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USAID ECONOMIC COMPETITIVENESS PROJECT

Quarterly Report

First Quarter FY 2018: October - December 2017

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First Quarter FY 2018: October - December 2017

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ACRONYMS AND ABBREVIATIONS

A2F	Access to Finance
ABANSA	Asociación Bancaria Salvadoreña (Salvadoran Banking Association)
ACDMYPE	Asociación Centros de Desarrollo de Micro y Pequeñas Empresas (Association of Micro and Small Business Development Centers)
ADEL	Local Economic Development Association
AGEXPORT	Asociación Guatemalteca de Exportadores (Guatemalan Association of Exporters)
ALIE	Salvadoran Alliance for Innovation and Entrepreneurship
ASI	Asociación Salvadoreña de Industria (Salvadoran Industry Association)
BANDESAL	Development Bank of El Salvador
BCIE	Central American Bank for Economic Integration
BDS	Business Development Service
BDSP	Business Development Service Provider
CAMARASAL	El Salvador Chamber of Commerce
CASART	Cámara Salvadoreña de Artesanos (Salvadoran Chamber of Artisans)
CASATIC	Cámara Salvadoreña de Tecnológicos de Información y Comunicaciones (Salvadoran Chamber of Information Technology)
CASATUR	Cámara Salvadoreña de Turismo (Salvadoran Chamber of Tourism)
CCIES	Cámara de Comercio e Industria de El Salvador (Chamber of Commerce and Industry of El Salvador)
CDMYPE	Centros de Desarrollo de Micro y Pequeñas Empresas (Micro and Small Business Development Centers)
CIEX	Centro de Trámites de Importaciones y Exportaciones (Center for Import and Export Processes)
CLA	Collaborating, Learning, and Adapting
COEXPORT	Corporación de Exportadores de El Salvador (Corporation of Salvadoran Exporters)
COMURES	Corporación de Municipalidades de la República de El Salvador (Corporation of Salvadoran Municipalities)
CONAMYPE	Comisión Nacional de la Micro y Pequeña Empresa (National Commission for Micro and Small Enterprises)
COP	Chief of Party
COR	Contracting Officer's Representative
CORSATUR	Salvadoran Tourism Corporation
DCOP	Deputy Chief of Party
DICA	Dirección de Innovación y Calidad (Directorate for Innovation and Quality)
DNI	Dirección Nacional de Impuestos (National Tax Directorate)
DQA	Data Quality Assessment
EMPRE	Municipal Units for Enterprise Development
ESEN	Escuela Superior de Economía y Negocios (Superior School for Business and Economics)
FEPADE	Fundación Empresarial para Desarrollo (Business Foundation for Development)
FI	Financial Institution
FONDEPRO	Fondo de Desarrollo Productivo (Productive Development Fund)

FUNDEMAS	Business Foundation for Social Action
FUSADES	Salvadoran Foundation for Economic and Social Development
GIZ	Gesellschaft für Internationale Zusammenarbeit (German Corporation for International Cooperation)
GOES	Government of El Salvador
HEI	Higher Education Institutions
HQ	Headquarters
ICMA	International City/County Management Association
ICT	Information and Communication Technology
IICA	Inter-American Institute for Cooperation on Agriculture
INSAFORP	Salvadoran Institute of Professional Training
ISEADE	Instituto Superior de Economía y Administración de Empresas (Institute for Economics and Business Administration)
IDB	Inter-American Development Bank
ISDEM	Instituto Salvadoreño para el Desarrollo Municipal (Salvadoran Institute for Municipal Development)
ITCA	The Central American Technological Institute
ITIGES	Dirección de Innovación Tecnológica e Informática (Technological Innovation and Informatics Directorate)
M&E	Monitoring and Evaluation
MAG	Ministry of Agriculture and Livestock
MCI	Municipal Competitiveness Index
MCC	Municipal Competitiveness Committee
MCP	Municipal Competitiveness Plan
MEL	Monitoring, Evaluation, and Learning
MFI	Microfinance Institution
MINEC	Ministry of the Economy
MITUR	Ministry of Tourism
MOU	Memorandum of Understanding
MSMEs	Micro, Small, and Medium Enterprises
MSEs	Micros and Small Enterprises
NGO	Nongovernmental Organization
OCAT	Organizational Capacity Assessment Tool
OIRSA	Regional International Organization for Plant Protection and Animal Health
OMR	Organismo de Mejora Regulatoria (Regulatory Improvement Agency)
OVOP	One People One Product (Un pueblo un producto)
PROESA	Organismo Promotor de Exportaciones e Inversiones de El Salvador (Salvadoran Export and Investment Promotion Agency)
RFA	Request for Application
RFP	Request for Proposal
SMEs	Small and Medium Enterprises
SOW	Scope of Work
STTP	Secretaria Técnica y de Planificación (Technical Secretary for Planning)
TA	Technical Assistance
UNCTAD	United Nations Conference for Trade and Development
USAID	United States Agency for International Development
VC	Value Chain

PROJECT OVERVIEW

Program Name:	USAID Economic Competitiveness Project
Activity Start Date and End Date:	3/30/2017-3/29/2022
Name of Prime Implementing Partner:	Palladium International
Contract Number:	AID-519-C-17-00001
Name of Subcontractors/Subawardees:	Economic Development Advisors (EDA), International City/County Management Association (ICMA)
Major Counterpart Organizations	MINEC, PROESA, COEXPORT, CCIES, CONAMYPE, ACDMYPE, CDMYPEs
Geographic Coverage (cities and or countries)	El Salvador, Municipalities TBD
Reporting Period:	October 1 - December 31, 2017
Approval Date:	

EXECUTIVE SUMMARY

Project Overview

The USAID Economic Competitiveness Project (hereinafter referred to as “the Project”) is a 5-year activity designed to increase El Salvador’s key economic sectors competitiveness by strengthening the capacity of micro, small and medium enterprises (MSMEs) to compete in domestic and export markets. The Project will also improve the national and subnational business environment to encourage private sector investment, innovation, and expansion, fostering growth and job creation.

The Development Hypothesis is: if firms improve their business management skills through innovation and the implementation of new technologies, 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.

The Project will benefit over 10,000 MSMEs and 20 municipal governments by strengthening Business Development Service Providers (BDSPs) institutional capacity, increasing innovation and use of improved technology, easing access to finance, improving internationalization of MSMEs, generating better local economic development, and improving business environment at the national and local levels through better laws, policies and regulations. To achieve these results and impact, the Project has two key objectives:

1) Equipping for Growth, will increase the capacity of the private sector to compete in the export value- and supply-chains. Equipping for Growth will improve the capacity of BDSPs to support MSMEs through innovation and implementation of new technologies. The impact of this objective will be measured by the annual change in El Salvador’s non-traditional products exports.

2) Governing for Growth, will strengthen the national and subnational business enabling environment to make El Salvador more competitive. Governing for Growth will improve capacity of financial institutions to serve the large market segment of MSMEs efficiently and improve the business enabling environments at the national and subnational levels. The impact of this objective will be measured by the country’s improvements in the World Economic Forum Global Competitiveness Report.

Through implementation of 6 components under these two objectives, the project will catalyze inclusive and sustainable growth in El Salvador.

Progress this Quarter

This quarter, the Project provided training or technical assistance to over 300 MSMEs and project interventions led to over \$115,000 in new sales. The team made significant progress in developing joint initiatives with BDSPs, drafting MOUs with key partners including CONAMYPE, PROESA, and COEXPORT. The Project supported ImpactHub’s innovation programs, benefiting 30 MSMEs, and co-sponsored an exhibition space for 225 enterprises to display and sell their products. Eleven of those firms were identified to participate in an acceleration program with specialized technical assistance from local BDSPs. The team launched the X-Port Product and Service Pilot program with six high potential firms. The team also developed a pipeline of ten sector and value chain projects for immediate implementation. The Project supported trainings in exportation, free trade agreements, and food safety, benefiting hundreds of MSMEs. The team also built relationships with several financial institutions and selected 15 consultants to participate in our Financial Facilitator program, which will provide access to finance to MSMEs on a success-fee basis. The team signed MOUs with nine municipalities to begin joint initiatives in 2018, and began developing specific initiatives to streamline business procedures.



USAID and the Mercado Foundation awarded the "challenge yourself" contest to the companies with the best commercial potential

QUARTERLY PROGRESS AND ACHIEVEMENTS

OBJECTIVE ONE: EQUIPPING FOR GROWTH

Component 1: Improved Business Development Services to MSMEs

The principal BDSPs in El Salvador in both the public and private sectors have developed a wide range of capabilities and resources to assist MSMEs. However, they tend to work independently, missing opportunities to build synergies. They also tend to focus primarily on general business topics, rather than providing sector-specific services. The Project is working to increase quality of Business Development Services (BDS) to MSMEs, promote specialization among providers, and ensure sustainability of service provisions through institutional strengthening and coordinated activities. In FY2017, through meetings with various BDSPs, the team identified opportunities to address gaps in services, improve service quality and encourage collaboration between providers and complementarity of services provided to MSMEs. The team found that BDSPs are taking more interest in providing services to woman-owned businesses, as well as climate change topics in their services to MSMEs.

During Q1 of FY2018, the team places emphasis on building agreements with BDSPs and planning joint interventions. The team plans to sign Memoranda of Understanding (MOUs) that reflect these discussions and planning activities next quarter. These include: the National Commission for Micro and Small Enterprises (CONAMYPE), Ministry of the Economy (MINEC), Association of Micro and Small Business Developers (ACDMYPE), SWISSCONTACT/APICULTURAL SECTOR, INCUBATORS, the Chamber of Commerce and Industry of El Salvador (CCIES), VITAL VOICES, Corporation of Salvadoran Exporters (COEXPORT), ITCA/METAL MECHANICS. These partnerships seek to enhance the technical, sectoral and innovative focus of our partners on the services supplied to the MSMEs market.

1.1.1: Assess BDSP Supply and Demand and establish a BDSP Network.

The assessment of the ecosystem of partners and institutions providing services to MSMEs revealed several areas where existing supply of services fall short. These include the lack of effective export services, lack of an integrated strategy to support exporters, limited coordination among BDSPs and low specialization of BDSPs. These present opportunities for the Project to facilitate improvement and bridge

service gaps. This quarter, the project team developed concrete activities to be implemented with partners in FY2018, on issues of export promotion, mentorship and innovation management.

1.1.2: Develop joint initiatives with multiple BDSPs

In FY2017, the team identified BDSPs delivering mentoring services such as COEXPORT, Voces Vitales, HUB170, Impact Hub and CCIES. This quarter, the team defined the needs and developed terms of reference for a review of ongoing mentoring initiatives and a plan for standardization. This activity will be co-financed by the Project and partners, who are currently reviewing consultant proposals. We expect the diagnostic and plan to be complete next quarter.

This quarter, the team also advanced in a multi-stakeholder initiative to improve the quality of service provision related to export through a diploma program in foreign trade for consultants and companies. This will be implemented together with the Guatemalan Association of Exporters (AGEXPORT), CCIES, the Salvadoran Export and Investment Promotion Agency (PROESA), the Institute for Economics and Business Administration (ISEADE) and with the support of COEXPORT. The diploma course will focus on how to export using innovative and certified methodologies. It will be offered to companies and consultants on an ongoing, sustainable basis. We expect to sign an agreement in January, and for courses to begin in March. The Project will support course development, with technical assistance from AGEXPORT to transfer their methodology, and ISEADE contributing to marketing and course delivery.

The Project also continued to promote and participate in meetings with the InnovaES network this quarter, which has brought together at least 15 representatives of public and private organizations that provide services to MSMEs, and who participated in the mission to Medellin, is working in coordination with OIC2 to identify and prioritize activities aimed at promoting institutional strengthening with an emphasis on innovation and entrepreneurship.

1.1.3: Form strategic alliances with BDSPs to broaden and improve the supply of services with a sectoral and territorial focus

The Project team continued discussions with MINEC and COEXPORT this quarter to plan to deliver the high impact "Export with Quality" program where at least 35 companies from the food and chemical and pharmaceutical sectors will have the opportunity to be trained and advised on how to access new markets and increase their sales. This is a one-and-a-half-year certified program, at the end of which graduates will receive a diploma

The Project team advanced on a planned initiative to support the apiculture and metalworking sector this quarter. The developed a draft MOU to improve honey production, building capacity on quality standards and food safety regulations, aiming at increasing exports of this sector. Key partners for this work area are Swisscontact, Ministry of Agriculture and Livestock (MAG), Regional International Organization for Plant Protection and Animal Health (OIRSA), and the Salvadoran Institute of Professional Training (INSAFORP).

1.1.4: Support institutional strengthening of ACDMYPE.

This quarter, the project team delivered a workshop to identify priority needs of ACDMYPE. The leaders of OIC1 and OIC2 also held meetings with executive board members of Association of Micro and Small Business Development Centers (ACDMYPE), in which proposals for collaborative initiatives were submitted to the Project. The purpose of the submissions was to learn about the association's existing strategic plan and to help in identifying and prioritizing areas to be strengthened by the Project. The MOU drafting process has begun and by the start of next quarter the MOUs will be signed. Lastly, the Project team is coordinating with ACDMYPE on the O2C1 Financial Facilitators initiative. ACDMYPE will cover the cost of facilitators at CDMYPEs around the country.

I.1.5: Support CONAMYPE and CDMYPE network to expand and specialize their services, and to improve their M&E system.

During the last quarter of 2017, Project staff and CONAMYPE identified and established areas of potential collaboration at the national, municipal and sectoral levels to support comprehensive institutional strengthening as a key to provide better and new services to MSMEs. A series of meetings was held among representatives of CONAMYPE and the Project team led by the OICI manager and Objective 2 leader with the purpose of delving into and specifying the activities related to institutional strengthening and the SME system to be executed during the next two years, all of which were incorporated in an MOU to be signed in January 2018. The development of toolkits for CDMYPEs, assistance on “train the trainers”, monitoring and evaluation, and information system design and implementation is planned to start in February after signing the MOU with CONAMYPE.



Small companies participating at the Pre-Incubation Program for Dynamic start-up Ventures

Component 2: Improved MSME Use of Innovation and Technology

The USAID Economic Competitiveness Project seeks to increase innovation strategies for MSMEs in specific productive sectors and to create an ecosystem for innovation and entrepreneurship that includes funding and growth opportunities for innovative start-ups, with a focus on women and youth. The first year, the OIC2 team focused on initial research and mapping of activities to understand the availability of innovation services, the demand for services, and the readiness for investment in new initiatives. This quarter, the team has worked on developing innovation initiatives with partners and on building technological tools to facilitate support to companies.

I.2.1: Research, design and pilots to strengthen the innovation ecosystem

The Project recognizes that innovation is a catalyst for economic development and significantly impacts business competitiveness. With this in mind, the OIC2 team collaborated with the OICI team to map BDSP services in FY2017. The mapping includes innovation and technology-related services available to MSMEs and entrepreneurship development programs, and will be ongoing on a geographical basis as targeted municipalities are identified early in FY2018.

The team identified several promising initiatives as well as some gaps in the market and barriers to access services. In FY2018, the team is working to promote various initiatives aimed at strengthening the

supply of BDS that respond to MSME demand for innovation services, and continue to research and implement promising practices in innovation and entrepreneurship ecosystems in El Salvador and abroad.

Imagine Lab. the OIC2 team worked on the Imagine Lab experience report design during the first quarter of FY 2018, taking into account work recommendations in 6 areas: a) infrastructure, b) financing, c) entrepreneurship competitions, d) venture strengthening e) culture and f) regulations. The goal of this report is to identify Imagine Lab initiatives that can be replicated in El Salvador, identify success factors, and ultimately establish these financial and acceleration services in line with the Imagine Lab methodology in El Salvador.

Ruta N. the OIC2 team continued to coordinate with the participants of the mission to Medellin, Colombia this quarter, the Program for Technological Innovation (PROINNOVA)/FUSADES and the USAID Trilateral Program, and have identified the priority initiatives for local actors to develop synergies through cooperation mechanisms for their implementation in 2018.

In connection with these actors, the team helped to establish the “**Red InnovaES**”, or ES Innovation Network, Red InnovaES brings together representatives of public and private organizations from the innovation field in the country, as well as the participants to the Medellin mission, with whom awareness activities on innovation, entrepreneurship and exploration of the local environment were held. This network will serve as a platform to establish activities that will boost institutional strengthening and entrepreneurial and business development related to innovation and technology during the rest of FY18.

Locally, the team identified a series of BDSPs and held discussions with incubators/business development programs in the country (PROINNOVA, FUSADES, CCIES, Voces Vitales, Fundación El Mercadito, Hub170, ImpactHub, Germina Incubator of the UFG, Entrepreneurial Center of USAM, ITCA) and began identifying synergies and joint activities that will be developed in the course of FY18 to build awareness, train and identify more and new dynamic start-up ventures in the country.

c) The team helped to further develop ALIE this quarter, with FUSADES, ASI, CCIES and CASATIC and members of their Boards of Directors and also external boards to follow up the activities started in FY2017, which will in turn create a strategy platform that will stimulate dynamic start-up ventures, financing and the development of business opportunities and business management in the country. The Alliance is a private initiative that seeks to respond to the challenges of the country and to strengthen the environment and develop more and new specialized services in response to the demands of the business market.

I.2.2 Promote BDSP programs that accelerate innovation in MSMEs.

This quarter, the Project team supported the following initiatives:

- Congress on Innovation and Quality in the Food Industry in El Salvador, organized by PROINNOVA/FUSADES. The Congress is an annual event that brings together national and international business leaders and experts from the food and beverage industry in the country. 400 companies participated, and 12 consultants built their skills in food quality and innovation in the food sector.
- Supported ImpactHub’s pre-incubation program, which strengthened the business models of 30 SMEs.
- Through collaboration with El Mercadito, provided 255 enterprises with exhibition space, resulting in sales of \$ 55,098 in three days. Eleven firms were also selected for specialized technical assistance.

I.2.3 Promote innovation through sector strategies

In FY2018, the OIC2 team is focused on supporting the ICT Sector, based on consultations with the Salvadoran Chamber of Agriculture and Agro-industry (CASATIC) and the members of the Software Export Consortium. The team worked with 13 companies in the sector this quarter on developing a sectoral strategy that includes the promotion and implementation of the fair programming methodology that links the chaining and software export management actions, as well as the areas of:

- a) Digital Businesses Strengthening
- b) Products/technology design as services in specialized markets.
- c) ICT business models for software exports.
- d) Financing
- e) Fair programming – sectoral reputation

I.2.4. Develop IT tools for BDSPs, MSMEs and entrepreneurs to strengthen their business capabilities.

The Project seeks to increase the provision of services and resources to MSMEs, and coordinate BDS programs, but there are challenges in reaching a broad group of companies with information, in addition to inefficiencies in announcing opportunities and receiving applications, as well as the lack of a streamlined way to obtain timely data on participants and potential beneficiaries of various BDS programs. The use of technology is an innovative, practical and modern way of responding to these challenges, that will at the same time, strengthen existing and potential alliances among business development and entrepreneurship service providers.

This quarter, the team selected a technical proposal for the development of the ES+ Competitivo platform, a technological tool that will allow managing competitive calls and data on the entrepreneurs, and track the balance between the supply and demand of specialized services. This platform will also allow strengthening the Alliance for Innovation and Entrepreneurship and the related entrepreneurial development actors. The team expects development to begin in Q2 of FY2018.

I.2.5 Strengthen BDSPs and entrepreneurs through a Start-Up Fund

The Project will support early-stage entrepreneurs to promote new businesses by establishing a \$1 million grant fund to provide seed capital for Salvadoran start-ups, of which 20% will be set aside for women- and youth-run enterprises. The Project team is working on pilots and pre-incubation initiatives prior to launching the start-up fund. In the first quarter of FY2018, the OIC2 team carried out the following initiatives:

- A pilot to identify products with high commercial potential, carried out in December with the El Mercadito Foundation. Top products will receive support from AIES, to accelerate these products.
- In November-December 2017, the Pre-Incubation Program for Dynamic start-up Ventures was carried out together with the Impact Hub San Salvador, in which more than 30 enterprises received strengthening sessions in legal, operational, production and sales matters. Half of the enterprises have now gone through an incubation process sponsored by the Inter-American Development Bank.



Dan Buchner and Noelle Dye at the start of the “Export Product and Service Design Pilot Program”

I.2.6 Market Driven Product and Service Design

By the end of October 2017, the international consultant Dan Buchner pre-selected 8 of the 14 companies that applied to be part of the “Export Product and Service Design Pilot Program” initiative, which from now on will be referred to as “X-Port Studio Product & Service Innovation Pilot”.

The selection process included:

- Submission of a written application including average annual gross sales and exports, export markets and products, number of new products developed and launched in the past 3 years, and percentage of annual budget invested in R & D.
- One-on-one interviews with leaders of applicant firms, General Managers and in some cases board members, to gauge their level of commitment in terms of time and intent to diversify products/services and/or expanding markets.
- Submission of a document depicting the geographic and demographic market segment each company intends to design for, as well as the profile of each company that will be actively involved in all four of the three day workshops to be offered between January and June, as well as the field work in between workshops.

The technical profile, attitudes and mindset of team members is crucial for overall success. The two consultants returned to El Salvador in November for final interviews with the eight runner-up leaders and teams and a final selection was made. The companies that will participate in the “X-Port Product & Service Innovation Pilot study” are: Exporsal (handcrafts), Exportadora Rio Grande (Food Industry), Melher (Food Industry), Steiner (Food Industry), Iberplastic (Plastics Industry) and CONSISA (Information Technology).

During October and December both consultants also selected the Salvadoran designers that will join each company team.

Originally, the consultants were programmed to participate as speakers at CCIES’s Innovation Forum in November. However, the forum was reprogrammed for a later date, and instead the consultant gave a presentation of their assessment of the Salvadoran Design and Innovation Ecosystem to an audience of BDSPs, Higher Education Institutions and Project staff.

Upcoming activities for the second quarter of FY 2018 include the first and second workshops of the “X-Port Product & Innovation Pilot study”. As well as the first and second workshop of the “X-Port Market-Design driven Workshops”, a series of four different one day workshops for 20 additional companies, 7 additional designers and 8 BDSP consultants.

The four different one-day workshops will be a condensed version of the Pilot workshops through which participants will be exposed to the methodology and techniques of market-driven design, thus expanding local understanding of the value of market-driven design.

Component 3: Expanded Market Access for MSMEs

Many Salvadoran SMEs can compete effectively on the basis of quality and cost. There are many niches that such companies have been able to enter in US and European export markets, but a large number have had difficulty growing from those initial bases because of their limited know-how and technical capacity, and access to capital. Thus, MSMEs face a challenge in accessing markets, as they are unable to meet buyer demands for larger quantities and diverse product offerings. To address these challenges, the Project's strategy for increasing market access for MSMEs will focus on three key areas: (1) connecting MSMEs to international markets indirectly through value chain initiatives, (2) taking a sectoral approach, increasing collaboration and competitiveness in high priority tradable sectors, and (3) exploring new and innovative niches and opportunities for foreign trade. To ensure sustainability of initiatives, the C3 team will work closely with CI to strengthen BDSPs that serve MSMEs and implement initiatives in partnership with them.

1.3.1 Develop Value Chain alliances in priority tradable sectors.

Build a pipeline of potential value chains/alliance partners and start pilot initiatives

A pipeline of initiatives is currently ready. 10 potential projects have been identified and developed in the sectors of: food, crafts and design, creative industries, tourism, services and energy. All project initiatives have been analyzed considering their potential impact on job creation, local sales and export indicators. The following table highlights initiatives identified by the Project team for which extensive discussions have taken place, and/or initial actions are already underway.

Pipeline of Projects in Development		
Project Concept	Potential Partners	Sector
Design and implementation of an export strategy for high-end artisan designs in El Salvador.	Lula Mena and CONAMYPE through Oportunidad Pipil	Light Manufacturing
Value chain pilot in the tourism sector in the north of Morazán.	Hotel Perkin Lenca, Perkin Educational Opportunities Foundation, ADEL Morazán	Tourism
Pilot for the identification and acceleration model of high impact ventures.	ALIE, El Mercadito Foundation, businessmen and retail companies (for example, Super Selectos, Siman)	Multisectoral
Productive chains of SMEs with formal buyers and the use of financing mechanisms such as revolving funds.	ADEL Morazán, AMC. Agro-industry	Agro-industry
Provide specialized technical assistance to craft workshops so that they may increase their exports in the Municipality of La Palma.	Asociación Cayaguanca - CDMYPE Chalatenango	Light Manufacturing
Public-Private Partnership academy to promote a favorable business climate in San Miguel.	FUNDESSAM, ADEL San Miguel, UNIVO	Multisectoral/ Local Economic Development

Pipeline of Projects in Development		
Project Concept	Potential Partners	Sector
Promotion of Surf Tourism in El Salvador.	Surf Hotels, MITUR-CORSATUR, Salvadoran Surf Federation	Tourism
Enhance the Stop Over through the design and implementation of a promotion campaign.	The Salvadoran Chamber of Tourism (CASATUR)-ASOTUR, the Ministry of Tourism (MITUR)-the Salvadoran Tourism Corporation (CORSATUR), CEPA, Avianca	Tourism
Promote the plastic recycling value chain to produce synthetic fabric.	UNIFY, Heat Shrink, FUNDEMAS, Ministry of the Environment and Natural Resources, Municipal Governments, companies that manufacture recycled PET containers.	Light Manufacturing
Potential joint venture with local and foreign investment for the industrialization and export of cocoa, taking advantage of commercial treaties.	Companies in the Cocoa Sector of El Salvador and Ecuador (for example, Melher, Shaws, Pacari, among others).	Agro-industry

Additionally, the team has identified several potential “anchor firms” that could serve as leaders of value chain projects. These initiatives are still under development. .

Advance Pipeline of Anchor Firm Projects	
Company	Sector
Los Quesos de Oriente	Agro-industry
Calzado GW	Light Manufacturing
Geotourism	Tourism
Gotera (Mama Lycha)	Agro-industry
Agroindustrias Polita	Agro-industry
Grupo Campestre	Agro-industry
Pan Josseph	Agro-industry
MERELEC	Services
Artcode	Services
SAG S.A de C.V	Services

Ethnic Food Producers and Exporters

The team identified that one of the main needs for the growth of companies is of a financial nature. Based on this need, meetings were held with COEXPORT to create a strategy for approaching companies, in which financial solutions can be offered. The team is linking these companies with the financial facilitators from Component O2CI that support Salvadoran SMEs with financing through local banks in order to improve their sales/exports.

I.3.2: Facilitate market linkages through a sectoral approach.

Tourism Sector - Design of a market promotion strategy for the tourism sector.

The team worked on a draft MOU, which is under review by both CORSATUR and the Project team. It is expected that the MOU will be signed next quarter. T

The following are the activities identified and to be developed in 2018 for tourism under the MOU:

Activity	Products
Design of the tourism product for the Gulf of Fonseca, La Unión	Development of the tourism situational analysis in the Gulf of Fonseca; design of the tourism products under international standards; development of the promotional kit for domestic and international trade.
Draft of the commercialization plan for the following segments: 1. Sol y Playa (Malecón, Playa El Tunco and the Gulf of Fonseca) 2. Welfare and Health	Drafting of the Marketing Plan for each segment, starting with the preliminary analysis of the current situation versus the desired one, with a domestic and international focus, and prioritizing components on governance, systematization, work networks and value chains/marketing.
Development of a Foreign Promotion Plan	Development of a national strategic plan to develop and promote certain tourism niches, involving other tourist institutions. The specific activities are still to be determined and defined, based on Project goals and aligned within the general framework of Value Chain development currently being identified through activity 1.3.1 of this component. To illustrate, and as part of the initial identification of value chains, the following is expected: a) productive chain pilot in the sector of tourism in the northern part of Morazán; b) promotion of surf tourism in El Salvador; c) enhanced stop over through the design and implementation of a promotion campaign.

Tourism Sector - Design of an Institutional structure and certification for care services abroad.

The Ministry of Tourism (MITUR) and CORSATUR progressed in developing quality standards for the industry in 2017. The team plans to work with CORSATUR throughout FY2018, to a national medical tourism seal. This quarter, the team developed a SOW for a consultant to work on the process; the consultancy will take place next quarter.

1.3.3: Support BDSPs to implement ongoing export initiatives.

Food Safety Modernization Act (FSMA) training.

In November the team supported the "Food Export Challenges in 2018" forum organized by COEXPORT. The purpose of this event was to raise awareness of the importance of food safety programs in the companies to ensure that the exported goods comply with the requirements established by the FDA in the FSMA. 74 businesspeople participated in the event. The team will continue to support the strategy throughout the year through the Preventative Controls Qualified Individuals program and training featuring FDA agents on inspection processes, in addition to the Export with Quality program, managed under OICI, in which the companies will be assisted to overcome the restrictions that hinder potential exports to the US.



The Project supported the “Food Export Challenges in 2018”, organized by COEXPORT.

Sabios y Expertos Program (S&E) consultancies

The team drafted an MOU this quarter with S&E Initiatives will focus on the development of new markets for MSMEs, improvements in production efficiency and the design of new products among other contents of the consultancies provided by international experts who will accompany Salvadoran companies. Activities are scheduled for the second quarter of 2018.

"From Entrepreneur to Exporter" training by the Chamber of Commerce.

This quarter, the Project support the “From Entrepreneur to Exporter” workshop, which 82 businesspeople from different sectors attended. They learned about basic export processes, the barriers real companies face, and about export success stories. Based on this training, the Chamber of Commerce is working together with the OIC2 team to create a tool that will diagnose the level of development of new companies, to offer technical assistance or other programs according to the level of development of these companies.

Awareness building to “Take advantage of FTAs in the country” – El Salvador – Chile-PROESA.

With the objective of raising awareness on the use of free trade agreements (FTAs) between El Salvador and other countries, the Embassy of Chile in El Salvador, PROESA and the Project held a one-day training on the use of FTAs between El Salvador and Chile as well as to establish a business council, which included presentations from tariff experts, and commercial opportunities with Chile for the creation of joint ventures. During the event, the initiative to set up the El Salvador - Chile Business Council was also launched, with an objective to maximize the use of FTAs as an export platform to third countries.

Support to the Export Diagnostic strategy with COEXPORT.

Many companies lack the capacity to accurately assess their export-readiness. As a first step to overcome this challenge, the Project supported a training on "Tips and good practices to create an export business" attended by 30 companies from different sectors. During this activity, a pilot test of an export self-diagnostic tool was carried out, which is expected to be used during second quarter of FY2018 to determine the needs of companies, and provide assistance on export issues.

1.3.4: Technical Assistance to develop other potential export strategies.

Bilateral Trade with Asia

Following the findings of Vikas Verma the consultant on "commercial relations with India", this quarter, the Project team set up a committee comprised of: PROESA, Chamber of Commerce and Industry of El Salvador, COEXPORT, MINEC, Ministry of Foreign Affairs, CASATIC and private companies. The objective is the organization and execution of an inbound commercial mission from India to El Salvador, to explore the potential of investment in the country as an export platform to third countries, taking advantage of existing trade agreements. The mission is scheduled for the third quarter of FY2018 and will be preceded by a "trade with India" awareness event that will be organized by the Chamber of Commerce and Industry of El Salvador.

E-Commerce for MSMEs.

The Project team developed a strategy to support MSMEs in E-Commerce. The strategy is to use Amazon and its "Fulfilled by Amazon" service, and to identify the companies that can become sellers using this tool, given their managerial capacity, market knowledge and capacity to consolidate shipments of Salvadoran MSMEs to the Amazon warehouses under one single brand. The plan is to start a pilot with a trading company that has the characteristics mentioned above next quarter.

OBJECTIVE 2: GOVERNING FOR GROWTH

Component 1: Expanded Access to Finance for MSMEs

The Project's approach to access to finance addresses the supply, demand, and enabling environment aspects of MSME finance simultaneously. Our approach is structured around (1) credit supply-side concerns, (2) improving MSME credit demand, (3) and incentivizing intermediation services and improving the enabling environment. During FY2018 the team is advancing five key lines of work initiated in FY2017: 1) On the supply side, the team is engaging and selecting Financial Institutions to participate in the project under MOUs. 2) On the demand side is obtaining current information on the financing requirements of MSMEs (and how these are met by the FI suppliers). 3) The team is creating an active network of qualified and effective BDSPs and consultants which, based on a success-fee approach, will assist and shepherd the MSMEs in their process of preparing for and securing financing. 4) The team is engaging FONDEPRO with the aim of conducting a rapid review of FONDEPRO's procedures to later assist in enhancing their efficiency. 5) The team has begun setting the groundwork to determine the viability and then facilitate the establishment, during FY 2018, of a vehicle to undertake private equity or quasi equity investments in MSMEs.

2.1.1: Identify and select partner Financial Institutions

During Q1 FY2018, the team selected eleven financial institutions:

- | | | |
|-----------------------------|--------------------|-----------------|
| 1) Banco Agrícola | 5) Banco G&T | 9) BFA |
| 2) Banco Davivienda | 6) Integral SAC | 10) Credicomer |
| 3) Banco Promérica | 7) Banco Cuscatlán | 11) Fedecrédito |
| 4) Banco de América Central | 8) Banco Azul | |

All of the above confirmed their interest in participating with our project, O2CI staff visited them to, among other things, verbally advance the key aspects of the MOU that the team was preparing. We also informed them that before the final bi-lingual document (MOU) was ready, we would provide them with

a draft version in Spanish, so that their management/ legal departments could start reviewing it and make any observations.

A2F prepared and submitted the MOU to USAID in mid-December. On December 22nd USAID requested some modifications, which were effected and the document was resubmitted the same day. As agreed, the Spanish draft version was advanced to the FIs and by December 29th, and four FIs had agreed and were in position to sign their MOUs once we furnished the final bi-lingual version:

- | | |
|----------------|----------------|
| 1) Integral | 3) BFA |
| 2) Hipotecario | 4) Fedecredito |

Discussions with the other FIs are ongoing. The A2F team expects signing of at least 3 MOUs during January, 2018.

2.1.2 Provide access to finance assessment and improve FI services to MSMEs

To ensure that Project activities are based on the most recent and accurate information regarding access to finance, the OI/C2 team is planning to conduct a rapid access to finance assessment. The assessment will include an MSME market study of end users from bank portfolios as well as from direct MSME associations and other entities involved in servicing/supporting MSMEs. During the visits to selected FIs to negotiate the MOU we asked that once we executed the MOUs they supply us with the contact information of some 50 customers so that we could include them in the project's nationwide survey to best assess the ways to improve supply and delivery of financial products and services to MSMEs in El Salvador.

2.1.3 Facilitate private equity funding for MSMEs

The OI/C2 team identified the potential entities/participants (foreign and local) for a future private equity fund. The team identified and selected an international expert to investigate the potential of creating an equity fund in El Salvador. With the support from that international financial consultant, the Project has made significant progress in attracting risk capital investment funds and non-banking financial institutions interested in offering new products for the productive chains and financing exports. The Project team continued to build relationships with equity funders in Q1. The team also plans to use financial facilitators to increase equity funding to MSMEs when that program is underway during Q2 and beyond.

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 and MSMEs. To do this, the Project will create a network of "financial facilitators" - BDSPs and private consultants - under performance-based subcontracts for which fees are paid upon successful acceptance and disbursement of loans or completion of equity investments for MSMEs.

This quarter, the team completed the selection process for individual consultants and began the process of contracting 15 initial facilitators. They are expected to be under contract in January, working a pipeline of potential deals. The Project team also held discussions with ACDMYPE to integrate financial facilitators from CDMYPEs into the program, with ACDMYPE covering the cost of facilitation.

2.1.5 Strengthen FONDEPRO

During Q1 of FY 2018, there was significant advance in developing a concrete plan for support to FONDEPRO. However, the team working on developing value chain projects has identified several opportunities to involve FONDEPRO in funding value chain initiatives. Discussions with FONDEPRO and MINEC will be ongoing in the next quarter.

Component 2: Improved Municipal Services to Businesses

Under this Component, the Project aims to foster a more favorable business enabling environment in 20 targeted municipalities. The Project will support mechanisms for the prevention of violence, as well as assistance to companies and simplification of business processes at the municipal level through the creation of Municipal Units for Enterprise Development (EMPRES) and the Single Window for Business Processes.

The O2/C2 team will promote a common agenda, with public and private buy-in, to boost local economic growth and strengthen mechanisms and strategies to prevent violence and improve local governance. Along these lines, the Project will support the development of public-private partnerships (PPPs) and other collaborative initiatives by supporting Municipal Competitiveness Committees (MCCs) and the development or updating of Municipal Competitiveness Plans (MCPs). The Project will work with the MCCs to identify productive projects that will contribute to local economic development and can be supported through the Project's grant fund. The team will also collaborate with Municipal Violence Prevention Committees (MVPCs) to design of Business Improvement Districts (BIDs) and identify security initiatives that can be supported through grants.

2.2.1 Select at least 20 municipalities for Project interventions.

In FY2017, the Project developed, and USAID approved, selection criteria for municipalities to work with during life of project. Criteria prioritize areas which include the municipal administration, municipal enabling environment, economic potential, and commitment of counterparts. The team developed a competitive process open to the 50 municipalities included on the initiative "*Plan El Salvador Seguro*." The team reviewed expressions of interest, and made a preliminary selection.

This process was approved by USAID on November 7, 2017, resulting in the selection of 26 municipalities, 21 where more comprehensive Project interventions are expected, and five that will partake in specific selected interventions. Of the 26 municipalities, only one of them is not included in the PESS municipalities. Antigua Cuscatlán is this municipality, which was selected because it has a large number of large and medium-sized companies that can be integrated into value chain initiatives, and representatives also showed great interest in participating actively in the Project.

2.2.2 Start-up and planning of municipal activities

The team has carefully reviewed strategies and lessons learned from previous USAID and other donor interventions. And the team held meetings with ongoing projects to ensure coordination rather than duplication. With this information in mind, the O2 / C2 team formulated a MOU proposal which was approved by USAID on November 30, 2017.

The team coordinated meetings with mayors, key personnel and Municipal Councils of 15 municipalities in order to present the Project and content of the MOUs model, leading to the signature of nine MOUs so far. The team will hold meetings and request the signing of MOUs with municipalities still pending. With the municipalities where MOUs have already been signed, the team will conduct an assessment to gauge the level of development and needs in each municipality, with a focus on the EMPRE, Single

Window, MCC, MCPV and participatory processes with the aim of formulating a work plan for each municipality. This process will begin in the month of February, 2018.

2.2.3 Support ESEN in implementing the Municipal Competitiveness Index (MCI).

In FY2017, the team held initial meetings with representatives of the Superior School for Business and Economics (ESEN). They found that the MCI had not been implemented since 2013 due to lack of resources, but agreed that it serves a valuable purpose in promoting local economic development. As such, the team agreed that the priority is not simply implementing the MCI, but developing a strategy for its sustainable implementation in the future.

Based on the new vision, in the first quarter of the FY2018, the team prepared a draft proposal on the conceptualization of the Advisory Board of the MCI, defining its purpose, the members proposed for their creation, as well as, its main roles and responsibilities. As agreed, the proposal will be discussed with ESEN representatives in early January 2018, when it will also be defined the joint work plan and the MOU that would seal the alliance between the two parties. The team expects that the MOU will be signed during the 3rd Quarter FY 2018.

The team also initiated contacts with representatives of the CAMARASAL as a potential member of the Advisory Board. Talks with CAMARASAL will continue in January 2018.

2.2.4 Support municipalities to develop Municipal Competitiveness Plans.

The needs assessment in each municipality (Activity 2.2.2 above), to be finalized by February 2018 as planned, will provide the team with information on the status of MCPs and any other participatory planning instruments that the municipality is implementing. With this information, the team will prioritize areas to emphasize technical assistance in FY2018.

During the following quarter it is expected to obtain the commitment (buy-in) of the municipalities to review and improve the municipal planning methodology as well as the effective participation of the private sector in the formulation of the competitiveness plans. The formulation of the competitiveness plans is subject to the political conditions of the country, in particular the municipal elections and the subsequent integration of the Municipal Councils on May 1, 2018.

2.2.5 Provide TA to municipalities to improve the business enabling environment.

Under this activity, the Project team will seek to create and strengthen EMPRE units at the municipal level, and encourage and support municipalities in simplifying business processes and regulations through a Single Window system (SWS). This activity is expected to initiate as planned, in February 2018.

During January-March 2018, the diagnoses that will provide the details of the needs of the municipalities in the two subjects (EMPREs and SWSs) will be completed. However, the beginning of this activity is subject, as in the case of competitiveness plans, to the electoral situation.

2.2.6 Provide TA to Municipalities in Crime and Violence Prevention

During FY2017, work was done on the documentation of Business Improvement District (BID) experiences. On this basis, with subcontractor ICMA during the second week of January 2018, with visits to the municipalities, meetings with USAID projects related to the subject, and detailed planning of upcoming activities in the scheduled period, particularly in the criteria for the selection of BIDs in the prioritized municipalities. The ICMA intervention includes the establishment of baselines, committees and plans for the prevention of crime and violence.

2.2.7 Grants Program Implementation.

The Project team submitted the draft Grants Manual for approval to USAID. The Grants Manual is still in the process of being reviewed by USAID.

During the quarter, a draft proposal for Expression of Interest (EOI) and Request for Application (RFA) were formulated in preparation to make the first calls for the award of Grants. The team is hopeful to have the approval of the Grants Manual by USAID in January 2018 to initiate the application process in February. Once the Grants Manual has been approved and the approved RFA is in place, the respective committees will be established and the team will begin disseminating information to potential grantees. This will include a presentation to include: an explanation of the competitive application process, selection, evaluation and award process, with emphasis on compliance with delivery dates, preparation of the technical and economic proposals, indicators table, due diligence and environmental requirements.

2.2.8 Economic strengthening through the One Village One Product (OVOP) program.

During this quarter the team worked on a MOU proposal jointly with to define the lines of work which will focus on supporting companies with export potential, in terms of development and improvement of product and packaging, commercial promotion and training in export issues.

The signing of the MOU is expected in January 2018 to initiate actions of alliances with the providers of development services for the implementation of support for the OVOP program.

2.2.9 Capacity-building in governance and local economic development

During this quarter progress has been made in defining the scope of training in local economic development which will be aligned with the new approach of the competitiveness plan methodology (Activity 2.2.4), once this activity is completed the process will begin of formulation of the content of the training and of the institutional alliances for its implementation.

Component 3: Policy, Regulatory and Procedural Reforms

The business enabling environment in El Salvador has been extensively analyzed, and the key obstacles for private sector growth are well-documented. From the myriad regulatory, legislative, and institutional issues to address, it will be critical for the Project to prioritize the most pressing ones and design a plan to operationalize support to the right stakeholders. Our approach is to focus on the specific obstacles that are keeping key sectors from growing. Having identified critical issues, this quarter, the team is promoting and supporting necessary policy reforms to streamline and simplify procedures to allow businesses faster access to markets, finance and technology, while complying with government requirements and controls.

2.3.1 Develop set of policy, regulatory, and legislative priorities to improve the business environment.

This quarter, the team engaged with GOES, USAID and USG donors and other donors to identify opportunities to streamline procedures and improve the regulatory framework for businesses. During FY2017, O2C3 completed the Policy Assessment and Prioritization Report.

2.3.2 Promote an improved regulatory framework for MSMEs

Based on the prioritization analysis, the project has conducted consultations to validate and identify other specific opportunities to improve the business environment that can have a concrete impact in reducing the costs of doing business and improving competitiveness in the following sectors:

- Streamlined procedures

- Improved Access to Finance
- Export logistics
- Standards and quality compliance for exports
- Improved logistics efficiency
- Sector specific policy and regulatory issues

During Q1 of FY2018, the O2C3 team coordinated strategically with other Project components that are working on sector-specific strategies. During Q1 the team started consultations with COEXPORT, CONAMYPE, banking and finance and tourism sectors to validate policy reform priorities.

Streamlined Procedures:

Delay in Value Added Tax Returns to Exporters. During this phase, we have identified the one of the pressing policy issues for El Salvador exporters that operate outside of Free Trade Zones is the lack of value added tax (VAT) return on exports by the Ministry of Finance. In consultations with COEXPORT, the Project team has identified, that despite the good intentions of the government to improve the times to issue a resolution, the process remains a significant financial burden for exporters. Both from the Ministry of Finance perspective, as from the Exporters' point of view, the process can be improved to be more agile, transparent, and to ensure risk management to prevent fiscal fraud. During Q2, the team will continue engagement with COEXPORT and the Ministry of Finance through USAID Resource Mobilization Project to define the viability of an improved VAT return procedure for exporters, based on international best practices.

Mapping procedures for Closing a Business. O2C3 is mapping the procedures for closing individual businesses and legal entities, which is one of the main disincentives for formalization in El Salvador. During Q1 FY2018, Ms. Gabriela Valladares, ESEN intern, supported the team in mapping procedures for individual businesses. Procedures, forms and requirements are uploaded in Tramites.gob.sv after UNCTAD e-regulations methodology. During Q2 FY2018 the team will complete mapping closing procedures for legal entities. The mapping, requirements, forms, costs, and times will allow to determine opportunities for a simplification proposal.

Improved Access to Finance:

The O2C3 team is conducting consultation with banking and finance sector to identify priority issues.

Improved quality and standards system:

The O2C3 team is conducting consultations with COEXPORT, CONAMYPE and tourism sectors to validate priorities.

Logistics efficiency:

Preparation for the Customs Union. During Q1 FY2018 the government of El Salvador started negotiations to integrate in the Customs Union trade scheme with Guatemala and Honduras. The Customs Union entails deeper integration obligations and procedures which will impact private sector operations in the short term. In preparation to comply with new procedures to take advantage of increased trade integration with Guatemala and Honduras, the Project is engaging with COEXPORT and other private sector key stakeholders to plan a one-day workshop to share the experiences of Guatemalan and Honduras counterparts in the implementation of Customs Union Procedures. The goal of this activity is to inform exporters, importers, transporters and Customs Agents about the new requirements and procedures that will affect trade operations. The views and proposals of the private

operators will be documented and presented to the Government of El Salvador to support the negotiations and the implementation of new procedures.

The O2C3 team will continue supporting one of El Salvador's main foreign trade policy initiatives, also highlighted as a priority under the Alliance for Prosperity (A4P). As necessary, the project will facilitate and provide support to capacity building events for the Customs Union with Honduras-Guatemala during FY2018, in coordination with other USAID projects.

Simplified Export Procedure for MSMEs (Exporta Facil). During Q1 the team began consultations with the Central Bank of Reserve Center for Imports and Exports (CIEX), El Salvador Postal Service (Correos de El Salvador), COEXPORT and the General Customs Directorate. A simplified export initiative for packages under 30kgs was implemented between 2008-2011, but did not progress due to lack of coordination between actors. The team consulted about the interest and viability of re-launching this initiative. Correos de El Salvador Director, Margarita de Orteiz demonstrated great interest and presented the progress made and the critical mass achieved in the services of sending small packages mainly to the US, Canada and Mexican markets. Correos de El Salvador possess a good infrastructure to gather small packages send by MSMEs country wide and consolidate air shipments to main export markets. The team also conducted research and communications with other Export Facil experiences in Latin America. Information gathered will allow to begin structuring a program outline for technical assistance to start this initiative, including the interoperability of customs and border controls, postal service logistics, customer service, and e-commerce support for marketing to MSMEs.

Sector Specific policies and priorities:

Analysis of the Policy Environment for the Tourism Sector. During Q1 the Project's consultations with key stakeholders in the tourism sector have identified opportunities for reform. El Salvador Tourism Law contains fiscal incentives for investors, which need to be revised before 2019/2020; transit authorizations for tourism buses are complex and restrictive, especially for MSMEs; enforcement of waste and water management is necessary to promote tourism, especially in the Sun and Beaches segment; technical certifications are necessary for tourism service providers specialty sectors. O2C3 team is preparing a policy analysis to identify priorities to support the Project objectives for this sector, which is one with high potential for El Salvador's MSMEs. The analysis report will be completed during Q2 FY2018.

2.3.3 Promote “Gobierno Electrónico” Strategy.

Implementation of the Electronic Signature is necessary to simplify administrative procedures and promote electronic transactions. The Law and its regulations are in force, and the Ministry of Economy is in the process of implementation of the Root Unit for Certification of the Public Key Infrastructure (PKI). After El Salvador's Electronic Signature Law, only the certified signatures are legal for administrative and judicial purposes. The Project O2C3 and O1C2 teams, have followed up closely this initiative. The Ministry of Economy (MINEC), with support of the World Bank Group, has defined the standards to implement the Public Key Infrastructure (PKI) to install the root unit required for the Electronic Signature. After request of USAID, the Project submitted an analysis of the Electronic Signature technical assistance request and budget of the Ministry of Economy. Successful implementation of the Electronic Signature requires a strategic alignment of actors. The Certification organization technological capacities, as well as the critical market size need to be considered in the implementation process. So far, the Ministry has formed the Technical Committee, with representation from the private sector and the academic sector. MINEC has presented the standards for consultation to the Technical

Committee. As of December 31, 2017, MINEC had not issued any terms of reference for procurement of the PKI root unit.

The Project will continue following up closely and identifying opportunities to increase the knowledge and information of key decision makers to ensure that a viable and cost-effective system of electronic signature is in place to further support simplification of administrative procedures and electronic transactions.

2.3.4 Support MINEC to implement *miempresa.gob.sv*

Miempresa.gob.sv became the official single one-stop platform for registration of new businesses. Through a single registration form, a new registrant can perform the eight procedures required to establish a business: tax identification; value added tax; registration with the National Directorate of Statistics (DIGESTIC); business registration number at National Registry Center (CNR); registration as employer at the Ministry of Labor; registration at the Salvadoran Institute of Social Security (ISSS), enrollment with pension funds (AFP CONFIA or AFP CRECER) and municipal permits at Santa Ana and San Salvador municipalities. Procedures have been streamlined through the United Nations Conference for Trade and Development (UNCTAD) e-registration and e-regulations methodologies, but further capacity building is necessary.

BDSPs (CDMYPES, credit associations, and NGOs) need to be trained and guided in assisting their clients to use the platform for first time registration. In November 2018, the Project staff conducted field visits to CONAMYPE regional offices in Santa Ana and Sonsonate. These visits confirmed the opportunity to enhance the knowledge of BDSPs and provide tools to businesses to perform procedures online, without the need to travel to the Capital city of San Salvador. The Project continues working closely with MINEC National Directorate of Investment (DNI), UNCTAD, the Regulatory Reform Body (OMR) and CONAMYPE to define the support required to strengthen existing capacities of institutions to further streamline procedures. Ms. Julia Rosa Lima de Rivas, experienced economic development consultant, is conducting an assessment, to be completed in April 2018, to identify the needs and opportunities to increase the capacities of BDSPs to support their clients in the use of MiEmpresa.gob.sv platform. This assessment will also look at the indicators, how BDSPs document their policy compliance efforts, and their assistance services. This activity will be carried out in close coordination with OICI.

During Q1 FY2018, in coordination with MINEC/DNI and UNCTAD, the Project completed a competitive procurement process for hiring a six months' technical assistance to improve MiEmpresa.gob.sv registration procedures. An experienced corporate lawyer will work with regulators, under DNI coordination, to identify the remaining bottlenecks in business registration procedures.

2.3.5 Support a National Formalization Strategy

To support CONAMYPE in the formulation of a national campaign and a MSME formalization strategy, the team will work in assessing what are the key incentives that motivate formalization. During Q1 FY2018, the team started coordination with CONAMYPE to define a joint action plan. Coordination will continue during Q2. We will also support formalization through the promotion of the use of MiEmpresa.gob.sv, as a simplified platform for registration, and the proposed Single Simplified Tax for MSMEs, that is being proposed by the Ministry of Finance, with support of USAID.



USAID Mission Director and Carlos Arce, COR, at the launch of the “El Salvador es más” radio show.

CROSS-CUTTING INITIATIVES

Communications

On October 12th, 2017, USAID approved the project’s “Branding Implementation and Marking Plan” and the strategy plan for Social Networks and the awareness radio campaign “*El Salvador es más*”. Following the USAID approval, the communications team defined a public communications strategy and the project’s graphic identity.

On October 24th, 2017, the project started implementation of its **social networks** strategy in order to provide effective, informative, participative and innovative communication. The social networks focus on young entrepreneurs or future entrepreneurs, MSMEs, public opinion and allied institutions or possible allies. The identity for these social networks is “*El Salvador es más*”, strengthening the positive message and facilitating the promotion of the programmatic contents of the project.

- Facebook Fan Page: “***El Salvador es más***”
- Twitter: “***EISalvadorEsMas***”
- Issuu (for online documents publication): “***Proyecto de USAID para la Competitividad Económica***”

The Project’s Facebook fan page reached 4,007 new likes between October 24th and December 31st, 2017. During the same period 289,126 people saw some content associated with the Project’s page. 6,973 people interacted with the page, these actions include liking the page, posting to the page’s timeline, commenting or sharing one of the page’s posts, answering a question posted and mentioning the page. Twenty-five entrepreneurs promoted their products to the Project’s fans.

On November 22nd, 2017, the Project distributed its first **virtual newsletter** to 179 individuals including partners, representatives from the private sector, BDSPs, municipalities, government, donors, etc. The newsletter is sent every two weeks featuring information about the project’s main activities, goals, achievements that are related to stakeholders. By December 2017 the Project had sent 3 newsletters to a database of 244 individuals.

Radio broadcast and podcast to promote “El Salvador es Más”. In alliance with top local radio show “Pencho y Aída” the Project started development of a 12-episode radio series. This campaign features a 20-minute interview once a week over the course of three months to present positive examples of Salvadorans that have made an impact in the country. The podcast is later extensively shared through the Project’s social networks. On November 30, 2017, USAID El Salvador Director Peter Natiello and Carlos Arce were guests on the radio show Pencho & Aída. During the interview, one of the most listened-to morning shows in the country, the director of USAID shared with the audience the different USAID initiatives in support of the economic development of El Salvador. Additionally, the director motivated the audience to tune into the program “El Salvador es más”, a space to share positive stories about outstanding Salvadorans and their products. Carlos Arce highlighted the objectives and activities of the USAID Program for Economic Growth and its impact on the development of the country.

On December 1, 2017, the project launched its radio show “El Salvador es más” with the interview to the creator of Vaiza Designs, Violeta Martínez, a successful Salvadoran entrepreneur who designs purses, bags and shoes. Thanks to the support from USAID, in 2013 she was able to start her business and reach international markets, even painting by hand a piece from the latest collection by Venezuelan designer Carolina Herrera. Following the radio strategy, next guest included COEXPORT President, representatives from private entrepreneur company “Alimentos Lupita”, and Claudia and Harry Washington, Salvadoran exporter designers.

“El Salvador es más” radio podcasts		
DATE	SPECIAL GUEST	PODCAST LINK
November 30, 2017	Peter Natiello and Carlos Arce	https://www.facebook.com/1344568888945879/videos/1491077914294975/
December 1st, 2017	Violeta Martínez, VAIZA Designs	https://www.facebook.com/1344568888945879/videos/1492158927520207/
December 8th, 2017	Marvin Melgar, COEXPORT President	https://www.facebook.com/1344568888945879/videos/1501303163272450/
December 15th, 2017	Luis Enrique Munguía, Alimentos Lupita Manager	https://www.facebook.com/1344568888945879/videos/1507950485941051/
December 22nd, 2017	Claudia & Harry Washington, Salvadoran exporter designers	https://www.facebook.com/1344568888945879/videos/1511661592236607/

The communications team is in consultation with PROESA to identify strategic activities for video campaign design and implementation.



Monitoring and Evaluation (M&E)

The Monitoring Evaluation and Learning (MEL) team implements M&E tools to promote continual feedback and learning for improved project design and management. The team is committed to ongoing communication on project performance. This is particularly important in a highly complex operating environment like El Salvador. To that end, the Project MEL Plan includes a robust Collaborative Learning and Adapting (CLA) plan that will allow project staff to take a proactive approach to reviewing project progress quarterly against goals and intended impact, reporting first to the implementation team and then to appropriate partners and beneficiaries. M&E activities will provide key, relevant data and information to inform decision making, adapting, collaborating and learning processes.

3.2.1 Collect baseline data for domestic sales, exports, employment, number of MSMEs assisted by CONAMYPE and CDMYPE network.

The Project has executed MOUs with implementing partners/beneficiaries that request baseline and quarterly data to input monitoring and evaluating activities. All MOUs include a clause asking for those data and information. As of December 2017, baseline and performance data have been collected and are presented in the PROGRESS SUMMARY section below.

The MEL team delivered a workshop to COEXPORT staff responsible of M&E tasks to understand and learn how to collect baseline data from MSMEs assisted by Project resources. The collection of data includes use of the software “Open Data Kit” (ODK) to reduce data entry errors and save data entry time and resources. ODK allows to collect data using android technology in cellular phones and tablets.

3.2.2 Process and analyze survey answered by exporters on the major obstacles they face to export carried out in August 2017.

This activity is expected to be finalized by the Q2 of FY2018 and findings will be shared with USAID. Findings are key expected inputs for the design of technical assistance to overcome constraints to export in prioritized productive sectors.

3.2.3 Map data needs for the external performance evaluation of the Project.

The Project team met with some USAID Projects to understand their scope of work, data collected and needed by them. USAID Project included Higher Education, Domestic Resources Mobilization, Monitoring, Evaluation and Learning Initiative. Due to busy agendas, meetings with other USAID projects were not possible. More coordination meetings will be held during 2nd and 3rd quarters of FY 2018 to identify ways of collaboration among USAID projects and improve effectiveness of project management, implementation and planning as well as to adequately address identified needs Project’s learning agenda.

3.2.4 Analyze data and qualitative information to answer Project learning questions.

The MEL team began working to forward the Project’s learning agenda with initial meetings with other USAID projects during Q1 of FY2018. The MEL team is scheduled to start full implementation of the Collaborating, Learning and Adaptation agenda during Q2 of FY2018 which started in 1st Quarter of FY 2018 with initial meetings with other USAID projects’ implementer partners.

The team plans to identify key sources of data and information as well as develop research methodologies to answer the learning questions below starting in FY 2018 Q2. Main learning questions include:

- 1) What are the most successful strategies of the BDSPs to enable MSMEs to become more competitive?
- 2) What are the innovation strategies that help increase MSME's productivity?
- 3) What difference has this made to the beneficiaries?
- 4) What are the factors that prevent and what are the factors which contribute to establishing a permanent dialogue between local government and the productive sector of the municipality and promote public-private partnerships?

Data and information gathered will allow Project teams to subsequently adapt project activities to ensure achievement of expected results.

The Project M&E team will work with the project management team to identify key indicators tied to specific project activities and value chain interventions that will allow for the monitoring and evaluation of changes in behavior, knowledge and business practices.

3.2.5 Conduct “pause and reflect” meetings with Project staff to learn from Project activities and M&E findings

While informal sessions were held during Q1 of FY2018 to reflect on progress, beginning in Q2, the Project staff will meet monthly to implement the learning agenda and will also meet quarterly with external stakeholders. The MEL staff will design data collections tools such as structured and semi-structured questionnaires and forms to collect data from Project staff, beneficiaries and non-beneficiaries through key informant interviews, focus groups discussions and observational visits.

Gender and Social Inclusion

Women-led businesses play an important role in El Salvador's economic and social development despite barriers that curtail their access to business financing, networking and technology innovations. The Project is addressing these key constraints by linking women entrepreneurs to public and private BDSPs and offering them additional training and technical assistance to start, improve or expand their businesses while taking advantage of global trade to create local job opportunities.

Activities:

3.3.1 Develop a Gender and Social Inclusion Plan.

In December 2017, the Project GESI Assessment was submitted to USAID. The documental research indicated the vital role female entrepreneurs play in the economy, representing 41.1% of the Economically Active Population; likewise, international and regional studies place El Salvador among countries with the highest proportions of female entrepreneurship, and several of those agree that 64% of MSMEs¹ are led by women. It indicates a major advance of women accessing economic opportunities, however, the

¹ Directorio de Unidades Económicas MINEC-DIGESTYC 2012.

assessment field research showed that the majority of MSMEs businesswomen face limitations to access better economic opportunities, and particularly, to access BDSs to strengthen their businesses.

The main cause the field research found is related to limitations generated by being a female entrepreneur. In fact, the dual role of women, social and economic, imposes them a double workload, limits their time availability, and the access to BDSs. As a solution, these women access only those selected BDS that add value to their business growth or their female business development; mostly, those specialized and focused BDS that target differentiated needs of entrepreneurs in terms of business size and sector, market orientation, specialty of products, among others. MSMEs prefer mentoring and theory-practical methods of learning. Their female business development is so important as much as the development of their company.

Consultations with BDSPs leaders and initial consultations to female MSME entrepreneurs in Panchimalco confirmed the above Assessment findings. As requested by municipalities, field visits in Nahuizalco, Izalco and Santa Tecla will be concluded in early January. The Assessment conclusive results will be validated with the Project team, and socialized with BDSP leaders aimed at strengthening their consciousness and commitment with the cross-cutting GESI efforts of the Project.

The GESI Plan is in progress. As part of its three chapters content, the gender assessment summary and the field observation trip summary are 60% advanced. Through a power point presentation, the proposed gender action plan activities as well as its implementation modality will be discussed with the project team and subsequently presented to BDSB leaders, by the end of January 2018. The resulting opinion and contributions will help to articulate the final GESI plan to be submitted to USAID. The modality of the Plan implementation will take into consideration the financial availability of the Project and the BDSPs, to contribute to the GESI efforts sustainability.

Based on the conclusions and recommendations of the GESI Assessment, the Plan will address the challenges for women entrepreneurs to identify actions that can contribute to reducing gender gaps and increasing women's access to BDS to increase competitiveness, take advantage of economic opportunities to scale their businesses and to create jobs. Within this context, the Plan will include specific activities which will be socialized and validated with the team. The Plan will also identify areas of training needs for female entrepreneurs oriented to scale business and strengthen their participation in the market, such as leadership, self-esteem and economic empowerment, business plan elaboration and development, and the associativity benefits.

3.3.2: Identification and facilitation of women participation in businesses development under Project.

Gender consultations related to the supply and demand of BDS were carried out within the field research for the GESI Assessment. Twelve BDSPs² leaders were interviewed. Subjects such as, the general obstacles they face to start a business and during its operation, barriers to access BDSs and its application and barriers to the businesswoman growth, were explored. The BDSPs agreed that a businesswoman's priority is to achieve the family-work balance. Because of existing cultural barriers and gender stereotypes, it becomes a double workload and a restriction of time to access BDS and consequently, limiting their business growth and female entrepreneur development. BDSPs agreed on that financing and the identification of markets are the main challenges for MSMEs women entrepreneurs. The results of the

² Among them: BANDESAL, CENPROMYPE, CAMARASAL, COEXPORT, Voces Vitales, BPEACE, CDMYPE-UFG.

GESI assessment will be socialized with the BDSPs at the end of January 2018, aimed to sensitize and commit them to contribute to improving gender balance.

3.3.3: Monitor Project Gender Results through Project Monitoring and Evaluation.

In order to ensure adherence to, and functionality of, the Gender and Social Inclusion Plan and Implementation Strategy approved by USAID; the Sr. Implementation and Policy Advisor will review gender-disaggregated data (in absolute numbers and percentages) to track Project component performance in gender inclusion across Project interventions, and proactively include GESI in CLA discussions.

PLANNED ACTIVITIES FOR NEXT QUARTER

The following events and activities are highlighted as they may be of interest for USAID participation, or general interest. Additional events will be planned on an ongoing basis, and USAID will be notified in advance of all public events.

Objective 1: Equipping for Growth

Component 1: No public events planned.

Component 2: Not public activities planned.

Component 3:

- Execution of MOUs with followings organizations (dates TBD).
 - PROESA
 - COEXPORT
 - Cámara de Comercio e Industria (CCIES)
 - Sabios y Expertos
 - MITUR
 - MINEC
- Participation in international trade promotion events:
 - Fair Expocomer – Panama, between February 28 and March 3
 - Expo Washington – United States, between March 14 - 16

Objective 2: Governing for Growth

Component 1:

- January 2018: Signing of MOUs with at least 3 financial institutions
- February-March 2018: Transfer of knowledge on performance-based subcontracts model to 14 CDMYPEs.

Component 2: There are no public events planned for Q2 FY2018, due to the Municipal Elections public events ban. Some key activities include:

- January-February: Joint work plan on common themes with the USAID Projects: Crime Prevention and Violence (executed by Creative) and USAID Project: Municipal Governance (executed by Louis Berger).
- January-March: follow up with mayors and municipal councils to sign 12 remaining MOUs of the selected municipalities.
- February-March: baseline survey of 10 municipalities executed, including identification of major productive projects.
- February: BID conceptual design
- February: coordination meeting with the Vice Minister of Prevention, Luis Flores Hidalgo, responsible for the execution of Prevention Programs (Plan El Salvador Seguro) and team in charge of the productive area.
- February: visit to the One-stop Window of municipal services to business in Santa Ana, executed by UNCTAD and the National Direction of Investments of the Ministry of Economy as a potential model to replicate for the project's single windows.

Component 3: There are no public events planned for Q2 FY2018, due to the Municipal Elections public events ban.

Planned working sessions and activities with counterparts and beneficiaries include:

- January – February 2018: Work Meetings with MINEC/DNI, National Center of Registries, Ministry of Finance, Ministry of Labor, and UNCTAD on simplification of procedures.
- January – February 2018: working sessions with Central Bank of Reserve legal advisors, Banco Cuscatlan and Promerica to discuss potential reform proposals to ease banking credit to MSMEs.
- February/March 2018: Working session with business sector associations (COEXPORT and other) to discuss the impact of the upcoming Customs Union with Guatemala and Honduras.
- January 2018: Presentation of Correos de El Salvador initiative for a simplified export procedure for MSMes. Customs Administration, CIEX and CONAMYPE are also invited to this presentation. Project social media may release an information about the potential of this initiative.
- January – March 2018: Consultations and interviews to CONAMYPE Regional Offices, ACDEMYPEs, ADELS, Chamber of Commerce, Micro Finance associations, municipal business services centers and other BDSPs to assess their capacity to support business formalization, compliance procedures and promote the use of MiEmpresa.gob.sv
- January – March 2018: Consultations with Tourism Sector stakeholders to identify priority reforms to improve the business environment, at central and local levels.

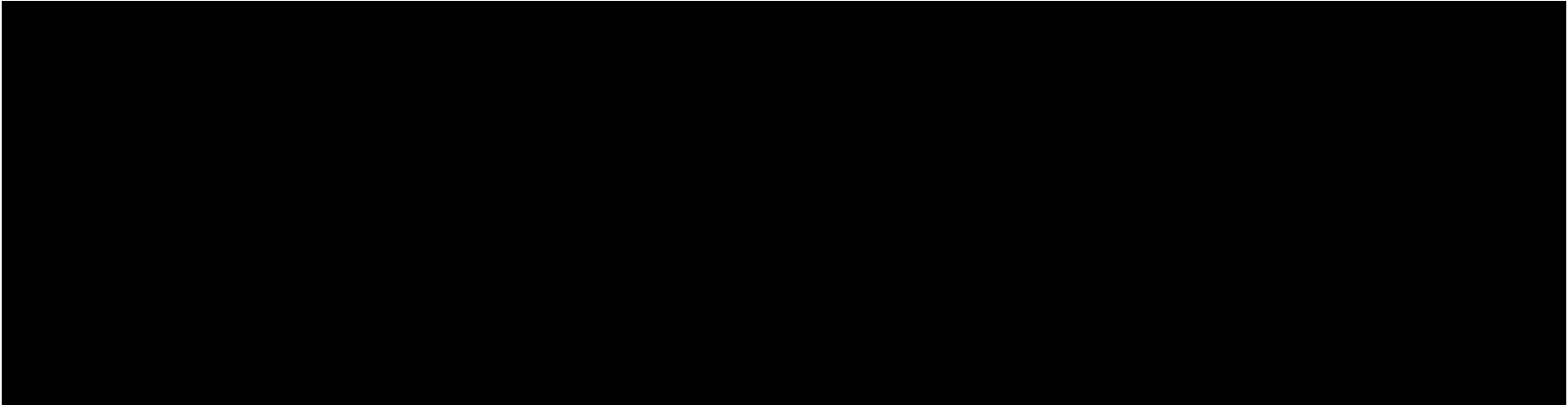
PROGRESS SUMMARY

#	Indicator	Freqcy	Baseline	Actual FY18 Q1	Actual Cum. As of Q1 FY18	Target Cum. FY 2018
1	Number of partnerships established (MOUs)	Q	0	9	10	12
2	Number of MSMEs assisted by CDMYPEs (MSMEs)	Q	3078	0	0	3100
3	New sales (export and domestic) generated by MSMEs receiving USG assistance (Millions of USD)	Q	\$0	0.015	0.015	\$10M
4	New jobs created by MSMEs assisted (jobs)	Q	0	0	0	2,200
5	Percent change in ACDMYPE funding from non-CDMYPE sources (percent increase)	A	\$ 6,254.14	0	0	10%
6	Number of new CDMYPEs incorporated in CDMYPE network (CDMYPEs)	A	0	0	0	1
7	Number of MSME BDSPs trained to incorporate environmental directions and climate change (BDSPs)	A	0	0	0	10
8	Number of firms receiving USG assistance to invest in improved technologies (firms)	Q	0	0	0	700
9	Number of early-stage entrepreneurs selected from competition events and assisted to implement business initiatives (entrepreneurs)	Q	0	11	11	20
10	Number of MSMEs receiving trade capacity building assistance to export (MSMEs)	Q	0	166	311	450
11	Number of entrepreneurs (natural persons) trained in export development areas (entrepreneurs)	Q	0	208	336	1,100
12	Number of consultants trained in export development areas (consultants)	Q	0	0	0	25
13	Number of FIs receiving TA to improve and expand MSME loan portfolios (FIs)	Q	0	0	0	6
14	Percent increase in active MSME borrowers in participating FIs (percent increase)	A	TBD	0	0	10%
15	Percent increase in approved funding requests from FONDEPRO (percent increase)	Semi annual	\$4,526,342	0	0	10%
16	Total value of equity investments in MSMEs (USD)	Semi annual	0	0	0	\$0.25M
17	Total value of private capital deployed to MSME clients (Millions of USD)	Q	0	0	0	\$6M

#	Indicator	Freqcy	Baseline	Actual FY18 Q1	Actual Cum. As of Q1 FY18	Target Cum. FY 2018
18	Number of municipalities with strengthened or new one-stop windows (municipalities)	Q	0	0	0	2
19	Number of municipalities with strengthened or new EMPRE units (municipalities)	Q	0	0	0	4
20	Number of public-private initiatives developed and implemented	Q	0	0	0	5
21	Number of BIDs established (BIDs)	Q	0	0	0	2
22	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)	Q	0	0	0	3
23	Percent change in utilization of services provided by the National Directorate of Investment, with USG assistance (virtual one-stop shop and other to facilitate investment).	Q	0	0	0	5%
24	Number of new MSMEs formalized (registered) in assisted areas	A	TBD	0	0	TBD
25	Proportion of female participants in USG-assisted programs designed to increase access to productive economic resources (percent female)	Q	0	51.4%	51.8%	40%
26	Amount of co-financing and investment leveraged (Millions of USD)	A	0	\$0.057	\$0.057	\$2M
27	Global Competitiveness Index (GCI)	A	3.8 2016-17	NA	3.8 (109) (2017-18)	NA
28	Total USD (Millions of USD) value of non-traditional exports (excluding maquila)	A	3,945.16 (2016)	NA	4,347.45 (DIC. 2017)	NA
29	Doing Business Index (Distance to Frontier)	A	61.02 DB 2017	NA	66.42 DB2018	NA

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.³



³ 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.