

Investing in El Salvador's Families

Microenterprise Development for the Working Poor

Despite being the smallest country in Central America, El Salvador has the third largest economy. However, in recent years, natural disasters—Hurricane Mitch in 1998 and a series of powerful earthquakes in 2001—have been factors in slowing economic growth. Extremes of poverty and wealth among Salvadorans also contribute to the nation's economic distress.



Despite some recent successes, El Salvador's economy remains vulnerable, in part, because the nation is located in a zone inclined to experience natural disasters, especially earthquakes and—as pictured above—flooding.

In 2006, El Salvador implemented the Central American-Dominican Republic Free Trade Agreement, strengthening an already positive export trend. The trade deficit has been offset by annual remittances from Salvadorans living abroad—equivalent to more than 16 percent of gross domestic product—and external aid. With the adoption of the U.S. dollar as its currency in 2001, El Salvador lost control over monetary policy and must concentrate on maintaining a disciplined fiscal policy. The current government has pursued

economic diversification, with some success in promoting textile production, international port services, and tourism. It is committed to opening the economy to trade and investment, and has embarked on a wave of privatizations extending to telecom, electricity distribution, banking, and pension funds. Nevertheless, threats to El Salvador's economy remain, including vulnerability to natural disasters (hurricanes, earthquakes, flooding, and drought), the high failure rate of small businesses, increasing violent crime levels, and the tense political situation between the country's two major political parties.

World Vision's History in El Salvador

World Vision began work in El Salvador in 1975, initiating a child sponsorship program through five school projects. In 1978, a World Vision office was opened in El Salvador's capital city, San Salvador. During the period of 1975 to 1980, civil war erupted, and World Vision continued to provide what aid it could, sponsoring 9,200 children by 1985.

From 1991 to 1998, World Vision's emphasis turned to rehabilitation and development efforts following the 1992 peace agreement that ended El Salvador's civil war. World Vision continued its rehabilitation efforts in response to Hurricane Mitch's devastation of the country in 1998. In early 2001, El Salvador was rocked by a series of severe earthquakes. World Vision, in addition to providing emergency aid, committed to help Salvadorans rebuild their lives, homes, and businesses.



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Currently, World Vision continues to help families in El Salvador through programs that focus on medical care and water and sanitation projects.

FUNSALDE Background

The Salvadorian Development Foundation—FUNSALDE—is a nonprofit, microfinance institution founded in December 1993 with an initial endowment of \$25,000 provided by World Vision. FUNSALDE is designed to improve the life of Salvadorans by generating economic development through microcredit, training, and technical assistance to poor people, especially households headed by women. It operates as a parallel organization to area development projects executed by World Vision.

FUNSALDE currently operates in seven World Vision project areas: San Julian, Sesori, Sendero de Esperanza, La Bendicion, Renacer, Sinai, and El Alfarero. Plans call for FUNSALDE to begin operations in the Villa Victoria project area later this year.

Improving Participation in FUNSALDE

In 2006, World Vision started the Microenterprise Development-FUNSALDE Project with the goal of developing and growing the number of Salvadorans—with an emphasis on the working poor and households headed by women—using microfinance and technical assistance to better their economic situation. The overall goal of the five-year project (2006 through 2010) is to help improve the quality of life of 5,400 Salvadoran families, with a focus in the communities where World Vision works, by providing credit and technical assistance according to their needs. Through FUNSALDE, World Vision plans to:

- Increase the project's total portfolio 20 percent by the end of fiscal year 2007 (September 30, 2007), 17 percent by the end of fiscal 2008, 16 percent by the end of fiscal 2009, and 16 percent by the end of fiscal 2010, for a total of \$2,717,000
- Keep the portfolio's level of risk below 5 percent
- Ensure that at least 60 percent of the portfolio benefits households headed by women
- Grow to 26 percent our credit activities in World Vision project areas
- Increase credit options by expanding individual loans, community banks, and solidarity groups (teams of clients)
- Develop new products, including credits for solidarity housing, productive chains, and community groups
- Generate employment opportunities for adults and improve educational opportunities for children

Current Microfinance Institution Information

As of December 2006, FUNSALDE reported \$1,455,986 of outstanding loans invested in 2,612 active clients, 69 percent of whom are women and 64 percent of whom reside within a World Vision project area. The average loan disbursement size was \$524.

How You Can Help

To continue this life-changing project, World Vision needs \$448,000 in fiscal 2007. Thank you for prayerfully considering how you can share your blessings with the working poor in El Salvador.



Solidarity group members sign up to receive credit from FUNSALDE. World Vision's microenterprise development efforts in El Salvador are helping the working poor and households headed by women.

World Vision is a Christian humanitarian organization dedicated to working with children, families, and their communities worldwide to reach their full potential by tackling the causes of poverty and injustice. Motivated by our faith in Jesus Christ, we serve alongside the poor and oppressed as a demonstration of God's unconditional love for all people. World Vision serves all people, regardless of religion, race, ethnicity, or gender.