



# The Entrepreneurship and Enterprise Growth Landscape: El Salvador



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Prepared by Enabling Outcomes Ltd.

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# Introduction

The purpose of this report is to inventory different organizations in El Salvador that could help build local capacity, catalyze, and accelerate SME development and growth. It outlines specific activities, programs, and services offered by these organizations and, where possible shows their interconnectivity. The organizations inventoried offer specific services (i.e. technical assistance programs) to assist entrepreneurial growth and enterprise development in El Salvador. Those included are believed to have some type of sustained institutional capacity to maintain and/or grow their services as evidenced by a fulltime presence in or commitment to El Salvador, permanent staff, institutional longevity and/or fee-for-service programs. This information has been compiled primarily via desk research and thus relies on resources available in the public domain. Research was conducted from June-August 2019.

The report includes a contextual overview of El Salvador, which helps to shed light on some of the challenges and opportunities for SME development and poverty alleviation. It then puts into perspective some of the key sectors that have been the focus of enterprise development activities. The report also includes an overview of key donor programs, as they can often stimulate SME-related activities and also provide a sense of where large-scale interventions in the SME landscape are occurring.

## Overview of El Salvador

### Relevant History

From the late 19th to the mid-20th century, El Salvador endured chronic political and economic instability characterized by coups, revolts, and a succession of authoritarian rulers.<sup>1</sup> Socioeconomic inequality and civil unrest fuelled the Salvadoran Civil War (1979–1992), which was fought between the military-led government and a coalition of left-wing guerrilla groups.<sup>2</sup> As a result of the war an estimated 75,000 people died, 8,000 disappeared, and more than a million were displaced.<sup>3</sup> The conflict ended with the Chapultepec Peace Accords.<sup>4</sup> This negotiated settlement established a multiparty constitutional republic.<sup>5</sup> Democracy and peace have endured since the end of the civil war in 1992, and five consecutive democratic presidential elections have taken place with peaceful transitions of power.<sup>6</sup>



Economic reforms since the early 1990s brought major benefits in terms of improved social conditions, diversification of the export sector, and access to international financial

markets at investment grade level.<sup>7</sup> However, violence has continued since the end of the civil war. Many Salvadorans fled to Los Angeles, California during the war, and as refugees got involved in gang violence only to be deported back to El Salvador.<sup>8</sup> Violent gangs that had originated in Los Angeles were then spread to El Salvador, and their growth, violence and recruitment has continued. Poverty, lack of development and lack of employment opportunities are cited as reasons why young people join gangs.<sup>9</sup>

Nayib Bukele, who is independent of the two main parties and is thirty-eight years old, was sworn in as president of El Salvador in June 2019. Bukele acknowledged the two main forces driving so many of his citizens to take their chances on a perilous migration north in search of a better life: economic duress and insecurity.<sup>10</sup> “Bukele’s comments were remarkable in a region where political leaders have been averse to assuming responsibility for the social and political dynamics that drive migration and have generally paid only lip service to the idea that conditions must improve at home to dissuade people from leaving.”<sup>11</sup>

## Population, Poverty & Human Development

El Salvador is the smallest country in Central America by landmass. It has a population of 6.4 million.<sup>12</sup> It is one of the most densely populated countries, ranking in the 83rd percentile worldwide in terms of population density.<sup>13</sup>

The country’s low economic growth (i.e. 2.4% in 2016) has translated into modest poverty reduction and high rural poverty.<sup>14</sup> The poverty rate (based on a \$5.50 per day poverty line) declined from 39% in 2007 to 31% in 2016.<sup>15</sup> Extreme poverty (based on a \$3.2 per day poverty line) also declined from 15% to 10% over the same period.<sup>16</sup>

El Salvador is also becoming a more equal country. Inequality – measured by the Gini coefficient – declined by about 5 percentage points between 2007 and 2016.<sup>17</sup> This reduction was driven by income growth for the poorest 20% in 2016, making El Salvador the most equal country in Latin America the same year, after Uruguay.<sup>18</sup>

### *Poverty and Development Indicators*

Human Development Index 2018<sup>19</sup> rankings:

121/189 (medium human development category)

88% adult literacy rate

Education quality (perceptions of well being): 66%

Healthcare quality (perceptions of well being): 47%

Standard of living (perceptions): 75%

Gender Inequality: 91/189

Global Food Security Index 2018 ranking: 68/113<sup>20</sup>

Access to electricity (2017): 99%<sup>21</sup>

Access to improved water supplies (2017): 97%<sup>22</sup>

Access to at least basic sanitation facilities (2017): 87%<sup>23</sup>

The story of population, poverty and human development in El Salvador cannot be told without mentioning migration. Migration to the U.S. was rampant during the civil war and continues to this day. There are now 1,387,000 total Salvadoran immigrants in the U.S. (1/5 of the total population of El Salvador).<sup>24</sup> Though some immigrants lack legal status, the safety and opportunities found in the U.S. outweigh the risk of deportation.<sup>25</sup> There are 195,000 with temporary protected status which may be removed under the current U.S. administration and 465,000 are estimated to be illegally in the U.S.<sup>26</sup> They risk deportation, and if deported would need to be reintegrated into the Salvadoran economy and society.

## Economy

El Salvador is a middle-income country with a GDP in 2018 of \$26 billion with persistent and slow levels of economic growth (around 2% per year)—one of the lowest growth rates in the Central American region.<sup>27</sup> Despite being the smallest country in Central America geographically, El Salvador has the fourth largest economy in the region.<sup>28</sup> The country benefits from a strong inflow of remittances, totalling US\$5.4 billion in 2018 (20% of GDP).<sup>29</sup>

In 2017 when GDP growth in El Salvador reached 2.3% and its per capita GDP equalled almost US\$4,000 the same year, agriculture, livestock, forestry and fisheries, manufacturing and mining, and commerce, restaurants and hotels accounted for about two-thirds of the observed growth.<sup>30</sup>

### *World Economic Forum's Global Competitiveness Index (GCI)*<sup>31</sup>

The World Economic Forum's Global Competitiveness Index (GCI) characterizes economies as passing through three stages (1) factor-driven, (2) efficiency driven, and (3) innovation driven. They have assessed El Salvador as an *efficiency-driven* economy.

*Efficiency-driven.* As wages rise with advancing development, countries move into the efficiency-driven stage, when they must begin to develop more efficient production processes and increase product quality. At this point, competitiveness becomes increasingly driven by higher education and training, efficient goods markets, efficient labor markets, developed financial markets, the ability to harness the benefits of existing technologies, and market size (both domestic and international).

*El Salvador ranks 98 out of 140 on the index in terms of economic competitiveness.*

The Global Competitiveness Index assesses institutions broadly as including *formal*, legally binding constraints—rules, laws, constitutions and associated enforcement

mechanisms—and *informal* constraints, such as norms of behavior, conventions and self-imposed codes of conduct. According to their theory, economic agents will not invest if they fear they will need to spend excessive amounts of time and money on protecting their property and monitoring the fulfilment of contractual obligations. Their expectations depend on the levels of trust in society; on whether public institutions are capable of ensuring a basic level of security and enforcing property rights, and are characterized by transparency, efficiency, and checks and balances; and on the strength of corporate governance standards and prevailing business ethics. *El Salvador was the worst performer of all countries in the index in terms of business costs due to organized crime and its high homicide rate.*

## Key Economic Sectors

El Salvador's economy is a mix of agriculture, industry and services.

### Agriculture Products<sup>32</sup>

Coffee, sugar, corn, rice, beans, oilseed, cotton, sorghum; beef, dairy products

### Industries<sup>33</sup>

Food processing, beverages, petroleum, chemicals, fertilizer, textiles, furniture, light metals

Labor force - by occupation: <sup>34</sup>

Agriculture: 21%

Industry: 20%

Services: 58%

## Key Factors for Doing Business

Crime and insecurity are the driving forces that limit the ease of doing business, and the economy faces broad challenges. The Ministry of Economy presented the "First National Competitiveness Report" in 2018, which analyzes more than 200 indicators obtained from indices prepared by international organizations such as Doing Business, Competitiveness Index, Trade Facilitation, Global Innovation, Connectivity and Index of Performance of Energetic Structure.<sup>35</sup>

The Deputy Minister of Economy at the time stated that "... among other things, the weaknesses that El Salvador faces in being competitive are the high rates of informality in the labor market, in addition to a low coefficient of taxation, "little expenditure" by the private sector in research and development and a poorly developed financial market."<sup>36</sup> Furthermore, according to the report, in 2017 "46.9% of El Salvador's Economically Active

Participation was in the informal sector and the rest (53.1%) in the formal sector.<sup>37</sup>

### Ease of Doing Business<sup>38</sup>

El Salvador ranks 85 out of 190 economies for doing business according to The World Bank's Ease of Doing Business Rankings. The procedures for starting a business are more complicated than in many other countries.



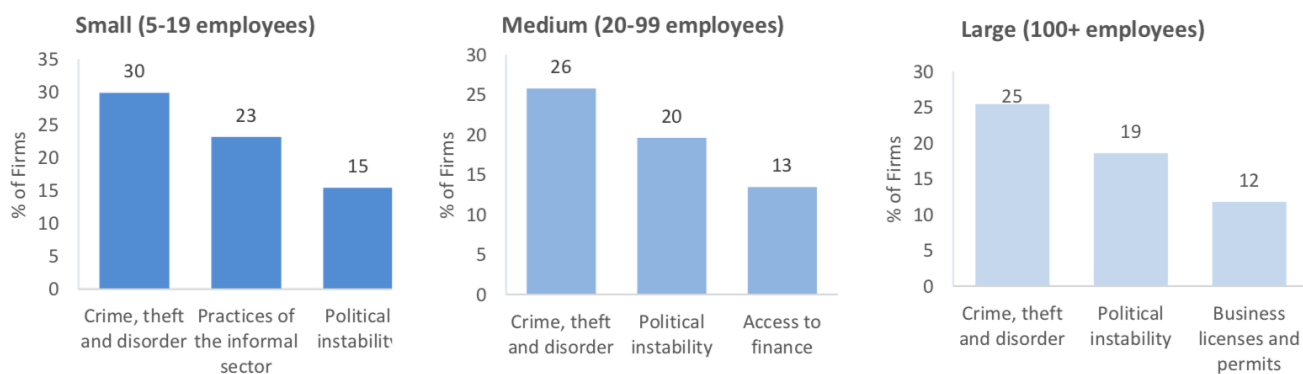
### Business Constraints

The following graphs represent results of enterprise surveys conducted by the World Bank in 2016.<sup>39</sup> The biggest constraint across all sizes of businesses is crime, theft and disorder. Access to finance is less of a constraint and corruption ranks relatively low. Crime and violence make doing business more expensive, negatively affect investment decisions and hinder job creation.<sup>40</sup>

**Figure 21: Top ten business environment constraints (percent of firms)**



**Figure 22: Top three business environment constraints by size (percent of firms)**



### *Corruption*

Although corruption is not seen as a major impediment to doing business, corruption in the country is high. El Salvador ranks 105 out of 180 (where 1 is the least corrupt) on Transparency International’s Corruption Perceptions Index in 2018.<sup>41</sup>

### *Security & Safety*

Security and safety concerns are high. The U.S. State Department advises reconsidering travel to El Salvador due to crime. “Violent crime, such as murder, assault, rape, and armed robbery, is common. Gang activity, such as extortion, violent street crime, and narcotics and arms trafficking, is widespread.”<sup>42</sup>

El Salvador has one of the highest crime rates in Latin America. Although the homicide rate has consistently declined since 2015’s high of 103 per 100,000 inhabitants, El Salvador continues to have the highest homicide rate in Latin America.<sup>43</sup>

### *Land Ownership/Land Rights*

The Constitution recognizes the right to property for every person and guarantees free disposition of their land.<sup>44</sup> Disputes over land were among the causes for the civil war in El Salvador.<sup>45</sup> Disputes are generally related to ownership or boundaries, and are resolved primarily through the land registry system of civil courts.<sup>46</sup>

## Development Issues

El Salvador has prioritized nine Sustainable Development Goals:<sup>47</sup>

- 1: No Poverty
- 2: Zero Hunger
- 3: Good Health and Well Being
- 4: Quality Education
- 5: Gender Equality



- 6: Clean Water and Sanitation
- 13: Climate Action
- 16: Peace, Justice and Strong Institutions
- 17: Partnership for the Goals

(Note that decent work and economic growth is not one of the priorities.)

The overarching development themes when researching El Salvador focus on addressing youth social and economic development, curbing gang-related violence, and creating economic opportunities.

## Gender

Women are more frequently becoming the victims of violence. Homicides of women in El Salvador have more than doubled since 2013 to 468 in 2017.<sup>48</sup> Violence is considered a major push factor in driving up female migration to the United States, which is on the rise.<sup>49</sup> In terms of gender parity across four thematic dimensions: economic participation and opportunity, educational attainment, health and survival, and political empowerment (measured by The Global Gender Gap Report 2018), El Salvador is ranked 87 out of 149.<sup>50</sup> In terms of entrepreneurship, El Salvador is ranked 62 out of 87 countries on Global Entrepreneurship and Development Institute's 2015 Female Entrepreneurship Index.<sup>51</sup>

## Youth

In El Salvador, a strong culture and practice of violence prevents young people from participating in the socio-economic and political development of the country, and high rates of youth unemployment constitute the major push factor for labor migration, informal work and the recruitment of young people for violent youth gangs or for lucrative involvement in illegal drug trafficking.<sup>52</sup> Young people aged 15-24 account for 30% of the total labor force (2010).<sup>53</sup> Both the youth unemployment rate (12%) and the youth underemployment rate (50%) are significantly higher than the national average.<sup>54</sup> The National Youth Policy (2011-2024) and the Youth Action Plan (2011-2024) both include an area of intervention on employment, productive development and entrepreneurship.<sup>55</sup>

## Environment

El Salvador is the most densely populated country in Central America.<sup>56</sup> It also has the region's lowest water reserves, which are depleting fast thanks to the climate crisis, pollution and unchecked commercial exploitation.<sup>57</sup> It also faces an extreme threat from climate change:

### [Climate Change Impacts in El Salvador's Economy: The Agriculture Sector](#)

finds that by 2050 the negative effect of climate change on agricultural productivity in El Salvador will be among the highest in the region.<sup>58</sup> Of the food crops, sorghum will have losses due to climate at around 14%; maize at 13 %; and rice at 11%.<sup>59</sup> Sugar cane will potentially lose 36% due to climate change.

<sup>60</sup> El Salvador will possibly be the country hit harder in the coffee sector than

any other country in the world, with a loss of more than 35% of the suitable coffee growing area (Ovalle-Rivera et al. 2015).<sup>61</sup> Higher temperatures will also affect livestock productivity.<sup>62</sup>

## Micro, Small & Medium Sized Enterprises

### MSME Definition

La Comisión Nacional de la Micro y Pequeña Empresa (CONAMYPE) sets the definition for MSMEs.<sup>63</sup>

Category	Employees	Annual Sales
Micro	1-10	\$5,714.29 to \$121,319.40
Small	11-50	\$121,320.41 to \$1,212,438.43
Medium	51+	\$1,212,438.43+

Annual sales are calculated based on a minimum salary unit, which is based on the sector; therefore it depends on the sector of the economy as to how they are classified.

Family enterprises with no remunerated employees and annual sales less than \$5,714.29 are counted by the government in a separate category called “Entrepreneurs”.<sup>64</sup>

### MSMEs’ Contribution to the Economy

Microenterprises constitute 61% of all the businesses in El Salvador, 34% are considered entrepreneurs (by the above definition), 2% are small enterprises, and 3% fall into the medium and large business category.<sup>65</sup> Only 31% of the jobs are from microenterprises, small enterprises and entrepreneurs, with the rest of the jobs created by medium and large enterprises.<sup>66</sup> Of this 31% that work in the MSME space, 60% of the workforce are working in a microenterprise, 21% in small enterprises and 19% are considered entrepreneurs.<sup>67</sup>

MSMEs broken down by sector are: 52% in commerce, 32% in services and 15% industrial. Less than 1% of MSMEs are in sectors such as textile, transport, construction, etc.<sup>68</sup>

One of the main challenges of the Salvadoran businesses is informality: 74.8% of MSMEs do not have a VAT registration and are not paying taxes.<sup>69</sup>

In terms of gender, El Salvador has a large amount of enterprises owned by women, (60% are owned by women and 40% are owned by men).<sup>70</sup> However, women are mostly leading microenterprises while men lead a larger percentage of small businesses.<sup>71</sup> Both entrepreneurs and microenterprises hire more women, however in the small business sector only 39% are jobs held by women.<sup>72</sup>

## MSME Policy Framework

El Salvador's [La Política Nacional para el Desarrollo de la Micro y Pequeña Empresa](#) was published in 2013. The law is designed “to support the creation, protection, development and strengthening of the micro and small enterprises and to contribute to the strengthening of the competitiveness of these in order to create more job opportunities and aggregated value to production, promote access to women with equal opportunities in business development, create the legal structure for the integration into the formal economy while creating a favorable, equitable, inclusive, sustainable and competitive ecosystem for the growth of the enterprise sector.”

The mission of the law is to stimulate MSMEs by developing their competitiveness in order to participate in local and international markets, associations, and production value chains by facilitating their opening, development, growth and sustainability:

- Establishing the base for planning and executing MSMEs within regional development.
- Creating a system of coordination for policies that focus on the creation and development of the MSMEs, and harmonizing the implementation via public and private organizations.
- Promoting a business culture of innovation, quality and productivity that supports the growth in the production, marketing, distribution and client services of MSMEs.
- Promoting the facilitation and simplification of administrative procedures with national entities.
- Promoting the existence and institutionalization of programs, tools and business services that strengthen and develop MSMEs, with an emphasis on those supporting the needs and situation for women entrepreneurs.
- Amplifying in an efficient manner the promotion and development of MSMEs, coordinating efforts between the public and private sector.
- Promoting access to services and financial resources for MSMEs to increase productivity and establish new enterprises.

This law is executed by CONAMYPE (Comisión Nacional de la Micro y Pequeña Empresa), which was established in 1996 as part of the Economic Ministry. In 2017, the MSME law was updated and constituted CONAMPYPE as an independent organization, holding and obtaining funds from an autonomous trust fund and implementing everything related to micro and small businesses from the government.

## Government Support for MSMEs

[CONAMYPE](#), although independent, is the governmental entity dedicated to supporting small and growing businesses and functions as the epicenter of the MSME ecosystem.

CONAMYPE runs a series of programs that support micro and small businesses:

- Entrepreneurship Program
- Business Development for Women
- Artisanal Development
- One County, One Product
- Open Contracting
- CDMYPE: Business Development Centers
- Business Growth

*Entrepreneurship Program ('Emprendimiento').* The entrepreneurship program is dedicated to youth from 18 -35 years that are at the idea stage or at an early stage (less than three years). The entrepreneurship program provides business development support, education, networking and access to finance. The program is directed to businesses working in the textile industries, carton and paper, plastics, pharmaceutical chemistry and natural cosmetics, artisans, food and beverage, shoes, agroindustry, tourism, logistics and aeronautics.

*Business Development for Women ('Empresarialidad Femenina').* This program has three ways to support women entrepreneurship: a women entrepreneurship window, in order to provide tailored services for women to open their enterprise; the Women and Business initiative, which supports business models for dynamic entrepreneurs in order to focus on market development and innovation; and CDMYPE support. This program is also implemented in the Ciudad Mujer campuses across the country.

*Artisanal Development Program ('Desarrollo Empresarial').* CONAMYPE has an artisanal development program to support MSMEs and entrepreneurs in this space that provide jobs and create revenue and sustainable development. The program supports the business capabilities for the sector. This program is possible through the FANTEL fund which supports this program and the projects are implemented by the CEDART (Artisanal Development Centers).

*One County, One Product ('Un Pueblo, Un Producto').* This program, financed by Japan, replicates the methodology and experience from Japan, which has an objective to promote dynamic regional economies. This program seeks to bring together the capacity and the local resources of a county to promote economic development to the communities and local products. The program seeks unique or local products and provides business development programs for the local communities and support in commercialization.

*Open Contracting Program ('Compras Gubernamentales').* This program is directed to support MSMEs that can potentially sell to the government. The program is supported

by the IADB Lab. The program consists of a series of activities to support both the supply and demand to support MSMEs entering the supply chain. The first objective is to streamline and strengthen the electronic platform for public offerings, the second is capacity building for the private sector to produce what the government needs, the third is to provide technical assistance to MSMEs, and the fourth is to promote best practices.

*CDMYPE program:* Largely financed by USAID, the CDMYPE program replicates Small Business Administration centers. One of the main objectives is to decentralize the offerings CONAMYPE provides. Based on a public-private-academic partnership, there are 14 CDMYPE centers which provide support to the 14 departments. The centers provide a series of services:

- Business consulting, in which a personalized consultant supports the enterprise to develop business skills and improve the competitiveness. The support lasts at a minimum four months, and the consultant and business work together to achieve common goals.
- Support on using and adopting new technologies and communication in order to increase competitiveness of the enterprise. The technology consultant with the enterprise identify technological opportunities that the business can adopt.
- Each center has a person who supports the enterprises on finance. This consultant supports on internal financials as well as potential opportunities for investment and growth.
- Women entrepreneurial support. Each center has a consultant dedicated to support the empowerment and growth of women entrepreneurs.
- The center provides group trainings to the entrepreneurs and their employees on businesses management.
- If an enterprise requires a specific support on a theme, the center hires a consultant that can support them directly for their growth.
- The centers also connects these enterprises with other programs, possibilities, and services that both public and private organizations offer in order to provide holistic support to the enterprise.

[FISDL](#) is a government entity 'Social Investment Fund for Local Development' (FISDL for its acronym in Spanish). It has developed a Solidary Entrepreneurship Program (PES in Spanish). The program is reaching one of the most excluded places in the country in San Miguel, and even though their program supports small numbers of entrepreneurs it is providing life skills, business orientation and financial skills as well as technical trainings tools, and hardware to set up enterprises. The PES program has also supported returned migrants and other micro and sustainable livelihood businesses.

[FOSOFAMILIA](#) Is a government financial institution with a gender focus that supports the financial needs of microenterprises, offering both financial and non-financial support. The institution provides capacity building to these microenterprises. They also provide a microcredit directed at youth, mobile enterprises (e.g.--small food trucks), female

entrepreneurs, victims of war, entrepreneurs with disabilities, lottery vendors and returned migrants.

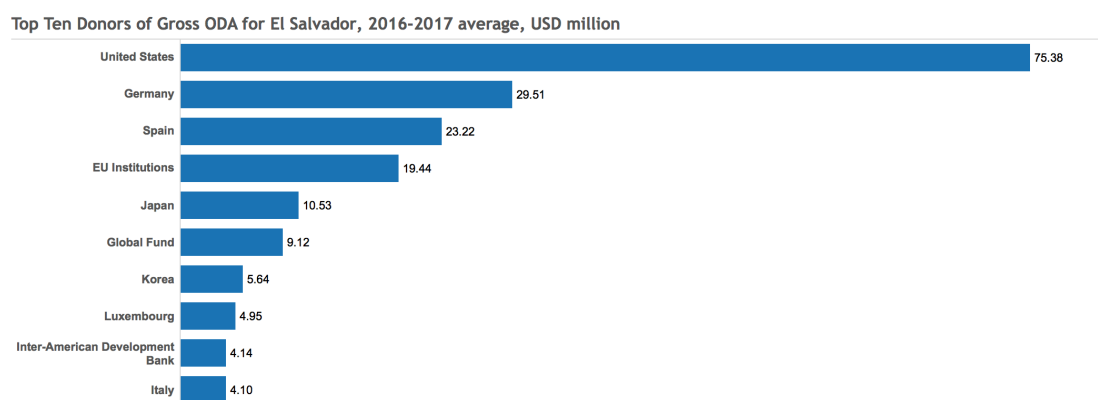
[FONDEPRO](#) is a government program that provides non-reimbursable funds to support the competitiveness and growth of MSMEs. As part of the Ministry of Economy and financed by the national budget, this fund provides co-financing to MSMEs that want to work on one of these five pillars: international market development, energy efficiency and clean production, certifications, innovation and technology, and productivity through technology.

[INSAFORP](#) (El Instituto Salvadoreño de Formación Profesional) is the state mandated vocational training institute. It is autonomous in terms of its financial decisions and administration, but aims to meet the country's economic and social development needs through training and capacity building programs. They have a focus on training for private sector needs, training for vulnerable populations, and youth programming. Their youth programming has included partnering with Ministry of Education and Junior Achievement.

[PROESA](#) is a governmental institution that promotes and encourages exports and investments in the country. They promote exports through a series of capacity building opportunities to businesses, market development and expo fairs; promote direct investments in sectors; support investors in evaluations and country visits; and provide proposals to improve the business climate in the country. PROESA is also a promoter of public-private associations for the country's economic growth<sup>1</sup>.

## International Support

There are only a few countries that are offering donor support, with a significant amount of support coming from the United States. The state of the support from the United States is in question in the near term and long term due to the current administration's withholding of funds over the immigration crisis.



<sup>1</sup> <http://www.proesa.gob.sv/servicios>

[USAID](#) has been an active donor through its support of a five-year initiative (2011- 2016), which focused on [Small and Medium Size Development Support](#) (*implemented by Chemonics*). The follow-on to that program is a five-year [Economic Competitiveness Project](#) that kicked off in 2017 with a value of \$47.8 million to continue the work of the previous project (*implemented by Palladium*) and help the government of El Salvador to increase the competitiveness of the nation's key economic sectors by strengthening the capacity of MSMEs to compete in domestic and export markets. The key areas of intervention are: strengthening business development services to MSMEs; improving innovation and technology processes by MSMEs; expanding market access for MSMEs; facilitating greater access to finance for MSMEs; improving municipal services to companies; and simplifying policy, regulatory, and procedural processes.

The U.S. government's [Development Credit Authority \(DCA\) Loan Portfolio](#) is working with Banco de America Central (BAC), Banco Promerica, Banco G&T Continental, and Banco Davividena--providing lines of credit and investment as part of their work to stimulate private sector banks to increase credit availability for MSMEs.

The International Organization for Migration (IOM) is the implementer of [The Peace for Post-Conflict Generation Programme](#), an initiative of the United Nations, El Salvador, UNHCR and UNDP, and financed by the United Nation's Peacebuilding Fund (PBF). IOM provides psychosocial support, specialized training, and resources for migrants to develop their own entrepreneurial ventures.

[The European Union](#) works closely with the Central American Integration System (SICA), which has continuously supported the implementation of various programs to support SMEs in the region. The last agreement proposed that the EU continue to support economic growth, geared to SMEs and cooperatives, "supporting the 'economic tissue' so as to increase productivity, investment, job creation and exports". The program has a budget of 61 million euros.

[The Inter-American Development Bank](#) (IADB) has in the past provided various credit facilities to different banks (Banco Agricola, BAC, G&T) in order to provide accessible credit to SMEs. One of the challenges with this is that the requirements by the banks are still rigorous and very few SMES can access the credit. In 2018 there were two other projects approved by the IDB LAB and the IADB to support entrepreneurship. One is directed at youth innovation, civic participation and entrepreneurship, while another is to support institutions that are promoting innovation, entrepreneurship and bringing innovation within the private sector.

## Municipal & Regional Support

[ADEL](#) (Local Association for Economic Development of Morazán) has been quite active in supporting MSMEs in this part of the country. ADEL works closely with the CDMYPE program by providing training and capacity building to micro and livelihoods

businesses and extending their services to provide microcredits and other types of financing for small businesses.

[Banco Centroamericano de Integración Económica](#) (BCIE) is the Central American Bank for economic inclusion (a Development Financial Institution) that supports financial entities to provide credit and support to SMEs. In the past years, BCIE has also implemented various programs directed at SMEs. The DINAMICA initiative, supported by the German Government (KfW), the European Union and CENPROMYPE, provides a +60 million Euro fund to provide support through the CDMYPEs in the Central American region. In El Salvador the program has specifically supported the establishment of an entrepreneurship program in FOSOFAMILIA. The project objectives were to understand the needs of dynamic enterprises and develop a financial product for entrepreneurs, training FOSOFAMILIA officials and employees in enterprise-related topics and lastly provide training to FOSOFAMILIA clients to transform their business into dynamic enterprises. The DINAMICA project has also supported the creation and launch of a financial product for entrepreneurs with a local bank (Banco Hipotecario) named “Empréndete”. BCIE has provided capacity development to the bank in order to provide better service to entrepreneurs and support innovative and sustainable businesses.

## Private Support

[Asociación Salvadoreña de Industriales](#) (ASI) is the association of private companies committed to promoting the growth of Salvadorian industry. They promote entrepreneurship and are leading a program called Industria Joven aimed at starting youth ventures.

[CAMARASAL](#), the Chamber of Commerce and Industry of El Salvador, has launched a program to support entrepreneurs in the country. The program, named EmprendES, seeks to develop the potential of entrepreneurs through establishing new enterprises that drive productivity, quality and innovation. The program supports the ideation, validation and incubation processes of new businesses (mostly dynamic ventures). It hosts a series of events called ‘Start Me Up’ and EAJ (Youth Annual Meetup) in order to engage with entrepreneurs. They also hold a boot camp for established entrepreneurs who want to strengthen and consolidate their ideas and business model. The chamber program also offers incubation support for those enterprises that are already selling and have been active for a year. Lastly they connect these entrepreneurs with actors that can potentially support with finance (angel investors, seed capital or finance).

[COEXPORT](#) is an association that supports enterprises to access international markets and export their products. Their activities include providing information and capacity building, management, and promotion. They support any enterprise and sector.

[Fundación CENTROMYPE](#) is a foundation that was established by BANDESAL in 1999. They provide support to entrepreneurs by supporting business plan and business model development. Once they go through the program these entrepreneurs are offered the

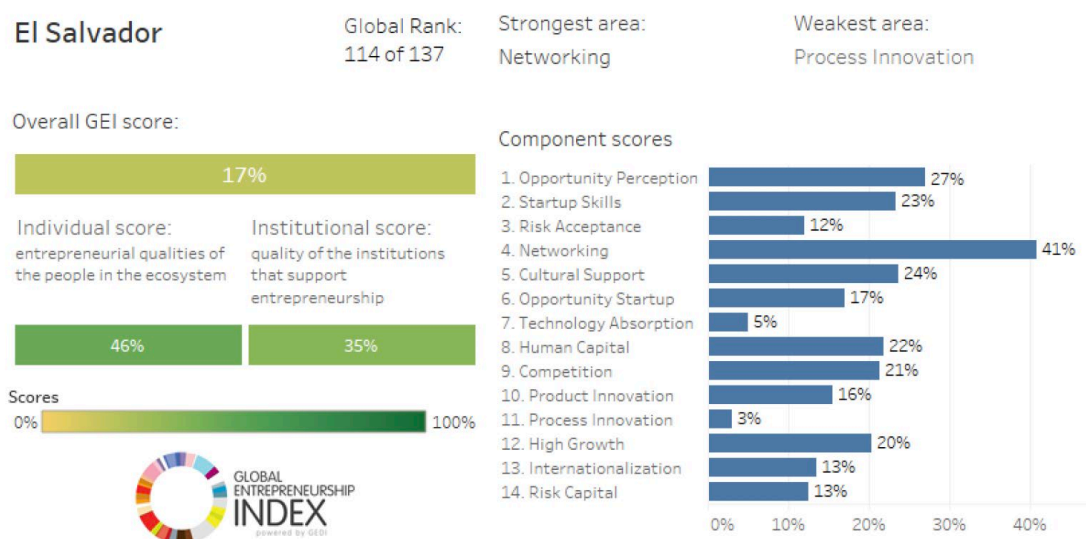


EmprendES credit by BANDESAL. The foundation also offers support to other MSMEs on financial and business management, exportation, market research and business skills.

## Entrepreneurship Ranking

The Global Entrepreneurship Monitor has data for El Salvador in 2016 (but no clear ongoing university partnership to measure entrepreneurship on a regular basis). In the 2016 data, El Salvador greatly exceeds the global averages in self-perception (in particular perceived capabilities and entrepreneurial intentions).<sup>73</sup> The country also scores high in the value society places on entrepreneurship as a good career choice.<sup>74</sup>

The Global Entrepreneurship and Development Institute’s (GEDI) Global Entrepreneurship Index ranks El Salvador 114 out of 137.<sup>75</sup> It notes the strongest area is in networking with the weakest area in process innovation. El Salvador scores higher on the entrepreneurial qualities of the people in the ecosystem than on the quality of the institutions that support entrepreneurship.



El Salvador is ranked 95 out of 130 on the World Economic Forum’s Human Capital Index 2017,<sup>76</sup> which evaluates measuring countries’ talent resources according to individuals’ ability to acquire, develop and deploy skills throughout their working life.

## Private Foundation Support

There are not many private organizations that are providing entrepreneurship and SME support. One exception is [Fundación Gloria Kriete](#), a private family foundation that provides funding for diverse projects in El Salvador. They provide small grants through a competition for social enterprises, offering grants in the range of \$10,000-\$30,000 USD.

## Access to Finance

### *Local Finance*

Access to finance is a challenge, but is not as acute as it is in other countries, although many are not asking for financing and informality is a barrier. In a survey conducted by CONAMYPE, 67% of businesses that responded reported that their finances come from their own resources on operations; 11% used private banking, 9% have accessed financing from friends and families, 3% use the equivalent of a loan shark, 3% use credit unions, and 7% say they get their funding from public banks and cooperatives, NGOs and donations.<sup>77</sup> Furthermore, 77% have never asked for a credit, 23% said they had.<sup>78</sup> Many do not ask for credit since they are informal and do not have accounting to merit accessing finance.<sup>79</sup> Of the ones who obtained finance, 83% used it for working capital, 7% for inputs or raw material, 6% for CAPEX, and the other for miscellaneous expenses.<sup>80</sup>

[BANDESAL](#) is the national development financial institution of El Salvador which provides direct investments and support to SMEs. BANDESAL has their own capacity development center which was created in 2012. The bank seeks to support productive activities in value chains and increase the amount of diverse capital and export opportunities for MSMEs. The capacity building platform offers financial education, institutional strengthening, and a virtual classroom.

They offer a series of credit lines that support SMEs:

- Banca Emprendes: Dedicated to entrepreneurs that have less than two years of operation but already have some investment. They have access to credit from \$1,000 USD to \$25,000 for CAPEX or working capital at a 3-5 year maximum return (CAPEX has a one year grace period). The entrepreneur is required to provide a business plan and a record of attending a capacity development program.
- Women Entrepreneurs: Provide credit (+\$25,000 USD) to MSMEs run by women.
- Factoring program: This program provides credits to financial institutions that can provide cash flow to SMEs while waiting for their payments.
- Credit line: To support entrepreneurs in the production of uniforms, shoes and scholarly items. The credit is available to these enterprises through an intermediary financial institution, as working capital, with a maximum of \$50,000 USD and no grace period.
- Credit line to support the productivity of MSMEs, run through intermediary financial institutions, and directed to support the productivity and growth of MSMEs, for CAPEX, buying real estate/assets, construction, obtaining certifications, and/or working capital.

The bank also supports credit lines for agro industrial sectors, especially for coffee and sugar production as well as credits for enterprises (of any size) to become energy

efficient and sustainable.

[Banco de Fomento Agropecuario](#) (BFA) is a national bank dedicated to support the agricultural industry in El Salvador. Established in 1973, the bank is decentralized from the Ministry of Agriculture. It provides credits to the agricultural industry for diverse use such as: factoring, export, working capital, buying assets, etc.

[Banco Azul](#) offers credit to SMEs as well as a capacity development program called 'Programa Lidera' which provides business support depending on the sector the SME works in.

[Banco Promerica](#) has FMO funding to lend to SMEs in El Salvador as well as to create a green loan book. FMO provided technical assistance to the bank in order to identify the opportunities for this financing.

[CREDICOMER](#), traditionally a microfinance institution, is now providing credits to small businesses through analysis of the business and providing capacity development to their clients through a program 'Impulsando Sueños'.

[Fedecredito](#) is the federation of credit unions which provides credits to MSMEs. Fedecredito has received an IADB loan to support their MSME clients.

[Integral](#), which started as a microfinance institution, now offers savings and credit with and without guarantees to small businesses. Integral has received support from the IFC and other international funders and is part of the Global Alliance for Banking on Values. They also offer other products such as insurance.

### *[Impact Investment](#)*

Impact investment is opportunistic in El Salvador, with no major international or regional impact investors based in El Salvador and very few that specifically call out El Salvador (but look for deals in the Central American region more broadly). Despite this lack of focus, in 2016 and 2017 there were 25 deals in the country for a value of \$52 million USD.<sup>81</sup>

There is a local fund worth noting: [InnoGen Capital](#) is a private equity fund which invests the majority of its assets in SMEs that have a proven business model. The fund also has the flexibility to invest in startups, which have a higher return potential, and in companies with a social impact. The fund is backed by a multigenerational family from El Salvador, which has a successful and extensive business track record locally and regionally. InnoGen Capital was created with the purpose of investing in companies and proven business models within El Salvador and Latin America.

## Summary

El Salvador is hampered by a vicious cycle of insecurity and violence which affects

economic growth. Yet economic growth would be the best way to address the insecurity and violence through employment opportunities, particularly for young people. The government recognizes this challenge (as do others) and thus there is a big push on entrepreneurship and economic opportunities (particularly for youth) as a solution. At the center of this push is CONAMPYME which has become an epicenter for entrepreneurship and enterprise growth in the country. Development initiatives and lines of credit for local institutions are trying to support the growth of SMEs. Despite this activity, the baseline from which they are starting is challenging with small businesses representing only 3% of the total businesses in the country, and a large proportion of microenterprises and sole proprietorships.

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# The Ecosystem

*The ecosystem is being presented in three categories: (i) educational programs and opportunities, (ii) direct support organizations, and (iii) ecosystem support organizations. Various mappings are found in the subsequent chapter.*

## Educational Programs & Opportunities

Universities, educational institutes and vocational schools are offering entrepreneurial activities to their students, alumni and in some cases the general public. Many of this is driven by the fact that some universities have been designated CDMYPMEs with CONAMYPE. Many of them are running business plan competitions with prize money from Sistema Fedecredito.

Notable programs in the educational space include:

[C-Emprende](#) (the Entrepreneurship Center) is a special program of Universidad Dr. Jose Matias Delgado to identify and promote dynamic enterprises as an option for professional and economic development. It leverages the university resources for entrepreneurs to take advantage of market opportunities based on their capabilities, knowledge, and network of contacts. Services are offered based on the entrepreneur and the progress of the venture, and include workshops, training, coaching and connections.

[El Centro Emprendedor](#) is an extension program of ESEN, a higher education institution located in La Libertad and founded by a group of businesspeople with a focus on business education. The center focuses on building the entrepreneurial spirit of students and alumni. They offer incubation services that include networking and mentoring. They produce an annual [Congreso Internacional Emprendedor \(CiES\)](#), which is open to the public and brings together speakers, and offers workshops and business plan competitions.

[Escuela de Comunicacion Monica Herrera](#) offers an entrepreneurship program and a diploma program in disruptive entrepreneurship and innovation.

[ITCA-FEPADE](#) is a technical school focused on an academic approach to promote training and human resources in El Salvador. They combine academics with applied learning. They offer an entrepreneurship program and general business skills development.

[La Incubadora GERMINA](#) is housed in the Universidad Francisco Gavidia. The incubator's focus is on supporting business creation projects aimed at ICT and alternative energy companies.

[Universidad Gerardo Barrios](#) through its Centro de Desarrollo de Negocios offers an entrepreneurship curriculum which includes technical assistance, consulting, and capacity building, and is using a customer insight and lean startup approach.

## Direct Support Organizations

The organizations profiled in this section are established incubators, accelerators, technical assistance service providers, capacity builders and consultancies that provide direct business development support to entrepreneurs and SMEs. There are many grassroots NGOs and faith-based institutions in El Salvador offering skills development and entrepreneurial training to youth as a part of their work; however, this programming is not sustained enterprise development and has not been included in this report.

There are a number of international development organizations such as [ACDI-VOCA](#), [Catholic Relief Services](#), [Heifer](#), [Hivos](#), and [Plan International](#) that have been or are active in El Salvador. An example would be Catholic Relief Services (CRS), who, in partnership with IDB launched a blended finance facility in 2018 (Azure). It uses both investment and grant capital to improve water and sanitation services for under-served communities in El Salvador, which includes a technical assistance component to commercial water service providers.

International organizations have local chapters to promote entrepreneurship. These include: [The Entrepreneurs Organization](#) (EO), which has 51 members (and whose members run businesses with a median number of 84 employees); [Junior Achievement](#), which offers programming to young people, adolescents and women to promote entrepreneurial vision and skills; and a chapter of [Singularity University](#), which promotes impact and innovation in collaboration with other local actors.

There are also regional programs that incorporate entrepreneurs from El Salvador. These types of programs include: [Young Leaders of the Americas](#), an initiative of the U.S. State Department; [Young Americas Business Trust](#), an initiative of the Organization of American States (OAS); and [Viva Idea](#), which provides awards for social entrepreneurs through the VIVA Trust.

There are a number of regional programs that although don't have a presence in El Salvador, source Salvadoran entrepreneurs for their programs. These organizations include: [Agora Partnerships](#), [Alternativa](#), and [Pomona Impact](#).

USAID has been a major funder of the ecosystem in order to improve the access of micro, small, and medium enterprises to business development services, increase their productivity and competitiveness, and expand their operations into local and export markets. This support helped spur some projects and programs that have little longevity without continued donor funding. With the uncertainty of USAID funding continuing in the



region, sustainability of programming for many organizations is a challenge.

*Segmentation of Type of Business for Business Development Support*

Formalizing	<ul style="list-style-type: none"> <li>▪ Growth trajectory</li> <li>▪ Typically sub \$50,000 revenue</li> <li>▪ Opportunity driven rather than necessity driven</li> <li>▪ In the process of formalizing processes, accounts, sales</li> <li>▪ Financed through savings/ friends/ family/ upper end of microfinance</li> </ul>
Dynamic	<ul style="list-style-type: none"> <li>▪ Incremental growth trajectory</li> <li>▪ Formalized</li> <li>▪ Typically financed internally or debt finance through financial institutions</li> <li>▪ Require a range of services</li> </ul>
Ventures	<ul style="list-style-type: none"> <li>▪ Planning for/ actively seeking equity/ impact investors</li> <li>▪ High growth trajectory</li> <li>▪ Scalable business model</li> <li>▪ Usually characterized by high-touch programming</li> </ul>

*Best estimations of the target type of business were made based on information available in the public domain.*

Bpeace
<i>Women, Acceleration, Mentoring, (Dynamic)</i>
Bpeace is a non-profit network of business experts who volunteer their time and skills to assist entrepreneurs in countries with a history of violence and poverty, including El Salvador. The Bpeace program connects entrepreneurs with international volunteer experts who provide pro bono consulting, networking and resources to ensure the development of sustainable businesses. They have a special interest in women entrepreneurs.
<a href="http://www.bpeace.org">www.bpeace.org</a>

Ciudad Mujer
<i>Women, Technical Assistance (Formalizing)</i>
Ciudad Mujer is a program of the Government of El Salvador led by the Ministry of Social Inclusion focused on improved quality of life for women. Included in the services is a program designed to strengthen the productive and entrepreneurial capacities of women. This includes technical assistance for the development of micro and small businesses which is accompanied with microcredit services at competitive rates.
<a href="http://www.ciudadmujer.gob.sv">www.ciudadmujer.gob.sv</a>

CORDES
<i>Capacity Development, Technical Assistance (Formalizing)</i>

CORDES is a grassroots non-profit organization and association for cooperation and community development in El Salvador. They work in six regions, contributing to empowerment and improving the living conditions of rural and urban populations. They do this through the execution of sustainable socio-economic programs and projects that guarantee food sovereignty with a focus on human rights, gender equity, and environmental sustainability. They support capacity development initiatives and technical assistance for entrepreneurship and business endeavors, particularly with small producers.

[www.cordes.org.sv](http://www.cordes.org.sv)

## El Busito Emprendedor

*Youth, Mentoring, Capacity Building (Formalizing)*

El Busito Emprendedor is a project of experienced entrepreneurs who travel throughout El Salvador to share their knowledge with young entrepreneurs through conferences, mentoring, and workshops that allow the sharing of experiences and success stories. They aspire to be a 'pay it forward' catalyst that drives entrepreneurship projects thanks to the support of private companies. They provide mentoring, workshops and financial support to young entrepreneurs.

[www.elbusitoemprendedor.com](http://www.elbusitoemprendedor.com)

## Fundación Colabora

*Capital, Technical Assistance (Ventures)*

**Fundación** Colabora is a foundation created to celebrate the success of Salvadoran entrepreneurs and support future entrepreneurs through a better business education culture for new entrepreneurs. They provide financial support, education, and networking. They provide capital through their INVEST-Me angel network with the condition of a percentage of return on profits. They also have a competitive selection of entrepreneurs of which ten entrepreneurs are selected for publicity, profiling and showcasing through media and events.

[www.fundacioncolabora.com](http://www.fundacioncolabora.com)

## FUNDES

*Technical Assistance (Formalizing / Dynamic)*

FUNDES is a Latin American consultancy firm that specializes in the development of MSMEs. A large part of their focus is integrating MSMEs into the value chains of large companies. They do this through providing business analysis, training, consulting, entrepreneurial development and market linkages to small businesses across industries. Their clients include business, government, and the donor community interested in strengthening value chains, building competitive economies, and creating pathways out of poverty. FUNDES has been an implementing partner in Walmart's efforts in El Salvador to build up the capacities of SMEs in their supply chain.

[www.fundes.org](http://www.fundes.org)

## FUSAI

*Technical Assistance, Capacity Building (Formalizing)*

FUSAI (Fundación Salvadoreña de Apoyo Integral) is a non-profit organization committed to fight poverty through the development of intervention models and sustainable and profitable businesses. They offer a number of programs and microfinance solutions that promote social inclusion and promoting the creation of companies that meet the demand for products and services of families at the base of the pyramid. FUSAI, with a group of professionals, created a program AIMIPYME (Integral Support for Micro, Small and Medium Enterprises) to offer specialized solutions through training, advice, design, execution and evaluation of projects for the development of micro, small and medium enterprises. They support capacity building around business management and inclusive supply chains. Another program they offer is a business network to encourage trade between MSMEs.

[www.fusai.org.sv](http://www.fusai.org.sv)

## Hub 170

*Incubation, Acceleration (Ventures)*

Hub 170 is an incubator and business accelerator; Since 2014 they have been supporting the structuring, start-up and development of companies in El Salvador. They provides physical space, services, and connections with a focus on technology and service entrepreneurs in El Salvador. They also host events.

[www.hub170.com](http://www.hub170.com)

## Impact Hub San Salvador

*Incubation, Acceleration (Dynamic)*

Impact Hub is a co-working and collaborative space, offering connections, networking events and trainings for entrepreneurs with a specific focus on social entrepreneurship and innovation. They partner on programming and are considering how best to provide business development support through acceleration models to their members. The Impact Hub in San Salvador is a convening point for the ecosystem in the country.

[www.sansalvador.impacthub.net](http://www.sansalvador.impacthub.net)

## Industria Joven

*Youth, Incubation (Formalizing)*

Industria Joven is a long-term project of the Asociación Salvadoreña de Industriales (ASI), which is the association of private companies committed to promoting the growth of Salvadorian industry. It is a program designed based on the needs of member companies leading to generation of youth-led enterprises. The program focuses on developing entrepreneurial skills in young people and developing sustainable microenterprises that respond to the needs identified in the private sector. It includes financing of \$9,000 USD per enterprise. The program works in collaboration with private companies, higher education institutions, CONAMYPE, and other actors in the entrepreneurial ecosystem. Industria Joven is supported by USAID.

[www.industriaelsalvador.com/industria-joven](http://www.industriaelsalvador.com/industria-joven)

## INSERT / YAWAL

### *Incubation (Formalizing)*

The firm INSERT is a consulting firm that specializes in innovation and impact. They run a social enterprise incubation program, YAWAL, that offers co-working, training, workshops, and consulting. They support the Industria Joven portfolio. They also ran a circular economy incubator project on behalf of ADA, a Luxembourg-based organization.

<http://www.innovacion.cc/yawal>

## Sabios y Expertos

### *Capacity Development, Mentoring (Dynamic)*

Sabios y Expertos is a program of retired experts who voluntarily provide business advice to SMEs. This advice can be from local or international consultants (local consultants are affiliated with AFP Confia—a local pension fund) and can last from 15 days to 3 months. A university student is also involved in the process along with the SME team. This program is modeled after the Dutch program PUM and has links with FONDEPRO, ECTI (France), SES in Germany and USAID.

[www.sabiosyexpertos.org](http://www.sabiosyexpertos.org)

## Swisscontact

### *Capacity Development (Formalizing)*

Swisscontact is a business-oriented independent foundation for international development cooperation with programs focused on SME and economic and productive sector development. In El Salvador they have a project focused on Youth Economic Dynamism. The project aims to increase youth competitiveness in the labor market and promote women's empowerment which includes entrepreneurship. They work to develop the necessary technical skills to implement a business and promote business competitive advantages through the transfer of "green skills" and climate smart agriculture knowledge. The project is in coordination with Plan International El Salvador, who supports the incubation of the projects. Another important actor is the Instituto Salvadoreño de Formación Profesional (INSAFORP), which provides training in entrepreneurship. The program is focused on the departments of Chalatenango and La Libertad.

[www.swisscontact.org](http://www.swisscontact.org)

## TechnoServe

### *Incubation, Acceleration (Formalizing, Dynamic)*

TechnoServe is a nonprofit organization that uses private sector strategies to help people lift themselves out of poverty. They run two entrepreneurship-focused programs in El Salvador. *Impulsa Tu Empresa* is a business accelerator program that aims to help SMEs fast-track their growth. TechnoServe provides mentoring, connections to markets, and access to capital to help high-potential businesses develop, fund, and implement business plans. The program also promotes gender equality through training in good gender practices. Businesses selected for support receive specialized training, followed by 10 months of mentoring and business

development services.

*Crece tu Empresa* is an ongoing program that began in 2015 in Central America with the support of the Citi Foundation. The program provides support to young entrepreneurs to promote the sustainable growth of their businesses by helping them develop their skills and business competencies. The duration of the support is 10 months, during which time experts in related business fields provide training and personalized advice to participants and work with them on their business model.

<https://www.technoserve.org>

## TRIAS

*Capacity Building (Formalizing, Dynamic)*

Trias is an international development organization headquartered in Brussels working to help entrepreneurs across the world. In El Salvador they partner with the Latin American representative body for fair trade producers as well as directly with cooperatives. They work with these partners to train young people and women on confidence, developing business skills, and entrepreneurship. They help them to draw up business plans and give guidance, as well as connecting them through networks.

[www.trias.ngo](http://www.trias.ngo)

## Vital Voices

*Women, Mentoring, Networking, Capacity Building (Formalizing, Dynamic, Ventures)*

Vital Voices (Voces Vitales) is a global non-profit dedicated to supporting women leaders. Launched in 2009, the El Salvador chapter works with women leaders with the potential to impact their communities by carrying out capacity-building trainings and programs focused on entrepreneurship and professional development. In 2013, Vital Voices El Salvador launched a Women's Business Network for networking and mentoring. A recent example of a training offer was a workshop on how to export.

[www.vocesvital.es.org.sv](http://www.vocesvital.es.org.sv)

## WEAmericas Accelerator

*Acceleration (Dynamic, Ventures)*

WEAmericas Accelerator is a three-year U.S. Department of State Bureau of Western Hemisphere Affairs program designed to drive the advancement of women-owned businesses in Central America. It is delivered by Thunderbird School of Global Management. Three cohorts of promising women entrepreneurs are selected for an intensive, interactive business training program that features business and management courses, mentoring by local Central American business owners and former WEAmericas alumnae, and networking. It provides financial stipends to pursue local networking and training and hosts a capstone pitch event.

[www.aceleradorweamericas.com](http://www.aceleradorweamericas.com)

*Examples of successful growing enterprises in El Salvador*

[Linea Rosa](#) is a car service exclusively for women drivers and women passengers

in order to provide safe transport.

[Los Quesos de Oriente](#) started in 1986 as a small family business. This cheese business has grown to diversify their products (yogurts and ice cream) and expanded across the territory. It provides jobs to more than 300 families.

[Lula Mena](#) is a Salvadoran social enterprise working in ethical fashion with recycled materials produced by women in communities.

[Sequence](#) is a social enterprise that creates fashion and is dedicated to the inclusion of youth, disrupting the cycle of violence in the country.

## Ecosystem Support Organizations

The following organizations may provide some programming directly to building capacity and business development support for entrepreneurs in SMEs; however, the role is much broader. The role is to create connections and facilitate networks, influence policy, promote entrepreneurship and advocacy activities, support research and learning, and develop infrastructure to enable and accelerate support for entrepreneurship and SME growth.

### Asociación de Emprendedores de El Salvador (AESAL)

#### *Advocacy & Network*

Asociación de Emprendedores de El Salvador (AESAL) promotes, represents and defends entrepreneurship, fostering opportunities for entrepreneurs in El Salvador to overcome obstacles at the national and international level. They do this through advocacy to drive public policy and their work in building an ecosystem that promotes an entrepreneurial culture and offers services to entrepreneurs.

[www.aesal.sv](http://www.aesal.sv)

### Aspen Network of Development Entrepreneurs (ANDE)

#### *Platform & Network*

The ANDE Chapter in Central America & Mexico (CAM) works to create a thriving entrepreneurial ecosystem in the region. The chapter leverages ANDE's global connections to strengthen the local network, foster stronger relationships, and encourage collaboration between members which include investment funds, accelerators, incubators, foundations, universities, researchers, government agencies and corporations supporting Small and Growing Businesses (SGBs). The chapter focuses on knowledge creation and sharing, networking, collaboration opportunities, and training workshops. The CAM Chapter supports El Salvador from its offices in Mexico and Guatemala.

[www.andeglobal.org](http://www.andeglobal.org)

### FUSADES

#### *Research, Advocacy, Capacity Development*

FUSADES, La Fundación Salvadoreña para el Desarrollo Económico, is an independent non-profit organization created by a group of professionals and independent entrepreneurs that focuses on public policy to improve the lives of Salvadorans. The Foundation develops five-year economic and social development strategies, promotes respect for the rule of law, works to support MSMEs, as well as advocates for foreign investment, export promotion and entrepreneurship development. They primarily do analysis and research, but also are a convener and provide capacity development. FUSADES also runs a program Proinnova, which supports technological innovation both from a new enterprise perspective and supporting MSMEs' adoption of technology. They host a series of events to promote entrepreneurship and support entrepreneurs on their business management and technological adoption.

[www.fusades.org](http://www.fusades.org)

# Analysis

## Mapping

The following “maps” segment the ecosystem into different parameters.

Map I: Organizations mapped by target segment.

Map II: Organizations mapped by primary offering.

*Map I: Mapping by Target Segment*

Formalizing	Dynamic	Ventures
Ciudad Mujer		
Cordes		
El Busito Emprendedor		
FUSAI		
Industria Joven		
INSERT / YAWAL		
Swisscontact		
FUNDES		
TechnoServe		
Trias		
	B-Peace	
	Impact Hub San Salvador	
	Sabios y Expertos	
	WEAmericas Accelerator	
		Hub 170
		Fundación Colabora
Vital Voices		

*Map II: Mapping by Primary Offering*

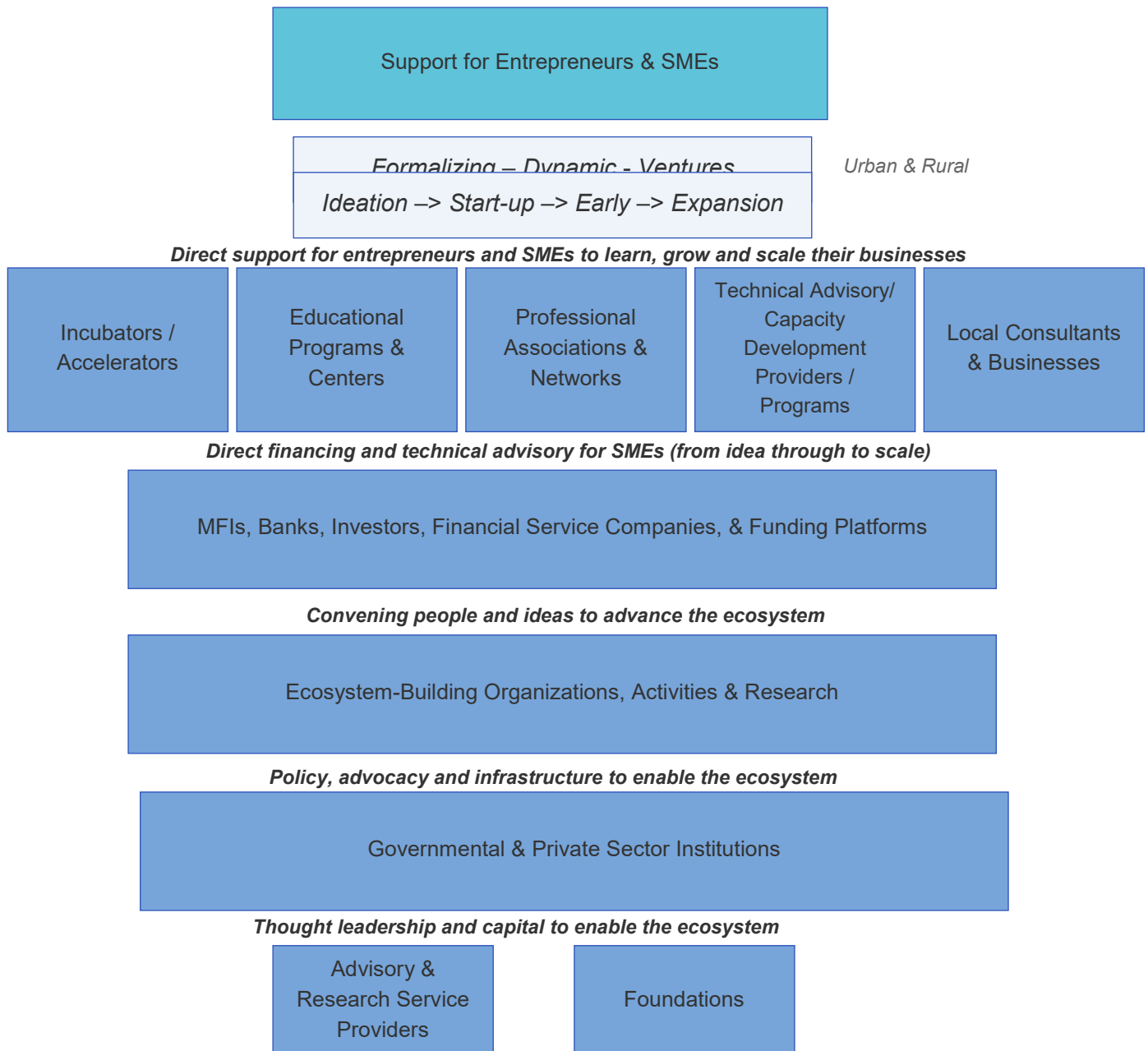
Incubation/ Acceleration	Capacity Building/ TA	Networks	Financiers	Other
B-Peace	Ciudad Mujer	AESAL	Fundación	FUSADES
Hub 170	Cordes	ANDE	Colabora	
INSERT / YAWAL	El Busito	Vital Voices		
Impact Hub San Salvador	Emprendedor			
Industria Joven	FUNDES			
TechnoServe	FUSAI			
WEAmericas	Sabios y			
Accelerator	Expertos			
	Swisscontact			
	Trias			



## Ecosystem & SWOT Analysis

### *Model Ecosystem*

The following model demonstrates the components needed for a successful ecosystem, which forms the foundation of the SWOT analysis.



## SWOT

### Strengths, Weaknesses, Opportunities & Threats for Entrepreneurship and Enterprise Growth in El Salvador

<p style="text-align: center;"><b>Strengths</b></p> <ul style="list-style-type: none"><li>▪ Government acknowledgement and interest in supporting entrepreneurship</li><li>▪ Recognition of the importance of an entrepreneurship culture and entrepreneurship-driven economy</li><li>▪ CONAMYPE as a driving force</li><li>▪ Benefits from a regional approach, particularly organizations that are working in Guatemala but see El Salvador as a viable market</li><li>▪ USAID has invested heavily in the ecosystem and in strengthening Business Development Service providers</li><li>▪ Strong regional export opportunities</li></ul>	<p style="text-align: center;"><b>Weaknesses</b></p> <ul style="list-style-type: none"><li>▪ Insecurity driven by crime and violence inhibits business growth</li><li>▪ Propensity toward informality and staying small</li><li>▪ Very few strong local providers of business development services</li><li>▪ Overdependence on CONAMYPE and USAID Funding</li><li>▪ Very little sustainability solutions of services in the ecosystem</li><li>▪ Small offer of acceleration services</li><li>▪ Little support for ventures</li><li>▪ Limited activity and interest from impact investment funds</li><li>▪ Only a few service providers solely focused on rural areas</li><li>▪ Very few institutions supporting on technology solutions</li></ul>
<p style="text-align: center;"><b>Opportunities</b></p> <ul style="list-style-type: none"><li>▪ Leveraging regional players in Central America (e.g. those based in Guatemala) to expand their programming in El Salvador</li><li>▪ Developing a stronger functioning ecosystem, with greater coordination between government, private sector actors</li><li>▪ Leveraging the national coverage that CDMYPE has to identify secondary cities where there is a strong opportunity for entrepreneurship and SME growth</li><li>▪ Promoting sustainability of organizations that have been heavily donor dependent</li><li>▪ Improving the acceleration landscape with more support for ventures</li></ul>	<p style="text-align: center;"><b>Threats</b></p> <ul style="list-style-type: none"><li>▪ Strong dependence on USAID money which is dwindling</li><li>▪ Lack of a market-based ecosystem and a full spectrum of services across different business segments</li><li>▪ Violence and climate change insecurity as a threat to viability of businesses</li><li>▪ High dependence on remittances, which if taxed could negatively affect the consumer market</li><li>▪ Mass deportations from the U.S. and the absorptive capacity of the economy to incorporate returned citizens</li></ul>

## Conclusions

There is a strong need for entrepreneurship and SME growth in El Salvador to help drive economic growth and create opportunities for young people. Insecurity and violence stand in the way of economic growth, and yet violence and migration would be lessened if more people had opportunities through economic growth—the cycle needs to be broken. Luckily the government recognizes this and is committed to driving entrepreneurship.

The strong reliance on the government and external funding from USAID has not led to many strong, sustainable local business development service providers, although there are a few notable organizations. There are also strong international and regional players that are working in El Salvador who have the potential to strengthen and grow their offering. With USAID funding dwindling, it is more important than ever to get support to the organizations that can deliver high quality business development services.

The impact case for working in El Salvador is strong. Creating opportunities for youth who could be otherwise recruited into gangs and stopping the flow of migrants are both crucial to the future of the country. This becomes even more important in the context of climate change, which will greatly alter the country's future and economic opportunities.

# Organizations Profiled

Organization
ANDE (Aspen Network of Development Entrepreneurs)
AESEL (Asociación de Emprendedores de El Salvador)
Bpeace
Ciudad Mujer
CORDES
El Busito Emprendedor
Fundación Colabora
FUNDES
FUSADES
FUSAI
Hub 170
Impact Hub San Salvador
Industria Joven
INSERT / YAWAL
Sabios y Expertos
Swisscontact
TechnoServe
Trias
Vital Voices
WEAmericas Accelerator

# About the Authors

## Caren Holzman

Caren is the founder and director of Enabling Outcomes Ltd. She has over twenty years' experience in sustainability and international development in the food, agriculture, mining, banking and apparel sectors. She serves a diverse clientele of NGOs, foundations, multilateral and membership organizations, and corporations. Prior to founding Enabling Outcomes, Caren was the London Director at SustainAbility. She also held the role of Head of Global Product Management at Fairtrade International and is the former Director of Certification and Director of Category Management at Fair Trade USA.

Caren is passionate about the role that small and growing businesses can make to address inclusive growth and poverty alleviation in emerging markets. Caren works closely with Argidius Foundation, evaluating partners, providing research services, and contributing to Argidius' learning agenda. She holds an MBA from the McCombs School of Business at the University of Texas at Austin and Pontificia Universidad Catolica de Chile, and a Bachelors of Arts from Tufts University in International Relations.

## Katia Dumont

Katia Dumont has more than nine years' of international experience working in the economic development sector. She specializes in small business sector growth and social entrepreneurship. Katia led the Mexico and Central America Chapter of the Aspen Network of Development Entrepreneurs from 2012 - 2017. This included setting up the local office and applying co-creation and collaborative strategies to lead research projects and joint initiatives based on the needs of diverse stakeholders. Katia has done extensive ethnographic research in order to design social and economic interventions with at-risk youth and artisanal fishermen in Central America, as well as carrying out research on the impact investment sector in Latin America.

Katia designs and facilitates workshops, monitors and evaluates impact projects, and has managed knowledge sharing strategies and centers. She holds a Master's in Social Anthropology from the University of Oxford and an MBA in Cultural Enterprises from the Complutense University of Madrid.

