bank if it had not had the guarantee (Additionality).

We will conduct an interview with you for a maximum duration of one hour. The information you provide is confidential and will only be used in aggregate form.

I. General aspects of the DCA program

1. How do you consider the results of the DCA program to have been? Explain why you think so.

Now let us talk about what has influenced the results of the program.

II. Internal factors

2. What aspects of the warranty program do you consider have contributed to the results achieved?
3. During the period in which the loans were made (or during the life of the agreement), what changes made by the bank have helped implement the DCA program (guarantee program) to achieve the objectives of the agreement?
4. Compared to other available guarantees, do you consider what advantages the DCA guarantee program has?
    a. Is the DCA process cumbersome or more accessible than other options?
    b. What changes would you suggest improving its implementation if a new guarantee is desired?
    c. In addition to granting the loan, what facilities have been provided to the borrowers of these loans?
5. Have you been able to provide them with better loan terms (lower rates or longer terms)?
    a. What is the offered rate compared to the actual rate?
    b. By how much time the terms were increased.
6. Credit approval is faster or less demanding of paperwork on the part of the borrower. How much was the reduction in time?
7. What new practices were introduced in the bank due to the guarantee program?

III. External factors

8. During the period in which the loans were granted, what external factors would have affected the program's performance? Please do not consider the effects of Covid-19, which will be addressed below.

For example,

- *the state of the economy*
- *certain government policies*
- *Synergies with other programs (e.g., support programs of other institutions).*
- *Insecurity*
- *Opening of new markets*
- *Partnerships with other companies on the part of the borrowers*
- *Other positive or negative factors*

9. What did the bank do to mitigate or attenuate the risks of harmful external factors?

IV. **Provision of loans and technical assistance**

10. What conditions did the bank change because of signing the guarantee? Longer terms, reduction of collateral requirements, lower interest rates, more extended grace periods, entry into new sectors? etc.

This question may have already been answered in Question 7. If you have already answered everything else, you can include only the aspect of new sectors.

11. How do you think borrowers have benefited?
12. What do you suppose they would have done without this facility?
13. How did the bank modify its lending behavior to incorporate sectors with a higher level of risk? What have new unserved economic sectors been granted loans thanks to this program?
    a. How did the bank modify its lending behavior to incorporate clients from new sectors of economic activity into its portfolio?
14. Are any of these practices part of the bank's regular or ongoing practices?
15. What is the likelihood that the bank would have served these economic sectors without the existence of the DCA program? Why?
16. What is the likelihood that the bank would have lent to some companies because of their risk rating, according to the bank's standards, without the existence of the DCA program? Why? Could you give a few examples?
17. At the end of the agreement period to include clients with loans under the DCA guarantee, will the bank continue to serve the same type of clients? (Sustainability of results)
18. What would remain the same andconcerningnge with respect to the bank’s current programs?
19. How did the bank provide technical assistance to borrowers? What type of assistance? In your opinion, has this assistance been sufficient, and what might have been lacking?
20. How does technical assistance vary according to the type of company, or is it the same for all? How decisive has such service been?
21. Did the DCA program contribute to increasing the number of the bank's clients?
    a. How many new customers and from which sectors of economic activity would have resulted from this program?

V. Covid 19

22. How have the small and medium-sized companies served through the DCA program been impacted by COVID-19?
23. In the experience of your small and medium-sized business clients served through the DCA program, how have they adapted their business and financial plans in response to the pandemic?
24. What actions have the bank taken with small and medium enterprise clients served through the DCA program in response to COVID-19? Has the bank implemented any facilities in the loan requirements for the benefit of borrowers?
25. How did the USAID/DFC amendment to the original agreement influence this?
26. What kind of improvements did the bank implement in its systems (such as digitization of services and ways of working) to respond to the effects caused by the pandemic among its customers?

Closing

27. What aspects of the DCA program do you consider could have been improved or have not been in line with expectations?
28. If the Bank had the opportunity to sign a new guarantee, which sectors/type of client would it target, given the country’s current circumstances?

C. INTERVIEW GUIDE FOR BANK BORROWERS

Date of interview:
Name of interviewee:
Position within the company:

Explanation of the objective of the interview
This interview is part of a study that the consulting firm Méndez & England is preparing to analyze the benefits achieved by small and medium-sized companies because of the access to credit provided by the Bank. In addition, we are interested in knowing the best practices implemented in your company to optimize the investment made. For this purpose, we will conduct an interview with you for a maximum duration of one hour. The information you provide is confidential and will only be used to elaborate on statistical indicators for this study

.

Factors that contributed to or limited the achievement of the achievements

- Can you explain to me what led you to decide to request credit support from Bank "X"?
- What do you consider to be the benefits that the company has received by accessing this loan from Bank "X"? For each of the benefits listed (e.g., improved production, improved sales, employment generation, increased profits, etc.), ask how this achievement is evidenced?
- For achievements mentioned above achievements, what factors (internal and external to the company) facilitated these achievements? For each of the factors mentioned above, can you explain in more detail what actions were taken to ensure that this factor guarantees the achievement(s) indicated?
- Without considering the effects of Covid-19, what other factors (internal and external) hindered the achievement of these goals? For each of the factors mentioned above, can you explain in more detail what actions were taken to ensure that this factor did not hinder the achievement(s) indicated?

Credit experience and technical assistance

- If you have had experiences with other loan applications, how has the credit support with Bank "X" differed from your different experiences.
- Do you consider that this loan provided you with greater flexibility or better conditions than other loans received? If yes, could you give us examples of which conditions were more flexible or favorable to you and which were more adapted to your business?
- How was the technical assistance received from the Bank? In addition to the Bank, did you receive technical assistance from other entities (public or private)? Which ones? When? How did this additional technical assistance benefit you?
- In addition to the loan received from the Bank, did you receive financial support from other financial entities (public or private)? When? How did this financial support benefit you?

Covid-19

- In 2020, because of COVID-19, how was your company affected?
- In 2020, because of COVID-19, did bank "X" provide you with any support due to this situation? Or did you receive financial support from other financial entities (public or private)? Which ones? When? How did this financial support benefit you?

Perception of loan received

- About the loan received, what recommendations would you give to the Bank to optimize their processes: documentation to be submitted to access the loan, waiting time to access the loan, technical assistance, follow-up of activities, etc.)

ANNEX 4: SOURCES OF INFORMATION

KII BANKS

Name	Position	Organization
BANCO AZUL		
Cristina Moreno	SME Supervisor	Banco Azul
Diana Melara	SME Supervisor	Banco Azul
Edwin Sorto	SME Supervisor	Banco Azul
Marlene De Amaya	SME Manager	Banco Azul
Sandra De Flores	SME Supervisor	Banco Azul
BANCO DE AMERICA CENTRAL		
Miguel Jacobo	SME Head	BAC
Ivonne de Lizama	La Fuente Agency Chief	BAC
Marisela Cisneros	San Salvador Agency Chief	BAC
Claudia Cruz	Cojutepeque Agency Chief	BAC
Aristides Benavides	San Miguel SME Chief	BAC
BANCO DAVIVIENDA SALVADOREÑO		
Patricia de Pastore	SME Manager	Davivienda
Erick Moran	SME Manager	Davivienda
Jose Angel López	SME Deputy Manager, Corporate Banking	Davivienda
Emilio Alvarez	Corporate Banking Executive	Davivienda
BANCO G&T CONTINENTAL EL SALVADOR		
Jose María Monterrey	Business Manager	G&T
Nora Evelyn Gutierrez	Corporate Bank Executive	G&T
Lisseth Lopez de Deras	Corporate Bank Executive	G&T
Francisco Gonzalez	Corporate Bank Executive	G&T
Carmen Sales de Joachin	Corporate Bank Executive	G&T
BANCO PROMERICA EL SALVADOR		
Mariella Orellana de Landaverde	SME Manager	Promerica
Karla Eugenia Bautista Martinez	SME & Alliance Chief	Promerica

KII USAID

USAID		
Sandra Duarte		USAID/EGE
Stephanie Ehrhardt		USAID/EGE

KII BORROWERS

	Completed	Planned
Azul	6	6
BAC	11	11
Davivienda	13	19
G&T	3	4
Promérica	1	4
Total	**34**	**44**

OLS BORROWERS

	Completed	Planned
Azul	13	28
BAC	47	53
Davivienda	18	97
G&T	7	16
Promérica	4	10
Total	**89**	**204**

ANNEX 5: BIBLIOGRAPHY

Amha, W., Buttefiel, W., Jiffar, F., and L. Ahlstrom (2016), "Opening Doors: A Performance Evaluation of the Development Credit Authority (DCA) in Ethiopia." Addis-Abeba: USAID

Banco Central de Reserva (2020), "Informe de Estabilidad Financiera 2020", diciembre 2020.

CONAMYPE (2017), "Encuesta Nacional de la Micro y Pequeña Empresa 2017".

IMF (2018), "El Salvador: Selected Issues," IMF Country Report No.18/152. Washington, D.C.

OECD. (2017). *Evaluating Publicly Supported Credit Guarantee Programmes for SMEs*. Paris, France: OECD. Retrieved from www.oecd.org/finance/Evaluating-Publicly-Supported-Credit-Guarantee-Programmes-for-SMEs.pdf

OIT. (2019). *Encuesta empresarial de El Salvador*. San Salvador: OIT.

Reyes, A., Hasbun, G., Ruiz-Arranz, M. & R. Stucchi (2021), "The effect of COVID-19 on firms and employment in Central America" IDB Technical Note; 2262.

USAID. (2013). *DEVELOPMENT CREDIT AUTHORITY. Final report of Evaluations 2008-2013*. USAID.

USAID. (2019). Private-sector engagement policy. USAID.

Ulku, H., & Zaourak, G. (2021). Unleashing Central America's Growth Potential.

World Bank (2016). El Salvador Enterprise Survey (ES) 2016, Ref. SLV_2016_ES_v01_M. Dataset downloaded from https://www.enterprisesurveys.org/Portal/ on October 10, 2021.

ANNEX 6: DISCLOSURE OF ANY CONFLICTS OF INTEREST

Name	*Maynor Vinicio Cabrera*
Title	*Mr.*
Organization	*USAID Monitoring, Evaluation and Learning Initiative*
Evaluation Position?	■ Team Leader ☐ Team member
Evaluation Award Number *(contract or other instrument)*	*AID-OAA-I-15-00024/AID-519-TO16-00002*
USAID Project(s) Evaluated *(Include project name(s), implementer name(s) and award number(s), if applicable)*	*Development Credit Authority (DCA) in El Salvador*
I have real or potential conflicts of interest to disclose.	☐ Yes ■ No
If yes answered above, I disclose the following facts: *Real or potential conflicts of interest may include, but are not limited to:* *1. Close family member who is an employee of the USAID operating unit managing the project(s) being evaluated or the implementing organization(s) whose project(s) are being evaluated.* *2. Financial interest that is direct, or is significant though indirect, in the implementing organization(s) whose projects are being evaluated or in the outcome of the evaluation.* *3. Current or previous direct or significant though indirect experience with the project(s) being evaluated, including involvement in the project design or previous iterations of the project.* *4. Current or previous work experience or seeking employment with the USAID operating unit managing the evaluation or the implementing organization(s) whose project(s) are being evaluated.* *5. Current or previous work experience with an organization that may be seen as an industry competitor with the implementing organization(s) whose project(s) are being evaluated.* *6. Preconceived ideas toward individuals, groups, organizations, or objectives of the particular projects and organizations being evaluated that could bias the evaluation.*	

I certify (1) that I have completed this disclosure form fully and to the best of my ability and (2) that I will update this disclosure form promptly if relevant circumstances change. If I gain access to proprietary information of other companies, then I agree to protect their information from unauthorized use or disclosure for as long as it remains proprietary and refrain from using the information for any purpose other than that for which it was furnished.

Signature	
Date	July 15, 2021

Name	*William Lázaro Apolaya*
Title	*Development credit authority (DCA) in El Salvador*
Organization	*USAID Monitoring, Evaluation and Learning Initiative*
Evaluation Position?	☐ Team Leader ■ Team member
Evaluation Award Number *(contract or other instrument)*	*AID-OAA-I-15-00024/AID-519-TO16-00002*
USAID Project(s) Evaluated *(Include project name(s), implementer name(s) and award number(s), if applicable)*	Project Evaluated:
I have real or potential conflicts of interest to disclose.	☐ Yes ■ No
If yes answered above, I disclose the following facts: *Real or potential conflicts of interest may include, but are not limited to:* *1. Close family member who is an employee of the USAID operating unit managing the project(s) being evaluated or the implementing organization(s) whose project(s) are being evaluated.* *2. Financial interest that is direct, or is significant though indirect, in the implementing organization(s) whose projects are being evaluated or in the outcome of the evaluation.* *3. Current or previous direct or significant though indirect experience with the project(s) being evaluated, including involvement in the project design or previous iterations of the project.* *4. Current or previous work experience or seeking employment with the USAID operating unit managing the evaluation or the implementing organization(s) whose project(s) are being evaluated.* *5. Current or previous work experience with an organization that may be seen as an industry competitor with the implementing organization(s) whose project(s) are being evaluated.* *6. Preconceived ideas toward individuals, groups, organizations, or objectives of the particular projects and organizations being evaluated that could bias the evaluation.*	

I certify (1) that I have completed this disclosure form fully and to the best of my ability and (2) that I will update this disclosure form promptly if relevant circumstances change. If I gain access to proprietary information of other companies, then I agree to protect their information from unauthorized use or disclosure for as long as it remains proprietary and refrain from using the information for any purpose other than that for which it was furnished.

Signature	
Date	07/14/2021

Name	*Gustavo Quan*
Title	*Consultant*
Organization	*USAID Monitoring, Evaluation and Learning Initiative*
Evaluation Position?	☐ Team Leader ☒ Team member
Evaluation Award Number *(contract or other instrument)*	*AID-OAA-I-15-00024/AID-519-TO16-00002*
USAID Project(s) Evaluated *(Include project name(s), implementer name(s) and award number(s), if applicable)*	Project Evaluated: *Development Credit Authority (DCA) El Salvador*
I have real or potential conflicts of interest to disclose.	☐ Yes ☒ No
If yes answered above, I disclose the following facts: *Real or potential conflicts of interest may include, but are not limited to:* *1. Close family member who is an employee of the USAID operating unit managing the project(s) being evaluated or the implementing organization(s) whose project(s) are being evaluated.* *2. Financial interest that is direct, or is significant though indirect, in the implementing organization(s) whose projects are being evaluated or in the outcome of the evaluation.* *3. Current or previous direct or significant though indirect experience with the project(s) being evaluated, including involvement in the project design or previous iterations of the project.* *4. Current or previous work experience or seeking employment with the USAID operating unit managing the evaluation or the implementing organization(s) whose project(s) are being evaluated.* *5. Current or previous work experience with an organization that may be seen as an industry competitor with the implementing organization(s) whose project(s) are being evaluated.* *6. Preconceived ideas toward individuals, groups, organizations, or objectives of the particular projects and organizations being evaluated that could bias the evaluation.*	

I certify (1) that I have completed this disclosure form fully and to the best of my ability and (2) that I will update this disclosure form promptly if relevant circumstances change. If I gain access to proprietary information of other companies, then I agree to protect their information from unauthorized use or disclosure for as long as it remains proprietary and refrain from using the information for any purpose other than that for which it was furnished.

Signature	
Date	July 14, 2021

ANNEX 7: INDIVIDUAL BANK ADDENDUMS

BANCO DE AMERICA CENTRAL LOANS, FIRST AGREEMENT

BAC granted 158 loans, totaled $9,784,883, equivalent to 99.88% of the entire agreement. BAC provided 50.6 percent of loans to small businesses, followed by 35.4 percent to micro-enterprises. In addition, small companies received 48.7% of the accumulated value of total loans, medium-sized received 28.3%, and microenterprises 22.9 percent. The box plot diagram shows that the distribution of loans has not been uniform,[18]varying not only according to the company's size but also between enterprises within each category. The median loan to microentrepreneurs was lower when compared to small and medium-sized enterprises. The dispersion was higher for the medium-sized enterprises group.

BAC approved 58.2 percent of loans in 2012 and 29.1 percent of loans in 2013. In 2012, BAC provided 71.4 percent of loans to microenterprises, while in 2013, BAC granted 33.8 percent of loans to small and 31.8 percent to medium enterprises. BAC allocated 22 percent of loans to female business owners. BAC provided 25 percent of loans to female-owned microenterprises, while 18.2 percent to female-owned medium-size enterprises. The data in the box-plot diagram shows that the distribution of loans according to the owner's sex has not been uniform. The median amount of loans granted to women entrepreneurs was less than that provided to their male peers. The value of loans to male entrepreneurs also showed higher dispersion.

Only 28 percent of enterprises were first time borrowers. Twenty-five percent of micro-enterprises, 23 percent of medium-sized enterprises and 31 percent of small business entrepreneurs were first time borrowers. Also, the average loan granted to the first-time borrower was lower than loans granted to experienced borrowers.

Regarding the geographical location of the enterprises that received loans, 40.5 percent were in the departments of the region Central I (La Libertad and El Salvador) and 34.6 percent in the eastern region[19] departments. Micro-enterprises in eastern departments received a higher share of loans than micro-enterprises in other departments. Companies engaged in commercial activity received 62 percent of the loans, followed by 13.3 percent to manufacturing and 10.1 percent to other services. These proportions tend to vary when disaggregating the data by company size. In the group of micro-entrepreneurs, eight percent of loans corresponded to companies in the trade sector and one percent to the transport sector. In the case of small enterprises, 55.8 percent of loans were requested by companies in the "commercial sector," followed by 17.5 percent dedicated to other services. In the group of medium-sized companies, 45.5 percent of loans were provided to commerce and 36.4 percent to manufacturing.

Approximately six out of ten loans granted by the bank were for "development and investment capital." At the same time, one in four had the "acquisition or improvement of fixed assets" as its purpose. However, small businesses used a more significant amount of loans for the "acquisition or improvement of fixed assets" (1 in 3). In medium-sized companies, 13.6 percent of the credits were for capital replacement. While most of the loans' destination was "development and investment capital", those for "capital replenishment" had a higher value, with a median equivalent to $50,000.00. The lowest average amount allocated was for "working capital": $39,150.45, and a median value of $40,000.00.

[18] The median is not located in the center of the box.

[19] It includes companies located in Usulutan, San Miguel, Morazan and La Unión.

Descriptive Statistics BAC 1st Agreement				
	Business size			
	Micro	Small	Medium	Total
Mean	40,041.13	59,605.93	126,085.73	61,928.25
Median	30,000.00	50,000.00	90,000.00	50,000.00
Standard deviation	41,710.98	35,341.16	103,783.06	58,558.24

BAC 1st agreement: average loan by year of concession, sex of the owner, loan experience and business sector (US$)

	Business size			
	Micro	Small	Medium	Total
Year				
2012	41,800.00	56,949.29	103,036.36	55,873.05
2013	37,250.00	60,087.15	162,857.14	69,768.54
2014	30,825.75	67,600.00	116,828.67	67,631.00
2015			150,000.00	150,000.00
	Business size			
	Micro	Small	Medium	Total
Sex of the owner				
Female	31,507.14	62,219.76	159,500.00	61,052.46
Male	42,885.79	58,900.60	118,660.33	62,177.46
	Business size			
	Micro	Small	Medium	Total
Loan experience				
Experienced	41,864.36	60,175.51	110,317.65	60,906.63
First-time borrowers	34,571.43	58,352.84	179,697.20	64,575.16
	Business size			
	Micro	Small	Medium	Total
Business Sector				
Agriculture	40,000.00	55,000.00	80,000.00	54,000.00
Construction		15,000.00	50,000.00	32,500.00
Manufacturing	30,000.00	57,400.00	103,860.75	73,794.57
Other Service	27,500.00	49,964.29		47,156.25
Tourism	50,000.00	120,000.00	200,000.00	123,333.33
Trade/Commerce	40,628.96	64,288.86	156,300.00	62,813.51
Transportation	39,800.00	52,964.71	50,000.00	47,673.31

Source: own estimations based on CMS

BANCO DE AMERICA CENTRAL LOANS, SECOND AGREEMENT

BAC granted 194 loans as of September 2020 under the second agreement, totaling $12,450,090, equivalent to 54.63 percent of the agreement. BAC provided 85.6 percent of loans to small businesses, followed by 14.4 percent to medium-sized enterprises. In addition, small companies received 75.9 percent of the accumulated value of total loans, medium-sized received 24.1 percent.

The box plot diagram shows that the distribution of loans has not been uniform,[20]varying not only according to the company's size but also between each enterprise within their category. The median loan to microenterprises was lower compared to small and medium-sized enterprises. The dispersion of loans was higher for medium-sized enterprises.

BAC approved 47.4 percent of loans in 2018 and 34.5 percent of loans in 2019. In 2018, BAC provided 60.7 percent of loans to small enterprises, while in 2019, BAC provided 35.5 percent of loans to small enterprises, and in 2020, BAC granted 19.3 percent of loans to small enterprises. BAC allocated around 60 percent of total loans to male owners. But for medium-sized businesses, BAC gave 75 percent of loans to male owners. The gender gap was about 50 percentage points. The data in the box-plot diagram shows that the distribution of loans according to the owner's sex has not been uniform. The median amount of loans granted to women entrepreneurs was less than that provided to their male peers. The value of loans to male entrepreneurs also showed higher dispersion.

Concerning first-time borrowers, only 43 percent of entrepreneurs who received loans from the guarantee fund were new customers. Only 39 percent of small entrepreneurs and 60 percent of medium-sized entrepreneurs were new customers. Also, the average loan granted to the first-time borrower was lower than loans provided to experienced borrowers,

Regarding the geographical location of the businesses that received loans, 50 percent were in the central I region, and 29.4 percent were in the eastern region. Medium-sized enterprises in the central I departments received 71.4 percent of loans for this size group.

Companies engaged in commercial activity received a higher percentage of the loans (62.9%), followed by those dedicated to other services[21] (16.5%) and industrial activities (8.8%), proportions that tend to vary when disaggregating the data by company size. In the group of small-entrepreneurs, 64% of loans corresponded to companies in the trade sector and 16.9% to other services. While in the group of medium-sized companies, the most favored sectors with loans were commerce (53.6%) and other activities[22] (17.9%). Approximately 9 out of 10 loans granted by the bank were for "working capital, businesses the share was higher (96.4%).

Descriptive Statistics BAC 2nd Agreement			
	Business size		
	Small	Medium	Total
Mean	56,913.19	107,232.14	64,175.72
Median	42,500.00	100,000.00	50,000.00
Standard deviation	39,199.14	80,468.13	50,337.01

BAC 2nd Agreement: average loan by year of concession, sex of the owner, loan experience and business sector (US$)

[20] The median is not located in the center of the box.

[21] Including construction, restaurants, professional services, transport, and technical services (electrical, reparations).

[22] Include Agriculture (3 cases), education (3 cases), energy (3 cases), Information & Communication Technologies (2 cases), infrastructure (1 case), health (1 case), and tourism (1 case).

	Business size		
	Small	Medium	Total
2018	58,848.00	123,352.94	70,767.39
2019	57,423.56	63,187.50	58,111.79
2020	51,437.50	133,333.33	58,457.14
	Small	Medium	Total
Sex of the owner			
Female	58,852.57	121,428.57	64,260.37
Male	55,353.26	102,500.00	64,115.04
	Small	Medium	Total
Loan experience			
Experienced	58,275.97	114,500.00	69,654.64
First-time borrowers	55,990.91	96,000.00	59,991.82
	Small	Medium	Total
Business Sector			
Agriculture	60,000.00	100,000.00	86,666.67
Education	62,500.00	27,500.00	50,833.33
Energy	100,000.00	300,000.00	233,333.33
Health	40,000.00		40,000.00
Information & Communication Technologies	75,000.00		75,000.00
Infrastructure	100,000.00		100,000.00
Manufacturing	50,423.08	100,000.00	62,088.24
Other Service	64,289.29	84,000.00	66,753.13
Tourism	30,000.00		30,000.00
Trade/Commerce	55,626.07	95,933.33	60,581.89
Transportation	48,333.33		48,333.33

Source: own estimations based on CMS

OLS main responses tabulations

Préstamos por tipo de empresa y sexo del propietario

	Frecuencia			Porcentaje		
	Total	Hombre	Mujer	Total	Hombre	Mujer
	43	28	15	100.0	100.0	100.0
	36	22	14	83.7	78.6	93.3
Mediana empresa	7	6	1	16.3	21.4	6.7

Préstamos por actividad económica y sexo del propietario

Sector económico	Frecuencia				Porcentaje			
	Total	No especificado	Hombre	Mujer	Total	No especificado	Hombre	Mujer
Total	47	4	28	15	100.0	100.0	100.0	100.0
Agricultura, ganadería, pesca	1	0	1	0	2.1	0.0	3.6	0.0
Comercio	27	4	13	10	57.4	100.0	46.4	66.7
Industria	5	0	5	0	10.6	0.0	17.9	0.0
Restaurante y hotelería	4	0	2	2	8.5	0.0	7.1	13.3
Transporte	6	0	4	2	12.8	0.0	14.3	13.3
Otros servicios	3	0	3	0	6.4	0.0	10.7	0.0
Otra	1	0	0	1	2.1	0.0	0.0	6.7

Préstamos según impacto del préstamo en clientes, ventas y generación de empleos netos y sexo del propietario

Impactos	Frecuencia	Porcentaje

	Total	No especificado	Hombre	Mujer	Total	No especificado	Hombre	Mujer
Impacto en los clientes	47	4	28	15	100.0	100.0	100.0	100.0
No	10	1	6	3	21.3	25.0	21.4	20.0
Sí	37	3	22	12	78.7	75.0	78.6	80.0
Impacto en las ventas	47	4	28	15	100.0	100.0	100.0	100.0
No especificado	4	1	1	2	8.5	25.0	3.6	13.3
No	5	0	3	2	10.6	0.0	10.7	13.3
Sí	38	3	24	11	80.9	75.0	85.7	73.3
Impacto en el empleo	47	4	28	15	100.0	100.0	100.0	100.0
No	11	0	7	4	23.4	0.0	25.0	26.7
Sí	36	4	21	11	76.6	100.0	75.0	73.3

Préstamos según asistencia técnica recibida y sexo del propietario

Asistencia técnica	Frecuencia				Porcentaje			
	Total	No especificado	Hombre	Mujer	Total	No especificado	Hombre	Mujer
Asistencia técnica recibida del banco	47	4	28	15	100.0	100.0	100.0	100.0
No	19	2	10	7	40.4	50.0	35.7	46.7
Sí	28	2	18	8	59.6	50.0	64.3	53.3
Asisitencia técnica recibida de otras instituciones	47	4	28	15	100.0	100.0	100.0	100.0
No	40	3	23	14	85.1	75.0	82.1	93.3
Sí	7	1	5	1	14.9	25.0	17.9	6.7

Préstamos según necesidades de asistencia financiera en el futuro y sexo del propietario

Asistencia financiera	Frecuencia				Porcentaje			
	Total	No especificado	Hombre	Mujer	Total	No especificado	Hombre	Mujer
Asistencia financiera en los próximos 12 meses	47	4	28	15	100.0	100.0	100.0	100.0
No	9	0	5	4	19.1	0.0	17.9	26.7
Si	38	4	23	11	80.9	100.0	82.1	73.3
Necesidad de apoyo financiero a mediano plazo	47	4	28	15	100.0	100.0	100.0	100.0
No	9	0	6	3	19.1	0.0	21.4	20.0
Sí	38	4	22	12	80.9	100.0	78.6	80.0

Préstamos según necesidades de asistencia financiera en el futuro y sexo del propietario

Facilidades brindadas por el banco	Sexo del propietario				Sexo del propietario			
	Total	No especificado	Hombre	Mujer	Total	No especificado	Hombre	Mujer
Total	47	4	28	15	100.0	100.0	100.0	100.0
Menor tasa de interés	25	2	15	8	53.2	50.0	53.6	53.3
Mejores plazos para pagar el préstamo	11	1	6	4	23.4	25.0	21.4	26.7
Menores trámites	19	2	11	6	40.4	50.0	39.3	40.0
Menor exigencia de garantías	15	0	10	5	31.9	0.0	35.7	33.3
Menos tiempo para acceder al préstamo	20	3	10	7	42.6	75.0	35.7	46.7
Flexibilidad en el uso del préstamo	4	0	3	1	8.5	0.0	10.7	6.7

Otras	5	0	4	1	10.6	0.0	14.3	6.7
Calificación del proceso implementado por el banco								
Sexo	Total	Pequeña empresa	Mediana empresa					
Total	**4.53**	**4.53**	**4.57**					
Hombre	4.57	4.55	4.67					
Mujer	4.47	4.50	4.00					

Source: own estimations based on online surveys (OLS)

BANCO AZUL

Banco Azul granted 47 loans as of September 2020, totaling $4,075,900, equivalent to 25.56% of the agreement. This bank provided 80.9 percent of loans to small businesses, followed by 19.1 percent of loans to medium-sized enterprises. In addition, small companies received 63.1 percent of the accumulated value of total loans, while medium-sized enterprises received 36.9 percent.

The box plot diagram shows that the distribution of loans has not been uniform,[23]varying not only according to the company's size but to enterprises within each category. The median loan to microenterprises was lower than loans to small and medium-sized enterprises. The dispersion of loans between enterprises was highest for the medium-sized enterprise group.

Banco Azul approved 91.5 percent of loans in 2020, allocating 28 percent of loans to female owners. Small-sized businesses received 34 percent of loans. The data in the box-plot diagram shows that the distribution of loans according to the owner's sex has not been uniform. The median amount of loans granted to women entrepreneurs was lower than that provided to their male peers, except for small businesses. The value of loans to male entrepreneurs also showed higher dispersion, but the highest loan value was for a female owner.

Only 6.4 percent of borrowers were first time customers, including 7.9 percent of small enterprises and zero percent of medium sized enterprises. The average loan granted to the first-time borrower was lower than those provided to borrowers with experience[24].

Companies engaged in commercial activity received 74.5 percent of the loans, followed by 10.6 percent to those dedicated to other services (such as car repair shops, and professional services), and 6.4 percent to transport, proportions that don't vary by business size. In the group of small-entrepreneurs, 76.3 percent of loans corresponded to companies in the trade sector and 7.9 percent to transport. While in the group of medium-sized companies, the most favored sectors with loans were commerce (66.7%) and other services (33.3%).

Descriptive Statistics Banco Azul			
	Business size		
	Small	Medium	Total
Mean	67,655.26	167,222.22	86,721.28
Median	40,000.00	170,000.00	50,000.00
Standard deviation	105,064.15	96,801.06	109,893.65

Banco Azul: average loan by year of concession, sex of the owner, loan experience and business sector (US$)

	Business size		
	Small	Medium	Total
year			
2019	57,500.00		57,500.00
2020	68,850.00	167,222.22	89,439.53
	Business size		
	Small	Medium	Total
Sex of the owner			
Female	83,961.54		83,961.54
Male	59,176.00	167,222.22	87,776.47
	Business size		

[23] The median is not located in the center of the box.

[24] CMS data does not include geographical information for Banco Azul.

	Small	Medium	Total
Loan experience			
Experienced	68,882.86	167,222.22	88,997.73
First-time borrowers	53,333.33		53,333.33
			Business size
	Small	Medium	Total
BusinessSector			
Construction	307,500.00		307,500.00
Health	70,000.00		70,000.00
Other Service	45,000.00	153,333.33	110,000.00
Trade/Commerce	55,910.34	174,166.67	76,182.86
Transportation	34,833.33		34,833.33

Source: own estimations based on CMS

OLS survey responses

Préstamos por tipo de empresa y sexo del propietario						
Tipo de empresa	Frecuencia			Porcentaje		
	Total	Hombre	Mujer	Total	Hombre	Mujer
Total	13	8	5	100.0	100.0	100.0
Pequeña empresa	11	6	5	84.6	75.0	100.0
Mediana empresa	2	2	0	15.4	25.0	0.0
Préstamos por actividad económica y sexo del propietario						
Sector económico	Frecuencia			Porcentaje		
	Total	Hombre	Mujer	Total	Hombre	Mujer
Total	13	8	5	100.0	100.0	100.0
Comercio	7	5	2	53.8	62.5	40.0
Industria	3	2	1	23.1	25.0	20.0
Transporte	1	1	0	7.7	12.5	0.0
Otros servicios*	1	0	1	7.7	0.0	20.0
Otra	1	0	1	7.7	0.0	20.0

Nota:
*Otros servicios incluye construcción
** Otros incluye alquileres de mobiliario para eventos sociales

Préstamos según impacto del préstamo en clientes, ventas y generación de empleos netos y sexo del propietario						
Impacto	Frecuencia			Porcentaje		
	Total	Hombre	Mujer	Total	Hombre	Mujer
Impacto en los clientes	13	8	5	100.0	100.0	100.0
No	5	3	2	38.5	37.5	40.0
Sí	8	5	3	61.5	62.5	60.0
Impacto en las ventas	13	8	5	100.0	100.0	100.0
No	4	3	1	30.8	37.5	20.0
Sí	9	5	4	69.2	62.5	80.0

Impacto en el empleo	13	8	5	100.0	100.0	100.0
No	6	3	3	46.2	37.5	60.0
Si	7	5	2	53.8	62.5	40.0
Préstamos según asistencia técnica recibida y sexo del propietario						
Asistencia técnica	Frecuencia			Porcentaje		
	Total	Hombre	Mujer	Total	Hombre	Mujer
Asistencia técnica recibida del banco	13	8	5	100.0	100.0	100.0
No	11	7	4	84.6	87.5	80.0
Sí	2	1	1	15.4	12.5	20.0
Asistencia técnica recibida de otras instituciones	13	8	5	100.0	100.0	100.0
No	9	6	3	69.2	75.0	60.0
Sí	4	2	2	30.8	25.0	40.0
Préstamos según necesidades de asistencia financiera en el futuro y sexo del propietario						
Asistencia financiera	Frecuencia			Porcentaje		
	Total	Hombre	Mujer	Total	Hombre	Mujer
Asistencia financiera en los próximos 12 meses	13	8	5	100.0	100.0	100.0
No	3	2	1	23.1	25.0	20.0
Si	10	6	4	76.9	75.0	80.0
Necesidad de apoyo financiero a mediano plazo	13	8	5	100.0	100.0	100.0
No	3	2	1	23.1	25.0	20.0
Sí	10	6	4	76.9	75.0	80.0
Préstamos según necesidades de asistencia financiera en el futuro y sexo del propietario						
	Frecuencia			Porcentaje		
Facilidades brindadas por el banco	Total	Hombre	Mujer	Total	Hombre	Mujer
Total	13	8	5	100.0	100.0	100.0
Menor tasa de interés	5	3	2	38.5	37.5	40.0
Mejores plazos para pagar el préstamo	2	1	1	15.4	12.5	20.0
Menores trámites	2	1	1	15.4	12.5	20.0
Menor exigencia de garantías	2	2	0	15.4	25.0	0.0
Menos tiempo para accdeder al préstamo	5	5	0	38.5	62.5	0.0
Flexibilidad en el uso del préstamo	3	2	1	23.1	25.0	20.0
Ninguna	2	1	1	15.4	12.5	20.0
Otras	2	0	2	15.4	0.0	40.0
Calificación del proceso implementado por el banco						
Sexo	Total	Pequeña empresa	Mediana empresa			
Total	4.77	4.73	5.00			
Hombre	4.88	4.83	5.00			

Mujer	4.60	4.60				

Source: own estimations based on online surveys (OLS)

BANCO DAVIVIENDA SALVADOREÑO

Banco Davivienda granted 693 loans as of September 2020, totaling $21,935,452, equivalent to 87.74 percent of the agreement. Banco Davivienda gave 95.1 percent of loans to small businesses, followed by 4.9 percent to medium-sized enterprises. In addition, small companies received 87.5 percent of the accumulated value of total loans, and medium-sized received 12.5 percent of this value.

The box plot diagram shows that the distribution of loans has not been uniform,[25]varying according to the company's size between enterprises in the same category. The median loan to microenterprises was lower than to small and medium-sized enterprises. The dispersion between enterprises was higher for the medium-sized enterprises group.

Banco Davivienda approved 28.1 percent of loans in 2016. Small enterprises received 29 percent of these loans, while medium-sized businesses received 11.8 percent. In 2014 and 2018, medium-size enterprises received 23.5 percent each year. The gender gap has been high in Davivienda loans because 83.7 percent of loans were provided to male owners and only 16.3 percent to women. The difference is higher for medium-sized enterprises, where 94 percent of loans went to male owners. The data in the box-plot diagram below shows that the distribution of loans according to the owner's sex has not been uniform. The median amount of loans granted to women entrepreneurs was less than that provided to their male peers. The value of loans to male entrepreneurs also showed higher dispersion.

Thirty percent (30%) of all borrowers that received loans from the guarantee fund were new borrowers, while 20 percent of borrowers from medium-sized enterprises had no previous loan experience. The average loan granted to the first-time borrower was lower compared with the loans to those experienced.

As regards the geographical location of the enterprises that received these loans, 64.4 percent were in the central | region (San Salvador and La Libertad), 16.3 in the eastern departments, and 12 percent in the western departments. Medium-sized enterprises in the central I departments received 88.2 percent of the loans.[26]

Companies engaged in commercial activity received a higher percentage of the loans (68%), followed by those dedicated to other services[27] (22.4%). In the group of medium-sized companies, the most favored sectors with loans were commerce (58.8%) and other services (29.4%).

Descriptive Statistics Banco Davienda Salvadoreño			
	Business size		
	Small	Medium	Total
Mean	29,116.77	80,808.76	31,652.89
Median	20,000.00	50,628.50	20,000.00
Standard deviation	39,951.72	71,531.48	43,434.65

25 The median is not located in the center of the box.

26 CMS data does not include geographical information and purpose of the loan for Banco Davivienda

27 Other services include business support services activities, auto repair shops

Banco Davivienda Salvadoreño: average loan by year of concession, sex of the owner, loan experience, and business sector (US$)

	Business size		
	Small	Medium	Total
year			
2014	32,375.75	90,962.50	38,162.10
2015	29,358.62	49,166.67	30,272.84
2016	27,301.97	55,000.00	27,870.14
2017	27,982.56	111,428.57	32,374.46
2018	26,412.38	56,518.13	28,132.71
2019	71,643.38		71,643.38
2020	76,798.80	272,653.00	109,441.17

	Business size		
	Small	Medium	Total
Sex of the owner			
Female	29,020.81	22,500.00	28,905.40
Male	29,136.21	84,453.06	32,188.18

	Business size		
	Small	Medium	Total
Loan experience			
Experienced	31,216.58	81,171.50	34,082.84
First-time borrowers	24,262.95	79,116.00	25,868.41

	Business size		
	Small	Medium	Total
Business Sector			
Construction	16,666.67		16,666.67
Information & Communication Technologies	150,000.00		150,000.00
Manufacturing	32,401.97	87,500.00	35,550.43
Other Service	23,453.94	43,970.00	24,777.56
Trade/Commerce	30,773.54	102,889.90	33,835.81
Transportation	24,576.92	37,500.00	25,500.00

Source: own estimations based on CMS

Note: other services include business support services activities, auto repair shops

OLS survey responses

Préstamos por tipo de empresa y sexo del propietario						
Tipo de empresa	Frecuencia			Porcentaje		
	Total	Hombre	Mujer	Total	Hombre	Mujer
Total	18	16	2	100.0	100.0	100.0
Pequeña empresa	17	15	2	94.4	93.8	100.0
Mediana empresa	1	1	0	5.6	6.3	0.0
Préstamos por actividad económica y sexo del propietario						
	Total	Hombre	Mujer	Total	Hombre	Mujer
Total	18	16	2	100.0	100.0	100.0
Comercio	9	7	2	50.0	43.8	100.0
Industria	4	4	0	22.2	25.0	0.0
Transporte	1	1	0	5.6	6.3	0.0
Otros servicios*	4	4	0	22.2	25.0	0.0

Nota: incluye servicios técnicos y profesionales prestados a empresas o negocios

Préstamos según impacto del préstamo en clientes, ventas y generación de empleos netos y sexo del propietario						
	Total	Hombre	Mujer	Total	Hombre	Mujer
Impacto en los clients	18	16	2	100.0	100.0	100.0
No	5	5	0	27.8	31.3	0.0
Sí	13	11	2	72.2	68.8	100.0
Impacto en las ventas	18	16	2	100.0	100.0	100.0
No	3	3	0	16.7	18.8	0.0
Sí	15	13	2	83.3	81.3	100.0
Impacto en el empleo	18	16	2	100.0	100.0	100.0
No	5	5	0	27.8	31.3	0.0
Si	13	11	2	72.2	68.8	100.0
Préstamos según asistencia técnica recibida y sexo del propietario						
Asistencia técnica	Frecuencia			Porcentaje		
	Total	Hombre	Mujer	Total	Hombre	Mujer
Asistencia técnica recibida del banco	18	16	2	100.0	100.0	100.0
No	13	11	2	72.2	68.8	100.0
Sí	5	5	0	27.8	31.3	0.0

Asisitencia técnica recibida de otras instituciones	18	16	2	100.0	100.0	100.0
No	15	13	2	83.3	81.3	100.0
Sí	3	3	0	16.7	18.8	0.0
Préstamos según necesidades de asistencia financiera en el futuro y sexo del propietario						
Asistencia financiera	Frecuencia			Porcentaje		
	Total	Hombre	Mujer	Total	Hombre	Mujer
Asistencia financiera en los próximos 12 meses	18	16	2	100.0	100.0	100.0
No	1	1	0	5.6	6.3	0.0
Si	17	15	2	94.4	93.8	100.0
Necesidad de apoyo finaciero a mediano plazo	18	16	2	100.0	100.0	100.0
No	4	3	1	22.2	18.8	50.0
Sí	14	13	1	77.8	81.3	50.0
Préstamos según necesidades de asistencia financiera en el futuro y sexo del propietario						
	Frecuencia			Porcentaje		
Facilidades brindadas por el banco	Total	Hombre	Mujer	Total	Hombre	Mujer
Total	18	16	2	100.0	100.0	100.0
Menor tasa de interés	7	5	2	38.9	31.3	100.0
Mejores plazos para pagar el préstamo	6	5	1	33.3	31.3	50.0
Menores trámites	8	6	2	44.4	37.5	100.0
Menor exigencia de garantías	8	7	1	44.4	43.8	50.0
Menos tiempo para accdeder al préstamo	6	5	1	33.3	31.3	50.0
Flexibilidad en el uso del préstamo	5	4	1	27.8	25.0	50.0
Ninguna	2	2	0	11.1	12.5	0.0
Otras	2	1	1	11.1	6.3	50.0
Calificación del proceso implementado por el banco						
Sexo	**Total**	**Pequeña empresa**	**Mediana empresa**			
Total	**4.28**	**4.29**	**4.00**			
Hombre	4.19	4.20	4.00			
Mujer	5.00	5.00				

Source: own estimations based on online surveys (OLS)

G&T CONTINENTAL

G&T Continental provided 26 loans as of September 2020 totaling $2,512,270, equivalent to 16.21 percent of the agreement. The bank provided 80.8 percent of loans to small businesses, followed by 19.2 percent to medium-sized enterprises. In addition, small enterprises received 59.8 percent of the accumulated value of total loans, and medium-sized received 36.9 percent.

The box plot diagram shows that the distribution of loans has not been uniform,[28]varying according to the company's size between enterprises within their category. The median loan to microenterprises was lower compared to small and medium-sized enterprises. The dispersion was higher among enterprises in the medium-sized enterprises group.

G&T Continental approved 69.2 percent of loans in 2018 and allocated 23 percent of loans to female owners overall but only 20 percent of loans to female owners of medium-sized enterprises. The data in the box-plot diagram shows that the distribution of loans according to the owner's sex has not been uniform. The median amount of loans granted to women entrepreneurs was lower than that provided to their male peers. The value of loans to male entrepreneurs also showed higher dispersion.

Twenty-six point four (26.4%) percent of borrowers had no previous loan experience and were new customers; 23.8 percent of small entrepreneurs and 40 percent of medium-sized entrepreneurs had no previous loan experience. The average loan granted to the first-time borrower was lower than compared with those experienced[29].

Companies engaged in commercial activity received 50.0 percent of the loans, followed by 23.1 percent of those dedicated to other services and 19.2 percent of manufacturing; in the group of medium-sized entrepreneurs, 60.0 percent of loans corresponded to companies in the trade sector. In medium-sized companies, the most favored sectors with loans were commerce (47.6%) and other services (28.6%).

Descriptive Statistics G&T Continental			
	Business size		
	Small	Medium	Total
Mean	71,584.29	201,800.00	96,625.77
Median	50,000.00	200,000.00	60,300.00
Standard deviation	68,642.97	97,165.84	89,549.68

G&T Continental: average loan by year of concession, sex of the owner, loan experience, and business sector (US$)

	Business size		
	Small	Medium	Total
year			
2017	50,000.00		50,000.00
2018	61,135.71	227,250.00	98,050.00
2019	99,561.67	100,000.00	99,624.29

	Business size		
	Small	Medium	Total
Sex of the owner			
Female	61,000.00	200,000.00	84,166.67
Male	74,891.88	202,250.00	100,363.50

	Business size		
	Small	Medium	Total

[28] The median is not located in the center of the box.

[29] CMS data does not include geographical information and the purpose of the loan for G&T Continental.

Loan experience			
Experienced	94,060.00	175,000.00	117,185.71
First-time borrowers	64,560.63	219,666.67	89,051.05

	Business size		
	Small	Medium	Total
Business Sector			
Construction		200,000.00	200,000.00
Manufacturing	33,250.00	100,000.00	46,600.00
Other Service*	124,061.67		124,061.67
Trade/Commerce	55,590.00	236,333.33	97,300.00
Transportation	70,000.00		70,000.00

Source: own estimations based on CMS
Note: other services include rent-a-car, educational activities, cooperative, and sports club,

OLS survey responses

Préstamos por tipo de empresa y sexo del propietario						
Tipo de empresa	Frecuencia			Porcentaje		
	Total	Hombre	Mujer	Total	Hombre	Mujer
Total	7	4	3	100.0	100.0	100.0
Pequeña empresa	4	2	2	57.1	50.0	66.7
Mediana empresa	3	2	1	42.9	50.0	33.3
Préstamos por actividad económica y sexo del propietario						
Sector económico	Frecuencia			Porcentaje		
	Total	Hombre	Mujer	Total	Hombre	Mujer
Total	7	4	3	100.0	100.0	100.0
Industria	4	1	3	57.1	25.0	100.0
Servicios al turismo	1	1	0	14.3	25.0	0.0
Otros servicios	2	2	0	28.6	50.0	0.0

Nota: otros servicios incluyen renta de autos y cooperativas

Impacto del prestamo						
Impactos	Frecuencia			Porcentaje		
	Total	Hombre	Mujer	Total	Hombre	Mujer
Impacto en los clientes	7	4	3	100.0	100.0	100.0
No	1	1	0	14.3	25.0	0.0
Sí	6	3	3	85.7	75.0	100.0
Impacto en las ventas	7	4	3	100.0	100.0	100.0
No	1	0	1	14.3	0.0	33.3
Sí	6	4	2	85.7	100.0	66.7
Impacto en el empleo	7	4	3	100.0	100.0	100.0
No	1	1	0	14.3	25.0	0.0
Sí	6	3	3	85.7	75.0	100.0

Préstamos según asistencia técnica recibida y sexo del propietario

Asistencia técnica	Frecuencia			Porcentaje		
	Total	Hombre	Mujer	Total	Hombre	Mujer
Asistencia técnica recibida del banco	7	4	3	100.0	100.0	100.0
No	4	3	1	57.1	75.0	33.3
Sí	3	1	2	42.9	25.0	66.7
Asistencia técnica recibida de otras instituciones	7	4	3	100.0	100.0	100.0
No	6	3	3	85.7	75.0	100.0
Sí	1	1	0	14.3	25.0	0.0

Préstamos según necesidades de asistencia financiera en el futuro y sexo del propietario

Asistencia financiera	Frecuencia			Porcentaje		
	Total	Hombre	Mujer	Total	Hombre	Mujer
Asistencia financiera en los próximos 12 meses	7	4	3	100.0	100.0	100.0
No	0	0	0	0.0	0.0	0.0
Si	7	4	3	100.0	100.0	100.0
Necesidad de apoyo financiero a mediano plazo	7	4	3	100.0	100.0	100.0
No	1	1	0	14.3	25.0	0.0
Sí	6	3	3	85.7	75.0	100.0

Préstamos según necesidades de asistencia financiera en el futuro y sexo del propietario

Facilidades brindadas por el banco	Frecuencia			Porcentaje		
	Total	Hombre	Mujer	Total	Hombre	Mujer
Total	7	4	3	100.0	100.0	100.0
Menor tasa de interés	4	2	2	57.1	50.0	66.7
Mejores plazos para pagar el préstamo	4	2	2	57.1	50.0	66.7
Menores trámites	3	2	1	42.9	50.0	33.3
Menor exigencia de garantías	5	2	3	71.4	50.0	100.0
Menos tiempo para accdeder al préstamo	3	2	1	42.9	50.0	33.3
Flexibilidad en el uso del préstamo	5	3	2	71.4	75.0	66.7

Calificación del proceso implementado por el banco

Sexo	**Total**	**Pequeña empresa**	**Mediana empresa**
Total	**3.71**	**3.25**	**4.33**
Hombre	4.25	4.00	4.50
Mujer	3.00	2.50	4.00

Source: own estimations based on online surveys (OLS).

PROMERICA

Promerica granted 17 loans as of September 2020, totaling $4,583,000, equivalent to 26.49 percent of the agreement. The bank provided 76.5 percent of loans to small businesses, followed by 23.5 percent of medium-sized enterprises. In addition, small companies received 75.2 percent of the accumulated value of total loans, and medium-sized received 24.8 percent of this value.

Promerica approved 70.6 percent of loans in 2018 and allocated 23.5 percent of loans to female owners. The bank provided 23.1 percent of loans to small-sized enterprises. The share was similar and 25 percent of loans to medium-sized enterprises.

Concerning first-time borrowers, 23.4 percent of borrowers had no previous loan experience. Sixty-three point eight (63.8%) percent of small entrepreneurs had no previous loan experience, while 75 percent of medium-sized entrepreneurs were first time customers. The average loan granted to the first-time borrower was lower than compared with those experienced[30].

Companies engaged in other services received 35.3 percent of the loans, followed by 23.5 percent of those dedicated to transport and 17.7 percent to commerce, proportions that don't vary by business size. In small entrepreneurs, 23.1 percent of loans went to commerce, other services, and transportation. While in the group of medium-sized companies, 75 percent went to services and 25 percent to transport.

.

Descriptive Statistics Promerica			
	Business size		
	Small	Medium	Total
Mean	265,000.00	284,500.00	269,588.23
Median	65,000.00	175,000.00	80,000.00
Standard deviation	477,650.37	333,628.04	438,241.13

Promerica: average loan by year of concession, sex of the owner, loan experience, and business sector (US$)

	Business size		
	Small	Medium	Total
year			
2018	129,100.00	54,000.00	116,583.33
2019	718,000.00	270,000.00	606,000.00
2020		760,000.00	760,000.00

	Business size		
	Small	Medium	Total
Sex of the owner			
Female	163,333.33	80,000.00	142,500.00
Male	295,500.00	352,666.67	308,692.31

	Business size		
	Small	Medium	Total
Loan experience			
Experienced	114,357.14	289,333.33	166,850.00
First-time borrowers	440,750.00	270,000.00	416,357.14

	Business size		
	Small	Medium	Total

[30] CMS data does not include geographical information and purpose of the loan for Promerica.

Business Sector			
Energy	1,086,750.00		1,086,750.00
Manufacturing	35,000.00		35,000.00
Other Service	151,833.33	126,000.00	138,916.67
Tourism	346,000.00		346,000.00
Trade/Commerce	93,333.33		93,333.33
Transportation	51,666.67	760,000.00	228,750.00

Source: own estimations based on CMS

OLS survey responses

Préstamos por tipo de empresa y sexo del propietario						
Tipo de empresa	Frecuencia			Porcentaje		
	Total	Hombre	Mujer	Total	Hombre	Mujer
Total	4	3	1	100.0	100.0	100.0
Pequeña empresa	4	3	1	100.0	100.0	100.0
Mediana empresa	0	0	0	0.0	0.0	0.0
Préstamos por actividad económica y sexo del propietario						
Sector económico	Frecuencia			Porcentaje		
	Total	Hombre	Mujer	Total	Hombre	Mujer
Total	4	3	1	100.0	100.0	100.0
Proyectos de energía	3	3	0	75.0	100.0	0.0
Otros servicios	1	0	1	25.0	0.0	100.0

Nota: otros servicios incluyen servicios de comunicación

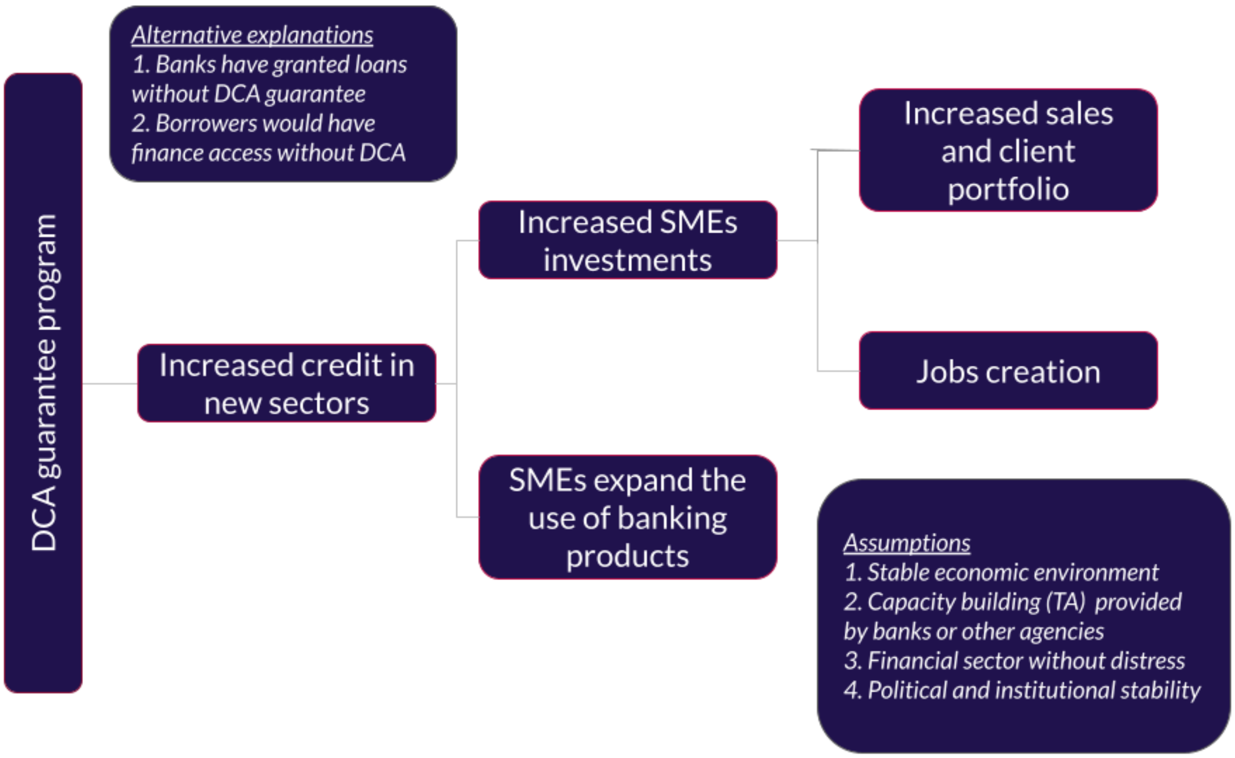
	Frecuencia			Porcentaje		
	Total	Hombre	Mujer	Total	Hombre	Mujer
impacto_credito_clientes	4	3	1	100.0	100.0	100.0
No	2	2	0	50.0	66.7	0.0
Sí	2	1	1	50.0	33.3	100.0
impacto_credito_ventas	4	3	1	100.0	100.0	100.0
No	1	1	0	25.0	33.3	0.0
Sí	3	2	1	75.0	66.7	100.0
empleo_genera	4	3	1	100.0	100.0	100.0
No	0	0	0	0.0	0.0	0.0
Si	4	3	1	100.0	100.0	100.0
Préstamos según asistencia técnica recibida y sexo del propietario						
Asistencia técnica	Frecuencia			Porcentaje		

	Tota l	Hombre	Mujer	Total	Hombr e	Muj er
Asistencia técnica recibida del banco	4	3	1	100.0	100.0	100. 0
No	4	3	1	100.0	100.0	100. 0
Asisitencia técnica recibida de otras instituciones	4	3	1	100.0	100.0	100. 0
No	4	3	1	100.0	100.0	100. 0
Préstamos según necesidades de asistencia financiera en el futuro y sexo del propietario						
Asistencia financiera	Frecuencia			Porcentaj e		
	Tota l	Hombre	Mujer	Total	Hombr e	Muj er
Asistencia financiera en los próximos 12 meses	4	3	1	100.0	100.0	100. 0
No	0	0	0	0.0	0.0	0.0
Si	4	3	1	100.0	100.0	100. 0
Necesidad de apoyo finaciero a mediano plazo	4	3	1	100.0	100.0	100. 0
Sí	4	3	1	100.0	100.0	100. 0
Préstamos según necesidades de asistencia financiera en el futuro y sexo del propietario						
	Frecuencia			Porcentaje		
Facilidades brindadas por el banco	Tota l	Hombre	Mujer	Total	Hombr e	Muj er
Total	4	3	1	100.0	100.0	100. 0
Menor tasa de interés	1	1	0	25.0	33.3	0.0
Mejores plazos para pagar el préstamo	0	0	0	0.0	0.0	0.0
Menores trámites	0	0	0	0.0	0.0	0.0
Menor exigencia de garantías	0	0	0	0.0	0.0	0.0
Menos tiempo para accdeder al préstamo	0	0	0	0.0	0.0	0.0
Flexibilidad en el uso del préstamo	0	0	0	0.0	0.0	0.0
Ninguna	2	1	1	50.0	33.3	100. 0
Otras	1	1	0	25.0	33.3	0.0
Calificación del proceso implementado por el banco						
Sexo	**Tot al**	**Pequeña empresa**	**Mediana empresa**			
Total	**3.50**	**3.50**				
Hombre	3.67	3.67				
Mujer	3.00	3.00				

Source: own estimations based on online surveys (OLS).

ANNEX 8: CONTRIBUTION ANALYSIS

Annex 8 presents the contribution analysis performed by the ST on the evidence collected during the study fieldwork. The contribution analysis assesses the critical components of the program Theory of Change (TOC), including: 1) the program's contribution to hypothesized program outcomes, 2) the validity of the assumptions underlying the TOC, and 3) the presence and influence of alternative explanations to explain observed outcomes. The figure below presents a simplified version of the DCA TOC that is assessed using contribution analysis.



Contribution analysis offers a pragmatic and methodologically rigorous approach to applying the principles of attribution to situations where the program is one of many potential contributory causes. Furthermore, where it is impossible to measure attribution directly via the creation of a scientifically valid counterfactual. Thus, instead of assessing attribution, contribution analysis assesses the contribution that program activities make to observed outcomes.

Based on the evidence gathered during the study and summarized in the following Evidence Tables, the contribution analysis creates a set of "contribution stories" that assist in assessing program contribution to observed results. The analysis is guided by the following three considerations related to the nature of causality/contribution in creating the contribution stories. First, program activities do not operate in isolation. However, they are part of a causal package that includes other activities, events, or conditions external to the program. Thus, the purpose of doing contribution analysis is to determine whether and how DCA has contributed to a particular outcome. Moreover, whether and how the causal package, which includes DCA activities, has contributed to the outcome.
Second, any causal package is neither necessary nor sufficient to produce the observed outcome. Instead, causality in this context implies sufficiency, meaning that a given causal package is sufficient to produce the outcome.

Third, assessing contribution must consider the probabilistic nature of causality and the lack of certainty that often attends attempts to measure it. This assessment requires conclusions about contribution couched more in terms of likelihoods instead of certainties. Thus, the standard of evidence to determine contribution is that the causal package is a "likely sufficient" cause of the observed change. At the same time, the program activity is, in turn, a "likely necessary" part of the causal package.

The following provides the relevant information for interpreting the contribution analysis found below.
Evidence Table

Column 1-Evidence: The evidence for the relevant outcome.
As implied in the structure of the Evidence Table, there can be multiple sources of evidence either confirming or refuting the outcome. This column includes all relevant pieces of evidence.
Source: Source for the evidence. This column describes the specific source for the evidence, such as the name of the person/organization interviewed, the document read, and the data source consulted.
Column 2-Confirming/Refuting: Indicates whether the evidence confirms or refutes the causal logic in the TOC.
Column 3-Strength of Evidence: Indicates how strong (reliable) the evidence is using the following 4-point scale:

- Weak: Second-hand information that cannot be verified.
- Relatively Weak: Primary information that draws on: 1) anecdotal experience or 2) good faith, informed estimates that possess an unknown margin of error.
- Relatively Strong: Primary information is unverified (e.g., based on respondents' perceptions or recollection) but draws on first-hand knowledge.
- Strong: Primary and secondary information that is verified.

Column 4-Outcome Contribution: This addresses the question as to how much the FPEMP support contributed to the observed outcome. To assess outcome conditionality, we used the following 4-point scale:

1. Non-Contributor: Factors other than DCA support contributed to the observed outcome.
2. Contributor: DCA support is one of the other factors of approximately equal or greater importance that contributed to the observed outcome.
3. Strong Contributor: DCA support is one of the other factors contributing to the observed outcome, albeit a relatively decisive factor.
4. Primary Contributor: DCA support is the primary factor that contributed to the observed outcome. This case may involve other contributory factors, but DCA support is the strongest by far.

Column 5-Explanation: We added explanatory information to this column if it is necessary.

Contribution Story

A Contribution Story is created for each relevant outcome considering information in the Evidence Table. The Contribution Story has four parts, as follows:

1. Contribution Story: A short narrative that describes the observed outcome and the factors that contributed to the observed outcome.
2. Contribution Ranking: Each of the contributing factors identified in the contribution story is ranked using one of four criteria:
    1. Facilitating Contributor: The factors played a largely facilitative role in that they helped establish a supportive environment for the observed outcome.

   2. Contributor: The factors played a contributing role, albeit a less important one relative to other factors, in producing the observed outcome.
   3. Strong Contributor: The factors played a crucial role in producing the observed outcome.
   4. Primary Contributor: The factors played the primary role in producing the observed outcome.
2. Causal Package: The factors playing a Facilitating Contributor, Contributor, Strong Contributor, and Primary Contributor role in the observed outcome constitute the outcome's "causal package."
3. Presumably, DCA's intervention is part of the causal package. All factors belonging to this causal package are listed here, along with their identified role in the causal package.

Conclusion: A program activity contributes to an outcome if: 1) the causal package of which it is part is *sufficient* for the outcome to occur. Furthermore, 2) the program activity is a *necessary* part of the causal package. Here, the analysis identifies whether these two conditions hold.

Increased credit in new sectors

Evidence	Source	Confirming/ Refuting	Strength of Evidence	Outcome Contribution	Explanation
The number of loans granted, and resources allocated contributed to increasing credit	CMS	C	3	2	• Banks granted 1,135 loans • For three banks, funds usage rates were below 30%, and for two above 50% for the second agreement, 100% for the first, and 88% for another bank.
Loans granted contributed to finance the SME sector	CMS	C	4	3	• All grants were to SMEs
Loans granted contributed to give priority to small businesses	CMS	C	4	4	• 86% of the grants were to small businesses and 4.9% to micro-enterprises. The bank with a lower share of loans to small businesses was above 75%.
DCA program contributed to women inclusion	CMS	R	4	1	• Participation is low in general (22.2%) • However, for some banks it is higher compared to national standards. For BAC and Azul, at least 27% of the loans went to women.
DCA-backed loans that contributed to innovative activities were included, with high potential for economic growth and job creation.	CMS KIIs OLS	R	3	1	• Few innovative activities got DCA-backed loans: only 2 for tourism, 1 for ICT, and 1 for health. • A higher share of borrowers sells their products to the local market (80%)
DCA program contributed to include many first-time lenders	CMS KIIs OLS	C	3	2	• Participation is 34% borrowers were first-time borrowers. • But is higher compared to other DCA programs (22.7%)
DCA-backed loans allocation contributed to other underserved sectors	CMS KIIs OLS	C	3	2	• Borrowers that were rejected from loan application (14% of total) • 41% of loans were for businesses located outside San Salvador and La Libertad

Contribution Story

The DCA-backed loans reach around 1,135 borrowers, most of them being small enterprises. There is a deficit in women's inclusion, but some banks have good results for this aspect. It contributed to including first-time borrowers, but not new or dynamic sectors because most of the loans were granted to commerce. So, the program provided funding to SMEs in new sectors, like small businesses, to incorporate first-time borrowers to the credit market, and some banks (BAC and Banco Azul) contributed to women's inclusion.

Causal Package

Facilitating Contributor: USAID provides guarantee loans oriented to SMEs.

Primary Contributor: Partner banks were in charge of managing risk, evaluating, granting, and monitoring loans.

Sufficiency & Necessity

The causal package was sufficient to increase credit to new sectors.

DCA and banks contributions were a likely necessary component of the causal package.

Increased SMEs investments

Evidence	Source	Confirming/ Refuting	Strength of Evidence	Outcome Contribution	Explanation
Loans contributed to investment to expand business	KIIs OLS	C	3	2	According to OLS responses, 15 loans were used for business expansion, 31 for purchasing machinery and equipment, and 8 for premises improvement. So, around 60% of loans used funds to expand the business. Also, credits for working capital helped expand the business.
Loans contributed to diversifying business offers or venturing into new markets	KIIs OLS	C	2	2	Only 20% of borrowers responded that their operation was national and international. Close to two-thirds of the loans went to the commerce/trade sector (65.3%).
Loans contributed to stay in business	KIIs OLS	C	2	3	There is anecdotal evidence from KIIs, from 4 borrowers, that loan enabled them to stay in business. One response from OLS said that the loan was for debt restructuring, and three borrowers during the interview mentioned that the loan was used to restructure previous debts, one of them due to COVID-19.

Contribution Story

Most of the loans were allocated to the purposes defined by USAID: working capital, purchase of machinery, and business expansion. DCA-backed loans contribute to funding investments aimed not only to expand the business but to explore new sectors.

Causal Package

Facilitating Contributor: USAID providing guarantee loans oriented to SMEs.

Primary Contributor: Partner banks oversaw managing risk, evaluating, granting, and monitoring loans.

Sufficiency & Necessity

The causal package was sufficient to increase SME investments.

DCA and banks contributions were a likely necessary component of the causal package.

SMEs expand the use of banking products.

Evidence	Source	Confirming/ Refuting	Strength of Evidence	Outcome Contribution	Explanation
DCA-backed loan contributed to borrower increased products with the bank or other financial institutions	OLS KIIs	C	3	4	Two-thirds of borrowers increased their products with the bank (65.2%) 54 of 89 borrowers that responded to OLS had contracted new loans

					Of which 60% of them work with other banks, 46% with the same bank, and 24% with a public sector bank.
DCA-backed loans contributed to borrowers demanding loans in the next year	OLS KIIs	C	3	2	85% (76 of 89) responded that they need financial assistance in the next 12 months. 60% will need financial assistance for working capital, 38% to expand the business, and 30% to machinery purchasing
DCA-backed loans contributed to borrowers demanding loans in the next 1-3 years	OLS KIIs	C	3	2	80% (72 of 89) responded that they will need financial assistance in the next 12 months. 61% will need financial assistance for working capital, 44% to expand the business, and 35% to machinery purchasing
DCA contributed to gaining a reputation in the financial market	KIIs	C	2	2	During three interviews, borrowers mentioned that now they have more access to financing thanks to DCA-backed loans.
DCA loans contributed to getting rid of using informal financial services	OLS KIIs	C	1	1	Just a few OLS respondents (2) said that their new loan is from informal credit or family

Contribution Story

Most of the borrowers considered themselves as a potential client of banks or different financial institutions. However, two-thirds of the borrowers had experience with the bank. So, the contribution of the DCA program is to give the opportunity to one-third of borrowers to expand the use of financial products.

Causal Package

Facilitating Contributor: USAID provides guarantee loans oriented to SMEs.

Facilitating Contributor: Partner banks that were in charge of managing risk, evaluating, granting, and monitoring loans.

Sufficiency & Necessity

The causal package was sufficient to avail to first time borrowers of having the potential to expand their financial products.

DCA and banks contributions were a likely necessary component of the casual package.

Increased sales and client portfolio

Evidence	Source	Confirming/Refuting	Strength of Evidence	Outcome Contribution	Explanation
DCA-backed investment contributed to increasing the number of clients	OLS KIIs	C	3	4	• Seventy-four (74) percent of OLS respondents reported increasing the number of their clients thanks to their DCA-backed loan, including 85.7 percent of G&T borrowers, 78.7 percent of BAC borrowers, 72.2 percent of Davivienda borrowers, 61.5 percent of Banco Azul borrowers, and 50 percent of Promerica borrowers. • ST estimated that a total of 168,313 new clients were gained through DCA-backed loans. • Twenty KIIs borrowers mentioned that the loan helped them to increase the number of clients.
DCA-backed investment contributed to increasing sales	OLS	C	3	4	• Just under 80 percent of OLS respondents reported increased sales after receiving their DCA-backed loan, although this percentage varied from bank to bank ranging from a low of 69.2 percent of Azul borrowers to a high of 85.7 percent of G&T borrowers. • In the OLS, borrowers were asked to estimate their sales volume 12 months before the loan and their sales volume 12 months after receiving the loan. Using this method, the average increase in sales was $108,000. Using this figure and the proportion of companies reporting increased sales, the ST projects the total value of the sales derived from the DCA to be in the range of $105 million.
DCA-backed investment contributed to generating profits to repay the credit	OLS	C	3	2	• According to OLS, the 89 credits generated profits during the first year of the loan.

Contribution Story

Borrowers identify those sales and the client have increased due to investments made by the loan. In this case, the DCA-backed loan was a facilitating contributor because the sales increase resulted from several factors, like how the business is managed and other external factors.

Causal Package

Facilitating Contributor: USAID providing guarantee loans oriented to SMEs.

Facilitation Contributor: Partner banks that oversaw managing risk, evaluate, grant, and monitoring loans.

Primary Contributor: SMEs.

Sufficiency & Necessity

The causal package was sufficient to increase SMEs clients and sales.

DCA and banks contributions were a likely necessary component for increased SMEs clients and sales.

Job creation

Evidence	Source	Confirming/Refuting	Strength of Evidence	Outcome Contribution	Explanation
DCA-backed investment contributed to net jobs creation	OLS	C	3	4	• Based on OLS responses, the ST estimates that borrowers created, on average, eight new jobs after receiving their DCA-backed loan. From this figure and the proportion of firms reporting a net job increase, the ST projects the total number of net jobs created to be around 6,415.
DCA-backed investment contributed to good jobs	OLS	C	3	3	• DCA-backed loans would have contributed to generating 4,862 full-time jobs and 6,264 formal jobs.
DCA-backed investment contributed to female employment	OLS	C	3	2	• An estimated amount of 3,452 would be employed because of the investments made by DCA-backed loans.
DCA-backed investment contributed to employing population with risk of migration	OLS	C	3	2	• ST estimated 4,149 jobs for those with complete secondary education. • Young populations net jobs were estimated at 4,366
DCA-backed investment contributed to generating jobs for excluded population	OLS	C	2	1	• 54 LGBTIQ+, 282 disabled, and 246 returned migrants may have found a job thanks to DCA loans, according to ST estimations.
DCA loans prevent job loss	KIIs	C	3	3	• Four interviewees responded that even though they did not hire additional employees thanks to DCA-backed loan investment, they could not fire anybody during COVID-19.

Contribution Story

The increased investment made it possible to expand the business and hire more employees. Also, to prevent laid-offs due to COVID-19. The characteristics of new jobs include an important share of formal and full-time employment, women inclusion, prone to migration individuals, and excluded groups. The DCA-backed loan and the sum of the SME's efforts plus external factors contributed to job creation.

Causal Package

Facilitating Contributor: USAID providing guarantee loans oriented to SMEs.

Facilitation Contributor: Partner banks that oversaw managing risk, evaluate, grant, and monitoring loans.

Primary Contributor: SMEs.

Sufficiency & Necessity
The causal package was sufficient to increase SMEs jobs.
DCA and banks contributions were a likely necessary component for increased SMEs clients and sales.

Assumption #1. Stable economic environment

Evidence	Source	Confirming/Refuting	Strength of Evidence	Explanation
The economy grew at a rate that favored the use of the investment made	Central Bank	C	4	Until 2019, the Salvadorian economy grew on average at 2.4% since 2012. However, due to the COVID pandemic, the economy fell at a rate of 8.9%, 40 of 89 respondents mentioned that the economic situation was harmful to the business
No economic crises were observed	Central Bank	R	4	COVID-19 was one of the most severe economic crises in El Salvador since the 1980s. The economy fell 8.9%.
The functioning aspects of the markets linked to borrowers favored an environment favorable to the use of credit	OLS	C	3	The second aspect of relevance as an external positive factor that increases sales was that 25 respondents identified that new markets have opened for their products.

Conclusion

The assumption is valid with a qualifier. COVID-19 has affected the Salvadorian economy and most of the SMEs. Even though some have mentioned that COVID-19 has benefited them, they are only a minoritarian group.

Assumption #2. Capacity building (TA) provided by banks or other agencies

Evidence	Source	Confirming/Refuting	Strength of Evidence	Explanation
Banks provided technical assistance for borrowers	OLS KIIs	C	3	Banco Azul, BAC, and Davivienda have developed SME training programs; G&T had one with their program "G&T Mujer," and Promerica is a non-mature program. So, all banks have a training program. Nevertheless, only 38 of 89 borrowers received technical assistance
Other institutions provided technical assistance for borrowers	OLS KIIs	R	3	Only 15 of 89 respondents received technical assistance. During KIIs, six interviewees mention that Insaforp and Bandesal have provided them with TA.
Technical assistance provided according to the needs of borrowers	OLS KIIs	R	3	During KIIs, four interviews said they knew about training programs but did not have time to attend seminars or activities when banks like BAC or Davivienda had invited them. Two borrowers said that technical assistance is how banks oversee them. Five borrowers responded that the bank had trained them to pay their loan and complete all paperwork, so the loan was processed.

Conclusion

The assumption is not valid. Even though some banks have developed programs, their usage is low between clients. Not all of them have time to use it. A group of them have only received paperwork-related training, or the borrowers perceive assistance as monitoring.

Assumption #3. Financial sector without distress

Evidence	Source	Confirming/Refuting	Strength of Evidence	Explanation
The financial sector did not experience a crisis during the period	Central Bank of Reserve	C	4	The financial sector was stable during 2012-2021.
The credit market was growing	Central Bank of Reserve	C	4	Average business credit growth from private financial institutions was 5.6% during 2012-2019, i.e., considering the years of DCA analyzed within this report. This average compares favorably with the years before DCA (2005-2011) when credits to private sectors grew at an annual average rate of 1.9%. Even during COVID, business credit grew at 3.2%. However, specific information about credit to SMEs is not available.

Conclusion

This assumption is valid. The financial system has been stable during 2012-2020. Still, the credit to private companies has been growing even during the pandemic.

Assumption #4. Political and institutional stability

Evidence	Source	Confirming/Refuting	Strength of Evidence	Explanation
Political ambitions did not generate instability	KIIs OLS	C	3	Even the country elected new authorities in 2014 and 2019. The political system was stable up to 2020.
Crime did not severely affect businesses	KIIs OLS	R	3	According to UNDP, crime rates have reduced, and 2012-2019 has been less violent than 2010-2011. However, 26 of 89 OLS respondents identified violence as a negative factor. A group of 10 KIIs said that violence has been affecting their business. No regulatory changes were observed that affected the granting of loans for SMEs.
No regulatory changes were observed that affected the granting of loans for SMEs	KIIs OLS	C	3	19 of 89 respondents considered that government policies affected sales negatively. During KIIs, the same number of borrowers mentioned that the government policies have been good than bad for them (5 with each response)

Conclusion

The assumption is valid but with a qualifier. The qualifier is that crime is still a burden for all Salvadoran citizens, but SMEs to a higher degree. Thus, SMEs ' bottom line will be affected by the risk associated with criminality and costs.

Alternative explanation #1: Banks have granted loans without a DCA guarantee

Evidence	Source	Confirming/Refuting	Strength of Evidence	Explanation
Banks would have lent to the same customers	KIIs	R	2	The following quote by Davivienda bank officials aptly summarizes the consensus opinion among banks regarding SME lending: "To be honest, the probabilities would be low, [...] if the program had not existed, to provide access to loans for many SMEs." Another group that would have been negatively affected without the DCA guarantee program were enterprises located in high-risk areas, such as part of the Territorial Control Plan. Promerica reported that they adjusted their credit policies to include target clients of the DCA. Additionally, banks said that their learning derived from working closer to SME's had increased. All banks during 2020 without the DCA program would not have been able to lend to the same type of clients during COVID-19.
Banks would have lent under the same terms	KIIs	R	2	Banks would have served clients with better credit credentials but under tighter conditions. Although banks manage other guarantee facilities for clients, like the Development Bank of the Republic of El Salvador (BANDESAL), competitive interest rates require a slower and more cumbersome approval process than that observed in DCA.

Conclusion

Banks would only lend to the group in better conditions, mainly medium-sized and small businesses with previous credentials with the bank. Other groups will have received loan authorization under worst terms, and the loan would not be competitive enough with interest rates or loan terms. So, banks would have granted loans without DCA but only for low-risk clients, demanding more collateral and higher interest rates.

Alternative explanation #2: Borrowers would have finance access without DCA

Evidence	Source	Confirming/Refuting	Strength of Evidence	Explanation
A significant number of clients would have obtained a loan from banks without the need for DCA	KIIs OLS	R	3	The responses to OLS indicate that almost two-thirds of respondents would have asked for a loan from another private or public bank, financial cooperative, or other financial institution. Only one of the 89 respondents mentioned either the possibility of closing the company or asking their family for support had they not received a DCA-backed loan. However, the 388 first-time borrowers and 60 loans made during March – September 2020 would not have been granted.
Other institutions than private banks would have served SMEs.	KIIs OLS	C	3	Only 26 of 89 borrowers answered OLS, saying that they would get funding from a public bank, cooperative, or other financial institution.

Conclusion

A significant group of borrowers may have received a loan, but under worst terms. DCA programs bring opportunities to those underserved and those who can get a loan under less competitive terms. The key of DCA was helping those with less experience, a financial reputation, or higher perceived risk to get a loan.

U.S. Agency for International Development
1300 Pennsylvania Avenue, NW
Washington, DC 20523

U.S. Agency for International Development
1300 Pennsylvania Avenue, NW
Washington, DC 20523