



EXPORT AND INVESTMENT PROMOTION
AGENCY OF EL SALVADOR

El Salvador

A country of opportunities

January 2016

GOBIERNO DE
EL SALVADOR
UNÁMONOS PARA CRECER





Santa Ana Volcano and Coatepeque Lake

El Salvador



El Salvador at a glance



Capital: San Salvador



Official Language: Spanish



Area (km²): 21,041 Km² /8,124 mi²



Population (million): 6.4



GDP (billion USD): 25.1



GDP per capita (USD): 3,931



Currency: US Dollar



Time Zone: UTC - 6

El Salvador, located in the heart of the Americas, has an export-oriented economy



Attractive Investment Climate

Foreign Direct Investment

FDI Stock 2014 USD 8,503.5 million

34 % of GDP

Examples of multinational companies with investment in El Salvador:



Numerous multinational companies have chosen El Salvador as an investment destination



Attractive Investment Climate



- The Financial Times' Investment Journal fDi Intelligence has classified El Salvador as the **most cost effective country** in Central America



- **Only** country in the Western Hemisphere, and one of four nations in the world, to be selected by the US Government to work jointly under a new initiative that seeks to reduce barriers to economic growth

- **Only** country in Central America that has received funds on two occasions from the Millennium Challenge Corporation for its **good governability, investment in human resources** and **economic freedom**. This second compact will generate USD 365 million in investment and will contribute to the development of the country.



- Likewise, the **European Union's** Multiannual Indicative Programme 2014-2020 will provide approx. **USD 200 million** for the country's economic development.



- The Yucatán Accord will provide **USD 128 million** for the development of infrastructure projects

Infrastructure Fund for the Countries of Mesoamerica and the Caribbean (Yucatán Accord)



El Salvador enjoys wide-spread international support with solid international partnerships





Port of Acajutla

Why El Salvador?



Why El Salvador?



Productive Labor Force

Investors certify that Salvadoran labor force is world famous for its industriousness, efficiency and work ethic.



Competitive Costs

The Financial Times' investment journal fDi Intelligence has classified El Salvador as the most cost effective country in Central America.



Monetary Stability

El Salvador dollarized its economy in 2001, therefore offers greater certainty to investors as a result of the elimination of foreign exchange risk



Competitive Infrastructure

The World Economic Forum places El Salvador's infrastructure as 5th most competitive infrastructure in Latin America and the best in the Central American region.



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 other taxes.



Preferential Access to International Markets

Multiple trade agreements provide preferential access to more than 1.2 billion consumers in 43 countries around the world.



Strategic Location

El Salvador's geographic location enables a short access time to major cities in North and South America.



Productive Labor Force



2.8 million

Labor force



58 %

of the labor force is 39 years or younger



23,000

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

21 % Engineering and Technology graduates



40

technical and higher education institutions



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



Jaime Campos
Director of Operations, George C. Moore, Textile and Apparel 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.**”

“ Salvadoran labor force has **been one of the success factors** in the development of our manufacturing operations. Our headquarters consider it as a blessing to have **employees so avid to learn** new things and take very seriously their roles in the company.”

Salvadoran labor force is world famous for its industriousness, efficiency and work ethic



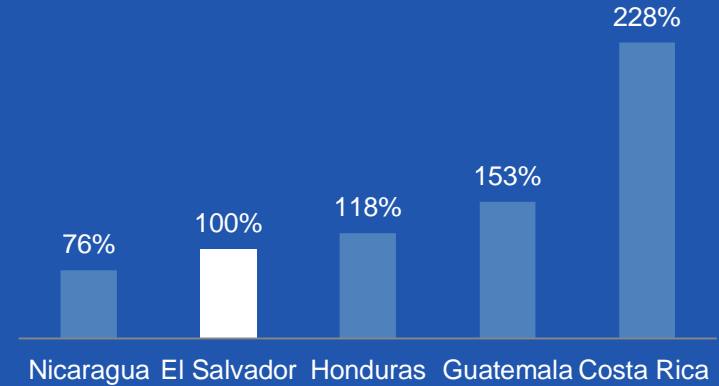
Competitive Costs

Labor Costs

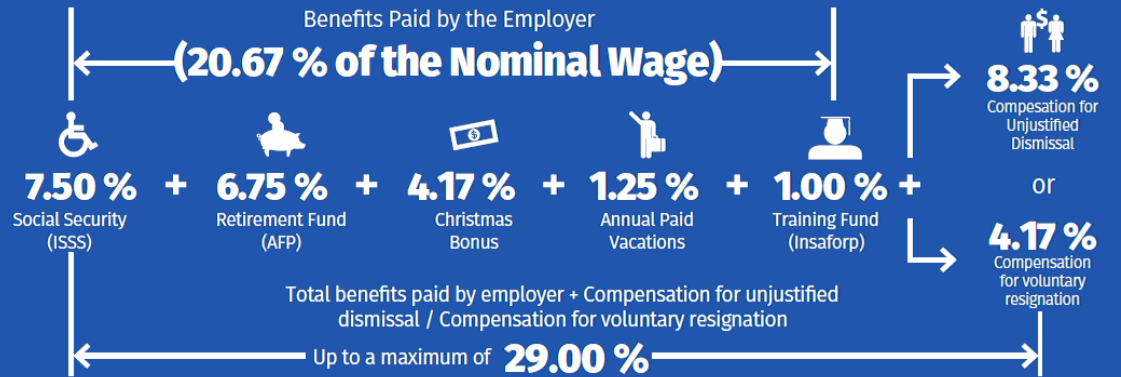
Minimum Monthly Wage per Sector (in USD)

Sector	Minimum Monthly Wage (USD)
Agriculture	118.20
Industry	246.60
Commerce and services	251.70
Textile and apparel maquila	210.90

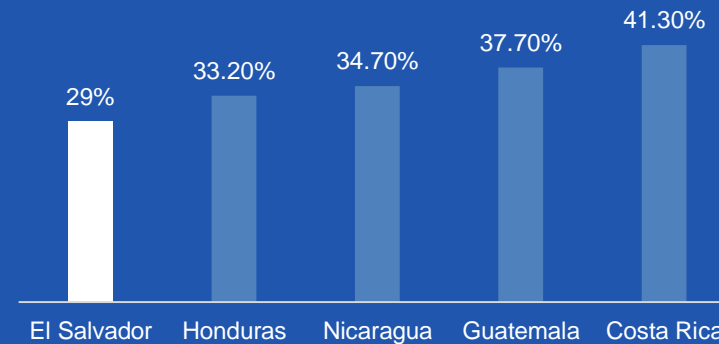
Comparative minimum wages for companies located in free zones



Fringe benefits represent **20.67%** of nominal wage



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



El Salvador is one of the most competitive countries in Central America in terms of labor costs



Competitive Costs

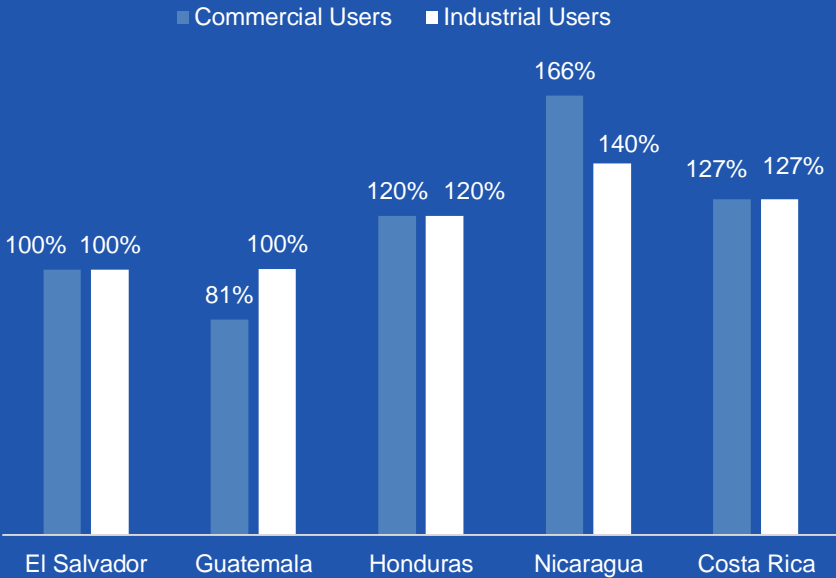
Electricity

Electricity rates (USD/kWh)*

With power metering		
Medium demand	Low voltage	\$ 0.12
	Medium voltage	\$ 0.11
Time - differentiated metering		
Medium and large demand	Low voltage	
	Peak hours	\$ 0.12
	Mid-peak hours	\$ 0.12
	Off-peak hours	\$ 0.11 - 0.12
	Medium voltage	
	Peak hours	\$ 0.11
	Mid-peak hours	\$ 0.11
	Off-peak hours	\$ 0.10 - 0.11

*Rates in force since January, 2016. Besides energy charges, electricity rates are composed of a fixed monthly charge for commercialization (customer service) and variable charges for distribution – power (US\$/kW – month).

Comparative Electricity Rates



Source: ICE (2015)

El Salvador offers competitive electricity rates for commercial and industrial users.



Competitive Costs

Taxes

Income tax

- **30%** over taxable income
- **25%** (reduced rate for taxable income ≤ US\$150,000)

Dividend Tax

- **5%** tax retention over dividends paid or credited to shareholders (individuals or legal entities)

Tax on Transfers of Real Estate Property

- **3%** applicable on amounts exceeding USD 28,571.43

Special contribution for security to large taxpayers

- **5%** special contribution over net profits ≥ US\$500,000.

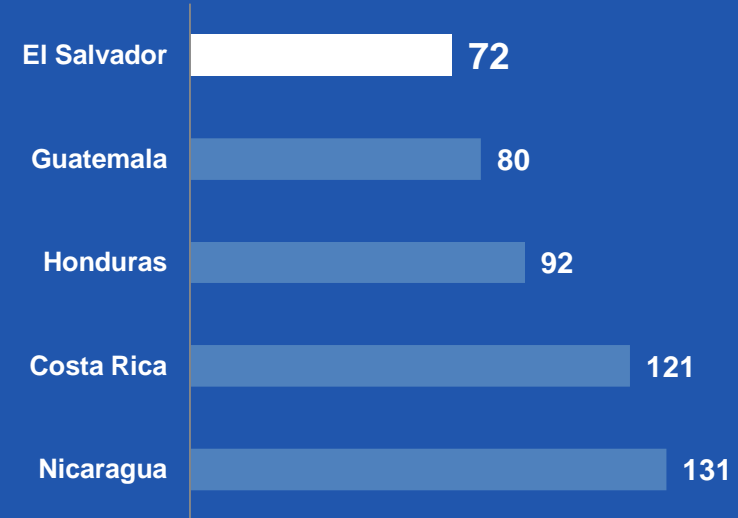
Value Added Tax (IVA for its acronym in Spanish)

- **13%** value added tax for goods and services.

Municipal taxes

- Taxes are paid according to a table established by each municipality based on the company's total assets.

World Economic Forum Total tax rate ranking* (out of 140 countries)



*This variable is a combination of profit tax, labor tax and contributions, among other taxes

El Salvador has the lowest total tax rate in the region and provides generous tax incentives to investors



Monetary Stability

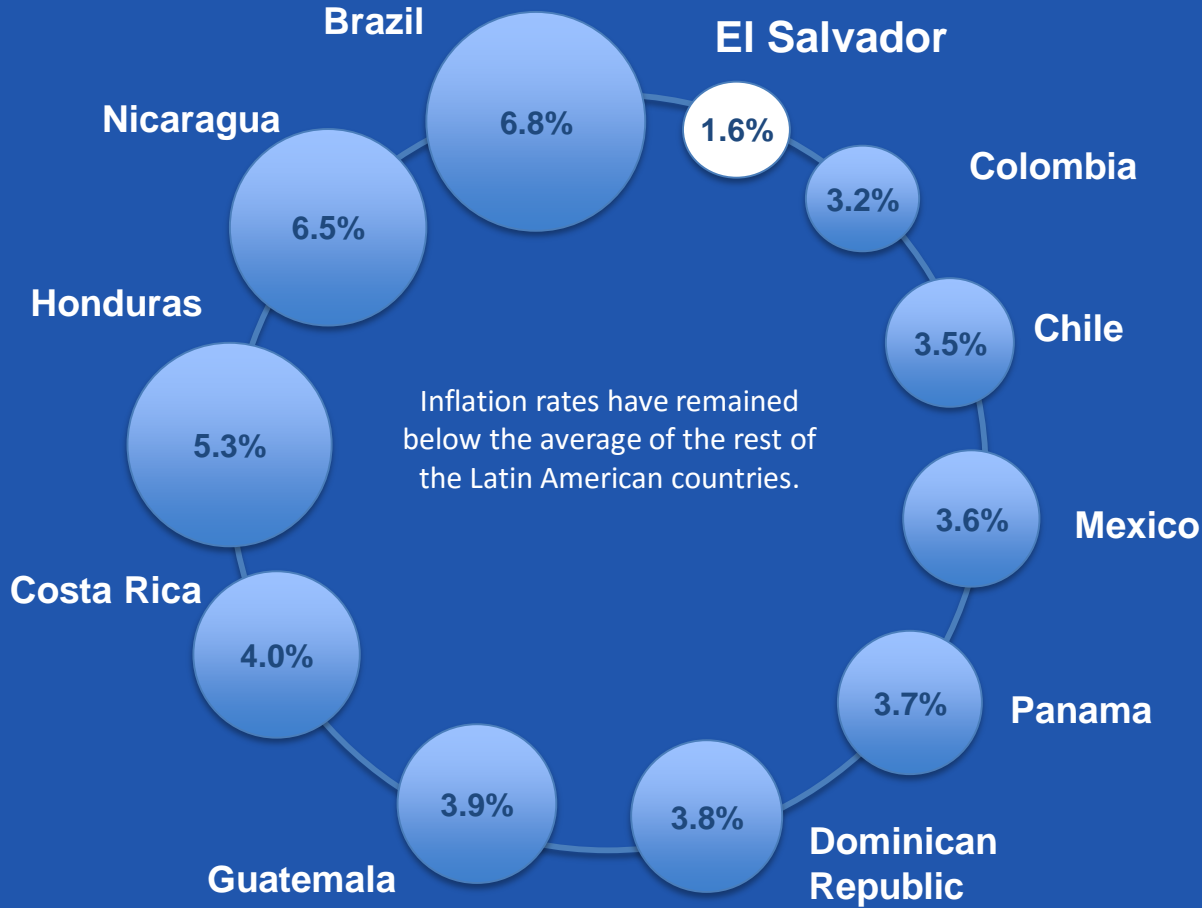


It is the **only country** in Central America with the U.S. dollar as legal tender.



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.**

Average inflation rate of selected countries (%) 2011-2015



Inflation rates have remained below the average of the rest of the Latin American countries.

El Salvador's dollarized economy offers greater certainty to investors as a result of the elimination of foreign exchange risk



Competitive Infrastructure

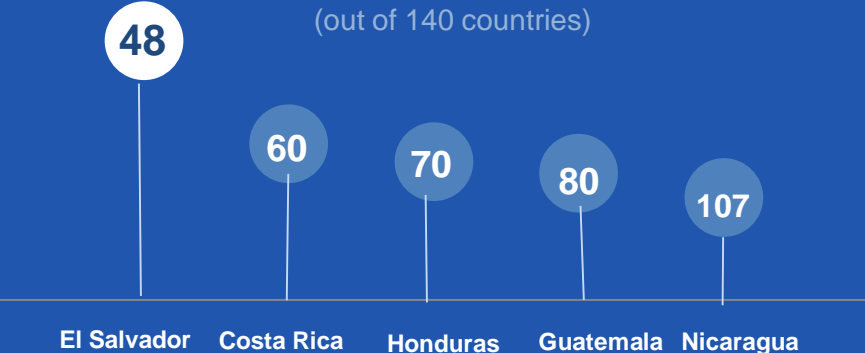
Global Competitiveness Report
Quality of infrastructure ranking
2015-2106
(out of 140 countries)

1st

In quality of infrastructure in Central America



Airports

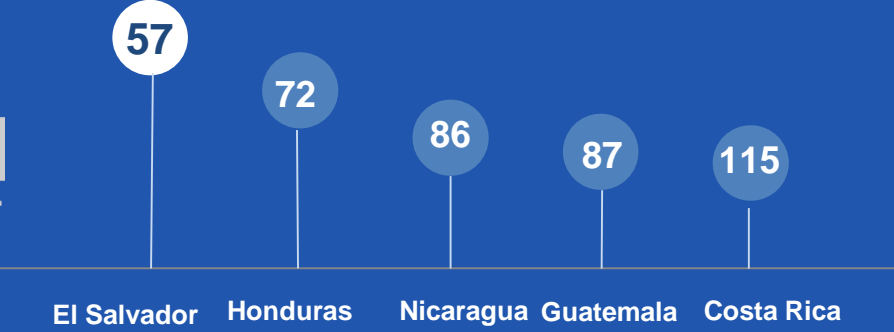


60th

worldwide out of 140 countries



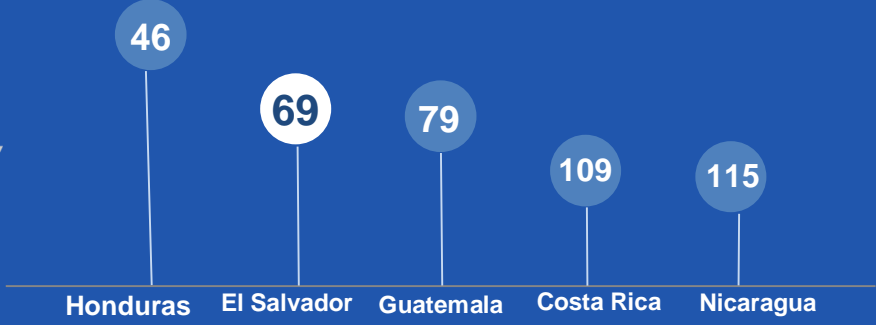
Highways



- Container terminal designed to receive Post Panamax vessels.
- El Salvador International Airport (AIES) stands out as an important regional hub and top class maintenance center for commercial aircrafts.



Ports



The World Economic Forum places El Salvador's infrastructure among the **most competitive** in Latin America and the **best** in the Central American region.



Competitive Infrastructure



70% of the population and commerce concentrates in ES, GT, and HN

Interconnection Route El Salvador - Honduras	Interconnection Route El Salvador - Guatemala	Interconnection Route El Salvador - Nicaragua	Panamerican Highway	Litoral Highway	North Longitudinal Highway	Frontiers	Capital City	Main cities	Ports	Airports
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El Salvador's modern infrastructure interconnects the main cities in the region and enables efficient logistical operations

Competitive Infrastructure



El Salvador has free zones and service parks that stand out for their strategic location and easy access to competitive infrastructure

Attractive Tax Incentives

Investment Law



- Equal treatment to national & international investors
- Liberty to transfer funds and profits abroad
- Access to local financing

Free Zones Law



- Incentives to industrial activities
- Tax exemptions (income, municipal taxes and real estate transfers) and import duties.

International Services Law



- Incentives to strategic sectors (contact centers, BPO's, maintenance and repair of airplanes, logistics, etc.)
- Total permanent tax exemptions (income and municipal taxes) and import duties.

Tourism Law



- Requires minimum of USD 25,000 investment
- Corporate tax exemption (income and municipal)
- Real estate transfer and import tariff exemptions

Renewable Energy Incentives Law



- Customs duties exemption on imports of machinery, equipment and materials for 10 years.
- Income tax exemption for a period of 5 to 10 years
- Total tax exemption on revenues from the sale of Certified Emission Reductions

The country's incentive scheme 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.



Attractive Tax Incentives

Public Private Partnership Law (PPP)



- The minimum investment to qualify for a PPP project is approx. USD 11.3 million
- Three forms of investment or types of contracts
- The PPP figure in El Salvador only involves the granting of public infrastructure or public services
- The law regulates the process for project structuring

Law of Legal Stability for Investments



- Guarantees legal certainty to investors on taxes, customs and immigration issues, for a period of up to 20 years depending on the amount of the investment.
- Applies for an amount greater than or equal to USD1,040,652 in new investment projects or the expansion of existing investments.
- Eligible activities: Aeronautics, Agroindustry, Aquaculture, Electronics, Energy, Strategic Infrastructure, Logistics, Health Services, Offshore Business Services, Tourism, Telecommunications, Light Manufacturing, Science and Technology

Investment Funds Law



- Investment funds benefit from tax exemptions (income, VAT and other taxes), as well as exemption from charges applied to the transfer of assets for investment fund establishment.
- Investors benefit from income tax exemptions or reduced rates over income or gains derived from their participation in the investment fund.

Electronic Signature Law



- This law equates the simple electronic signature and the certified electronic signature to a handwritten signature.
- The law also confers legal value and effectiveness to the certified electronic signature, data messages and all information in electronic format with a certified electronic signature.

Construction Projects Procedure Streamlining Law



- Creation of a One-Stop-Office for the reception and processing of construction and land fragmentation project applications.
- Development of a centralized computer system to track applications.
- Publication of updated information about requirements, administrative procedures, criteria, etc.
- Procedure streamlining (if a public authority does not resolve within the established deadlines, it shall be understood that the resolution has been issued in favor of the applicant).

El Salvador's legal framework promotes and guarantees the protection of investments



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.

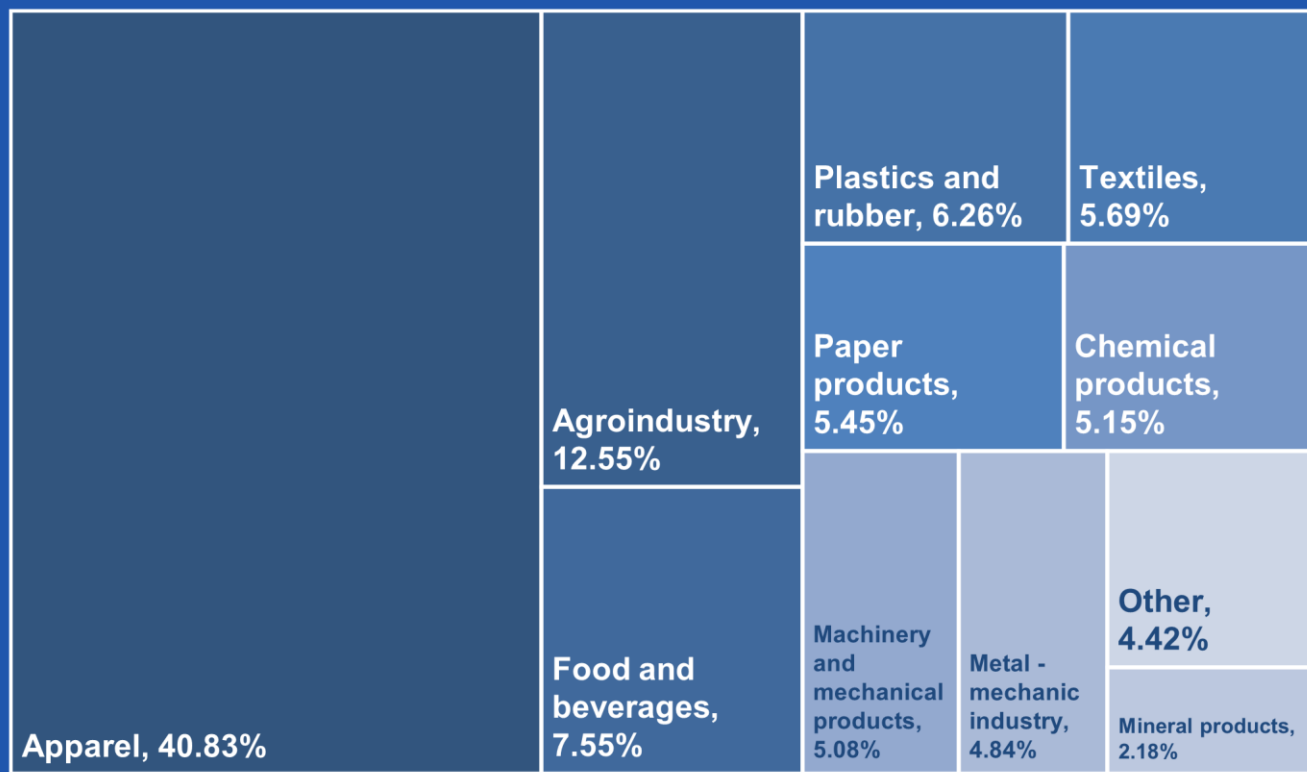


Preferential Access to International Markets

Main Trade Partners and Export Products

-  United States 47%
-  Central America 39%
-  Panama 2%
-  Dominican Republic 2%
-  Mexico 1%
-  Canada 1%
-  China 1%
-  Spain 1%
- Other 7%

El Salvador Exports 2015 (goods)
USD 5.48 billion



El Salvador is a platform to export a diversity of goods and services to Major Markets

Strategic Location

2-5 hours to reach major cities in North and South America.

Direct access to 32 routes of origin and destination

Proximity to main maritime trade routes.

Same time zone as U.S. Central Standard Time (CST)



Main Freight Companies

Air Cargo

- DHL
- UPS
- Arrow

Maritime

- MAERSK
- CROWLEY
- MSC
- SEABOARD
- NIPPON
- CSAV
- APL
- Hamburg Süd



Main airlines serving El Salvador



Regular charter flights



(Montreal, Toronto)

El Salvador's geographic location enables a short access time to major cities in America





International Free Zone

Investment Opportunities



Investment Opportunities



Tourism



Agroindustry



Light Manufacturing



Specialized Textiles and Apparel



Energy



Aeronautics



Offshore Business Services

El Salvador offers attractive investment opportunities



Aeronautics

El Salvador offers an aircraft maintenance, repair and overhaul (MRO) industry for commercial aircraft, which has successfully placed the country on the global aviation map.

The successful operations of Aeroman are widely recognized within the emerging Latin American aeronautical clusters.



Compliance with international certifications ensuring the highest quality required in aircraft maintenance services



Aeronautics

- ❑ In addition to maintenance services for commercial aircraft, a variety of other companies in the emerging aerospace clusters offer the following services:
 - R44 helicopter and corporate airplane maintenance.
 - Distribution and warehousing services for aircraft parts.
 - Component maintenance shops.
 - Ground Services.
 - Light sports aircraft (LSA) airframe, wing tip, and engine part manufacturing in composite materials, etc.
 - Aircraft harness system assembly.
 - Refurbishment on older Light Sports Aircraft (LSA) models.
 - Aircraft).

- ❑ A Free Trade Zone Law and an International Services Law which provides tax incentives to these types of industries.

- ❑ Available land for the development of industrial operations next door to the International Airport of El Salvador, under Public Private Partnership (PPP) mode.



Investment Opportunities in Aeronautics:

- Commercial aircraft maintenance service operations.
- R44 helicopter maintenance operations.
- Light Sports Aircraft (LSA) airframe part manufacturing.
- Painting and maintenance of commercial aircraft interiors.

Quality in aircraft maintenance services



Agroindustry

For investors in agro industry and entrepreneurs who seek a platform to produce and export, El Salvador offers attractive opportunities in the following sectors:



Fruit Farming



Aquaculture



Ornamental plants



Food and Beverages

These sectors are highly favored by good weather and easy access to regional and international markets.



Climate, tax incentives and a platform connected to additional markets



Agroindustry

- El Salvador possesses suitable climatic and soil conditions for fruit and ornamental plant farming.
- Suitable soil and climatic conditions for the production of a wide variety of tropical fruits.
- The country has optimal interconnections for the trade and transport of agro industrial products.
- Availability of water resources for the sustainable development of aquaculture.
- Negotiated trade agreements open the possibility for the sector to expand to regional and international markets.
- Competitive labor costs.



Investment Opportunities in Agroindustry:

- **Aquaculture Sector:** Development of the production chain through the supply of young fingerlings, feed and other inputs to attain productivity and quality of aqua cultured products.
- **Fruit Farming Sector:** Development of supporting industries for the provision of supplies, equipment, quality vegetative materials and processing technology for the expansion of crops of avocado, Persian lime, coconut and organic products.
- **Processed Foods Sector:** Opportunities in the development of complementary industries in a sector in continuous growth in areas such as: packaging, process technology, machinery and equipment.



Ideal location to produce and export agro industrial products



Energy

El Salvador offers an attractive platform of investment in the energy sector:

- Market based on production costs
- Bids based on long-term contracts
- Investment opportunities in renewable energy
- Clear rules under a legal framework that promotes the diversification of our energy matrix, at small and large scale
- Attractive tax incentives for renewable energy investments

FIRST COUNTRY IN CENTRAL AMERICA that will include **LNG** as fuel resource in its energy matrix.

Success story: First power plant of 355 MW of Natural Gas-based power generation.



Energy and LNG Hub for the Central America Region



Energy

Installed capacity **1,547 MVA**

Hydro: 31 % Geo: 13 % **Thermal (oil-based): 49 %** Biomass: 7%

Annual projected growth demand: 3.6 %

National Energy Policy:

Oriented to diversify our current energy matrix, by developing and promoting renewable energies, and thus **eliminate the dependence on petroleum-based thermal generation** and strengthen the Central American energy integration.

Available renewable resources:

Wind, PV Solar and Thermal Solar, Geothermal, small hydroelectric power plants, Biogas, Biomass

Diversification oriented to:

Natural gas, coal, and new technologies.

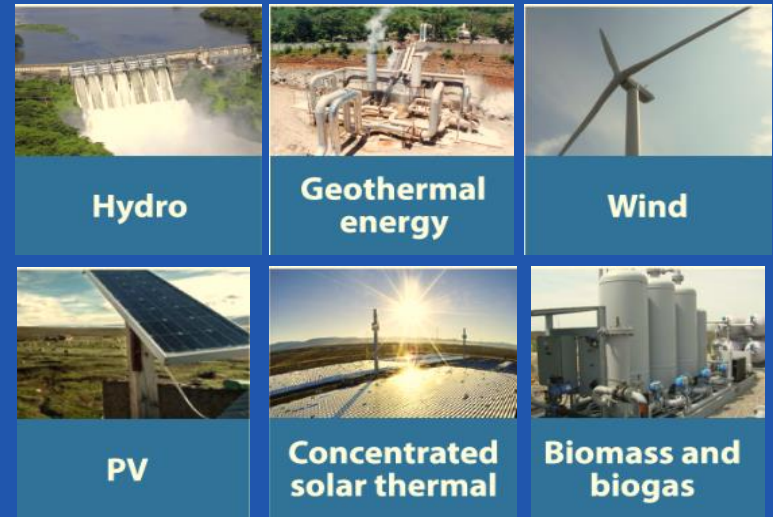
Existence of a tax incentives law for the promotion of renewable energy

Technical team of governmental inter-agency work in support of renewable energy investment.

Electrical system network with installed capacity for strong expansions, SIEPAC Central American Electrical interconnection Grid with a transmission capacity of 300 MW.

Available land at Puerto La Unión

Master Plan for the development of renewable energy



Investment Opportunities in Energy:

- Bids based on long term contracts of up to 20 years
- High potential for distributed generation projects
- Potential in renewable natural resources:
- Hydroelectric: Projects less than 20 MW: 157 MW; Projects greater than 20 MW: 2,000 MW
Biomass: 50 MW; Wind power: 72 MW;
Geothermal : 330 - 400 MW;
Solar photovoltaic : 5 Kwh/m2 or 6 hours sun

Energy and LNG Hub for the Central America Region





Light Manufacturing

International light manufacturing companies will find in El Salvador a strategic partner to be used as a platform for export to markets in North America, Central America and the Caribbean.

Strategic location, high productivity and quality at competitive costs



Light Manufacturing

- Strategic location in the center of the Americas to be used as a logistics platform
- Free trade agreements with major markets
- Free Zone Law offers tax incentives to this type of manufacturing.
- Wide local supply chain in place in the areas of metalworking, plastics, support systems, automation systems, engineering, chemicals, among others.
- Low operating costs
- Highly-qualified human capital

Investment Opportunities in light manufacturing:

- **Auto parts** (harnesses, safety belts, inflators and modulators for airbags, shock absorbers, brake drums & rotors, etc.)
- **Medical devices** (medical supplies, orthopedic products, hospital furniture, etc.)
- **Passive electronic components**

El Salvador offers a successful platform for electronic component manufacturing, with over 30 years of proven credibility. The country has experience in the manufacture of ceramic and tantalum capacitors in compliance with required international standards.
- **Footwear** (assembly of components and parts, manufacturing of inputs, components and accessories and footwear manufacturing.)

The CAFTA- DR rule of origin granted by the United States is more flexible than in any other free trade agreement. The simply assembly in the country confers origin which allows most footwear categories to enter the U.S market tariff- free and quota-free, regardless the incorporation of prefabricated components from third countries, as long as the products are assembled in El Salvador.



A strategic partner in light manufacturing





Offshore Business Services

For offshore business service firms seeking to enter markets in the U.S. and Spanish-speaking countries, El Salvador is a strategic partner for providing quality multi-region business services.

Our dynamic business environment, strategic location for near-shoring, time-zone complementarity and the outstanding performance of our bilingual human resources (English/Spanish), makes us a strategic platform for companies offering global services.

The modern and advanced local telecommunications infrastructure ensures the delivery of quality services and cost-effective location for this industry.

Cost effective near-shore location, based on a state of the art telecommunications platform which guarantees your global offer.



Offshore Business Services

- Strategic location in relation to English- and Spanish-speaking customers (shorter flight times from North and South America).
- Same time zone for primary customers (U.S. and Canada) and Spanish-speaking markets (91% of the global Spanish-speaking population).
- Time-zone complementarity for customers in Europe and Asia (24/7 possibility).
- Friendly, hardworking and service-oriented people with neutral English and Spanish accents.
- Exceptional performance against key indicators (KPIs) such as Sales, C-Sat, FCR, etc.
- Complementary service to other geographical areas and high-end front-office services.
- Young and committed workforce (60% of the population under 35 years).
- Cultural affinity of the workforce with priority markets.



Investment Opportunities in Offshore Business Services:

- Voice Business Process Outsourcing (Call Centers)
- Non-voice Business Processes Outsourcing (BPOs)
- Shared Service Centers (KPOs)

Complementary strategic partner for multi-region operations





Specialized Textiles and Apparel

El Salvador offers attractive investment opportunities to specialized textile and clothing companies wishing to enter the regional Central and North American markets based on the favorable tariff conditions of FTAs with the U.S. (CAFTA) and the European Union.

El Salvador offers a vertically integrated industry, which promotes a competitive high-fashion, high-turnover garment manufacturing industry.

Vertically integrated industry with easy access to markets



Specialized Textiles and Apparel

- More than 260 textile and apparel companies have established themselves in the country, including internationally recognized companies such as Pettenati, George C. Moore, UNIFI, Swisstex, CS America and APS.
- The rule of origin granted by the CAFTA-DR Free Trade Agreement allows free access for textiles manufactured in the region with yarn produced in Central America.
- A cluster of companies that use synthetic fibers (nylon, polyester, micro fiber, among others – products paying a 32% tariff when imported from Asia through the U.S.) is in the process of consolidation.
- The country offers a wide variety of services, including embroidery, industrial laundry, dyeing and finishing, cutting and packing, which have been a great support to the manufacturing operations of companies such as HBI, Fruit of the Loom, Adidas and Lacoste, among others.
- The evolution of the manufacturing scheme from "maquila" to "full package" has developed the supply chain through materials distribution centers, required for vertical integration and sustainability of the industry.



Investment Opportunities in Specialized Textiles and Apparel:

- Manufacture of yarn and fabrics.
- Manufacture of knitted garments with accessories and embellishments (embroidery, screen printing, heat transfers, etc.).
- Manufacture of garments included in the "Single Transformation" category: bras, girl dresses, boxer shorts, sleepwear and luggage.

Vertically integrated industry with easy access to markets



Tourism

El Salvador offers attractive tourism projects in various stages of development that take advantage of a wide array of attractions located close to each other (surf spots, beaches, mountains, lakes, volcanoes).

The country has a historical past inherited from the Maya, a pleasant climate all year round, competitive pricing of land, low construction costs and proximity to important markets of origin of international tourism



Surf, fishing, adventure tourism, the Mayan world and medical tourism ... all in one place



Tourism

- Solid and ever increasing tourist demand
- Political stability
- Healthy and completely dollarized economy
- Flight hub with traffic of more than 470 weekly departures and arrivals
- Quality labor force with true commitment to service
- Nice weather during the whole year
- Attractive package of tax incentives guaranteed by the Law on Tourism and the International Services Law
- Medical Doctors with postgraduate degrees abroad
- Availability of human resource with approximately 12, 000 doctors.
- Health services are provided at costs that are significantly lower than in the United States and Canada.



Investment Opportunities in Tourism

- Mixed-use developments .
- Hotels: Urban, Resort, Boutique, Bed & Breakfast, Eco-lodge, Hostels.
- Vacation homes.
- Properties with tourism potential
- Marinas

Investment Opportunities in Health Services

- Hospitals
- Specialized clinics
- Rehabilitation Centers.
- “Medical Spas”.
- “Resort Hospitals” for chronic diseases.

Variety of touristic attractions, strategic location and excellent connectivity





City of San Salvador

Services Provided to Investors



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Services Provided to Investors



PROESA offers various services to support you during the process of evaluation, establishment and operation of your business in El Salvador



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