

## Data Sheet

<b>USAID Mission:</b>	El Salvador
<b>Program Title:</b>	Economic Freedom
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	519-022
<b>Status:</b>	New in FY 2004
<b>Planned FY 2005 Obligation:</b>	\$18,589,000 DA
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2006 Obligation:</b>	\$11,228,000 DA
<b>Year of Initial Obligation:</b>	2004
<b>Estimated Year of Final Obligation:</b>	2008

**Summary:** USAID is promoting new economic opportunity initiatives to contribute to a more open, diversified, and expanded Salvadoran economy. USAID's program supports increased trade and job creation through policy and legal reforms, enhanced competitiveness of small- and medium-sized enterprises (SMEs), increased SME access to financial services, and improved watershed management.

### Inputs, Outputs, Activities:

**FY 2005 Program:** Increase Participation in Global Trade and Investment (\$2,800,000 DA). USAID will help the Government of El Salvador (GOES) strengthen its export promotion agenda and improve the competitiveness of SMEs to take advantage of new trade opportunities and create jobs. USAID will help SMEs adopt more efficient management practices, improve basic business management skills, and better access and use market information and business contacts. USAID will promote innovation and access to new technologies to boost private sector productivity through training and alliances with large companies and investors, and through a technology innovation fund. USAID will also assist SMEs to develop business cluster and alliance relationships between suppliers, producers, wholesale distributors and retailers. Principal contractors, grantees, and local partners will be selected on a competitive basis.

Increase Agricultural Productivity (\$6,119,000 DA). USAID will target increased sales and incomes of small farmers engaged in fruit, vegetable, and quality coffee production by funding technical assistance in technology transfer, export marketing, training and processing. USAID will fund technical assistance to expand export opportunities by helping the Salvadoran agricultural-processing meet sanitary and phytosanitary (SPS) requirements for trade with the United States, Europe and Asia. USAID will launch a new activity building upon previous experience in helping farmers and agribusinesses compete and meet market demand through improved management practices and increased productivity. Principal contractors, grantees, and local partners will be selected on a competitive basis.

Improve Economic Policy and Governance (\$2,545,000 DA). USAID will help the GOES and private sector identify and address key implementation challenges under the U.S.-Central American Free Trade Agreement (CAFTA) and other free trade agreements. USAID will also strengthen the capacity of the GOES and private sector to meet U.S. import standards, and help the GOES implement fiscal reforms to increase tax revenues needed to finance social sector investments. Principal contractors, grantees, and local partners will be selected on a competitive basis.

Strengthen the Financial Sector's Contribution to Economic Growth (\$1,800,000 DA). USAID will help financial institutions increase lending to SMEs for sound economic activities by improving their understanding of SME requirements, introducing new lending products and methodologies, and reducing overall lending risks. USAID will fund up to \$500,000 to structure a guarantee

mechanism to reduce lending risk, and enable a consortium of financial institutions to increase loans to SMEs for productive activities. USAID-funded technical assistance will also help two non-bank financial institutions become formal, regulated institutions. Principal contractors, grantees, and local partners will be selected on a competitive basis.

Improve Sustainable Management of Natural Resources and Biodiversity Conservation (\$3,984,000 DA). USAID will launch an activity to increase local capacity to better manage and conserve at least one critical watershed in order to provide more water for rural Salvadorans. Management organizations will be trained to conserve watershed resources, provide cleaner and more abundant water, and improve sanitation practices. USAID will also fund technical assistance and training for soil and water conservation, and seek public/private alliances to finance infrastructure investments for water and sanitation. Principal contractors, grantees, and local partners will be selected on a competitive basis.

Reduce, Prevent and Mitigate Pollution (\$700,000 DA). USAID will start an activity that will improve clean production processes and energy efficiency. USAID will work with the Ministry of Environment (MOE) to help targeted firms to reduce energy and resource consumption while increasing profitability and making environmental improvements. Principal contractors, grantees, and local partners will be selected on a competitive basis.

Expand and Improve Access to Economic and Social Infrastructure (\$455,000 DA). USAID will provide 10-15 grants for small-scale rural productive infrastructure projects to address bottlenecks in the expansion of rural trade and services. Principal contractors, grantees, and local partners will be selected on a competitive basis.

**FY 2006 Program:** Increase Participation in Global Trade and Investment (\$2,000,000 DA). USAID plans to continue to support programs that strengthen the capacity of the GOES to promote exports and improve the productivity, competitiveness, and job creation capacity of SMEs as they take advantage of increased trade opportunities. Same partners as above.

Improve Agricultural Productivity (\$2,803,000 DA). USAID plans to continue to help agricultural enterprises increase domestic sales and exports of nontraditional, high-value agriculture products; improve value-added processing, access to markets; develop long-term business relationships; and introduce new agricultural technologies. Same partners as above.

Improve Economic Policy and Governance (\$2,200,000 DA). USAID plans to continue to assist the GOES and key private sector partners to implement key parts of trade agreements. Anticipated activities include identifying and addressing implementation challenges; strengthen their capacity to meet selected SPS standards; and promoting fiscal policy reforms to raise resources for priority social sector investments. Same partners as above.

Strengthen the Financial Sector's Contribution to Economic Growth (\$1,000,000 DA). USAID expects to continue to implement activities to help increase selected SME access to critical financial services. Same partners as above.

Improve Sustainable Management of Natural Resources and Biodiversity Conservation (\$2,164,000 DA). USAID plans to continue to increase local capacity to manage and conserve one or two watersheds to ensure greater access to water for rural Salvadorans. Same partners as above.

Reduce, Prevent and Mitigate Pollution (\$606,000 DA). USAID will continue to promote improved enterprise processes through cleaner production and energy efficiency; help selected Salvadoran private firms implement plans that will lead to reduced resource consumption; and work with the MOE to promote a voluntary system to support cleaner production processes. Same partners as above.

Expand and Improve Access to Economic and Social Infrastructure (\$455,000 DA). USAID will continue to provide grants for small-scale rural productive infrastructure projects to address bottlenecks in the expansion of rural trade and services. Same partners as above.

**Performance and Results:** By program completion, tax collection should increase by at least 1% of GDP, SMEs would increase domestic and export sales by \$40 million, SMEs and agricultural enterprises would create approximately 10,500 new jobs, and agricultural enterprises and farmers would increase domestic and export sales by \$25 million.

## US Financing in Thousands of Dollars

El Salvador

519-022 Economic Freedom	DA
<b>Through September 30, 2003</b>	
Obligations	0
Expenditures	0
Unliquidated	0
<b>Fiscal Year 2004</b>	
Obligations	15,659
Expenditures	0
<b>Through September 30, 2004</b>	
Obligations	15,659
Expenditures	0
Unliquidated	15,659
<b>Prior Year Unobligated Funds</b>	
Obligations	0
<b>Planned Fiscal Year 2005 NOA</b>	
Obligations	18,589
<b>Total Planned Fiscal Year 2005</b>	
Obligations	18,589
<b>Proposed Fiscal Year 2006 NOA</b>	
Obligations	11,228
Future Obligations	24,024
Est. Total Cost	69,500