

PROJECT SUMMARY

DIGITAL TRANSFORMATION AND NEW FINANCIAL PRODUCTS FOR SALVADORAN SMES (ES-T1309)

This project proposes to support the development of Salvadoran small and medium-sized enterprises (SMEs) through a technical assistance program that will give them access to a dynamic menu of financial and nonfinancial services geared to the changing needs of these businesses and help them transform the commercial, administrative, and technological aspects of their operations when they enter into a financial relationship with Scotiabank El Salvador, such as when they take out a loan, open a bank account, or acquire payment services or other Scotiabank products targeted to SMEs.

This is a technical cooperation project with nonreimbursable and contingent recovery funds subject to the achievement of certain indicators. The project will add value and lend impact to the IDB Invest loan (12604-01) for US\$37.5 million by providing Scotiabank with a stable, long-term source of funding for its SME clients, aimed at relieving the main constraints faced by businesses in this segment. IDB Lab will establish a framework for collaboration and the generation of knowledge on technology-based support for SMEs in El Salvador and the Central American region.

This project will support the development of financial products geared to the needs of SMEs. Scotiabank will launch a comprehensive line of financing for this segment that will include a technology component to support the growth, productivity, and sustainability of these businesses. The objective of these lines will be to help SMEs purchase machinery, equipment, and fleets, acquire working capital, and consolidate commercial debts. This operation will also help make available financial and nonfinancial products to firms based on their specific needs, so that they can directly engage in the digital transformation process using technology tools to organize their finances, market their products and services, and more. The project will also develop a technology-based strategic program to help SMEs overcome management and administrative limitations, by designing training courses and specific tools geared to their needs. The objective of these activities will be to support the development of this group of businesses that could eventually become potential clients and to foster their growth.

The project will also have a comprehensive gender strategy to provide and adapt products to the needs of women entrepreneurs in El Salvador. Comprehensive data mining, the adaptation of products based on the needs of women entrepreneurs, and specific training courses will be developed to help them increase their access to financing and enhance their entrepreneurial development. To this end, IDB Lab and Scotiabank will build partnerships with local organizations to promote investment, training, and lending for women and other entrepreneurs in technology industries, in order to create an entrepreneurial ecosystem and achieve a systemic impact throughout the sector.

The total amount of the project loan is US\$1,998,600, with a contribution of US\$1,248,600 from Scotiabank and US\$750,000 from IDB Lab, of which US\$450,000 will be nonreimbursable technical cooperation funds and US\$300,000 will be contingent recovery funds.