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QUARTERLY REPORT

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FIREMPRESA...

A GOOD START FOR A
LATE INITIATIVE

Observatorio  Mype

FIREMPRESA...A Good Start For a Late Initiative

Last Thursday on October 15, the Government of El Salvador joint with the Salvadoran Development Bank BANDESAL, launched the Firempresa Trust backed with 600 million US dollars. Their objective, according to the law is to support the economic recovery and save companies after the crisis generated by the Covid 19 Pandemic, prioritizing Micro, Small, and Medium Enterprises

The goal is to administer three programs that consist of:


- A subsidy program for SMEs employees, consisting of 140 Million US dollars.
- A program to grant credit for SMEs for 360 million US dollars.
- A productive financing program for entrepreneurs and small merchants in the informal sector for 100 million US dollars.

The initial balance in the grant of subsidies appears to be positive, which is understandable because the requirements are minimal. The progress that has been made regarding the disbursement of credit to both Formal and Informal SMEs is still relatively slow, but it seems like it will improve in the coming weeks. The upcoming Christmas season allows us to foresee a significant economic boost during the coming months.

As of November 5 of 2020, 21 days after its launch, according to statistics shown on the website of the Firempresa Trust (www.firempresa.gob.sv) the following amounts have been disbursed:

PROGRAMAS	MONTO DESEMBOLSADO US\$	PENDIENTE DE DESEMBOLSAR US\$	MONTO OTORGADO US\$	SALDO DISPONIBLE US\$
SUBSIDIO	14,650,989.16	3,132,250.19	17,783,239.35	122,216,760.65
CRÉDITO SECTOR FORMAL	1,874,734.00	733,440.90	2,608,174.90	357,391,825.10
CRÉDITO SECTOR INFORMAL	2,786,420.00	0.00	2,786,420.00	97,213,580.00
TOTAL	19,312,143.16	3,865,691.09	23,177,834.25	576,822,165.75

The amount of 14,650,989.16 US dollars, corresponds to 5,209 requests, delivered through the institutions: Banco Hipotecario and Banco de Fomento Agropecuario. Also, 3,132,250.19 US dollars remain to be reimbursed, which corresponds to 1,302 requests.



Just like in the informal sector credit program, 2,786,420.00 US dollars have been disbursed, which correspond to the 524 requests.

From the formal sector credit program, 1,874,734.00 US dollars have been disbursed, which corresponds to 64 requests. 6 requests are pending to be granted, which amount to US \$ 733,440.90. All this as of Nov 5, 2020.

The Firempresa Trust offers a technological mechanism that allows the user to know the requirements and apply to the programs from a website. There, all the required formats are attached, and people can upload their documents whenever they apply. All of that has given them greater agility in the granting process.

The Program's design

Among the main attractors of the program are:

- A subsidy program for employees that will cover 50% of the employers' monthly payroll for two months, and a monthly allowance of up to 22,500.00 US dollars per company. The total amount received per company would be a total of 45,000 US dollars.
- In the credit program, the maximum term that beneficiaries will have to pay the credit will be up to ten years, with a maximum effective rate of 3% per year and one year of full grace period.
- Regarding the formal sector, the amount of credit will be assigned according to an analysis of requirements of funds, based on a formula approved by the Trust which takes into account social security spreadsheets and tax returns.
- The maximum amount for the informal sector will be assigned concerning their work capital, and it will be up to 80% of the required amount to cover four months of operations.

Brief preliminary assessment

Evidently, we are talking about a late initiative (eight months have gone by since the onset of the crisis) that got stagnated due to the growing political polarization that has been affecting the country for the last few years and that has worsened during the last few months. Now, even more, since the temporary truce during the Pandemic has passed.

It is hard to estimate the cost that the absence of this lifesaver had for vulnerable SMEs. Especially for those that required a bigger rescue and immediate help and that succumbed due to lack of support. A very possible scenario is that, as a result, many SMEs had to take drastic measures, or they even had to close their operations, contributing to the increase of informal unemployment, that some calculate to have been between 300,000 and 400,000 people,

almost 20% of the occupied population from the SME segment. The real data remains open to interpretation, although there is no doubt that the disbursements' delay contributed greatly to the situation of many SMEs and to the increase of unemployment.

Anyhow, it is quite possible that if the grant of subsidies and the pending credits are successfully fulfilled during November and December, SMEs will enjoy a greater dynamism of their commercial activity, which will also increase during the Christmas Season. As a result, many SMEs will be significantly relieved.

However, the criteria to measure the success of this program will rely on its capacity to provide resources uniquely to SMEs who can present the necessary criteria to justify this type of soft financial aid and subsidies. If what is taken into account is only the demand and management capacity, much of the aid may be concentrated. That would occur to the detriment of the weakest and most fragile SMEs, and it would only benefit stronger ones.


Finally, it is also crucial to remember one important fact: although the amount of resources destined to the informal sector (100 million US dollars) has been very significant, because of the high volume of the market it won't make a big difference. It will only cover 5% of the whole market. The reactivation of the sector will continue to rely on the effective continuity of funding provided by the banking sector; which is represented by microfinance institutions, private banks, cooperatives, savings and credit societies, and credit systems. And finally, it will rest upon the grit and capacity that business owners demonstrate.

The requirements of each program are the following:

Programa de SUBSIDIO

El programa de SUBSIDIO para empleados de la micro, pequeña y mediana empresa, apoyará a las empresas para que continúen trabajando y los beneficiarios serán los empleados de las Mipymes; entre los requisitos para aplicar se requiere:

- ✓ Las empresas deben estar registradas: Como patronos en el Instituto Salvadoreño del Seguro Social y/o
- ✓ Estar inscritas en el registro de la Comisión nacional de la micro pequeña y mediana empresa CONAMYPE, y/o
- ✓ Los que estén inscritos como contribuyentes en el registro del impuesto a la transferencia de bienes muebles y a la prestación de servicios IVA
- ✓ La empresa debe estar funcionando.
- ✓ Y ser afectada por la pandemia.
- ✓ La última planilla reportada al ISSS entre los meses de diciembre 2019 a Febrero 2020 muestre que la empresa cuenta con menos de 100 empleados.
- ✓ La empresa debe haber tenido ingresos anuales por ventas brutas en el año 2019, o en su defecto el año 2018, iguales o menores a US\$ 7 millones.



The grant from the program has to be transferred from employers to employees within a 3-day workday period from the time of disbursement.

Businesses can apply to this grant until the 14th of December of 2020.

Program for the grant of credit for formal SMEs with a value of 360 million US dollars

The program Will grant credits under favorable conditions to business owners of Small and Medium Enterprises, that can demonstrate how they are being affected by the crisis caused by the Pandemic. These credits will be destined mainly towards the financing of their workforce.

Among the requirements to apply, there are:

Estar registrados en el Instituto Salvadoreño del Seguro Social ISSS y al día con sus obligaciones patronales a diciembre de 2019. Para quienes iniciaron operaciones durante el año 2020, se requerirá la última planilla presentada entre enero y junio 2020.

Inscribirse en el registro de personas elegibles para acceder a los créditos que otorgará el Fideicomiso

Si el solicitante no se encuentra inscrito como patrono en el ISSS, podrá optar al programa de Financiamiento productivo, para lo cual deberá estar:

- i) Inscrito en el Registro de la comisión nacional de la micro y pequeña empresa CONAMYPE,
- ii) Inscrito en el registro al impuesto a la transferencia de bienes y servicios IVA

Ser afectadas por la crisis ocasionada por la pandemia del COVID 19

Estar en categoría de riesgo crediticio “C”, “D” y “E” o su equivalente en días mora al 29 de febrero de 2020 en la central de riesgos de la Superintendencia del Sistema Financiero

Haber estado solvente de sus obligaciones tributarias al 29 de febrero de 2020 para créditos mayores a US\$ 30,000.

Productive financing program for business owners and small merchants from the informal sector, composed of 100 million US dollars.

The Trust for the economic recovery of Salvadoran Companies includes the program destined for SMEs that belong to the informal sector. The segments that can apply are producers of goods, commerce, cultural industries, among others. On top of the legal entities that aren't registered as trustees in the ISSS (Salvadoran Institute of Social Security)

ENTRE LOS REQUISITOS PARA APLICAR SE REQUIERE:

Ser afectados por la crisis ocasionada por la pandemia del COVID 19

Poseer buena categoría de riesgo crediticio A o B o su equivalente en días moras al 29 de febrero 2020

un crédito vigente en el sistema financiero nacional y/o sistema Cooperativo y/o Sociedades de Ahorro y Crédito

Tener En caso de no poseer crédito ni récord crediticio, tiene las opciones de: haber recibido de un proveedor crédito registrado en BCR, estar inscritos en CONAMYPE o como contribuyente del IVA