

# INVESTOR'S GUIDE 2020

EL SALVADOR



EXPORT AND  
INVESTMENT  
PROMOTION  
AGENCY OF  
EL SALVADOR



Acantilados **Hotel**

# INVESTOR'S GUIDE 2020

EL SALVADOR



EXPORT AND  
INVESTMENT  
PROMOTION  
AGENCY OF  
EL SALVADOR











Palo Verde **Hotel**



Santa Ana **Volcano**



El Cordoncillo **estuary**, Costa del Sol





EXPORT AND  
INVESTMENT  
PROMOTION  
AGENCY OF  
EL SALVADOR

PROESA

Board of Directors

Salvador Gómez Góchez  
**President of PROESA**

Mario Durán  
**Minister for the Government and Territorial  
Development**

Nelson Fuentes  
**Minister of Finance**

María Luisa Hayem Brevé  
**Minister of Economy**

Edgar Romeo Rodríguez  
**Minister of Public Works**

Alejandro Arturo Solano  
**Private Sector Representative**

Nicolás Rigoberto Monge  
**Private Sector Representative**

José Enrique Burgos  
**Academic Sector Representative**

## Content

Policy Analysis and Market Intelligence Department  
Investment Directorate

## Graphic Design

Héctor A. Cartagena

## Photography

PROESA

Cover photo courtesy of Insigne  
El Salvador- Calidad Inmobiliaria

For a digital copy of this document, visit:  
**[www.proesa.gob.sv](http://www.proesa.gob.sv)**



San Salvador **City**



Coatepeque **Lake**

The material in this work is subject to copyright. Because PROESA encourages dissemination of its knowledge, this work can be reproduced, in whole or in part, for noncommercial purposes as long as full attribution of the work is given.



<b>Foreword</b> .....	<b>9</b>
Why El Salvador?.....	10
Services Provided to Investors.....	12

<b>Business Climate</b> .....	<b>14</b>
1. Economic Stability.....	16
2. Openness to Global Trade and Investment.....	16
3. Attractive Investment Climate.....	17



<b>Access and Connectivity</b> .....	<b>18</b>
1. Preferential Access to International Markets.....	19
2. Strategic Location.....	20
3. Availability of Industrial Land.....	21
4. Modern Infrastructure.....	22



<b>Legal Framework and Incentives</b> .....	<b>29</b>
1. Investment Law.....	29
2. Free Zones Law.....	30
3. International Services Law.....	32
4. Tourism Law.....	34
5. Renewable Energy Incentives Law.....	35
6. Public Private Partnerships Law.....	35
7. Law of Legal Stability for Investments.....	36
8. Investment Funds Laws.....	37
9. Electronic Signature Law.....	40







## IV

<b>Human Capital.....</b>	<b>42</b>
1. Labor Climate.....	43
2. Higher Education.....	44
3. Technical Education.....	45
4. On-the-Job Training.....	46



## V

<b>Investment Opportunities.....</b>	<b>47</b>
1. Aeronautics.....	47
2. Agroindustry.....	50
3. Energy.....	53
4. Light Manufacturing.....	56
5. Offshore Business Services.....	59
6. Textiles and Apparel.....	62
7. Tourism.....	66



## VI

<b>Setting Up and Operating a Business in El Salvador.....</b>	<b>68</b>
1. Operational Costs.....	68
2. Taxes.....	73
3. Establishing a Company.....	75
4. Requirements to Enter El Salvador.....	76





# GOBIERNO DE EL SALVADOR



## Foreword

### Dear investor:

The Export and Investment Promotion Agency of **El Salvador** puts at your disposal the **Investor's Guide 2020** edition. Here you will find information regarding investment opportunities in our country, operation costs, legal framework and other useful information to do business in **El Salvador**.

The country stands out for the quality of our human capital, its high performance and commitment, as well as a proven openness to international trade and investment, positioning our location as an effective export platform of goods and services.

**The Government of El Salvador** works to keep ensuring a favorable business climate ideal for investment, progressing in the implementation of public policies regarding security, economy, innovation and technology, and through the development of enabling infrastructure for successful productive activities.

We are actively promoting the diversification of the energy matrix, facilitating the development of new projects in renewable energy generation, specifically solar and wind power.

We have launched international legal tenders for the **first two public-private partnerships (PPP) in El Salvador's history**. The first tender is for the expansion of the cargo terminal of our International Airport that contributes to keep being the region's aeronautics hub. The second PPP is to illuminate and have video-surveillance in highways to increase security, improve people and merchandise transportation. These are part of the PPP projects portfolio that keeps growing and represents an investment opportunity in our country.

We know that the new global setting requires the search of better efficiencies which means that **El Salvador** can be your optimal location to establish more productive operations that help maintain or improve your competitiveness in different markets.

Today more than ever, the **Export and Investment Promotion Agency of El Salvador (PROESA)** is committed to accompany you before, during and after your investment. We will facilitate you the required information to evaluate our country as your next investment destination and will be thrilled to share the opportunities that **El Salvador** offers in manufacturing and services.

Salvador Gómez Góchez  
**President of PROESA**



# Why El Salvador?

## 1 PRODUCTIVE LABOR FORCE

Investors certify that Salvadoran labor force is world-famous for its industriousness, efficiency and work ethic. Approximately 55% of the labor force is under 40 years old, making it a predominantly young and highly productive country.

## 2 COMPETITIVE COSTS

El Salvador is among the most cost-competitive countries to set up and operate a business. The Financial Times' investment journal fDi Intelligence in its Cities of the Future 2019/20 edition classified San Salvador as one of the most cost effective locations in the continent.

## 3 MONETARY STABILITY

El Salvador offers greater certainty to investors because of the elimination of foreign exchange risk and low inflation rates due to its dollarization of our economy in 2001.

El Salvador International Airport



## 4 COMPETITIVE INFRASTRUCTURE

The World Economic Forum places El Salvador's infrastructure among the most competitive in Latin America and Central American region. A modern port, airport and road infrastructure enable efficient logistical operations, while solid and advanced telecommunications and electricity markets guarantee access to high quality and cost-competitive services.

## 6 PREFERENTIAL ACCESS TO INTERNATIONAL MARKETS

Multiple trade agreements provide preferential access to more than 1.2 billion consumers in 42 countries around the world. El Salvador has trade agreements with Central America, Chile, Colombia, Cuba, Dominican Republic, Ecuador, European Union, Mexico, Panama, South Korea, Taiwan and United States.

## 5 ATTRACTIVE TAX INCENTIVES

The country's legal framework provides full exemption from income tax, municipal taxes, taxes on transfers of real-estate property, as well as customs duties and taxes on the import of: Machinery, equipment, raw materials and other articles used in the production of goods and services.

## 7 STRATEGIC LOCATION

El Salvador's geographic location enables a short access time to major cities in North and South America. The country is on the same time zone as U.S. Central Standard Time (CST). It offers a natural two oceans logistics corridor, proximity to the Transpacific maritime route and to the Panama Canal.







# Services Provided to Investors

PROESA is an autonomous government institution whose mission is to promote and facilitate the exports of goods and services, local and foreign investment and public-private partnerships in order to contribute to job generation and national development.





### ▲ San Marcos Free Zone

#### Business opportunities:

- Information on investment opportunities, incentives and advantages of investing in FDI growth sectors.
- Statistics and customized industry information.

#### Strategic information:

- Information on set-up and operational costs, regulations, availability of human capital, business climate and any other information required in the country evaluation process.
- Personalized service to specific enquiries.

#### Advisory and technical assistance:

- Organization, logistics and coordination of tailored agendas for visits to El Salvador.
- Specialized support before, during and after the investment.
- Assistance to potential investors in the generation of local business contacts.
- Comprehensive support in procedures required to establish or expand business operations in the country.



# I. Business Climate

El Salvador, located in the heart of the Americas between North and South America, is an export-oriented free-market economy. The country extends from a coastal plain to a volcanic upland in the interior.

El Salvador has evolved over the last two decades. Today, it offers its business partners:

- Economic and political stability
- Openness to global trade and investment
- Attractive business climate



Port of Acajutla, Sonsonate

## GDP by sector 2019 (%)

AGRICULTURE	5.6
INDUSTRY	17.7
SERVICES	76.7

6.6

million people  
53% women and  
47% men

USD 27.0

billion is our  
gross domestic  
product

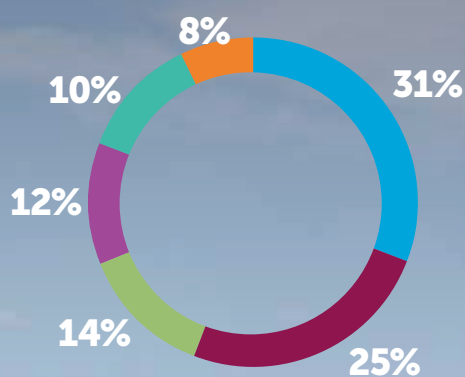
Source: Central Reserve Bank of El Salvador

## FDI stock by sector, 2019

USD **10.1** billion

### Share by sector (%)

- Financial and Insurance activities
- Manufacturing
- Trade
- Electricity Supply
- Information and Communications
- Others



Source: Central Reserve Bank of El Salvador (BCR)

**3.0** million people build  
up our work force

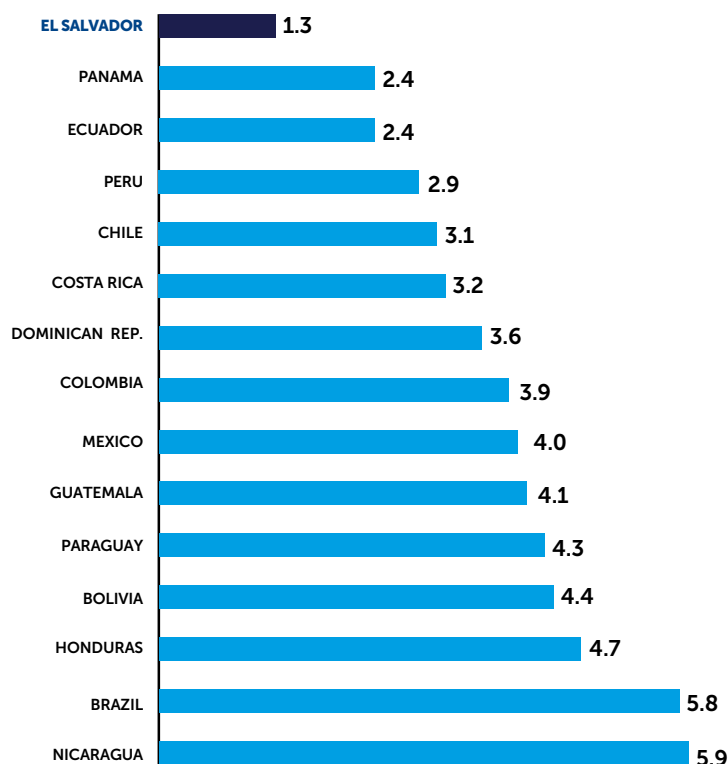
USD **4,030** average annual  
income per capita



# 1. Economic stability

One of the most important policies implemented to open the country's economy to world trade and investment is the adoption of the U.S. dollar as legal tender in 2001.

## Average inflation rate of selected countries (%) 2010-2019



Source: International Monetary Fund.

As a result, El Salvador has achieved single-digit inflation rates for over a decade, remaining below the average of the rest of the Latin American countries. Likewise, the elimination of foreign exchange risk has lowered real interest rates and provided greater certainty for investors. Companies that have invested in El Salvador benefit from lower financial and transaction costs.

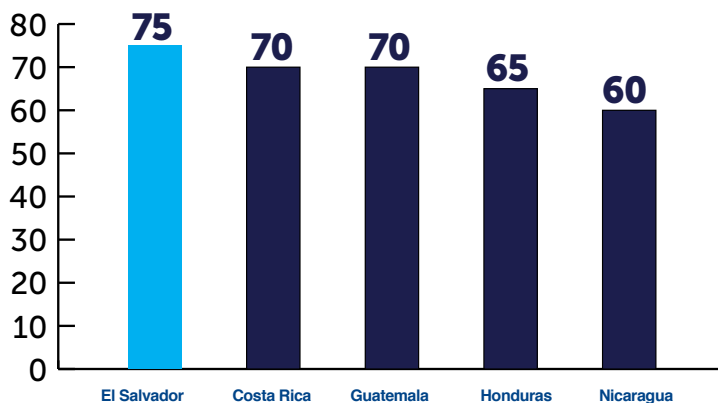
## 2. Openness to Global Trade and Investment

According to the Index of Economic Freedom published by the Heritage Foundation in 2019, El Salvador ranks first in the Investment Freedom index of Central America. This shows the country's ability to maintain free market policies that promote investment.

This is why many important multinational companies have chosen El Salvador as an investment destination. Some of these are:



## Investment Freedom in Central America (Score)



Source: The Heritage Foundation, factor measured by the Economic Freedom Index (2019). Score from 0 to 100. A higher score means that there are less regulatory restrictions to investment.

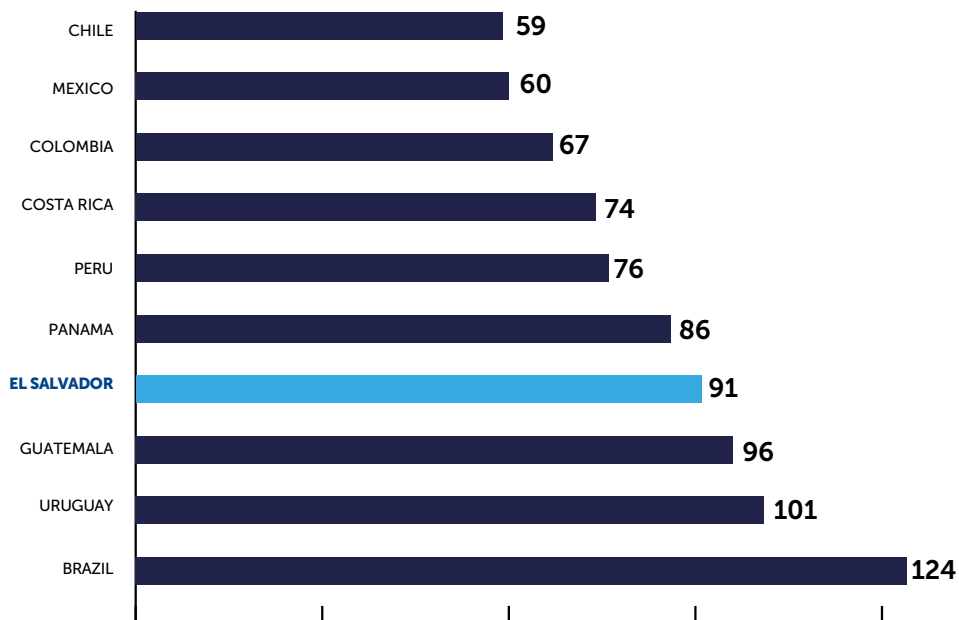
El Salvador also stands out in terms of trade freedom, measured by the same ranking. El Salvador is the second freest country in Central America for its open economy to international trade.

### 3. Attractive Investment Climate

El Salvador offers an attractive investment climate and constantly works in contributing actions to facilitate business. According to the ease of doing business rank 2020 of the World Bank, El Salvador is the seventh economy in Latin America that offers an appropriate climate for investment.

Likewise, the country stands out for enjoying wide international support of different strategic allies with which maintains cooperation agreements or support mechanisms in infrastructure, human capital, regulation improvement, business climate, among others. All these have allowed the successful execution of important projects meant to improve the country's conditions to attract investment.

#### Ease of Doing Business 2020 Top 10 Latin American Countries



Source: World Bank Group. Ranking based on 190 countries



Ease of Doing  
Business Ranking

**7<sup>th</sup>**

In Latin America

Source: World Bank



**Calvo** Tuna Company



**Cemento** Regional



# II. Access and Connectivity



## 1. Preferential Access to International Markets

El Salvador is an export platform to reach major markets thanks to the broad network of trade agreements with 42 countries in the Americas, Europe and Asia. Together they represent a potential market of 1.2 billion consumers. These agreements provide flexible rules of origin, and the elimination or major reductions in import tariffs.





## 1. Strategic Location

It takes a short flight (2-5 hours) from El Salvador International Airport to reach major cities in North and South America. El Salvador International Airport serves as the regional hub of Avianca Airlines. Cargo transportation also benefits by the country's proximity to main maritime trade routes.

The country's modern port and airport infrastructure allows manufacturing companies to carry out their logistical operations efficiently.

Likewise, in the context of international services, El Salvador is on U.S. Central Standard Time (CST, GMT -6). This makes El Salvador's location ideal for offshore business services.



\*Sailing days and flight hours  
Source: PROESA

American Park **Free Zone**

### 3. Availability of Industrial Land

El Salvador has free zones designed for companies engaged in the production and export of goods or services. These industrial parks provide companies with the necessary services to operate efficiently, and offer attractive tax incentives to investors (for more information, see Section III of this guide, Legal Framework and Incentives).

These industrial parks stand out for their strategic location and easy access to competitive infrastructure: they are near the capital and other major cities and close to world-class highways, airports and ports.



# 17

 free zones

#### Strategic Location of Free Zones

Free Zone*	Distance to	
	Port (mi)	Airport (mi)
American Park	48.5	46.9
San Bartolo	68.4	22.6
Export Salva	40.1	41.3
Internacional El Salvador	78.9	11.2
Santa Tecla	47.1	29.8
El Pedregal	75.8	7.5
San Marcos	54.9	21.7
Miramar	72.7	8.6

\*Selected Free Zones. Distances regarding Port of Acajutla and El Salvador International Airport (SOARG).



# 4. Modern Infrastructure

The Global Competitiveness Report 2019 of the World Economic Forum places El Salvador among the nations with the best infrastructure in the region. In Central America, El Salvador ranks in the 1st place in road connectivity index and 2nd place in infrastructure.



Monseñor Romero **Boulevard**



El Salvador provides adequate infrastructure for trade facilitation that not only offers road connectivity but also constantly improves the cross-border trade experience. In 2018, the country ratified its incorporation to a customs union with Honduras and Guatemala. This union turns the crossing points into customs offices of transit allowing companies to mobilize merchandise and carry out business freely, nimbly and efficiently. Some of the benefits from this union are time reductions in logistics, operating cost reductions, productive chains integration, and joint production unification.

#### a) Highway Network

The country enjoys a modern and efficient road network that connects its main cities and offers a rapid and easy access to the rest of the region.

El Salvador main highways:

- Panamerican Highway
- Litoral (Coastal) Highway
- Longitudinal del Norte (North Longitudinal) Highway

The high connectivity and quality of El Salvador's road infrastructure facilitates the transport of goods between production centers and ports.

#### b) Airports

El Salvador International Airport (AIES – SOARG) stands out as an important regional hub and top class maintenance center for commercial aircrafts.



**2<sup>nd</sup>** in infrastructure

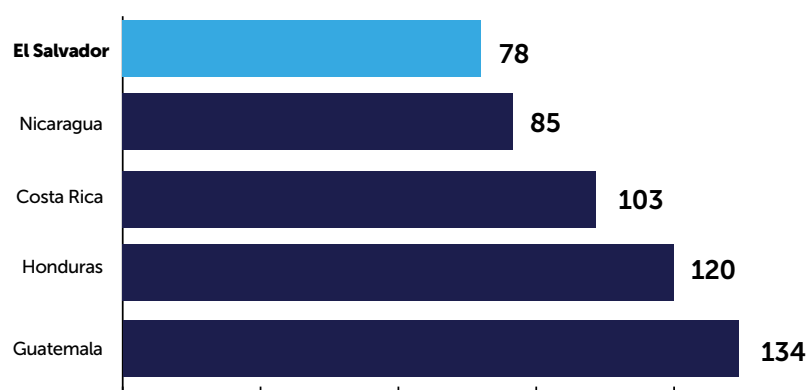


**1<sup>st</sup>** in road connectivity

#### Infrastructure Ranking Global Competitiveness Report 2019



#### Road Connectivity Ranking Global Competitiveness Report 2019



Source: World Economic Forum. Rank out of 141 countries.



## El Salvador International Airport

El Salvador International Airport (AIES – SOARG) is one of the largest and most modern in the region. It operates as Avianca's hub for Central America. Other airlines from South and North America, and Europe also operate in this airport.

El Salvador continues expanding and modernizing its airport. Among the works that have been completed are the expansion of the passenger terminal that increased its capacity with nine new waiting rooms between 2018 and 2019. This new installed capacity has helped service the continual growth of passenger flow that comes to the country. Likewise, an expansion of the cargo terminal is foreseen as a public-private partnership project.



### El Salvador International Airport

San Óscar Arnulfo Romero y Galdámez.

**26.7** Thousands tons of cargo

Source: CEPA (2018)

### AIES-SOARG:

- ❑ Classified as Category 1 by the Federal Aviation Administration (FAA).
- ❑ Its strategic location allows year-round operations in optimal conditions. Additionally, its near sea level altitude facilitates the safe take-off and landing of aircraft at 100% capacity.
- ❑ Direct access to 28 routes of origin and destination in 14 countries, as well as excellent air traffic connections.

### Destinations with Direct Flights\*:



\*In addition to direct flights, airlines offer a variety of other destinations with connecting flights.

Source: CEPA



**3.4** Million passengers



### El Salvador International Airport

San Óscar Arnulfo Romero y Galdámez.

## c) Ports

El Salvador has a versatile port infrastructure able to respond to the needs of freight services effectively.

### Main ports:

- Port Acajutla: Located in the western region of the country
- Port La Unión: Located in the eastern region of the country and showcases as one of the most important and modern in Central America.

### INTERNATIONAL AIRLINES OPERATING IN EL SALVADOR<sup>(1)</sup>



(1) Some of these airlines provide cargo service, in addition to passenger transportation.

### SHIPPING COMPANIES OPERATING IN EL SALVADOR







El Bósforo, La Unión

## d) Electricity

The Salvadoran electricity market is the most open in the region. Its legal framework promotes a competitive market with private participation in the generation, distribution and sale of electricity. Besides that, El Salvador has an institutional structure suitable for the development, regulation and operation of the electricity market.

The Transmission Company of El Salvador (ETESAL for its name in Spanish) provides prompt

and effective maintenance and expansion of the electric power transmission, to guarantee the continuity of stable and reliable power supply in El Salvador.

Solid companies with ample experience in the electrical industry perform electricity distribution in El Salvador. The main distribution companies are: 1) AES Group, with four electricity distribution firms, reaching the central-northern area of El Salvador (CAESS), the

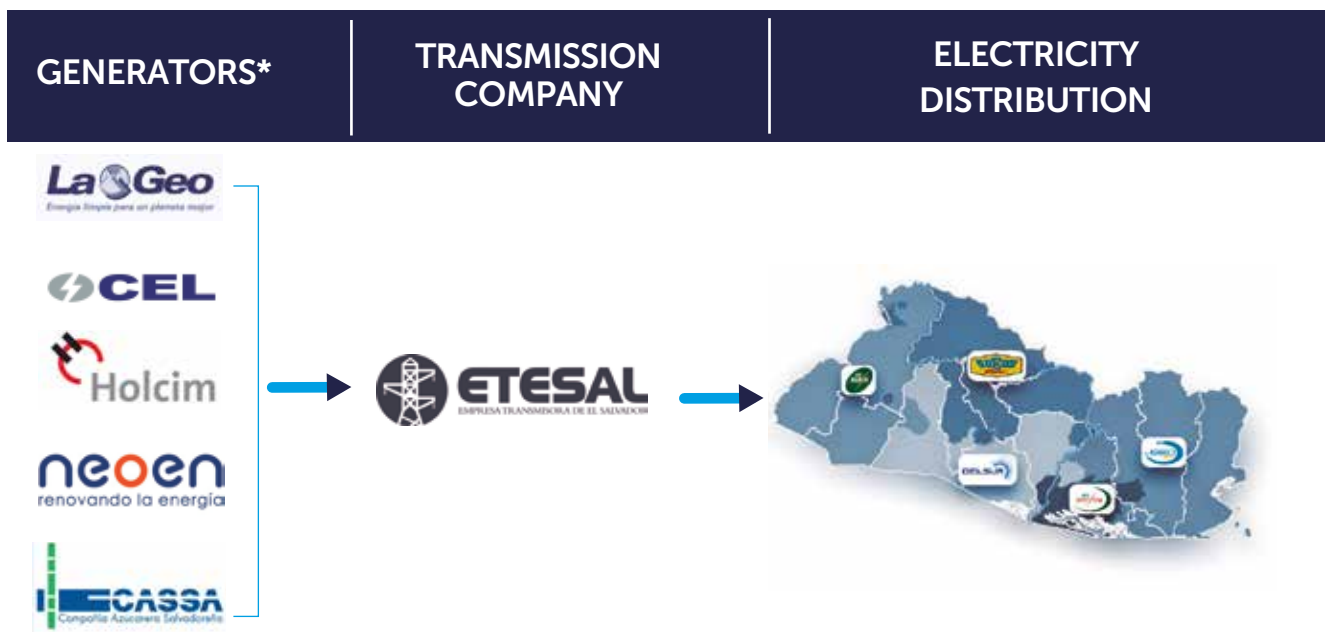




INE Talnique



Thermal Power Plnt of Ahuachapán



\*Sample companies

western area (CLESA), and the eastern area (EEO and DEUSEM); and 2) Distribuidora de Electricidad del Sur (DELSUR), which supplies energy to the central-southern part of the country.

El Salvador is progressing to a broader diversification of the energy matrix as a result of the international tenders for renewable energy supply. As a result, new projects are developed as of natural gas, photovoltaic energy and wind-

based generation.

El Salvador's legal framework allows companies to generate their own energy and sell their surplus in the electricity market.

El Salvador has one of the most competitive electricity rates in the region. For more information, see Section VI of this guide, "Setting Up and Operating a Business in El Salvador".



2.26

million internet users

147

mobile lines per 100 inhabitants

9.44

million mobile lines



## e) Telecommunications

El Salvador has become one of the most dynamic and connected countries in the region. El Salvador ranks in the 15th position out of 141 evaluated economies in the mobile-cellular telephone subscriptions index of the ICT Adoption pillar in the Global Competitiveness Report

The telecommunications market in El Salvador ensures high quality services at competitive prices. Users benefit from a large number of service providers and extensive coverage across the country.

The Inclusive Internet Index 2019 of The Economist, which measures the internet penetration through different categories, ranks El Salvador in the 29th position out of 100 evaluated economies worldwide and the 5th in Latin America in the Affordability category, proving that the country offers competitive costs to access such service.

The main telecommunication companies are executing important investment that guarantee a steady development of the telecommunication infrastructure and leading-edge technology adoption.

El Salvador directly interconnects to the United States, Latin America and the rest of the world by four of the most advanced telecommunications networks in the region: EMERGIA, ARCOS, MAYA1 and RED 1. This connectivity guarantees a redundancy of 99.9%, positioning El Salvador at the forefront in terms of efficiency, speed and continued availability of telecommunications.

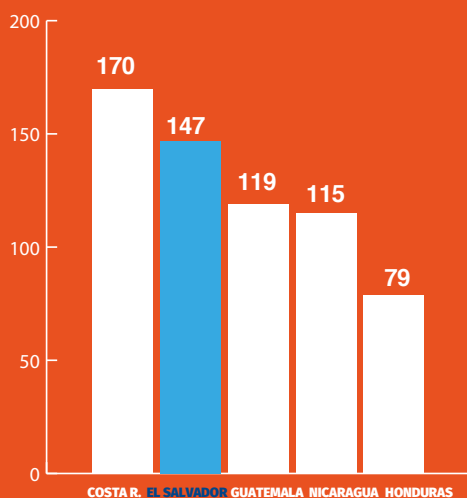
For more information about costs of telecom services, see Section VI of this guide, "Setting Up and Operating a Business in El Salvador".

### Main telecommunications operators

OPERATOR	BASIC SERVICES*
América Móvil, (Telecom/Claro)	Landline, mobile phone, cable TV, internet (fixed and mobile)
Millicom (Telefónica/Tigo)	Landline, mobile phone, cable TV, internet (fixed and mobile)
Telefónica	Landline, mobile phone, internet (mobile)
Digicel	Mobile phone, internet (mobile)
Intelfon (RED)	Mobile phone, radio communication
IBW	Internet
Salnet	Landline, internet

Source: General Superintendence for Energy and Telecommunications (SIGET).

### MOBILE LINES PENETRATION PER 100 INHABITANTS



Source: ITU (2018)





Aeroman facilities

## III. Legal Framework and Incentives

El Salvador is committed to promoting investment and developing long-term relationships with investors. The country's solid legal framework provides attractive tax incentives and gives equal treatment to local and foreign investors.

### 1. Investment Law

This law seeks to encourage private investment and, more specifically, Foreign Direct Investment (FDI).

#### **Benefits**

- Procedure streamlining
- Equal treatment to all investors (foreign and local investors will have the same rights and obligations. Discriminatory measures that hinder the establishment, administration, use, extension, sale and liquidation of investments may not be used against them)
- Freedom to invest
- Transfer of funds abroad (foreign investors are guaranteed the right to transfer funds abroad, without delay and with the freedom to convert currency through the banking system)
- Protection of property and legal certainty. In accordance with the Constitution, foreign and national investors are guaranteed protection of their property and the right to the free disposition of their assets.



## 2. Free Zones Law

Offers generous tax incentives to export-oriented manufacturing companies located in Free Zones or Warehouses for Inward Processing (DPA, for its acronym in Spanish).

Free Zones are industrial parks considered outside the national territory for fiscal purposes, and thus raw material or merchandise required by companies are imported free of taxes and tariffs. If a company – for technical reasons – is unable to operate inside a free zone, it can be authorized to operate outside as a Warehouse for Inward Processing (DPA) and enjoy all the benefits of this law.

### Eligible activities<sup>(2)</sup> :

- The production, assembly or maquila, manufacture, processing, transformation or commercialization of

industrial goods included in Chapter 3 and Chapters 25 onwards of the Harmonized System

- Fishing of maritime species to undergo industrial transformation, including preparation, canning, derivatives or sub products, as well as their respective processing and commercialization
- Cultivation, processing and commercialization of flora species grown in protected structures in greenhouses and laboratories
- Breeding and commercialization of amphibian and reptile species in captivity
- Dehydration of ethyl alcohol
- The production, assembly or maquila, manufacturing, processing, transformation or commercialization of compensating products that use alcohols as raw material or input.<sup>(3)</sup>

(2) With the exception of activities related to the production, processing or commercialization of natural gas, oil and derivatives; cement; mineral metallic and non-metallic products mined from Salvadoran subsoil; sugar and its substitutes, sugar products and by-products; alcohol; sacks of synthetic fibers; goods classified as polluting or harmful; commercialization of metal waste and scraps; import of machinery with leasing purposes and supply of food intended for employees or companies benefitted by this Law.

### Benefits:

- Full exemption from customs duties and other taxes on the import of machinery and equipment used for production
- Full exemption from customs duties and other taxes on the import of raw materials and other goods used for production
- Full exemption from customs duties and other taxes on lubricants, fuel and other substances used for production
- Full exemption from taxes on the transfer of real-estate property, for the acquisition of real estate that will be used in the incentivized activity



(3) Including the ones mentioned in heading 2207 and subheading 220890 of the harmonized system, as long as the final product isn't liquor or beverages containing alcohol, unless these have medical or cosmetic use.

- Income tax exemption according to the following table:

Location of the Free Zone or DPA	Percentage of Exemption	Period of Exemption for Companies in a Free Zone	Period of Exemption for Companies Operating as DPA
San Salvador	100%	For 15 years	For 10 years
Metropolitan Area	60%	For the following 10 years	For the following 5 years
	40%	For the following 10 years	For the following 10 years
Outside San Salvador	100%	For 20 years	For 15 years
Metropolitan Area	60%	For the following 15 years	For the following 10 years
	40%	For the following 10 years	For the following 10 years

Shareholders also benefit with full exemption from income tax on the distribution of profits and dividends – originating from the incentivized activity – during the first 12 years.

- Exemption from municipal taxes, according to the following table:

Location of the Free Zone or DPA	Percentage of Exemption	Period of Exemption for Companies in a Free Zone	Period of Exemption for Companies Operating as DPA
San Salvador Metropolitan Area	100%	For 15 years	For 10 years
	90%	For the following 10 years	For the following 5 years
	75%	Hereinafter	Hereinafter
Outside San Salvador	100%	For 20 years	For 15 years
Metropolitan Area	90%	For the following 15 years	For the following 10 years
	75%	Hereinafter	Hereinafter

Municipal councils, with the purpose of promoting the development of their municipalities, have the legal power of granting additional benefits to investors.

Upon the expiration of the full exemptions period, investors established in free zones can benefit of an additional five years of total exemptions if they have increased their investment (in relation to their initial investment) by 100 % in the last five years.<sup>(4)</sup>

(4)The increase in investment has to be done in the purchase of land, in the construction of buildings and in the purchase of machinery and equipment linked to the incentivized activity. In addition, holders of companies dedicated to the manufacture of microprocessors; integrated circuits; parts of terrestrial, aerial and maritime vehicles; parts of computer equipment and medical devices; equipment for generation, to be installed in a Free Zone, shall be entitled to an additional period of five years of total exemption from payment of municipal and income taxes. Also, the owners whose industrial activity has been declared as strategic, and are authorized to operate under the free zone regime, shall be entitled to an additional period of ten years to the total exemption from payment of municipal and income taxes.



### 3. International Services Law

Provides tax incentives to companies dedicated to providing services to foreign customers. To enjoy these benefits companies may establish in:

- ✓ Service Parks: Limited areas considered to be outside the national customs territory, where exporters of services are installed and operate under the benefits of this law<sup>(5)</sup>.
- ✓ Service Centers: When a company – in an eligible activity specified in this law – for physical or technical reasons, is unable to operate inside a service park, it can be authorized to operate outside a Service Park, as a Service Center and enjoy all the benefits of this law.

Eligible activities:<sup>(6)</sup>:

Activities to Operate only within Service Parks	Activities to Operate in Service Parks or as Service Centers	Activities to Operate in Ports or Airports
INTERNATIONAL DISTRIBUTION Storage, gathering, consolidation and de-consolidation of third parties' merchandise with the purpose of being exported or re-exported	INTERNATIONAL CALL CENTERS OR CONTACT CENTERS	MAINTENANCE AND REPAIR OF AIRPLANES
INTERNATIONAL LOGISTICS OPERATIONS Planning, control and handling of inventories, selection, packing, crating, dividing, classification, ticketing, labeling, signaling, invoicing, inspection of cargo and others	BUSINESS PROCESSING OUTSOURCING (BPO)	MAINTENANCE AND REPAIR OF MARITIME VESSELS
RESEARCH AND DEVELOPMENT	INFORMATION TECHNOLOGIES Design and development of software, systems and IT applications	MAINTENANCE AND REPAIR OF CONTAINERS
INTERNATIONAL FINANCIAL SERVICES Financial institutions management process outsourcing	MEDICAL AND HOSPITAL SERVICES	SPECIALIZED SERVICES TO AIRCRAFTS Services provided to passenger or cargo airplanes to supply nonalcoholic beverages, prepared meals, consumable and disposable products inventory administration; organization, laundry and cleaning of reusable items in aircrafts. <sup>(7)</sup>
TECHNOLOGICAL EQUIPMENT REPAIR	ELDERLY AND CONVALESCENT CARE	
	TELEMEDICINE Post-checkup medical advice and specialized consultation, laboratory tests, pathological and image-based studies, clinical history management and treatment support	
	CINEMATOGRAPHY Post-production services carried out on recorded material, that may include subtitling and translation, among other services.	

32

INVESTORS GUIDE

(5) Companies that provide services can also operate inside any Free Zone; it will be considered as if they were operating in a Service Park.

(6) The following incentivized activities can allot part of their services to the national market: international distribution (50%), international logistics operations (50%), international call center (40%), information technologies (30%), research and development (30%), international financial services (40%).

(7) The operations related to Maintenance and Repair of Containers and Specialized services to Aircrafts can be located within a 6.21 miles radius from ports or airports.

**Benefits:**

- Full exemption from customs duties and other taxes on the import of machinery, equipment, tools, replacement parts, accessories, furniture and office equipment, and other goods required for the execution of the incentivized activity
- Total exemption from income tax, exclusively for income deriving from the incentivized activity during the period of operation in the country
- Total exemption from municipal taxes on company assets during the period of operation in the country

**One Link** Getcom**Grupo Treming**, software development**International Cancer Center**, Hospital de Diagnóstico



## 4. Tourism Law

Tourism projects with a minimum investment of USD 25,000 are eligible to be declared “national touristic interest” and enjoy the following benefits:

- Total exemption from municipal taxes on company assets during the period of operation in the country
- Full exemption from taxes on the transfer of real-estate property, for the acquisition of real estate intended for the project<sup>(8)</sup>
- Full exemption from customs duties on the import of goods, equipment and accessories, machinery, vehicles, aircrafts or maritime vessels and construction materials used for buildings until the completion of the project
- Full exemption from income tax for a period of 10 years, starting in the fiscal year in which the business begins operations
- Partial exemption from municipal taxes (up to 50%) for a period of 5 years, starting in the fiscal year in which the business begins operations

<sup>(8)</sup> The exempted amount cannot be greater than the total capital invested in the project.

Acantilados Hotel





## 5. Renewable Energy Incentives Law

This law promotes investment in hydraulic, geothermal, wind, solar and biomass, or other source considered renewable energy to generate electricity.

### Benefits:

- Full exemption (during the first 10 years) from customs duties on imports of machinery, equipment, materials and supplies intended exclusively for pre-investment and investment activities in the construction of the electrical power generation centrals<sup>(9)</sup>
- Full exemption from income tax for a five years period, for projects greater than 10 (MW), and ten years for projects equal or under 10 megawatts (MW)<sup>(10)</sup>
- Total exemption from taxes on revenues originated from the sale of Certified Emissions Reductions (CER) in the framework of the Clean Development Mechanism (CDM) of the Kyoto Protocol or similar carbon markets

Geothermal plants may deduct from income tax (for up to 10 years), all expenses or costs on associated with the reinjection process of the total geothermic resource.<sup>(11)</sup>

<sup>(9)</sup> It includes the construction or expansion of the substation, transmission, sub-transmission lines required to transport energy from the plant to the transmission and/or distribution grids.

<sup>(10)</sup> In both cases - with the start of operations of the renewable energy project, corresponding to the fiscal year in which revenues are obtained.

<sup>(11)</sup> The deduction may not be greater than 20% of the previous year's gross income, and will be carried out via annual quotas that will not exceed 25% of the income obtained in each fiscal year up to its total amortization.



Hotel Palo Verde

## 6. Public Private Partnerships Law

This law establishes a legal framework for the development of Public Private Partnership (PPP) projects regarding public infrastructure, public services or activities of national interest.

- The PPP Law is applicable to projects in which a private sector investor is entrusted by a public entity to design and build an infrastructure project and its related services, or to build, rehabilitate, upgrade or equip, as well as the responsibility to operate and maintain such infrastructure. It will also be applicable to infrastructure projects for the provision of public services or the exploitation or execution of an activity of national interest.
- The minimum investment to qualify for a PPP project is 45 thousand times the trade and services minimum wage (USD 304.17). An equivalent to USD 13,687,650.
- 40 years - maximum period for a PPP contract
- Private initiative regime: Private investors may propose new projects to be publicly tendered if such are declared of national interest by a government institution. This provides attractive advantages for those who submit project proposals.
- PROESA is the advisory and governing authority of Public Private Partnerships (all PPP projects are approved by PROESA's Board of Directors)



## 7. Law of Legal Stability for Investments

This law guarantees legal certainty to investors on taxes, customs and immigration issues through Legal Stability Contracts.

This law guarantees legal certainty to investors on taxes, customs and immigration issues through Legal Stability Contracts.

Individuals and legal entities -national or foreign- with new investment projects or the expansion of existing investments within the following eligible activities may benefit from this law.

- ✓ Aeronautics
- ✓ Agroindustry
- ✓ Aquaculture
- ✓ Electronics
- ✓ Energy
- ✓ Strategic Infrastructure
- ✓ Logistics
- ✓ Health Services
- ✓ Offshore Business Services
- ✓ Tourism
- ✓ Telecommunications
- ✓ Light Manufacturing
- ✓ Science and Technology<sup>(12)</sup>

### Benefits

Once a Legal Stability Contract is signed, private investors shall benefit with the following guarantees<sup>(13)</sup>

- Tax stability at national level
- Tax stability at the municipal level
- Stability in tax exemptions provided by special legislation for the period of time in which these were granted by the relevant institution
- Stability on customs procedures
- Stability on the right to transfer funds abroad as stated on the Investment Law



- Stability on the immigration regime concerning the investor's residence status

To be eligible for these benefits, investors shall comply with the requisites stated in this law, among which is the commitment to invest an amount on fixed assets greater than or equal to four thousand two hundred and twenty times the industry minimum wage (USD 304.17). This is equal to USD 1,283,597.40 in new investment projects or the expansion of existing investments. Benefits are granted for a period of up to 20 years depending on the amount of the investment<sup>(14)</sup>.

<sup>(12)</sup> Other activities may be eligible if they comply with the requisites stated in this law and with the technical analysis performed by PROESA (in coordination with other specialized institutions).

<sup>(13)</sup> Indirect taxes are excluded from the tax stability regime.

<sup>(14)</sup> Investments of up to 21,100 times the industry minimum wage (USD 6,417,987) may benefit with a legal stability contract for a period of 5 years; investments of up to 42,200 times the industry minimum wage (12,835,974) for 10 years; and investments above this amount for a period of 20 years.



## 8. Investment Funds Law

Regulates and establishes the supervisory framework of the investment funds, its participation shares, administering societies and its operations, as other participants.

This law establishes that these funds will be formed by the contributions of different investors- called participants- and administered by a limited company called the administrator, that legally represents the investors. The contributions from the participants, as any increase in the share value, will be considered as the financial result of the fund's assets. The funds are exclusive property of the participants, being a separate asset from the investment fund management. Each fund will be expressed in participation quotas to determine what corresponds to each of the participants.







## Aeroman Facilities

There are two types of investment funds:

**Open:** These funds do not have a defined duration time and the participants can withdraw their participations any given time- the total or partial amount. The open funds must have a minimum capital of USD 350 thousand and at least 50 participants, or 10 participants if one of these is an institutional investor.

**Closed:** These funds have a defined duration of time and the participants will only receive the corresponding amount to their shares at the end of the fixed period, with the possibility of negotiating shares in a secondary market. Close funds should have a minimum capital of USD 350

thousand and at least 10 participants, or 2 participants if one of these is a institutional investor.

Investments done with resources from the fund, will have the single objective of obtaining an adequate profitability, appropriate for the level of risk and the liquidity requirements determined in the investment fund policy.

The investment funds can be invested in<sup>(15)</sup>:

- a. Securities issued or backed by the Government of El Salvador or an autonomous institution of El Salvador.
- b. Bonds and other securities issued or backed by local banks

<sup>(15)</sup> Investments have to be made in Salvadoran stock market, except for the ones made in open funds-local or foreign. Securities issued by the Salvadoran Government and Central Bank can also be traded outside the stock market. The close funds can also be invested in Salvadoran real estate that generate income from rent or sale. These funds can be invested outside the stock market by companies which shares are not traded in the stock market and that their goal is to invest in medium and long term company projects. The open and closed funds can also acquire shares in the primary market.



- c. Representative securities reflecting the participation of each participant in joint credit of Salvadoran companies or securities that represent participation in the patrimony of Salvadoran companies.
- d. Participation quotas of open or closed funds.
- e. Asset-backed securitizations according to the Salvadoran law.
- f. Repurchase agreements of public offering securities defined in the internal regulations of the fund.
- g. Securities issued or backed by foreign governments, central banks, foreign banks or institutions; stocks and bonds issued by foreign companies; asset-backed securitizations and participation quotas of foreign investment funds.
- h. Other public offering securities authorized by the Central Bank, in compliance with applicable standards to open or closed funds.

### Benefits:

- The open and close investment funds benefit from income tax, VAT, and other taxes exemption, as well from other special contribution.<sup>(16)</sup>
- Real Estate Transfer Tax exemption to those used for close funds. This real estate can be considered as contribution or acquisitions for these funds.
- Full exemption in transfers, endorsements, registrations and marginal notations to assets (movable or immovable) transfer to build an investment fund.
- Natural persons can enjoy income tax exemption on income, revenues or profits obtained from shares in open or closed funds during the first five years after the creation of the first investment fund.<sup>(17)</sup>
- Natural or legal persons non-domiciled in the country will benefit with a reduced income tax of 3%, in accordance with the fourth subparagraph of art. 158 of the Tax Code.

Every income, revenue or profit originated from the participation quotas in open or closed investment funds, obtained by domiciled legal persons, will have the tax treatment as established on the Income Tax Law. In the cases where the legal person receives income from investment in tax-exempt securities, the income, revenue or profit will be equally exempt. The person will declare the capital profit or loss obtained in the fiscal year or the corresponding period of imposition in accordance with the Law mentioned above.

<sup>(16)</sup> However, close real estate investment funds will be subject to Real Estate Transfer Tax and Service Provision Law.

<sup>(17)</sup> Upon expiration of the period, this income will be subject to art. 4 subparagraph 5 of the Income Tax Law and other applicable laws. This article states that incomes won't be considered taxable "the interests, premiums and other profits made from the deposits in the financial institutions supervised by the Financial System Superintendence, associations and Savings and Credit Cooperative Societies, federations, as long as the taxable person is a domiciled natural person holder of the deposits, and the average monthly balance is below the USD 25 thousand".





**El Salvador International Airport** San Óscar Arnulfo Romero y Galdámez.

## 9. Electronic Signature Law

This law acknowledges a simple electronic signature and certified electronic signature to a handwritten signature. It also gives and recognizes the efficiency and legal value to the certified electronic signature, data messages and any other information in electronic format accompanied by a certified electronic signature.

The certified electronic signature links a data message with its proprietor, allows the unequivocal verification of the authorship and identity of the signer and assures that the

signature data is under control and exclusive use of the signer. This has equal validity and legal effects as a written signature with the data included in an electronic document or message. Also, the documents electronically stored and the certified reproductions have the same judicial value as the original documents; they will be subject of the legal regime as of the originals and could be disputed the same way as the originals.

The simple electronic signature has the same validity as the handwritten signature; however, as for its judicial effect, the electronic signature



does not have the same proving validity as the certified electronic signature.

### **The use of the electronic signature by the Government institutions**

This law allows authorities, officials and public employees of government institutions that provide public services, to execute or act within their scope of practice using simple electronic signature.

When officials and public employees issue any document or carry out administrative acts on

which they grant rights, sanction or constitute confidential information to natural or legal persons, a certified electronic signature.

When officials and public employees issue any document or carry out administrative acts on which they grant rights, sanction or constitute confidential information to natural or legal persons, a certified electronic signature will be used. Also, the acts and documents issued by government institutions that are used as public instruments, will be able to subscribe through certified electronic.



# IV. Human Capital

El Salvador's labor force is composed of 3.0 million people<sup>(18)</sup>, 55% of whom is 40 years or younger. Thus, it offers a highly productive labor force capable of developing new skills in a short period of time. The country's labor force is qualified as ideal for manufacturing, agro-industrial and service activities. Furthermore, there is a growing population with higher education that can face the challenges of a modern and globalized economy.

## Roberto Kriete

"We now say to the world that the Salvadoran human capital is capable of servicing aircraft maintenance for world renowned airlines. Our people have made this dream possible. They are the main pillar and heart of our company and their commitment to quality is what makes us big and get farther."



President of the Board of Directors of AEROMAN  
Aeronautics Sector



ADOC

## Sagar Rajgopal

"After a rigorous case study, we were convinced that El Salvador was the right place for economic reasons and its people with unprecedented energy and work ethic."



Co-founder and Chief Operating Director – BPO  
Ubiquity Global Services, Offshore Business Services Sector



Biogalenic

## Luis Roberto Quiñónez

"The company decided to establish in El Salvador for what its investment climate offers in geography, economics and politics, and also for the quality of the Salvadoran human capital."



Production plant manager  
Biogalenic, Light Manufacturing Sector

<sup>(18)</sup> Economically active population: Defined as the population over 16 years of age that is occupied or seeking employment.

## 1. Labor Climate

El Salvador's Labor Code balances the protection and rights of workers with the flexibility that employers require to manage their businesses and create jobs.

El Salvador is characterized for having good employer-worker relationships. It has not been affected by significant disputes or strikes.



AVX Kyolera



AEROMAN



## 2. Higher Education

**E**l Salvador has a good base of technicians and professionals ready to join the country's productive sectors.



Don Bosco University, Soyapango

**190.5** thousand students enrolled in technical and university careers

**24** universities

**23.9** thousand technicians and professionals join the country's labor force every year

**11** specialized institutes

**6** technical institutes throughout the country

### Enrolled Students by Educational Specialization (Number of Students and Percentage)

Specialization Studies	No. of students			
	Men	Women	TOTAL	(%)
<b>Management and Economics</b>	<b>20,203</b>	<b>26,884</b>	<b>47,087</b>	<b>25%</b>
Technology	26,792	8,601	35,393	19%
<b>Health</b>	<b>10,568</b>	<b>24,544</b>	<b>35,112</b>	<b>19%</b>
Law	6,566	8,961	15,527	8%
<b>Social Sciences</b>	<b>4,688</b>	<b>8,317</b>	<b>13,005</b>	<b>7%</b>
Education	4,667	8,095	12,762	7%
<b>Humanities</b>	<b>4,778</b>	<b>6,266</b>	<b>11,044</b>	<b>6%</b>
Art and Architecture	3,932	4,327	8,259	4%
<b>Agroindustry and Environment</b>	<b>2,476</b>	<b>1,670</b>	<b>4,146</b>	<b>2%</b>
Sciences	1,660	2,072	3,732	2%
<b>Total</b>	<b>86,330</b>	<b>99,737</b>	<b>186,067</b>	<b>100%</b>

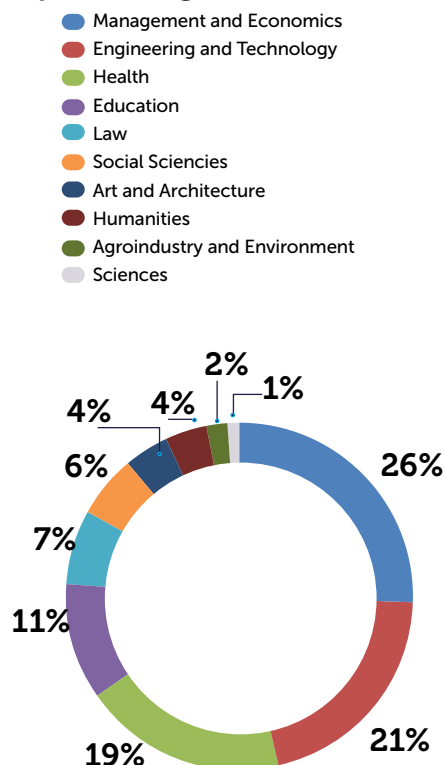
Source: Ministry of Education (MINED) 2018

## 3. Technical Education

Investors can satisfy their demand of technicians through a pool of institutes specialized in technical education, such as:

- MEGATEC (Gradual Education Learning Model of Technical and Technological Education), with locations in Santa Ana, Cabañas, Zacatecoluca, La Unión, Chalatenango and Sonsonate
- Escuela Superior Franciscana Especializada / AGAPE (Specialized Superior Franciscan School)
- Escuela Especializada en Ingeniería/ITCA-FEPADE (Specialized Engineering School), with regional centers in Santa Ana and San Miguel
- Universidad Don Bosco/UDB (Don Bosco University)
- Escuela Nacional de Agricultura/ENA (National School for Agriculture)

### Graduates by Educational Area (As percentage over 23,935 Graduates)



Source: Ministry of Education (MINED) 2017

Some of the technical careers available linked to FDI growth sectors, are: Aeronautical Maintenance, Agroindustry with Specialization in Fruits, Vegetables and Grains, Agronomy, Aquaculture, Biomedical, Civil Engineering, Customs and Logistics, Dental Surgery, Electronics, Food Processing and Preparation, Gastronomy, Global Logistics, Industrial Engineering, Mechanical Engineering, Medicine, Nursing, Prosthetics, Bracing and Supports, Port Management and Operation, Software Development, Tourism and Tourism Development and Management, among others.



Don Bosco University



## 4. On-the-Job Training

Companies that need to train their active workers can use the aid of the Salvadoran Institute for Professional Formation (INSAFORP, for its acronym in Spanish). An autonomous governmental agency that seeks to satisfy the needs for qualified human resources required by the country's private sector. Multiple investors have found in INSAFORP an important tool for financing, partially or totally, their employees' professional development.

### Collaboration between Industry and Academic Sector

#### AEROMAN – Don Bosco University

El Salvador's higher and technical education institutions work to build a qualified labor force capable of fulfilling industry needs. An example of this effort is the work carried out between Don Bosco University (UDB) and AEROMAN, a maintenance and repair company for commercial aircrafts.

As a result of the strong growth experienced by the aeronautical sector, Don Bosco University and AEROMAN launched in 2005 an aeronautical maintenance degree. In two years, students can obtain a mechanics license to provide maintenance to cargo, commercial and civil aviation aircrafts. Since its creation, the university's aeronautical department has worked closely with companies and institutions in the sector to foster the development of the aeronautical industry in El Salvador.



Aeroman



Aeroman

# V. Investment Opportunities

## 1. Aeronautics

With more than 35 years' experience in developing the aeronautics industry, El Salvador is a referral on the global aeronautics map. El Salvador provides maintenance to major commercial airlines aircrafts such as American Airlines, Southwest Airlines, DELTA Airlines, LAN, COPA Airlines, Avian-ca, Interjet and Volaris. Approximately, 150 aircrafts of the Airbus A320 and Boeing B737 family receive maintenance per year.

The country has an aeronautics cluster, which incorporates private actors, government institutions, universities and international cooperation. Some of its members are:



Estación de MRO

[www.aeroman.com.sv](http://www.aeroman.com.sv)



Proveedores de insumos para la industria y MRO de Componentes

[www.aviotradegroup.com](http://www.aviotradegroup.com)



Formación de técnicos e ingenieros en aeronáutica

[www.udb.edu.sv](http://www.udb.edu.sv)



Estación de MRO

[www.airsupport.com.sv](http://www.airsupport.com.sv)



Mantenimiento de helicópteros

[www.helica.com.sv](http://www.helica.com.sv)



Corporación Centroamericana de Servicios de Navegación Aérea

[www.cocesna.org](http://www.cocesna.org)



Bachillerato Técnico Bilingüe en Mantenimiento de Aeronaves

[www.itexsal.edu.sv](http://www.itexsal.edu.sv)





## Advantages of Investing in El Salvador

- Aeronautics Cluster with renowned companies such as AEROMAN and Avianca
- Labor Costs up to 40% more competitive than United States/Mexico border operations
- Geostrategic Positioning: proximity to the world's largest aviation market
- High Productivity:
  - ❑ 98 % TAT in the last years
  - ❑ Low employee turnover: less than 2% per year, a key factor for training and performance
  - ❑ Fast learning curves, which ensures the learning of technical knowledge required to carry out world-class operations
- Engineering and Technical Degrees in Aeronautics
- Availability of Industrial Land at Ilopango and El Salvador International Airports
- Attractive Fiscal Incentives

### AEROMAN FACILITIES



## Alejandro Echeverria

"The success of Aeroman comes as the result of its highly qualified work force, motivated and hardworking, always ready to face new challenges and open to feedback to make things better, proving that our people can comply and exceed world-class quality standards in high-tech industries."




CEO- Aeroman

## Investment Opportunities

- ❑ Commercial aircrafts maintenance service operations
- ❑ Ground support services
- ❑ Helicopter maintenance and assembly operations
- ❑ Light Sport Aircraft (LSA) airframe manufacturing and parts for wing tips, engines and others, in composite materials
- ❑ Painting and maintenance of commercial aircraft interiors
- ❑ Wire harnesses operations
- ❑ Plastic and metal mechanic parts manufacturing
- ❑ Aero structures sub assembly
- ❑ Components shops
- ❑ Distribution and warehousing services for aircraft parts

For more information, please contact our investment advisor:

 **José Emilio Márquez**

Investment Advisor

PBX: **+503 2592-7000**

Direct: **+503 2592-7029**

Mobile: **+503 7071-7029**

Email: **jmarquez@proesa.gob.sv**

## Success Story

**A**eroman, a company specialized in aeronautical maintenance solutions, has reached 36 years of placing El Salvador on the radar of the global aviation industry, generating employment for almost 3,000 Salvadorans, who are a cause of pride for the company because of their high quality standards.

The company started operations in 1983 with 32 employees, as the maintenance department of TACA (today Avianca). In 1996, Hangar No.1 was built to service 4 production lines and serving other airlines such as Copa and Iberia. Their good performance led them to be recognized by Airbus and their reputation was their entry pass to service American companies.

The success of Aeroman lays on its team: Salvadorans trained within the same company for 12 to 18 months to achieving the know-how to work on all diverse aircraft maintenance processes, ranging from line maintenance to complex structural modifications that can last up to 30 days.

Aeroman has a 10 year expansion plan that began executing in 2014, this implies a total investment of US \$ 120 million on infrastructure expansion and talent training.

The expansion project began with the construction of fifth hangar, which involved an investment of US \$ 55 million, including a taxiway, platforms for the use of hangars and the rehabilitation and improvement of the access.

The sixth hangar was built, with more than 2,000 square meters and 125 meters long, having the capacity to simultaneously give maintenance to 35 aircrafts, and it will also be able to serve the new Boeing 777 that will be launched in 2020, with a total span of 71 meters. For the construction of the 6th hangar, Aeroman invested \$45 million and involved the construction of training spaces, ramps, warehouses, cafeteria areas and soccer fields, making it one of the largest aircraft maintenance facilities in Latin America.





Calvo, La Unión

## 2. Agroindustry

El Salvador offers an ideal location for the production and processing of food, as well as to address specific market niches that go beyond the traditional agricultural industries. Additionally, its proximity to high consumption markets facilitates the export of these products.

### Advantages of Investing in El Salvador

- Suitable climatic (temperature and altitude) and soil conditions to grow ornamental plants and fruits
- Excellent road and port infrastructure
- Free trade agreements that provide favorable conditions to access major markets in America and Europe
- Abundant supply of sugar for high-consumption industries (beverages, candies, etc.). Likewise, it is possible to negotiate fixed price contracts for up to five years
- Availability of water resources for sustainable aquaculture development
- Important fiscal incentives provided by the Free Zones Law, for the following products:
  - ☐ Maritime species
  - ☐ Greenhouse and laboratory flora species
  - ☐ Reptiles and amphibians
- Complimentary industries such as containers, packaging and process technologies, among others
- Proximity to the biggest consumer market for agroindustry products (United States)
- Highly competitive and cost effective human resources
- Due to its geographical convenience, it is the ideal location to establish a distribution center for Central America, United States, Mexico or the Caribbean

For more information, please contact our investment advisor:



**Karen Portillo**

Investment Advisor

PBX: **+503 2592-7000**

Direct: **+503 2592-7031**

Mobile: **+503 7071-7031**

Email: **kportillo@proesa.gob.sv**



## Investment Opportunities

PROESA has identified the following niche markets that offer excellent investment opportunities:

- **Maritime extraction, aquaculture and fish processing:** El Salvador enjoys biodiversity and stock of marine species, availability of industrial and artisan fishing fleet, appropriate climate for aquaculture and other advantages that offer opportunities for the extraction and processing of non-traditional fishery products and of large pelagic, as well as continental and marine aquaculture.
- **Ornamental plants:** El Salvador has the right ecological and climate conditions for year round harvest, meeting the supply-demand needs. There are opportunity niches of rooted cuttings to be produced at destination and high-value tropical flowers.
- **Vegetables.** The main advantage for the vegetable production of high unit value are the microclimates and thermal floors to produce crops all year round. Likewise, it has the capacity to develop organic crops due to the country's growing experience in developing green-house products.
- **Sugar derivatives.** El Salvador is the second exporter of sugar in Central America and is able to supply this input to various industries to diversify the uses of sugar cane in niches such as confectionery, rum production and agglomerated bagasse boards for construction.
- **Foods preparations:** There is local and regional raw material availability for the production of frozen corn-based food preparations and snacks.



Livsmart, La Libertad

## Success Stories

### Grupo Calvo

Spanish company engaged in the fishing, processing and commercialization of high-quality canned fish. Its largest tuna processing plant is located in El Salvador (16,000 m<sup>2</sup> with a total investment of USD 160 million). It is currently one of the largest exporters in the country.



Calvo, La Unión



### Dümmen Orange

Dutch Company that has operated in the country since 2009 with a 20-hectare greenhouse specialized in the production and commercialization of poinsettias, geraniums, petunias and begonias cuttings. The sunny climate and moderate temperatures have allowed them to obtain the high quality products demanded by their customers in the United States and Europe.



### Hidroexpo

Located at Pipil Free Zone, La Libertad. Dedicated to the production of bell pepper and tomato (Bif) under controlled greenhouse conditions. It started operations in El Salvador in 2002, with an initial investment of USD 23.5 million in 34 greenhouses, product of a co-investment of Salvadoran and Israeli capital during its initial stage.



### Río Grande

It is a Salvadoran company, founded more than 30 years ago in the United States. It produces and sells ethnic food products for the Hispanic community in the United States. The production plant in El Salvador had an initial investment of USD 20 million dollars, and since then the company has kept growing.

### 3. Energy

The Government of El Salvador is actively encouraging the diversification of the energy matrix and promoting renewable energy sources, innovation and technological development, as well as the regional energy integration through the interconnection line SIEPAC.

The Indicative Generation Expansion Plan 2010-2024 elaborated by the CNE determined the necessity of having an expansion of the installed capacity to supply the energy demand growth, launching in the latest years multiple tenders to incentivize investment in this sector.

It is estimated that for 2021 the installed capacity will grow 48% as of 2017, due to the start of operations of Energía del Pacífico power plant and other project implementations of solar and wind power allotted the latest years.

El Salvador has potential for the generation of energy from the following renewable energy sources:

HYDROELECTRIC



GEOHERMAL ENERGY



WIND



PV



CONCENTRATED SOLAR THERMAL



BIOMASS AND BIOGAS

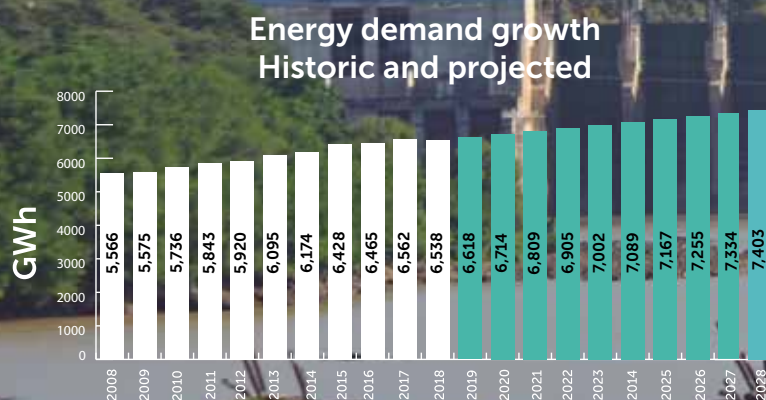


5 de Noviembre hydroelectric dam.





15 de Septiembre Hydroelectric Power Plant, San Vicente.



Source: Historic values registered by UT and projected values of The Indicative Generation Expansion Plan 2019-2028 CNE

## Advantages of Investing in El Salvador:

- Constant energy demand growth
- Strong commitment of the country to diversify the energy matrix
- Developing generation potential of: wind, geothermal, small hydroelectric power plants, biomass, biogas, solar photovoltaic, concentrated solar thermal, coal and natural gas sources
- Renewable Energy Incentives Law that offers attractive tax incentives to projects that generate electricity with renewable resources

## Investment Opportunities:

- International bidding processes and long term contracts of up to 20 years that guarantee the purchase of energy by the distribution company for the duration of the contract
- Power supply generation for the spot market where the nontraditional renewable energy sources (solar and wind) have supply priority
- Bilateral contracts directly agreed between generator and distributor
- Generation projects for industrial use

 **Karen Portillo**

Investment Advisor

For more information, please contact our investment advisor:

PBX: **+503 2592-7000**

Direct: **+503 2592-7031**

Mobile: **+503 7071-7031**

Email: **kportillo@proesa.gob.sv**

PREVIOUS INTERNATIONAL TENDERS	
ALLOTTED POWER	GENERATION SOURCE
355 MW	NATURAL GAS
12 MW	SOLAR AND BIOGAS
94 MW	SOLAR
170 MW	SOLAR AND WIND
8.48 MW	SOLAR AND BIOGAS

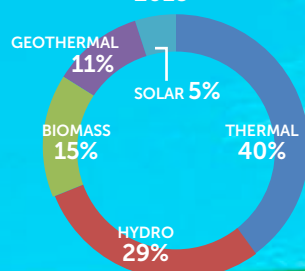
## 2018 (MW)

THERMAL	756.6
HYDRO	552.0
BIOMASS	290.6
GEOTHERMAL	204.4
SOLAR	94.0
TOTAL	1,897.6

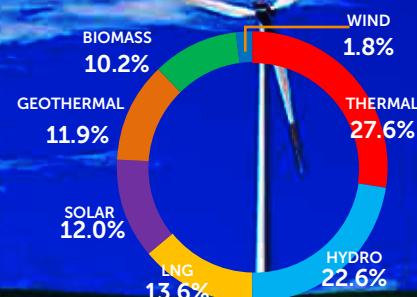
## 2021 (MW)

THERMAL	756.6
HYDRO	618.3
LNG	380
SOLAR	328.1
GEOTHERMAL	326.4
BIOMASS	279.2
WIND	50
TOTAL	2,738.6

## CURRENT INSTALLED CAPACITY 2018



## PROJECTED INSTALLED CAPACITY 2021



Source: CNE (2018)

## Success Stories

### Neoen

The french power generation company NEOEN has invested nearly USD 285 million in photovoltaic generation projects in El Salvador. Their more recent project is Capella Solar that will have two power plants with a combined capacity of 140 MW. Capella Solar- their latest investment- is a pioneer project and the biggest in Central America with their power storage facilities. It consists of a lithium-ion battery with a 3.3 MW/2.23 MWh capacity dedicated for backup power, strengthening the power grid stability.



### AES Corporation

Bósforo, a project executed by AES El Salvador in the Guazapa municipality, has ten power plants each having a capacity of 10 MW, generating a total solar power of 100 MW for El Salvador. The total investment is US\$ 160 million.





## 4. Light Manufacturing

El Salvador offers investment opportunities for companies in the fields of medical devices, chemical-pharmaceutical and cosmetics, footwear, auto parts and electronic components, who want to establish manufacturing plants and export their products to the United States, Mexico, Central America and the Caribbean.



Indufoam



Biogalenic

## Advantages of Investing in El Salvador

- Strategic location in the center of the Americas to be used as a logistics platform
- Free trade agreements with major markets. The CAFTA-DR rule of origin granted by the United States for footwear is more flexible than in any other free trade agreement.
- Installed capacity in key complementary industries. The textile and apparel sector is one of the most important in the country and includes yarn and fabric manufacturers, as well as apparel companies. El Salvador has a mature plastics industry. Currently, many of the plastic companies have installed capacity to offer outsourcing or even make joint

ventures with international companies. In the metal mechanics sector, there are companies with computer numerical control (CNC) workshops, capable of sourcing precision parts.

- Low operating costs
- Highly-qualified human capital

For more information, please contact one of our investment advisors:

📞 **José Emilio Márquez**

Investment Advisor

PBX: **+503 2592-7000**

Direct: **+503 2592-7029**

Mobile: **+503 7071-7029**

Email: **jmarquez@proesa.gob.sv**

## Investment Opportunities

### Manufacturing Plants for:

- Auto parts (automotive harnesses, car seats, airbags, seat belts and automotive sensors)
- Medical devices (medical supplies, orthopedic products, hospital furniture, etc.)
- Chemical-pharmaceutical (generic drugs, vitamin supplements, phytopharmaceuticals) and cosmetics (hair care, sunscreen and tanning products)
- Passive electronic components (tantalum and ceramic capacitors, transistors, resistors, etc.)
- Footwear (footwear manufacturing, assembly of footwear components and parts, manufacturing of footwear inputs, components and accessories)

### Logistics Hub for the Central American Region:

El Salvador provides a natural location for companies that want to service the 40 million people regional market.

## About human capital formation

In addition to the 24 universities, El Salvador has 4 MEGATEC centers, for training in technical and technological areas.

- The Don Bosco University has the first Latin American Studies Center accredited by the International Society for Prosthetics and Orthotics (ISPO). A center dedicated to train professionals in such areas. In this University, biomedical engineering has been taught for more than 20 years.
- The country offers degrees in Mechanical Engineering, Electrical Engineering, Telecommunications, Automation, Mechatronics and Electronics; as well as technical degrees in Electronics and Global Logistics.

Opp Film





## Success Stories

### OPP FILM

Company dedicated to the production of bi-oriented polypropylene (BOPP) packaging materials, such as transparent, matt and metallic. The company is a subsidiary of Oben Holdign Group, which operates in Peru, Ecuador, Colombia, Chile and Argentina. The group started operations in Ecuador (1991). As the company grew, they settled their headquarters in Peru, where it now generates the highest percentage of production and export of packaging materials for the entire Latin American region.

In 2010, OPP Film established a commercial office in El Salvador to meet orders for small and medium enterprises in Central America and the Caribbean. In late 2013, with an initial investment of USD 54 million, the company decided to establish its first production plant of bi-oriented polypropylene films in San Juan Opico, El Salvador. This plant supplies to Mexico, United States, Canada, Central America and the Caribbean.

In June 2015, the company made an additional investment of USD 46 million and created 200 direct jobs. In the same year, OPP Film established a trading company at American Park Free Zone to distribute their products in the local market. This was a USD 788 thousand investment and five direct jobs.

For more information, please contact one of our investment advisors:

 **José Emilio Márquez**

Investment Advisor

PBX: +503 2592-7000

Direct: +503 2592-7029

Mobile: +503 7071-7029

Email: [jmarquez@proesa.gob.sv](mailto:jmarquez@proesa.gob.sv)

### AVX Kyocera

Has been in El Salvador for more than 30 years. This has contributed to the country's experience of ceramic and tantalum electronic capacitors that comply with international standards.

This company began operations with 900 employees, and it currently has 3,600. The company has concentrated their operations in electronic capacitors production and have transferred production lines from Mexico, England, and the Czech Republic. AVX Kyocera evolved from assembling to elaborating chemical processes, molding, testing and packing. The implementation of new production lines has taken place in ten months, a short time compared with the two years it has taken in other countries.

One of the main reasons why AVX established itself in El Salvador is the high efficiency in production, which is greater than 97 %.

### Luis Carlos Silveyra

"After having carried out the necessary studies to determine the location of our new international operation, YAZAKI decided to establish operations in El Salvador because it offers the necessary conditions to be globally competitive".



Luis Carlos Silveyra, General Director YAZAKI

### YAZAKI

Is a Japanese global leader company in automotive systems and cable harnesses. It has 44 plants in different countries around the world that employ 257,100 workers. The company began operations in El Salvador in 2006 in Santa Ana. It currently generates more than 2,500 direct jobs- approximately 72% of them are women producing between 300 and 400 harnesses per day, with a level of 0.48% of annual turnover.

They exceeded their own expectations, making their first export was to the United States, nine months after the establishing in the country. They have reached an 80% efficiency and quality in their operations, exceeding the standards of other YAZAKI plants worldwide. In El Salvador they have been manufacturing harnesses for brands like Subaru, Jeep (chassis harnesses) and Chrysler (doors harnesses).



Atento



Sykes



One Link GETCOM

## 5. Offshore Business Services

The Salvadoran Offshore Business Services (OBS) Industry has experienced an unprecedented growth over the last years.

Internationally recognized companies have found a strategic partner in El Salvador. These companies are currently serving other international corporate clients from our country with outstanding results in industry's key performance indicators (KPI).

### Advantages of Investing in El Salvador

#### Outstanding Human Talent

- Neutral English and Spanish accents
- Exceptional performance in industry key performance indicators, such as:
  - ❑ Sales (differentiating ability of Salvadorans)
  - ❑ Customer satisfaction (C-SAT)
  - ❑ First call resolution (FCR)
- Cultural affinity with major markets such as the United States and Latin America
- Outstanding work ethic - loyalty, dynamism and warm service

#### Excellent Telecommunications Platform

- Open and competitive telecommunications market
- Guaranteed telecommunications redundancy
- Local and international telecommunication companies provide a broad spectrum of services at competitive costs



## Attractive Tax Incentives for Investors

### Time Zone

- For the American market, El Salvador is on U.S. Central Standard Time (CST), which is six hours behind Greenwich Mean Time (GMT).

### Government English Programs

- The Government has a special interest in this industry's growth and is promoting different English learning programs to guarantee the required human talent.
- There are also private sector and international organization initiatives to promote the learning of English.

## Investment Opportunities

### Contact centers:

- Product sales
- Order taking
- Cross sales & up sales
- Customer relationship management
- Technical support
- Customer service
- Customer prospecting
- Technical support/warranty
- Customer acquisition and retention
- Inbound and outbound calling
- Appointment scheduling
- Others

### Business Processing Services:

- Data capturing
- General ledger accounting
- Order processing
- Bank reconciliations
- Transaction processing
- Fixed asset accounting
- Data reporting
- Marketing surveys & research

## Success Story

TELUS International has proven El Salvador to be an excellent business development destination, delivering excellent outcomes as an outsourcing provider for customer service and IT solutions

At Digital Solutions, the technology division of TELUS International, they harness the power of next-gen technologies and digital acceleration to create the best high-tech, high-touch experiences for international markets.

The ITO team in El Salvador has grown from 3 to 150 team members over the course of 4 years, with a wide range of technology professionals that include Developers with expertise in multiple programming languages such as Java, Javascript, Python, React, Node JS, .NET, Angular, Redux, among others; Quality Analysts, Project Managers and experienced leaders that help the team to perform steadily, focused on lean, agile, human-centered technology projects. Their focus on developing reusable frameworks and components ensure faster time-to-market and reduced costs for AppDev, maintenance, management, and support.



**José Calderón**

Vice president of operations  
TELUS International El Salvador

“The excellent skills and qualities of the Salvadoran labor force have allowed us not only to give solutions to our clients, but to offer services much more complex with added value like labor force management, IT support and software development. The more satisfied our clients with the achieved results, the more likely they will recommend us, which will make all of us grow.”

- Inventory accounting
- Payroll processing
- Others

#### Information Technology Services:

- Software development, testing, business process management (BPM) and application management

#### Sample of Companies Operating in El Salvador



#### El Salvador's OBS at a glance

**29** thousand direct jobs

**+70** foreign and domestic companies

#### Skilled workforce

**190.5** students registered in higher education programs

**+700** students graduate annually from bilingual schools

For more information, please contact one of our investment advisors:

Jessica Bukele

Investment Advisor

PBX: +503 2592-7000  
Direct: +503 2592-7020  
Mobile: +503 7071-7020  
Email: [jbukele@proesa.gob.sv](mailto:jbukele@proesa.gob.sv)

## Succes Story

Rulesware partners with clients in the US and other countries to deliver high-quality, high-value business transformation solutions. Rulesware does this by providing expert implementations of Pega, a leading business process management software. Rulesware is recognized as a top employer in El Salvador and has been in El Salvador since 2011.



**Logan McCune**

People and Culture Manager

“We firmly believe that our focus, dedication and deep experience has been the key enabler of Rulesware’s track record of successful and rapid Pega project delivery, always driving desired outcomes for our valued clients. And so much of that experience and dedication comes out of our El Salvador office.

Almost a decade ago when we were considering countries around the world for an offshore or nearshore operation, we discovered El Salvador’s potential and haven’t looked back since. We now have an office there of over 100 talented engineers, quality assurance professionals, and other important positions who work in real time with our employees and clients in other countries.

We have been very pleased with the work ethic, communication skills, formal training, and soft skills of our El Salvador employees. In fact, we recently brought new positions to our El Salvador office that in the past have only been available in our US operations, including business architect and project manager roles. We look forward to continuing to expand and invest in our El Salvador operation and employees.”



## 6. Textiles and Apparel

The textile and apparel sector is one of the main engines of El Salvador's development, with a value chain that has consolidated and integrated towards more added value products.

The dynamic process of vertical integration of the industry has incorporated all production activities of the textile and apparel chain, from the production of fibers, yarns and fabrics manufacturing, product design, garment manufacturing and the associated logistics, besides offering countless opportunities to enter new businesses in the upper and lower end of the value chain and related activities.

El Salvador exports textiles and apparel to more than 50 countries. According to OTEXA, El Salvador is the 9th provider of apparel to the United States.

### Advantages of Investing in El Salvador

- El Salvador has significant competitive advantages for the location of textile and apparel companies, highlighting the speed to market and geographic proximity, complemented with free trade agreements that give access to an important customer market. The Free Trade Agreements that El Salvador offers with several countries allows access to a potential market of 1.2 billion customers worldwide.
- The "Yarn Forward" rule of origin granted by the CAFTA-DR, allows free access for qualifying textile and apparel products made using U.S. and/or Central America-DR yarns and fabrics (nylon, polyester, micro fiber, among others –products paying a 32% tariff when imported from Asia through the U.S.)

- El Salvador has one of the most competitive labor costs in Central America, including fringe benefits and a qualified workforce that outstands in the region
- It is the only country that has developed a full synthetic cluster in Central America

### Investment Opportunities

- Yarns and fabrics manufacturing (Natural and synthetic)
- Knitted garments with accessories and embellishments (embroidery, screen printing, heat transfers, etc.), athletic wear, sportswear, performance wear and swimwear manufacturing
- Garments manufacturing included in the "Cut and Assemble" Rule of Origin category: bras, girl dresses, boxer shorts, sleepwear, luggage, among others.

For more information, please contact one of our investment advisors:



**Celia María Hernández**

Investment Advisor

PBX: **+503 2592-7000**

Direct: **+503 2592-7024**

Mobile: **+503 7071-7024**

Email: **chernandez@proesa.gob.sv**





**Miramar Free Zone**



**American Park Free Zone**



**International Free Zone**



**El Pedregal Free Zone**



2,612

Million Total exports for  
textiles and apparel (2019)

+75

export markets

+250

companies



George C. Moore Co



## Success Story

### George C. Moore Co

The George C. Moore Company constantly strives to offer the best narrow elastic value in the market. George C. Moore Co. is the founder of what is now known as The Moore Company, which has five different divisions (George C. Moore, Darlington Fabrics, Fulflex, Moeller and Amersil). The headquarters are located in Westerly, Rhode Island (USA) from where they operate corporate offices and a department of Design and R & D.

George C. Moore Co. has more than ten years of successful operations in El Salvador. The company invested in El Salvador's textile and apparel industry to take advantage of the proximity to the US market and of DR-CAFTA trade legislation.

George C. Moore Co. manufactures plain, printed and Jacquard woven and knit narrow elastic for underwear, intimate apparel, athletic compression, men's and women's slacks, performance apparel, dancewear, swimwear, orthopedic & medical, industrial and military markets. Their value added services include cutting and looping, fabricated waistbands, silicone applications, technical finishes, permanent fire resistance and other assorted offerings.



George C. Moore Co



Youngone

### Youngone

Youngone El Salvador began operations in August 2001. Ki Hak Sung had visited the region several times and had taken a special affection for El Salvador, the industriousness of its people, for its strategic position in the region, and for ease of market access to the United States. The company generates about 1,400 jobs in the country and is in a growth stage. Youngone El Salvador has been a pioneer in the manufacture of garments for winter, having to train its staff in a sector that is difficult and demanding. The company has been quick to adjust to changes in the market and be more flexible and agile to achieve diversification in their product matrix to generate and sustain an annual growth of 15-20% in the last 3 years.





## 7. Tourism

El Salvador is a country that extends from a coastal plain to a volcanic upland in the interior, bordering the North Pacific Ocean to the south and southwest, with Guatemala to the north-northwest and Honduras to the north-northeast.

El Salvador, with a total land area of 21,000 km<sup>2</sup> and a 307 km coastline, offers the possibility to surf, hike, dive or

visit archaeological parks or museums all in the same day and a few hours away from the coast. The strategic location of the country makes it an attractive destination for touristic developments: arriving from El Salvador International Airport to major cities in North and South America takes a short flight (2 – 5 hours). Likewise, El Salvador International Airport stands out for being the regional hub of Avianca Airlines.

For more information, please contact one of our investment advisors:



**Celia María Hernández**

Investment Advisor

PBX: **+503 2592-7000**

Direct: **+503 2592-7024**

Mobile: **+503 7071-7024**

Email: **chernandez@proesa.gob.sv**





Santa Ana volcano



Cerro Verde, Ahuachapán

## Advantages of Investing in El Salvador

- Solid and growing touristic demand. Annually, El Salvador welcomes approximately 2.6 million visitors.
- Air traffic hub with over 508 weekly arrivals and departures.
- Tourism is central to the El Salvador's economy because employs more than 54,000 people directly and represents 6.3% of GDP.
- Political stability and dollarized economy.
- Attractive fiscal incentives provided by the Tourism and International Services Laws.
- Hard-working and service-oriented workforce.

## Investment opportunities

- Hotels/Boutique hotels
- Convention centers
- Marinas
- Spas and wellness centers
- Mixed use developments
- Medical tourism: hospitals, specialized clinics, medical spas, resort hospitals

## Success Story

### Palo Verde

Palo Verde started in 2012 as a sustainable boutique hotel that offers comfort, relaxation and a unique bonding experience with the local community and the surrounding nature. It is located on the Salvadoran beach, in the heart of the Pacific Ocean, facing the perfect waves for surfing or simply enjoying the beach views and sunsets. The hotel is also committed to employing the local community and providing them with growth and development opportunities.

The hotel has an integral management system to minimize the tourism ecological footprint on each visit. This system has water management policies, energy efficiency and waste management.



Palo Verde Hotel



# VI. Setting Up and Operating a Business in **El Salvador**



Cemento Regional

El Salvador is one of the most attractive countries within the region to set up and operate a business. Over the past years, The Financial Times journal fDi Intelligence ranked El Salvador among the best cost-effective country in the region<sup>(19)</sup>.

As the following figure shows, El Salvador is one of the most competitive countries in Central America in terms of labor costs:

## 1.Operational Costs

### a) Labor Costs

El Salvador’s Labor Code regulates employer-worker relations. Salvadoran legislation states that wages are determined freely, but cannot be lower than the minimum wage established by the National Wage Council, revised at least every three years.

Minimum Wage per Sector (in USD)<sup>(20)</sup>

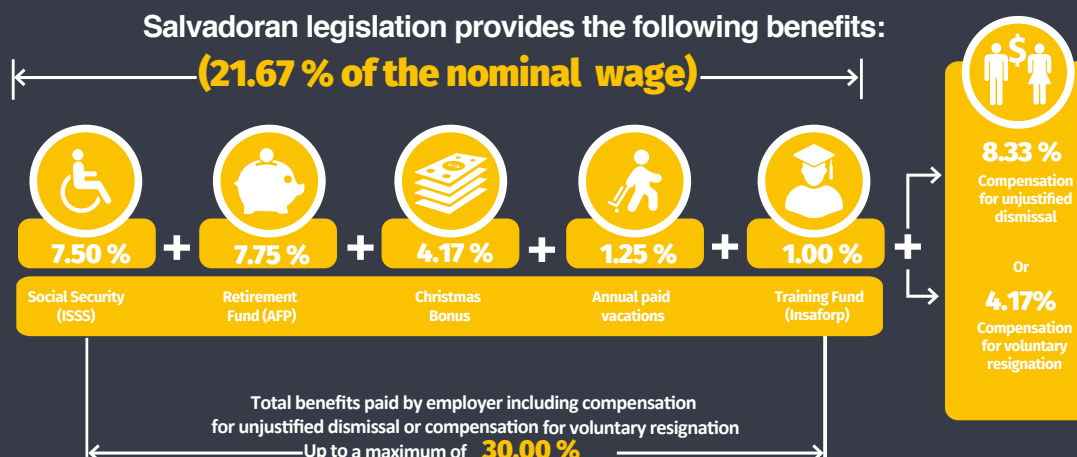
WAGES PER	Agroindustry	Industry	Commerce and Services	Textile and Apparel
Hour	0.83	1.25	1.25	1.23
Day	6.67	10.00	10.00	9.84
Month	202.88	304.17	304.17	299.30

<sup>(19)</sup>Cost effectiveness judging criteria: cost of registering property; cost of dealing with construction permits; total tax rate, percentage of profit; office costs; minimum wage; room rate for four-star hotel and cost to export.  
<sup>(20)</sup>Rates in force since January 1st, 2018. Montly wage = (daily rate X 365 days) / 12 months

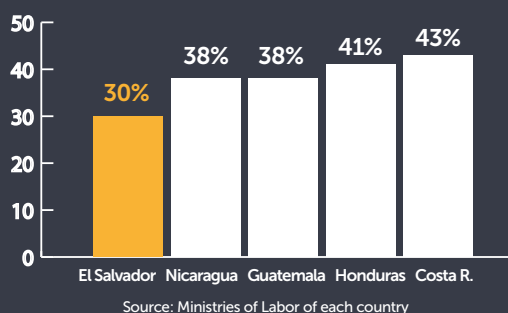
## Legal Working Schedules

Work days are classified in day and night shifts:

- Day Shift (between 6:00 am and 7:00 pm): Maximum of 8 hours per day for a 44-hour work week.
- Night Shift (between 7:00 pm and 6:00 am): Maximum of 7 hours per day for a 39-hour work week. For night shifts, a 25 % surcharge is applied on the salary of a similar work in day hours.



Comparative fringe benefits in Central America (as % of base salary) (%)<sup>(21)</sup>



**National Holidays**  
El Salvador has the following statutory holidays with full salary benefits:

National holidays
<ul style="list-style-type: none"> <li>January 1<sup>st</sup> (New Year's Day)</li> <li>Thursday, Friday and Saturday of Holy Week</li> <li>May 1<sup>st</sup> (Labor Day)</li> <li>May 10<sup>th</sup> (Mother's day)</li> <li>June 17<sup>th</sup> (Father's Day)</li> <li>August 6<sup>th</sup> (Feast of San Salvador) <sup>(22)</sup></li> <li>September 15<sup>th</sup> (Independence Day)</li> <li>November 2<sup>nd</sup> (All Saints Day)</li> <li>December 25<sup>th</sup> (Christmas Day)</li> </ul>
Source: Labor Code of El Salvador

<sup>(21)</sup>Excludes public holidays: Nicaragua (11 statutory holidays with full salary benefits), Honduras (11 days), Guatemala (12 days), El Salvador (13 days) and Costa Rica (15 days).

<sup>(22)</sup>Además, se establecen el 3 y 5 de agosto en San Salvador, y en el resto del país, el día principal de la festividad más importante del lugar, según la costumbre.

Fringe Benefits Salvadoran legislation provides the following benefits:

Employer Obligations	Description	Monthly Percentage
Annual paid vacations	Vacations are paid once per year and correspond to 30% of a 15-day salary.	1.25%
Social Security (ISSS)	The employer pays an amount equivalent to 7.5% of the base salary. For the calculation of this contribution, a maximum of USD 1,000.00 will be considered as base salary.	7.50%
Training Fund (Insaforp)	Applicable only to companies with 10 or more employees. The employer pays an amount equivalent to 1% of the base salary.	1.00%
Christmas Bonus	Paid annually in December (it is not necessary to make a monthly provision). The amount is calculated according to the number of years served: 1-3 years (15 days salary), 3-10 years (19 days salary), 10 years or more (21 days salary).	4.17%
Retirement Fund (AFP)	The employer contributes with 7.75% of the base salary.	7.75%
Total benefits paid by employers		21.67%
Compensation for voluntary resignation or Compensation for unjustified dismissal (only one of the two will apply):		
Compensation for voluntary resignation	This compensation is due in the case of voluntary resignation from the employee. The law does not obligates to maintain a reserve to pay this compensation, but it does mandates it shall be paid in the case of voluntary resignation of an employee that has at least two continuous years of service for the same employer. For managers, department heads and specialized workers, to have right to this compensation, it is an obligation that such employees give the employer a 30 days written notice. All other employees may give written notice 15 days in advance. 15 days of salary will be paid for every year of service. For effects of calculating the payment, no base salary may be higher than two times the current minimum wage.	4.17%
Compensation for unjustified dismissal	This provision is used in case of an unjustified dismissal. Thirty days will be paid for each year of service provided, and proportionally for fractions of a working year. To calculate compensation, no salary will be greater than four times the current minimum wage (Art. 58, Labor Code). The law does not require companies to maintain this provision, but obliges payment in case of unjustified dismissals.	8.33%
Total benefits paid by employer + Compensation for unjustified dismissal / Compensation for voluntary resignation		Up to a maximum of 30.00%



Foreign workers

According to El Salvador’s Labor Code, companies are required to form their staff with at least 90% of Salvadorans; however, in special circumstances, companies may be authorized by the Ministry of Labor to employ more than 10% of foreign workers. For this calculation, the Law considers Central Americans as Salvadorans, and additionally establishes that up to four foreign workers in management positions (directors, managers, administrators and other managerial positions) will not count as part of the 10% calculation.

Foreign workers with regional management responsibilities at international companies will not be considered as part of the 10% limit.

b) Free Zones and Service Parks

El Salvador offers investors industrial land in free zones and service parks where companies can benefit from generous tax incentives and can access quality services to operate and export their products and services to foreign markets.

Monthly rental costs:

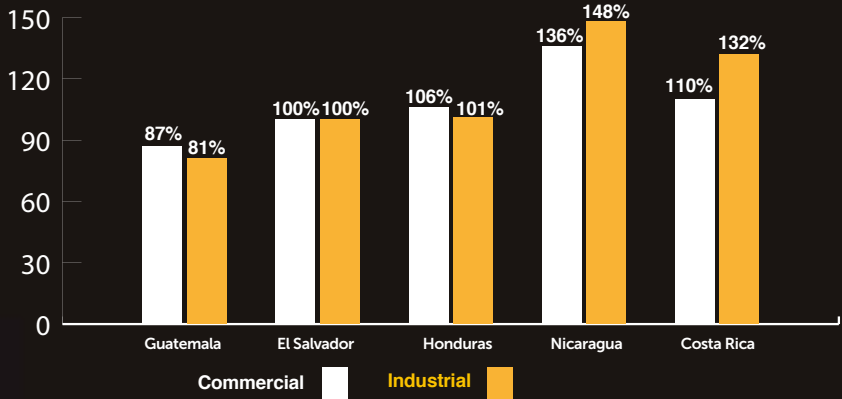
Average Monthly Cost (in USD per square meter)	
Industrial space	3-16 – 4.80
Office space	4.60 – 10.00

Source: Free Zones administrators.  
Prices may vary depending on the location of the free zone, services provided, etc.

c) Electricity

El Salvador is one of the countries with the most competitive electricity rates in the region for industrial and commercial users.

Electricity Rates



Source: ICE Costa Rica. Rates are average prices from the most recent publication for commercial users with 3,000 kWh. Rates for industrial users with 15,900 kWh of consumption and power demand of 70 kW. September 2019.

## Electricity rates

Electricity rates are composed of a fixed monthly charge for commercialization (customer service) and variable charges for distribution and energy. The rates vary according to the voltage category (low or medium) required by the client.

		CAESS	DELSUR	CLESA	EEO	DEUSEM
<b>1) COMMERCIALIZATION CHARGE (FIXED CHARGE): CUSTOMER SERVICE (USD/USER-MONTH):</b>						
<b>MEDIUM DEMAND</b>		<b>0.82</b>	<b>0.96</b>	<b>0.75</b>	<b>0.87</b>	<b>0.80</b>
<b>LARGE DEMAND</b>		<b>12.30</b>	<b>14.37</b>	<b>11.27</b>	<b>13.11</b>	<b>11.93</b>
<b>2) DISTRIBUTION FEE: POWER (USD/KW-MONTH):</b>						
MEDIUM AND LARGE DEMAND	LOW VOLTAGE	<b>14.12</b>	<b>21.65</b>	<b>22.47</b>	<b>27.05</b>	<b>28.52</b>
	MEDIUM VOLTAGE	<b>6.90</b>	<b>6.81</b>	<b>12.74</b>	<b>17.36</b>	<b>18.58</b>
<b>3) ENERGY CHARGE (USD/KWH)</b>						
<b>WITH POWER METERING</b>						
MEDIUM DEMAND	LOW VOLTAGE	<b>0.15</b>	<b>0.15</b>	<b>0.15</b>	<b>0.15</b>	<b>0.15</b>
	MEDIUM VOLTAGE	<b>0.14</b>	<b>0.14</b>	<b>0.14</b>	<b>0.14</b>	<b>0.14</b>
<b>TIME-DIFFERENTIATED METERING</b>						
MEDIUM AND LARGE DEMAND	<b>LOW VOLTAGE</b>					
	PEAK HOURS	<b>0.16</b>	<b>0.16</b>	<b>0.17</b>	<b>0.18</b>	<b>0.18</b>
	MID-PEAK HOURS	<b>0.15</b>	<b>0.15</b>	<b>0.15</b>	<b>0.15</b>	<b>0.14</b>
	OFF-PEAK HOURS	<b>0.16</b>	<b>0.16</b>	<b>0.17</b>	<b>0.17</b>	<b>0.18</b>
	<b>MEDIUM VOLTAGE</b>					
	PEAK HOURS	<b>0.15</b>	<b>0.15</b>	<b>0.16</b>	<b>0.16</b>	<b>0.16</b>
	MID-PEAK HOURS	<b>0.14</b>	<b>0.14</b>	<b>0.13</b>	<b>0.13</b>	<b>0.13</b>
	OFF-PEAK HOURS	<b>0.15</b>	<b>0.15</b>	<b>0.16</b>	<b>0.16</b>	<b>0.16</b>

Note: Rates are presented for the last quarter available (applicable from January 2020). SIGET adjusts rates on a quarterly basis. To consult current rates visit: <http://www.siget.gob.sv>.

Medium demand rates (10 < kW < 50) are usually applied to clients in the commercial sector and large demand (>50 kW) rates to industrial users.

For time-differentiated metering, time categories are defined as follows:

Peak: from 06:00 pm to 10:59 pm

Mid-Peak: from 05:00 am to 05:59 pm

Off-Peak: from 11:00 pm to 04:59 am





d) Telecommunications

El Salvador’s telecommunications market has multiple service providers offering a variety of voice and data services, as well as value-added solutions that meet the needs of their clients.

The following table presents average costs of land and mobile telephone lines. Corporate clients can get reduced preferential rates.



Maximum Landline and Mobile Phone Rates (in USD)

Landlines	
Commercial operation fixed rate (monthly payment)	4.40
Local rate per minute	0.03
Calls to mobile phones, rate per minute	0.10
Calls to United States, rate per minute	0.10-0.16
Mobile phones*	
Minute rate to same provider, landline	0.09
Minute rate to other provider, landline	0.09
Minute rate to same provider, mobile phone	0.11
Minute rate to other provider, mobile phone	0.12

\*Rates for postpaid plans. Taxes not included.

Source: General Superintendence for Energy and Telecommunications (SIGET 2019)

Internet services are stable and have extensive coverage across the country. Internet connections can be contracted at different bandwidths.

Dedicated Internet Rates <sup>(23)</sup> (in USD)	
speed*	Cuota mensual
25 Mbps	\$499.00
50 Mbps	\$900.00
75 Mbps	\$1,300.00
100 Mbps	\$1,800.00

Source: Quotes with service providers (2019). \* Other bandwidth options are available according to the client’s needs. Taxes not included.  
(23)Costs vary according to the operator and technical specifications of the service.

### e) Water rates

The National Administration for Sewers and Aqueducts (ANDA, for its acronym in Spanish) is the government entity in charge of water distribution and sewage management services.

The following table shows the current rate structure for potable water supply in El Salvador and other related services. The following information shows price brackets for m<sup>3</sup>, including aqueduct and sewerage:

### Price brackets for the commercial sector consumption<sup>(24)</sup>

Consumption range m <sup>3</sup>	Water Cost (USD)	Sewerage Cost (USD)
0 to 5	3.76*	\$0.10
6 to 20	0.900/m <sup>3</sup>	\$5.00
21 to 30	1.200/m <sup>3</sup>	\$5.00
31 to 50	1.500/m <sup>3</sup>	\$7.50
51 to 60	1.875/m <sup>3</sup>	\$7.50
61 to 90	2.344/m <sup>3</sup>	\$7.50
91 to 100	2.930/m <sup>3</sup>	\$7.50
101 to 500	3.662/m <sup>3</sup>	\$10.00
501 hereafter	4.578/m <sup>3</sup>	\$20.00

(24) Applicable from October 2015. \*Fixed minimum rate

Source: ANDA

import of machinery, equipment, raw materials and other articles used in the production of goods and services. For more information about tax incentives, see section III of this guide, "Legal Framework and Incentives".

**Income tax:** A 30% tax rate is applied over taxable income. For legal entities with a taxable income less than or equal to USD 150,000.00, a reduced tax rate of 25% is applied.

**Branch profits tax:** Branches of foreign companies are subject to the same tax rates as Salvadoran companies.

## 2. Taxes

A Information about the Salvadoran tax system relevant to setting up and operating a business in **El Salvador** is shown below. Additional information regarding tax payments is available on the website: [www.tramites.gob.sv](http://www.tramites.gob.sv)

**Note:** El Salvador's legal framework provides generous tax incentives, including full exemption from income tax, municipal taxes, taxes on transfers of real-estate property, as well as customs duties and taxes on the



### Special Contribution for Major Tax Payers for the Citizens Security Plan:

Major tax payers will pay (for a five years' period) a special contribution to finance the Citizens Security Plan. It will be calculated on net proceeds equal to or higher than USD 500 thousand, applying a 5% tax of the total amount. Companies benefited by the Free Zones Law, International Services Law, Tourism Land or the Renewable Energy Incentives Law are exempt from this duty.

### Dividend Tax:

Dividends paid or credited to shareholders (individuals or legal entities) are subject to a 5% income tax rate.

### Tax on Transfers of Real Estate Property:

The transfer of real estate is subject to a tax rate of 3% applicable on amounts exceeding USD 28,571.43.

### Value Added Tax (IVA for its acronym in Spanish):

Services and goods are subject to a 13% value added tax. The following items are exempt from IVA: public health, home rentals, education, state titles, public water, public transportation, pension funds and Public Lottery.

### Other Taxes

- a. Municipal taxes: Taxes are paid according to a table established by each municipality based on the company's total assets. For example, in San Salvador rates are determined by the company's activity (industrial, commercial or other).
- b. Company and Establishment License: All industrial and commercial businesses are required to have an annual license to operate. This tax is paid based on the company's total assets according to the following rates:
  - ☐ From USD 2,000.00 to USD 57,150.00 pays USD 91.43
  - ☐ From USD 57,151.00 to USD 114,286.00 pays USD 137.14
  - ☐ From USD 114,287.00 to USD 228,572.00 pays USD 228.57

If assets exceed USD 228,572.00, USD 11.43 will be paid for every USD 100,000.00, up to a limit of USD 11,428.57.

### 3. Establishing a Company

#### Step by Step Description of Mandatory Procedures to establish a Legal Entity in El Salvador

As part of the improvements to the business climate, El Salvador has created a one-stop channel to establish companies and get the business registration number. These steps are done online at [www.miempresa.gob.sv](http://www.miempresa.gob.sv), making El Salvador part of the only 28 countries worldwide that offer a virtual one-stop office to establish a company.



\*This step has to be made in person at the corresponding institution.

(25) If your company is located in San Salvador or Santa Ana, this step can be done online [www.miempresa.gob.sv](http://www.miempresa.gob.sv). Otherwise, it will have to be done at the corresponding Mayor's Office.

The steps that can be done through this site are:

- ☐ Company's registration at the Registry of Commerce
- ☐ Company and establishment license
- ☐ Tax identification number (NIT) registration
- ☐ Taxpayer registration number (NRC/VAT)
- ☐ Serial numbers emission by the Ministry of Finance for: Invoices, tax credit receipts, credit note, debit note, export invoice, simplified sales invoice, settlement receipt, settling accounting document.
- ☐ Company or establishment registration at Ministry of Labor
- ☐ Employer registration number at ISSS
- ☐ Employer registration at the pension fund administrator (AFP)
- ☐ Company's registration at the Mayor's Office (Santa Ana or San Salvador)



## 4. Requirements to Enter El Salvador

El Salvador is part of the Agreement for the Creation of a Single Central American Visa for Free Mobility of Foreigners among the Republics of El Salvador, Honduras, Guatemala and Nicaragua. The agreement defines, according to the country of origin of the visitor, the type of visa (or exemption) required to enter any of the Central American signatory countries.

Andorra, Antigua and Barbuda, Argentina, Austria, Belgium, Canada, Chile, Colombia, Costa Rica, Cypress, Czech Republic, Denmark, Ecuador, Estonia, Fiji, Finland, France, Germany, Greece, Hungary, Iceland, India, Ireland, Israel, Italy, Japan, Liechtenstein, Lithuania, Luxemburg, Malta, Monaco, Netherlands (Holland), New Zealand, Norway, Panama, Paraguay, Poland, Portugal, Romania, Russia, Saint Kitts and Nevis, Saint Vincent and the Grenadines, San Marino, São Tomé and Príncipe, Saudi Arabia, Slovakia, Slovenia, South Africa, South Korea (Republic of Korea), Spain, Sweden, Switzerland, Trinidad and Tobago, Turkey, Ukraine, United States, United Kingdom of Great Britain and Northern Ireland and Special Administrative Regions of the Popular Republic of China, Vatican City (Holy See).

- **Category A:** Visa-Exempt with Payment of Tourist Card. Some visa-exempt countries may require a tourist card, which can be obtained at the border points of entrance to the country, and has a cost of USD 10.00.

Australia, the Bahamas, Bahrain, Barbados, Belize, Brazil, Brunei, Bulgaria, Croatia, Kuwait, Lithuania, Macedonia, Madagascar, Malaysia, Marshall Islands, Mexico, Qatar, Saint Lucia, Solomon Islands, Singapore, Tuvalu, Vanuatu.

- **Category B:** Requires Consular Visa. The consular visa is issued at the diplomatic or consular representations of El Salvador<sup>(26)</sup>. The cost for one entrance is USD 30.00 and the cost of a multiple entrance consular visa is USD 60.00.

Azerbaijan, Belarus, Benin, Bhutan, Bolivia, Burkina Faso, Burundi, Cambodia, Cape Verde, Central African Republic, Chad, Comoros, Cuba, Djibouti, Dominica, Dominican Republic, Egypt, Equatorial Guinea, Gabon, Gambia, Georgia, Granada, Guinea, Guinea-Bissau, Guyana, Ivory Coast (Côte d'Ivoire), Jamaica, Kazakhstan, Kiribati, Kyrgyzstan, Lesotho, Malawi, Maldives, Mauricio, Mauritania, Micronesia, Moldavia, Montenegro, Morocco, Myanmar (previously Burma), Namibia, Nauru, Niger, Palau, Papua New Guinea, Peru, Philippines, Rwanda, Samoa, Senegal, Serbia (previously Yugoslav Federal Republic), Seychelles, Surinam, Swaziland, Tajikistan, Tanzania, Thailand, Togo, Tonga, Tunisia, Turkmenistan, Uganda, Uzbekistan, Venezuela, Zambia, Zimbabwe.

- **Category C:** Requires a Consulted Visa. It is awarded upon prior authorization by the Directorate-General for Migration and Foreign Nationals and is issued at the diplomatic or consular representations of El Salvador<sup>(27)</sup>. It has a cost of USD 25.00.

Afghanistan, Albania, Algeria, Angola, Armenia, Bangladesh, Bosnia and Herzegovina, Botswana, Cameroon, China, Congo, East Timor (Timor-Leste), Eritrea, Ethiopia, Ghana, Haiti, Indonesia, Iran, Iraq, Jordan, Kenya, Laos, Lebanon, Liberia, Libya (Libyan Arab Jamahiriya), Mali, Mongolia, Mozambique, Nepal, Nigeria, North Korea (Popular Democratic Republic of Korea), Oman, Pakistan, Sierra Leone, Somalia, Sri Lanka, Sudan, Syria, Taiwán<sup>(28)</sup>, Vietnam, Yemen.

Additionally, for any of the visa categories please consider the following:

a) The maximum length of stay that can be given to a tourist is 90 days. If an extension is required, one can be requested per year.

b) People arriving from Panama, South America or Africa must have received the yellow fever vaccine at least 15 days before their trip to El Salvador.

Source: Directorate-General for Migration and Foreign Nationals and the Ministry of Foreign Affairs of El Salvador

<sup>(26)</sup> Requirements for a consular visa: 1) Original and copy of valid passport, 2) Completed visa application form, 3) Recent color photograph, 4) Copy of air ticket or flight itinerary, 5) Copy of the used passport pages and the information page of the passport, 6) Evidence of employment, income and studies, 7) Agenda to be carried out in the country, 8) Letter of support duly authenticated.

In the case that the supporter is an individual, attach: 1) Legible photocopy of government-issued identification, 2) Copy of Tax Identification Number (NIT).

In the case that the supporter is a legal entity, attach: 1) Deed of Articles of Incorporation of the company, duly registered with the Registry of Commerce, 2) Current credential registered at the Registry of Commerce, 3) Tax identification number (NIT), 4) Taxpayer Registration Number - Value Added Tax (NRC / IVA) of the company, 5) Invitation letter on letterhead of the company, with the firm's seal.

<sup>(27)</sup> Requirements for a consulted visa: 1) Color photocopy of the personal information page and all used pages of current passport, 2) Completed visa application form, 3) Copy of airplane ticket or round-trip flight itinerary, 4) Authenticated support letter, 5) Itinerary while in country, 6) Curriculum vitae.

In the case that the supporter is an individual, attach: 1) Legible copy of identity document of residency card.

In the case that the supporter is a legal entity, attach: 1) Identity Document (DUI) and Tax Identification Number (NIT) of the Legal Representative, 2) Letter of support signed by the legal representative, 3) Deed of Articles of Incorporation of the company, duly registered with the Registry of Commerce, 4) Current credential registered at the Registry of Commerce, 5) Tax Identification Number (NIT), 6) Company's Taxpayer Registration Number - Value Added Tax (NRC / IVA), 7) Certified copy of authorization to act as legal representative.

Note: Copies of required supporter documents must be certified.

The form can be downloaded from the Ministry of Foreign Affairs' website: [www.rree.gob.sv](http://www.rree.gob.sv)

<sup>(28)</sup> The citizens of Taiwan require a consulted visa (category C). If the citizen has a visa to enter the U.S., Canada or Schengen, a category B visa will be needed.





GOBIERNO DE  
EL SALVADOR

# INVESTOR'S GUIDE

2020  
EL SALVADOR





# INVESTOR'S GUIDE 2020 EL SALVADOR



EXPORT AND  
INVESTMENT  
PROMOTION  
AGENCY OF  
EL SALVADOR

**[www.proesa.gob.sv](http://www.proesa.gob.sv)**

Calle El Mirador entre 87 y 89 Avenida Norte, Edificio World  
Trade Center Torre I, Nivel 5, Colonia Escalón,  
San Salvador, El Salvador.

**PBX: (503) 2592-7000**