



## **WE3A – Improving Access to Value Chains for Women Entrepreneurs**

Deliverable: Activity 1.1 Ecosystem and Stakeholder Mapping-El Salvador

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## Executive Summary



The WE3A Project objective is to build a stronger and more resilient entrepreneurial ecosystem for women-owned/led small and medium-size enterprises (WSMEs).

This research provides an analysis from the "ecosystem" perspective in El Salvador in which economic factors and conditions of key actors are explored.

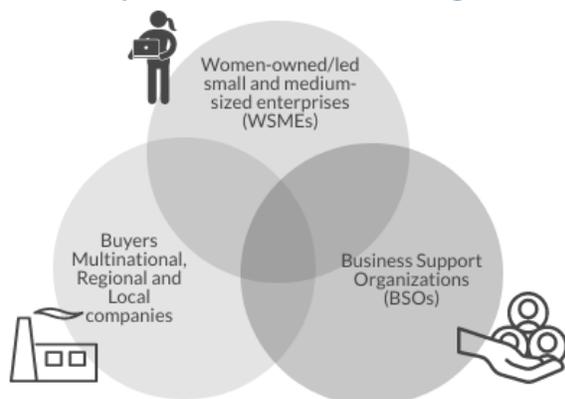
The data from this report will provide the WE3A partners with insightful information for the execution of Project activities to support WSMEs.

## El Salvador

Population: 6,486,201 (2020) with 40.51% in age group 25-54  
 Area: 21,041 sq km (8,124 sq miles)  
 Major languages: Spanish (official)  
 Government: Presidential republic  
 Currency: US dollar \$  
 GDP per capita \$4,408 (2021)  
 Inflation: 6.7% (March 2022)  
 Foreign Direct Investment Inflow: \$298M (2020)  
 Unemployment: 6.2% (2020)  
 Key economic sectors: industries, services, agriculture



## Entrepreneurial Ecosystem



### COVID-19 Impact on WSMEs

- 65% of the WSMEs stated that the pandemic negatively impacted them; 28% stated that COVID-19 positively impacted them; and 7% stated that the pandemic had no impact.
- The top 3 COVID-19 related challenges were: decreased demand for products and services, negative mental health effects, decreased productivity due to restrictions.
- The top 3 COVID-19 related opportunities were: increased digital presence, identified and cut unnecessary expenses, and found new business opportunities.
- WSMEs indicated that the most needed support in post COVID-19 recovery phase is finding new clients, networking with the entrepreneurial ecosystem to identify new markets, and building entrepreneurial skills.

### Key Findings from WSMEs

- Top 3 industry/sector representation: services, wholesale and retail trade, and professional activities.
- 83% WSMEs are micro-business (less than 4 employees).
- Client/Customer base composition: 31% businesses, 33% final consumers, 11% government entities, and 25% other.
- Online presence: 87% Facebook, 71% WhatsApp, 53% Instagram, 49% LinkedIn and 38% company website.
- 43% of the WSMEs are in growing stage of development and 13% mature.
- 23% of the WSMEs surveyed have not formally registered their business and 17% have a women-owned business certification.
- 12% of WSMEs surveyed are part of global supply chains and 26% export.
- Main operational challenges are access to formal financial products, bureaucratic red tape to operate their businesses, and cost of operations.

### Key Findings from Buyers

- 49% of the buyers surveyed were local companies, 29% multinationals, and 22% regional corporations.
- The top industry/sector representation: wholesale and retail trade, services and manufacturing.
- The top local spending: logistics, direct raw material, office administrative supplies and consumables.
- The criteria to evaluate potential suppliers is based on quality, price, and production/service capacity.
- 55% of buyers surveyed have supplier diversity and inclusion policies and practices.

### Key Finding from BSOs

- Robust network of BSOs with capacity building and business development programs.

## Purpose of the Deliverable

The immediate objective of this research is to provide a better understanding of the entrepreneurial ecosystem in El Salvador as it relates to women-owned and/or women-led small and medium enterprises (WSMEs) with a view to guiding the activities of the “Women Entrepreneurs Aspire, Activate and Accelerate (WE3A)” project (the Project). The Project is implemented by Thunderbird School of Global Management in collaboration with WEConnect International, the *Cámara de Comercio e Industria de El Salvador* and *Voces Vitales El Salvador*, as local partners that execute key activities in El Salvador. The Project is supported by the Women Entrepreneurs Finance Initiative (We-Fi) and the Inter-American Development Bank (IDB Lab).

This research assesses the state of El Salvador’s market and identifies the challenges and opportunities for WSMEs, especially related to local value chains and their connection to the global economy. The research provides an analysis from an “ecosystem” perspective, in which economic factors and variables such as size, maturity and capacity of the WSMEs, as well as the impact of the COVID-19 global pandemic are explored. Thus, the analysis of the WSMEs ecosystem includes sector representation, size of the business, maturity of the business, market access and support systems. This data will provide the WE3A partners with insightful information for the execution activities related to the Project to further support women-owned businesses.

This report begins by providing a general profile of El Salvador, followed by a snapshot of the economy and women’s participation. The report proceeds to describe each of the ecosystem areas, starting with the profile of WSMEs, descriptions of buyers in the ecosystem, and the status and existing initiatives, challenges, and opportunities through the perspective of business support organizations (BSOs). The next section includes a summary of the effects of COVID-19 on the Salvadorian market, as well as the effects on the WSMEs ecosystem.

To finalize the report, a Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis provides a compilation of findings and recommendations to be considered, implemented, and/or further researched to address the most pressing challenges women business owners and female entrepreneurs in El Salvador currently face.

The research was conducted utilizing existing secondary and primary data sources to analyze the business ecosystem of El Salvador as it relates to women-owned businesses. The methodology of the data collection is outlined in Appendix I.

## Profile of El Salvador

El Salvador is located in Central America, bordered by Honduras to the northeast and Guatemala to the northwest. With a Pacific coastline to the south, El Salvador has an area of 8,124 sq miles and a population of 6,486,201. It is the smallest, but most densely populated country in Central America.

El Salvador’s 2019 Human Development Index (HDI) is 0.673, which places the country in the medium human development category, positioning it at 124 among 189 countries (HDI - El

Salvador, 2020). An HDI of 0.673 is above the average of 0.61 for the medium human development group, although it is well below the 0.766 HDI average for countries in Latin America and the Caribbean.

Historically, the country has faced broad development challenges that have led to extensive outward migration of Salvadorian citizens, mainly to the United States (US). It is estimated that at least 20% of Salvadorians live abroad and the remittances they send home have helped reduce poverty (The World Factbook - El Salvador, 2022). Overall poverty levels have decreased between 2000 and 2019, in part due to remittances, and also due to government policies and programs put in place to expand health care services and improve public safety. However, poverty reduction has not yielded the development and growth of a stable middle class (El Salvador - IDB Group Country Strategy 2021-2024, 2021).

In 1992, when the civil war in El Salvador ended, it marked the beginning of struggles between the state and local gangs for control of the territory and resources.<sup>1</sup> The conflict has been deeply rooted in historical patterns of social and economic exclusion. The gangs in El Salvador are micro-territorial, where the local factions compete with the state to exercise control over small geographic areas and seek to extract value directly from the communities. As a result, the country is overwhelmed by violence and criminal extortion (WAGE, 2019).

El Salvador is extremely vulnerable to natural disasters and climate change. According to data from El Salvador's Ministry of Environment and Natural Resources, "88.7% of the territory is considered a risk zone and 95.4% of the population lives in that risk zone, which makes it one of the most vulnerable countries in the world" (Ministerio de Medio Ambiente y Recursos Naturales, 2017). More recently, the COVID-19 pandemic has exacerbated weaknesses in the country's social safety net and its inability to cope with catastrophes.

## El Salvador's Economy at a Glance

In general, El Salvador's economy is small and highly dependent on the US for exports and remittances. According to World Bank data from 2020, the Gross Domestic Product (GDP) in El Salvador was US\$24.64B. The main sectoral contribution to the GDP comes from services (61.51%), manufacturing (23.81%), and agriculture (5.11%) (WB Data GDP El Salvador, 2022). The GDP per capita in 2021 was US\$4,408 (WB Data GDP per capita El Salvador, 2021).

In 2020, the net inflows of foreign direct investment were US\$298.5 million, a sharp decline from US\$696.2 million in the previous year (2019) (WB Data Foreign Direct Investment El Salvador, 2020). During the same period, El Salvador received US\$187.7M in remittances, which accounted for 24.1% of its GDP (WB Data Personal Remittances El Salvador, 2020).

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<sup>1</sup> According to various sources, approximately 70,000 gang members operate in El Salvador and fight for control of extortion and drug operations throughout the Central American country. BBC News Mundo, *Bukele contra las maras: 5 claves para entender la controvertida ofensiva sin precedentes del gobierno de El Salvador contra las pandillas* (March 31, 2022): <https://www.bbc.com/mundo/noticias-america-latina-60949845>.

El Salvador ranks 90<sup>th</sup> among 184 countries in the 2022 Index of Economic Freedom. With a score of 59.6, El Salvador has recorded a loss of economic freedom and has fallen from “Moderately Free” in 2017 to the “Mostly Unfree” category, due in large part to its current fiscal health and trade freedom (Index- El Salvador, 2022).

In 2020, El Salvador exported a total of US\$5.31B and imported US\$10.3B in goods, resulting in a US\$5B trade deficit (OEC El Salvador, 2020). The trade gap is the result of the country’s need to import fuel, consumer goods and industrial equipment. Textiles are the country’s major export followed by electrical capacitors, plastics, and sugar. Its main trade partner for both exports (US\$2.01B) and imports (US\$2.7B) is the US. Other trading partners include Guatemala, Honduras, and Nicaragua.

In terms of services, data from 2019 shows that El Salvador exported US\$2.37B worth of services. The top services exported were personal travel (US\$1.28B), transportation (US\$488M), and computer and information services (\$244M). It is estimated that the service sector employs 61% of the total labor force (Romero, 2020).

Another important economic sector is manufacturing. Within this sector are key industries: apparel and textile, as well as food and beverage. The apparel and textile industry is considered one of the main export engines for the development of El Salvador. It is estimated that the industry generates 230,000 direct and indirect jobs. The industry has a highly integrated value chain that includes activities from the production of fibers, yarn manufacturing, finishing and fabrics, to the design, cut and sewing of garments, including associated logistics (CAMTEX Sector Data, 2022).

El Salvador has also been the regional leader in the production and export of snacks, juices, and carbonated beverages. However, the Salvadorian food manufacturers rely on imports from suppliers (with the US topping the list) of intermediate products (raw materials) due to the limited availability of local production (Huezo, 2018).

Agriculture is another sector that plays an important role in achieving food security and the development of rural regions. However, as a result of the rapid urbanization of the country, a decrease in agricultural production over the last couple of years has failed to satisfy local demand (with the exception of sugar cane and coffee). Most staple food products are imported. While in the 1970s, the country was one of the main coffee producers in the region, nowadays, its production level is low and does not figure as a key export product (IICA, 2021). It is estimated that the agricultural sector employs 16% of the country’s labor force (WB Data Employment in Agriculture El Salvador, 2019). The Government has initiated various policies to reverse this trend and boost the growth of the agricultural sector and enhance agricultural exports (Christian Derlagen, 2020).

In 2001, El Salvador adopted the US dollar as its official currency. The Salvadoran Colon is still legal tender, but is no longer in circulation, leaving the US dollar as the sole currency in the country. On September 7, 2021, the country adopted bitcoin as its legal currency alongside the US dollar. The International Monetary Fund advised the country that the use of bitcoin as legal tender involves great risks due to its high volatility (IMF, 2022).

### Female Participation in the Economy at a Glance

In terms of women's economic empowerment, indicators show that the female labor force participation rate is 46%, a considerably lower level than the equivalent national male rate of 77% (ILOSTAT, 2020). The participation share by gender differs widely by sector, for example: the share of agriculture labor is 3.5% female and 24.2% male; the share of industry labor is 19.2% female and 26.3% male; and the share of service labor is 77.2% female and 49.6% male. Furthermore, in El Salvador, women spend 2.9 times more time than men on unpaid domestic and care work. Although, the female share of employment in senior and middle management positions in El Salvador is high at 43.1% (WB Gender Data, 2022).

Another economic empowerment indicator is the engagement in the monetary economy. Data from 2017 indicates that the percentage of the female population age 15+ with a bank account at a financial institution is 24.4%, compared to 37.6% for the same male age group, representing a 13.2% gap (WB Gender Data, 2022).

There is no official/government sex-disaggregated data for business ownership in El Salvador. However, a 2019 report from Women and Girls Empowerment (WAGE) estimates that 72% of micro businesses (MSMEs) in El Salvador are owned by women (WAGE, 2019). In addition, a 2016 dataset from the World Bank Enterprise Surveys shows that 38.4% of firms have a female among their principal owners and the proportion of firms with majority female ownership is 24.2% (Enterprise Survey, 2016).

### WSMEs Entrepreneurial Ecosystem

Women-owned/led small and medium-sized enterprises (WSMEs) were targeted in the ecosystem mapping conducted for this research. The criteria for including enterprises were based on ownership, control and size, as demonstrated in the methodology.

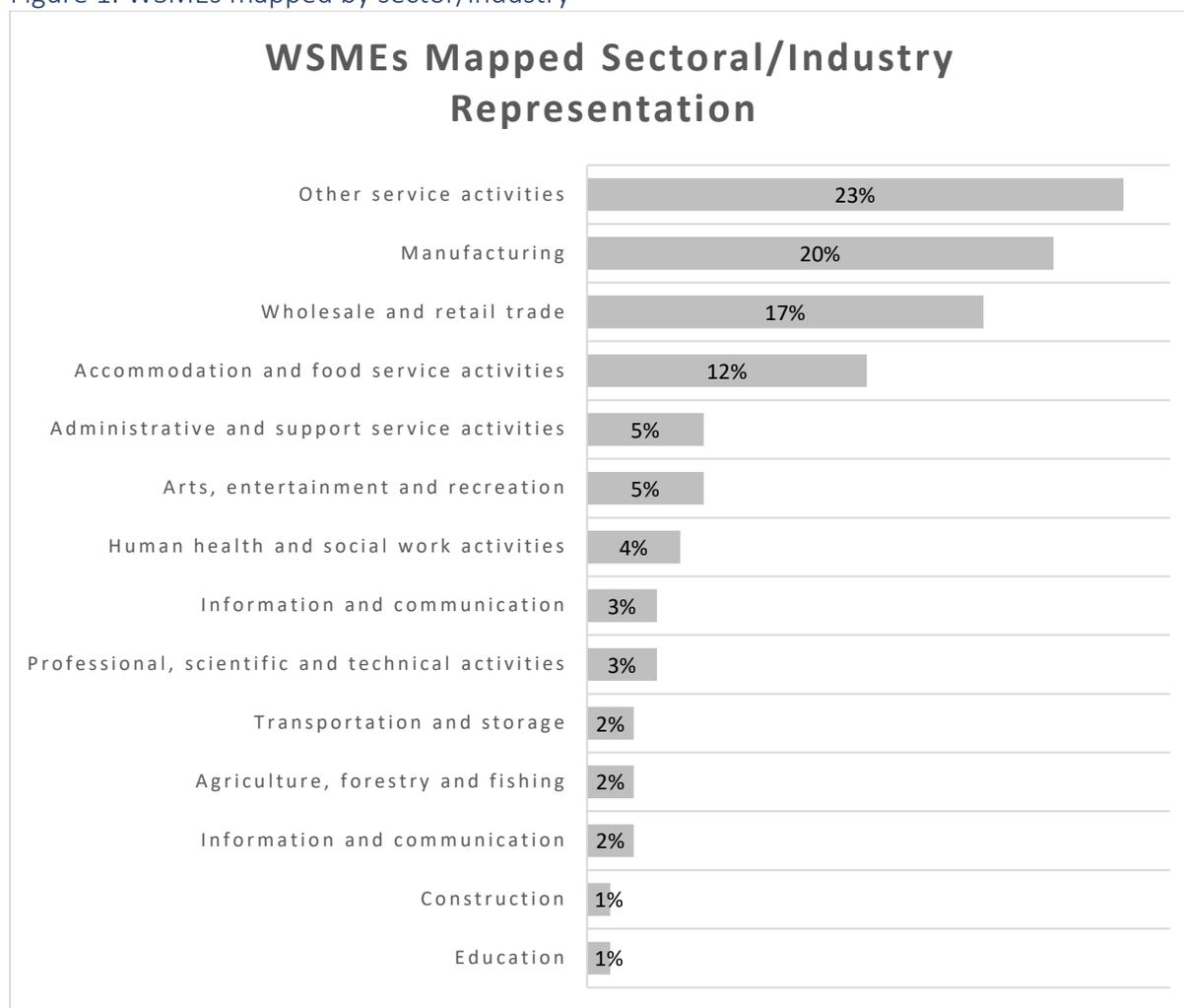
Mix-method research using both secondary data sources, as well as primary research, targeting WSMEs, buyers and business support organizations (BSOs) was used in the development of this section.

At the initial stage of the research, secondary data (databases, market analysis, and studies) was used to map the stakeholders. At the consultation stage, the stakeholders were consulted using an online survey as detailed in the methodology of the research. In the following section, the distinction between "mapped" and "surveyed" is clearly stated in the data presented.

## WSMEs Profile<sup>2</sup>

Based on the WSMEs sampled, the mapping of the WSMEs shows that the overwhelming majority (by number of companies) are involved in other service activities (23%), followed by manufacturing (20%), wholesale and retail trade (17%), and accommodation and food service activities (12%), as outline in Figure 1. It is understood, based on the secondary research, that the bulk of WSMEs participate in the service and manufacturing sectors, which makes up two of the three key economic sectors in El Salvador.

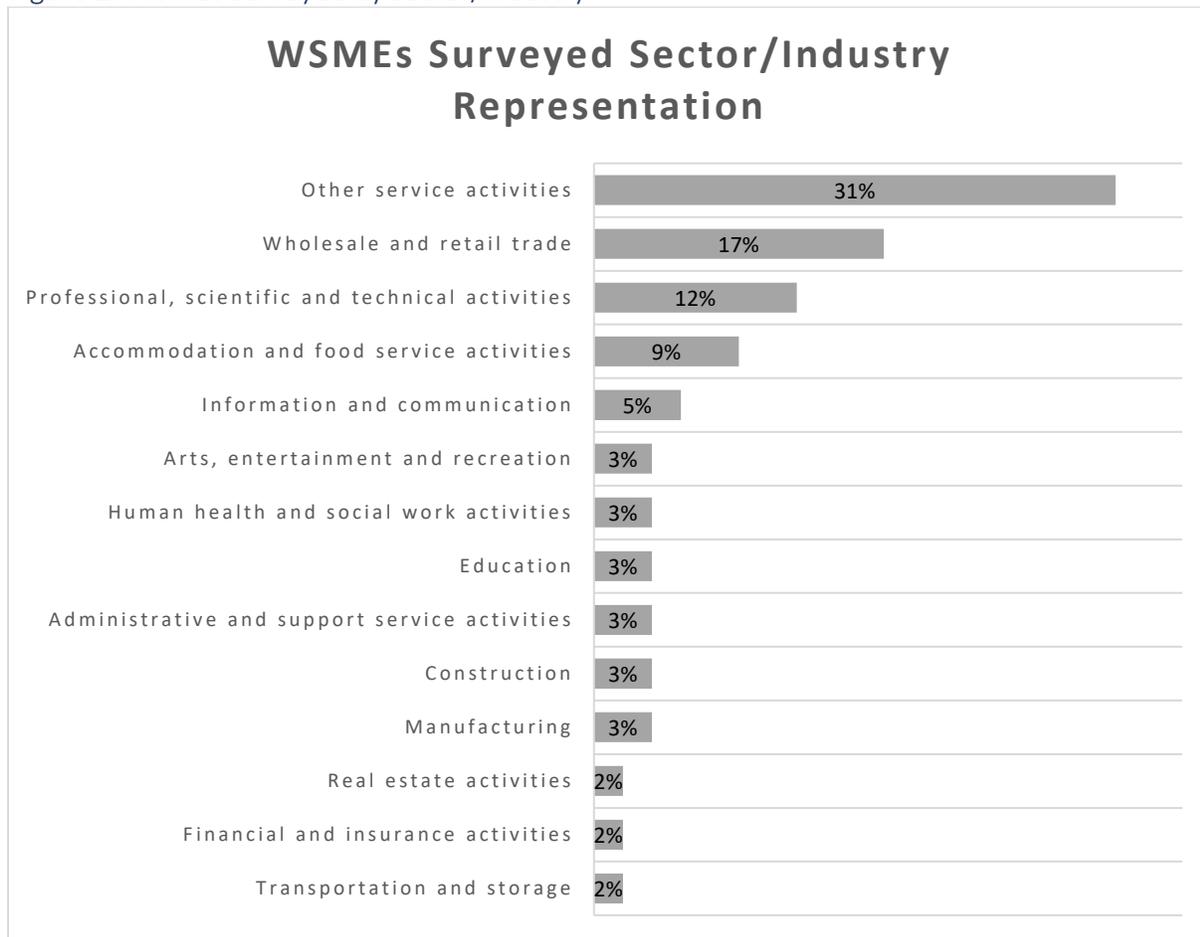
Figure 1. WSMEs mapped by sector/industry



The WSMEs that participated in the survey are engaged in service activities (31%), wholesale and retail trade (17%), and professional, scientific, and technical activities (12%) as shown in Figure 2.

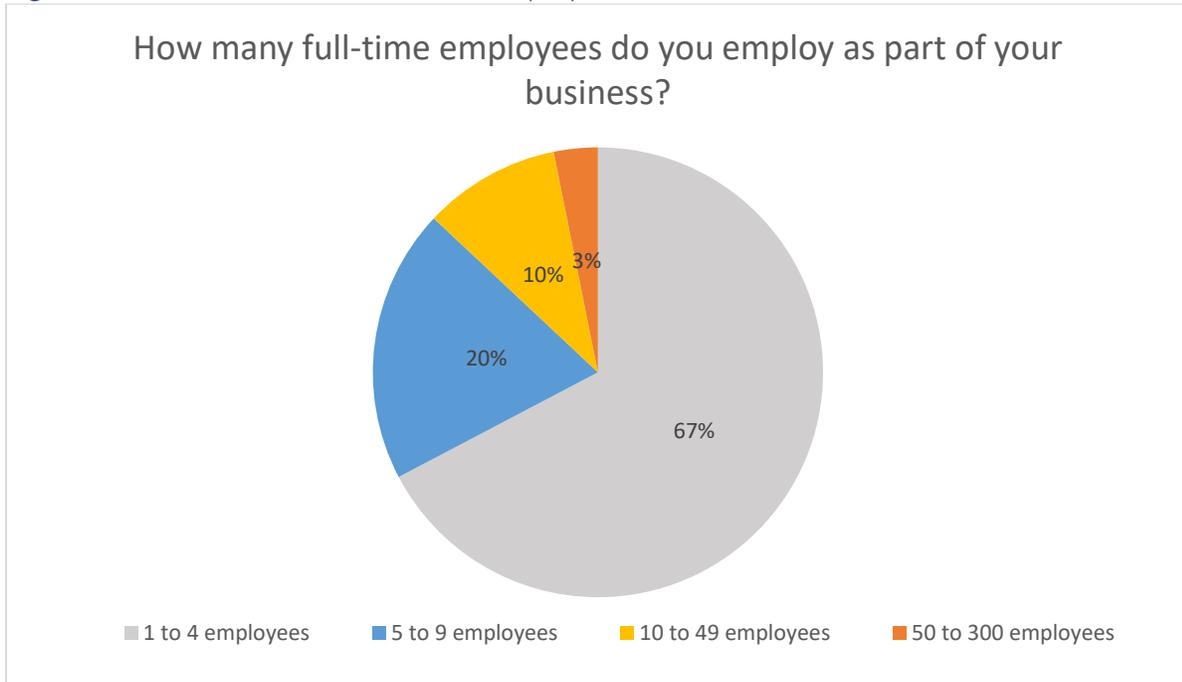
<sup>2</sup> For this section, 265 WSMEs were mapped and 75 WSMEs responded to the survey.

Figure 2. WSMEs surveyed by sector/industry



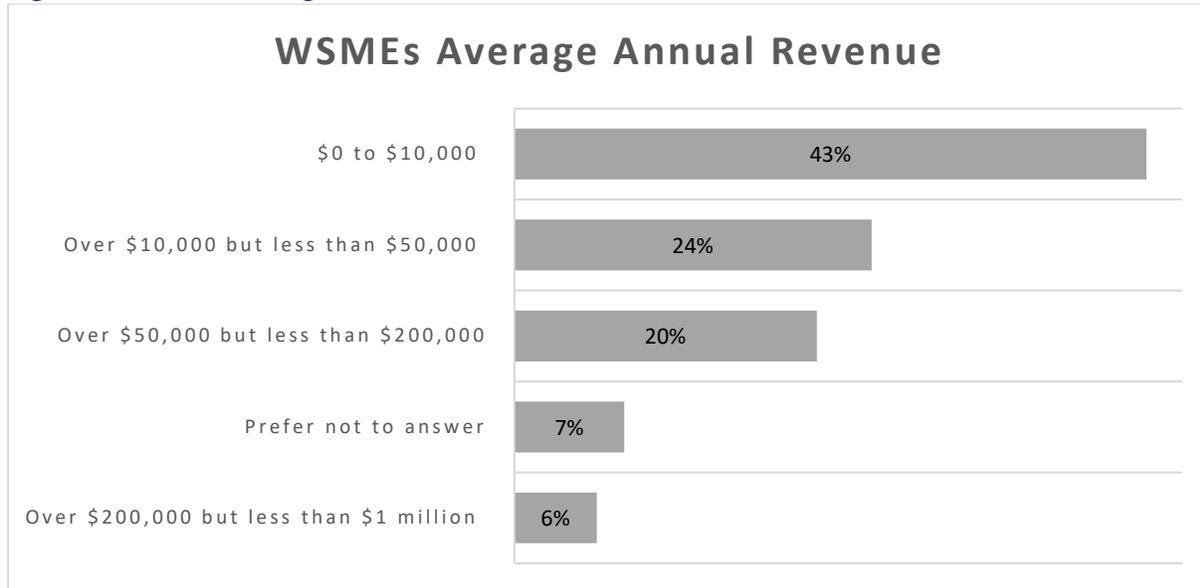
In terms of number of full-time business employees, 87% of the WSMEs that participated in the survey identified as micro businesses, employing less than 10 people (see Figure 3). Nonetheless, on average, the makeup of the workforce of WSMEs is 66% female. This result indicates that the businesses' role in women's inclusion and economic empowerment is significant.

Figure 3. WSMEs number of full-time employees



As shown in Figure 4 below, the bulk of participating WSMEs (43%) have average annual revenues of less than US\$10,000. A smaller, but still significant proportion of respondents have annual sales of between US\$10,000 and US\$50,000 (24%), and a portion of the WSMEs (20%) reported revenues of over US\$50,000 and US\$200,000. A more limited portion of WSMEs (6%) have revenues between US\$200,000 and less than a million US dollars. There is also a group of respondents (7%) that opted out of answering this question.

Figure 4. WSMEs average annual revenue



Survey respondents were asked to indicate the composition of their client base. WSMEs had the option to indicate the percentage per group based on business to business (B2B), business to consumer (B2C), and business to government (B2G) transactions. Figure 5 below indicates the average percentage composition of the customers/clients based on all the responses received from the WSMEs.

The main source of clients for the participating WSMEs is final consumers through B2C sales (33%), followed by corporate clients through B2B sales (31%), a smaller portion of government clients through B2G sales (11%), and other (25%) as shown in Figure 5.

Figure 5. WSMEs composition of customers/client base



The data indicates that WSMEs have incorporated government as part of their client base, which is a favorable sign that selling to government entities is being utilized to some extent, but at a very small scale (11%). Furthermore, the small scale of sales to government could be through retail sales channels and not necessarily through a formal public procurement tendering process, which is a complex undertaking for many WSMEs.

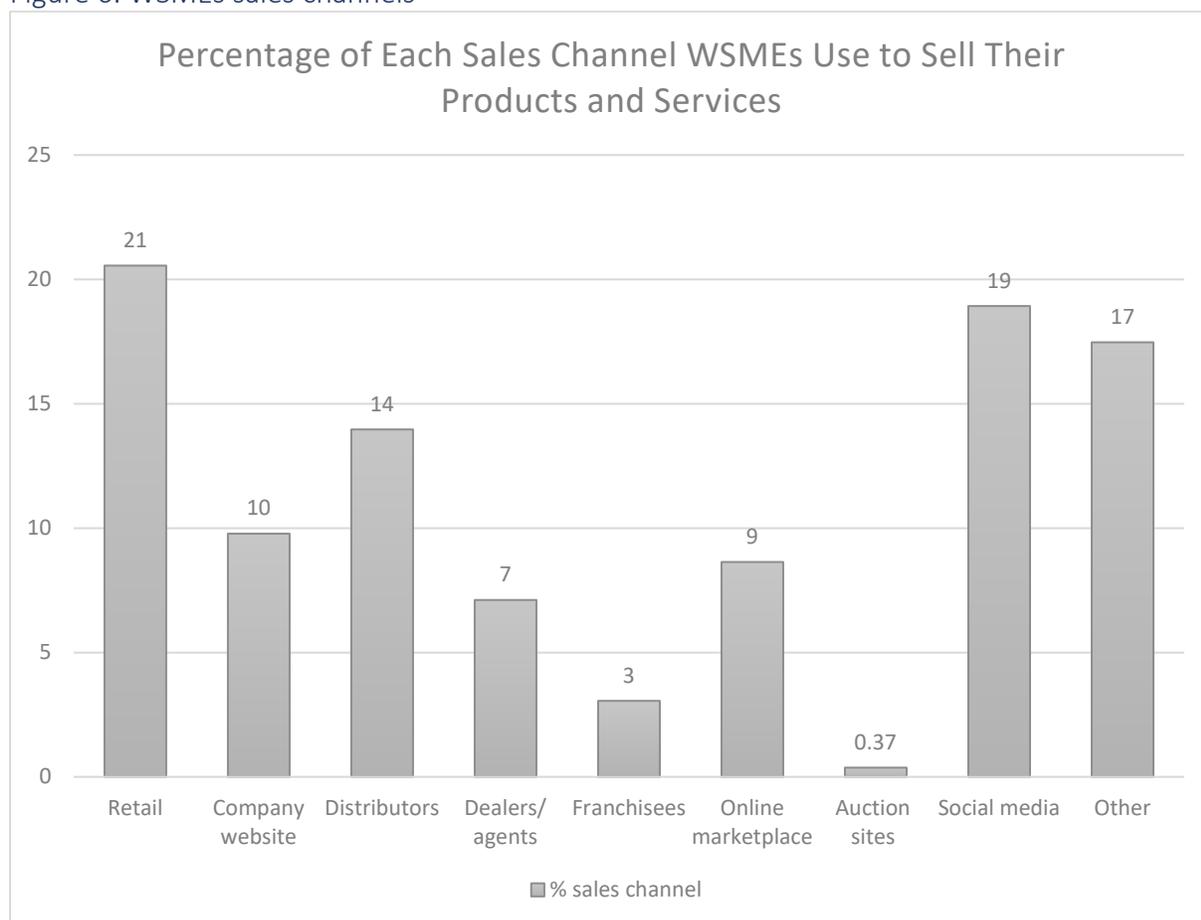
Government procurement is a sales channel traditionally untapped by WSMEs due to its complexity. El Salvador's public procurement system has a regulatory framework to promote the participation of local micro-, small, and medium-sized enterprises (MSMEs) with a set-aside procurement program that gives them preferential participation on government procurement opportunities. The threshold of the set-aside program is established based on the annual national budget and can vary from 12% to 25% of total procurement spending. Out of the percentage of funds allocated to the MSMEs' set-aside program, 10% is allocated to businesses that are women-owned (COMPRASAL LACAP, 2022).

Additionally, El Salvador has an electronic public procurement system called "Sistema COMPRASAL" (*Sistema Electrónico de Compras Públicas de El Salvador*), or COMPRASAL System in English. Promoting the system and special set-aside programs, in favor of MSMEs owned by women, could potentially increase the number of women-owned businesses using government procurement as a sales channel.

As shown in Figure 6, WSMEs were also asked to identify to what extent they use different sales channels. Retail (in-store) is the main sales channel used (21%), followed by a virtual (online)

channel, primarily through social media (19%).<sup>3</sup> Under “Other” (17%), WSMEs identified direct wholesale and other online channels, such as specialized marketplaces and by email or WhatsApp orders.

Figure 6. WSMEs sales channels

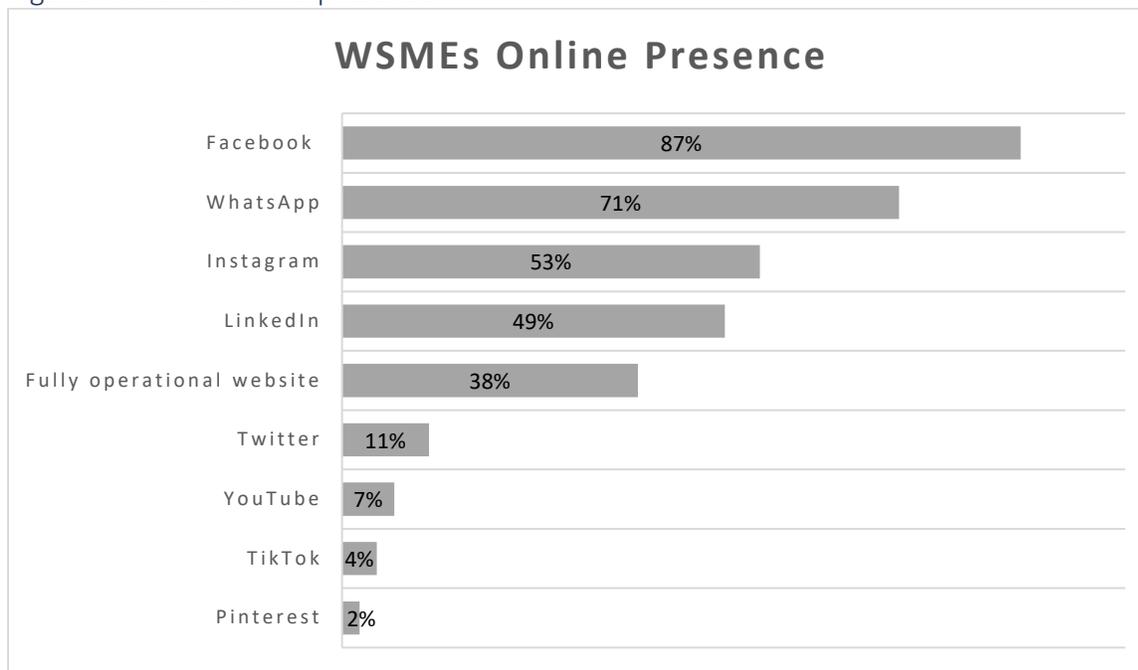


WSMEs were asked to indicate the extent of their online presence, and the overwhelming majority use Facebook (87%), followed by WhatsApp (71%) and Instagram (53%), while only a fraction use a fully operating company website (38%), as shown in Figure 7. Having a fully operating company website requires skills and capital that most micro businesses do not possess. Most of the WSMEs in El Salvador are micro businesses with limited resources that require support to enhance their digital presence. Having a fully operating company website will enable sustainable growth by increasing business credibility and creating an avenue for new customers to find WSMEs, get to know their products and services, and utilize online purchase options. Inputs into activities that enhance the digital presence of the WSMEs will very likely be positive

<sup>3</sup> Social media platforms have integrated commerce directly into their platforms, making easier for business to offer their products and for customers to buy products they discover in the platforms, without leaving the platforms.

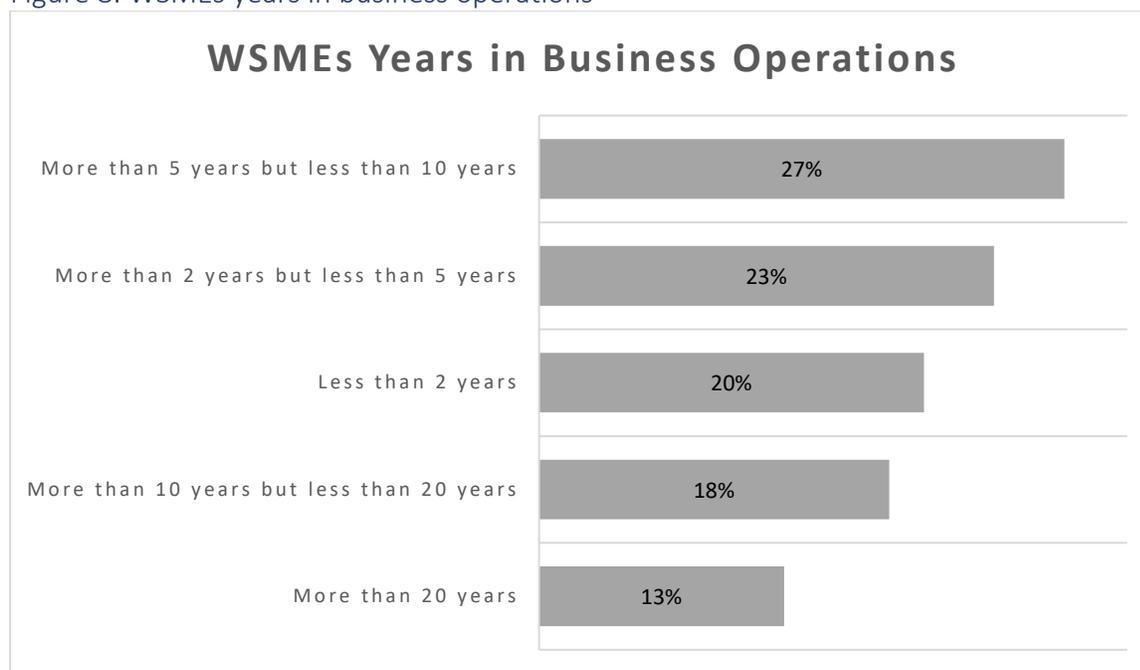
for the ecosystem in El Salvador, especially for those enterprises that want to export their goods and services or wish to become part of global value chains.

Figure 7. WSMEs online presence



The research also found that participating WSMEs are enterprises with less than 10 years of operating experience (50%). Some of the respondents (20%) have less than 2 years in operation, which puts them within the COVID-19 pandemic timeframe, and most likely because of necessity entrepreneurship (Acs, 2006). A significant number of WMSEs (21%) are well established with more than 10 years in operation, as illustrated in Figure 8.

Figure 8. WSMEs years in business operations



In terms of level of development, Figure 9 below shows that the largest proportion of WSMEs (43%) are in the growing stage, where they have some documented processes and more trained staff than WSMEs in the developing stage. Those WSMEs in the developing stage (31%) are in the very early stages of development with limited production processes, utilizing basic technologies, and employing individuals with limited training. An equal representation of the more developed WSMEs, mature (13%) and optimization (13%), are on the other end of the development spectrum, at a stage where they possess well-documented processes and appropriate levels of resources to maintain operations.<sup>4</sup>

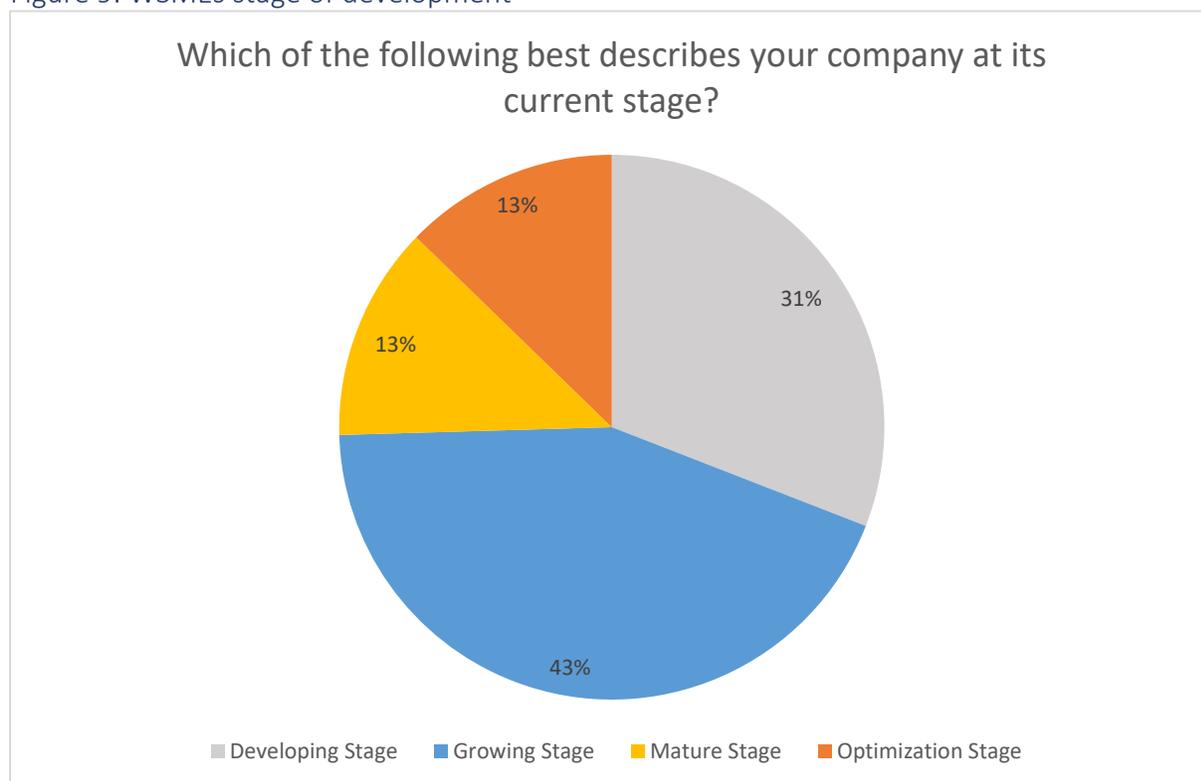
<sup>4</sup> **Developing Stage:** Limited operational and production processes, basic technology, limited employee training available, we are in our early days.

**Growing Stage:** Started to document processes, some technology in place to support the business, a few employees are formally trained in their role.

**Mature Stage:** Most processes are documented, relevant technology in place to support the organization and implementing training for all employees.

**Optimizing Stage:** fully documented processes, we have the right technology platforms for our business, employees have been trained and we continue to work on opportunities for improvement.

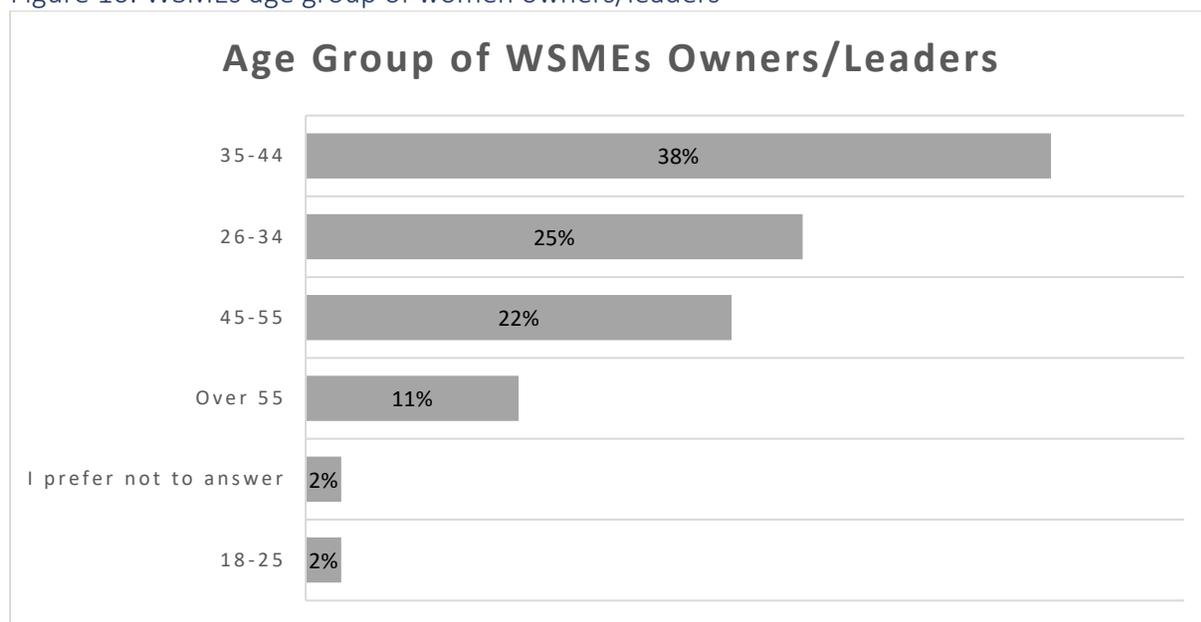
Figure 9. WSMEs stage of development



The fact that an extensive percentage of WSMEs reported being in growing and developing stages (74%) of operations indicates that basic entrepreneurial and product development training could be valuable for their future growth. For those that are in mature and optimization stages (26%) and have been in operation for more years, there are greater opportunities to be introduced in some specialized areas, to prepare them for participation in global supply chains and/or to further explore export markets.

In addition, when the owners/leaders of the WSMEs were asked to identify themselves within an age group, most respondents indicated that they are young or middle-aged (see Figure 10). At this stage in life, many women in El Salvador are juggling the multiple responsibilities of running a business, being mothers, taking care of aging parents, and other household responsibilities. It is of vital importance that potential future project activities factor in this reality and strike a balance when suggesting capacity building activities and B2B events. To substantiate this, data shows that, in El Salvador, most women spend 20.2% of their day performing unpaid domestic and care work (WB Gender Data, 2022).

Figure 10. WSMEs age group of women owners/leaders



In terms of formality, 77% of the WSMEs reported that their businesses are formally registered with 46% as partnerships, 44% as a sole proprietorship, 7% as corporations, and very few as limited liability companies (2%) and limited liability partnerships (2%), as shown in Figure 11. A representative number of WSMEs (23%) stated that their businesses are not formally registered (see Figure 11). The main reason for not doing so is the cost associated with the registration process, along with the fact that WSMEs do not see the benefit of formally registering their businesses (see Figure 13).

The lack of formal business structures may be hindering WSMEs access to financial services, credit, global supply chains, government procurement, and the opportunity of attaining a women-owned certification, among other areas. All these factors require a level of competency in accounting, record keeping, and financial reporting which informal businesses may not be able to comply with, or which may not be worthwhile to pursue for those micro-businesses that do not have a formulated growth strategy.

Figure 11. WSMEs registration

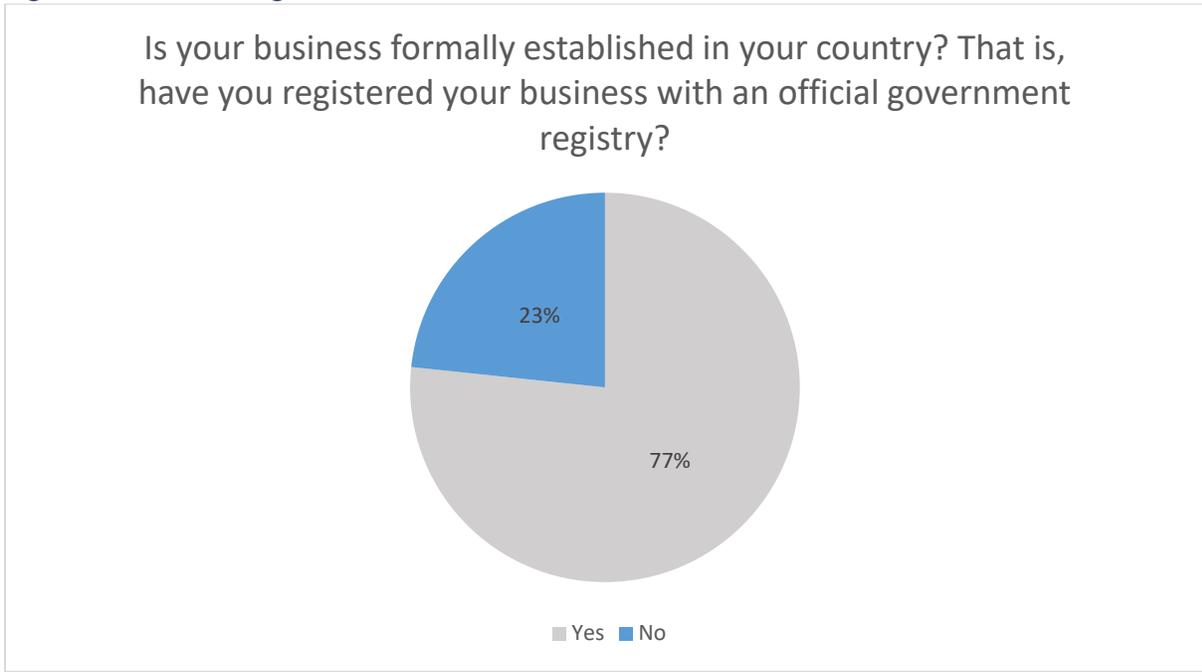


Figure 12. WSMEs registration type

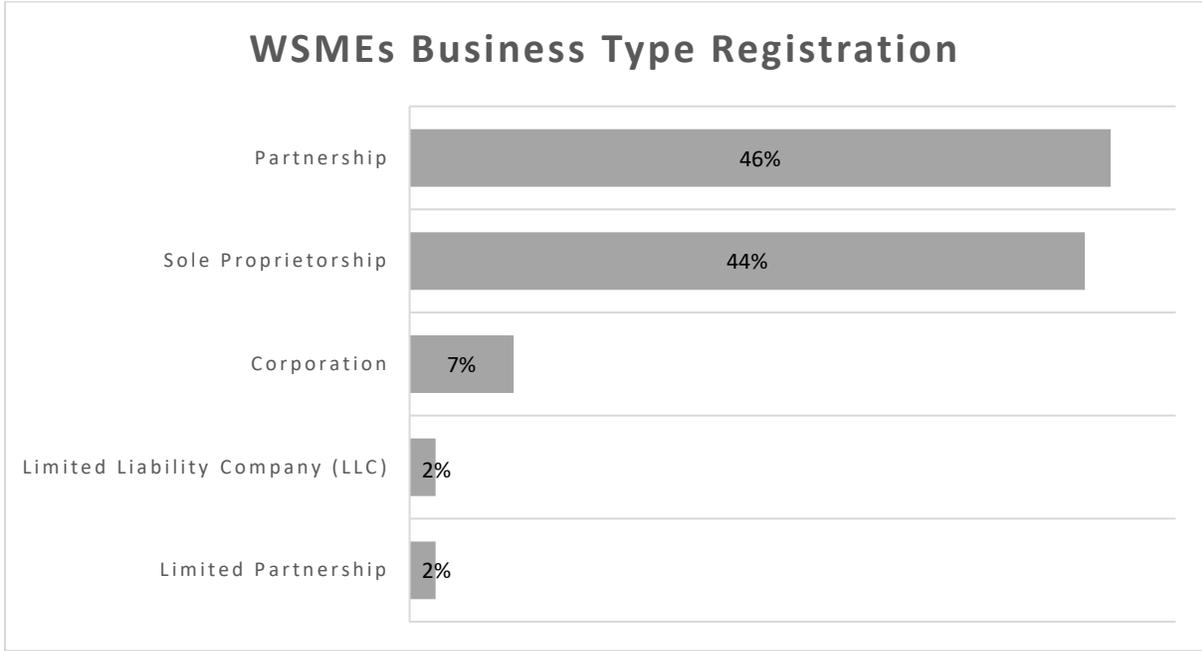
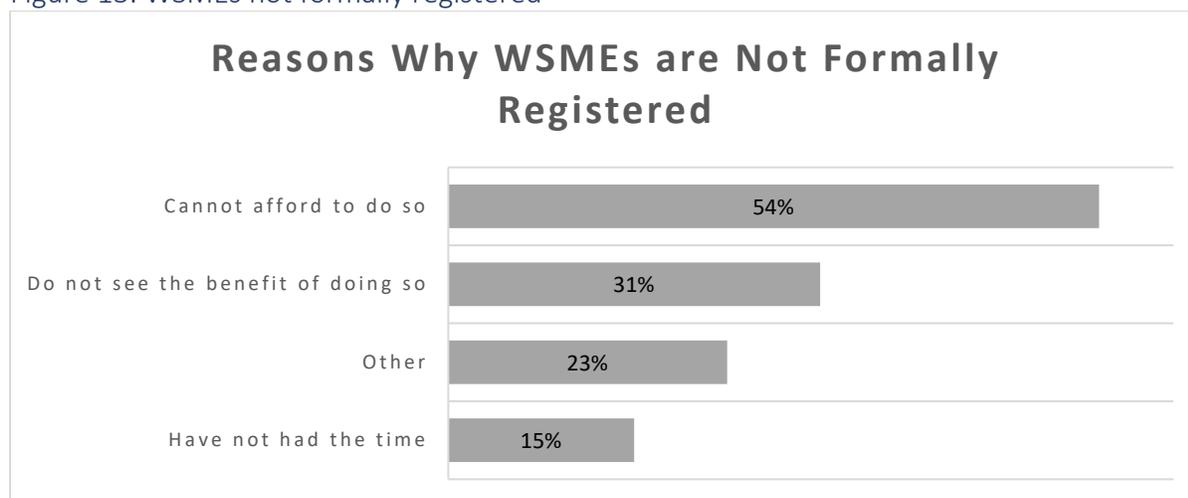


Figure 13. WSMEs not formally registered



In El Salvador, the formal registration process of a business can be onerous. Registration entails nine (9) steps, beginning with checking availability of a company name to obtaining a business license. On average, it takes 16.5 days for processing, not including the time that the business owner spends gathering necessary information. The cost of obtaining the required licenses is US\$1,475 on average (El Salvador Doing Business, 2020),<sup>5</sup> over four times the official minimum wage (Government of El Salvador, 2022).<sup>6</sup> This cost does not include any professional fees paid to lawyers assisting with obtaining the name reservation, drafting, and filing of the articles of incorporation, partnership documents, or any other related documents. It also does not include any assistance obtaining related fiscal and labor risk insurance, among other permits.

In short, the registration process can be very expensive for WSMEs. Furthermore, the respondents stated that they do not see or have a good understanding of the benefits of formally registering their businesses. This suggests that there is lack of knowledge of the opportunities that formally registering their business could have, some of which are detailed above. Formalization of WSMEs could be part of a sustainable growth strategy. This is an area where the Project can help the WSMEs through the establishment of a well-constructed business support program.

WSME respondents were asked if they represent a certified women-owned business. The majority do not, as shown in Figure 14. Being a certified women-owned business can bring benefits to WSMEs, such as access to:

- global buyers through inclusive sourcing programs,
- supplier diversity events and programs,

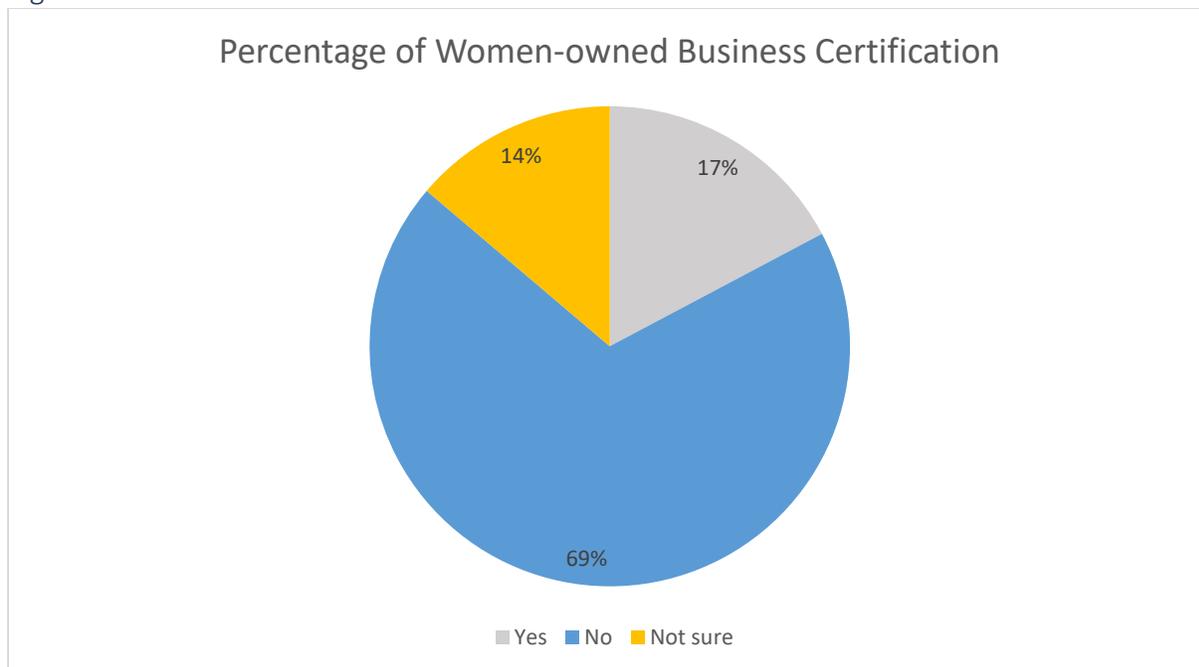
<sup>5</sup> The last edition to the World Bank Doing Business 2020 measured the complexity of the procedure, time and, cost of started a business. The Doing Business has been discontinued as of September 9, 2021. Data and methodology to assess starting a business in El Salvador still acceptable to use as a reference for procedure, cost and time.

<sup>6</sup> The official minimum wage in El Salvador ranges from US\$243 to US\$365 per month.

- International Financial Institution (IFI) donor programs, training and procurement opportunities, and
- networks of women-owned businesses.

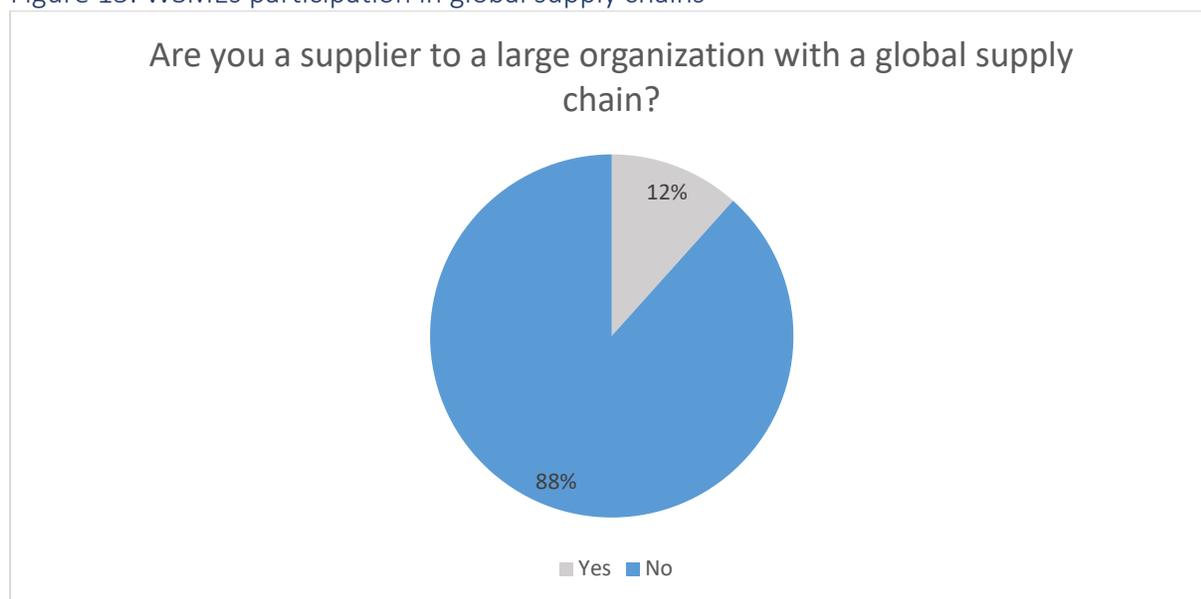
This is an area where the certification partner can play an important role by communicating to Salvadorians WSMEs the benefits of being formally certified as women-owned business.

Figure 14. WSMEs women-owned certification



WSMEs were also asked if they were part of global supply chains and if they export their products and services. The overwhelming majority are *not*, as illustrated in Figures 15 and 16.

Figure 15. WSMEs participation in global supply chains

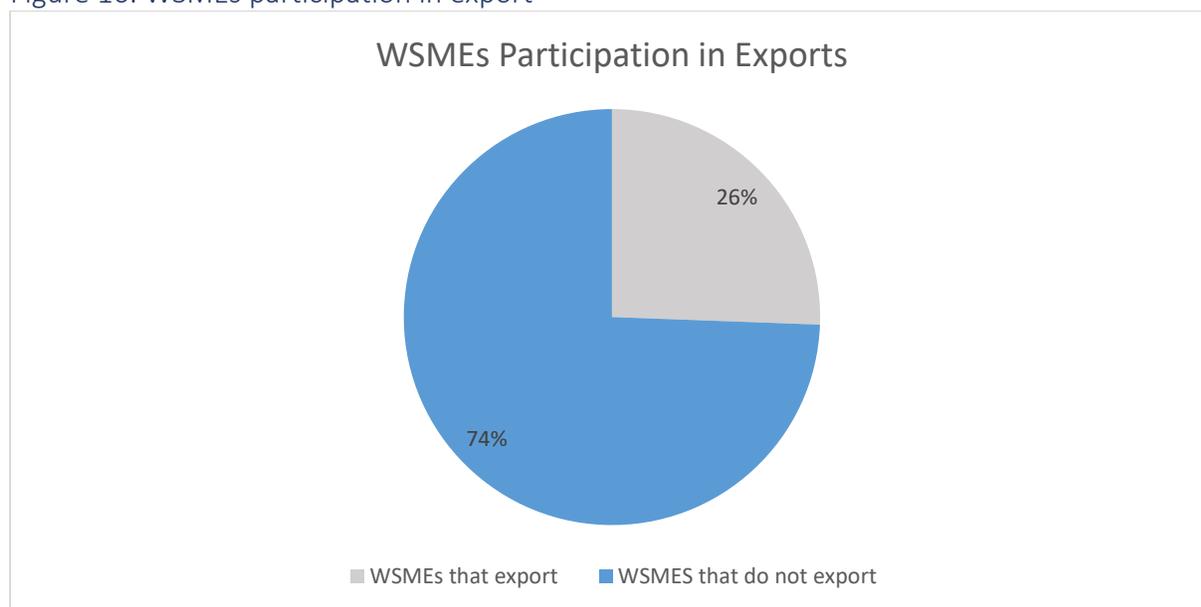


The reason for low participation in global value chains and export could be attributed to the fact that the majority of the WSMEs in the survey sample are new businesses, not formalized, and in early stages of development. Also, most of them are micro businesses with limited production capacity.

Undertaking international business development, exporting, or selling into global value chains is complex, but often yields benefits for companies, from establishing new revenue streams and gaining competitive advantages to accessing specific government incentives for global companies. Specialized business development training and participation in export promotion events, such as trade fairs and missions under a cluster approach, could be incorporated into the Activate and Accelerate stages of the Project.<sup>7</sup> The cluster approach can leverage the co-location or proximity of participating WSMEs (Central America and South America). Inputs into export promotion activities can be planned around facilitating the networking and cooperation among the WE3A participants. As a result, in the long term, expected outcomes can include building bridges across the different ecosystems, enabling innovation, facilitating access to global value chains, increasing exports and increasing sustainable companies.

<sup>7</sup> The WE3A project has a three-tiered approach based on three stages: Aspire, Activate and Accelerate. Aspire is the phase that the project addresses biases and roadblocks that the women face and discuss how to create the environment that allows them to succeed. In the Activate phase women will be given access to webinars and workshops designed to help them build business skills, resiliency and digital expertise. The last phase, Accelerate is designed for businesses and enterprises that are more established. In this phase women will receive advanced education and build a network of important people from the business ecosystem and potential customers. For more information see: <https://we3a.org>.

Figure 16. WSMEs participation in export



Those WSMEs that do export their goods and services reported that their destination markets are focused on Central America, followed by the United States, South America, and one company exporting to Australia.

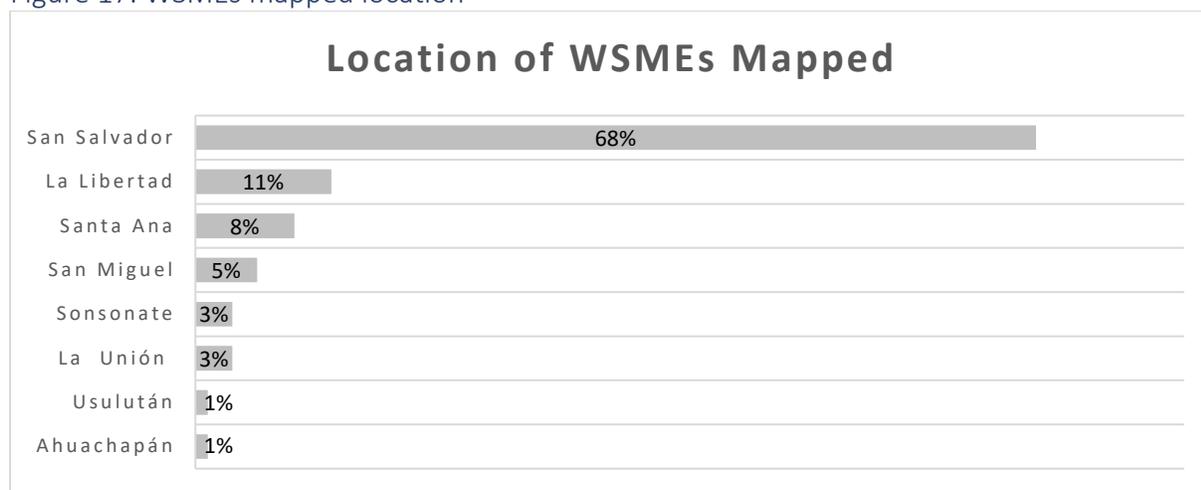
In conclusion, increases in exports and participation in global supply chains are key objectives of the Project and the WE3A activities will be developed to achieve those objectives.

#### Location of WSMEs

Most of the population in El Salvador is concentrated in urban areas and correspondingly, the sample mapped indicates that the level of women entrepreneurship is higher in urban areas. The correlation can be explained not only as a function of population density, but also by the fact that there is greater access to capital, education, and other services (including business support organizations), concentrated in urban areas (see Figure 17).<sup>8</sup>

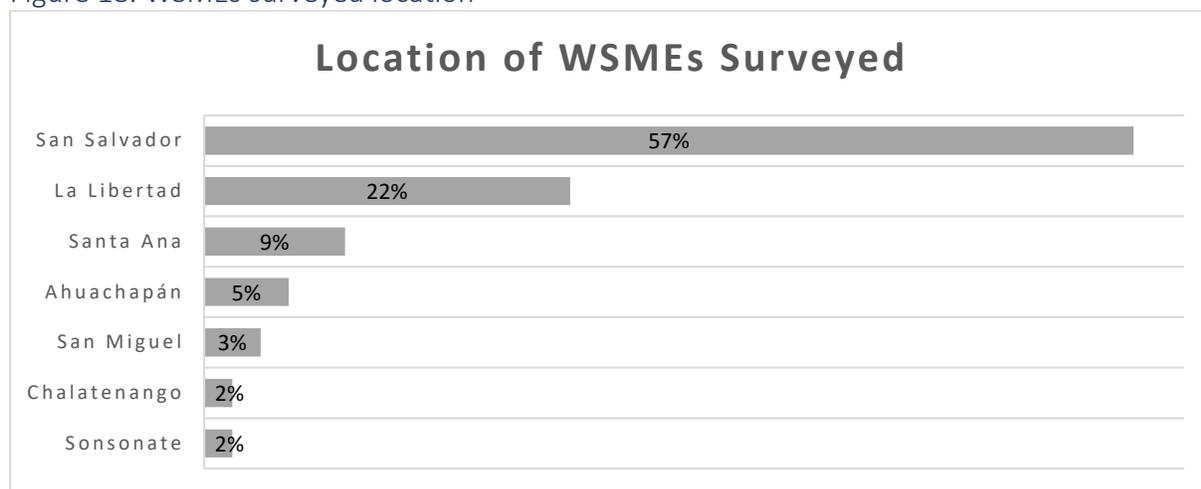
<sup>8</sup> El Salvador has 14 departments: Ahuachapan, Cabanas, Chalatenango, Cuscatlan, La Libertad, La Paz, La Unión, Morazan, San Miguel, San Salvador, San Vicente, Santa Ana, Sonsonate and Usulután.

Figure 17. WSMEs mapped location



Likewise, participation in the consultation was higher in urban areas. The highest proportion of WSMEs that completed the survey was in San Salvador (57%), as shown in Figure 18. While the size of the sample was bigger in San Salvador, correlating with the national population distribution, it is important to highlight that internet usage varies in urban compared to rural areas. The latest data from the International Telecommunication Union shows that the percentage of Internet users in the urban areas of El Salvador is higher at 63.5% of the population compared to rural areas, where it sits at 39.7% (Statistics, Gender ICT Statistics, 2020). This difference could have had an impact on the participation of WSMEs outside San Salvador and highlights a gap that may be important when planning online training.

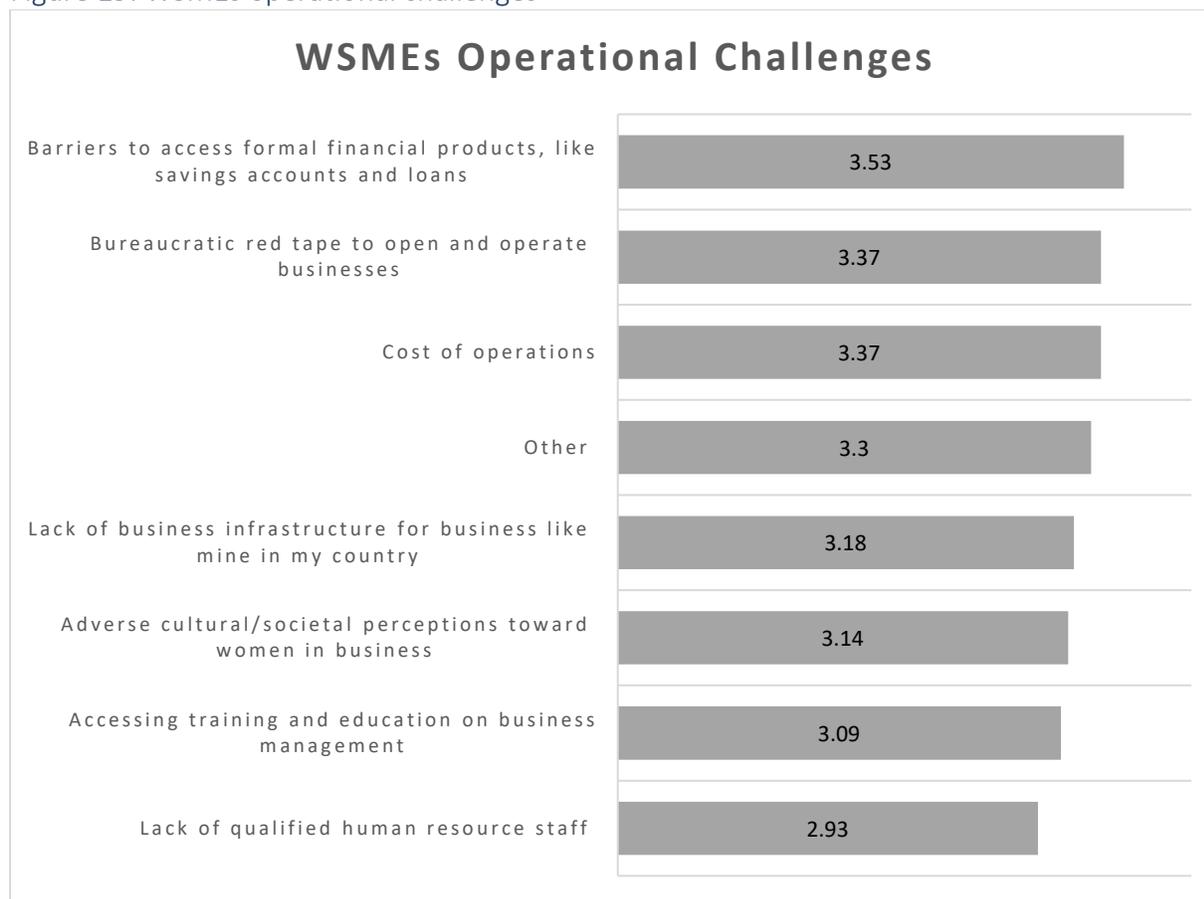
Figure 18. WSMEs surveyed location



### WSMEs Business Challenges

To assess the operational challenges that women entrepreneurs encounter in El Salvador, WSMEs were asked to rate their challenges on a scale from 1 to 5 with 5 being the highest impact of the challenge. The results are set out in Figure 19 below:

Figure 19. WSMEs operational challenges



As Figure 19 shows, the greatest reported challenge is lack of access to formal financial products. This is a challenge experienced by women-owned enterprises around the globe. Most studies in this area agree that the challenge to access financing can be associated with WSMEs operating in highly competitive and low-growth sectors, as well as gender-biased credit scoring (Entrepreneurship at a Glance, 2016). In some countries, women have less access to basic financial services, such as a checking and/or savings accounts, which can have an impact on their credit/banking history. For example, data from the World Bank Gender Data Portal shows that in El Salvador only 24.4% of women aged 15 and older have an account at a bank or other financial institution (WB Gender Data, 2022).

Bureaucratic red tape to open and operate a business is the second most challenging barrier, followed by the cost of operations. Under “Other”, WSMEs stated challenges primarily related to cost of operations, excessive taxes, and the need to import most raw materials. WSMEs also

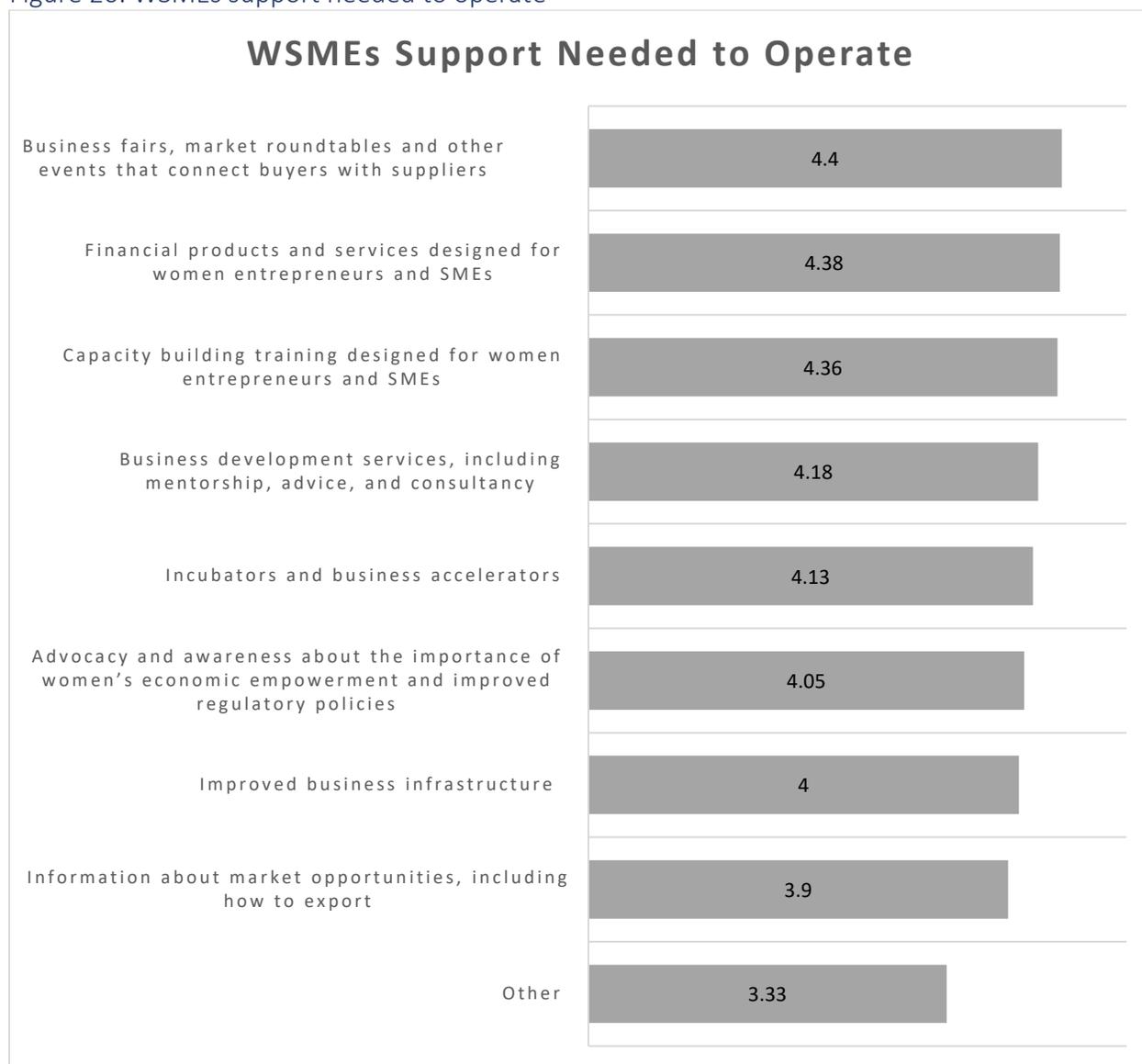
explained that another challenge they face is that the business model for service providers and those delivering their services remotely is relatively unknown in El Salvador. The WMSEs stated that there are no current programs and/or training to build their export capacity for providing services across the border, delivered via digital/online channels. The WSMEs surveyed also stressed that the financial sector does not fully understand their business model for exporting services. Consequently, financial institutions do not recognize this business model as one with assets, resulting in WSMEs not having access to loans or financial support. This situation is explained in an OECD discussion paper on enhancing SME access to diversified financing instruments explaining that, for some segments of the SME population, there are challenges to access financing due to lack of assets that are easy to collateralise (OECD, 2018). As a result, there is a group of WSMEs in El Salvador that face the additional challenge of accessing financing, as well as lacking capacity building programs on business financing. Nonetheless, this service sector has growth potential in El Salvador and could be included in global supply chains, due to some extent to the new business dynamics of working virtually, as result of the COVID-19 pandemic. The Project could work with this sector by offering formal training on how to optimize business models for WSMEs that offer services remotely via digital platforms and how to find financing instruments that suit their business models.

When asked what kind of support WSMEs need to operate their business, the kind of support with most weight was participation in business fairs, market roundtables and other events that connect buyers with suppliers. The need for financial products to secure capital to carry on their business was ranked second, followed by capacity building programs for women entrepreneurs and SMEs, as shown in Figure 20 below.<sup>9</sup> All the other types of support are, for the most part, equally weighed by the WSMEs surveyed.

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<sup>9</sup> Based on a scale from 1 (not needed) to 5 (most needed).

Figure 20. WSMEs support needed to operate



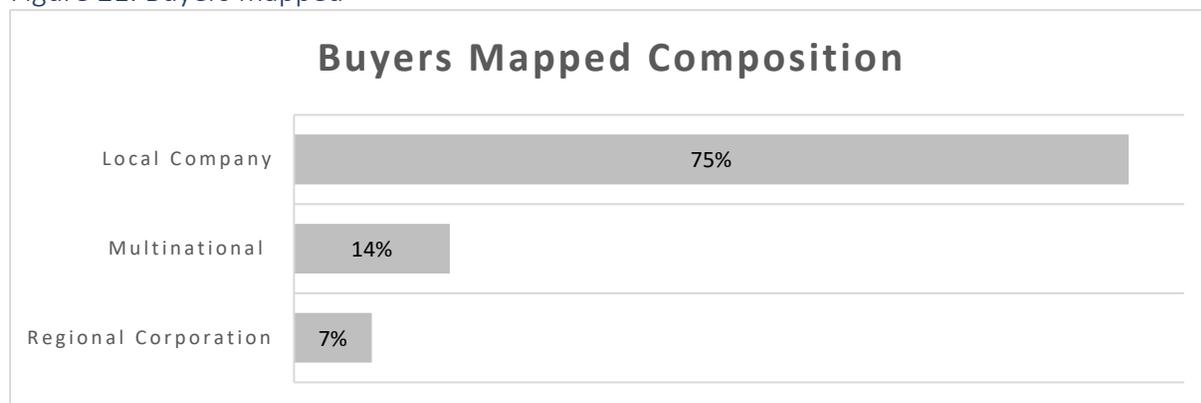
It is important to highlight that WSMEs in El Salvador are driven to grow their business. Upskilling is seen as very important, as well as being introduced to new clients and increasing sales. Also, at the time of the consultation (April – May 2022), WSMEs were still coping with the struggles of the global COVID-19 pandemic. This will be further explained in the section related to the effect of COVID-19 on the ecosystem.

### Buyers Profile in the Ecosystem for WSMEs<sup>10</sup>

A sample of companies with local presence was researched as potential buyers of the services and products offered by WSMEs. These are companies that have significant purchasing power in El Salvador.

The buyers' mapping sample was composed of multinational corporations, regional corporations, as well as local companies, as shown in Figure 21. Having the ability to target international companies that are established in El Salvador, in addition to local companies, will be of value to the Project activities in terms of further building and expanding a resilient ecosystem for WSMEs. This will result in an ecosystem that is less volatile to global recessions, such as the financial effects caused by the COVID-19 pandemic. For the buyers, adding local WSMEs to their supply chain brings the benefit of a more resilient and diversified supplier base with new talent and perspectives for services, as well as opportunities for economic in-market growth, and potentially reduced transportation and logistics costs. For WSMEs, being able to sell to key companies in the market could enable and support their sustainable growth.

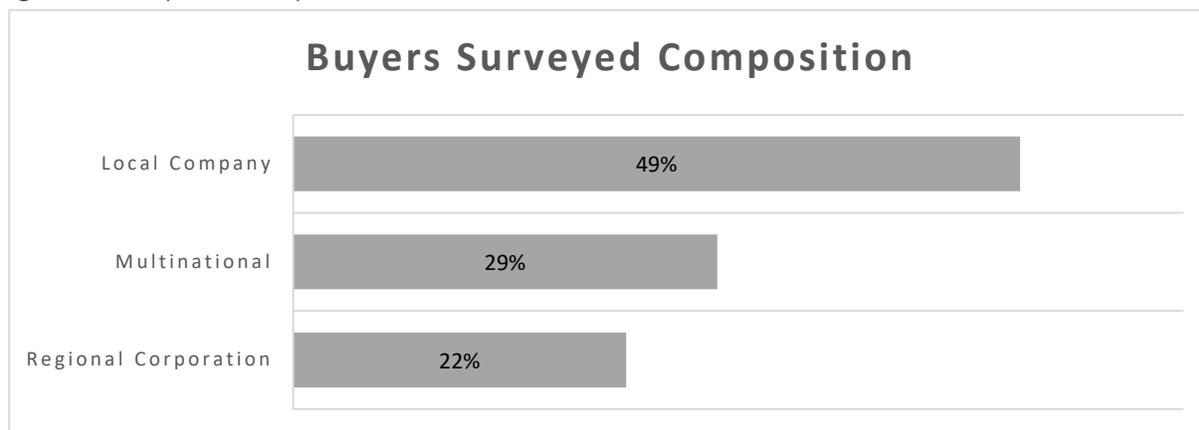
Figure 21. Buyers mapped



The representation of the buyers that participated in the survey are predominantly local companies as shown in Figure 22.

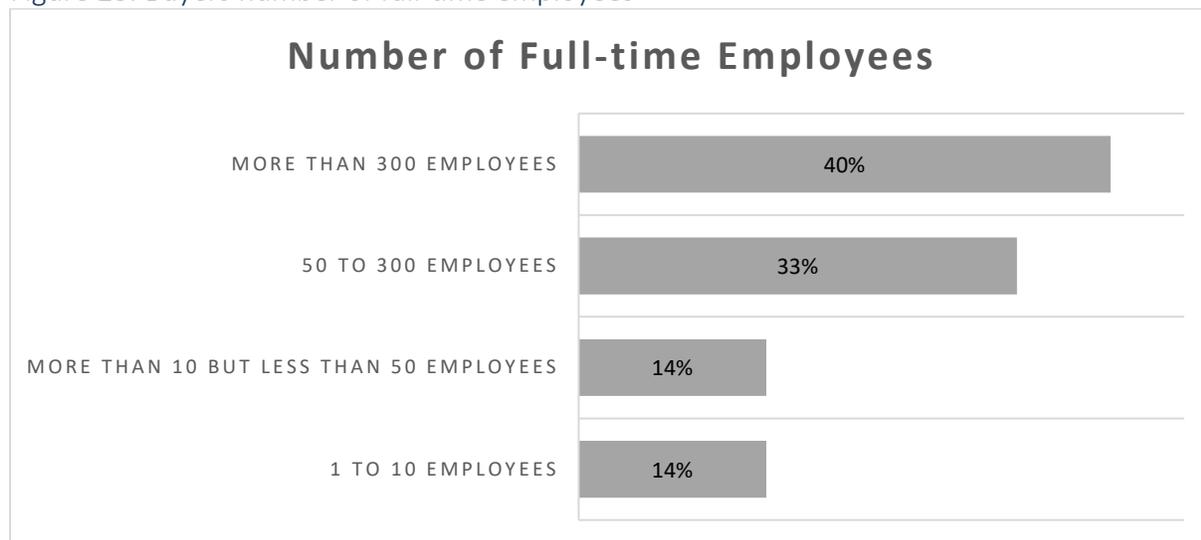
<sup>10</sup> For this section 75 buyers were mapped and 52 buyers responded to the survey.

Figure 22. Buyers surveyed



Most of the buyers consulted in the survey are large organizations with over 300 full-time employees (see Figure 23) with an average female employment representation of 45%. The remainder are small and medium-sized organizations that do not qualify as SMEs for this research because of the size of their revenue (see Appendix I).<sup>11</sup>

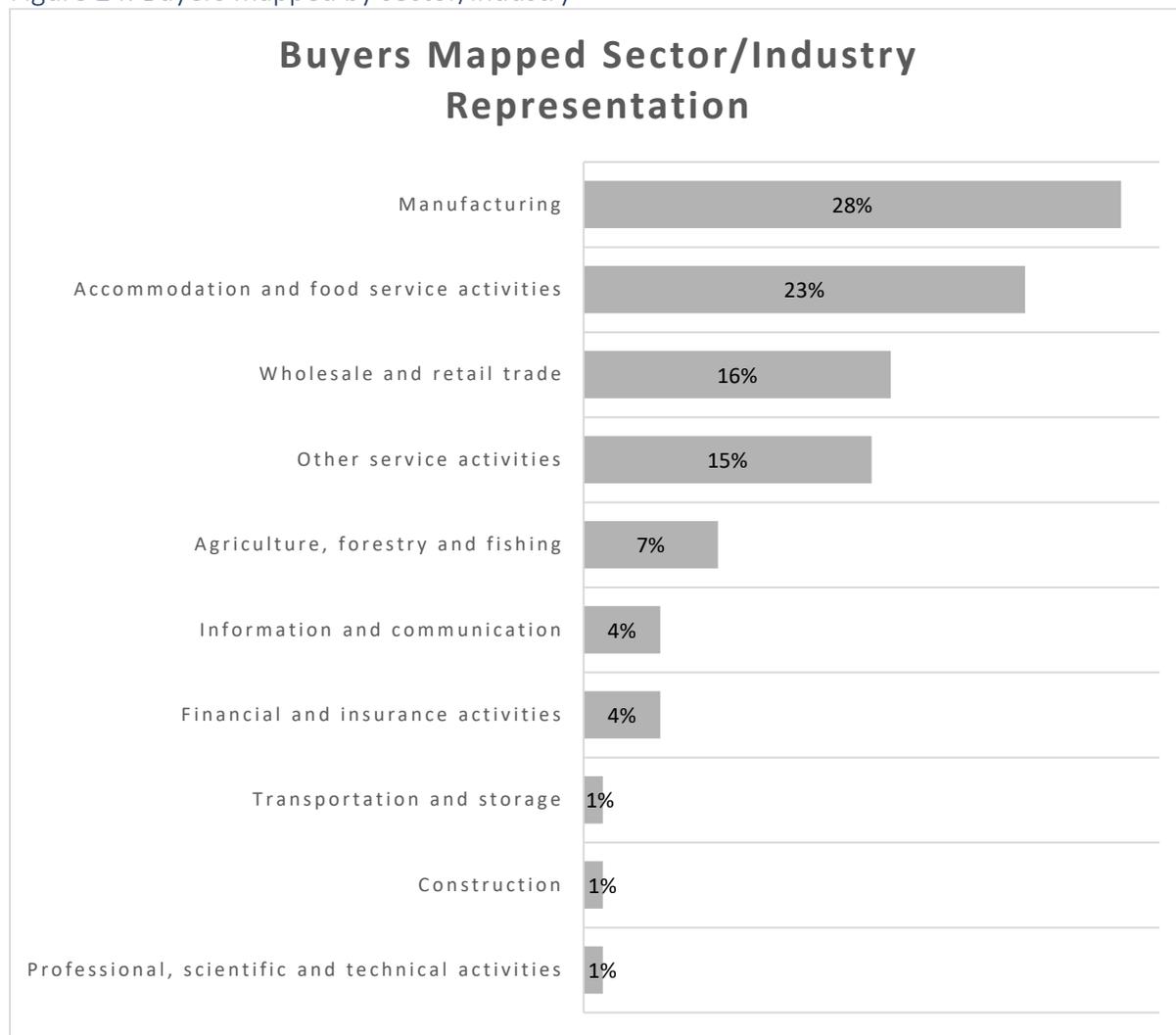
Figure 23. Buyers number of full-time employees



The sector/industry representation of the mapping sample is outlined in Figure 24 below. The largest contingent of buyers operate in the following sectors: manufacturing (28%), accommodations and food services (23%), wholesale and trade (16%), and other service activities (15%).

<sup>11</sup> As per the research methodology the definition of SME used is “To qualify as small and medium-sized enterprises (SMEs) the business can have up to 300 employees and a total gross revenue up to US\$2.5M.”

Figure 24. Buyers mapped by sector/industry

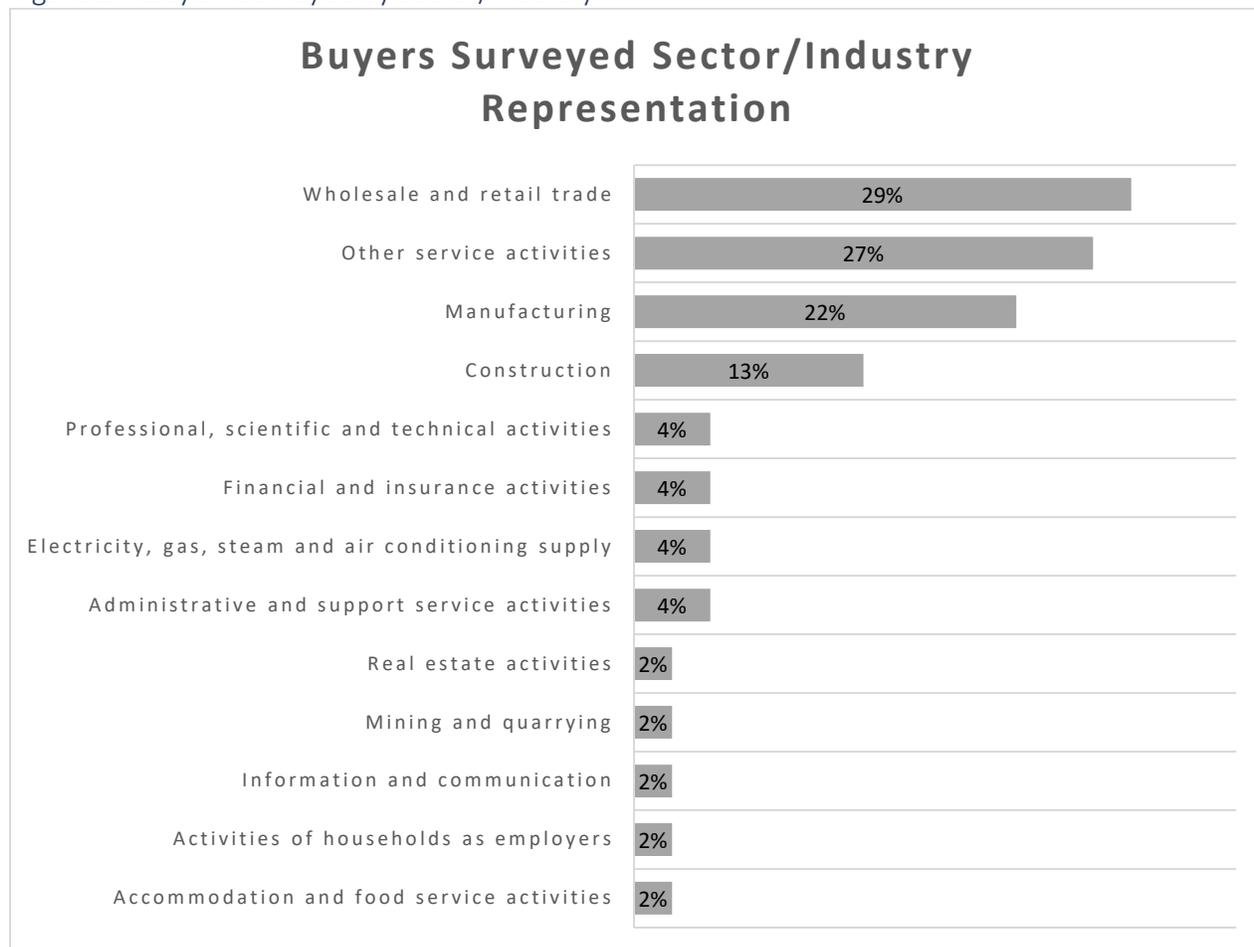


The sector representation of the buyers that participated in the survey is shown in Figure 25 and does not fully correlate with the mapping from the secondary research. Based on the survey findings, the representation of buyers is greater in wholesale and retail at 29%, followed by manufacturing at 27%, and construction at 13%. Nonetheless, compared with the sector representation of the WSMEs, as compiled from the desk research mapping and survey, the buyers' sectors correlate with two areas where women-owned businesses are more active - "other service activities" and "wholesale and retail" (see Figures 1 and 2 in comparison to Figures 24 and 25).

The data on the sector representation creates two scenarios: first, WSMEs and the largest corporations are competing in the same market and therefore WSMEs need to work on a unique competitive advantage to stay in business. Second, these WSMEs are selling their products and

services to larger companies and are already feeding into an existing supply chain. Data from the survey shows that, in fact, WSMEs are using both sales channels, B2C and B2B (see Figure 5).

Figure 25. Buyers surveyed by sector/industry

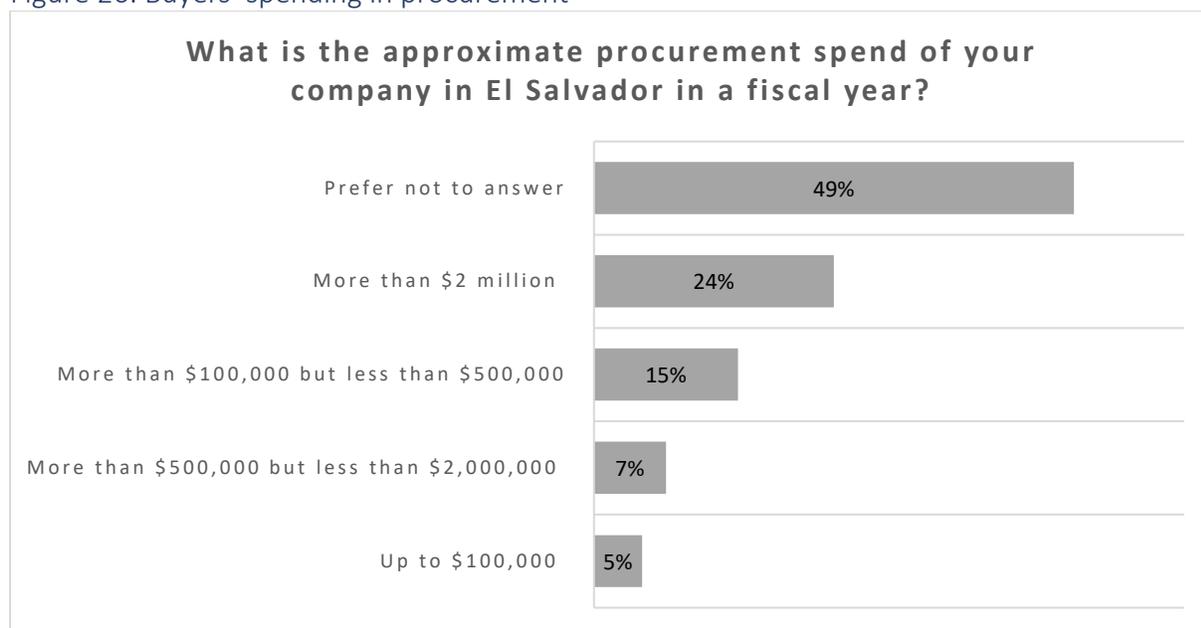


### Buyers' Purchase Patterns

To understand the opportunities that exist for WSMEs, buyers were asked several questions related to their procurement spending practices. Figures 26 through 29 outline the answers.

It is important to highlight that while the survey tool was completely anonymous, almost half of the companies (49%), opted not to answer the question regarding how much they spend on procurement (see Figure 26). It can be inferred that the main reason for choosing “prefer not to answer” could be cultural sensitivities in relation to the security situation in El Salvador. Companies are very cautious and typically do not share any financial information, including expenditure amounts.

Figure 26. Buyers' spending in procurement



The representation of local suppliers is moderate, with most of the buyers having more than 20 to 100 local suppliers. The moderate participation of local suppliers could be an opportunity for WSMEs in El Salvador to position themselves to these buyers (see Figure 27).

Figure 27. Buyers' number of local suppliers



Figure 28. Buyers' most frequent purchases by product/services

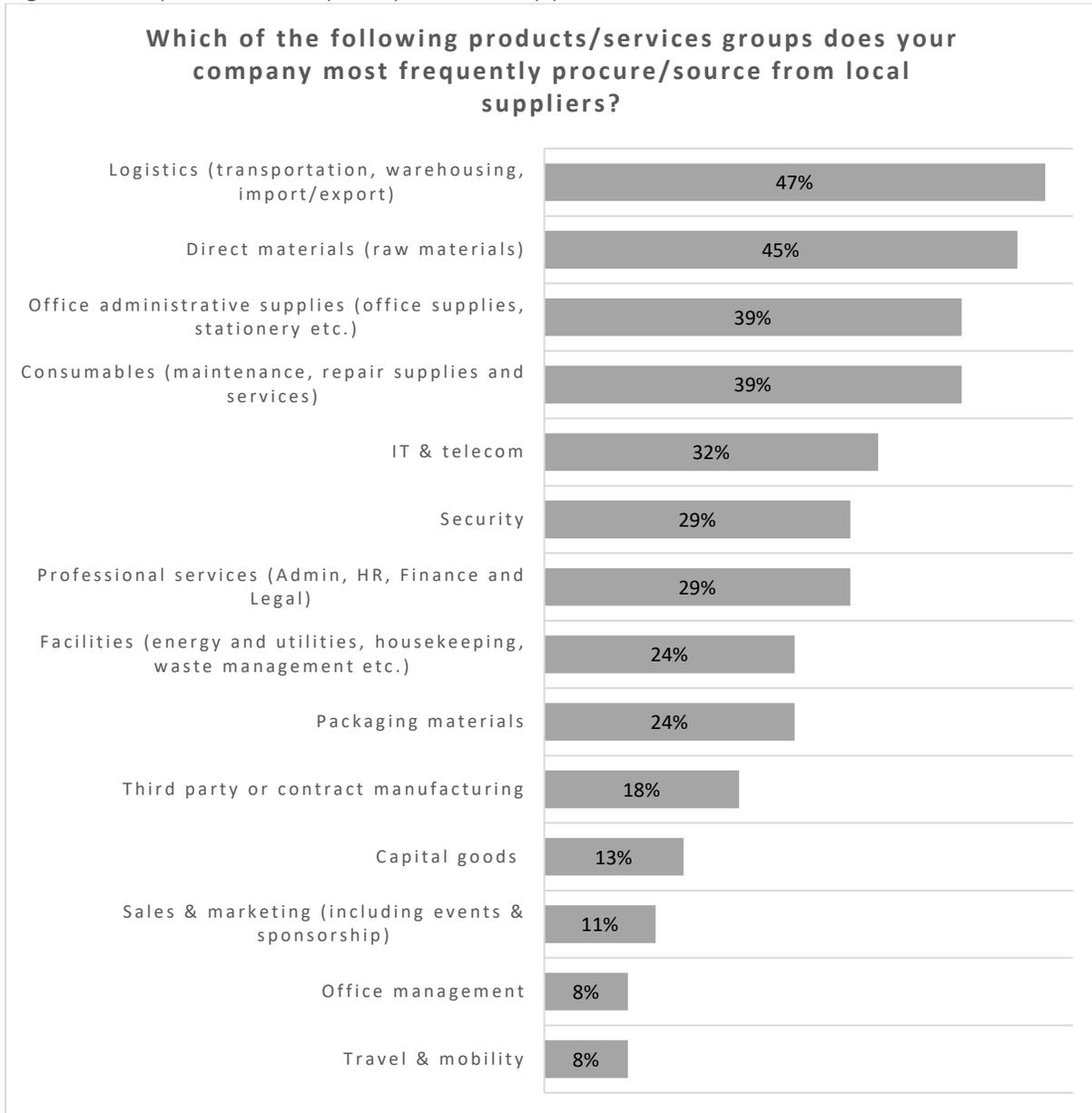
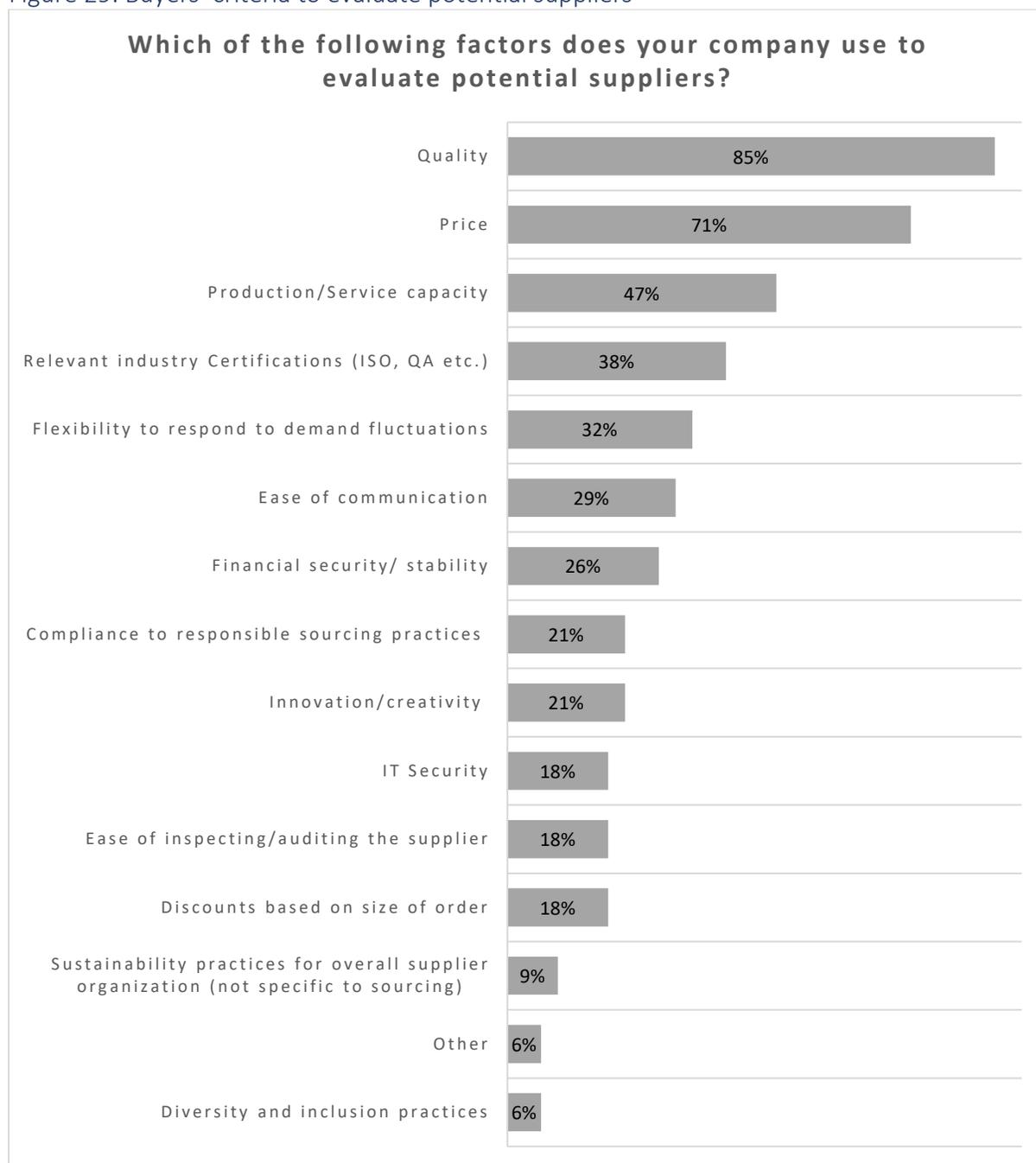


Figure 29. Buyers' criteria to evaluate potential suppliers



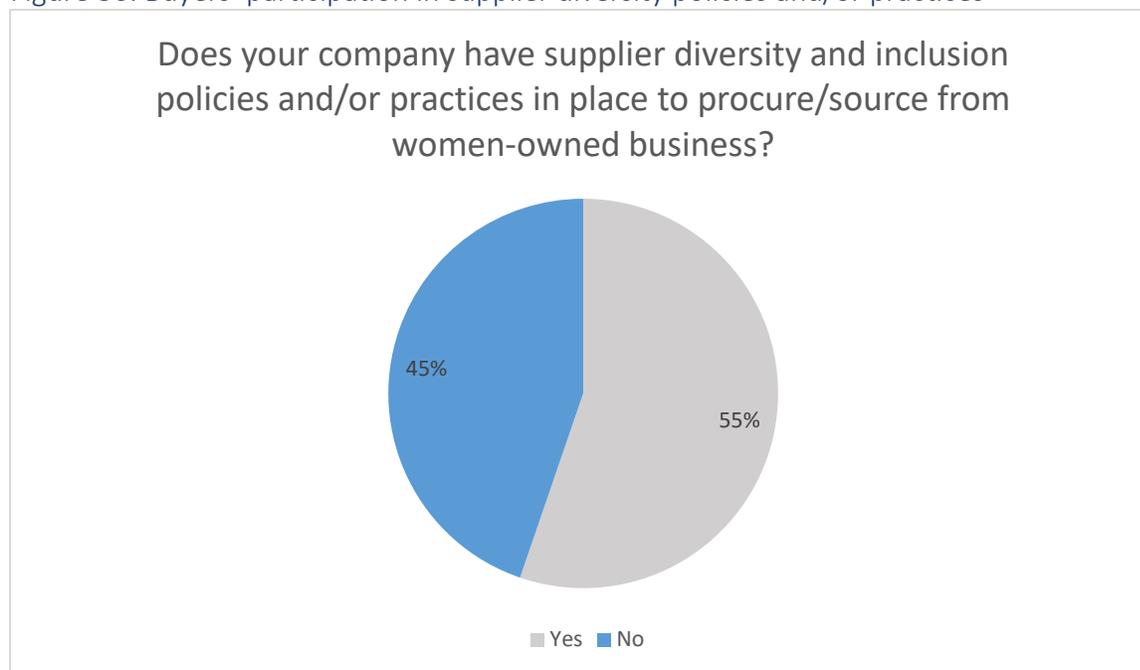
Understanding the buyers' criteria for evaluating suppliers (see Figure 29; the top criteria include quality, price and production capacity) and what are the product and services they most often purchase from local suppliers (see Figure 28; the product/services most often purchased includes logistics, raw materials and administrative services) is a benefit to the Project. This information is valuable not only to develop specific training for WSMEs, but also to identify those WSMEs that

are ready to participate in B2B events with potential buyers based on the products and services they offer.

#### *Gender-Inclusive Sourcing*

Buyers in El Salvador were asked if they have supplier diversity and inclusion policies and practices in place to procure/source from women-owned businesses. More Buyers (55%) said “yes” than “no” (45%), as shown in the Figure 30.

Figure 30. Buyers’ participation in supplier diversity policies and/or practices

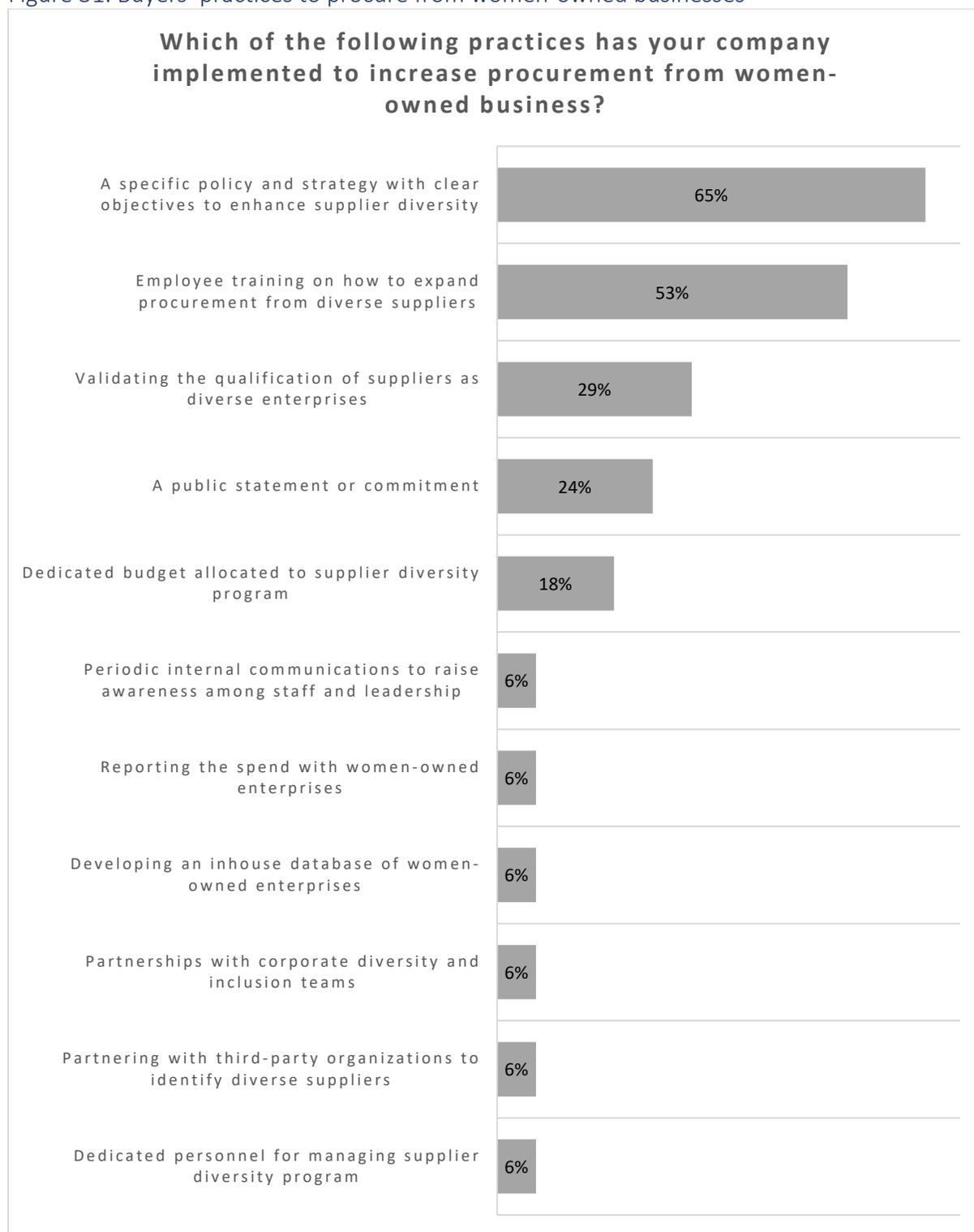


Of those that responded yes, a supplemental question was asked regarding specific practices implemented by buyers, as shown in Figure 31.<sup>12</sup> It also demonstrates that there is a need to further develop and facilitate gender-inclusive sourcing training for buyers in El Salvador.

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<sup>12</sup> The sample was too small to draw general inferences about gender responsive procurement practices in El Salvador (52 buyers responded to the survey), however it provides insights into what a very small portion of companies in El Salvador are doing to enhance participation of women-owned business in their procurement practices.

Figure 31. Buyers' practices to procure from women-owned businesses



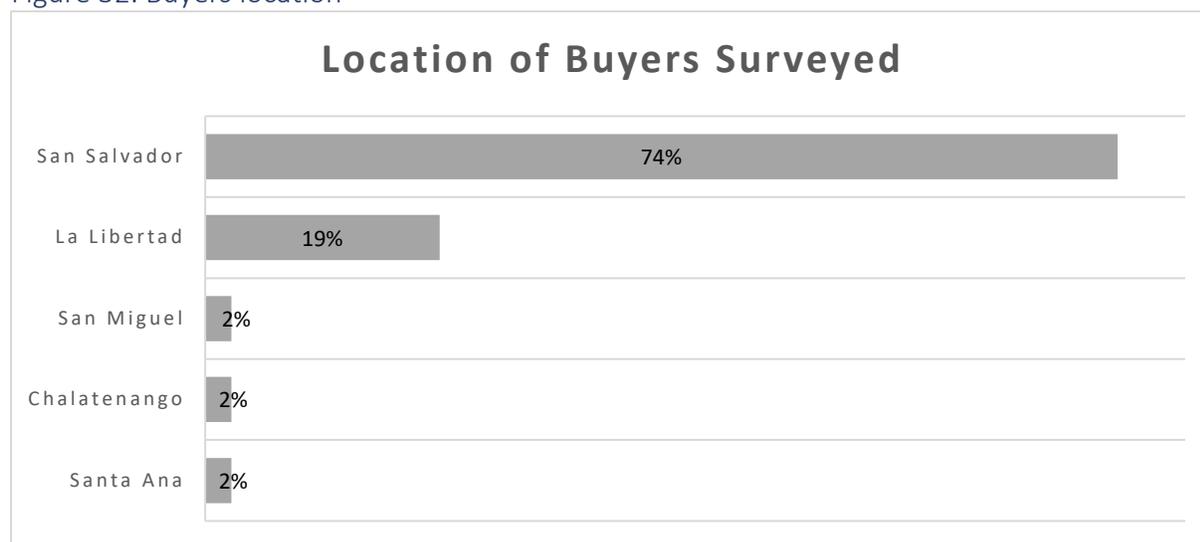
Buyers were also asked if they were associated with and/or used the services of business support organizations (BSOs) (see the definition of BSOs in the following section on Business Support

Organizations in the Ecosystem), as this could enlighten the WE3A project in terms of how to approach the buyers. In total, 62% of the surveyed buyers responded “yes” with 38% saying “no”, highlighting the importance of BSOs as a key resource for buyers and WSMEs in El Salvador. Thus, the Project could factor in the inputs and insights of local BSOs when planning future project activities with buyers.

### Location of the Buyers

In terms of location of the potential buyers, the sample where the bulk of the buyers were located was in San Salvador and La Libertad, with a smaller proportion (2% for each) located in San Miguel, Chalatenango, and Santa Ana, as shown in Figure 32. The location of buyers correlates with the population distribution in the country, as well as levels of women entrepreneurship by region. This distribution can be useful when planning WE3A activities that enable B2B matchmaking and interactions between WSMEs and buyers.

Figure 32. Buyers location



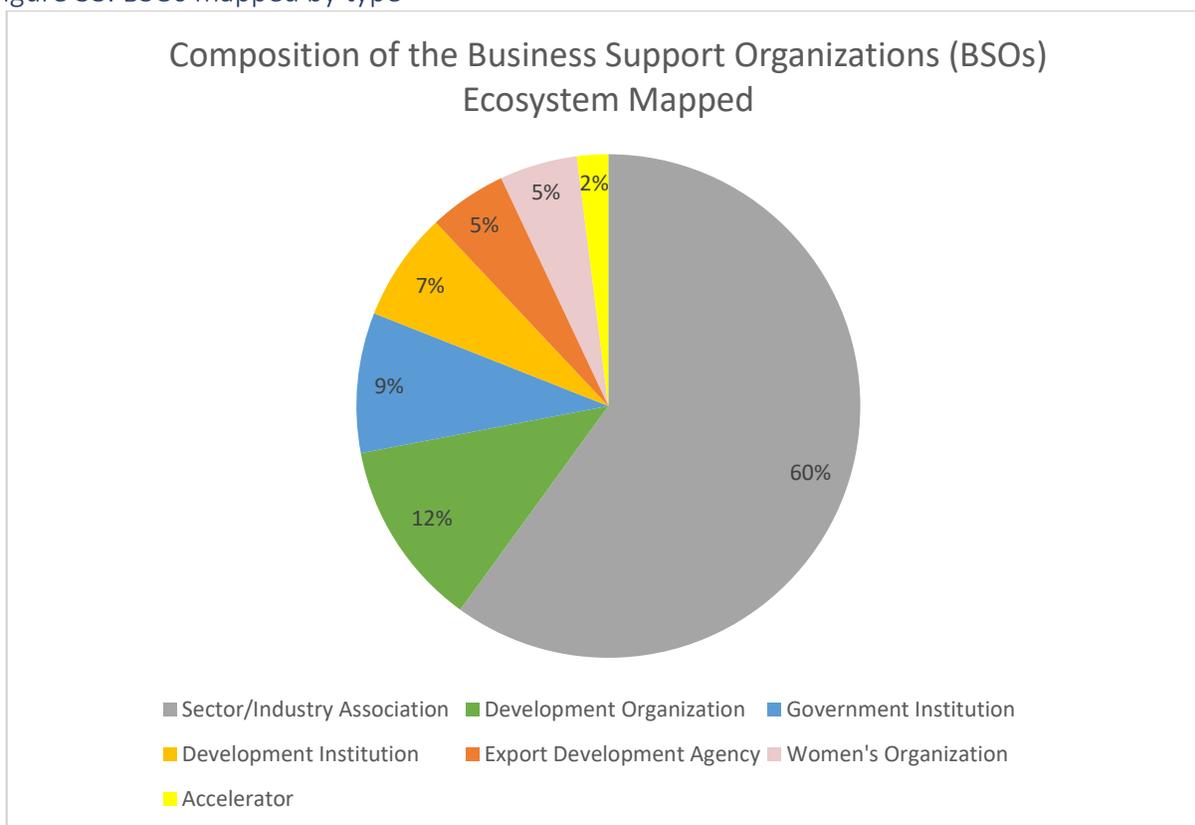
### Business Support Organizations in the Ecosystem<sup>13</sup>

Business support organizations (BSOs) are non-profit, public, private, and for-profit resource organizations, trade, and industry associations, among others that serve local businesses and support their growth and success. These include, for example: chambers of commerce, trade and industry associations, coalitions, government agencies, women's associations, incubators, sectoral organizations. BSOs play a critical role in supporting local economic development in general and they can be a great channel for supporting women entrepreneurship.

<sup>13</sup> For this section 42 BSOs were mapped and 46 BSOs responded to the survey. Additional outreach to stakeholders that meet the definitions of the mapping was completed using social media and direct mailing, which drove the participation of BSOs beyond the mapped sampled.

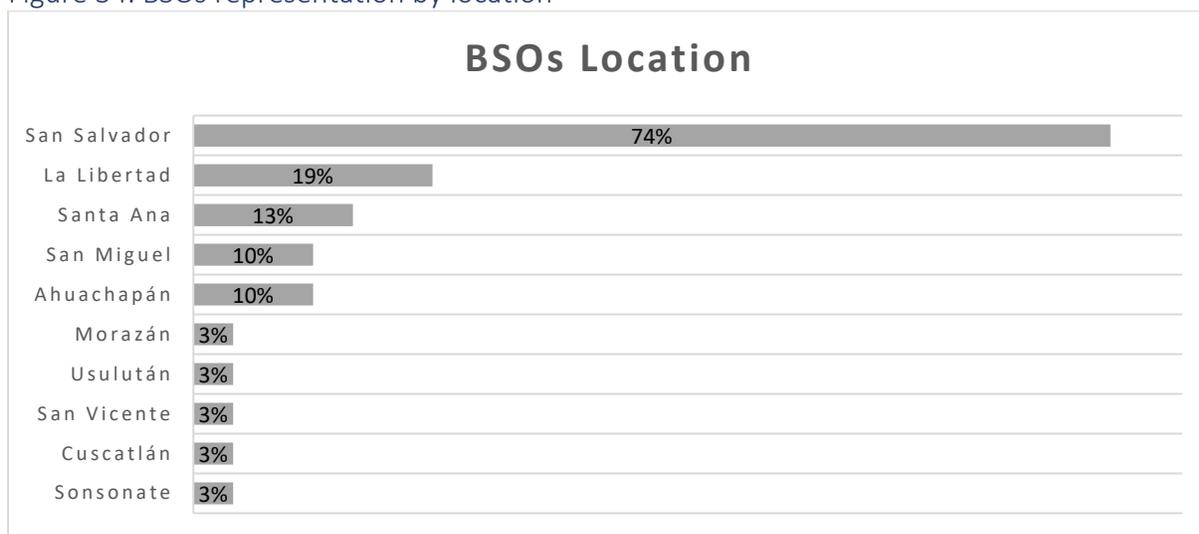
The mapping research identified a sample of BSOs that represent the local ecosystem in El Salvador. Appendix II provides a summary of those BSOs that are most relevant to the WSME ecosystem and reportedly used by the participating WSMEs. Nonetheless, when WSMEs were asked if they use the services of local BSOs, only 37% said “yes” and 63% said “no”. Increased affiliation and/or association with BSOs is an important vehicle for networking opportunities with like companies within the ecosystem, as well as having the support to participate in business fairs and roundtables to showcase the companies' goods or services. Figure 33 below outlines the composition per type of the BSOs mapped.

Figure 33. BSOs mapped by type



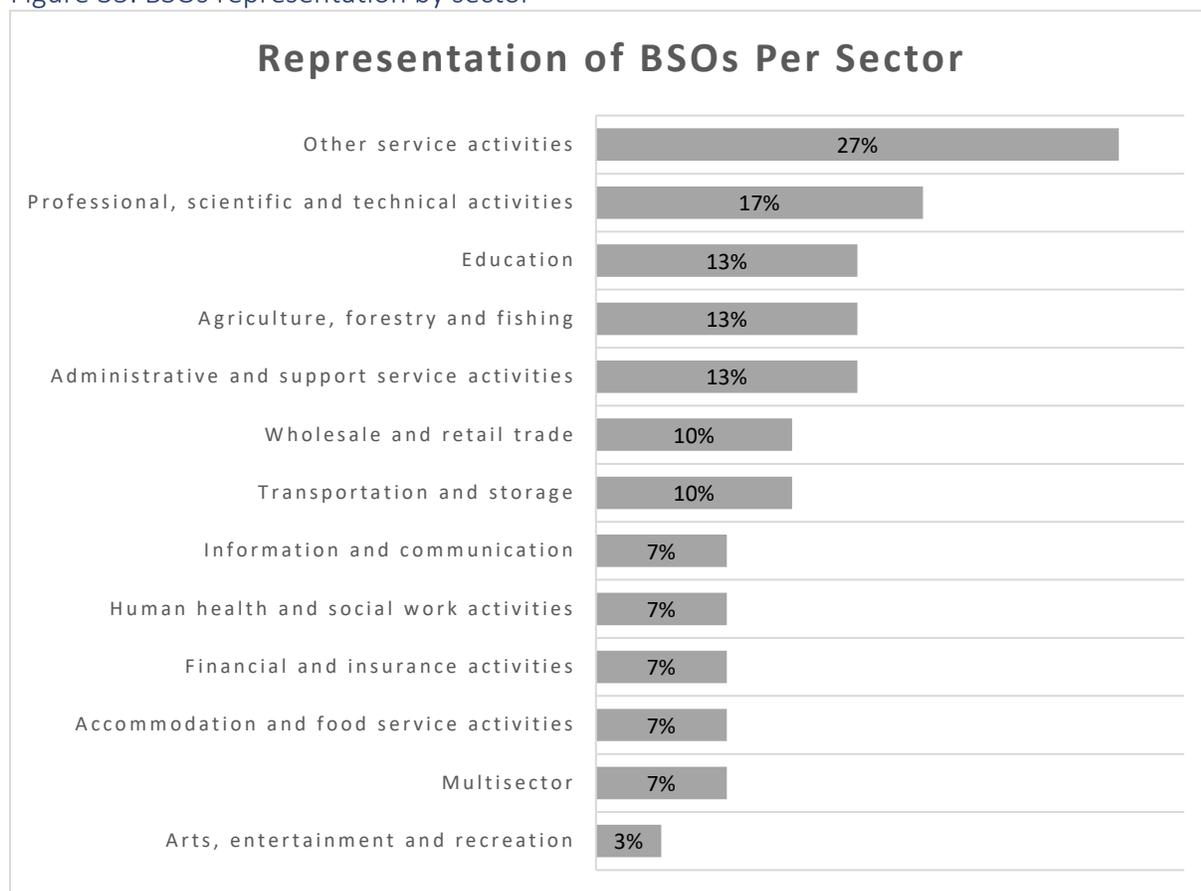
In the survey, BSOs were asked to indicate their geographical location within the country. BSOs with multiple locations had the option to indicate several locations. Throughout most of El Salvador, there is a solid network of BSOs. However, the vast majority are based in San Salvador, with their services being provided to the entire country (for a further breakdown see Figure 34).

Figure 34. BSOs representation by location



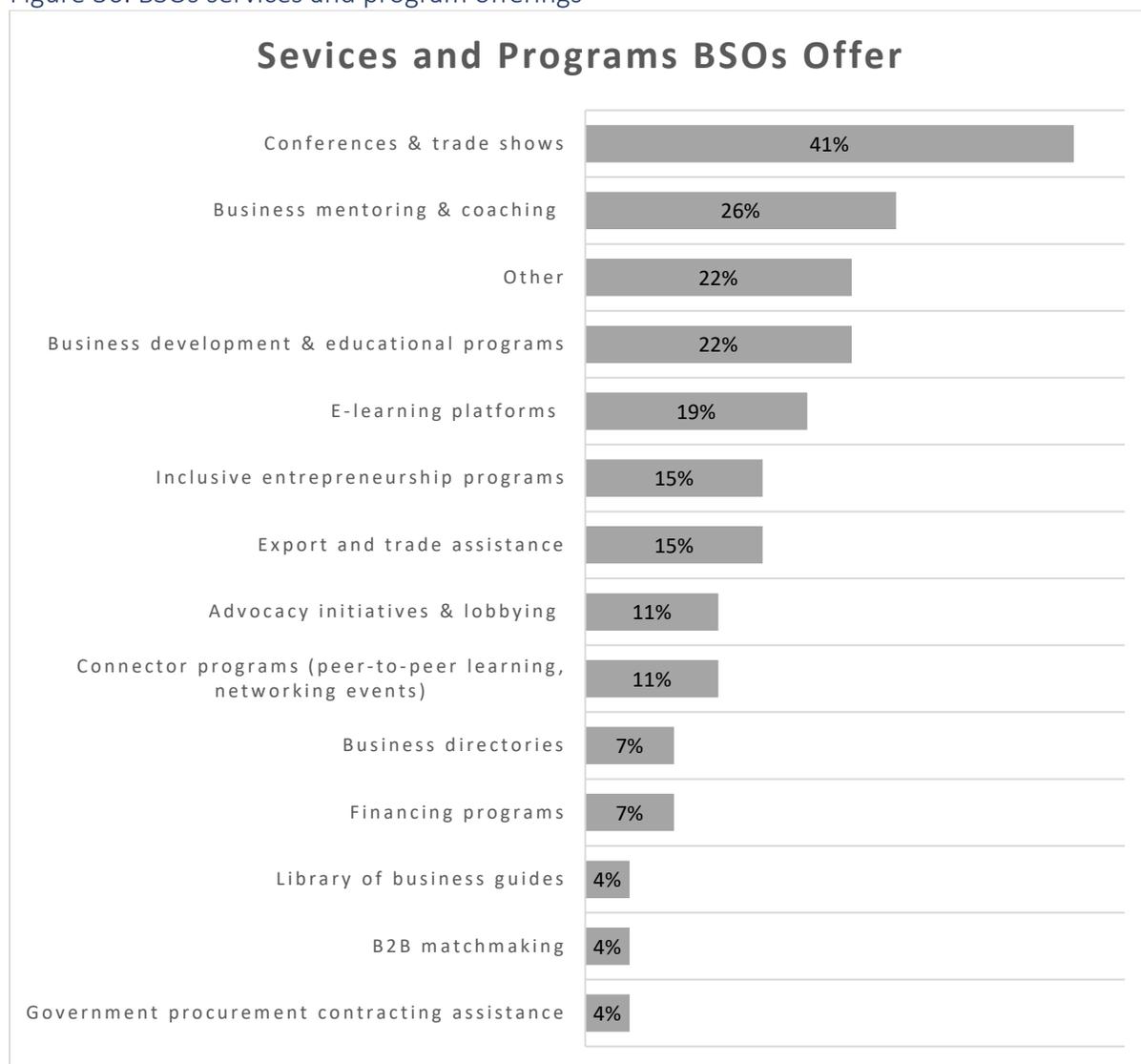
With regards to the sectors that the BSOs serve, the majority are in other service activities (27%), followed by professional, scientific, and technical activities (17%), as indicated in Figure 35.

Figure 35. BSOs representation by sector



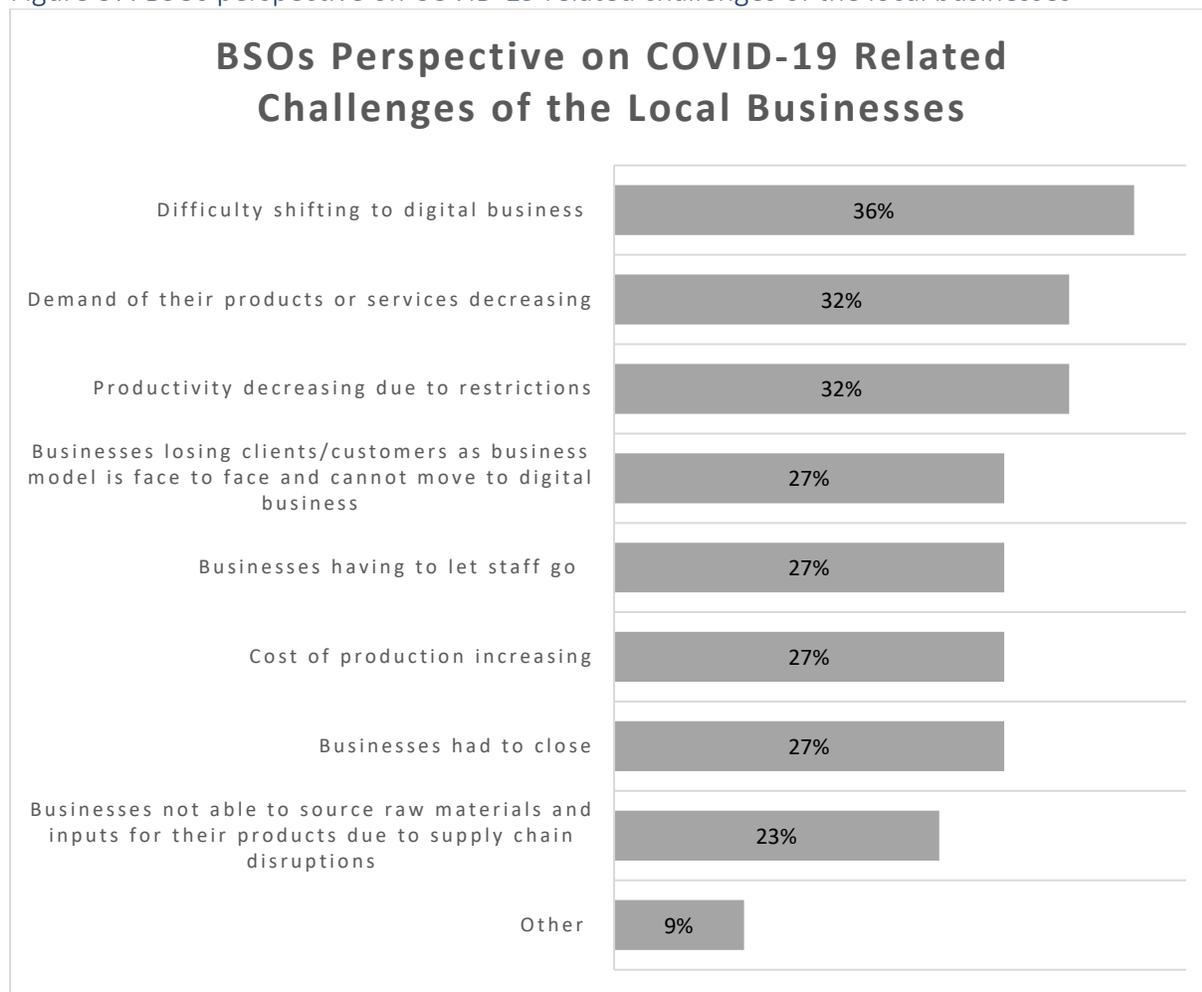
BSOs were asked to identify the services and programs they offer. Figure 36 below reveals that conferences and trade shows are the main offering of local BSOs, followed by business mentoring and coaching. Furthermore, 56% of the BSOs indicated that they offer tailored services and programs to women entrepreneurs. The percentage of members that are women varies across the BSOs, in a range from 40% – 100%. Similarly, the programming of some organizations is devoted entirely to women entrepreneurship, while others tailor 25% of their programming to women.

Figure 36. BSOs services and program offerings



As key actors in any entrepreneurial ecosystem, BSOs were asked about the impact of the global COVID-19 pandemic on the business community. When asked about pandemic-related business challenges their members/users faced, BSOs indicated that the top challenge was the difficulty shifting their business model to a digital platform, followed by the decreasing demand for their products and services (see Figure 37).

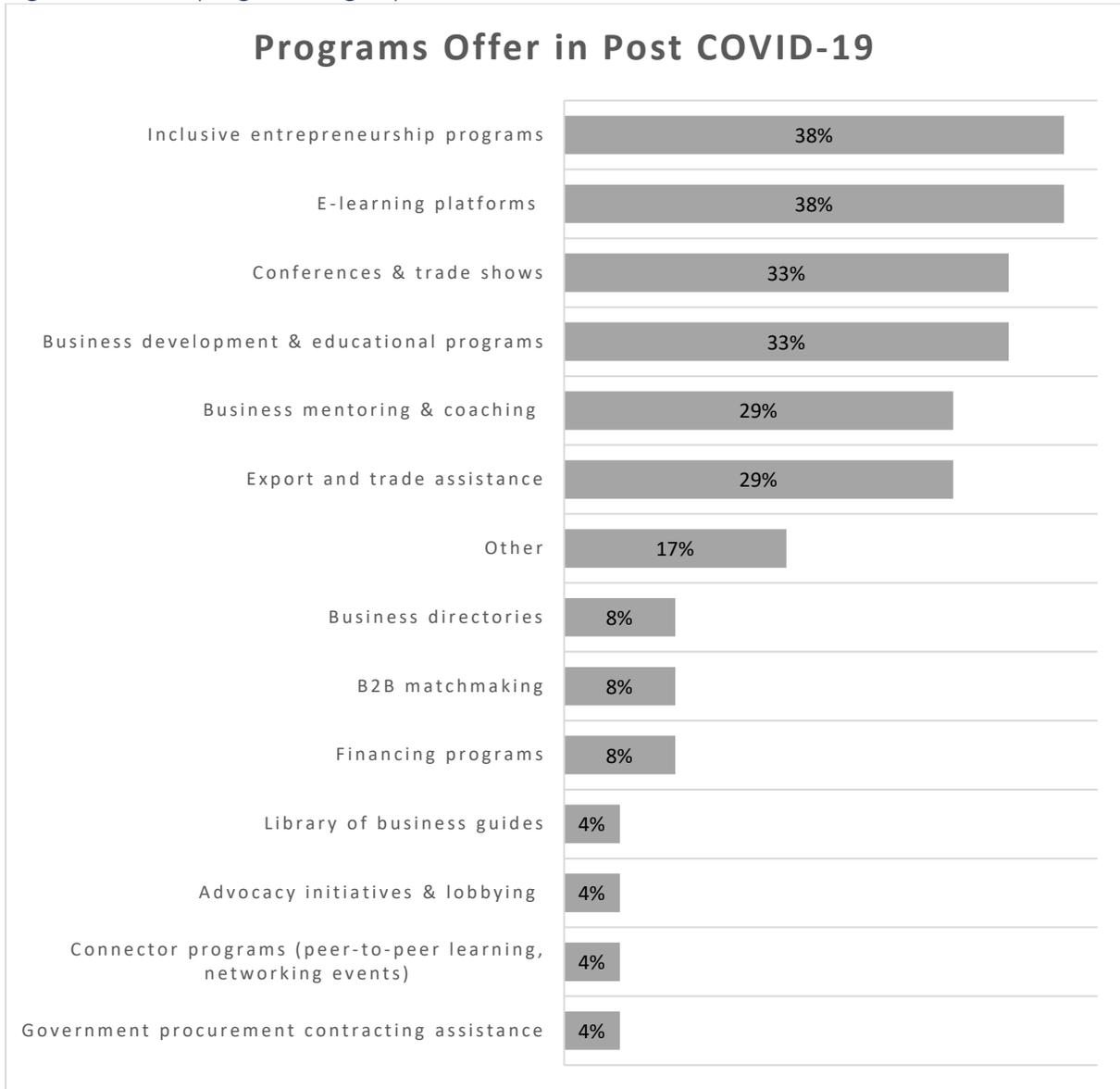
Figure 37. BSOs perspective on COVID-19 related challenges of the local businesses



Other significant challenges due to COVID-19 related restrictions include productivity decreases, staff being let go, the increasing cost of production, and businesses having to close. The next section will provide more detail on the effects of the COVID-19 pandemic.

Finally, BSOs were asked what programs they are currently offering post COVID-19. Most BSOs indicated that the programs being offered are all virtual formats. Although conferences and trade shows remain an important program, most are being delivered virtually.

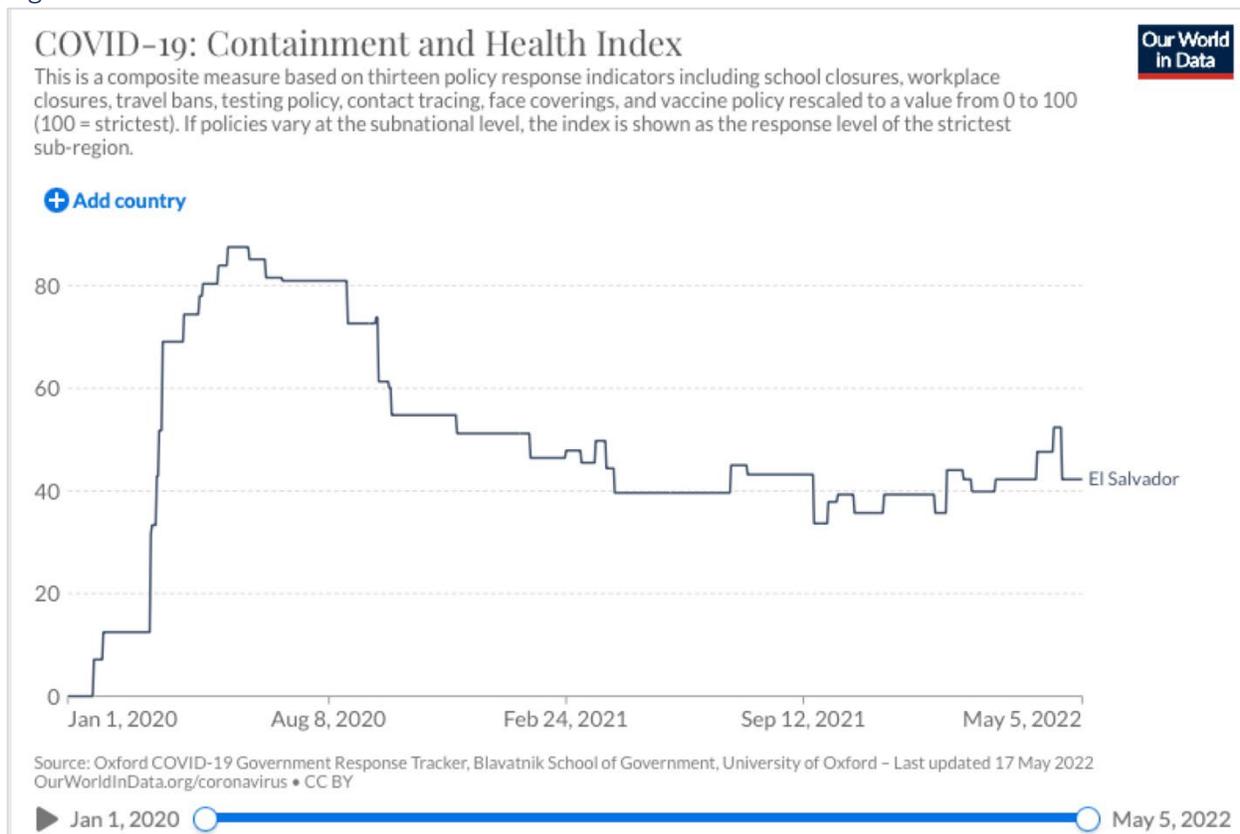
Figure 38. BSOs programming in post COVID-19



## The Effects of the COVID-19 Pandemic

As of May 15, 2022, there have been 4,129 deaths attributed to the COVID-19 pandemic in El Salvador (Hannah Ritchie, 2022). According to the Oxford COVID-19 Government Response Tracker (OxCGT), which produces a composite measure based on 13 policy response indicators, where a value of 100 is the strictest; the government response since the beginning of the pandemic has fluctuated from a high of 89 to 33 as the Figure below indicates.<sup>14</sup>

Figure 39. COVID-19 Containment and Health Index



This index outlines the strictness of government policies but does not necessarily measure or imply the appropriateness or effectiveness of the response. However, it can be inferred that El Salvador's response to the pandemic was at times very strict. The containment measures that were put in place to mitigate the transmission rate of COVID-19 put a toll, not only on the local

<sup>14</sup> The Oxford Coronavirus Government Response Tracker (OxCGRT) project calculates a Containment and Health Index that builds on the Stringency Index, a composite measure calculated on the basis of the following thirteen metrics: school closures, workplace closures, cancellation of public events, restrictions on public gatherings, closures of public transport, stay-at-home requirements, public information campaigns, restrictions on internal movements, international travel controls, testing policy, extent of contact tracing, face coverings, and vaccine policy. The index on any given day is calculated as the mean score of the metrics, each taking a value between 0 and 100. A higher score indicates a stricter response (i.e. 100 = strictest response):

<https://ourworldindata.org/covid-stringency-index>.

economy, but on the wellbeing of Salvadorians, especially those living below the poverty line.<sup>15</sup> All public transport, schools, and shops were shut down, except for some essential food stores. Only essential workers were authorized to leave their homes for work. People were restricted to shop for food at their nearest store. The army was deployed at checkpoints and given the authority to place rulebreakers in detention centers. These measures remained in place from March 2020 to June 2020 (Mylène Lagarde, 2020).

Research conducted in mid-2020 revealed that the strict lockdown had a very high economic impact among informal workers and that this impact was barely mitigated by government support measures.<sup>16</sup> A phone survey was carried out between June and July 2020, involving 1,601 clients of a microfinance organization in El Salvador. Of the sample surveyed, 84% were self-employed women who ran small, informal businesses. Overall, 65% of individuals said their revenues were at least 80% lower than before the pandemic and roughly a quarter of individuals reported skipping a meal at least one day per week. This research shows that the crisis was likely to have long-lasting effects, especially on the health of more vulnerable groups (Mylène Lagarde, 2020).

Regardless of the negative impact, the study indicated that 85% of the individuals were in favor of the government's strict measures. The results also aligned with a national survey that demonstrated a high level of government management approval of the crisis (Disruptiva, 2020). In fact, El Salvador had one of the lowest rates of COVID-19 infections and fatalities in the region and has a higher vaccination rate than neighboring countries (CEPR, 2022).

In addition to the emergency policies, the Government of El Salvador implemented recovery policies to alleviate the economic toll of the pandemic. Relevant to the recovery of the WSMEs ecosystem are (COVID-19 Observatory in Latin America and the Caribbean, 2022):

- The Central Reserve Bank approved regulations to support the economic recovery and borrowers affected by the COVID-19 pandemic. Through this regulation, the financial institutions will put in place credit products for consumption, housing, and businesses. The regulation will allow self-employed workers and micro and small companies to have better financing conditions in the agricultural sector (BCR, 2021).
- Development of a US\$600 million trust managed by the Development Bank of El Salvador (BANDESAL). The trust is designed to support the economic recovery of Salvadorian companies with subsidies for MSMEs to pay employee wages, for loans to companies that

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<sup>15</sup> According to data from the World Bank 22.8% of the population in El Salvador lives below the national poverty line. See "Poverty and Equity Brief, Latin America and The Caribbean, El Salvador April 2021": [https://databank.worldbank.org/data/download/poverty/987B9C90-CB9F-4D93-AE8C-750588BF00QA/AM2020/Global\\_POVEQ\\_SLV.pdf](https://databank.worldbank.org/data/download/poverty/987B9C90-CB9F-4D93-AE8C-750588BF00QA/AM2020/Global_POVEQ_SLV.pdf).

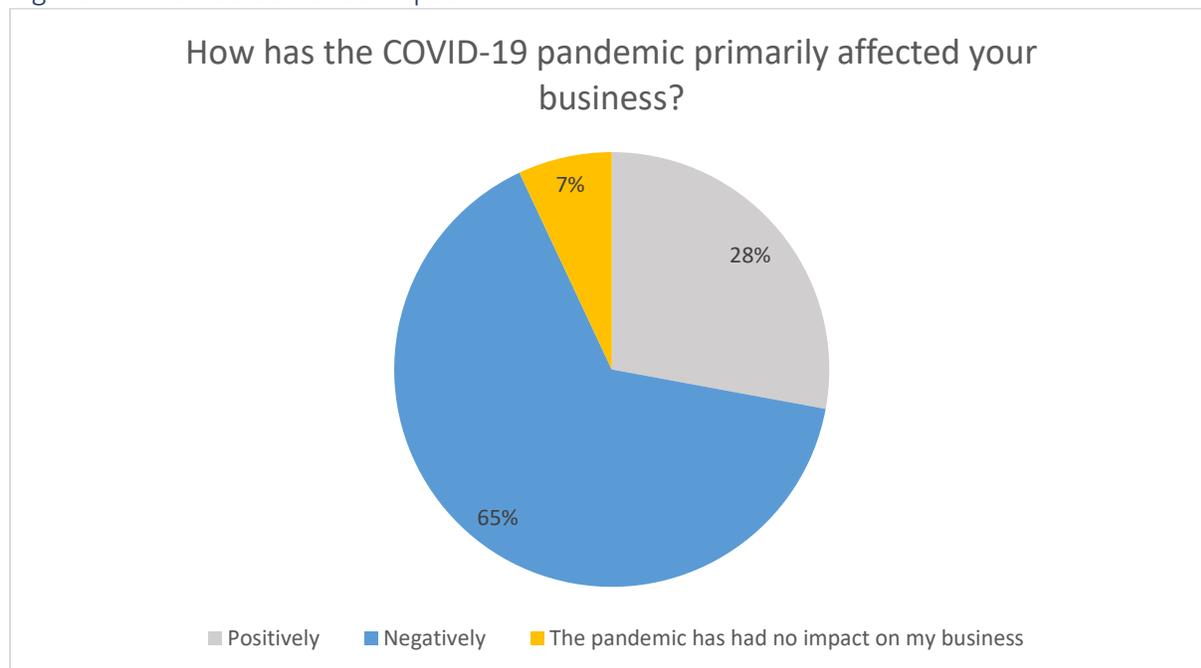
<sup>16</sup> The research was led by Mylène Lagarde (LSE Health Policy), Manuel Sánchez Masferrer (ESEN, El Salvador), and Carlos Riumallo Herl (Erasmus University Rotterdam).

demonstrate a negative impact from the COVID-19 crisis, and financing for entrepreneurs in the informal sector (Gobierno de El Salvador, 2020).

#### COVID-19 Impact on WSMEs

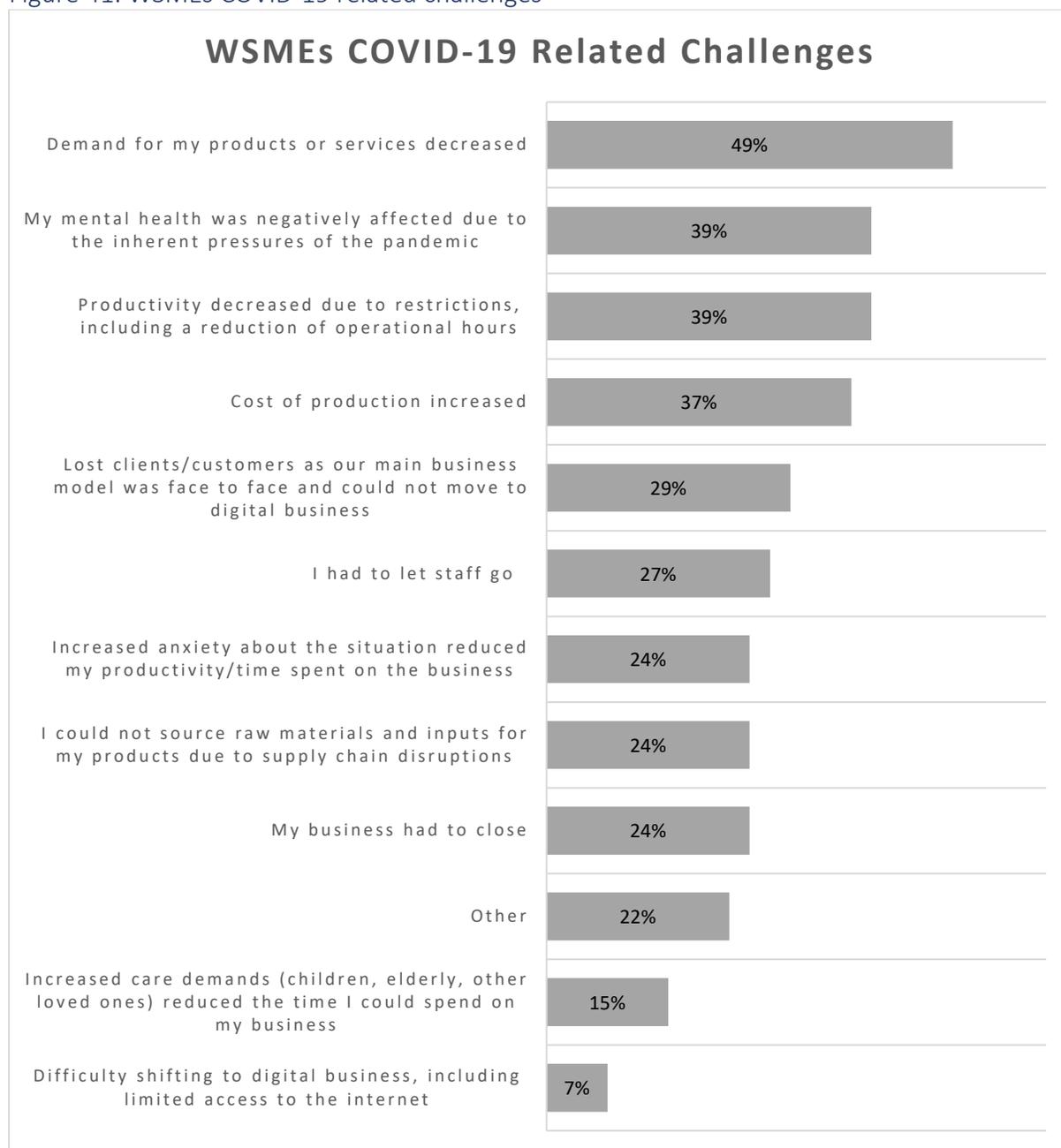
More than half of the WSMEs surveyed (65%) stated that they were negatively affected by the pandemic, with only 7% reporting that it had no impact on their business (see Figure 40 below).

Figure 40. WSMEs COVID-19 impact



When asked what business challenges WSMEs faced due to COVID-19, survey respondents reported that the decreasing demand for their products and services was the number one challenge (49%), followed by their mental health being negatively impacted (39%) and decreased productivity due to health-related restrictions (39%). Other key challenges included increased costs of production, lost clients, letting staff go, and increased anxiety, as outlined in Figure 41.

Figure 41. WSMEs COVID-19 related challenges

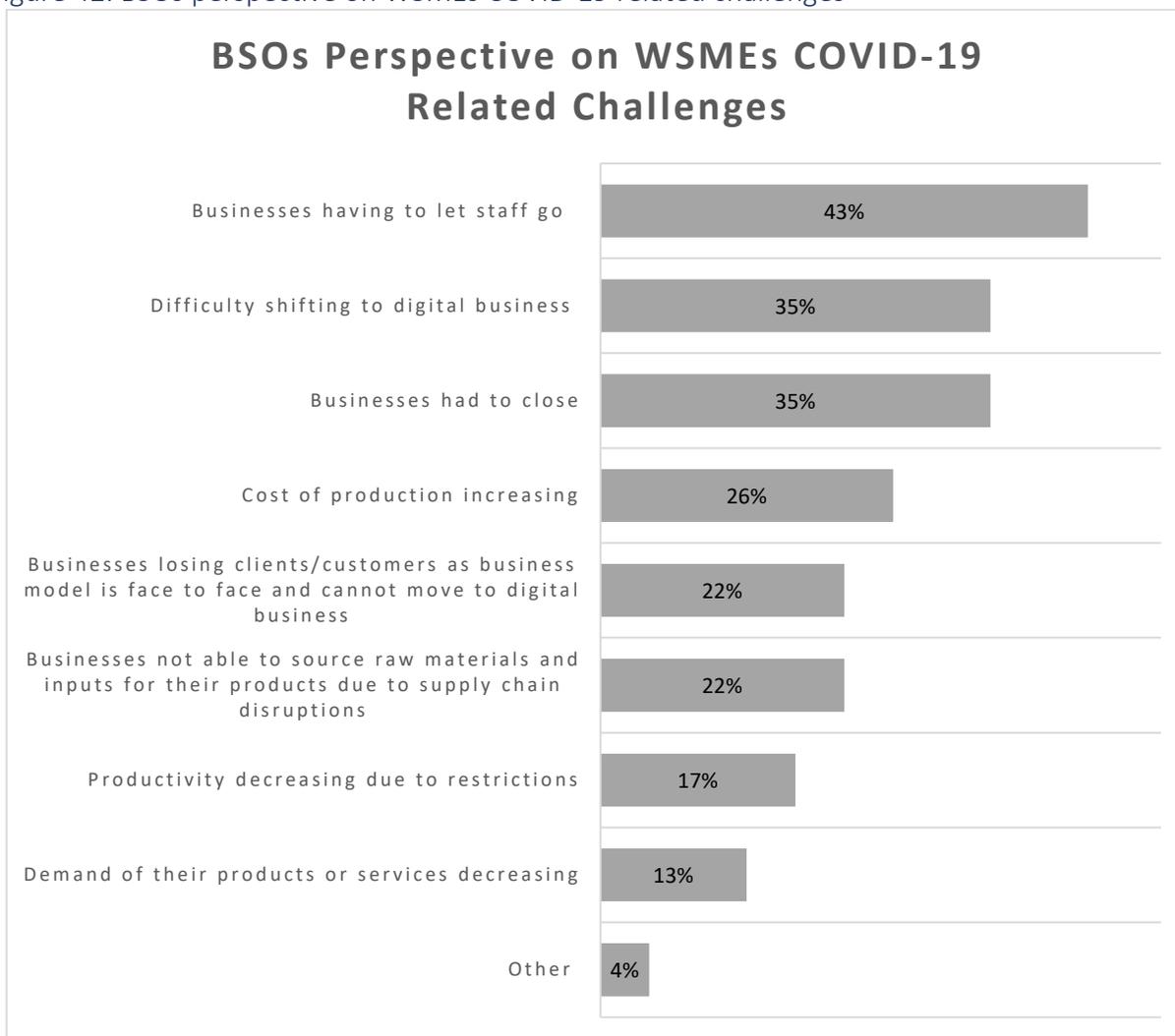


Likewise, BSOs were asked, from their perspective, to indicate WSMEs COVID-19 related challenges. As outlined in Figure 42, BSOs reported that the top three challenges that businesses faced were letting staff go, having difficulty shifting to a digital business model, and closing their business. Interestingly, before the pandemic, the BSOs reported that the top challenges that WSMEs experienced were:

- low production capacity,
- lack of qualified staff,
- difficulty sourcing raw materials, and

- difficulty selling their products and services.

Figure 42. BSOs perspective on WSMEs COVID-19 related challenges



To understand the extent of the disruption caused by the pandemic, WSMEs were asked how their sales were impacted in the first and second year of the pandemic. Figures 43 and 44 below show that sales were severely impacted, however some signs of relief were realized mid-way through the pandemic.

Figure 43. WSMEs sales impact 2020-2021

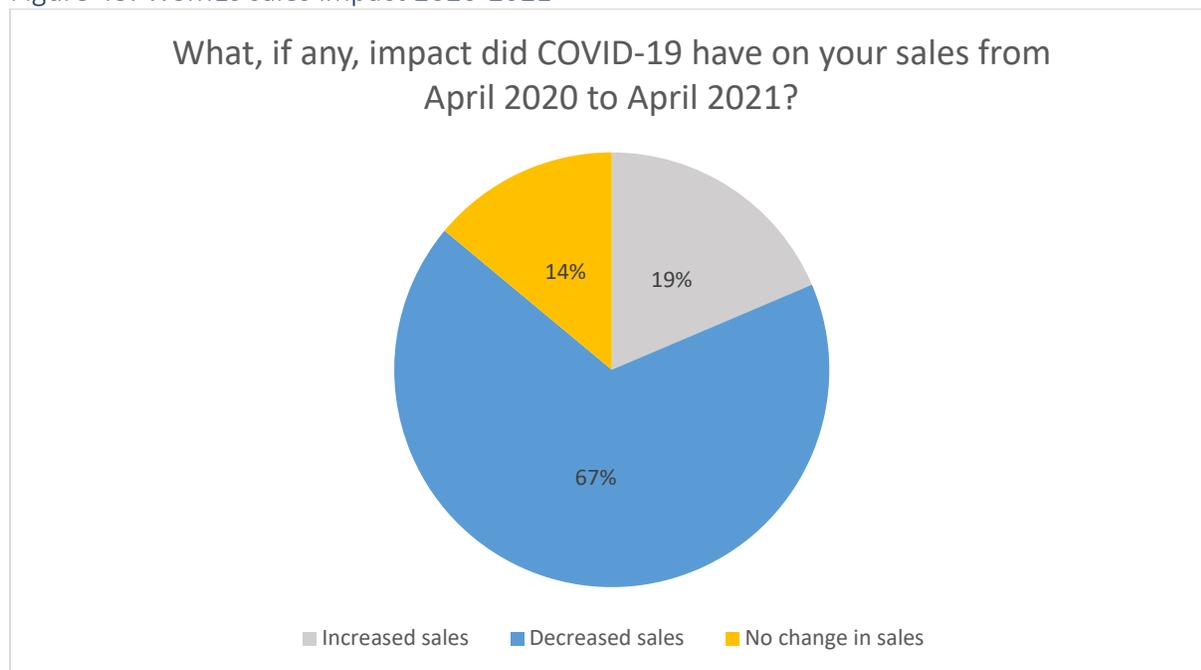
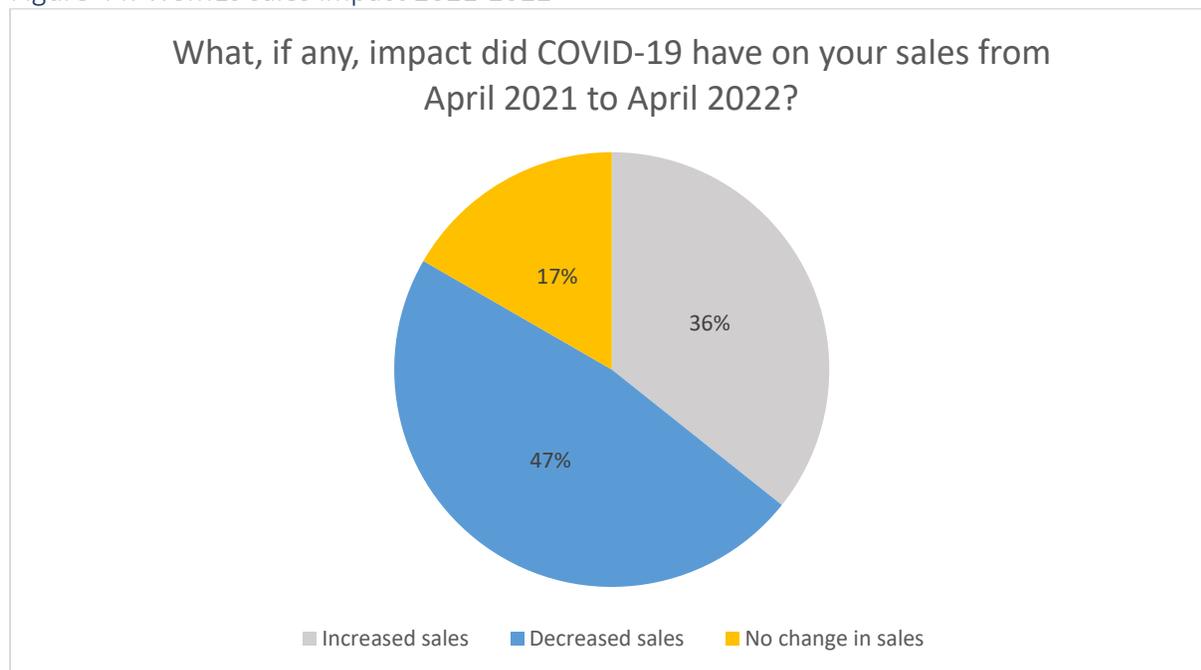
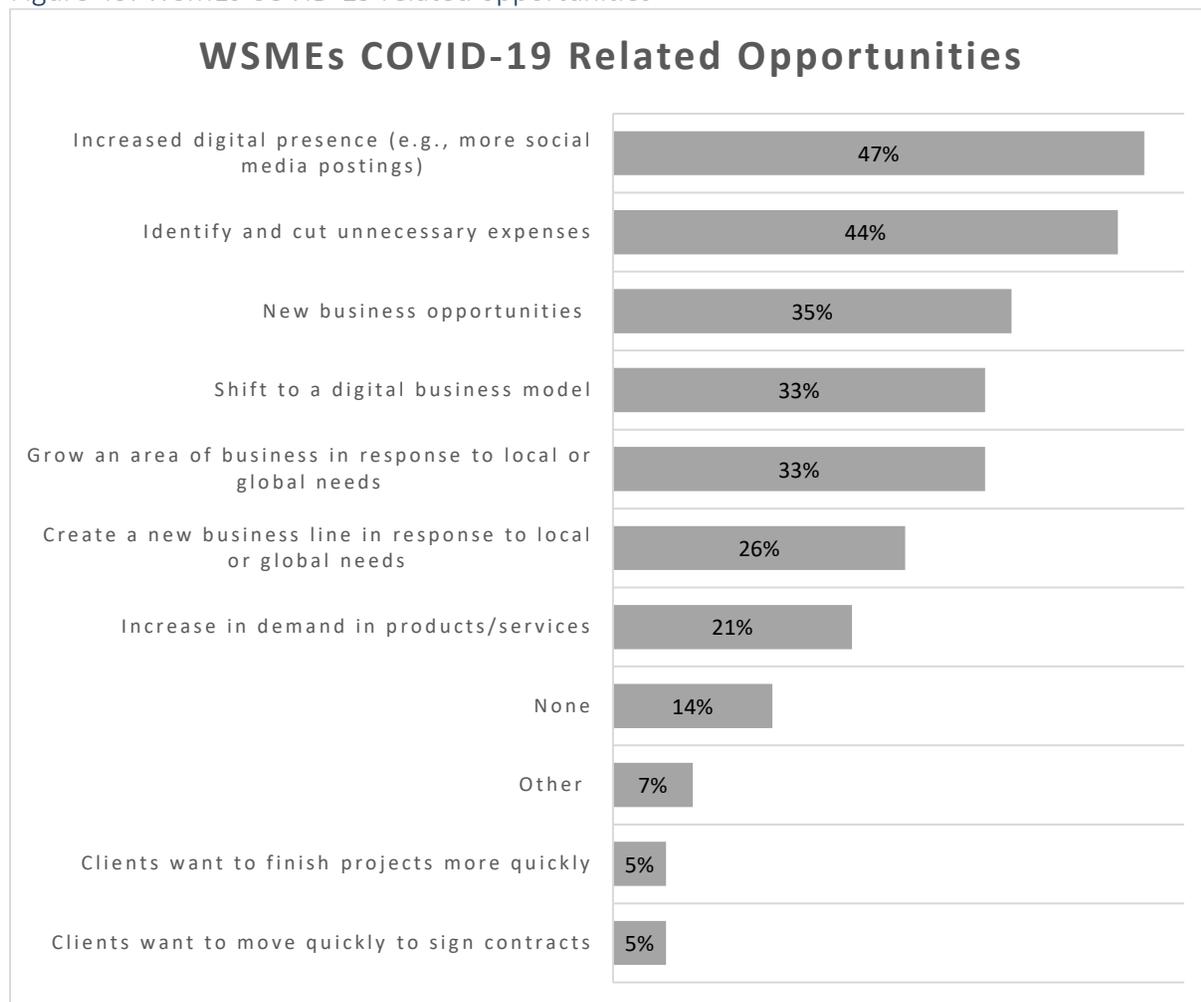


Figure 44. WSMEs sales impact 2021-2022



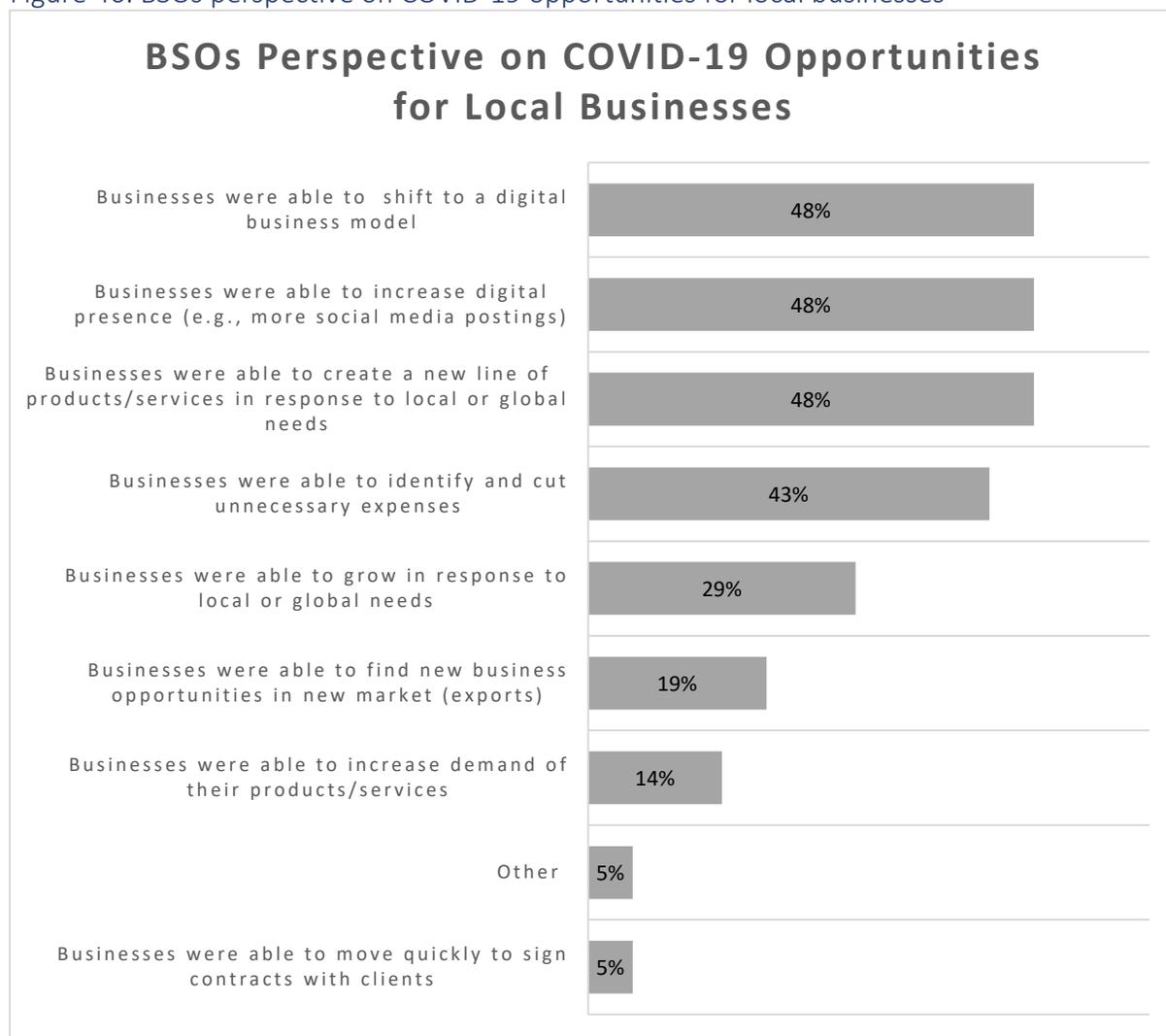
Additionally, WSMEs were asked if the pandemic brought any related opportunities for their businesses. The top three opportunities reported were an increase in digital presence, the identification and elimination of unnecessary expenses, and the identification of new business opportunities (see Figure 45).

Figure 45. WSMEs COVID-19 related opportunities



Likewise, BSOs were asked what, if any, opportunities did COVID-19 bring to local businesses that they supported. Figure 46 shows that shifting to digital business models, increased digital presence, and creating new lines of products/services in response to local and global needs were the top opportunities for local businesses.

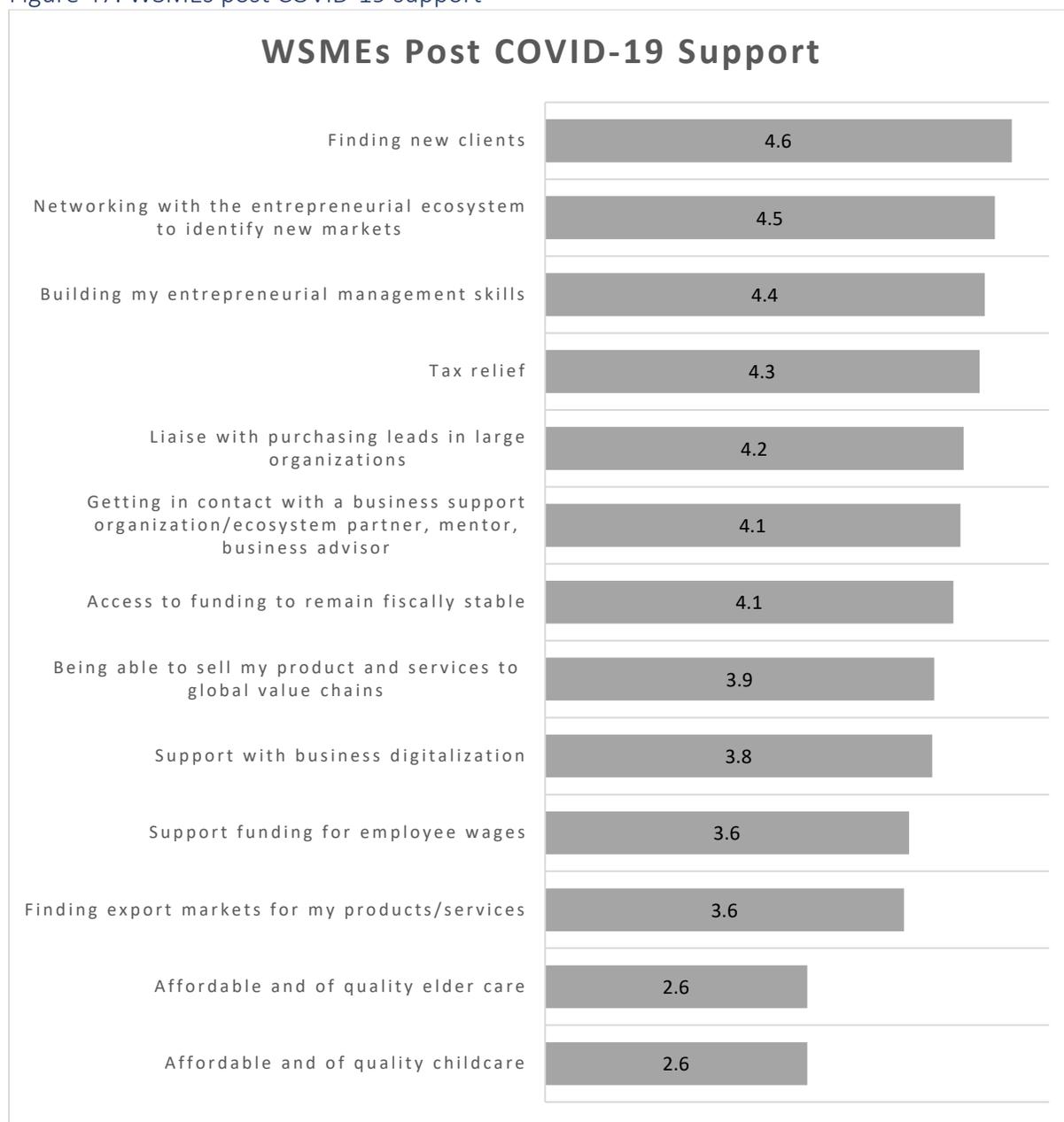
Figure 46. BSOs perspective on COVID-19 opportunities for local businesses



WSMEs were also asked to weigh the types of support they needed the most for business recovery in the post COVID-19 period. Not surprisingly, the top type of support the WSMEs identified is help finding new clients, followed by networking opportunities and building entrepreneurial and management skills (see Figure 47).<sup>17</sup>

<sup>17</sup> Based on a scale from 1 (not needed) to 5 (most needed).

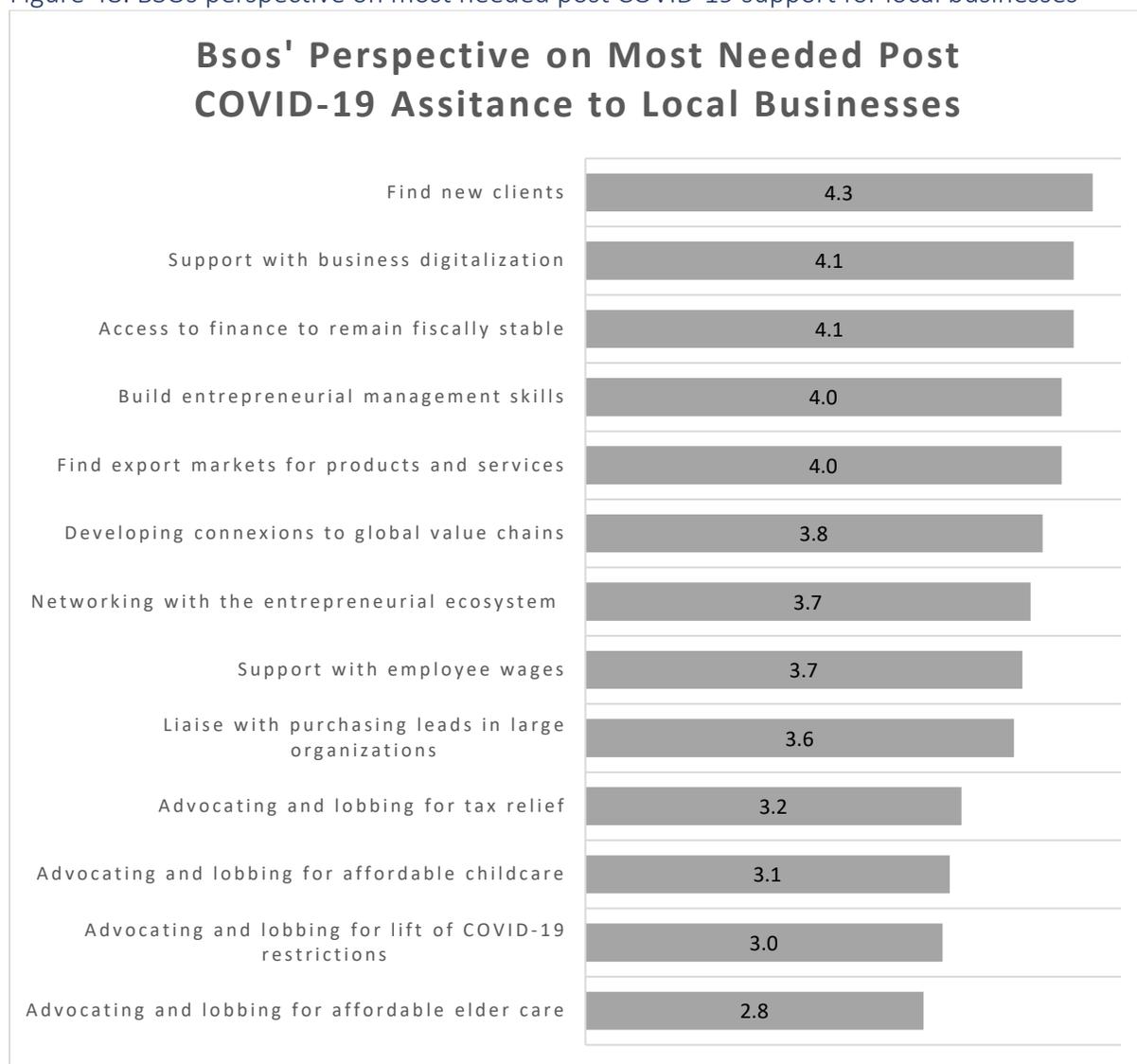
Figure 47. WSMEs post COVID-19 support



BSOs were also asked to weigh in on the types of support that local businesses require the most in the post COVID-19 recovery phase. As shown in Figure 48, BSOs indicated finding clients as the most important level of support businesses in El Salvador currently require, followed by support with business digitalization, access to finance to remain fiscally stable, and building entrepreneurial management skills.<sup>18</sup>

<sup>18</sup> Based on a scale from 1 (not needed) to 5 (most needed).

Figure 48. BSOs perspective on most needed post COVID-19 support for local businesses



With regards to purchase leads, the buyers that participated in the survey were asked how the pandemic affected their purchases in El Salvador. Some buyers reported that most of the procurement was reduced or halted, while other buyers indicated that they went into survival mode. They also found that shipment time and costs increased, and they had trouble sourcing raw materials, all of which had a significant impact on their production. This highlights the need to provide increased opportunities for buyers and WSMEs to meet, through organized networking channels.

## SWOT Analysis on the Business Ecosystem in El Salvador

This Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis investigates multiple factors that form part of the WSME ecosystem in El Salvador. The weaknesses, challenges, and strengths documented as a result of the desk research and consultation with stakeholders are evaluated to assess opportunities for the WE3A project to build a more resilient WSME ecosystem. Threats to the opportunities are evaluated as a proactive approach to mitigate risk in the overall 3-year implementation of the WE3A project.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• El Salvador has a robust network of BSOs. A large proportion of the BSOs have developed programs that target women entrepreneurship.</li> <li>• The level of women entrepreneurship is significant. According to data from the National Commission of MSMEs, 72% of the MSMEs in El Salvador are WSMEs.</li> <li>• The female share of employment in a senior and middle management position for El Salvador is high at 43.1%.</li> <li>• El Salvador's public procurement system has a regulatory framework to promote the participation of MSMEs that includes a framework for set-aside procurement programs for MSMEs owned by women.</li> </ul>	<ul style="list-style-type: none"> <li>• Female labor force participation is 46%, which is considerably lower than the equivalent national male rate of 77%, representing a gender gap of 31%.</li> <li>• A substantial proportion of the population do not have a bank account, impacting how Salvadorians can save, borrow, make payments, and manage risk. This is a problem that is linked to poverty levels. World Bank Data indicates that the percentage of the population age 15 and older with a bank account at a financial institution represents 30% (WB Data Account Ownership El Salvador, 2017). Furthermore, the Gender Data Portal indicates that there is a gender gap of 13.2% in bank account ownership between men and women. Thus, women participation in banking is even lower than men, affecting access to finances.</li> <li>• The internal conflict in El Salvador has had a detrimental impact on the business ecosystem. The high levels of violence and crime undermines overall economic growth. The business community is very cautious in general and has an ongoing concern over safety that could impact their</li> </ul>

	<p>participation in trade fairs and B2B events.</p> <ul style="list-style-type: none"> <li>• Buyers' pool of local suppliers is moderate. While there is a portion of buyers that have practices and/or policies related to gender-inclusive sourcing, the sample is too small to account as a general local practice of the business ecosystem.</li> </ul>
<p>Opportunities</p>	<p>Threats</p>
<ul style="list-style-type: none"> <li>• Provide training in Government procurement for WSMEs to enhance their participation in this procurement channel. Diversifying their client base and supplying government with products and services will better position WSMEs to sell to other large clients, which, in turn, is an introduction to global supply chains.</li> <li>• Build both the entrepreneurial and business assets of WSMEs. WSMEs in El Salvador indicated that upskill opportunities are needed, hand in hand with finding new clients and being able to sell their products and services. Entrepreneurial capacity building programs will be of great benefit, but should be complemented with hands-on trade fairs and networking events to introduce WSMEs to potential buyers. In addition, WSMEs will benefit from creating tailored business plans that take into consideration local financial market issues, including the impact of bitcoin as legal currency. It will be important to evaluate how local WSMEs can access financial products to gain the required capital to operate and, in time, grow their business.</li> <li>• Enhance affiliation of WSMEs into local BSOs, especially industry associations where they will have the</li> </ul>	<ul style="list-style-type: none"> <li>• Time constraints may prevent WSMEs from participating in Project activities. Any form of capacity building program and/or training should be developed and delivered in a way that they can attend and progress at their own pace.</li> <li>• Positioning government procurement as a sales channel will require specialized training and, ideally, participation from the procurement office of the country in roundtables and educational sessions. If the local procurement office is not on-board, it will be challenging to implement.</li> <li>• The limited participation in the banking system and access to financial products such as saving accounts and loans could hinder participation of WSMEs in global supply chains as they need to have formal tools/instruments to received payments and working capital to increase production.</li> <li>• The robust network of local BSOs may compete for resources or visibility, overlapping programming in just one area of support and leaving out important areas of support. It will be key to strategically plan the involvement of BSOs in potential Project activities.</li> <li>• Buyers may not see the value of implementing gender-inclusive</li> </ul>

<p>opportunity to be more integrated into the local business ecosystem.</p> <ul style="list-style-type: none"><li>• Create opportunities for WSMEs to meet buyers and train buyers on gender-inclusive sourcing. B2B events for WSMEs to meet buyers need to be carefully organized. WSMEs need to be prepared to effectively convey their value proposition and sales pitch. Likewise, buyers would benefit from a training or guidance on gender inclusive/responsive sourcing practices.</li></ul>	<p>sourcing practices in their businesses. Project activities for the buyers must effectively convey the benefits of enhancing participation of WSMEs in the supply chain.</p>
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## Key Insights and Recommendations

The following highlights the key insights identified in the research, as well as suggested recommendations for the Project to explore for future technical assistance and capacity building initiatives in El Salvador.

- **Insight:** Government procurement is a sales channel traditionally untapped by WSMEs mainly due to its complexity. El Salvador’s public procurement system has a regulatory framework to promote the participation of MSMEs that includes a framework for set-aside procurement programs destined for women-owned businesses.
  - **Recommendation:** Promoting the system and special set-aside programs, in favor of WSMEs, could potentially increase the number of women-owned businesses using government procurement as a sales channel.
- **Insight:** Most of the WSMEs in El Salvador are micro businesses with limited resources that require support to enhance their digital presence. Having a fully operating company website will enable sustainable growth by increasing business credibility and creating an avenue for new customers to find WSMEs, get to know their products and services and utilize purchase options.
  - **Recommendation:** Inputs into activities that enhance the digital presence of the WSMEs will very likely be positive for the ecosystem in El Salvador, especially for those enterprises that want to export their goods and services or wish to become part of global value chains.
- **Insight:** The business registration process can be very expensive for WSMEs. Furthermore, the respondents stated that they do not see, or have a good understanding of the benefit of formally registering their businesses.
  - **Recommendation:** This suggests that there is lack of knowledge of the opportunities that formally registering their business could have. Formalization of WSMEs could be part of a sustainable growth strategy. The Project can assist the WSMEs through the establishment of a well-constructed business support program that outlines and supports the WSMEs in every step of the registration process.
- **Insight:** The reason for low participation in global value chains and export could be attributed to the fact that the majority of the WSMEs in the survey sample are micro businesses with limited production capacity.
  - **Recommendation:** Specialized product development training and participation in business promotion events, such as trade fairs and roundtables under a cluster approach could be incorporated into the Activate and Accelerate stages of the Project.

- **Insight:** The latest data from the International Telecommunication Union shows that the percentage of internet users in the urban areas of El Salvador is higher at 63.5% of the population compared to rural areas, where it sits at 39.7%.
  - **Recommendation:** This difference could have had an impact on the participation of WSMEs outside San Salvador and highlights a gap that may be important when planning online training.
  
- **Insight:** Data shows that a substantial proportion of the population do not have a bank account, impacting how Salvadorians can save, borrow, make payments, and manage risk. There is a need to increase participation of WSMEs in the financial system.
  - **Recommendation:** Coordinate the design and development of financial literacy training to assist women entrepreneurs and SMEs to understand how financial products work and how to access them.
  
- **Insight:** BSOs indicated that their members struggled to shift to digital business models. Before COVID-19, BSOs' top services provided were conferences and trade missions, which are business development programming focused. Currently, the most prominent services that BSOs most provide are inclusive entrepreneur programs and e-learning platforms. Thus, most of the offering shifted from business development to capacity building to assist clients/members with digitalization.
  - **Recommendation:** There is an opportunity for BSOs to revise their offerings to their members by providing more relevant business development programming, as a result of the changing times post pandemic. This could include a hybrid (in person/virtual) conferences and trade shows approach to new programming.
  
- **Insight:** The top three opportunities for WSMEs in the pandemic included developing an increased digital presence, identification and elimination of unnecessary expenses, and identification of new business opportunities.
  - **Recommendation:** Offer WSMEs support in identifying and recruiting new clients, holding trade fairs or other networking opportunities, and capacity building workshops on developing entrepreneurial and management skills.

## Appendix I Research methodology

This research was conducted by utilizing existing secondary and primary data sources to analyze the business ecosystem of El Salvador as it relates to women-owned businesses. Secondary data sources came from global indicators and benchmarks, studies and country reports, repository sources from international and local organizations as well as government data.

Primary data was gathered by surveying a representative sample of the ecosystem stakeholders, that is, women-owned/led businesses, companies established in El Salvador with substantial procurement, and local business support organizations (BSOs). The sample was created based on target number of stakeholders that fit the following definitions:

**Women-owned/led SMEs (WSMEs):** businesses with at least 51% ownership, management, and/or control by women. In some cases, the ownership composition can be greater or equal to 20% if the business has a woman as CEO/COO and, if applicable, the business has a board of directors of which 30% of the board members are women. To qualify as **small and medium-sized enterprises (SMEs)**, the business can have up to 300 employees and a total gross revenue of up to US\$2.5M.

**Buyers:** are companies that have significant purchasing power in the country/market in which they are located. For example: multinational or local companies that are key to the local economy and are linked to purchasing goods and services within the key industrial sectors in the country of the research.

**Business support organizations (BSO):** are non-profit, public, private, and for-profit resource organizations, trade, and industry associations, among others, that serve local businesses and support their growth and success. For example: chambers of commerce, trade and industry associations, coalitions, government agencies, women's associations, incubators, and sectoral organizations.

Data sources to develop the stakeholder mapping list came from local firms, agencies, associations, and public entities. The stakeholder mapping list contained 265 WSMEs, 75 Buyers and 42 BSOs. An online survey was launched inviting the stakeholders in the list. Additional outreach to stakeholders that met the definitions of the mapping was completed using social media and direct mailing. A total of 75 WSMEs, 52 buyers and 46 BSOs responded to the survey.

The survey gathered quantitative and qualitative data including industry and sector, location, size of the business, level of women participation and challenges, including the impact of the global COVID-19 pandemic in the ecosystem as it relates to women-owned businesses.

## Appendix II Key BSOs and Programs

Organization	Description
<a href="#">ISDEMU</a> (Instituto Salvadoreño para el Desarrollo de la Mujer)	The Salvadorian Institute for the Development of Women is a governmental institution responsible for formulating, directing, executing, and monitoring compliance with the National Policy for Women and promoting the development of women.
<a href="#">Red de Mujeres Empresarias de El Salvador</a>	Red de Mujeres is a non-governmental organization that promotes the business and personal development of Salvadorian women. The organization offers capacity building programs and networking opportunities.
<a href="#">CONAMYPE</a> - Women's Entrepreneurship Program	<p>The National Commission for Micro and Small Businesses (CONAMYPE) is a governmental organization with a mission to improve the competitiveness of micro and small businesses (MSMEs), through government funded programs for business development and entrepreneurship across El Salvador.</p> <p>Within CONAMYPE, the <a href="#">Women's Entrepreneurship Program</a> provides capacity building and consultancy support to women.</p>
<a href="#">BANDESAL</a> Bando de Desarrollo Salvadoreño (Development Bank of El Salvador) - <a href="#">Credit Access Program for the recovery of WMSMEs</a>	<p>BANDESAL, as the country's development bank, in alliance with the Inter-American Development Bank (IDB) created the Credit Access Program for the Recovery of MSMEs.</p> <p>It provides a line of credit to women entrepreneurs to be used as working capital, fixed assets, acquisitions of land or real estate for productive purposes. It offers preferential interest rates, terms of up to 20 years, and a 3-year grace period.</p>
<a href="#">PROESA</a>	The Investment Export Promotion Agency of El Salvador (PROESA) is an autonomous government institution dedicated to the promotion and attraction of national and foreign private investment, the promotion of exports of goods and services produced in the country, the evaluation

	<p>and monitoring of the business climate and the preparation of proposals to improve investment and export policies.</p> <p>PROESA provides export and investment related programs.</p>
<p><a href="#">Incubadora de Empresas GERMINA</a> (Business Incubator)</p>	<p>Business Incubator GERMINA is oriented to information and communication technologies (ICT), and other key sectors of the country, such as: renewable energies, medical tourism and others. GERMINA develops actions linked to promoting the entrepreneurial culture of technology companies, in the development of human talent, knowledge management and innovation, and the contribution to job creation as a means of economic and social development.</p> <p>GERMINA, has built important alliances with prestigious institutions, for example: the Inter-American Development Bank (IDB), the Network of Incubators of Latin America (RedLAC) and INCAE.</p>
<p><a href="#">Impact HUB San Salvador</a></p>	<p>Impact Hub San Salvador is part of the global community of Impact Hub. It provides consultancy and creative spaces for entrepreneurs. It is an enabler of innovation that creates impact using the entrepreneurial mindset.</p>
<p>Fundación Promotora de la Competitividad de la Micro y Pequeña Empresa (<a href="#">CENTROMYPE</a>)</p>	<p>This is a private non-profit organization, that provides business development services to improve the competitiveness of micro, small and medium enterprise (MSMEs).</p>
<p><a href="#">Fundación GARROBO de El Salvador</a></p>	<p>Fundación Garrobo de El Salvador is a non-profit, non-governmental organization working for the positive development of vulnerable children and displaced young women through education and training in practical life skills.</p> <p>It is an initiative of Textiles Opico, SA de CV (TEXOPS), a sportswear factory that produces for well-known international brands.</p> <p>The organization has two main programs:</p>

	<ol style="list-style-type: none"> <li>1. The <a href="#">Colegio de Vida Integral Montessori</a> is a daycare and preschool center dedicated to factory workers; and,</li> <li>2. The <a href="#">GARROBO project</a> focuses on the social and financial empowerment of displaced and vulnerable young women through an intensive two-year job and life-skill training modeled after the world-renowned Swiss apprenticeship system based on 80% practice 20% theory.</li> </ol>
<a href="#">Asociación Voces Vitales El Salvador</a>	<p>Voces Vitales El Salvador is a non-governmental organization that provides a nationwide participatory platform to promote and empower women, focusing on the development of their leadership skills, entrepreneurship, and self-esteem, to create an inclusive and prosperous society.</p> <p>This organization has highly practical and hands on capacity building initiatives in the form of training, mentoring, and entrepreneurship coaching.</p>
<a href="#">CAMARASAL</a> (Cámara de Comercio e Industria del El Salvador)	<p>The Chamber of Commerce and Industry of El Salvador has as its mission: To permanently promote and defend the system of free initiative, promoting national unity, and business development with social responsibility, leading actions and facilitating services that foster competitiveness and innovation.</p> <p>The chamber undertakes <a href="#">networking events especially for women-owned businesses</a>. It has over 600 members that are women-owned businesses.</p>
<a href="#">CENPROMYPE</a> Centro Regional de Promoción de la MIPYME	<p>CENPROMYPE is a regional institution that is part of the General Secretariat of the Central American Integration System (SICA).</p> <p>It operates in El Salvador. Its objective is to improve the competitiveness and access of MSMEs to regional and international markets and promoting Central American integration. CENPROMYPE provides a variety of <a href="#">services</a>, tools and resources.</p>

<a href="#"><u>AMCHAM El Salvador</u></a>	<p>The American Chamber of Commerce of El Salvador, AmCham, is an independent, non-profit institution that represents and develops the business interests of the United States in El Salvador, while serving the business community by promoting trade and investment between the United States and El Salvador. AmCham works together with companies seeking to improve the business climate through rapprochement with government authorities.</p>
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