



USAID
FROM THE AMERICAN PEOPLE

USAID'S EXPORT PROMOTION PROGRAM QUARTERLY REPORT: FEBRUARY 2006 TO JUNE 2006

San Salvador, El Salvador, July 31, 2006

This report is made possible by the support of the American people through the United States Agency for International Development (USAID). The contents of this report are the sole responsibility of Nathan Associates Inc. and do not necessarily reflect the views of USAID or the United States government.

Table of Contents

Project Summary	3
Activities and Results	
Result #1: Increased domestic and export sales of \$35 Million generated by at least 350 SMEs of the total 500 SMEs assisted in the Program.	4
Result #2: 7,100 new jobs created by assisted SMEs as a result of domestic and export sales generated by the Program.	10
Result #3: A total of 1,500 businessmen, GOES officials and private sector professionals trained in business and export management areas.	11
Result #4: Institutional capacity transferred to EXPORTA, the Ministry of Economy, and at least five private sector organizations to provide sustainable export development services to SMEs.	12
Result #5: No less than five collaborative projects implemented with local private sector organizations for export development services in support of at least 200 SMEs.	13
Result #6: No less than three alliances implemented with local or international private sector organizations, foundations, or donors through cost-sharing programs or leverage funding to implement export projects in El Salvador.	14

Project Summary

USAID's Export Promotion Program (hereafter referred to as The Program) aims at continuing the work of the previous USAID-EXPRO project by further developing and increasing El Salvador export capabilities of the small and medium enterprises (SMEs). The Program's objectives are categorized into the following results:

- Increased domestic and export sales of \$35 million generated by at least 350 SMEs of the total 500 SMEs assisted in the Program.
- 7,100 new jobs created by assisted SMEs as a result of domestic and export sales generated by the Program.
- A total of 1,500 businessmen, Government of El Salvador (GOES) officials and private sector professionals trained in business and export management areas.
- Institutional capacity transferred to the GOES Export Promotion Agency (EXPORTA), the Ministry of Economy, and at least five private sector organizations to provide sustainable export development services to SMEs.
- No less than five collaborative projects implemented with local private sector organizations for export development services in support of at least 200 SMEs.
- No less than three alliances implemented with local or international private sector organizations, foundations or donors through cost-sharing programs or leverage funding to implement export projects in El Salvador.

The Program will achieve its results through the provision of technical assistance, guidance and training to make export promotion objectives and initiatives of SMEs and private and governmental institutions more effective. The Program will seek to strengthen and foster innovation, improve product development, production, export logistics and marketing so SMEs can successfully expand in markets already established, access to new markets and establish new business relationships to insure continued profitability.

Activities and Achievements

During the initial quarter of the Program, several administrative and technical activities were initiated and or completed. The completion of these activities is necessary to provide the Program with the necessary operating framework to comply with its objectives and goals during its period of execution.

In the administrative area, activities spanned from hiring new personnel, through initiating the development of administrative manuals and planning the relocation of the Programs offices, to setting up an accounting system.

In the technical area, activities ranged from revising and discussing work plans, through setting up working relationships with institutions such as EXPORTA and initiating the development of manuals for the co-financing mechanism, to beginning the process to form new trading companies.

A more detailed description of the activities executed and achievements of the Program during the quarter are presented in the following sections. These are presented or grouped under the Program's expected results to which they relate. In addition, the document presents a section of activities executed during the quarter in relation to the administrative area as well as the financial reports.

RESULT #1:

INCREASED DOMESTIC AND EXPORT SALES OF \$35 MILLION GENERATED BY AT LEAST 350 SMES OF THE TOTAL 500 SMES ASSISTED IN THE PROGRAM

Results

USAID's Export Promotion Program is able to report the provision of technical assistance-training-guidance support to 46 Salvadoran SMEs as of June 30, 2006 through their participation in: 2 Trade Fairs, 1 Commercial Mission, 3 Workshops-Meetings, and 4 competitiveness enhancing technical assistances. Forty one of the SMEs supported through the Program during the quarter, or 89% of the total, had females as owners or co-owners.

In addition to the \$42.1 million reported by the Program in its first phase (July 2003 - March 2006), three out of the forty six SMEs reported \$41,013 in export sales as a result of the Programs assistance during the first Quarter of the second phase. The other 43 SMEs are expected to produce results in the near future as assistance expands.

The following tables provide additional details of the 46 SMEs supported by the Program as of June 2006 and their exports as a result of the support.

Table 1
Information of Programs Beneficiary SME's by Economic Sector
As of June 30, 2006

Economic Sector	#Of SMEs	\$ Spent in Support by the Program	Export Sales Reported
Food Products	13	26,827.05	41,013.06
Services	11	298.80	-
Manufacturing	11	398.73	-
Agricultural Products	4	466.90	-
Specialty Coffees	4	166.22	-
Natural and Organic Products	2	33.64	-
Pharmaceutical Products	1	66.29	-
Total	46	\$ 28,257.63	\$ 41,013.06

Table 2
Information of Programs Beneficiary SME's by Export Market
As of June 30, 2006

Type of Export Market	#Of SMEs	% of Total
Never Exported	20	43,48%
Central America or Ethnic Market	11	23,91%
International Market	15	32,61%
Total	46	100%

Table 3
Information of Initiatives Executed by Program Beneficiaries
As of June 30, 2006

Initiative
FMI Trade Fair, USA
Manuexport Trade Fair, Guatemala
Commercial Mission to California
Packaging Technical Assistance
Technical Assistance for Certifications
Technical Assistance in Adopting New Technologies

Table 4
Economic Sector of Programs Beneficiaries with Females as Owners
As of June 30, 2006

Economic Sector	#Of SMEs	% of Total
Food Products	12	29.27%
Services	10	24.39%
Manufacturing	8	19.51%
Agricultural Products	4	9.76%
Specialty Coffees	4	9.76%
Natural and Organic Products	2	4.88%
Pharmaceutical Products	1	2.44%
Total	41	100%

The Program is also monitoring the progress in export sales generated by MSMEs assisted through the recently concluded USAID-EXPRO project. The total number of MSMEs that received USAID-EXPRO support was 847, of which 400 were technically supported and 447 trained. These MSMEs reported \$ 42,119,875 in new export sales generated as of February 28, 2006.

Since most of the firms assisted under the first phase of the program will continue being assisted in this new phase, the program will continue monitoring their new export sales. The Program will develop a base line of their exports as of March 30, 2006, and then on a quarterly basis execute a survey through a specialized firm to determine their attainment of new exports as a result of USAID-EXPRO support. The baseline as of March 30, 2006 and their new exports as of June 30 and September 30, 2006 will be determined in the next quarter.

As an illustrative exercise, the Program requested new export sales generated from the 57 MSMEs that accounted for the top 50% of the \$42,119,875 in new export sales resulted from the USAID-EXPRO assistance as of February 28, 2006. The new export sales from these 57 MSMEs were requested for the period February 28 to June 30, 2006. This period corresponds to the period elapsed between the last survey made by USAID-EXPRO and June 30, 2006. The outcome showed that these 57 MSMEs accumulated new exports as a result of USAID-EXPRO support in the amount of \$2,944,614 from March 1 to June 30, 2006. Although this figure is indicative that these MSMEs have continued to export as a result of USAID-EXPRO programs support, it is important to consider this a preliminary figure given that a complete survey will be executed through a specialized firm during the next quarter that will provide definite results.

Activities Executed

The following activities were executed by the Program during the quarter in relation to compliance with result #1.

Strengthening SME Competitiveness

- Coordination from Program executives has been instrumental in the sale and pending shipment of a container of edible products to Bestway supermarkets in Washington D.C. The container is scheduled to be shipped in mid-July.
- Assistance in quality control and purchase of materials has been provided to 8 Salvadoran luthiers (stringed music instrument makers) working under the Paax Muul guitars brand name. From April 2006 to June 2006, 12 guitars were exported to various consumers and sales points in the US.
- A Manhattan distributor for Salvadoran Paax Muul guitars was contacted, an order obtained and delivered
- A total of 15 Salvadoran companies were taken to the installations of Global Foods, a Salvadoran food-processing facility FDA approved with state of the art machinery. The purpose of the visit was to show the companies, the installations for possible private label production, since these companies do not have the infrastructure to mass produce their products themselves.
- Four SMEs (Congelados Krisspy's, El Pan de Cada Día, Samaritana and Sweet's El Palacio de Los Postres) participated in the Salvadoran pavilion at the FMI show which took place from May 6 to May 10, 2006 in Chicago, IL, USA. During the show several contacts were made. The FMI Show is the premier global marketplace for supermarkets. The FMI event includes other major food industry events: The FMI Show, Fancy Food Show, U.S. Food Export Showcase, United Produce Expo and Conference, and All Things Organic - all under one roof – making it a great opportunity for generating contacts.
- Attendance of an executive to the FMI show resulted in establishing promising contacts with distributors. The distributors who have convened appointment for July are: Roland Foods, Tree

of Life Inc, Whole Foods Inc., and Liberty Richter. This initiative is to promote the Mayan Cuisine concept for new products.

- On June 7, 2006 National Union Brands, a trading company established by USAID-EXPRO, exported two honey containers.

Design Program

- During the quarter and in the following ones the design program will incorporate into its initiatives as many of the exporting companies as possible, in all sectors, including edible products. The methodology to be used, is the one used by the leading design companies in the U.S. specifically Design Continuum Inc. with which the Program has developed a good relationship.
- Two Program executives participated in a mission to attend the Surtex Show in New York City with the purpose of contacting licensing agents to promote licensing original design creations of Salvadoran designers, and to contact consultants for forthcoming Design Innovation Summit 2006.

Trading Companies

During the quarter the Program worked with five trading companies which are already in operation or in the process of being formalized.

- Three of these trading companies: Natural Union Brands, Decoexporta, and Ci-Soft were formed under the USAID-EXPRO Program. During the quarter the Program has supported them through technical assistance and guidance in the development of business plans for the year. These business plans include their export plans.
- The Program has also given technical assistance and guidance to a group of food product manufacturers for organizing, formalizing and legalizing a new trading company, which will be named Latin Food Distributors,.
- MAKI, a shoe trading company, has been working with the Program in order to schedule initiatives to be executed in the following quarter as part of their export plan.

Export Promotion and Innovation Funds

During the quarter, the activities related to the Program's Export Promotion and Innovation Funds included the establishment of the policies and procedures manuals for co-financing export initiatives. One of these manuals, the Fast Track Mechanism Manual, was submitted and temporarily¹ approved by USAID in order to support export initiatives during the quarter, and not lose momentum gained by SMEs under the previous USAID-EXPRO Program.

The following table presents information of the initiatives executed through the Fast Track Mechanism:

¹ Temporary approval while it is presented as a complete package for approval, with the other manuals of the mechanisms to be used under the Funds.

Table 5
Information on Export Initiatives Supported Through the
Export Promotion and Innovation Funds As of June 30, 2006

Total Awarded in \$	Total Disbursed in \$	Number of SME's Approved	Number of Innitiatives Approved
41,170	23,690	14	15

Financial Services for Exporting SMEs

In coordination with the USAID Financial Services Program, the USAID Export Promotion Program invited SMEs to participate in a special presentation of the USAID guarantee mechanism (DCA) and its partner banks Banco Salvadoreño and Banco ProCredit. During the event, these banks met individually with approximately 120 SMEs interested in accessing credit and therefore applying to this program.

RESULT #2:

7,100 NEW JOBS CREATED BY ASSISTED SMES AS A RESULT OF DOMESTIC AND EXPORT SALES GENERATED BY THE PROGRAM

The Program will monitor progress on the number of new employments created by beneficiary SMEs as a result of the programs support. This information will be obtained through the implementation of surveys to be executed by a specialized firm every six months. A period of six months between surveys will permit the attainment of significant variation information related to this performance target.

The Program will also monitor the progress in employment creation generated by SMEs assisted through the recently concluded USAID-EXPRO program and the current Export Promotion Program. The total number of SMEs that received USAID-EXPRO support was 847, of which 400 were technically supported and 447 trained. Based on surveys executed as of February 28, 2006, 2,994 new jobs were created by beneficiary SMEs.

During the next quarter the Program will develop the terms of reference, execute, and report to USAID on the results of a new survey to obtain information on employment generation results.

RESULT #3:

A TOTAL OF 1,500 BUSINESSMEN, GOVERNMENT OF EL SALVADOR (GOES) OFFICIALS AND PRIVATE SECTOR PROFESSIONALS TRAINED IN BUSINESS AND EXPORT MANAGEMENT AREAS

The training program that will span through March 2009 was designed, coordinated, negotiated and programmed during this quarter. It includes 18 courses in 5 different areas. Four of these areas apply to all economic sectors in general. These include: Innovation workshops, design and evaluation of business plans workshops, as well as packaging and development of new products workshops. In addition the training program has an area dedicated to the food industry given that this sector includes the majority of exporting SMEs. This area is called Food Safety II. The Program expects to train during the first year 790 individuals who will come from the public and private sector as well as consultants, professionals and design students.

Two agreements with two institutions were formalized in relation to the training program. These are:

- INSAFORP (Instituto Salvadoreño de Formación Profesional) was formalized for three years, through which this institution will support training program beneficiaries with \$125. This constitutes a support during the training programs first year for \$98,750.
- ZAMORANO (Escuela Agrícola Panamericana) of Honduras, in which they will support the training program with up to 15% of the cost of training courses given through them This constitutes a support during the training programs first year for \$18,225.

RESULT #4:

INSTITUTIONAL CAPACITY TRANSFERRED TO THE GOES EXPORT PROMOTION AGENCY (EXPORTA), THE MINISTRY OF ECONOMY, AND AT LEAST FIVE PRIVATE SECTOR ORGANIZATIONS TO PROVIDE SUSTAINABLE EXPORT DEVELOPMENT SERVICES TO SMES.

EXPORTA (GOES Export Promotion Agency)

One of the cooperation plans agreed early this Quarter, was the unification of the Program's and EXPORTA's calendar of trade shows and commercial missions. As a result, a working committee with representatives of both institutions was established in order to determine what shows and trade missions were going to be attended, as well as a budget for each of them. Part of this agreement also stipulates that the invitation to potential participants, organization of informative meetings, renting of exhibition space and booth set up at the trade show, and the provision of guidance to companies during the show were going to be led by EXPORTA, although with the engagement and supervision of our Program throughout the whole process.

Training in topics related to international trade is another area in which the Program has offered cooperation. Through our training division, a calendar of seminars for the next twelve months have been set up, and it is planned to invite EXPORTA representatives to take these seminars at no cost for them.

Finally, the Program has offered EXPORTA its support to bring into El Salvador potential buyers and assist them in the organization of an agenda of visits to Salvadoran export companies. During the following quarter it is expected that two potential buyers visit El Salvador under this scheme.

During this quarter, one show was successfully organized and carried out under this new scheme (FMI, Chicago) and a second one was prepared for execution in July 2006.

RESULT #5:

NO LESS THAN FIVE COLLABORATIVE PROJECTS IMPLEMENTED WITH LOCAL PRIVATE SECTOR ORGANIZATIONS FOR EXPORT DEVELOPMENT SERVICES IN SUPPORT OF AT LEAST 200 SMES

Design Association of El Salvador (ADIES)

Meeting with Salvadoran designers were conducted during this period in order to evaluate their capability to be design team leaders for various companies.

During the months of April and May the Program coordinated with ADIES the first Design Innovation Summit. This event to take place in July seeks to inform, educate and create awareness in SMEs, designers, consultants and students of the importance of design and innovation as an essential competitiveness factor in the global market.

At the Surtex Show in New York, consultants were contacted in regards to their possible participation in the Design Innovation Summit to be organized by ADIES in July 2006. Brit Bivens, a trend-forecaster, agreed to participate in this event and to develop a workshop focusing on trends for different products. In the same trip, meetings with designers Mary Louise Sayles and Dan Buchner, Vice-president of the firm Design Continuum, also agreed to participate in the event.

Cámara de Comercio e Industria de El Salvador (Salvadoran Chamber of Commerce)

The Program and Cámara de Comercio initiated talks during the quarter for the organization of an export strengthening project known as AFIS, similar to the one carried out during the former USAID-EXPRO. Through this project, 10 SMEs will be selected in order to follow a personalized training program aimed at producing an export plan for each participating company. At the end of the program, companies will be eligible to participate in trade shows or missions organized by our Program. A cooperation agreement is being drafted in order to be signed by the two institutions.

Asociación Salvadoreña de Industriales (ASI)

ASI has proposed the organization of a follow-up program to the Project executed during the former USAID-EXPRO. Under this new scheme, a mechanism will be created in order to link big exporters with small and mid size suppliers. This will allow SMEs to become indirect exporters while preparing them to become exporters. Only preliminary talks have taken place between the two organizations and it is expected that a collaborative agreement will be signed during the last quarter of 2006.

RESULT #6:

NO LESS THEN THREE ALLIANCES IMPLEMENTED WITH LOCAL OR INTERNATIONAL PRIVATE SECTOR ORGANIZATIONS, FOUNDATIONS OR DONORS THROUGH COST-SHARING PROGRAMS OR LEVERAGE FUNDING TO IMPLEMENT EXPORT PROJECTS IN EL SALVADOR

FUSADES

The Program has initiated conversations with FUSADES's export promotion program PRIDEX. They have proposed the participation of ten Salvadoran software producers in the SMAU trade show, which will be carried out during October 2006, in Milan, Italy. During the show, individual business meetings will be set up between Salvadoran companies and potential European partners. The purpose is to promote joint ventures between Salvadoran and European SMEs willing to export to the US using El Salvador as a platform, due to the recently implemented Free Trade Agreement. It is expected that a collaborative agreement would be signed during the last quarter of 2006 for the execution of this initiative.

Exportsalud

Our program has continued providing support to the Chamber of Export of Health Services (Exportsalud), mainly through logistics and advice during this first quarter. More recently, our program has concentrated efforts in helping Exportsalud implement its working plan through its five working committees, in order to expedite the consecution of results. Market prospecting trips to the US, development of promotional materials, hiring a consultant to organize the chamber and implement its business plan, helping with the organization of a member's general assembly and the establishment of business alliances with strategic partners, such as travel agencies and banks, are among the plans that will be supported during the next quarter.

Exsource Group

Conversations have been initiated with representatives of the Software Development Cluster (Exsource Group), in order to implement a strengthening program aimed at assisting them to collectively become a "Software Factory". Under this associative scheme, cluster members would pool their production capability in order to become a more attractive option for potential customers abroad. Only preliminary talks have taken place between the two organizations and it is expected that a collaborative agreement might be signed during the last quarter of 2006.