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USAID'S EXPORT PROMOTION PROGRAM QUARTERLY REPORT: JULY 2006 TO SEPTEMBER 2006

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Executive Summary

The Program is reporting the contract deliverables as of September 30, 2006 in six result areas. During this quarter, the Program has supported various initiatives through activities in all three main operational areas by enhancing competitiveness, developing new products and markets and strengthening institutional capacity of governmental and private organizations. The six results, as stipulated in the contract, often overlap in the three operational areas. Therefore, for simplicity, this report will focus on the achievements and results based on the six contract result deliverables.

The Program is able to report \$862,877 in increased domestic sales and exports by SMEs beneficiaries as a result of direct technical assistance and the training component combined. This amount represents assistance to 155 SMEs, of which 56 have received technical assistance, and 122 have received assistance through the training component.¹ In the first quarter of Phase 2 of the Program, the total amount of increased domestic sales and exports were reported at \$41,013 representing 46 SMEs. This quarter, the domestic sales and exports increased by \$821,864 representing 109 SMEs. This signifies a 90% increase in sales/exports from Quarter 1 to Quarter 2 and an increase of 41% SMEs assisted from Quarter 1 to Quarter 2. In addition, 55% of the SMEs assisted to date are new beneficiaries of Phase 2 of the Program indicating that new companies are being reached by the Program even as follow up and assistance to Phase 1 beneficiaries is continuing.

The training component of the Program initiated their workshops during this quarter and has had consistent and full attendance. 244 individuals, representing 122 SMEs, have been trained thus far generating \$215,365 in increased domestic sales and exports by the trained SMEs. Therefore, the remaining \$606,499, of the total \$821,864 exported, is attributed to various technical assistances either fully financed or co-financed by the Program. For more information, please refer to Result #3. In addition, 112 direct new jobs have been created as of September 30, 2006. For more information please refer to Result #2.

This quarter various initiatives were conducted to increase competitiveness and development of new markets for the food sector and medical services sector. In the food sector, one of the most important achievements were direct visits to mayor ethnic and gourmet food companies in the U.S., including Whole Foods Inc., to promote the Mayan Cuisine initiative. In the medical services sector, a significant achievement was the visit of two medical tourism companies to El Salvador. Institutional strengthening was continued through various jointly attended fairs and commercial missions with EXPORTA, the El Salvador Export Promotion Agency. Most significantly, this continued collaboration resulted in the official presentation in August of the El Salvador National Export Strategy and the Web Portal for this agency that will further facilitate, both locally and internationally, export information and promotion for El Salvador.

¹ Various SMEs have received both technical and training assistance.

Funding for the above initiatives continued through the same Fast Track and Standard Mechanism as in Phase 1. The total amount awarded is \$221,243 with \$142,986 currently disbursed. For more information please refer to Result #1.

The prevalent finding of this quarter is the presence of women in assisted SMEs, outnumbering males by approximately 60%. It appears that the female gender is taking advantage of the Program's help, with 104 SMEs of 155 (or 67%) being owned by women, 72 of 112 (or 64%) new jobs going to women, and 133 of 244 (or 54%) people trained are women.

This quarter, the Program changed offices to better accommodate the growing number of staff members. In addition, the Program has been working on updating its website and publishing and distributing a Program Newsletter. The website and newsletters are in the process of being changed in order to comply with USAID branding requirements. They will be operational in the next quarter.

The Program expected results and current status can be summarized as follows:

Table 1
USAID's Export Promotion Program Project Summary
April 1 to September 30, 2006

	TOTAL SMEs ASSISTED*	TOTAL SMEs EXPORTING	TOTAL SALES/EXPORTS	TOTAL JOBS CREATED	NUMBER OF BENEFICIARIES TRAINED
Contract Goals - End of Program	500	350	\$35,000,000	7,100	1,500
Year 1 Targets	165	115	\$7,000,000	1,065	500
As of September 30	155	18	\$862,877	237	244

*This includes technical and training assistance

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

NOTE: A canvass was conducted of all the SMEs assisted by the Program at the end of October 2006 to obtain the information and data for this report. Phase 1 consisted of 400 technically assisted SMEs, of which all were contacted, and for the training component, only a sample, 196 SMEs, were contacted. 65% of the total 596 SMEs contacted responded to the canvass. For Phase 2, all 155 SMEs were contacted and 98% responded.

Project Overview

USAID's Export Promotion Program (hereafter referred to as The Program) aims at continuing the work of the previous USAID/EXPRO project by further developing and increasing El Salvador's export capabilities of the small and medium enterprises (SMEs). For practical purposes we will hereafter refer to the USAID/EXPRO program as the first phase (July 2003 – March 2006) and to the current USAID's Export Promotion Program (April 2006 – June 2009) implementation period as the second phase of the project. In the first phase of the Program, approximately \$40 million were exported by Salvadoran Micro, Small and Medium Enterprises (MSMEs) and 1,500 beneficiaries received training and other services. In the second phase of the Program, the objectives are categorized into the following results:

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

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

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

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

Competitiveness Enhancement

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

New Product and Market Development

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

Institutional Development/Strengthening

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

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

Activities and Results

RESULT #1: INCREASED DOMESTIC AND EXPORT SALES OF \$35 MILLION GENERATED BY AT LEAST 350 SMES OF THE TOTAL 500 SMES ASSISTED IN THE PROGRAM

The total amount of increased domestic and export sales to date are \$862,877, with \$809,766 as a result of exports and \$53,111 as a result of domestic sales. It is interesting to note that of the total amount exported, \$675,973 was exported by 15 SMEs who are beneficiaries of Phase 1 of the Program. Similarly, of the 86 new SMEs assisted by the Program, three companies have exported a total amount of \$186,904.

In addition, 84 of the SMEs assisted in Phase 2 have never exported but are being prepared to begin exporting in the upcoming months. Also, 104 SMEs are owned by women and are predominately found in the food sector. Please refer to Annex 2 for more information on SMEs exporting by market sector.

Activities Executed

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

Fairs and Commercial Missions attended by Program Executives

- ***Commercial Mission to Chiapas, Mexico*** – Program executive Vicente Rivas accompanied five companies (four co-financed by the Program) in conjunction with EXPORTA on a Commercial Mission to Chiapas, Mexico from the 24th to 30th of July. Each company had about 10 meetings in two cities, Tapachula and Tuxtla Gutiérrez, both located in southern Mexico. As a result of these meetings, it is expected that the four companies co-financed by the Program will increase their exports by approximately \$100,000.
- ***Commercial Mission to Los Angeles, CA, USA*** – Program Director Phil Rourk headed a commercial mission to Los Angeles where he was accompanied by Program Executive Camila Flores, Dr. Carlos Mejia Peña and Dra. Normina Cardenas, both members of Exportsalud, the Salvadoran Export Chamber of Medical Services. They attended the Hispanic Health Fair in Los Angeles on July 30th. The Program team also held various meetings to promote the Paax Muul guitars project and venture capitalist and investment consolidation initiatives. They had meetings with representatives of Planet Hospital (a medical tourism company) and with Michael Besacon, President of the Pacific Region of Whole Foods Inc. to promote the exposure and purchase of Salvadoran food products.
- ***Collaborative Mission to Honduras*** – Program Director Phil Rourk and Program Deputy Director executive Mario Caceres traveled to Zamorano University in Honduras to discuss development of agro-business export initiatives. Mayor accomplishments during this visit were:

1. Signing of a new collaborative agreement with Escuela Zamorano whereby they will give the Program's clients laboratory nutritional analysis of their products at significantly reduced costs.
 2. A meeting was held with the President of the University and the Dean of External Affairs where both parties agreed to the continuing collaboration for the Program's training component.
 3. A meeting was held and attended by the representatives of LAFISE, Latin American Financial Services, and APEN, Association of Producers and Exporters of Nicaragua, to discuss collaboration aimed at identifying and developing regional export initiatives involving the countries of Honduras, Nicaragua and El Salvador.
- **Summer Fancy Food Fair** – Program Deputy Director Gerardo Tablas and Program executive Claudia Sampera accompanied three companies, who placed stands in the fair, and four other companies that benefited from a guided visit. A total of about 125 business contacts were made. The company FERELIS, a meringue producer, closed a sales of \$25,000 and LOROCOSAL, a loroco, a native flower used for cooking, producer closed a sale of \$5,000. Claudia Sampera also made direct contact with 20 distributors that are very interested in the Mayan Cuisine products presented at the fair, thus expanding the distributor data base to 70 contacts.
 - **Latin American Food Show** – Program executive Claudia Sampera attended this event representing six companies and 20 products from the Program along with EXPORTA and the Ministry of Agriculture (MAG). About 25 contacts were made and interest was shown for horchata, alfajores and coffee products. The most significant contact made was with the president of Blue Mountain Coffee of Jamaica who is very interested in Salvadoran Bourbon Coffee. Total number of companies and products represented by the Program, EXPORTA and MAG were 16 and 45 respectively.



Salvadoran Stand at LAFS 2006

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

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

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

- Coordination from Program executives has been instrumental in the sale and shipment of a container of food products to Bestway supermarkets in Washington D.C. The shipment contained the products of 4 companies for a total of \$33,000.
- The Program established contact and organized meetings with Bon Appetit and Gourmet magazine in the United States. The objective during these meetings was to give exposure to the "Mayan Cuisine" concept and sell the idea of publishing an article in either of the magazines. A staff member of the

Program wrote an article about the subject and was presented at these meetings. Follow up is ongoing.

- The Program successfully proposed maquila manufacturing model to two large food manufacturers – Goddard Catering Group and Global Food Services - and SMEs with food product lines with potential for export. The concept was of interest to both and the parties discussed the possibility of a manufacturing agreement under that model.
- The Program established contact with Ethnic Grocery Food LLC, a medium sized distributor of ethnic food in the US East Coast. The Vice President for Wholesale Purchasing has been invited to visit El Salvador in an inbound buyer mission to evaluate local producers as suppliers. He will visit the country in the next quarter.
- The Program provided consultancy services to 20 companies regarding food labeling to enter the US market.
- A feasibility study for the establishment of fruit juice pulp and concentrate plant in El Salvador is undergoing and is expected to be completed by February 2007.
- A catalog was developed and produced by Program staff members to further facilitate the promotion of Salvadoran products. This catalog has been taken along as promotional material on several commercial missions.
- Meetings with exporters, UPS and a Salvadoran company who has warehouses in the United States were held this quarter for the purpose of providing exporters with the necessary logistics to distribute their respective products within the U.S. This will allow exporters to sell via e-commerce and increase their exports by allowing distributors to purchase small quantities and not entire containers. In addition, Salvadoran exporters will be able to increase their profit margin by selling directly to their customers. The first shipment of goods is expected to be made in December 2006.



Design Program

The Program's design component has been working to further promote design and innovation in Salvadoran SMEs during this quarter. Following up the May trip to the SURTEX Show and Design Continuum in Boston, three important contacts were made and actually hired to participate in the Design Innovation Summit held in July 2006. (For more information about the Design Innovation Summit 2006 please refer to Result #5):

- Britt Bivens from 4.5 Productions, a trend forecasting company, participated with a speech titled "Introduction to Trend Forecasting" and held day long workshop titled "Design Fashion Trend Forecast" with companies and designers. The attendees participated and presented their products and Ms. Bivens gave all of them her input and tips on how to make their products and designs adapt the international market.

- Dan Buchner from Design Continuum in Boston and Bruce Fifield from Design Continuum in Milan also participated in the Design Innovation Summit 2006. Their speeches were titled “Design in the Economy”; “Product Development”; “Design Insight Drive Business Success”; and “Design in and for the European Market”. Mr. Buchner and Mr. Fifield held a day long seminar with SMEs and designers titled “Product Development Workshop”. In this seminar, the attendees participated with general questions regarding design, how to contact and sustain relationships with customers, how to educate companies in using design. They also explained in detail the product development methodology used at Design Continuum Inc. and how it can be applied to their specific needs.

During the Design Innovation Summit, Ms. Britt Bivens had the opportunity to meet Mr. Alvaro Guatemala and Mr. Hugo Zambrana, both graphic designers. She was so impressed that she, alongside her partner in New York, in August decided to hire both designers to develop the website for the company 4.5 Productions. They are in the early stages of design, but a contract has been elaborated and should be signed soon.

In September, eight design specialists were approved by USAID as design consultants to be hired by various SMEs. Their specialties vary from graphic designers, web and mobile contents, to architects specialized in furniture designs. Currently, the Program has eight companies interested in using the design consultants to start developing collections of products for the international market. Two of these companies, Wombee and Torogoz, have already begun using the design consultant services; the rest will begin their respective projects in the next quarter. These companies are:

- *Aprainores* - Develop machinery to improve production process
- *Eco Eco* - Design an “Eco Eco” black clay potter, to be exclusive for the company.
- *Promasal* - Develop line of furniture
- *Exporsal* - Develop a display-box for Exporsal products.
- *Wombee* - Design of mobile contents. This is probably one of the most important accomplishments as the product that will be designed is not tangible. These designs will be sold over the internet to foreign countries.
- *Torogoz* - Develop a line of metallic tiles.
- *Latin Essentials* - Develop fabric designs and manufacture men’s swim-wear and under-wear.
- *Arxé* - Develop an exclusive “Arxé” line of black clay pottery and an exclusive line of cards with illustrations made out of natural dried and pressed flowers.

In addition, by initiative of the Program and in collaboration with Basic Glazes of Central America, S.A., a new finish was developed for use in terracotta. The finish is named “terra sigilatta” and is used by ceramists in the United States and Europe. It is a slip that is applied to the body of the terracotta before firing, resulting in a look that resembles earthenware and in some cases, porcelain. The material is expected to be exported to U.S. potters in March 2007 as raw material and a total export of \$250,000 in finished products is expected for 2007.

Trading Companies

One of the Program’s activities to enhance competitiveness and expand into new markets is the development of trading companies. These trading companies allow for the consolidation and facilitation exports of any number of Salvadoran products in order to successfully introduce them into international markets. The Program has established seven companies to date and is expected to establish other trading

companies throughout the length of the Program. The following is an update on the status of the trading companies:

- **Paax Muul** - This guitar manufacturing trading company and brand was able to consistently sell their most expensive guitar model at a whole sale price of \$800. These guitars, along with other models, have and are appearing on websites such as Ebay and are being sold for about \$1,500. In addition, Hollowood Music Store, from Pennsylvania USA, has become a top buyer, placing orders at a rate of about 5 guitars per month, bringing to total sale in this quarter to 25 and total revenue approximately \$15,000.
- **Natural Union Brands** - This organic product trading company has been working on its annual export plan. This plan includes the management and allocation of funds granted by several institutions, namely FUSADES-PROPEMI. The plan also includes development of new products, standardization of product presentation as well as the development of promotional material. This last activity will take the rest of the year and the trading company will reinitiate their export activities in January 2007.



- **DECOEXPORTA** – This furniture and decorative articles trading company is also working on its export plan; a process which has taken longer than anticipated because the company is redefining its business plan. This process includes changing the legal status of the company in order to facilitate its operations. This is expected to be completed in October 2006, however, because November and December are peak months for local sales, export activities are expected to decrease and will reinitiate in January 2007.
- **CI-SOFT** – This software trading company has had a very productive quarter with projects in Honduras and future possible projects in the Caribbean, Central American and Mexican Regions. These projects represent a sale of between \$10,000 and \$15,000 monthly from September 2006 to October 2007. In addition, this company won first place in the Collaborative Projects category at the II Central American Enterprise Associate Forum and Knowledge Fair in Tegucigalpa, Honduras. Future projects include a commercial mission to Nicaragua in October in order to export software to universities as well as a commercial mission to Honduras in November.
- **MAKI** – The formation of this footwear trading company was begun in 2004 and was completely legalized in May 2005. It is currently composed of six SMEs, although down from the original eight founding companies. Due to unfavorable market conditions of the footwear sector in El Salvador, one of their current strategies is the development of a sales force in Guatemala and subsequently establish the company in that country. They have decided to wait until January 2007 to continue with their export activities.
- **Latin Food Distributors** – This processed foods trading company has completely formalized and finalized its legal status. It is currently made up of 11 members and has hired a commercial director, an administrative assistant and established operations in the Loma Linda Commercial Center. Currently they are defining administrative and sale procedures for a commercial mission to the New York and Washington DC regions scheduled for October.

- **Art and Culture Trading Company** – The formalization of this art and cultural products and services trading company will begin in October 2006. The objective of this trading company is to export Salvadoran art and cultural product and services. The process of formalization will begin with a summoning of recognized and outstanding companies and peoples, in different cultural and artistic fields, to determine those who are interested in this project. Individual diagnosis of each potential member will be conducted as well as an “Encounter Workshop” where members of the trading company will be presented each other product or service and will define objectives and strategies.

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

The USAID’s Export Promotion Program is able to report the provision of technical assistance-training-guidance support through Fast Track and FOEX Funds to 175 Salvadoran beneficiaries from April 1, 2006 to September 30, 2006.

Table 2
Export Initiatives Breakdown
April 1, 2006 to September 30, 2006

INITIATIVE	TOTAL AWARDED	TOTAL DISBURSED	TOTAL AMOUNT OF INITIATIVES
Technical Assistance	\$ 153,324	\$ 75,067	47
Training Assistance	\$ 67,919	\$ 67,919	369
TOTAL	\$ 221,243	\$ 142,986	416

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

Table 3
Export Initiatives Financing Mechanism
April 1, 2006 to September 30, 2006

MECHANISM	TOTAL AWARDED	TOTAL DISBURSED	TOTAL AMOUNT OF INITIATIVES
Fast Track	\$ 102,935	\$ 75,067	44
Standard (FOEX)	\$ 50,389	\$ -	3
TOTAL	\$ 153,324	\$ 75,067	47

In Table 2, the total amount of beneficiaries in the training assistance initiative is composed of businessmen, government officials and private sector professionals. The beneficiaries of technical assistance are SMEs. This also applies for Table 3, which is a breakdown of the co-financing mechanism applied.

In the case of training assistance, the co-financing agreement with INSAFORP will reimburse the Program with \$125 per participant. The amounts awarded and disbursed will then be dully adjusted.

INSAFORP is expected to reimburse the Program with approximately \$38,375 for the training initiatives as of September 30, 2006.

It is important to note that there are various technical assistances that are not co-financed through Fast Track or FOEX. Export initiatives such as consultant hiring, market studies, trading company legalization etc. which account for 23 additional assistances for a total of 70.

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

This quarter, a canvass was executed to obtain information on employment generation.² Due to the beginning of the Phase 2 of the Program, momentum was slightly lost in the first quarter of the second phase. However, this quarter alone, a total of 112 direct new jobs and consequently 237 cumulative new jobs have been created as a result of the Program’s assistance. The categories of these employments are as follows:

**Table 4
New Jobs Created by Categories
April 1, 2006 to September 30, 2006**

CATEGORY	DIRECT NEW JOBS	TOTAL DIRECT NEW JOBS	NEW JOBS	TOTAL NEW JOBS
Production	83	112	166	237
Adminstration	12		24	
Middle Management	8		24	
Higher Management	5		15	
Manual Labor	4		8	
Female	72	112	N/A	N/A
Male	40			

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

² A canvass was conducted of all the SMEs assisted by the Program at the end of October 2006 to obtain the information and data for this report. Phase 1 consisted of 400 technically assisted SMEs, of which all were contacted, and for the training component, only a sample, 196 SMEs, were contacted. 65% of the total 596 SMEs contacted responded to the canvass. For Phase 2, all 155 SMEs were contacted and 98% responded.

RESULT #3: A TOTAL OF 1,500 BUSINESSMEN, GOVERNMENT OF EL SALVADOR (GOES) OFFICIAL AND PRIVATE SECTOR PROFESSIONALS TRAINED IN BUSINESS AND EXPORT MANAGEMENT AREAS

The training program that will span through March 2009 was designed, coordinated, negotiated and programmed during last quarter. It includes 18 courses in 5 different areas. Four of these areas apply to all economic sectors in general. These include: Innovation workshops, focusing on the importance of innovation in a company; Design and Evaluation of Business Plans workshops, a 3 day comprehensive look and how to build a business plan; Packaging and Preservation workshops, aimed at identifying the best packaging for products therefore increasing its shelf life; and Development of New Products workshops, to be held in Zamorano University in Honduras. In addition the training program has a seminar dedicated to the food industry given that this sector includes the majority (65%-70%) of exporting SMEs working with the Program. This seminar is called Food Safety II. The Program expects to train during the first year 790 individuals who will come from the public and private sector. This quarter, from July - September 2006, there have been 369 instances of participation in courses in the following areas:

**Table 5
Training Component Workshops
July 1 to September 30, 2006**

WORKSHOP	DATES	NUMBER OF PARTICIPANTS
Innovation	July 14	95
Design and Evaluation of Export Business Plans	July 26 - 28, Aug. 30 - Sept. 1, Sept. 25 - 27	148
Packaging and Preservation	Aug. 16 - 18	36
Food Safety II	Aug. 16 - 18	33
New Product Development	Sept. 11 -15	28
Labeling Requirements	Sept. 5 -6	29
TOTAL		369



Training component workshops held in El Salvador and Zamorano University in Honduras

As of September 30, 2006, 380 total participants have completed training in the workshops, although a number of individuals have received training in various courses. Therefore, there are a total of 244

individuals who have received training representing 122 SMEs. The rest of attendants of the workshops are composed of GOES officials (11) and private sector professionals (58). A participant breakdown by gender is indicated below. As can be seen, there are more women receiving courses than men, which is in direct correlation to the data that there are more females owned SMEs than men being assisted by the Program.

Table 6
Breakdown of Training Participants
April 1 to September 30, 2006

CATEGORY	AMOUNT	GENDER	
		Female	Male
Businessmen	175	90	85
GOES Officials	11	7	4
Private Sector Professionals	58	36	22
TOTAL	244	133	111

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

RESULT #4: INSTITUTIONAL CAPACITY TRANSFERRED TO THE GOES EXPORT PROMOTION AGENCY (EXPORTA), THE MINISTRY OF ECONOMY, AND AT LEAST FIVE PRIVATE SECTOR ORGANIZATIONS TO PROVIDE SUSTAINABLE EXPORT DEVELOPMENT SERVICES TO SMES.

EXPORTA (GOES Export Promotion Agency)

As part of the joint implementation of trade shows and missions, the Program supported EXPORTA in the participation of several trade shows and commercial missions this quarter; most notably, a commercial mission to Chiapas, Mexico and the Summer Fancy Food Fair, both in July, and the Latin American Food Show (Cancun, Mexico) in September. For more information about the results of these fairs and commercial mission please refer to the activities section in Result #1.

In August, the El Salvador National Export Strategy was presented by the Vice-president of El Salvador, to the President of El Salvador. This event was highlighted by the recognition by GOES officials of the Program and USAID efforts and collaboration to further promote El Salvador exports, not only on a short term basis, but develop a comprehensive plan for the long term.

In September, the EXPORTA web portal was officially presented to the public and private sector of the country. This event marks the culmination of several months of cooperation between the Program and the GOES institution. This portal is expected to further facilitate and subsequently enhance the promotion of exports of El Salvador.

FOEX (Ministry of Economy's Export Development Fund)

During this quarter, the Program continued to develop the co-financing Policies and Procedures Manual which includes both Fast Track and Standard Mechanism (FOEX). In the future, co-financing through FOEX will be called "Small Grants". The final version of this manual will be presented to USAID for approval during November 2006. A preliminary version of this manual was submitted and temporarily approved by USAID in order to proceed with co-financing of export initiatives in the second phase of the Program.

PROESA (GOES Agency for Investment Promotion)

In August, the Program assisted PROESA in the organization of an investment promotion mission to South America. The Program did not provide PROESA with financial assistance; instead it facilitated access to potential investors.

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

RESULT #5: NO LESS THAN FIVE COLLABORATIVE PROJECTS IMPLEMENTED WITH LOCAL PRIVATE SECTOR ORGANIZATIONS FOR EXPORT DEVELOPMENT SERVICES IN SUPPORT OF AT LEAST 200 SMES

EXPORTSALUD (Salvadoran Export Chamber of Medical Services)

This quarter was very productive for the Exportsalud initiative. A new board of directors was elected which promises to be more proactive than the last. In addition, two medical tourism companies visited El Salvador, Planet Hospital and Med Retreat, both based in the U.S., in order to evaluate the medical services and tourist infrastructure offered by El Salvador. Both visitors were very impressed with the medical professionals and have started to promote El Salvador as a medical tourism destination for their respective companies.

EXSOURCE GROUP (Software Development Cluster)

In July, an event was held for the Software Development Cluster (Exsource Group), in order to promote and strengthen this program aimed becoming a “Software Factory”. In addition to media coverage, the event was attended by the Minister of Economy and other governmental officials as well as members of this sector. Under this associative scheme, cluster members would pool their production capability in order to become a more attractive option for potential customers abroad. Only preliminary talks have taken place between the two organizations and it is expected that a collaborative agreement will be signed during the last quarter of 2006.

ADIES (Design Association of El Salvador)

In this quarter, the Design Innovation Summit 2006 took place at the Hotel Radisson in San Salvador in July. The speakers sponsored by the Program (see Design Program in result #1) were very knowledgeable in their presentations and were very well received by the participants of the Summit. The total amount of attendees was approximately 200 people and 30 organizations set up booths in the designated exhibition area to promote their businesses.

Also in this quarter, preliminary talks were initiated with the Design Association of Italy (ADI), in order to bring a consultant from that organization to assist ADIES in developing and strengthening its membership base. ADI is a highly successful entity in Italy and ADIES would like to learn, as working model, from their experiences, successes and failures.

FUSADES (Salvadoran Foundation for Economic and Social Development)

A cooperation agreement was signed between the Program and FUSADES’s export promotion program PRIDEX to evaluate, train, and support 10 Salvadoran software producers for their participation in the SMAU Fair (43rd International Exhibition of Information & Communications Technology) in Milan, Italy. An Italian consultant was also hired to develop this program and as a result, two companies qualified to participate in this fair, which will take place in October 2006.

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

The cooperation agreement between the Program and the Cámara de Comercio for the organization of the 4th version of an export strengthening project, AFIS, was signed during this quarter. To date, the 10 SMEs selected for the program are being analyzed internally. This process is expected to be completed in the next quarter.

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

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

RESULT #6: NO LESS THEN THREE ALLIANCCEC IMPLEMENTED WITH LOCAL OR INTERNATIONAL PRIVATE SECTOR ORGANIZATIONS, FOUNDATIONS OR DONORS THROUGH COST-SHARING PROGRAMS OR LEVERAGE FUNDING TO IMPLEMENT EXPORT PROJECTS IN EL SALVADOR

The Pan-American University of Agriculture Zamorano

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

INSAFORP (Salvadoran Institute for Professional Development)

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

Fundación Maria Escalón de Núñez

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

ANNEX 1 – List of Second Quarter Program Activities

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

July	TA- Fast Track	Exsource Group - presentation and launching of cluster	X	X			X	
Aug	TA- Fast Track	Migrate Technological Platform to PUNTO NET - Boa Computers, S.A.	X	X				
Aug	TA- Fast Track	Confitexpo Fair - Casa Bazzini S.A. de C.V. and Distribuidora de Dulces, S.A. de	X	X				
Aug	TA- Fast Track	New York International Gift Fair - Due, S.A. de C.V.	X	X				
Aug	TA- Fast Track	Atlanta Women Children Apparel Accessories Market - Petunia, S.A. de	X	X				
Aug	TA- Fast Track	Commerical Mission to Mexico - Ferelis, S.A. de C.V.	X	X				
Aug	TA- Fast Track	Labortary Analysis and Nutricional Table Data - Palacio, S.A. de C.V.	X					
Aug	TA- Fast Track	Sample of Guitar sent to the U.S. - Doulgas Salguero & Carlos Martinez	X					
Sept	TA- Fast Track	Wall Mart Showcase - Ortiza, S.A. de C.V. and Palacio, S.A. de C.V.	X	X				
Sept	TA- Fast Track	Central American Festival & Parade - Variedades Gardu, S.A.	X	X				
Sept	TA- Fast Track	Business Fair of Andalucia - Eco- Eco Gem Corp, S.A. de C.V.	X	X				
Sept	TA- Fast Track	Commerical Mission to Atlanta, GA - G. Premper S.A. de C.V.	X	X				
Sept	TA- Fast Track	E&I Conference - G. Premper, S.A. de C.V.	X	X				
July	Training	Innovation Workshop	X	X	X			
July	Training	Design and Evaluation of Export Business Plans Workshop	X	X	X			
Aug	Training	Packing and Preservation Workshop	X	X	X			
Aug	Training	Food Safety II Workshop	X	X	X			
Sept	Training	Training for Software Companies - FUSADES/PRIDEX	X	X			X	
Sept	Training	Food Packaging and Design Seminar						
Sept	Training	V Seminar on US Food Labeling Requirements	X	X	X			
Sept	Training	New Product Development Workshop	X	X	X			
Sept	Training	Design and Evaluation of Export Business Plans Workshop	X	X	X			

* - Fairs and Commercial Missions that Program executives have attended

ANNEX 2 – Table of Results Generated in Phase 2

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

USAID's Export Promotion Program Results Results Generated Between April 1st to September 30th, 2006						
EXPORTS						
	April- June 2006		July - September 2006		Accumulative	
SMEs in Data Base	46		109		155	
Percentage Collected	74%		99%		98%	
Total Exports	\$41,013.06		\$768,752.51		\$809,765.57	
Total Domestic Sales	\$0.00		\$53,111.13		\$53,111.13	
TOTAL	\$41,013.06		\$821,863.64		\$862,876.70	
Technical Assistance Sales	\$37,369.06		\$606,498.63		\$643,867.69	
Traing Component Sales	\$3,644.00		\$215,365.02		\$219,009.02	
Exporting SMEs	3		18		18	
Percentage of Exporting SMEs	7%		17%		15%	
Average Exports per SME	\$13,671.02		\$45,659.09		\$47,937.59	
Beneficiaries deriving from Phase 2	21	46%	65	83%	86	55%
Beneficiares deriving from Phase 1	25	54%	44	56%	69	45%
	Exports	SME %	Exports	SME %	Exports	SME %
Phase 2 SMEs	\$0.00	0 / 0%	\$145,890.57	3 / 23%	\$186,903.63	3 / 22%
Phase 1 SMEs	\$41,013.06	3 / 100%	\$675,973.07	15 / 77%	\$675,973.07	15 / 78%
SMEs and Exports by Sector	# of SMEs	Exports	# of SMEs	Exports	# of SMEs	Exports
Manufacturing	11	\$0.00	20	\$391,196.21	31	\$391,196.21
Services	11	\$0.00	43	\$188,099.67	54	\$188,099.67
Pharmaceutical Products	1	\$0.00	5	\$182,955.00	6	\$182,955.00
Food Products	13	\$41,013.06	35	\$59,612.76	48	\$100,625.82
Agricultural Products	4	\$0.00	4	\$0.00	8	\$0.00
Specialty Coffees	4	\$0.00	2	\$0.00	6	\$0.00
Natural and Organic Products	2	\$0.00	0	\$0.00	2	\$0.00
TOTAL	10	\$0.00	6	\$0.00	16	\$0.00
ASSISTANCES						
	People	SMEs	People	SMEs	People	SMEs
Trainng Component	11	11	233	111	244	122
Businessmen	11	11	164			
GOES Officials	0	0	11			
Private Sector Profesionals	0	0	58			
	# of Assis.	SMEs	# of Assis.	SMEs	# of Assis.	SMEs
Technical Assistances	14	15	56	41	70	56

EMPLOYMENT GENERATED						
Direct New Jobs	Jobs	%	Jobs	%	Jobs	%
Employment Generated	0		112		112	
Permanent	0	0%	88	79%	88	79%
Temporary	0	0%	24	27%	24	27%
Women	0	0%	72	64%	72	64%
Men	0	0%	40	36%	40	36%
New Job Category	0					
Production	0	0%	83	74%	83	74%
Adminstration	0	0%	12	11%	12	11%
Middle Management	0	0%	8	7%	8	7%
Manual Labor	0	0%	4	4%	4	4%
Upper Management	0	0%	5	4%	5	4%
			5	4%	5	4%
SMEs by Market Sector						
Never Exported	20	43%	64	54%	84	54%
Central American	15	24%	19	22%	34	22%
Other	11	33%	26	24%	37	24%
TOTAL	46	100%	109	100%	155	100%
Female Owners						
	SMEs	%	SMEs	%	SMEs	%
Natural and Organic Products	2	100%	0	0%	2	100%
Pharmaceutical Products	1	100%	4	80%	5	83%
Agricultural Products	4	100%	2	50%	6	75%
Food Products	12	92%	22	63%	34	71%
Specialty Coffees	4	100%	0	0%	4	67%
Manufacturing	8	73%	12	60%	20	65%
Services	10	91%	23	53%	33	61%
TOTAL	41	89%	59	58%	104	67%