GOBIERNO DE
EL SALVADOR

Digital technology services
Investment opportunities

2022

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Content

Introduction

Sector delimitation

For the purpose of this document, it is considered as digital technology services all activies regarding software, web and mobile development, and other related activities.

To analyze the trade evolution of the sector, the services taken into consideration are telecommunications, computer science and information services. As for the employment data, we used information of the following ISIC codes:

- **5820:** IT programs edition

- **6201:** Computer programming activities

- **6202:** Computer consultancy and computer facilities management activities

- **6209:** Other information technology and computer service activities

- **6311:** Data processing, hosting and related activities

- **6312:** Web portals

- **6399:** Other information service activities not elsewhere classified

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Demographic indexes of El Salvador[1]

	Total	Urban Area
Population (inhabitants and % of total population)	6,321,042	3,897,688 **(62%)**
Literacy (% of population over 10 years old)	90.4%	93.4%
Labor force (Economically active population)	2,917,617	2,025,329
Unemployment rate	6.3%	6.1%
Underemployment Rate[2]	33.8%	32.2%
English-speaking population (% of population) [3]	4.0%	n/d

Main regions [4]

63.5% of the population is concentrated in 5 of the 14 departments: San Salvador, La Libertad, Santa Ana, Sonsonate and San Miguel.

Age structure

54.2% of the labor force is under 40 years old, the most productive age range.

1 Source: General Directorate of Statistics and Census (2019)..

2 Underemployment is made up of those workers who have difficulty working a certain number of hours per week, as well as obtaining a salary that reaches at least the minimum wage. This is a segment of the population that could be available to migrate to jobs with better opportunities.

3 % of population aged 5 years and older with formal education. Source: VI Population Census 2007, is the latest information available, so current figures would have increased. In this case, the data for the metropolitan area corresponds only to San Salvador.

4 El Salvador is divided into 14 geographic regions called departments..

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Performance of the sector in the country's productive structure

IT services exports

The telecommunications, computer science and information sector, which includes the digital technology services sector, has become over the past few yeas a relevant sector to El Salvador. Between 2016 and 2021 this sector generated US$1.4 billion in exports.[5] In 2021, the sector exports contributed to 10% (US $323.53 million) of the total exports of the service sector (US $3.1 billion), ranking on the fifth position of the top exported services.

Salvadoran Services Exports
Year 2021 (million USD)

Category	Value
Travel	$993.04
Manufacturing services on physical inputs...	$572.84
Transportation	$440.72
Maintenance and repairs	$375.97
Telecommunications, computer and...	$323.53
Other business services	$139.91
Government goods and services	$128.05
Financials	$74.51
Insurance and pensions	$48.55
Construction	$8.90
Charges for the use of intellectual property	$0.26

Source: Data from Central Reserve Bank of El Salvador – BCR.

Sector overview

The digital technology sector in El Salvador is represented by more than 250 companies of different sizes that together generate more than 5 thousand direct jobs and service world-class customers.

The country offers technological solutions with high performance equipment for various programming languages and platforms available for web and mobile. One of the advantages that El Salvador offers to facilitate communication with its customers is its time zone (GMT-6), being compatible with large markets such as the United States.

5 Considering that the registration of these is complicated due to their intangibility, it is estimated that the amount could be even higher.

More than 15 thousand students are enrolled in careers related to information technologies

2.25 thousand
new technicians and professionals in this field are incorporated each year

The country has engineering degrees in **computer science, video game development, database management, systems and telecommunications,** as well as studies in these areas at technician level.

Human capital

Enrollees and graduates in technology-related careers	Enrollees	Graduates
Networking Master's Degree	16	12
Master's degree in systems	76	15
Computer Engineering	2,329	475
Video game development engineering	61	N.D.
Database management engineering	92	N.D.
Systems Engineering	6,520	358
Telecommunications engineering	276	34
Bachelor's Degree in Digital Animation	212	N.D.
Bachelor's Degree in Computer Science	1,960	176
Bachelor's degree in systems	354	147
Digital animation technician	39	4
Computer Technician	1,141	277
Mobile application development technician	31	20
Multimedia technician	288	82
Network technician	347	171
Systems Technician	1,428	482
Total	**15,170**	**2,253**

Source: Ministry of Education (2021)

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Job generation

The information technology sector generated an average of 5,143 jobs, representing 7.8% of formal employment in the services sector in 2021. The sector has recorded continuous growth in recent years, with an average annual rate of 7.9% between 2017 and 2021.

Evolution of employment generated by the information technology sector
2017 - 2021
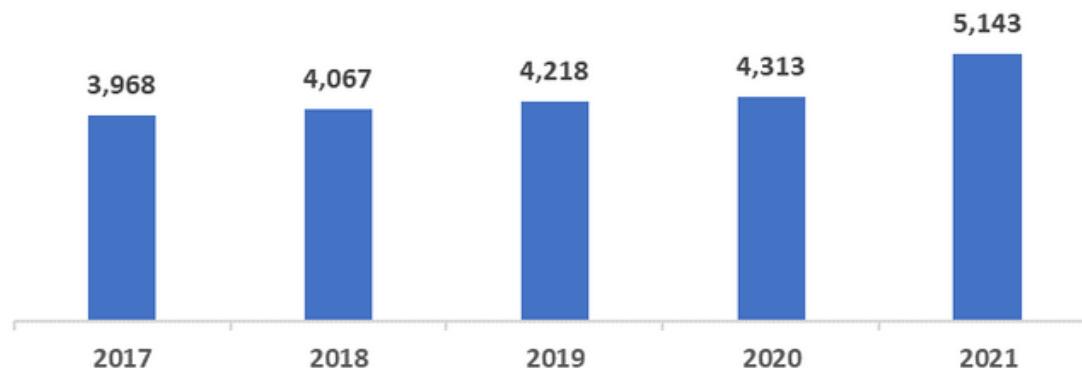
Source: Data from the Salvadoran Social Security Institute – ISSS

The following table shows the evolution of employment generated by the information technology sector and its contribution to employment in the services sector in general and to total formal employment in the country, according to its share of total data on contributors to the Salvadoran Social Security Institute (ISSS).

Contribution of employment generated by the information technology sector
2017 - 2021

Year	Information technology sector employment	Services sector employment	Share %	Total formal employment	Share %
2017	3,968	67,877	5.8%	822,663	0.48%
2018	4,067	68,767	5.9%	838,682	0.48%
2019	4,218	70,637	6.0%	856,014	0.49%
2020	4,313	66,678	6.5%	830,047	0.52%
2021	5,141	65,987	7.8%	877,202	0.59%

Source: Data from the Salvadoran Social Security Institute – ISSS

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Foreign direct investment in the information and communication sector

The information and communications sector is one of the main recipients of foreign direct investment (FDI) in El Salvador, occupying the fifth position and representing 12.4% of the total balance of investment received by the country, according to data as of June 2022.

$1.28 billion

FDI balance information sector and communications II trimester 2022, 5th place 12.4% of FDI balance

FDI stocks by receiving sector, II-trim 2022
(% out of total)

Other Sectors
4.5%

Information and Communications
12.4%

Financial and insurance activities
28.9%

Electricity supply
12.5%

Wholesale and Retail
16.5%

Manufacturing industries
22.8%
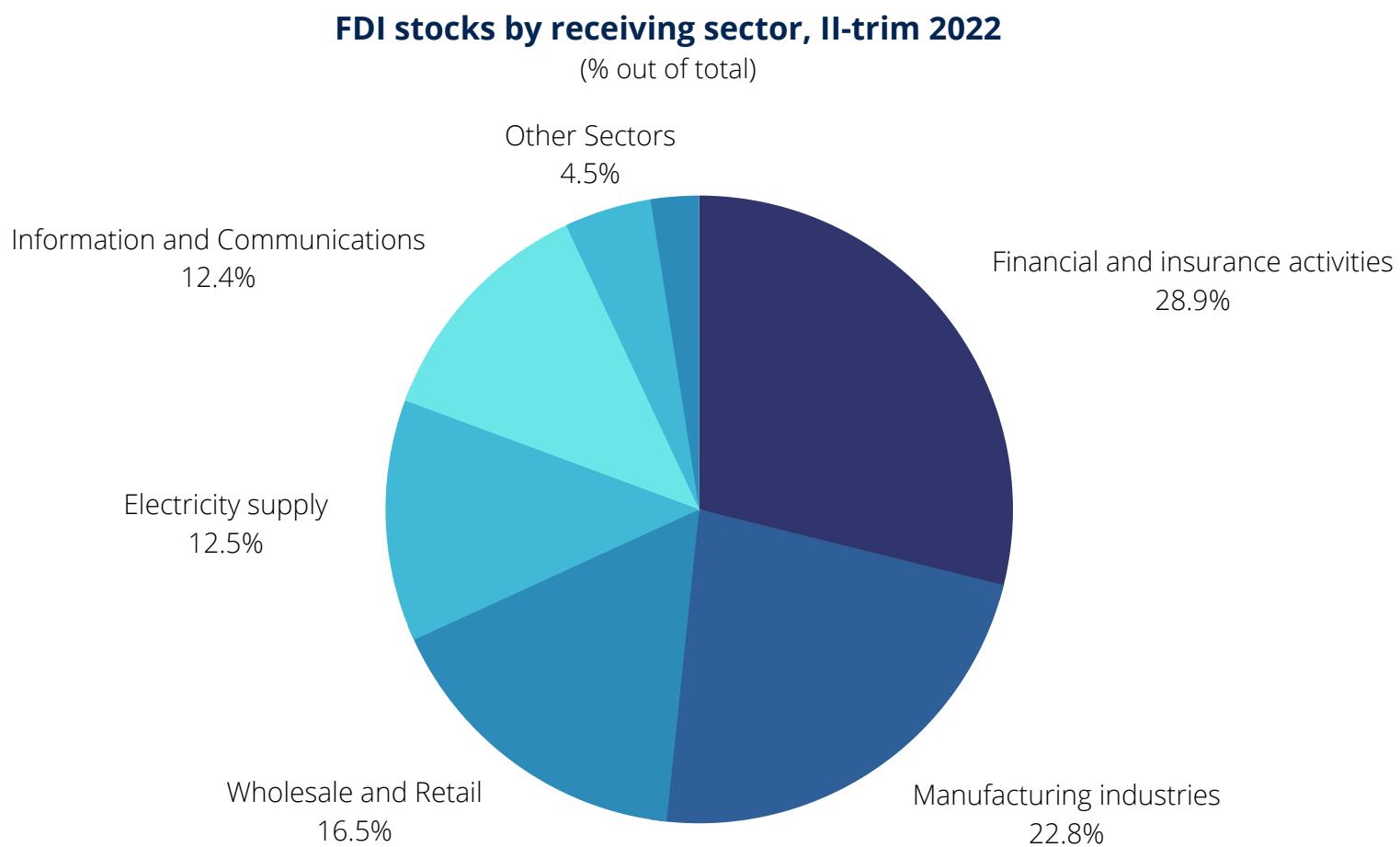
Source: Central Reserve Bank of El Salvador.

Business overview: Major employers

Among the top 15 employers of the sector, Applaudo Studios, Telus Digital Solutions, Sites, Elaniin and Rulesware stand out.

Company	Average number of employees
APPLAUDO STUDIOS	341
TELUS INTERNATIONAL- DIGITAL SOLUTIONS	150
SITES	117
ELANIIN	100
RULESWARE	95
DATUM SA DE CV	77
RSM US SV	75
BITWORKS	53
SISTEMAS PLIRET SA DE CV	47
GRUPO TREMING	47
PROXIMITY SOFTWARE	46
IDEA WORKS	41
INFORMATICA & TECNOLOGIA STEFANINI	25
TECNOIN	25
HELPDESK	25

Source: Economic Solvency Directory 2021

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Advantages of investing in El Salvador

The digital technology services industry in El Salvador has experienced unprecedented growth in recent years. Local companies export world-class software solutions and companies with international prestige have found in El Salvador a strategic partner. In turn, these companies also provide services to other multinationals from El Salvador with exceptional results in key performance indicators (KPI) of the industry.

Outstanding human capital

- Highly trained personnel
- Low turnover rate
- Development of solutions in any language or platform, for web or mobile platform
- Outstanding work ethic
- Fast learning curve

Excellent telecommunications platform

- Open and competitive telecommunications market
- Guaranteed telecommunications redundancy
- Local and international communications companies that provide a wide range of services at competitive costs.

Investment opportunities

Information technology services:

- Software development
- Web development
- Mobile development

- UX/UI design
- DevOps
- Quality Assurance

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Tax incentives

International services law

It provides tax incentives to companies engaged in providing services to foreign clients. In order to enjoy these benefits, companies may establish themselves in service parks or centers.

- Service parks: Delimited areas in which companies engaged in the provision of international services are established and operate and receive the tax benefits of this law.

- Service centers: When an enterprise of an eligible activity -previously specified in the law- cannot be established within a service park (for physical or technical reasons), it may be authorized to operate outside as a service center and enjoy the benefits of this law.

Incentivized activities

Information technology services, defined as design and development of software, systems and computer applications, are included among the activities that can benefit from the incentives of the Law, being able to operate either in service parks or request authorization to operate as a service center.

Incentivized information technology activities may allocate 30% of their services to the domestic market.

The Law also offers incentives for other activities such as: business process outsourcing (BPO), international call centers, repair of technological equipment, research and development, among others.

Benefits

- Exemption from customs duties and other taxes on the imports of machinery, equipment, tools, spare parts, accessories, furniture and other goods necessary for the execution of the incentivized activity.

- Total exemption from income tax on income derived from the incentivized activity, during the period in which it carries out its operations in the country.

- Total exemption of municipal taxes on the assets of the company, during the period in which it carries out operations in the country.

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Requirements

The International Services Law indicates that the requirements vary according to the incentivized activity and modality. The following are the requirements for information technology activities in terms of capital and employment.

Requirements for IT companies:

Activity	Maximum amount allowed to be destined to local market	New investment	Minimum permanent jobs
IT	30%	If located in a services park: **USD 150,000** If authorized as a service center: **USD 250,000**	If located in a services park: **10 jobs** If authorized as a service center: **20 jobs**

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Operational costs

The following is an example of average salaries for some of the most sought-after positions by companies in the sector.

Position	Salary (median)	Average salary
Business analyst	$1,800.00	$1,818.80
Software developer	$1,787.50	$1,752.90
Junior software developer	$1,225.00	$1,216.50
Information technology manager	$3,000.00	$3,018.35
Systems engineer	$1,487.50	$1,470.00
Project manager	$2,500.00	$2,535.00
Infrastructure and installations technician	$487.5	$493.60
Support technician	$650.00	$654.00
Graphic animator	$790.00	$818.75
Native mobile application developer	$1,600.00	$1,572.00
HTML mobile application developer	$990.00	$1,010.00
C# Developer	$2,312.50	$2,300.00
React Developer	$2,675.00	$2,687.50
Java Developer	$2,312.50	$2,300.00

Source: Salary and benefits review 2019-2022, Mercado Salarial

El Salvador is more competitive in labor costs than other locations in the region that are also leaders in the sector. A junior software developer in Costa Rica and Guatemala costs companies 40% and 11% more than in El Salvador correspondingly. Hiring a graphic animator is 38% more expensive in Costa Rica and 11% more expensive in Guatemala than in El Salvador.

Position	El Salvador	Guatemala	Costa Rica
Junior software developer	$1,216.5	$1,347.5	$1,704.0
Systems engineer	$1,470.0	$1,544.5	$1,703.5
Graphic animator	$818.8	$909.5	$1,134.0
Native mobile application development	$1,572.0	$1,505.0	$1,700.5

Source: Salary and benefits review 2019, Mercado Salarial

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Success stories

TELUS International has proven that El Salvador is an excellent business development destination, yielding excellent results by providing customer management and technology outsourcing solutions.

Digital Solutions functions as the technology division of TELUS International, focusing on the power of next generation technologies and digital acceleration to create the best experiences for international markets.

The technology team in El Salvador has grown from 3 to 150 members over the course of 4 years, with a wide range of technology professionals that include developers with experience in multiple programming languages such as Java, Javascript, Python, React, Node JS, .NET, Angular, Redux, among others; quality analysts, project managers and experienced leaders that help the team perform efficiently, focused on technology projects under agile and user-centric methodologies.

Their focus on developing reusable frameworks ensures faster time to market, reduced costs, maintenance, management and end-to-end support for application development solutions.

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

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

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

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

Logan McCune, People and Culture Manager