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# USAID'S EXPORT PROMOTION PROGRAM QUARTERLY REPORT: OCTOBER 2006 TO DECEMBER 2006

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# Table of Contents

<b>Executive Summary</b>	<b>3</b>
<b>Project Overview</b>	<b>5</b>
<b>Activities and Results</b>	
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.	8
Result #2: 7,100 new jobs created by assisted SMEs as a result of domestic and export sales generated by the Program.	14
Result #3: A total of 1,500 businessmen, GOES officials and private sector professionals trained in business and export management areas.	15
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.	17
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.	19
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.	21
<b>ANNEX 1: List of Second Quarter Program Activities</b>	<b>22</b>
<b>ANNEX 2: Table of Results Generated in Phase 2</b>	<b>24</b>
<b>ANNEX 3: Success Stories</b>	<b>26</b>

# Executive Summary

The Program is reporting contract deliverables as of December 31, 2006 in six result areas. During this quarter, the Program has supported various initiatives through activities in all three main operational areas by enhancing competitiveness, developing new products and markets and strengthening institutional capacity of governmental and private organizations. The six results, as stipulated in the contract, often overlap in the three operational areas. Therefore, for simplicity, this report will focus on the achievements and results based on the six contract result deliverables. In the year end report, an increase focus will be placed on the three operational areas, following closely the format outlined in the year one Work Plan.

The Program expected results and current status (April 1 to December 31, 2006) can be summarized as follows:

	<u>Total SMEs Assisted</u>	<u>Total SMEs Generating Domestic and Export Sales</u>	<u>Total Domestic Sales / Exports</u>	<u>Total Jobs Created</u>	<u>Number of Beneficiaries Trained</u>
Contract Goals - End of Program:	500	350	\$35,000,000	7,100	1,500
Year 1 Targets:	165	115	\$7,000,000	1,065	500
As of December 31:	293	70	\$6,094,907	692	400

The Program is able to report \$6,094,907 in increased domestic sales and exports by SMEs beneficiaries as a result of direct technical assistance and the training component combined. The total amount of SMEs assisted is to date is 293, of which 98 SMEs have received technical assistance, and 221 SMEs have received assistance through the training component.<sup>1</sup> The total amount of SMEs that have generated an increase in domestic and export sales is 70, of which 47 SMEs have exported a total amount of \$4,437,564 and 36 have sold to the local market for a total amount of \$1,667,343.<sup>2</sup>

The training component of the Program continued their workshops during this quarter and has had consistent and full attendance. 308 businesspersons, representing 221 SMEs, have been trained thus far. \$2,051,306 in domestic sales and exports can be attributed to the training received in these courses, the remainder can be attributed to various technical and marketing assistances either fully financed or co-financed by the Program. For more information, please refer to Result #3. In addition, 337 direct new jobs have been created as of December 31, 2006. For more information please refer to Result #2.

It is interesting to note that 38% of the SMEs assisted to date are new beneficiaries of Phase 2 of the Program indicating that new companies are being reached by the Program even as follow up and assistance to Phase 1 beneficiaries is continuing. 183 of the total 293 SMEs assisted are beneficiaries of Phase 1 of the Program indicating continued satisfaction in the services offered by the Program.

<sup>1</sup> Various SMEs have received both technical and training assistance.

<sup>2</sup> Various SMEs have exported and have sold domestically.

A finding of this quarter is the decrease of the presence of women in assisted SMEs. Although the majority of assisted SMEs are owned by women, 115 SMEs of 138 (or 83%), 120 of 225 (or 53%) of new jobs went to men. This is consistent with the finding that the majority of new jobs are in the production and manual labor categories, areas traditionally dominated by men. Overall, however, the presence of women is dominant in ownership, employment generated and training received.

Food products dominated export and domestic sales this quarter, in all likelihood in direct correlation to the amount of fairs attended and supported this quarter. In addition, the holiday's festivities were an influential factor in the increase in exports and specifically domestic sales. As mentioned above, the highest increase of jobs is in the production (58% of new jobs) and manual labor (28% of new jobs) categories, which is consistent with the highest exporting sectors of food products and manufacturing.

In this quarter various initiatives were conducted to increase competitiveness and development of new markets for the food sector and medical services sector. In the food sector, one of the most important achievements, due to the direct visit to Whole Foods Inc., to promote the Mayan Cuisine initiative, was the beginning the development process of brand and packaging selection for the products under the "Cocina Maya" label. A successful meeting was held with Whole Foods in December 2006 where the brand to be used and seven products were identified. These products will be on the shelves of Whole Food Stores in California by July 2007. In the medical services sector, a significant achievement was the launching of the Web Portal of Exportsalud. This dynamic and interactive web portal will be a fundamental tool in the promotion of medical services in the United States. The trading companies also had a very successful quarter culminating in the export award given to Natural Union Brands by the Corporation of Exporters of El Salvador (COEXPORT) as the Best Exporting Associative Group. In addition, the trading company Latin Food Distributors, recently formed, exported its first container of products to the New York regional area.

Funding for the above initiatives and others continued through the same Fast Track and Standard Mechanism as in Phase 1. The total amount awarded thus far \$349,949 with \$257,553 currently disbursed. For more information please refer to Result #1.

A more detailed description of the activities executed and achievements of the Program during the quarter are presented in the following sections under the appropriate result area. These are grouped under the Program's expected results to which they most relate. Annex 1 illustrates the activities executed this quarter and Annex 2 is a summary of all the data recollected by the indicator canvass that was conducted (see note). In addition, this document includes a section of activities executed in relation to the administrative and financial areas.

*NOTE: A canvass was conducted of all the SMEs assisted by the Program in January 2007 to obtain the information and data for this report. All 293 SMEs thus far assisted in Phase 2 of the Program (April to December 2006) were contacted and 98% responded.*

# Project Overview

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's export capabilities of the small and medium enterprises (SMEs). For practical purposes we will hereafter refer to the USAID/EXPRO program as the first phase (July 2003 – March 2006) and to the current USAID's Export Promotion Program (April 2006 – June 2009) implementation period as the second phase of the project. In the first phase of the Program, approximately \$40 million were exported by Salvadoran Micro, Small and Medium Enterprises (MSMEs) and 1,500 beneficiaries received training and other services. In the second phase of the Program, the 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 (Small and Medium Enterprises) 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.

In addition, the Program can be viewed as operating in three main areas:

- Enhancing the competitiveness of Salvadoran firms
- Assisting to develop new products and markets
- Institutional development and strengthening to foster continuity

The Program will conduct any number of activities throughout the term of the project that may be categorized under one, two or all three operating areas. These activities were developed in the first phase of the Program and will be continued with greater or lesser intensity, as well as new activities, in the second phase. The Program will achieve the above stipulated results through these main areas by participating in the following activities:

## **Competitiveness Enhancement**

- Training
- Direct technical assistance, including new product design and marketing, export development planning and export management.
- Organization of export trading companies
- Organization of specialized support organizations
- SME mentoring program
- Contract manufacturing services for SMEs

## **New Product and Market Development**

- Participation in international fairs and commercial missions
- Organization of inbound buyer missions
- Development of new software products and markets
- Development of medical and dental services exports
- Development of export markets for commercial design services
- Development of specialty food and food service export products and markets
- Development of high-technology exports
- Development of exports of engineering and other professional services
- Development of exports of high-quality handicrafts, including musical instruments
- Development of E-Commerce facilities for handicrafts and specialty items
- Development of warehousing and distribution for household and consumer items
- Development of an indirect supply chain export market
- Development of international joint ventures, including Spain, Italy and selected South American countries.
- Development of marketing private label manufacturing services to corporate headquarters of large retailers and manufactures
- Development and distribution of Salvadoran retail brands
- Development of relevant and responsive sources of finance for investments in plant expansions, technology, product and market development.

## **Institutional Development/Strengthening**

- Joint implementation with selected institutions (e.g. trade fairs with EXPORTA, [GOES agency for promotion of exports], co-financing with FOEX, [Export Fund of the Ministry of Economy])
- Special joint ventures projects with private sector associations
- Development and support for new service organizations (e.g. ADIES, [Design Association of El Salvador], EXPORTSALUD, [Salvadoran Chamber for Medical Export Services] export trading companies)
- Training (institutional staff and independent consultants)
- Preparation and dissemination of research and information products
- Branding and communication for USAID's Export Promotion Program

The Program will achieve the results through these activities 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 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**

The total amount of increased domestic and export sales to date are \$6,094,907 with \$4,427,563 as a result of exports and \$1,667,343 as a result of domestic sales. It is interesting to note that of the total amount exported, \$4,832,853 is attributed to 40 SMEs who are beneficiaries of Phase 1 of the Program. Similarly, of the 110 new SMEs assisted by the Program, 30 companies have exported for a total amount of \$1,262,054.

Food products and manufacturing dominated exports this quarter. Although the majority of SMEs assisted by the Program are owned by women, unlike the previous quarter where food products had the highest exports and female ownership, the majority of exports this quarter for women is from the Services sector. These services include software development, business consultants and design services. Please refer to Annex 2 for more information on SMEs exporting by market sector.

### **Activities Executed**

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

#### ***Fairs and Commercial Missions attended by Program Executives***

- ***Commercial Mission to Washington DC, Miami, FL and Los Angeles, CA*** – Program Director Phil Rourke and Program Deputy Director Mario Caceres accompanied consultant Gustavo Herodier on a commercial mission to three cities in the United States in order to conduct a market study to define the objectives and target markets for the continued development and establishment of the Salvadoran Cultural Products and Services Trading Company. Although the market study is completed, it has not been presented to the potential members of the trading company. This is planned for the next quarter.
- ***II Foro Presidencial, San Salvador, ES*** – Although this was an event for Exportsalud, the Program supported this activity by preparing the promotional material and exhibition stand for this activity. This event was directed at the Salvadorans that live abroad, mainly in the U.S., and it was an ideal opportunity to promote the export of medical services to this market sector.
- ***SMAU Fair, Milan, Italy*** – Program executive Camila Flores accompanied representatives of the IT cluster, New Edge Technologies and Intellysis, to this event where they made several promising contacts with Italian software companies to form development centers in El Salvador, as well as develop collaborative projects between Italian and Salvadoran companies to adapt Italian/European software to the Latin American marketplace.

- **Guitar Foundation of America Convention, Columbus, GA** – Program Deputy Director Federico Aguilar attended this event and was able to sell three Paax Muul guitars to professors/music teachers. In addition, he made six contacts with other music teachers, who have shown interest in distributing guitars to their respective students.
- **Pan American University of Agriculture Zamorano Fair, Honduras** – Program Deputy Director Mario Caceres and Program executive Vicente Rivas attended and accompanied the trading company Latin Food Distributors and represented several products from the trading company Natural Union Brands. Several contacts were made, specifically with Honduran companies, to potentially export the trading companies' products in the near future. At this event, there were also several conferences on agriculture exports, focusing on quality control, regulations marketing and personal experiences.
- **Expo Comida Latina, Los Angeles, CA** – Program executives Camila Flores and Claudia Sampera attended this fair where nine companies exhibited their products and an additional 11 companies were represented. At this event, there was a tasting showcase with an international chef preparing Salvadoran food products.



*El Salvador Stand at Expo Comida Latina*

- **SIAL, Paris, France** – Program Deputy Director Gerardo Tablas attended this fair which is considered one of the world's largest global food marketplaces, with exhibitors from 99 countries. Although SMEs did not directly participate in a stand, Mr. Tablas accompanied four companies through a guided visit format.
- **IFE Americas Food & Beverage Show, Miami, FL** – Program executives Claudia Sampera and Guillermina Barrios attended this event and represented seven SMEs and a variety of food products at the CAFTA stand. Approximately 17 contacts were made; most prominently with a representative of Target stores. Follow up to these contacts will be made in the next quarter.



*Program executive with representatives of EXPORTA and COEXPORT at V Rueda de Negocios*

- **V Rueda de Negocios, San Salvador, ES** – this event was held in a business roundtable format at the International Fair in conjunction with COEXPORT and EXPORTA. Over the course of three days, 35 Salvadoran food companies met with ten international buyers. Approximately \$1.8 million was negotiated during this event where the Program contributed \$4,000 of the \$20,000 budget and provided assistance for the planning and development of this activity.
- **Ethnic Grocery Foods, San Salvador, ES** – An inbound buyer mission (showcase of products) was arranged with the Vice President of Ethnic Grocery Foods, Daniel Rogovsky. He met with 23 companies and was particularly interested in 11, which he later met on an individual basis.

Follow up to the contacts made during these events was undertaken during this quarter, consisting in telephone calls between SMEs and potential clients and preparation and mailing of samples to potential clients. Any exports or sales as a result of these fairs will be reported in the following quarterly report.

### ***Enhancing SME Competitiveness and New Product and Market Development – Activities Executed and Results Achieved***

The following are activities executed to enhance SMEs competitiveness, product and market development. Included in this section are the activities of the design component and the trading companies established by the Program, as well as various other achievements due to the Program's efforts.

- Coordination from Program executives has been instrumental in the sale and shipment of a container of food products to Bestway supermarkets in Washington D.C. The Salvadoran company RGV exported a container of raw red beans for a value of approximately \$30,000.
- The Salvadoran company CRIO Inversiones exported three containers of frozen bread to Supermercados del Pueblo, supermarket chain in Las Vegas, NV. The value of these containers is approximately \$90,000.
- Hollowood Music of Pennsylvania placed an order of seven Paax Muul guitars totaling \$5,000 in export value. This store is currently selling the guitars at its location as well as on Ebay.
- UPS has agreed to perform a study for the distribution, packing and reshipping of Salvadoran products from a U.S. warehouse based in Miami, FL for SMEs interested in E-commerce. This study will take place during this and the following quarter and should be completed in March 2007.
- Negotiations with a U.S. company INTRADECO to promote warehouse distribution were also established during this quarter. Quotes have been sent and currently three companies are working with INTRADECO to house and distribute their products in the U.S.
- The trading company Latin Food Distributors exported its first container of food products to the U.S. The products sent have an approximate value of \$30,000. For more information please refer to the Trading Companies section in this report.
- The Mayan Cuisine initiative was begun this quarter with the development of the brand image and selection of products. The Program, in conjunction with Whole Foods Inc has agreed to further promote this initiative in its stores. A meeting with Whole Foods to present preliminary designs is scheduled for January 2007.
- In the last quarter, the Program successfully proposed a maquila manufacturing model to two large foods manufactures, Goddard Catering Group and Global Food Services. Agreement between SMEs and Goddard Catering Group is ready and under review by both parties and their respective lawyers.
- Contact and negotiations with the Spanish consulting firm, AZUERO, began during this quarter in order to assist the Program with identification of business opportunities in Spain. USAID approval was granted in December 2006 and work will commence in the next quarter.

- The NECA (National Electrical Contractors association) Fair took place in Boston MA during this quarter. An external consultant, Marco Castro, accompanied several members of the Electro-mechanic Consortium (cluster created by the Program) in lieu of a Program executive. The participants describe the fair as a positive promotional and learning experience and were able to conduct several meetings with contractors and suppliers.

### ***Design Program***

The Program's design component has been working to further promote design and innovation in Salvadoran SMEs during this quarter. In September, eight design specialists were approved by USAID as design consultants to be hired by various SMEs. Their specialties vary from graphic designers, web and mobile contents, to architects specialized in furniture designs. The Program has identified so far eight companies interested in using the design consultants to start developing collections of products for the international market. However, only two of these companies, Wombee and Torogoz, have already begun using the design consultant services; the rest have been put on hold because of various issues, such as receiving other financial assistance from institutions.

The design program has also begun with several local design companies in the development of the brand image for "Cocina Maya" (Mayan Cuisine). This project is being promoted by the Program, in conjunction with Whole Foods Inc., who has agreed to promote the Mayan Cuisine initiative by distributing specialty products and sauces under the "Cocina Maya" label in their stores.

In addition, the design program has initiated contacts with licensing agents in the United States in order to license and legalize artwork and such of Salvadoran artists. A showcase is planned for the next quarter for an in-bound buyer mission from Theo & Hugh, an American company specializing in handicrafts and home décor.

### ***Trading Companies***

One of the Program's activities to enhance competitiveness and expand into new markets is the development of trading companies. These trading companies allow for the consolidation and facilitation exports of any number of Salvadoran products in order to successfully introduce them into international markets. The Program has established seven companies to date and is in the process of forming a Salvadoran cultural products and services trading company. It is expected that other trading companies will be created throughout the life of the Program. The following is an update on the status of the trading companies:

- ***Paax Muul*** - This guitar manufacturing trading company and brand was able to consistently sell their most expensive guitar model at a whole sale price of \$800. These guitars, along with other models, have and are appearing on websites such as Ebay and are being sold for about \$1,500. Hollwood Music Store, from Pennsylvania USA, has become a top buyer, placing orders at a rate of about 5 guitars per month. In addition, William Jablonsky, of Adagio Distributors has been authorized to be the representative of the guitars in the Pennsylvania region of the U.S. and he estimates sales of approximately 50 guitars per month.
- ***Natural Union Brands*** - This organic product trading company has been working on its annual export plan. The trading company has asked for assistance from the Program in order to hire a

consultant to further develop its export plan. In addition, on December 12, 2006, Natural Union Brands received an Outstanding Export Award given by the Corporación de Exportadores de El Salvador (COEXPORT) as the best SME exporting associative group. This year, Natural Union Brands has exported approximately \$70,000.

- **DECOEXPORTA** – This furniture and decorative articles trading company has completed work on its export plan and will begin to execute it in January 2007.
- **CI-SOFT** – This software trading company has had a very productive quarter finishing projects in Honduras and in the Dominican Republic, installing a quality control software program in clothing factories in these countries. The next project will be installing this same software in a factory in Haiti. These projects represent a sale of between \$10,000 and \$15,000 monthly from September 2006 to October 2007. In addition, this company has met with representatives of universities in Nicaragua to present its products and services. The project was put in hold because of the political uncertainty of the presidential elections, but in late December the company was informed that the project will take place but not until sometime in the next quarter. In November, a commercial mission took place to Guatemala, where the commercial director negotiated a sale of specialized software for universities to the University of San Carlos. Installation of the software will take place in January 2007.
- **MAKI** – The formation of this footwear trading company began in 2004 and was completely legalized in May 2005. It is currently composed of six SMEs, although down from the original eight founding companies. Due to unfavorable market conditions of the footwear sector in El Salvador; its current strategy is the development of a sales force in Guatemala and subsequently establish the company in that country. They have decided to wait until January 2007 to continue with their export activities.
- **Latin Food Distributors** – This processed foods trading company has completely formalized and finalized its legal status. It is currently made up of 11 members and has hired a commercial director, an administrative assistant and established operations in the Loma Linda Commercial Center. In December 2006, it exported its first container of approximately \$35,000 to Bay Shore Distributors located in the New York regional area. It will export its second container sometime in January 2007 and it is expected that approximately \$100,000 will be exported monthly during 2007.
- **Art and Culture Trading Company** – The formalization of this art and cultural products and services trading company began in October 2006 with a commercial mission to Washington DC, Miami and Los Angeles. Gustavo Herodier was hired as a consultant to conduct a market study in the United States. Although completed, the results of the study have not been presented to the potential members of the trading company. This is planned for the next quarter.



*Latin Food Distr. Product Exhibition*

**Export Promotion and Innovation Funds –Fast Track and FOEX (Export Promotion Funds of the Ministry of Economy)**

The USAID’s Export Promotion Program is able to report the provision of technical assistance-training-guidance support through Fast Track and FOEX Funds to 198 Salvadoran beneficiaries from April 1, 2006 to December 31, 2006. This is summarized as follows:

<i>Initiative</i>	<i>Total Awarded</i>	<i>Total Disbursed</i>	<i>Total Amount of Initiatives</i>	<i>Total Beneficiaries (1) (2)</i>
Technical Assistance:	\$230,220	\$137,824	82	65
Training Assistance:	\$119,729	\$119,729	220	146
Total:	\$349,349	\$257,553	302	

- (1) Includes SME representatives, students, consultants and GOES officials
- (2) Some technical assistance beneficiaries are also training component beneficiaries

Technical assistance initiatives supported through the Export Promotion and Innovation Funds can be further subdivided among FOEX and the Program (Fast Track).

<i>Mechanism</i>	<i>Total Awarded</i>	<i>Total Disbursed</i>	<i>Total Amount of Initiatives</i>	<i>Total Beneficiaries</i>
Fast Track:	\$179,830	\$137,255	79	62
Standard (FOEX):	\$50,389	\$569	3	3
Total:	\$230,219	\$137,824	82	65

In the first table, the total amount of beneficiaries in the training assistance initiative is composed of businesspersons, government officials and private sector professionals. The beneficiaries of technical assistance are SMEs. This also applies for second table, which is a breakdown of the co-financing mechanism applied.

In the case of training assistance, the co-financing agreement with INSAFORP will reimburse the Program with \$125 per participant. The amounts awarded and disbursed will then be dully adjusted. INSAFORP is expected to reimburse the Program with approximately \$56,000 for the training initiatives as of December 31, 2006.

It is important to note that there are various technical assistances or initiatives that are not co-financed through Fast Track or FOEX. Export initiatives such as consultant hiring, market studies trading company legalizations etc. account for 64 additional assistances for a total of 146.

## **RESULT #2: 7,100 NEW JOBS CREATED BY ASSISTED SMES AS A RESULT OF DOMESTIC AND EXPORT SALES GENERATED BY THE PROGRAM**

A canvass was conducted in January 2007 of all SMEs assisted by the Program to obtain the information and data for this report. All 293 SMEs thus far assisted in Phase 2 of the Program (April to December 2006) were contacted and 98% responded.

A total of 337 direct new jobs and consequently 692 cumulative new jobs have been created as a result of the Program's assistance since its beginning. The categories of these employment and the totals, as well as by gender, as of December 31, 2006 are as follows:

<u>Category</u>	<u>Direct New Jobs</u>	<u>New Jobs</u>
Production:	194	388
Manual Labor:	96	192
Administration:	29	58
Middle Management:	12	36
Upper Management:	6	18
Total:	337	692
Females:	177	
Males:	160	
Total:	337	

The creation of new direct jobs increases spending in the economy, which in turn creates indirect jobs by consuming goods and services.

### **RESULT #3: A TOTAL OF 1,500 BUSINESSMEN, GOVERNMENT OF EL SALVADOR (GOES) OFFICIAL 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 the first quarter. It includes 18 courses in 5 different areas. Four of these areas apply to all economic sectors in general. These include: Innovation workshops, focusing on the importance of innovation in a company; Design and Evaluation of Business Plans workshops, a three-day comprehensive course of how to build a business plan; Packaging and Preservation workshops, aimed at identifying the best packaging for products therefore increasing its shelf life; and Development of New Products workshops, to be held in Zamorano University in Honduras. In addition the training program has a seminar dedicated to the food industry given that this sector includes the majority (65%-70%) of exporting SMEs working with the Program. This seminar 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.

In addition, the Training Component, with collaboration from ADIES, imparted the seminar and workshop “Knock-Down Furniture” (build-it-yourself furniture). This seminar and workshop consisted of two days of theoretical training, which took place at the Fundacion Maria Escalon de Nuñez, and two days of practical training in a carpentry workshop in Nejapa. A Colombian consultant, Jorge Montaña who specializes in knock down furniture design, conducted the course which was attended by 61 participants. At the practical workshop, participants were divided into six groups where they had to design and construct their own furniture utilizing Mr. Montaña’s methodology.



*Colombian consultant with students at Knock-Down Furniture Workshop*

This quarter, from October - December 2006, there were 336 instances of participation (total number of attendees in each course) in the following areas:

<u>Workshop</u>	<u>Dates</u>	<u>Number of Participants</u>
Innovation:	Nov. 10	102
Design and Evaluation of Export Business Plans:	Oct. 25-27, Nov. 22-24, Dec 11-13	89
Packaging and Preservation:	Nov. 16-18	45
Food Safety II:	Oct. 11-13	39
Knock-Down Furniture	Nov. 27-30	61
Total:		336

As of December 31, 2006, there have been 716 total instances of participation in the training workshops, although a number of individuals have received training in various courses. Therefore, there are a total

of 308 individual businessmen who have received training representing 221 SMEs. The rest of the attendees of the workshops are composed of GOES officials (19) and private sector professionals (73) for a total of 400 individual participants. A participant breakdown by gender is indicated below:

<u>Category</u>	<u>No. of People</u>	<u>Gender (Female / Male)</u>
Businesspersons:	308	150 / 158
GOES Officials:	19	10 / 9
Private Sector Professionals:	73	45 / 28
Total:	400	205 / 195

In addition, the training program has been instrumental in procuring cost-sharing and economic alliances with several institutions for the financing of the workshops. For more information about these agreements please refer to Result #6.

**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)**

As part of the joint implementation of trade shows and missions, the Program supported EXPORTA in the participation of several trade shows and commercial missions this quarter; most notably, Expo Comida Latina Fair in Los Angeles, California and the SIAL Fair in Paris France, both in October, and IFE Americas Food & Beverage Show in Miami, Florida in November. Also, the Program supported EXPORTA, along with COEXPORT, in the V Rueda de Negocios (Business Roundtable) in November in San Salvador. For more information about the results of these fairs please refer to the activities section in Result #1.

In these fairs, there has been an ongoing effort by Program executives to assist EXPORTA representatives in all aspects of fair participation, thus further developing and improving their capabilities during these types of events. Also, the Program supported the decision and final list of activities to be supported in the upcoming year by EXPORTA so as to strengthen its knowledge and capacity to promote Salvadoran exports to foreign markets.

**FOEX (Ministry of Economy's Export Development Fund)**

In October of this year, FOEX changed its name to FONDEPRO (Fondo de Desarrollo Productivo – Productive Development Fund), in accordance with the Salvadoran presidential economic plan for the country. This fund will not only with supporting exports, as it always has, but will also support initiatives such as improvement of technologies, quality, innovation, and strengthening competitiveness, among others.

During this quarter, the Program has continued the process of developing the “Co-Financing Handbook for Export Promotion Projects”. This handbook presents the policies and procedures to co-finance export initiatives of qualified beneficiaries of the Export Promotion and Innovation Funds. Nathan's home office has supported the Program in this effort. It is expected to obtain final approval from USAID for the Co financing Handbook, during the next quarter.

Also during this quarter, the Program prepared a draft Memorandum of Understanding (MOU) which will establish the resources, responsibilities and actions to be taken by the Program and FONDEPRO for the implementation of the Export Promotion and Innovation Funds. In this capacity FONDEPRO will review SMEs' proposals, monitor their activities and serve as the link between the Program and the beneficiaries. The draft MOU includes a section on institutional strengthening of FONDEPRO by the Program.

It is expected that during the next quarter the MOU will be formalized, and the strengthening of FONDEPRO by the Program will initiate according to the schedule included in the MOU.

The Program is also working towards the transfer of institutional capacity to several private sector organizations. These are Exportsalud, Exsource Group (Software Development Cluster), ADIES (Salvadoran Design Association) and the seven trading companies, all created with the help of the Program. For information about Exportsalud, Exsource Group and ADIES, please refer to Result #5; for more information about the trading companies, please refer to Result #1.

## **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**

### **EXPORTSALUD (Salvadoran Export Chamber of Medical Services)**

This quarter, the hospitals and doctors selected by the two medical tourism companies that visited El Salvador last quarter, Med Retreat and Planet Hospital, have been preparing the documentation and contracts required by these companies in order to work together with the objective to bring North American patients to El Salvador.

In October, Exportsalud participated as an exhibitor at the “II Foro Presidencial”, an event organized by the government of El Salvador directed at Salvadorans living abroad, mainly the U.S., and it was an optimum opportunity to promote the export of medical services to

this market. In addition, the Chamber received a donation of \$24,000 from various hospitals in support of its export initiatives. This achievement is significant in that this entity is beginning to subsist on its own. A new director was hired this quarter in order to successfully deploy Exportsalud’s 2007 work plan and the web portal was completed and presented to the members of the Chamber. Promotion of this web portal will take place in the next quarter.



*Homepage of Exportsalud Web Portal*

### **EXSOURCE GROUP (Software Development Cluster)**

In July 2006, an event was held for the Software Development Cluster (Exsource Group), in order to promote and strengthen this program aimed becoming a “Software Factory”. In addition to media coverage, the event was attended by the Minister of Economy and other governmental officials as well as members of this sector. 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 will be signed during the first quarter of 2007.

### **ADIES (Design Association of El Salvador)**

In this quarter, ADIES has been working to increase and strengthen its membership. Most notably, however, ADIES won the “Arroba de Oro” (Gold Ampersand) for best homepage design at this year’s awards ceremony.

## **FUSADES (Salvadoran Foundation for Economic and Social Development)**

In October 2006, two companies, New Edge Technologies and Intellysis, attended the SMAU Fair (43rd International Exhibition of Information & Communications Technology) in Milan, Italy. These companies have received, in the previous quarter, training in conjunction with FUSADES's export promotion program PRIDEX to evaluate, train, and support software companies to participate in the Fair. For more information about the Fair, please refer to Result #1.

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

The cooperative agreement between the Program and the Cámara de Comercio for the organization of the 4th version of an export strengthening project, AFIS, was signed during the previous quarter. The 10 SMEs selected for the program have been officially approved and the consultants hired to train the selected SMEs have been trained in the AFIS methodology. Currently, USAID has approved these consultants and training will begin in the upcoming quarter, which is expected to last four to five months.

## **Asociación Salvadoreña de Industriales (ASI – Salvadoran Association of Industry)**

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 Salvadoran 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 first quarter of 2007.

**RESULT #6: NO LESS THEN THREE ALLIANCCEC 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 Pan-American University of Agriculture Zamorano**

Two economic alliances, jointly developed by the two institutions, have been forged between the Program and Zamorano University, based in Honduras. In the first, Zamorano has agreed to support the training program by covering 15% of the total costs of the courses to be implemented from July 2006 to March 2007. This translates to a contribution of \$21,447 for the training of Salvadoran SMEs. The second allows for a discount of 11% of the total cost for the any SME that requires a laboratory analysis of their food products. Analysis at the Zamorano's Food Analysis Laboratory, LAAZ, includes a detail report on nutritional facts as required by the Nutritional Labeling and Education Act (NLEA) and those required by the Food and Drug Administration (FDA) as well as trans fat content, shelf life analysis and improvement, and various other physical and chemical analysis.

**INSAFORP (Salvadoran Institute for Professional Development)**

A cost sharing agreement was reached with INSAFORP to support the training component for the duration of the Program. They will support this initiative by contributing \$125 per person per course resulting in a total contribution of \$187,500 throughout the three years of the Program.

**FUNDACIÓN MARÍA ESCALÓN DE NÚÑEZ**

The Foundation (Fundación) has agreed to give the training program a discount of \$8.50 per person for food and beverages as well as daily sum of \$200 for goods and services to be paid in kind for each course to be held at their installations. The estimated amount this contribution translates to is \$23,815 for the first year of the training program.

# ANNEX 1 – List of Third Quarter Program Activities

The following table lists the activities supported by the Program and their respective classification in regards to the results stipulated in the Program summary (the result to which each activity relates the most is highlight in bold):

DATE	ACTIVITY	DESCRIPTION	RESULT #1	RESULT #2	RESULT #3	RESULT #4	RESULT #5	RESULT #6
Nov	Commercial Mission	Commercial Mission to Washington DC, Miami and Los Angeles - Cultural Products and Services Trading Company*	<b>X</b>					
Oct	Event	II Foro Presidencial, San Salvador, ES* - Exportsalud	X	X			<b>X</b>	
Nov	Event	V Rueda de Negocios, San Salvador, ES*	<b>X</b>	X	X			
Oct	Fair	SMAU, Milan, Italy*	<b>X</b>	X	X			
Oct	Fair	NECA, Boston, MA, USA	<b>X</b>	X	X			
Oct	Fair	Guitar Foundation of America Convention, Columbus, GA, USA*	<b>X</b>	X	X			
Oct	Fair	Pan American University of Agriculture Zamorano, Honduras*	<b>X</b>	X	X			
Oct	Fair	Expo Comida Latina, Los Angeles, CA, USA*	<b>X</b>	X	X			
Oct	Fair	SIAL, Paris, France*	<b>X</b>	X	X			
Nov	Fair	IFE Americas Food & Beverage Show, Miami, FL, USA*	<b>X</b>	X	X			
Oct	Inverse Mission	Ethnic Grocery Foods, San Salvador, ES	<b>X</b>	X	X			
Oct	Technical Assistance	Business Fair of Andalucia - Gem Corp, S.A. de C.V.	<b>X</b>	X	X			
Oct	Technical Assistance	NK Children's Club Fair - Petunia, S.A. de C.V.	<b>X</b>	X	X			
Oct	Technical Assistance	Commercial Mission to Honduras - Biotecnologia, S.A. de C.V.	<b>X</b>	X	X			
Oct	Technical Assistance	InterBev 2006 Fair - Prolacsa, S.A. de C.V.	<b>X</b>	X	X			
Oct	Technical Assistance	Commercial Mission to Washington DC and New York - Latin Food Distributors, S.A. de C.V.	<b>X</b>	X	X			X
Oct	Technical Assistance	Commercial Mission to Nicaragua - CI-SOFT, S.A. de C.V.	<b>X</b>	X	X			
Oct	Technical Assistance	Legal Costs for Brand Registration - Ingrafica, S.A. de C.V.	<b>X</b>	X	X			
Oct	Technical Assistance	SMAU, Milan, Italy - New Edge Techonologies, S.A. de C.V. and Intellysis, S.A. de C.V.	<b>X</b>	X	X			

Oct	Technical Assistance	NECA, Boston, MA, USA - Consorcio de Electromecanica, S.A. de C.V., Codesa, S.A. de C.V. and Castelec, S.A. de C.V.	X	X	X			
Oct	Technical Assistance	Pan American University of Agriculture Zamorano Fair, Honduras - Latin Food Distributors, S.A. de C.V.	X	X	X			
Oct	Technical Assistance	Expo Comida Latina, Los Angeles, CA, USA - Alimentos Cuscatlan S.A. de C.V., Procerquisa, S.A. de C.V., Inversiones Arcatao, S.A. de C.V., Drogueria Hermer, S.A. de C.V., Olga!, S.A. de C.V., Samaritana, S.A. de C.V, G&G Factable, S.A. de C.V.	X	X	X			
Oct	Technical Assistance	SIAL, Paris, France - Supermarino, S.A. de C.V., Esencias y Sabores, S.A. de C.V., Ferelis, S.A. de C.V., Mayprod, S.A. de C.V., La Canasta, S.A. de C.V.	X	X	X			
Nov	Technical Assistance	Commercial Mission to Guatemala - CI-SOFT, S.A. de C.V.	X	X	X			
Nov	Technical Assistance	Production Costs for Promotional Video - Lorocosol, S.A. de C.V.	X	X	X			
Dec	Technical Assistance	Development and Design of Web Page - Exito y Desarrollo, S.A. de C.V.	X	X	X			
Dec	Technical Assistance	Yellow Pages Web Advertising Costs - Creaciones Peniel, S.A. de C.V.	X	X	X			
Dec	Technical Assistance	Hiring of Designer - Wise Marketing, S.A. de C.V.	X	X	X			
Dec	Technical Assistance	Commercial Mission to Honduras - Wise Marketing, S.A. de C.V.	X	X	X			
Dec	Technical Assistance	Hiring of Consultant to Develop Export Plan - Comebien, S.A. de C.V.	X	X	X			
Dec	Technical Assistance	Laboratory Analysis and Nutritional Table - G&G Factable, S.A. de C.V.	X	X	X			
Dec	Technical Assistance	Laboratory Analysis and Nutritional Table - Industrias Abaco, S.A. de C.V.	X	X	X			
Dec	Technical Assistance	Development and Design of Web Portal - Exportsalud	X	X	X		X	
Oct	Training	Food Safety II Workshop	X	X	X			
Oct	Training	Design and Evaluation of Export Business Plans Workshop	X	X	X			
Nov	Training	Innovation Workshop	X	X	X			
Nov	Training	Food Packaging and Design Seminar	X	X	X			
Nov	Training	Design and Evaluation of Export Business Plans Workshop	X	X	X			
Nov	Training	Knock Down Furniture Seminar	X	X	X			
Dec	Training	Design and Evaluation of Export Business Plans Workshop	X	X	X			

\* - Fairs and Commercial Missions that Program executives have attended

# ANNEX 2 – Table of Results Generated in Phase 2

The follow table is a summary of the information gathered in the survey executed in this quarter of Phase 2 beneficiaries.

<b>USAID's Export Promotion Program Results</b>						
<b>Results Generated Between April 1st to December 31th, 2006</b>						
<b>EXPORTS</b>						
	<b>Accumulative Sept. 2006</b>		<b>October - December 2006</b>		<b>Accumulative Dec. 2006</b>	
SMEs in Data Base	155		138		<b>293</b>	SMES
Percentage Collected	98%		98%		98%	
Total Exports	\$809,766		\$3,617,798		\$4,427,564	47
Total Domestic Sales	\$53,111		\$1,614,232		\$1,667,343	36
<b>TOTAL</b>	<b>\$862,877</b>		<b>\$5,232,030</b>		<b>\$6,094,907</b>	
Technical Assistance Sales	\$643,868		\$3,399,733		\$4,043,601	
Training Component Sales	\$219,009		\$1,832,297		\$2,051,306	
SMEs Generating Exports and Sales	18		52		70	
% Generating Exports and Sales	15%		38%		24%	
Average Amount Exports and Sales	\$47,938		\$100,616		\$87,070	
Phase 2 SMEs	86	55%	24	17%	110	38%
Phase 1 SMEs	69	45%	114	83%	183	62%
	<b>Exports</b>	<b>SME %</b>	<b>Exports</b>	<b>SME %</b>	<b>Exports</b>	<b>SME %</b>
Phase 2 SMEs	\$186,904	3 / 22%	\$1,075,150	27 / 11%	\$1,262,054	30 / 21%
Phase 1 SMEs	\$675,973	15 / 78%	\$4,156,880	25 / 89%	\$4,832,853	40 / 79%
<b>SMEs and Exports by Sector</b>	<b># of SMEs</b>	<b>Exports</b>	<b># of SMEs</b>	<b>Exports</b>	<b># of SMEs</b>	<b>Exports</b>
Food Products	48	\$100,626	24	\$2,555,564	72	\$2,656,190
Manufacturing	31	\$391,196	43	\$1,064,318	74	\$1,455,514
Pharmaceutical Products	6	\$182,955	7	\$961,196	13	\$1,144,151
Services	54	\$188,100	50	\$541,879	104	\$729,979
Natural and Organic Products	2	\$0	1	\$63,000	3	\$63,000
Agricultural Products	8	\$0	9	\$46,075	17	\$46,075
Specialty Coffees	6	\$0	4	\$0	10	\$0
<b>TOTAL</b>	<b>155</b>	<b>\$862,877</b>	<b>138</b>	<b>\$5,232,032</b>	<b>293</b>	<b>\$6,094,909</b>
<b>ASSISTANCES</b>						
<b>Training Component</b>	<b>People</b>	<b>SMEs</b>	<b>People</b>	<b>SMEs</b>	<b>People</b>	<b>SMEs</b>
Businessmen	175	122	133	99	308	221
GOES Officials	11		8		19	0
Private Sector Professionals	58		15		73	0
<b>TOTAL</b>	<b>244</b>	<b>122</b>	<b>156</b>	<b>99</b>	<b>400</b>	<b>221</b>
	<b># of Assis.</b>	<b>SMEs</b>	<b># of Assis.</b>	<b>SMEs</b>	<b># of Assis.</b>	<b>SMEs</b>
<b>Technical Assistances</b>	<b>70</b>	<b>56</b>	<b>76</b>	<b>42</b>	<b>146</b>	<b>98</b>

<b>EMPLOYMENT GENERATED</b>						
<b>Direct New Jobs</b>	<b>Jobs</b>	<b>%</b>	<b>Jobs</b>	<b>%</b>	<b>Jobs</b>	<b>%</b>
Employment Generated	112		225		<b>337</b>	
Permanent	88	79%	112	50%	200	59%
Temporary	24	21%	113	50%	137	41%
Women	72	64%	105	47%	177	53%
Men	40	36%	120	53%	160	47%
<b>New Job Category</b>						
Production	83	74%	111	49%	194	58%
Manual Labor	4	4%	92	41%	96	28%
Adminstration	12	11%	17	8%	29	9%
Middle Management	8	7%	4	2%	12	4%
Upper Management	5	4%	1	0%	6	2%
<b>OTHER INFORMATION</b>						
<b>SMEs by Market Sector</b>						
Never Exported	84	54%	66	48%	150	51%
Central American	34	22%	43	31%	77	26%
Other	37	24%	29	21%	66	23%
<b>TOTAL</b>	<b>155</b>	<b>100%</b>	<b>138</b>	<b>100%</b>	<b>293</b>	<b>100%</b>
<b>Female Owners</b>						
	<b>SMEs</b>	<b>%</b>	<b>SMEs</b>	<b>%</b>	<b>SMEs</b>	<b>%</b>
Services	33	61%	38	76%	71	68%
Food Products	34	71%	24	100%	58	81%
Manufacturing	20	65%	34	79%	54	73%
Pharmaceutical Products	5	83%	6	86%	11	85%
Agricultural Products	6	75%	7	78%	13	76%
Specialty Coffees	5	83%	4	100%	9	90%
Natural and Organic Products	2	100%	2	100%	4	100%
<b>TOTAL</b>	<b>105</b>	<b>68%</b>	<b>115</b>	<b>83%</b>	<b>220</b>	<b>75%</b>

# ANNEX 3 – Success Stories

- **PAAX MUUL GUITARS**

