INVESTOR'S GUIDE 2017 EL SALVADOR

www.proesa.gob.sv

EL SALVADOR

Great like our people

PROESA

EXPORT AND INVESTMENT PROMOTION AGENCY OF EL SALVADOR

EL SALVADOR

CENTRAL AMERICA

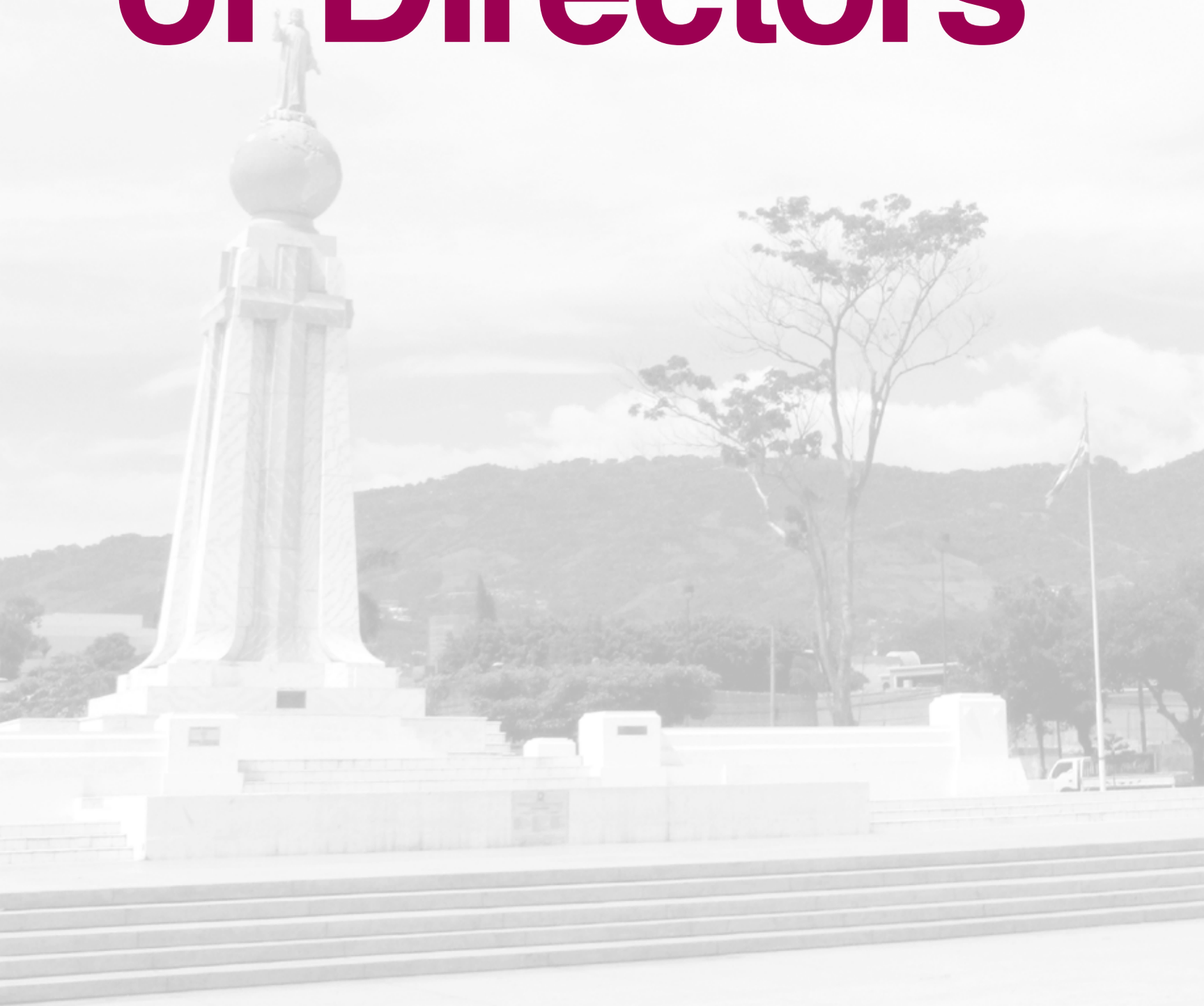
EL SALVADOR

Great like our people

INVESTOR'S GUIDE 2017 EL SALVADOR

Government of El Salvador, Central America

Board of Directors



PROESA
EXPORT AND INVESTMENT PROMOTION AGENCY OF EL SALVADOR

Board of Directors

Sigfrido Reyes
President of PROESA

Roberto Lorenzana
Technical Secretary of the Presidency

Carlos Cáceres
Minister of Finance

Tharsis Salomón López
Minister of Economy

Gerson Martínez
Minister of Public Works

Rigoberto Monge
Private Sector Representative

Ángela Lorena Duque
Academic Sector Representative

Content
Policy Analysis and Market Intelligence Department
Investment Directorate

Graphic Design
Héctor Cartagena

Photography
Juan Carlos Burgos
and Rocket Productora

Communications Department

Printing
Multiplas Machinery

For a digital copy of this document, visit:
www.proesa.gob.sv

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.

Content

Foreword . . . 9
Why El Salvador? . . . 10
Services Provided to Investors . . . 12
I. El Salvador at a Glance . . . 14
1. A Stable Free Market Economy . . . 15
2. Monetary Stability: The advantages of a dollarized economy . . . 16
3. Attractive Investment Climate . . . 17

II. El Salvador: Export Platform to Major Markets . . . 18
1. Preferential Access to International Markets . . . 18
2. Strategic Location . . . 20
3. Availability of Industrial Land . . . 21
4. Modern Infrastructure . . . 22

III. Legal Framework and Incentives . . . 29
1. Investment Law . . . 29
2. Free Zones Law . . . 30
3. International Services Law . . . 32
4. Tourism Law . . . 34
5. Renewable Energy Incentives Law . . . 34
6. Public Private Partnerships Law . . . 35
7. Law of Legal Stability for Investments . . . 36
8. Investment Funds Law . . . 37
9. Electronic Signature Law . . . 40
10. Construction Projects Procedure Streamlining Law . . . 41
11. Intellectual Property Regime . . . 42

IV. Human Capital 43
1. Labor Climate 44
2. Higher Education 44
3. Technical Education. 45
4. On-the-Job Training 46

V. Investment Opportunities 47
1. Aeronautics. 47
2. Agroindustry 50
3. Energy 53
4. Light Manufacturing 56
5. Offshore Business Services 59
6. Tourism 62
7. Specialized Textiles and Apparel 65

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

PROESA
EXPORT AND INVESTMENT PROMOTION AGENCY OF EL SALVADOR

Sigfrido Reyes
President of PROESA

INVESTOR'S GUIDE 2017 EL SALVADOR

Dear investor:

It is a pleasure to welcome you to the **2017 edition of the Investor's Guide**; document that consolidates information about the attractive opportunities that **El Salvador** offers as an investment destination.

Located at the heart of the American continent, **El Salvador** becomes a privileged place. Here, you will find a country filled with the energy that not only ignites the machines that drive an emerging economy but also our highly productive people. We rely on our legal stability, firm commitment to educational development, modern infrastructure and competitive costs.

The Government of **El Salvador**, committed to the promotion and development of the country, maintains an open economy, stable and dollarized that promotes investment and business through diverse advantages that will help you establish and operate in our country.

We maintain commercial links abroad through international trade agreements that give us preferential access to a diversity of markets. Likewise, we are committed to continuously improve our investment climate, promoting legal framework reforms, new incentives and development of enabling infrastructure for investment.

This is El Salvador! An economic hub for the region, a country of warm and hardworking people, with an unquenchable drive to succeed.

We are a country with big capacities, passionate for continuous growth and learning from experiences. We never stop pushing, achieving; we are an ascending country, ready to share our potential with the world.

For my part, I grant you the support of the **Export and Investment Promotion Agency of El Salvador (PROESA)** for the technical assistance and all the required information for the successful implementation of your investment projects in **El Salvador**.

Sigfrido Reyes
President of PROESA

Why EL SALVADOR?

Port Acajutla, Sonsonate

1 Productive Labor Force

Investors certify that Salvadoran labor force is world-famous for its industriousness, efficiency and work ethic. Approximately 57% of the labor force is 39 years or younger, making it a predominantly young and highly productive country.

2 Competitive Costs

El Salvador is the most cost-competitive country to set up and operate a business. Over the last years, the Financial Times' investment journal *fDi Intelligence* has classified El Salvador as the most cost effective country in Central America.

3 Monetary Stability

El Salvador dollarized its economy in 2001, which offers greater certainty to investors because of the elimination of foreign exchange risk and low inflation rates.

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.

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.

6 Preferential Access to International Markets

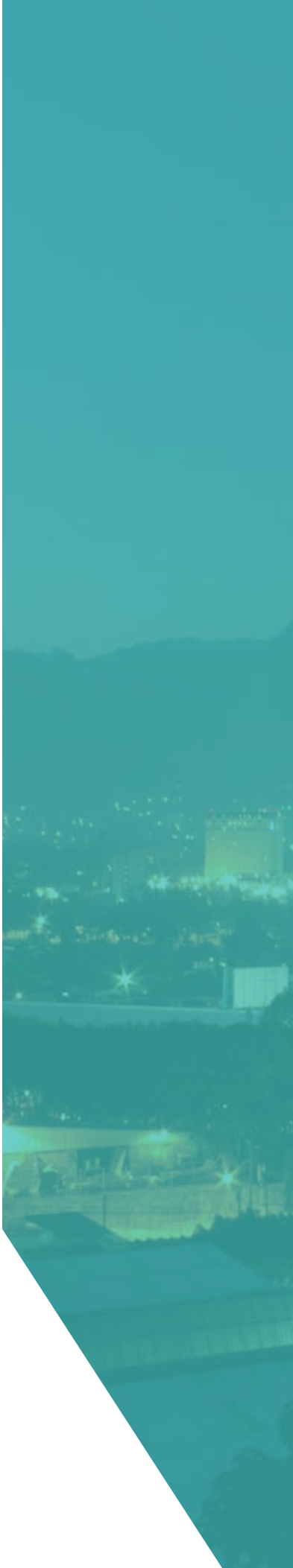
Multiple trade agreements provide preferential access to 1.2 billion consumers in 43 countries around the world. El Salvador has trade agreements with Central America, Chile, Colombia, Cuba, Dominican Republic, Ecuador, European Union, Mexico, Panama, Taiwan, Trinidad and Tobago, United States and Venezuela. El Salvador is currently negotiating trade agreements with Belize, Bolivia, Canada, Peru and the Republic of Korea.

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 El Salvador's Export and Investment Promotion Agency. It is an autonomous government institution responsible for export promotion, investments and public-private partnerships. PROESA's goal is to generate economic growth and create jobs, by attracting foreign direct investment and promoting the expansion of Salvadoran firms abroad.



San Salvador City

PROESA
EXPORT AND INVESTMENT PROMOTION AGENCY OF EL SALVADOR

investment@proesa.gob.sv
Tel: +503 2592-7000
www.proesa.gob.sv

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. EL SALVADOR AT A GLANCE

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:

- A free economy, among the freest in Latin America
- Proven macroeconomic stability, with the U.S. dollar as legal tender
- Openness to global trade and investment
- Democracy and political stability

EL SALVADOR

6.5 MILLION
POPULATION

2.9 MILLION
LABOR FORCE

USD 26.71 BILLION
GDP

USD 4,001
GDP PER CAPITA

Port Acajutla, Sonsonate

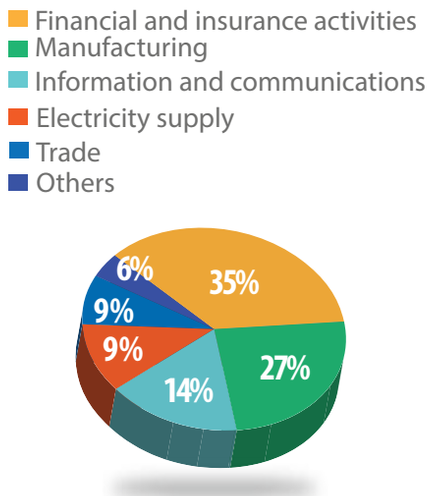
Aeroman, La Paz

GDP BY SECTOR (%):	
AGRICULTURE	10.8
INDUSTRY	25.8
SERVICES	63.3

A Stable Free Market Economy

Over the last 25 years, El Salvador has implemented reforms to modernize and open its economy to global trade and investment; these include the signing of free trade agreements with major markets, regional economic and trade integration, and the adoption of the U.S. dollar as legal tender.

FDI stock by sector, 2016
(III Trimester)
USD 9.32 billion



Source: Central Reserve Bank of El Salvador (BCR)

The results are conclusive. According to the Index of Economic Freedom published by the Wall Street Journal and the Heritage Foundation in 2016, El Salvador's economy is among the freest in Latin America. It is ranked the 2nd in Central America and 63rd out of 178 countries. This index highlights El Salvador's strength in maintaining free market policies that promote trade and investment.

INDEX OF ECONOMIC FREEDOM 2016
EL SALVADOR

9TH IN LATIN AMERICA
2ND IN CENTRAL AMERICA

RANKED 63 OUT OF 178 COUNTRIES

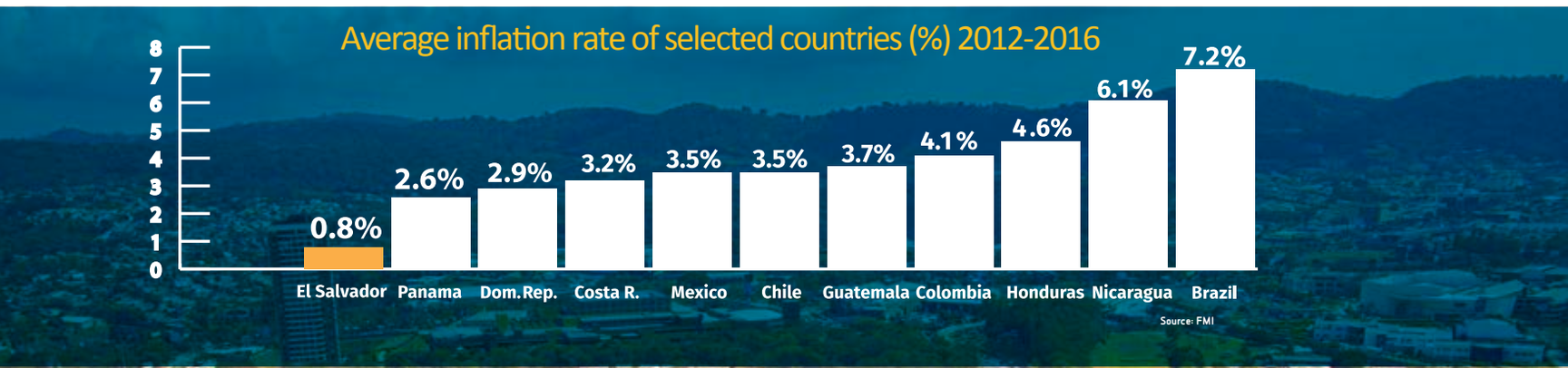
Source: The Heritage Foundation

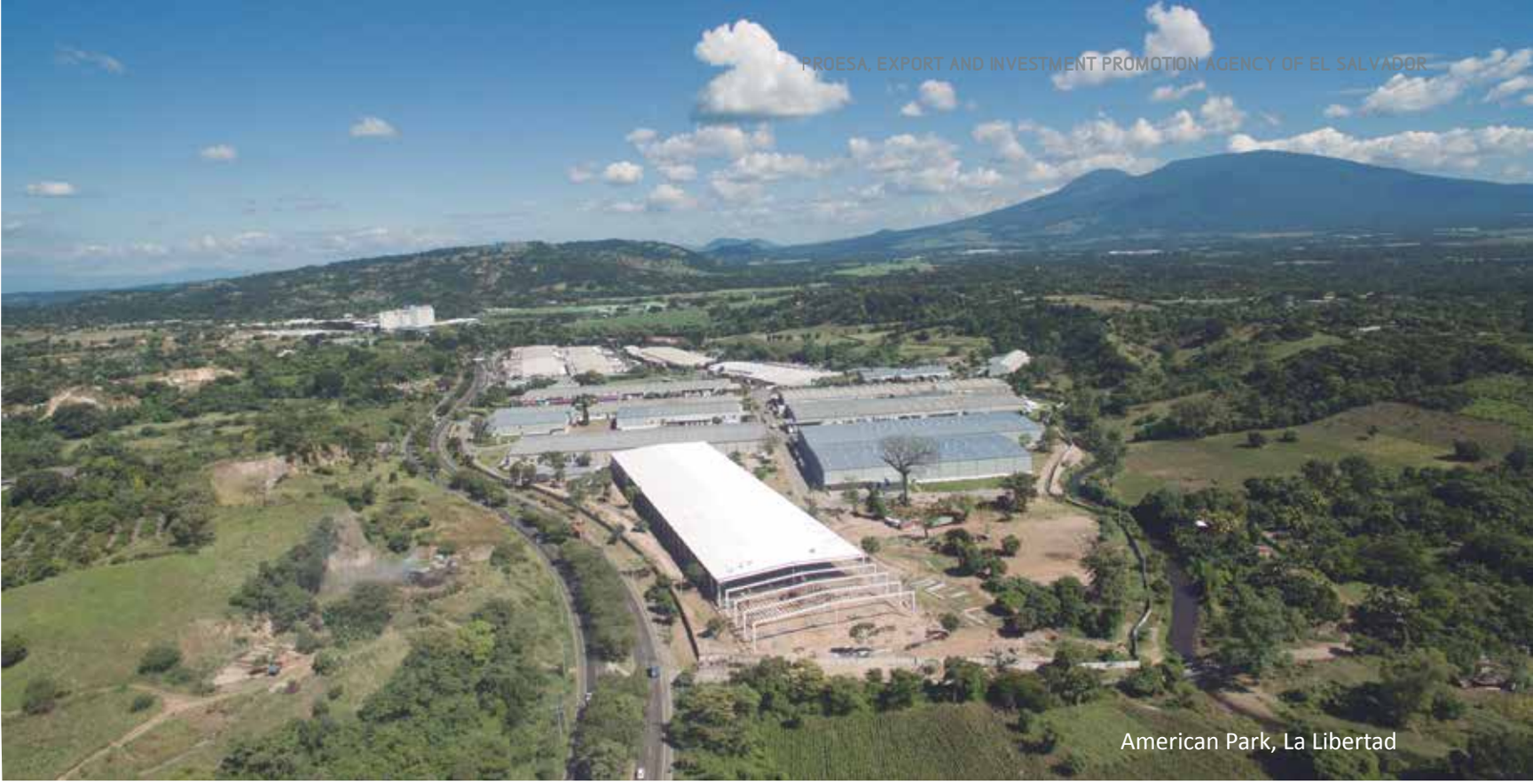
2. Monetary Stability: The advantages of a dollarized economy

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.

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.

Monsignor Romero Boulevard, La Libertad





American Park, La Libertad

3. Attractive Investment Climate

As of September 2016, the country has attracted USD 9.3 billion of cumulative FDI inflows, equivalent to 35% of the gross domestic product.

El Salvador enjoys wide international support of different strategic allies with which maintains cooperation agreements or support mechanisms in various fields. Among these allies there are economic blocs such as the European Union and countries like Brazil, Chile, Ecuador, Germany, Italy, Japan, Mexico, South Korea, Spain, Taiwan, United States, among others. Both Governments and institutions have promoted El Salvador's economic, social and productive development, supporting infrastructure, human capital, business climate, institutional strengthening, among other strategic aspects. This has allowed the implementation of important projects that focus on improving the country's conditions to attract investment.

Numerous multinational companies have chosen El Salvador as an investment destination:

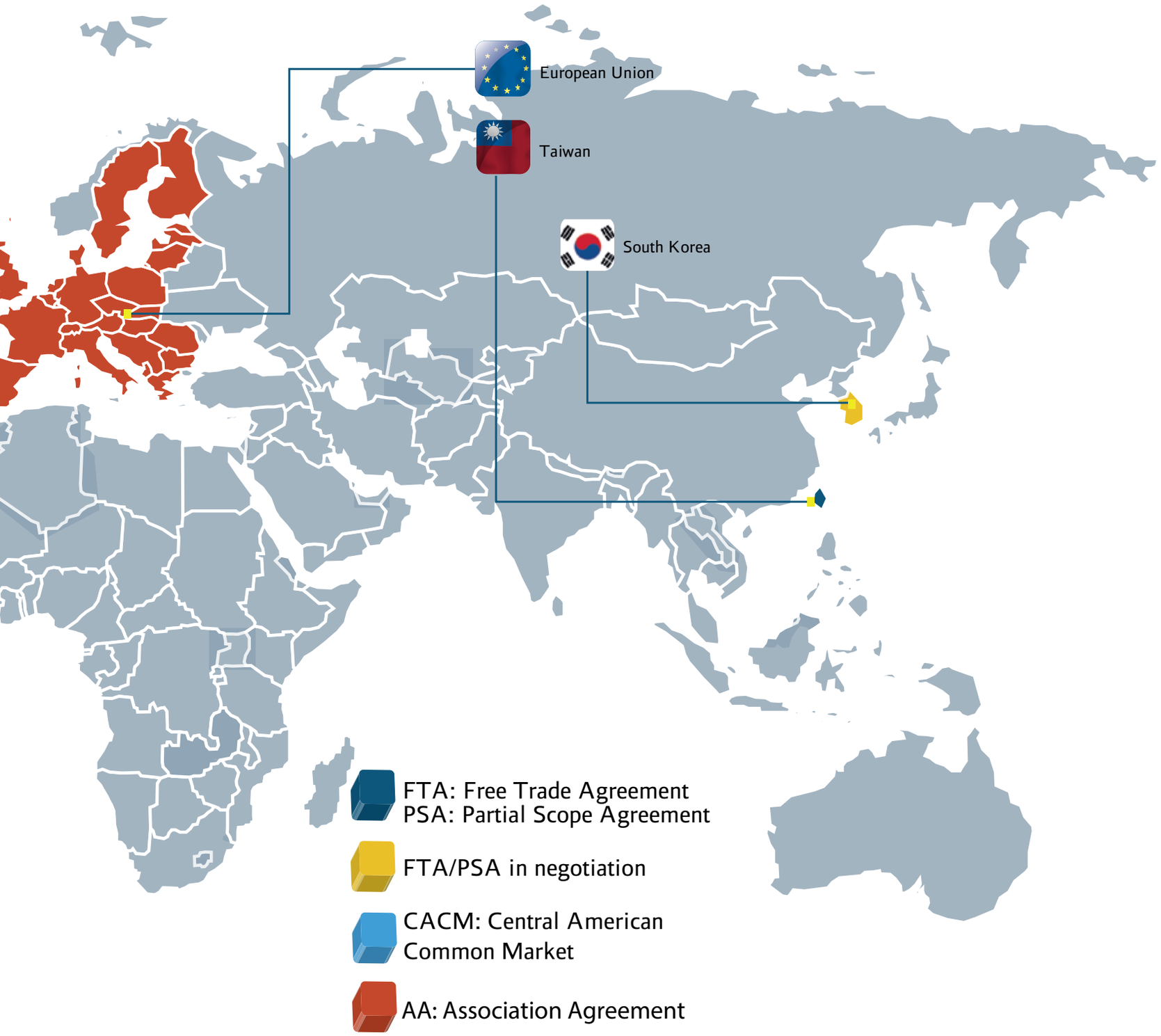
II. EL SALVADOR: EXPORT PLATFORM TO MAJOR MARKETS

1. Preferential Access to International Markets

El Salvador has trade agreements with 43 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 major reductions in import tariffs.

El Salvador has been a leader in negotiating trade agreements with strategic partners:


European Union
Taiwan
South Korea
FTA: Free Trade Agreement
PSA: Partial Scope Agreement
FTA/PSA in negotiation
CACM: Central American Common Market
AA: Association Agreement

2. 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.

3. Availability of Industrial Land

El Salvador has free zones and service parks 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.

SERVICES PROVIDED IN FREE ZONES AND SERVICE PARKS:

- ✔ Customs office
- ✔ Assistance in personnel recruitment
- ✔ Perimeter security
- ✔ Fire-protection systems
- ✔ Residual water treatment
- ✔ Telecommunications infrastructure
- ✔ Exterior lighting
- ✔ Cafeteria
- ✔ Training center
- ✔ Medical clinic, among others

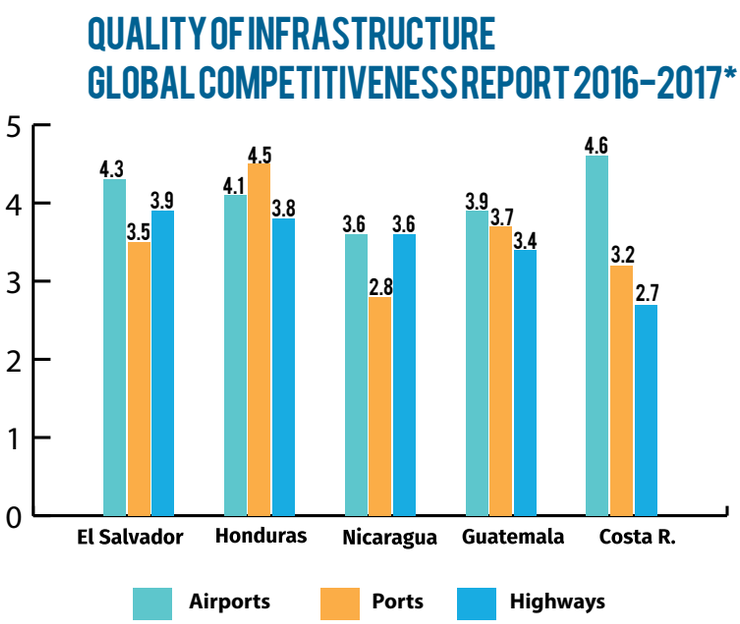
Specialized Textiles and Apparel company operating in El Salvador

4. Modern Infrastructure

The World Economic Forum's (WEF) Global Competitiveness Report 2016-2017 places El Salvador among the nations with best infrastructure in the world and the region.

In Latin America, El Salvador ranks in the 6th position, and worldwide it is 69th out of 138 countries. El Salvador stands out for the quality of its highways, ports and airport.

El Salvador offers high-connectivity by its infrastructure, as well as modern and advanced telecommunications and electricity markets. Multiple suppliers offer high-quality services at competitive prices.



Source: World Economic Forum, Global Competitiveness Report 2016-2017
*Scores are on a scale of 1 – 7, 7 as the most desirable outcome.

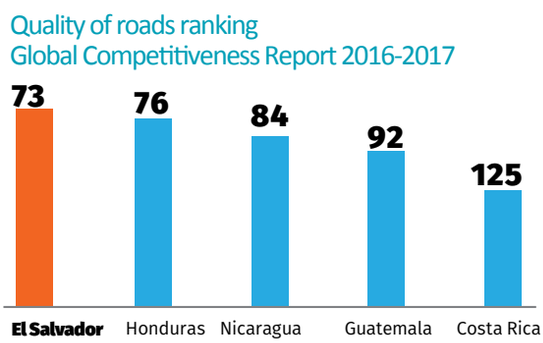
a) Highway Network

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. The World Economic Forum has ranked El Salvador as the country with the best road infrastructure in Central America.

El Salvador's 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.



Source: World Economic Forum, Global Competitiveness Report 2016-2017. Ranking out of 138 countries.

El Salvador International Airport

b) Airports

El Salvador International Airport (AIES) stands out as an important regional hub and top class maintenance center for commercial aircrafts. According to the WEF, El Salvador ranks among the best two airports in the region for its quality.

Ilopango International Airport

3.0 MILLION
PASSENGERS

26.1 THOUSAND
TONS OF CARGO
MOVED ON AVERAGE PER YEAR

EL SALVADOR INTERNATIONAL AIRPORT

El Salvador International Airport 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.

- 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 32 routes of origin and destination 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

INTERNATIONAL AIRLINES OPERATING IN EL SALVADOR(1)

Avianca · IBERIA · Air transat · AA AmericanAirlines · DELTA · TACA Airlines · Copa Airlines · UNITED · AeroMexico · spirit airlines · volaris

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

Port Acajutla, Sonsonate

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: Is the largest port in El Salvador and has the potential to become one of the most important and modern port infrastructures in Central America. Located in the eastern region of the country, it is designed to receive Post Panamax vessels.

SHIPPING COMPANIES OPERATING IN EL SALVADOR

MAERSK
APL
CSAV
ZIM
hellmann Worldwide Logistics
SEABOARD MARINE
NYK LINE
Hapag-Lloyd

Ports

Port Acajutla, Sonsonate

Port La Unión

Port 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.

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 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.

Tecoluca Solar Plant, San Vicente

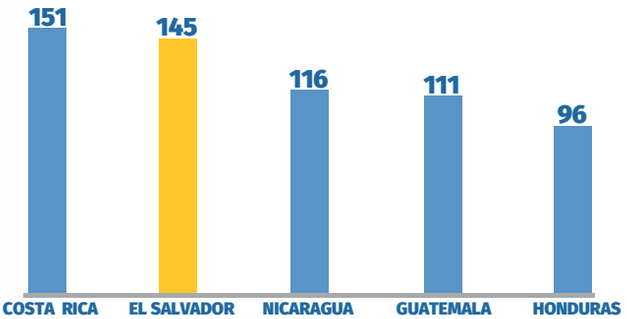
El Salvador is a leader in the use of geothermal energy, and it ranks in the top 10 of the most productive geothermal energy locations in the world.

The National Energy Policy stimulates electricity generation from renewable sources. El Salvador's legal framework allows companies to generate their own energy and sell their surplus in the electricity market.

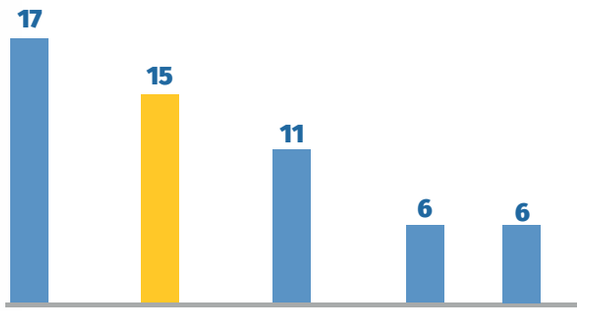
El Salvador has one of the most competitive electricity rates in the region. For more information, see Section VI of this guide, "Setting Up and Operating a Business in El Salvador".

ELECTRICITY DISTRIBUTION

MOBILE LINE PENETRATION SUBSCRIPTIONS PER 100 INHABITANTS



LANDLINE PENETRATION SUBSCRIPTIONS PER 100 INHABITANTS



SOURCE: ITU AND SIGET (2015)

e) Telecommunications

The significant growth in telecommunications has been promoted by a favorable framework and the presence of important operators offering a wide range of services.

There are 8 international long-distance operators, 10 landline operators and 5 mobile phone operators, as well as several internet service providers. Users benefit from a large number of service providers and extensive coverage across the country.

The telecommunications market in El Salvador ensures high quality services at competitive prices. Some of the available services include high-speed data transfers, metropolitan fiber optic networks, international private lines, VoIP, broadband internet (including cable and fiber optic access), wireless internet and 800 numbers, among others.

MAIN TELECOMMUNICATIONS OPERATORS

OPERATOR	BASIC SERVICES*
América Móvil (Telecom/Claro)	Landline, mobile phone, cable TV, internet (fixed and mobile)
Millicom (Telemóvil/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 communicationIBW
IBW	Internet
Salnet	Landline, internet

Source: General Superintendence for Energy and Telecommunications (SIGET)

*Companies offer a variety of additional high value added services and products for the corporate sector. Other firms present in the market are: GIGA-OPTICS, GCA Telecom, Telecam Group, Newcom, and Platinum Enterprises, among others.

El Salvador has become one of the most dynamic and connected countries in the region:

- **1.44** million internet users
- **145** mobile lines per 100 inhabitants
- **9.3** million mobile lines
- **14%** average growth (2005-2015)

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”.

Source: SIGET y EHPM, Digestyc (2015)

***Population over 10 years**

OPP Film plant

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

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:

- 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[2]
- 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.

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

[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.

- 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 Metropolitan Area	100% 60% 40%	For 15 years For the following 10 years For the following 10 years	For 10 years For the following 5 years For the following 10 years
Outside San Salvador Metropolitan Area	100% 60% 40%	For 20 years For the following 15 years For the following 10 years	For 15 years 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.

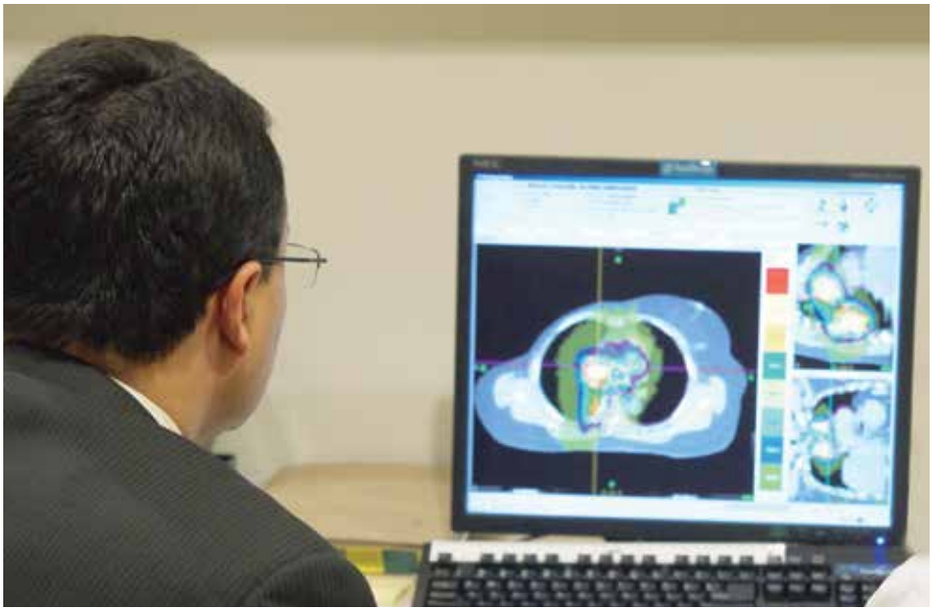
- Exemption from municipal taxes, according to the following table:

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% 90% 75%	For 15 years For the following 10 years Hereinafter	For 10 years For the following 5 years Hereinafter
Outside San Salvador Metropolitan Area	100% 90% 75%	For 20 years For the following 15 years Hereinafter	For 15 years For the following 10 years 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.[3]

[3] 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.



Cancer International Center, San Salvador

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 of the national customs territory, where exporters of services are installed and operate under the benefits of this law.

✔ **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.

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

Eligible activities:[4]

Activities to Operate only within Service Parks	Activities to Operate in Service Parks or Service Centers	Activities to Operate in Ports, Airports or in National Customs Territory
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
INFORMATION TECHNOLOGIES Design and development of software, systems and IT applications	MEDICAL AND HOSPITAL SERVICES	MAINTENANCE AND REPAIR OF CONTAINERS
RESEARCH AND DEVELOPMENT	ELDERLY AND CONVALESCENT CARE	
INTERNATIONAL FINANCIAL SERVICES Financial institutions management process outsourcing	**TELEMEDICINE** Post-checkup medical advice and specialized consultation, laboratory tests, pathological and image-based studies, clinical history management and treatment support	
TECHNOLOGICAL EQUIPMENT REPAIR		
CINEMATOGRAPHY Post-production services carried out on recorded material		

[4]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%).

4. Tourism Law

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

- Full exemption from taxes on the transfer of real-estate property, for the acquisition of real estate intended for the project
- 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[5]
- 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

5. Renewable Energy Incentives Law

This law promotes investment in hydraulic, geothermal, wind, solar and biomass, or other source that could be 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.[6]

- 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).[7]

- 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.[8]

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 300.00). An equivalent to USD 13.5 million

[5]The exempted amount cannot be greater than the total capital invested in the project.

[6]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.

[7] In both cases - with the start of operations of the renewable energy project, corresponding to the fiscal year in which revenues are obtained.

[8]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.

- 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.

Eligible activities:

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[9]

Benefits

Once a Legal Stability Contract is signed, private investors shall benefit with the following guarantees[10]:

- 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

[9]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).

[10]Indirect taxes are excluded from the tax stability regime.

Las Flores, San Miguel

- 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 300.00). This is equal to USD 1,266,000 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[11].

8. Investment Funds Law

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

This law stablishes 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.

[11]Investments of up to 21,100 times the industry minimum wage (USD 6,330, 000) may benefit with a legal stability contract for a period of 5 years; investments of up to 42,200 times the industry minimum wage (USD 12,660,000) for 10 years; and investments above this amount for a period of 20 years.

There are two types of investment funds:

1. **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.
2. **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 an 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[12]:

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

[12] 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.

El Salvador International Airport, Zacatecoluca

- Participation quotas of open or closed funds.
- Asset-backed securitizations according to the Salvadoran law.
- Repurchase agreements of public offering securities defined in the internal regulations of the fund.
- 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.
- 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.[13]

- 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.[14]

- 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.

[13]However, close real estate investment funds will be subject to Real Estate Transfer Tax and Service Provision Law.

[14]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".

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.

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

Port La Unión

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 signature.

Equally, natural and legal persons, that interact or communicate electronically with government institutions can now do it using the certified electronic signature.

10. Construction Projects Procedure Streamlining Law

This law aims to speed up the approval of permits and authorizations for construction and land fragmentation projects throughout the national territory, regardless of its nature. [15]

Benefits:

- Creation of a One-Stop-Office for the reception and processing of construction and land fragmentation project applications
- Development of a centralized information technology system to track applications
- Publication of updated information about requirements, administrative procedures, criteria and environmental and cultural zoning
- Procedure streamlining (if a public authority doesn´t resolves within the established deadlines, it shall be understood that the resolution has been issued in favor of the applicant, enabling him to continue with the process)

[15] Construction and land fragmentation projects prohibited by the legal system are excluded from the benefits established in this Law. Likewise, it excludes individual projects for the construction of houses or commercial premises; as well as remodeling, modifications, restorations or rehabilitations of immovable cultural heritage; land fragmentation, simple land segregations and projects regulated the by the Special Law of Land Fragmentation for Housing Purposes (Ley Especial de Lotificaciones y Parcelaciones de Uso Habitacional).

11. Intellectual Property Regime

El Salvador is part of the main international agreements regarding intellectual property; likewise, the main trade agreements also include important dispositions regarding this topic.

There are two laws in the country that protect the intellectual property rights: Law of Trademarks and Other Distinctive Signs, and Law of Intellectual Property; both include the following:

- Brands: Characters, two or three-dimensional designs, smells or sounds, combination of characters and designs, as long as these are new or distinctive to identify the products or services. The packaging of the product or the product itself can make a brand, as long as it has enough distinctiveness. The protection is obtained by registering, which lasts for 10 years (renewable).
- Inventions: They are protected through patents. These patents are granted to scientific or technology inventions, that are innovative worldwide with inventive level and industrial application. It is valid for 20 years.
- Utility models: They are protected through patents. These are granted to the configuration or object disposition, devices or part of them, that are innovative worldwide and have industrial application; as long as it gives a better or different functionality, usage or manufacturing of the product that has it, or that provides an advantage or technical upgrade that it didn´t have before. This patent is valid for 10 years.
- Industrial designs: Two or three-dimensional innovative designs that give a special appearance to an object, without impacting the functionality, advantages or technical upgrade. The protection is obtained by registering or from the first dissemination in the country. It is valid for 10 years.
- Copyright work: Copyright protects original literary and artistic works, software and broadcasting, among others. They are protected up to 70 years after the death of its author, as long as the work is original.
- Commercial and industrial secrets: Information with commercial and industrial applicability with commercial value, and whose confidentiality gives a competitive and economic advantage to the owner. The protection is unlimited, as long as the information remains a secret.
- Intellectual property registration: The registration process for intellectual property is done at the Intellectual Property Registry of the National Center of Registry (Centro Nacional de Registro- CNR), which are agile and systemized.
- Law on Secured Transactions: The assets of intellectual property can be given as warranty for any type of obligation through its registration in the Secured Transactions Registry of the National Center of Registry (Centro Nacional de Registro- CNR), which is completely electronic.

IV. HUMAN CAPITAL

El Salvador's labor force is composed of 2.9 million people,[16] 57% of whom is 39 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.

The Salvadoran labor force is world-famous for its industriousness, efficiency and work ethic. Established investors describe the country's labor force as one of the most outstanding in the world:

Sagar Rajgopal
Vice-president of Global Operations – BPO
Ubiquity Global Services
Offshore Business Services Sector

"After rigorous study, we were convinced that El Salvador was the adequate place for economic reasons and because of the people, who have an unparalleled energy and work ethic."

Beatriz Peralta
Operations Director
SYKES
Offshore Business Services Sector

"The Salvadoran talent is without a doubt SYKES' most important success factor. Its capability to learn and adapt are without a doubt the strengths that outstand many others: high work ethics, compromise, innovation and result- based approach, to mention a few."

Santiago Salinas
Business Decision Support
AEROMAN
Aeronautics Sector

"AEROMAN's success has been achieved through a highly qualified Salvadoran labor force, which demonstrates the high quality standards that our population can achieve in high-tech industries."

[16]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.

2. Higher Education

179 thousand students enrolled in technical and university careers

23 thousand technicians and professionals join the country´s labor force every year

24 universities

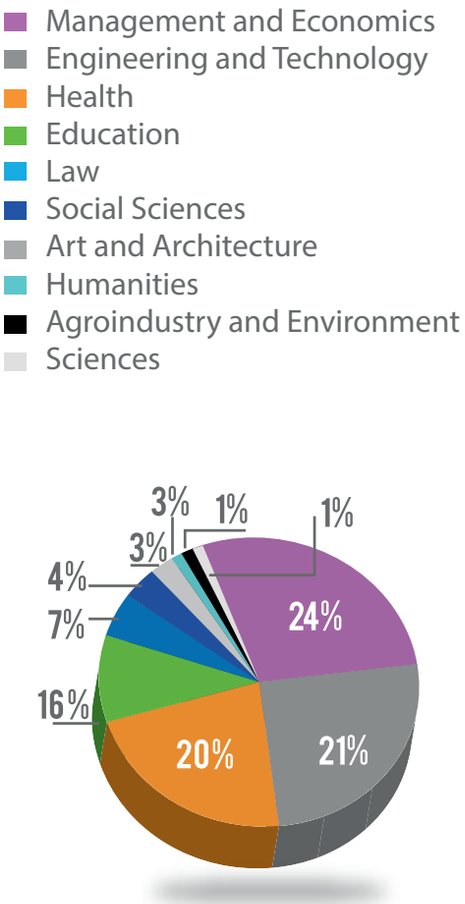
7 technical institutes throughout the country

9 specialized institutes

ESEN (Superior School of Economics and Business), La Libertad

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

Graduates by Educational Area (As percentage over 22,994 Graduates)



Source: Ministry of Education (MINED) 2015

3. Technical Education

Investors can satisfy their demand for 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 La Unión, Chalatenango, Ilobasco, Sonsonate and Zacatecoluca
- Escuela Superior Franciscana Especializada / AGAPE (Specialized Superior Franciscan School)

Enrolled Students by Educational Area (Number of Students and Percentage)

Educational area	No. of students			
	Men	Women	TOTAL	(%)
Management and Economics	19,437	26,252	45,689	25.47
Health	10,092	25,244	35,336	19.70
Engineering and Technology	26,683	7,493	34,176	19.05
Law	6,718	8,964	15,682	8.74
Education	4,356	9,047	13,403	7.47
Humanities	4,561	6,466	11,027	6.15
Social Sciences	3,507	5,635	9,142	5.10
Art and Architecture	4,083	3,960	8,043	4.48
Agroindustry and Environment	2,323	1,242	3,565	1.99
Sciences	1,503	1,830	3,333	1.86
Total	83,263	96,133	179,396	100

Source: Ministry of Education (MINED) 2015

- 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)

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.

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.

AEROMAN, La Paz

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.

V. INVESTMENT OPPORTUNITIES

1. Aeronautics
Successful World-Class Operations with Strong Continuous Expansions

With more than 30 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, Avianca 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:

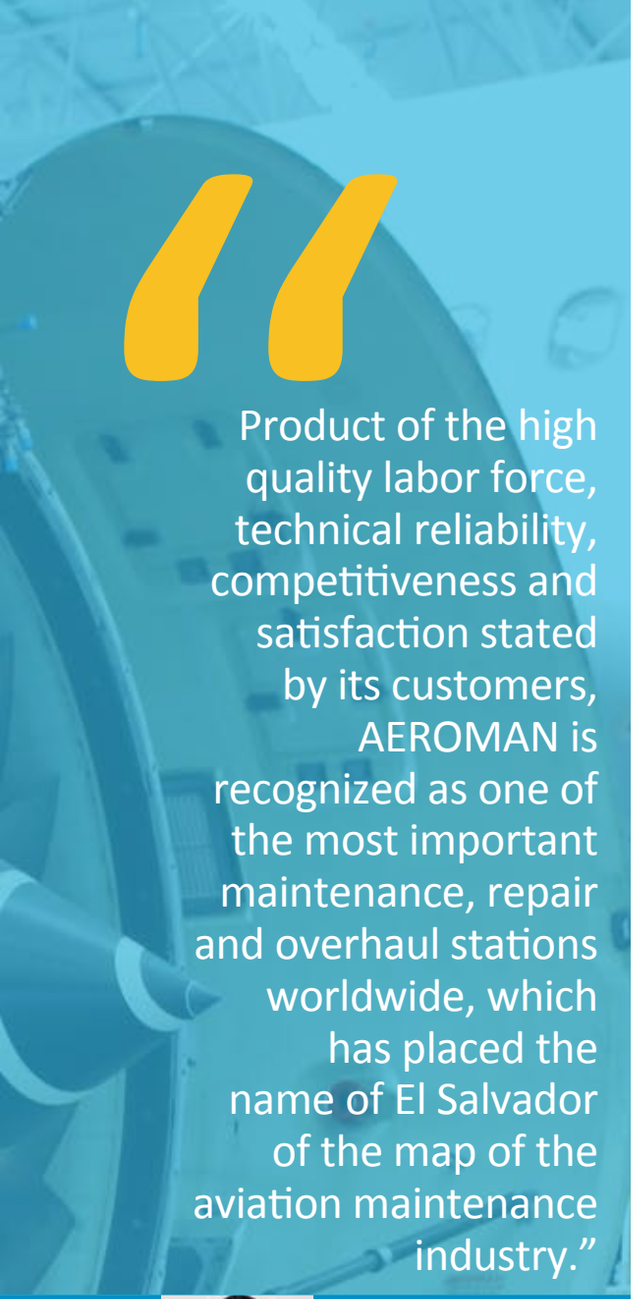
aeroman	www.aeroman.com.sv	Estación de MRO
AVIOTRADE GROUP	www.aviotradegroup.com	Proveedores de insumos para la industria y MRO de Componentes
	www.udb.edu.sv	Formación de técnicos e ingenieros en aeronáutica
AirSupport	www.airsupport.com.sv	Estación de MRO
HELICA	www.helica.com.sv	Mantenimiento de helicópteros
COCESNA	www.cocesna.org	Corporación Centroamericana de Servicios de Navegación Aérea

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
  - ❑ 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

Investment Opportunities

- Commercial aircrafts maintenance
- Helicopter and corporate aircrafts maintenance
- Distribution and warehousing services for aircraft parts
- Component maintenance shops
- Aeronautics ground services
- Light Sport Aircraft (LSA) airframe manufacturing and parts for wing tips, engines and others, in composite materials
- Aircraft harness system assembly
- Reconditioning on previous LSA models



“Product of the high quality labor force, technical reliability, competitiveness and satisfaction stated by its customers, AEROMAN is recognized as one of the most important maintenance, repair and overhaul stations worldwide, which has placed the name of El Salvador of the map of the aviation maintenance industry.”

Santiago Salinas
Business Decision Support
AEROMAN

Success Story

AEROMAN is an MRO (Maintenance, Repair and Overhauling) center that provides heavy maintenance to major commercial airlines from the United States and Latin America. As of today, AEROMAN has more than 2,100 employees and 5 hangars with a capacity of up to 20 production lines.

The company belongs to a network of global maintenance centers authorized by the European Consortium Airbus and its operations have been evaluated as one of the best worldwide.

The facilities that El Salvador offers to foreign investors have been a determining factor so that entrepreneurs in the aeronautical sector show interest in settling in the country. In addition, the high quality of Salvadoran labor force is positioning the country on investors’ map.

With an investment of USD 120 million, the company is developing an aggressive expansion plan to reach 28 production lines. AEROMAN recently built its 5th hangar; this expansion makes the company a maintenance facility capable to serve up to 20 production lines for narrow body aircrafts, or a combination of up to 16 production lines for narrow and wide body aircrafts.

These expansions allow the company to compete with MRO centers in Europe and Asia, and generating 2,300 new jobs in the first phase of the project and 5,000 direct jobs during the next 10 years.

For more information, please contact our investment advisor:

Vanesa Bandak
Investment Promotion Manager
PBX: +503 2592-7000
Direct: +503 2592-7022
Mobile: +503 7071-7022
Mail: vbandak@proesa.gob.sv

Aquaculture Sector

Fruit Sector

Cultivation of Ornamental Plants

Processed Food and Beverages

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 exports of fresh 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

Pipil Free Zone, La Libertad

Livsmart, La Libertad

Investment Opportunities

Specific Niches

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

- Cultivation of Ornamental Plants: El Salvador offers opportunities for the establishment of indoor or shade crops, especially for the propagation and production of cuttings or stakes for the export market. The elevations of 700-900 meters in the western region of the country and the annual average temperature of 22-24° C (72-75° F), in addition to sufficient irrigation water and a topography from flat to semi flat, are ideal for these crops.

- Aquaculture Sector: The warm tropical climate enjoyed by the country and its strategic location are ideal for year-round aquaculture production and for the commercialization of fresh fish fillets to markets in developed countries.

- Fruit Sector: Five species of fresh fruit have access to the U.S. market: hybrid coconut, Persian lime, improved cashew, papaya, and pineapple (MD-2 variety). In addition, the country has many areas suitable for the cultivation of these and other crops, such as fine aroma cacao, ranging from sea level to 600 meters high. These crops offer favorable conditions for exporting to the United States and the Central American region, as well as for supplying the local market. There are also opportunities to meet the demand of pulp and fruit concentrate in these markets.

- Processed Foods and Beverages: El Salvador is a regional leader in the production and export of juices and snacks. It has a proven track record in attracting investment in this area and offers opportunities for the establishment of food production, processing and distribution centers for export. In addition, the country has strong complementary industries in areas such as bottling, packaging and processing technology, among others.

Success Stories

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^2 with a total investment of USD 160 million). It is currently one of the largest exporters in the country.

RED FOX

German 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.

Pipil Free Zone, La Libertad

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

Gabriel Guardado
Investment Advisor
PBX: +503 2592-7000
Direct: +503 2592-7053
Mobile: +503 7071-7053
Mail: gguardado@proesa.gob.sv

> Pacific Power is a Salvadoran company: its natural scope of business development is El Salvador. We won the 355 MW public bid, which took place within a very transparent process. We received a very professional treatment from both the public and private entities involved in the process.”

Alejandro Alle
Executive Director
Pacific Power (Quantum/Wartsila)

3. Energy

The Government of El Salvador has an energy policy for the 2010-2024 period. Among its strategic lines, we can find the diversification of the energy matrix, the promotion of renewable energy sources, innovation and technological development and regional energy integration.

The National Energy Council (CNE for its acronym in Spanish), is the governing body of the national energy policy. It has developed a future expansion plan for power generation, which forecasts from 2013 onwards, a 3.6 % average annual growth.

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

Hidro

Geothermal Energy

Wind

PV

Concentrated Solar Thermal

Biomass and Biogas

Investment Opportunities:

- Processes of international bidding and long term contracts of up to 20 years, based on implemented market costs
- Diversification of the energy matrix, developing the potential of: wind, geothermal, small hydroelectric power plants, biomass, biogas, solar photovoltaic, concentrated solar thermal, coal and natural gas sources
- Distributed generation projects at industrial level
- Large hydraulic, geothermal and solar projects in national public generation
- Categorization of activities or projects for the better use of renewable energy sources in conjunction with the Ministry of Environment and Natural Resources
- SIEPAC Central American interconnection line

Evolution of the Power and Energy Demand in the Country

Year	MW	Growth Rate (%)	GWh	Growth Rate (%)
2003	785	4.4	4,403	3.6
2004	809	3.1	4,538	3.1
2005	829	2.5	4,765	5.0
2006	881	6.3	5,197	9.1
2007	906	2.8	5,353	3.0
2008	943	4.1	5,566	4.0
2009	906	-3.9	5,575	0.2
2010	948	4.6	5,736	2.9
2011	962	1.5	5,843	1.9
2012	975	1.4	5,920	1.3
2013	1,004	3.0	6,000	1.4
2014	1,035	3.1	6,067	1.1
2015	1,089	5.2	6,311	4.0
2016	1,093	0.4	6,351	0.6

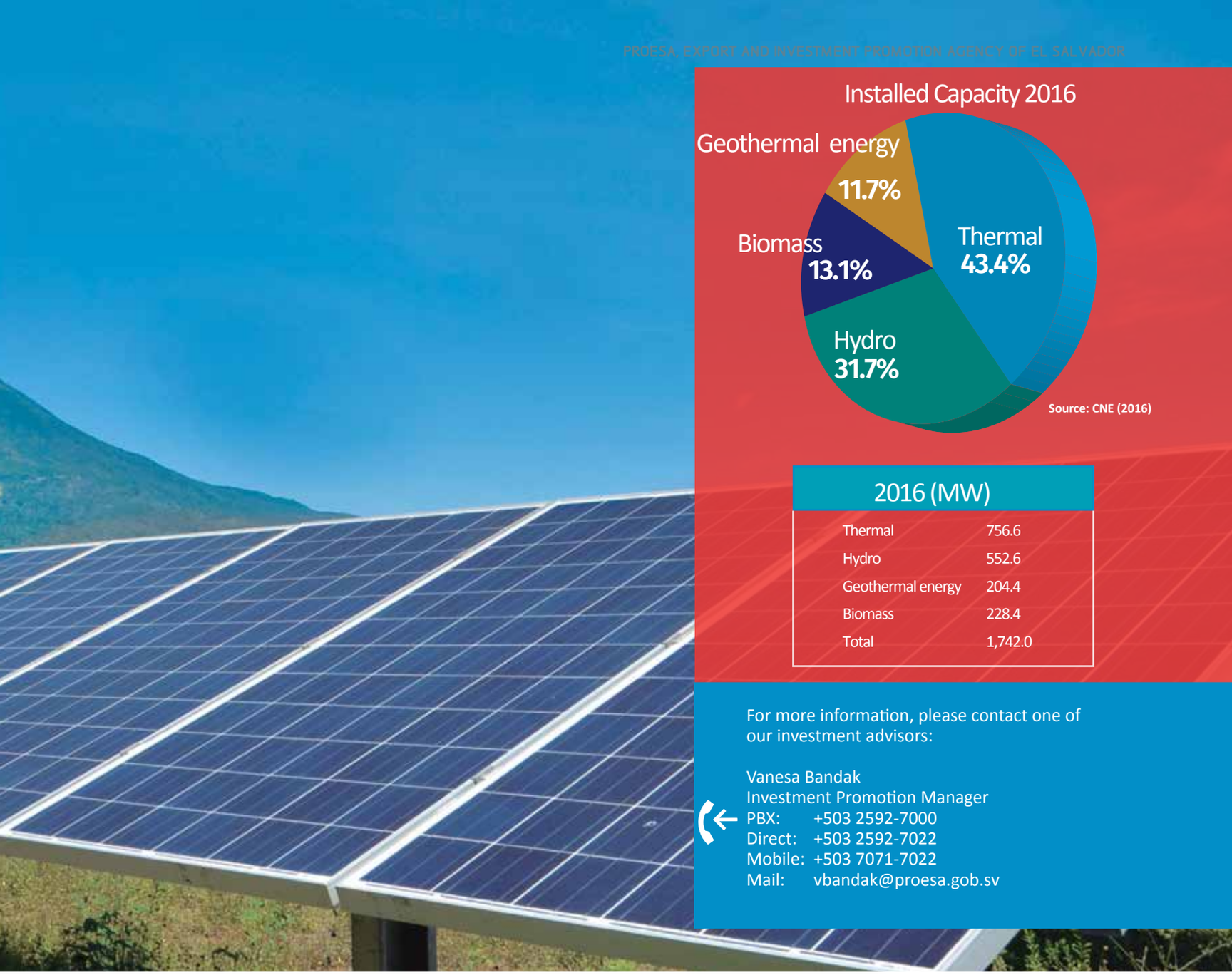
Source: Unidad de Transacciones

Solar Panels, San Miguel

Renewable Energy Incentives Law provides attractive tax incentives

The Indicative Generation Expansion Plan 2010-2024 by CNE identified the need for 350 MW in 2018 to meet the growing energy demand of the country. Therefore, in 2013, an international public bid for the procurement of 355 MW was published.

- Exclusion of offers using bunker or diesel to generate power
- Acquisition of completely new generating units, as well as its components
- Assurance that the offer included an annual contribution required for social work at the project site



Installed Capacity 2016

Source: CNE (2016)

2016 (MW)	
Thermal	756.6
Hydro	552.6
Geothermal energy	204.4
Biomass	228.4
Total	1,742.0

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

Vanesa Bandak
Investment Promotion Manager
PBX: +503 2592-7000
Direct: +503 2592-7022
Mobile: +503 7071-7022
Mail: vbandak@proesa.gob.sv

- Provision of a power supply contract for a 20 years' period

As a result, the international public bid for 355 MW was awarded to Energías del Pacífico company, which will install the first natural gas generation plant in Central America. This fact lays the groundwork to ensure the electricity supply for the next 20 years, while promoting a real change in the matrix of power generation in the country.

Additionally, 15 MW were awarded in an open international tender using small scale renewable energy sources: PV, small hydroelectric power plants and biomass. Subsequently, a 94 MW of solar photovoltaic energy in a similar bidding process was awarded.

El Salvador has done spinning reserve studies that identify and validate the value, in MW, of renewable energy that can be incorporated to the current supply system, without affecting the stability and operation of the system. Based on these studies, El Salvador recently awarded a new international public bid for 170 MW in non-conventional energy generation (solar photovoltaic and wind). This was a successful process because 29 companies from 9 different countries participated; as a result, 120 MW were awarded to solar photovoltaic generation and 50 MW to wind generation, laying the foundations for developing the first wind generation project in the country!

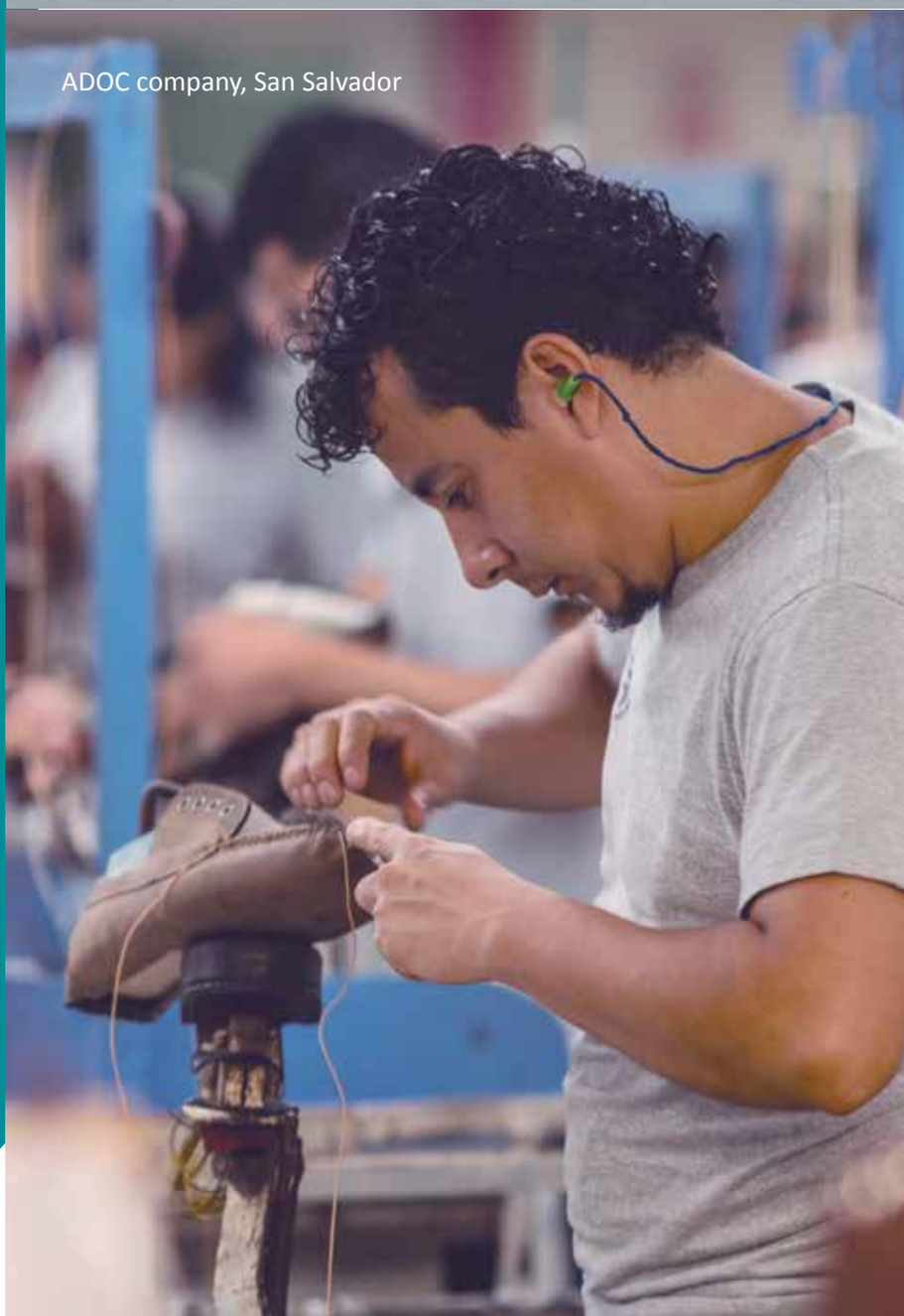
4. Light Manufacturing

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

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 CNC workshops, capable of sourcing precision parts.
- Low operating costs
- Highly-qualified human capital

Indufoam Industry, La Libertad



ADOC company, San Salvador

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.)
- 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.

AVX

Success Story

AVX KYOCERA KYOCERA has been in El Salvador for 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 3,100. The company's biggest production is electronic capacitors, with a weekly production of 90 million ceramic capacitors and 70 million tantalum capacitors. It has also transferred production lines to El Salvador 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. The company exports more than USD 100 million and ranks in the top 5 exporters in El Salvador.

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

OppFilm EL SALVADOR

Success Story

OPP Film, is a Peruvian 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, this makes a total of USD 100 million and 200 direct jobs. In the same year, OPP Film established a trading company at American Park Free Zone to distribute their products. This was a USD 788 thousand investment and five direct jobs.

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 1,000 direct jobs- 72% of them are occupied by 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 to the United States, nine months after their 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). In 2015, the production exceeded USD 31 million, mainly exporting to the United States.

OPP Film plant, La Libertad

SWEDISH MEDICAL GROUP

With its origin from Sweden, SMG is a company, based in El Salvador, dedicated to manufacturing, distributing and marketing a wide variety of state of the art orthopedic soft goods and medical products of high quality, making use of advanced European technology. The trajectory and expertise that characterize SMG and each of its members are among their most significant brand pillars.

The company focuses on state of the art manufacturing solutions for current and established brands in the U.S. and in the region. They manufacture a diversity of innovative, high quality medical and orthopedic products and satisfy customer needs internationally.

> “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

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
Mail: jmarquez@proesa.gob.sv

One Link Getcom

El Salvador's OBS at a glance

+20,000
DIRECT JOBS

+11,000
WORK STATIONS

+70
FOREIGN AND DOMESTIC COMPANIES

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).

Sample of Companies Operating in El Salvador

Teleperformance
UBIQUITY GLOBAL SERVICES
CONVERGYS
TELUS International
The Office Gurus
BLACKHAWK NETWORK
ATENTO

Advantages of Investing in El Salvador

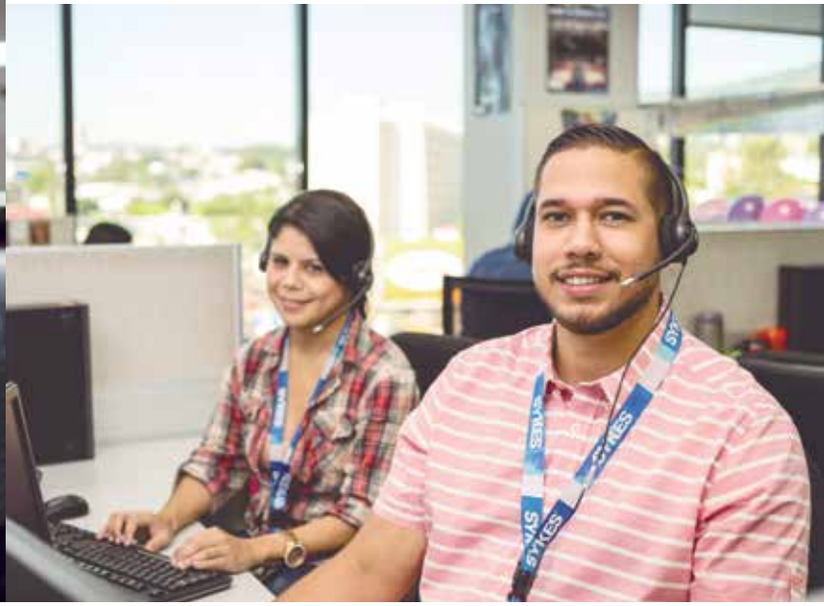
Outstanding Human Talent

- 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 compared to other countries in the region: 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

Telus Call Center



SYKES Call Center

Skilled workforce

+179,000

STUDENTS REGISTERED IN HIGHER EDUCATION PROGRAMS

+700

STUDENTS GRADUATE ANNUALLY FROM BILINGUAL SCHOOLS

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 Programs to Promote the Industry

PROESA has supported the English Language Training Program for the attraction of new investment and expansion of established companies. This program aims to promote a continuous pipeline of advanced English speakers for the industry.

Attractive Tax Incentives for Investors

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
- Inventory accounting
- Payroll processing
- Others

Information Technology Services:

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

Success Story

SYKES is a global leader in contact center solutions and business processing outsourcing (BPO). These high value services are provided from El Salvador in English and Spanish in sub-sectors such as Contact Centers. Large customers with sophisticated needs trust their customer management to Sykes. From multilingual services to combinations of on-shore and off-shore, Sykes presents the "right-shore" approach to its customers.

Sykes is among the three major employers in El Salvador in the Offshore Business Services Industry. It has three buildings with highly qualified employees, who are English and Spanish neutral. It also records a high performance on specific indicators which impact their customers' profits, while using innovative tools of proven efficacy.

Charles E. Sykes,
President and CEO, SYKES

"SYKES made the decision to establish operations in El Salvador almost 12 years ago, being a pioneer among the BPO industries to choose the country. SYKES Enterprises was looking at the time for another country in the region where to replicate the success achieved in the neighboring Costa Rica. The key factors that tipped the balance towards El Salvador were: (1) the positive work ethics of its human capital (2) a modern and competitive telecommunications infrastructure and (3) the level of awareness of the U.S. culture among the Salvadoran population. This last point is very important, as the United States is the main market for contact center services.

After 11 years operating in El Salvador, we can only say that as a company we are very satisfied with the results obtained. It is a very solid operation, with a unique work ethic that is very well known by our clients and other SYKES operations around the world as an example to follow. SYKES El Salvador is one of the centers that shows above average results with respect to talent retention and satisfaction, our clients' key performance indicators and our financial results.

We are very pleased to have chosen El Salvador as the second country in the Central American region to offer the contact center services to our clients and to have grown from 175 to more than 3,000 associates in the process. According to our existing clients, SYKES El Salvador is #1 or #2 among the other providers they use around the world. The flexibility and consistency of SYKES El Salvador talent make it the right strategic partner to increase their customers' loyalty and strengthen their brand."

Charles E. Sykes, President and CEO, SYKES

SYKES

ACCORDING TO SYKES, WORK ETHIC AND CUSTOMER SERVICE ARE KEY DIFFERENTIATORS OF THE SALVADORAN WORKFORCE.

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
Mail: jbukele@proesa.gob.sv

> One of the many things that we liked about El Salvador is its combination of diversity and size. It has beaches, cities, volcanoes, thermal springs, archeological sites and coffee plantations; and it´s such a small country, that you can enjoy a bit of everything in one day if you want. This is why it is possible to free turtles in the Barra de Santiago beach in the morning; and hike the paths of the National Park El Imposible in the afternoon."

Karen Catchpole & Eric Mohl
Trans-Americas Journey
www.trans-americas.com

Laguna Verde, Apaneca

6. Tourism

El Salvador: The destination of choice for Tourism, Medical Tourism and Business

El Salvador offers a wide range of hotel accommodations, excellent gastronomy and shopping, an outstanding road connectivity and proximity between multiple touristic attractions. To have an airport as the HUB of one of the most important Latin-American airlines, passengers can access to a variety of direct flights to the most important cities of North, Central and South America, as well as some European cities.

Tourism in El Salvador has a growing demand and the flow of tourists has continually grown throughout the years. Therefore, many investors have bet on this sector, creating many investment opportunities. The natural wealth of the country, attractive fiscal incentives provided by the Tourism Law, as well as the determined support from the government of El Salvador, have made Tourism one of the most booming sectors of the country.

In the niche of medical tourism, El Salvador offers geographical proximity for high-quality services at competitive costs. This makes it an ideal destination for the establishment of hospitals and specialized clinics to serve patients from the United States and Canada. Their geographic proximity, healthcare competitive costs and quality of the medical staff make it the ideal destination for stablishing hospitals and health centers to treat patients from the United States.

Advantages of Investing in El Salvador

- Solid and growing tourism demand
- Political stability
- Healthy and completely dollarized economy
- Air traffic hub with over 490 weekly arrivals and departures
- Being in the center of Central America offers a geographic advantage when traveling within the region
- Hard-working and service-oriented work force
- Pleasant climate throughout the year
- Attractive fiscal incentives provided by the Tourism and International Services Laws
- Existence of qualified medical professionals with postgraduate degrees mainly from Mexico, the United States and Europe
- Availability of human resources: approximately 12,000 physicians- many with postgraduate studies in United States, Europe, Mexico, Cuba, among other countries with high quality health systems
- Health services provided at costs significantly lower than in the United States and Canada

Investment Opportunities

Because of its privileged geographical location, its consolidated and growing touristic demand, and its political and economic stability, El Salvador offers great investment opportunities in:

- Hotels
- Boutique hotels
- Convention Centers
- Marinas
- Spas and wellness centers
- Mixed use development
- Medical tourism:
  - ❑ Hospitals
  - ❑ Specialized clinics
  - ❑ Medical spas
  - ❑ Resort hospitals

Izalco Volcano, Sonsonate

Los Cóbanos Beach, Sonsonate

Touristic niches

Due to its beauty and natural wealth, as well as to its invaluable cultural heritage, El Salvador caters to tourists in the following niches:

- Medical tourism
- Sun, beaches and surf
- Business
- Congresses and conventions
- Mayan world
- Colonial heritage
- Ecotourism

Success Story
Royal Decameron Salinitas

The Royal Decameron Salinitas Hotel is a beach resort that belongs to the Decameron All-Inclusive Hotels & Resorts chain and is located on the Salvadoran Pacific Coast. It began operations in El Salvador in November 2005 with 258 rooms and immediately achieved an occupancy rate of 85%. Due to the success of the initial investment, expansions of USD 24 million followed; nowadays, the resort has 552 rooms and a convention center with capacity for 2,000 people.

This business group has found an excellent business partner in El Salvador, even financing part of their new investments through local market securitization.

Coatepeque Lake, Santa Ana

Jiboa Valley, San Vicente

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

Gabriel Guardado
Investment Advisor
PBX: +503 2592-7000
Direct: +503 2592-7053
Mobile: +503 7071-7053
Mail: gguardado@proesa.gob.sv

San Miguel

USD 2.52
BILLION SPECIALIZED TEXTILES AND APPAREL EXPORTS (2016)

+60
EXPORT MARKETS

+240
COMPANIES

7. Specialized 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.

Competitive Factors

- 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,

Specialized Textiles and Apparel company operating in El Salvador.

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

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.

Success Story

GEORGE C. MOORE
A MOORE COMPANY

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 nine 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.

Specialized Textiles and Apparel company operating in El Salvador.

"Salva Sewn Products established 14 years ago in El Salvador, and it has been one of the biggest advantages to achieve competitiveness with our customers. The excellent and hardworking labor of our employees, who are the most precious part of the company, added to the strategic location and proximity to our main market and trade agreements such as CAFTA-DR, make El Salvador a very important ally for the growth of the company. These motivate us to continue creating more job opportunities and development for the people of this country."

Sebastian Díaz
General Manager of Salva Sewn Products

Success Story

YOUNGONE
El Salvador, S.A. de C.V.

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.

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

Celia Hernández
Investment Advisor
PBX: +503 2592-7000
Direct: +503 2592-7024
Mobile: +503 7071-7024
Mail: cherhandez@proesa.gob.sv

VI. SETTING UP AND OPERATING A BUSINESS IN EL SALVADOR

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 as the best cost-effective[17] country in Central America.

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)[18]

Wages per	Agriculture	Industry	Commerce and Services	Textile and Apparel maquila
Hour	0.83	1.25	1.25	1.23
Day	6.67	10.00	10.00	9.84
Month	200.10	300.00	300.00	295.20

Source: PROESA based on data from the Ministry of Labor (MTPS)

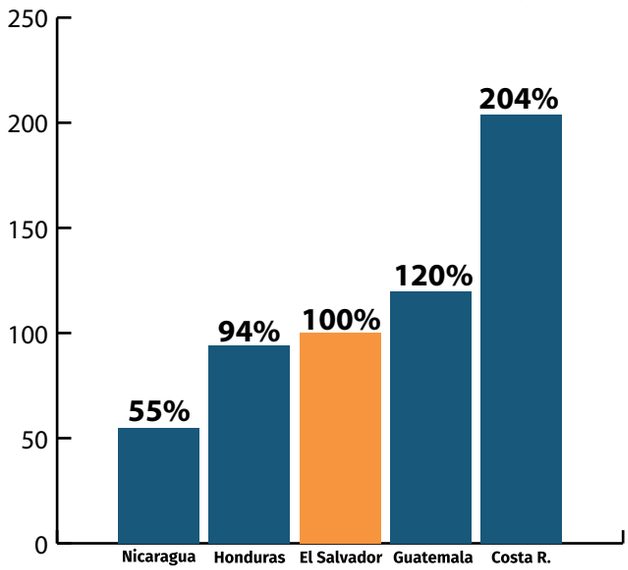
Legal Working Schedules

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.

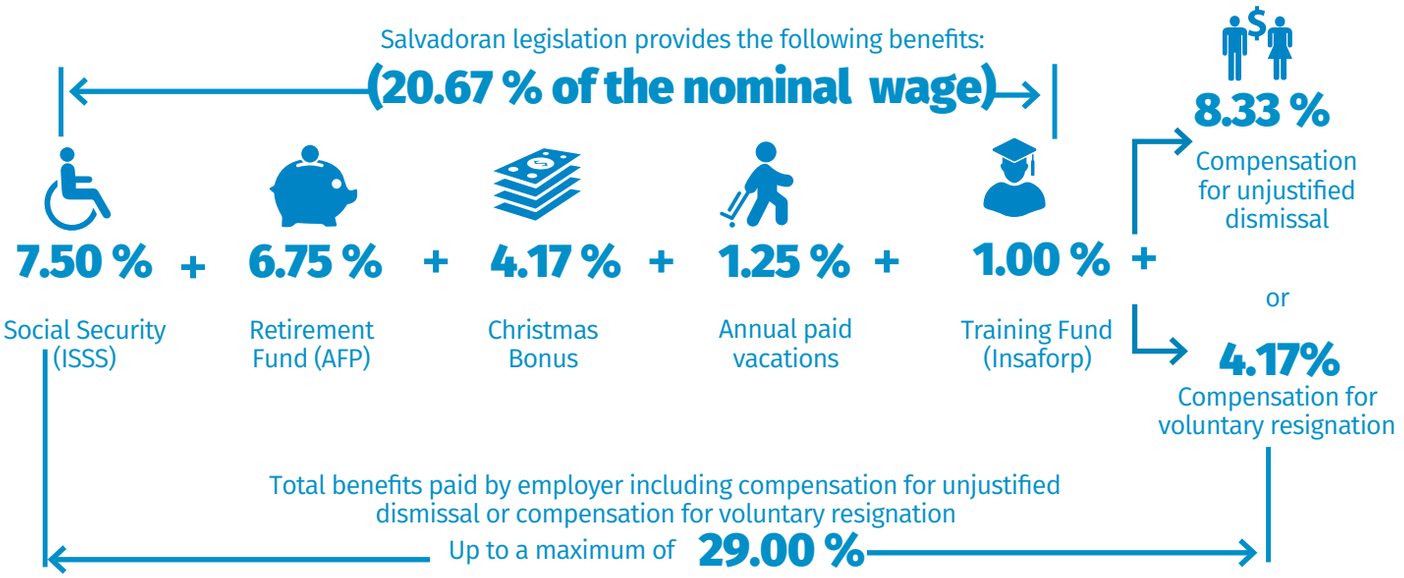
As the following figure shows, El Salvador is one of the most competitive countries in Central America in terms of labor costs:

Comparative minimum wages for companies located in free zones (%)



[17]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.

[18]Rates in force since January 1st, 2017

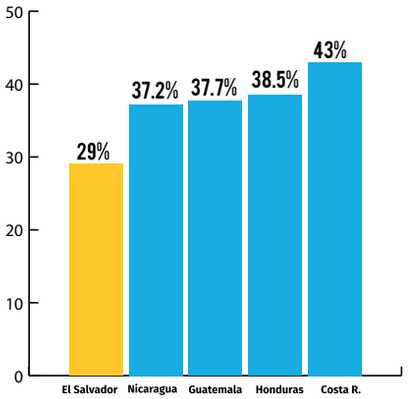


Fringe Benefits

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).	4.17%
Fondo de pensión (AFP)	The employer contributes with 6.75% of the base salary.	6.75%
Total benefits paid by employer:		20.67%
	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 29.00%

Comparative fringe benefits in Central America (as % of base salary)[19]



[19]Excludes public holidays: Nicaragua (11 statutory holidays with full salary benefits); Honduras (10 days); Guatemala (12 days); El Salvador (13 days); and Costa Rica (15 days).

National holidays

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

National Holidays

- January 1st (New Year's Day)
- Thursday, Friday and Saturday of Holy Week
- May 1st (Labor Day)
- May 10th (Mother's day)
- June 17th (Father's Day)
- August 6th (Feast of San Salvador)[20]
- September 15th (Independence Day)
- November 2nd (All Saints Day)
- December 25th (Christmas Day)

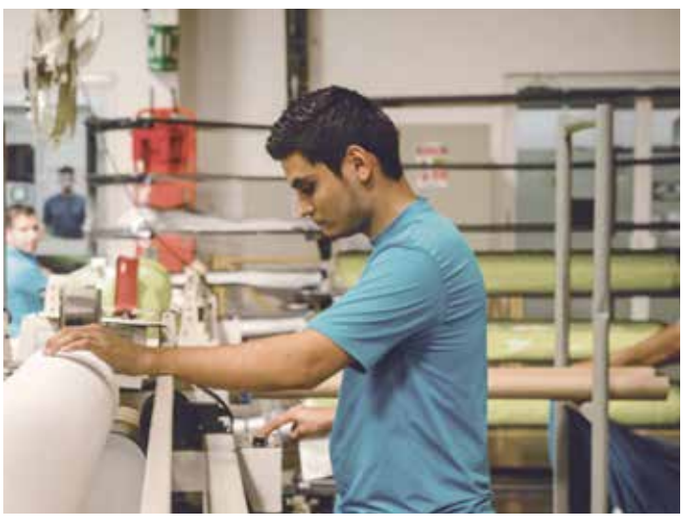
Source: Labor Code of El Salvador

[20] August 3rd and 5th are also considered national holidays in the city of San Salvador. Meanwhile - for the rest of the country - it'll be the main day of the most important local festivity (of each area).

Foreign workers

According to Art. 7 of 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.



Specialized Textiles and Apparel company operating in El Salvador.

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.

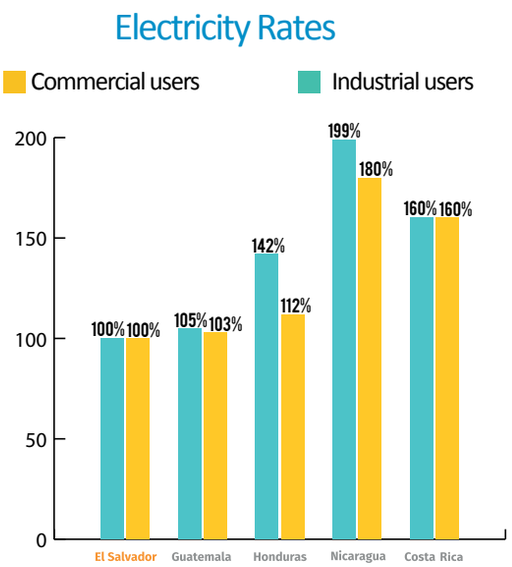
Monthly rental costs:

Average Monthly Cost (in USD per square meter)	
Industrial space	3.50 – 3.90
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.



Note: Rates are average prices form the most recent publication for commercial users with 15,000 kWh of consumption and power demand of 41 kW.

Rates for industrial users with 100,000 kWh of consumption and power demand of 274 kW, 50% load factor.

5 de Noviembre hydroelectric power plant, Cabañas

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
1) Commercialization Charge (fixed charge): Customer Service (USD/User-Month):						
MEDIUM DEMAND		0.86	0.96	0.82	0.93	0.93
LARGE DEMAND		12.90	14.47	12.27	13.90	13.85
2) Distribution Fee: Power (USD/kW-Month):						
MEDIUM AND LARGE DEMAND	**Low voltage**	13.11	21.33	21.56	26.99	26.55
	Medium voltage	6.24	6.84	12.01	17.33	16.56
3) Energy Charge (USD/kWh)						
WITH POWER METERING						
MEDIUM DEMAND	**Low voltage**	0.12	0.12	0.12	0.12	0.12
	Medium voltage	0.11	0.11	0.11	0.11	0.11
TIME-DIFFERENTIATED METERING						
MEDIUM AND LARGE DEMAND	Low voltage					
	Peak Hours	0.12	0.12	0.12	0.12	0.12
	Mid-peak Hours	0.12	0.12	0.12	0.12	0.12
	Off-peak Hours	0.12	0.12	0.12	0.12	0.12
	Medium voltaje					
	Peak Hours	0.11	0.11	0.11	0.11	0.11
	Mid-peak Hours	0.11	0.11	0.11	0.11	0.11
	Off-peak Hours	0.11	0.13	0.11	0.11	0.11

Note: Rates are presented for the last quarter available (applicable from October 2016). 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.

Average Landline and Mobile Phone Rates (in USD)

Landlines	
Commercial operation fixed rate (monthly payment)	6.91
Local rate per minute	0.04
Calls to mobile phones, rate per minute	0.11
Calls to United States, rate per minute	0.08
Mobile phones*	
Minute rate to same provider, landline	0.10
Minute rate to other provider, landline	0.10
Minute rate to same provider, mobile phone	0.12
Minute rate to other provider, mobile phone	0.14

*Rates for postpaid plans.
Source: General Superintendence for Energy and Telecommunications (SIGET 2015)

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

Dedicated Internet Rates (in USD) [21]

Speed*	Monthly Cost
5 Mbps	600
10 Mbps	850

Source: Quotes with service providers (2016). * Other bandwidth options are available according to the client's needs.

Available services include dedicated circuits for data and voice transmission, Virtual Private Network (VPN) services, Universal Access Number (UAN), Direct Inward Dialing (DID), 800-numbers, multi-conference, multi-service portals, mobile office, ISDN links, frame relay, dedicated lines, and a variety of other services.

International circuits pricing generally vary according to the levels of service guarantied, destination country, "last mile" connection and length of service commitment.

[21] 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^3, including aqueduct and sewerage:

Price Brackets for the Commercial Sector Consumption[22]

Consumption Bracket m^3	Water Cost (USD)	Sewerage Cost (USD)
0 a 5	3.76*	$0.10
6 a 20	0.900/m^3	$5.00
21 a 30	1.200/m^3	$5.00
31 a 50	1.500/m^3	$7.50
51 a 60	1.875/m^3	$7.50
61 a 90	2.344/m^3	$7.50
91 a 100	2.930/m^3	$7.50
101 a 500	3.662/m^3	$10.00
501 en adelante	4.578/m^3	$20.00

Applicable from October 2015. *Fixed minimum rate
Source: ANDA

[22]Monthly invoice= (m^3 x Water Cost tariff) + Sewerage cost tariff

2. Taxes

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 e-Regulations website (http://elsalvador.eregulations.org/).

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 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[23]. 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.

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.

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.

[23]Taxable income is net after deducting costs and expenses considered necessary for generating and maintaining the related source of income, and other deductions allowed by law.

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.

Port La Unión

3. Establishing a Company

Step by step description of mandatory procedures to establish a legal entity in El Salvador

These procedures can be carried out simultaneously online through www.miempresa.gob.sv or through the National Registry Center´s (CNR) One-Stop Office (Ventanilla Integral de Servicios). Visit http://elsalvador.eregulations.org to find more information about forms, required documentation and processing times.

1. Prepare Articles of Incorporation before a Public Notary
2. Registration of Articles of Incorporation
3. Company and Establishment License
4. Tax Identification Number (NIT) Registration
5. Registration of Company's Taxpayer Registration Number - Value Added Tax (NRC/IVA)
6. Opening Balance Sheet Registration
7. Employer Identification Number Registration at ISSS
8. Workplace Registration
9. Employer Registration at the Pension Fund Administrators (AFP)
10. Registration of Company's Internal Work Rules
11. Foreign Capital Registration at the Ministry of Economy's National Investment Office (ONI)
12. Company Registration Solvency at the Directorate-General for Statistics and Census (DIGESTYC)
13. Company Registration at the Corresponding Mayor's Office

Livsmart, La Libertad

Specialized Textiles and Apparel company operating in El 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.

- **Category A: Visa Exempt.**

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, Lithonia, Macedonia, Madagascar, Malaysia, Marshall Islands, Mexico, Qatar, Saint Lucia, Salomon Islands, Singapore, Taiwan, Tuvalu, United Arab Emirates, Vanuatu.

- **Category B:** Requires Consular Visa. The consular visa is issued at the diplomatic or consular representations of El Salvador[24]. The cost for one entrance is USD 30.00 and the cost of a multiple entrance consular visa is USD 60.00.

[24]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.

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[25]. 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, 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.

[25]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

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

Government of El Salvador, Central America

Download our free App for Smartphones and tablets:

INVEST IN EL SALVADOR

Available on the App Store

Google play

EL SALVADOR

Great like our people

INVESTOR'S GUIDE 2017 EL SALVADOR

PROESA
EXPORT AND INVESTMENT PROMOTION AGENCY OF EL SALVADOR

GOBIERNO DE EL SALVADOR
UNAMONOS PARA CRECER

Calle y Colonia La Mascota # 316B,
San Salvador, El Salvador

WWW.PROESA.GOB.SV
PBX: (503) 2592-7000
FAX: (503) 2592-7069