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Introduction

Digital transformation can make a country’s economy more competitive, along with its citizens and businesses. Digital transformation must be democratic and inclusive to ensure that all populations, demographics, and businesses can take advantage of the benefits that technology offers. This requires expanding access and digital literacy in general, with particular attention paid to historically marginalized groups to avoid widening existing gaps.

In this regard, FUSADES, with the support of the Center for International Private Enterprise (CIPE), conducted a study entitled "The Path Towards Inclusive Digital Transformation In El Salvador," which provided a diagnosis of the current digital environment in El Salvador, including an analysis of the specific challenges of integration into the digital economy for micro, small, and medium-sized enterprises (MSMEs).

The study seeks to understand the challenges and opportunities for promoting an inclusive digital transformation process in El Salvador. As a starting point, it aims to facilitate digital transformation for MSMEs, with a special emphasis on women businessowners, using concrete data outlining the reality in El Salvador to provide specific, evidence-based recommendations.

On November 27, 2023, FUSADES and CIPE hosted a webinar to share the results of the study, featuring two presentations: one entitled "Inclusive Digital Transformation in SMEs," and the other, "Legal Framework for Inclusive Digital Transformation in El Salvador: Where Are We and What Do We Need?"
Additionally, the event featured a discussion titled "What Would Be the Path to Achieve an Inclusive Digital Transformation in El Salvador?" with Connie Gonzalez, Deputy Director of the Center for Women’s Economic Empowerment (CWEE) at CIPE; Iris Palma, Founder and Director of Next Latam; and Marleny Portillo, a Salvadoran micro-entrepreneur.

This document summarizes the two presentations from the event and includes the panelists' recommendations on potential measures to consider for creating a roadmap for an inclusive and secure digital transformation in El Salvador.

Links

Webinar Recording of “The Path Towards Inclusive Digital Transformation In El Salvador”

Full Study of “The Path Towards Inclusive Digital Transformation In El Salvador”
Opening Remarks
Opening Remarks by CIPE

After welcoming everyone, Louisa Tomar highlighted how the COVID-19 pandemic has completely changed the use of new technologies, creating an opportunity to open discussions about inclusive digital transformation in El Salvador, both in the economic and digital sectors.

A digital divide exists that excludes many people, and when women finally participate in the digital transformation, they face new risks that can harm their digital rights, particularly their security.

She concluded by emphasizing that CIPE and FUSADES have made efforts to improve and deepen their understanding of the situation to better direct their efforts to promote the reduction of digital and gender barriers, as digital transformation can enhance competitiveness, productivity, and prosperity.

“There is a digital divide that leaves many people out, and when women finally get online, they face new security risks.”
Javier Castro agreed with Louisa Tomar on how the world has changed since the COVID-19 pandemic. This makes the alliance between FUSADES and CIPE even more important to understand one of the biggest challenges: the digital divide.

To overcome this obstacle, it is necessary to understand its nature in order to propose solutions. This way, women in the business sector can take advantage of the benefits brought by the digital boom.

To this end, FUSADES conducted the survey of male and female entrepreneurs which demonstrated that digitalization is especially challenging for micro and small businesses, which is also the sector with the highest concentration of women. The survey also showed a general lack of knowledge about the digital tools that can be used to enhance small and micro businesses.

He concluded by emphasizing the importance of discussion and learning spaces to provide both men and women with the optimal tools and knowledge to boost digital transformation in El Salvador.
Summary of Event Presentations
MSMEs in El Salvador: The Path Towards Inclusive Digital Transformation

In summary, Margarita presented the following results from the “The Path Towards Inclusive Digital Transformation In El Salvador” study:

In El Salvador, nearly all Salvadoran households have at least one cellphone; however, less than half of the households had a computer in 2022.

The greatest disparities in internet usage occur among individuals with different levels of education and across various age groups, notably higher among those with university education, younger individuals, urban residents, and those with higher income levels. Across all these population groups, there are no significant differences between men and women; on average, the gender parity index is 0.95.

When analyzing by employment category, gaps between men and women are observed, particularly noticeable among those working as employers or self-employed; by sector, among individuals engaged in high-complexity services, the gender parity index favors women, while the opposite is observed in other sectors.

“It is necessary to expand digital access for all groups equally, which would have the consequence of contributing to closing gender gaps in job placement.”
It is important to recognize that in sectors where women tend to be more engaged, they exhibit lower levels of internet usage. The results of the "MSME and Technology Survey" also reflect this: women tend to be more involved in sectors such as commerce and smaller enterprises.

Furthermore, the survey found that both men and women tend to be over 45 years old and are more concentrated in the Metropolitan Area of San Salvador (AMSS).

By analyzing these characteristics, the survey helps identify challenges that MSMEs face in leveraging the benefits of digital transformation and highlights areas where support is needed. For instance, support programs should specifically target older individuals, those with lower levels of education, and those in areas outside the AMSS to prevent the widening of existing gaps.

The survey also revealed that the utilization of technology and digital tools among MSMEs is relatively low and rudimentary. Respondents displayed limited knowledge regarding digital marketing techniques, cybersecurity, and data protection mechanisms. Furthermore, nearly half of the MSMEs that use the internet extensively have encountered some form of cyberbullying, underscoring the urgency of promoting cybersecurity training.
The survey revealed significant differences between men and women, although the gap diminishes when examined by sector or business size. The average gap stems from sectors with the lowest averages, notably commerce and businesses with 1 to 5 employees, where women's participation is higher. Once more, it is evident that gaps are linked to the type of job placement women attain.

Despite the evident need for training amongst MSMEs, and despite the identification of at least 57 institutions (48 private and 9 public) in El Salvador offering approximately 90 programs aimed at supporting the development of entrepreneurs' skills and capacities, support for essential digital knowledge required for digital transformation is very limited (less than 30% of programs).

Despite the numerous institutions supporting MSME respondents acknowledging the lack of understanding of digital concepts, only a few mentioned receiving training.

Given all of the above, it is essential to take into account the demographics of MSMEs and the individuals who lead them, in order to offer programs that contribute to closing the gaps rather than increasing them.
Legal Framework for Inclusive Digital Transformation in El Salvador: Where are we and what do we lack?

Joaquín’s presentation included the following points:

Through a review of literature, public policies, and current legislation in El Salvador, FUSADES identified various gaps and areas for improvement to promote a democratic and inclusive digital transformation for women, enabling their full integration into the digital environment. It is clear that El Salvador still has a long way to go in terms of digital transformation.

Joaquín noted that digital transformation became a national agenda item in 2015 with the approval of the Electronic Signature Law. This was followed by the enactment of other key regulations, including the Law Against Cybercrimes and Related Offenses, Administrative Procedures Law, Regulatory Improvement Law, Electronic Commerce Law, Telework Regulation Law, among others.
However, significant gaps persist in public policies oriented to protect digital rights and advance equitable digital transformation. For example, as of August 2023, there is still no Personal Data Protection Law, no regulation for the development of e-government, and no regulations on cross-border e-commerce, financial technologies facilitating access to credit for MSMEs, cybersecurity standards, media regulations encouraging the use of technology, etc.

Therefore, it is essential to have a Personal Data Protection Law that provides security and confidence in the use of digital media by regulating the right to normative self-determination.

This would enable individuals to significantly benefit from their democratic development in the digital environment, giving them the ability to access, rectify, cancel, and object to the handling of their personal data by a third party.

Similarly, this law would set forth the conditions for information collection and explicitly define the consequences for violating the aforementioned rights. It would serve as the foundation for the proper implementation of certified electronic signatures, e-commerce, electronic records, digital identity, e-government, and any other activity conducted through communication technologies.
Another element of great relevance is the regulation of cyber harassment against women. While there are regulations that in some way protect women from physical harassment, there is no explicit regulation that governs online harassment. As such, it is important to adopt the recommendations of international standards from the United Nations, among other organizations, which emphasize that governments must recognize the evolving nature of violence against women and respond to new risks as they emerge.

Furthermore, conducting a thorough digital literacy program is essential, coupled with raising awareness about the significance of technology use. This initiative should explain to individuals engaging in the digital sphere what their digital rights entail and how these rights can be viewed as an extension of traditionally recognized human rights.

Finally, the public must possess sufficient cybersecurity knowledge to equip themselves with tools for safeguarding against potential online fraud or information theft.

The aim of all these efforts is to ensure that women clearly comprehend both the benefits and potential risks associated with using digital platforms. This environment entails greater public exposure, making it easy for information to surpass the control of its owner.
Panel Questions

Marjorie oversaw moderating the panel, guiding the discussion around the following questions:

FIRST ROUND OF QUESTIONS

- Is the phenomenon of low electronic media utilization in microenterprises exclusive to El Salvador, or does it also occur in other countries?
- Which policies do you believe should be implemented in El Salvador to drive digital transformation more effectively in microenterprises?
- What benefits do microenterprises experience when adopting technology?
- What day-to-day opportunities and barriers have you encountered as you’ve integrated technology into your business?

SECOND ROUND OF QUESTIONS

- What recommendations would you give to outline the path towards a digital process in El Salvador?

The purpose of this panel of questions is to delve deeper into one of the most emergent problems in the business world: the digital divide. The panelists provide a series of recommendations and observations, from their perspectives, to overcome the challenge and identify possible short-, medium-, and long-term solutions that allow women to safely enter the digital world.
Connie shared her experience from CIPE, which has allowed her to observe a breadth of digital gaps across the globe. Here is a summary of the responses she provided in the panel discussion:

**Is the phenomenon of low electronic media utilization in microenterprises exclusive to El Salvador, or does it also occur in other countries?**

The gender gap is less pronounced in El Salvador, but there is a much more notable difference between microentrepreneurs and large companies. As in other countries, this gap is more noticeable in rural and high-risk areas. Consequently, CIPE has conducted courses that are accessible without the need for an active internet connection, aiming to reach areas with more pronounced disparities.

Access to technology and possessing adequate digital skills are crucial for navigating a global and digital landscape. Therefore, training in utilizing digital resources and understanding digital rights is imperative for advancement.
Therefore, the transition from physical businesses to an online presence requires businesswomen to know how to effectively utilize digital resources. This transition is an ongoing process due to rapidly advancing technology, and businesspeople must have the ability to adapt.

What recommendations would you give to outline the path towards a digital process in El Salvador?

Businessowners should actively assume a leading role across all sectors of society in developing public policies. They should engage with all sectors while also considering groups in rural areas and the informal economy.

Furthermore, when developing new technological advancements, it is crucial to maintain a gender-focused approach, as these advancements may not necessarily be utilized in the same manner by men and women. It is essential to consistently consider these differences to ensure that the tools are more effective for everyone.
Iris Palma emphasized the importance of focusing digital public policies on the real needs of microentrepreneurs to promote effective and sustainable digital transformation. In summary, her contributions were as follows:

Which policies do you believe should be implemented in El Salvador to drive digital transformation more effectively in microenterprises?

Numerous actions can be taken to promote the digital transformation of the business sector, but the crux lies in investing in long-term policies. Merely offering training or adopting specific technologies isn't sufficient; what's essential is establishing a supportive process within companies to tackle the challenges they encounter, considering all their specificities.

Therefore, while general public policy is necessary, the paramount focus should be on developing sector-specific policies.

For instance, there should be tailored plans for manufacturing, tourism, etc., as each sector presents unique differences and challenges that require specific approaches.
Policies must articulate and establish alliances to construct effective policies for the country, where entrepreneurs are not only beneficiaries but also strategic partners in the country’s development.

What recommendations would you give to outline the path towards a digital process in El Salvador?

Three elements must not be overlooked: a) collaboration among diverse business sectors; b) regular updates on the progress of public policy implementation; and c) technological surveillance, ensuring continual monitoring of advancements and changes in technology for businesses to adapt.

We should remember that businesses aim to sell their products or services. Therefore, prioritizing the skills required to enhance business competitiveness is crucial.

Policies should rely on concrete data that indicates the greatest needs and how to measure the impacts. This approach will also provide evidence of "early victories" and enable us to learn from any failures.
Marleny Portillo
Micro Business Owner

Panelist 3: Main Conclusions and Recommendations

Marleny shared her experience with her business’ digital transformation. She highlighted the following:

**What day-to-day opportunities and barriers have you encountered as you’ve integrated technology into your business?**

By utilizing technology and digital transformation, we can transcend geographical limitations and expand our customer reach, both internationally and nationally. Salvadorians frequently utilize social media, emphasizing the importance of using it to attract new customers.

As microentrepreneurs, the lack of knowledge in digital marketing is a significant obstacle which cannot be acquired overnight. While it is complex, it is not impossible, particularly for older generations who were born before the technological advances we have today.
What recommendations would you give to outline the path towards a digital process in El Salvador?

Microentrepreneurs require specific training on branding and brand knowledge to effectively utilize social media for promoting their products.

Staying ahead of the curve in this digital age is crucial to attracting customers from different generations and enhancing businesses’ online presence. This ensures that MSMEs perform better for their customers.