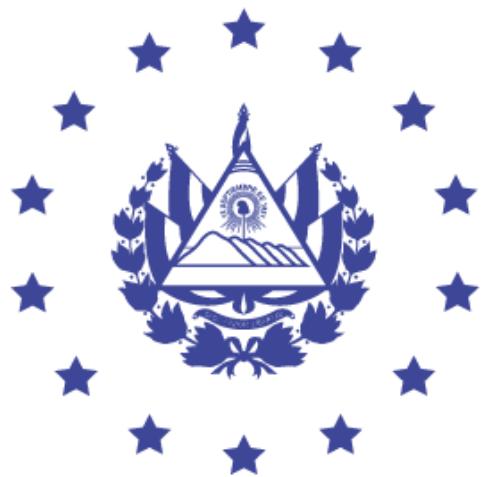




GOBIERNO DE
EL SALVADOR

Sector Guide

Pharmaceutics



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Introduction

The pharmaceutical industry in El Salvador is considered one of the main productive branches, with the greatest use of cutting-edge technologies, and specialized employment, also characterizing itself internationally as one of the countries with the greatest diversity of high-quality products. Drugs manufactured in the country are in demand for their therapeutic efficacy and quality in: Central America and the Caribbean, Mexico, Panama, Peru, the United States of America, among others. El Salvador is the first Central American country with the certification of good manufacturing practices according to the WHO, complying with international regulations and standards. This Salvadoran industry has the versatility for productive diversification towards different therapeutic lines of the manufacture of over-the-counter drugs and prescription medicines.

Sector delimitation

The pharmaceutical sector includes the production of generic medicines, vitamin supplements and phytopharmaceuticals. The foreign trade data presented throughout this document refer, therefore, to all products classified under chapter 30 of the Harmonized System, identified as "Pharmaceutical Products".

Regarding related to the sector employment data, the information used comes from the ISIC 2100 code, "Manufacture of pharmaceutical products, medicinal substances and botanical products for pharmaceutical use".



Performance of the sector over the country's productive structure

Generalities

El Salvador is the first country in the region with the good manufacturing practices certification according to the WHO; the ability to comply with international standards and having a highly qualified labor force makes El Salvador an ideal investment destination for the chemical-pharmaceutical sector.

El Salvador currently has 39 certified laboratories in the pharmaceutical industry



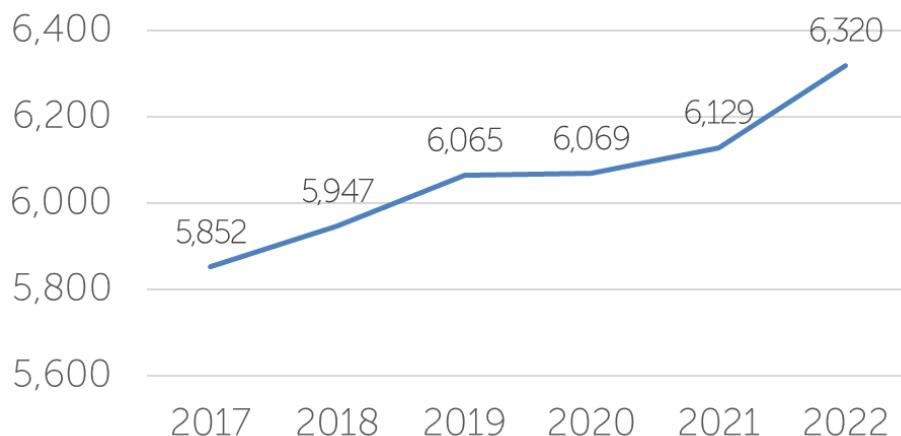
The pharmaceutical industry in El Salvador has highly qualified and productive people. Investors can rely on a network of universities offering chemistry and pharma related careers to ensure constant availability of human capital.

Job generation

Altogether the production of chemical products for pharmaceutical purposes generated an average of 6,267 jobs in 2022, showing a growing trend since 2017.

Evolution of employment generated by the pharmaceutical and medical devices manufacturing subsector

2017 - 2022



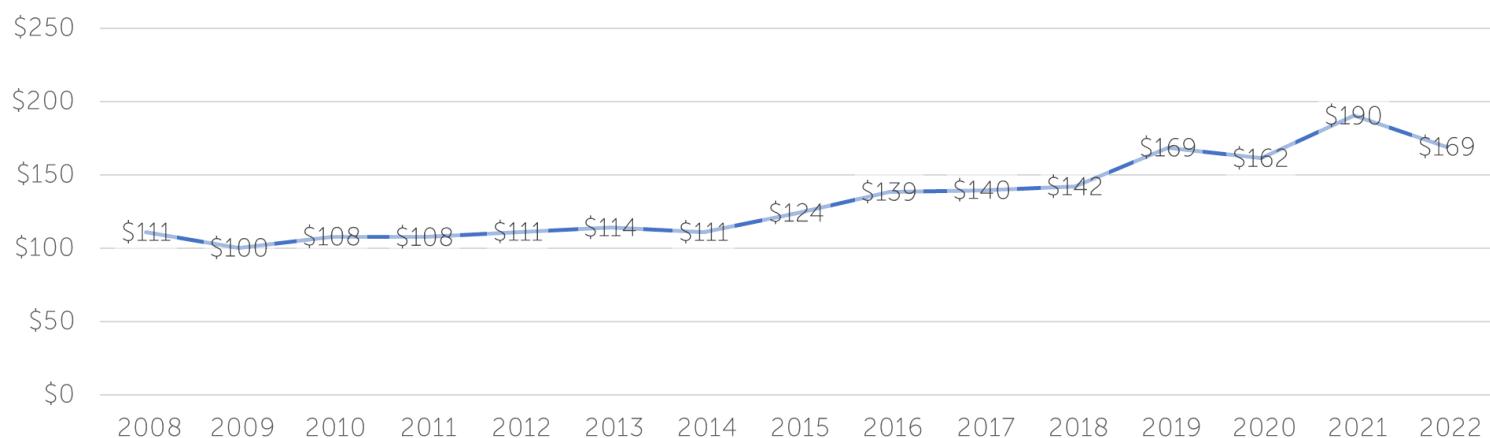
Source: Salvadoran Social Security Institute (ISSS), 2022.

Exports

Exports registered in 2022 for USD 169 million, constituted 2.4% of the total exports of El Salvador. The growth of the sector is sustainable over the years, between 2019 and 2022, an average growth rate of 4% is reported.

Pharmaceuticals exports

2017 - 2022 (millions USD)

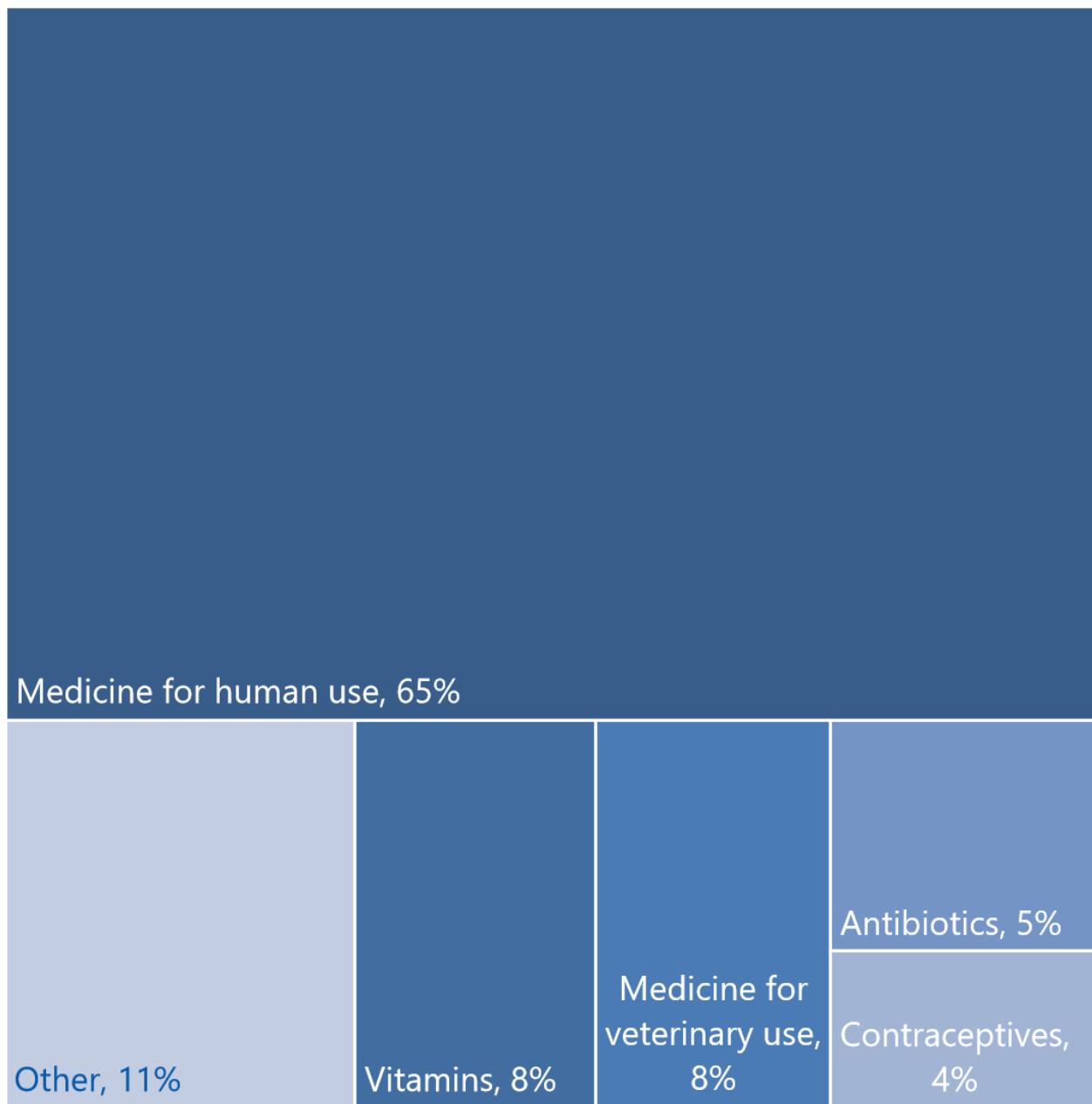


Source: Central Reserve Bank of El Salvador (BCR), 2022.

Among the products that make up the current exportable supply of the pharmaceutical subsector are medicines for both human and veterinary use, nutritional supplements, antibiotics, and contraceptive chemical preparations, among others.

Exports of the pharmaceutical sector per product category on 2022

(% from total exports)



Source: Central Reserve Bank of El Salvador (BCR), 2022

The Salvadoran pharmaceutical sector is a leader in the Central American region, the country's products reach large outer markets such as the United States of America, Colombia, Mexico, and Argentina, among others. There are, in addition, large laboratories and brands of international prestige, which export the largest volumes.

Top 10 export destinations

2022

Top 10 export destinations	Value (millions USD)	Proportion from total
Guatemala	\$46.8	27.6%
Honduras	\$39.3	23.1%
Nicaragua	\$33.9	20.0%
Panama	\$14.5	8.6%
United States of America	\$10.8	6.4%
Dominican Republic	\$9.4	5.6%
Costa Rica	\$5.6	3.3%
Argentina	\$1.5	0.9%
Mexico	\$1.5	0.9%
Belize	\$1.4	0.8%
Total	\$164.7	97.2%

Source: Central Reserve Bank of El Salvador (BCR), 2022.

Top 10 exporting companies

2022



Source: General Directorate of Customs (DGA), 2022.

Advantages of investing in El Salvador

What does El Salvador offer?



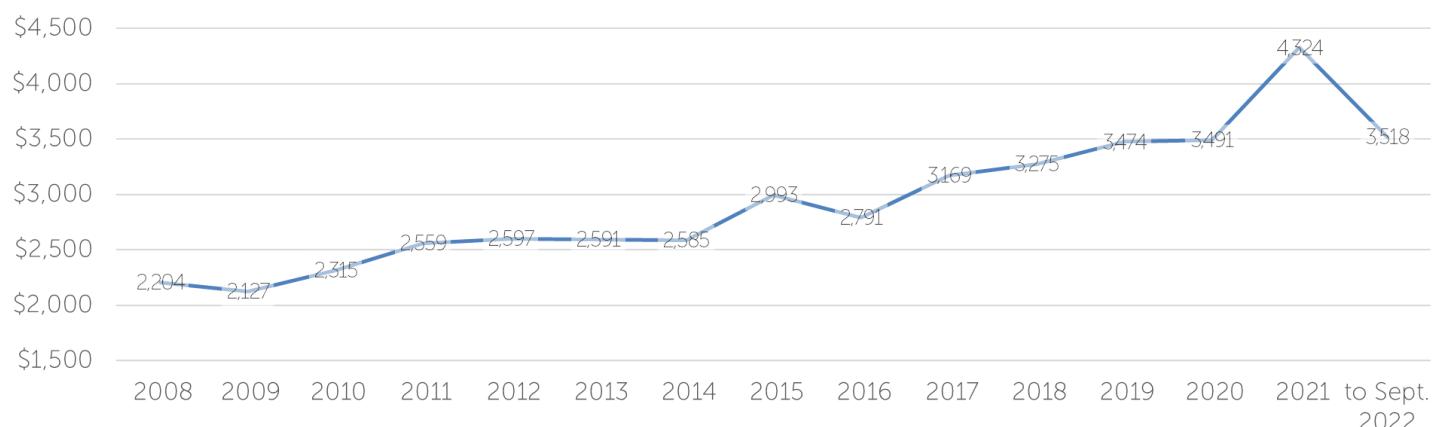
- Established ecosystem and innovative growth: manufacturers, academia, regulatory entity, packaging providers, logistics, services, among others.
- Academia developing drugs for Chagas, with patents available in Brazil, Uruguay, El Salvador, Argentina and the United States of America.
- Strategic location close to destinations of interest, which are seeking to reduce their dependence on China for the provision of pharmaceutical related products.
- Proven experience in first-class pharmaceuticals.
- Pharmaceutical industry with certification of good manufacturing practices indicated by the WHO.
- Availability of human resources with degrees of education in careers related to the field.

Broad domestic market

Companies established at the Salvadoran territory have access to a broad consumer market that covers El Salvador, and the Central American countries, which includes Costa Rica, Guatemala, Honduras, Nicaragua and Panama, as well as the proximity to other strong economies, such as the United States of America and Mexico. By 2021, total imports of pharmaceutical chemicals at Central America exceeded USD 4,000 million, representing an increase of 24% compared to the previous year.

Imports of pharmaceuticals to Central America

2017 - 2022 (millions USD)

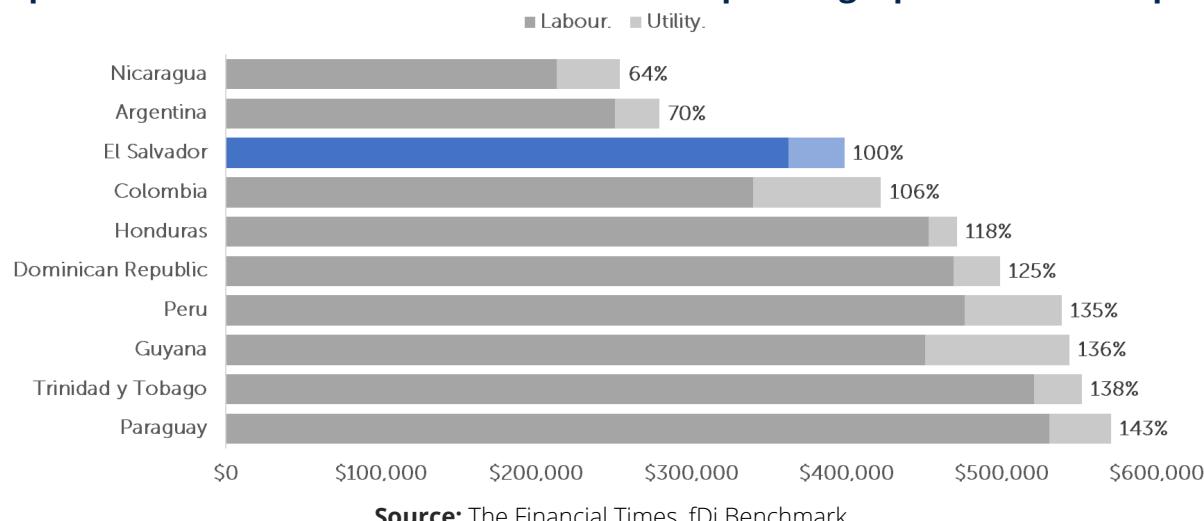


Source: Central Reserve Bank of El Salvador (BCR), 2022.

Competitive costs

Relative costs of operating a pharmaceutical plant in El Salvador are 53% lower than the average at the American continent. With a monthly labour cost estimated at USD 362.8 thousand and a utility cost of USD 36.0 thousand, the country is in third position of American countries with lower operating costs.

Top 10 countries with lower relative costs of operating a pharmaceutical plant



Labour force availability

The Salvadoran education system offers around 10 careers related to the chemistry and pharmacy sector, including master's degrees, engineerings, bachelor's degrees, and specialized technicians on educational campuses around the national territory. As of 2021, there were a total of 12,000 students enrolled in these careers, of which the Bachelor of Chemistry and Pharmacy and the Chemical Technician stand out, and it is also expected a soon launch of a Chemistry and Pharmacy Technician.

Enrolled in careers related to the sector

Career	Enrolled on 2020
Bachelor's Degree in Clinical Laboratory	5,101
Bachelor's Degree in Chemistry and Pharmacy	2,719
Chemical engineering	1,898
Bachelor of Biology	1,207
Bachelor of Chemical Sciences	666
Biomedical Engineering	477
Biomedical Engineering Technician	170
Chemical Laboratory Technician	165
Industrial Chemistry Technician	89
Master in Scientific Research Methodology	40
Total	12,532

Source: Ministry of Education, Science and Technology of El Salvador (MINEDUCyT).

Academic entities offering sector related careers



Universidad de El Salvador



Universidad Evangélica de El Salvador



Escuela Especializada en Ingeniería ITCA-FEPADE



Universidad Autónoma de Santa Ana



Universidad Salvadoreña Alberto Masferrer



Universidad Centroamericana José Simeón Cañas



Universidad Don Bosco



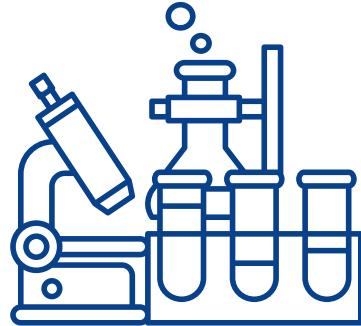
Universidad Nueva San Salvador



Universidad Doctor Andrés Bello

Investment opportunities

- Establishment of pharmaceutical laboratories for the manufacture of generics medicines, vaccines, drugs for chronic diseases, multivitamins, psychotropics, among others.
- Pharmaceutical surveillance services, protocol review, registration processes, web services, label modifications, advertising, among others.
- Exclusive logistics hub of the pharmaceutical industry for Central America and the Caribbean.
- Under contract manufacturing.
- Regional industry suppliers.



Success case

LABORATORIOS BIOGALENIC

Laboratorios Biogalenic initiated operations in El Salvador more than 45 years ago. Provides the national and international markets with parenteral solutions (intravenous fluids), oral sera and peritoneal dialysis.

In 2016, the company exported veterinary sera to the US. In 2017, they invested USD 10 million to reinforce their quality and product processing, acquiring advanced technology and infrastructure. Their constant investigation, development, and high-quality standards allowed Biogalenic to export to Mexico, Central America, Panama, the Caribbean, Venezuela and Argentina.

"The company decided to invest in El Salvador for the investment climate regarding geographical, economical and political aspects, and the quality of the Salvadoran labor force."

Luis Roberto Quiñónez, Plant Manager





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