

Investor's Guide

— 2023 —

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01 | Why El Salvador?



Young, productive, and committed workforce

Investors certify that Salvadoran labor force is world-famous for its efficiency and work ethic. We are a predominantly young and highly productive location with 54% of labor force under 40 years.



Proximity to key markets

El Salvador is a platform to export to major markets. We have multiple trade agreements with preferential access to more than 1.2 billion consumers in 42 countries worldwide.



Cost-effective location

The Financial Times' investment journal fDi Intelligence has classified us as the most cost-effective location in the Americas. The country has one of the lowest inflation rates in Latin America.



Enabling business environment

El Salvador offers monetary stability with the USD Dollar as legal tender, a solid legal framework for the protection of investments, and attractive tax incentives.



Modern infrastructure

The Global Competitiveness Report places El Salvador among the nations with the best infrastructure in the region. In Central America, we rank in the 1st place in road connectivity.



Committed to sustainable development and digital transformation

El Salvador is among the top 10 leaders in renewable energy in the region: about 80% of total generation. We are also taking giant steps towards simplification and digitalization of processes.

El Salvador at a glance



General information

Official name: Republic of El Salvador
(Spanish: República de El Salvador)

Capital city: San Salvador

Total area: 8,123 square miles
(21,041 square kilometers)

Currency: US dollar (since 2001),
Bitcoin (since september 2021)

Official language: Spanish

Time zone: Central Standard
Time (CST), UTC -6.

Economy



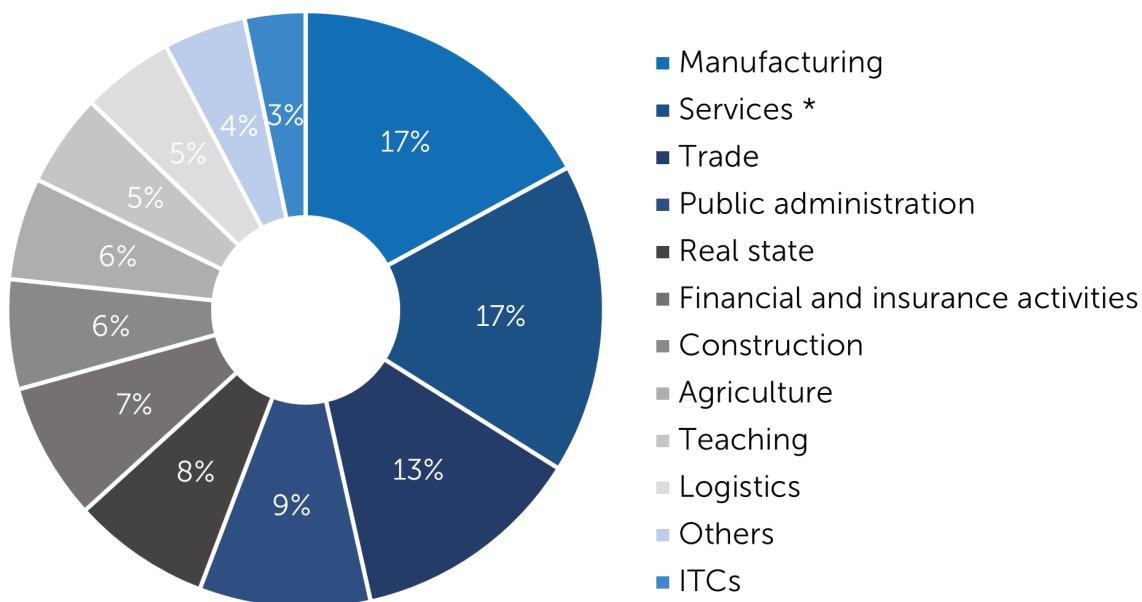
GDP (billion USD):
\$28.7 (2021)

GDP per capita (USD):
\$4,542 (2021)

FDI stock: USD\$ 10.6 billion (III trim. 2022).

Graph 1: GDP per economic activity (2021)

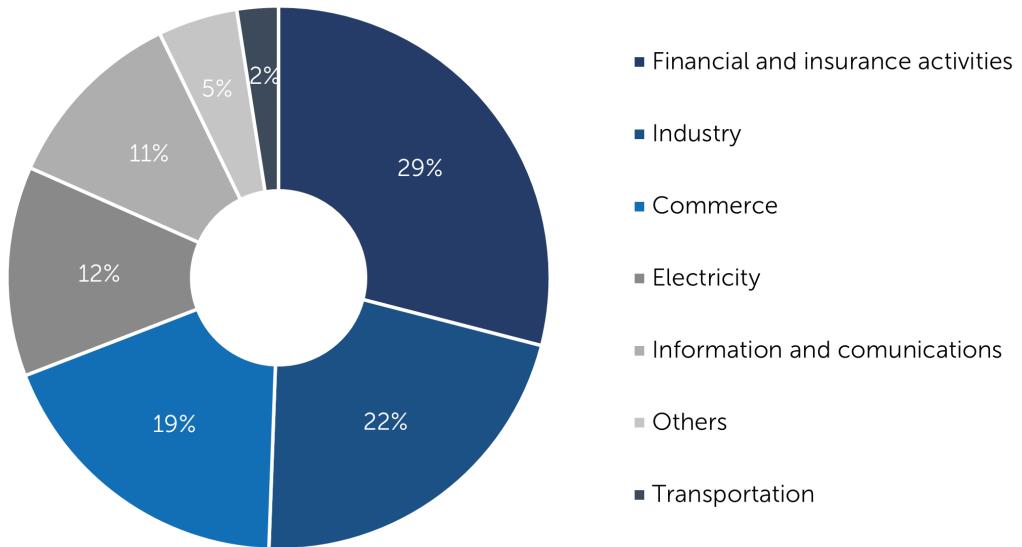
Source: Own elaboration with data from the Central Bank of El Salvador (BCR).



*Includes: administrative services, health and social assistance, professional, scientific, and technical activities and accommodation and catering services.

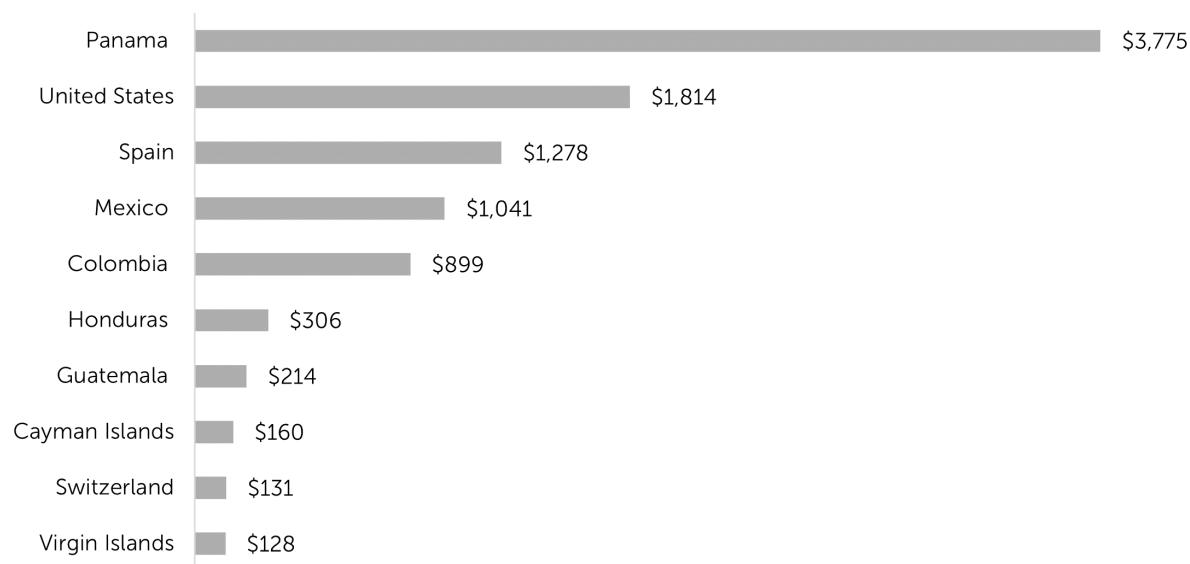
Graph 2: FDI by sector (III trim. 2022)

Source: Own elaboration with data from the Central Bank of El Salvador (BCR).



Graph 3: FDI by source country (III trim. 2022), USD million

Source: Own elaboration with data from the Central Bank of El Salvador (BCR).



Demographics

Population: 6.3 million



 **53.3%**
are women



 **46.7%**
are men

Labor force: 2.9 million¹

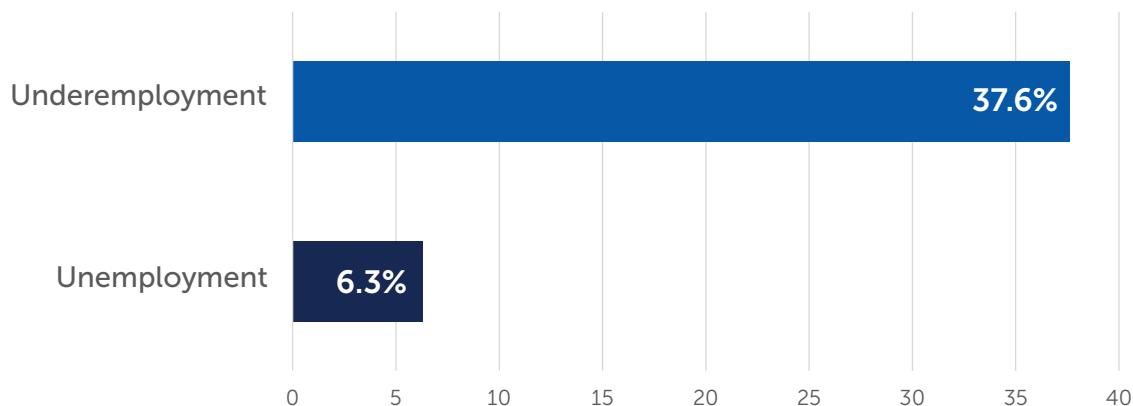


 **41.7%**
are women



 **58.3%**
are men

Employment



¹ Population over 16 years of age that is occupied or seeking employment.

Young, productive and committed workforce

Investors certify that Salvadoran labor force is world-famous for its industriousness, efficiency, and work ethic. El Salvador's labor force is composed of 2.9 million people², 54% of whom is 40 years or younger. Thus, it offers a highly productive labor force capable of developing new skills in a short period of time. The country's labor force is qualified as ideal for manufacturing, agro-industrial and service activities. Furthermore, there is a growing population with higher education that can face the challenges of a modern and globalized economy.



Labor force
2.9 million people



**54.3% under
40 years**

Some testimonials of investors that have chosen our country:

Roberto Kriete

*President of the board of directors of
AEROMAN (Aeronautics sector)*

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



² *Economically active population: Defined as the population over 16 years of age that is occupied or seeking employment.*

Malvina Romero

*General Manager of Biogalenic
(Pharmaceutical sector)*

“

We chose to invest in El Salvador to be able to repay the trust and legal security it offers. But the most important is our Salvadorean human capital for being faithful and committed.

”



Logan McCune

*People and Culture Manager
of Rulesware (ITO)*

“

Almost a decade ago when we were considering countries around the world, we discovered El Salvador's potential. We have been very pleased with the work ethic, communication skills, formal training, and soft skills of our Salvadoran employees.

”

Good 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.

Availability of technicians and professionals

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



22,000 Technicians and professionals join the labor force every year



21% Share of Engineering and technology graduates

Specialized technical education

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

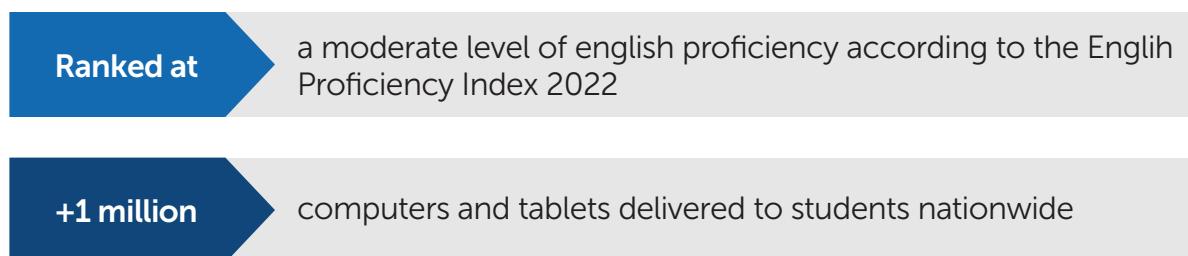
- MEGATEC (Gradual Education Learning Model of Technical and Technological Education), with locations in Santa Ana, Cabañas, Zacatecoluca, La Unión, Chalatenango, and Sonsonate.
- Escuela Superior Franciscana Especializada / AGAPE (Specialized Superior Franciscan School).
- Escuela Especializada en Ingeniería/ITCA-FEPADE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

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, Dental Surgery, Electronics, Customs and Logistics, Food Processing and Preparation,

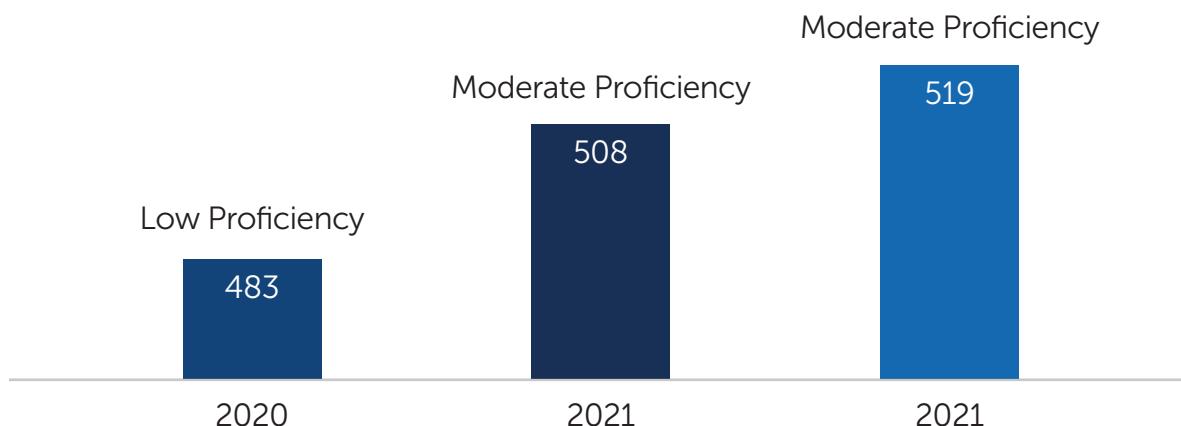
Gastronomy, Global Logistics, Industrial Engineering, Mechanical Engineering, Medicine, Nursing, Prosthetics, Bracing and Supports, Port Management and Operation, Software Development, Tourism and Tourism Development and Management, among others.

El Salvador has seen significant improvements in English proficiency and is promoting IT skills



El Salvador's results in the English Proficiency Index (EPI)*

Source: EF, EPI. Based on test results of 2m adults in 112 countries & regions. Scores based on a 800-point scale.



*The world's largest ranking of countries by English skills

Government support for 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.

Proximity to key markets

The strategic location of El Salvador in the heart of the Americas, as well as its broad trade agreement network, makes it the ideal location to operate export-oriented companies of diversity of goods and services.

Strategic Location

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

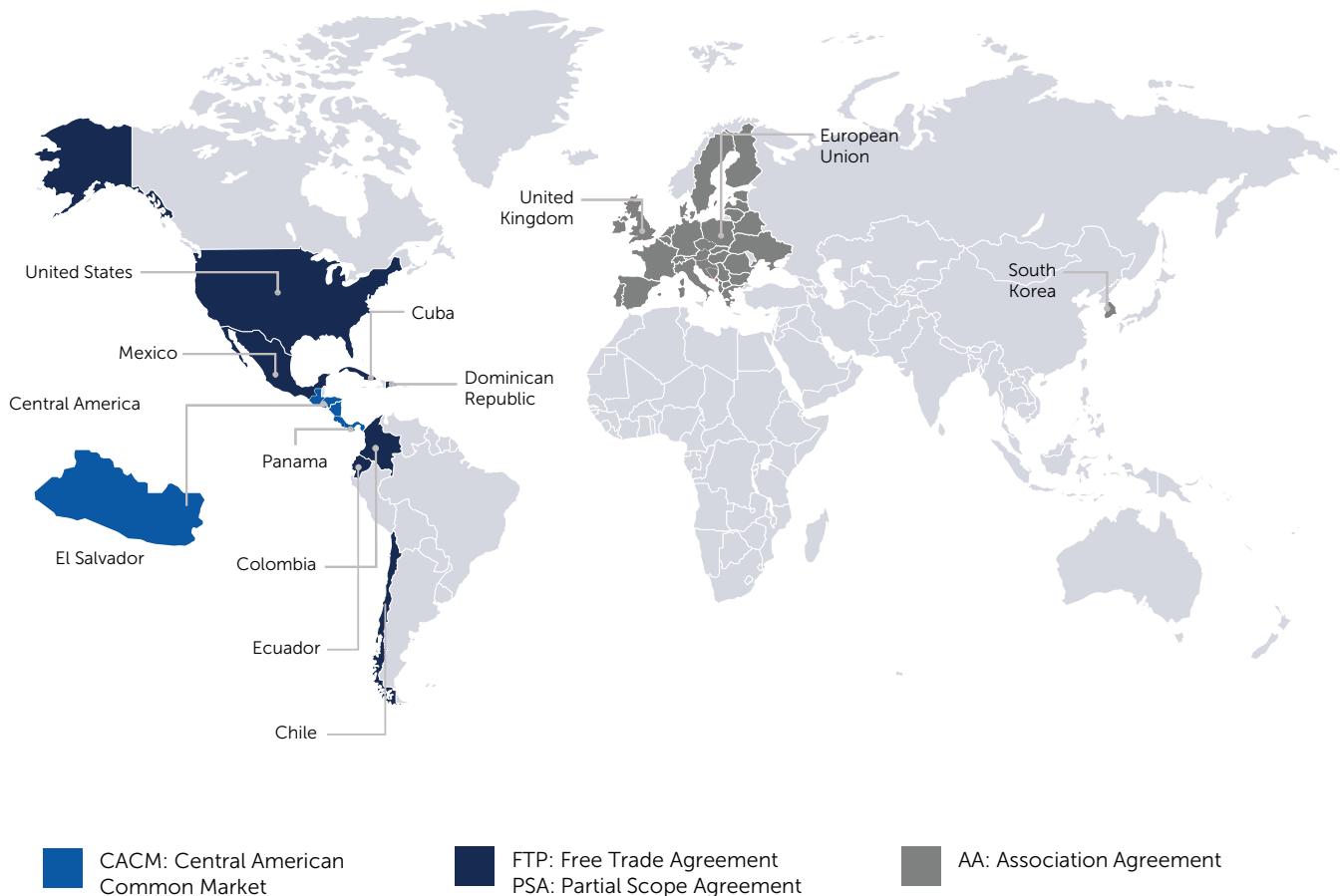
proximity to main maritime trade routes. Likewise, in the context of international services, El Salvador is on U.S. Central Standard Time (CST, GMT -6). This makes El Salvador's location ideal for offshore business services.



Preferential Access to International Markets

El Salvador is an export platform to reach major markets thanks to the broad network of trade agreements with 42 countries in the Americas, Europe, and Asia.

Together they represent a potential market of 1.2 billion consumers. These agreements provide flexible rules of origin, and the elimination or major reductions in import tariffs.



We offer preferential access to a potential market of **1.2 billion consumers in 42 countries around the world.**

Cost-efficient location

El Salvador is among the most cost-competitive countries to set up and operate a business in the region. The Financial Times' investment journal fDi Intelligence its Cities of the Future 2021/22 edition classified San Salvador as the most cost-effective location in the Americas, according to the rank of medium-sized cities.



Top 10 mid-sized
American cities of
the future 2021/22

#1 in cost effectiveness in the Americas
according to The Financial Times' FDI
Intelligence (**medium-sized cities**)

Cost effectiveness ranking

Rank	City	State
1	San Salvador	San Salvador
2	Cuautitlan Izcalli	Mexico (state)
3	Celaya	Guanajuato
4	Reynosa	Tamaulipas
5	Irapuato	Guanajuato
6	São José dos Campos	São Paulo
7	Chihuahua	Chihuahua
8	Jundiai	São Paulo
9	San José	San José
10	Saltillo	Coahuila

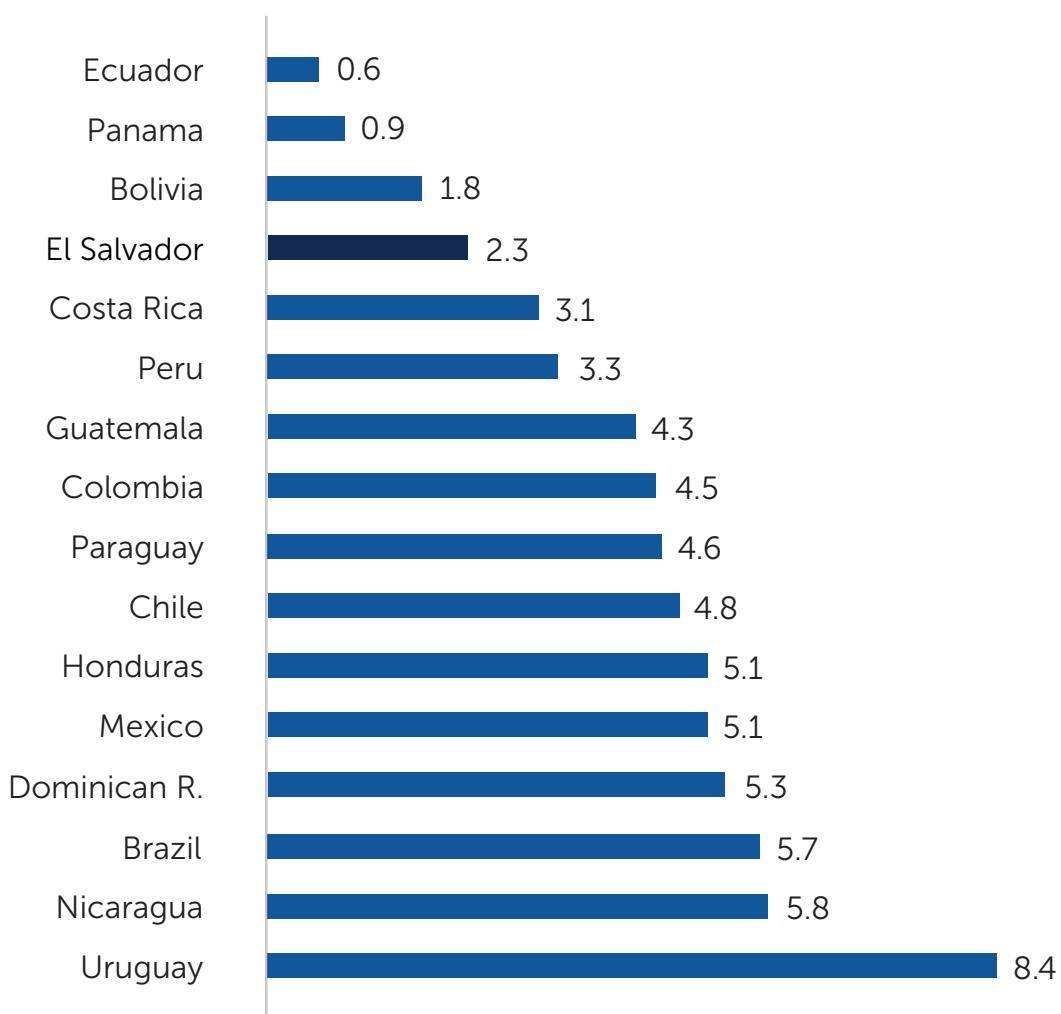
Price stability

One of the most important policies implemented to open the country's economy to world trade and investment is the adoption of the U.S. dollar as legal tender. As a result, El Salvador has maintained

single-digit inflation rates, being one of the countries with the lowest inflation levels in Latin America. Likewise, the elimination of foreign exchange risk has provided greater certainty for investors.

Average Inflation rate (%, 2018-2022)

Source: International Monetary Fund.



Note: Argentina and Venezuela are excluded for their high rates.

Enabling business environment

El Salvador is an export-oriented free-market economy. The policies implemented by the Government of El Salvador have provided a suitable environment for investment. As a result, many important multinational companies have chosen to invest in El Salvador:



We offer our business partners:

a.

Monetary stability with the USD Dollar as legal tender

b.

Solid legal framework for the protection of investments

c.

Attractive tax incentives

Ease of doing business in El Salvador



The US dollar
as legal tender



Bitcoin as
legal tender



Access to local
financing



Legal stability
for investments



Freedom to transfer
funds abroad



Equal treatment to
foreign investors

Protection of investments

El Salvador is committed to promoting investment and developing long term relationships with Investors. The Investment Law seeks to encourage and protect private investment and, more specifically, Foreign Direct Investment, offering the following benefits

01 | Procedure streamlining.

02 | 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).

03 | Freedom to invest.

04 | 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).

05 | Protection of property and legal certainty in accordance with the Constitution, foreign and national investors are guaranteed protection of their property and the right to the free disposition of their assets.

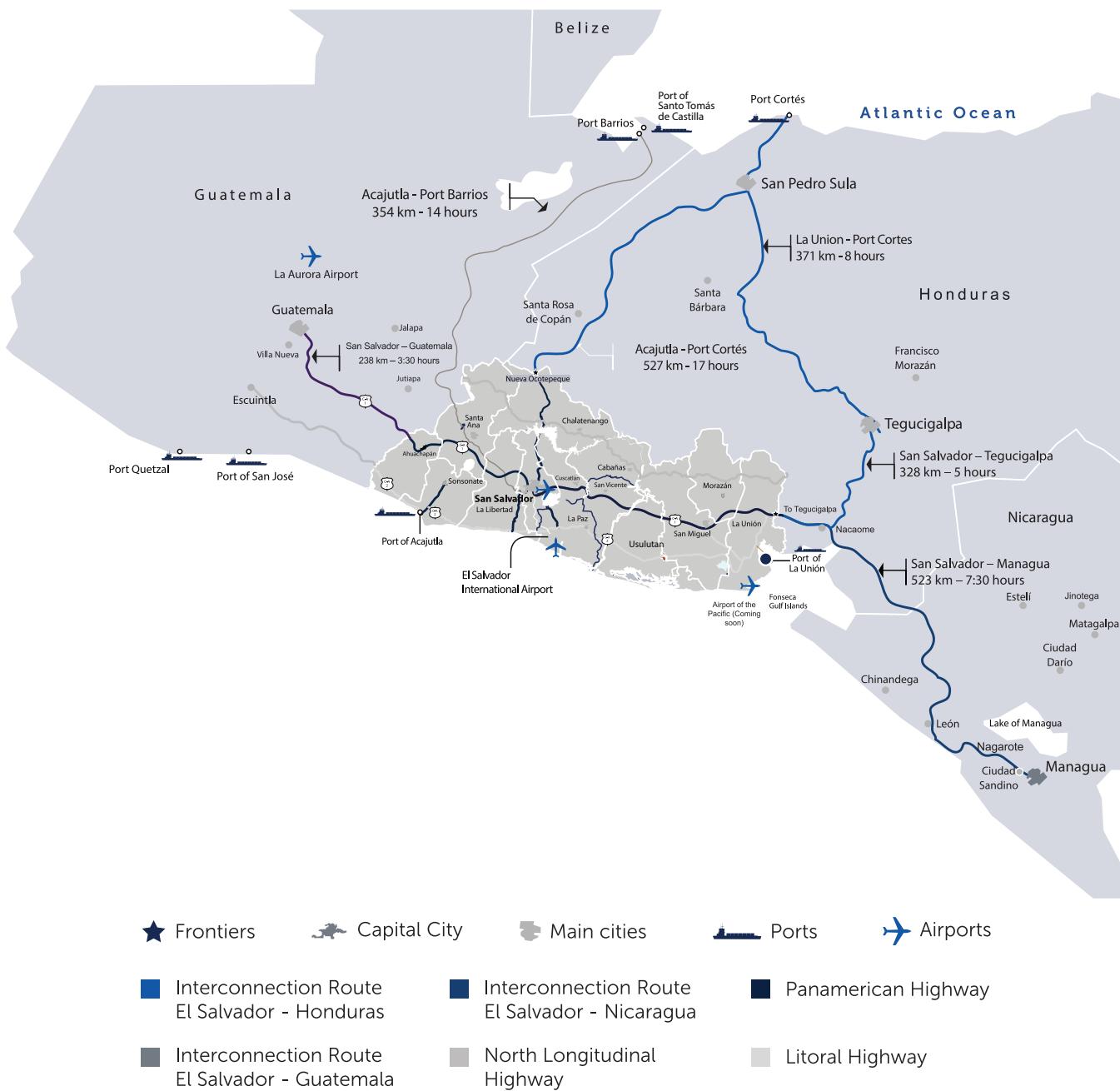
Attractive tax incentives

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. For more information see section: **Doing Business in El Salvador | Incentives**

Modern infrastructure

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



Efficient Highway network

El Salvador enjoys a modern and efficient road network that interconnects to the rest of the region. Its main highways are: Panamerican Highway, Litoral (Coastal) Highway and Longitudinal del Norte (North Longitudinal) Highway.

Versatile ports

El Salvador has a versatile port infrastructure able to respond to the needs of freight services effectively. The Port of Acajutla is the main commercial maritime terminal in the country and it is currently under modernization, as a priority to increase logistics opportunities.

Modern airports

El Salvador's International Airport (AIES- SOARG) stands out as an important regional hub and top-class maintenance center for commercial aircrafts. It is strategically located at just 40 minutes away from the capital city.

For more information about the airlines operating in the airport, as well as direct routes, see section: "Travel Information". The Pacific Airport is part of the Government's strategic projects to turn the east of the country into a development pole and a world-class tourist destination, along with other major projects such as the Pacific Train, the shipyard in the Port of La Union, Bitcoin City, among others.

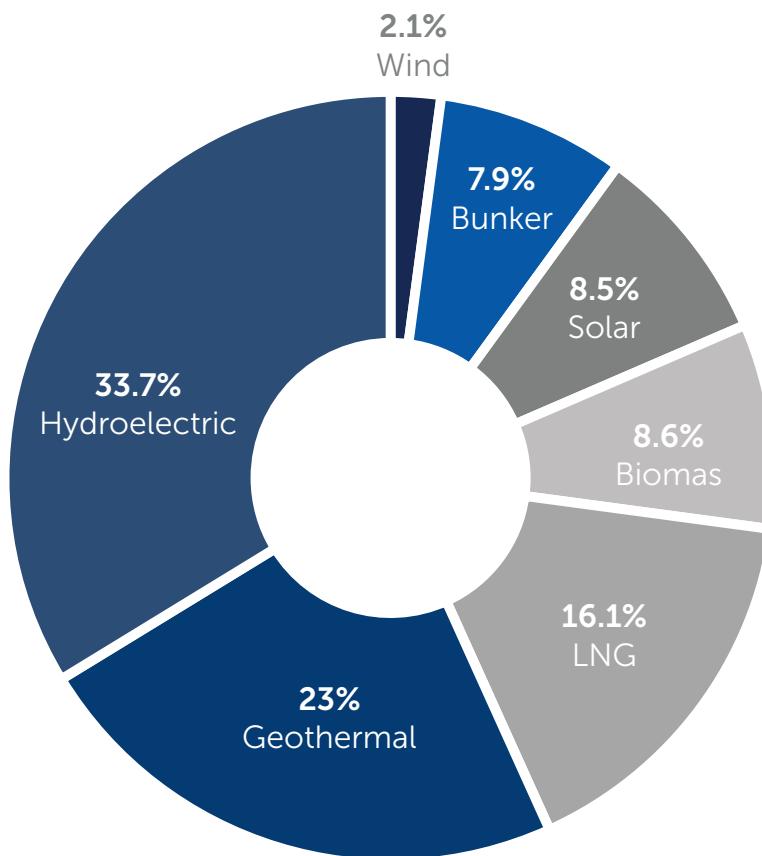
Committed to sustainable development and digital transformation

A strong bet on renewable energy

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

El Salvador is among the top 10 leaders in renewable energy generation in the region. As can be seen in the following paragraph, around 76% of the total generation has its origins in renewable sources.

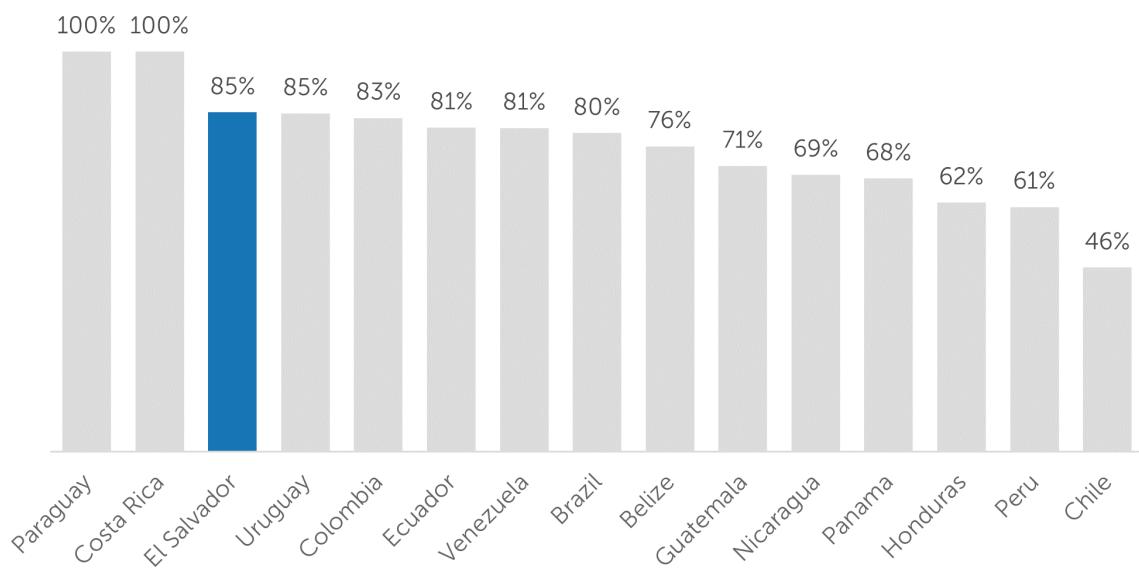
Generation by resource (% share 2022)



Energy generation from renewable sources (% share)

Source: sieLAC - OLADE, 2021

El Salvador is in the 3rd position out of 27 countries in Latin America and the Caribbean and in the 2nd position in Central America regarding energy generation of renewable origins.



Accelerated digitalization of processes

El Salvador is taking giant steps towards simplification and digitalization of processes to reduce bureaucracy and corruption.

Substantial efforts to simplify and digitalize procedures in public administration

+395

Simplified procedures

98

Digitized 100% online

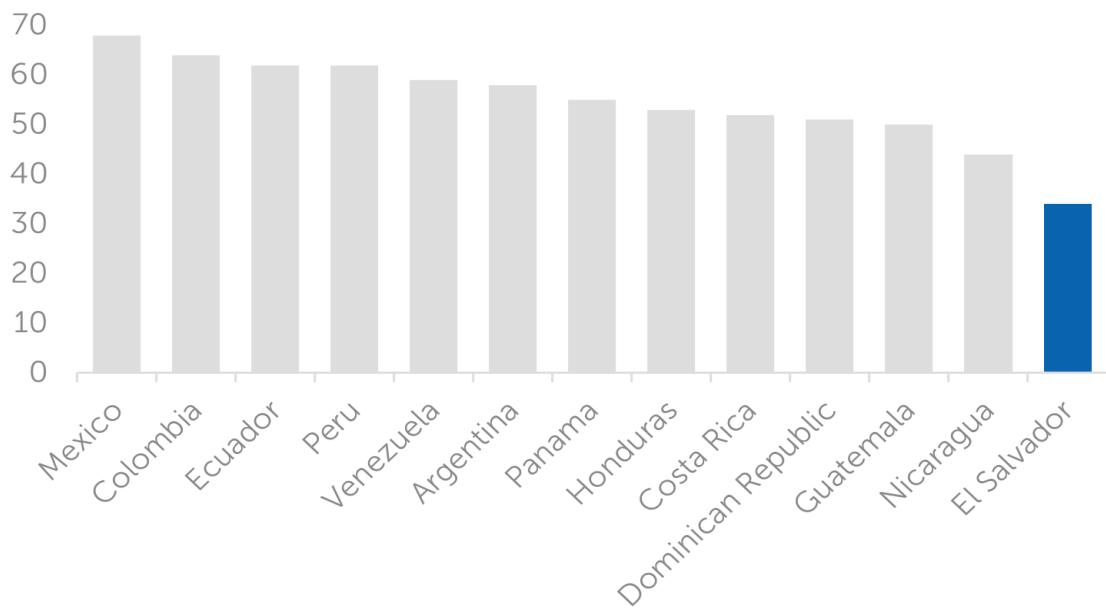
59%

Overall time reduction

153

Procedures with resolution in one business day or less

This has contributed to positioning the country, as the one with the lowest bribery rate to expedite government procedures in Latin America, as can be seen in the following graphic:

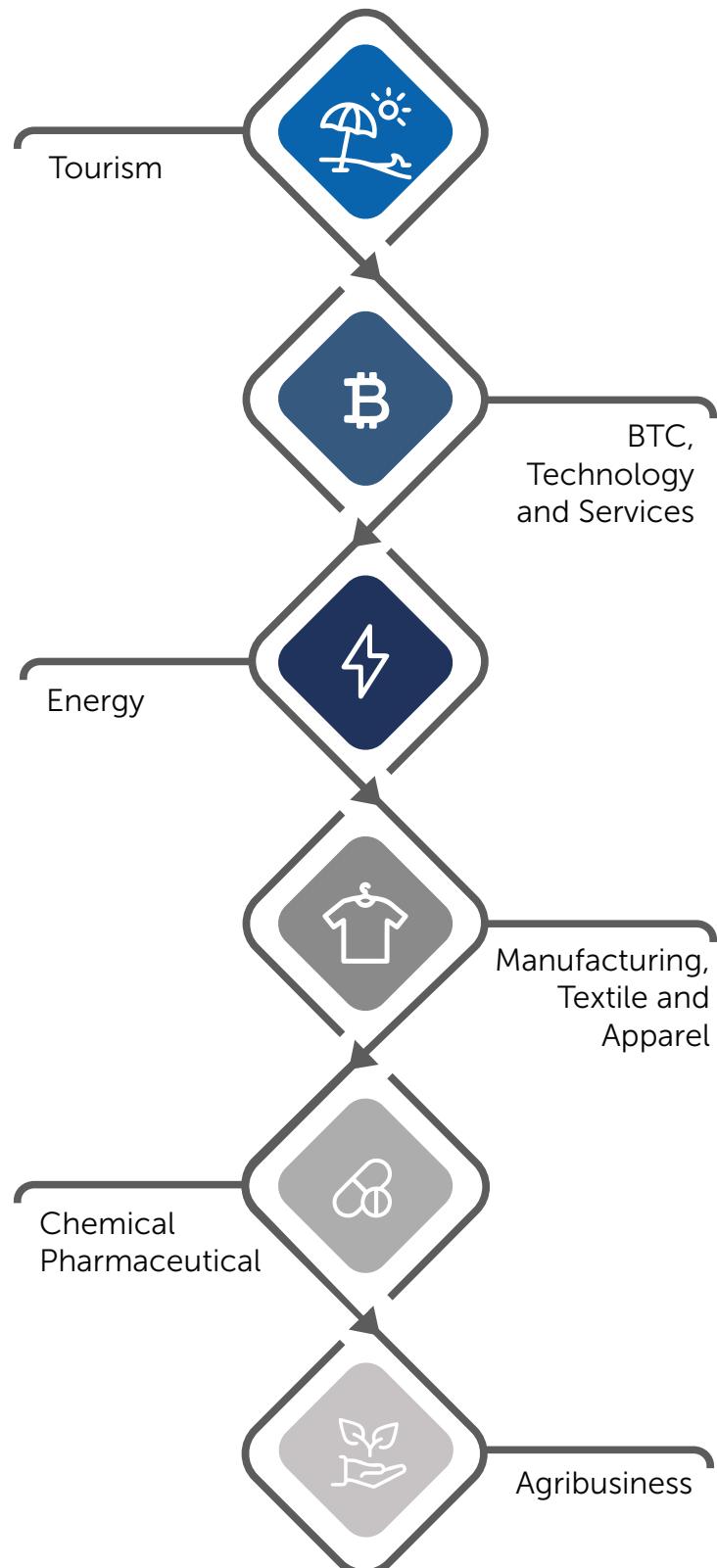


Source: CID Gallup. Answer to the question: To what extent do you think bribery speeds up procedures with government agencies? Percent of respondents.



02 | Investment opportunities

Explore investment opportunities in El Salvador



Tourism

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El Salvador is a country that extends from a coastal plain to a volcanic upland in the interior, bordering the North Pacific Ocean to the south and southwest, with Guatemala to the north and northwest and Honduras to the north northeast. The amazing waves recognized worldwide as one

of the best for surfing, together with the "Surf City" strategy have positioned the country as a key place for world surfing. El Salvador has friendly and warm people with high service-vocation, ideal for tourism related operations.

Key facts

2.5 M Visitor arrivals (2022)

15.7% Growth of jobs in the tourism sector (Jan-Jun 2022/2021)

8.3% Contribution of the tourism sector to the GPD (Q3 2022)

Advantages of investing in El Salvador

1. Solid and growing touristic demand. Annually, El Salvador welcomes more than 2.5 million visitors.
2. Air traffic hub with over 812 weekly arrivals and departures.
3. Service-oriented workforce.
4. Differentiating value of waves for surf tourism.
5. Safe destination seal by the World Travel and Tourism Council.

Investment opportunities

1. Hotels/Boutique hotels
2. Convention centers
3. Spas and wellness centers
4. City projects
5. Theme parks and restaurants

BTC, Technology and services

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Bitcoin

In El Salvador, the Bitcoin Law entered into force in September 2021. This positions us as the first country in the world to adopt the bitcoin as legal tender. This has generated interest from foreign investors to establish

operations in the country related to Bitcoin and other sectors such as: tourism, real estate, technology, mining and energy, positioning El Salvador at the forefront of financial technology.

Key facts

1st Country in the world to adopt the bitcoin as legal tender to promote financial inclusion and investment

+4M Users of government-backed BTC wallet

54% of total population uses the internet

Advantages of investing in El Salvador

1. El Salvador has a huge potential market for digital wallets and other services that promote financial inclusion: 70% of citizens remain unbanked.
2. The level of technology and communications adoption in the country could trigger the development of operations related to financial technology: 68% of adults have a smartphone with internet access (According to a survey conducted by BCR).
3. There is a growing knowledge of cryptocurrency ecosystem in the country. According to a survey conducted by Central Bank, 81% of respondents have heard about cryptocurrencies, 65% know about digital wallets and among the people who have used them, they highlighted among their advantages the speed of transactions, trust and lower costs than traditional channels.

Investment opportunities

1. Digital Wallets
2. Exchange Bureau
3. Bitcoin Custody
4. Bitcoin service providers
5. Bitcoin City

Digital technologies and business processes

The Business Processes sector in El Salvador has experienced an unprecedented growth since its beginning. The Digital Technologies sector has also begun its steep growth curve in El Salvador, where companies of international prestige have found

in our country a strategic partner. In turn, these companies provide services to other multinationals from El Salvador with exceptional results in key performance indicators (KPIs) of the industry.

Key facts

37,000 Direct Jobs in call centers, BPO and IT (2021 est.)

USD487 M Call center exports (2021)

21% Call center export growth (2021 vs 2020)

Advantages of investing in El Salvador

1. Outstanding Human Talent with exceptional performance in industry key performance indicators.
2. Neutral English and Spanish accents, as well as cultural affinity with major markets such as the United States and Latin America.
3. Generous tax incentives.
4. Fast learning curve and loyalty.
5. Excellent Telecommunications Platform.

Investment opportunities

1. **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.
2. **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.
3. **Information Technology Services:** web development, mobile development, UX/UI design, DevOps, quality assurance.

Startups

El Salvador's Startup Ecosystem is showing a positive momentum. Big private players along with the Government of El Salvador had united under one initiative with the purpose of promoting actions for growth and acceleration of El Salvador's startup and innovation ecosystem.

Besides that, there are funding entities offering venture capital and angel investment, as well as a whole growing support system, including training, incubation, acceleration, and visibility programs for entrepreneurs.

Key facts

-  +40 startups
-  Position 16 out of 132 countries worldwide with higher % of firms offering formal training
-  Position 39 out of 132 countries worldwide with higher % of High-tech imports

Advantages of investing in El Salvador

1. The country is advancing toward becoming an emergent location for startups.
2. There are already successful cases of companies that were born from an idea and today are leading startups based in El Salvador.
3. Some of the strengths of El Salvador, according to the Global Innovation Index 2022, are the high level of firms offering formal training as well as the level of high-tech imports as percentage of total trade.

Investment opportunities

1. Incubators
2. Accelerators
3. Investment funds
4. Innovative business ideas

Logistics

El Salvador has the conditions to offer a quick response to the market, ideal attribute to be the logistics hub for international companies. It offers the possibility to capture cargo from diverse origins: regional (imports and exports), transshipment, transit and that generated by offshore manufacturing companies. One of the main

achievements already reached is the awarding of the expansion of the AIES-SOARG air cargo terminal. The Public Private Partnership of the Cargo Terminal is focused on increasing efficiency in the handling of import and export cargo, which will greatly enhance El Salvador as an aeronautical and logistics hub in the region.

Key facts

USD 440 M Exports of transportation services (2021)

+29,000 Total jobs in the logistics sector (2022)

USD 261.4 M of FDI stock in the transportation sector (Q3 2022)

Advantages of investing in El Salvador

1. Strategic location for regional logistics hub.
2. The Government continues to bet on the modernization of borders. El Salvador is moving forward on its way to becoming a regional leader in trade facilitation.
3. Tax incentives that can be obtained by being benefited by one of the two available laws that are attached to the economic activity:

3.1 Free Zones Law. Commercialization of industrial goods produced in free zones or inward processing warehouses of products that have not undergone a transformation process by the marketer.

3.2 International Services Law. National distribution and international logistics operations to third parties or indirect users. One of the main advantages is that the logistics company is authorized to fraction, select and pack merchandise for third parties.

Investment opportunities

1. Logistics center for supplying extra-regional, intra-regional and domestic trade.
2. Product distribution service.
3. Package consolidation service with a variety of products.
4. Manage cargo from diverse origins: regional (imports and exports), transshipment, transit and cargo generated by offshore manufacturing and logistics operators.

Energy

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El Salvador provides an excellent opportunity for investment in the energy sector, with clear rules and transparent processes which allow stability in rates, which positions us as one of the most competitive markets in Central America with thriving participation in the regional electricity market (MER), born within the framework of the Electrical Interconnection System of the

Countries of Central America (SIEPAC). We have a national energy market with a dynamism driven by international and local companies in the generation, distribution, and commercialization of electricity, a public-owned transmission company, and an energy policy with a vision for the future and the adequate institutional infrastructure for the development of the sector.

Key facts

6,630 GWh Energy demand (2022)

1.067 MW Maximum power demand (2022)

2,461 MW Installed capacity (2022)

Advantages of Investing in El Salvador

1. Constant energy demand growth.
2. Strong commitment of the country to diversify the energy matrix.
3. Developing generation potential of wind, geothermal, small hydroelectric power plants, biomass, biogas, and solar photovoltaic sources.
4. Renewable Energy Incentives Law that offers attractive tax incentives to projects that generate electricity with renewable resources, up to 10 years.
5. The country's legal framework allows companies to generate their own energy and sell their surplus in the electricity market.

Investment Opportunities

1. Power supply generation for the spot market where the nontraditional renewable energy sources (solar and wind) have supply priority.
2. Bilateral contracts directly agreed between generator and distributor.
3. Distributed generation projects for industrial use.

Manufacturing, textile and apparel

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Light manufacturing

El Salvador has a mature plastics and textile and apparel industries, with installed capacity to offer outsourcing to international companies. In the metal mechanics sector, there are computer numerical control workshops, capable of sourcing precision parts. El Salvador offers investment

opportunities for companies in the auto parts and electronic components sectors that want to establish manufacturing plants to export their products to the United States, Canada, Mexico, Central America and the Caribbean.

Key facts

Production efficiency rates higher than 90% in the Light Manufacturing sector

Turnover rates lower than 10%

10th global provider of electrical capacitors to the U.S.

Advantages of Investing in El Salvador

1. Strategic location in the center of the Americas to be used as a logistics platform
2. Installed capacity in key complementary industries:
 - 2.1 The textile and apparel sector is one of the most important in the country and includes providers of yarn and fabric, as well as apparel companies.
 - 2.2 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.
 - 2.3 In the metal mechanics sector, there are companies with computer numerical control (CNC) workshops, capable of sourcing precision parts.
3. Low operating costs: operating an auto parts manufacturing plant in El Salvador is about 33% cheaper than in Mexico and up to 85% cheaper than in the U.S. according to fDi Benchmark, a service from the Financial Times Limited 2022.
4. Highly qualified human capital.

Investment Opportunities

1. **Auto parts:** automotive harnesses, car seats, vehicle security systems (airbags, seat belts) and automotive sensors.
2. **Electronic components:** tantalum and ceramic capacitors, transistors, resistors, etc.
3. **Manufacturing, assemblage, and refurbishment.**

Medical Devices

International medical devices manufacturers will find in El Salvador a strategic partner that provides an export platform to North America, Central America, and the Caribbean. Furthermore, El Salvador has the first training center in Latin America certified by the International Society for Prosthetics and Orthotics (ISPO)

located at Don Bosco University, with more than 20 years' experience teaching biomedical engineering, as well as major and technical education in prostheses and orthosis. During the pandemic, the industry expanded to unusual levels as a result of increased manufacturing of personal protection equipment.

Key facts

USD 7.3 M	Exports of medical devices (2021)
1st	Training center in Latin America certified by the International Society for Prosthetics and Orthotics (ISPO)
50%	Lower costs than other locations in the region

Advantages of Investing in El Salvador

1. Speed of response and geographical proximity to markets that are looking to minimize their dependency on Asia for medical supplies.
2. The country's products reach markets such as the United States, the rest of Central America and Europe: 40% of medical devices exports of El Salvador are destined to the United States.
3. El Salvador has an important and consolidated pharmaceutical industry and a regulatory body with category three of Good Manufacturing Practices according to the WHO.
4. Low operating costs: operating a medical device manufacturing plant in El Salvador is about 50% cheaper than other referent locations, like Costa Rica, according to fDi Benchmark, a service from the Financial Times Limited 2022.

Investment Opportunities

1. **Medical – hospital supplies:** disposable laboratory and diagnostic equipment, hospital lingerie and reusable and disposable clothing, wound treatment supplies.
2. **Orthopedic Products:** Prostheses, Orthosis, Internal fixing devices.
3. Hospital furniture.
4. **Health and hygiene products:** Wipes, surgical covers, blankets, masks, hats, hospital bed products, surgical hosiery, surgical gloves, sports medicine products, compression garments, exchanges.
5. Surgical sutures.
6. Mastectomy and prostheses bras and swimsuits.
7. Lactation accessories.
8. Stoma/ostomy and urology care, such as: ostomy bags and ostomy accessories
9. Consumables and accessories: dialysis bags, drainage systems and bags.
10. Cables, connectors, harnesses, sensors for medical devices.
11. Packaging supplies (plastic containers, boxes, bags, film) to supply the region.

Textile and apparel

El Salvador is the only country that has developed a full synthetic cluster in Central America. 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. Currently, El Salvador exports textiles and apparel to more than 50 countries and represents 40% of total exports.

Key facts

US\$2.8

Billion Total exports of textile and apparel

+80

Export destinations (2022)

15th

International provider of apparel to the U.S.

Advantages of Investing in El Salvador

1. It is the only country that has developed a full synthetic cluster in Central America.
2. Speed to market and geographic proximity.
3. 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, microfiber, among others –products paying a 32% tariff when imported from Asia through the U.S.).
4. El Salvador is on the position 5th among the most cost-competitive locations to operate a textile and apparel plant in the Americas (ranking out of 20 locations in the region, source: fDi Benchmark, a service from the Financial Times Limited 2022).

Investment Opportunities

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

Pharmaceuticals

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The pharmaceutical industry in El Salvador is considered one of the main productive branches with the greatest use of state-of-the-art technologies and high specialized employment, also characterized internationally as one of the countries with the greatest diversity of products of the highest quality. The medicines manufactured in the country are demanded for their therapeutic efficacy and quality in: Central America and the Caribbean, Mexico,

Panama, Peru, United States, among others. El Salvador is the first country in the Central American region with the good manufacturing practices certification according to the WHO, complying with international regulations and standards. The industry in El Salvador has the versatility for production diversification towards different therapeutic lines of the manufacture of OTC medicines and prescription drugs.

Key facts

- US 169.4 M** → Pharmaceutical exports (2022)
- +35** → Export destinations (2022)
- 37** → Certified pharmaceutical laboratories

Advantages of Investing in El Salvador

1. GMP certified laboratories under WHO Report 32.
2. Experienced pharmaceutical industry with high quality products and export experience.
3. Skilled chemical-pharma-biology workforce with college degrees and technical training skills.
4. Competitive labor cost.

Investment Opportunities

1. Establish a pharmaceutical laboratory for the manufacturing of generics, vaccines, medicines for chronic diseases, multivitamins, psychotropics, among others.
2. Services in pharmacovigilance, review of protocols, registration process, label modifications, advertising, web services among others.
3. Exclusive logistics hub for the pharmaceutical industry for Central America and the Caribbean.
4. Contract manufacturing.
5. Industry suppliers for the region.

Agribusiness

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We offer good conditions to develop agribusinesses due to its location in the tropics and diversity of micro-climates. El Salvador offers an ideal location for the production and processing of food, as well as to address specific

market niches that go beyond the traditional agricultural industries. Additionally, its proximity to high consumption markets facilitates the export of these products.

Key facts

USD 1.38 B Exports of the agroindustry, food and beverages sector (2022)

19% Share of total exports (2022)

16.8% Export growth (2022)

Advantages of Investing in El Salvador

1. Suitable climatic (temperature and altitude) and soil conditions to grow ornamental plants and fruits.
2. Availability of water resources.
3. Important fiscal incentives provided by the Free Zones Law, for the following products: Maritime species, Greenhouse and laboratory flora species, reptiles, and amphibians.
4. Complimentary industries such as containers, packaging, and process technologies, among others.
5. Proximity to the biggest consumer market for agroindustry products (EE.UU).

Investment Opportunities

1. **Ornamental plants:** El Salvador has the right ecological and climate conditions for year-round harvest, meeting the supply-demand needs. There are opportunity niches of rooted cuttings to be produced at destination and high-value tropical flowers.
2. **Aquaculture:** El Salvador enjoys biodiversity and stock of marine species, availability of industrial and artisan fishing fleet, appropriate climate for aquaculture and other advantages that offer opportunities for the extraction and processing of non-traditional fishery products and of large pelagic, as well as continental and marine aquaculture.
3. **Crops:** The main advantage of the country are the microclimates to produce crops all year round. Likewise, it has the capacity to develop organic crops.



03 | Doing business in El Salvador

Establishing a company

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

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

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 directorate of statistics and census (DIGESTYC)
13	* Company registration at the corresponding mayor's office ³

* This step must be made in person at the corresponding institution.

³ If your company is located in San Salvador or Santa Ana, this step can be done online www.miempresa.gob.sv. Otherwise, it will have to be done at the corresponding Mayor's Office.

The steps that can be done through this site are:

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

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".

Tax system

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



Income tax

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



Branch profits tax

Branches of foreign companies are subject to the same tax rates as Salvadoran companies.



Dividend Tax

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



Tax on Transfers of Real Estate Property

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



Value Added Tax (IVA for its acronym in Spanish)

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

Other Taxes

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).



a.

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:



b.

- 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.

Incentives

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 activities⁵:

1. 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.
3. Cultivation, processing, and commercialization of flora species grown in protected structures in greenhouses and laboratories.
4. Breeding and commercialization of amphibian and reptile species in captivity.
5. Dehydration of ethyl alcohol.
6. The production, assembly or maquila, manufacturing, processing, transformation, or commercialization of compensating products that use alcohols as raw material or input⁶.

⁵ 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.

⁶ Including the ones mentioned in heading 2207 and subheading 220890 of the harmonized system, as long as the final product isn't liquor or beverages containing alcohol, unless these have medical or cosmetic use.

Benefits:

1. Full exemption from customs duties and other taxes on the import of machinery and equipment used for production.
2. Full exemption from customs duties and other taxes on the import of raw materials and other goods used for production.
3. Full exemption from customs duties and other taxes on lubricants, fuel and other substances used for production.
4. 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.

Income tax exemption according to the following table:

Location	Percentage of Exemption	Period of exemption for companies in a Free Zone	Period of exemption for companies operating as DPA
San Salvador Metropolitan Area (SSMA)	100%	For 15 years	For 10 years
	60%	For the following 10 years	For the following 5 years
	40%	For the following 10 years	For the following 10 years
Outside SSMA	100%	For 20 years	For 15 years
	60%	For the following 15 years	For the following 10 years
	40%	For the following 10 years	For the following 10 years

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

Exemption from municipal taxes, according to the following table:

Location	Percentage of Exemption	Period of exemption for companies in a Free Zone	Period of exemption for companies operating as DPA
San Salvador Metropolitan Area (SSMA)	100%	For 15 years	For 10 years
	90%	For the following 10 years	For the following 5 years
	75%	Hereinafter	Hereinafter
Outside SSMA	100%	For 20 years	For 15 years
	90%	For the following 15 years	For the following 10 years
	75%	Hereinafter	Hereinafter

Municipal councils, with the purpose of promoting the development of their municipalities, have the legal power of granting additional benefits to investors. Upon the expiration of the full exemptions period, investors established in free zones can benefit of an additional five years of total exemptions if they have increased their investment (in relation to their initial investment) by 100 % in the last five years⁷.

⁷ *The increase in investment must 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.*

International Services Law

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

·Service Parks: Limited areas considered to be outside the national customs territory, where exporters of services are installed and operate under the benefits of this law⁸.

·Service Centers: When a company – in an eligible activity specified in this law – for physical or technical reasons, is unable to operate inside a service park, it can be authorized to operate outside a Service Park, as a Service Center and enjoy all the benefits of this law.

Eligible activities⁹:

Activities to Operate only within Service Parks	Activities to Operate in Service Parks or as Service Centers	Activities to Operate in Ports or Airports
<u>International distribution:</u> storage, gathering, consolidation and de-consolidation of third parties' merchandise with the purpose of being exported or re-exported	<u>International call centers or contact centers</u>	<u>Maintenance and repair of airplanes</u>
<u>International logistics operation:</u> Planning, control and handling of inventories, selection, packing, crating, dividing, classification, ticketing, labeling, signaling, invoicing, inspection of cargo and others	<u>Business processing outsourcing (BPO)</u>	<u>Maintenance and repair of maritime vessels</u>
<u>Research and development</u>	<u>Information technologies:</u> design and development of software, systems, and IT applications	<u>Maintenance and repair of containers</u>
<u>International financial services</u> Financial institutions management process outsourcing	<u>Medical and hospital services</u>	<u>Specialized services to aircrafts</u> Services provided to passenger or cargo airplanes to supply nonalcoholic beverages, prepared meals, consumable and disposable products inventory administration; organization, laundry, and cleaning of reusable items in aircrafts ¹⁰ .
<u>Technological equipment repair</u>	<u>Elderly and convalescent care</u>	
	<u>Telemedicine:</u> post-checkup medical advice and specialized consultation, laboratory tests, pathological and image-based studies, clinical history management and treatment support <u>Cinematography:</u> Post-production services carried out on recorded material, that may include subtitling and translation, among other services.	

Benefits:

1. 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.
2. Total exemption from income tax, exclusively for income deriving from the incentivized activity during the period of operation in the country.
3. Total exemption from municipal taxes on company assets during the period of operation in the country.

Renewable Energy Incentives Law

Eligible activities:

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

Benefits:

1. 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 centrals¹¹.
2. Full exemption from income tax for a five-year period, for projects greater than 10 (MW), and ten years for projects equal or under 10 megawatts (MW)¹².
3. 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 resource¹³.

⁸ Companies that provide services can also operate inside any Free Zone; it will be considered as if they were operating in a Service Park.

⁹ 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%).

¹⁰ The operations related to Maintenance and Repair of Containers and Specialized services to Aircrafts can be located within a 6.21 miles radius from ports or airports.

¹¹ 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.

¹² In both cases - with the start of operations of the renewable energy project, corresponding to the fiscal year in which revenues are obtained.

¹³ 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.

Law of Legal Stability for investments

This law guarantees legal certainty to investors on taxes, customs, and immigration issues through Legal Stability Contracts. Individuals and legal entities -national or foreign- with new investment projects or the expansion of existing investments within the following eligible activities may benefit from this law.

Eligible activities

- 1. Aeronautics
- 2. Agroindustry
- 3. Aquaculture
- 4. Electronics
- 5. Energy
- 6. Strategic Infrastructure
- 7. Logistics
- 8. Health Services
- 9. Offshore Business Services
- 10. Tourism
- 11. Telecommunications
- 12. Light Manufacturing
- 13. Science and Technology¹⁴

Benefits

Once a Legal Stability Contract is signed, private investors shall benefit with the following guarantees¹⁵.

- 1. Tax stability at national level.
- 2. Tax stability at the municipal level.
- 3. Stability in tax exemptions provided by special legislation for the period in which these were granted by the relevant institution.
- 4. Stability on customs procedures.
- 5. Stability on the right to transfer funds abroad as stated on the Investment Law
- 6. 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 365.00). This is equal to USD 1,540,300.00 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 investment¹⁶.

¹⁴ Other activities may be eligible if they comply with the requisites stated in this law and with the technical analysis performed by specialized institutions.

¹⁵ Indirect taxes are excluded from the tax stability regime.

¹⁶ Investments of up to 21,100 times the industry minimum wage (USD 7,701,500) may benefit with a legal stability contract for a period of 5 years; investments of up to 42,200 times the industry minimum wage (15,403,000) for 10 years; and investments above this amount for a period of 20 years.

Free trade zones and industrial parks

El Salvador has free zones designed for companies engaged in the production and export of goods or services. These industrial parks provide companies with the necessary services to operate efficiently and offer attractive tax incentives to investors. 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.



Symbology



- Northern Longitudinal Highway
- Panamerican Highway
- Litoral Highway
- Free Zone located in the Metropolitan area of San Salvador
- Free Zone located outside the Metropolitan area of San Salvador

1. Santa Ana Free Zone
2. Las Mercedes Free Zone
3. Free zone 10
4. ExportSalva Free Zone
5. Pipil Free Zone
6. Sam Li Free Zone
7. American Industrial Park
8. Santa Tecla Free Zone
9. Free zone San José

10. San Marcos Free Zone
11. San Bartolo Industrial and Commercial Free Zone
12. Santo Tomás Free Zone
13. International industrial park and free zone
14. Miramar Free Zone
15. El Pedregal Free trade zone
16. Concordia Industrial Park and Free Zone
17. Calvo Conservas Free Zone

Operational costs

Electricity

Electricity rates (USD/KWH)*

Source: SIGET

With power metering		
Medium demand	Low voltage	\$0.14 - \$0.17
	Medium voltage	\$0.14 - \$0.15
Time-differentiated metering		
Medium and large demand	Low voltage	
	Peak hours	\$0.14 - \$0.19
	Mid-peak hours	\$0.14 - \$0.18
	Off-peak hours	\$0.17 - \$0.21
	Medium voltage	
	Peak hours	\$0.13 - \$0.18
	Mid-peak hours	\$0.13 - \$0.14
	Off-peak hours	\$0.17 - \$0.18

*Note: Rates are effective from November 2022 to January 2023. In addition to the energy charge, a fixed monthly commercialization charge (customer service and variable distribution charges - power (US\$/kW-month) apply.

Water

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 m³, including aqueduct and sewerage:

Price brackets for the commercial sector consumption ¹⁷

Source: ANDA

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

*Fixed minimum rate

Telecommunications

El Salvador's telecommunications market has multiple service providers offering a variety of voice and data services, as well as value-added solutions that meet the needs of their clients. The following table presents average costs of land and mobile telephone lines. Corporate clients can get reduced preferential rates.

Maximum Landline and Mobile Phone Rates (in USD)

Source: General Superintendence for Energy and Telecommunications (SIGET 2022)

Landlines	Mobile phones*		
Commercial operation fixed rate (monthly payment)	\$4.40	Minute rate to same provider, landline	\$0.09
Local rate per minute	\$0.03	Minute rate to another provider, landline	\$0.09
Calls to mobile phones, rate per minute	\$0.10	Minute rate to same provider, mobile phone	\$0.11
Calls to United States, rate per minute	\$0.30	Minute rate to another provider, mobile phone	\$0.12

*Rates for postpaid plans. Taxes not included.

¹⁷ Applicable from October 2015.

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

Dedicated Internet Rates¹⁸ (in USD)

Source: Quotes with service providers (2022).

Speed*	Monthly fee
25Mbps	\$ 271.20
50Mbps	\$ 452.00
70Mbps	\$ 621.50
100Mbps	\$ 875.75
150Mbps	\$ 1,243.00

* Other bandwidth options are available according to the client's needs. Taxes not included.

Industrial spaces

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 squaremeter)	
Industrial space	\$4.80 - \$2.25

Source: Free Trade Zone Administrators. Prices are negotiated with the free zone administrators and vary depending on the location of the free zone, the areas required, the services offered, among others.

Wages

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)

WAGES PER	Agroindustry	Industry	Commerce and Services	Textile and Apparel
Hour	\$1.00	\$1.50	\$1.50	\$1.48
Day	\$8.00	\$12.00	\$12.00	\$11.81
Month	\$243.46	\$365.00	\$365.00	\$359.16

Note: Rates in force since August 1st, 2021. For more information regarding fringe benefits see next section: **Labor Market | Regulations | Labor benefits**.

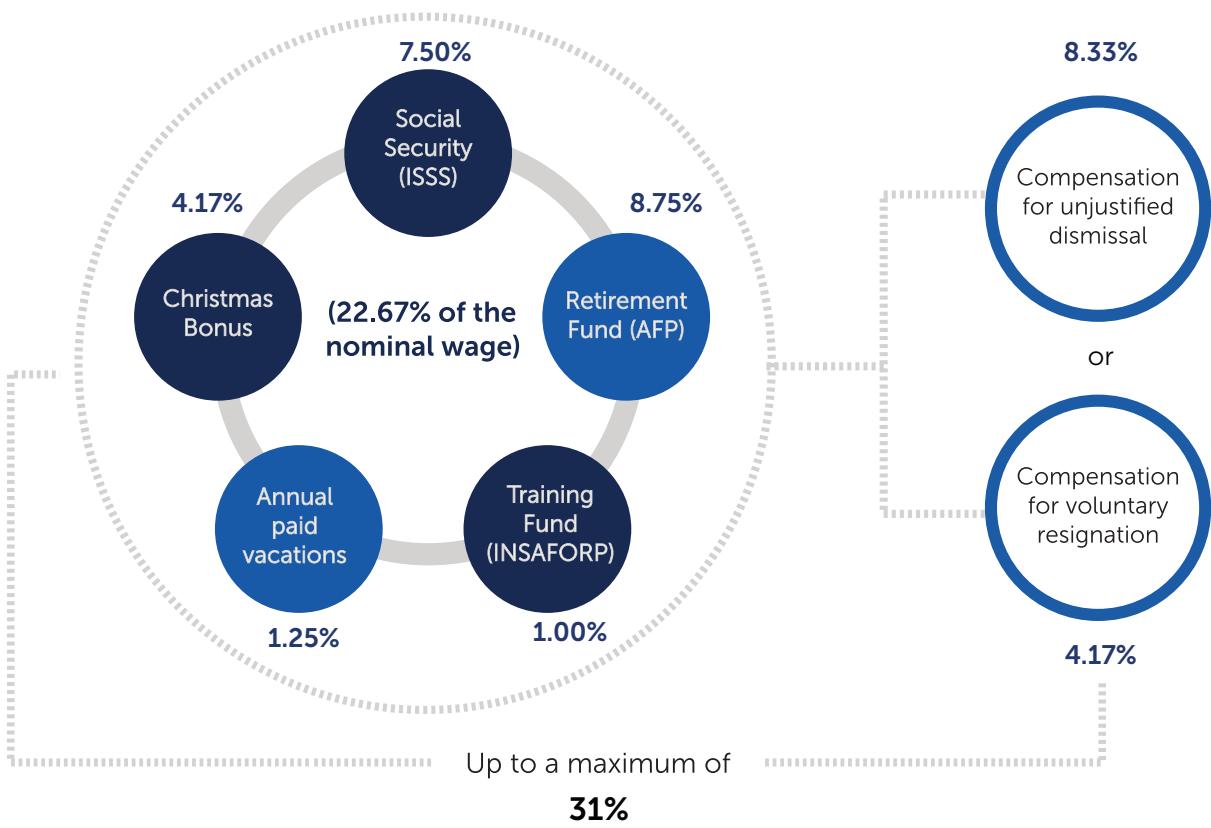
¹⁸ Costs vary according to the operator and technical specifications of the service.

Labor market

Regulations

Labor benefits: We have competitive labor costs.

Salvadoran legislation establishes the following benefits for employees:



Fringe Benefits. Salvadoran legislation provides the following benefits:

Employer Obligations	Description	Monthly Percentage
Annual paid vacations	Vacations are paid once per year and correspond to 30% of a 15-day salary.	1.25%
Social Security (ISSS)	The employer pays an amount equivalent to 7.5% of the base salary. For the calculation of this contribution, a maximum of USD 1,000.00 will be considered as base salary.	7.50%
Training Fund (INSAFORP)	Applicable only to companies with 10 or more employees. The employer pays an amount equivalent to 1% of the base salary.	1.00%
Christmas Bonus	Paid annually in December (it is not necessary to make a monthly provision). The amount is calculated according to the number of years served: 1-3 years (15 days salary), 3-10 years (19 days salary), 10 years or more (21 days salary).	4.17%
Retirement Fund (AFP)	The employer contributes with 8.75% of the base salary.	8.75%
Total benefits paid by employers		22.67%
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 obligate to maintain a reserve to pay this compensation, but it does mandate 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-day 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 31.00%

Working shifts



6:00 am and 7:00 pm
Maximum of 8 hours per day
44- hour workweek



7:00 pm and 6:00 am
Maximum of 7 hours per day
39-hour workweek.
25 % surcharge (applied on the salary of a similar work in day hours).

National holidays

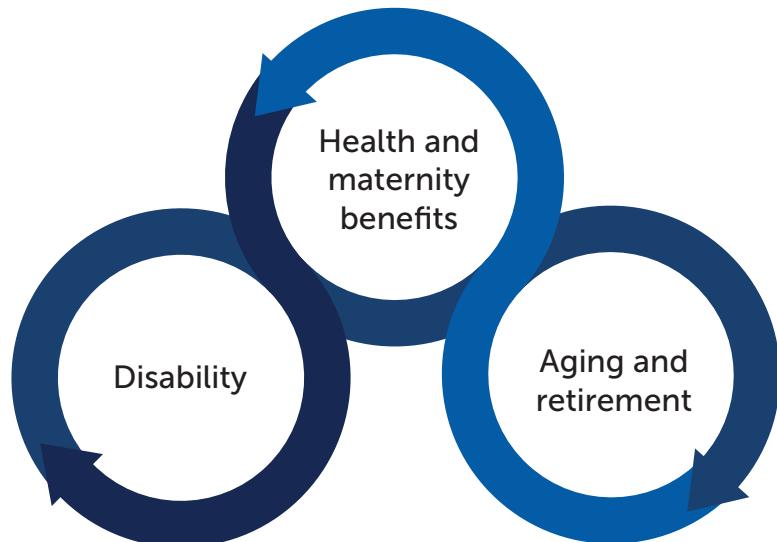
El Salvador has the following statutory holidays with full salary benefits according to the Labor Code of El Salvador:

- 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 (Festivities of San Salvador)*
- September 15th (Independence Day)
- November 2nd (All Saints Day)
- December 25th (Christmas Day)

* Note: Additionally, August 3rd and 5th are established as holiday in San Salvador. In the rest of the national territory the main day of the local festivities is established as holiday according to traditions.

Social security

El Salvador's social security system contemplates the following:



Health and maternity benefits

In case of illness, the employer is responsible for paying the first three days of the worker's absence and after that, the social security covers 75% of the worker's salary. In case of maternity, the social security covers 100% of the monthly salary (up to USD \$1,000.00) and the employer gives a 16-week period of maternity leave for the mother.

Disability

For one year or less of disability, a percentage of the worker's salary is covered by the social security, exceeding that period, the retirement fund provides a percentage of the worker's salary according to the disability degree.

Aging and retirement

After competition of 30 working years, men can retire at the age 60 and women at the age of 55 years.

Access to labor

The Government of El Salvador is creating an employment office "El Salvador Emplea", which aims to become a strategic partner for investors while linking the labor supply and demand of human capital. This office will facilitate the access to suitable human capital for different

productive sectors, with the ability to identify and provide qualified personnel, thus contributing to cover the needs required both by companies seeking to establish in the country or companies planning to expand their operations in El Salvador.



04 | Living in El Salvador

Residence and work permits

El Salvador offers migratory stability by developing investments in the country, establishing Consular or No Consultation and Consulted visas, these visas are granted in diplomatic representations. It is important to check the list of countries for visa type identification (<https://rree.gob.sv/servicios/visas-para-extranjeros/>)

As well as they may be sub-classified, according to their economic activity, in Investor visa, Business visa and Commercial Representative visa, which may be granted for a single ticket or multiple tickets.

Among the main characteristics of visas should be considered:

01 | Foreign businesspersons

Persons who have the quality of president, members of the board of directors, legal representative, shareholder of a commercial company; Owner or general manager of a company that enters the country with the purpose of carrying out activities of promotion or identification of investment opportunities in the areas of, industry, commerce, tourism, suppliers of goods or services or any lawful economic activity.

02 | Foreign investors

Foreign person who has the quality of president, members of the board of directors, legal representative, shareholder of a commercial company legally established in Salvadoran territory; owners or general managers of a company that has an active investment in the country in accordance with the provisions of the Investment Law.

03 | Commercial representatives

A foreign person who enters and temporarily remains as head of management to supervise or train employees of a company legally constituted in Salvadoran territory. Likewise, those who enter to attend specialized matters, traveling agents, commercial delegates, technical support, supervisor, and auditor exceptionally linked to the activities of the company or companies based in El Salvador.

Cost: \$200

Estimated time: 5 to 20 days

Steps: Present the form F-49

Foreign personnel who wish to work in El Salvador require work permits, along with temporary residence in the country. The hiring of the professional services of a foreign worker requires prior authorization from the Ministry of Labor. This authorization is for a period of one or two years, if the company hires and trains an equal number of Salvadorans. The authorization may be extended for equal periods.

Central American Temporary Resident	\$70.00 Up to one year
Temporary Central American Resident	\$130.00 Up to two years
Non-Central American Temporary Resident	\$140.00 Up to one year
Non-Central American Temporary Resident	\$260.00 Up to two years

Estimated time: 45 days

Steps: Present the Form F-03

The following link from the General Directorate of Migration and Foreigners details the different types of residence and work permits in El Salvador:

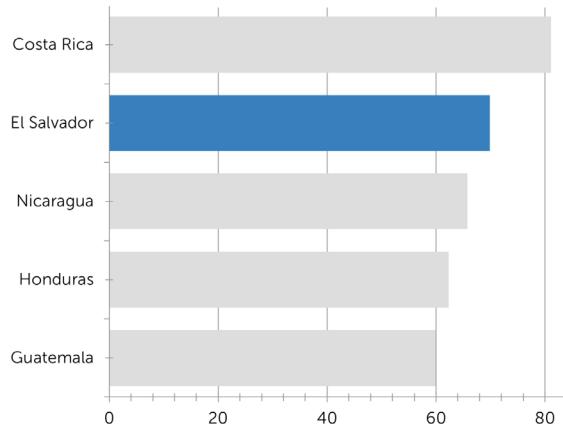
<https://www.migracion.gob.sv/guia-de-servicios/>

Quality of life

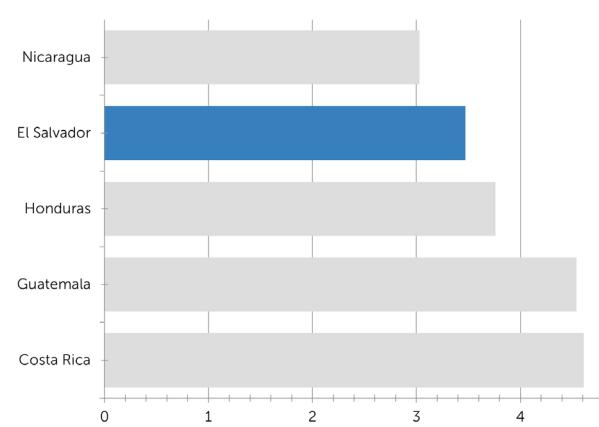
El Salvador offers the right combination between quality of life and affordability. It ranks 2nd in Central America in living conditions measured in terms of material resources, shelter, basic

services and connectivity; and it is the 2nd country in the region with the lowest cost of living, being up to 25% cheaper than countries like Costa Rica.

a. Living Conditions Index
(Legatum Institute)



b. Cost of living index



Graphic a

Source: fDi Benchmark from the Financial Times Ltd 2022, data from Legatum Prosperity Index (2019). The Living Conditions pillar measures the degree to which a reasonable quality of life is experienced by all, including material resources, shelter, basic services, and connectivity. Rating from 1 to 100.

Graphic b

Source: fDi Benchmark from the Financial Times Ltd 2022. Country cost of living index: Rating 0-10 (0=lowest cost of living; 10=highest cost of living); City cost of living index: Index based on New York City (where NYC = 100).

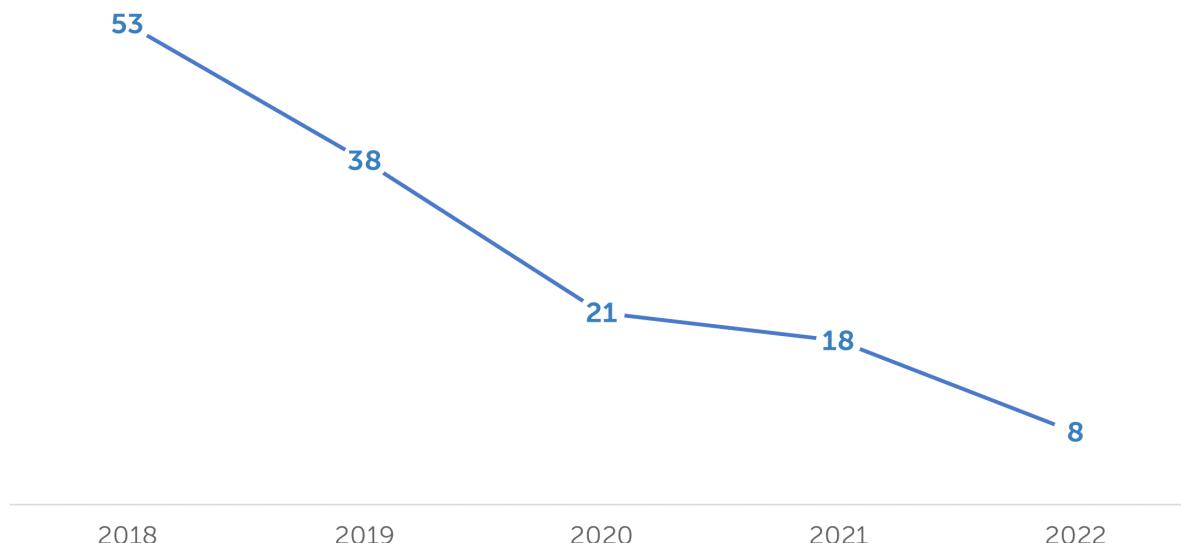
Security

In the last five-year period, El Salvador has gone from occupying first place on homicide rate in the world, with 53 homicides per 100.000 inhabitants in 2018, to getting out of the top 10 ranking and being one of the safest countries in Latin America, with a ratio

of 8 homicides per 100.000 inhabitants. There has been an 85% reduction on the homicide rate over the past 5 years. 2022 closed as the safest year in the recent national history and the trend continues downward.

Charts 1: Evolution of El Salvador's homicide rate per 100.000 inhabitants (2018-2022)

Source: own elaboration with data from INFOSEGURA and National Police (PNC) 2022



The most recent public security policies are focusing on the reduction of violent crimes and the eradication of criminal groups on rural and urban sectors.

Education

The national educative system consists of two modalities¹⁹:

1. Formal education is taught in authorized educational establishments, with a regular and prefixed sequence, that advances from an initial level to higher education. The composition of courses per levels is as follow:

- 1.1** Initial Education: infants from 0 to less than 4 years.
- 1.2** Early Childhood Education: for 4, 5 and 6-years old children.
- 1.3** Basic Education: is subdivided into three cycles. First cycle, from first to third grade; Second cycle, from fourth to sixth grade, and Third cycle, from seventh to ninth grade. The first and second cycle of Basic Education corresponds to Primary, in the international classification.
- 1.4** Secondary Education: is subdivided into general high school studies and vocational technical the first with a duration of 2 years and the second of 3 to 4 years.
- 1.5** Higher Education: includes the technical, college, university and postgraduate, which have different durations, depending on the modality and the chosen career.

Formal education is open to any person, with the only requirement of approving the respective evaluation process for the applied course.

2. Not formal education offers complementary education to finish, update, train or strengthen academic or working aptitudes without submitting to the formal levels.

Early childhood, basic and secondary education are mandatory and free (at public centers) for all children under 16 years. There are 458 public schools and 322 private educational centers in the Metropolitan Area of San Salvador (AMSS by its acronym in Spanish) that fully or partially covers these courses on the regular education system.

Most of the private institutions include competitive English programs and there's a great offer of international schools that adjust to the quality of countries like the United States, England, Germany, or France, among others.

¹⁹ Taken from: Asamblea Legislativa de la República de El Salvador, Título II: Sistema Educativo, Niveles y Modalidades; Capítulo I: Sistema Educativo. En Decreto N°917: Ley General de Educación.

The table below shows the number of students enrolled at a sample of the best-known bilingual schools placed at the AMSS:

Table 1: enrollment on leading Salvadoran bilingual schools

Source: own elaboration based on MINEDUCYT's 2022 database.

Name	Department	Municipality	Student enrollment
Liceo Francés (Lycée Français Antoine et Consuelo de Saint-Exupéry)	La Libertad	Santa Tecla	1,310
Academia Británica Cuscatleca (British School)	La Libertad	Santa Tecla	1,181
Escuela Americana (American School)	San Salvador	San Salvador	1,136
Colegio Salesiano Santa Cecilia	La Libertad	Santa Tecla	1,095
Escuela Alemana (Deutsche Schule)	La Libertad	Antiguo Cuscatlán	939
Colegio "Highlands" (Highlands International School)	San Salvador	San Salvador	805
Colegio Salvadoreño Inglés	San Salvador	San Salvador	685
Colegio Lamatepec	La Libertad	Santa Tecla	628
Escuela Cristiana Oasis El Salvador	San Salvador	San Salvador	440
Escuela Bilingüe Maquilishuat	San Salvador	San Salvador	376

For higher education, there is an academic offer of more than 600 careers at around 60 universities or colleges with campuses distributed on the Salvadoran territory, in areas of economics, business, exact sciences, education, health, social sciences, letters, natural resources, arts, design, engineering and architecture.

Among these, the national public center of higher education is the University of El Salvador (UES), with 12 faculties for pre and post graduate programs and four campuses, located at San Salvador, San Miguel, San Vicente, and Santa Ana.

Healthcare services

More than 30 hospitals and specialized centers are operating in the public and private network of the Metropolitan Area of San Salvador. All workers in El Salvador are protected by the ISSS, which ensures public health services to them and their families. Alternatively, any person or company has the option to contract a private insurance through one of the nearly 1,500 authorized intermediaries certified by the Superintendence of the Financial System (SSF): <https://ssf.gob.sv/registro-publico/intermediarios-de-seguros/>

In El Salvador, there are about 20 thousand medical doctors, many of them with postgraduate degrees in the US, Europe, Mexico, Cuba, among other health leading countries. A directory of medical services and doctors can be found here: <https://www.medicosdeelsalvador.com/#>

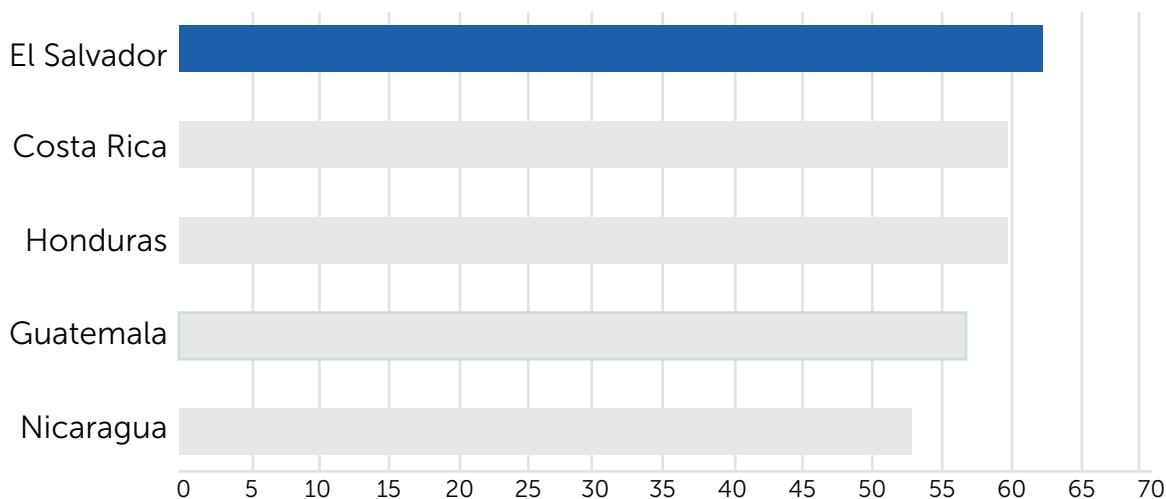
Health services are provided at more competitive costs than in the US or Canada, generating a demand for medical tourism.

Financial services

El Salvador has a solid and strong banking sector, in line with international standards. El Salvador ranks 1st in the region in the assessment of the financial system of the Global Competitiveness Index 4.0, which measures the depth, availability of credit, insurance and other financial products, stability and other indicators of the financial system.

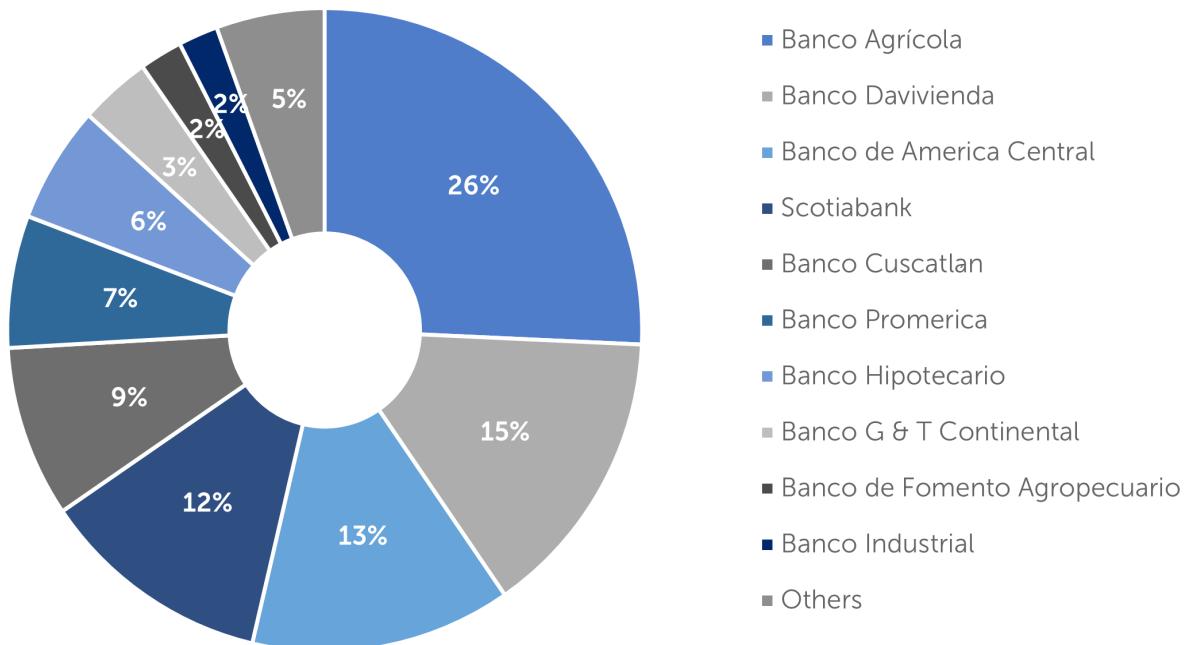
Assessment of financial system

Source: *Global Competitiveness Report, World Economic Forum, Switzerland, 2019 (fDi Benchmark 2022)*



The main commercial banks are:

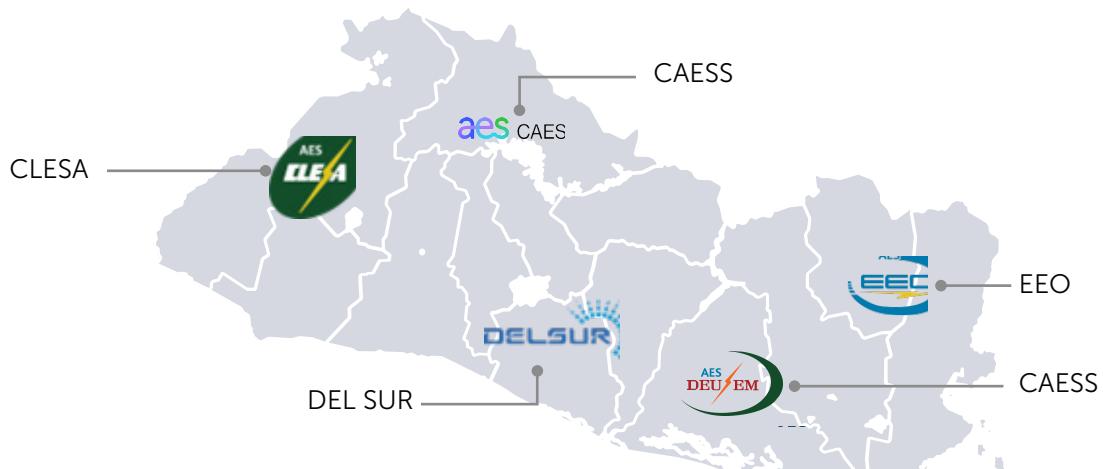
Source: Financial system superintendence of El Salvador (2017)



Energy

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



Telecommunications

Telecommunication companies established in El Salvador are executing important investment that guarantee a steady development of the telecommunication infrastructure and leading-edge technology adoption.

The following table shows the main telecommunications operators in the country.

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 (Movistar)	Landline, mobile phone, internet (mobile)
Digicel	Mobile phone, internet (mobile)
Intelfon (RED)	Mobile phone, radio communication
Telecam	Internet, cybersecurity
Salnet (El Salvador Network)	Landline, internet
GCA Telecom	Landline, internet, video surveillance

Urban mobility

The National Law of Road Transport, Traffic and Road Safety (article 74) and its Regulation (articles 157, 161 and 163) summarize the requirements that foreigners must meet to obtain the permit to drive in the Salvadoran territory depending on the expected time of stay of the person.

1. Those whose stay is less than 90 consecutive days are allowed to drive with an official driver's license or permit from their country of origin.
2. Those whose stay is longer, must follow a validation process which is developed through SERTRACEN, a regional entity that provides transit for Central American countries. The requirements for this process are:
 - 2.1 Presentation of document: (i) passport, (ii) temporary residence card, (iii) current foreign driver's license and (iv) proof of blood group from an authorized laboratory.
 - 2.2 Visual exam approval and payment (\$3.39).
 - 2.3 Fee payment (\$54.53).

For more information:

<https://www.sertracen.com.sv/index.php/homologacion-licencia-extranjera>

In addition to the possibility of self-driving a car, there are other alternatives for the efficient and safe mobilization of individuals such as taxis and private transport services by application, such as UBER and INDRIVE, which are becoming commonly used by the middle class in the metropolitan area.



05 | Visit
El Salvador

Travel information

The most popular way to enter El Salvador is arriving at the International Airport (AIES – SOARG), which 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.

Airlines operating in El Salvador

Avianca, American Airlines, Delta, Volaris, Iberia, Copa Airlines, United, Spirit, Aero Mexico, Tropic Air, Air Transat, Frontier Airlines, Arajet, Tag Airlines.

It offers direct access to 35 routes of origin and destination in 14 countries, as well as excellent air traffic connections.

Destinations with Direct Flights

Source: CEPA. Note: Active routes may vary depending on the season.



Entry requirements

El Salvador has free mobility of foreigners between the Republics of El Salvador, Honduras, Guatemala, and Nicaragua, this is part of the Agreement for the Creation of the Single Central American Visa (CA-4). To enter El Salvador, check the list of countries and verify the correspondent migratory category that applies: <https://ree.gob.sv/servicios/visas-para-extranjeros/>

Category A: Visa Exempt

It does not require visa management for countries that are in category A, except those that are asked to cancel Tourist Card.

Tourist Card Cost: USD \$10.00

Estimated time: Immediate

Step: This permit is made at the immigration post upon entering El Salvador.

Category B: Consular Visa or No Consultation

It must be processed before the consular representation or Embassies of El Salvador, depending on the country of origin.

Single income Cost: USD \$30

Multiple Deposit Cost: USD \$60

Category C: Visa Consulted

It must be processed before the Consular representation of the Ministry of Foreign Affairs, depending on the country of origin.

Cost: USD \$40

Time: Start the process 4 weeks before entering El Salvador.

Step: Filing Requirements Form F-46

The tourist visa allows the visitors to stay in the country for a maximum of 180 days.

Destinations

El Salvador, with a total land area of 21,000 km² and a 307 km coastline, offers the possibility to surf, hike, dive or visit archaeological parks or museums all in the same day and a few hours away from the coast. Some of the main touristic destinations include:



Symbology



- Northern Longitudinal Highway
- Panamerican Highway
- Litoral Highway

Time from El Salvador

Beaches		Towns and cities		Nature and adventure		Archaeological parks	
El Tunco	45 m	Sushitoto	2.5 h	Conchagua Volcano	4.0 h	Joya de Cerén	1.5 h
El Zonte	1.0 h	Santa Ana	2.0 h	Santa Ana Volcano	2.0 h	El Tazumal	2.0 h
El Sunzal	1.0 h	San Miguel	3.0 h	Coatepeque Lake	2.5 h	Cihuatán	1.5 h
Costa del Sol	1.2 h	La Palma	2.3 h	Los tercios waterfall	1.5 h	Casa Blanca	2.0 h
El Cuco	3.0 h	Ataco	2.5 h	Balboa national park	0.5 h	San Andrés	1.5 h
Los Cóbanos	2.0h	Ilobasco	1.5 h	El Pital Hill	2.5 h		



Surf city

Surf lovers have an unavoidable appointment in Surf City. From east to west of the Salvadoran coastline and along just over 300 kilometers, beaches, and waves one after the other will delight the most expert surfers and those wishing to start in this exciting sport. Besides being a world-class attraction for tourists. Surf City becomes a comprehensive development strategy for the Salvadoran coastal strip to boost the economic prosperity and social welfare of communities of diverse coastal areas of the departments of Ahuachapán, Sonsonate, La Libertad, La Paz, San Miguel, and La Unión. An innovative bet on tourism sustainability over time, completely connected to nature. More information: <https://elsalvador.travel/category/surfcity/en/>



Nature and adventure

El Salvador is widely known for its short distances to easily connect from the city to nature. Connect with your inner self surrounded by nature and amazing views, such as lakes, hills, natural reserves and parks, peacefully waterfalls, bays and beaches. For those who love adventure and fun physical activity, come and find volcanoes, adventure parks, guided tours and hiking, camping, among others. Find more information: <https://elsalvador.travel/category/nature/en/>



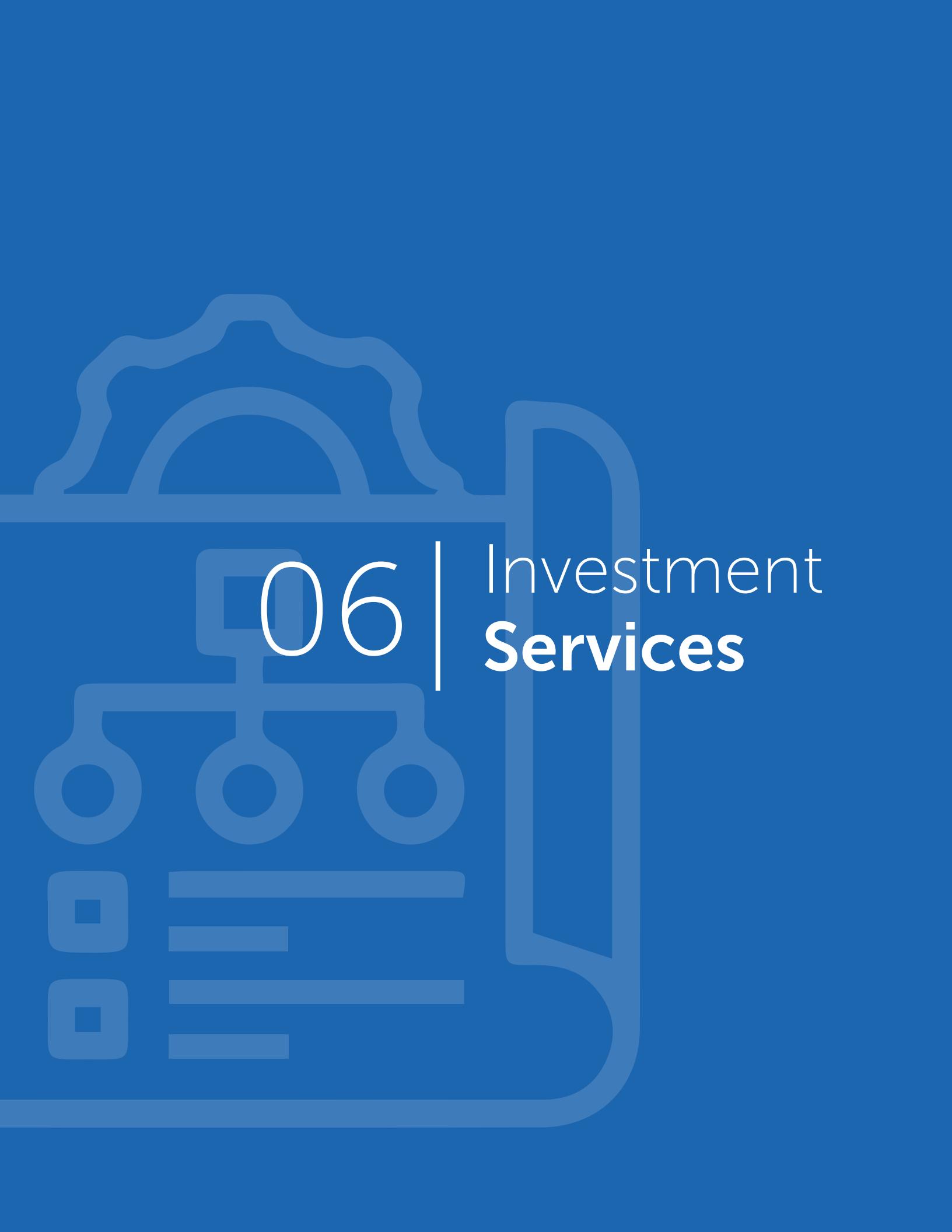
Archaeological parks

Get immersed in the ancient history of our region by visiting our archeological places. You will be able to find astonishing relics, pyramids, museums and some buildings that date from more than 1,500 years ago. Some highlighted places include: Joya de Cerén, San Andrés, El Tazumal, Cihuatán and Casa Blanca, all of them archaeological parks. Find more information: <https://elsalvador.travel/category/archaeological-parks/en/>



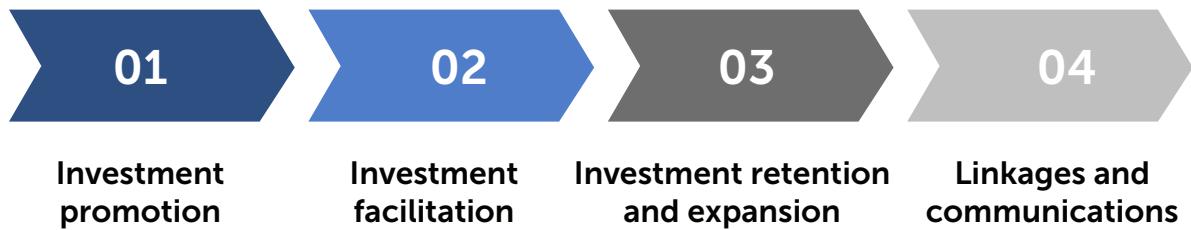
Towns and cities

Discover fascinating cities and colorful towns along the country. Dive into our culture by visiting historic places such as theaters, galleries, cathedrals, colonial city houses and symbolic buildings. Additionally, often just a few meters away, you can find modern shopping centers, five-stars hotels and restaurants and the commercial side of the cities. Some examples of the most famous and scenic places of El Salvador are Suchitoto city, located in Cuscatlán department; La Palma, in Chalatenango department; Concepción de Ataco, located in Ahuachapán department; Planes de Renderos in San Salvador department, among others. Find more information: <https://elsalvador.travel/category/town/en/>



06 | Investment Services

Services for investors



Investment promotion:

1. Investment tours, conferences, and workshops (Campaigns and promotional events).
2. Meetings with investors presenting investment opportunities and the business climate.
3. Preparation of customized information.
4. Planning, organization, preparation and management of site visit to the country (Ad Hoc Business Agenda).



Investment facilitation:

1. Investor advice with sectoral investment specialist for the establishment of the company.
2. Connecting with public, private, and academic actors to foster synergies.
3. Advice on issues of procedures and establishment permits (preparation of roadmaps).



Investment retention and expansion:

1. Assessment in the expansion process.
2. Facilitation in procedures and permits.
3. Monitoring the business climate (Investment Climate Assessment)
4. Monitoring and development of improvement policies in processes and legal framework.
5. Immediate attention to solve concerns to established companies.
6. Accompaniment in the participation of fairs by established companies.
7. Lifetime Investor Relationship (Aftercare).



Linkages and communications:

1. Lists of Service Providers (Strategic Allies).
2. Support for sub-contracts with foreign and domestic companies.
3. Facilitating the development of new products or services.
4. Preparation of country communication information.
5. Roadmaps for the development and improvement of the ecosystem of the prioritized sectors.
6. Support in coverage of events with investors.

Get in touch

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