



USAID
FROM THE AMERICAN PEOPLE

USAID MUNICIPAL COMPETITIVENESS PROJECT

Annual Performance Report
October 1, 2010 – September 30, 2011

October 31, 2011

This publication was produced for review by the United States Agency for International Development. It was prepared by RTI International.

USAID Municipal Competitiveness Project (MCP)

Annual Performance Report

October 1, 2010 – September 30, 2011

Contract No: EPP-I-00-04-00037-00

September 22, 2010

Prepared for

Sandra Lorena Duarte

Contracting Officer's Representative

Economic Growth Office

USAID/EI Salvador

Telephone: (503) 2501-3362

sduarte@usaid.gov

Prepared by

RTI International

3040 Cornwallis Road

Post Office Box 12194

Research Triangle Park, NC 27709-2194

RTI International is one of the world's leading research institutes, dedicated to improving the human condition by turning knowledge into practice. Our staff of more than 3,700 provides research and technical services to governments and businesses in more than 75 countries in the areas of health and pharmaceuticals, education and training, surveys and statistics, advanced technology, international development, economic and social policy, energy and the environment, and laboratory testing and chemical analysis.

RTI International is a registered trademark and a trade name of Research Triangle Institute.

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

Table of Contents

A. Introduction	4
B. Component I: Enhancing Municipal Effectiveness and Efficiency.....	5
C. Component 2: Municipal Competitiveness Index.....	10
D. Component 3: Private Sector and Inter-Jurisdictional Engagement.....	11

A. Introduction

In El Salvador, there has been a historical lack of dialogue between municipalities and the private sector in regard to local economic topics. The municipalities have not been comfortable involving local businesses and vice-versa. The U.S. Agency for International Development's (USAID's) Municipal Competitiveness Project (MCP) is the first project of its kind in El Salvador aimed at leveraging municipal competitiveness as a means of stimulating the local economic growth via participatory processes that involve public and private sector.

In this context, the first year of the Project has been a challenging period of activity, but key advancements in Project implementation were achieved. In addition, excellent working relationships have been built with implementing partners, municipal and national government counterparts, and other organizations involved in Project activities.

Early Project actions centered on organizing administrative tasks, consolidating Project staff and relations with implementing partners, developing work plans, and carrying out preparations for a public launch of activities before the end of the year. Visits were made to private sector organizations, government offices, and municipal development organizations to evaluate the situation regarding municipalities and their role in local economic development, as well as to present the Project and gather support for its implementation.

Scopes of work were developed for implementing partners FUNDE, FUNDES, SACDEL, and work plans were developed for Project activities to engage implementing partners' support in the first stage of presenting the MCP to municipalities and to other stakeholders, as well as ensuring good participation in Project activities.

After a high-profile launch of Project activities in December 2010, attracting the attention of national government authorities involved with local government development, municipalities, and other stakeholders, MCP work got underway by making presentations to eligible municipalities. The Project also developed an effective application and selection process that generated higher than expected interest in participating in Project activities and allowed for a successful competitive and technical selection of the 50 MCP municipalities.

Application forms and MCP selection criteria were sent to all 160 municipalities eligible for the Project, and 141 of 160 were visited. By the January 22, 2011, deadline, 83 municipalities submitted their applications, with a total of 77 of these meeting the established eligibility requirements, which also included obtaining a formal commitment/resolution on behalf of their respective Municipal Councils to achieve MCP objectives. The applications received were evaluated according to previously determined criteria determined by the RTI MCP team. Results were then presented to USAID on January 31, 2011, and approved on February 16, 2011.

According to the Government of El Salvador (GOES) 2007 population census, the selected 50 municipalities total a combined population of 2.54 million people, accounting for 44.3% of the

country's total population of 5.74 million. Applications were received from all 14 departments in El Salvador and the final selection encompasses 12 departments. In terms of political affiliation, 17 of the municipalities are affiliated with the *Alianza Republicana Nacionalista de El Salvador* (ARENA) party, 17 with the *Frente Farabundo Martí para la Liberación Nacional* (FMLN), 3 with the *Partido de Conciliación Nacional* (PCN), 1 with the *Partido Demócrata Cristiano* (PDC), and 12 are coalition parties.

Table 1. Performance on main MCP actions

Required	Status
Initiate Core Technical Assistance Program in 50 Municipalities	Accomplished
2011 MCI Report	Reprogrammed for December
Create Project Advisory Committee	Accomplished
Complete Leadership Essentials training of trainers (ToT)	Accomplished
Replicate Leadership Essentials Training	Workshops held in 14 municipalities
Provide assistance to four municipal associations	Assistance to Two Associations Underway
Develop Municipal Competitiveness Plans	In process

Having successfully engaged the participation of the 50 MCP municipalities, as first key milestone for the Project, activities under the three main components are described below.

B. Component I: Enhancing Municipal Effectiveness and Efficiency

1. Municipal Competitiveness Plans

While proceeding with the selection process for MCP municipalities, meetings with partners—FUNDE, FUNDES, and SACDEL—were held to integrate the various working approaches and backgrounds of each partner organization into a consistent and coherent program for technical assistance delivery. MCP developed a methodology for elaborating the Municipal Competitiveness Plans. This tool and content for the Municipal Competitiveness Plans were agreed upon in a cooperative manner and then incorporated into a guide for field staff.

To start the participatory planning processes, initial meetings with municipalities started in March 2011 to get the Core Technical Assistance Program underway. Presentation meetings to date have been conducted with municipal councils from all 50 MCP municipalities. In addition, presentations have been made to municipality staff to engage their support to program activities, and MCP work groups or committees have been established in all municipalities.

Parallel to this process, MCP subcontracted the Center for Creative Leadership (CCL) to deliver a Leadership Essentials workshop in June 2011, with the purpose of training trainers to replicate

concepts learned to implementing partners' technical teams, municipalities, and organizations involved in municipal and entrepreneurial development, totaling 67 people trained. These trainings have built the capacity of implementing partners to work with municipal and private sector actors in developing Municipal Competitiveness Plans and assist in implementing with the resulting work plans. This training resulted in an excellent opportunity to establish close working relationships with some municipal officials, members of partner organizations, and other institutions involved in municipal development.

Training activities replicating concepts learned from the CCL ToT approach were delivered by FUNDE to 121 municipal officials in 13 municipalities by the end of the FY 2011. SACDEL will deliver the Leadership Essentials Training to public and private members of the Competitiveness Improvement Teams, once the Municipal Competitiveness Plan have been formulated, which is scheduled for the second quarter of FY 2012.

In addition, training workshops on Competitiveness and Economic Leadership were developed by implementing partners with support from the MCP Technical Team. Six regional workshops were imparted to 49 municipalities and included 136 municipal officials, covering the concepts of competitiveness and the role of local governments in economic development. See *Table 2*.

Table 2. Competitiveness and Economic Leadership Workshops

Date	Municipality	M	F	Total
05/24/11	Eastern Region (6 municipalities)	14	6	20
05/26/11	Central- North Region (11 municipalities)	14	12	26
05/27/11	Mid-Eastern Region (6 municipalities)	12	7	19
06/24/11	San Salvador (5 municipalities)	7	8	15
07/07/11	Western Region (10 municipalities)	20	8	28
07/13/11	Central Region (10 municipalities)	17	11	28
	Total	84	52	136

After advancing the process of reinforcing awareness to improve competitiveness levels and motivating municipalities and their staff, Project meetings were organized to make presentations to the private sector and engage their participation in developing Municipal Competitiveness Plans. By the end of FY 2011, presentations to the private sector were made in 46 municipalities, as shown in *Table 3*.

Table 3. MCP presentations to private sector

Municipality	Public Institutions		Private Sector		Total	M	F
	Municipality	Others	Businesses	Others			
FUNDE Municipalities	30	266	26	645	980	547	433
SACDEL Municipalities	20	122	60	382	602	362	240
TOTAL	388	86	1,027	82	1,582	909	673
Percentages	25%	5%	65%	5%	100%	57%	43%

It is important to note that meetings held with the private sector were, in most cases, the first time that municipalities involved businessmen and other local private actors to discuss competitiveness and local economic development in a formal manner that will lead to concrete actions being taken on by the municipality.

In parallel with the previous process of delivering Project presentations to the local public and private actors, FUNDE and SACDEL have been working to develop the preliminary municipal diagnostics to be presented, validated, and enriched at the SWOT exercises, as part of the formulation of the Municipal Competitiveness Plans. The SWOT results in 20 municipalities, which are detailed in *Table 4*.

Table 4. Participants in SWOT exercises

Participants	From municipalities	From private sector	From institutions	Total participants	M	F
Total	86	353	67	506	274	232
Percent	17%	70%	13%	100%	54%	46%

2. Municipal Associations

By working with groups of municipalities in imparting competitiveness workshops and the Leadership Essential Training, MCP is bringing together mayors and other local government officials in a process that is facilitating interaction among municipalities and microregions that will serve to carry out activities identified in the Municipal Competitiveness Plans.

During the present year, implementing partner FUNDE worked with two municipal associations, *Asociación de Municipios de la Sierra Tecapa Chinameca* (ASITECHI) and *Asociación de Municipios Los Nonualcos* (ALN), while SACDEL is in the process of identifying the two additional associations in the western and central parts of the country that will be supported by the Project. ASITECHI was supported in its legal establishment and setting up its technical office in Jucuapa, inaugurated in July 19, 2011. With ALN, activities to promote regional products are being

conducting in coordination with CONAMYPE and GIZ. Terms of References have been developed for the Microregional Competitiveness Plans for ASITECHI and ALN.

3. Business Friendly Certification Program and FUNDES' Program of Technical Assistance to Municipalities

Business Friendly Certification Program

The MCP is working with partner FUNDES to identify municipalities that have made positive changes toward creating a more supportive business environment and develop a Business Friendly Certification Program for these municipalities. The certification will effectively introduce professionalism into economic development at the local level, encourage municipalities to formulate proactive municipal economic development programs, and support greater investment in recruitment opportunities and new jobs.

During FY 2011, FUNDES identified the resources required to develop the Business Friendly Certification Program, which was originally to be designed during the first quarter FY 2011. It has now been postponed until the first quarter FY 2012.

All municipalities included in the Project will be encouraged to apply for the Business Friendly Certification Program if they meet the criteria set forth by the program. FUNDES will review all applications received and issue the certifications if requirements are met.

FUNDES' SIMTRA Program

During FY 2011, FUNDES accompanied FUNDE and SACDEL during visits to all 50 MCP municipalities to evaluate local conditions regarding attention to businesses and gathered information with which FUNDES developed a selection process for the SIMTRA Program.

The program will be implemented in three groups of seven municipalities. Work with the first seven municipalities (Chalatenango, Ciudad Delgado, Aguilares, Mejicanos, Cuscatancingo, Tonacatepeque, and San Martin) started in July 2011. As a strong interest in joining the program was expressed by the municipalities of San Salvador, Santa Tecla and Santa Ana, use of FUNDES resources was evaluated and adjustments were made to be able to maintain the seven original municipalities while starting assistance to these additional three municipalities. Opening of one-stop windows in the original group and San Salvador are scheduled to open in the second quarter of FY 2012. It is important to mention that FUNDES will be opening seven one-stop windows in the municipality of San Salvador, in order to cover the six districts and the central offices. Santa Tecla and Santa Ana will be open in the fourth quarter of FY 2012.

Workshops are being conducted with municipal employees to train them in the methodology for creating and designing more efficient municipal procedures. In these workshops, municipalities acquire the expertise required for analyzing the situation and identifying opportunities to improve these processes and in the future they may apply this knowledge to other operational areas of the municipality, thus strengthening their capacity to achieve better levels of administrative efficiency.

As a complement to activities under the SIMTRA Program, FUNDES began providing assistance to the Municipality of San Salvador in a Diploma program on Quality Management, titled

“*Formación de Líderes de Calidad para la Gestión Municipal de San Salvador*” (Training Leaders in Quality for the Municipal Administration of San Salvador). By the end of the Diploma program, FUNDES will have trained 90 leaders.

4. Entrepreneurship Business Plan Challenge

The MCP Team has worked with *Fundación Salvadoreña de Apoyo Integral* (FUSAI) and with FUNDES to evaluate alternatives for developing a business plan competition that will identify, nurture, and showcase entrepreneurial talent in partner municipalities and microregions.

The budget of the original proposal greatly exceeded the available funds. To conduct a business plan challenge according to the available budget, it was determined that it is necessary to design a challenge that closely involves municipalities, MCP partners and other resources. The proposal will be ready by the end of the first quarter of FY 2012, with the program scheduled to be launched in April 2012.

5. Other Activities

Alliance RTI-BPEACE

During FY 2011, RTI identified the Business Council for Peace (BPEACE), a U.S.-based volunteer organization, as a partner for providing assistance to businesses in MCP municipalities, complementing Project activities. After arriving at a working agreement, RTI and BPEACE signed a Memorandum of Understanding (MOU) to promote employment generation in at least two MCP municipalities by delivering their technical assistance program to at least 25 businesses during the life of the Project. Through its network of volunteers, which are successful U.S.-based entrepreneurs and business professionals, BPEACE delivers a 3-year program of assistance to entrepreneurs, with the objective of creating jobs and reducing the levels of violence in the communities where they operate.

Activities were started in the municipalities of Santa Tecla and San Salvador, with assistance to four businesses in progress by the end of FY 2011. Activities will expand during FY 2012 to reach 21 additional businesses.

Media Activities

Working closely with USAID, and engaging public relations firm Porter Novelli, a media plan for dissemination, concerning MCP activities, was developed during FY 2011. Activities to acquaint the media with the Project were undertaken. Principal media activities include the following:

- Coverage of official Project launch in December 2010;
- Coverage of 2011 MCI launch in April 2011;
- Media breakfasts to present Project objectives and advances; and
- Press Bus activity to visit Nahuizalco and Tepecoyo, two small but well-ranked municipalities in the 2009 MCI. The activity concluded with a meeting with the mayors of Antiguo Cuscatlán and Santa Tecla, two large municipalities with high MCI scores.

Inter-Institutional Technical Committee

During FY 2011, an Inter-Institutional Technical Committee was created to facilitate coordination of activities with government agencies and other donor organizations involved in local government development. More than 15 organizations participate in the Committee, including the *Subsecretaría de Desarrollo Territorial y Descentralización* (SSDTD), the Salvadoran Institute for Municipal Development (ISDEM), *Fondo de Inversión y Desarrollo Local* (FISDL), *Agencia de Promoción de Exportaciones e Inversiones de El Salvador* (PROESA/EXPORTA), Ministry of Tourism, the Agency for Small and Medium Enterprise Promotion (CONAMYPE), *Fundación para el Autodesarrollo de la Micro y Pequeña Empresa* (FADEMYPE), the German Cooperating Agency (GIZ), United Nations Development Program, Inter-American Development Bank, and two universities.

By the end of FY 2011, MCP has coordinated Project activities with other international agencies and programs through the Inter-Institutional Technical Committee. These include the Spanish Cooperation Agency (AECID), World Bank, and representatives of other USAID-funded projects, the Crime and Violence Prevention and the Work Force Development programs.

C. Component 2: Municipal Competitiveness Index

RTI and ESEN will implement the MCI in 2011 and 2013. MCI findings will be widely disseminated; support to continue the MCI will be sought by securing sponsors, who will commit financially and/or pledge involvement in its continued implementation.

MCI activities were launched at a public event on April 1, 2011, at the ESEN campus. More than 160 people attended the event, including the SSDTD, the vice minister of Commerce and Industry, and eight mayors. MCI survey forms and survey methodology were reviewed in April 2011 by ESEN and RTI. Training of staff conducting the surveys was carried out during the first week of April 2011, and field activities for data gathering took place from May 2, 2011, through the first week of August 2011.

Surveys were completed in July 2011 in all 108 municipalities (which included 4,320 businesses). The ESEN team began the data entry, data cleaning, and data quality checks in August 2011. In September 2011, ESEN shared all of the Statistical Package for the Social Sciences (SPSS) data files from both municipal and business surveys with RTI. As the data set is large and the methodology is complex, delays were encountered during this period. Based on that, RTI has requested further analysis from ESEN to better understand the meaning of the results and to ensure the accuracy of the 2011 data, as they will be compared directly with the 2009 MCI.

RTI has been in constant communication and working intensively with ESEN to advance activities and make up for delays experienced in the fourth quarter of FY 2011. A clear set of actions to complete the MCI analysis and finalize the rankings has been outlined, and an adjusted schedule for completion of the activity has been developed and shared with ESEN. ESEN is currently devoting significant levels of effort to finalize 2011 MCI results, and RTI has formally notified ESEN on of the need to maintain this effort.

At the time of submission of this report, the MCP team was discussing a revised delivering date for the 2011 MCI with ESEN and USAID.

D. Component 3: Private Sector and Inter-Jurisdictional Engagement

The goals of Component 3 are to build the organizational and networking capacity of both the public and private sectors.

During FY 2011, as implementing partners worked with municipalities to provide training and initiate the development process for the Municipal Competitiveness Plans, the MCP advanced toward achieving the strategic objective of facilitating interaction among municipal governments and the private sector. Meetings have been organized in all MCP municipalities to present the program to their communities and engage private sector participation in building the Municipal Competitiveness Plans.

Municipal Associations

In addition, by working with groups of municipalities by conducting the competitiveness workshops, the program is bringing together mayors and other local government officials in a process that facilitates interaction among municipalities to carry out activities identified in the Microregional Competitiveness Plans to be developed in FY 2012. The leadership training imparted in FY 2011 also served to build a positive working relationship among the MCP Technical Team, implementing partners, and participants from other organizations.

During the period, implementing partner FUNDE continued working with two municipal associations, Asociación de Municipios de la Sierra Tecapa Chinameca (ASITECHI) and Asociación de Municipios Los Nonualcos (ALN), while SACDEL is in the process of identifying the two additional associations in the western and central parts of the country that will be supported by the Project. ASITECHI was supported in setting up the technical offices in Jucuapa, which were inaugurated on July 19, 2011, and work has started in developing the Microregional Competitiveness Plan. With ALN, activities to promote regional products are being conducting in coordination with CONAMYPE and GIZ and work also started for the Municipal Competitiveness Plan.

Project Advisory Committee

A Project Advisory Committee, consisting of government and private sector leaders, was created in FY 2011 in close coordination with the SSDTD, to ensure synchronization of MCP activities with national programs and opportunities.

The Project Advisory Committee held its first meeting on July 7, 2011. The meeting was conducted with active participation from all participants. All committee members made valuable contributions, providing advice for conducting activities in a very productive manner. A summary of the meeting was drafted by RTI in coordination with the SSDTD, and it was agreed to share progress on the Project on a regular basis. ANEP representatives did not attend the meeting, and the institution was visited to stress the importance of private sector participation in the process of promoting local government strengthening.

During FY 2012, the Project Advisory Committee will support the MCP to coordinate activities and draw support from government programs for municipal and economic development, as well as engage private sector participation in MCP activities to identify and prioritize areas for business environment reform and development. The creation of formal business associations in MCP municipalities will also be supported in FY 2012, with Municipal Competitiveness Plans to be developed, as noted earlier in this report.