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USAID'S EXPORT PROMOTION PROGRAM QUARTERLY REPORT: JULY 2007 TO SEPTEMBER 2007

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Executive Summary

The Program is reporting contract deliverables as of September 30, 2007 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.

The Program's expected results and current status (April 1, 2006 to September 30, 2007) 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 and 2 Targets:	490	365	\$22,000,000	3,565	1,000
As of Sept. 30, 2007:	718	201	\$23,286,891	1,827	1,131

The Program is able to report \$23,286,891 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 to date is 718, of which 253 SMEs have received technical assistance, and 543 SMEs have received assistance through the training component.¹ The total amount of SMEs that have generated domestic and export sales is 201, of which 130 SMEs have exported a total amount of \$13,922,841 and 137 have sold to the local market for a total amount of \$9,364,050.²

The training component of the Program continued its workshops during this quarter and has had consistent and full attendance. 929 businesspersons, representing 543 SMEs, have been trained thus far (the remaining 202 people trained are composed of GOES officials and private sector professionals). \$7,511,882 in domestic sales and exports can be attributed to firms trained under the Program. For more information, please refer to Result #3. In addition, 872 direct new jobs have been created from April 1, 2006 to September 30, 2007. For more information please refer to Result #2.

A finding of this quarter, similar to the previous quarter, is the significant increase in permanent new jobs, specifically in Production but reflective in all job categories. Although job creation has been slow through out the life in the Program, in this quarter there has been 43% increase compared to previous quarters in Production. Similarly, from Administration to Upper Management positions, increases in job positions are approximately 50%.

¹ Various SMEs have received both technical and training assistance.

² Various SMEs have exported and have sold domestically.

This coincides with the amount of exports by sector for this quarter. Although Food Products exported \$1.6 million, the biggest market sector in exports is Manufacturing, which sold approximately \$3 million, an increase of almost 75% when compared to the total amount exported in the other five quarters of Phase 2 of the Program. However, once again, the Services sector had a big quarter, exporting \$1.2 million making it the third highest grossing sector assisted by the Program. In addition, the sector that has the most SMEs exporting is Services with 77, while Manufacturing and Food Products are tied at 48. This increase in Services sector presence indicates the continuing fulfillment of a Program goal to promote Services in order to differentiate the exportable offer of El Salvador and expand goods offered by El Salvador.

Also interesting this quarter is the continued increase in exports by the Natural and Organic Products sector. In the previous quarter, this sector more than doubled its exports from the previous four quarters. This quarter the trend continues, making this sector the fourth highest sector exporting. This is due to successful showings at the Biofach Fair, attended in the last quarter, where \$956,000 were negotiated as well as the All Things Organic Fair, also held in the last quarter, where approximately \$850,000 were negotiated. Again, the success in this sector is reflective of the Program's aim of placing a higher added value in order to differentiate El Salvador's goods and services, focusing on quality not quantity.

Women continue to have a strong presence in SME beneficiaries. Although 37% of the SMEs had female decision makers, 73% had women on their board of directors. Therefore, even though in the daily operations of the SMEs female participation is more limited, their overall presence in the existence of the SMEs is viable. Also, more than 50% of jobs created in the SMEs are held by women.

In this quarter, various initiatives were conducted to increase competitiveness and development of new markets for the food and medical services sectors. In the food sector, one of the most important achievements was the establishment of prices and the order by Whole Foods for the Cocina Maya products. This order should be sent out by December 2007. In addition, a fair was held in Florida called "A Taste of El Salvador", organized by the Program, in conjunction with the Salvadoran-American Chamber of Commerce of Florida, where numerous SMEs exhibited their products.

Various initiatives began organization during this quarter that will conclude in the next. Principally, the Design component has organized the Contempo Furniture and Home Accessories Contest funded by the Program which will conclude in November 2007. This is the first contest of its kind in El Salvador. Another initiative that will conclude in November is the first Salvadoran Book Fair in Los Angeles, California, also organized by the Program and the consultant Mauricio Ruano. This event is also the first of its kind in the Southern California Region. In addition, a consultant was hired to develop an export plan for the new Export Chamber of Translation Services and they will participate in its first fair, as a chamber, in October 2007. Lastly, the Mentoring Program officially begun this quarter as well a study was conducted to begin the E-Commerce initiative and a proposal was sent to begin to formally establish the quasi-equity fund.

Funding for the above initiatives and others continued through the same Fast Track and Standard Mechanism as in Phase 1. The total amount awarded is \$776,756 with \$508,710 currently disbursed.

For more information please refer to Result #1. It is interesting to note that there has been a significant increase in Technical Assistances awarded this quarter for both Fast Track grants and those initiatives channeled through FOEX. Fast Track grants have increased 62% while Standard Mechanism grants have increased 150%. This is the most likely explication is to why exports and domestics sales increased so significantly this quarter.

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 October 2007 to obtain the information and data for this report. All 718 SMEs thus far assisted in Phase 2 of the Program (April 2006 to September 2007) were contacted and 84% 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 domestic and export sales to date are \$23,286,891 with \$13,922,841 as a result of exports and \$9,364,050 as a result of domestic sales. Once again, as with the previous quarters, the majority of exports/sales are attributed to Phase 1 beneficiaries, \$13,158,372 or 57% of the total exports/sales. In addition, in the previous quarters a total of 157 SMEs had exported and sold domestically and as in this quarter, 44 SMEs exported and sold domestically, bringing the total to 201 SMEs exporting or selling domestically.

As with the previous quarter and consistent with the findings throughout the year, the market sectors of food products and manufacturing dominated exports this period. However, once again Services made a strong showing in this quarter. 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. In summary, The Program participated in five fairs, four inbound buyer missions, three commercial missions, one joint venture as well as one meeting, and had one inbound consultant visit El Salvador to conduct a study, bringing the total amount of activities to 15 activities.

Fairs, Commercial Missions, Inbound Buyer Missions and Joint Venture Missions attended by Program Executives

- ***Arara Enterprises Inc. – Inbound Buyer Mission*** – A showcase was held for company representative Maribel Siman-Delucca featuring eight SMEs from the home décor and handicrafts sector. In addition, the company representative spent two days in El Salvador visiting the SMEs she was most interested in and bought samples from Manos Amigas (artwork of religious motifs made of fruit), Artecomasagua (dried flowers greeting cards) and Palma City (embroidered placemats, napkins, table runners, etc). She took these samples back to the US and will exhibit them in an upcoming fair in order to gauge consumer reaction and if the reaction is positive, subsequently she will place an order.



SME exhibiting for Arara Enterprises representative.

- **Summer Fancy Food Show, New York City, NY** – Program executives accompanied five SMEs and a total of \$75,000 was negotiated at this fair: Café Bar (\$5,000), Mayprod (\$5,000), Palacio (\$30,000), Sal Inc. (\$5,000) and Veralmar (\$30,000).
- **Feria Emprende 2007, San Salvador, ES** – Program executive Guillermina Barrios accompanied two Paax Muul representatives, who participated in an entrepreneur training program given by FUSAI and CONAMYPE, to this showcase marking the end of the initial phase of the training program. At this exhibition, Paax Muul received additional scholarships to continue the training program as well as for additional support.



El Salvador stand with Chef Juan Salomon at the Summer Fancy Food Show

- **A Taste of El Salvador, Miami, FL**– Program Deputy Director Mario Caceres and Program executives Astrid Jule and Claudia Sampera accompanies eight SMEs and represented seven at this fair and commercial mission. This event was held in conjunction with Florida Salvadoran-American Chamber of Commerce for the purpose of promoting and improving business opportunities with the Salvadoran community and other businesses in Florida. Approximately 200 people visited the product showcase, which also featured Salvadoran artwork on display, and \$600,000 was negotiated. Individual meetings were also held with local businesspeople and distributors.



Food and artwork showcase at the "Taste of El Salvador" event.

- **Planet Hospital – Inbound Buyer Mission** – Company president Rudy Rupak visited El Salvador once again to continue negotiations for promoting El Salvador medical services. Although El Salvador is now being offered as a health services destination on Planet Hospital’s website, there are various details pending and additional doctors to be interviewed. Mr. Rupak was also the keynote speaker at a conference entitled “The Globalization of Health Services”. This event was organized with the help of the Program and approximately 50 people attended.
- **Commercial Mission to Cancun, Mexico**– Program executive Vicente Rivas accompanied two representatives of the home decor trading company, Decoexporta, on this commercial mission. They visited the areas of Cancun, Cozumel, and Playa del Carmen, specifically souvenir stores, distributors and the Chambers of Commerce of both Cancun and Playa del Carmen. The products were well received and an interest in buying the products offered was shown. However, potential buyers expressed that they would only buy the product once in Mexico. The trading company is currently analyzing the best way to enter the Mexican Market.
- **Roberto Preza – Inbound Buyer Mission** – Roberto Preza visited El Salvador once again to audition musical groups. This time he focused on Salsa, Tropical, Cumbia, and Merengue bands. In total, 10 groups auditioned for him and he will analyze and choose which groups will participate in his events

at a later date. In addition, he informed the groups he had previously chosen in which events they will participate during year.

- **Commercial Mission to Los Angeles, CA and Eugene, OR** – Program Director Phil Rourk met with Whole Foods Inc. representatives in regards to the Cocina Maya initiative to order to define pricing, order and delivery details. He also traveled to Eugene, Oregon and met with Richard Turanski President and Founder, and Daniel Shaneyfelt, International Accounts Manager of Glory Bee Foods, specifically to discuss honey food products as well as Fair Trade products such as beans and coffee. Quantities and pricing information will be sent to them in the near future. Upon his return to Los Angeles, Mr. Rourk continued promotion efforts for the medical tourism sector and the cultural trading companies; he also met with La Curacao to discuss handicrafts among other topics.
- **Commercial Mission to Washington DC** – Program Director Phil Rourk accompanied the Consortium of Electromechanical Engineering (CIEMEC) on a commercial mission to Washington DC where they had several productive meetings. The main purpose of this commercial mission was to introduce CIEMEC and sell its services to US and international companies. The cost of electrical engineering services is 1/5 the cost in El Salvador than in the US, thus causing a positive overall impression. There are several solid prospects for subcontracting this group’s services.
- **Framing Design – Inbound Buyer Mission** – Jesus Lopez from the company and framing gallery Framing Design of Miami, FL participated in an inbound buyer mission for the Visual Arts trading Company. He met with all he members of the trading company and a showcase was held for him on August 14 with 35 artist exhibiting 70 pieces of artwork. Of these, he chose 14 pieces to tale with him to exhibit and sell in the United States.
- **Alfonso Rivas – Joint Venture Mission** – Alfonso Rivas, a Venezuelan company, mass produces various food [products and is looking to expand its operations in Central America. This company is interested in opening a cereal and pro-mixes plant in a Central American country to supply the Central American and Caribbean regional areas. During their visit, representatives of the company met with local distributors to gauge potential sales in the region. In the short term, they would like to place their products locally and in the long term, they would like to centralize the distribution and set up a logistic center. They will return in three months to continue negotiations. This project would be in conjunction with PROESA.
- **Expocomida Latina, Los Angeles, CA** – Program executives Camila Flores and Claudia Sampera accompanied six SMEs exhibiting their products at this fair. In addition to the exhibition of these products, the SMEs met with previously contacted distributors to discuss furthering their business relationships. Claudia Sampera also made contact with three new potential inbound buyer missions. The companies that attended this fair are Samartina, Grupo GRV, Agroindustrias Cultivar, Arrocera Omoa, Atlacatl Food, and Sal Inc. The total amount negotiated was \$270,000.
- **Ambassador Care, meeting in Los Angeles, CA** – Program Deputy Director Gerardo Tablas and Dr. Frank Rico of Exportsalud attended a meeting with the president of Ambassador Care, john Raffetto. Ambassador Care is an international health care company that provides Medicare patients with treatments. Ambassador Care is



Food products exhibited at the Expocomida Latina Fair

very interested in sending patients to El Salvador. It is expected that the first patients will be arriving sometime in January 2008. Also attending this meeting were representatives of the Salvadoran Consulate and the ministry of Exterior Relations.

- ***Festival Salvadoreñísimo, Montgomery County Fairgrounds, Maryland*** – Program Director Phil Rourk, Program Deputy Director Mario Caceres and Program executives Camila Flores, Astrid Jule and Claudia Sampera, accompanied 22 SMEs exhibiting their products at this fair. Approximately 35,000 people attended this festival directed at the Salvadoran and larger Hispanic community of the Maryland, Virginia and Washington DC regional areas. In addition to Program SMEs, which includes the trading company Natural union Brands, the Scenic and Cultural industry trading companies also participated in the festival. Seven musical groups from El Salvador performed and their CDs were also sold. Sales generated by the SMEs totaled \$7,000.



Members of Expotsalud exhibiting at the Festival Salvadoreñísimo

Sales generated by the musical groups were \$105,000 (\$15,000 each group which included payment of their fee and other expenses) as well as an additional \$7,500 in CD sales.

- ***Fulvio Carbonaro*** – Inbound Buyer Mission – Mr. Carbonaro is a US-based consultant who has been hired to develop a project to identify and implement an appropriate E-commerce/electronic storefront model to promote Salvadoran export goods. After visiting the warehouses of INTRADECO (who will be providing the logistical services of the E-commerce project) with Program Director Phil Rourk, he visited El Salvador to begin development of the E-commerce initiative. He met with freight forwarders, warehouse operators, data and system development people as well as potential clients. He will conceptualize the system to consolidate products of approximately 100 SMEs in El Salvador, move it to the US and deliver it to the final consumer through orders generated on their own internet store and links to other websites such as E-bay, Amazon.com, etc. Mr. Carbonaro will present a proposal dealing with all these issues as well as TORS for the outsourcing of these components.

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 executed by the design component and the trading companies established by the Program, as well as various other achievements due to the Program's efforts.

- Cocina Maya has been a focal point of the Program's efforts during this year. The preliminary samples of the food products were sent out at the end of June to Whole Foods for testing and order

placement. The food products sent were: Hibiscus Vinaigrette, Jocote Plum Vinaigrette, Sour Guava Vinaigrette, Jocote Plum Mixer, Banana and Pineapple Topping, Chile Contento and Pipian Antipasto. Whole Foods requested several changes, which include prolongation of shelf life and suggestive uses in the labels. A new batch of samples, same as before but this time with three additional products, Cashew

Apple Vinaigrette, Cashew Apple Drink Mixer and Sour Guava Drink Mixer, were sent and the Program



Five of the Cocina Maya food products.

is waiting on the results of these second set of samples. In addition, pricing and order placement was determined. The first order will consist of 12,000 units composed of 10 items (four drink mixers, three vinaigrettes, one dessert topping, one salsa and one antipasto) divided into four cases of 12 units of each product. This will shipped to do all 25 Whole Foods stores in California. In addition, Phil Rourk interviewed several US-based trademark attorneys in order to legal register the Cocina Maya brand.

- The quasi-equity fund initiative took another step forward this quarter during the commercial mission undertaken by Program Director Phil Rourk to Washington DC in September 2007. As in the previous quarter, he met once again with Sandra Darville, Head of Unit Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IDB). Mr. Rourk was accompanied by a consultant Jean-Pierre Schrawtz, to this meeting. The following was agreed at this meeting: 1) definition of the TORS for this project, 2) advertise for and hire a fund manager, 3) final questions will be resolved when Sandra Darville and Susana Garcia-Robles visit El Salvador in October to conduct a micro-financing seminar. At this time, a meeting will be held with all the pertinent parties: USAID, BMI and FUSADES.
- During the quarter, the E-Commerce initiative was begun with the visit of the consultant Fulvio Carbonaro to conduct a study and develop the mechanism for the implementation of this project. In the previous quarter, an agreement was reached with Mario Molina of Intradeca, S.A. de C.V. that this company will provide the logistical services for the E-commerce store. Phil Rourk and Fulvio Carbonaro visited this warehouse in Miami, where they reviewed the warehouse management and inventory systems. The study should be completed in the next quarter, enabling this project to begin operations.
- External consultants Mauricio Ruano and Beatriz de Zacapa continued their consultancy services to identify business opportunities and market development. Mauricio Ruano is focusing on the Los Angeles and Southern California areas where he has been instrumental in promoting Salvadoran design services. This consultant is organizing for the next quarter the Salvadoran Book Fair to be held in Los Angeles at a book store called Libreria Azteca. Over 350 titles will be exhibited at this fair aimed at Spanish language book distributors in the Southern California region. Beatriz de Zacapa is focusing on the European market and organized and accompanied Program Director Phil Rourk on commercial mission to Spain in May 2007.
- The SME Carbón Chapparal has closed negotiations with International Merchandising Group, a US-based company brought by the Program on an inbound buyer mission to El Salvador. Carbón Chapparal will supply charcoal in the amount of five containers per month at \$7,500 per container, or \$37,500 monthly, for 12 months for a total of \$450,000. The first container is expected to be exported in October.

Mentoring Program

The development of a Mentoring Program was begun during the last quarter. The purpose of this project is to provide export support to Small and Medium Enterprises which will involve mentors with successful business experience, university professors and Masters in Business Administration (MBA) students. These people will join the USAID's Export Promotion Program during a determined amount of time in order to resolve concrete issues that will allow SMEs to improve their exports.

During this quarter, the universities, consultants and businesspeople that will participate in this project were selected. The universities chosen are the Universidad Tecnologica de El Salvador (UTEC) and ISEADE-FEPADE. Currently 27 companies have agreed to participate in this program. The Masters' Program of the UTEC has a capacity to work with 13 companies and ISEADE-FEPADE has the capacity to work with approximately 20 companies. The Program is currently searching for an additional six companies to fulfill capacity. In addition, eight businesspeople have accepted to work as mentors. It is expected that in November 2007, the mentoring program will officially begin to work with the SMEs.

Design Program

The Program's design component has been working to further promote design and innovation in Salvadoran SMEs during this past year. In September 2006, 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.

From these projects approved by the Program, two have been carried out successfully. For Maderas y Metales (Torogoz), a collection of metal tiles (wall jewelry) was produced. The project, designed by an interior designer co-financed by the Program, consists of five smaller collections (57 pieces total). The collections were taken to the Coverings Fair held in Chicago April 2007. The participation of Maderas y Metales proved fruitful as the orders began with the sale of sample kits to tile wholesalers. 25 kits were sold at \$1,000 a piece and the company has already received orders totaling \$35,000 including the \$25,000 worth of kits sold at the fair. After receiving input of the 450 visitors they had at Coverings, Maderas y Metales will apply for additional technical assistance to develop another collection of metal tiles in preparation for next year's Coverings Fair.

Another company that went through with design technical assistance is Wise Marketing for its Wombee brand. Wise Marketing sells mobile contents like ring tones, wallpapers, games, etc. Alvaro Guatemala was hired as the design team leader and developed Wombee's website and radio DJ characters. In-house redesign of the company's logo, along with other fast tracks Wise Marketing has applied to, has resulted in approximately \$300,000 exported by this SME.

In-house design has been instrumental for SMEs emergency packaging design for participation in food fairs. For the product called Mayan Sea Salt, concept and packaging was developed for the SME Mayprod, which participated in the Taipei Food Show in Taiwan and the Summer Fancy Food Show in

New York. Mayprod has noticed a tremendous increase in interest from fair visitors towards the product for which, the company president credits the packaging. Shuchil's organic aromatherapy concept and packaging was also developed for the Taipei Food Show, where the company received two orders: one for Taiwanese market for \$7,000 and the other for the German market for \$8,000. Because of the high approval of these product designs at the respective fairs, reflected in the high amount of orders placed, this proved to be a valuable exercise and experience to demonstrate how important good design is behind a good product.

In addition to the above activities, the Design component is working on the following:

- *Arte Comasagua* – a contact has been made to develop a box line made out of pressed flowers, the company's principal product. Negotiations have begun with the US-based company SBC Global, who specializes in greetings cards.
- *Cruise Creative* – the Program is in the process of developing an inbound buyer mission for Suzanne Cruise, president of Cruise Creative, to visit El Salvador in December. This company is a licensing agent and the Program considers Mrs. Cruise's expertise and contacts to be of benefit to Salvadoran artists who would like to export their work.
- *Guaza* – the Program linked this local design company with the US-based company 4.5 Productions, a trend forecasting company, to design, develop, and upload 4.5 Productions website, www.fourpointfive.com. This project is estimated at \$3,825.
- *Brand Licensing Europe 2007* – Program executives will attend this fair in London, England in October where eight design and artwork companies will exhibit their portfolios.
- *Contempo Furniture and Home Accessories Contest* – The contest has entered its second phase (building of prototypes). After the initial phase, 20 companies were chosen to exhibit their products in November where a panel of local and international judges will select the top five winners. These winners will then have their products exhibited, all expenses paid, at a top furniture and home accessories show in the United States, more than likely the International Contemporary Furniture Show (ICFF) in May 2008. The panel of judges is composed of the following experts: Olga Miranda, home décor connoisseur; Jimmy Fuentes, architect (P.H.D.); Alvaro Criollo, Colombian architect; Britt Bivens, trend forecasting expert; Carol Ross, from George Little Management, LLC. She is in particular important to the panel as she has recruited handicraft exhibitors and has helped them make the transition from craft-artisan items into ICFF-level products.
- Consultant Mauricio Ruano continues to search for potential clients in Los Angeles, CA for Salvadoran designers. In the last quarter, he has successfully obtained four projects; four of them have been developed by graphic designer Edwin Ruano where he designed logotypes for restaurants "Con Sabor" and "José Pollo" and a project for a used car dealer called "Santa Monica". The fourth project is in its approval stage, where architect Julio Yanes is quoting to develop architectonic animation of a housing project in Los Angeles. His most recent contact was made for Larisa de la Rosa, who is working on a brand called Kitos, designing cartoon characters. Initial designs have been submitted and she is waiting on customer approval.
- The Program is also looking into hiring consultant Simón Varela to promote the export of Salvadoran design services. Mr. Varela is a Salvadoran-American who has worked as professional illustrator for companies such as Disney, Pixar and DreamWorks, all leading companies in film

animation. Through his contacts, he expects to tap into markets such publishing, graphic design in the corporate field and the music industry (CD covers and booklets).

- Cocina Maya's corporate image and labeling is almost complete. The first samples of the products with their respective labeling were sent to Whole Foods Inc. in the last quarter. A second set of samples with the changes requested by Whole Foods are being prepared and will be sent in the October 2007.

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 of exports of any number of Salvadoran products in order to successfully introduce them into international markets. The Program has established nine companies to date and it is expected that additional trading companies will be created throughout the life of the Program. The following is an update on the status of this initiative:

- **Paax Muul** - William Jablonsky, of Adagio Distributors, visited El Salvador in February 2007 and met with the Paax Muul guitar makers. As a result of his visit, he has placed an order of 56 guitars for approximately \$30,000. This order will be filled during the year. So far, 20 guitars have been exported and 21 are in production. Also, at his suggestion, the guitars makers have been relocated from individual workshops to a large warehouse in Nejapa. As a result of this move, better quality control and more efficient production is expected for this industry. In addition, each guitar maker was approved a personal credit by the Worker's Bank (Banco de los Trabajadores) for the purpose of buying materials for the guitars that are currently in construction. The guitars are also being offered by the Spanish company El Flamenco Vive on its website www.flamencovive.es. The Barrios Mangore model has a retail price of 1,799 euros (\$2,446 approximately) on this website.
- **Natural Union Brands** – The financial issues that hindered progress during the last quarters took a step in a positive direction this quarter. The company received a grant from COEXPORT for \$20,000 in order to continue to implement its export plan. The Program will continue the relationship with this trading company, monitoring progress and accomplishments as well as providing consultancy and technical support when necessary.
- **DECOEXPORTA** – A commercial mission to the “Riviera Maya” in Cancun, Mexico took place during this quarter. (See page 10). They are currently working on an entry strategy for the Mexican market. In addition, the members of the trading company are analyzing the possibility of expanding membership in order to increase the variety of products offered.
- **CI-SOFT** – This software trading company has had to suspend the installation of a quality control software program in a clothing factory in Haiti due to internal reasons of the client in the last quarter. They were unable to meet with the head office in Honduras because the company continues to experience internal issues. However, the Nicaraguan university, where specialized software is to be installed, did visit El Salvador and the trading company and the deal was closed for approximately \$16,000. This amount could reach \$30,000 depending on the satisfaction of the client with the initial installation.
- **MAKI** – This footwear trading company has decided to seek business opportunities individually, not as a group, due to differences in production quality within the companies. Inbound buyers have

mentioned the differences of the quality between companies, so they prefer to work with specific companies, not the trading company per se or at least until weaker members improve their quality. However, they are involved in projects for the Brazilian company Nina Simona (John Henry for Perry Ellis) and with the consultant David Tufts (samples have been sent).

- ***Latin Food Distributors*** – Due to the commercial mission undertaken last quarter, the companies that were visited while in the United States have placed new orders resulting in two containers that have been exported for a total amount of \$60,000. In addition, the company has received financing from CENTROMYPE of \$20,000 to continue to implement its export plan.
- ***Asociación El Salvador Arte (ES ARTE)*** – this audio visual products and cultural Industry trading company focuses on production and sale of videos, cinema, TV programs, documentaries, as well as cultural research and services (e.g. art workshops, tours, etc.). Currently, this company is in the process of legalization; it will be set up as an association and the members have selected, within themselves, someone to temporarily be in charge of the legalization process. Also, local infrastructure is taking shape with the opening of an office in San Salvador and brochures and catalogues are currently being developed. In this quarter, this trading company participated in two commercial missions to the US and one inbound buyer mission. These activities have resulted in sales of seven art pieces for a total of \$8,500. In addition, a negotiation has begun with Starbucks Coffee for the exhibition and sale of Salvadoran art in the 516 stores in Florida. In the next quarter, 14 Salvadoran artists have been chosen to send four art pieces each to Miami to be exhibited in a gallery (as a result of the inbound buyer mission) worth approximately \$60,000.
- ***Asociación Exportadora de Artes Escénicas (EXPORT ARTE)*** – this scenic arts trading company focuses on dance, theatre, performing arts, music, soloists, bands, orchestras etc. Currently, this company is in the process of legalization; it will be set up as an association and the members have selected, within themselves, someone to temporarily be in charge of the legalization process. Brochures, catalogs, CD and DVDs of the products offered are being prepared. In the last quarter, an inbound buyer mission was held for Roberto Preza, the founder of the Salvadoran Independence Festival (Festival Salvadoreñísimo) in the U.S. to audition musical groups for participation in this event. Seven musical groups participated in this Festival; total exports were \$142,400 including the performance fee, CD and t-shirts sales. In July, the trading company also participated in the event “A Taste of El Salvador” where total exports reached \$3,500 (performance fee). Also, a formal offer was presented by the theatre company “La Bocha Teatro” to give 10 presentations in Central America, Panama and Colombia.
- ***Asociación Exportadora de Producto Cultural (EXPROCULTURA)*** – this visual arts trading company focuses on artwork, sculptures, lithographs, photos, and engravings. Currently, this company is in the process of legalization; it will be set up as an association and the members have selected, within themselves, someone to temporarily be in charge of the legalization process. This company has opened an office and will proceed with the formalization of its infrastructure as well as develop the brochures, catalogs and any other promotion material. This past quarter, this company initiated sales and began contacting potential clients and agents to commercialize its products. This effort has resulted in various sales: La Curacao in Los Angeles, CA of 240 titles (1,743 units) for \$11,750 and Libreria Azteca, also in Los Angeles, of 146 titles (800 units) for \$4,750. In November, the first Salvadoran Book Fair or “Feria del Libro Salvadoreño” will take place in Los Angeles where \$9,500 is expected to be sold.

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

USAID’s Export Promotion Program is able to report the provision of technical assistance-training-guidance support through Fast Track and FOEX co-financing funds to 1,139 Salvadoran beneficiaries from April 1, 2006 to September 30, 2007. This is summarized as follows:

<u>Initiative</u>	<u>Total Awarded</u>	<u>Total Disbursed</u>	<u>Total Amount of Initiatives</u>	<u>Total Beneficiaries (1) (2)</u>
Technical Assistance:	\$665,970	\$397,924	262	167
Training Assistance:	\$110,786	\$110,786	1,384	999
Total:	\$776,756	\$508,710	1,646	

(1) Includes SMEs, 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 into those funds co-financed through Fast Track or through the Standard mechanism (Small Grants). Both Fast Track and the Standard mechanism can be used by the Program and FOEX.

<u>Mechanism</u>	<u>Total Awarded</u>	<u>Total Disbursed</u>	<u>Total Amount of Initiatives</u>	<u>Total Beneficiaries (3)</u>
Fast Track:	\$509,520	\$372,854	247	159
Standard:	\$156,450	\$25,070	15	11
Total:	\$665,970	\$397,924	262	

(3) Three beneficiaries of FOEX is also a Program beneficiary

In the first table, the total amount of beneficiaries in the training assistance initiative is composed of businesspeople, government officials and private sector professionals. The beneficiaries of technical assistance are SMEs. This also applies for the 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 \$125, or \$110.25 without IVA, per participant. The amounts awarded and disbursed will then be dully adjusted.

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, additional training workshops etc. account for 79 additional assistances for a total of 341.

RESULT #2:

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

A total of 872 direct new jobs and consequently 1,827 cumulative new jobs have been created as a result of the Program's assistance since the beginning of Phase 2. The categories of these employments and the totals, as well as by gender and duration of job (permanent and temporary), as of September 30, 2007 are as follows:

<u>Category</u>	<u>Direct New Jobs</u>	<u>Indirect New Jobs</u>	<u>New Jobs³</u>
Production:	684	684	1,368
Administration:	104	104	208
Middle Management:	57	113	170
Upper Management:	27	54	81
Total:	872	955	1,827

The creation of new direct jobs increases spending in the economy, which in turn creates indirect jobs by consuming goods and services. Therefore, the 872 new direct jobs result in 1,827 total jobs.

In the canvas conducted in October 2007, indicators were collected on the duration of the jobs, in effect separating permanent from temporary jobs. According to the description of the performance indicator of direct permanent and temporary jobs created by SMEs, four temporary jobs equals one permanent job. Therefore, the total jobs created is 1,269, however applying the definition of the indicator, 872 direct new jobs are created as indicated above, in accordance with said definition. The number below indicates the complete tally of jobs created.

<u>Category</u>	<u>Permanent Jobs</u>	<u>Temporary Jobs</u>	<u>Total Jobs⁴</u>
Production:	556	512	1,068
Administration:	101	12	113
Middle Management:	55	6	61
Upper Management:	27	0	27
Total:	739	530	1,269
Females:	663		
Males:	606		
	1,269		

³ To derive the number for total new jobs, a multiplier of two (2) was applied to the number of direct new jobs under the categories of Production, Manual Labor and Administration. To derive the total new jobs for Middle and Upper Management, a multiplier of three (3) was used.

⁴ To derive the number for total new jobs, a multiplier of two (2) was applied to the number of direct new jobs under the categories of Production, Manual Labor and Administration. To derive the total new jobs for Middle and Upper Management, a multiplier of three (3) was used.

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 second year of the training component, which began in April 2007 and will run through March 2008, was designed, coordinated, negotiated and programmed during the early 2007. For this year, it includes 18 courses in six different areas. Five 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; Food Safety II, aimed at promoting food processing and packaging cleanliness; Market Research, how to conduct and use market research; and Development of New Products workshops, to be held at the Zamorano University in Honduras. The Program expects to train during the second year at least 500 individuals who will come from the public and private sector.

This quarter, from July to September 2007, there were 351 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>
Food Safety	July 11 – 13	46
Design and Evaluation of Business Plans	July 25 – 27, September 26 -28	82
Preservation and Packaging	August 15 -17	40
Total:		168

In addition to these workshops, the training component is implementing half-day conferences ranging in topics from Nutritional Labeling, Introduction to the Export Process, Waste Water Management, Excellence in Food Services, Dairy Product Processing, Food Process Control, Strategic Planning, and Entrepreneurship. In addition, Rudy Rupak of Planet Hospital, as part of an inbound buyer mission, held a conference for Exportsalud entitled “The Globalization of Health Services”. This quarter the total number of attendees to the conferences was 183, detailed below:

<u>Conference</u>	<u>Dates</u>	<u>Number of Participants</u>
Production Process Control	July 24	38
The Globalization of Health Services	July 24	79
Entrepreneurship	August 21	23
Strategic Planning	September 25	43
Total:		183

This brings the total number of instances of participation for this quarter in both workshops and conferences to 351. As of September 30, 2007, there have been 1,616 total instances of participation in the training component, although a number of individuals have received training in various courses.

Therefore, there are a total of 929 individual businesspeople who have received training representing 543 SMEs. The rest of the attendees of the workshops are composed of GOES officials (37) and private sector professionals (165) for a total of 1,131 individual participants. A participant breakdown by gender is indicated below:

<i>Category</i>	<i>No. of People</i>	<i>Gender (Female / Male)</i>
Businesspersons:	929	439 / 490
GOES Officials:	37	22 / 15
Private Sector Professionals:	165	87 / 78
Total:	1,131	548 / 583

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.

COEXPORT (Exporter's Cooperation of El Salvador)

In September, the Program supported an initiative organized by COEXPORT where a showcase of Salvadoran products was held and presented to the commercial officers of the various Salvadoran Embassies around the world. This event is part of the National Export Strategy where the Embassies will be used as antennas to identify business opportunities abroad for Salvadoran products. The Program supported this event financially with a contribution of \$1,200 towards the organization of this event.

EXPORTA (GOES Export Promotion Agency)

As part of the joint implementation of trade shows and missions, the Program was able to provide support to EXPORTA in the organization of two trade shows, the Summer Fancy Food Show in New York City, NY and the Expocomida Latina Show in Los Angeles, CA. (For more information about these fairs, please refer to Result #1). Throughout the year there has been the conscience effort by Program executives to assist EXPORTA representatives with all aspects of fair participation, thus helping ensure the success of these trade events. In the next quarter, more fairs and commercial missions will be jointly implemented with EXPORTA.

FONDEPRO (Formerly known as Ministry of Economy's Export Development Fund - FOEX)

In October 2006, 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 continue supporting exports, but will also support initiatives such as improvement of technologies, quality, innovation, and strengthening competitiveness, among others.

The Program obtained USAID's approval for the "Grant Manuals for Export Promotion Projects". The process entailed the editing and resubmission of the latest version of the manuals to include USAID's final observations and comments. These manuals present the policies and procedures to co-finance the export initiatives of qualified beneficiaries of the Export Promotion and Innovation Funds, through cost reimbursement grants.

Until the approval of the manuals, supporting export initiatives was done through a preliminary version of the policies and procedures for the Export Promotion and Innovation Funds temporarily approved by USAID. This was done with the purpose of not losing momentum gained by SMEs under the Phase 1 of the Program.

At the end of 2006, the Program prepared a draft Memorandum of Understanding (MOU) which establishes 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 FOEX by the Program.

The MOU has been reviewed and approved although not signed because of some differences in the institutional strengthening section. It is expected that the MOU will officially signed and the strengthening of FONDEPRO by the Program will initiate according to the schedule included in the MOU in the next quarter.

FUSADES (Salvadoran Foundation for Economic and Social Development)

This quarter, FUSADES asked for economic assistance from the Program to send one of its technical staff members to attend a product labeling seminar entitled "Dietary Supplement Labeling" to be held in Salt Lake City, UT in October 2007. Program executive Claudia Sampera will also attend this seminar with this counterpart from FUSADES.

The Program is also working towards the transfer of institutional capacity to several private sector organizations. These are: ASI (Salvadoran Association of Industry), Camara de Comercio e Industria (Chamber of Commerce and Industry), Consortium of Electromechanical Engineering (CIEMEC), CRISOL (Design Association of El Salvador CRISOL), Salvadoran Export Chamber of Translation and Interpretation Services, EXPORTSALUD, Exsource Group (Software Development Cluster), FUSADES and the nine trading companies, all created with the help of the Program. For information about these private sector organizations, 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

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. ASI will impart this project with, principally, the Ministry of Economy and other institutions such as the Salvadoran Chamber of Commerce, EXPORTA and the BMI (Banco Multisectorial de Inversiones or Multi-sector Investment Bank). A pilot program is currently underway using the products derived from the fruit Noni.

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

The cooperation 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 second quarter. The 10 SMEs selected for the program were officially approved and the consultants were hired to train these SMEs in the AFIS methodology. Training, which is expected to last four to five months, began two quarters ago and continued during this quarter; the second and final phase of the program (creation of an export plan) is currently under way and should be completed in November 2007.

Consortium of Electromechanical Engineering (CIEMEC)

During the implementation of the export plan during the last quarter, a need arose to organize a commercial mission to the United States to meet with potential customers and contractors. This commercial mission took place in August. (For more information, see Result #1). As a result of the commercial mission, an inbound buyer mission is being planned for the next quarter where the Vice-President of CSA Group, Juan Melgarejo, will visit El Salvador to meet once again with CIEMEC. The CSA Group is the largest Hispanic owned company in the industry. They have over 500 employees and specialize in engineering and architectural project development and management.

CRISOL (Design Association of El Salvador CRISOL)

The administrative issues that arose in the past year within this design association formally known as ADIES (Design Association of El Salvador) were begun to be resolved during the last quarter. A new Board of Directors was formally approved during this quarter as well as the name change for the association. The Program and the Board of Directors is working with Romero Pineda & Associates (a law firm) to further solidify the new association, which will be called “Asociación CRISOL de Diseño de El Salvador” (Design Association of El Salvador CRISOL) or CRISOL for short. In the next quarter, the

new association will be legally registered and will then renew efforts to promote design in and of El Salvador.

EXPORTSALUD (Salvadoran Export Chamber of Medical Services)

There are now three respected North American based companies that offer El Salvador as a medical tourism destination: Planet Hospital, Med Solutions and Med Retreat. The first, Planet Hospital, visited El Salvador again to continue negotiations to further promote El Salvador and expand products and services offered. Also, Rudy Rupak, President of Planet Hospital, was the keynote speaker at a conference entitled “The Globalization of Health Services”, which was attended by 50 doctors and workers in the health care field. Also, Program Deputy Director Gerardo Tablas and Dr. Frank Rico of EXPORTSALUD attended a meeting with the president of Ambassador Care, John Raffetto. Ambassador Care is an international health care company that provides Medicare patients with treatments. The main purpose of this meeting is to gauge the interest of Ambassador Care to send patients to El Salvador. (For more information see Result #1).

Several other activities occurred during this quarter, most notably: 1) the third American patient came to El Salvador to receive plastic surgery. The treatment was successful and the client left satisfied; 2) last quarter Exportsalud advertised in the TACA on-board magazine, Explore. This quarter, seven medical groups, all members of Exportsalud, advertised in this magazine and 3) the two largest hospitals in San Salvador joined Exportsalud as strategic partners and agreed to each contribute \$1,000 monthly to the Chamber.

EXSOURCE GROUP (Software Development Cluster)

In July, an event was held for the Software Development Cluster (Exsource Group), in order to promote and strengthen this group aimed at 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.

In addition to the Software Factory, as a result of the commercial mission to Spain in May 2007, a joint venture alliance is being investigated between Exsource Group and the European Software Institute (ESI) to establish a software institute in El Salvador.

FUSADES (Salvadoran Foundation for Economic and Social Development)

An additional alliance between FUSADES and the European Software Institute is also being discussed in relation to FUSADES’ Eurocentro, which fosters business between European and Latin American companies.

Salvadoran Export Chamber of Translation and Interpretation Services

The consultant Mauricio Castro was hired to develop the Chamber's export plan, which was completed in September. As part of the Chamber's organizational training, it will participate in the Central American Travel Showcase, to be held in San Salvador from October 24-28, 2007. The Chamber will have a stand at this fair. In addition, a legal consultant has been hired to begin the legalization process. In October, a collaborative agreement will be signed between the Chamber and the Program to develop several activities, such as webs page design, and the areas that need strengthening will also be defined.

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

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 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. For the second year of the Program, April 2007 to March 2008, this same agreement was renewed, totaling \$18,530.

The second agreement 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 (\$110.62 plus IVA) per person per course throughout the three years of the Program. For the first year, the total contribution is \$119,250; for the second year a contribution of approximately \$96,250 is expected.

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 translated to \$23,815 for the first year of the training program and \$22,850 for the second year.

ANNEX 1 – List of Sixth Quarter Program Activities

The following table lists the activities and technical assistances through Fast Track 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
Oct	Commercial Mission	Commercial Mission to Salt Lake City, UT*	X					
Nov	Commercial Mission	Commercial Mission to San Francisco, CA*	X					
Dec	Commercial Mission	Commercial Mission to Miami, FL and Los Angeles, CA*	X					
Dec	Commercial Mission	Commercial Mission to New York, NY*	X					
Nov	Event	Contempo Furnitre and Home Accessories Contest*	X	X	X		X	
Dec	Event	International Medical Tourism Conference*	X	X	X		X	
Oct	Fair	Brand Licensing Europe*	X	X	X			
Oct	Fair	Latino Book and Family Festival*	X	X	X			
Nov	Fair	Feria del Libro Salvadoreno*	X	X	X			
Nov	Fair	Expocomida Latin 2007*	X	X	X			
Nov	Meeting	Zamorano University* - to discuss Training workshops for 2008-2009						
Oct	Training	Innovation Workshop	X	X	X			
Oct	Training	Preservation and Packaging	X	X	X			
Oct	Training	New Product Development	X	X	X			
Nov	Training	Food Safety	X	X	X			
Nov	Training	Design and Evaluation of Export Business Plans Workshop	X	X	X			
Nov	Training	Export Logistics	X	X	X			
Dec	Training	Preservation and Packaging	X	X	X			

* - Fairs and Commercial Missions that Program executives have attended

DATE	ACTIVITY	DESCRIPTION	RESULT #1	RESULT #2	RESULT #3	RESULT #4	RESULT #5	RESULT #6
July	Technical Assistance	Lexington Junior League Horse Show - Lexington, KY	X	X	X			
July	Technical Assistance	Commerical Mission to Nicaragua - Calderon Ruiz Ingenieros	X	X	X			
July	Technical Assistance	Nutritional Analysis and Label Design - Cocina Criolla, S.A. de C.V.	X	X	X			
July	Technical Assistance	Market Study - Ronald Alberto Castellanos	X	X	X			
July	Technical Assistance	Market Study - Nelson Antonio Romero	X	X	X			
July	Technical Assistance	Development of a Call Center - Oscar Wilfredo Barraza	X	X	X			
July	Technical Assistance	37th Annual Conference and Exposition - Pulsar, S.A. de C.V.	X	X	X			
July	Technical Assistance	New York International Gift Show - Eco Eco Gem Corp., S.A. de C.V.	X	X	X			
July	Technical Assistance	Development of a Customer Service Department - Centro Panamericano de Ojos	X	X	X			
July	Technical Assistance	1a Feria Salvadoran 2007 - Telecam 140	X	X	X			
July	Technical Assistance	Commerical Mission to Los Angeles, CA - Marco Tulio Palma	X	X	X			
July	Technical Assistance	A Taste of El Salvador - Palacio, S.A. de C.V., G y G Factible, S.A. de C.V., Samaritana, S.A. de C.V., Crio, S.A. de C.V., Congelados Krippy's, S.A. de C.V., La Canasta, S.A. de C.V., Racor, S.A. de C.V., Jose Mauricio Alas Puente	X	X	X			
July	Technical Assistance	Arquitectural Design Fair 2007 - Espacios Digitales, S.A. de C.V.	X	X	X			
July	Technical Assistance	Commerical Mission to meet with FDA Experts - Umaber, S.A. de C.V.	X	X	X			
July	Technical Assistance	NeoCon Express Fair 2007 - Tecnologia Campor, S.A. de C.V.	X	X	X			
July	Technical Assistance	Development of Web Site and Art Design - Le Petit Chocolate, S.A. de C.V.	X	X	X			
July	Technical Assistance	Development of Web Site - Aragon Valencia y Asociados, S.A. de C.V.	X	X	X			
July	Technical Assistance	Salva Expo 2007 - Pan San Antonio, S.A. de C.V.	X	X	X			
July	Technical Assistance	Development of Export Plan - Roles, S.A. de C.V.	X	X	X			
July	Technical Assistance	Commercial Mission to Cancun, Mexico - Acoproarte El Renacer, S.A. de C.V., Madero de Jesus, S.A. de C.V.	X	X	X			
Aug	Technical Assistance	Summer Namm International Trade Fair 2007 - Francisco Pena Siliezar	X	X	X			
Aug	Technical Assistance	Development of Export Plan - Galeria Studio, S.A. de C.V.	X	X	X			

DATE	ACTIVITY	DESCRIPTION	RESULT #1	RESULT #2	RESULT #3	RESULT #4	RESULT #5	RESULT #6
Aug	Technical Assistance	Restructuring of Export Plan - Ferelis, S.A. de C.V.	X	X	X			
Aug	Technical Assistance	Tendence Fair 2007 - Exporsal, S.A. de C.V.	X	X	X			
Aug	Technical Assistance	Commercial Mission to Washington DC - Ciemec, S.A. de C.V., Oinsel, S.A. de C.V., Codesa, S.A. de C.V.	X	X	X			
Sept	Technical Assistance	Expocomida Latina - Atlacatl Foods, S.A. de C.V., Sal Inc., S.A. de C.V., Proserquisa, S.A. de C.V., Grupo GRB, S.A. de C.V., Samaritana, S.A. de C.V.	X	X	X			
Sept	Technical Assistance	Kids Show 2007 - Petunia, S.A. de C.V.	X	X	X			
Sept	Technical Assistance	La Cumbre Tourism Fair - Network Travel, S.A. de C.V.	X	X	X			
Sept	Technical Assistance	Nutritional Analysis - Jose Mauricio Alas Puente	X	X	X			
Sept	Technical Assistance	Nutritional Analysis - APAC, S.A. de C.V.	X	X	X			
Sept	Technical Assistance	Nutritional Analysis - Inpronat, S.A. de C.V.	X	X	X			
Sept	Technical Assistance	Festival Salvadorenisimo - Alejandro's Ceramica, S.A. de C.V., Umaber, S.A. de C.V., Dr. Castellanos, Grupo GRB, S.A. de C.V., Drogueria Hermel, S.A. de C.V., Pan San Antonio, S.A. de C.V., Roxsil, S.A. de C.V., Taller San Antonio, S.A. de C.V., Prodcutos Nostalgicos, S.A. de C.V., Proinse, S.A. de C.V., Pichinte, S.A. de C.V., Pharma, S.A. de C.V., Proinca, S.A. de C.V., Alimentos Etnicos Centroamericanos, S.A. de C.V., Olga Miranda, Memita y Nico, S.A. de C.V., Suchil, S.A. de C.V., Hilda Beatriz Pena Canjura, Omoa, S.A. de C.V., Racor, S.A. de C.V., Angels Art, S.A. de C.V.,	X	X	X			
Sept	Technical Assistance	Microbiological Analysis - Acopanela de R.L., S.A. de C.V.	X	X	X			
Sept	Technical Assistance	Star Chef Congress Event - Lorocosal, S.A. de C.V.	X	X	X			
Sept	Technical Assistance	F Value Analysis - Alimentos Etnicos Centroamericanos, S.A. de C.V.	X	X	X			
Sept	Technical Assistance	Commerical Mission to Dominican Republic - Termoexport, S.A. de C.V.	X	X	X			
Sept	Technical Assistance	Spoga Fair - Exporsal, S.A. de C.V.	X	X	X			
Sept	Technical Assistance	Development of Web Site - Quinbe, S.A. de C.V.	X	X	X			
Sept	Technical Assistance	Memory Trends Conference and Expo - Ingrafic, S.A. de C.V.	X	X	X			
Sept	Technical Assistance	3rd CASALCO Fair - El Salvador Bienes Raices, S.A. de C.V., Telecam 140	X	X	X			

DATE	ACTIVITY	DESCRIPTION	RESULT #1	RESULT #2	RESULT #3	RESULT #4	RESULT #5	RESULT #6
Sept	Technical Assistance	Development of Web Site - Cimro, S.A. de C.V.	X	X	X			
Sept	Technical Assistance	Commerical Mission to Los Angeles, CA - Solumed, S.A. de C.V.	X	X	X			
Sept	Technical Assistance	Quirch Foods Inc. Event - Phanas, S.A. de C.V.	X	X	X			
Sept	Technical Assistance	Expo Imagen 2007 - Bright Solutions, S.A. de C.V., Sistemas Publicitarios, S.A. de C.V., Moreno Menendez, S.A. de C.V., Maderas y Metales, S.A. de C.V.	X	X	X			
July	Training	Food Safety II	X	X	X			
July	Training	Control of Production Processes	X	X	X			
July	Training	Design and Evaluation of Export Business Plans Workshop	X	X	X			
Aug	Training	Preservation and Packaging	X	X	X			
Aug	Training	Entrepreneurism	X	X	X			
Sept	Training	Papier Mache Seminar and Workshop	X	X	X			
Sept	Training	Strategic Planning	X	X	X			
Sept	Training	Design and Evaluation of Export Business Plans Workshop	X	X	X			

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.

USAID's Export Promotion Program Results Results Generated Between April 1, 2006 to September 30, 2007						
EXPORTS						
	Accumulative June 2007		July - September 2007		Accumulative September 2007	
SMEs in Data Base	612		106		718	SMES
Percentage Collected	82%		85%		84%	
Total Exports	\$10,464,536		\$3,458,305		\$13,922,841	130
Total Domestic Sales	\$5,504,546		\$3,859,504		\$9,364,050	137
TOTAL	\$15,969,082		\$7,317,809		\$23,286,891	
Technical Assistance Sales	\$10,405,889		\$5,369,120		\$15,775,009	
Training Component Sales	\$5,569,193		\$1,948,689		\$7,517,882	
SMEs Generating Exports and Sales	157		44		201	
% Generating Exports and Sales	26%		42%		28%	
Average Amount Exports and Sales	\$101,714		\$166,314		\$115,855	
Phase 1 SMEs	133	22%	6	6%	139	19%
Phase 2 SMEs	479	78%	100	94%	579	81%
	Exports	SME %	Exports	SME %	Exports	SME %
Phase 1 SMEs	\$10,518,161	60 / 75%	\$2,640,211	14 / 36%	\$13,158,372	74 / 57%
Phase 2 SMEs	\$5,450,921	60 / 25%	\$4,677,597	67 / 64%	\$10,128,518	127 / 43%
SMEs and Sales by Sector	# of SMEs*	Sales	# of SMEs*	Sales	# of SMEs	Sales
Food Products	40	\$5,889,577	8	\$1,676,737	48	\$7,566,313
Manufacturing	34	\$4,063,229	14	\$3,061,025	48	\$7,124,254
Services	62	\$2,955,548	15	\$1,273,867	77	\$4,229,415
Pharmaceutical Products	6	\$1,068,257	4	\$331,622	10	\$1,399,879
Agricultural Products	10	\$1,052,747	3	\$326,714	13	\$1,379,462
Natural and Organic Products	3	\$929,382	0	\$641,986	3	\$1,571,368
Specialty Coffees	2	\$10,342	0	\$5,858	2	\$16,200
TOTAL	157	\$15,969,082	44	\$7,317,808	201	\$23,286,891
<i>* This number refers only to SMEs that have not previously been beneficiaries</i>						
ASSISTANCES						
Training Component	People	SMEs	People	SMEs	People	SMEs
Businessmen	725	446	204	97	929	543
GOES Officials	36		1		37	
Private Sector Professionals	84		81		165	
TOTAL	845	446	286	97	1131	543
	# of Assis.	SMEs	# of Assis.	SMEs	# of Assis.	SMEs
Technical Assistances	284	219	57	34	341	253

EMPLOYMENT GENERATED						
Direct New Jobs	Jobs		Jobs	%	Jobs	%
Employment Generated	897		372		1269	
Permanent	513	57%	226	61%	739	58%
Temporary	384	43%	146	39%	530	42%
Women	476	53%	187	50%	663	52%
Men	421	47%	185	50%	606	48%
New Job Category - Permanent	513		226		739	
Production	389	76%	167	74%	556	75%
Administration	69	13%	32	14%	101	14%
Middle Management	37	7%	18	8%	55	7%
Upper Management	18	4%	9	4%	27	4%
New Job Category - Temporary	384		146		530	
Production	373	97%	139	95%	512	97%
Administration	9	2%	3	2%	12	2%
Middle Management	2	1%	4	3%	6	1%
Upper Management	0	0%	0	0%	0	0%
OTHER INFORMATION						
SMEs by Market Sector						
Never Exported	415	68%	76	72%	491	68%
Central American	96	16%	7	7%	103	14%
Other	101	17%	23	22%	124	17%
TOTAL	612	100%	106	100%	718	100%
Distribution of Sales by SME Size through September 30, 2007						
	Total SMEs		Total SMEs with Sales		Total Sales	
Less than 5 employees	330		60 / 18%		\$1,987,052	
5 to 25 employees	274		94 / 34%		\$6,995,023	
26 to 50 employees	54		25 / 46%		\$4,732,072	
More than 50 employees	60		22 / 37%		\$9,572,744	
TOTAL	718		201 / 28%		\$23,286,891	
Female Presence in Board of Directors						
Less than 5 employees	229 / 330		69%			
5 to 25 employees	208 / 274		76%			
26 to 50 employees	41 / 54		76%			
More than 50 employees	39 / 60		65%			
TOTAL	522 / 718		72%			
Female Decision Makers	258 / 699		37%			

ANNEX 3 – Success Stories

- **PAAX MUUL GUITARS**
- **SOLUMED, S.A. DE C.V.**
- **ESPACIOS DIGITALES, S.A. DE C.V.**



USAID
FROM THE AMERICAN PEOPLE

EL SALVADOR

SUCCESS STORY

Salvadoran exports “sound” abroad

Guitar artisans work to consolidate the Paax Muul brand and trading company. USAID support has been fundamental in accomplishing this goal.



Photograph: USAID's Export Promotion Program

Artisan Juan Antonio Piche, of Ayutuxtepeque, creates hand-made guitars, a craft he learned from his grandfather and father. With USAID's support, workshops like his, generally located in rural areas of El Salvador, have had the opportunity to grow and prosper, improving these artisans' quality of life.

The USAID's Export Promotion Program supports an artisan cooperative to export its guitars. Through the formation of trading companies, USAID provides assistance and guidance to facilitate the consolidation of groups of people that would otherwise not have the resources to improve their businesses.

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In March 2006, the USAID's Export Promotion Program helped in the creation of a cooperative in El Salvador that manufactures a new line of guitars branded “Paax Muul”, which in the Mayan language means “Music of the Volcanoes”. The cooperative is made up of eight workshops and 12 artisans who dedicate their time and effort to produce high-quality, hand-made guitars. USAID provides technical assistance to the guitar artisans so they can improve their production processes and quality control standards to further facilitate access to specialized market segments in the United States. The Program aims at improving the quality of life of the artisans, who often live in vulnerable economic and social conditions.

Before this project, Salvadoran guitar exports were practically non-existent. However, since the creation of the cooperative until December 2006, 52 guitars have been exported to the United States. These initial sales have demonstrated the strong market potential for larger shipments, especially in key markets such as New York, Washington DC, Los Angeles and Miami. Continued development of sales in these cities through local distributors, music schools and universities is projected for 2007 as well as the expanding sales points to include West Virginia, North Carolina and Georgia. The artisans expect to reach their goal of at least 100 guitars exported throughout the year, selling each guitar with a retail price between one and two thousand dollars.

The Salvadoran guitars Paax Muul have had significant acceptance in the United States. William Jablonsky of Adagio Distributors states that these guitars are “the best hand-made guitars in the world”. Jablonsky adds that the Paax Muul guitars have everything that the American industry wants and needs; high quality at reasonable prices for the consumer.

The brand and trading company Paax Muul is a culmination of the vision and efforts of the artisans and the USAID's Export Promotion Program. The cooperative continues to surpass expectations everyday and with the cooperation of USAID it is developing a solid foundation for a better tomorrow.



SUCCESS STORY

Salvadoran Medical Services Sold Abroad

USAID supports Solumed S.A. de C.V. to offer medical services in El Salvador to patients in the United States and abroad.



Photo: Solumed, S.A. de C.V.

A patient receives an eye treatment by Solumed doctors. The potential for growth in the export of medical services from El Salvador, exemplified by the immediate success of companies such as Solumed, indicates a healthy future.

USAID through its Export Promotion Program provides assistance to consolidate and unify doctors and dentists to export their services. Although the export market sector is still relatively small, the professional medical services sector in El Salvador will expand their horizons to include a variety of patients from all over the world, attracted to El Salvador to tour and learn about the country and its people.

Mr. and Mrs. Wisehart may have found excellent medical services in their hometown in Arizona, but when they heard about the Salvadoran company Solumed S.A. de C.V. they preferred to try their medical services for an eye surgery and an annual check up. The Wiseharts went to the Central American nation in March of 2007, with an invitation by the Export Chamber of Medical Services (EXPORTSALUD). The couple not only received medical services but also had the opportunity to tour around El Salvador.

USAID's Export Promotion Program has been instrumental in the process of creating Solumed. The Program provided Solumed with a four-month consultancy to develop a business plan and assistance for their participation in fairs, conferences and commercial missions to promote medical services in El Salvador. In just six months of operations, Solumed has exported approximately \$30,000 and has plans for future exports of \$160,000 by 2009. In addition, in the next two years Solumed plans to expand their services by offering a total of 30 specialties and constructing a state-of-the-art building where all member doctors will have their offices.

In 2004, USAID conducted a study of the viability of exporting medical services from El Salvador. The study analyzed the geographical composition of patients receiving care in numerous offices and clinics, and it was determined that approximately 20 percent of patients were foreign or Salvadorans living abroad. As a result, a two-prong action plan was defined: one, focusing on the creation of an export chamber of medical services and two, the creation of associative groups, based on specialty and/or multidisciplinary. From these initiatives, the medical services group Solumed was created in October 2005 and went on to be part of EXPORTSALUD.

Solumed was officially constituted as a medical services company in December 2006 with 24 doctors in 13 specialties. The company offers a consolidated entity where a patient, local or foreign, can receive treatment from one group of doctors, services varying from eye surgery to general health issues.



USAID
FROM THE AMERICAN PEOPLE

EL SALVADOR

SUCCESS STORY

Visualizing a 3D future for Design Services

USAID supports the Salvadoran company Espacios Digitales to export design and architectural services to companies in the United States.



Photo: Espacios Digitales

Exports of visual animation of architectural projects, like the one pictured above, is a design service with growing potential for the El Salvador market. International architecture firms seek new talent to develop and construct these animated presentations for their real estate clients.

The USAID's Export Promotion Program provides the tools needed to expose young designers to the export of design and architectural services. Although this is a small export market sector, the help of USAID, talented professional in this field can showcase their abilities and promote El Salvador as a design and innovation hotbed for international clients and projects.

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Espacios Digitales, S.A. de C.V. (Digital Spaces) a small design and architecture firm was founded in San Salvador in 1997, with the vision of providing a link between graphic design and visual architecture. With the support and assistance of USAID, Espacios Digitales has grown from a one-man startup to a company sought after by international firms to produce digitally animated three-dimensional renditions of architectural projects.

In November 2003, Espacios Digitales was invited to join the USAID-supported Salvadoran Design Association. With the support from the Associations, Espacios Digitales began to attend international trade fairs. Beginning with the Graphic Design Fair in Berlin, Germany in October 2004, the company has subsequently attended various fairs in the United States and Europe, one of these fairs being the Siddgraph Fair 2006 held in Boston, MA. At this fair, a US-based architectural company hired Espacios Digitales to build a three-dimensional model of a shopping center in Boston. This project was successfully completed, and the same US-based company contracted their services to develop a three-dimensional rendition of a 63-story apartment building in New York City. At this year's Siddgraph Fair, the company closed a deal to develop the three-dimensional model of a project in Long Island, NY of eight buildings, consisting of a hotel and a stadium.

Espacios Digitales exported its first three-dimensional design in 2005 to Guatemala and has since exported approximately \$35,000 in design services, including graphic design and architectural blueprints, principally to the United States. In addition, Espacios Digitales has grown from only one person in 1997 to employing seven people in 2007. Its CEO Julio Yanes credits the USAID's Export Promotion Program with "opening his eyes and helping him realize the worldwide business opportunities available".

USAID, through its Export Promotion Program, aims to develop market sectors and identify niches of higher-added value where El Salvador can be competitive. The success of Espacios Digitales is an example of the fulfillment of this goal.