

EL SALVADOR

“A SMALL COUNTRY WITH
BIG OPPORTUNITIES”



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FROM CENTRAL AMERICA'S HEART

El Salvador has common borders with Guatemala, Honduras and Nicaragua and 300 km of a stunning Pacific Ocean coastline that has surfers raving. It is the smallest and most densely populated country in Central America with 295 inhabitants/km² (excluding the Caribe province). Its climate is tropical, resulting in two separate seasons, the rainy season running from May to October.

The name El Salvador, meaning "the Savior," was given by the Spanish, who conquered the local Mesoamerican nations in the early 16th century.

Between 1979 and 1992, El Salvador was devastated by a civil war opposing the military-led government and a group of left-wing guerrillas. This resulted in massive emigration to the US, which now has a large Salvadoran community. The war ended with a negotiated settlement that established a multiparty constitutional republic, which remains in place to this day. Its Republic follows a presidential, centralized system and has made significant progress towards consolidating peace and democracy.

El Salvador's population is young - life expectancy is 72.4 years, and 63.7% of the population are under 30 years old. The average population growth is 0.3% per year. Over 1.6 million inhabitants are concentrated in the San Salvador urban area. This is by far the most densely populated part of the country, followed by La Libertad (722,595), Sonsonate (468,755) and Santa Ana (554,607). Six out of ten Salvadorans are urban. The literacy rate is high, at 85%.

The World Bank points out that the country's political transformation led to major structural reforms and macroeconomic policies which resulted in strong economic performance, with an average yearly GDP growth of around 6% during the 1990s., as well as a significant reduction in poverty (nearly 27 percentage points) between 1991 and 2002. Major social protection investments have helped reduce poverty rates further in recent years - they fell from 38.8% in 2000 to 31.8% in 2014. According to World Bank data from 2013, the active population equaled 2.8 million and the unemployment rate was 5.9%.

The Salvadoran Central Bank reports that the GDP per capita is progressively rising: it reached 3,838.4\$ in 2013 and 3,931.1\$ in 2014.



CURRENCY: US DOLLAR (USD) REPLACED EL SALVADOR COLÓN (SVC) IN 2002

SIZE: 21.042 KM²

POPULATION: 6.344.069

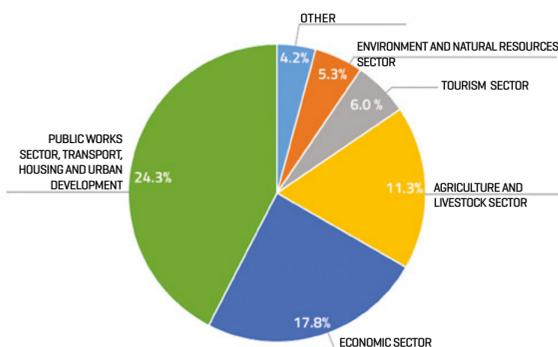
LANGUAGES: SPANISH (THE LOCAL DIALECT IS CALICHE) AND INDIGENOUS LANGUAGES

DISTINCTIVE FEATURE: SMALLEST AND MOST DENSELY POPULATED COUNTRY IN CENTRAL AMERICA

El Salvador's economy is predominantly services-based, the service sector accounts for almost 65% of the GDP and employs 58% of the population. Manufacturing and industry account for 25% of GDP and employ 20% of the population, followed by agriculture with 10% of GDP produced by 21% of the population.

Key pro-growth reforms of the 1990s and 2000s focused on: trade liberalization (tariffs were eliminated or cut and free trade agreements concluded with many key markets), **bank modernization** (the banking system was privatized, with foreign ownership becoming dominant and international banking practices largely adopted), **the pension system** (the pay-as-you-go system was replaced by a system of defined contributions with private individual accounts and intermediated by private pension funds), **privatization** (the private sector is prevalent in energy, telecommunications, and the financial sector after substantial privatizations), **tax strengthening/simplification** (VAT was introduced in 1992 - it currently stands at 13% - other tax policy

COSTS FOR ECONOMIC DEVELOPMENT AID 2016 IN PERCENT



SOURCE: BCR

and administration reforms followed in the 2000s), **institutional reforms** (public sector consolidation) and **modernization in the tourism and education sectors.**

Thanks to all these efforts, relations with the multilateral financial institutions are positive. El Salvador has free trade agreements with the United States, Central America, Chile, Mexico, Panama, Colombia, Dominican Republic, and Taiwan. Recently it signed a free trade agreement with the European Union. El Salvador has ratified the World Trade Organization's Trade Facilitation Agreement (TFA) in July 2016.

The U.S.-Central American-Dominican Republic Free Trade Agreement (CAFTA-DR) entered its 10th year of implementation in El Salvador on March 1st, 2016 (El Salvador was the first country to implement this agreement in 2006). El Salvador provides an open market for U.S. goods and services. Tariffs are relatively low, and were reduced further with the CAFTA-DR. El Salvador is a highly receptive market for U.S. products and services.

Between January and July 2015, the country's

exports totaled 3,366.4M\$, reflecting a cumulative yearly growth rate of 6.7%. Imports sank by 2.1%, reaching a total value of 6,163.6M\$, resulting in a trade balance deficit of 2,797.2M\$, reduced by 11%.

Trade relations with the United States are strong, both at the government level (the Partnership for Growth initiative was signed in 2011) and thanks to the money sent home by Salvadorans living in the US (remesas), which represent 16% of Salvadoran GDP. Between January and July 2015 the remesas sent to El Salvador amounted to 2,449.8M\$. In 2014 foreign direct investments (FDI) reached 8,503.3M\$. The United States were El Salvador's main trading partner in 2014, with 40.9% (4,307.6M\$) of Salvadoran imports and 46.1% (2,429.6M\$) of exports.

Its stable currency, strategic location in Central America, fiscal incentives and strong international trade relations, together with a young and productive labor force and competitive costs, make El Salvador an attractive destination for investors, who will find big opportunities in this small country.

"THE SECURITY AND BENEFITS OF A DOLLARIZED ECONOMY"

El Salvador adopted the US Dollar as its official currency instead of the Colón in 2001, as the government implemented the Monetary Integration Law (Ley de Integración Monetaria), which established a fixed exchange rate of 8.75 colones per U.S. dollar. Since then, interest rates have fallen and Salvadorans with access to credits have been able to obtain them at the lowest rates in three decades.

Over the first five months of 2016, the evolution of the main economic indicators reflects the fact that internal demand was energized by the positive effect of public and private investments and a rising private consumer demand. As far as external demand is concerned, the main indicators have been decreasing, albeit improving with regard to the previous months. Salvadoran private investments cover the entire Central American region, especially in the service sector.

Within the variables associated with private investments, the dynamic evolution of credit to private businesses stands out with a yearly growth rate of 7.6%. The growth of imports of capital was also remarkable (10.5%). The stable cost of capital acquisition for businesses (owing to the low interest rates) has enlivened the credit sector and represents an important stimulus for production and for the economic activity within the country.

On the private consumption side, nominal and real salaries have risen, and are complemented by a growing bank credit attribution to households and increasing remittances (remesas). Public sector consumption sank in real terms (see top part of the chart).

In May 2016, external demand kept showing signs of weakness, yet favorable results in April had evened out the less favorable previous months.

Credits to private businesses grew constantly since July of the previous year. The balance of other deposit societies registered in its portfolio of credits to resident businesses was US\$4,928.8 million, with a yearly rise of US\$348.7 million and a yearly growth rate of 7.6%. This was mostly channeled through banks, whose balance reached US\$4,484.1 million.

In May 2016, an analysis of economic data reveals that bank credits in the areas of electricity, gas, water and services; transport, storage and communication, financial institutions, services, agriculture and industry were the ones with the highest annual growth rate.

The acquisition of deposits, which is the main source of funding for other deposit societies, rose from February 2015 to February 2016, and in May 2016 the tendency continued. At the end of May total deposits amounted to US\$11,013.6 million, which stood against the US\$10,543.6 million of banks (95.7% of all deposits). Cooperative banks registered an acquisition of US\$470.0 million (4.3% of all deposits).



LCDA. ANA LILIAN VEGA TREJO
President of BFA

Deposits of the private sector amounted to US\$10,144.5 million, with an increase of US\$392.8 million (yearly growth rate of 4.0%) and the non-financial public sector held deposits amounting to US\$765.2 million (US\$2.8 million growth in the annual flux and yearly growth rate of 0.4%).

The interest rate for credit to businesses, with a longer than one year term stood at 8.26%, which means they were 0.95 points lower than the previous year. For short term credits (less than one year) the growth was 0.42 base points.

At the end of May 2016, **imports of capital goods, which are crucial for the economy, were positive (10.5% yearly rate)**, and beyond their value it was their overall volume that rose. Most remarkable was the evolution of transport and communication (US\$31.7 million); electricity, water and services (US\$15.7 million) and industry (US\$6.9 million).

From January to May 2016 the investments from the public sector gained momentum, with a value of US\$306.6 million (34.7% more than the previous year). Consistent with this was the raise in the investment implementation rate, which reached 63.9%.

At the end of May, family remittances (remesas) had grown by 6.8% with the highest revenue for a month of May since the year 2000. El Salvador received US\$1,841.5 million, or US\$117.3 million more than over the same period the previous year. For May alone, US\$412.2 million in remittances reached the country, 7.5% more than in May 2015. The evolution of remittances from family members obviously depends on the evolution of the US economy, where most expatriate Salvadorans live.

Also in May 2016, **private consumption kept growing thanks to higher credits received from banks.** Just like the businesses, the households kept their bank financing costs stable (see the chart about interest rates) both for credits of more than a year and for mortgages.

Over the first half of 2016 inflation slowed down, after it had been rising since October 2015. Throughout May 2016, the Consumer Price Index recorded a monthly variation of 0.07 percent.

Annual inflation (0.73%) kept suffering from the adjustment of drinking water and sewage prices, despite the sinking price of electricity. At the end of June a price rise of 13%, starting from July 15 2016, was announced for electrical energy.

Public consumption rose by US\$19.9 million, with US\$3.0 million less acquisitions of goods and services compounded by higher salaries paid to the amount of US\$22.9 million.

Exports in May 2016 amounted to US\$484.8 million and a continued rise is to be expected over the course of the year.

Exports from the Inward Processing textile or assembly industries (maquilas) rebounded in May 2016, with US\$483.9 million worth of exports. US\$40.2 million more than May 2015, an annual growth rate of 9.1%. In terms of volumes, this sector saw an annual growth of 6.9%, representing 2.9 million additional kilograms. Most of the Inward Processing still concerns garments and electronic chips (93.5% of the total). Most of these industries export directly to the US (92.1% of total, US\$445.7 million).

The five main trading partners to which Salvadoran exports grew were: Indonesia, the United Kingdom, Taiwan, the United States, and Honduras; meanwhile, the biggest reduction in exports was registered with China, Canada, New Zealand, Australia and Nicaragua.

Thanks to sinking oil prices, the overall trade deficit was significantly reduced and reached US\$1,764.0 million.

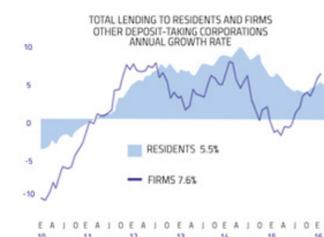
According to the World Bank, El Salvador



LIC. CARLOS CÁCERES
Ministry of Finance

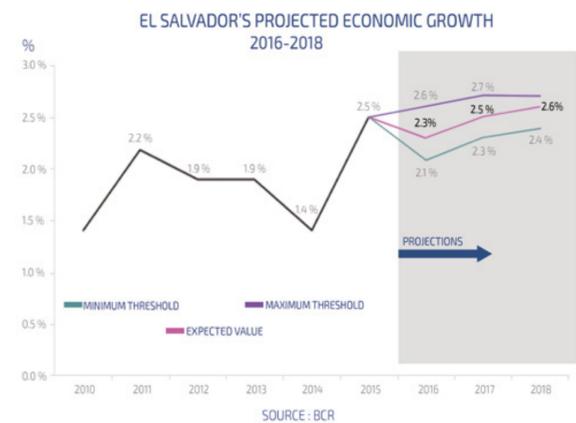
BFA offers 65 credit lines, covering well-known products such as coffee, sugar cane and livestock, but also niche ones like butterflies, lizards and beekeeping. Says BFA's President, Mrs. Vega Trejo: **"No other bank in this country will give producers this many options and our level of expertise.** Most of our advisors in this sector are agronomists specializing in finance."

Apart from the agricultural industry, BFA also looks after the small and medium enterprises (they represent 98% of Salvadoran businesses). Traditionally, this sector was not covered by banks. But BFA has expanded there, and it now represents around 45% of its portfolio. Says Mrs. Vega Trejo: **"I believe that the greatest achievement of my mandate has been to bring the bank into innovating market niches, such**



OTHER DEPOSIT-TAKING CORPORATIONS TOTAL LENDING PER SECTOR (MILLIONS OF USD AND PERCENTAGES)				
SECTOR	2015		2016	
	max	abs	max	abs
RESIDENTS	11,718.8	614.2	5.5	-
FIRMS	4,928.8	348.7	7.6	-
HOUSEHOLDS	6,635.0	273.1	4.3	-
PUBLIC SECTOR	195.1	7.5	4.6	-
NON-RESIDENTS	293.7	534	22.2	-
TOTAL	12,912.4	667.6	5.9	-

CREDIT BALANCES ACCORDING TO ECONOMIC DESTINATION (ANNUAL GROWTH RATES)		
ECONOMIC DESTINATION	2015	2016
Acquisition of residential property	2.9	1.8
Agriculture	7.5	8.7
Mining and quarries	5.5	-10.9
Manufacturing industry	-1.1	4.5
Construction	-10.4	-5.0
Electricity, gas, water and sanitation	28.3	27.9
Commerce	-1.8	5.6
Transportation, storage and communication	20.6	15.7
Services	-1.3	11.3
Financial institutions	7.3	16.6
Other activities	7.3	26.7
Consumption	9.7	5.9



ENVÍA TU REMESA A EL SALVADOR

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“EXCELLENT STRATEGIC SITUATION AND LEVEL OF DEVELOPMENT”

There are many reasons to be optimistic about the future of El Salvador's industrial sector, and indeed the International Monetary Fund (IMF) forecasts a GDP growth rate of 2.3% in 2016.

The small country boasts many assets: its geographical situation, its communication network and its dynamic and competent business leaders. In recent years, the Financial Times' investment journal FTI Intelligence has also classified El Salvador as the most cost-effective country in Central America. The workforce is young (58% are 39 years or younger). Companies which need to train their active workers can do so with the aid of the Salvadoran Institute for Professional Formation (INSAFORP, its acronym in Spanish), an autonomous governmental agency, which investors have found helpful to co-finance their employees' professional development.

The World Economic Forum's (WEF) Global Competitiveness Report 2015-2016 places El Salvador among the nations with the best infrastructure, both worldwide and more specifically in Central America. El Salvador stands out for the quality of its highways, its ports and its airport.

The country has a modern and efficient road network. The WEF has ranked El Salvador as the country with the best road infrastructure in Central America, and El Salvador International Airport (AIES) stands out as the best airport infrastructure in the Central American region.

The high-connectivity offered by the country's infrastructure is complemented by high-performance telecommunications and electricity markets. Multiple suppliers offer superior-quality services at competitive prices.

El Salvador also has a good port infrastructure for freight services, and The WEF report rates it the second best port infrastructure in Central America.

El Salvador holds great potential for renewable energies, especially ground source, sun and hydropower. In February 2016, Salvadoran electricity company Delsur published a solicitation to supply electricity distributors with the output of 150 MW of renewable energy plants. 100 MW of this will correspond to solar PV and the remainder goes to wind projects. This was the second solicitation for renewable energy projects in El Salvador, which could increase its solar capacity from 15 MW to more than 200 MW in the next three years, according to a report published last year by the National Energy Council (CNE).

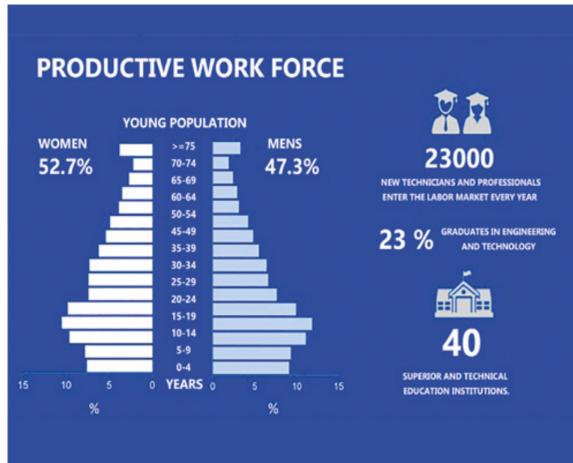
The service industry represents around 66% of GDP. The industrial sector as such represents 23% of total GDP. It produces chemical products (fertilizers), textiles and shoes, and treats metal. Important exports are coffee, ethanol, sugar, water as well as fish and seafood. They are followed by medicines, detergents and plastics. The most dynamically growing sectors are non-metallic minerals (14.2%), textiles and garments (7.0%), chemical substances (6.7%) as well as food, drink and tobacco (5.5%).

The abundance of cost-effective labor and the geographical vicinity to the US market have attracted many maquiladoras, Inward Processing textile or assembly industries,

which also benefit greatly from El Salvador's 15 free-trade zones. Maquilas represent an estimated 88,700 jobs.

El Salvador grants generous tax incentives to export-oriented manufacturing companies located in either Free Zones or Warehouses. Free Zones are industrial parks considered outside the national territory for fiscal purposes. Raw material or merchandise are imported free of taxes and tariffs. If a company - for technical reasons - is unable to operate inside a free zone, it can be allowed to operate as a Warehouse for Inward Processing and enjoy the same benefits.

The equivalent option for services are Service Parks: Limited areas considered to be outside of the national customs territory, where exporters of services are installed and operate under the benefits of this law. When a company - in an eligible activity specified by law - for physical or technical reasons is unable to operate inside a service park, it can be authorized to operate outside as a Service Center and enjoy the same 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 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.

U.S. companies exporting to El Salvador enjoy the extra benefit of the Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) with zero percent duty on U.S. consumer and industrial goods. CAFTA-DR reciprocally reduced tariff and non-tariff barriers for U.S. exports into the region.

Not surprisingly, El Salvador is a growing market for U.S. goods and services, which enjoy a solid reputation. Some of the top sectors



ING SERGIO CATANI
President of
CORINCA

for U.S. exporters in the Salvadoran market are: Automotive parts and service equipment, dental equipment, travel and tourism, and food processing and packaging equipment.

Licensing and franchise are common practices in El Salvador. Licensing is most commonly used for clothing brands. U.S. franchise concepts are common, and Salvadoran consumers have shown clear preference for U.S. franchises over local or other international franchise concepts. This applies to hotels, car rentals, accounting, fitness, mailing and shipping, real estate, training, and travel. Fast-food franchises and casual dining restaurants

an agricultural glue he called "Pegazón". This was in 1982, shortly before the Civil War which began in 1985. His glue won a government tender, and this was the beginning of the company, with three employees at the time.

When the guerillas began to threaten their safety out in the countryside, they decided to branch out into products that could be sold in the cities. It began with shampoos. Then, 14 years ago, the laboratory invented a product they called "DaVida", based on magnesium chloride. Mr. Larios explained: "I used it myself to cure my arthritis. This has been my star product. It still sells quite well and many people are aware of it. We receive a great number of statements from people who used it with great results and healed from all sorts of ailments. We share these stories on the radio".

Today Ainsa employs 85 people and bills between 1.5 million and 1.8 million USD per year. "DaVida" is registered in the US and FDA-approved, the patent is protected and Mr. Larios shares with the Miami Herald readers that he would love to find a professional partner to handle sales in the US.

In a totally different area, iron and steel production. Corinca's fifty year history is, again, a tribute to Salvadoran entrepreneurs.

Since January, 1966, Corinca's founding partners, enterprising and visionary citizens, demonstrated that they were men with a temperament of steel. During the dangerous war time, the factory was always respected by the guerrilla, who knew that it was the region's main employer. The next challenge was the earthquake in 1985, which had its positive side for Corinca, as it was able to showcase the quality of their products.

Today, 50 years after its foundation, constant efforts and endless working hours resulted in a company as strong as the steel it makes.

"I am honored to be chairing a company as prestigious as CORINCA, said President SERGIO CATANI PAPINI, especially this year, as we celebrate its 50th anniversary.

This major celebration is also the result of our clients' trust, those clients who, for half a century, have put their faith into the unsurpassable quality of our products. Thanks to this trust, together with them we have contributed to El Salvador's growth. Important works of infrastructure such as buildings, roads, malls, residential projects, and many more, were built thanks to our iron and steel products. I also specially thank all our employees, who day after day build relations marked by loyalty, friendship and care towards our company. I congratulate them for their firm promise to work with dedication and responsibility to deliver our products with their unrivalled quality, just as our founders and the first workers did in 1966."

There are around 500 people working for Corinca today. The factory is divided in three areas: the actual steel mill, where steel scrap is melted, then the lamination area, and finally an additional plant making galvanized wire.

In 2015 Corinca billed USD 74 million, for 2016 the estimate is USD 66 million, due to the fact that the material's price has plummeted. Selling 107 thousand metric tons would represent a growth rate of 6% compared to 2015. For this to happen, there need to be investments in the construction sector in El Salvador, as the company's growth stands in direct proportion to a growing GDP. Mr. Catani is optimistic, having witnessed his company overcome so many challenges. Salvadorans are hard-working people and he believes in his country's future.

“CENTRAL AMERICA'S LOGISTICAL HUB”

El Salvador increasingly sees itself as the "logistical hub of Central America", thanks to its infrastructure: ports and airport, as well as tax incentives for manufacturing, logistics and distribution. Its central location in the Americas and Free Trade agreements guarantees good access to the biggest markets - United States, Asia and Europe.

"El Salvador is constantly making great efforts to modernize and strengthen its infrastructure. It's actually a characteristic which many investors point out regarding our country: the quality of its roads, ports, airport, and the efficient connectivity we offer", explained the chairman of El Salvador's export agency (PROESA), Sigfrido Reyes.

Furthermore, a new tank will operate on the premises. Installing a new wireless network will guarantee the best dispatching of information for shipping companies, consignees, handling companies and the port itself. New leisure areas will be created there as well, through a \$2.4 million investment, one of them being the new "Malecón Acaxual", a waterfront complex, close to 250 meters in length, with restaurants, green areas and parking for over 200 cars.

"PROESA is very pleased that CEPA is leading the modernization process of the Port of Acajutla, since over 25% of our international trade transits through this port every year, counting both imports and exports", underlined PROESA chairman Sigfrido Reyes. "It is vital that our entire system of ports and airports and everything that revolves around entering and exiting the country regarding our international trade be maintained at optimum level in terms of technology and efficiency", he added.

In 2015 Acajutla port mobilized 4.61 million tons of cargo, generating around USD 41 million. Its



The World Economic Forum's (WEF) Global Competitiveness Report 2015-2016 places El Salvador among the nations with the best infrastructure, both worldwide and more specifically in Central America. El Salvador International Airport (AIES) stands out as the best airport infrastructure in the Central American region.

One of El Salvador's main goals as part of its growth strategy is to position itself as an international hub for logistics and regional distribution, through the development of logistic platforms and international services.

The country's main highways, considered by the WEF to be the third best in all of Latin America, belong to the Central American network "Red Internacional de Carreteras Mesoamericanas" (RICAM), which connects the main production and distribution centers of all the neighboring countries from the Panama Canal to the US border in Texas.

The two main ports are Acajutla, recently modernized, and La Unión. El Salvador has a competitive edge over its neighbors in this regard, and intends to keep it by investing heavily in the expansion of these ports. This is the mission of the autonomous port authority Comisión Ejecutiva Portuaria Autónoma (CEPA). "CEPA is giving a major impulse to the modernization efforts of El Salvador's main port. The merchandise moved in our port is valued at USD 4,000 million. This is why we are modernizing Acajutla in particular - we view it as a modern challenge", assured CEPA's President, Nelson Vanegas. According to data from CEPA, the new equipment allows to transfer bulk goods more efficiently.

operation involves the direct participation of over 60 companies and generates around 7,500 direct jobs as well as 60 000 indirect ones.

In total, US \$26.7 million were invested in port and airport logistics, of which \$15.6 million were destined to projects concerning the airport, Aeropuerto Internacional de El Salvador (AIES), like a change in the radar systems, runway resurfacing, and increasing the various passenger areas. Four new boarding gates are planned, and new remote parking spaces, which will allow to receive 500,000 passengers more every year.

In 2015, AIES airport's increase in passenger and freight transport was over 11%. To acknowledge this, a large new departure area for families to say good-bye (Sala de Despedidas) was inaugurated on the third floor, as well as a new radar system and free wifi, and a contract was signed with the world's second-ranking airport worldwide in terms of mobility, Atlanta Hartsfield-Jackson, to raise the service level. A special welcoming area (Plaza de Bienvenidas) is currently under construction.

The international hub AIES benefits from an excellent location with a sea-level landing strip, the largest in Central America. It is also the only certified airport in the region, complying with ICAO norms thanks to its specialized security system. It serves as the hub for AviancaTaca airlines. ICAO rated it the fourth most secure airport in the Americas, after Canada, the United States and Nicaragua.

Within the grounds of AIES, the airplane maintenance company Aeroman is recognized worldwide for the quality of



ING. Nelsol E. VANEGAS
president of
CEPA

its work, which is beneficial for the airport's internationalization process. Planning and Technical Secretary Roberto Lorenzana explained that the new government had already completed 479 works of infrastructure in the first two years of its mandate, including roads, housing and transportation, amounting to US \$304 million. Likewise, US \$52.6 million were invested in the Acajutla-Sonsonate and Chalchuapa-Jerez highways; and US \$86 million to maintain 6,384 kilometers of roads.

One of the star projects is the capital San Salvador's commuter line SITRAM55, which already carries 350 000 passengers per day under perfect security conditions and with wi-fi at the bus stops (and soon in the buses themselves).

The country's shared vision, uniting the public, private, academic and civil society sectors, is summed up in its Integrated Mobility and Logistics Policy. The vision is to turn El Salvador into a strong, competitive exporter with a high human development.

CEPA's president was happy to report that more foreigners have shown themselves to be interested in El Salvador in recent years, both for business and for transit purposes, so that CEPA put special efforts into improving the conditions at the Ilopango terminal (Ilopango is part of San Salvador, a few miles East of the capital and next to a lake bearing the same name). Over the course of five years, the terminal has shown a steady growth of 13.4% per average between commercial operations, flight schools, and both civil and military uses. At present CEPA operates flights to three Central American destinations: Guatemala, Tegucigalpa and Roatán; With the current expansion process, two more are planned: Belize and Managua.

El Salvador's President's vision is to transform the country into a place full of opportunities to grow and to thrive.

CEPA Impulsando el progreso de El Salvador

CEPA IMPULSANDO EL DESARROLLO DE EL SALVADOR

EN LA PLATAFORMA LOGÍSTICA DE PUERTOS Y AEROPUERTOS

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168 PROYECTOS EJECUTADOS

CEPA SV



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INGENIERO IVAN NAVARRO
Chairman of
AIR SUPPORT GROUP

Engineer Ivan Navarro, Chairman of AIR SUPPORT GROUP, points out that the Salvadoran aeronautical sector needs further investments focused on airports: "the Port Authority carefully listened to the concepts brought forward for the development of the hub by Avianca in its time, which were implemented, especially when part of the operations came here and they noticed the growth this brought.

The Port Authority is working on expanding landholdings and endeavors to regulate the timetables; they aim to ensure a more efficient use of the airport, beyond Avianca's recommendations".

AirSupport has managed to expand against all odds, despite the fact that El Salvador does not offer specific training facilities for its type of work, meaning that the company had to come up with ways to obtain the skillset it needed. The company's biggest step took place in 2003, when they acquired their first client for passenger handling, Copa Airlines, a very effective and well organized airline from which Air Support learnt a lot. Step by step, as other airlines were added to their client base, they gathered more practical experience. But they also took the time and went abroad to train, in order to acquire additional skills.

Over time, this allowed Air Support to keep expanding its range of products, and nowadays it offers handling services including parking procedures, unloading, loading, aircraft clearance, and passenger related services such as seat assignment, boarding passes, baggage registration, and maintenance. Air Support maintains the 7 airlines that use Aeroman, which gives them preventive maintenance. Air Support handles corrective maintenance, giving them a comprehensive review as they arrive, correcting where needed, and dispatching the aircraft. And it handles the entire cargo operation, which is significant.

As far as the relevance of the North American market is concerned, M. Navarro confirms that North American airlines are a definite priority, and that there is a whole category of private flights which regularly come from the US. He sends a welcoming message to potential investors: "We really intend to receive more firms like them, because we believe that what will happen is that our company will keep growing southwards, especially towards Costa Rica, where we can find most North American companies. They are not coming to El Salvador yet because of the consolidation of the airline industry. I am not sure they will come from the US yet, but they will come from neighboring countries".

Which is why he is active in those countries, and exploring options there. Years of experience have led him to firmly believe in the unique industriousness and creativity of the Salvadoran workforce. He is launching an appeal to foreign investors, hoping they will create large-scale employment opportunities, because he is convinced that their efforts will find an echo in El Salvador, where people, against all odds, are really eager to work. Mr. Navarro concludes that "if we can find one or two big projects which generate this critical mass of employment, we will be able to send out the right message to the whole world."

ASG AirSupport Group

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Over the past years, El Salvador has become a country with an expanding and flourishing tourism market. Mr. Duarte, what do you think your country needs in order to play an even more active role in this sector? How can the touristic offer be enhanced?

As minister of Tourism, I participate and discuss openly in several forums which include important international tour operators, and we certainly don't want to ignore the situation as it is, but rather to face any challenges upfront with the right arguments. My best argument is that if our country weren't a promising destination, then it would not have experienced the kind of growth we have seen over the past years, and income from tourism would not have been maintained. Everything indicates that we are currently growing at a sustainable pace, by an average of 4% annually over the past 7 years, which is clearly sending a positive message.

There are various concepts regarding the touristic offer, it's not about changing the perception of it but really about bringing interesting results, and we are delivering them. There is major work being undertaken regarding infrastructure, roads, coordinating transport logistics in the capital San Salvador and the national development hubs.



Hotels are being built in cooperation with both Salvadoran and international investors, for example the Fairfield hotel, which represents an investment of USD 14 million and will be ready next year. We are also building a Marriot hotel, two malls and a big touristic development hub. The Barceló franchise is also on its way back in after a four to five year's absence, we're happy to welcome them back. This is a great success, because they will not only be present in the capital but also in other cities.

There are other very interesting investments, on a smaller scale, but more specialized, first and foremost in the gastronomical sector. For example the El Cuco route, where we are investing around USD 150 000 of public money, and this generated around USD 7 million in private investments - basically people were waiting for the government to make a commitment before they moved to realize their plans. We also invested in another route called Boquerón which highlights Salvador's extraordinary volcanoes, this in turn has generated USD 11 million in investments. With just these two routes we stand at the USD 18 million in investments, plus the three afore-mentioned hotels, so the total sum of investments is

currently over USD 100 million.

On top of that, there is the airport's infrastructure, with USD 30 million worth of investments, and let's not forget the port and the energy grid.

There is also an interesting wave of international projects with a touristic focus, which are worth around USD 40 million.

Visitors stay an average of 5.2 days in El Salvador. The South American markets keep growing, especially Brazil, Colombia, Peru, Chile, which we are now accessing. And then Mexico, Canada and the United States are the ones we aim at, apart from our Central American neighbors who represent an interesting volume of tourists.

The tourism sector represents 4.8% of El Salvador's GDP, in 2015 it generated around US\$1.107 million in revenue. For this year authorities are projecting to exceed this and reach US\$1.200 million, representing a growth rate of 4%.

In 2015, a total of 1,97 million de people visited El Salvador, most of them from Central America. Another 9% came from Europe, 5% from South America and 40% from the United States.



Mr. JOSÉ NAPOLEÓN DUARTE
Minister of tourism
Government of EL SALVADOR

Tourism is part of this country's challenge to succeed and is cooperating with other sectors as well, because tourism is a transversal process, it overlaps with health, education, economics, social issues, security. We have our say in each of these sectors.

In the health sector, we are implementing medical tourism which so far produces USD 20 million, starting from scratch, we have a team that focuses solely on this and we are attending our second trade fair with all our available resources and entrepreneurs.

In education we have a training and assistance program, which works towards the internal tourism programs. In the social sector we focus on cultural tourism which comprises 14 national parks. The security aspect covers our work with the tourist police, which is generating an important mechanism.

We have also invested in infrastructure and connectivity, we are reorganizing the air traffic connections, with links towards Europe, the South, Central America, the Caribbean and the United States. Then there are the transversal projects to develop international markets, we call this campaign "vive tu país".

There are systematic programs mentioned by the United Nations, such as "pueblos unidos" (United people) which is 7 years old and has generated USD 150 million over that time. We have energized the national tourism industry with a positive effect on the economy.

The other element that hardly gets mentioned is that we have managed this government Secretariat in a truly collaborative way, working with all political parties and across sectors. This is part of our success; to work with everyone gives us a chance to understand the different profiles much better and to know where we need to act. It's important to create a positive atmosphere to favor consensus and avoid polarization, which is never good for development. This is the vision and the challenge we are implementing.

We are currently working on a project with CEPAL (Comisión Económica para América Latina y el Caribe). There is also a BID (Interamerican Development Bank) program which allows us to generate an additional USD 25 million in investments which will benefit 11 communities in two territories by building a development hub.

Over the coming two years we will implement large-scale projects to strengthen the offer in the tourism sector. The focus lies on Puerto La Libertad, Plaza Marinera, the National Park which we will transform into an international ecotourism park, we are going to have a magic forest, there will be treatment plants, the entire area will be developed. The whole plan includes 42 projects.

Please tell us more about your promotional campaign at international level. How do you implement it, and who are you hoping to reach?

Our international strategy contains over 35 projects world-wide. I would love to have more time to go to more countries and be more present elsewhere, but we only have limited manpower and financial resources to travel abroad.

To give you an idea, our budget produces over 50 times its worth. Because our budget is limited, we really choose our destinations well, we have business roundtables for South America, North America and Europe. We have acquaintance events, touristic caravans, international trade fairs, ministerial visits. When I go to other countries, I generate a different dynamic from that of a trade fair, because I'll be in touch with authorities, businesspeople, all sorts of representatives and forums, to find out what they know about El Salvador. With the businesspeople we operate important events, recently we came back from Chile which was a successful trip, soon we are travelling to New York and Washington.

Involving our entrepreneurs is very positive, they're the ones who will be putting in all the hard work, we want to encourage people to give their best. On those promotional trips they don't mind doing any part of the work, they'll be helping to set up the exhibition stand, including decoration and any details, it's been a lot of work over the past years and the entrepreneurs themselves have been surprised by the results we have achieved.

After Central America, your most important market is North America, and those visitors' main motivation is the beaches. Until October 2015, a total of 354,253 people from North America came to El Salvador as tourists, that's 2.8% more than in 2014.

How important is the tourism from North America for El Salvador?

Well, North America represents 36% of our visitors. We offer several niche markets: health tourism, conferences, holidays, specialized trade fairs. This is a crucial market because these visitors come by plane. There are 500 000 tourists coming from the United States, of which 200 000 are of Salvadoran origin, they form an important group.

What do you think are the most important investment opportunities in El Salvador in the tourism sector, which ones would you like to highlight for possible investors from the United States?

There are several, starting with the 19 touristic routes focusing on our products: mountains, cities, beaches; 52 national circuits and 7 development hubs. Some places are not up and running yet, but this year and the next we'll complete them.

We have 52 videos to show and 52 more specific ones for individual cities for people to get to know them, and if they would like to visit, we'll provide them with all the information they need. We are also going to start more development hubs such as Puerto La Libertad.

When you believe in what you are doing, the key is to translate the emotion and the dream into reality, give it context, and send a message to the people to tell them that we can meet this challenge. In 2009, people said they'd expect me to last 3 months as a minister, but here I am as one of the most senior members of the cabinet.

What are your final comments regarding El Salvador and its huge potential, what would you like to share with The Miami Herald's influent readership?

I want them to come and experience this beauty. We have thermal waters, waterfalls that are 25 meters high, caves, touristic routes, night-time markets, shopping trips, mountains teeming with wildlife, where people can relax whilst sharing a rich spiritual experience amidst nature. We'd like to share our enthusiasm so that people will come and visit El Salvador, it really is a special place and my allies are people like yourself, who enjoy this country and share their appreciation through social media or friends and family. We are investing in advertising both in the US and in Europe.

If all keeps going well, by 2030, we should be receiving 4 million tourists per year.



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You can set sail, climb impressive volcanoes, enjoy extreme sports, discover beautiful cities, immerse yourself in Mayan culture, or visit historic towns. Come and explore this magical place.

Indigo Route, Boundless Adventure provides tourists with the opportunity to get involved deeply with the local people and to release their emotions through adventurous activities, soaring through the skies or facing the different obstacles that sport options that this tour provides.



This tour integrates relaxation produced by high views in the mountains with the practice of soft adventure activities, combined with the interaction with local communities to carry out activities in craft workshops. The experience is complemented with a visit to quiet, colonial, rustic and quaint villages characterized by the hospitality of its inhabitants.



San Ignacio has one of the highest peaks in El Salvador, Cerro El Pital, which rises 2,735 meters above sea level; the zone offers very good options for relaxation and for adventure circuits in mountain bike. In La Palma one of the activities not to be missed is playing the "Paintball" strategy game, where you can experience the adrenaline rush of the action and adventure in a field surrounded by a natural environment. Cinquera offers an interesting journey, a place full of biological and historical wealth. For extreme adventure lovers, Ilopango Lake becomes now the natural scenario for a trip through the skies, where you can experience pure adrenaline. We invite you to visit the artisanal workshops in Suchitoto and learn the Indigo dyeing techniques. Ilobasco is known among Salvadorans for the creative miniatures figures, decorative and practical ceramics made of mud. Within the tourism options offered by San Sebastian, we invite you to learn about the interesting textile process, visiting workshops where you can operate a loom and participate in this peculiar process of creating an artisanal textile pieces.



Live the Boundless Adventure in El Salvador.

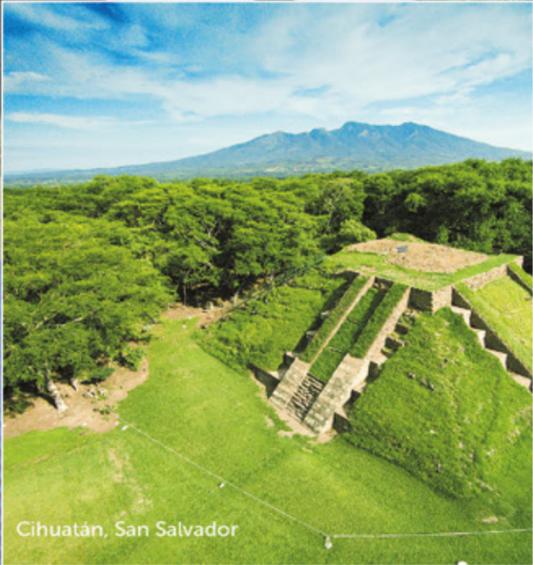
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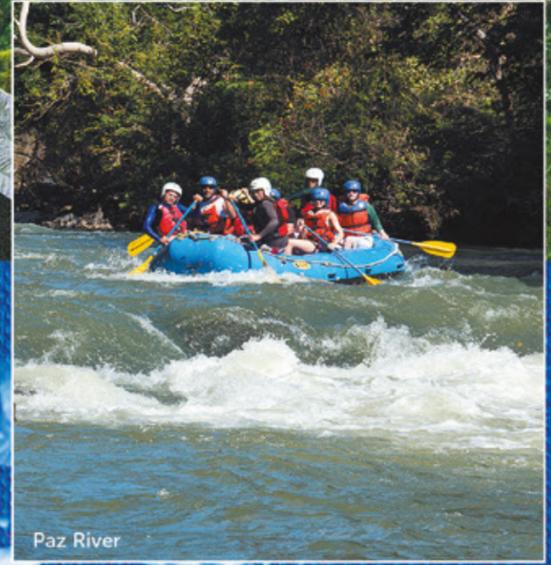
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