FY 2019 ANNUAL REPORT
USAID ECONOMIC COMPETITIVENESS PROJECT
October 2018 – September 2019

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### ACRONYMS AND ABBREVIATIONS

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<th>Description</th>
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<tr>
<td>ACDMYPE</td>
<td>Asociación Centros de Desarrollo de Micro y Pequeñas Empresas (Association of Micro and Small Business Development Centers)</td>
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<tr>
<td>AGEXPORT</td>
<td>Guatemalan Exports Association</td>
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<td>AMSS</td>
<td>Alcaldía Municipal de San Salvador (San Salvador Municipality)</td>
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<tr>
<td>BDS</td>
<td>Business Development Service</td>
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<tr>
<td>BDSP</td>
<td>Business Development Service Provider</td>
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<tr>
<td>BID</td>
<td>Business Improvement Districts</td>
</tr>
<tr>
<td>BPeace</td>
<td>Business Council for Peace</td>
</tr>
<tr>
<td>CAMARASAL</td>
<td>Cámara de Comercio e Industria de El Salvador (Chamber of Commerce and Industry of El Salvador)</td>
</tr>
<tr>
<td>CDMYPE</td>
<td>Centros de Desarrollo de Micro y Pequeñas Empresas (Micro and Small Business Development Centers)</td>
</tr>
<tr>
<td>CNR</td>
<td>National Registration Center</td>
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<tr>
<td>COEXPORT</td>
<td>Corporación de Exportadores de El Salvador (Corporation of Salvadoran Exporters)</td>
</tr>
<tr>
<td>CONAMYPE</td>
<td>Comisión Nacional de la Micro y Pequeña Empresa (National Commission for Micro and Small Enterprises)</td>
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<tr>
<td>COP</td>
<td>Chief of Party</td>
</tr>
<tr>
<td>COR</td>
<td>Contracting Officer’s Representative</td>
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<tr>
<td>DCOP</td>
<td>Deputy Chief of Party</td>
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<tr>
<td>DICA</td>
<td>Dirección de Innovación y Calidad (Directorate for Innovation and Quality)</td>
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<tr>
<td>DIGESTYC</td>
<td>General Directorate of Statistics and Census</td>
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<tr>
<td>DNI</td>
<td>Dirección Nacional de Impuestos (National Tax Directorate)</td>
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<tr>
<td>ECP</td>
<td>Economic Competitiveness Project</td>
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<td>EMPRE</td>
<td>Municipal Units for Enterprise Development</td>
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<tr>
<td>EoI</td>
<td>Expression of Interest</td>
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<tr>
<td>ESEN</td>
<td>Escuela Superior de Economía y Negocios (Superior School of Business and Economics)</td>
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<tr>
<td>FI</td>
<td>Financial Institution</td>
</tr>
<tr>
<td>FUNDEMAS</td>
<td>Fundación Empresarial para la Acción Social (Business Foundation for Social Action)</td>
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<tr>
<td>FY</td>
<td>Fiscal Year</td>
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<td>FYDUCA</td>
<td>Central American Single Invoice and Declaration</td>
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<td>GEC</td>
<td>Grants Evaluation Committee</td>
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<td>GESI</td>
<td>Gender Equity and Social Inclusion</td>
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<td>GOES</td>
<td>Government of El Salvador</td>
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<td>ICT</td>
<td>Information and Communication Technology</td>
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<td>ISA</td>
<td>Instrumentation, Systems, and Automation Society</td>
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<td>ISEADE</td>
<td>Instituto Superior de Economía y Administración de Empresas (Institute for Economics and Business Administration)</td>
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<td>ISSS</td>
<td>Salvadoran Institute of Social Security</td>
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<td>LOP</td>
<td>Life of project</td>
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<td>LPA</td>
<td>Administrative Procedures Law</td>
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<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<tr>
<td>MCI</td>
<td>Municipal Competitiveness Index</td>
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<tr>
<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>MEL</td>
<td>Monitoring, Evaluation, and Learning</td>
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<td>MINEC</td>
<td>Ministry of the Economy</td>
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<td>MOU</td>
<td>Memorandum of Understanding</td>
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<td>MSEs</td>
<td>Micro and Small Enterprises</td>
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<td>MSMEs</td>
<td>Micro, Small, and Medium Enterprises</td>
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<td>PEI</td>
<td>Institutional Strategic Plan</td>
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<td>PROESA</td>
<td>Organismo Promotor de Exportaciones e Inversiones de El Salvador (Salvadoran Export and Investment Promotion Agency)</td>
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<td>RFA</td>
<td>Request for Application</td>
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<td>RFP</td>
<td>Request for Proposal</td>
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<td>Sabios y Expertos</td>
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<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<td>TA</td>
<td>Technical Assistance</td>
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<td>UFG</td>
<td>Francisco Gavidia University</td>
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<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>UNDP</td>
<td>United Nations Development Program</td>
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<tr>
<td>UNICAES</td>
<td>Catholic University of El Salvador</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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<tr>
<td>USD</td>
<td>U.S. Dollars</td>
</tr>
<tr>
<td>USG</td>
<td>U.S. Government</td>
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<tr>
<td>VAT</td>
<td>Value Added Tax</td>
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<td>VC</td>
<td>Value Chain</td>
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<td>WP</td>
<td>Workplan</td>
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PROJECT OVERVIEW

Palladium manages the five-year, United States Agency for International Development (USAID) El Salvador Economic Competitiveness Project (hereinafter known as "the Project"), which is designed to increase the competitiveness of El Salvador’s key economic sectors by strengthening the capacity of micro, small, and medium enterprises (MSMEs) to compete in domestic and export markets, and to improve the national and subnational business environment to encourage private sector investment, innovation, and business expansion to foster economic growth and job creation. This Project is El Salvador’s largest (in terms of value) economic growth program and is designed to achieve a set of ambitious results, the scale of which has never been attempted before in El Salvador. The Project is designed to support the U.S. government’s foreign policy goals and USAID’s Country Development Cooperation Strategy (CDCS) related to migration, security, and economic growth in Central America with a strong focus on self-reliance through initiatives that aim to strengthen BDSPs and provide services to more than 10,000 MSMEs and 28 municipal governments. The Project’s expected results are to create 42,000 new jobs and to increase MSME sales (local and exports) by $315 million.

The rationale behind the different initiatives supported by the Project is that the improvement of the business climate in El Salvador will encourage private investments that will foster economic growth and job creation. For this, a key element of the Project is the collaboration with and support to business service development providers (BSDP) as major counterpart organizations.

In line with this rationale, the Project is structured around two main objectives, namely Objective 1: Equipping for Growth and Objective 2: Governing for Growth. Each objective is developed through 3 components as shown below. In addition to these two objectives, the project has a value chain cross-cutting strategy that offers a holistic approach to improve competitiveness and boost economic growth.

Since its start, the Project has been working with 28 prioritized municipalities with the target of benefiting 10,000 MSMEs by the end of the Project.
Key objectives:

1 Equipping for Growth is increasing the capacity of the private sector to compete in export value- and supply-chains

2 Governing for Growth is strengthening the national and subnational business enabling environment to make El Salvador more competitive

Components:

- Strengthening institutional capacity of business development service providers (BDSPs)
- Increasing innovation and use of improved technology
- Linking MSMEs to global market
- Easing access to finance for MSMEs
- Improving municipal services
- Improving laws, policies, and regulations

The Project has been developing initiatives throughout prioritized municipalities

Target: 10,000 MSMEs benefited over LOP

In 28 prioritized municipalities

Value chain cross-cutting strategy: By working with value chains, the Project offers a holistic approach to building improved competitiveness and boosting economic growth.

The Development Hypothesis:
As a result of the CLA focus groups and trainings in FY 2019, the Project’s revised hypothesis is: If firms commit to sustainable private sector capabilities, increase resource capacities, improve their business management skills through innovation and self-reliant broad-based know-how, the government improves the regulatory framework and streamlines doing business procedures, and the public and private sectors work together to achieve mutual economic growth objectives, El Salvador’s key economic sectors will be more competitive.
KEY PARTNER INSTITUTIONS
MITIGATING UNDOCUMENTED MIGRATION

Project efforts are aimed at boosting the country’s productivity and competitiveness by increasing sales and developing more jobs. By doing so, the Project’s initiatives are generating more opportunities in areas where undocumented migrants return to, thus easing the re-inclusion process and mitigating repeated incidents of migration. The Project focused its activities on the following 5 municipalities with high returned migrant rates, and has generated these results on FY 2019:

1. San Miguel
3,092* migrants returned
Jobs created: 294
Sales generated: $4.7 M

2. San Salvador
2,360* migrants returned
Jobs created: 1,133
Sales generated: $6 M

3. Santa Ana
2,167* migrants returned
Jobs created: 50
Sales generated: $1.2 M

4. Sonsonate
1,294* migrants returned
Jobs created: 46
Sales generated: $0.1 M

5. Soyapango
1,214* migrants returned
Jobs created: 260
Sales generated: $5.1 M

*Source: International Organization for Migration (IOM)
Period: 2017 – May 2019

The total jobs created in these 5 municipalities is 1,783 (36% of Project total in FY19) and the total generated sales is of $17.2 M (40% of the total sales generated this FY).

RETURNED MIGRANT PROFILE VRS. PROFILE OF JOBS CREATED UNDER ECP

The Project’s initiatives are aimed at generating more job opportunities for Salvadorans. In FY 2019, after conducting a poll with partners whose initiatives supported by the Project are creating the most jobs, the profile of the job positions filled is:
### Table 1: Profile of Jobs Created Under Major Initiatives.

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<th>CONAMYPE</th>
<th>INNOVEXPORT</th>
<th>BPeace Maximizer</th>
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<tr>
<td><strong>Gender</strong></td>
<td>52% women</td>
<td>66% men</td>
<td>50% men</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td>88% 18 – 40</td>
<td>56% 30 – 40</td>
<td>63% 18 – 29</td>
</tr>
<tr>
<td><strong>Schooling</strong></td>
<td>48% high school</td>
<td>44.5% high school</td>
<td>87% high school</td>
</tr>
<tr>
<td><strong>Possibility to</strong></td>
<td>40% none</td>
<td>67% none</td>
<td>37% low</td>
</tr>
<tr>
<td><strong>migrate after</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>having a job</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Skills</strong></td>
<td>36% industrial operators</td>
<td>56% technicians</td>
<td>62% industrial operators</td>
</tr>
<tr>
<td><strong>Salary (monthly)</strong></td>
<td>56% $30 – 600</td>
<td>44% $301 – 600</td>
<td>87% $301 – 600</td>
</tr>
</tbody>
</table>
ANNUAL PROGRESS AND ACHIEVEMENTS

The USAID El Salvador Economic Competitiveness Project (ECP) worked in FY 2019 to contribute to the Salvadoran economy’s path to self-reliance, helping deter migration by developing new and better economic opportunities and improving national and local governance. By working together with entities from the public and private sectors, the Project made great progress on boosting a business enabling environment and building capacities that contribute to the country’s economic competitiveness. Main achievements include:

- **Strengthening of value chains through grants.** The Project awarded grants to five value chains: artisanal fishing, specialty coffee and cocoa, a Walmart retailer, ethnic foods and tourism, and sustainable fashion. These projects have generated $4.5 million in sales and 863 new jobs this FY.

- **New BDS installed.** This FY, the Project transferred methodologies to CONAMYPE, making available new services in innovation management, automation, sanitary labels, and good manufacturing practices. Furthermore, the Project supported CONAMYPE in the development of its 2019 – 2024 Strategic Plan, which the new government is willing to implement and helps the institution to transition to a path to self-reliance.

- **MSMEs are innovating and accessing new markets.** Through trainings and new methodologies in innovation management (Accelerate 2030, INNOVARE, INGENIUS, and INNOVEXPORT), the Project supported MSMEs in the development of new products, making processes more efficient and reducing costs, and opening new markets.

- **Access to finance was increased.** Through financial facilitators, ECP has assisted 30 MSMEs in obtaining $3.2 million in loans destined for investment in working capital and hiring of new employees during this fiscal year. For some companies, it was the first time they obtained a loan from an FI.

- **Heightened capacities for business formalization.** Thirty-six technicians from different
public and private institutions received training to develop and strengthen capacities in helping entrepreneurs and MSMEs formalize. Additionally, the Project finalized and printed the Business Formalization Guide, a tool to help technicians understand and transfer knowledge regarding the formalization process.

- In FY 2019, the Project helped MSMEs generate $43.5 million in sales and 4,868 new jobs.

**KEY INDICATOR ACHIEVEMENTS TO DATE (LOP)**

**TOTAL MSMES ASSISTED**
- 3,500
- 3,300 supported in FY2019
- 70% women-led
- 7% small-sized enterprises
- 8% from San Salvador

**TOTAL SALES GENERATED**
- $46.2M
- $43.5 M generated in FY2019
- $29.5 M local sales in FY2019
- $14 M export sales in FY2019
- 56% generated by the agroindustry and food and beverages sector
- 17% generated after value chain initiatives

**TOTAL JOBS GENERATED**
- 4,964
- 4,868 generated in FY2019
- 37% women
- 43% hired by export companies
- 58% within the agroindustry and food and beverages sector
OBJECTIVE 1: EQUIPPING FOR GROWTH

Equipping for Growth will improve the capacity of BDSPs to support MSMEs through innovation and implementation of new technologies and will increase access to new local and international markets, thus generating more sales and jobs and mitigating undocumented migration.

COMPONENT 1: IMPROVED BUSINESS DEVELOPMENT SERVICES TO MSMES

The USAID Economic Competitiveness Project must assist MSMEs to generate tangible growth in sales and jobs, stimulate innovation, motivate reforms in economic policies, and generate significant results, despite the stagnation of the Salvadoran economy, high levels of insecurity, and high migration rates. To boost economic growth, it is necessary to boost the productive capacity of businesses, as well as strengthen the capacities of public and private business development service providers (BDSPs) that facilitate the improvement of the business climate.

The Project increases the quality and quantity of business development services (BDS) to MSMEs through institutional strengthening of public, private, and civil society actors, and identifies opportunities to address gaps in services, improve service quality, and encourage collaboration between providers and complementarity of services provided to MSMEs.

After a little over two years of Project execution with more than 20 partners, it has been possible to close some of the gaps identified in the assessment that the Project conducted in FY 2017:
1) A low effectiveness of the Export Development Service Offer: The Project created the Postgraduate in Foreign Trade with ISEADE-FEPAGE and COEXPORT as a path to continue working with all export-matter actors.

2) Lack of mentoring-certified methodologies: The Project launched a mentoring program with CAMARASAL, COEXPORT, IMPACT HUB, and HUB 170.

3) Limited diversification in the range of MSME products and services: the INGENIUS Program with CONAMYPE and INNOVARE implemented by FUNDEMAS targeted this issue.

Highlights of milestones achieved this FY include:

• Established new business development services within CONAMYPE and its CDMYPE network including: technical assistance in good manufacturing practices, development of nutritional tables and labels for specific products, and the INGENIUS Program, which allows MSEs to implement innovation plans. CDMYPE advisors also strengthened their capacities to better realize their role, supporting MSEs to generate $15.6 M in sales and 1,470 new jobs in FY 2019.

• Developed new capacities in partners in innovation and automation, improving their adoption of international best practices so they can strengthen BDSPs to use new tools and capacities.

• Decentralized business services by expanding CAMARASAL’s implementation of INNOVEXPORT program to San Miguel and Santa Ana and supporting the creation of two new CDMYPEs, one at Don Bosco University in Soyapango and another at Oscar Arnulfo Romero University in Chalatenango.

• Concluded the first edition of the post-graduate degree in Foreign Trade adopted by ISEADE-FEPAGE with knowledge transfer from AGEXPORT. The second edition will begin on Q1 FY 2020.

• Participated, along with key partners, in a visit to Chile organized by the USAID Regional Trilateral Project in the search of models for strengthening the innovation and entrepreneurship ecosystem. This learning trip led the path to strengthening BDSPs’ innovation management, as well as strategies for developing mentoring methodologies that are being implemented.

1.1.1. ASSESS BDSP SUPPLY AND DEMAND AND ESTABLISH A BDSP NETWORK

The Project continued strengthening alliances with key partners to deepen its relationship and to develop activities, including those related to export promotion, mentorship, innovation, strategic planning, management, and strengthening capacities and services to MSMEs. A relevant activity was the support to CONAMYPE in the design and elaboration of its 2020-2024 Strategic Plan, which allowed the Project to closely follow the new vision of the institution and weigh in on strategic issues. Regardless of the change in government, the new president of CONAMYPE resumed the plan that is adapting a new coherent organizational structure, an activity that the ECP will also be supporting in the new fiscal year. The Project also began the construction of CONAMYPE’s integrated monitoring system, an activity that is still ongoing.
As part of the sustainable approach the Project seeks, partners CONAMYPE, COEXPORT, IMPACT HUB, CAMARASAL, and HUB 170 are being strengthened to provide better services to MSMEs. Part of the strengthening process includes improving methodologies and systems for a correct measurement of impact, improving capacities to serve MSMEs, and knowledge on how to apply sustainability policies in companies. This approach is managed through the mentoring program that will also support 100 MSMEs to apply the methodology as part of a pilot program.

The analysis of the existing BDS ecosystem required working with partners that implement initiatives with a sectoral and territorial approach: CAMARASAL with its 5 subsidiaries and visibility in various sectors, SWISSCONTACT in the beekeeping sector, and CONAMYPE/CDMYPE with its 15 development centers for micro and small business, among others.

1.1.2. CONDUCT JOINT STRATEGY DEVELOPMENT PROCESS TO ESTABLISH STRATEGIC ALLIANCES WITH KEY BDS PS

The Project signed an MOU with the Institute for Economics and Business Administration (ISEADE-FEPADE) and COEXPORT to design and deliver a post-graduate degree program on Foreign Trade, with knowledge transfer from AGEXPORT, which aimed to support the internationalization processes of SMEs. This included methodological tools, manuals, and materials that could be used, modified, and updated by ISEADE for future postgraduate editions.

In Q1 FY 2019, the Postgraduate Degree in Foreign Trade was concluded with 12 companies participating. The program's success culminated with a technical visit to Guatemala. Post-graduate participants put into practice what they learned during the 6-month period of postgraduate degree and learned in greater depth about Central American exports. The 12 consultants from CAMARASAL, COEXPORT, FUSADES, and ISEADE also participated to learn the methodology of the program and be able to replicate it. As a result of the first postgraduate degree and after six months of completion, participating companies reported $79,413 in new sales and 3 new jobs generated.

The second edition ISEADE will hire four consultants who were trained and certified in the first edition and will now teach the six post-graduate modules (Self-Diagnosis of Export Potential, The International Market, Market Intelligence, Logistics and Customs Processes, Export Financing,
International Marketing) in the 8-month period of implementation. The second edition will begin during Q1 FY2020.

The Project sustainably leaves a new business service installed in the market and strengthens four BDSPs (CAMARASAL, COEXPORT, FUSADES, and ISEADE) with certified consultants who can scale the knowledge gained from BDSPs to other companies.

1.1.3. FORM STRATEGIC ALLIANCES WITH BDSPS TO BROADEN AND IMPROVE THE SUPPLY OF SERVICES WITH A SECTOR AND GEOGRAPHIC FOCUS

Strengthening the beekeeping sector. An MOU was signed with Swisscontact, private company Mieles Joya de Cerén, and cooperatives APIS Morazán and Chalchuapa Beekeepers LLC (ACOAPICHAPA) to strengthen the beekeeping sector. This initiative was determined to emphasize the diversification of products derived from hives and continue training in quality, traceability, and best practices to keep beekeepers updated and boost their exports of honey, which represent 90% of the total production of the country. Another relevant issue addressed with the sector is the formalization of companies that would allow them to better compete in the national and international markets.

On the path to diversifying the beekeeping sector, the ECP supported the development of the apitoxin (the venom produced by bees) market at a national level. The development of this product has the potential to be linked to the pharmaceutical sector and the alternative medicine sector, which represent an opportunity for the companies to grow. The Project provided assistance through international experts who transferred their knowledge in the benefits of the bee venom and other beehive products to 43 beekeepers, who are part of the associations ACOAPICHAPA and APIS Morazán.

To not just create enough supply but also demand, the Project approached therapists and specialists from the alternative medicine sector. By providing awareness over the benefits, techniques, and usage of bee venom in their practices, they generated $13,000 in sales in one month, revenue that was nonexistent prior to the technical assistance. This activity will increase the sector’s sales by 30% and generate an estimate of 60 jobs in two years.
Two other diversification fields were also opened: beehive derivatives and apitherapy. Apiarios Primavera, APIS Morazán, and their 46 suppliers received training in both fields from experts, giving them the tools to not just rely upon honey as the only commercial product for their subsistence.

Additionally, the Project, through an Ecuadorian expert, assisted 5 beekeeping companies from associations APIS Morazán and ACOAPICHAPA in the development of 5 new different products in a three-day workshop. Five additional companies also received assistance to design a market strategy that was implemented by the value chain. As a result, each participating company gained at least 3 new clients, increasing its sales and employment generation.

Moreover, anchor company Mieles Joya de Cerén and its more than 250 suppliers strategically initiated a process of differentiation and/or innovation in the search to enter a new market segment. The company, one of El Salvador’s top seven honey exporters, received technical assistance and training with the support from the Project through Swisscontact. Technical staff of the company participated in the workshops, as well as two technical staff members of the Ministry of Agriculture and Livestock (MAG). The workshops were dedicated to the certification of organic honey, which allowed the anchor company to compete in a new and specific international market and consequently increase its sales and commercial activities. Mieles Joya de Cerén received the certification that acknowledges its honey as organic. It is the first company in the country to receive this certification. The Project supported Mieles Joya de Cerén to participate in the SIAL Fair in Paris, France. At this trade show, the firm established new commercial contacts from the European market and opened new distribution channels for Salvadoran organic honey. The three first shipments of organic honey, 60 metric tons worth $183,600, were exported in July. With these shipments, Mieles Joya de Cerén was able to create one full time job and 12 indirect jobs.

The company also began the design of a strategy linking the beekeeping and the tourism sectors to make honey production a tourist attraction. The USAID Economic Competitiveness Project helped in conducting a study to identify actors, tourism routes, and best international practices. Mieles Joya de Cerén will begin financing this project and thus have a new tourism service within the national tourism strategy. This initiative will involve more than 250 beekeeper suppliers and projects to generate 8 jobs and at least $200,000 sales each year.

Another way in which the USAID ECP is helping to formalize the beekeeping sector is by providing technical assistance, where experts transfer knowledge in subjects including, among others, technical regulations, beehive management, post-harvest, and queen bee breeding to produce organic honey.
XVI BEEKEEPING CONGRESS. This year, the 16th beekeeping congress was held in El Salvador with Innovating Beekeeping in the Central American and Caribbean Region to Compete in Markets. Mieles Joya de Cerén took the initiative to organize this event of great relevance for the beekeeping sector, with support from ECP and other partners such as Swisscontact, OIRSA, FUSADES, Plan International, and the Ministry of Agriculture and Livestock (MAG). Two hundred and fifty beekeepers from Central America and the Caribbean participated in the program, which included lectures and spaces to do business with other representatives of the industry in the region.

Some of the main objectives of the event were: 1) to exchange information and experiences on apiculture chain market penetration in the region, 2) to discuss specific problems in the management and use of bee products and services and adaptation to climate change, and 3) to strengthen the regional integration of the beekeeping sector.

As a result, commercial linkages were made, opening new markets for exports, activities related to good manufacturing practices were standardized, and opportunities for the diversification of the beekeeping sector were shared.

Overall, the initiatives to strengthen the beekeeping sector resulted in 339 trained beekeepers, 14 MSMEs strengthened, 5 providers trained, 73 jobs generated, and $622,534 in sales generated this FY.

REVENUE AND EXPORT MAXIMIZER PROGRAM. The USAID Economic Competitiveness Project signed an MOU with the Business Council for Peace (BPeace) to implement this program with the purpose of increasing local sales and exports among companies, which would lead to creating more jobs. Thirteen companies with high growth potential from the goods and services sectors were chosen to participate. The program’s methodology included group workshops and tailored technical assistance. Also, an in-depth evaluation and diagnosis were carried out to identify competitive advantages and bottlenecks. The 13 Salvadoran companies that registered $137 million in sales in 2018 now have growth projections that are already bearing fruit after their implementation. This group of companies have generated $11.1 million in increased sales directly attributable to the program, a 8.1% growth in income in 2019.

The 13 participating companies represented 3,432 jobs in 2018 (as provided in the initial baseline filled by the companies). The Maximizer Program helped generate 531 new jobs, mostly for people under the age of 29, and 39% of the total jobs generated are women. These new jobs represent a 15.5% increase in job generation.
Mark Wilt, USAID El Salvador Economic Growth Director; Alexandra Salas, BPeace Director for Latin America; Karen Vander Linde and Patrick Gournay, Executive Advisors of Merryck & Co.; and a Bpeace Skillantropist, executive directors, and owners of the participating companies attended. A second edition will take place in FY 2020.

STRENGTHENING THE INNOVATION AND ENTREPRENEURSHIP ECOSYSTEM. The Economic Competitiveness Project encourages the creation of an innovation and entrepreneurship ecosystem as a tool to promote economic growth and competitiveness of the country’s public and private sectors. Together with the USAID Higher Education for Economic Growth Project, ECP and partners CONAMYPE, FUSADES, Impact Hub, and CAMARASAL visited successful case studies in Santiago, Chile, like Imagine Lab, InnoScience Group, Anacleto Angelini Innovation Center, and the Corporation for the Promotion of Production (CORFO). The Project analyzed mechanisms for the creation and management of investment in capital funds to stimulate dynamic ventures, strengthening BDSPs’ innovation management and strategies for developing mentoring methodologies that are being implemented.

This initiative resulted in a network of actors integrated with the experience of Ruta “N” (conducted in 2018 in Medellin, Colombia) and thus seek to jointly promote the innovation and entrepreneurship ecosystem.

1.1.4. SUPPORT INSTITUTIONAL STRENGTHENING OF ACDMYPE

The Economic Competitiveness Project signed an MOU with ACDMYPE in 2018 to support the sustainability of the association and to strengthen its capacities to deliver services to MSEs. For the second year in a row, the USAID Project supported ACDMYPE’s International Congress named “Driving Companies into the Future: Overcoming Fear of Growth”, in which all 150 business
advisers from the CDMYPE network in El Salvador received training from international experts to strengthen their role and network in providing services to micro and small companies. At this event, international experts talked about subjects such as: women’s leadership, accessing the international market, e-commerce, among others. During the launch event, the Vice President of El Salvador, Felix Ulloa, remarked on the importance of increasing SMEs’ capacities to boost the country’s economy.

The process of providing technical assistance in the development of a resource mobilization strategy to ACDMYPE began during Q3. However, this activity was postponed due to budget constraints as a result of the U.S. government postponement of funds to Northern Triangle countries.

1.1.5. SUPPORT CONAMYPE AND CDMYPE NETWORK TO EXPAND AND SPECIALIZE THEIR SERVICES AND IMPROVE THEIR M&E SYSTEMS

In FY 2019, the Economic Competitiveness Project, with the purpose of strengthening CONAMYPE, one of the Project’s strategic partners, provided TA to develop the 2019-2024 Institutional Strategic Plan (PEI), which defined strategic objectives that address challenges and the greatest possible impact on institutional performance on the short, medium, and long term. It is result-oriented with a gender and territorial perspective to meet the needs of the more than 5,000 Salvadoran MSEs being part of the CONAMYPE network. The PEI works towards building the institution’s path to self-reliance and includes the design, coordination and harmonization of the MSE environment improvement policies and laws, the strengthening of specialized services, organizational structure efficiency, and the use of new technologies. One of the challenges identified is to build capacities to deploy the Strategic Plan throughout the organization, action to be taken in FY 2020. The Project will also support activities aimed at: (i) reengineering the organizational structure, (ii) the formulation and execution of instruments for operative implementation of PEI (operational work plans, budgets, organization manual, job profiles), and (iii) analysis of actual capacities to implement it.

Another important area in which the Project provided and will continue providing support during Q1 FY 2020 is in the diagnosis and improvement of services provided by the regional centers, CEDART, and CDMYPEs.
The USAID Project also co-sponsored CONAMYPE’s VI Inter-American Dialogue of MSMEs High-level Authorities “Public Policies to Promote Competitiveness, Innovation and Internationalization of Micro, Small, and Medium-sized Enterprises (MSMEs)” this FY. As the main objective of the event, the authorities approved an inter-American plan to support MSMEs and face future challenges together. Additionally, CONAMYPE exchanged best practices in policies and the development of programs to improve the competitiveness, innovation, and globalization of MSMEs in El Salvador.

Furthermore, the Project provided assistance to CONAMYPE to strengthen capacities in its advisory role for the CDMYPE Network and CONAMYPE staff. One hundred and forty advisors received training in the application of techniques and tools to provide quality advice. The training consisted of a series of workshops and management circles which achieved good results defining improvement projects that would lead the advisors to provide quality services to MSEs.

In search of broadening the services provided to MSEs, the Project implemented the INGENIUS Program, a program aimed at strengthening capacities in innovation management. Twenty-four MSEs from the CDMYPE network participated and learned about innovation and organizational management, innovation and production processes, innovation and trade processes, and innovation and comprehensive solutions. The companies developed innovation plans to be implemented within their organizations. The program has generated 30 new jobs and $101,325 in new sales.

Additionally, the Project also provided support to companies from the CDMYPE network in:

- Developing nutritional tables and labels. Sixty-seven companies participated, making it possible for them to include their products in the formal market.
- Developing good manufacturing practices (GMP) to strengthen 27 companies’ capacities; they now fulfill the requirements of the Ministry of Health to operate.

To expand BDS and reach more MSEs, ECP also supported the development of two new CDMYPEs this FY, one at Don Bosco University in Soyapango, and another at Monseñor Oscar Arnulfo Romero University in Chalatenango. The Project is helping CONAMYPE train the staff at these new centers, who are expected to assist at least 300 new MSEs.

In total, the Project supported CONAMYPE and its CDMYPE network in generating $15.6 million in sales and 1,570 new jobs.

THE WOMEN ENTREPRENEURS PROGRAM. This activity was postponed due to budgetary constraints as a result of U.S. government Northern Triangle funding postponement.

1.1.6. TRAIN BDSPS ON ENVIRONMENTAL IMPACTS AND MITIGATION TO IMPROVE BUSINESS PRODUCTION AND EFFICIENCY

The Project has committed to train at least 10 BDSPs per year on potential environmental impacts of MSME activity and corresponding mitigating measures, as well as on strategies for adapting to climate change. Using the Sector Environmental Guidelines developed by the USAID Global Environmental Support Program as a guide, the team has started to define the roadmap to design this TA with partners.

The focus of the roadmap will be on practical approaches that ensure that companies receiving assistance from trained BDSPs are made aware of best practices for efficient use of natural resources and that they are not engaging in productive processes that could lead to damaging the environment.

During Q1 FY 2020, with the Environmental Investment Fund of El Salvador (FIAES), Cleaner Production (CP + L), and the National Council of Energy (CNE), ECP will sign an MOU to train and provide instruments to at least 10 BDSPs in the areas of environmental permit management and environmental regulations and governance so that they can transfer this knowledge to the companies they assist. This program is estimated to be implemented within a six-month time frame and will take place in the second quarter of FY 2020.
COMPONENT 2: IMPROVED MSME USE OF INNOVATION AND TECHNOLOGY

The USAID Economic Competitiveness Project supports development and implementation of innovation strategies in targeted sectors and creates funding opportunities for innovative entrepreneurs, with a focus on women and youth.

Achieved milestones within this component over the last year include the following:

- Developed two new business services in innovation: INNOVARE in FUNDEMAS and the Automation Program in CONAMYPE.
- Concluded the Accelerate 2030 program in alliance with Impact Hub with the participation of 100 MSEs.
- Generated $367,907 in sales through El Mercadito and strengthened the 200 MSMEs with TA in topics such as marketing, e-commerce, and financial management.
- CAMARASAL’s INNOVEXPORT generated $3.3 million in sales and 125 new jobs. Six consultants were also trained in the methodology, making it possible to replicate it and reach more MSMEs.

1.2.1 CONDUCT RESEARCH, DESIGN, AND PILOTS TO STRENGTHEN THE INNOVATION ECOSYSTEM

The USAID Economic Competitiveness Project together with CONAMYPE designed a campaign to widely promote the culture of innovation, quality, and technology as a key piece to stimulate investment and strategies within the CONAMYPE’s MSE network at the national level.

This initiative seeks to create conditions to stimulate conceptual and cultural adoption of the benefits of innovation, quality, and technology in business management. This campaign also implies taking advantage of CONAMYPE’s knowledge and experiences in the promotion of these subjects, offering opportunities for outreach through traditional and digital media.
Materials, resources, and training sessions were designed with the purpose of informing MSEs and CONAMYPE staff. The new CONAMYPE administration requested adjustments to align the campaign to new institutional strategy guidelines. The campaign will be completed in Q2 FY 2020.

1.2.2 PROMOTE BDS PROGRAMS THAT ACCELERATE INNOVATION IN MSMEs

To promote the acceleration of innovation strategies in Salvadoran MSMEs, the Economic Competitiveness Project supported the following activities in FY 2019:

**INNOVEXPORT.** The USAID Project, together with CAMARASAL, implemented the first edition of the INNOVEXPORT Program in San Miguel and Santa Ana. Previously, this service was only available in San Salvador; the Project is thus broadening its reach and decentralizing CAMARASAL’s services.

INNOVEXPORT works as an integral initiative to support companies to generate internal innovation strategies and diversification of products or services based on the potential demand and the degree of maturity of the company; these interventions improve commercial positioning conditions. The Program lasted 6 months and consisted of a series of workshops and on-site assessments directly with the innovation teams of the participating MSMEs. The assessment was provided by qualified advisors trained in the methodology, led by a team of experts. For participating companies, the Program had an important contribution to their competitiveness, introducing innovation management as a process of continuous improvement.

Thirteen MSMEs in Santa Ana and ten MSMEs in San Miguel participated in the first edition. At the end of the Program, they generated a total of $3.3 million in new sales and 125 jobs generated, a great boost to the local economy. Six consultants were trained in the methodology to replicate the program and thus reach more MSMEs.

**INNOVATION FOR SUSTAINABILITY PROGRAM.** The Economic Competitiveness Project, together with FUNDEMAS, implemented from Q2 to Q3 FY 2019 the Innovation for Sustainability Business Program INNOVAR, aimed at assisting 12 medium-sized companies from different areas of the country that generate $5 million a year. The Project technically and financially supported the transfer of this innovation methodology, consisting of the identification of an innovation challenge and the creation of an internal team within each participating company that, with the support of a consultant, prepared a proposal to address the identified challenge. The challenges were diverse and focused on the internal improvement of processes, products,
and services, in addition to pursuing sales growth or achieving internal efficiencies to save costs. Each innovation team presented their project to their board of directors in search of support for their implementation. The proposal for improvement under the INNOVARE methodology will result in early victories in productivity and growth in sales and jobs. To date it has generated $103,052 in new sales and 12 new jobs.

It is important to mention that this program strengthened the capacity of BDSP FUNDEMAS to provide specialized innovation services through 6 local consultants that will impact the business development services environment and innovation ecosystem.

ACCELERATE 2030. Through this business acceleration program, USAID supports Salvadoran SMEs to become more stable and self-sufficient companies by incorporating the Sustainable Development Goals (SDGs) in their companies. The Project, in close collaboration with Impact Hub and the co-sponsorship of UNDP, Davivienda Bank, Entrepreneur Bus, and Grupo Publimovil launched Accelerate 2030 in Q2 FY 2019.

The program applies a business acceleration process to a group of start-ups, designed to prepare companies to identify challenges and make a value proposition related to the SDGs, which allows selected SMEs to receive offers of potential investments and identify their potential to scale internationally. With this program, SME entrepreneurs have shifted their paradigms towards sustainable business practices. The program was divided into 3 phases:

- **Phase I:** Began in May. One-hundred SMEs were selected and trained through an international bootcamp program, receiving 16 hours of training in acceleration, business scaling, investment planning, incorporation of the SDGs in their companies, and the impact of collaboration within companies.

- **Phase II:** Forty companies, from the 100 selected, were chosen for the National Acceleration Program, implemented from June to August 2019. The companies received 84 hours of training in business acceleration in marketing, legal compliance, sustainability, investment, export sales, online payment, digital transformation, accounting, human resources, and corporate governance.

- **Phase III:** Began by selecting 12 companies to participate in Venture Day, where they presented a pitch to a panel of judges made up of representatives from all supporting institutions and an investment fund. Additionally, the companies received assistance in matters related to sustainability, innovation, and collaboration to develop individual growth plans.
EL MERCADITO TRADE SHOWS. The Project supported 200 MSMEs linked to the El Mercadito Foundation to generate $367,907 in new sales by participating in five trade shows in FY 2019. Also, with Project support, MSEs received training on the importance of leadership in generating direct sales. Through this initiative, the Project is promoting spaces for local entrepreneurs to increase their visibility and find a place in the local market.

SALVADORAN QUALITY AWARD is aimed at promoting the adoption of models of excellence in all productive sectors of the country to contribute to economic development and create adequate and sustainable conditions for national competitiveness and productivity. Together with the Secretariat of Governance of the Presidency of El Salvador, through the Technical Advisory Committee Quality Award (ESCalidad), the Project helped develop a self-diagnostic technological tool for the Salvadoran Quality Award and to measure best practices. This was implemented within the framework of the government’s commitment to contribute to promoting the country’s good governance structures. This assistance consisted of an analysis, design, and implementation of the IT tool, which was installed at the Ministry of Governance, as well as the development of manuals and training in its use. The tool will help facilitate the process of applying to the Salvadoran Quality Award.

The Project also provided a second assistance to ESCalidad this FY. It aimed at systematizing the office’s past awards. Inputs from different actors, including past winners of the award, were consulted. Opportunities for improving the awarding process as well as the Culture of Excellence Program were identified and included in the assistance’s final document.

Both initiatives are part of the Project’s objective to strengthen local BDS capacity. Even though ESCalidad and the Technical Secretariat of the Presidency were eliminated at the start of the new Salvadoran government, the Project is promoting the transfer of knowledge and capacities to the new offices that are being created.

1.2.3 PROMOTE INNOVATION THROUGH SECTOR STRATEGIES

The USAID Project, in alliance with CONAMYPE, designed a program to support MSEs in identifying automation gaps in their processes and management, and provide them with specialized technical assistance that reduces gaps and increases their productivity and market competitiveness while also reducing costs.

The Automation Program contributed to the growth of participating MSEs’ adoption of automated technologies and processes that promote their productivity levels and business
management. CONAMYPE technical staff also participated to learn about strategies of business automation in process management.

The Automation Program was carried out in the following phases:

- **Phase I:** A training course named “The ABCs of Automation” consisted of 8 group sessions on what automation is and its benefits with 121 MSEs and one session that also included automation diagnostic tools for 38 CONAMYPE technical staff from the regional centers, management, and CDMYPEs.

- **Phase II:** Four group technical assistance sessions for 43 MSEs, where they identified where automation can be implemented within their companies.

- **Phase III:** Diagnosis and technical assistance for 20 MSEs and 3 technical visits with a total of 50 hours of assessment per company. Companies developed roadmaps to implement improvements in process and management through automation. These roadmaps aim at reducing existing costs’ loss within their processes, making proposals with high impact in their investments.

The Project, through the financial facilitators program, will help provide access to financing for companies that have their automation plans ready to be implemented but lack funds.

Thanks to the automation program, companies will not only increase their sales by more than $70,000 a year, but they will have savings of more than $40,000 and generate an average of 100 jobs in the same period.

1.2.4. DEVELOP IT TOOLS FOR BDSPS, MSMES AND ENTREPRENEURS TO STRENGTHEN THEIR BUSINESS CAPABILITIES

This activity was postponed due to current budget limitations.

1.2.5 STRENGTHEN BDSPS AND ENTREPRENEURS THROUGH SUPPORTING LOCAL BUSINESS ACCELERATORS GRANTS

This activity was postponed due to current budget limitations.
COMPONENT 3: EXPANDED MARKET ACCESS FOR MSMES

The Project’s strategy to increase market access for MSMEs focuses on two key areas: (1) facilitating market linkages through a sectoral approach, increasing collaboration and competitiveness in high priority tradable sectors, and (2) support to BDSPs to implement ongoing export initiatives.

Milestones achieved in FY 2019 from this component’s work includes:

- $3.7 million generated in new sales by MSMEs through trade fairs;
- Project began supporting the beach tourism sector, attracting the attention of international tourism associations;
- Project began boosting the franchising model as a way to expand to new markets.

1.3.2: FACILITATE MARKET LINKAGES THROUGH A SECTORAL APPROACH

In close alliance with PROESA, the Project supported two trade fairs this FY:

- 10 Salvadoran MSMEs from the food and beverage, manufacturing, handicrafts, and services sectors participated in the Expocomer trade fair, the most important fair in the Central American and Caribbean region. As a result of their participation, these ten businesses made 86 commercial contacts and generated new sales of $60,700, with additional amounts currently under negotiations.
The VI In-bound Buyers Mission enabled 60 Salvadoran MSMEs from the food and beverages, agroindustry, and manufacturing sectors to have the opportunity to make sales and create market linkages with buyers from the United States, Canada, Greece, Panama, Spain, and the Dominican Republic. Companies negotiated export sales of $541,000 during the event. The mission allowed a commercial approach between Salvadoran exporters and buyers from different countries, providing an additional platform for local companies to showcase their exportable supplies and strengthen trade relations under the In-bound Buyers Mission modality.

The Project also supported two companies that are part of CONAMYPE in Macfrut, a trade fair targeting the fruit and vegetable supply industry in Italy. It allowed participating companies (AEPANM and LA QUIRUBA) to generate a broader perspective concerning export potential in Italy and the opportunity to understand the Italian market, observe consumption trends, and develop commercial contacts – key aspects to introduce products to this new market. Companies opened new commercial opportunities, 14 new business contacts that have distribution channels in Europe and gained greater market knowledge for the successful introduction of their products.

In alliance with COEXPORT, the USAID Economic Competitiveness Project is boosting Salvadoran companies’ capacities to increase export sales to revitalize the local economy so that Salvadorans can find more opportunities in their own country. This FY, through a training session, the Project strengthened 41 MSMEs from the food and beverages, tourism, clothing, services, and other sectors to be able to use franchising as a business model and thus expand their existing or enter new markets. This business model has a big potential to generate local investment and innovation, as well as an important capacity to generate new jobs and increase sales. It was also the first step for forming a franchising committee at the local and international level. A program to guide MSMEs through the process of creating a franchise will begin in Q1 FY 2020.

SUCCESS STORY

DISCOVERY ENVIRONMENTAL

Discovery Environmental Corporation is a Salvadoran family-owned company founded in 2010 that provides recycling and technological solutions to its customers, aiding them in their industrial and commercial processes and helping them reach their environmental and corporate social responsibility goals by ensuring all products are made from recycled plastics.

With USAID financing, Discovery participated in several regional trade fairs, through which Discovery then exported its products for the first time in 2017. The company was able to open new markets in Guatemala, Nicaragua, Honduras, and Panama.

Due to this, the company doubled its number of employees with 50 people now on staff and increased its sales (all in exports) by $69,600 (about 71% over the baseline). Currently, exports represent 50% of the company’s total sales.
Also, with COEXPORT, ECP strengthened the capacities of Salvadoran companies to export goods and services at a competitive price through the ABCs to Export program, a series of 4 training sessions in which 30 companies from the food and beverage, manufacturing, handicrafts, and services sectors participated. The program addressed different subjects such as: strategies for access to international markets, customs management, pricing, and costs to export. The training has been strategic for project competitiveness, quality improvement, and product adaptation to the market.

Forty other companies received training in marketing their products in the United States from international expert Timothy Bush, Vice-President of Global Trade Promotions. This training served to guide companies interested in negotiating with U.S. buyers and distributors and provided personalized technical assistance for a successful immersion in the U.S. market.

XIV EXPORT FORUM: BOOSTING EXPORTS FOR ECONOMIC GROWTH IN EL SALVADOR. The Project supported COEXPORT in hosting a forum in which members from the new cabinet government had the chance to share new strategies they are building to boost exports and the economy, as well as their commitment to create alliances with the private sector for trade facilitation and investment growth in the country that are in line with the Project’s objectives. The Secretary of Trade and Investment of El Salvador, the Minister of Economy, Minister of Tourism, Minister of Finance, President of BANDESAL, President of the Central Reserve Bank, Executive Director of CONAMYPE, and the President of PROESA participated and expressed their understanding of key problems that should be addressed within the export community and committed in working together towards improving export processes.

This partnership with COEXPORT has helped export companies generate $218,021 and 59 jobs this FY.

TOURISM SECTOR

The Tourism Association of the East Coast of El Salvador (ADETCO) received support from the Project in its legalization process, as well as to build a strategy for sustainable development and an action plan for the promotion of El Salvador as a surfing destination.
As a follow up of the California Governor’s visit to El Salvador in early 2018, a Californian tourism delegation traveled to El Salvador, including Las Flores Beach as part of the selected destinations. The CEO from Visit California, the CEO from the Visitors Association of Orange County, and a representative from the California Governor’s Office met with ADETCO to learn about how they developed the road map and strategy to boost tourism in the area.

ADETCO is made up of seven medium-sized hotels located in Las Flores Beach that have managed to promote their market positioning, boost companies’ growth, and expand employment opportunities in the area through new investments. The strategy will be replicated in other potential tourist destinations in the country, in-line with the Salvadoran government’s “Surf City” strategy, which aims at promoting the country as a premium surf destination.

1.3.3: SUPPORT BDSPS TO IMPLEMENT ONGOING EXPORT INITIATIVES

The Project works jointly with the Sabios y Expertos Program to link international experts with Salvadoran MSME firms to develop new markets, improve production efficiency, and improve new product design. During FY 2019, as part of the strategy to increase production and export capacity within MSMEs, the international expert Alexandre Stordeur provided an assessment for international marketing to four companies (PINSAL, Excellent Seams, Muwan Chocolate, and Murano Shoes), which allowed them to strengthen their technical capacities in accessing international markets. International expert Jean Bernard Demiaux provided an analysis on the improvement of production processes of the pharmaceutical company RODIM, to its production processes, cleaning costs, and export standards to access markets (Europe and the United States).
OBJECTIVE 2: GOVERNING FOR GROWTH

Governing for Growth will improve the capacity of FIs to serve the large market segment of MSMEs efficiently and will improve the business enabling environment at the national and subnational levels.

COMPONENT 1: EXPANDED ACCESS TO FINANCE FOR MSMEs

The Project’s approach to expanding MSME access to finance addresses the supply, demand, and enabling environment aspects simultaneously. The approach is structured around (1) supply-side credit concerns, (2) MSME credit demand, and (3) incentivizing intermediation services and improving the enabling environment. Milestone highlights from this component in FY 2019 include the following:

- Technical assistance to 5 leading financial institutions (FIs) in Project activities related to expanding access to finance for MSMEs;
- Mobilizing a group of 26 private financial facilitators (over a six-month period) to identify, package, and present 49 financing requests for MSME loans valued at $34.1 million.
- Access to finance assessment: a market study among MSME users of the products and services offered by the Salvadoran FIs.
2.1.1. IDENTIFY AND SELECT PARTNER FINANCIAL INSTITUTIONS

Five of the FI partners: BAC, Banco Promerica, Banco Cuscatlán, SAC Integral, and Banco Azul participated in two individualized technical assistance sessions during Q2 FY 2019 with the goal of improving their services and level of financing to SMEs. A total of 158 employees attended the workshops.

These technical assistance sessions addressed the following topics:

1. Tools for prospecting SME customers;
2. Methodologies for the identification of the growth potential of client companies;
3. Tools to identify medium and long-term needs of SME clients;
4. Tools for commercial teams that allow them to analyze, assess, and properly present the credit applications of their SME clients; and
5. Tools to support financial analysis of SME companies with emphasis on the financial analysis of productive chains.

As a goal of the assistance, a roadmap for each of the 5 allied FIs was developed by ADEN Business School. The Project coordinated meetings with the FI representatives in order to deliver this important input. This was a commitment generated by ECP, with the purpose of contributing to the definition of useful and productive actions to be followed in the remaining years of Project execution to have the greatest possible impact on each of the allied FIs, but above all, in the Salvadoran economy through the SMEs.

2.1.2 PROVIDE ACCESS TO FINANCE ASSESSMENT AND IMPROVE FI SERVICES TO MSMES

To ensure that Project decisions are based on the most recent information regarding MSME demand, an access to finance assessment was conducted in Q1 and Q2 FY 2019. A market research company was selected to conduct a study among MSME users of the products and services offered by the Salvadoran FIs. The study’s results were shared with the 10 FIs and other stakeholders in two workshops with the objective of assisting them to further improve their products and services to better serve MSMEs.

The market study consisted of quantitative and qualitative sections. For the quantitative part, 100 interviews were conducted in the urban areas of San Salvador, Santa Ana, and San Miguel. The sample was as follows:
The qualitative part used two methodologies: Focus groups and in-depth interviews. A total of three focus groups were conducted in San Salvador and 46 in-depth interviews were held in San Salvador, Santa Ana, and San Miguel.

The study’s major findings are:

- Main barriers of access to credit for MSMEs are a lack of accomplishment track records, long response procedures, and warranty conditions that cannot be met.
- "Interest rate" is not necessarily the most important barrier, and even less important depending on the size of the company, which could indicate that some companies may be willing to pay higher rates, aware of their level of risk.
- Main barriers to be addressed include more comprehensive assistance to MSMEs for successful financial management within their companies.

2.1.3 FACILITATE PRIVATE EQUITY FUNDING FOR MSMES

This activity was postponed due to budget limitations.

2.1.4: ENGAGE BDSPS AND PRIVATE CONSULTANTS UNDER PERFORMANCE-BASED SUBCONTRACTS TO FACILITATE ACCESS TO FINANCE

The goal of this activity is to facilitate financial intermediation and close the gap between financiers looking for “good deals” and MSMEs seeking appropriate financing to expand sales, exports, and develop new jobs. To facilitate this goal in FY 2019, the USAID Economic Competitiveness Project arranged meetings with 28 financial facilitators hired under performance-based subcontracts to expand MSME financing. Under this mechanism, success fees are paid to facilitators upon successful approval of loans or equity investments for MSMEs.

In Q1 FY 2019, the Project selected the seven most successful financial facilitators to continue working under performance-based subcontracts in FY 2019. To date, the team held several meetings with them to guide their work towards primarily attending the financial needs of companies being assisted by other components of the Project, for example Lula Mena and Gotera, part of the value chain initiatives. The Project expects to help companies that are part of the tourism and franchising initiatives to improve their access to financing and increase investment in their projects. Meetings will be held with BANDESAL and other financial intermediaries. The ECP expects that these MSMEs will generate $2 million in sales and 50 jobs, if financing is received.

This year, the Project channeled $3.2 million to MSMEs in financing from FIs, for a cumulative amount of $7.6 million, for purchasing capital goods, increasing use of working capital, and hiring
of new employees. It is expected that these MSMEs will generate $5.4 million in sales and 239 jobs.

**Table 2: Number of MSMEs Receiving Financing by FI**

<table>
<thead>
<tr>
<th>MSMES</th>
<th>FI financing</th>
<th>Amount (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Optima</td>
<td>$25,000</td>
</tr>
<tr>
<td>2</td>
<td>Banco G&amp;T</td>
<td>$40,000</td>
</tr>
<tr>
<td>3</td>
<td>Banco SCOTIABANK</td>
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<tr>
<td>4</td>
<td>SAC Integral</td>
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<tr>
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<td>Banco de Fomento Agropecuario</td>
<td>$225,000</td>
</tr>
<tr>
<td>6</td>
<td>CREDICOMER</td>
<td>$297,000</td>
</tr>
<tr>
<td>7</td>
<td>Banco Industrial</td>
<td>$341,000</td>
</tr>
<tr>
<td>8</td>
<td>Cajas de Crédito</td>
<td>$377,020</td>
</tr>
<tr>
<td>9</td>
<td>Banco Agricola</td>
<td>$816,153</td>
</tr>
<tr>
<td>10</td>
<td>Banco PROMERICA</td>
<td>$890,500</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>$3.2 million</td>
</tr>
</tbody>
</table>

**2.1.5 Strengthening DICA**  
This activity was postponed due to budget limitations.
COMPONENT 2: IMPROVED MUNICIPAL SERVICES TO BUSINESSES

ECP is designed to foster a more favorable business enabling environment in 26 target municipalities. We are therefore supporting simplification of business processes at the municipal level by creating EMPREs and single windows to facilitate expedite business processes. ECP’s interventions under this component prioritize productive initiatives at the local level and mechanisms for violence prevention.

This year, we achieved the following milestones under this component:

- Established eight new EMPRE units and strengthened three existing ones.
- Developed new municipal branding and tourism attraction strategies for Olocuilta, Nahuizalco, Sonsonate, and Usulután.
- Built a plan to support the revitalization of San Salvador’s Historic Center.
- Began the process of building Business Improvement Districts under grants in which more than ten institutions were trained on how to write proposals for USAID.

2.2.1 SELECT AT LEAST 20 MUNICIPALITIES FOR PROJECT INTERVENTIONS

This activity was completed in FY2018. The selected municipalities with ECP support include:

1. Atiquizaya 7. Santa Tecla 13. Ciudad Delgado
3. Izalco 9. La Libertad 15. Cuscatancingo
5. Santa Ana 11. San Salvador 17. Panchimalco
2.2.2 START-UP AND PLANNING OF MUNICIPAL ACTIVITIES

The Project signed two new memorandums of understanding with the municipalities of Apopa and Santo Tomas. These two new alliances will allow USAID to strengthen the capacities of local governments and the private sector in generating a business climate that favors investment and economic development at a local level, specifically through EMPRE units and Single Windows.

2.2.3 SUPPORT ESEN IN IMPLEMENTING THE MUNICIPAL COMPETITIVENESS INDEX (MCI)

This activity was postponed due to budget limitations.

2.2.4 SUPPORT MUNICIPALITIES TO DEVELOP MUNICIPAL COMPETITIVENESS PLANS

This activity was postponed due to budget limitations.

2.2.5. PROVIDE TA TO MUNICIPALITIES TO IMPROVE THE BUSINESS ENABLING ENVIRONMENT

Establishing or Strengthening EMPREs

Enterprise Development Units (EMPREs) are an innovative approach to facilitate public-private dialogue and support local entrepreneurs in finding solutions to the obstacles they face to develop, expand, and boost their productive activities. In FY2019, the Project supported eight municipalities in establishing new EMPRE units and three others in strengthening their existing EMPREs. In total, the Project has assisted 22 EMPREs to date.

During this fiscal year, the USAID Economic Competitiveness Project, with the support of the National Registration Center (CNR) and the Ministry of Economy, trained 24 EMPRE unit technicians in company formalization processes. With these new skills, EMPREs will be able to provide guidance to MSMEs in the process, as well as advice on the opportunities business formalization offers.

In addition, Project staff and 24 municipal officials from the EMPRE units trained local economic development and tourism units on proactive leadership.

This FY, EMPRES supported 1,362 MSMEs and entrepreneurs, of which 52% were women.

Simplifying processes and regulations by developing One Stop Windows within selected municipalities.
Municipal “One Stop Windows” are one-stop-shops located in municipalities that simplify processes for the private sector. The Project worked with the municipality and its internal clients (municipal staff and officials) and external clients like taxpayers in order to have their input on the methodology’s six phases: (1) coverage determination, (2) integral diagnosis, (3) simplification proposal, (4) implementation, (5) monitoring and evaluation, and (6) continuous improvement.

In this FY2019, the Project assisted 12 municipalities, divided into two groups. The progress of the technical assistance to date for each municipality is as follows:

Table 3: Municipalities assisted one stop windows

<table>
<thead>
<tr>
<th>GROUP 1</th>
<th>COVERAGE DETERMINATION</th>
<th>DIAGNOSIS</th>
<th>SIMPLIFICATION PROPOSAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soyapango</td>
<td>100%</td>
<td>100%</td>
<td>50%</td>
</tr>
<tr>
<td>Zacatecoluca</td>
<td>100%</td>
<td>100%</td>
<td>30%</td>
</tr>
<tr>
<td>Ilopango</td>
<td>100%</td>
<td>100%</td>
<td>50%</td>
</tr>
<tr>
<td>San Salvador</td>
<td>100%</td>
<td>100%</td>
<td>50%</td>
</tr>
<tr>
<td>Sonsonate</td>
<td>100%</td>
<td>100%</td>
<td>50%</td>
</tr>
<tr>
<td>Santa Tecla</td>
<td>100%</td>
<td>100%</td>
<td>40%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GROUP 2</th>
<th>COVERAGE DETERMINATION</th>
<th>DIAGNOSIS</th>
<th>SIMPLIFICATION PROPOSAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apopa</td>
<td>100%</td>
<td>90%</td>
<td>0%</td>
</tr>
<tr>
<td>La Libertad</td>
<td>100%</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Olocuita</td>
<td>100%</td>
<td>90%</td>
<td>0%</td>
</tr>
<tr>
<td>San Miguel</td>
<td>100%</td>
<td>90%</td>
<td>0%</td>
</tr>
<tr>
<td>Usulután</td>
<td>100%</td>
<td>90%</td>
<td>0%</td>
</tr>
<tr>
<td>San Vicente</td>
<td>100%</td>
<td>90%</td>
<td>0%</td>
</tr>
</tbody>
</table>

For this fiscal year, the goal was to create or strengthen 6 single windows. However, the U.S government Northern Triangle budget constraints previously outlined in this report did not allow for the continuation of the original schedule of activities. FUNDES support will continue unto FY 2020, completing phase 3.

Further support will be provided by Project staff directly and only to Group 1 municipalities. The second group of municipalities will receive support if the budget is available by May 2020.

2.2.6 PROVIDE TA TO MUNICIPALITIES IN CRIME AND VIOLENCE PREVENTION

With the purpose of enhancing existing city services, improve the quality and appearance of public places, increase security, and attract tourism and shoppers to support local businesses, the Project launched a call for proposals and received 22 proposals from public-private initiatives under the Business Improvement Districts strategy to be implemented in 18 municipalities, with a total budget of $9 million.
The Project’s grants committee evaluated the proposals that, if approved, are expected to generate 6,471 new jobs and $54.7 million in new sales by MSMEs. However, due to the funding pause, the Project will develop only one BID in Flor Blanca (San Salvador). Additionally, it has focused its intervention on the following activities:

A) The Project has developed strategies to attract tourism and strengthen the local economy in Sonsonate, Olocuilta, Usulután, and Nahuizalco. The construction of these strategies follows up a participatory methodology that included different sectors of civil society, business leaders, and local governments. The Project also created new tourism destination branding for Olocuilta, Usulután and Sonsonate and strengthened the branding strategy for Nahuizalco. It also revamped communication strategies to promote these new brands. The municipalities received a branding manual, which will allow them to advertise the potential they have and position themselves as tourism destinations, and thus increase visits and tourism in the municipality to generate more employment and sales opportunities. If implemented, it is expected that each destination will benefit more than 500 MSMEs that in turn could increase sales by $500,000 a year and create at least 30 jobs.

B) ECP will be working on the development of a secure business corridor and a coordinated action plan for the development of the Historic Center of San Salvador (HCSS), incorporating: (i) the Municipal Plan for the Territorial Management of the City of San Salvador; (ii) the efforts the Municipality of San Salvador has been engaging in for the revitalization of the HCSS; and (iii) the support the U.S. government, through the El Salvador U.S. Embassy and the USAID country mission. In line with this initiative, five USAID project implementers organized several coordination meetings with partners and USAID El Salvador authorities from the Economic Growth and Democracy and Governance units to streamline efforts and follow-up on the different activities under development for the revitalization of the Historic Center. The five projects involved are: Municipal Governance (Louis Berger), Justice Sector Strengthening (Checchi), Crime and Violence Prevention (Creative Examples of the new branding created for Olocuilta and Sonsonate.

Associates), Imagina (Glasswing), and the Economic Competitiveness Project (Palladium). The Economic Competitiveness Project will develop a safe business corridor in the Historic Center through six specific initiatives:

1. The Flor Blanca Business Improvement District (BID);
2. Coordination of real estate developers and public entities and evaluation of public and private lands (private investors coordination);
3. Investor’s Summit and portfolio for investment projects;
4. A strategy to foster the formalization of vendors from Plazas Morazán and Bolívar;
5. Development of a Municipal Investor’s One Stop Window; and

For the creation of the Flor Blanca Business Improvement District, the Project received two proposals from FUNDES El Salvador and FUNDEMAS; the latter was selected by the Evaluation Committee. To date, the negotiation with FUNDEMAS has been carried out and is under review of Palladium Home Office in order to look for USAID approval. Implementation is planned to start in the first quarter of FY 2020 and is expected to improve commercialization, job development, and tourism in the Historic Center, with a potential of 90 new jobs generation.

In addition to this support, the Project is providing office space for the Municipal Coordination Unit for the Historic Center’s Revitalization (CORE), with whom different visits and meetings have also been held to join efforts for a more efficient process. The Project has also reached out to real estate developers to identify the necessary conditions to make investments in housing, commercial, and mixed projects in the Historic Center of San Salvador. To date, the project has met with URBÁNICA, BOLIVAR, ROBLE, and CASALCO and meetings with at least three more groups are pending. With these inputs, the Project will work on proposal development for enabling projects in partnership with the public and private sectors.

Moreover, ECP identified the opportunity to support street vendors from the Ruben Dario and Arce Streets in the Historic Center. Progress has been made by meeting with key partners such as CONAMYPE, AMSS, and academics to jointly develop initiatives that will put informal vendors on the pathway to formalization. During Q1 FY 2020, The Project will carry out an assessment of these
vendors and then design and implement a training and technical assistance program that will equip them well for their successful relocation in the new Hula Hula Market, which is currently under construction.

Given the priority established by USAID to support the revitalization of the San Salvador Historic Center, initiatives that generate long-term capacities in the different areas of intervention have been considered in areas like security, violence prevention, attention to the informal sector, and investment attraction, among others. From this perspective, the Project is organizing, together with the USAID Municipal Governance Project implemented by Louis Berger, a visit from the Municipality of Bogotá to exchange experiences in (1) the attention to street vendors through the Institute for Social Economy (IPES), (2) attracting investment through Invest in Bogotá, and (3) the urban revitalization of the Central District of La Candelaria. The visit is planned for Q1 FY2020.

**Municipal Promotion Events.** To increase the tourism potential municipalities have and boost their commercial activities, the Project supported the following events this FY:

- **Olocuïlta’s 14th Annual Pupusa Day:** The birthplace of the rice pupusas celebrated the existence of the most popular Salvadoran dish. This event generated $26,981 in sales and 3 jobs.

- **Nahuizalco’s Canchules Festival:** the Salvadoran version of *Día de Muertos*. The festival generated $7,882 in sales and 1 job with a local MSE.

- **Ciudad Arce’s 2nd Annual Honey and Traditions Festival:** This municipality is the birthplace of many of the Salvadoran folk legends like *El Cipitío* and has a large honey production segment of its economy. The event generated $4,295 in new sales.
COMPONENT 3: STREAMLINED POLICY, REGULATORY, AND PROCEDURAL PROCESSES

ECP promotes and supports policy reforms to streamline and simplify procedures to allow businesses to improve market access and expand access to finance and technology, while complying with government requirements and controls. Over the last year, milestones achieved under this component include the following:

- Successfully completed five proposals for regulatory reform to enable the business environment;
- Boosted the e-commerce environment by supporting the first E-Commerce Day in El Salvador and launching a pilot program to introduce MSMEs into e-commerce by developing their capacities to adopt e-commerce tools and profitably access markets and sell online; and
- The Project improved interconnectivity (web services) among public institutions: CNR, the Ministry of Economy, the Ministry of Finance, the Ministry of Labor, and ISSS to facilitate online business registration through MiEmpresa.gob.sv platform. The platform increased its traffic by 88.2%.

2.3.1. DEVELOP SET OF POLICY, REGULATORY, AND LEGISLATIVE PRIORITIES TO IMPROVE ENABLING ENVIRONMENT FOR BUSINESS

During FY 2019, the USAID Economic Competitiveness Project supported the business procedures simplification agenda, led by the Technical Secretariat of the Presidency and the Ministry of Economy, through the implementation of the Administrative Procedures Law (LPA, by its Spanish acronym), which came into force in Q2 FY 2019 and mandates all government institutions to streamline procedures and eliminate unnecessary requirements that impose a burden on citizens and businesses. The Project is working in collaboration with UNCTAD’s Business Simplification Program on this matter.
To strengthen the capacities of the Ministry of Finance, this fiscal year the Project provided technical assistance to improve administrative procedures and modernize the information system to simplify the analysis and approvals process for value-added tax returns to exporters in El Salvador. The developed IT module will be included in the Ministry’s online platform, which contains filters to avoid errors, tracking of claims, interoperability with Customs Administration, and fields used for trade in the Single Central American Invoice and Declaration (FYDUCA by its Spanish acronym).

With this IT module, the Ministry of Finance will reduce timing by 80% in the value-added tax return to exporters. This module was validated with the Ministry of Finance, Customs Administration, and COEXPORT and it is expected to be fully implemented by Q1 FY 2020. By improving the tax return process, companies in El Salvador will be able to reinvest it faster and increase their export sales. The Project is working on calculating the amount of re-investment companies make with the VAT return.

2.3.2 PROMOTE AN IMPROVED REGULATORY FRAMEWORK FOR MSMES

The ECP successfully completed five proposals for regulatory reform to improve the business-enabling environment in El Salvador:

1. PROPOSAL TO STREAMLINE AND DIGITALIZE COMMERCIAL PERMITS. This document includes: legal analysis, process mapping, reduction of unnecessary physical documents, and generation of the annual digital permit (including digital payment at CNR), currently under implementation.

2. PROPOSAL TO STREAMLINE AND DIGITALIZE BUSINESS REGISTRATION IN ISSS. The proposal includes the reduction of unnecessary documentary requirements, such as a location map, stamps, and signatures in physical documents required for employer registration at ISSS. This improvement has been implemented by ISSS through an administrative notice in Q3 FY 2019 and is reducing times and costs for MSMEs.

3. E-GOVERNMENT STRATEGY: This policy proposal includes a set of best practices of e-government initiatives for the simplification of procedures. They were recommended considering the high impact on the target populations and the technological level of the government’s institutions:

   - Electronic payment using Expected Payment Number (NPE), at the National Treasury Department of the Ministry of Finance;
   - Business Startup Portal: MiEmpresa.gob.sv in the Ministry of Economy; and
   - Enabling brokers for automating procedures according to the Administrative Procedures Law (LPA by its Spanish acronym) with the Private Secretariat of the Presidency of El Salvador.

In addition to these, other initiatives have been documented that are considered of great or sectorial impact. This strategy will be presented to the new government authorities for their consideration.
4. BUSINESS FORMALIZATION STRATEGY: The Project completed the Business Formalization Strategy to frame public and private formalization efforts in three pillars: streamlining policies and procedures, technical assistance services and guides to MSMEs, and business incentives. This strategy provides three tools that can be adopted by BDSPs to support the formalization process: a) the basic business formalization guide, b) a digital form to assess formalization needs and action plans, and c) a standardized training plan for BDSP business advisors.

5. FORMALIZATION GUIDE: The Formalization Guide explains the importance of why, what, when, and where businesses need to register to comply with national and local regulations. This guide is available in printed and digital versions and has been distributed among BDSPs and financial organizations that support entrepreneurs in the formalization process.

2.3.3 PROMOTE “GOBIERNO ELECTRÓNICO” STRATEGY

The Project supported the First E-Commerce Day in El Salvador during this fiscal year and signed an alliance with DHL, E-Commerce Institute, Grupo Cerca (multimedia content leader in the region), and Pagadito Group. With this alliance, the Project has supported the adoption of e-commerce among key sectors that have the market potential and technological readiness to adopt an e-commerce strategy.

The Project conducted a survey obtaining firsthand information from over 700 businesses, out of which 23 MSMEs were selected to participate in the E-Commerce Pilot Program. These MSMEs were assisted by five advisors, who were also being trained by the E-Commerce Institute with Project support, in the following pillars of electronic commerce:

- marketplace,
- payment gateways,
- logistics,
- digital marketing,
- market research, and
- customer service.
The 23 participating MSMEs went through a phase of intensive knowledge sharing from which valuable and relevant information was extracted to prepare a work plan. Work plans contain specific objectives, activities, and tools that trace the path of a company to enter the world of electronic commerce.

Under this Pilot Program, the Project tailored a series of workshops to develop their capacities to adopt e-commerce tools and profitably access markets and sell online. The first workshop presented success stories of Salvadoran companies that have implemented a successful e-commerce strategy, and particularly how these companies are serving international markets. In the second session, the representative of Sume Clientes, a platform to create online stores, shared digital tools that allow MSMEs to generate traffic, analyze consumer data, and manage clients in cost effective ways. The following workshops were related with the future of e-commerce, social media, and value chains. The pilot program will conclude in Q1 FY 2020, with each company having a new webpage and/or social media with the capacities of selling through them. The Project will provide training in Digital Marketing.

**2.3.4 SUPPORT MINEC TO IMPLEMENT MIEMPRESA.GOB.SV**

During this period, the Project provided technical assistance to enhance interconnectivity (web services) among CNR, the Ministry of Economy, the Ministry of Finance, the Ministry of Labor, and ISSS to facilitate online business registration through MiEmpresa.gob.sv platform. During FY 2019, MiEmpresa.gob.sv has increased 88.2% in the use of services provided by the electronic platform.

An important milestone has been achieved in the integration of ISSS’s new business registration and automation of the registration card through MiEmpresa.gob.sv single window. ICT developments are completed and starting Q1 FY 2020, new individual owners and corporations will be able to request and obtain ISSS registration cards online, without any paper document requirement. The information of business representatives will also be automatically validated, reducing the administrative handling costs for ISSS.
2.3.5 SUPPORT A NATIONAL FORMALIZATION STRATEGY

During FY 2019, eleven CONAMYPE staff members were certified in the use of Miempresa.gob.sv before the National Commercial Registry to assist MSEs in their formalization process; 16 CONAMYPE and MINEC officials were trained in business registration procedures. Additionally, in the same period, 25 MSEs from El Mercadito and CAMARASAL were trained on the costs and benefits of regulatory compliance through a consultancy financed by the Project.

The Project also completed a program to train 13 officials from regulatory agencies (Ministry of Finance, the National Business Registration Center, Ministry of Labor, and the Salvadoran Institute of Social Security) in soft skills to strengthen their professional capacities to promote procedure simplification and adopting citizen-centered service culture.

The Business Formalization Strategy was also completed this Fiscal Year. It frames public and private formalization efforts in three pillars: streamlining policies and procedures, technical assistance services and guide to MSMEs and business incentives. This strategy provides three tools that can be adopted by BDSPs to support the formalization process:

- The basic business formalization guide,
● A digital form to assess formalization needs and action plans, and
● A standardized training plan for BDSP business advisors.

BUSINESS FORMALIZATION GUIDE

Through a collaboration with CAMARASAL, CONAMYPE, El Mercadito, and Miempresa.gob.sv regulators, the Project completed the business formalization guide that step by step explains the process of business registration, periodic reporting obligations, intellectual property rights, and plant, process, and product sanitation permits. It also outlines procedures for closing a business.
Value chain development is an essential cross-cutting implementation approach the USAID Economic Competitiveness Project utilizes, much in line with the recently launched USAID Private-Sector Engagement Policy that encourages working with the private sector and implementing market-based approaches to advance development sustainably. By working with value chains, the Project offers a holistic approach to building improved competitiveness and boosting economic growth. By selecting opportunities to provide access to financing, market linkages, technology resources, capacity building, and institutional strengthening throughout the chain, the Project will accelerate new value creation for all actors involved, increasing sales and jobs, and fostering local economic development, thereby reducing undocumented migration.

During FY 2019, the value chain approach of the USAID Economic Competitiveness Project was implemented through technical agreements and MOUs signed with private partners as well as five grant agreements that were signed with a combined budget of almost $1 million of USAID funds. Over the last year, milestones achieved under this approach include the following:

- $7 million generated in new sales this year,
- 1,568 new jobs generated, and
- $1.2 million in leverage funds from partners and supported MSMEs.
IMPLEMENTATION OF PRODUCTIVE LINKAGE INITIATIVES UNDER AGREEMENTS WITH BDSPS AND ANCHOR COMPANIES (MOUS OR TECHNICAL AGREEMENTS)

ETHNIC FOODS VC
The ECP and Gotera S.A. de C.V., an ethnic food manufacturer, signed a technical agreement in Fiscal Year 2018. Since, Gotera was linked with providers of tropical fruits like nance, mango, and jocotes and vegetables. It has produced and delivered record quantities of processed products to Mama Lycha Foods, one of the main distributors of Latin American foods in the United States. In addition, two cooperatives exported beans to Mama Lycha. Finally, Gotera also began receiving financial guidance from a financial facilitator provided by the Project that ended up in Gotera’s first bank loan. With the credit facilitated by the Project, lead firm Gotera S.A. de C.V. acquired new processing equipment and invested resources to increase purchases to local providers who in turn augmented their production.

During FY 2019, the company reached a new high in their number of exports and bought jocotes, nances, and other raw materials from local providers in record quantities. Some of Gotera’s new equipment was installed and is already in use; during Q4 FY 2019, the Project helped obtain an additional loan that is pending disbursalment. Gotera and its local providers generated 136 jobs and $1.9 million in sales, 78% export sales, during this fiscal year.

RETAIL VC
Under a technical assistance, the Project collaborated with Walmart to provide training and assistance to 12 SMES, from which 10 were already Walmart providers. Nine training sessions took place during FY19, in which SMES improved their competencies in the use of Walmart’s retail platform, social media marketing tools, strategic thinking, innovation, and financial analysis. The Project and Walmart assessed progress made with each one of the companies and decided to provide individual assistance. As a result, one of the two remaining companies became a new Walmart provider. During this fiscal year the companies reported $203,745 in sales and 131 jobs.
**COFFEE VC**
In alliance with ADEL Morazán and in coordination with the Gulf of Fonseca Basins Association (ACUGOLFO) and Catholic Relief Services (CRS), the Project provided technical assistance to Cooperative San Carlos II to develop and implement its strategic plan. This is allowing them to consolidate as anchor firm for the coffee producers in the area and as exporters of premium coffees. Cooperative San Carlos II is located in eastern El Salvador, an area where the lack of opportunities generates a high number of undocumented migrants to the United States. This anchor firm is receiving additional support through a grant agreement signed with ADEL Morazán.

**SUSTAINABLE FASHION VC**
During Q1 FY 2019 and as part of a technical agreement signed with the Project, Lula Mena co-invested more than $30,000 of its own revenue to promote its products in France and Spain. Moreover, the Project provided TA to anchor firm Lula Mena to update its communications and marketing strategy and to develop a franchise model for the firm’s internationalization. Finally, the Project supported Lula Mena’s Nidos exhibition in the Museum of Modern Art; it is further being exhibited in the International Airport of El Salvador. The Project signed a grant agreement with Lula Mena to upscale its sustainable business model.

**DAIRY PRODUCTS VC**
Under a technical agreement, the Project provided commercial assistance to anchor firm Los Quesos de Oriente during the first two quarters of the FY to strengthen its sales and support its dairy value chain. This activity was cancelled due to budget limitations.

**STOP OVER VC**
Under a technical agreement with CASATUR, the Project provided TA to refresh the stop-over logo and to prepare a promotion plan that was delivered to CASATUR for its consideration. This activity was postponed due to budget limitations.
BIOMEDICAL VC
During the first quarter of FY 2019, USAID required a market analysis of the biomedical sector. The Project finalized an analysis of market opportunities for the plastics industry in El Salvador to provide raw materials and products to the biomedical cluster in Costa Rica, which is one of the leading export clusters in that country. The analysis concludes that there are market opportunities not only for the plastics industry but also for the paper and packaging industry and medical tourism; but requirements, investments, and time to achieve a provision contract are complex. The analysis was presented to USAID and further support from the Project is on hold due to budget limitations.

IMPLEMENTATION OF PRODUCTIVE LINKAGE INITIATIVES UNDER GRANTS WITH BDSPS AND ANCHOR COMPANIES

During FY 2019, the Project began negotiations with applicants of the RFA2018-001 and reached agreements with FUNDES, ADEL Morazán, ASPESCU, Lula Mena, and CLUSA El Salvador. USAID approved the five grant agreements.

Under the same RFA, 7 additional proposals were approved by the Grants Evaluation Committee and negotiations with the applicants started but were put on hold due to budget limitations.

RETAIL VC (FUNDES – WALMART)
This value chain initiative began in Q2 FY 2019 and is providing training and assistance to 50 MSMEs to improve their profits, innovation, and competitiveness. This effort is boosting linkages between these MSMEs and Walmart in El Salvador, which is implementing the shared value programs Una Mano para Crecer, and Tierra Fértil, both shared-value initiatives. In fifteen months, this value chain grant will generate $1.5 million in sales and 200 jobs.

Thirty-nine out of the 50 MSMEs are Walmart suppliers and eleven are potential suppliers. Three training sessions have taken place as well as three individual technical assistance sessions with the selected companies. The companies have reported $190,720 in sales and 25 jobs generated.

MORAZÁN’S SPECIALTY COFFEE, VEGETABLES, AND TOURISM VCS (ADEL MORAZÁN)
This grant is providing technical assistance, training, and production equipment to five anchor firms and their network of 18 suppliers. It is expected to generate $2.23 million in sales and 313 jobs.
ADEL Morazán purchased the equipment for the specialty coffee anchor firms, including Cooperative San Carlos II; training and technical assistance in exports and marketing for the coffee anchor firms was provided with the support of a consultant. In the tourism value chain, a consultancy to develop tourism-themed products in the region presented new tourism circuits. While in the vegetables value chain, a connection with a “farmer to farmer” program made possible a technical assistance to improve productivity and a technical assistance in water treatment schemes produced recommendations for the anchor firm. This fiscal year 351 jobs were generated and $1.2 million in sales, of which 70% were exports.

**FISH AND SEAFOOD VC (ASPESCU)**

Under this grant agreement with anchor firm Artisanal Fishermen Association of El Cuco Beach (ASPESCU), the Project is strengthening the artisanal fishing sector and boosting exports of fish and seafood to the U.S. The grant is expected to generate $1.1 million in sales and 250 jobs.

Since the grant agreement began, ASPESCU made improvements in its facilities: changed the ceiling in the processing area, purchased equipment and adapted an area for processing chacalín (a cooked and salted shrimp); and hired an accountant. ASPESCU is also receiving technical assistance to improve product quality and the association procured equipment for fishing and fish processing to increase ASPESCU’s production capacity. During this fiscal year, ASPESCU reported the generation of 183 jobs and $1 million in new sales (89% exports).

**SPECIALTY COFFEE AND COCOA VC (CLUSA EL SALVADOR)**

Under the grant agreement with CLUSA El Salvador signed in Q3 FY19, the Project is supporting five specialty coffee and high-quality cocoa anchor firms to increase their capacity to produce and export value-added products and open new markets. It is expected that the grant will generate $5 million in sales and more than 1,200 jobs. The grantee is providing technical assistance to anchor firms and providers and is co-investing in production equipment with the anchor firms. During the reported fiscal year, 277 jobs and $1.9 million in sales were registered, from which 68% were exports.
SUSTAINABLE FASHION VC (LULA MENA)

In addition to the assistance provided under the technical agreement, the Project signed a grant agreement with Lula Mena during Q2 FY19 to implement an eighteen-month initiative to create a design laboratory that is enabling the firm to develop new product collections and increase production capacity. The grant is expected to generate $200,000 in sales and 38 new jobs.

Up to date, Lula Mena adapted and equipped an area for its dyes and clothing production laboratories and built a facility for the rest of the design laboratories. Lula Mena also trained four women in natural dye techniques, hired technical staff (two designers and an artisan master), and designed and launched two new collections of children’s clothing and accessories. Finally, the anchor firm is assessing its production capacity to make changes to boost productivity. This grant agreement generated 98 jobs and $268,480 in sales (16% exports) during this fiscal year.

SUCCESS STORY

LULA MENA

Ana Mindi Gomez is a 31-year-old mother of two from Garita Palmera, a small rural community located on the eastern coast of El Salvador. She is part of the local women cooperative that makes Lula Mena’s products. “My life changed when we met Lula Mena. We started working with her, and she has now trained us, buys our products, and shows them in international fairs”, Ana Mindi explains.

Thanks to USAID, the company has been able to develop new products and open new markets. “Working with Lula Mena made it possible for me to have a job near my kids. I can see them at lunch and be home early in the afternoon. I don’t have to look for a job outside my community. If Lula hadn’t seen our potential, I would probably be in the United States working without legal status; instead I’m close to my family, I bought a house, and I have everything I need”, Ana Mindi says.
GRANTS

In FY 2019, the Project launched the following requests for applications:

- **RFA 2018/001: Value chain initiatives (Q3 FY 2018 – Q1 FY 2019)**

Following EOI 2018/001 to support value chain projects, RFA 2018/001 received a total of 39 proposals divided into 3 selection rounds. From this total, the Evaluation Committee determined that 12 proposals had potential to be supported under the grants program. Of these proposals, five were approved by USAID under the Fixed Amount Award:

**TABLE 4: GRANTS TRACKER.**

<table>
<thead>
<tr>
<th>NAME OF PROJECT</th>
<th>GRANTEE</th>
<th>STATUS</th>
<th>GRANT VALUE</th>
<th>LEVERAGE</th>
<th>DISBURSED TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Productive Value Chains</td>
<td>FUNDES</td>
<td>In Execution</td>
<td>$75,000</td>
<td>$83,348</td>
<td>$30,000</td>
</tr>
<tr>
<td>MSME Competitiveness in 3 Productive Value Chains</td>
<td>ADEL MORAZAN</td>
<td>In Execution</td>
<td>$164,841</td>
<td>$167,721</td>
<td>$82,421</td>
</tr>
<tr>
<td>Consolidation of The Fishing Value Chain in the International Marketing</td>
<td>ASPESCU</td>
<td>In Execution</td>
<td>$151,017</td>
<td>$161,261</td>
<td>$98,161</td>
</tr>
</tbody>
</table>
Design Laboratory LULA MENA In Execution $98,854 $129,302 $54,370
Market Opportunities for Coffee and Cocoa CLUSA In Execution $474,190 $515,193 $218,127
TOTAL $963,902 $1,056,825 $483,079

● RFA 2018/002: Business Improvement Districts (Q1 FY 2019)
To support Business Improvement District projects under grants, a new RFA was released during Q1 FY 2019. A total of 169 people from interested organizations registered and attended an informative workshop. Twenty-two proposals were received. A total of four proposals were submitted to USAID for approval: Olocuilta BID, presented by FUNDE; Nahuizalco Business Improvement District, presented by ADEL Sonsonate; Metapan Business Improvement District, presented by CREDHO; and San Vicente Business Improvement District, presented by SACDEL.

● RFA 2019/002: Business Acceleration: Innovation and Technology for Competitiveness (Q2 FY 2019)
This call was aimed at raising indicators of innovation and technological development from the business perspective and contributing to improving competitiveness. Through direct invitations, 11 organizations participated in the informative workshop and in Q2 FY 2019, three proposals were received from Impact Hub, UNICAES, and UFG. Due to budget constraints caused by U.S. government financial aid cuts to the Northern Triangle countries, this activity was postponed.

● RFA 2019/003: Colonia Flor Blanca Business Improvement District (Q3 FY 2019)
This call seeks to revitalize the economy of Colonia Flor Blanca in the Municipality of San Salvador through the creation of a Business Improvement District that will boost sales at the local level, improve security in the area, and generate employment opportunities. In Q3 FY 2019, through a short-listed process, five organizations were invited to submit proposals in response to Project goals and objectives and considering their specialization area and organizational capacities. Two proposals were received, one from FUNDES and the second one from FUNDEMAS. The latter was chosen to develop the project “Economic and Social Revitalization of the Flor Blanca District”. It is expected to initiate the activities outlined within the grant agreement, after USAID approval, sometime in Q1 FY 2020.

Organizational strengthening and follow-up for grantees. The Grants Unit provides technical support to implementers to achieve good compliance with administrative and financial requirements in managing USAID resources. To this end, this FY a Guide to Responding to Applications for Grant Agreements was created and made available through four workshops led by a Project Design Specialist from Palladium HO and a team of experts to a total of 121 participants interested in applying.
In addition, the Practical Guide for the Administration and Implementation of a Fixed Amount Award was created as a user-friendly tool for building organizational capacity and for providing recommendations on administration and finance, MEL, and branding and marking. One-hundred percent of the grantees were trained with this tool at the beginning of each project implementation. During the execution, the grants team also conducts follow-up visits resolving new administrative or accounting doubts that may arise during implementation. The support provided is different to each organization and its implementation phase. The most common issues addressed include: governance and organizational structure, financial management and internal controls, and project management and performance.
GENDER AND SOCIAL INCLUSION (GESI)

During FY 2019, the Project continued its cross-cutting focus to promote greater women’s participation in Project activities to close competitiveness gaps and to increase women’s access to markets and participation in other economic opportunities. As a result, during FY2019, ECP has achieved:

Table 5: New jobs created by gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>New Jobs</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>3,105</td>
<td>64%</td>
</tr>
<tr>
<td>Women</td>
<td>1,763</td>
<td>36%</td>
</tr>
<tr>
<td>Total</td>
<td>4,698</td>
<td>100%</td>
</tr>
</tbody>
</table>

- 2,500 women-led MSMEs (70% of total MSMEs), report sales of $19 M and 2,492 new jobs created.
As part of the major initiatives developed during FY19, women’s participation now constitutes half of total Project activities:

ECP has also promoted success stories on the *El Salvador es Más* radio show showcasing women-led companies to serve as an awareness tool for BDSPs and stakeholders to address gender gaps within Project interventions.

### Table 5: Sales and Jobs Generated by Sex of the Owner of the Company.

<table>
<thead>
<tr>
<th>Sex</th>
<th># Entrepreneurs</th>
<th>%</th>
<th>Local Sales</th>
<th>%</th>
<th>Exports</th>
<th>%</th>
<th>New Jobs</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>1,100</td>
<td>30%</td>
<td>$13M</td>
<td>44%</td>
<td>$9.8M</td>
<td>70%</td>
<td>2,425</td>
<td>50%</td>
</tr>
<tr>
<td>Women</td>
<td>2,570</td>
<td>70%</td>
<td>$16.5M</td>
<td>56%</td>
<td>$4.2M</td>
<td>30%</td>
<td>2,443</td>
<td>50%</td>
</tr>
<tr>
<td>Total</td>
<td>3,670</td>
<td>100%</td>
<td>$29.5M</td>
<td>100%</td>
<td>$14M</td>
<td>100%</td>
<td>4,868</td>
<td>100%</td>
</tr>
</tbody>
</table>
COMMUNICATIONS

The Project communications team continued to implement its public communications strategy to provide effective, informative, participatory, and innovative communication as well as support the successful implementation of its plan through use of social networks, a radio broadcast, and a podcast.

EL SALVADOR ES MÁS SOCIAL NETWORKS. Following the strategy to reach the Project’s target audience more efficiently among micro and small companies, during Q2 FY 2019 the Project launched its Instagram account. To date, the El Salvador Es Más account reached 1,740 followers. Its strategy aims to collect information about companies to link them to allied institutions. During FY 2019, the Project linked 259 companies to be supported by CDMYPEs; 350 were linked to Impact Hub and 47 received training by Impact Hub on how to create an effective business plan and how to implement a successful digital marketing campaign. Twenty-four were selected to participate in the e-commerce pilot implemented by the Project and 299 were linked with financial facilitators to receive assistance.

Radio broadcast and podcast to promote El Salvador es Más. During FY 2019, the Project broadcasted 30 episodes of the radio show "El Salvador es Más" on the Pencho & Aída program on radio station 107.7 FM. On this radio program, the Project focused on promoting positive examples of Salvadoran innovation, entrepreneurship, and export success stories, showcasing El Salvador as a competitive player in the international marketplace while motivating other entrepreneurs and exporters to successfully overcome obstacles. Each episode hit a mark of over 42,000 listeners. The program featured Salvadoran entrepreneurs producing innovative products that have succeeded in international markets, competitive exporters, innovative and successful technology entrepreneurs, international awards winners, and leaders of exports trade associations. For example, the show recently featured how USAID is helping tourism cooperative ADETCO create a new tourism destination, as well as how Sabor Amigo, a company dedicated to creating products for the food industry, increased its new sales thanks to its participation on the INNOVARE program.
The Project’s social media strategy promoted the radio show, reaching an average of 40,000 people each show via Twitter. In addition, 46,535 people watched the 30 podcasts the Project posted on its Facebook fan page. Based on the widespread positive impact of the show’s content and its own corporate social responsibility goals, the radio station sponsored 60% of the program costs.

During Q1 FY19, USAID El Salvador hosted ESAcción, a fair that showcased how the different initiatives implemented in El Salvador create opportunities for economic growth, crime prevention, good governance, and a positive environmental impact that open a path to a more prosperous country.

The Project participated in a live broadcast with radio hosts Pencho y Aída and a 3-hour USAID-sponsored El Salvador es Más radio show. The live broadcast presented eight success stories about how projects developed by USAID in El Salvador contributed to improving lives and generating opportunities. The show convened at least 2,000 people in San Salvador’s downtown Historic Center and engaged over 30,000 radio listeners. In addition, more than 2,500 fans participated through social networks, which led to the hashtag #ESAcción to become a trending topic on Twitter.

Our metrics during FY 2019:
THE PROJECT IN THE MEDIA THIS FY

Fundemas y USAID apoyarán a 12 empresas a innovar sus procesos

Pymes locales duplican sus ventas con Walmart

Economía

Mujeres aprenden a aplicar la tecnología en sus negocios

ECONOMY

Más mujeres deben aprovechar la transformación digital

Los empresarios forman parte del Programa "Una Tienda para Tiendas". El programa cuenta con tres pilares: programas productivos, capacitación y la capacitación oportunas a las pequeñas y medianas empresas.
Bolstering Private Enterprise in El Salvador

This post was authored by Lucia Bonilla from Palladium.

Starting a business is not easy. There are many steps to undertake: paperwork, legal actions, permits, a business plan, financing, and marketing. That is why in El Salvador, many businesses stay within the informal market.

When Flor Olivares and her husband, Samuel, found out that she was pregnant with triplets, they immediately knew that they had to think about their family’s future and economic stability. They set out to sell pastries and baked goods back in 2011. But they did not stop there: after a few years they began baking their own products. That is how Los Trillizos (The Triplets) Bakery began.

“We had many plans and dreams but needed someone to guide us in the process; that is why we turned to CONAMYPE for professional advice,” she explains. This was fortuitous, as it brought Los Trillizos into the network of the USAID Economic Competitiveness Project, which partners with CONAMYPE, the National Commission for Micro and Small Enterprises. Together with CONAMYPE the project is providing technical assistance to 2,288 micro and small companies in areas such as innovation and technology adoption, good manufacturing practices to improve quality, automation, preparation of nutritional labels, online marketing, and how to access better points of purchase.

“Through technical assistance, thanks to CONAMYPE and USAID, our company now has nutritional labels, and we acquired a packing machine to improve our products’ presentation.” Flor says. “This is how our company has entered international markets.” In 2018, the bakery increased its sales by $75,000 due to project support.

The USAID Economic Competitiveness Project is providing technical assistance to CONAMYPE and other business organizations to help improve their systems and business advisory services, as well as develop new ones considering the requirements of micro, small, and medium-sized enterprises (MSMEs). Through the alliance with CONAMYPE, the project has generated $5.6 million in new sales and 686 new jobs in just one year.
Incorporating Innovation

The Economic Competitiveness Project also supports the development and implementation of strategies for innovation among MSMEs to increase sales. In partnership with the Salvadoran Chamber of Commerce (CAMARASAL), the project supports the INNOVEXPORT program to increase companies’ competitiveness through the introduction of innovation in production processes and business management.

Óptica Vista is a Salvadoran family-owned lens crafter and optometrist service founded in 1990 and located in Santa Ana (western El Salvador). “Our goal has always been to generate jobs and social awareness, to build a staff and generate a network of clients that become family and help us grow,” says Claudia Barrera, owner of Óptica Vista. “INNOVEXPORT has helped us to persevere and develop these areas by improving our service delivery and attention to clients. Now we have created more job opportunities in the local economy.”

INNOVEXPORT has helped Óptica Vista increase its sales by $8,850. In a seven-month period, 24 companies have generated $695,085 in new sales and 88 jobs via INNOVEXPORT. It was the first time that the program was implemented outside of the country’s capital, making it possible for businesses in eastern and western El Salvador to access this service.

Additionally, the project, CAMARASAL, the Corporation of Salvadoran Exporters, the Business Foundation for Social Action, and the Secretariat of Governance have joined forces in a public-private alliance, the first of its kind in the country, to implement the Culture of Excellence Program, which assesses businesses and then helps them develop plans to improve their processes and services.

Chocolates Melher is one of 15 participants in the Culture of Excellence Program. Melher is a Salvadoran manufacturer of chocolate coatings for frozen fruits, ice cream, popsicles, candies, and bakery products. Melher has identified its business challenges and improved internal processes to be more competitive and enter new international markets.

“It’s hard to think we’re going to be competitive if we do not improve our internal processes,” says Rommy Rivera, organizational development director of Chocolates Melher. “It wouldn’t be possible to export our products if we don’t search for excellence. It is a very competitive market out there, and we have the capacity to compete, but we must work daily in improving all processes inside our company to better our products and satisfy our clients’ needs. That is what the Culture of Excellence Program has taught us.”

Palladium implements the Economic Competitiveness Project, which increases the competitiveness of economic sectors in El Salvador by strengthening the capacity of micro, small, and medium-sized enterprises to compete in domestic and international markets.
MONITORING, EVALUATION, AND LEARNING (MEL)

During FY 2019, the MEL team has invested efforts to implement the Project’s monitoring system. With this platform, the MEL unit will be able to respond more quickly and effectively to the monitoring requirements of the Project and ensure more efficient overall monitoring.

The online platform has been developed to facilitate access to information for Project staff. Security standards have been followed in order to guarantee the privacy and confidentiality of the information. Now the Project has a modern management tool and support for robust decision making.

The Project has promoted learning and adaptation with a collaborative approach. A consultant was hired, who developed a learning agenda in which ECP’s key partners and Project staff participated, all in coordination with the MEL Unit. To implement it, work and exchange sessions were carried out at all levels of the Project. The main activities were:

- Workshop with partners to review the theory of change
- Workshop with staff to review the theory of change
- Five brown bag lunch with Project staff
- Focus group with firms to analyze migration and job generation
- Review One Stop Windows implementation with municipalities
- Review with financial facilitators

These activities have helped strengthen the team’s interaction and interchange of work within the Project, communicating actions that are being implemented, and allowing the whole team to contribute their vision and ideas. It has also been part of the approach with partners in the Project’s shared theory of change vision and the role that each actor plays.
## PERFORMANCE INDICATORS PROGRESS SUMMARY

<table>
<thead>
<tr>
<th>#</th>
<th>Indicator</th>
<th>FY17 Achieved</th>
<th>FY18 Achieved</th>
<th>FY19 Q1</th>
<th>FY19 Q2</th>
<th>FY19 Q3</th>
<th>FY19 Achieved</th>
<th>FY17+18+19 Achieved</th>
<th>FY17+18+19 Target</th>
<th>LOP Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Number of partnerships established (MOUs) with USG assistance</td>
<td>1</td>
<td>43</td>
<td>3</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>10</td>
<td>49</td>
</tr>
<tr>
<td>2</td>
<td>Number of MSMEs assisted by CDMYPEs (MSMEs) with USG assistance</td>
<td>0</td>
<td>1,119</td>
<td>0</td>
<td>84</td>
<td>2,984</td>
<td>430</td>
<td>3,498</td>
<td>1,500</td>
<td>4,617</td>
</tr>
<tr>
<td>3</td>
<td>New sales (export and domestic) generated by MSMEs receiving with USG assistance (USD millions)</td>
<td>$0.01</td>
<td>$2.6</td>
<td>$7.8</td>
<td>$9.8</td>
<td>$11.6</td>
<td>$14.3</td>
<td>$43.5</td>
<td>$29</td>
<td>$46.2</td>
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<tr>
<td>4</td>
<td>New jobs created by MSMEs assisted</td>
<td>0</td>
<td>96</td>
<td>1,448</td>
<td>690</td>
<td>1,800</td>
<td>928</td>
<td>4,868</td>
<td>3,500</td>
<td>4,964</td>
</tr>
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<td>5</td>
<td>Percent change in ACDMYPE funding from non-CONAMYPE sources (percent increase)</td>
<td>0</td>
<td>0.0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>25%</td>
<td>0%</td>
</tr>
<tr>
<td>6</td>
<td>Number of new CDMYPEs incorporated in CDMYPE network</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>7</td>
<td>Number of MSME BDSPs trained to incorporate environmental directions and climate change (BDSPs)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>8</td>
<td>Number of firms receiving USG assistance to invest in improved technologies</td>
<td>0</td>
<td>724</td>
<td>867</td>
<td>173</td>
<td>171</td>
<td>0</td>
<td>1,211</td>
<td>700</td>
<td>1,935</td>
</tr>
<tr>
<td>9</td>
<td>Number of early-stage entrepreneurs selected from competition events and assisted to implement business initiatives (entrepreneurs)</td>
<td>0</td>
<td>41</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>100</td>
<td>20</td>
<td>141</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Number of MSMEs receiving trade capacity building assistance to export</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>10</td>
<td>1.3 .10</td>
<td>Number of MSMEs receiving trade capacity building assistance to export</td>
<td>212</td>
<td>435</td>
<td>18</td>
<td>83</td>
<td>74</td>
<td>37</td>
<td>212</td>
<td>250</td>
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<tr>
<td>11</td>
<td>1.3 .11</td>
<td>Number of persons (Salvadorans) trained in export development areas (entrepreneurs)</td>
<td>274</td>
<td>765</td>
<td>311</td>
<td>141</td>
<td>61</td>
<td>52</td>
<td>565</td>
<td>1,200</td>
</tr>
<tr>
<td>12</td>
<td>1.3 .12</td>
<td>Number of consultants trained in export development areas (consultants)</td>
<td>0</td>
<td>47</td>
<td>12</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>12</td>
<td>25</td>
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<tr>
<td>13</td>
<td>2.1 .13</td>
<td>Number of FIs receiving TA to improve and expand MSME loan portfolios</td>
<td>0</td>
<td>11</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>0</td>
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<td>6</td>
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<tr>
<td>14</td>
<td>2.1 .14</td>
<td>Percent change in active MSME borrowers in participating FIs (percent increase)</td>
<td>0%</td>
<td>0%</td>
<td>0</td>
<td>14.4%</td>
<td>0</td>
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<td>14.4%</td>
<td>8%</td>
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<tr>
<td>15</td>
<td>2.1 .15</td>
<td>Percent change in approved funding requests from FONDEPRO (percent increase)</td>
<td>0%</td>
<td>0%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0%</td>
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<tr>
<td>16</td>
<td>2.1 .16</td>
<td>Total value of equity investments in MSMEs (USD millions)</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0.6</td>
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<tr>
<td>17</td>
<td>2.1 .17</td>
<td>Total value of private capital deployed to MSME clients (USD millions)</td>
<td>0</td>
<td>$4.4</td>
<td>$0.4</td>
<td>$0.9</td>
<td>$0.8</td>
<td>$1.2</td>
<td>$3.2</td>
<td>$6.6</td>
</tr>
<tr>
<td>18</td>
<td>2.2 .18</td>
<td>Number of municipalities with strengthened or new one-stop windows (municipalities)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>19</td>
<td>2.2 .19</td>
<td>Number of municipalities with strengthened or new EMPRE units (municipalities)</td>
<td>0</td>
<td>11</td>
<td>0</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>10</td>
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<tr>
<td>20</td>
<td>2.2 .20</td>
<td>Number of public-private initiatives developed and implemented</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>15</td>
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<tr>
<td>21</td>
<td>2.2 .21</td>
<td>Number of BIDs established (BIDs)</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>3</td>
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<td>Number of proposals (drafts) for enacting new or amending existing laws, norms, and regulations to streamline administrative procedures and facilitate business activities and/or for improvements of implementation of existing laws and regulations (proposals)</td>
<td></td>
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FINANCIAL MANAGEMENT

The Project team is coordinating closely with the Palladium home office to ensure accurate projections and Project financial management. Palladium uses Deltek Costpoint, a federal government–approved financial control system that integrates contract management, invoicing, time-card management, project budgeting, cost tracking, and other accounting and administrative functions into one seamless operating system. Projected expenditures for this period and expected expenditures for the upcoming period are detailed below.

Note: the financial data provided in this section is an estimate of the financial condition and does not constitute the contractually required financial reporting as defined in the Award Notice.

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Total Budget</th>
<th>Total Obligated to date in Award. (A)</th>
<th>Total Actual Expended Amount as of September 30, 2019 (B)</th>
<th>Estimated Oct 2019 (D)</th>
<th>Estimated Nov-Jan 2020 (E)</th>
<th>Estimated Feb-Apr 2020 (F)</th>
<th>Estimated May-Jul 2020 (G)</th>
<th>Estimated Aug-Sep 2020 (H)</th>
<th>Total Expended and Accrued Expenditures at Sep 30, 2020 (I= (B+C+D+E+F+G+H))</th>
<th>Balance in Award as of Sep 30, 2020 (J= (A-I))</th>
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<tbody>
<tr>
<td>All Labor (incl. Fringe)</td>
<td>$16,048,408</td>
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<td>$4,588,020</td>
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<td>Other Direct Costs</td>
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<td>$3,799,627</td>
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<td>Subcontracts</td>
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<td>$1,166,145</td>
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<td>Total Direct Cost</td>
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<td>Indirect Costs</td>
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<td>Total</td>
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<td>$18,234,285</td>
<td>$13,435,311</td>
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<td>$477,264</td>
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DEVIATIONS FROM WORKPLAN

The limitation of US Government FY 2019 funding to Northern Triangle countries resulted in period of uncertainty, during which the Project suspended or slowed issuance of new grants, subcontracts, and activities requiring international travel. This limited the team’s ability to implement the Project’s approved FY19 workplan.

At the request of USAID, Palladium developed a Contingency Plan during Q4 FY2019 that modified the initial FY 2019 Workplan to enable us to continue achieving results with reduced resources. Upon its approval, the Project adopted the Contingency Plan as the Annual Work Plan for FY 2020.

The approved Contingency Plan includes: (i) the continued execution of five value chain grants and eight subcontracts and international trips already included in the approved FY 2019 work plan, and (ii) the downsizing of nine project staff, reduction to part time labor for two staff, and the freeze of 3 unfilled Project staff positions. The plan also reflects the shift in USAID’s priorities for El Salvador by focusing almost half of its budget on the development of the San Salvador Historic Center.

This new plan aims to increase the economic competitiveness of El Salvador by creating a self-reliant economy and skilled jobs to reduce migration. The plan reflects a balance between the three main priorities USAID has outlined for ECP, namely: (i) generate new jobs and new sales in the short-term; (ii) address business enabling environment constraints that will demonstrably advance the realization of ECP objectives at the national and municipality level; and (iii) play an increased role in the support USAID El Salvador has been providing to the development of San Salvador’s Historic Center.

In keeping with these priorities, several activities from the original WP were eliminated. The Project focused on implementing activities related to the following from the Contingency Plan, as reflected in this Annual Report:

- New Activities for Business Development and Job Generation
  - Strengthening of CONAMYPE’s business network
  - Strengthening the tourism sector (aligned with Surf City GOES flagship program)
  - Business Acceleration through BPeace Maximizer program
  - Five value chain development initiatives through grants
  - Franchise development program with COEXPORT

- Enabling Business Conditions for Investment Promotion
● Development of safe business corridor in San Salvador Historic Center (includes):
  ● Flor Blanca Business Improvement District (BID)
  ● Real Estate Developers / Investor Public-Private Coordination / Evaluation of public and private lands
  ● Investor’s Summit – portfolio for investment projects
  ● Formalization of vendors – Plazas Morazán and Bolívar
  ● Development of Municipal Investor’s Single Window
  ● Establishment of EMPRE unit.
  ● Provision of office space for the Municipal Coordination Unit for the Historic Center (CORE) to enable favorable business conditions in the Historic Center of San Salvador

● Policy reforms (includes):
  ● Policy formulation – Streamlined regulatory processes under Miempresa.gob.sv. initiative
  ● Institutional strengthening and support for CONAMYPE.
  ● Support for the development of PROESA’s strategic plan
LESSONS LEARNED

- Promoting a value chain strategy should be an important part of any economic development project. As anticipated in the proposal, the execution of the value chain initiatives is delivering significant results in terms of sales, specially exports, and jobs. Furthermore, the value chain initiatives have achieved the involvement and co-investment of BDSP partners, anchor firms, and MSMEs, tackling municipalities with high rate of undocumented migration.

- Focusing on export strategies is a must to help MSMEs grow. That is why the Project has focused on the design of programs, services, and specialized tools for MSMEs in the export sector, representing innovation in the area of business development services, and has generated great results through implementation with the appropriate partners i.e. the post-graduate degree in Foreign Trade, as well as the Revenue and Export Maximizer Program, etc.

- Decentralizing business development services is key to reach more MSMEs. To date, only the CDMYPE network has a strong reach outside of San Salvador. Also, a pool with opportunities to establish alliances between partners that naturally share efforts in similar fields of action or territorial coverage exists and the Project can help linking them.

- ECP’s approach to strengthening strategies for BDSPs should mandate strong implementation of an effective monitoring and evaluation system for continuous impact and good decision-making in future interventions.

- Team brown bag lunches implemented during FY 2019 have been a good practice to acknowledge subjects such as poverty, migration, culture, biodiversity, gender, and geography, and have a positive impact in the construction and implementation of activities. They also have shown to be a good initiative to integrate the work across the different components of the Project to achieve greater impact.

- Supporting medium-sized companies brings faster results in sales and job creation. Of all the job generation initiatives supported by ECP during FY 2019, those that generated more jobs and sales were the ones focused within medium-sized companies. While the Project should equally support micro, small, and medium-sized companies, it is important to note that support for medium-sized companies has a significant impact on the generation of job opportunities for potential migrants.

- Having the support of the Municipal Councils is essential for all activities on-site, like establishing the EMPRE units and Single Windows. It is also necessary that these entities are not associated with any political party to ensure the know-how transferred to their technicians is sustainable.

- The involvement of the private sector in working with the municipalities to improve their services rendered to the companies makes the results more effective. The support provided by ECP’s initiatives through the creation of Single Windows to streamline business processes at the municipal level takes into account the input provided by the private sector to become an effective approach to improve the business climate at the municipal level.
The Business Improvement District (BID) strategy boosts public-private dialogue that leads to joint initiatives that foster sales and job creation. Although the 20 BIDs originally planned in the FY 2019 Annual Workplan could not be implemented due to changes in USAID funding, the preparation efforts conducted by ECP in bringing the public and the private sector at the municipal level to work together demonstrated the benefits of supporting the development of public-private initiatives. Several of these initiatives continued the development of BIDs despite the lack of funding.

Implementers must have the flexibility and capacity to speedily react to change and demands of the client, and to redirect funds to the USAID Mission’s prioritized objectives. In spite of the challenging situations created by the reduction of USAID funds and shift of priorities for El Salvador and the region, the Project team was able to timely: (i) develop a Contingency Plan reflecting the budget restriction and the new priorities; (ii) implement the cut of some ongoing initiatives and release of Project staff so to adjust the Project’s budget accordingly and make the continuation of the Project financially viable; and (iii) comply with the technical and fiduciary requirements of this Project.