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FROM THE AMERICAN PEOPLE

LAC Trade Matters



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In the News...

Nurturing Free Trade from the Bottom Up: The Small and Medium-sized Enterprises Center of Excellence (SMECE) Fosters SME Export Capacity Strengthening in the DR-CAFTA Countries

Liliana Argueta de Mayen, the owner of a motorbike company in Guatemala, arrived in Miami in early June 2006 with high expectations that the next three days would make a big difference in their prospects for growing her export business. She was not alone as 40 small and medium-sized business entrepreneurs were also arriving from countries throughout Central America and the Dominican Republic. But her journey actually began several months before, not when she boarded a plane, but when she went on-line to sign up for a new kind of practical learning experience—the Small and Medium-size Enterprises Center of Excellence (SMECE) Training Program. Liliana voiced the group's collective expectation:

“I agree one hundred percent that all the tools provided during the program will be used in our daily work, and knowing the places and companies selected for the site visits, I believe that we will learn even more during the 3-day conference in Miami.”

What Liliana voiced is exactly what the Small and Medium-size Enterprises Center of Excellence (SMECE) was designed to deliver—help small and medium-size businesses in the developing countries learn how to compete more successfully in international commerce. The SMECE program was established by the College of Business Administration at Florida International University (FIU) in 2005 with a small grant from the U.S. Agency for International Development (USAID). USAID's funding was used by the College of Business to support the development of the program's curriculum and to help launch the initial SMECE pilot program consisting of high quality, practical and interactive education and training for small and medium-size business entrepreneurs from the developing countries participating in the United States-Dominican Republic-Central America Free Trade Agreement (DR-CAFTA).

(see Annex A for complete article)

LAC Trade Matters is not a vehicle for articulating or vetting USG trade policy as these functions have their existing and appropriate channels within the USG inter-agency Trade Policy Staff Committee process. On trade policy issues, USG officials receiving this newsletter should review cleared information provided through official channels (e.g., cables). The newsletter is produced entirely within and under the editorial control of the Office of Regional Sustainable Development in USAID's Bureau for Latin America and the Caribbean, and is not subject to intra-agency or inter-agency review. Readers interested in sharing information about trade-related issues and events may send written submissions directly to the newsletter's editor-in-chief Kerry Byrnes (kbyrnes@usaid.gov).

In the News... (continued)

El Salvador and the Millennium Challenge Corporation Sign \$461 Million Agreement to Strengthen Rural Communities, Support Small Farmers, and Improve Roads – On November 29, 2006, in a ceremony witnessed by senior leaders of El Salvador and the United States, the two countries signed a \$461 million development agreement today aimed at reducing poverty in the Central American nation. Ambassador John Danilovich, CEO of the Millennium Challenge Corporation and Eduardo Zablah, Technical Secretary to the Presidency of El Salvador signed the Compact. Salvadoran President Antonio Saca and U.S. Trade Representative Susan Schwab, a member of MCC's Board of Directors, witnessed the signing.

The five-year Compact with El Salvador seeks to stimulate economic growth and poverty reduction in the country's northern region where more than 50 percent of the population live below the poverty line. The grant will improve the lives of approximately 850,000 Salvadorans through strategic investments in education, public services, agricultural production and rural business development, and transportation infrastructure. This is the eleventh Millennium Challenge Compact completed to date and the third in Latin America. Compacts with Honduras and Nicaragua signed last year are now in the implementation phase. All three countries are signatories to the Central America-Dominican Republic-United States Free Trade Agreement (CAFTA-DR).

The first of three components, the \$95 million human development project, is designed to support formal and non-formal education as well as expand access to water, sanitation, and electricity that will benefit poor communities. Second, the \$87 million productive development project seeks to help poor farmers and small and medium sized enterprises successfully transition to higher-profit activities, generating new investment, expanding markets and sales, and creating new jobs and increased incomes for the poor. Finally, the \$234 million transportation project includes the design, construction, and rehabilitation of the Northern Transnational Highway and a network of connecting roads that will connect rural households to national and regional markets and decrease shipping costs and travel times. The Compact also includes \$45 million for program administration and monitoring and evaluation.

<http://mcc.gov/press/releases/2006/release-112906-elsalvadorsigning.php>

[El Salvador Fact Sheet](#)

MCC Board Announces 2007 Threshold Countries – On November 8, 2006, the Board of Directors of the Millennium Challenge Corporation (MCC) selected three new countries to participate in the 2007 Threshold program: Niger, Peru, and Rwanda, join 17 countries chosen during the 2004-2006 MCC Threshold program selection rounds. The Threshold Program is designed to assist countries on the "threshold" of Millennium Challenge Account (MCA) eligibility for Compact assistance. Threshold countries must demonstrate a commitment to reforms that will address the specific policy weaknesses identified by the MCA eligibility criteria. MCC measures a government's commitment to sound development policies using 16 benchmarks known as indicators, which have a demonstrated link to poverty reduction and economic growth. These indicators measure commitment to policies that promote, among other things, political and economic freedom, investments in education and health care, control of corruption, respect for civil liberties, and the rule of law, and commitment to sustainable natural resource management. The MCC Board's selection of **Peru** reflects that this country has undertaken sweeping economic reforms over the last decade. However, Peru continues to fall short on indicators measuring corruption, rule of law, government effectiveness, and investments in health care and education, which can be the focus of a Threshold program.

<http://www.mcc.gov/press/releases/2006/release-110806-thresholdcountryselection.php>

In the News... (continued)

CAFTA-DR Labor and Environment Projects –The overall U.S. 2005-2006 commitment of nearly \$60 million will promote growth in the region and help ensure that a broad spectrum of the societies of member countries realize the benefits of free trade.

2005-Funded Labor Projects – The 2005-funded assistance was designed, through multiple-year programs, to build capacity within the Ministries of Labor to provide for more effective enforcement of labor laws. The labor projects to be funded with 2006 resources reflect current needs according to priorities originally identified by CAFTA-DR Trade and Labor Ministers. The **2006-funded** project are:

Professionalization of the Labor Inspectorate will support the implementation of professional civil service reforms within the Ministries of Labor, to improve the recruitment and retention of qualified, experienced professional staff.

Benchmarking and Verification projects will be implemented by the ILO to develop benchmarks and assessments to measure and evaluate the progress by CAFTA-DR countries in improving the implementation of national labor laws consistent with internationally recognized labor standards.

Outreach in the Agricultural Sector responds to the need to improve the effective application of labor laws in the agricultural sector. Recognizing the geographic and specialized area that the agricultural sector represents, this project will work with local rural organizations and in coordination with Ministries of Labor, to educate workers and employers about the labor laws and concerns most pertinent to the agricultural sector.

Worker Support Centers will enhance or establish advocates for worker rights who can further assist workers and employers on effective compliance with labor laws. The project will work with local organizations, and in coordination with Ministries of Labor to provide workers with legal services and information about how to exercise their rights in the workplace and how and when to file complaints properly with the Ministry of Labor.

Administration of Labor Justice projects will strengthen the administration of labor justice, and build on U.S. Government activities using FY2005 funds to focus on implementing labor court case tracking, case management, and jurisprudence management systems and raising professional standards in the judiciary. Efforts using FY2006 funds will address improvements in conciliation /mediation, procedural reforms, training in the results of those reforms, and work on small claims systems within the court system, with selected court infrastructure improvements related to these initiatives.

Private Labor Standards Projects with a Focus on Gender and Discrimination will expand work in textiles and apparel (which hire a large proportion of female employees) as well as other sectors to reach a broad audience of firms in the CAFTA-DR region to promote understanding of the link between productivity and competitiveness, international labor standards and national labor laws, workplace codes of conduct, and workplace conflict resolution mechanisms, and implement corresponding changes in the workplace.

Promote a Culture of Compliance with Labor Laws projects will broaden the understanding of, and commitment to, compliance from all key actors through developing best practices in employer and worker organizations. The projects will focus on educating workers and employers on exercising their rights under the rule of law, help implement best practices for conflict resolution in the workplace, and develop labor law experts and professional staff within worker organizations. They will also strengthen industry-level interest in, and capacity to, follow national labor law and international labor standards and, in the process, to improve national economic competitiveness by integrating corporate social responsibility more successfully into the policies and practices of key industries.

(continued on next page)

In the News... CAFTA-DR Labor and Environment Projects (continued)

Support for Environment-Related Activities – Activities with FY2005 funds are currently underway to build capacity to improve environmental laws, protected areas, and fisheries enforcement and wildlife management capacity and to strengthen compliance with the Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES). Funding assistance also went to support the formation of the CAFTA-DR Secretariat for Environmental Matters (in the Secretariat for Central American Integration, or SIECA, in Guatemala), which will receive and evaluate citizen complaints on environmental enforcement matters in CAFTA-DR countries.

The FY2006-funded assistance builds on these areas, seeking to address a broad array of priorities set forth in the Environmental Cooperation Agreement (ECA) work plan negotiated among all the CAFTA-DR parties in 2005. The primary focus of the 2006 funded-Environmental Projects will be to further enhance the capacities of member states to adopt a more effective and accountable approach in enforcing environmental laws.

Institutional Strengthening for Effective Implementation and Enforcement of Environmental Laws: Projects will seek to improve and harmonize environmental regulations, policies and procedures in the region and strengthen the capacity of CAFTA-DR countries to more effectively enforce their environmental laws. Projects will focus on improving government capacity to adopt a full range of environmental enforcement strategies and procedures, conduct environmental impact assessment reviews, monitor and improve air quality, safely handle hazardous substances, and begin to develop national pollution release and transfer registries (PRTR). Projects will promote compliance assistance, auditing and the adoption of environmental management systems among the private sector, helping to foster a climate of environmental stewardship and accountability. Funding will help expand NASA's satellite and web-based Regional Visualization and Monitoring System (SERVIR) to the Dominican Republic and incorporate more environmental data into the system. Assistance will also be provided to CAFTA-DR countries to adopt or improve environmental public complaint units and increase public access to environmental information and participation in environmental decision-making.

Biodiversity and conservation projects focus on the protection and conservation of wildlife, through enhanced compliance with CITES and the development of animal rehabilitation and rescue centers. Projects will work with governments and the private sector to improve fisheries management to reduce sea turtle by-catch and promote the sustainable management of small-scale fisheries and coral reefs in the CAFTA-DR region. Funding will support the National Invasive Species Council to begin addressing trade-related aquatic invasive species pathways in the region. In addition, technical assistance will be provided to improve law enforcement and the use of incentives and cooperative conservation methods in transborder protected areas in the Meso-American Biological Corridor and areas inhabited by jaguars.

Market-based conservation: Recognizing the importance of sustainable tourism and alternative livelihoods within and outside of protected areas in the region, projects will promote market-based conservation programs that will help improve natural resources management through sustainable tourism and the use of sustainable agriculture and forest products.

Private-sector environmental performance projects will strengthen industrial competitiveness and compliance through partnerships with the private sector to increase the use of cleaner production technologies and international best practices. These projects will also focus on mobilizing financing for cleaner production and energy efficiency and conservation.

The Secretariat for Environmental Matters will handle and investigate citizen submissions on environmental enforcement matters in CAFTA-DR countries, and will address priorities established by the Environmental Cooperation Commission, the entity that oversees the Environmental Cooperation Agreement (ECA) and its work plan, and will support the independent monitoring and evaluation of ECA environmental cooperation activities. (**Source:** Department of State Fact Sheet, September 28, 2006).

In the News... (continued)

USTR Expresses Strong Support for Extending ATPA Preferences – On November 14, 2006, senior U.S. trade officials met with top officials from Peru and Colombia to discuss the extension of expiring trade preferences under the Andean Trade Preference Act (ATPA) and the pending free trade agreements. “We discussed important steps our countries have taken over the past year to strengthen further our bilateral relationship,” said Deputy U.S. Trade Representative John Veroneau. “We expressed our support for extending ATPA preferences to Colombia, Peru, Ecuador and Bolivia in a timely fashion, so as to minimize any business disruptions. We also reiterated our strong support for the U.S.-Peru Trade Promotion Agreement and the U.S.-Colombia Trade Promotion Agreement, and reaffirmed our commitment to work with Congress to move these agreements at the earliest possible date.”

By way of background, in 1991, the U.S. Congress authorized duty-free benefits for four Andean nations (Colombia, Peru, Ecuador and Bolivia) under ATPA to help in their fight against illegal drug production and trafficking by expanding their economic opportunities. As part of the Trade Act of 2002, Congress renewed and enhanced the trade preferences for all four countries under the Andean Trade Promotion and Drug Eradication Act (ATPDEA), which are set to expire on December 31, 2006.

Source: USTR Press Release

http://ustr.gov/Document_Library/Press_Releases/2006/November/USTR_Expresses_Strong_Support_for_Extending_ATPA_Preferences_printer.html

Close to Home: The Development Impact of Remittances in Latin America – In 2005 migrant workers from Latin America and the Caribbean (LAC) sent a total of \$48.3 billion back to their home countries. In 2004, remittances represented about 70 percent of foreign direct investment (FDI) in LAC and were 500 percent larger than Official Development Assistance to the region. Despite the importance of remittances for Latin America and the Caribbean, a new World Bank study finds that their impact on the region has in some cases been overestimated.

According to “Close to Home: The Development Impact of Remittances in Latin America,” the money that migrant workers send contributes positively to development in the region. Remittances are associated with lower poverty levels and higher growth and investment rates, but their impact varies across countries. The study, which examines the profile of Latin American and Caribbean remittances recipients, finds that the positive effects of remittances include higher savings, better access to health and education, increased macroeconomic stability and entrepreneurship, and reductions in poverty and social inequality.

There are, however, important policy challenges associated with remittances. These include brain drain, and problems of overvaluation of the real exchange rate and loss of external competitiveness. Another relevant finding is that in countries like Mexico, El Salvador, and Paraguay, remittances in households primarily help the poorest segments of society, while in other countries such as Nicaragua, Peru, and Haiti, it is the middle class that gains the most from remittances. Most migrants from Mexico and Central America come from the segments of the population with the lowest education levels. In contrast, migrants from the Caribbean and South America have a higher education level than the rest of the population in their home countries.

Finally, the study emphasizes that despite the positive impact of remittances in the region, they are no replacement for sound development policies in the countries. It adds that it is important to implement complementary policies while promoting remittances as an alternative source of development finance and inviting banks to “take advantage” of remittances flows. The report is available here:

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/LACEXT/EXTLACOFFICEOFCE/0,,contentMDK:21105202~pagePK:64168445~piPK:64168309~theSitePK:870893,00.html>

In the News... (continued)

Global Hunger Index – On October 16, IFPRI released the figures, based on an innovative and enhanced approach for measuring hunger and undernutrition in developing and transitional countries, for World Food Day. The three indicators are: child malnutrition, child mortality, and estimates of the proportion of people who are calorie deficient. “By combining these indicators, the index considers the food supply situation of the total population and takes into account the special vulnerability of children to nutritional deprivation. It also reflects the most tragic consequence of undernutrition, which is death,” said Marie Ruel, director of IFPRI’s Food Consumption and Nutrition Division.

The Global Hunger Index has been calculated for 1981, 1992, 1997, and 2003. The latest round ranks 97 developing countries and 22 countries in transition. The index does not include highly industrialized countries, as well some developing countries where data is not available, such as Afghanistan, Iraq, and Somalia. Because the index ranks countries for four different years, it also measures progress over time.

Table 1 provides the index’s ranking of hunger for the Latin American and Caribbean countries:

Table 1. Latin American and Caribbean Countries in the Global Hunger Index (USAID Presence Countries in Bold) - Source: <http://www.ifpri.org/media/20061013GHI.asp>

Country	1981	1992	1997	2003
Haiti	34.63	34.93	33.23	25.33
Guatemala	24.73	17.27	17.70	16.87
Honduras	20.73	16.40	16.97	14.03
Nicaragua	16.93	16.30	16.97	13.47
Panama	13.60	11.33	11.03	12.21
Bolivia	18.73	17.13	14.07	11.57
Dominican Republic	16.13	14.03	12.40	11.27
Guyana	..	15.10	12.83	9.83
Suriname	9.39	9.37
El Salvador	16.63	11.07	9.80	8.17
Peru	19.23	19.63	10.80	7.83
Venezuela	6.13	6.17	7.93	7.83
Colombia	11.53	9.67	8.13	7.27
Trinidad & Tobago	6.33	7.27	7.73	6.63
Ecuador	13.70	10.07	7.73	6.22
Brazil	10.43	8.43	6.70	5.43
Jamaica	7.07	6.63	5.43	5.27
Mexico	9.93	7.47	5.99	5.10
Uruguay	4.57	5.17	3.50	2.74
Cuba	4.63	5.80	7.62	2.57
Chile	3.87	3.90	2.37	1.87
Argentina	2.87	1.97	2.93	1.81

Countries missing data for 2003: Costa Rica and **Paraguay**

Source: International Food Policy Research Institute (IFPRI)

In the News... (continued)

World Economic Forum's Global Competitiveness Report (GCR) – On September 27, 2006, the World Economic Forum (WEF), USAID/Brazil, and local partners—Movimento Brasil Competitivo and Dom Cabral Foundation—launched the WEF Global Competitiveness Report (GCR) at the American Chamber of Commerce (AmCham) in Sao Paulo, Brazil. The annual GCR, which presents the Global Competitiveness Index (GCI) rankings of countries, is designed to serve as a tool for shaping economic policy and guiding investment decisions. This study has become one of the leading monitors of the competitive condition of economies worldwide. Produced in collaboration with leading academics, the GCR currently assesses 125 major and emerging economies.

This is the second year in a row that Brazil fell in the GCI index, dropping from 57th to 66th for 2006-07. According to the WEF, Brazil's poor rank in the GCI points to the country's vastly unfulfilled potential. According to the report, "notwithstanding its considerable internal market, diversified industrial base and large FDI inflows, the country is not growing as quickly as other emerging markets and this is undermining efforts to bring more Brazilians out of poverty. In particular, Brazil's competitiveness is still crippled by high levels of public indebtedness and high interest rates, coupled with a poor institutional environment, an entrenched culture of bureaucracy and red tape, as well as a large informal sector. A poor distribution of income and widespread corruption remain challenges to be addressed."

In the launch ceremony, Professor Arruda from the Dom Cabral Foundation, made an interesting presentation on the factors that determined Brazil's relative poor performance, noting that the report does not investigate outcomes but rather internal conditions that allow countries to compete. For instance, he noted, this is why the report does not use export figures but rather topics such as infrastructure and institutions, among others. Professor Arruda highlighted that Brazil continues to have a highly sophisticated business sector, with complex yet efficient value chains. He also noted that Brazil had done particularly well in the area of innovation, mainly as a result of private sector investment.

The GCR is part of a greater policy advocacy effort carried out by USAID to encourage governments to improve their business environment and investment climate. In addition to the GCR, USAID (Economic Growth, Agriculture and Trade Pillar and USAID/Brazil) co-funded the Doing Business in Brazil survey, which identified constraints in 13 Brazilian states. The Bureau for Latin America and the Caribbean also supported work to carry out a comprehensive study on trade logistics constraints to identify the costs and excess costs associated with existing export procedures. USAID/Brazil has established a Steering Committee to serve as a forum for discussions on trade and business environment issues. Comprised of several local partners including the Brazilian Confederation of Industries, the Brazilian Small Business Administration, the National Export Promotion Agency, among others, the Committee is becoming increasingly important in coordinating actions and influencing policy decisions. **Source:** USAID/Brazil

Has Macroeconomic Policy Been Pro-Poor in Brazil? – This paper, authored by Jorge Saba Arbache, examines the economic policies implemented in Brazil in the last 25 years and comments on their failures, weaknesses, and impacts on the poor. After a long period of inward-oriented strategy and a series of policy mistakes, the economy ended up in external debt crisis, hyperinflation, slowdown of growth, high poverty levels, and increasing inequality. While Brazil then undertook structural reforms in line with the Washington Consensus, the reforms were not sufficient to boost growth and reduce poverty. Some points emerge from the Brazilian case: (1) growth is necessary but not sufficient to reduce poverty; (2) fighting income inequality is essential for reducing poverty; (3) sound fiscal and monetary policies are essential to growth; and (4) policies aimed at engaging the poor into the markets are needed to enable the poor to benefit from growth and reduce poverty on a permanent basis. In order to make growth more pro-poor, it is important that growth be achieved with a decline in income inequality and with more and better opportunities for the poor to benefit from economic growth. Access this document at:

<http://topics.developmentgateway.org/trade/rc/ItemDetail.do?itemId=1080003>

New TCB Resources

World Development Report 2007: Development and The Next Generation – In countries like Ghana and Zambia, nearly half of all young women can't read a simple sentence even after six years of schooling. It's a finding which illustrates one of the key challenges facing governments in the developing world today – delivering quality education to young people. A new World Bank report says governments in developing countries should invest more in their young people, or else run the risk of dealing with social tensions and dropping behind in the global economy. The World Development Report 2007: Development and the next Generation points out there are now more than 1.3 billion young people in the developing world – the largest number ever in history. The report says the sheer number of young people can stretch the capacity of governments to deliver services and jobs, which poses risks for their countries and the world at large.

The World Development Report 2006: Development and the next Generation points out that the lack of quality education is not the only barrier facing young people today:

- Globally nearly half of all unemployment is among young people
- Unemployment rates for youth are two to three times than those of adults
- 500,000 young people under the age of 18 are recruited by military and paramilitary military groups
- Some 300,000 young people under the age of 18 have been involved in armed conflict in more than 30 countries worldwide
- 13 million adolescent girls give birth each year
- Young people account for nearly half of all new HIV infections

To access the report, click on the following link:

<http://web.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTWDRS/EXTWDR2007/0,,menuPK:1489865~pagePK:64167702~piPK:64167676~theSitePK:1489834,00.html>

LAC Regional Highlights include:

- LAC has about 140 million young people aged 12-24. The number of young people in many countries in this region (including Argentina, Brazil, Chile, and Costa Rica) is peaking between 2000 and 2010; Brazil is entering a long plateau. Others such as Nicaragua and Peru will peak between 2010 and 2030.
- WDR 2007 notes that the expected decline in dependency (increase in working age population relative to non-working age population) offers an opportunity for economic growth in LAC, provided that young people have access to relevant education and jobs, and stay healthy.

Additional LAC regional highlights available at:

<http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTWDRS/EXTWDR2007/0,,contentMDK:21018780~pagePK:64167689~piPK:64167673~theSitePK:1489834,00.html>

New TCB Resources...(continued)

Jobless Youth Make Gains in Latin America: *entra 21* Evaluation Study Demonstrates Program's Impact, Learnings –Disadvantaged youth who are provided a comprehensive package of training, mentoring, and job placement support are finding success in the job market. A recent report released by the International Youth Foundation documents the progress being made to secure employment by graduates of *entra 21*, a regional job training program aimed at addressing the soaring unemployment rates among young people in Latin America and the Caribbean.

Among the reported findings, for projects carried out in Bolivia, Dominican Republic, El Salvador, Panama, Paraguay, and Peru, are:

- Six months after graduating from the program, 54% of *entra 21* participants were working, and 80% of those jobs were full-time.
- Salaries for those who were previously working doubled or better after graduation from the program in three of the six projects studied.
- Employers surveyed reported being highly satisfied with *entra 21* graduates and considered their job performance to be equivalent to or better than that of other employees in similar positions.
- The levels of education improved among participants, with the rate of re-enrollment in formal education more than doubling among *entra 21* graduates.

The World Bank's World Development Report 2007: "Development and the Next Generation," has cited *Entra 21* as one of ten promising employability programs now operating around the world. To read more about this study, click on the following link:

<http://www.iyfnet.org/document.cfm/30/837>

To download the study, click on the following link:

<http://www.iyfnet.org/uploads/learningserie2.pdf>

Sustaining Latin America's Resurgence: Some Historical Perspectives (IMF Working Paper No. 06/252) – This paper by Anoop Singh and Martin D. Cerisola, looks at the historical lessons that might serve to entrench Latin America's newly resurgent growth phase. It briefly reviews the post-World War II experiences in Latin America and Asia, focusing on the conditions that favored capital accumulation and productivity growth in the faster growing economies. Among these, the paper highlights the importance of stable macroeconomic policies, especially fiscal policy. Access this paper at:

<http://www.imf.org/external/pubs/cat/longres.cfm?sk=19998.0>

"Capital Market Liberalization and Economic Performance in Latin America" – This paper by Roberto Frenkel, reviews the past two decades of Latin America's experience with capital market liberalization and comments on features of the process shared by most economies in the region. Some features resulted from external conditions and the policy context in which market reforms were implemented. Other features were determined by specific historical circumstances which marked the reforms. The paper can be accessed at:

<http://topics.developmentgateway.org/trade/rc/ItemDetail.do?itemId=1080038>

New TCB Resources... (continued)

Regional Economic Performance Reports for CAFTA-DR Countries – A series of economic performance reports on the CAFTA-DR countries, completed by Nathan Associates, Inc. under a contract with USAID, can be accessed at the following links:

- Regional & Country Reports: http://dec.usaid.gov/index.cfm?p=search.getCitation&rec_no=141344
- Data Supplements: http://dec.usaid.gov/index.cfm?p=search.getCitation&rec_no=141346

Doing Business in Brazil and Mexico – The World Bank reports on “Doing Business” in Brazil and Mexico are available for download by clicking on the following links:

- Brazil: http://dec.usaid.gov/index.cfm?p=search.getCitation&rec_no=141844
- Mexico: http://dec.usaid.gov/index.cfm?p=search.getCitation&rec_no=141843

Delivering on the Promise of Pro-Poor Growth Insights and Lessons from Country Experiences – On November 28, 2006, the World Bank launched this book edited by Timothy Besley and Louise J. Cord. While broad-based growth is critical to accelerating poverty reduction, income inequality also affects the pace at which growth translates into gains for the poor. Despite the attention researchers have given to the relative roles of growth and inequality in reducing poverty, little is known about how the microunderpinnings of growth strategies affect poor households’ ability to participate in and profit from growth. This book contributes to the debate on how to accelerate poverty reduction by providing insights from eight countries that have been relatively successful in delivering pro-poor growth: Bangladesh, Brazil, Ghana, India, Indonesia, Tunisia, Uganda, and Vietnam. It integrates growth analytics with the microanalysis of household data to determine how country policies and conditions interact to reduce poverty and to spread the benefits of growth across different income groups. *Delivering on the Promise of Pro-Poor Growth* is a useful resource for policy makers, donor agencies, academics, think tanks, and government officials working to better understand how to reduce poverty through shared growth. For more details, contact ahusain@worldbank.org.

Promoting Pro-poor Growth: Policy Guidance for Donors –Why has growth been more successful in reducing poverty in some countries than in others? How can poor women and men best participate in, contribute to and benefit from growth? What can donors do to promote a pattern of growth that better connects poor people to the growth process and to help deal with the risks, vulnerabilities and market failures which hold back their participation? The DAC Network on Poverty Reduction (POVNET) has been exploring and addressing issues related to pro-poor growth, particularly in the key areas of private sector development, agriculture and infrastructure. POVNET’s work on pro-poor growth builds on the 2001 DAC Guidelines on Poverty Reduction which showed that poverty has multiple and interlinked causes and dimensions: economic, human, political, socio-cultural, and protective/security.

The resulting guidance for donors is now available on the Internet at: www.oecd.org/dac/poverty. A compendium (*Promoting Pro-poor Growth: Policy Guidance for Donors*) containing the results of POVNET’s work on pro-poor growth, including a new approach to ex ante poverty impact assessment, will be published shortly.

New TCB Resources... (continued)

The Development Dimension - Aid for Trade: Making it Effective (OECD Publishing) – This book sets out how much aid the members of the OECD Development Assistance Committee (DAC) are already providing towards trade-related activities and reviews the effectiveness of existing programs. The book argues that reinforcing mutual accountability at the local level, together with a global review mechanism, i.e. applying the Paris Declaration on Aid Effectiveness, would enhance the impact of Aid for Trade. In particular, strengthening country ownership and management for results are essential to ensure that Aid for Trade delivers larger benefits from the multilateral trading system to the least developed and developing countries, and enables them to develop effectively.

One of the most effective ways to realize the potential of trade as a tool for development and poverty reduction is through meaningful market access. That being said, increasing the trade capacity of less advanced developing countries so that they become more dynamic players in the global economy requires a wide range of support. At the 2005 Hong Kong WTO Ministerial Conference, ministers called for the expansion of Aid for Trade to help developing countries benefit from WTO agreements and expand their trade, while recognizing that such aid should not substitute for successful market access outcomes in the core areas of the Doha Development Agenda. In effect, the current suspension of talks in Geneva may provide a breathing space to make Aid for Trade fully operational in time for the completion of the negotiations. It is therefore important to keep up the momentum to ensure that Aid for Trade does deliver its promises.

Angel or Devil? China's Trade Impact on Latin American Emerging Markets – This paper analyses the long- and short-term trade risks and opportunities on Latin America of China's emergence as a global leader in trade. The paper argues that while countries in south Asia stand to lose out as a result of China's impressive growth, Latin America will largely benefit from it due to their position in supplying China with raw materials. Access this paper at:

<http://www.oecd.org/dataoecd/24/3/37054336.pdf>

Upcoming Events...

3rd International Conference on Linking Farmers and Markets: Exploring Leading Practices to Foster Economic Growth in Rural India – Taj Palace Hotel, Diplomatic Enclave New Delhi, March 11-15, 2007. The *Third International Conference on Linking Markets and Farmers: Exploring Leading Practices to Foster Economic Growth in Rural India* will explore innovative institutional arrangements and new business models for linking domestic and international consumer markets with producer organizations, rural entrepreneurs, and communities. More information on the Conference and online registration can be found at: <http://www.globalfoodchainpartnerships.org/India>.

Upcoming Trade-Related Events Relevant to the LAC Region

Dec 4-8 Value Chain Program Design, Washington, DC (#51)

Mar 11-15 3rd International Conference on Linking Farmers and Markets (#52)

Mar 14-23 Los Derechos de Propiedad Intelectual: De la Negociación a la Implementación, Miami
(for details, click on: <http://www.americasnet.net/>)

ANNEX A:

Nurturing Free Trade from the Bottom Up: The Small and Medium-sized Enterprises Center of Excellence (SMECE) Fosters SME Export Capacity Strengthening in the DR-CAFTA Countries

Liliana Argueta de Mayen, the owner of a motorbike company in Guatemala, arrived in Miami in early June 2006 with high expectations that the next three days would make a big difference in their prospects for growing her export business. She was not alone as 40 small and medium-sized business entrepreneurs were also arriving from countries throughout Central America and the Dominican Republic. But her journey actually began several months before, not when she boarded a plane, but when she went on-line to sign up for a new kind of practical learning experience--the Small and Medium-size Enterprises Center of Excellence (SMECE) Training Program. Liliana voiced the group's collective expectation:

“I agree one hundred percent that all the tools provided during the program will be used in our daily work, and knowing the places and companies selected for the site visits, I believe that we will learn even more during the 3-day conference in Miami.”

What Liliana voiced is exactly what the Small and Medium-size Enterprises Center of Excellence (SMECE) was designed to deliver—help small and medium-size businesses in the developing countries learn how to compete more successfully in international commerce. The SMECE program was established by the College of Business Administration at Florida International University (FIU) in 2005 with a small grant from the U.S. Agency for International Development (USAID). USAID’s funding was used by the College of Business to support the development of the program’s curriculum and to help launch the initial SMECE pilot program consisting of high quality, practical and interactive education and training for small and medium-size business entrepreneurs from the developing countries participating in the United States-Dominican Republic-Central America Free Trade Agreement (DR-CAFTA).

The SMECE program aims to strengthen, enhance, and complement ongoing trade capacity building and institutional reform efforts currently underway in the Americas. The program focuses exclusively on promoting the best business practices among those enterprises that form the backbone of market-led growth and development, employment, and income generation in the Western Hemisphere: small and medium-size enterprises.

The SMECE program, called *El Instituto para la Competitividad de Empresas PyMEs* (ICEP) in Spanish, was developed within the Knight Ridder Center for Excellence in Management, a part of the College of Business Administration at FIU. The entire program is conducted in *Spanish* and consists of two parts: seven on-line training modules and a three-day conference in Miami. Participants are given 8-10 weeks to complete the web-based training modules at their own pace.

The on-line training is then followed by the Miami-based conference that includes classroom instruction, case studies, and site visits to distribution channels such as customs brokers, wholesalers, and retailers. Upon completion of the program, participants receive a certificate of *Advanced Management in International Commerce* from FIU’s College of Business and, more importantly, a bankable business plan tailored to their individual company.

The main emphasis of the SMECE Program is on the key issues and aspects of exporting, principally, although not exclusively, to the United States. The focus of the program is instruction and guidance on writing a successful business plan for company expansion and product export. Special attention is given to compliance with new Homeland Security regulations, (e.g. Bioterrorism Act), market research, e-marketing, and trade financing.

The intended impacts of the program are a more competitive entrepreneur and a more competitive firm, regardless of whether the target market is international or domestic. However, with the program's export orientation participants gain a solid grounding in the managerial, financial, marketing, and production tools necessary to improve their firm's performance in both regional and global markets. With its emphasis not on micro and/or large enterprises but rather on small and medium firms—those who most need a bankable business plan to gain access to credit—the program enhances the likelihood of success, since these companies sell directly, through brokers, or directly to larger firms. Also, they have the capacity to grow at a faster rate and employ, in the aggregate, more people in their home countries.

Structure of the SMECE Pilot

The SMECE pilot program was launched at FIU in January 2006. Thirty-four participants representing small and medium sized enterprises from the DR-CAFTA countries and Panama completed the program by attending the Miami conference held in June 2006.

The pilot-program participants represented small and medium-sized businesses from the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. A variety of business sectors and industries were represented, including apparel, agriculture and food products, leather goods, metallurgy, and even motorbikes.

The learning approach blended technology, accessibility, and learning styles through the use of the internet and classroom instruction in Miami to address the learning needs of these busy entrepreneurs, of whom 18 were men and 16 were women.

The participants officially began the program in the spring by completing seven interactive on-line modules. The modules included: Doing Business with the USA; International Commerce; Market Research; Marketing; Trade Financing; Customer Relationship Management; and most importantly, Strategic Business Planning. The distance learning materials used in the modules included lectures, discussions, articles and the analyses of selected business plans. The on-line modules also provided a foundation for each participant to begin thinking about and developing a draft business plan for his or her business, applying information being accumulated during the on-line training.

“We offered participating entrepreneurs an up-close look at the dynamics of international commerce—from marketing to financing to developing a viable business plan and placing a product successfully into the marketplace,” said Jerry Haar, associate director of the Knight Ridder Center for Excellence in Management and CEO of SMECE.

<p>SMECE in Numbers:</p> <p><u>34 Total Participants</u></p> <p>8 from Guatemala 10 from El Salvador 9 from Nicaragua 4 from Honduras 2 from the DR 1 from Panama</p> <p>16 Women 18 Men</p> <p>Average Age: 35 years</p> <p>11 from Agriculture/Food Industry 6 from Textile and Leather 5 from Metal and Plastics 3 from Art & Crafts 9 from Other</p> <p>Average increase in sales due to evaluated business plans:</p> <p>US \$176,400</p>

After completing the seven on-line training modules and draft business plans for their company, the participants attended a three-day Conference in Miami (June 5-8, 2006). Participants listened to presentations from FIU professors in marketing, international finance, and international business as well as other presentations by international trade experts from the South Florida business community. The agenda focused on topics such as understanding market intelligence and market entry, ways to develop markets, trade financing, trade policy and negotiations, best practices for exporting, and business plan development. The conference also included site visits to the Port of Miami, Sedano's Supermarkets, Goya Foods, the Miami Free Zone, and Starboard Cruise Services, which represented distribution channels, ports, wholesale and retail outlets.



Importantly, the participants were encouraged to use the information acquired during the conference to continue developing and fine tuning their business plans, and to talk with the FIU professors and other contacts about items on which they needed information to further help refine their plans. Following the conference, participants returned to their home countries and began work on completing their business plans. The final versions of the business plans were then evaluated by Region's Bank in Miami, Florida; which provided realistic and valuable feedback and follow-up to each participant.

Based upon written evaluations and participants' comments, the first SMECE conference was an enormous success.

- One participant said, "This was a great program that helps businesses extend their vision toward international trade and provides the knowledge and tools needed to create a successful business plan in order to realize that vision."

- Another stated the immediate benefits, “We will take maximum advantage of the knowledge acquired during this program to begin exporting to the United States or to another country.”
- Participants were also pleased with the course structure and one commented, “The program is well designed and the modules provided valuable learning with audio and visual techniques that kept my interest from the first module to the last one. It has been an interesting experience and the knowledge I gained will be applicable to my work.”

“The feedback we are receiving validates our best thinking about what international entrepreneurs want and need to improve their business performance in international markets,” Haar said. “I can assure you that the next conference will be even better!”

Future Plans

The success of the pilot program has resulted in the decision to offer it throughout the Latin American region and plans to market it there in early 2007 are underway. The program has also been translated into English so it can be offered in the English-speaking Caribbean. FIU is also working with Brazilian partners to have the program translated into Portuguese in either the original or an updated version.

A lower-cost version of the program has also been created. It will allow entrepreneurs of small and medium-size companies to take the entire course on-line at a substantially reduced cost. This on-line option would allow busy entrepreneurs to complete the training program, write a business plan, and receive feedback from FIU without the need to incur travel and lodging costs for the Miami portion of the program.

For more information about SMECE please visit their website at <http://icep.fiu.edu> or call 305-348-4217 or 305-348-7806.

In the meantime, Liliana is putting into practice what she learned during the SMECE program by investigating the possibility of opening a branch office in the US, and most importantly, working on putting into place all of the components of her business plan. FIU is closely monitoring the progress of the program’s initial cohort of pilot program participants and all post interviewed participants expect an increase in export buyers and sales.

A summary by another participant demonstrates how this kind of training is needed for an even greater number of SMEs:

“Participating in the SMECE-FIU program gave me knowledge and important information for my business and for my personal development. It gave me knowledge that I will apply to improve the conditions of my country, which are what I would most like to change, so that we will be able to move forward in the world.”

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