



USAID
DEL PUEBLO DE LOS ESTADOS
UNIDOS DE AMÉRICA

EXPRO El Salvador
Programa de Promoción de Exportaciones
para las Micro, Pequeñas y Medianas Empresas

USAID/EXPRO PROJECT EVALUATION FEBRUARY 2005

NOTA: San Salvador 7 de Julio de 2005. Este documento es propietario únicamente de quien lo organiza. Este documento es propietario únicamente de quien lo organiza. Este documento es propietario únicamente de quien lo organiza. Este documento es propietario únicamente de quien lo organiza.

Export Promotion for Micro, Small and Medium Enterprises El Salvador (USAID/EXPRO)

Contract No.: PCE-I-00-98-00016-00 T/O 833

Project Period: July 2003 – March 2006

USAID Mission: USAID El Salvador Office of Economic Growth

Project Contractor: Nathan Associates Inc.

Project Summary: USAID/EXPRO aims to reactivate the economy of El Salvador by increasing income generated from exports of micro, small, and medium enterprises (MSMEs). Project objectives include (1) strengthening the Ministry of Economy's institutional export and trade policy capacity; (2) improving access to trade and export information; (3) increasing the competitiveness of Salvadoran businesses; (4) expanding business contracts and sales; (5) strengthening the Salvadoran export services sector; and (6) establishing strategic business alliances. Nathan Associates, in collaboration with AG International, DAI, and JE Austin, is providing technical, commercial assistance, and training to support government and private sector export promotion efforts; improving the productive capacities of MSMEs striving to access international markets; and assisting Salvadoran companies in developing and increasing export sales by at least \$20 million at project completion on March 31, 2006. USAID/EXPRO is also providing technical assistance and training to make export promotion initiatives more effective and to improve product development, operational efficiency, business development services, and the production scale of Salvadoran MSMEs so they can enter international markets, enjoy market continuity, maximize profitability, and face less risk of failure.

Published: February 2005

Table of Contents

| | | |
|----------|---|-----------|
| <i>1</i> | <i>Introduction.....</i> | <i>1</i> |
| <i>2</i> | <i>Background.....</i> | <i>1</i> |
| <i>3</i> | <i>Program Impact.....</i> | <i>2</i> |
| 3.1 | Companies assisted..... | 2 |
| 3.2 | Employment created..... | 2 |
| 3.3 | Incremental exports..... | 3 |
| <i>4</i> | <i>USAID/USAID/EXPRO as a model for increasing exports.....</i> | <i>3</i> |
| 4.1 | FOEX..... | 5 |
| 4.2 | CENTROMYPE..... | 7 |
| 4.3 | EXPORTA..... | 9 |
| 4.4 | Government Agencies..... | 10 |
| 4.5 | Business Associations..... | 11 |
| 4.6 | Collaborative business models - Export trading companies and associative groups 13 | |
| 4.7 | Other Issues Meeting Project Outputs..... | 14 |
| <i>5</i> | <i>Lessons Learned.....</i> | <i>17</i> |
| <i>6</i> | <i>Procedural and Administrative Barriers to Smooth Implementation.....</i> | <i>18</i> |
| <i>7</i> | <i>Areas that USAID/USAID/EXPRO and/or USAID might Consider Strengthening 19</i> | |
| <i>8</i> | <i>Recommendations.....</i> | <i>21</i> |
| <i>9</i> | <i>ANNEXES.....</i> | <i>27</i> |
| <i>9</i> | <i>ANNEX I – ACRONYMS.....</i> | <i>28</i> |
| <i>9</i> | <i>ANNEX II - Specific Questions and Answers.....</i> | <i>30</i> |
| <i>9</i> | <i>ANNEX III - PROJECT INDICATORS AND PERFORMACE THROUGH DECEMBER 31, 2004.....</i> | <i>39</i> |
| <i>9</i> | <i>ANNEX IV - LIST OF INDIVIDUALS AND ORGANIZATIONS CONTACTED BY USAID/USAID/EXPRO EVALUATION TEAM.....</i> | <i>41</i> |
| <i>9</i> | <i>APPENDIX V - TERMS OF REFERENCE FOR CONSULTANT.....</i> | <i>45</i> |

EXECUTIVE SUMMARY

This evaluation of the Export Promotion for Economic Reactivation of Salvadoran Micro, Small and Medium Enterprises (USAID/USAID/EXPRO) project was carried out by two consultants working in El Salvador for a period of four weeks during January and February 2005.

The purpose of the evaluation was to assist USAID/El Salvador to evaluate the strengths and weakness of the USAID/EXPRO activity and the model for assistance and how it is contributing to the achievement of increasing exports sales and employment, and to recommend priority actions for amendments of the program.

Lessons Learned

The following are important lessons that have been learned from USAID/EXPRO's work to promote the expansion of export sales by MSME in El Salvador.

- a. The strategy of working with exporters and near exporters to promote a broad range of export products is a highly effective means for increasing exports.
- b. Independence of action unhampered by host government bureaucracy is essential to effective project implementation.
- c. Simple administrative procedures and an accelerated approvals process for project interventions leads to greater efficiency of project implementation and improved results.
- d. There is an existing strong reservoir of local consulting talent in El Salvador.
- e. Mentoring firms is highly labor intensive, and requires a mid- to long term commitment.
- f. Reverse trade missions are a very cost effective means for export promotion.

Procedural and Administrative Barriers to Smooth Implementation

A number of procedural and administrative barriers have slowed progress of the USAID/EXPRO project, and have made implementation more difficult and time consuming than it otherwise would have been. The most important of these are the following:

- a. To establish and manage an export development fund requires a large investment in time and effort by all concerned.
- b. The administration of the two export promotion funds at FOEX and CENTROMYPE are extremely cumbersome and bureaucratic, and their procedures should be analyzed in detail to see how the process can be accelerated while complying with USAID/GOES regulations.
- c. There is a need to provide up-front project staff training in USAID regulations and operating requirements
- d. An under-estimate of project staff requirements initially delayed project implementation.

- e. Poor communications between USAID/EXPRO and its clients regarding USAID/EXPRO's internal procedures has, in some cases, led to misunderstanding with clients and internal conflict.

Possible areas for strengthening

There are several areas that the evaluation team recommends that USAID/EXPRO and/or USAID consider for strengthening over the remaining life of the USAID/EXPRO project.

- a. FOEX fund management capability
- b. Streamline administration of FOEX and CENTROMYPE funds
- c. Information and coordination with government agencies, and engaging in joint activities
- d. Follow up to training interventions
- e. CENTROMYPE's capabilities to train MSEs
- f. Institutional strengthening of MINEC and EXPORTA
- g. Support for associative groups
- h. USAID/EXPRO – client communications

Recommendations

The following are recommendations to USAID on how best to improve impact, sustainability, and cost-effectiveness of USAID/EXPRO with the aim of improving the design of future activities in the export sector.

- a. It is recommended that a program similar to USAID/EXPRO be continued for a longer period of time than is planned for the current program.
- b. It is recommended that the FOEX fund be extended along with the program similar to USAID/EXPRO, and expanded in scope but with streamlined approvals procedures.
- c. It is recommended that the fast track procedures (expedited review and approvals) be expanded to cover specific, targeted technical services provided through the export development funds at FOEX and CENTROMYPE.
- d. It is recommended that the CENTROMYPE fund be closed upon completion of the technical service requirements for its present portfolio of clients, and that assistance be provided to CENTROMYPE to enable it to serve its remaining clients in an expeditious manner.
- e. It is recommended that support to develop micro and small enterprises as exporters be re-focused to assist these enterprises to export through associative groups.
- f. It is recommended that the Chamber of Commerce and Industry's AFIS-III training program be monitored as a potential model for future SME export training.

- g. It is recommended that the National Export Promotion Agency, EXPORTA, be considered a strategic partner for export promotion activities and that promotional events be planned and carried out jointly.
- h. It is recommended that USAID/EXPRO develop and/or maintains strategic partnerships with other government organizations that are themselves engaged in programs of mutual interest such as business strengthening, the formation of associative groups, overseas support to El Salvador exporters, and promoting export-related investments, such as MINEC, CONAMYPE, PROESA, and the Ministry of External Relations, respectively.
- i. It is recommended that USAID/EXPRO maintain its operating independence while collaborating fully with government's efforts to promote exports and to prepare SMEs as exporters.
- j. It is recommended that USAID/EXPRO expand its efforts to remove constraints affecting production and marketing along the respective value chains for priority products.
- k. It is recommended that USAID assume a leadership role in confronting the financial constraint by organizing a conference in El Salvador attended by government, the international community and the financial sector to review the situation and outlook for SME finance and to develop a joint initiative leading to its solution.

1 Introduction

This evaluation of the Export Promotion for Economic Reactivation of Salvadoran Micro, Small and Medium Enterprises (USAID/EXPRO) project was carried out by two consultants working in El Salvador for a period of four weeks during January and February 2005.

The purpose of the evaluation was to assist USAID/El Salvador to evaluate the strengths and weakness of the USAID/EXPRO activity and the model for assistance and how it is contributing to the achievement of increasing exports sales and employment, and to recommend priority actions for amendments of the program.

Over the course of the evaluation, the consultants interviewed officers at USAID and USAID/EXPRO, along with representatives from 22 additional international organizations, NGOs, and different agencies of the Government of El Salvador (GOES). They also interviewed representatives of 21 associative groups and private companies. A list of the persons interviewed and their respective organizations is shown in Appendix III.

The terms of reference (TOR) for the consultants are included in Appendix V.

2 Background

On July 11, 2003, the US Agency for International Development (USAID) in El Salvador and Nathan Associates of Rosslyn, Virginia signed an agreement for providing technical assistance through June 30, 2005, to help El Salvador recover from two severe earthquakes that occurred during the first quarter of 2001. This agreement, valued at US \$6 million, provides supporting mechanisms aimed at facilitating trade and investment to stimulate economic growth and employment generation through the USAID/EXPRO project.

USAID/EXPRO's main objective is to reactivate the rural economy in El Salvador by increasing income generated from exports by micro-, small, and medium enterprises (MSMEs). It has six sub-objectives:

- 1) Strengthen the Ministry of Economy's institutional export and trade policy capacity
- 2) Improve access to trade and export information
- 3) Increase the competitiveness of Salvadoran businesses
- 4) Expand business contracts and sales
- 5) Strengthen the Salvadoran export services sector
- 6) Establish strategic business alliances

In carrying out this program, it is considered to be of the highest importance to stimulate economic growth by creating a favorable business climate, and to enhance the competitiveness of SMEs in export markets.

3 Program Impact

As of December 31, 2004, USAID/EXPRO reported the following accomplishments in the number of companies assisted, the number of jobs created, and the incremental amount of exports generated as the result of USAID/EXPRO initiatives.

3.1 Companies assisted

USAID/EXPRO assists firms through its export development funds managed by FOEX, an operating unit within the Ministry of Economy (MINEC), and by CENTROMYPE, a foundation created by the Multisectoral Investment Bank (BMI). The FOEX fund provides assistance to small and medium enterprises (SMEs), whereas the CENTROMYPE fund supports micro- and small-scale enterprises (MSEs). USAID/EXPRO also provides technical assistance directly to SMEs, government organizations and individuals. In addition, it has a major export training program underway benefiting 1,000 micro, small and medium scale enterprises (MSMEs) that are potential exporters, along with 50 government officials and 50 service suppliers and consultants. Finally, it has a collaborative agreement with the Chamber of Commerce and Industry of El Salvador (CCIES) to provide export training under its AFIS-III program for the benefit of 40 SMEs. At the end of 2004, the number of firms and individuals that had received USAID/EXPRO-provided training and technical assistance services were the following:

Companies and Individuals Receiving USAID/EXPRO Training and Technical Assistance

As of December 31, 2004

| Program | No. of Companies and Individuals Benefiting |
|---|--|
| Export assistance through FOEX and CENTROMYPE funds | 203 |
| Company strengthening by USAID/EXPRO | 110 |
| CCIES – AFIS-III | 38 |
| Entrepreneur export training | 908 |
| Total | 1259 |

3.2 Employment created

Through an apparent oversight, the scope of work (SOW) for the USAID/EXPRO project did not clearly state that a requirement of the contractor was to provide information on the number of jobs that is created as a result of its activities. USAID/EXPRO's senior management is aware of the need to provide this information to USAID, and have

indicated that the information will be available beginning with the March 31, 2005 quarterly report.

3.3 Incremental exports

The cumulative value of export sales attributed to interventions by the USAID/EXPRO project through December 31, 2004 is shown in the following table:

Cumulative Value of Incremental Sales Resulting from USAID/EXPRO Interventions

As of December 31, 2004 (US \$000)

| Description | Contract Requirement | Cumulative Amount | % of Total Contract |
|--|-----------------------------|--------------------------|----------------------------|
| MSEs benefiting from CENTROMYPE fund | 2,000.0 | 4,326.1 | 216% |
| SMEs benefiting from FOEX fund | 3,000.0 | 5,037.4 | 168% |
| MSMEs benefiting from USAID/EXPRO direct support | 1,000.0 | 2,458.0 | 246% |
| Total | 6,000.0 | 11,821.5 | 197% |

4 USAID/EXPRO as a model for increasing exports

The USAID/EXPRO model that has evolved for increasing exports can best be described as a hands-on export promotion and business support program for Salvadoran MSMEs who are exporters, and those enterprises that are almost ready to become exporters. Export promotion primarily involves introducing exporters to foreign buyers and foreign markets by sponsoring trade missions, reverse trade missions and attending trade shows, and by providing market related information and contacts. Business support includes training in export-related topics, and by providing technical assistance (TA) to help exporting companies to solve problems in areas such as product packaging and labeling design, registration with the US Food and Drug Administration (FDA), and certification for Hazard Analysis and Critical Control Point (HAACP) procedures. In short, USAID/EXPRO's involvement can be at any point along the post-production value chain.

USAID/EXPRO also facilitates the creation and strengthening of associative groups organized to provide joint marketing services for smaller enterprises.

With the exception of those commodities that cannot be provided assistance under USAID regulations or local practices¹ USAID/EXPRO has no limitations on the products for which it can provide export assistance. Furthermore, as implied by its name, USAID/EXPRO's focus is on micro, small, and medium-scale enterprises (MSMEs). It is not permitted to assist large-scale enterprises, which are defined as having more than 100 employees and whose annual revenues are above US \$3 millions. However, within the population of MSMEs in El Salvador, there are no limitations on the firms that it can include within its client portfolio. USAID/EXPRO's operating flexibility in terms of products, firms and its array of available interventions is a big advantage for project implementation.

USAID/EXPRO is not a business development organization. Its emphasis is on assisting exporters, or enterprises that are almost ready to export, to overcome obstacles to exporting. USAID/EXPRO takes these exporters and near exporters and gives them the boost they need to overcome the last obstacles to exporting –or expanding their exports. This strategy has been extremely effective in stimulating exports from El Salvador.

Since its beginning, USAID/EXPRO has sponsored the attendance of around 200 enterprises on a cost-sharing basis at foreign trade shows, where they have met buyers and competitors alike. This face to face exposure to real-life market requirements has provided vital information to El Salvador exporters as to their ability to compete in foreign markets, and also, of the product standards and quality that are required to compete in markets overseas. In some cases the visitors realize they are not yet ready to export to a developed market. In other cases they realize they can perfectly well meet the competition in that particular market. Others may decide to export their products, but to neighboring countries in Central America.

USAID/EXPRO operates on a stand-alone basis, and is not attached to any particular government agency. While it has no “official” government counterpart, it maintains good working relations with the National Export Promotion Agency (EXPORTA), the National Investment Promotion Agency (PROESA), and the Ministry of Economy (MINEC). Its ability to operate freely outside the host government bureaucracy has been another important factor in its successful implementation. Had it been subordinated to a government agency, there most likely would have been some changes in its programs and its progress certainly would have slowed.

In carrying out its work, USAID/EXPRO has established strategic partnerships with a number of government and non-government organizations in El Salvador. The most important of these are the following:

1. An export promotion fund managed by FOEX, a funds management organization within the Ministry of the Economy that supports SMEs.
2. An export promotion fund managed by CENTROMYPE, a foundation created by the BMI to stimulate export development by MSEs.
3. EXPORTA, the National Agency for Export Development

¹ Prohibited products and sectors include alcohol, tobacco, and commodities such as palm oil, sugar, non-specialty coffee, cotton and citrus.

4. Government agencies including MINEC, the Ministry of Foreign Relations, and PROESA.
5. Business associations as counterparts for SME support services

4.1 FOEX

The export development fund (FOEX) was created by the Ministry of the Economy with initial funding provided by the World Bank to stimulate the development of exports by small and medium enterprises. Presently, USAID is its exclusive funding agency. It provides 50-50 co-financing of activities carried out by individual enterprises or associative groups, up to a maximum amount of US \$25,000. FOEX is responsible for administering, on behalf of USAID/EXPRO, a fund amounting to \$700,000. FOEX supports small and medium enterprises currently having export operations and enough capacity to expand them to additional international markets, or SMEs having products and capacity to start exporting within the near term. The FOEX fund reimburses qualified SMEs up to the amount of 50% of the costs of services they obtain from local export service firms. The goal is to assist a total of 50 SMEs or associative groups over the period of the USAID/EXPRO contract. Under current operating rules, the fund does not permit the reimbursement of asset purchases.

Since the FOEX fund was an ongoing operation when the USAID/EXPRO project began, it was necessary for USAID/EXPRO's administrative staff to adjust to the fund's administrative procedures that were then in effect, yet with all adjustments needed to comply with USAID regulations. As a result, the FOEX fund's procedures for the review and approval of proposed SME support projects are quite lengthy, and cumbersome.

Soon after the USAID/EXPRO export development fund was established, it became clear that an expedited procedure was needed to organize exporters' visits to trade shows and to authorize reimbursements for their cost incurred. In response to this need, USAID/EXPRO established, with USAID approval, a "fast track" procedure that authorized 50-50 matching funds to reimburse the cost of visits to trade shows and trade missions. The fast track program with its quick decision making and quick results has proven to be highly effective as a tool for implementation. It was developed as a quick-response mechanism to authorize a specific, targeted activity at a relatively small cost - that is, authorizing cost sharing to help SMEs attend trade shows, in an amount not to exceed \$3,000. Given the large number of people who have attended trade shows, fast track procedures have been a big help to reduce the administrative burden and to increase exports.

The approval process to authorize the reimbursement of technical assistance or services by the USAID-supported FOEX fund is the following.

- a. The applicant must obtain the appropriate forms from FOEX and submit an application for financial assistance. The application must include a complete description of the proposed project.
- b. The applicant must present/defend his or her application before a technical committee. The committee is composed of four members from FOEX and one from USAID/EXPRO.

- c. The technical committee can approve, deny, or return the application to the applicant with a request for additional information. If the application is approved by the technical committee, it must be passed to a second committee composed of FOEX board members for further review and approval.
- d. Similar to the technical committee, the committee of board members can approve, deny, or return the application to the applicant with a request for additional information. If the application is approved by the committee of board members, it is then submitted to the USAID/EXPRO project director for approval.
- e. If the USAID/EXPRO director approves the proposal, it is then submitted to USAID for approval. (Note – this step was recently changed to the requirement that USAID/EXPRO submit a letter to USAID advising of the action. It no longer requires formal USAID approval).
- f. The approved proposal is returned to FOEX. At that time, a formal contract is drafted for the signature of the applicant, and the head of the FOEX board – the Minister of the Economy.
- g. Upon completion of the authorized technical assistance or services, the beneficiary submits a request for reimbursement to FOEX, with the expenditures fully supported.
- h. FOEX processes and approves the request for reimbursement and submits the approved package to USAID/EXPRO for payment.
- i. USAID/EXPRO reviews and approves the request, and sends a check to the beneficiary.

There is clearly a need to streamline these procedures.

Since it began its work with USAID/EXPRO, the administration of the FOEX fund has proven to be reliable and highly professional, with open, transparent operating procedures. Its performance to date has been reasonably good, with 79 projects (trade visits) completed under fast track procedures, and 41 projects presently underway under the normal administrative mechanism.

The projects currently underway are those specified by the entrepreneur, and the consultants work under the direction and at the pace established by the entrepreneur. Once the project has been approved by FOEX and USAID/EXPRO, FOEX’ role is to reimburse the entrepreneur for the approved expenditure amount, up to 50 percent of the project cost.

The results of the FOEX export development fund through December 31, 2004, are shown by the following table.

Accomplishments of FOEX Export Development Fund as of 12.31.04

| Activity | Number of Companies |
|--|----------------------------|
| Number of companies participating in FOEX program | 82 |
| Number of companies that withdrew/eliminated | 0 |
| Number of companies attending trade shows under fast track | 41 |

procedures

| | |
|--|----|
| Number of companies attending trade shows under normal mechanism (before the fast track procedure was established) | 4 |
| Number of companies that entered TA assistance program | 37 |
| Number of companies that completed TA assistance | 10 |
| Number of companies pending completion of TA assistance | 37 |

4.2 CENTROMYPE

CENTROMYPE is a foundation created in 1998 by the Multisectoral Investment Bank to stimulate export development by MSEs. Similar to FOEX, CENTROMYPE was selected to manage a fund of \$700,000 to facilitate the development of export capacity for at least 100 micro and small enterprises. The fund is used to share the cost of technical and commercial assistance with MSEs to improve their capacity and initiate export operations to international markets. The fund was intended to support CENTROMYPE's program to stimulate export development. It pays 80 percent of the cost of the technical services provided, and the entrepreneur pays the remaining 20 percent. CENTROMYPE's responsibilities include the identification of eligible MSEs and eligible business service providers; administering and controlling expenditures, managing the delivery of technical assistance, and documenting the results.

The export development fund was created within CENTROMYPE to assist micro- and small enterprises to become exporters. It is complementary to the FOEX fund, whose clients is small- and medium-scale enterprises and therefore are more likely to become exporters. Unlike the FOEX fund, the CENTROMYPE fund begins with an assessment of the potential that a particular MSE will become an exporter, and then provides specific technical assistance that is required to help the MSE achieve this goal, on an 80-20 cost sharing ratio.

CENTROMYPE's program to stimulate MSE exports is composed of three phases: Phase 1 consists of a diagnosis by a consultant hired by CENTRPMYPE to evaluate the MSE's export capabilities. Phase 1 requires, on average, 20 hours of consulting services. If the MSE is considered to be a promising exporter, the firm enters Phase 2 of the program. Phase 2 is designed specifically to prepare the firm, and its products, to enter export markets. Technical services under Phase 2 may include tasks such as preparing sales brochures, market analyses, and package design. On average, four consultancies averaging 20 hours each are required to finalize Phase 2. Once the MSE completes Phase 2, it "graduates" to Phase 3, which provides exposure to foreign markets by co-funding the company's attendance at a trade fair.

As was the case for FOEX, after its export development fund was underway, CENTROMYPE adopted the fast track program for organizing and funding MSE visits to trade shows. However, USAID/EXPRO judged that CENTROMYPE was not capable of administering the fast track program and soon assumed direct management of fast track interventions. Since the funds for attending the trade shows were sourced from the

CENTROMYPE export development fund, the results of MSE attendance at the shows are attributed to CENTROMYPE.

CENTROMYPE's procedures for approving projects under its normal mechanism were developed jointly by USAID/EXPRO and the foundation. However, the result is similar to those in effect at FOEX, with slow decision-making and burdensome procedures:

- a. A micro- or small-scale company wishing to participate in the CENTROMYPE export-market training program is screened and approved by a central committee.
- b. The data sheet for the company, along with the budgeted cost and scope of work for its diagnosis and business plan development (Phase 1) is submitted to USAID/EXPRO, with a request to approve the company as a participant in the training program. USAID/EXPRO approves the request, and submits it to USAID for its approval.
- c. USAID approves the request.
- d. The MSE deposits 20 percent of its budgeted training cost into a bank account controlled by CENTROMYPE.
- e. CENTROMYPE sends to the MSE available background information on three pre-approved consultants.
- f. The MSE selects one of the consultants to carry out the work and advises CENTROMYPE. The name of the consultant is sent to USAID/EXPRO. USAID/EXPRO issues a purchase order for completing Phase 1.
- g. The consultant completes the work specified in the SOW and submits his or her report to the Central Committee. The report is reviewed by the Committee, and if the report is deemed adequate, the consultant appears before the committee to present the results.
- h. The Central Committee decides if it is worthwhile to continue the company's training. If so, it approves the next stage of assistance.

Similar procedures must be followed for each consultancy required under Phase 2 of the MSE's export training program.

Quite obviously, these procedures should be streamlined for greater efficiency of fund operations.

As of December 31, 2004, the CENTROMYPE export development fund had accomplished the following results:

Accomplishments of CENTROMYPE Export Development Fund as of 12.31.04

| Activity | Number of Companies |
|---|----------------------------|
| Number of companies participating in CENTROMYPE program | 157 |
| Number of companies that withdrew/eliminated | 27 |
| Number of companies attending trade shows under fast track procedures | 50 |

| | |
|--|----|
| Number of companies attending trade shows under normal mechanism (before the fast track procedure was established) | 32 |
| Number of companies that entered 3-phase program | 48 |
| Number of companies that completed Phase 1 | 10 |
| Number of companies pending completion of Phase 1 | 38 |

As shown in the above table, with the exception of the fast track program (which was accomplished primarily by USAID/EXPRO), as of December 31, 2004, CENTROMYPE had completed Phase 1 assessments for only 10 companies.

4.3 EXPORTA

EXPORTA was created as an organization within the Office of the Vice President in September 2003, before the current political administration of President Saca. EXPORTA is a sister organization to the investment promotion agency, PROESA, and both agencies are contained within the National Development Commission, CONADE, which answers to the Vice President of El Salvador. EXPORTA has three departments that support the export process: a) Trade Point, which provides information on foreign markets and trade statistics, b) Promotion and Marketing, which assists those attending trade fairs and commercial events overseas, and c) External Networks, which helps potential exporters identify foreign markets and link with buyers. The entire Trade Point organization was moved intact from the Ministry of the Economy to become an operating unit within EXPORTA when the latter organization was created. In a similar manner, the Trade Fairs and Missions unit was moved from the Ministry of External Relations to EXPORTA. The External Networks unit was created as an operating unit within EXPORTA, after EXPORTA was formed. When formed, all three units had capable and experienced staff.

Despite the initial fanfare when it was established, EXPORTA's first months have been difficult. First, since Salvadoran government agencies' annual budgets are based on their previous years' operations and EXPORTA had no previous history, its operations during 2004 were limited to its core staff functions. In addition, EXPORTA was headed by a consultant during 2004, and did not have a permanent managing director with responsibility for its operations. It was not until January 2005 that a permanent managing director was hired, and EXPORTA was provided an operating budget covering activities in addition to staff salaries and administrative expenses. While this is certainly good news, unconfirmed reports indicate that EXPORTA's entire 2005 budget for additional (non-core) activities amounts to only US \$250,000. An estimate of how this might be distributed among its three operating departments is a) Trade Point - \$30,000, b) External Networks - \$30,000, and c) Promotion and Marketing - \$190,000. This limited budget will surely limit EXPORTA's activities.

Other unconfirmed reports indicate that EXPORTA has recently undergone a considerable amount of personnel turnover. It was reported that five technical employees recently resigned to assume positions with the El Salvador office of Dell Computer, and that the Managing Director who was appointed in January has now resigned to pursue other opportunities. If these reports are confirmed, these changes will further weaken EXPORTA as the national organization for the support and promotion of exports.

Finally, reports are circulating that the government plans to merge EXPORTA and PROESA into a single organization that would be responsible for both export and investment promotion. However, knowledgeable sources indicate that only administrative support functions for the two organizations would be merged, and that the respective agencies will maintain their present operating independence.

Despite these apparent setbacks within EXPORTA, it continues to be the national agency of El Salvador for export promotion. It appears that the most prudent strategy for USAID/EXPRO will be to a) continue to carefully monitor EXPORTA's progress, and, if the Government of El Salvador (GOES) seems to be providing adequate budgetary support, then b) provide support and institutional strengthening as appropriate, and at the same time, c) conduct joint activities in export promotion whereby USAID/EXPRO's financial and organizational strengths complement EXPORTA's technical skills and administrative capabilities.

4.4 Government Agencies

In addition to EXPORTA, other government agencies that are the most relevant to the USAID/EXPRO are the Ministry of the Economy, the Ministry of Foreign Relations, and the national investment promotion agency, PROESA. The following is a summary of the joint activities between USAID/EXPRO and these three agencies.

a. Ministry of the Economy

Before the creation of EXPORTA in mid-2004, the Ministry of the Economy (MINEC) was responsible for government-supported export promotion activity. Before being transferred to EXPORTA, Trade Point, its export information service organization, was an operating unit within MINEC. With the transfer of Trade Point to EXPORTA, USAID/EXPRO's the primary point of contact with MINEC is the export development fund administered by FOEX.

Future collaboration with the MINEC will likely be related to MSME strengthening with through its Competitive Export Program, and engaging in dialogue with Ministry senior officials related to the enabling environment for SMEs.

b. Ministry of Foreign Relations

When the USAID/EXPRO program began operating, the Ministry of Foreign Relations was responsible for organizing trade visits and trade fairs in foreign markets. The Ministry, with a small staff of only four people, arranged from 8-12 events annually. Afterwards, the responsibility for organizing visits shifted to EXPORTA, and the Ministry's role ended. USAID/EXPRO recently took the initiative to train a group of Commercial Officers from several Salvadoran consuls in the United States on export promotion practices, which has made them better prepared to provide export services from their consular offices. This helps to strengthen the support network within the United States for El Salvador exports. Training of these Consular Commercial Officers is a good idea and should be continued.

c. PROESA

USAID/EXPRO maintains excellent working relations with PROESA, the national investment promotion agency. These two organizations have worked together to promote

export-related investments in El Salvador by Spanish manufactures of textiles and footwear, who seek access to US markets under preferential conditions provided by the Central American Free Trade Association (CAFTA). In addition, the two organizations jointly sponsored a trip to visit software developers in Ireland by the software technology associate group in El Salvador. Future plans include the joint promotion of tourism-related investments by investors from other European countries.

While USAID/EXPRO's participation with PROESA in joint activities is limited to those export-related investments that benefit small and medium enterprises, its support is highly valued by the latter organization.

4.5 Business Associations

There are several business associations with which USAID/EXPRO maintains collaborative relationships. The most important of these are the Chamber of Commerce and Industry of El Salvador (CCIES) the Association of Salvadoran Industries (ASI), and the Agricultural Chamber (CAMAGRO). Other private organizations are working closely with USAID/EXPRO to provide entrepreneurial export training. The following is a summary of USAID/EXPRO's relationships with these business associations.

Chamber of Commerce and Industry of El Salvador

The Chamber of Commerce and Industry of El Salvador (CCIES) is a trade association whose members are Salvadoran business persons and industrialists. CCIES provides support to exporters through its export committee, which conducts studies of foreign demand for national products which may be exported, and attempts to match these to national suppliers. It also provides an international trade information service, along with a library for exporters. In the past, CCIES has provided training and TA to MSEs as a service "window" for the National Commission of Micro and Small Enterprises (CONAMYPE).

In August 2004 USAID/EXPRO signed a letter of agreement with the Chamber to carry out an entrepreneur export training series for 40 small and medium enterprises that is presently taking place under the Chamber's AFIS-III program. The AFIS-III program being conducted in collaboration with USAID/EXPRO is the Chamber's third program of this type. Earlier programs known as AFIS I and AFIS-II were completed in collaboration with the Agency for Spanish Cooperation.

Based on an initial assessment, the AFIS-III program appears to be providing good results, and is highly appreciated by those participants who were interviewed by the evaluation team.

The AFIS' approach to entrepreneur training is comparable to that carried out by CENTROMYPE, in the sense that both programs conduct an initial diagnosis of the enterprise to determine its export capability, followed by technical assistance interventions to overcome problems and otherwise assist the enterprise to become prepared to export. The differences are that first, the AFIS approach assists the enterprise to conduct a self-diagnosis using a manual under the guidance of a mentor, whereas CENTROMYPE provides a consultant to carry out an external diagnosis of the company. Secondly, once the diagnosis has been completed, under the AFIS program the enterprise is assigned a consultant who guides the company through an eight-step process to resolve

problems, correct deficiencies and to formulate a practical plan for exporting. In contrast, as indicated earlier, the CENTROMYPE program uses a series of consultants who work on behalf of the SME to remove obstacles to exporting. In both cases, upon completion of the consultant's work in the second phase, the third phase is to sponsor a visit by the enterprise to a trade show.

As of December 31, 2004, the AFIS-III program had provided the following results:

Status of AFIS-III Program as of December 31, 2004

| Event | Number of Companies |
|--|----------------------------|
| Companies entering the AFIS-III program | 40 |
| Companies that were eliminated or left the program | 2 |
| Companies that moved from Phase 1 to Phase 2 | 13 |
| Companies joining Phase 2 that received earlier training | 1 |
| Companies continuing with Phase 1 training | 25 |

The AFIS Program Director at the Chamber believes that a total of 30 companies will complete the entire training program. She stated that stated that CCIES' current plans are to complete all Phase I training by the end of February 2005, and to complete Phase II training by the end of May 2005. Once the training has been completed, it will become USAID/EXPRO's responsibility to facilitate visits to trade shows by the program graduates.

The cost of training individual entrepreneurs is shared between the Chamber and USAID/EXPRO, with the person trained being assessed a modest fee. The budgeted cost to USAID/EXPRO for Phase 1 and Phase 2 training is US \$3,600 per person, which is extremely cost effective. Adding to the training cost is USAID/EXPRO's 70 percent share of the US \$3,000 cost per capita to visit a trade show, which is US \$2,100. Consequently, USAID/EXPRO's total cost per person for both training and visiting a trade show is US \$5,700. This is considerably lower than the cost of completing all three phases of the CENTROMYPE export training program, which is around US \$8,700.

Association of Salvadoran Industries

The Association of Salvadoran Industries (ASI) is the representative of El Salvador's industrial sector. Its members are found in 18 separate industries, covering all industrial sectors with the exception of heavy industry and high technology. One of the main tasks of ASI is to improve the productivity of its members, through programs such as HAACP and ISO certification. It is not engaged in export promotion or preparing companies to export.

ASI is conducting an USAID/EXPRO-funded study to identify raw material inputs used by its members who are manufacturers, as a means to identify which items can be sourced from El Salvador, and therefore used as substitutes for imported items. Thus far, the study had identified 199 separate items that are used as manufacturing inputs. The study will be completed by the end of February 2005. Upon completion, the results of the study will provide information on possible business opportunities for import substitution.

Partners for Entrepreneur Export Training

The entrepreneur export training program is a major component of the USAID/EXPRO project. The training program is designed to increase the export capacity of the public and private sectors by facilitating trade training for technicians of MINEC, export service consultants, suppliers, and owners of micro, small, and medium scale enterprises with a potential capacity to export. The training program specifies that at least 1,000 MSME entrepreneurs will be trained to develop their export capabilities; 50 technicians will be trained in foreign trade, and 50 service suppliers and consultants will be trained to work in export sectors. Three private organizations are presently collaborating with USAID/EXPRO to provide the training: During 2004 to a total of 908 persons were trained by the Private Enterprise Institute (FEPADE), the Micro and Small Enterprise Foundation (FUNDAPYME), and the Central American Agriculture Institute, Zamorana, in Tegucigalpa, Honduras. Training will continue until all the training requirements are met, planned to be completed no later than June 2005.

Agricultural Chamber of El Salvador

The Agricultural Chamber (CAMAGRO) is a chamber of chambers, meaning that its affiliates are themselves chambers, or member associations, representing 25 different agricultural sectors throughout El Salvador. CAMAGRO's members represent agricultural producers and processors in traditional agricultural sectors, such as red beans, corn, and sesame, and also in non-traditional products such as honey and organic coffee.

CAMAGRO collaborated with USAID/EXPRO in the preparation of trade visit "platforms" for exporters' visits to trade shows in the United States and Canada. A "platform" encompasses all the tasks required for a successful visit to a trade show. It includes activities such as selecting visitors and making travel arrangements, arranging meetings with potential customers at the show, organizing product displays, and booth rental.

4.6 Collaborative business models - Export trading companies and associative groups

In July 2004 USAID/EXPRO began a program to support the formation and strengthening of associative groups as yet another tool for export development. The program concept is to create a nucleus of around 10 – 12 enterprises that produce similar goods or services, and are willing to work together for mutual benefit. The members of the group of enterprises then organize themselves into an association, and the association creates an export marketing company that is responsible for selling the association member's products overseas. By working together, the group members are able to combine their respective outputs and provide a greater quantity and diversity of products for their customers than they could otherwise provide by working alone. In many cases, the combined output of an associative group will make it possible for the entire group to enter export markets, which would be impossible for a member working individually. Once the exporting company is operating successfully, it may be possible for it to expand its functions to procure input supplies and other goods and services for its members, thereby transforming itself into a fully operational trading company.

During 2004, USAID/EXPRO facilitated the creation of six associative groups, operating in the following professional and product sectors: a) design services, b) software services, c) electrical engineering services, d) furniture, e) shoes, and f) organic products. Some of these groups have made impressive progress in preparing themselves for export in a short period of time. For example, the electrical engineering group has submitted bids for construction projects in Honduras and Nicaragua. The software group made an USAID/EXPRO-sponsored visit to Ireland where they met Irish software companies, and discussed the possibility of forging contracts for software development. They are now negotiating a service contract with a software development firm from India. Future plans call for the creation of a medical services associative group.

4.7 Other Issues Meeting Project Outputs

Financial constraint

Once the exporters and potential exporters have gained market information, exposure to foreign markets, and the desire to expand their production to meet foreign demand, the lack of finance severely hampers their abilities to export. The evaluation team members heard, time and time again during their meetings with private companies, the difficulties the companies face to meet market standards for product quality, quantity, and consistency of supply, without benefit of external finance.

The team met a shoe manufacturer in Santa Ana whose factory produces approximately 150 pairs of shoes per day for local markets, under a semi-mechanized production process with used equipment that he has pieced together over many years. For an investment in technology of only \$20,000 – \$25,000 the factory output would double, and the extra volume could be exported to Guatemala. Unfortunately, the owner is locked into his present level of production because he does not have available funds to increase the productivity of his factory, and external financing is not available.

The team also met an entrepreneur who had a letter of credit in-hand, valued at US \$60,000, for a firm export order of handicraft items. The Banco Agricola refused a US \$10,000 short-term working capital loan secured by the letter of credit that would provide funds the entrepreneur needed to finalize the shipment. These brief examples highlight the credit constraint the SMEs now experience in El Salvador.

Numerous, fragmented SME support programs

There is a confusing jumble of public and private support programs in El Salvador for MSMEs that offer many of the support services that USAID/EXPRO provides. Many of these programs deliver services, such as product improvement, HAACP certification or package design that are directly related to export efforts. However, USAID/EXPRO's advantage, in comparison to other programs, is that it offers integrated services for MSMEs including a budget for innovative programs, combined with leadership, knowledge of foreign markets, and a network of allies at home and abroad.

In conversations with the director of COEXPORT, the evaluation team was told that in El Salvador there are more than 40 public and private organizations that engage in MSME

support programs. This multitude of uncoordinated programs of varying effectiveness is confusing, and in some cases makes it possible for enterprises to “donor shop” for favorable services. In view of the wide variety of support services, COEXPORT, with funding from the International Development Bank (IDB) is scheduled to conduct a study beginning in March 2005 to identify and map these organizations and the work they do. This should be important information for USAID/EXPRO, and could well identify future strategic partners. It will also provide EXPORTA an opportunity to play a leadership role as the coordinating agency for MSME support services.

Commercial “infrastructure” and “export mentality”

USAID/EXPRO’s assistance to exporting companies by linking them with foreign buyers and importers is helping to create a commercial network that will exist long after the USAID/EXPRO program ends. This is supported by the group of advisors that USAID/EXPRO has established in the United States, as well as the training conducted for commercial officers in the consuls and embassies of El Salvador in the United States. This network of exporters, buyers, importers, advisors, and commercial officers constitutes a commercial infrastructure with lasting benefit. Furthermore, with its emphasis on exports, the exposure to foreign markets and the training provided to many potential exporters, USAID/EXPRO is helping to create a “can do” attitude and an export mentality within the SME community within El Salvador.

Likely need to modify USAID/EXPRO approach over the long term

Over the long term USAID/EXPRO’s emphasis will likely expand into a deeper involvement along the productive chain. Until now, USAID/EXPRO has worked primarily in the area of export promotion, with some additional activity to provide TA and strengthening for businesses, associative groups, and some government units. While this strategy has been highly effective thus far, over the long term it will likely experience diminishing returns. The number of exporters is rather limited (around 1200) and they have finite export capabilities. In other words, over the long term USAID/EXPRO will likely have become more involved in product development, or product improvement. As one exporter said, “You can’t export without a product”.

One possible solution would be to establish strategic partnerships with other organizations that are themselves working in these areas. For example, IICA has a program to support the production of tropical fruit crops. A strategic partnership between USAID/EXPRO and IICA to support the production and export marketing of tropical fruit could be highly beneficial for fruit producers and exporters alike. Under the partnership, IICA could support the fruit production and processing, while USAID/EXPRO could support all aspects of export marketing. This joint effort could also be used to support ventures to produce fruit juices and fruit concentrates for export markets, using fresh fruit that is either grown in El Salvador or imported from other Central American countries.

Fast track program

The fast track program with its quick decision making and fast results has proven to a highly effective implementation tool. This program was created to ensure fast approvals by the FOEX and CENTROMYPE export promotion funds for a specific, targeted

activity: for El Salvadoran exporters to attend foreign trade shows. The time required to approve a fast track request is approximately 10 calendar days, compared to approximately two months that is required to prepare the documents and to obtain the approvals needed for technical assistance interventions within a company. **Associative groups**

The evaluation team is entirely in agreement with USAID/EXPRO's idea of developing and strengthening associative groups as a means for increasing exports, and believes that the formation and strengthening of these groups should be a key element of the USAID/EXPRO export program. Groups can be an effective export mechanism, particularly for smaller firms that are unable to export on their own. They can be used for the export marketing of diverse products. They can be used to buy common services for their members. Several government- and non-government organizations in El Salvador support group formation, although few of these are export oriented. The downside is that in general, group formation is a medium-term commitment that requires substantial support and mentoring. Furthermore, successful groups tend to be homogeneous – for example, it is rare to find a large exporter within a group of predominantly small exporters.

Over the remaining project life, USAID/EXPRO should analyze different models of group exports, such as trading companies, supply contracts with larger exporters, or exporting through an export leader, to see which serves its members best.

Independence of action

Two important factors in the successful implementation of USAID/EXPRO have been its creativity and the relative freedom it has enjoyed to carry out its ideas. This would likely not have been the case if USAID/EXPRO was subordinate to a GOES agency, since the agencies priorities would likely have taken precedence over USAID/EXPRO's activities. Furthermore, the generally slow pace of government would likely have slowed USAID/EXPRO's activities and diminished the results it has provided. On the other hand, it is necessary and desirable to collaborate with relevant government agencies and maintain their support for program implementation. This presents a quandary for USAID, as well as USAID/EXPRO leadership: how to keep the relevant GOES agency involved in the program, without hampering its pace of execution. The evaluation team believes this can best be carried out by three supporting methods: a) by reaching general agreement on the overall program goals, objectives, and annual work plans, b) by providing information on program progress through periodic discussions and reports, such as condensed versions of the quarterly reports, and c) by providing a direct benefit to the participating agency through technical strengthening programs and by the joint execution of specific project activities.

“Open door” policy

While it may seem of relatively minor importance, USAID/EXPRO's “open door” policy for its clients encourages them to approach the organization, and establishes a degree of trust that is important for a service organization such as USAID/EXPRO.

5 Lessons Learned

The following are important lessons that have been learned from USAID/EXPRO's work to promote the expansion of export sales by MSMEs in El Salvador.

The strategy of working with exporters and near exporters to promote a broad range of export products is a highly effective means for increasing exports.

Providing assistance to firms that have some export experience along with those firms that are almost prepared to export, by helping them remove the remaining obstacles they have to expanding or initiating exports, is not only efficient and productive, but also it has a quick impact on the amount of products being exported.

Independence of action unhampered by host government bureaucracy is essential to effective project implementation.

The relative freedom of action enjoyed by USAID/EXPRO staff in project implementation has led to innovative approaches and creative solutions to problem solving. This situation would not likely have been possible had USAID/EXPRO been contained within a government agency.

Simple administrative procedures and an accelerated approvals process for project interventions leads to greater efficiency of project implementation and improved results.

This can be seen by comparing the results achieved from fast track procedures and those from the normal program under the FOEX and the CENTROMYPE export development funds.

There is an existing strong reservoir of local consulting talent in El Salvador.

This has also been beneficial for the USAID/EXPRO program. Before the program began, it was assumed that most of the required consulting skills would have to be provided by expatriate consultants. Once the program was underway, it became clear that local consultants possess excellent skills and capabilities. As a result, local consultants have made a major contribution to USAID/EXPRO's success.

Mentoring firms is highly labor intensive, and requires a mid- to long term commitment.

Over the course of the project, the USAID/EXPRO team has learned that the time and effort required to help firms to become proficient in new activities such as organizing themselves into associative groups is considerably longer than was originally anticipated. Similarly, learning and applying exporting skills is a mid- to long term commitment.

Reverse trade missions are a very cost effective means for export promotion.

Reverse trade missions, which involves buyers visiting El Salvador to meet exporters, can be equally as effective for export promotion as sellers' visits with buyers and importers, and are normally much less costly. Most knowledgeable observers agree, however, that both practices are needed for best effect. For example, USAID/EXPRO recently arranged a private showcase for a group of buyers from the United States with around 150 Salvadoran exporters. The total cost of the showcase, including airfare and hotel for the visitors, along with conference facilities for displaying the export products, was approximately US \$8,000. As a result of the showcase, in a period of only one month

export sales in the approximate amount of US \$300,000 were reported. Future, potential sales is estimated to be between US \$3 - \$4 millions.

6 Procedural and Administrative Barriers to Smooth Implementation

A number of procedural and administrative barriers have slowed progress of the USAID/EXPRO project, and have made implementation more difficult and time consuming than it otherwise would have been.

Time and effort required to establish export development fund

To establish and manage an export development fund requires a large investment in time and effort by all concerned. It appears that when a USAID-sponsored “fund” is established, it becomes an extremely complex undertaking. USAID/EXPRO’s experience in establishing the FOEX and CENTROMYPE funds became major efforts for USAID/EXPRO, as well as FOEX and CENTROMYPE, the funds’ administrators. When the purpose of a fund is merely to provide technical assistance and training for MSMEs, it seems that the most expeditious procedure would be to use a simple contract, such as the letter agreement that USAID/EXPRO has with CCIES.

Complex and cumbersome administration of FOEX and CENTROMYPE export development funds

The administration of the two export promotion funds at FOEX and CENTROMYPE are extremely cumbersome and bureaucratic, and their procedures should be analyzed in detail to see how the process can be accelerated while complying with USAID/GOES regulations. Since the FOEX fund was an ongoing operation when the USAID/EXPRO project began, it was necessary for USAID/EXPRO to adjust to the fund’s administrative procedures that were then in effect, yet with the modifications needed to comply with USAID regulations. As a result, the FOEX fund’s procedures for review and approval of SME project are long and cumbersome. For example to approve one project of a few thousand dollars, until recently, four approvals were required by three different organizations. Although the procedures for the CENTROMYPE fund were developed from scratch, its administration is also very bureaucratic. Repetitive approvals are required by three organizations for one small company to receive export training, with an average budget of around \$8500. The administration of both funds should be reviewed to see how they might be streamlined.

Need to provide project staff training in USAID regulations and operating requirements

Lack of knowledge of USAID requirements slows progress and generates internal conflict. USAID operating regulations is a somewhat grey area, even for many USAID employees. Bringing people onto a new project at its beginning and having them learn by trial and error is a difficult process and does not lead to smooth administration. While formal programs may not be readily available for this practical training, it is the responsibility of the contractor to ensure that its employees are knowledgeable of USAID procedures.

Planning for project staff requirements

An under-estimate of project staff requirements initially delayed project implementation. The initial authorized staffing level of USAID/EXPRO was considerably below what was required, both for operating as well administrative personnel. This was finally resolved, but it required a contract modification for an additional member of the expatriate staff, and it required the hiring of additional local personnel as full-time consultants. This subsequently caused morale problems because consultants, even if they are engaged full time, are not provided employee benefits.

Communications between USAID/EXPRO and its clients

Poor communications between USAID/EXPRO and its clients regarding USAID/EXPRO's internal procedures has, in some cases, led to misunderstanding with clients and internal conflict. This was pointed out in several conversations the team had with USAID/EXPRO's clients. There were strong complaints that often, the amounts reimbursed by USAID/EXPRO for travel expenses were considerably less than what the clients expected. Many of these complaints were related to little-understood travel regulations, such as when one client stayed in a less expensive hotel than was allowable, as a means for compensating for occupying two hotel rooms, instead of a single room. Other complaints were related to the lesser amounts that trade show attendees were reimbursed for expenses when fewer clients attended the show and the per-unit cost of booth rental increased for the remaining attendees. While these problems are relatively minor in the overall scheme of USAID/EXPRO's activities, they do point out the need for better communications with the clients so that their expectations of their amounts reimbursed are realistic.

7 Areas that USAID/EXPRO and/or USAID might Consider Strengthening

Areas that USAID might consider strengthening over the remaining life of the USAID/EXPRO project are summarized in the following section. These are areas that the team recommends be given special attention for the rest of the project. Most of these actions should be taken by the USAID/EXPRO project staff. In some cases USAID/EXPRO is already doing good work, but we feel that they should be emphasized even more.

FOEX fund management capability

FOEX has been the administrator of the USAID-supported export development fund since December 2003. However, FOEX has, thus far, only handled the documentation for the fund. Cash management and payments to suppliers and contractors are handled by USAID/EXPRO. In the interest of strengthening FOEX as an institution and relieving some of the administrative burden from USAID/EXPRO, it seems to be a good idea that FOEX would assume the entire responsibility for fund operations, including cash management. The team understands that USAID made an earlier assessment of FOEX's abilities to handle funds, and some of the organizations' systems and procedures were

found deficient. It is recommended that FOEX be trained in fund management as required to handle USAID funds, and that the organization be assisted to adopt the computer systems and operating procedures that may be required for this task.

Streamline administration of FOEX and CENTROMYPE funds

As described earlier, bureaucratic procedures and slow approvals hamper the administration of both the FOEX and the CENTROMYPE export development funds. It is recommended that a specialist be contracted to review the approval and operating procedures at both funds.

Information and coordination with government agencies, and engaging in joint activities

These issues were discussed at length in earlier sections of this report. The team believes that USAID/EXPRO should fully collaborate with those government agencies involved in export and investment program, the formation of associative groups, and MSME strengthening. Collaboration should include conducting joint activities in areas of mutual interest as a means for helping to strengthen the respective agency, while leveraging USAID/EXPRO's efforts. In addition, USAID/EXPRO should provide information on plans and programs, and make condensed versions of progress reports available to them. However, government organizations should not be involved in decision-making related to USAID/EXPRO's planning and implementation.

Follow up to training interventions

Presently, there is no follow-up to the entrepreneur export training program that is underway for a total of 1,000 small and medium enterprises to determine the possibility that the participants will engage in exports. While the training is of unquestionable benefit as a means for strengthening the business skills of the participants, it is not clear as to its effect on exports.

CENTROMYPE's capabilities

CENTROMYPE's ability to train MSEs as exporters before the end of the USAID/EXPRO project, under the fund's normal mechanism, is questionable. USAID/EXPRO should consider the possibility of providing technical assistance to CENTROMYPE to ensure that the required training is finished before the project ends.

Institutional strengthening of MINEC and EXPORTA

Based on USAID's agreement with Nathan Associates, "MINEC's institutional capacity strengthened for export promotion and trade policy through the technical assistance and training implemented" is a required output. This output translates into several contract requirements to develop strategies and action plans for at least 20 export-oriented projects, and for training MINEC professionals. It is not clear if any of these contract requirements have been met. However, the team understands that these requirements may be changed with the new Statement of Work under the possible extension to the Nathan contract, to formally stipulate EXPORTA training, as well as training for other organizations.

Support for associative groups

The team believes that the formation of associative groups is an excellent mechanism for helping micro- and small-scale enterprises to become exporters. USAID/EXPRO is encouraged to continue its work to create and strengthen these groups for the remaining life of contract.

USAID/EXPRO – client communications

USAID/EXPRO is encouraged to improve its communications with its clients regarding its procedures for liquidating client expenses, and the financial risk the client incurs by attending external trade shows co-funded by USAID/EXPRO.

8 Recommendations

The following are recommendations to USAID on how best to improve impact, sustainability, and cost-effectiveness of USAID/EXPRO with the aim at improving the design of future activities in the sector.

It is recommended that a program similar to USAID/EXPRO be continued for a longer period of time than is planned for the current program.

As presently structured, the USAID/EXPRO program will end a few days short of its second anniversary. This, of course, was specified in the program's design and is consistent with its creation as a short-term response to El Salvador earthquake emergencies. While USAID/EXPRO has done excellent work to date, for optimum impact almost all its programs require a longer implementation period. A longer operating period would provide more time to further develop and strengthen commercial infrastructure and the export mentality, and to create and strengthen additional trading companies. A longer period would also permit USAID/EXPRO to work along the value chain to create additional exports. The evaluation team understands that USAID is contemplating the extension of the current program for an additional 6 – 9 months. While this will provide continuity for the activities initiated thus far, the team encourages USAID to also consider the possibility of initiating a new program similar to USAID/EXPRO. The new program would incorporate the recommendations presented herein and be in effect for an additional period of 4 -5 years.

An alternative to using a contractor to implement the successor project would be to support an agency of the Salvadoran government to help it implement the new project. However, it is the view of the evaluation team that none of the government agencies is presently prepared to assume this role, and that prudence dictates the continuation of the services of an experienced contractor..

The network of alliances that have been created through USAID/EXPRO would serve a successor project well. Not to continue an USAID/EXPRO-like project would leave much work undone, and its legacy would be that of a well-intentioned effort that ended without having the impact that it otherwise might have had.

However, a program that carries on the work initiated by USAID/EXPRO must work in close coordination with government bodies and private sector organizations; otherwise it would be difficult to provide sustainability after the successor program ends.

It is recommended that the FOEX fund be extended along with the program similar to USAID/EXPRO, and expanded in scope but with streamlined approvals procedures.

The FOEX fund has evolved into an effective partner with USAID/EXPRO as a means to reimburse small and medium enterprises on a 50-50 cost-sharing basis for technical assistance required to enhance their capabilities to export. It is also used as a means to organize and prepare SMEs to participate in trade visits under the “fast track” approach.

It is recommended that the use of the fund be expanded to cover technology investments. Making matching funds available to entrepreneurs to improve processing and packaging technology will help remove some of the export bottlenecks.

As described earlier, there is a strong need to streamline and shorten the approvals procedures for the fund. The team was told that a study will soon be undertaken by an efficiency expert to look at ways to expedite the approval and administrative procedures at FOEX. The team supports this initiative, and believes that it is a step in the right direction.

It is recommended that the fast track procedures (expedited review and approvals) be expanded to cover specific, targeted technical services provided through the export development funds at FOEX and CENTROMYPE .

The advantage of the fast track procedure is that it allows for expedited review and approval of a specific, targeted intervention. As previously indicated, it only takes 10 calendar days to prepare and approve a fast track project, whereas compiling the information and approving a project under normal FOEX or CENTROMYPE fund procedures can easily take two months. Fast track procedures have been used with great success to send entrepreneurs to trade shows; the team believes that similar, expedited review and approval procedures could be used for targeted technical assistance interventions.

It will be necessary to provide technical assistance to FOEX as well as CENTROMYPE to help them work more efficiently under this expanded program while maintaining a strict control over the authorization and use of funds. In the case of CENTROMYPE, there are concerns about the agility of its response to its clients’ needs, and this new mechanism could help the organization work more efficiently.

It is recommended that the CENTROMYPE fund be closed upon completion of the technical service requirements for its present portfolio of clients, and that assistance be provided to CENTROMYPE to enable it to serve its remaining clients in an expeditious manner.

The CENTROMYPE fund has been in operation since early 2004, and within its core responsibility of training MSEs to become exporters, only ten enterprises had “graduated” from Phase 1 to Phase 2 by year end. Work carried out in Phase I provides a diagnosis of the company’s export capability, and formulates a work plan for technical assistance to be provided during Phase II. Completing Phase 1 for each company requires consulting time of only 20 hours. Furthermore, CENTROMYPE expressed doubt that it can complete the program by providing adequate training to those enterprises within its portfolio by the scheduled completion date of the USAID/EXPRO project, on June 30, 2005. To provide adequate training, it believes that it will require the

entire 2005 year. These results show extremely poor performance. Consequently, it is recommended that USAID/EXPRO provide technical assistance to CENTROMYPE in program administration to ensure that its training program is completed in an expeditious manner.

In addition to its slow progress, there are doubts as to CENTROMYPE's overall capability to manage a long-term MSE funding support program. When the USAID/EXPRO program began, CENTROMYPE was a strong organization with a strong, dynamic management team composed of a President and an Executive Director at its helm. Shortly thereafter, however, these seasoned professionals were replaced by a single executive with much less experience. These changes appear to have adversely affected the organizations' performance.

It is clear that the functions that are now carried out by CENTROMYPE could be made by FOEX, provided that the range of its activities is expanded, and its administrative capabilities strengthened.

If it is decided to continue using CENTROMYPE's services beyond its present portfolio of clients, it will likely require excessive management time of USAID/EXPRO's senior managers, and the potential that the new work will not be completed before the end of the project.

It is recommended that support to develop micro and small enterprises as exporters be re-focused to assist these enterprises to export through associative groups. Furthermore, USAID/EXPRO should collaborate with existing organizations engaged in the development of associative groups, to orient the groups supported by these organizations toward export opportunities whenever possible. These groups have already been formed, and with some amount of assistance, could likely become exporters.

The vast majority of micro- and small-scale enterprises are undercapitalized and incapable of supplying export markets with the product quantity, quality, and consistency of supply they require to be competitive. Furthermore, in view of the relatively high cost and the questionable results of supporting individual MSEs to become exporters, these enterprises should be encouraged to form associative groups that by working together can supply export markets. A number of government and non-government organizations exist in El Salvador that can be engaged to support the formation and strengthening of associative groups, such as FUNDAPYME, AMPES, and FADEMYPE.

However, as indicated earlier, none have the vision or the experience to replace USAID/EXPRO. It is likely that with the assistance of a post-USAID/EXPRO project, the Salvadoran government will be able to develop this capability by the end of the successor project.

It is recommended that the Chamber of Commerce and Industry's AFIS-III training program be monitored as a potential model for future SME export training.

Based on initial findings, the AFIS-III training program appears to be providing good results and is highly appreciated by those participants who were interviewed by the evaluation team. The cost of training individual entrepreneurs is shared between the Chamber and USAID/EXPRO, with the person trained being assessed a modest fee.

Consequently, from USAID/EXPRO's point of view, it is extremely cost effective. This appears to be a good model to follow for future training to help SMEs become exporters.

The downside of this partnership is that the Chamber is limited in the number of SMEs that it can train, to around 150 persons annually. Therefore, in addition to carrying out SME training with the Chamber, USAID/EXPRO must continue to seek partnerships with other organizations that provide training and further support the export process.

It is recommended that the National Export Promotion Agency, EXPORTA, be considered a strategic partner for export promotion activities and that promotional events be planned and carried out jointly.

In view of EXPORTA's status as the national agency for export promotion, USAID/EXPRO should plan to provide support and assistance as needed to strengthen EXPORTA and to prepare it to assume USAID/EXPRO's role when the latter program eventually ends. This recommendation is conditioned on the government's ability to provide budgetary support to ensure that EXPORTA is a capable partner. One method of strengthening EXPORTA will be to plan and carry out joint initiatives, such as organizing reverse trade missions to El Salvador, and visits by Salvadoran exporters to trade shows. This is mutually beneficial since it enables EXPORTA to participate in these events that would otherwise be impossible, given its limited budget. Additionally, it leverages USAID/EXPRO's efforts by having EXPORTA complete much of the organizational and technical work that is required for a successful event.

The collaboration in the future between EXPORTA and the successor to USAID/EXPRO will also constitute a strategic partnership. This will enable the development, over the subsequent project, of a government agency that will have the capability to provide continuity to these efforts once the successor project ends. The know-how, network of alliances and markets being developed for Salvadoran exports will become important assets for the government institution.

It is recommended that USAID/EXPRO develop and/or maintains strategic partnerships with other government organizations that are themselves engaged in programs of mutual interest such as business strengthening, the formation of associative groups, overseas support to El Salvador exporters, and promoting export-related investments, such as MINEC, CONAMYPE, PROESA, and the Ministry of External Relations, respectively.

Similar to the work carried out with EXPORTA, it is recommended that USAID/EXPRO engage these organizations to carry out joint initiatives in areas of mutual interest to increase exports and employment.

This will result in a transfer of experience and know-how to these organizations, which, over time, will help to create a strong network of business support organizations that can also work to increase Salvadoran exports. Business support would be extremely important to bring potential exporters to a level where can enter export markets.

It is recommended that USAID/EXPRO maintain its operating independence while collaborating fully with government's efforts to promote exports and to prepare SMEs as exporters.

The evaluation team feels strongly that a donor-funded export promotion initiative such as USAID/EXPRO must maintain its operating independence to be effective. At the

same time, however, the program should coordinate effectively with relevant government organizations for the purpose of providing a transfer of knowledge and technical skills. The objective of these interactions should be to help the State organization(s) become prepared to continue this activity once donor support ends. On the other hand, it is the government's responsibility to provide the necessary financial and institutional support to the complementary organization, and to yield sufficient political independence for it to become an effective partner in the activity.

In this regard, USAID/EXPRO should provide condensed versions of its annual work plan and its quarterly and yearend progress reports to MINEC and EXPORTA. USAID/EXPRO should also participate in the "mesa de exportaciones" coordinated by the Vice President of the Republic. The idea is to keep the government agencies "in the loop" by sharing information, and by developing joint activities when mutually convenient. However, these agencies would not be involved in decision-making that is directly related to USAID/EXPRO's plans and programs.

It is recommended that USAID/EXPRO expand its efforts to remove constraints affecting production and marketing along the respective value chains for priority products. For greatest impact it should work in collaboration with universities, international programs, NGOs and business associations to provide support to the entire value chain.

To increase exports over the longer term, USAID/EXPRO will most likely have to work to increase product supply, improve product quality, help to ensure credit, and in general, to remove constraints affecting the production and marketing chain of major products and commodities.

Again, it is considered that no private or government organization is presently capable of carrying out these functions. Government agencies may eventually gain this capability by working closely with a program that succeeds USAID/EXPRO for an additional period of four to five years.

It is recommended that USAID assume a leadership role in organizing a conference in El Salvador attended by government, the international community and the financial sector to review the situation and outlook for SME finance and to develop a joint initiative leading to its solution.

While an analysis of the financial constraint to SME finance in El Salvador is beyond the scope of this evaluation, this has a huge, negative impact on exports. There is a real disconnect between the banking sector and SMEs. The main problems appear to be a) a lack of financing mechanisms that serve SMEs in El Salvador, b) the limited ability of small- and medium-scale entrepreneurs to prepare business plans and financial analyses combined with the absence of credible financial statements, and c) a banking sector that is not attuned to the credit needs of SMEs.

Opportunities should be explored for financing methods such as the following:

- Working capital: revolving credit lines, factoring
- Venture capital funding
- TA and training for SMEs in business plan and project preparation

A successful conference would serve to a) increase awareness of the magnitude of the constraint, b) set the stage for collaboration between national and international organizations to confront the many problems, and c) lay the groundwork for pilot initiatives of innovative financing schemes that could serve as a model for the banking sector and other financial investors.

9 ANNEXES

9 ANNEX I – ACRONYMS

List of Acronyms

| ACRON. | ENGLISH | SPANISH |
|-------------|--|---|
| ANEP | National Association of Private Enterprise | Asociación Nacional de la Empresa Privada |
| BA&Fs | Business Associations and Foundations | Asociaciones Empresariales (gremiales) y Fundaciones |
| BDS | Business Development Services | Servicios de Desarrollo Empresarial |
| BMI | Multisectorial Investment Bank | Banco Multisectorial de Inversiones |
| CED | Competitive Export Development | Desarrollo competitivo exportador |
| CENTROMYPE | Center for the Competitiveness of Micro and Small Enterprise | Centro para la Competitividad de la Micro y Pequeña Empresa |
| CONAMYPE | National Commission for Micro and Small Enterprise | Comisión Nacional para la Micro y Pequeña Empresa |
| IDB | Inter American Development Bank | Banco Interamericano de Desarrollo |
| USAID/EXPRO | Export Promotion for Economic Reactivation of Salvadoran Micro, Small and Medium Enterprises | Programa de Promoción de Exportaciones para Micro, Pequeñas y Medianas Empresas Salvadoreñas. |
| FDA | Food and drug Administration | Agencia de Administración de Alimentos y Drogas |
| FTA | Free Trade Agreement | Tratado de Libre Comercio |
| FUSADES | Salvadoran Foundation for Economic and Social Development | Fundación Salvadoreña para el Desarrollo Económico y Social |
| GOES | Government of El Salvador | Gobierno de El Salvador |
| MINEC | Ministry of Economy | Ministerio de Economía |
| MSEs | Micro and Small Enterprises | Micro y Pequeña Empresa (MYPE) |
| MSMEs | Micro, Small and Medium Enterprises | Micro, Pequeña y Mediana Empresa (MIPYME) |
| IICA | Inter- American Institute for Cooperation on Agriculture | Instituto Interamericano de Cooperación para la Agricultura |
| PNCES | National Competitiveness Program | Programa Nacional de Competitividad |

| | | |
|-----------|---|--|
| RFP | Request for Proposals | Solicitud de Propuestas |
| SMEs | Small and Medium Enterprises | Pequeña y Mediana Empresa (PYME) |
| USAID/ES | United States Agency for International Development Mission in El Salvador | Agencia de los Estados Unidos para el Desarrollo Internacional |
| FUNDAPYME | Foundation for the Sustainable Development of SME | Fundación para el Desarrollo Sostenible de la PYME |
| CCIES | Chamber of commerce and Industry of El Salvador | Cámara de Comercio e Industria de El Salvador |
| COEXPORT | Exporter Corporation of El Salvador | Corporación de Exportadores de El Salvador |
| CAMAGRO | Agricultural Chamber of El Salvador | Cámara Agropecuaria |
| FOEX | Export Promotion Fund | Fondo de Fomento a las Exportaciones |
| MRRRR | Foreign Affairs Ministry | Ministerio de Relaciones Exteriores |
| TA | Technical Assistance | Asistencia Técnica |

Currency Equivalent

| | |
|-------|------------|
| US \$ | Sal (US\$) |
| 1.00 | 1.00 |

9 ANNEX II - Specific Questions and Answers

- 1) Is USAID/EXPRO effectively undertaking activities as specified in the statement of work described in the contract?

Yes, to our best knowledge and understanding USAID/EXPRO is undertaking activities according to the SOW in the contract. However, there are some tasks that have not been fulfilled and special attention should be placed in their development. These are discussed in the following answers. More detailed discussion in the report.

RESULT 1: INSTITUTIONAL EXPORT PROMOTION AND TRADE POLICY CAPACITY OF THE MINISTRY OF ECONOMY STRENGTHENED

- Identification and development of at least 20 export-oriented projects in 5 different economic sectors of the country. At least 50% of the projects shall be developed in earthquake affected departments. *USAID/EXPRO reports that actions have been developed in order to comply with this requirement but it has not been formalized in a written coherent report. USAID/EXPRO will inform in the next Quarterly Report. USAID/EXPRO should consider that actions should follow an action plan.*
- MINEC's institutional capacity strengthened for export promotion and trade policy through the technical assistance and training implemented. *One of the deliverables for this Result is a Strategy and complete Action Plan designed for MINEC to develop, promote and implement at least 20 export-oriented projects, of which at least 50% shall be developed in earthquake affected departments, in 5 different economic sectors of the country. Although USAID/EXPRO is developing some actions related to this deliverable as we mention before, the strategy and action plan has not been developed with MINEC and it is not foreseen for the near future.*

RESULT 2: ACCESS TO TRADE AND EXPORT INFORMATION IMPROVED

- An Intranet for communicating and disseminating Free Trade Agreements and other export related information to MSMEs established and placed in operation. *USAID/EXPRO officers believe the portal (intranet) priorities should be re-evaluated and worked on with expert IT consultants, software affiliates and the newly installed government who will most likely take over the management of the portal once USAID-USAID/EXPRO has concluded.*

RESULT 4: BUSINESS CONTRACTS AND SALES EXPANDED

- 100 MSMEs exporting Salvadoran product lines for an amount of \$2.0 million in sales, through the Contractor's and CENTROMYPE's efforts.

The export objective has been exceeded in sales volume exported but work has to be done in order to fulfill the number of companies required. Up to December 2004 USAID/EXPRO has attained 58% of the companies necessary in this item. USAID/EXPRO informs that number of companies involved in actual exports should increase in the following two quarters.

- 100 MSMEs exporting an additional \$1.0 million in a variety of products to international markets with the assistance of the Contractor and Salvadoran business associations and private foundations. (OTHER USAID/EXPRO FUNDS) *The export objective has been exceeded in sales volume exported but work has to be done in order to fulfill the number of companies required. Up to December 2004 USAID/EXPRO has attained 45% of the companies necessary in this item. USAID/EXPRO informs that number of companies involved in actual exports should increase in the following two quarters.*
- 2) Are there any procedural and administrative barriers to smooth implementation as stated in the USAID/EXPRO contract?
- *The administration of the two export promotion funds at FOEX and CENTROMYPE are extremely cumbersome and bureaucratic, and their procedures should be analyzed in detail to see how the process can be accelerated while complying with USAID/GOES regulations.*
 - *Poor communications between USAID/EXPRO and its clients regarding USAID/EXPRO's internal procedures has, in some cases, led to misunderstanding with clients and internal conflict*

- 3) What kinds of services does USAID/EXPRO provide its SME clients and intermediaries such as CENTROMYPE, EXPORTA, PROESA and private sector collaborators?

USAID/EXPRO provides the following services to its MSME clients,

- *General guidance by USAID/EXPRO staff*
- *Technical assistance*
- *Trade shows attendance*
- *Trade missions*
- *Marketing services*
- *MSME training*

USAID/EXPRO provides the following services to its intermediaries such as CENTROMYPE, EXPORTA, PROESA, FOEX and private sector collaborators,

- *Training (local and abroad)*
- *Technical assistance*
- *Develop manuals for grant programs (CENTROMYPE-FOEX)*
- *Develop studies in order to increase the capacity of the organization*
- *Develop joint export promotion activities*
- *Develop joint export related activities*

- 4) Are the SMEs satisfied with the services that USAID/EXPRO provides? Are there areas for improvement?

The great majority of MSMEs interviewed were quite satisfied about the USAID/EXPRO program. Some areas were mentioned that needed some attention in order to improve the development of the program, i.e. slow processing, cumbersome procedures, include acquisition of technology in FOEX fund, and improve the mechanism of reimbursement after trade shows.

- 5) Would they be willing to pay for these services in the future?

As a matter of fact, MSMEs are currently paying a portion of the services (80/20% program/client in CENTROMYPE and 50/50% in FOEX). We recommend that in the USAID/EXPROTECH program subsidies begin at this level but should be eliminated over the life of the project.

- 6) Has USAID/EXPRO developed an effective system for monitoring and evaluating the impact of its assistance? What indicators does USAID/EXPRO use to measure project impact?

The system that USAID/EXPRO currently use for monitoring and evaluating the impact of the program on individual MSMEs consists of information derived from a baseline questionnaire at the beginning of the services and a quarterly follow up comparing the actual results to the baseline. The indicators that USAID/EXPRO uses are number of firms assisted and the value of exports. Employment generated by the exports and gender were added recently to the set of indicators, but this information is not yet available.

- 7) Is the staff of USAID/EXPRO well-trained in risk analysis, financial management, etc.? Is the staff size of USAID/EXPRO adequate to perform its tasks?

We consider that personnel directly involved in financial areas are well trained in matters such as financial management, financial risk, and the like. Operational managers are not trained in such matters.

We learned that USAID/EXPRO was understaffed at the beginning of the program. Actions were taken in order to solve this situation that included not only increasing the staff in the program but to bring an additional expatriate, Lisa Alley. Additionally, some staff members have been hired as short term consultants due to the lack of positions in the long term employee roster.

- 8) Is USAID/EXPRO developing linkages with other USAID- or donor-funded activities? If yes, how are these linkages being developed?

Yes, USAID/EXPRO is developing some actions mainly with ATA (Aid to Artisans), sharing information regarding the firms working with both programs, and developing joint actions in order to promote exports of some firms of mutual interest. USAID/EXPRO collaborated during 2004 with GTZ

taking 20 Central American firms to the EU trade fair BIOFAC. Eight Salvadoran firms attended the fair. USAID/EXPRO also worked with IICA an export platform with Food Marketing Institute and currently is involving IICA in a committee that work with the IFA at the University of Florida with the intention of forming a joint research program in El Salvador.. USAID/EXPRO also developed two seminars in conjunction with BCIE (Central American Bank for Economic Integration). USAID/EXPRO has provided follow-up to the IDB- INCAE initiative in which ten software companies have applied to a certification process that will facilitate their exports to more developed markets, such as the US and Europe.

- 9) Does USAID/EXPRO have an understanding of the issues of women in development? How does USAID/EXPRO integrate gender considerations into its business plan?

We consider USAID/EXPRO has an understanding of the issues in development but gender has not been a fundamental part of the project. It is consider that firms supported represent women in the MSME sector. From the 313 firms attended by USAID/EXPRO 47% of the employees are women. Gender has not been part of USAID/EXPRO's main considerations preparing the business plan.

- 10) If it is possible to analyze, please assess the following impacts: Have the services provided by USAID/EXPRO assisted with the expansion/growth of the individual institutions it has supported?

Institutions like EXPORTA, FOEX and PROESA have been able to develop important activities thanks to USAID/EXPRO's intervention. A process of strengthening has been developed besides the joint activities. FOEX has increased its administrative capabilities and it could handle a bigger USAID fund covering at great extent all requirements for management of such funds. FUNDAPYME an institution collaborating with USAID/EXPRO training entrepreneurs has been able to add the exporting line of services thanks to the relationship with USAID/EXPRO. FUSADES is working a development of international commercial alliances for 15 SMEs currently being assisted by PROPEMI. ASI is developing a study of linkages between large Salvadoran exporters and potential SME suppliers. COEXPORT is working joint implementation of a program of buyer – and distributor- missions to El Salvador, commenced with the Central American Trade Fair in October 2004. Camara de Comercio is developing a round of AFIS training for 30 companies, culminating in participation in trade fairs or commercial missions utilizing the USAID USAID/EXPRO fast track facility.

- 11) How many jobs have been created from the services provided?

There is no data available for jobs created or gender. USAID/EXPRO plans to have a reading for the next quarterly report.

- 12) How has productivity increased from the services provided? What other benefits have there been?

There is no data available to answering the question regarding productivity increased from services provided. It is important to mention that part of the benefits that USAID/EXPRO provides is the work introducing an “export mentality” in the country and the private commercial infrastructure developed in El Salvador and abroad.

- 13) Has USAID/EXPRO developed or introduced additional services apart from those envisioned in the contract? What are these services?

Additional benefits that MSMEs enjoy are the creation of the trading companies supported by USAID/EXPRO, the advisors network created abroad, and the design center that will help MSMEs in all designing matter. All these elements are part of the commercial infrastructure created in the private sector that will provide sustainability to USAID/EXPRO’s actions.

- 14) Are the needs of the MSM entrepreneurs being addressed?

Most of the companies interviewed agreed that in order to export the financing issue has to be addressed in a proper way. Additionally, for a micro enterprise is hard to export individually, micro enterprises should be encouraged to develop this activity under an associative group scheme.

- 15) *Are the export promotion funds an effective means to support the objectives for which it was created?

The promotion funds have been effective supporting the objectives for its creation. \$11.8MM in new exports from 152 MSMEs up to December 31st, 2004 is attributable to actions supported by the promotion funds.

- 16) What effect have these funds had on the ability of MSM to increase exports?

The funds provided support attendance to trade shows and reverse missions. About \$9.2MM area attributable to the attendance at trade fairs through December 2004. The MSMEs involved in the program are exporters or enterprises that are almost ready to export. The program helped them out in a very successful way to overcome obstacles.

- 17) How can the use of these funds be improved?

The funds can be improved by streamlined procedures, institutionalizing a “fast track approach” and including acquisition of technology in FOEX fund.

- 18) *Is the USAID/EXPRO model appropriate for strengthening MSM enterprises?

The USAID/EXPRO strategy of assisting exporters or enterprises that are almost ready to export to overcome obstacles has been a highly successful means for increasing exports. Such enterprises have been strengthened to the point that generates additional exports or new exports. On the other hand, no work has been done to improve the exportable offer and strengthen companies

that are not at the end of the product chain. The new USAID/EXPROTECH program should expand its efforts to remove constraints affecting production and marketing along the value chains for priority products. For greatest impact it should work in collaboration with universities, international programs, NGOs and business associations to support the entire value chain

- 19) Are there more appropriate models for expanding exports? Are these more cost-effective models?

Under current circumstances USAID/EXPRO model is appropriate for the tasks at hand. The model shows a fully integrated USAID/EXPRO, with foreign market knowledge, allies' network inside and outside the country, and a permanent commercial infrastructure in the process of development.

The market driven approach used by USAID/EXPRO allows the program to try different paths in order to generate exports. Among the activities developed we find that trade fair shows an interesting return on every dollar invested. Reverse trade missions are also a cost effective means to generate exports.

- 20) Can the impact of the assistance be measured?

The impact of the model can be measured with the current set of indicators, number of enterprises involved in the program, exports generated, employment and gender. Some additional impact measures could be to assess the impact of the creation of an export mentality through training and sensitizing events, and number of trained companies that actually begin to export in the country.

- 21) Is the model resolving the critical assumptions taken for the design of the project, in order to increased access to export markets?

If we take the following assumptions as the critical ones for the design of the project,

- *The results of a survey clearly conclude that the private sector has a different perception than the GOES regarding firm's needs and the obstacles they face when accessing international markets. The private sector considers important the current GOES efforts to establish free trade agreements to facilitate access to international markets. However, entrepreneurs consider it to be more important to receive technical assistance to improve their processes and attain competitiveness in order to export successfully to international markets.*
- *The Ministry of Economy's institutional export and trade policy capacity need to be strengthened*
- *There's a need to improve access to trade and export information*
- *Competitiveness of Salvadoran businesses needs to be increased*
- *Business contracts and sales need to be expanded*
- *The Salvadoran export services sector need to be strengthened*

USAID/EXPRO is taking steps to answer the critical assumptions set for the design of the program. For the short period of lifespan that USAID/EXPRO has, not all the assumptions will be addressed in a proper way. USAID/EXPROTECH will have to continue and expand the work initiated by USAID/EXPRO.

22) What recommendations can be made to USAID/EXPRO on how best to improve the impact, sustainability, and cost-effectiveness of USAID/EXPRO for the duration of the CREAM activity?

Some recommendations can be made to USAID/EXPRO in order to improve impact, sustainability and cost-effectiveness of the program,

- *Work in coordination with other international organizations in common areas of interest*
- *Consolidate the external marketing network*
- *Continue with trade reverse missions*
- *More selective exposure to foreign markets to some MSMEs. Use the practice of representing several firms with one USAID/EXPRO/EXPORTA officer.*
- *Conduct joint programs for export development with EXPORTA, PROESA, CONAMYPE, and other government institutions*
- *Support the development of associative groups for MSE exports*
- *USAID/EXPRO should expand the use of “fast track approach” (expedited review and approvals)*
- *Expand the use of FOEX fund (TA; equipment)*
- *Evaluate to provide mentoring - labor intensive and long term relationship with firms involved in the program.*
- *Consolidate all export promotion funds with FOEX; streamline approval procedures*
- *Provide TA to CENTROMYPE in order to ensure that the present portfolio of clients is attended in an expeditious manner.*
- *Work with USAID creative approaches to financing constraint*
- *The development of a Management Information System (MIS) would help the program to support the decision making process and provide a friendly base of information. It also would be advisable to have as part of the MIS a Customer Relationship Management System (CRM) in order to have in place a systematic follow up to clients through the different stages of the exporting experience.*

23) What recommendations can be made to USAID on how best to design future activities in the SME export sector?

- *USAID should set the impact indicators to be measured and an impact evaluation at midterm and at the end of the program.*
- *To be more effective it is recommended that support to develop micro and small enterprises as exporters be re-focused to assist these enterprises to export through associative groups*

- *The design of the program should include the main institutions that are to be involved but the contractor should have the opportunity to assess strength and weaknesses of these institutions in order to direct the efforts and output expectations according the reality of the organizations (i.e. CENTROMYPE as a strategic partner).*
- *It seems important that USAID export development programs should be able to work independently but collaborate fully with government's efforts to develop exports and prepare MSMEs as exporters.*
- *USAID should help in the development of creative access to finance for SME, i.e. venture capital financing, working capital lines, TA and training SMEs in business plan and project preparation.*
- *Future programs should expand their efforts to remove constraints affecting production and marketing along the value chains for priority products.*

24) What is the approach that USAID/El Salvador should take for any future export promotion activity? Are there other areas that need support in order to increase access to export services and markets?

- *We advice USAID to set a program for export promotion activities that works independently to the government but collaborating closely.*
- *Indirect exporting should be considered in the program. Many MSMEs will have much more opportunities to be suppliers for larger exporters than to export for themselves.*
- *Identify, prioritize and promote products with greatest potential for export value and job creation*
- *Collaborate with industry associations and supporting NGOs to realize full export potential of targeted products*
- *USAID should help to develop creative access to finance for SME, i.e. venture capital financing, working capital lines, TA and training SMEs in business plan and project preparation.*

25) How effective has been the collaboration with CENTROMYPE through regular assistance and fast track?

Poor results to date- For the year 2004

| | |
|------------------|---|
| <i>157</i> | <i>Total companies</i> |
| <i>27</i> | <i>Eliminated/quit</i> |
| <i>50</i> | <i>Trade shows- fast track</i> |
| <u><i>32</i></u> | <i>Trade shows- normal mechanism</i> |
| <i>48</i> | <i>Companies entering TA program - normal mechanism</i> |
| <i>10</i> | <i>Graduated from Phase I to Phase II</i> |
| <i>38</i> | <i>Pending completion of Phase I</i> |

From the \$319,908.00 disbursed to CENTROMYPE up to December 31, 2004 only around \$18,100.00 corresponds to the phase's normal mechanism. The remaining amount corresponds to fast tracks and initiatives led by USAID/EXPRO. Fast tracks for trade shows amounts \$118,353.00

- 26) What should be done to improve the GOES' institutional capacity and sustainability to continue this type of assistance to SME's?

First of all the government should fully commit to support the export promotion activities through EXPORTA and other agencies working in the product chain. Provide EXPORTA strengthening as necessary to perform function of coordinating export promotion. It is recommended that USAID/EXPRO develops/maintain strategic partnerships with other government organizations in areas of business strengthening, the development of associative groups, support overseas, and for export related investments, (i.e. MINEC, CONAMYPE, PROESA, and MRREE). Strengthen by joint activities and aid ordering the export support system.

- 27) How effective the collaboration with FOEX been to streamline procedures?

The procedures have been slow, bureaucratic and burdensome. Late 2004 the process was simplified a bit but keeps the main problems identified. USAID/EXPRO in agreement with FOEX will provide an expert that will help out FOEX to streamline procedures complying with government and USAID control systems.

- 28) How effective are the business associations as partners?

Business associations and NGOs have been good partners for the program. Most of USAID/EXPRO's training activity and additional collaborations with this kind of institutions have been very effective, i.e. collaboration with FUSADES, CCIES, ASI, COEXPORT, FUNDAPYME, FEPADE.

9 ANNEX III - PROJECT INDICATORS AND PERFORMANCE THROUGH DECEMBER 31, 2004

TOTAL REPORTED CONTRACT DELIVERABLES AS OF DECEMBER 31, 2004.

| Result # | Deliverable Description | Contract Requirement (No.) | PTD-Actual Exported (Earthquake) | PTD-Actual Exported (Non-Earthquake) | TOTAL PTD-Actual Delivered | Actual % of Contract |
|----------|---|----------------------------|----------------------------------|--------------------------------------|----------------------------|----------------------|
| 1 | Identification and development of export-oriented projects in 5 different economic sectors. At least 50% in earthquake areas | 20 | 0 | 0 | 0 | 0 |
| 1 | Public/Private sector professionals trained in export promotion and trade policy | 50 | n/a | n/a | 97 | 194% |
| 2 | Product/market analyses conducted in target markets | 50 | n/a | n/a | 18 | 36% |
| 2 | Best Practice Guide in export promotion programs | 1 | n/a | n/a | 1 | 100% |
| 2 | Intranet/Portal for communicating and disseminating trade information | 1 | n/a | n/a | 0 | 0% |
| 3 | EXPRO Project website | 1 | n/a | n/a | 1 | 100% |
| 3 | Increased competitiveness of Salvadoran firms working in international trade areas | 150 | 116 | 108 | 224 | 149% |
| 3 | Increased competitiveness of Salvadoran firms working in international trade areas (Other EXPRO Funds) | 100 | 47 | 63 | 110 | 110% |
| 3 | Salvadoran firms trained and committed to participating in developing their export capabilities and future access to international markets | 850 | 395 | 369 | 764 | 90% |
| 3 | Strengthened associations to assist with the development of MSMEs | 5 | n/a | n/a | 9 | 180% |
| 4 | MSMEs exporting Salvadoran product lines (CENTROMYPE) | 100 | 28 | 30 | 58 | 58% |
| 4 | MSMEs exporting various products to international markets (FOEX) | 50 | 28 | 21 | 49 | 98% |
| 4 | MSMEs exporting a variety of products to international markets (Other EXPRO Funds) | 100 | 23 | 22 | 45 | 45% |
| 5 | Competitiveness of Business Development Services Firms and/or individual consultants increased with improved capacity to provide effective export services to MSMEs | 50 | n/a | n/a | 120 | 240% |

TOTAL REPORTED CONTRACT DELIVERABLES -
EXPORT \$ AS OF DECEMBER 31, 2004

| Result # | Deliverable Discription | Contract Requirement - Export \$ | Previous Quarter TOTAL PTD Actuals Reported | Quarter TOTAL-Actual Exports | TOTAL PTD Actual Exports | Actual % of Contract |
|----------|--|----------------------------------|---|------------------------------|--------------------------|----------------------|
| 4 | MSMEs exporting Salvadoran product lines (CENTROMYPE) | \$2,000,000 | \$2,324,330 | \$2,001,782 | \$4,326,112 | 216% |
| 4 | MSMEs exporting various products to international markets (FOEX) | \$3,000,000 | \$3,364,476 | \$1,672,880 | \$5,037,356 | 168% |
| 4 | MSMEs exporting a variety of products to international markets (Other EXPRO Funds) | \$1,000,000 | \$2,040,222 | \$417,784 | \$2,458,006 | 246% |

Please Note: When a company has worked with more than one institution (FOEX, EXPRO and Centromype) or has partaken in activities that do not apply to the funds as well as worked with the funds - exports are apportioned accordingly between the different institutions or activities. This procedure is also Additionally Initiatives executed directly by EXPRO related to the funds have been divided equally between FOEX and Centromype.

9 ANNEX IV - LIST OF INDIVIDUALS AND ORGANIZATIONS CONTACTED BY USAID/EXPRO EVALUATION TEAM

| NAME AND ORGANIZATION | CONTACT INFORMATION |
|--|---|
| USAID El Salvador Ronald Greenberg Carlos Arce | Boulevard Santa Elena, Urbanizacion. Santa Elena, La Libertad. Phone: 503 234-1354 |
| USAID/EXPRO Phil Rourk Lisa K. Alley Federico Aguilar Gerardo Tablas Mario Cáceres Vicente Rivas Luis Alfaro | 89 Av. Norte # 135. Col. Escalón. S. S. Phone: 503 211-5911 Fax: 503 211-5912 |
| Ministry of Economy Blanca Imelda de Magaña Rafael Ruiz | Alameda Juan Pablo II. Calle Guadalupe, Edif.. C-1, 3ª Planta, Centro de Gobierno. S.S. Phone: 503 281-0538 Fax: 281-1156 |
| FOEX Vladimir Velásquez | Alameda Juan Pablo II. Calle Guadalupe, Edif.. C-1, 2ª Planta, Ministerio de Economía. Centro de Gobierno. S.S. Phone: 503 231-5871 Fax: 503 231-5870 |
| EXPORTA Mauricio Infante Luz MENA Duke | Edificio D'CORRA 2º Nivel, Blvd.. Orden de Malta, Urb. Santa Elena, La Libertad Phone: 503 278-2204 Fax: 503 278-2216 |
| PROESA Isabel Muyschondt | Calle Circunvalación #248, Col. San Benito, San Salvador Phone: 503 210-2500 Fax: 503 210-2530 |
| CENTROMYPE Ricardo Quiñonez Lucy Murillo | Alameda Dr. Manuel Enrique Araujo, Ed. Century Plaza, Nivel 1, S.S. Phone: 503 275-8030 Fax: 503 275-8031 |
| CONAMYPE Haydée de Trigueros | 41 Av. Nte '#115 Edif. Roosevelt Cuscatlan, 3º nivel S.S. Phone: 503 260-9261 Fax: 503 260-6690 |
| Multi-Sectorial Investment Bank (BMI) Roger Alfaro | Alameda Dr. Manuel Enrique Araujo, Ed. Century Plaza, S.S. Phone: 503 267-0010 Fax: 503 267-0011 |

| | |
|---|---|
| National University of El Salvador Ricardo Siliezar – María Isabel Yanez Daysi de Molina Mélida de Barrera | Auto Norte y Final 25 Av. Nte. Ciudad Universitaria. S.S. Phone: 503 235-0235 Fax: 503 225-2506 |
| Salvadoran Industrial Association (ASI) Napoleón Guerrero Jorge Arriaza | Calle roma y Liverpool, Col. Roma S.S. Phone: 503 279-2488 Fax: 503 298-4042 |
| Chamber of Commerce and Industry of El Salvador (CCIES) Mario Magaña | 9ª Av. Nte. y 5a C. Pte. No 333. S.S. Phone: 503 244-2000 Fax: 503 271-4461 |
| Corporation of Exporters from El Salvador (COEXPORT) Silvia Cuellar Ana de Pocasangre | Condominios del Mediterraneo, Local no 23-A. Col. Jardines de Guadalupe. S.S. Phone: 503 243-3110 Fax: 503 243-3159 |
| Salvadoran Foundation for Economic and Social Development (FUSADES) Emma Arauz | Ed. FUSADES, Boulevard y Urbanizacion Santa Elena, Antiguo Cuscatlan, La Libertad, Phone: 503 278-3366 Fax: 503 278-3354 |
| CAMAGRO Ever Hernandez | Calle El Lirio #19. Col. Maquilishuat, S.S. Phone: 503 |
| FUNDAPYME Oscar Quintanilla Janet Hernandez | 1ª C. Pte y 71 Av. Nte No 204. Col. Escalon, S.S. Phone: 503 298-5353 Fax: 503 298-5392 |
| INSAFORP Mario Andino Victor Dimas Andino | Parque Industrial Santa Elena, Final Calle Siemens, Ed. INSAFORP, Antiguo Cuscatlán, La Libertad Phone: 503 244-1608 Fax: 503 244-1609 |
| Aid to Artisans Christian Nadeau – | 85 Av. Sur # 318.Col. Escalon. S.S. Phone: 503 264-0162 Fax: 503 263-4973 |
| FINTRAC – IDEA project Denis Lesnick - Director | C. Arturo Ambrogi #114, Col. Escalon Phone: 503 257-9568 Fax: 503 257-9572 |
| Swisscontact Raquelina de Huevo | Alamaeda Roosevelt y 55 Av. Nte. Ed. IPSFA, 4º Piso, S.A. Phone: 503 26-6606 Fax: 260-6607 |
| IDB – FOMIN Guillermo Villacorta | Calle El Mirador y 89 Av. Nte. Col. Escalon, Ed. World Trade Center S.S. |

| | |
|---|--|
| | Phone: 503 233-8900 Fax: 503 233 8921 |
| IICA Keith Andrews Nadia Chalabi | Av. Manuel Gallardo y Final 1a Av. Nte. Sta. Tecla, La Libertad. Phone 503 241-1512 Fax 503 288-2064 |
| Consultant Mauricio Castro | Ed. Publimerca, Calle Mirador, Col. Escalon. S.S. Phone: 503 211-4834 |
| IT cluster Erick Marroquín | 9ª. C. Pte. #28-E. Col. Los Cipreses, Sta. tecla, La Libertad. Phone: 503 229-1186 |
| Specialty Coffee Cluster Fito Ruffatti Diego Llach | 99 Av. Nte. #643 Col. Escalon. S.A. Phone: 503 263-4284 Fax: 263 4283 |
| Design Cluster Ricardo Paggi | Col. Las Palmas, C. principal #9, Ilopango. Phone: 503 887-8067 |
| Electrical/civil engineers Roxana de Mena | 87 Av. Nte y 9a C. Pte. #604. Col. Escalon, S.A. Phone: 503 257-9858 Fax: 503 264-3703 |
| Furniture and Household goods Anabella de Martin | 1a. C. Pte #3760. Col. Escalon Phone: 503 223-4638 Fax: 245-4505 |
| Shoe Industry (Santa Ana) Mauricio Lara | Lotificacion El Rosario, C. al Beneficio a la China #6. Por carretera a Metapan. Santa Ana Phone: 503 447-2773 |
| Organic, Natural products Matilde C. de Palomo | Calle San Antonio Abad 49. Col. Montefresco.S.A. Phone: 274-2781 |
| Muebles Molina Jorge Molina | 4ª. Calle Oriente # 7-4, Santa Tecla Phone: 503 228-4011 Fax: 503 228-1674 |
| Super Marinos Celina de Bolaños | Paseo General Escalon #3930. Phone: 503 238-4243 |
| Casa Artesanal Moje (Ilobasco) Cesar García | Av. Carlos Bonilla #53. Barrio El Calvario. Ilobasco, Cabañas. Phone: 503 384-1258 |
| Sweet's El Palacio de los Postres María Teresa de Borgo | 1ª Calle Pte. 3640. Col. Escalon, S.S. Phone: 503 298-9600 |
| COEXA Mauricio Diaz | 1ª. C. Pte #18. Col. Escalon, S.S. Phone: 503 257-2957 |
| La Samaritana Rodolfo Vides | Col. La Fortuna, Calle ExSol, Pje. #1, Local #1, Mejicanos, S.S. Phone: 503 282-6603 503 282-0290 |
| CRIO Inversiones Oscar Escobar | Final 12 C. Pte y 21 Av. Sur #1146, San Salvador Phone: 503 271-0812 Fax: 503 271-1935 |
| HEALTHCO Products Elisa de Valiente | Ed. Eben-Ezer, Blvd.. Sur, Urbanización Santa Elena, Antiguo Cuscatlan, La Libertad |

| | |
|--|---|
| | Phone: 503 248-7412 Fax: 503 248-7414 |
| ECO Carbon Chaparral Alberto José Valdivieso | Calle Talnique #13N Jardines de La Libertad, Santa Tecla, La Libertad Phone: 503 278-3426 |
| Panadería Monico Emely de Mendoza | 4ª. Av. Nte. #3-7ª, Santa Tecla, La Libertad. Phone: 503 228-0592 Fax: 503 288-2647 |
| INFOS Group Julio Fong | C. Circunvalación y Pje 1, Ed. No. 191, 2º Nivel, Local 3. Col. Escalon, S.S. Phone: 503 211-5146 Fax:503 263-6912 |
| Red Artesanal Carmen de Rusconi | 3ª C. Pte. 3531, Col. Lomas Verdes, S.S. Phone: 503 264-0763 |
| Droguería Hermel Walter Melara | Calle Sierra Madre No. 20, Residencial Montebello, S.S. Phone: 503 274 9644 Fax: 503 274- 9942 |

9 APPENDIX V - TERMS OF REFERENCE FOR CONSULTANT

Terms of Reference

Export Promotion for Economic Reactivation of Salvadoran Micro, Small and Medium Enterprises (USAID/EXPRO)

Contract: PCE-I-00-98-00016-00-833

USAID-USAID/EXPRO Evaluation

Consultant Name:

Title and Daily Rate:

Activity Dates: January 3, 2005 – February 1, 2005

LOE: 21

PURPOSE

The purpose of this evaluation is to assist USAID/El Salvador to evaluate the strengths and weakness of the USAID/EXPRO activity and the model for assistance and how it is contributing to the achievement of increasing exports sales and employment, and to recommend priority actions for an amendment of the program.

TASKS

A Senior Enterprise Development and Export Promotion Evaluation Specialist (SRES) will review the implementation and management results achieved by USAID/EXPRO, under the CREAR activity to:

- Summarize the program impact on increased sales and job creation
- Identify lessons learned and what has successfully promoted the expansion of export sales
- Examine the USAID model for increasing exports. Specifically, the SRES will evaluate the models for USAID's future work and assess the strengths and weaknesses of the current models:
 - Collaboration with FOEX through streamlined procedures

- Collaboration with CENTROMYPE through regular assistance and fast track
 - Collaboration with MINEC, Foreign Relations, PROESA and EXPORTA
 - Business associations as counterparts
 - Clusters and other collaborative business models, e.g. specialized, producer-owned export trading companies.
- Identify procedural and administrative barriers to smooth implementation as stated in the USAID/EXPRO contract
 - Identify areas that USAID might consider strengthening in the extension of USAID/EXPRO or in the follow up USAID/EXPROTECH in order to achieve growth in export sales and employment and improve the GOES' institutional capacity and sustainability to continue this type of assistance to SMEs.
 - Provide recommendations to USAID on how best to improve impact, sustainability, and cost-effectiveness of USAID/EXPRO with the aim at improving the design of future activities in the sector.

LEVEL OF EFFORT

A SRES is required to conduct this evaluation over a period of three to four weeks, beginning the first week of January 2005.

The SRES should have a Master's Degree in Business, Economics or related field. At least ten (10) years of experience in managing and/or evaluating SME and export promotion projects in developing countries, preferably El Salvador or any other Latin American country. Preference will be given to Salvadoran/Latin experience. Must have excellent writing skills and demonstrated Spanish language capability. Relevant senior level experience may be substituted for an advanced degree. Prior experience for USAID project evaluation is highly recommended.

He/she shall be responsible for producing the final evaluation report. (LOE: 21 working days).

The SRES will spend two weeks in El Salvador to complete the necessary analysis and write the draft reports. Two days prior to leaving the United States, and two days after departure of the country to revise final report according to the following table, are also approved:

To ensure objectivity, it is preferred that the consultants have not had prior involvement in design or development of the USAID/EXPRO activity. A six-day workweek is authorized while in El Salvador.

METHODOLOGY

In consultation with USAID/El Salvador, the team will perform the following tasks:

1. Develop a questionnaire to be addressed during the evaluation that should be completed by the close of the second working day in country.

2. Conduct interviews with the appropriate staff from USAID/El Salvador, USAID/EXPRO, USAID/EXPRO-supported FOEX, CENTROMYPE, MINEC, BMI, chambers of commerce, business associations and other private sector entities.
3. Review all relevant information that has been prepared and assembled, and compile any additional materials that may be necessary to support drafting of the evaluation report.
4. Conduct weekly briefings to USAID/El Salvador in order to keep the Mission up to date as to the progress of the evaluation.
5. Present a draft outline to USAID/El Salvador by the 8th calendar day in country and draft sections by the 12th calendar day. The final draft report will include an Executive Summary. Conduct a debriefing for USAID/El Salvador before departing El Salvador.
6. Prepare a written final report, incorporating comments from the debriefing as well as written comments from USAID/El Salvador, and submit to USAID/El Salvador no later than one week after receiving comments from USAID/El Salvador. The final evaluation report shall include an executive summary, table of contents, body, appendices, and shall not exceed 25 pages, excluding the appendices.

DELIVERABLES

Four copies in English plus and an Executive Summary in both Spanish and English and electronic copy on diskette of a written evaluation report that a) provides in-depth answers to the questions listed in this SOW and other questions developed by the evaluation team; b) reviews the results achieved by USAID/EXPRO under the CREAM activity; c) analyzes those counterpart institutions that USAID/EXPRO is supporting to determine effectiveness and impact of USAID/EXPRO assistance; d) provides recommendations on how best to improve impact, sustainability, and cost-effectiveness of USAID/EXPRO; and e) provides recommendations to USAID on how best to design future activities in the export sector.

SUPERVISION AND TECHNICAL GUIDANCE

The evaluation team will be supervised by Ronald Greenberg, Director, USAID/El Salvador's Office of Economic Growth and Education.

Submit one hard copy and one electronic copy on diskette to CDIE:

U.S. Agency for International Development
PPC/CDIE/DI, Attention: Acquisitions
1300 Pennsylvania Avenue, N.W.
Ronald Reagan Building M.01-010
Washington, D.C. 20523

And one hard copy to EGAT/EM

John B. Crihfield
Office of Emerging Markets
Bureau for Economic Growth, Agriculture, and Trade

U.S. Agency for International Development
1300 Pennsylvania Avenue, N.W.
Washington, D.C. 20523

Additional local staff may be hired to perform the survey.

TIMING

This evaluation is to be conducted over a period of three to four weeks, beginning the first week of January 2005.

The SRES may use the following questions during the course of the evaluation. The evaluation team shall develop additional questions, if necessary. In addition, the SRES will consult with USAID to comprise a list of individuals and organizations to be contacted, prior to conducting interviews and field visits. Critical questions are marked with an asterisk (*).

Task 1. Impact of Assistance. Contractor performance.

15%

- A. Is USAID/EXPRO effectively undertaking activities as specified in the statement of work described in the contract?
- B. What kinds of services does USAID/EXPRO provide its SME clients and intermediaries such as CENTROMYPE, EXPORTA, PROESA and private sector collaborators? Are the SMEs satisfied with the services that USAID/EXPRO provides? Would they be willing to pay for these services in the future? Are there areas for improvement?
- C. Has USAID/EXPRO developed an effective system for monitoring and evaluating the impact of its assistance? What indicators does USAID/EXPRO use to measure project impact?
- D. Is the staff of USAID/EXPRO well-trained in risk analysis, financial management, etc.? Is the staff size of USAID/EXPRO adequate to perform its tasks?
- E. Is USAID/EXPRO developing linkages with other USAID- or donor-funded activities? If yes, how are these linkages being developed?
- F. Does USAID/EXPRO have an understanding of the issues of women in development? How does USAID/EXPRO integrate gender considerations into its business plan?

Task 2. Impact Assistance. Sustainability, Local Capacity Building and Replicability

30%

- A. If it is possible to analyze, please assess the following impacts: Have the services provided by USAID/EXPRO assisted with the expansion/growth of the individual institutions it has supported? How many jobs have been created from the services provided? How has productivity increased from the services provided? What other benefits have there been?
- B. Has USAID/EXPRO developed or introduced additional services apart from those envisioned in the contract? What are these services? Are the needs of the MSM entrepreneurs being addressed?

- C. *Are the export promotion funds an effective means to support the objectives for which it was created? What effect have these funds had on the ability of MSM to increase exports? How can the use of these funds be improved?
- D. *Is the USAID/EXPRO model appropriate for strengthening MSM enterprises? Are there more appropriate models for expanding exports? Are these more cost-effective models? Can the impact of the assistance be measured? Is the model resolving the critical assumptions taken for the design of the project, in order to increased access to export markets?

Task 3. Recommendations

25%

- A. What recommendations can be made to USAID/EXPRO on how best to
- B. Improve the impact, sustainability, and cost-effectiveness of USAID/EXPRO for the duration of the CREAR activity?
- C. What recommendations can be made to USAID on how best to design future activities in the SME export sector? What is the approach that USAID/El Salvador should take for any future export promotion activity? Are there other areas that need support in order to increase access to export services and markets?